

EDDIE ROCKET'S FRANCHISE

Setting up a franchise restaurant in Helsinki

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Thesis

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ABSTRACT

Eddie Rocket's is a successful franchise chain of 1950's American style diners from Ireland. In the last 18 years it has expanded to 28 locations in Ireland as well as United Kingdom and Spain. The purpose of this thesis is to investigate if there is potential for an Eddie Rocket's diner in Helsinki, Finland.

This question is approached through industry analysis, marketing research and segmentation. The thesis is divided into two main sections; theories and case study. The theory part introduces Michael E. Porter's Five Forces as well as Philip Kotler's theories on marketing research and market segmentation. These theories were chosen for this thesis because they provide well balanced structural models for analysing the industry and markets.

The case study then explores the catering industry in Helsinki, potential markets as well as the competition environment in the area. Information and statistics for the case study are gathered as secondary data from various publications as well as Internet sources. The case study also provides a marketing plan and introduces the key suppliers. External and internal risks for Eddie Rocket's are also covered. The financial plan is for the first operational year of the restaurant and provides detailed information regarding the cost structure as well as estimated sales. These are necessary to determine the profitability of the company.

As a conclusion the franchise model of the business will be beneficial for Eddie Rocket's in Helsinki as the franchisor's knowledge and know-how are more valuable than the full decision power when starting an independent operation. The economic aspects in Finland are positive; people have more disposable income in their usage and leisure time expenditure is on the rise. The catering industry in Finland is growing on annual basis and trend is expected to continue. This industry set provides an attractive starting point for the business and there is a lot of market potential to attain. The core competencies for Eddie Rocket's are service, products and the outlook of the physical premises. These need to be communicated clearly in the marketing strategies. Brand building needs to be successful in order for Eddie Rocket's to succeed.

Key Words: Eddie Rocket's, franchising, catering industry, industry analysis, competition, target segment

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TIIVISTELMÄ

Eddie Rocket's on menestynyt amerikkalaistyylinen 1950-luvun ”diner” franchise-ravintolaketju Irlannista. Ravintoloita on perustettu viimeisen 18 vuoden aikana 28 kappaletta Irlantiin ja Isoon Britanniaan sekä yksi Espanjaan. Tämän tutkimuksen tarkoitus on tutkia onko Eddie Rocket'silla potentiaalia menestyä Helsingissä, Suomessa.

Tutkimuskysymystä on lähestytty toimiala-analyysin, markkina-tutkimuksen ja kohderyhmän valinnan kautta. Työ on jaettu kahteen osioon; teoriaan ja tutkimusosioon. Teoriaosuudessa esitellään Michael E. Porterin Five Forces teoria ja Philip Kotlerin markkinatutkimus- ja segmentointiteoriat. Nämä teoriat valittiin tämän tutkimuksen teoriapohjaksi, koska ne tarjoavat tasapainoisia ja hyvin rakennettuja malleja toimiala- ja markkinatutkimukseen.

Tutkimusosio tutkii ravintola-alaa, markkinapotentiaalia ja kilpailu ympäristöä Helsingin alueella. Materiaalit ja statistiikka on kerätty käyttämällä sekundääristä tietoa moninaisista kirjallisuus- ja internetlähteistä. Tutkimusosiossa myös esitellään markkinointisuunnitelma ja pää tavarantoimittajat. Eddie Rocket'sin potentiaaliset ulkoiset ja sisäiset riskit on myös käsitelty. Tutkimusosion rahoitus- ja myyntisuunnitelma on tehty yrityksen ensimmäiselle toiminnalliselle vuodelle sisältäen yksityiskohtaiset kululaskelmat ja arvioidut myyntilaskelmat. Nämä laskelmat ovat tärkeitä yrityksen kannattavuuden arvioinnissa.

Tutkimus paljasti, että franchise liiketoiminta on perustettavalle yritykselle hyödyllistä koska franchise ketjun tuoma tieto ja tieto-taito ovat arvokkaampia kuin täysi päätäntävalta yrityksen asioita koskeissa asioissa. Kansantaloudellinen tilanne Suomessa on hyvä, sillä ihmisillä on enemmän käytettävissä olevaa ansiota ja rahankulutus vapaa-aikaan on nousussa. Ravintola-ala kasvaa Suomessa vuosittain ja tämän trendin uskotaan jatkuvan. Tämä toimialasuhdanne luo houkuttelevan aloituskohdan yritykselle ja ravintola-alalla on paljon markkinapotentiaalia tukea aloittavaa yritystä. Eddie Rocket'sin voimakkaimmat kilpailukyvyt ovat palvelu, laatutuotteet ja toimipisteen ulkonäkö ja viihtyvyys. Nämä kilpailukyvyt pitää onnistua viestimään selkeästi markkinoinnin avulla ja ravintolan brändi-imagon luomisen pitää onnistua, jotta Eddie Rocket's voi menestyä.

Avainsanat: Eddie Rocket's, franchise liiketoiminta, ravintola-ala, toimiala-analyysi, kilpailu, kohderyhmä

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1. INTRODUCTION

Since the beginning of our studies we both have felt that entrepreneurship is our true calling. For a few years now we have pondered between possible business ideas and dreamed of starting a business of our own. Now as our studies are finishing, we decided to explore one of our ideas further and find out the actual potential for it. The catering industry felt like a natural choice as we both have years of experience in that area and we have experience and knowledge of how the industry works. We both now live in Dublin, Ireland and we have been strongly influenced by the local business life and culture. Ireland has many things to offer that can not be found in the Finnish market. We would like to bring one of the biggest Irish success stories to Finland and offer something different to the Finnish consumers. We would like to introduce Finland to Eddie Rocket's from Ireland.

1.1 Objectives of this study

The object of this study is to determine if there is a potential market for Eddie Rocket's franchise restaurant in Helsinki, Finland. While living in Dublin we made an observation of the immense popularity of Eddie Rocket's diners which evoked a question of the possibility of bringing this success story to Finland. Now we needed to explore the options and methods how to approach this potential business venture. We chose the catering industry and Eddie Rocket's because there is a great potential in creating a successful and profitable business in this industry in the Finnish market. Eddie Rocket's was chosen due to its distinctive business idea and brand.

Our research questions for this thesis are "Is there a potential market for Eddie Rocket's franchise in Helsinki Finland?" "Is there potential to make a profitable business with Eddie Rocket's in Finland?"

1.2 Methodology

We used exploratory and descriptive research methods to compile this study. This study is based on collections of secondary data. The data was collected from variable sources including previous marketing research studies, various Internet publications, catering industry trade publications, books on marketing theories and statistical data from the Internet. The data was collected between December 2007 and March 2008. The data was collected by searching through different materials and picking the most valuable information to use in this study. We chose this research method as this provided us with most useful information and this kind of research was time efficient to use. Other forms of research as interviewing and collecting primary data through questionnaires were not used as we did not have the resources to do those and these methods would not have served the study objective. All in all, we found empirical research un-necessary at this stage of the project.

All data collected was viewed critically and only governmental sources were accepted without a confirmation from another source. The data was analyzed in comparison to other researched materials and conclusions were drawn from these. We used PEST, SWOT, TOWS, Porter's Five Forces as analyzing tools for the material found.

1.3 Limitation

We have divided the theory part into three different sections; marketing research and segmentation, industry analysis and franchising. The limitation of these sections was done in the following manner:

Franchising

The franchising concept is introduced and the main aspects are described. We limited the scope to cover the basic features. We felt that this was adequate and appropriate information to explain the company form that we have chosen.

The reason why other business models were not covered is that Eddie Rocket's solely operates as a franchising business and there are no other possibilities for setting up this restaurant.

Market research and segmentation

The market research theory is mainly confined to presenting the secondary data research. We chose to do so in this thesis as all the information used is based on secondary sources thus making this limitation reasonable. The main concepts of marketing research process and the criteria for making a good study are handled in this part. Some of the tools for interpretation of marketing data are also presented. The reasons, methods and criteria for segmentation are discussed in the latter half of marketing theory. The segmentation is restricted to the main segmentation criteria excluding detailed description of consumer behaviour theories. We decided to leave this part out as the purpose of this work is to map out the potential consumer segments and not create detailed consumer profiles for strategic marketing purposes. Targeting and positioning are introduced as well but without going into great detail as the goal of the study is to study the market area and not create a marketing plan for the business.

Creating a detailed strategic marketing plan and the final composition of marketing mixes are not included in the theory due to the reason that Eddie Rocket's is a franchise business and all the marketing mix related issues are decided by Eddie Rocket's management. We will be able to make suggestions for them according to our market research findings but we would not be making any of the decisions.

Industry analysis

The industry analysis theory is based on Porter's Five Forces framework. We decided to use this method as this framework provides a dynamic model of the industry. The theory is solely limited to Porter's because this gives a clear view of the industry in question thus creating a strong foundation for the analyses.

Case study

Limitation of the case study follows the same pattern as the theory part. The case study consists of: introduction to the business idea, analyzing the industry and market using the theoretical research material as the structural basis, introducing the main competitors and analysing their operations, basic structure for the marketing mix and marketing plan, supplier introduction and logistical plans, risks for the business, financial plans and evaluation and finally the future forecast and conclusions of the case study. This composition was chosen as this provides sufficient and adequate cover over the research question.

1.4 Theoretical framework

The chosen theories and their relation to our case study are illustrated below.

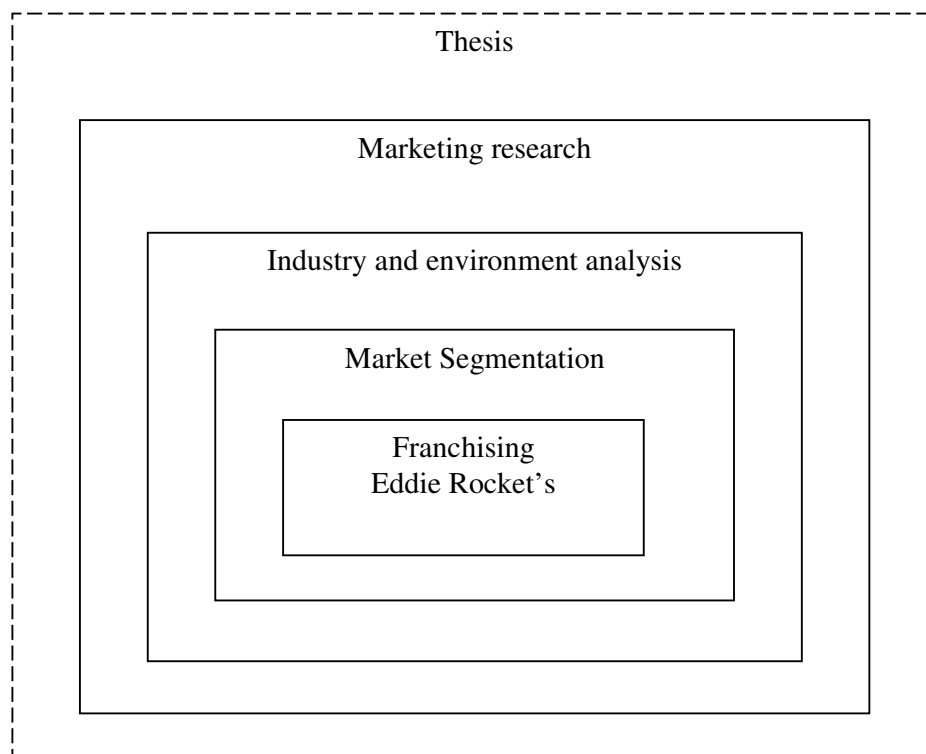


Figure 1. Theoretical Framework of the thesis

The core of this study is setting up Eddie Rocket's franchise business. The theoretical framework is built to support the core objective and provide relevant information for it. The information, data and the methods of collection are based on the marketing research theory by Philip Kotler. We chose Kotler's theory as it gives a very profound and clear structure for data collection. Kotler's theory was also used as a basis for the market segmentation. We feel that Kotler's contribution to the modern marketing theories has been powerful as he revolutionized the perception of strategic marketing with his theories. Many other authors and researchers have based their theories on Kotler. These research works were also used as reference sources in this study but ultimately all the theoretical background is based on Kotler's work.

The industry analysis is based solely on Porter's Five Forces theory. Other sources are used in assessing this theory but the actual industry analysis theory is from Michael E. Porter. We chose Porter's Five Forces framework as it is one of the most used tools in strategic marketing planning for industry assessment and his work in general is highly valued in the marketing field. The environment analysis is based on the PEST analysis structure.

1.5 Obstacles faced

This thesis project was faced with a few issues creating difficulties. Time management was one of the straining factors for us as we both have fulltime jobs. The time for the research for this thesis was limited which created stressful situations. Finding suitable information and sources was challenging on occasions. Especially market research data of the market shares and profitability of the other restaurants was impossible to find with our resources. This problem existed throughout the whole study and it had an effect on the accuracy of industry and market analysis. Variable material for the theory part was hard to find as most of the authors base their writing on the writings and theories of Porter and Kotler. Also getting information from Eddie Rocket's itself was proven to be impossible. The answer they gave us was that they need to see a business plan with market research study before they will give out detailed franchise set-up information.

In a way this suited our purpose of this study and the general information about Eddie Rocket's franchising is very well explained in their web sites.

Our current location, Dublin, also created certain problems in connecting with the studied market area. There was no option to perform empirical research of the subject. This lack of intercommunication was overcome by focusing on the researched secondary data and broadening the scope of data search.

The used data was carefully weighed for its value and back up sources were used to confirm the accuracy of the data.

1.6 Structure of the study

This study is divided into two main sections; the theory and the case study. The selected theories are presented first as this builds the foundation for understanding the case study. The case study itself is divided into six sections each explaining one important aspect of the work. The case study starts with a company description followed by industry analysis of the catering business in Helsinki. The next covered topic presents the market and trends based on statistics of Helsinki. This is followed by competitor analysis and brief marketing mix analysis. Then the study moves on to logistics operations and supplier introduction. Finally the sales and financial aspects are discussed.

Finally, something motivational:

"The critical ingredient is getting off your butt and doing something. It's as simple as that. A lot of people have ideas, but there are few who decide to do something about them now. Not tomorrow. Not next week. But today. The true entrepreneur is a doer, not a dreamer."

- Nolan Bushnell, founder of Atari and Chuck E. Cheese's

(Thinkexist.com No year, www.thinkexist.com.)

2 FRANCHISING AS AN ENTRY MODE

"Of the many forms of business relationships between independent business-partners organised in a network, franchising is the most sophisticated both in its business concept construct as in the scope and quality of the franchisor-franchisee relationship without which a franchise system cannot succeed in the long-term. When all of these elements are combined together, we can speak of "authentic and ethical franchising". (Pierre Jeanmart, Chairman of the European Franchise Federation. 2008, www.eff-franchise.com.)

Franchising is a method of doing business where a franchisor authorizes proven methods of doing business to a franchisee for a fee and a percentage of sales or profits. It is a method of product or service distribution that is governed by a contract. It is important to remember that in franchising a person is tied into a partnership arrangement for a defined period of time. (Wikipedia. 2008a, www.wikipedia.org.) Franchising is paying for the work someone else has already done in developing a successful business model, marketing strategy, and superior operations efficiencies. (McGarry No year.)

A franchise agreement will usually specify the given territory the franchisee retains exclusive control over, as well as the extent to which the franchisee will be supported by the franchisor. The franchisor typically earns royalties on the gross sales of the franchisee. Franchisees must pay royalties whether or not they are realizing profits from their franchised business. Cancellations or terminations of franchise agreements before the completion of the contract have serious consequences for franchisee. The franchisee is liable to pay for the lost profits and royalties that the franchisor might have lost due the termination. (Wikipedia. 2008a, www.wikipedia.org.)

2.1 The primary goals and responsibilities

Primary goals for franchisor

A franchisor seeks to duplicate, as many times as possible, a tested and successful business system with a network of independent partners. Each franchisee is the owner of his franchised business, and is legally and financially independent of the franchisor and of the other franchisees in the network. During the term of the franchise contract, the franchisor provides his know-how and assistance to the franchisees with the purpose of increasing their opportunity for running their franchised business efficiently and profitably. (European Franchising Federation. 2008, www.eff-franchise.com.)

The main responsibilities for the franchisor

The franchisor is responsible for developing and constantly improving the franchise business's concept so as to ensure the credibility, quality and notoriety of the brand on the market. Constantly improving the franchise package offered to the franchisee which includes; seeking and guaranteeing better purchasing prices for goods and services and optimising management and sales skills through on-going training. The franchisor is also responsible for organising national or international advertising campaigns. Important part of the responsibilities is also steering the business's overall development strategy in order to maximize the business profits for themselves and at the same time for the franchisee as well. (European Franchising Federation. 2008, www.eff-franchise.com.)

The primary goals for the franchisee

A franchisee's principal motive in joining a franchise network is to be in business "for yourself, but not by yourself" and thus improve chances of success as an independent entrepreneur by having the back-up of a tested system.

This increases survivability in the first years of setting up the franchised business, as well as greater chances of rapid expansion since the franchisee concentrates principally on his own role within the franchise. (European Franchising Federation. 2008, www.eff-franchise.com.)

The Main Responsibilities of the Franchisee

The most important responsibilities for the franchisee is to guarantee the customers the best possible service, optimise the sales force and results. While respecting the principles and manner of operating of the franchise business as defined in the franchise contract, which includes respecting the common identity and reputation of the franchise network, and the confidentiality of the business know-how transferred. (European Franchising Federation. 2008, www.eff-franchise.com.)

2.2 The advantages and disadvantage of franchising

Quick start

As practiced in retailing, franchising offers franchisees the advantage of starting up a new business quickly based on a proven trademark and formula of doing business, as opposed to having to build a new business and brand from scratch.

Expansion

After their brand and formula are carefully designed and properly executed, franchisors are able to expand rapidly across countries and continents and can earn more profits and royalties. The franchisor may choose to leverage the franchisee to build a distribution network. Also with the help of the expertise provided by the franchisors the franchisees are able to take their franchise business to that level which they wouldn't have had been able to without the expert guidance of their franchisors.

Training

Franchisors are required to offer training for the franchisees so they are able to follow the company methods of operation and maintain the original business image as correct and intact as the original. The training and counselling must continue until the franchisee has been able to sustain a steady business flow from the new franchise. Training is not free for franchisees, it is either supported through the traditional franchise fee that the franchisor collects or the franchisee will pay for it separately or will study and train on their free time without no salary. (Wikipedia. 2008a, www.wikipedia.org; Suomen Yrittäjät. 2008, www.yrittajat.fi.)

Control

For franchisees, the main disadvantage of franchising is a loss of control. While they gain the use of a system, trademarks, assistance, training, marketing, the franchisee is required to follow the system and get approval for changes from the franchisor. For these reasons, franchisees and entrepreneurs are very different. Franchisee is renting or leasing the opportunity, not buying a business for the purpose of true ownership. The franchisor is obligated to inform the franchisee of all possible changes and alterations that concern the franchisee and their business. The franchisees can't sell the business but they propose a new candidate to the franchisor to continue the business for them. (European Franchising Federation. 2008, www.eff-franchise.com; Suomen Yrittäjät. 2008, www.yrittajat.fi.)

Price

Starting and operating a franchise business carries expenses. In choosing to adopt the standards set by the franchisor, the franchisee often has no further choice as to signage, shop fitting, uniforms etc. The franchisee may not be allowed to source less expensive alternatives. Added to that is the franchise fee and on-going royalties and advertising contributions. The contract may also bind the franchisee to such alterations as demanded by the franchisor from time to time. (European Franchising Federation. 2008, www.eff-franchise.com; Suomen Yrittäjät. 2008, www.yrittajat.fi.)

Conflicts

The franchisor/franchisee relationship can easily cause conflict if either side is incompetent. For example, an incompetent franchisee can easily damage the public's goodwill towards the franchisor's brand by providing inferior goods and services.

Incompetent franchisor can destroy its franchisees by failing to promote the brand properly or by squeezing them too aggressively for profits. Franchise agreements are unilateral contracts or contracts of adhesion where the contract terms generally are advantageous to the franchisor when there is conflict in the relationship. (European Franchising Federation. 2008, www.eff-franchise.com; Suomen Yrittäjät. 2008, www.yrittajat.fi.)

2.3 Ending the agreement

The agreement is signed for a certain period of time and at the end of the term, the contract can be continued or cancelled. This is the case when everything has gone accordingly and the only factor limiting the partnership is the contracted time period. Cases that might end the partnership prematurely are: breach of contract from either party, failure to run the franchising business due to a case of illness or even death or the ending of the contract by an agreement from the franchisor and the franchisee.

Ending the franchising agreement can be tricky and demanding on both of the parties. For the franchisor is hard to separate from a franchisee without a proofable reason and it can become a expensive legal process. The resigning from the contract by franchisee is a lot easier as this can be usually solved by paying the future earnings and royalties to the franchisor in advance or paying an agreed sum. Although the franchisor can refuse this if it feels that the business relationship should be continued and it would be loosing by ending the franchising agreement. Other option for the franchisee is to introduce a step-in-franchisee to the franchisor. This is called the potential franchisee candidate.

If the franchisor agrees to the change of franchising rights to the candidate presented, the exiting franchisee can be released from the contract. (Suomen Yrittäjät. 2008, www.yrittajat.fi.)

In a case of illness or death the franchisor can nominate a step in franchisee to continue the contracted business. This is a chosen representative by the franchisor but the costs of this are franchisee's responsibilities. If the current franchisor is out of funds the franchising contract will be terminated. In case of a breach of the contract the solution can be found by negotiating by the parties or taking the matter to the court and using legal processes to solve this. The legal system referred is decided according the country the franchisee is operating in. (Suomen Yrittäjät. 2008, www.yrittajat.fi.)

3 INDUSTRY ANALYSIS - PORTER'S FIVE FORCES

3.1 The main concept of the theory

History of the theory

Michael Eugene Porter developed the theory of the five forces of competitive position analysis in 1979 while being a professor and a researcher in Harvard Business School (Harvard Business School. 2008, www.hbs.edu). The model was originally published in Harvard Business Review issue 57 (pages 86-93, March 1979) in an article "How Competitive Forces Shape Strategy". The theory was dealt more in detail in his book Competitive Strategy published in 1980 and the book and its theories became an international best seller. The book has been published in 19 languages and it has been re-printed 60 times. (Wikipedia. 2008c, www.wikipedia.com.) Porter's ideas have changed the way business leaders consider and create their business strategies all over the world. In the two decades since publication, Porter's framework for predicting competitor behaviour has transformed the way in which companies look at their rivals and has given rise to the new discipline of competitor assessment. (Businessballs.com. 2008, www.businessballs.com.)

Porter's Five Forces is a framework for industry analysis and evaluating the industry rivalry. Successful businesses have to understand the dynamics of the industry where they are operating in and the Porter's Five Forces model provides a structure to do this with. Porter defined the five forces which drive the competition and he combined them into a microeconomical model. These forces are existent in all industries however different they might seem; some industries are driven more by other factors than others. The configuration of the five forces may vary a lot from one industry to another. The strongest competitive force usually determines the strategies chosen. Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for forecasting and influencing competition.

Knowing the industry where company is operating gives the managers leverage and insights to create effective strategic marketing plans. The corporate strategies should be designed to modify and influence the five forces to optimize the strategic positioning of the company. (Porter 1980, 3-7.)

The five forces that Porter defined are: Threat of new entrants and Barriers to entry, Bargaining power of suppliers, Bargaining power of buyers, Threat of substitutes and Industry Rivalry. (Porter 1980, 4.)

Porter's Five Forces framework

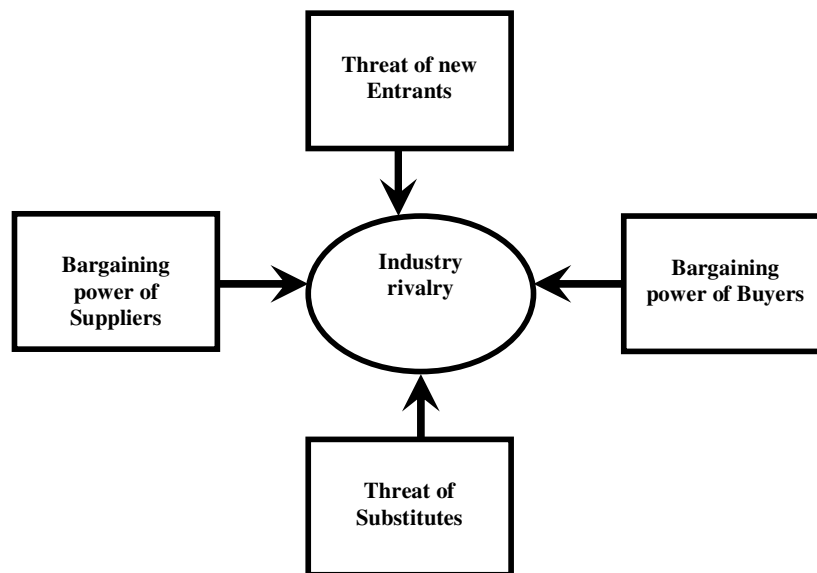


Figure 2. Porter's Five Forces theory framework

In addition to the five forces there has been the sixth force introduced to the equation. This model of Six Forces is not very popular in use but it is good to take into consideration. The sixth force is described as the power of the stakeholders. This can refer to a number of different groups and entities depending on the most influential factor to this force. There are four generalisations:

- Complementors who are businesses offering complementary products. These complementors can affect the industry dynamics providing new products or technologies to the industry composition.

- The government can act as the sixth force. The government can be a very strong influence to the industry setting, it has the power to affect all the other forces. It can influence the industry directly or it can influence the other forces indirectly.
- The public can have a powerful impact on the industry. The opinions and preferences of the public can mold the industry landscape drastically.
- The shareholders activities can affect the rivalry interaction in great deal. In recent years the shareholder activity has increased in almost all industries having an effect on company actions.
- The employees of the companies are a force to be reckoned with. Especially in industries where the labour is highly unionized the employees hold a lot of power over the industry operations.

The Six Forces Model framework is limited as the sixth force remains undefined and specified thus creating a problem in placing it to the dynamic model. The influences of the named possible sixth factors can also be combined into the original five forces therefore leaving the sixth force useless. (Businessballs.com. 2008, www.businessballs.com.)

3.2 The five forces

Industry rivalry

Industry is a group of firms that sell and market products and services which are close substitutes for each other. This force is used to describe and analyse the competition among the existing competitors in the market. There are few ways to measure the intensity of the rivalry. Economists measure the industry rivalry by industry concentration ratio (CR). National and international statistics are released about different industries and their concentrations. The CR ratio shows the market shares held by the leading companies. A high concentration ratio means that the industry is ruled by few large competitors holding the majority of the market share. A low concentration ratio indicates that the industry is characterized by many rivals none of which holding a major share of the market. These fragmented industries are the most competitive ones. (QuickMBA. 2008, www.quickmba.com.)

The CR ratio doesn't tell the whole truth about market competitiveness but it gives a starting point in assessing the rivalry. Porter used following criteria in assessing industry's rivalry:

- Amount of the competitors in the market; multiple, same sized competitors means high rivalry and few different sized companies means low rivalry. Industries with low rivalry are considered being disciplined. This can be due to the history of the industry or the role of the leading company in the field. Some industries can even be monopolised by one company.
- Size and capacity of the industry. If the capacity of the industry to support many companies is low the competition among the existing rivals is fierce.
- The rivals have similar strategic plans and objectives. If the competing companies have similar objectives and the same strategic intents the competition will be more equal and therefore will drive up the rivalry.
- Low differentiation among the competitors; similar products and services drive up the price competition. If the competitors are using the same or very similar products the price competition will be hard thus lowering the general price level of the whole industry making it even harder to reach the desired profitability.
- Low market growth rate in the industry. If the industry in itself is not expanding this leaves less space for the existing companies to create their profits thus intensifying the competition.
- Barriers to exit the industry are high; expensive to get out of the industry due to large investments in specialized equipment. If the costs of leaving a specific industry are high this forces a lot of non-vital competitors to stay in the market thus lowering the profitability for all rivals.

The intensity of the rivalry which is the most obvious, and in most cases the strongest, force will determine the amount of value created that will be divided among the rivals in head-to-head competition. (Porter 1980, 17-21; Recklies 2001a, www.themanager.org; QuickMBA. 2007, www.quickmba.com; Tutor2U.net. No year, www.tutor2u.net.)

Threat of new entrants and Barriers to entry

New competitors entering the market pose a threat to the existing competitors in the market. If the competition is higher in an industry, the easier it is to new companies to enter the market, as there is no specific company ruling the market. New entrants can possibly change the whole dynamics of one industry and the market environment. New competitors can be either new companies or new products entering the market. The existing competitors must be aware of the new possible rivals and be ready to make adjustments to their strategies accordingly. The amount and quality of the new entrants is dependent on the barriers to entry to a specific industry. These barriers can be built up by the existent competitors to protect the market or they can be already existent due to the industry's nature. (Porter 1980, 7-17.)

Economists define the barriers to entry normal equilibrium adjustments to the markets. For an example, when profits increase, new entrants enter the market and as the profits go down, some companies leave the industry. But as it was mentioned the barriers can be created as well by the existing competitors therefore the equilibrium adjustments don't explain the barriers to entry in full. Barriers to entry are unique industry characteristics that define the industry in question. (QuickMBA.com. 2007, www.quickmba.com.)

Porter defined the main barriers to entry according to following:

- Economies of scale; achieving competitive advantage by bulk purchasing or mass production thus making it harder for new entrants to compete with the pricing and sales volumes in the industry.
- Cost of entry to the industry. If company needs to invest a lot to enter a certain industry it is more likely not to enter if the success of the business isn't guaranteed.
- Distribution channel control can bring a competitive advantage to the existing competitors. If a new company has difficulties in organizing the supply chain it is more likely not to enter the market.
- Expertise and speciality contacts; if an existing company has acquired expertise in the line of business they are, it is more difficult for new entrants challenge the competition dynamics.

- Government legislation; the introduction of new laws and regulations can make an industry less attractive and easy to enter.
- Product differentiation; some products can't be copied and patents are restraining the possibilities to enter some markets.

Barriers to entry need to be remembered in the evaluation of entering a market. The entering might be easy but if the exit of the industry is hard, it can threaten to bankrupt the company. The barriers to exist are usually related to the saleability of the assets acquired to enter the market and the costs of leaving the industry. (Porter 1980, 7-17.)

Threat of substitutes

This force deals with products and services that threaten to substitute company's products and thus lowering the profitability of the company. The threat of substitute comes from products outside the industry and there is product-for-product substitution, generic substitution and substitution relating to things that people can't live without e.g. cigarettes. In product-for-product substitution one product is replacing the need for another for an example email for fax. Generic substitutes compete of the consumers' disposable income in general for an example movie theatres for a meal out. The threat of substitution is very dependant on switching costs of the buyer; if the buyer has high switching costs to another product they are less likely to choose the alternative. In general the threat of substitutes affects the pricing policies in an industry. If the substitutes are selling at a lot lower price this forces the price level down in the other industry as well.

Economists would describe this phenomenon by using price elasticity. As more substitute products emerge, the demand becomes more elastic since the customers have more choices. A close substitute product constrains the capability of the companies to raise prices and control them. (QuickMBA.com. 2007, www.quickmba.com.)

Porter described the threat of substitutes to be determined by:

- The brand loyalty of customers. If a company has high brand loyalty it is not likely to lose its customers to an emerging substitute product. Vice versa when the brand loyalty is low the threat of losing the customers is great.
- How close are the customer relationships. If a company has a strong trading relationship with its customers, it is not easily threatened by substitutes.
- The level of switching costs for customers. If choosing another product creates high expenses, the customer is probably going to stay with the original product even if the substitute was interesting and offering better value.
- The relative price and performance of substitutes. If a substitute product is shown to be providing the same benefit for the customer with lower price the customers is very likely to switch to the substitute. (Porter 1980, 23-24.)

Bargaining power of suppliers

Businesses that are producing products need to have suppliers for the raw materials. This creates business relationships which can pose threats as well as opportunities to companies. The term supplier constitutes of all sources of inputs that are required to produce a product or a service. The supplier power analysis focuses first on the relative size and amount of suppliers in relation to the industry size and its competitors. The second important thing is to evaluate the differentiation of the suppliers in the industry. Porter evaluated the supplier power by the following criteria.

The supplier bargaining power is high when;

- The switching costs to another supplier are high. This forces the customer companies to stay with the existing supplier.
- There is a strong possibility that the supplier will integrate forward and become a competitor to its customers.
- The customer companies are not threatening to integrate backwards and become competitors to the suppliers.
- Suppliers are very concentrated meaning that they provide products and services to a very narrow industry.
- There are only a few large suppliers in the industry and the prices are driven up by them. In some industries there can even be a suppliers monopoly happening.

- The customers i.e. the companies are very fragmented and they have a limited collective bargaining power.
- The supplied industry is not a key customer to the suppliers so serving the industry isn't vital for the suppliers. (Porter 1980, 27-29.)

Bargaining power of buyers

The power of buyers is the leverage power they have to an industry. The most important determinants for evaluating the buyer power are the size and the concentration of the customers. The customers are basically always the most important determinant to any successful or unsuccessful business; if no one buys the products and the services the business dies. The same phenomenon can happen to a whole industry. In ultimate cases the industry can be formed into a monopsony where there are several suppliers but only one buyer dictating the rules and the prices for the industry. Michael Porter saw the buyers strong when:

- Buyers are buying large quantities and the buyers are concentrated. This means that if there are only few large buyers buying most of the output, the buyers rule the business doing in that industry.
- There are a large number of small supplier companies in the market. The buyers can drive up the competition.
- There is a strong possibility for the buyers to integrate backwards and take the profits from the producing company.
- If the actual product provided is undifferentiated and easily substituted. The buyers can easily switch over to a competitor's products or subsidize the product.
- The switching to another product is easy and simple. There are no high switching costs related so a similar product with better price will probably win the buyer over. This will happen very easily if the buyers are price sensitive and the price is the main determining character of preferences.
- The customers know about the production costs so they have more bargaining power when it comes to the price negotiations. The buyer knows what they are paying for.
- The product is not vitally important to the customer. The buyers are easily tempted by other products in these cases. (Porter 1980, 24-26.)

How to influence the five forces

The forces can be influenced by good strategic planning and careful assessment of the different strengths of the forces. With a clear understanding of where the power lies the company can take advantage of its strengths, improve weaknesses and avoid making error judgements. To apply this tool the forces need to be understood clearly and all the relevant factors mapped out. Key factors need to be highlighted and placed in the model accordingly. This will provide an insight of the industry dynamics.

Managing the bargaining power of buyers

There are a few ways for a company to manage and reduce the bargaining power of buyers. Companies can increase their profitability and security in the industry by controlling the buyer power. Porter theory suggests the following tactics to be used:

- Partnering is a very efficient way of gaining a larger market share and access to other target groups that might have been blocked before. Partnering strengthens the company hold against the fluctuating buyer preferences as the consumers are “forced” to use the products that the partnering companies provide as the selection narrows for the buyer.

- Companies can place importance in supply chain management. This way they have a strong grip of the inbound and the out bound operations which makes sustaining profitability easier. The distribution network control will enable the company to choose the best retailing methods in order to reach the buyers and keeping them buying the products. Cutting out the un-necessary intermediates makes the company work more sufficiently and enables the company to reach the end customers more directly. This enforces the customer relationship thus adding to the customer loyalty.

- Increasing customer loyalty is one of the most efficient strategic efforts a company can do. Keeping the customers loyal to the company brand will secure the sales even if the industry fluctuates and economical situations change. Building up customer loyalty programmes keeps the customers more content with the existing products and will make them more “resistant” to substitutes.

- Increasing the value added that the customer receives from the product. If customer feels like they are getting more for their money than just the basic product, they are more likely to be loyal to the product.
- Changing the pricing policies can make a huge difference in controlling the power of company's customers. Companies that know how to price their product to be able to cope in the industry rivalry are usually the ones to succeed. Combining the right price and adding more to the product value will bring the best results in controlling the buyers' price evaluation as a product feature. (Porter 1980, 24-26.)

Managing the bargaining power of suppliers

Reducing the bargaining power of the suppliers goes hand in hand with the managing the buyer power. The same methods can be used to control the supply process than the methods used to maintain the optimal customer relationships. Of course there are some differences as well. The main ways Porter listed to do this:

- Partnering is important here as well. Partnering with either your supplier or partnering with one of the other rivals will give the company more leverage in the dynamics. Partnering with the supplier makes the supply chain operations easier and more flowing. Partnering with another company gives the companies more bargaining power against the supplier for an example in price negotiations.
- Supply chain training inside the company and outside the company will help to optimize all the individual parts of the supply chain. When the people involved in the supply chain know what to do and the best way to do it the whole operation will run smoothly. This also provides a firmer hold of the supply chain to the company thus bringing more power to influence the supplier. Also understanding the way the supplier works and the cost structure gives the company an insight of what they re actually paying for.
- Increasing the supplier dependency will help to control the chain. Making the company a vital source of revenue for the supplier will make them more lenient towards the wishes and requests of the company. Being the biggest customer always brings power to influence.

- The ultimate solution to control the supplier power is to overtake the supplier. This way all the operations are handled according to the best interest of the company. (Porter 1980, 27-29.)

Reducing the threat of substitutes

The threat of substitutes is very real in most industries. Only a few companies operate in an industry where there aren't any forms of substitutes for the product they market. Substitutes can come in very different forms but the classical view and categorization for a substitute is a product or a service that replicates the same purposes and benefits as the original one. Porter listed the some of the main ways to hedge against the threat of substitutes.

- Legal actions in forms of patents and trade contracts will make the switching harder to another product and prevents substitutes entering the market freely.

Trademark protection is a good way to protect brands.

- Increasing the switching costs will rise up the barrier to switch. This can be done by trade agreements, for an example companies can give loyal customer discounts which they will lose if they swap to another product.

- For this force as well the formation of strategic alliances with other companies is proven efficient. Partnership companies have more influence on the market structure than smaller single companies. The less fragmented the rivalry is, the harder it's for substitutes to enter the market.

- Marketing and advertising strategies can be used in protecting the business from substitutes. Emphasizing the differences in the products will create a stronger image for the original product. Customers won't consider the possible substitute as providing the same value added for them. Also doing customer surveys will give the company an insight on what the customer perceive of getting when buying their products in comparison to the substitute. This will also provide help in product development to match the product attributes to customers wishes thus making the product less vulnerable to the substitutes.

- The companies can enter the substitute market themselves and influence the competition from within the market. This narrows the room for the substitutes and creates a stronger image for the company as it can provide more for its customers. (Porter 1980, 23-24.)

Building entry barriers

New companies enter new industries every day and that is the nature of trade in the modern world. Many companies are conglomerate business influencing in many different market sectors simultaneously. The competition is tough even among the existing players on the field so therefore many companies seek to prevent new entrants joining in. Porter recommended some barrier building strategies in his theory.

- Creating a strong image for the company is probably the best way to fight off the new competition. Having a strong brand provides a firm grip of the market and increases customer loyalty. Well planned marketing strategy will enable the companies to build and sustain the image. Strong brands are less vulnerable to the effects of new competition. Entering an industry and succeeding in profit making is very hard if the competitors have well established brands in the market.
- If it is possible the company should patent their products. If the products or services are easily replicable the patent will protect it from copycats. Industries requiring more specialized expertise are safer from the copycat companies entering the market but in these cases as well the patenting works for the benefit of the company.
- Increasing the minimum efficiency of the company's operations will make the company work more cost efficiently therefore generating better profit margins. Having better profit margins gives an advantage against the new competition. The new competitors can't operate as well as the original company thus leading them into smaller profits.
- Building alliances works for controlling this force as well. Powerful and strategically important alliances make the existing companies in the industry stronger against new entrants.
- Keeping tight relations with the suppliers and distributors will hedge the competition. It makes it harder for new entrants to create trade relations and set up extensive distribution networks.
- Company should always have a tactical plan outlined to hedge new competition. This should include a selection of different hedging methods and barrier building tactics. (Porter 1980, 22-23.)

Managing the industry rivalry

Managing the industry rivalry is the most important factor in this five forces management. The companies need to be aware of what their competitors are doing and how can they respond to the competition. According to Porter the competition and the rivalry in an industry can be reduced by following measures:

- Avoiding price competition. If the companies are forced to mainly compete with pricing this will drive down the general price level and lower the profits for all rivals. In this case only the companies with very strong brands would be able to guarantee their profit margins.
- Differentiating the products produced. If a company has a unique product it's less likely to have many strong competitors in the same industry.
- Targeting different segments than the competitors. Choosing the right target customer group is essential in minimizing the rivalry. If a company is the sole supplier to a certain target group it is likely to make more profit than companies targeting the same segment as their competitors. When creating the marketing tactics this is an important factor to consider.
- Buying out the competitors is a viable solution for companies with means to do this. This is a very expensive tactic but it is efficient in eliminating the competitors and gaining bigger market share.
- Communicating with the competitors can help to reduce the competition as well. Making trade agreements and agreeing on the general code and ethics of the competition can turn out to be profitable for all rivals. This can lead in cartelisation which in turn can harm the industry greatly. (Porter 1980, 21-22.)

3.3 Critique for the theory

There has been a lot of critique presented towards Porter's Five Forces theory. The theory has been mostly criticized because of the time it was created. Porter's Five Forces is over 20 years old as it was developed in the early eighties. The period was characterized by strong competition and cyclical development. At that time the development in most industries was fairly stable and predictable unlike the industry development nowadays.

The primary target for most companies was profitability and survival whereas in the modern business world companies seek sustainable growth and expansion to other regions and industries while making business alliances with other companies. The economic situation and the way of doing business have changed immensely since the early 1980's. Internet and online sales have opened totally new marketing channels to modern companies. There are new factors influencing the trade and some factors have to power to change the dynamics of a whole industry.

In general the Porter's Five Forces mode can be criticized by following factors:

- The mode assumes a classic perfect market. If the industry is regulated, Porter's model can be applied.
- The model is best applicable in analyzing simple market structures. Very complex industries are hard to set into the five forces framework.
- The model assumes static market structure. Modern markets change very dynamically and new technologies are making the market changes happen faster than in the eighties. Porter's model is too rigid to adapt to the fast changes.
- Model is based on the idea that competition is fierce and companies exist to compete with other companies. Strategic alliances are a big part of the business culture nowadays and Porter's model doesn't support this.

(Recklies 2001b, www.themanager.org.)

“In summary, Michael Porter's models do not have the influence they used to have any more. New economic laws came up and other drivers started to transform markets. Nevertheless, that does not mean that Porters theories became invalid. All we have to do is to apply them with the knowledge of their limitations in mind and to use them as a part of a larger framework of management tools, techniques and theories. This approach, however, is advisable for the application of every business model – brand-new or old, from Porter or from somebody else, and in every economy.” (Recklies 2001b, www.themanager.org.)

All in all Porter's Five Forces is one of the most used tools in analyzing industry attractiveness and profitability. It is a good starting point for further analyses.

4 MARKETING RESEARCH AND SEGMENTATION

4.1 Marketing research and the research process

Marketing research is a tool for organisations to keep in contact with their external operating environment. In order to be proactive and change with the environment the company must invest time and money to understand what is going on around them. Companies need to be asking themselves: “How are we meeting the customer requirements?” and “How are our competitors doing that?” The markets are changing constantly and the companies that can be alert in all situations will make the best benefit of the market. This alertness requires strategic plans for acquiring information.

Market research and marketing research are commonly mistaken as the same thing even though they are not. Market research is simply research focusing into a specific market. Marketing research has a much wider concept; it deals with linking all the parts of a market together in order to produce valuable data for the market researchers to evaluate. Marketing research defines opportunities and problems in a certain market and produces strategic solutions for businesses. (American Marketing Association 2008, www.marketingpower.com.)

Professor A.Palmer from Swansea University (2000) defined marketing research followingly: “*Marketing research is about researching the whole of a company’s marketing process.*”

Decisions on marketing mix and what is the most profitable target market segment and how to target this group arise from well-understood needs in the market. The company might have theories about the market and the composition of them but it is up to a good marketing research to verify any assumptions or correct false interpretations.

Marketing research process

“Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company.”

(Kotler 1967, 99).

Good marketing research process needs to be focused on the issues most important for the company and it needs to be done in the right scale to give valuable information. Market research needs to be conducted in an organized manner and it should go through the following steps: defining the problem and objectives, developing a research plan, collecting the information, analyzing the information and presenting the findings. (Kurtz & Boone 1987, 260-261.)

Defining the problem and objectives

In this part, the company has to examine itself and find out what are its goals and how would it like to achieve them. Clear objectives have to be mapped out for the outcome of the research project. Unless the problem and the objectives are clearly defined the cost of the research may exceed the value of the actual findings. The research question, being the problem and the objectives, has to be limited to a reasonable scope. If the defining is too wide the research will not provide any actual value but just a collection of information in general level. If the scope is too narrow the research can't provide linkable information to the company's operations being too focused on some detail. Researches can be roughly divided into three categories: exploratory, descriptive and causal. Exploratory research gathers data and explains the real nature of the problem while suggesting some theories. Descriptive research describes amounts and magnitudes of the issue at hand. Causal research tests cause –and-effect relationships for example some factors dependency on other factors. (Kotler 1967, 103-104; Kurtz & Boone 1987, 263-265.)

Developing a plan

The company must develop an efficient research plan to gather the needed information. Suitable tactics must be selected and a realistic cost estimate made of the research. Some research projects require too high investments in relation to the value provided. In these cases it would be an error judgement to go ahead with the research plan. Changing the tactics and redefining the research question might help in lowering the cost estimates. There must be decisions made about data sources that will be used, how is the information being approached, what instruments will be used, sampling plan and the methods how the research target group is going to be contacted. The data collection can be done in qualitative or quantitative methods. Qualitative is concerned in the quality of the found material and the material is sorted by categories of quality issues. In quantitative approach the data is collected in numerical way and this will provide statistical information of the research question. (Brassington & Pettitt 1987, 245.)

Data sources used can be divided into secondary data and primary data. Sources for secondary data i.e. desk research can be sectioned by following: internal sources including internal reports of the company and prior research reports, government publications including national census data and industry reports, periodicals and books of general business information and market situations, and commercial data meaning the information sold by multiple marketing research companies. Secondary data is relatively easy to gather depending on the resources of the company. This kind of data collection depends on the findings on other researchers and thus can provide limited information for the research question. Secondary data collection gives a base to build the primary research as it gives view to the trends and general background for the question at hand. Primary data collection i.e. field research is collecting information straight from the market and the consumers. Primary data can be collected in four ways: observation, focus groups, surveys and experiments. In observation the researchers will study and observe the relevant factors for the research topic. In focus group research a sample group of the consumers is gathered. This group is interviewed and asked relevant questions to the researched problem.

Surveys can be gathered by giving out questionnaires or contacting consumers by email or phone. Series of questions are asked and based on the answers the researchers can conclude answers for the research topic. Experimental research means actual testing of the problem at hand, meaning that different problems and resolutions are tested on consumers in order to find out patterns and dependencies. Primary data collection is very expensive and time consuming. Therefore the research plan has to be designed well in order to get the maximum return on the money invested to the project. (Kotler 1967, 104-111.)

Collecting the information

Data collection is a part of the usage of primary data sources. Collecting the information is the most expansive part of the whole research process. It is also the most time consuming part and most liable for error. Errors in plans occur when the targeted consumers are un-reachable, people answer un-truthfully and some people refuse to cooperate. Sometimes even the researchers can be biased and not conducting the data collection in objective manner. Data collection when source of information is secondary is very different from collecting primary data. Secondary information collection is faster, easier, cheaper and not so prone to error. Testing the accuracy of the data means that the data sourcing must be done from variable sources. The rise of the new technology has changed the ways of data collection. Information is available 24 hours a day and sourcing from remote areas is accessible all over the world. In primary data collection the technology has changed the ways that surveys are conducted to be faster and more accurate. (Adapted from Kotler 1967, 111.)

Analyzing the information and presenting the findings

The data collected needs to be analyzed and compiled into a clear informative form. This means that the data is collected into charts and diagrams showing patterns, dependency and frequency of the study's factors. Companies can use market analyzing tools to create coherent pictures of the market studied.

Analyzing tools

PEST analysis

The PEST analysis is constructed to analyse the surrounding environment of the business. PEST analysis is comprised of political, technological, economical and sociocultural factors. PEST analysis is usually done by constructing a matrix with all the factors. Below is an example of the matrix with some key points of each factor.

Table 1. PEST matrix

Political factors e.g. - How stable is the government? - Laws and regulations - Trading agreements	Economical factors - Interest rates - Inflation -GDP development
Sociocultural factors - Religion - Languages spoken -Leisure time usage - Gender roles - Age, income, occupation	Technological factors - Technological innovations - Distribution - Innovative products

(Mindtools.com. 2008a, www.mindtools.com.)

Porter's Five Forces model

Placing the findings of the data collected relevant to the industry and market analysis can be placed to Porter's Five Forces framework and then assessed. See the detailed description of Porter's Five Forces on pages 13-26.

SWOT

The data collection can reveal insights to the company core strengths and weaknesses. Depending on the studied topic and what was the research question this tool can be used to get a clear picture of what is the situation of the company. The SWOT analysis should be done by every company and it should be updated regularly according to the market and company development.

SWOT is formed as matrix constituting of the company strengths, weaknesses, opportunities and threats.

Table 2. SWOT Matrix

Strengths	Opportunities
Weaknesses	Threats

After compiling this, TOWS analysis can be made where all the factors are assessed through the other factors e.g. opportunities in relation to strengths, weaknesses in relation to threats etc.

Table 3. TOWS Matrix

	External Opportunities	External Threats
Internal Strengths	Strategies that use strengths to maximize opportunities.	Strategies that use strengths to minimize threats.
Internal Weaknesses	Strategies that minimize weaknesses by taking advantage of opportunities.	Strategies that minimize weaknesses and avoid threats.

(Mindtools.com. 2008b, www.mindtools.com.)

Characteristics of good marketing research

The marketing research project can be evaluated by the following criteria:

- Scientific methods should be used. Effective research plan uses the principles of scientific study: careful observation, formulation of hypotheses, prediction, and testing.
- Research creativity is expected of a good research plan. On the basis of the knowledge acquired there should be potential to find creative solutions.
- Multiple methods should be used. The accuracy of the research plan increases when there is more than one method used to collect the data.
- Interdependence existing between the models and data. The problem models should be designed in a way that when the data is matched to the problem the facts are easily sought and easily analysed.
- Value and cost of information should be balanced. Research costs are usually quite easy to forecast but the value of the end result may be hard to evaluate. The value is dependant on the accuracy of the research conducted. In general, the most valuable information tends to cost the most because it requires more intensive methods, but of course it is easy to spend a great deal of money on poorly conceived research as well.
- Healthy scepticism is a valued trait when conducting a research project. The sources and quality of information is not always realistic.
- Ethical marketing is recommended to be used. The miss-use of marketing research can also harm or annoy consumers. There should be professional ethical standards guiding the proper conduct of research. (Kotler 1967, 112-113; Koch & Hausler 2006, www.referenceforbusiness.com.)

4.2 Market segmentation

Purpose of segmentation

“The majority of writers acknowledge the very real strategic importance of segmentation and, in particular, the ways in which it enables the organization to use its resources more effectively and with less wastage.” (Wilson & Gilligan 1997, 318.)

Market segmentation is the process where varied and differing groups of buyers or potential buyers are divided into smaller groups according to similar patterns of buyers' existing needs. This means breaking the market into more strategically manageable parts which can be targeted and satisfied more precisely. The reason for doing this is simple: a single product or marketing tactic rarely appeals to all consumers similarly. The company must identify the most attractive market segments that it can serve efficiently against the competition in the industry or market. Segmenting can give the company a competitive edge if it knows who to target and how more efficiently than its competitors. (Kotler 1967, 262-263; Wilson & Gilligan 1997, 318-319.)

The approach of many companies has been more focused on the product differentiation than in segmenting the consumers but this has been changing a lot in recent years. Companies have started to notice the importance of segmentation in the recent years and more resources are allocated to the target group research. There are three core approaches to marketing strategy and only one of them is heavily influenced by segmenting.

- Mass marketing i.e. undifferentiated marketing strategy means that the company deliberately ignores the possible differences in the consumer base and chooses to use the same products and marketing methods to target the whole market. The argument for mass marketing is that it will lead to lowest costs and prices and create the largest potential market. This approach is becoming increasingly rare in use as most products can't be standardized so much that it would suit the whole market as it is.

- Product-Variety marketing i.e. differentiated marketing strategy means that the company offers differentiated products for different target groups in the market. This tactic focuses on providing new product variations to the existing buyers instead of appealing to new consumer segments. The argument for this approach is that customers have different tastes that change over time thus customers seek variety in products.

- Target marketing i.e. concentrated marketing strategy means that the company identifies the major market segments and targets the most profitable and potential segments by developing tailored marketing strategies to meet the needs of the chosen segments.

The argument for this approach is that all the different consumer segments need to be contacted and appealed to in specific methods suitable for each group in order to maximize the profitability. (Kotler 1967, 262; Wilson & Gilligan 1997, 319-321.)

The segmentation is a vital part of the formation of the marketing plan. Well done segmenting creates the base for accurate targeting analyses and positioning strategies. The marketing plan process can be divided into eight stages:

Table 4. Table of marketing plan process

Situation analysis	1. Identify the company's current position, capabilities, objectives and constraints.
Market segmentation	2. Identify the segmentation variables and segment the markets. 3. Develop profiles of the segments.
Market targeting	4. Evaluate the potential attractiveness of each segment. 5. Select the target segment(s).
Product/Service position	6. Identify the positioning concept within each target segment. 7. Select and develop the appropriate positioning concepts.
The marketing mix	8. Develop the marketing mix strategy.

(Wilson & Gilligan 1997, 318.)

Approaches and bases for segmentation

The markets can be segmented in various ways mostly depending on the way the company wants to segment their customers and potential new customers. This is depended on the desired characteristics of the segments. The company must decide what kind of segmentation will bring them the best possible results in relation to targeting and positioning, and in the end, which type of segmentation will generate the best profitability.

Segmentation patterns are generally related to the demographics of the market e.g. age, gender, occupation. Segmentation patterns can be also roughly divided according the consumer preferences. This is also known as segmentation by hierarchy of attributes. Some people are more concerned e.g. price, quality or brand of the product. The market can be homogenous – all consumers in the market have the same preference, diffused – all consumers have different preferences and are impossible to group or clustered by preferences – the market itself has natural segments i.e. there are clusters of people with same preferences. (Adapted from Kotler 1967, 266.)

The segmentation should always be critically assessed in order to makes sure that the segmentation brings value to the company and creates competitive advantage. The following criterias are generally recommended for assessing the segments:

- Identifiability of the segment: the segment must be measurable in size and in attributes the segment holds.

- Accessibility of the segment: the segment must be accessible for the company.

The segment/s can't be physically located in a place where contacting them is hard or impossible. Accessibility in marketing terms i.e. reaching people through right media source is also applicable here.

- The size of the segment has to be substantial enough. There is no point in targeting segments that are not cost-effective. The size should be seen in relative terms to the company size in question.

- Segment must be profitable for the company.

- The segment must have unique and identifiable needs. The different segments should respond differently to different marketing strategies.

- The segment should be durable in terms of time. This reduces the need to re-segment the market all the time.

- Stability of the segment is preferable as forecasting the segment changes is easier that way.

- The segment should be appropriate to the company's objectives and resources.

(Kotler 1967, 278; Wilson & Gilligan 1997, 326; NetMBA.com. 2007, www.netmba.com.)

Bases for segmentation

The segmentation can be done in many ways using different variables and determinants as the segmenting criteria. The company must choose which features are the most important they are looking for in their customers and have the wanted qualities in their customer segments. The company can use one single method or they can use a combination of methods. The most commonly used methods are based on demographic and geographic measures. The company should use more variables than just one in their segmentation planning as more measures used brings more detailed picture of the consumer market thus giving more accurate basis for the forecasts.

Yoram Wind, who is a marketing professor at the Wharton School at the University of Pennsylvania, wrote about marketing segmentation in Journal of Marketing Research:

“In contrast to the theory of segmentation that implies that there is a single best way of segmenting a market, the range of variety of marketing decisions suggest that any attempt to use a single basis for segmentation (such as psychographic, brand reference or product usage) for all marketing decisions may result in incorrect marketing decisions as well as waste of resources.”

(Wind 1978, 318).

The variables can be divided into two broad groups; consumer characteristics and consumer responses. Consumer characteristics are a collection of geographic, demographic and psychographic variables. In the consumer responses the segments are formed by consumer responses to the particular product offered; the benefits, brand, usage occasions and loyalty. This is basically mapping the consumer preferences and building up the customer groups by their likes and dislikes.

(Kotler 1967, 268.)

The illustration below includes the major bases for segmentation:

Table 5. Major bases for segmentation

Geographic and geodemographic	- region, climate, population, population density - E.g. ACORN is used as a base for geodemographics. ACORN is a classification of population by their residential areas. This model combines living area, income, occupation, family size etc. ACORN classification is based on the UK markets.
Demographic	- age, sex, education, occupation, religion, race, nationality, family size, psychological/family life cycle
Behavioural	- attitudes, knowledge, benefits, user status, usage rate, loyalty status, readiness to buy, purchase occasions
Psychographic	- personality, life style

(Adapted from Kotler 1967, 269.)

Geographic segmentation

In geographic segmentation the market is divided by nations, states, regions, counties, cities and neighbourhoods. The geographic segmentation is one of the earliest and still most commonly used criteria. Company can choose after the segmenting the most profitable areas where it wishes to operate. Many food companies differentiate their products according to the regional differences e.g. coffee is made stronger for the Mediterranean area than for the Scandinavian area. This segmentation strategy is very flexible and simple to use and a widely applicable method. This approach, however, is unsophisticated and it gives only a vague idea of the consumer preferences.

Geodemographic segmentation

The geodemographic segmentation is an improvement of the basic geographic segmentation. Geodemographic approaches give a picture of that people with similar economic, social and lifestyle characteristics tend to live in particular neighbourhoods and have similar patterns in purchasing behaviour. The ACORN classification that is used in the UK is one of these classification methods.

This classification combines people into groups by their postal codes. The geodemographic classification is a relatively new technique to segment the markets. This method has been criticised a lot of its over generalisation of peoples' buying behaviour just mainly based on the areas they live in. This method is not considered to be very reliable and it is quite expensive to use. (Wilson & Gilligan 1997, 330-332.)

Demographic segmentation

The demographic variables are the most popular criteria used in segmenting the markets. The demographic segmentation can be done on such basis as age, sex, race, religion, occupation, income and education. The popularity can be explained by two things; usually the customer preferences are linked to who they are in the society and the demographic information is relatively easy to analyse and quantify. Here are short descriptions of the main demographic segmentation criterias:

Age

People change when they grow older and their likings change with that. Many age groups have the same interests thus it makes sense to group the people of the same age together.

Example: Toy companies categorize their toys according to the age group they are targeting. (Kotler 1967, 270.)

Sex

The gender of a person makes a significant difference in their purchasing behaviour and their preferences. There are different industries for women and men so it is very advisable to consider the gender segmentation when making a marketing plan for a company.

Example: Cosmetic companies divide by gender very distinctively in their marketing. (Kotler 1967, 270.)

Income

Income levels can be a good predictor of the potential consumer groups that will be interested in a product that a company offers. Wealthy people are more likely to purchase high priced products and people with lower incomes usually look for the cheaper option available. The company can plan their pricing policies according to the consumer groups that they want to attract to their products.

Example: Car companies segment their customers by income classes; expensive luxury cars for the wealthier consumers. (Kotler 1967, 270-271.)

Occupation

This determinant is very closely linked with the income categorisation. A person's occupation can tell a lot their personal life and buying preferences.

Example: People who tend to drive for their living are more likely to be interested in motor sports and cars in their free time as well.

Psychological/family life cycle

This determinant is more commonly known as the family life cycle. The weakness of the traditional family life cycle thinking is that the modern families don't live in a same way than they used to and people don't pass the steps in the cycle so patternized as assumed.

Age has become a bad predictor of the timing of life cycle stages as people of the same age group are not living their lives in the same order as others. There is truth to this variable as people in the same life situation e.g. parents of a new born, are likely to be interested in same things. This family life cycle segmentation is heavily based on the age structures so thus this determinant is very hard to use if the age group classifications can't be trusted.

(Wilson & Gilligan 1997, 332-334.)

Behavioural segmentation

This segmentation is based on many behavioural measures, attitudes, knowledge, perceived benefits of the products, willingness to try new things, loyalty, usage frequency and patterns, and reactions to products. Many marketers believe that behavioural variables are the best starting point to segment consumers.

The most-used base for behavioural segmentation is benefit segmentation, where the buyers are divided by their preference in benefits they seek from a product. The company needs to identify the major benefits the customers look for in the product class, the characteristics of people who look for each benefit and the major brands that provide the benefits. This approach needs the geographic, demographic and psychographic segmentation as a back up information as it needs to characterize the people by other means as well and not just by the behavioural variables. This way the segments can be clearly quantified and targeted. (Kotler 1967, 273.)

Behavioural segmentation can also focus on the user status. User status has five different groups: non-users, ex-users, potential users, first-time users and regular users. This segmentation is very dynamic and flowing process. The companies are dealing with the on-going process of introducing products for the non-users to make them first-time users and then making the first time users more heavy users. The strategies for this segmentation have to be very flexible and they need to be revised constantly to have an actual picture of the market situation and the competitive rivalry. (Wilson & Gilligan 1997, 339.) The markets can be segmented according to usage rate as well; light-, medium- and heavy-users. This approach is also called the volume segmentation. Heavy-users are thought to be a small part of the market but they have a high rate of consumption, medium users cover approximately half of the market and light users the rest. Many companies seek to find out their heavy-users and then exploit their usage. (Kotler 1967, 274.)

The consumer market can be also divided by loyalty status. In this segmentation method the consumers are categorized on the basis of the extent and depth of their loyalty to particular brands and companies. 'Hard core loyals' always purchase the product or brand in question whilst 'Soft core loyals' will sometimes purchase another brand, and 'Switchers' will not specifically seek out a particular brand, but rather purchase the brand available to them at time of need, or that which was on sale. (Examstutor.com. No year. www.examstutor.com.) Customers changing their preferred brands and products have become a real issue for companies. This costs money to the companies because they not only need to persuade new potential users to buy the products but they have to maintain the already existing customers against the competitive brands.

Customer promiscuity has grown immensely in recent years in all industries. Consumers can also be categorized by their enthusiasm or attitude for a product. There are five categories: enthusiastic, positive, indifferent, negative and hostile. This segmentation is mostly used as a technique in screening the potential segments and their "excitement" of the product. (Wilson & Gilligan 1997, 340-341.)

Buyer-readiness stage is also a form of segmenting consumers by their behaviour. People are at different stages of readiness to buy a product. Some people are unaware of the product; some are aware; some are informed; some are interested; some want to buy and some already intend to buy. This segmentation model is particularly useful in formulating and monitoring the marketing communication strategies employed to move consumers towards purchase of a product or brand. (Kotler 1967, 275.)

Consumers can also be divided by the occasion when they buy into groups. Marketers must identify not only who, what, where, how, and why, but also when. The company has to try to specify the characteristic of certain occasions which impulse the consumers to buy and then segment the consumers according to similar patterns. For an example the restaurant industry is very dependant on the occasion and the circumstance selection. (Neal & Wurst 2001, 15-21.)

Psychographic segmentation

In psychographic segmentation the consumers are segmented into different groups by their social class, lifestyle and personality. Usually this segmentation is strongly linked to the demographic statistics of the consumers. There can be three distinct classes divided:

- Tradition-directed behaviour – changes little over time, easy to predict and use
- Other directedness – individual attempts to fit in to a peer group
- Inner directedness – seemingly indifferent to other consumers

(Wilson & Gilligan, 1997, 341.)

A person's personality is fairly hard to use as a measure as it is not consistent and reliable, therefore, the focus has switched in recent years to lifestyle of people.

How a person lives and interacts with the environment has become a very popular way of dividing consumers into segments. To understand the consumer behaviour the company must understand theories of consumer behaviour. There are multiple theories presented about consumer behaviour, the variables that effect the buying decision and the effect of other consumers. Culture, and its all sub-divisions, is the most influential factor in the buying decision. Culture influences people in many levels: nationality, language, religion etc. This creates the basis for social factors that influence in a form of family values, the opinions of one's peer groups e.g. friends and work colleagues, and social class status. All of these influence how the person's personality is developing, the preference hierarchy formed and what kind of a life the person creates for themselves including education, career, living surroundings. There are many psychological factors influencing the product preference and purchase decision e.g. motivation, attitude and perception.

Ultimately all these factors will influence the buying decision.

It is very hard for companies to manage this many variables and this would probably lead to too fragmented market segmentation. Therefore the company should focus on finding the most important psychographic factors for them and segment the market accordingly. (Adapted from Wilson & Gilligan 1997, 171-191.)

Targeting

Targeting is a strategic choice where the company evaluates and chooses the market segments it will direct its marketing strategy. The target market consists of set of buyers sharing common needs or characteristics that the company decides to serve. The company can choose from three different approaches to targeting; undifferentiated, differentiated and concentrated. (Brassington & Pettitt 2002, 213.)

There are five different patterns of target market selection. These were identified by Derek Abell (1980):

- Single-Market concentration: The company chooses to use one marketing mix to target one segment of the market.
- Selective specialization: The company chooses to use multiple marketing mixes to target different segments of the market.
- Market specialization: The company chooses to use one multiple products and marketing mixes to target one section of the market consisting of several segments.
- Product specialization: The company chooses to use one marketing mix and product to target a market section consisting of several segments.
- Full coverage: The company targets the whole market with one marketing mix.

Undifferentiated

This approach is the least demanding of all the approaches. The company targets the whole market with unified strategy by ignoring the market segment differences and perceiving the market as one homogenous unit. It focuses on what is common with all the consumers instead of what are their differences. This approach relies on appealing to the masses with one single marketing strategy, mass distribution and mass advertising. The economies of scale is a main factor in undifferentiated targeting. The production, inventory and transportation costs are lower as there is only one product to sell. This approach is very suitable for ordinary products with little psychological appeal. Petrol is a good example of this kind of a product; petrol is bought when it is needed, it is rarely selected by brand and people will buy it even if they don't have the desire to buy it. Only discriminating factor for petrol is price.

Although, it has to be mentioned that the petrol companies have started to segment their customers as well and the branding strategies are becoming more and more important. Small and start up businesses usually choose the undifferentiated targeting. This is mostly due to lack of resources and the importance to get the company known in the market. Usually when the operation span moves on, the smaller companies will start to segment the market as well after they gained knowledge of the market and the resources are large enough. The downsides for the undifferentiated are that it is naive to assume all the consumers are content with the same product and if there are many competitive companies using the same strategy the competition will get intense. (Kotler 1967, 282-283; Brassington & Pettitt 2002, 214-215.)

Differentiated

Differentiated strategy involves developing a number of individual marketing strategies each serving a different segment. This way the company can operate in most of market segments and usually it enables the company to create more total sales than using the undifferentiated or concentrated strategies. This method allows the company to tailor its offerings to suit individual target groups thus serving the segments' needs better. Usually companies practising this have more than one product or they have many different versions of the product to offer. Using this approach is more costly and time consuming than the other approaches. The company must know its markets quite detailed which means allocating resources for marketing research. The production, product modification, inventory and promotion costs are higher as the company has to sustain many products and marketing mixes. This strategy can be affected by diseconomies of scale. One of the main benefits to this approach is that the risks are spread out evenly over the segments so even if one of the segments fails, the other segment will guarantee the continuance of the business. (Kotler 1967, 283; Brassington & Pettitt 2002, 213.)

Concentrated

This approach is the most focused of the three as the company is focusing on serving one specific segment. The company might have a natural match to a certain segment e.g. blind canes for blind people; it might have very limited resources and it is only able to handle one segment e.g. small start-up companies; it might be concentrating on a niche market without or little competitors e.g. providing extreme sports holidays or it might use the segment as a trial base for expanding to other segments e.g. launching a new product. The company will achieve stronger position in the chosen segment market as it is able to know its market well and focus all of its resources to one segment. The economies of scale will be possible to achieve through this approach. This strategy involves a high risk as the company relies on one segment and one marketing mix to work and the company is very vulnerable for competitors.

Illustration of the targeting strategies

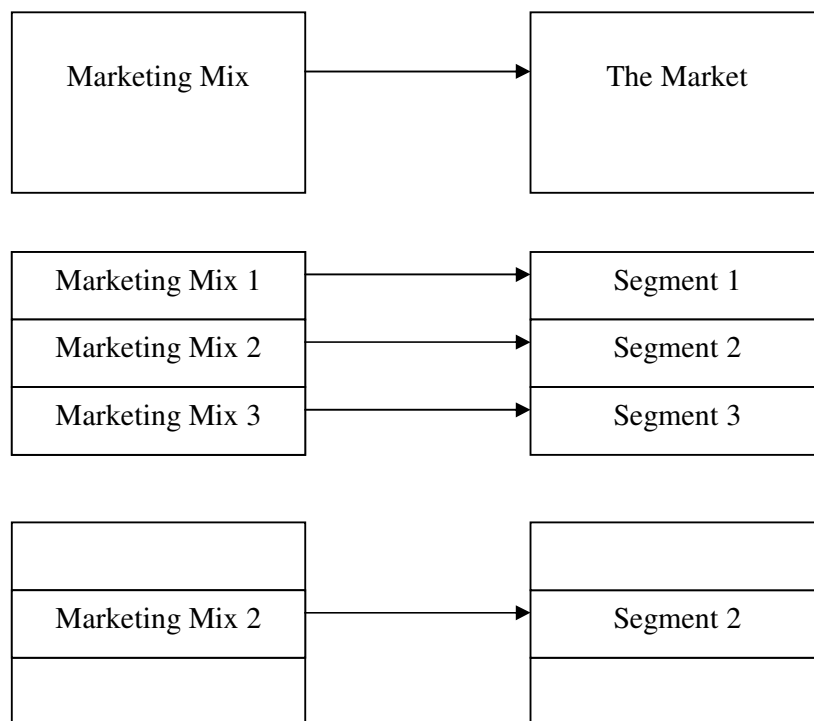


Figure 3. Targeting strategies

Positioning

After the company has mapped out the segments on the market and chosen the most attractive ones to serve, it has to position itself correctly in the market.

Simply, positioning is how the target market defines the company in relation to its competitors. The company has to clearly communicate its uniqueness and benefits in comparison to the competitors to the potential customers. (Determan.net No year, www.determan.net.) Basically this means that the company has to map out that to who it is selling to, what it is selling and with what differential advantage it is selling. The differentiation criterias vary a lot from one company to another but it generally is the company's core competency that is the main positioning criteria because not all differences are differentiators. This means that the differential advantage has to base on something that is unique and very strong in the company. (Kotler 1967, 301.)

Positioning is a process of designing an image and value for the company and its products. It is a battle between the rival companies of the consumers' minds since the success or failure for the company is based on how the consumer perceives it. Positioning is a fundamental part of the marketing planning process as any decision on positioning has a direct and immediate effect on the whole marketing mix. The company must identify its competitive advantages that will appeal to its target market and then communicate them effectively to the market. If the communication fails the company might end up confusing the buyers, make the potential buyers dislike the brand or remain un-noticed in the market. (Wilson & Gilligan 1997, 353-355.)

Positioning strategies need to be re-evaluated constantly and changed according to the changes in the market. Companies can do this gradually where they change the positioning as the market changes by small adjustments. It can change its positioning radically but this is very risky as the new positioning might repel the existing customers away.

Innovative positioning can be very efficient if the company finds a new way to position itself which hasn't been discovered by the competitors yet. There is an option not to position the company at all and just rely on the fact that the company sells without it. (Wilson & Gilligan 1997, 359.)

5 COMPANY DESCRIPTION

5.1. General Business Idea

Eddie Rocket's business idea is to serve good quality fast food in a pleasant surrounding. Eddie Rocket's is portraying an authentic American 50's diner down to the last detail. The atmosphere and the feel to the place are just as important as is the food being served. The restaurant provides an experience of the old times while people are enjoying a quality meal.

The restaurant has a quite limited menu compared to many other restaurants but that is part of the charm of the place; it stands behind the concept it is and it doesn't pretend to be anything else. The menu is comprised of various burgers and side orders to go with them. The other main products along with the hamburgers are the milkshakes that used to be a very important part of the American diner culture in the 1950's.

The interior of the restaurant is designed to be a typical model of an American diner. The coloring of the place is a combination of red, white, black and chrome. The booths are made of red leather sofas and white tables with chrome finishing. The floor is made of white and black tiles patterned like a check board. The service counter is big and white with the open kitchen behind. The outfits of the staff are almost exact replicas of the ones used back in the 50's. The place has small detail objects and interior design items that are finishing the perfect diner feeling. These include small jukeboxes at tables, movie posters from the 1950's and even the straw holders are made to match the general design.

The service has a great importance in the business model as well. The service is fast, efficient but most importantly, very friendly. The service concept is based on the true American customer service standards. The employees at Eddie Rocket's provide a wholesome experience to its customers and the warm welcoming service will keep the customers coming back. (Eddie Rocket's 2008, www.eddierockets.ie.)

5.2. Dynamic Business Model

The business idea is to set up an Eddie Rocket's franchise restaurant in Helsinki, Finland during the year 2009. The restaurant will be built and designed according to all the franchising standards and guidelines that all Eddie Rockets' have. A new way of enjoying a meal will be introduced to Finnish consumers.

Helsinki was chosen because of the vast consumer base and people in Helsinki are always on the lookout for something new and Eddie Rocket's would most definitely provide that. Even though the competition is tougher than in many other urban areas, the sheer volume of potential customers makes Helsinki a very attractive place to invest in. The restaurant will be located in the city centre of Helsinki. The exact location has not been decided yet.

The company will be founded and owned by Jenni Vahter and Johanna Vuori with equal share. They both will act as managing directors for the company and they will both work in the restaurant as well. Staff for the restaurant will be hired in Finland and the starting composition would include four chefs, seven waiters and three extra members of the waiting staff working part time. The restaurant will be open seven days a week and the opening hours will be: Monday to Thursday 11.00 to 24.00, on Friday and Saturday 11.00 to 02.00 and on Sunday 12.00 to 22.00.

There are two main target groups: young urban consumers aged 15-30 and older consumers aged 35-55 with families of young children. These target groups combined will reach most of the potential clientele in Helsinki area.

The company image will be a clear cut extension to the Eddie Rocket's restaurant franchise chain. Image is very important to this business model and building the brand awareness will require a lot of resources. Selling the brand to Finnish consumers will be actioned through a well thought marketing plan.

5.3. Mission Statement

Eddie Rocket's mission statement in its all simplicity is: "Super food and service, superb cleanliness, satisfied customers - If that's not for you. You're not for us."

This slogan has been Eddie Rocket's founder Niall Fortune's driving motto since he originally set up the business in the 1990's. (Eddie Rocket's 2008, www.eddierockets.ie.)

The mission statement is very clear in its message. Eddie Rocket's is for everyone who enjoys a nice dining experience with good service. As it is said in the statement; if you don't like the concept as it is, this diner is not for you and Eddie Rocket's will not miss your custom.

The restaurant in Helsinki will portray the same mission statement. The business will be run through the guidelines set by the franchisor thus implementing the mission statement is vital for the business image. Jenni Vahter and Johanna Vuori will be in charge of overseeing that the guidelines and the business motto will be followed and fulfilled in all of the business operations.

Eddie Rocket's concept has stayed the same for almost 20 years that it has been operational. All newly launched restaurants follow the same mission statement as did the first Eddie Rocket's in Dublin in 1990. The franchise has kept itself together very well over the years and the restaurants are unified with only mild separation.

5.4. Company Form

“Franchising is a form of licensing in which a company licenses business system as well as other property rights to an independent company or a person. The franchisee does business under the franchisor’s trade name and follows the policies and procedures laid down by the franchisor. The franchisor licenses a way of organizing and carrying on a business under this trade name. In return, the franchisor receives fees, running royalties and other compensations from the franchisee.”(Root 1994, 109.)

The company form chosen is franchising business. The form was chosen because that is the only possible form for setting up Eddie Rocket’s restaurant. The rights will be purchased on agreed price and the franchising agreement will be signed by the franchisor Niall Fortune, Jenni Vahter and Johanna Vuori.

The ownership of the rights will be equally shared among Jenni Vahter and Johanna Vuori. The obligations and rights will be equally shared as well. Both signing members will be operating as the managing directors, owners and restaurant managers with equal responsibilities. The founded company will be a limited company with equal shares between the partners.

Organizational chart

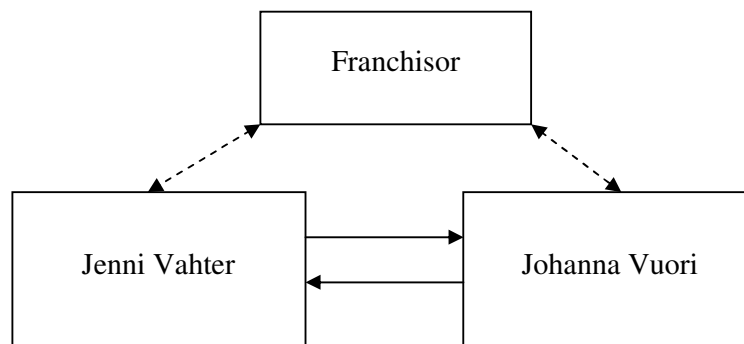


Figure 4. Organizational chart

The flow of information will be from all parties to all parties.

The importance of the franchisor will be very high in the starting process and in the first operational months. That importance will decrease during the course of action when the business will start running and the operations will become more familiar. The communication between the business partners will be very important during the whole course of business operations. As the company form is a franchising partnership it is vital to maintain open and organized communication structure among the two partners.

5.5 Core Competencies

The core competencies for this business idea are uniqueness in the chosen market area, strong existing business idea and brand, quality of products and service and the assistance and know how from a successful franchisor.

The main competency for this business is the unique image of the company. No other restaurants in the Helsinki area have the same business concept. There is, of course, a fierce competition among restaurants but as it was mentioned, Helsinki consumers are very prone to search for new alternatives. This restaurant will provide that for them, giving them a whole new dining out experience. The concept of a 1950's diner is missing from the Helsinki restaurant scene. There are few competitors in the area with similar business models but nothing exactly the same. The main competitors will be reviewed and evaluated in detail in later sections of this business plan.

The brand for Eddie Rocket's is very strong. The brand is very distinctive and easily recognizable. Nowadays in the modern business world, no company will succeed without creating a strong brand for itself. Eddie Rocket's has established itself well in Ireland and the brand has become a household name. This does not mean that setting up the brand awareness in Finland will be easy but the success in Ireland shows that this brand has a lot of potential. Setting up a start up business on already an existing brand is a lot easier than to start from nothing. Although the down side to this is that in a franchising agreement there is no room to develop the brand to one's own liking as the decisions regarding the business image will come from the franchisor.

All in all, the existing brand and the knowledge from the franchisor about selling the brand will make setting up the restaurant successfully in Helsinki a lot easier.

The actual products, the food and the service, are one of the core competencies for this business. The success of Eddie Rocket's lies very heavily on what it delivers to the customers. This is true to all businesses but especially for the ones in the catering sector as these services need to repeat the sale to the customers in order to survive. The word of mouth is a vital part of the success to any restaurant. If the food and the service are not pleasing the customer the restaurant loses the business for many other customers at the same time as the non-pleased customer is sure to tell about the bad service they received. Therefore it is essential for a restaurant to provide high quality food and good service at all times. Eddie Rocket's as a concept is based on serving good food with good service as it was said in the mission statement. This is one of the main strengths of this franchising venture as the franchisor will provide the recipes and will provide assistant and guidelines in training the staff as well.

The assistance from the franchisor is a key factor to this business set up. The knowledge that he can provide will help this venture tremendously. The franchisor will provide all the needed information to set up the physical venue, projections of the needed finances, actual recipes for the food and assistance in the training of the staff. This information package provides the start up business a founding stone to build it on. This is one of the core competencies because unlike ventures that are set up on their own, this business will have somebody else's experience to refer to. Although the market area will be totally different then the one Eddie Rocket's has been operating before, there are many things that can be taken advantage of based on the franchisor's past operations.

The main four core competencies will give an advantage to this business against the competition in the restaurant business in the Helsinki area. The projected success will be based on how well this business will manage to utilize all these strengths in its operations. These competencies will be the corner stones around the foundation of this business model.

5.6 SWOT OF EDDIE ROCKET'S

Table 6. SWOT of Eddie Rocket's

<p>STRENGTHS</p> <ul style="list-style-type: none"> - Well established company in Ireland - Distinctive brand identity - Full back-up and support services - Advice and guidance necessary for a successful launch - Experience in franchising - "Quality fast food - Trendy & popular theme - Popularity of American food - Easy access / central location - Staff 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> - No previous history in Finland - Set concept / no room for creativity - Costs & obligations to the main company - High sales expectations - Staff - No real life experience of restaurant entrepreneurship - Dependant on outside capital
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> - New locations in Finland and other Nordics - Better & more beneficial supplier networks - Regular client base - "Roller Diner" 	<p>THREATS</p> <ul style="list-style-type: none"> - Other competing restaurant chains - Not reaching sales targets - Copycat restaurants - Consumer preferences - Supplier relationships - Economic fluctuations

Strenghts

The first Eddie Rocket's diner opened on South Anne Street, Dublin 2 in the autumn of 1990 and since then new diners have been opened in Ireland and in the UK. This has created a solid foundation for Eddie Rocket's franchising concept. Eddie Rocket's prides itself on the fact that they take good care of their franchisees. Eddie Rocket's offers a complete business format franchise, which provides the investor "a turn-key operation". This includes for example help and guidance with site selection as well as a complete building process for the diner, including everything from the architectural plans to the fitting of the mini jukeboxes.

A major part of the success behind Eddie Rocket's has been development of a strong brand and image. The name and the logo have achieved a solid position in Ireland and people associate the name with an entertaining dining experience. This image is partly due to the distinctive interior design and general appearance of the diners.

The distinctive appearance of an Eddie Rocket's diner combined with the simple idea of high quality fast food is a new and unique idea in the Helsinki area. There are restaurants which have blended this kind of food into their menus but so far there is no place that would concentrate only on this kind of a menu. Several fast food chains have already proven that Finnish people among other nations enjoy their occasional hamburgers and french fries. Eddie Rocket's simply takes that fast food into the next level. No food is prepared before the customer places the order for it. This guarantees that food is always fresh and it can be prepared according to customer's wishes.

Location is one key to Eddie Rocket's success. All Eddie Rocket diners are located in a busy neighbourhood – either in the city centre or close to a major shopping centre etc. The idea is that a customer can easily stop in for a bite without waiting in a queue or making a reservation. The first Eddie Rocket's in Finland would be located in the central district of Helsinki, along with all the major tourist attractions and shopping centres.

The staff of Eddie Rocket's is one of the main strengths of the business. The staff will be selected carefully and they need to be good in customer service. The staff in combination with the actual food provided will be the main factors that will keep the customers returning to the restaurant. To ensure this the selection of staff is done according to strict qualification standards and all staff will be given a thorough training. The training will be constantly reviewed and updated as the operations go further.

Weaknesses

Starting a new business is always risky. In this case it is a new concept in a new country which makes it more vulnerable. No matter how experienced the entrepreneurs and the franchiser company, a new start up is always risky. Even though Finland and Ireland are not geographically that far away from each other, consumer preferences can vary more than one might expect. Therefore statistical information about the local catering industry would come helpful in creating a consumer profile.

Since Eddie Rocket's is a franchise company it has a very set and strict model for the diners. Even though this makes the start up process easier it leaves little or no room for creativity. Eddie Rocket's has a set idea for everything included in the restaurant; food, appearance, service and even the music in the jukeboxes has been decided before the diner opens its doors. Any changes or variations the franchisee would like to make, they have to get accepted by the franchiser.

The staff can also be a weakness for the business if the staff selection does not work as expected or the training will not be efficient enough. It only takes one poor member of the staff to ruin the restaurant image for many customers thus costing money to the company as the business will not be repeated with the customers receiving bad service. In this case also the word of mouth can do a lot of damage for the business.

The basic concept of franchising dictates that the franchiser always gets its share of the business and profits. The franchisee has to pay a set amount as a start up fee of €45,000. While Eddie Rocket's always take a percentage of the profits its expectations are considerably high for a new start up restaurant. Where generally a zero result during a first year is considered an achievement, Eddie Rocket's expects a profit of 13% on the first year. It goes without saying that this would be a great achievement for any new company.

Opportunities

If the first Eddie Rocket's diner proves to be a success it brings along more opportunities for further development. The most obvious opportunity for a new franchise is new locations. In this case locations could be in other major cities in Finland or even in the neighbouring countries like Estonia and Sweden. This however requires that the business has a proved track record in the first location and it has provided funding for the new start-ups.

Once the business has stabilized and had become more profitable one can also start benefiting more from the supplier network. Many wholesalers grant bigger discounts for bulk buyers and better credit terms if the relationship is proved to benefit both parties. Having an impeccable credit history can help to get better payment and delivery terms from major suppliers.

One obvious goal for Eddie Rocket's in Finland would be to establish and maintain a regular client base. The easiest way to achieve this is to always maintain a high standard for the food and service, which is a corner stone of the Eddie Rocket's business. Good news travel fast but bad news travel even faster – therefore Eddie Rocket's will try and guarantee that there will be no bad news to be shared.

Old American cars and everything relating to the culture around them has become a very popular hobby among Finnish people. There are clubs and associations gathering these people together and organizing meetings and events. Eddie Rocket's combined even with a small parking lot would be an ideal venue for these kinds of meetings. The club members could meet each other in a venue that matches their cars and interests. On certain days in the summer Eddie Rocket's waitresses would be serving food outside the restaurant in an old fashion "drive-in" way – possibly even on roller skates. This would bring together customers on a regular basis and people passing by would definitely pay attention for such a sight, bringing "free publicity" to Eddie Rocket's.

Threats

First and probably the greatest threat to a new restaurant is its competitors. Eddie Rocket's does not have competitors that operate exactly with a similar concept but many restaurants have similar elements in their menus. Fast food chains such as McDonald's serve burgers and french fries but not made or served the same way as Eddie Rockets does. Other restaurants might have similar food on their menus but they do not provide a similar experience when it comes to the venue, music and atmosphere. There might be a threat of copycat restaurants emerging on the market after the launch of Eddie Rocket's. Therefore the brand creation and raising the brand awareness is essential for Eddie Rocket's in order to fight off the possible copycat businesses.

When starting a new restaurant, first impressions and reactions from customers are crucial. As mentioned before, customers can make a huge difference to the restaurants reputation by simply passing on the message. A restaurant has to be unique but still likeable.

Eddie Rocket's serves familiar and popular food in a unique and fun environment – therefore consumer preferences do not represent a major threat. In regards to consumer preferences, pricing might be some kind of a threat, since Eddie Rocket's is not as cheap as some competing fast food chains. However Finnish consumers are willing to pay for quality and service which will help Eddie Rocket's in the process of winning over the Finnish people's hearts.

Eddie Rocket's, like any other restaurant, is dependent on its suppliers. No restaurant can produce good quality food without a efficient supplier network. If this network does not work and business can no longer be conducted, it is important to have a plan B for daily supplies. This can also be avoided by not using a single supplier but a few different ones instead. This way there is always a back-up in case something goes wrong.

The economic fluctuations pose a threat for the future operations of Eddie Rocket's. The economical situation is strong now in Finland but the situation might change and lowering the consumer expenditure on restaurant services thus leading into fiercer competition among the restaurants.

5.7 Products and customer value added

All Eddie Rocket's products are made from local high quality ingredients and never before the customer places the order. The basic idea is simple; good food, good service and a pleasant environment. Eddie Rocket's has a slogan: "We didn't invent the hamburger... we just perfected it." Below is a more detailed description of the product categories.

Starters & sides

Eddie Rocket's starters are mostly different variations of the all-time favourite; french fries. By adding different kinds of sauces, cheese and spices to fries everyone can find their favourite from the list of side dishes. If the choice becomes overwhelming, there is a perfect combination of onion rings and fries served with Eddie's garlich mayonaise. There is also choice of mashed potatoes, nachos, garlic mushrooms or buffalo wings.

Sandwiches

The sandwich menu at Eddie Rocket's is short but all the more delicious. It includes a classics like B.L.T. and the Club as well as the Dolphin Friendly Tuna Melt. The last but not the least is the Ed's Reuben Deli; a hot sandwich with pastrami, swiss cheese and deli sauce.

Hamburgers

All Eddie Rocket's burgers are made from freshly ground beef and served on a lightly seeded bun. The meat comes from local suppliers and never hits the grill before a customer orders it.

The list of hamburgers includes the Classic which customers can spice-up using extras like cheese or bacon. For people loving strong flavours, Eddie offers the Atomic; a burger topped with chili sauce and jalapenos. There is also a chicken burger as well as the Moby Dick; including a prime cod fillet and tartar sauce. For the truly hungry ones there is the Double Take and The Veggie for the vegetarians.

Dogs & Nachos

Eddie Rocket's could not be called an American diner if it did not serve hot dogs and nachos. The basic footlong comes with several different variations; just as it is, with cheese, chili or both of them. Eddie's nachos are made for sharing. They include warm cheese sauce, onions, jalapenos, salsa and guacamole. If that is not enough, the customer can choose the nachos with chili or marinated chicken.

Bowls of salad

For the customers enjoying a lighter version of American food Eddie Rocket's offers a delicious selection of salads. The classic Caesar Salad comes with a few variations; with marinated chicken, bacon or chicken tenders. Whatever the extra there is always the creamy Caesar sauce and Parmesan cheese. If this is not enough, there is still the Cobb Salad with mixed leaves, chopped egg, chicken and bacon. All salads are made from fresh vegetables chopped just before serving.

Shakes and Malts

Eddie's shakes are all hand dipped and made from premium dairy ice cream. Shakes come in four flavours; vanilla, chocolate, strawberry and Oreo cookie. Malts are blended with pure malt extract.

Ice Cream Floats

This dessert is somewhat unknown in Finland. An ice cream float is a beverage made with any soft drink and scoops of vanilla ice cream. The carbonation in soft drink causes the ice cream to foam up, creating a refreshing drink.

As one might imagine, there are numerous variations on the ice cream float featuring an assortment of sodas and ice cream flavors. Only the customers' imagination is the limit.

Desserts

After a great meal there is nothing like a tasty dessert. Eddie's dessert list includes some all time favorites like sundaes, brownies and of course the Banana Split. If these feel too heavy, there is a selection of ice creams and customers are free to assemble their own dream ice cream dessert.

Service

Eddie Rocket's makes "fast food" special and more enjoyable by serving it on real dishes and using actual cuttlery. Customers are always greeted by a host and offered a seat either at the bar or at a booth. Eddie Rocket's staff is the magic behind creating the unique dining experience. The employees have a passion for working in the service industry and their friendly personality always offers a warm hello to all Eddie Rocket's customers. This combined with an American 50's diner style, great food and classic 50's and 60's tunes create a dining experience that keeps people coming back over and over again.

Customer value added

Products

The basic concept behind Eddie Rocket's products is very simple. The food is always fresh and made from top quality local ingredients to guarantee its freshness. The type of food might be familiar from other restaurants and fast food chains, but Eddie Rocket's takes this kind of food into a new level. Unlike in regular fast food restaurants, the food is always prepared after the customer has placed the order. Food is served on dishes and brought to the table which makes the whole experience more enjoyable.

The food itself does not feel like regular fast food when it is being served like a real meal in a restaurant. Eddie Rocket's is not just about enjoying a tasty meal – it is a fun and entertaining experience in a fun and trendy environment.

Service

Eddie Rocket's prides itself with the service and that is the key that sets it apart from other restaurants. The aim is to guarantee a pleasant experience for the customer starting from the moment customer steps inside the diner. Customers are always welcomed by the host who will escort the customer to the table. Once food has been ordered customers can sit back and relax by listening to the classic songs played from the jukeboxes placed next to each table. This way the customers are actually a part of creating the environment they are in. Listening to ones favourite tunes is an easy way relaxing and enjoying oneself.

The restaurant itself is a combination of a 50's style American diner and a modern open kitchen restaurant. Eddie Rocket's takes the customer to a world that most people have only seen in the movies. It will remind the customer of movie scenes with old American cars parked outside a diner and waitresses serving food on roller skates. Although waitresses in Eddie Rocket's do not wear roller skates (at least not yet!) customers can sense a true 50's atmosphere through the interior of the restaurant, old pictures on the walls and the groovy tunes playing on the background.

5.9 Location and facilities

The first Eddie Rocket's diner would be located in the city centre of Helsinki – for several reasons. Being the capital Helsinki is the most populated and therefore the most diverse city in Finland. The central location is one of the keys to Eddie Rocket's success. This makes the diner effortless to find and easy to pop in. A centre location is also vital when it comes to creating an image and a new brand. This way Eddie Rocket's is close to all the main city attractions, business and people's everyday lives.

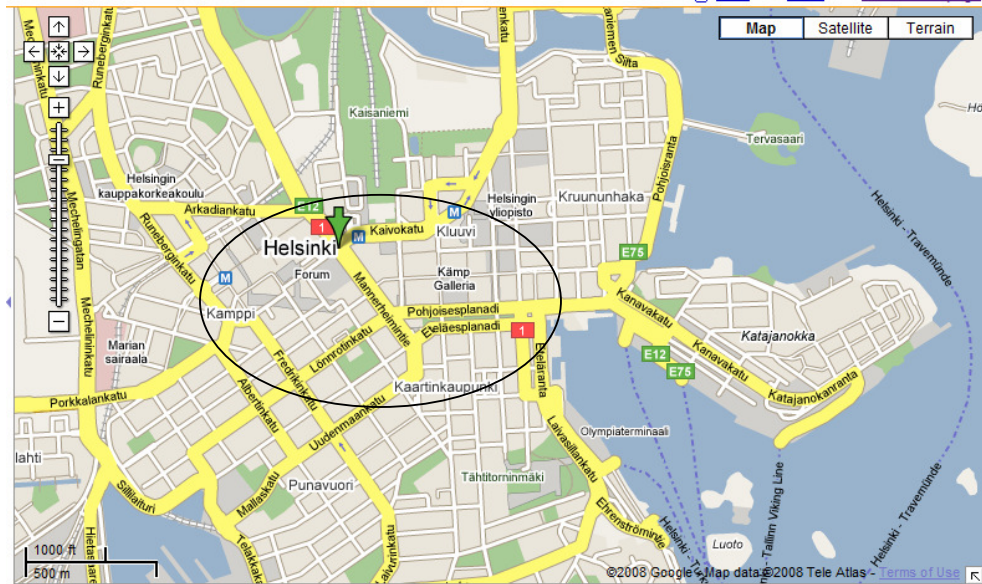


Figure 5. Map of Helsinki
(Google 2008, www.googlemaps.com).

The ideal premises would be between 100 and 150 square meters with windows facing the street. In Finland business premises are divided into different categories depending on the type of business being practiced there. If the premises are not classified as a restaurant this can be changed by applying for change from the local authorities. Premises that are used as a restaurant must meet the demands regarding for example air conditioning, hygiene, sound isolation and fire safety.

(Rakennusvalvontavirasto 2000.)

5.10 Objectives

First year

The financial goal for the first year is to reach a break-even result. The business goal is to set up Eddie Rocket's and gain public interest towards it. During the first year the business should be established and the brand image made familiar in the market. The success of the first year will determine the direction of the strategic choices regarding the business in the future.

5 years

The goal after 5 years is to have a stabilized customer base and to create a clear profit. Once this has been achieved, a new diner will be opened in another city in Finland, for example in Turku or Tampere. The original Helsinki restaurant will provide the start up capital needed for setting up the next one. Helsinki will remain the main focal point of the operations but resources will be allocated to the other site as well. This will probably mean that one of the founding partner's will move to the other city to oversee the start up operations.

10 years

Once in business in for 10 years, Eddie Rockets should have 5 new locations in the major cities in Finland and all of them creating a profit.

6 ENVIRONMENT, INDUSTRY AND MARKETING

6.1 Definition of overall market

Finland is a free market economy that is highly dependent on international trade. Around 1900, agriculture, especially forestry, was Finland's economic backbone, as trees were Finland's chief natural resource. The more arable southern provinces of Finland have always had higher population density and have dominated the agricultural economy. Finland now has a technologically advanced economy, in high-tech forest production, electronics, and other manufacturing. But the southern regions continue to dominate in population and productivity (National Economies Encyclopedia 2007, www.nationsencyclopedia.com.)

Finland has a population of about 5 million people, spread over an area of 338,145 square kilometres (130,559 square miles). Finland is the eighth largest country in Europe in terms of area, with a low population density of 16 people per square kilometer, making it the most sparsely populated country in the European Union. The majority of the population is concentrated in the southern part of the country. (CIA Factbook 2007, www.cia.gov.)

Helsinki and its surrounding cities form by far the most populated area in Finland. The population of the region has been growing steadily during the last decades as a result of massive urbanization process in Finland. Helsinki alone populates a little more than half a million people and together with the neighbouring cities the total population raises over 1.2 million which equals almost a quarter of the entire Finnish population.

6.1 PEST analysis – Finland

Table 7. PEST Matrix analysis

<p>Political</p> <ul style="list-style-type: none"> - Political stability is very high in the Finnish democracy. No big changes expected in the near future. - Legislation is quite secure and changes take along time. - Employment legislation is quite strict and employee benefits are tightly monitored by the labour unions. 9 - EU regulations apply and reflect Finnish legislation. 8 - One of the highest taxations in EU both corporate and income. 7 - Government does not limit the competition in any major way. - Consumer protection is very high. 6 - Finland has very high business, investment, financial freedom. Labour freedom is below the world average. 12 - Finland is the world's least corrupted country. 16 	<p>Economic</p> <ul style="list-style-type: none"> - Inflation rate in 2007 was 2.9%, inflation in January 2008 was 3.8%. 5 - GDP was €153.8 billion, per capita €23,125 in 2007 2 - GDP growth in 2007 4.4%, forecasted GDP growth for 2008 3% 4 - Unemployment reduced 2007-2008 by 0.8%, employment grew by 2.2% 5.2 - Labour costs are high. - The general interest rates have grown by appr. 2% from 2005 to 2007. 5.4 - Minimum wage is recommended to be €956.40 per month. 10 - The purchasing power per capita in 2007 was €35,195. 3 The pp per capita index was 19% higher than the EU average in 2007. 17 - Consumer price index has grown from 2000 to 2007 10.8%. 5.5 - Average disposable income grew by 2.4% in real terms in 2007. - Consumer expenditure between 1926 and 2007 has grown by 800 by volume index. 1 - Income taxation is high in Finland and it is progressive. 7 - The Finnish economy is doing quite well in general and the consumers trust the economy.
<p>Social</p> <ul style="list-style-type: none"> - Demographically Finland is getting older and the family size smaller. Younger people live in the cities while older people with families move out of the major cities. 19, 20 - Education is highly valued and people are getting more highly educated. 5.3 - Labour force is getting more educated; people are not willing to do physical labour. - Free time expenditure is rising and people value their free time more. The free time expenditure covered 50% of total expenditure in 2007. 5.5 - Finnish people are a quite healthy nation but there is a concern of the population getting overweight. 18 - Living conditions are of high standards. - Finland is very environmentally aware country and people value pure and clean living environment. Ecological values are important. - Consumers are getting more open minded to new products, foreign brands are gaining popularity. - Finnish people are more fashion and trend conscious and focused than before. 	<p>Technological</p> <ul style="list-style-type: none"> - Finland is one of the most competitive nations in the world greatly due to technology innovations. 11 - Finnish technology level is evolving constantly; it has not reached its maturity level. - Finnish people are excited about new technology innovations. - 35% of Finnish people work with PC's, 75% own a mobile phone and 30% uses Internet services regularly. 14 - Over 60% of the population are Internet users 15 and over 50% of households have Internet access 5.6 - Many Finnish suppliers have upgraded their transport and other logistical equipment thus making transporting easier and faster. - Manufacturing in Finland is of high standards and equipment is quite modern. - Energy is expensive in Finland. 13

Sources for the PEST matrix:

1 Statistics Finland 2007a, www.stat.fi, 2 CIA Factbook 2007, www.cia.gov, 3 Wikipedia 2008b, www.wikipedia.org, 4 Invest in Finland 2008, www.investinfinland.fi, 5 Statistics Finland 2008c, www.stat.fi, 5.2 Statistics Finland 2008d, www.stat.fi, 5.3 Statistics Finland 2008a, www.stat.fi, 5.4 Statistics Finland 2008e, www.stat.fi, 5.5 Statistics Finland 2008b, www.stat.fi, 5.6 Statistics Finland 2006b, www.stat.fi, 6 Consumer Agency Finland 2007, www.kuluttajavirasto.fi, 7 Finnish Tax Office 2008, www.vero.fi, 8 European Commission 2007, www.eurlex.europa.eu, 9 Finlex 2008, www.finlex.fi, 10 Arto 2007, www.artto.kaapeli.fi, 11 Saarnivaara 2005, www.virtual.finland.fi, 12 Heritage Foundation 2008, www.heritage.org, 13 Vesikansa 2007, www.virtual.finland.fi, 14 Brady 2001, www.virtual.finland.fi, 15 Internet World Stats 2007, www.internetworldstats.com, 16 Infoplease 2006, www.infoplease.com, 17 Eurostat 2006, www.epp.eurostat.ec.europa.eu, 18 EUPHIX 2007, www.euphix.org, 19 Index Mundi 2007, www.indexmundi.com, 20 Statistics Finland 2004, www.stat.fi

Political factors

Politically Finland is quite liberal when it comes to commercial businesses. There are not any substantial governmental obstacles to running a business or starting up a new venture in Finland. The Finnish government supports new businesses and entrepreneurship is valued. The government grants start up funds and loans to new companies. As the political environment is stable there are not any major changes expected in the near future. The legislation is fairly strict when it comes to starting up businesses and running the operations but it is not a threat or an obstacle if the commercial actions are done and set by the law. The EU has brought new legislative issues to consider but in general the market freedom is high in Finland. It has to be remembered that Finland is the least corrupted country in the world thus avoiding the law is almost impossible. The competition regulation is modest in comparison to many other countries where the government has a firm grip over the market fluctuations and competition regulation. Competition is monitored and breaches of the competition laws are punished sometimes very harshly. Finnish legal system is very strict on financial crimes. Consumer protection from the legal perspective is high. The National Consumer Agency and regional ombudsmen work efficiently in protecting the Finnish consumers. Finnish consumers are also very alert of their rights in purchasing situations and contractual agreements.

Labour laws are very strict and they are constantly overseen by the labour unions. The collective agreements for different industries are evaluated on a yearly basis and the labour unions are always bargaining for better terms to them.

As an individual employer the power against the labour unions is minor therefore most of the employers belong to unions themselves. Finland is one of the most highly unionised nations in the world. This limits the labour freedom substantially and makes employment contacts harder. Taxation in Finland is one of the highest in Europe. The corporate tax is 26% which is substantially higher than in many other EU countries.

The effect of political factors on Eddie Rocket's is mild. The government is a source for financing and assistance and the EU can be utilized as a source of resources as well. The legislation of sanitary and safety issues will have an impact on the restaurant design and operations. The most effective factor of the political sector is the labour unionisation of Finland. The labour and employer unions dictate the minimum wages, job safety standards, working hours and other significant parts of the work agreements. All these issues need to be given a high importance as the legislation for commercial businesses is strict in Finland. The taxation is one of the biggest negative political factors in Finland. This makes it harder to sustain a desirable profit level.

Economic factors

The economy of Finland has been stable for the past 10 years and it has been growing substantially since the years of the recession in the beginning of the 90's. The growth has settled down now and it is starting to show signs again of smaller growth rates which might be a sign of a new recession period starting. The forecast for the next years is still quite good though and the growth is still rather substantial. The inflation rate is projected to be higher in 2008 than it has been for a while although the inflation rate still would be quite modest being just under 4%. The GDP growth rate year on year terms is expected to be smaller in 2008 as well. The interest rates are growing steadily and the consumer price index has grown by over 10% from 2000 to 2007. At the same time the purchasing power per capita index has grown just under 2%. The PPP (Purchasing power parity) was € 35,195 per capita in 2007 according to the World Bank listing ranking Finland 11th in the world. All these are signs for cost of consumer goods and living in general getting higher but the income level is not rising by the same measures.

Income level increase is merely hedging against the inflation, although, the purchasing power parity is still very strong by international comparison. Finnish people have quite strong trust in the Finnish economy and minor setbacks in the economy situation will not change the consumer behaviour in a substantial way.

Labour is expensive in Finland. The employer has to bear high fees to the government to ensure the social welfare benefit payments for its employees. It is very expensive to hire and maintain a workforce in Finland. The taxation was already mentioned in the political section from the company point of view but it has to be remembered that the income taxation is high as well. This means that the share of disposable income from the total earnings of people is smaller than in many other countries.

For Eddie Rocket's this economic situation is very potential. Even though the economy is not going through an upswing the basic foundation is good. The consumers have quite large disposable income in their use and they are spending more money on un-necessities. Eddie Rocket's will face the high costs of employing as one of the main challenges. Eddie Rocket's is used to operating in Ireland where the employment costs are far less as well as the corporate and income taxation.

Social factors

The population in Finland is just over 5 million of which approximately 1.5 million people live in the Helsinki capital area. The birth rate is dropping year on year and the mortality rate is growing year on year meaning that the population of Finland is getting older. The average family size is getting smaller and more people are as singles rather than in family units. People are moving away from the small municipalities to larger cities although Finland is a late bloomer in urbanisation compared to many other nations. There is a trend of families and older people moving away from the bigger cities to smaller communities.

Finnish people are well educated and the level of higher level degrees is rising. Education is highly appreciated and young people value education higher than past generations. As the baby boomers are moving on to retirement age and the young people value education more than average work; it is estimated that there will be a labour shortage in Finland. Living conditions are high in Finland and the average purchasing power is quite high by international standards. The social welfare system works well and the high taxation guarantees governmental services. Finnish people are very environmentally alert and ecological issues are considered in most situations. Government is actively monitoring the environmental policies and a lot of resources are allocated to them.

Consumer expenditure has been rising steadily and the expenditure on un-necessities and free time is on the rise. A few years back the expenditure on leisure time was significantly less than it is today, almost 50% of the total expenditure goes to freetime-related activities or products. People value their free time more and want to get the most out of it. Consumers are more open minded towards new products and the willingness to try out new things has increased as Finland is in more interaction with other countries and more products and services are flowing in the country. The interest towards new trends and fashion items is growing as well. Finland is no longer the last place on earth to see the new trends on the contrary Finland is a part of the creative force nowadays.

For Eddie Rocket's, this social setting works fine as the restaurant concept works for all age groups. As the restaurant is set up in the capital area it is in good position to attract the younger urban consumers but the older demographic segments are reached as well, as many commute to Helsinki even if living outside the city area. Leisure time visits to Helsinki capital area are quite common as well. The population density is very good for that area meaning that a larger target audience is in the reach of the business. People are spending more money on leisure activities of which dining out is one of the most common expenditure object. The appreciation of free time works for Eddie's benefit as people are looking for more new and interesting things to try out in order to make their leisure time worth while. Finnish consumers are already used to foreign businesses so they are not afraid of the new entrants to the market.

Eddie Rocket's needs to be set up according to the high ecological recycling standards as Finnish people value companies that take the environment into consideration.

Technological factors

Finland is one of the world leading countries in technological innovation. Due to high quality technological research and production, Finland is one of the most competitive nations in the world. The level of technological know-how is evolving constantly and new innovations are introduced to the market all the time. The Finnish people are very interested in new technology and new technology is adopted fast. Over 60% of the population uses the internet on a regular basis and 75% of the population have mobile phones in their use. The information flow is very fast and efficient. Manufacturing and logistics are strongly influenced by the technological progress; new information systems, new logistical solutions and new manufacturing equipment are introduced constantly. The main limitation for technological improvement is the high price of energy although most of the technological innovations are based on being eco-friendly and energy saving.

For Eddie Rocket's the main influential factor is the speed and nature of information flow in Finland. The marketing and information tactics have to be designed to suit the technologically advanced market. Internet and mobile services should be integrated in to the Eddie Rocket's strategic marketing concept. The main findings according to PEST analysis concerning Eddie Rocket's are displayed in the below table.

Table 8. Major findings of PEST analysis

<p>Political</p> <ul style="list-style-type: none"> - Business ethics need to be of high standards to comply with the law. - Labour unions have a strong influence and cooperation with them is necessary. - Taxation is high and it has an effect on the business profitability. 	<p>Economic</p> <ul style="list-style-type: none"> - Economic situation is stable in Finland creating a safe foundation. - PPP is quite high meaning that people have money to spend. - Inflation rate is expected to grow and might lower the consumption of leisure items. - Labour costs are high in Finland.
<p>Social</p> <ul style="list-style-type: none"> - The capital area has a large population meaning wider target audience. - Might be hard to find committed labour as Finnish people value academic careers over normal jobs. - Expenditure on free time is high meaning bigger possible sales. - People are used to foreign businesses and are not afraid to try out new things. 	<p>Technological</p> <ul style="list-style-type: none"> - The level of technological innovation is high and it is necessary to keep up with the changes. - People use internet and mobile services regularly and marketing campaigns need to be coherent with this information flow. - Energy is expensive so it needs to be taken into consideration when making financial estimates.

6.3 Industry size and growth

Franchise restaurants in Finland

Table 9. Franchise restaurants in Finland

Franchise restaurants	2005	2006	2007
No. of chains	17	19	20
Places of business	1088	1187	1339
Entrepreneurs	746	862	970
Total turnover (billion €)	0,41	0,46	0,53
No. of employees	11168	11547	12865

(Finnish Franchising Association 2005, www.franchising.fi.)

The number of franchise restaurant chains has not changed dramatically over the last years but the trend has been positive. There has been one chain per year starting on the Finnish markets during the last 3 years. The number of employees as well and places of business have been growing each year. There has been roughly 100 new entrepreneurs each year and the total turnover of all franchise chains has been growing year by year. (Finnish Franchising Association 2005, www.franchising.fi.)

Sales

The total sales for catering industry in 2006 were €3.5 billion rising €202 million from the previous year. The average gross margin for restaurant businesses was 7% which is a bit lower than the figure in 2005. The low gross margin can be explained by the high labour costs in Finland (Lankinen 2007, 28). The net profits for the industry grew by €20 million. The contradiction between the figures can be explained by new investments made by the businesses which is an indicator of a growing industry. (Statistics Finland 2007b, www.stat.fi.) According to Finnish Hotel and Restaurant Association (FHR) the value total sales of the catering business increased about 6% between January and September 2007. However there were substantial differences between different sectors.

Restaurants operating with A, B and C licenses increased their sales roughly by 5% whereas alcohol sales alone stood more or less still. The biggest fast food chain increased their total sales by 9.5%. The prices also climbed about 2% which leaves the actual growth in sales to 7.5%. (Lankinen 2008, 25.)

Trends

Restaurant visits have almost doubled in the last two decades. Half of all restaurant meals are consumed in personnel and student restaurants. This comes up in a survey conducted by TNS Gallup on behalf of Finnish Hotel and Restaurant Association. The survey was completed in October 2006 and 1500 people took part in the survey.

The report tells that the number of restaurant visits for men is 40% higher than for women and younger people tend to eat out more than the older age groups. The largest consumer group is people between ages 25 and 34; they visit restaurants on average 3.8 times in two weeks time. Farmers and pensioners make up the smallest group of restaurant consumers. However even this group is growing almost by equal rate compared to other groups. The affect of household income has an obvious affect on restaurant visits; the higher the income the higher the number of visits. Almost 20% of the people answered that they do not use restaurant services at all.

According to the survey the à la carte restaurants are the most popular type of restaurant with a share of 29%. Personnel restaurants as well as fast food chains rank next when it comes to market shares. Somewhat surprising was the share of ethnic restaurants; totalling to only 2% of the total. Lunch is by far the most popular type of restaurant meal. Almost 60% of all restaurant meals are eaten during lunch hours. Dinners total to about 39% and breakfasts barely reach 1% of all meals.

Two thirds of people interviewed in the survey pay on average 8.40 Euros for a meal in a restaurant. Only about 4% of people were willing to spend a minimum 16.80 Euros per meal.

These prices do not include any alcohol beverages consumed with meals. The 2/3 of people thought that the amount of money spent on their restaurant meals was somewhat small. The expenditure on catering industry services in 2006 was the highest among senior and junior officials, entrepreneurs and students. As a percentage of their total expenditure the students spent most money on restaurant services; 7.3% of their total yearly expenditure of €14,004. The other groups spent approximately 5-6% of their total expenditure on these services but measured in value terms their share accounted more as the average expenditure was €1,331 per person. (Statistics Finland 2007c, www.stat.fi.)

The following table shows the € expenditure on restaurant service category by age group in 2006.

Table 10. Expenditure on restaurant service category by age groups in 2006

Restaurant service category	17-24y	25-34y	35-44y	45-54y	55-64y	Total
Total useable income	16 935	32 258	43 394	43 165	42 380	35 272
Hotels, restaurants and cafeterias	1 343	1 967	1 889	1 517	1 047	1 262
Restaurants and cafeterias	1 069	1 474	1 240	965	651	864
Meals in restaurants	340	545	497	401	293	348
Hamburger meals	117	135	96	65	15	61
Soft drinks in restaurants	22	32	29	17	5	16

(Statistics Finland. 2007c. www.stat.fi.)

The quality of food, low prices and friendly service were listed as the most important criteria when choosing a restaurant. These factors have remained more or less the same throughout the years. Also the location of the restaurant, speed of service as well as hygiene was considered important when choosing a restaurant. The taste of food was the most important factor when it comes to the actual meal. Variety, healthiness and domestic ingredients were considered important. Organic ingredients were very important for about 20% of the people interviewed. (FHR 2006, TNS Gallup)

Employment

The catering business in Finland has been growing steadily for the last years. This can be seen in every aspect of the business; number of locations, sales and revenue.

The demand for labor force has increased and the growth is expected to grow. The finance newspaper Kauppalehti wrote already in 2006 that there was a serious shortage of restaurant staff in the Helsinki region which naturally has caused an increase in their salaries. The situation has not changed since. The number of professionals in the industry is fairly small and these people know how to take advantage of the situation. Especially during the summer month when the catering business is at its highest peak, there should be a job available for almost anyone who has some kind of experience in the industry. (Kauppalehti 5/2006, www.kauppalehti.fi.)

Table 11. Work force in catering industry

Work force in catering industry	1998	1999	2000	2001	2002	2003	2004	2005	2006
Employed (1000)	68,1	71,5	73,7	75,2	75,2	74,7	74,9	76,0	77,5
Change (%) from prev. year	3,5	5,0	3,0	2,0	0,0	-0,7	0,3	1,5	2,0

(Sources for figures: Statistics Finland; National Product Control Agency for Welfare and Health; Finnish Hotel and Restaurant Association.)

Bankruptcies

One way to measure trends in an industry is the number of bankruptcies. The catering industry has been showing a very positive trend over the last decade. Number of bankruptcies rocketed in the beginning of 1990's as depression hit the Finnish economy. The number hit its all time high in 1994 but since then it was decreasing year by year until 2007. In 2006 145 companies from the catering industry declared bankruptcy but in 2007 the number rose to 158. The difference compared to the previous year was marginal and it is not expected to change the main direction of the trend. (Statistics Finland 2007b, www.stat.fi.)

Forecast

The general outlook for the Finnish catering industry is bright. The development might not be as rapid as it has been in the previous years.

Profitability will be more challenging than ever as prices for labour, ingredients and energy are increasing constantly. Statistics Finland is forecasting growing purchasing power which supports the growth of the catering industry as the level of income is directly linked to the usage of catering services. (FHR 2007, www.shr.fi.) A threat for the growth is the decreasing of VAT for food products on 1st October 2009. This change will only apply to groceries sold in stores and it will not be compensated in food sold in restaurants. The current 22% VAT will be decreased to 12% for groceries sold in stores but it will remain the same in restaurants. (FHR 2007, www.shr.fi.)

Food prepared in a restaurant employs 4-5 times more people than food prepared at home. Only 15% of all food is consumed in restaurants but still the catering business employs 45% of all people working in the (grocery) retail and catering industry. Therefore when it comes to increasing employment it would be a lot more beneficial to decrease the VAT in restaurant food rather than the one sold in stores. (FHR 2007, *Suhdanne 4/2007*, 7.)

Grocery stores and restaurants are competing especially in the lunch markets. While the VAT will remain at 22% for food served in restaurants, the change will affect prices on take away food. Therefore the sale of take away lunches is expected to increase while a la carte restaurants are left on their own to deal with the changes. Fast food and take away restaurants are expecting strong growth and designing new menus and products to be consumed outside the restaurant's premises. (FHR 2007, www.shr.fi.)

6.2 Porter's Five Forces analysis

The catering industry in Finland has gone through a lot in the past twenty years. After the years of the recession in the beginning of the 90's the restaurant industry had a tough task in attracting the Finnish consumers back to consuming restaurant services. The restaurant industry has succeeded in this well and the consumers are more and more interested in food services. Measured by volume index the food sales in restaurants have grown from 1990 to 2007 by 30%. The general sales value has grown by index over 40% over the same period of time while measured by customer seats the volumes has grown by over 200%. All these are indications of more restaurants have been opened and people are spending more money on recreational services including restaurant services. (FHR 2007, Suhdanne 4/2007, 5.)

The whole nature of dining out has changed from being a rare celebratory occasion to being a normal part of everyday life. The restaurant industry has experienced a boost from the general public's interest in food trends and the current "fashion status" of food. Cooking shows are becoming one of the most popular shows on TV and there has been many food related publications launched in the past years. People no longer go to restaurants to satisfy their hunger but to be inspired and entertained by new recipes and skilful cooking. The consumers are looking for new ways to enjoy food and the physical settings, the restaurant outlook and location, are gaining more importance as well.

The industry situation is now analyzed by using the Porter's Five Forces framework. The analysis is based on the situation in Helsinki in 2007. The five forces are analyzed first separately and then combined to project a general view of the industry dynamics with hedging strategies for Eddie Rocket's. The analysis is based on statistics and figures presented earlier in this study unless it is mentioned otherwise.

Industry rivalry

Unfortunately there are not any clear statistical data of the amount of restaurants in the Helsinki area due to unclear business area clarification on business databases. Some businesses are marked down to operate on different industry although they have operations in the catering industry as well. In this study, a rough estimate is used based on EU statistics and relative size of the market area. In 2004 there were 10,514 enterprises operating in restaurant and hotel business in Finland. (Faes-Cannito 2004, 5.) As almost one third of the Finnish population lives in the greater Helsinki and the amount of restaurants has grown in the past few years we estimate that there is approximately 4,000 catering industry enterprises operating in Helsinki area. There are many enterprises mainly operating in hotel sectors but as most of the hotels provide restaurant services as well, they have to be included in to this figure. All in all there are many competitors of various sizes in the industry in Helsinki area.

The industry itself is quite big and as was just said, there are many competitors in the industry. Creating a successful start up business is quite hard but not impossible in this industry section. The industry has a lot of potential to grow as more people are moving to the capital area and the consumption of restaurant service is in upward trend. The industry is capable of handling multiple competitors as it is a growing industry.

The differentiation of the competitors in the industry varies immensely. There are restaurants for almost all tastes and likings. The basic offered product is very similar in all concepts as they all serve food and drink. The variation between the offered meals and drinks is wide thus positioning the rivalry companies in various ways in the market. Therefore the strong competition is among restaurants offering similar products in similar price group. Eddie Rocket's would be facing many competitors with similar offerings and services but not one with the exact same concept. The hardest competition factor for Eddie Rocket's would be the price. All in all in the catering industry the pricing creates an issue for the profitability of the businesses operating in it. Companies without a distinct competitive advantage are forced to compete solely on their pricing policy.

The brand and image of Eddie Rocket's is very distinctive. If the strategic marketing plan and positioning works out well for Eddie's it probably would not have to compete in pricing policies.

As a conclusion, it can be said that the industry rivalry among the existing competitors is quite high as there are many competitors and the price competition is a factor influencing the dynamics. Differentiation is huge in the industry but restaurant operating in the same sector or segment have a low differentiation thus making the rivalry higher.

Threat of new entrants and barriers to entry

As was just mentioned, the competition is quite high in the industry. This makes it easier for new start up businesses like Eddie Rocket's to enter the market as there is no supremacy power over the market by a few competitors. The easiness to enter is dependant of the sector or segments the business s heading to position itself. Some sectors are very crowded with existing competition already and breaking into the business scene successfully gets harder. This is the case for Eddie Rocket's market entry as well. Therefore the brand building is essential for Eddie Rocket's success.

The industry is growing, thus making it more attractive to enter the industry and profitability is more likely. There are many new competitors entering the market every year but only few of them will achieve a successful status among the existing rivals. This is due to the barriers to entry. Some of the already existing competitors have managed to work out the economies of scale working for them therefore making them more price efficient in the competition. McDonald's is a prime example of this as it is the market leader for cheap fast food sector in Helsinki area. Some restaurants have managed to create high customer loyalty and are able to capitalize on that. Rosso is a good example of this; it has been present in the restaurant scene for years and it has gained the consumers trust. Some restaurants have succeeded in creating a strong brand image through advertising and promotion that it is very hard for new entrants to break through that.

Colorado is a typical example of this; the publicity of its owner has created “hype” around the restaurant making the consumers curious and interested about it.

The barriers to entry in the catering industry in Helsinki are quite low in general as there is no legislation protecting the industry, there are no patent constraints and the supply chains are not dominated by one competitor. There are the factors of expertise and costs of entry straining the market entry. Some businesses have acquired such expertise on their products that it is very hard to compete with them. This has a lot to do with customer loyalty as well. The costs of entering this industry are quite high for a small business; there is a lot of specialty equipment needed and the premises for operating this kind of business need to be specially adapted for restaurant use.

Threat of substitutes

There are a few ways of seeing the threat of substitutes in the catering industry. The food bought from groceries can be seen as the substitute or the other types of restaurant food can be seen as the substitute. For an example, Indian food can be a substitute to a hamburger or cooking at home is a substitute to a meal out. In this analysis the grocery products are seen as the substitutes and the other forms of restaurant food are seen as competitors. The problem with this comparison is that grocery food is a necessity product and restaurant food is not therefore making the competition unfair. The grocery food is more of a substitute than competitor to restaurant food which is perceived more as a competitor. In this case it can be question of product-for-product substitution or generic substitution. In product-for-product substitution the consumer chooses to cook home instead of buying the hamburger from a restaurant. Generic substitution can happen when the consumer decides to buy a CD instead of eating out. For the Finnish catering industry the grocery foods pose a real threat now as the VAT will be lowered to 12% on grocery foods and take away meals while the VAT for restaurant food stays at 22%. The groceries are selling ready made meals for take away thus making it harder to restaurants compete in pricing. The restaurants are faced with a challenge to promote the value added benefits to the consumers to persuade their choice to be based on other values than solely monetary.

The threat of substitutes is high unless the restaurant has high brand loyalty and good perceived benefits to the customer against the substitute products. For Eddie Rocket's the threat of substitutes is very high as it is a start up business without no customer loyalty and high brand value to start with.

The bargaining power of suppliers

The bargaining power of suppliers is not very high in the catering industry. The catering industry itself is quite large and there are multiple suppliers to choose from thus lowering the bargaining power. There are few big suppliers that can be seen as dominating the market but the competition is high in the supplier industry keeping the price level moderate. There is a somewhat threat of the suppliers integrating forward and becoming competitors as well but this is not a big threat. Vice versa the restaurants, at least privately owned restaurants, are not very likely to integrate backwards to the supplier level. The collective bargaining power is high for both parties due to the high level of unionization in Finland. It could be said that the parties have equally high bargaining power against each other. Some restaurant chains have made partnering deals with their supplier in order to achieve economies of scale and make the supply chain process more efficient. These kinds of deals are common with restaurant chains and not so common with privately owned restaurants. Eddie Rocket's has to pay attention to the supplier selection in order to achieve the best possible deal and form good relationship with the supplier to assure efficient supply chain operations.

All in all the bargaining power of suppliers is not high as there are multiple suppliers, the collective bargaining power is the same level for both parties and the threat of integration is not high.

The bargaining power of buyers

The buyers i.e. the consumers are the biggest factor influencing the catering industry in Helsinki. As the industry is an everyday commodity industry the bargaining power of the buyers is high as a given assumption. There are a large number of small restaurants catering the needs of a large public thus making the buyers able to drive up the competition easily. The products are differentiated in this industry but basically they are the same at the same time. Therefore there are not any large switching costs from one product to another. The presence of easily acquirable substitutes increases the power of the consumers as well. The price sensitiveness is high for restaurant food increasing the likeliness of switching to another product. As restaurant food is not vitally important to the consumers it is one of the un-necessity goods that will be dropped out of the expenditure if the income levels lower. There are only few ways for a restaurant to reduce the bargaining power of buyers. The main tactic is to increase the customer loyalty and adding the value-added benefits to the product and service. Changing the pricing policy can be efficient but here is a risk of loosing profits if the prices a lowered too much or risk of loosing customers if the prices are raised. Restaurants can form partnerships and be stronger against the buyer influences by reducing costs thus being able to provide the products for lower price.

The bargaining buyer is the strongest influencing force in the catering industry. It is a customer's market and ultimately all the industry fluctuations are due to buyer's choices and preferences.

Porter's Five Forces framework

The factors making the industry entry more attractive for Eddie Rocket's are marked with + sign and the factors with negative influence are marked with – sign.

Factors with no significance are marked with o.

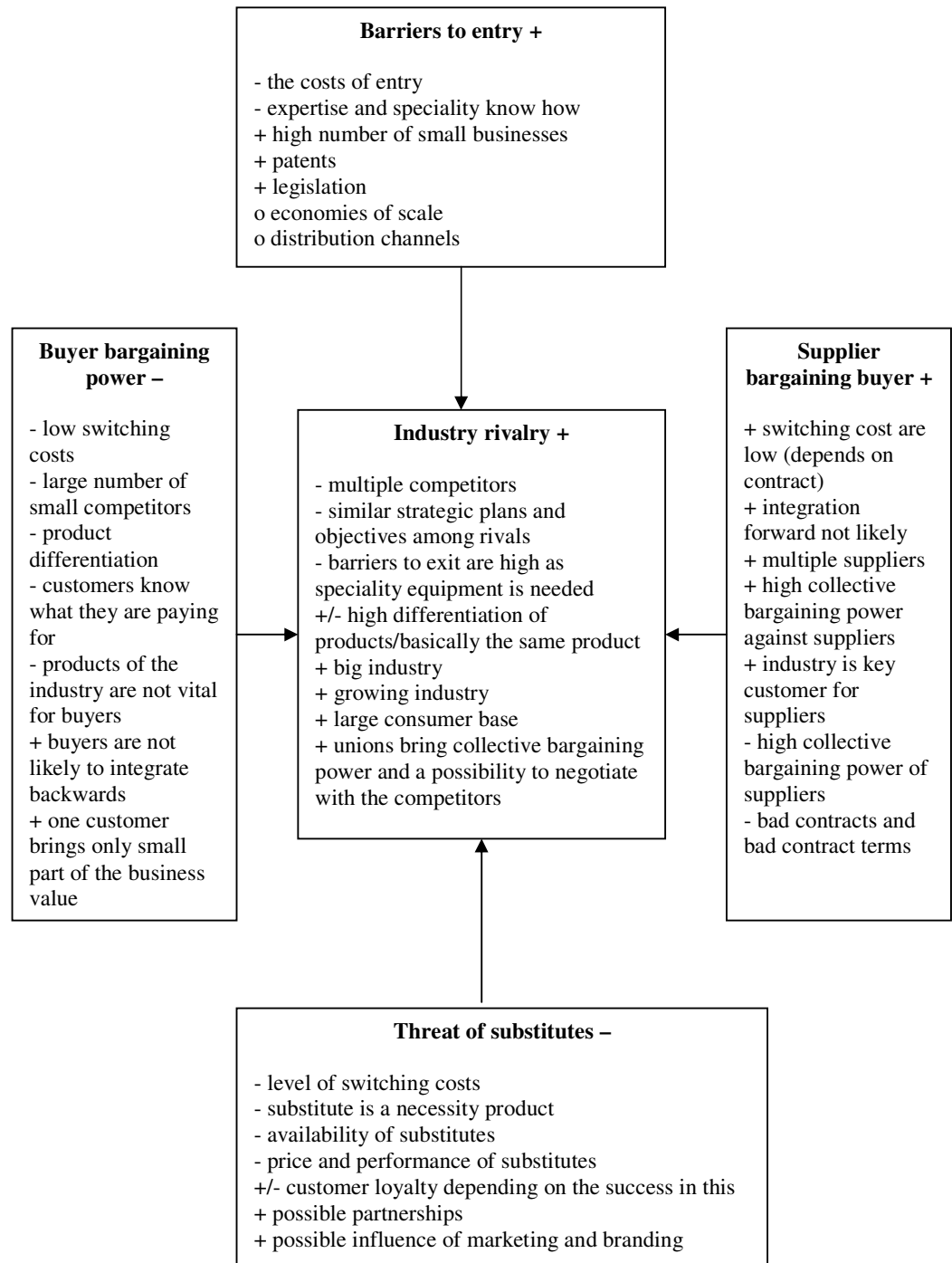


Figure 6. Porter's Five Forces framework of Eddie Rocket's situation in Helsinki

Eddie Rocket's situation through Porter's Five Forces analysis

Eddie Rocket's would be entering the market as a start up company with a new concept that the consumers in the Helsinki area are not accustomed to. This makes the entry process quite hard and the marketing plans need to be well thought to be able to penetrate the market. The industry dynamics have to be accounted in the positioning tactics as correct positioning is vital for the success of this business. Eddie Rocket's identity and the value-added benefits have to be clearly communicated to the consumers. The entry process will take up a lot of capital as the required equipment and staff needs to be acquired as well as the initial marketing has to be strong and cover the whole market.

Managing the industry rivalry will be hard as well if the initial entry strategy and marketing tactics will not work as planned. There are many competitors providing similar products and if the customers do not know who or what Eddie Rocket's is they will turn to the competitors they already know. The substitute products are widely available and they are considered as necessities unlike the restaurant food. This raises the level of substitution threat immensely. Although many people perceive eating out a substitute activity for an example going to the movies instead of seeing eating out as a substitute for grocery shopping. Still the easiness, price level and wide availability of grocery food makes it harder for Eddie Rocket's to make its products needed by the public. Therefore the main focus of Eddie Rocket's positioning should be the dining experience that it provides instead of the food it provides.

The bargaining power of the buyers is very high in this industry. In order to fight against that, Eddie Rocket's needs to succeed in branding itself so that people want to be a part of the "it crowd" that goes to Eddie Rocket's. Eddie Rocket's image needs to attract people. As there is limits to what the actual product can be within this price range there has to be more importance put to the service and the atmosphere of the place.

As a conclusion, Eddie Rocket's core competencies against the industry fluctuations are strong brand image, good service and affordable quality food.

6.5 Demographics of Helsinki

Population

Helsinki is fairly evenly divided between men and women; women still represent a majority of the people but the percentage of women in the total population of the city is declining. In 2005, 51.1% inhabitants of Helsinki were women. Helsinki is clearly a city for people working or studying. More than 65% of the people are between the ages of 16 and 64. People in their retirement year represent less than 15% of the city's population. Even though Finland is a bi-lingual country Finnish speakers make up a vast majority of people of Helsinki – just a little over 90%. Swedish speakers only add up to about 5% of the grand total. (City of Helsinki 2008, www.hel.fi.)

Population Growth

Table 12. Population growth 1996-2006 in Helsinki area

POPULATION	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Helsinki	525031	532053	539363	546317	551123	555474	559718	559716	559330	559046	560905
Espoo	191247	196260	200834	204962	209667	213271	216836	221597	224231	227472	231704
Vantaa	166480	168778	171297	173860	176386	178471	179856	181890	184039	185429	187281
Kauniainen	8298	8464	8515	8530	8549	8532	8543	8582	8622	8465	8457
TOTAL:	891056	905555	920009	933669	945725	955748	964953	971785	976222	980412	988347

(Helsinki Region Statistics 2008, www.aluesarjat.fi.)

The population of the capital region has been growing steadily for the last decade and now Helsinki together with the neighboring towns total up to about 1.5 million inhabitants. The main reason for the population growth is the improving employment level in the capital area. Also the number of immigrants add up to the population growth. The number of people over the age of 65 will grow dramatically during the coming years. According to Helsingin Sanomat this development will also change the nature of certain nearby suburbs as they are getting more and more populated by pensioners.

The city center is becoming a place for young people living in small households and families are drifting further away from the city to the new housing areas larger houses and more open space. (Lönnqvist, H., Lankinen, M., Niska, A., Schulman, H. 2005.)

Age groups

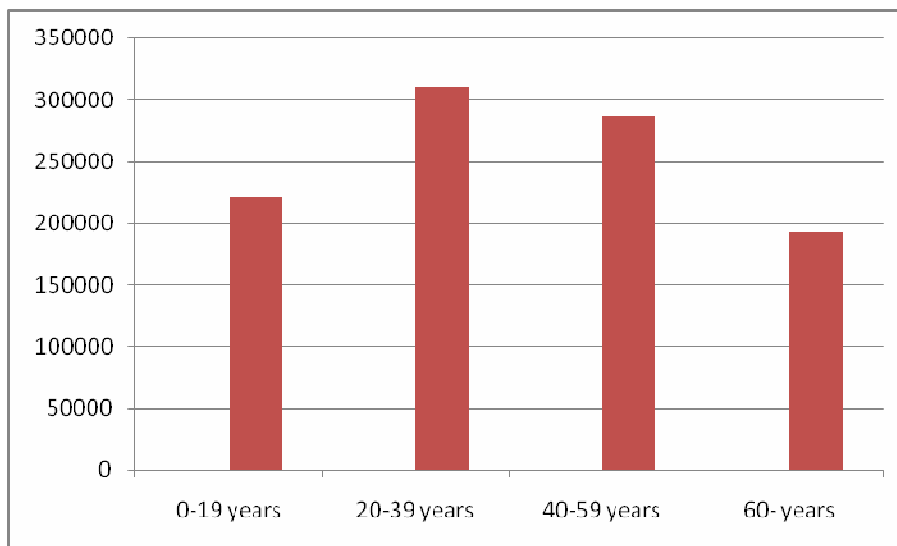


Figure 7. Age group structure in Helsinki 2008.

(Helsinki Region Statistics 2008, www.aluesarjat.fi.)

A vast majority of people living in the capital area are between the ages of 20-65 years. Helsinki has always been a city where people come to work or study which explains the high number of people in this age group. As explained in the previous chapter, the population is aging rapidly, especially in Helsinki. Many families move to the surrounding cities and city center of Helsinki is mostly populated by students and young adults living in small households. (Helsinki Region Statistics 2008, www.aluesarjat.fi.) The population of the capital region is expected to reach 1,5 million people by 2025. Number of working people will decrease while the baby-boomers will retire. Even though the average age of people living in the area will get higher over the years, it will still remain below the national average. The number of people commuting between different cities will also increase in the coming years. The number of people working in Helsinki but living outside is estimated to increase by 70% by year 2025.

Number of people commuting out of Helsinki is expected to double in the same time period. (Helsinki Metropolitan Area Council (YTV) 2008, www.ytv.fi.)

Income

Table 13. Average income in Helsinki area 1993-2004

HELSINKI	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
TAXABLE INCOME (€ PER YEAR)	13870	13835	14281	14690	15185	15975	17089	18024	18762	19334	19598	20362

(Helsinki Region Statistics 2008, www.aluesarjat.fi).

The income of residents of Helsinki has been increasing steadily over the last decade. Average wage of a person living in Helsinki in 2004 was €20,362 per year and it has continued growing since (Helsinki Region Statistics. 2008.

www.aluesarjat.fi). The current average income in Helsinki is €28,539 and the income tax 17.5%. (Statistics Finland No date, www.stat.fi)

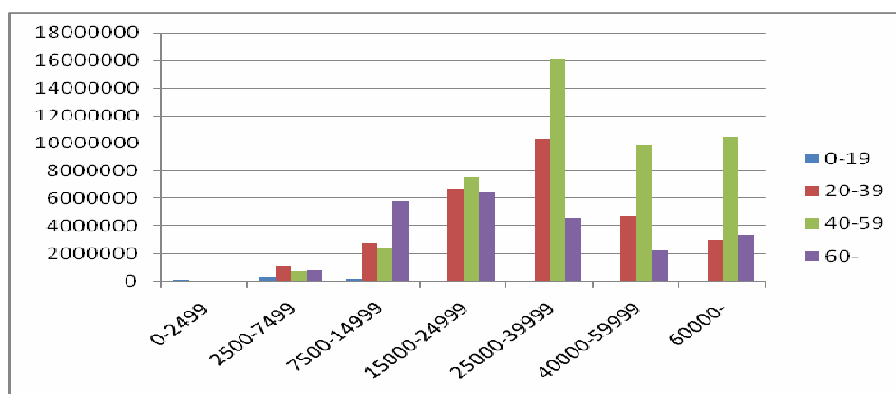


Figure 8. Income in Helsinki by age group 2006

(Statistics Finland No date, www.stat.fi.)

The income on the chart includes wages and all other income subject to government taxation. By far the largest group are people between the ages of 40-59 whose income is 25 000 to 39 999 euros. One has to bear in mind that this structure will change dramatically in the coming years while the population gets older and more people will retire. As shown in the chart below, the income classes have gone through some structural changes over the past 15 years.

The percentage of individuals and households belonging to the middle class has been decreasing while the income in both the low and high extremes has been increasing. However the disposable income has not changed that dramatically since the cost of living has been steadily increasing over the years.

Table 14. The percentages of Helsinki population by income group 1993-2003

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
INDIVIDUALS (%)											
Low income	6,3	6,5	7,3	8,3	8,3	9,7	9,8	10,4	10,8	11,0	11,2
(middle group)	31,4	31,0	30,9	30,5	31,0	30,1	30,1	29,5	28,5	28,6	28,8
Middle class income	23,9	25,1	23,9	23,8	21,8	20,8	21,1	20,0	21,0	20,8	20,4
(middle group)	30,5	29,0	29,5	28,9	29,3	29,7	29,4	29,4	29,6	29,6	29,2
High income	7,9	8,4	8,4	8,6	9,5	9,8	9,8	10,7	10,1	10,0	10,4
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
TOTAL (1000)	5 015,1	5 035,0	5 053,1	5 063,4	5 076,5	5 086,1	5 096,7	5 105,2	5 120,0	5 131,8	5 145,2
HOUSEHOLDS (%)											
Low income	9,0	9,7	10,6	11,8	11,4	12,9	12,9	13,4	14,1	14,0	14,1
(middle group)	33,2	32,9	32,8	31,5	32,4	31,3	31,8	30,9	30,0	30,2	30,1
Middle class income	22,0	22,9	21,6	21,6	20,3	19,1	19,1	18,9	19,3	19,0	18,7
(middle group)	28,0	26,5	26,8	26,7	26,5	27,2	26,8	26,6	27,0	26,9	27,0
High income	7,9	8,0	8,3	8,4	9,4	9,5	9,5	10,2	9,5	9,9	10,2
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
TOTAL (1000)	2 243,1	2 270,0	2 290,1	2 310,0	2 326,0	2 355,0	2 365,1	2 373,0	2 381,5	2 397,5	2 405,0

(Statistics Finland. 2006a, www.stat.fi.)

Income by occupational category and disposable income in 2006 in Finland

Table 15. Income by occupational category and disposable income in 2006

	Gross income/household	Disposable income/household
Agricultural entrepreneurs	64 360,00	52 450,00
Other entrepreneurs	68 400,00	52 460,00
Senior officials	61 950,00	44 710,00
Junior officials and other employed	44 780,00	34 460,00
Students	11 860,00	10 750,00
Senior citizens	27 740,00	22 930,00
Other	19 270,00	17 060,00
Unemployed	17 240,00	15 040,00

(Statistics Finland. 2006a, www.stat.fi.)

Expenditure

Consumer expenditure has been on a steady rise since the recession years in the 1990's. The average expenditure per household in Finland was €19,975 in 2006 in comparison to €17,525 in 2001. Most of the expenditure goes to living 28.3%, transportation share is 15%, food takes up 12.4% and expenditure on restaurants takes 4.3% share. In monetary value the expenditure on restaurants is €846 per year per household. There are significant differences between the household compositions in this section.

Single person households spent €1,138, childless couples spent €1,229, single parent households spent €732 and two parent households with kids spent €916 in restaurant services in 2006. (Statistics Finland 2007d, www.stat.fi.)

The expenditure by occupational groups has changed as well in recent years. The students' expenditure on restaurant services was €1022 in 2006 rising by 9% from 2001. The rise in restaurant expenditure was 23% among entrepreneurs and 14.5% among senior officials. The expenditure among un-employed, senior citizens and junior officials lowered by 5% on average. (Statistics Finland 2007d, www.stat.fi.)

According to the statistics it would seem that the expenditure on restaurant services has lowered a bit since 2001 but the Finnish National Statistics bureau explains this by the low amount of recorded data on that expenditure that year. In reality the consumption has risen. The rise in the income levels has led to higher expenditure on free-time. People are consuming leisure time products and service more. This included the consumption of restaurant services. (Statistics Finland 2007d, www.stat.fi.)

Families

Table 16. amount of Families in Helsinki 1996-2006

FAMILIES WITH CHILDREN (0-17 YEARS)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Helsinki	57073	57235	57484	57629	57282	56867	56412	56011	55640	55540	55208
Espoo	27212	27767	28194	28551	28954	29134	29328	29552	29859	30111	30491
Vantaa	23835	23939	24009	24038	24072	24001	23820	23869	23952	24117	24223
Kauniainen	1088	1115	1126	1102	1091	1095	1075	1077	1076	1049	1067
TOTAL	109208	110056	110813	111320	111399	111097	110635	110509	110527	110817	110989

(Statistics Finland 2005, www.tilastokeskus.fi.)

The total number of families in the capital area has been increasing ever since the mid 1990's but there are differences between different cities. The number of families has been growing the most in Espoo and Vantaa but it has been decreasing in Helsinki. This further confirms what was discussed in the previous chapter that families are moving away from Helsinki to the suburbs and Helsinki will be inhabited by young working people with no families. (Statistics Finland 2005, www.tilastokeskus.fi.) The average size of a family in the Helsinki area is between 2.67 and 3.0. The average number of children aged 0-17 years old in a family is 1.68 in Helsinki capital area. The rate goes up when moving further away from city centre but it rarely goes over 3.0. Over 50% of the families have just one child and less than 20% of the families have three or more children. In Helsinki area 49.8% of the population are couples without children and 16.7% are single parent households. (Hämäläinen, Peuranen & Selander 2006, 75.)

Education

People living in Helsinki region are on average better educated compared to the rest of the country. A little over 34.2% of people in the region have a university or a polytechnic degree in Helsinki area while in the rest of Finland the number is only around 25%. There are more than 32,000 students in polytechnics and over 63,000 students in universities Helsinki capital area. Students also create a source in labor force since most of them work part time along with their studies - many of them in the catering industry. (Hämäläinen *et al.* 2006, 82.)

Employment

According to the Ministry of Labour the unemployment rate in Helsinki at the end of 2007 was 6,3% which is 1,6% lower than year earlier. The un-employment continued to lower in 2007 by 0.8% while the employment grew by 2.2%. The unemployment for young people and foreigners decreased the most. Unfortunately the number open positions reported to the Ministry of Labor also decreased during this time period. The only industries where the number of position increased was transportation and construction. The number of full times jobs has decreased where are part-time jobs have become more common year after year. (City of Helsinki Urban Facts 2008, www.hel2.fi.)

Helsingin Sanomat reports that many of the neighbouring cities of Helsinki are already suffering for lack of labour force on certain industries and this trend in the job markets is expected to continue. Other realistic problems might be a lack of proper housing and a lack of labour force on more industries. Researchers strongly believe that Finland will need reinforcements from abroad. (Huhta 2007)

6.6 Competitor analysis

This chapter will look into three competitors of Eddie Rocket's in Helsinki. Obviously there are numerous competitors but the following 3 were chosen to represent different types of restaurants competing with Eddie Rocket's. McDonald's was chosen as an example of a traditional fast food restaurant chain, as it will compete with Eddie Rocket's on all target groups and with a similar product selection. Rosso represents a family oriented restaurant which competes with different kinds of products on a similar target group. The third competitor chosen was Colorado which is an example of a trendy restaurant for young adults with some similar products as Eddie Rocket's.

Each of these competitors are presented using different tools. There is a SWOT analysis on each company which will explain the major strengths and weaknesses of each company. These are always followed by a small product matrix and finally each company is introduced via marketing mix. This way the same information can be found for each company and there is a matrix for each of these areas so they can be easily compared with each other. The conclusions are at the end of the chapter gathering together all the major points of these competitors.

6.6.1 McDonald's

- Founded 1955
- First restaurant in Finland 1984
- 121 countries
- 30 000 locations
- 1,5 million employees worldwide

Table 17. SWOT of McDonald's

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Worldwide & well known brand • 82 locations in Finland • 30 000 restaurants in 100 countries • Same global concept • Good company image (charity organizations) • Global and local products • Partner networks 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Anti McDonalds campaigns • Unhealthy choice – image • American company & image • Environmental issues • Animal rights issues
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • Expand the product & service range • New types of restaurants • Charity work • New locations 	<p>THREATS</p> <ul style="list-style-type: none"> • Change in consumer preference • Health awareness • Anti McDonalds campaigns

Strengths

McDonald's is one of the most recognized brands in the world. There are about 30 000 restaurants in more than 100 countries worldwide. McDonald's operates under the same concept where ever it is and it has created a product selection that people all over the world enjoy. This creates a sense of security for its customers; Big Mac is always the same no matter where it's from.

McDonald's has a lot of supporters and it constantly tries to boost its profile by charity work. McDonald's markets itself as a "member of the community" by being involved in different campaigns and community projects.

Its global Ronald McDonald House Charities raises funds, for example, for building houses close to hospitals where families can stay while their children are being treated. These “home away from homes” have proven to be very popular and the charity is constantly growing.

The product range of McDonald’s is more or less the same all over the world. However most countries have their own specialities added in the menu. Since Finns are friends of dark rye bread McDonalds has created “McRye”; a burger simply made out of dark bread instead of the white bun.

McDonald’s has a global network of partners such as Coca Cola and Nestle. The range of partners includes companies working on quality control, production and even paints companies to paint the McDonald’s houses. Many major companies such as Southwest Airlines® and USA Today newspaper have become supporters for the global Ronald McDonald Houses.

Weaknesses

Any major corporation like McDonald’s has its share of people campaigning against them. McDonald’s has managed to create a global network in this sector. There are several global organizations whose sole purpose is to work against McDonald’s. These organizations bring up questions regarding animal rights claiming that McDonald’s farms animals in poor conditions in order to create a more efficient and cost sufficient supply network. Since McDonald’s food is always individually packed it also causes concerns among the environment activists. They also claim that the previously mentioned farms are built on land that would otherwise be environmentally valuable rain forest or small private farms.

McDonald’s also has a reputation of unhealthiness. It has been blamed for the obesity in North America and Europe and it is strongly criticized for marketing these eating habits for children and teenagers. McDonald’s has responded to this by creating a healthier menu including salads and low calorie products.

There was a time when companies would pride themselves on being American companies but in today's world this may not be the best marketing tactic. Due to the current situation in world politics there is a lot of anti-American activities and ideals and naturally they reflect on American companies as well.

Opportunities

When consumers are changing their values and life style McDonald's has to develop with them. McDonald's is constantly creating new products to meet the new consumer preferences. It also has made a detailed nutrition table including all nutrition values of McDonald's products and McDonald's has a list for Weight Watchers' points to help people keep up with their diets. McDonalds has already created some theme restaurants such as the Rock n' Roll McDonalds. These kinds of theme restaurants could open many new doors to McDonald's in creating new as well as maintaining old customers. McDonald's is also constantly expanding to new countries and cities using the "traditional" restaurant concept. There are endless opportunities in the field of charity. McDonald's can and will continue to develop and expanding their Ronald McDonald Houses while taking part in other community projects.

Products

Table 18. McDonald's product matrix

Product	Price	Quality / Quantity	Pros & Cons
Hamburger (meal)	- €4.50 (meal €6.50)	- Food is prepared in advance and is left waiting for a limited period of time so it is not always hot / fresh	- Food is prepared fast and is not always very aesthetic - Cardboard boxes are not very aesthetic / appealing
Salads	- €6.00 (meal 6.90)	- Salads are also prepared in advance and they are kept in a plastic serving plate	- Small selection of "healthier choices" - Not fresh cut + Served with bun and chosen salad dressing
Desserts	- from €1 to €2	- Sundaes, milk shakes, muffins	+ inexpensive extra after a meal

Marketing mix

Table 19. McDonald's marketing mix table

Part of the Marketing Mix	CURRENT SITUATION	PRO'S & CON'S
Product	<ul style="list-style-type: none"> - Hamburgers, chicken nuggets, French fries, salads, desserts, soft drinks - Ready meals - Various sizes of meals 	<ul style="list-style-type: none"> + Global products + Meat, fish, vegetarian + "Season products"
Price	<ul style="list-style-type: none"> - Average price of meal €7 - Meal deals to make customers spend more - Seasonal campaign products - Healthier choices more expensive 	<ul style="list-style-type: none"> + "Discounts" + Meal Deals
Place	<ul style="list-style-type: none"> - Central locations - City centre & shopping centres - Drive-in restaurants 	<ul style="list-style-type: none"> + Easy access + Parking + Easy take away
Promotion	<ul style="list-style-type: none"> - Advertising focused for all age groups - Target groups include all age groups - Radio, television - Sponsors major sports events 	<ul style="list-style-type: none"> + "I'm lovin' it" + Global ads
People	<ul style="list-style-type: none"> - Employs many young people - Most of the staff has no training for the industry or the particular job - Staff friendliness varies dramatically - Very brief interaction with the customer (only at counter while purchasing meal) 	<ul style="list-style-type: none"> + Job opportunities for young people - No consistency in customer service
Process	<ul style="list-style-type: none"> - Customer often has to queue to reach the counter and place an order - Customer first interacts with staff at the counter when ordering the meal - Interaction with staff is very brief and impersonal - No later interaction once food has been purchased, no chance for feedback - Customers "clean" their own tables and leave the restaurant without saying goodbye to anyone. 	<ul style="list-style-type: none"> + fast and effective - Every addition to the meal requires queuing all over again
Physical evidence	<ul style="list-style-type: none"> - Restaurants have a similar look worldwid – for example McDonald's house + drive in's - People do not have major expectations regarding the restaurant's appearance. 	<ul style="list-style-type: none"> - Crowded - Noisy - Not clean

Product

McDonald's is global poster company for cheap fast food and super size meals. McDonlad's menu consists mainly of different types of hamburgers and some side dishes such as french fries. They offer meal deals which typically include a hamburger, french fires and a soft drink. The meals come in different sizes and they can be altered according to the customers' wishes. McDonald's has introduced some healthies alternatives such as salads and other diet products to allure the more health conscious consumers. McDonald's also has their own children's menu; the legendary Happy Meal served with a small toy.

Price

McDonald's is the cheapest of the competitors with an average price for a meal around €7,50. The meal deals are designed to make consumers spend more by selling the idea of an entire meal; meat, bread, potatoes and vegetables. The meal can always be made larger with the "super size" deals. McDonald's also has a range of products constantly "on sale". For example a basic hamburger is a always available for €1,00. The healthier alternatives are always more pricy which makes a consumer choose the unhealthier choice more often. There are also "seasonal products" that are available for a limited time and for a discounted price.

Place

McDonald's has invaded all major Finnish cities with 82 restaurants in total. McDonald's is always located in the city center or in a major shopping center with high volumes of visitors. Many McDonald's restaurants are built as drive-in restaurants which makes it easy for customer to pick up take away meals. They also have plenty of parking outside for families to park right outside the restaurant.

Promotion

McDonald's has created one of most well known slogans in current advertising; "I'm lovin' it" is playing on all major TV channels all over the world. The advertising is targeted for all age groups and it often promotes the Euro Saver products such as the basic hamburger that only costs 1 Euro/ each. McDonald's is usually included in the list of sponsors for major global sports events such as the football world championships as well as the Olympic games, which obviously get plenty of world wide attention in the media.

People

McDonald's is a first place to work for many young people and employees are not required to have any previous experience for the job. McDonald's trains its employees for the job and everyone is offered a chance for promotion if employment continues longer. For many people McDonald's is a temporary solution and many employments are short term. Unfortunately this can cause variations in staff attitudes and friendliness. The interaction between customer is very brief and it usually only takes place while customer orders the food in the counter. Staff efficiency however is a major key to customer satisfaction in a fast food restaurant. People are not willing wait very long for their hamburgers so service has to be fast and efficient – not just at the counter but in the kitchen as well.

Process

The process involved in the McDonald's operations is quite impressive. Everything is calculated to the final detail in order to make everything work as fast as possible. The food is always prepared in advance based on estimated sales and more will be prepared if the estimated amount was too low. However McDonald's is not a perfect example when it comes to the customers role in the restaurant. As in all fast food restaurants the customer will purchase the food from the counter. Mostly this will require a few moments of queueing and waiting.

The customer only interacts with the staff while at the counter since all the food is mostly bought at once to avoid further waiting in the queue. Since the customer has no contact with the staff after the food has been purchased there is not much room for feedback. In case customer would have a complaint they would have to queue at the counter again in order to speak with a staff member which usually is often discouraging enough and most complaints are never heard by a staff member.

Physical evidence

McDonald's has created a look for its restaurants that is recognized all over the world. The yellow arches and the McDonald's house are a familiar sight in most major cities in the world. The familiarity of these restaurants is a key element in the chains success as people know what to expect when they walk in to a McDonald's – no matter where it is.

As the actual appearance of the restaurant is meant to please people around the globe it can not offer anything too unique or exciting. The restaurants are decorated with plain colours, hard materials and with somewhat cold lighting. This does not make people want to spend a lot of time in the restaurant but more than likely that is the reason why it has been designed that way. People are meant to clean their own tables by disposing the trash This leaves the restaurant often dirty and not very appealing to the customers. (McDonald's 2008, www.mcdonalds.com.)

6.6.2 Rosso

- Founded 1978
- 41 restaurants in Finland + 1 in Estonia
- Part of the S-Group

Table 20. SWOT of Rosso

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Well know brand in Finland • S-Group member • Popular style of food • Several locations 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Nothing unique • S-Group member
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • New locations • Partnerships • S-Group's development • New products 	<p>THREATS</p> <ul style="list-style-type: none"> • Other similar restaurants • S-Group's fluctuations • Consumer preferences • VAT change

Strengths

Rosso has been operating in Finland for 30 years now and it has 42 locations around the country as well as one in Estonia. It is a member of the S-Group which is comprised of the cooperative enterprises and Suomen Osuuskauppojen Keskuskunta (SOK) with its subsidiaries. S-Group covers, for example, chains of supermarkets, gas stations, hotels and restaurants combining all of them with a bonus card system. So when a consumer eats in Rosso restaurant they can collect their bonus point just as they would in their local supermarket. 1,5 million Finns have the S-Bonus card and the services included in the card are increasing every year. Rosso serves basic Italian style food such as pizza, pasta and steaks – everything that the whole family can and will enjoy. Rosso also has its own menu for kids which also strengthens its reputation as a family restaurant.

Rosso has managed to spread out to a number of cities in Finland. When travelling to other cities people can always count on the fact that there will be a Rosso (or another S-Group) restaurant somewhere close by.

Weaknesses

Rosso does not offer many surprises and therefore nothing unique to its customers. All the restaurants look more or less the same and the menus are the same in all of them. The menu itself is very similar to other family restaurants serving the same basic Italian style food. Even though many people consider S-membership as a benefit to Rosso there are also those who will see that as a disadvantage. S-Group is not a one of a kind organization and many people swear by its competitor; Kesko. Even though many Finns have both of these bonus cards in their wallets some people are very dedicated to these corporations and will not use services provided by the competitor.

Opportunities

As for any company, new locations are opportunities for Rosso as well. More locations can be added to the major cities as well as new restaurants in smaller cities. Rosso is also dependent on the success of the rest of the S-Group, so the better the result for the Group the better it is for Rosso. Rosso already has some partnerships and it sponsors charities involving children and their sports hobbies. Rosso has also been nominated as the official restaurant of Santa Claus and it is involved in several charities with Mr. Claus. Rosso has also part of the Fair Trade organization by only selling Fair Trade coffee.

Like any restaurant, Rosso has endless possibilities in creating new products for their menus. Menu has to change on a regular basis and it's the chefs' imagination that creates the restaurants image. However, when talking about a large chain these kinds of creative changes are not in the hands of one individual chef – unfortunately.

Threats

One of the biggest threats to Rosso is other similar restaurants and the competition they create. Rosso has been in the business for a few decades now and it has created a solid base for its operations so the threat of competitors is not an immediate one. However consumer preferences change constantly and Rosso has to keep changing with it. Customer expects better and better service all the time and again companies have to be able to answer that demand. A lot of Rosso's success also depends on S-Group and its activities. The Group has already started to prepare for the VAT change which is happening in 2009. Since Rosso is only an a la carte restaurant the change will not show in Rosso's prices. This will simply lower prices in grocery stores and restaurants selling take away food. This will create some serious challenges to the traditional restaurant concepts. (S-Group 2007; Rosso, 2008 www.rosso.fi.)

Product

Table 21. Rosso product matrix

Product	Price	Quality / Quantity	Pros & Cons
Pizza	- €12.90 – €19.90	- Pizzas are made fresh and only once order has been placed - Hot straight from the oven to the table	+ Large selection + Pan pizzas + Rye pizza + Lactose free choices + Discounts with S-Bonus card
Grill (steaks etc.)	- €12.90 - €33.90	- Portions are quite small - Quality not consistent	+ Discounts with S-Bonus card - changes cost extra (e.g. change of sauce)
Desserts	- €2 - €5.90	- Pies, cakes, ice creams	+ Discounts with S-Bonus card

Marketing matrix

Table 22. Rosso marketing mix table

Part of the Marketing Mix	CURRENT SITUATION	PRO'S & CON'S
Product	<ul style="list-style-type: none"> - Pizza, pasta, steaks, antipasti, salads, soups and desserts - Wine and other alcohol drinks - Large selection - Kid's menu 	<ul style="list-style-type: none"> - Small portions - Variable quality + "Seasonal products"
Price	<ul style="list-style-type: none"> - Average price of meal €15 - Seasonal campaign products - Discounts with S-Bonus card 	+ Bonus points
Place	<ul style="list-style-type: none"> - Central locations - Even in smaller towns all over Finland 	+ Not only in big cities
Promotion	<ul style="list-style-type: none"> - Advertising focused for families - Target groups include people of all age groups - Advertising on TV, radio and papers 	+ Bonus points
People	<ul style="list-style-type: none"> - Waiting staff is a combination of older, full-time and more experienced as well as younger part-time staff. 	- Service level is not consistent
Process	<ul style="list-style-type: none"> - Customer is greeted on arrival and pointed to a table - Mostly same waiter/waitress serves customer throughout their visit - Food is served to the table and further additions can be ordered through the meal - Customer pays the bill at the end of the meal and says goodbye to the waiter 	- On busy hours food takes a long time
Physical evidence	<ul style="list-style-type: none"> - Italian style restaurant atmosphere - Nothing special or unique - Designed to please everyone - Child friendly (play area etc) 	<ul style="list-style-type: none"> + Play area for children, so parents can enjoy their dinner longer - Noisy

Product

Rosso is an Italian style family restaurant and its product range is the most different from Eddie Rocket's. Rosso was chosen as it is a popular family restaurant – something that Eddie Rocket's is hoping to become. Rosso serves pizzas, pasta, steaks, antipasti and other Italian style dishes. One of the major differences between Rosso and Eddie Rocket's is alcohol. Rosso has a wine list and they also serve beer and other alcohol beverages whereas Eddie Rocket's do not have these products on the menu.

Price

Rosso is a very affordable family restaurant serving the type of food that the whole family enjoys. The cornerstone of Rosso's success is being part of the S-Group and their bonus system. Many of the items on the menu have a special discount price for the customers with the S-card. The prices of the pizzas and pasta portions decrease by a few euros but a price for a bottle of wine can drop even by 10 euros. In addition to these immediate discounts customers can still collect their S-Bonus points from every bite.

Place

Rosso has also expanded to over 40 locations all around Finland including some smaller towns from the Southern Finland to the Northern Lapland. Most of the restaurants can be found in the town centres but in bigger cities Rosso can also be found in some suburbs. Many restaurant chains do not operate at all in smaller towns which has created an ideal market space for Rosso.

Promotion

Rosso is mostly a family restaurant and it emphasizes it in all their advertising. Its target groups do include all age groups but the family values are very visible in the ads.

The most obvious element in the advertising however is the fact the Rosso is a member of the S-Group and that customers can earn benefits by using their S-Bonus cards. Many of the products have discounted prices for the S-Bonus card holders and in every case customers can earn points to their S-accounts by dining in Rosso.

People

Rosso's personnel is a combination of older full time employees and some younger extras and part time employees. Even though this can bring a nice variation to the personnel it also can bring variation in the level of customer service. In many places the part time employees and the extras are not very familiar with the "house rules" and unfortunately it is often the customer who pays the price of this by unnecessary waiting. It is more or less inevitable that in every restaurant customer has to wait on some occasions but it should not be due to inexperienced personnel. Of course there are some very efficient and friendly members of personnel and those are the ones that Rosso should focus in finding more – in addition to keeping the old ones.

Process

Rosso is a more traditional restaurant when it comes to the process which keeps changing according to the customer. In Rosso the waiting staff will take the customers orders so customers can sit down at a table with no waiting in a queue. Food can be ordered course by course, or all at once; however the customer wishes to. The food is prepared once it has been ordered and then served to the table. As the meal is finished the customer will have a chance to give up direct feedback and staff will have a chance to react to it if necessary. Mostly the staff will ask the customers for their feedback since it is not a Finnish custom to give direct feedback on such situations.

Physical evidence

Rosso uses the same pattern as McDonald's or any chain restaurant when it comes to the appearance of the restaurants. All Rossos look more or less the same regardless of their location. However compared to for example McDonald's Rosso is more cosy and it has a warmer atmosphere as people are expected to spend more time there. As Rosso is an Italian style restaurant the interior decoration also has some Italian elements. The colours are not so cold and the lights are not so bright which creates a more intimate feel to it.

6.6.3 Colorado

- Founded 1995
- Part of SK Restaurants
- 3 Locations in 2 cities

Table 23. SWOT of Colorado

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Popular style of food • Part of SK Restaurants (members) • Locations • Good price quality ratio • Distinctive style 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Only few locations • SK Restaurant
<p>OPPORTUNITIES</p> <ul style="list-style-type: none"> • New locations • New benefits for SK members 	<p>THREATS</p> <ul style="list-style-type: none"> • VAT change • Consumer preferences • Competitors

Strengths

Colorado is a chain of Southwestern style restaurants. The restaurants have a grill and a bar serving drinks and food till late hours of the day.

Colorado is a part of SK Group which is mostly known for its night clubs and bars, such as Onnela and Royale. SK Group has created a successful member system where customers get different kinds of discounts and benefit by using their member cards. Member cards can be bought from all the restaurants and their holders get for example invitations for member nights as well as discounts of food and drinks. The same member card can be used in all SK restaurants so it works much like any other bonus card. There are only three Colorado restaurants in Finland, two in Helsinki and one in Lahti. All these restaurants are located in the middle of the city along the busiest streets.

The food in Colorado has a very good price quality ratio. The food is made from good quality ingredients and the portions are very large. Still the price is not any higher than in any other restaurant of this style. The unique interior style of the restaurant is designed by a living Finnish legend, Sakke Järvenpää.

Weaknesses

Colorado has established its status in Helsinki and it is becoming a part of the Lahti restaurant scene as well, but so far it has not spread its wings outside of these cities. Therefore people outside these cities do not really get a chance to enjoy the Colorado atmosphere.

Belonging to a chain or a group can always be a negative thing for a company as there are always those consumers who dislike these kinds of companies due to their lack of individuality. SK Group is a very dominating company in the Finnish restaurant industry and the bigger the chain gets the more these people feel the need to boycott it.

Opportunities

It goes without saying that sooner or later SK Group will open new Colorados in other new locations. SK Group has been growing rapidly during the last years so it would be completely out of character for them not to continue the expanding process.

The SK member system is already very versatile and covers all the SK-restaurants but there are always new ideas and tactics to make it even better. More events, additional benefits and new alliances can make it even more popular and profitable.

Threats

As mentioned for the previous restaurant as well, the change in VAT for food products represents a challenge for all restaurants. Will the somewhat dramatic change in grocery store food encourage people to cook more at home or will people just take it as extra disposable income and spend even more in restaurants?

As restaurant food is always a matter of preference, restaurants have to take into consideration the fact that these preferences can and will change over time. Restaurants just have to keep change with them and according to the latest trends. Luckily this seems to be a cornerstone of the ideology behind SK restaurants so there should not be too much of a risk that the development will slow down. (Colorado. 2008. www.coloradomts.com.) (SK Restaurants. 2008. www.sk-ravintolat.com.)

Products

Table 24. Colorado product matrix

Product	Price	Quality / Quantity	Pros & Cons
Steaks	- €18.50 - €38.00	- Very large portions - Meat always cooked according to customers wishes	+ Large selection + Very large portions
Burgers / Fajitas	- €10.00 – 13.50	- Beef, chicken and vegetarian choices	+ Mondays and Tuesdays “eat as much as you can” fajitas and chicken wings
Desserts	- €6.50 - €7.50	- Small selection of delicious desserts such as mud cake and cheese cake	

Marketing mix

Table 25. Colorado marketing mix table

Part of the Marketing Mix	CURRENT SITUATION	PRO'S & CON'S
Product	<ul style="list-style-type: none"> - Burgers, fajitas, steaks, burritos, desserts - Wine and other alcohol drinks - Large selection - Large portions - Separate weekly lunch menu 	<ul style="list-style-type: none"> + Global products + Meat, fish, vegetarian + Lunch list
Price	<ul style="list-style-type: none"> - Average price of meal €20 - Seasonal campaign products - Discounts with S-Bonus card 	<ul style="list-style-type: none"> + good price / quality / quantity
Place	<ul style="list-style-type: none"> - Central locations - Next to shopping, movies, night clubs... - Late opening hours 	<ul style="list-style-type: none"> - only a few locations in Helsinki and Lahti
Promotion	<ul style="list-style-type: none"> - Target groups include young adults - Advertising on mainly on papers and radio - SK group advertising 	<ul style="list-style-type: none"> + SK group includes different kinds of bars and nightclubs
People	<ul style="list-style-type: none"> - Professional waiting & bar staff - Good service a major part of the whole restaurant experience 	<ul style="list-style-type: none"> + Positive staff can make customers come back again
Process	<ul style="list-style-type: none"> - Customer is greeted on arrival and pointed to a table - Mostly same waiter/waitress serves customer throughout their visit - Food is served to the table and further additions can be ordered through the meal - Customer pays the bill at the end of the meal and says goodbye to the waiter 	<ul style="list-style-type: none"> + Food is prepared once ordered according to customers' wishes + Dinner can be combined to a visit to SK nightclub
Physical evidence	<ul style="list-style-type: none"> - Unique Western style restaurant interior designed by Sakke Järvenpää - Interior design is a significant part of the whole dining experience 	<ul style="list-style-type: none"> + Memorable + Unique style - Other similar restaurants

Products

Colorado was chosen to represent Eddie Rocket's competitor as a cool dining place for young adults. Colorado's products are very different from Eddie Rocket's but they have a common basic idea; simple, tasty and made from high quality ingredients. Colorado is a Southwestern style restaurant that serves, for example, burgers, steaks and burritos with a cajun and creole twist. Colorado has a very large selection and affordable priced portions that will not leave anyone asking for more.

Price

Colorado offers meals in a fairly large price scale. The lunch menu changes on a weekly basis and it costs €8,20 for a full lunch and €6,90 for the soup of the day. The prices for main courses vary from €10,00 to €35,00. Colorado has a Fajitas and Wings Buffet every Monday; customers can eat fajitas and chicken wings as much as they want for the price of €12,00. From Wednesday to Friday Colorado celebrates After Work Fiesta which offers a burger and a beer/cider for €10,00. Colorado's meals offer a great value for a reasonable price and a trendy environment which has made it a popular scene for many urban adults.

Place

Out of these three competitors, Colorado has by far the least locations. Both McDonald's and Rosso have spread out throughout the country but so far Colorado can only be found in two different cities; Helsinki and Lahti. There are three different locations in Helsinki and one in Lahti. This might not be a bad thing as there are many people who appreciate individuality and are not so keen on impersonal restaurant chains.

Promotion

Colorado is a part of the SK-Group and therefore a part of the joint promotion campaigns of the group. SK-Group has created a loyal customer programme and a very efficient marketing approach by using for example direct emailing to its members. The emails have promotions for different SK restaurants and include invitations, discounts and other special offers. In Colorado's case the members receive a copy of the next week's lunch menu directly to their email as well as reminders of the events happening in the restaurant. Colorado mainly targets its advertising for the existing SK members and other young adults who can be considered as potential members.

People

Colorado is mainly targeted at young adults and therefore staff has to fit this concept. Most of the staff is young at aged but qualified by education or previous experience. The staff has a major role in the dining experience as staff interacts with the customer throughout the entire visit unlike for example in fast food restaurants.

The Colorado staff is mostly around the same age as the clientele so they are very easily approachable for the customers. Colorado also emphasizes the experience of its staff which can be seen as their knowledge on the products and services.

Physical evidence

Out of these three competitors Colorado has the most unique and interesting physical appearance. The interior decoration has been designed by Sakke Järvenpää who became famous as a singer but then has made a career in designing restaurant interiors. Colorado has a Southwestern style both in food and in its interior which has been taken into consideration in every detail. The colours, lighting, paintings on the wall; everything bring out the same vision and helps to create the atmosphere.

The Colorado bar is in the same premises but separated from the restaurant and customers can enjoy a few drinks before and/or after dinner. As all the Colorado's are located in the city centres customers can easily combine their visits to trips to the movies or a nightclub on the weekends.

Analysis

As presented in the previous chapters, all these companies represent a threat to Eddie Rocket's all in their own ways. McDonald's is a strong competitor as they serve a wide selection of global products with cheap prices for almost all age groups. Rosso has a long history and reputation among Finnish families. Rosso has a very different product range from Eddie Rocket's but Eddie Rocket's will have to compete for the attention of these families. Colorado has become a popular dining place for urban young adults in the capital area and it seems to be expanding to other cities as well.

These companies have different kinds of strengths and weaknesses and therefore they all compete with Eddie Rocket's in different areas. Eddie Rocket's has to be able to position itself in a crossing of all three of these companies. Eddie Rocket's will have to market itself as an ideal place for a lunch during weekdays, nice place to spend an evening and a friendly family restaurant during weekends. The product range is definitely suitable for all these target groups and the different ways of promoting Eddie Rocket's should cover all these groups as well.

In today's market, companies must know what the competitors are doing and what to do to stay ahead of the competition. As there are constantly new restaurants entering the market, the major competitors will change over time. Therefore it is essential to keep doing competitor analysis on a regular basis. Competitor analysis does not only cover current competitors but potential competitors as well.

6.7 Target segments

As previously mentioned, Eddie Rocket's has two main target groups; young urban consumers aged 15 to 34 years old without families and older consumers aged 35 to 54 with families of young children. These consumer groups were picked as they represent the most potential clientele for Eddie Rocket's. In Ireland, Eddie Rocket's is targeted to similar consumer groups and these groups respond well to the company image and their expenditure makes up most of Eddie Rocket's sales.

In this study, the consumers belonging to the target group of 15 to 34 year-olds are referred to as group A and the other target group is called B. These groups are introduced in the light of their amount of the population, gender balance, income level, occupation and expenditure on restaurant services. There is no detailed consumer behavior analysis made as the purpose of this study is to map out the potential target groups and the potential expenditure of those groups. The detailed consumer behavior will be relevant part of making strategic marketing decisions which are not a part of this study.

Population of the main target groups in Helsinki capital area in 2007

Table 26. Target group population in Helsinki area 2007

	Men	Women	Total
0-14	83,725	80,599	164,324
15-34	144,389	147,928	292,317
35-54	142,021	147,848	289,869

(Helsinki Region Statistics 2008, www.aluesarjat.fi.)

Target group A

The target group A amounts to over 292,000 people in the capital area of which there is a slight majority of women. Most of this groups lives near the central Helsinki area or at least they commute to Helsinki regularly due to their jobs or school.

Over 15 year olds in this group are educated as 34.9% have finished higher level education and 99.9% have finished secondary education. The percentage of women is a bit higher in the higher level education group. Most of this group are single people or living in a household with another adult without kids. Of course there are exceptions to the rule but most people fit into this profile status.

The occupation percentage is divided as follows: students accounted for 25.3%, junior officials 25.2%, senior officials 12%, entrepreneurs 11.7%, un-employed 7.5% and other 18.3% (Hämäläinen *et al.* 2006, 78-81).

The average household income level, expenditure on restaurants and share of the target group are displayed in the below table.

Table 27. The average household income, expenditure on restaurant services and share of target group

	Income €	Expenditure €	Share %
Students	11 860.00	1 022	25.3
Junior officials and other employed	44 780.00	1 035	25.2
Senior officials	61 950.00	1 722	12.0
Entrepreneurs	68 400.00	1 237	11.7
Unemployed	17 240.00	311	7.5
Other	19 270.00	864	18.3

(Statistics Finland 1990-2005, www.stat.fi.)

It has to be remembered when looking at these statistics that these are based on the household incomes meaning that there is more than one person's income calculated into the gross incomes. This skews the accuracy of the percentages and the share of expenditure on restaurant services. This means that there are not 12% of the target group earning over €60,000 in a year but probably there is 6% as the €60,000 is a combination of two incomes. It seems that all categories except students, unemployed and other are a combination of two incomes thus lowering their percentage share to half of the stated percentage in the chart. In the table below, the total expenditure of the target group is shown with the amount of people. The junior officials', senior officials' and entrepreneurs' amounts was deducted in half to get more realistic view the situation.

Table 28. The share of the target group and total expenditure of the group in restaurant services

	Number of people	Expenditure €
Students	73 956	75 583 237
Junior officials and other employed	73 664	38 121 060
Senior officials	35 078	30 202 192
Entrepreneurs	34 201	21 153 374
Unemployed	21 924	6 818 294
Other	53 494	46 218 826
Total	292 317	218 096 983

(Statistics Finland 1990-2005, www.stat.fi.)

In total, the expenditure of this target group in restaurant services based on the statistics from 2006 was €218 million.

This consumer group is very prone to explore new things as the consumers are young and heavily influenced by advertisement and popular culture. These consumers also spend money on their free time and value new experiences. They are also freer to make choices about their consumption as most of them are not parents and thus obligated by family oriented decisions.

Target group B

The target group B amounts to about 289,000 people in the capital area of which there is a slight majority of women. This group lives either near the city centre or in the suburbs and surrounding areas of Helsinki. This varies mostly according to the family status; people with kids tend to move out of the city centre areas as this group is mostly families they most likely live outside of the city. Probably the parents commute to Helsinki city centre to work on daily basis and the kids come to the city centre for leisure. The education level for this group is high.

Most of the people belonging to this target group are parents of children under 15 years old. Of course there are exceptions but most of the people fit into this profile.

The occupation percentage is divided as follows: students accounted for 9.4%, junior officials 25.3%, senior officials 29.6%, entrepreneurs 23%, un-employed 4.3% and other 8.4% (Hämäläinen *et al.* 2006, 78-81).

The average household income level, expenditure on restaurants and share of the target group are displayed in the table below.

Table 29. The share of the target group and total expenditure of the group in restaurant services

	Income	Expenditure	Share %
Students	11 860,00	1 022	9,4
Junior officials and other employed	44 780,00	1 035	25,3
Senior officials	61 950,00	1 722	29,6
Entrepreneurs	68 400,00	1 237	23,0
Unemployed	17 240,00	311	4,3
Other	19 270,00	864	8,4

(Statistics Finland 1990-2005, www.stat.fi.)

The same discretion has to be taken into consideration with this target group as well. Most likely the student households are not households with kids in this segment either. The other and unemployed households are calculated as single households in this analysis. The same weighing can be applied to this group as well; the junior and senior officials and employed and the entrepreneur households consist of two parent income. The amount of 0-14 year olds 164,324 in Helsinki capital area are most likely children of this target segment. There are no exact data of the percentage of the children belonging to this target group therefore they are not accounted for these calculations and the possible child benefit income from the government is left out as well.

In the below table, the total expenditure of the target group is shown with the amount of people. The junior officials', senior officials' and entrepreneurs' amounts was deducted in half to get a more realistic view the situation as they represent two individuals of the target segment.

Table 30. The share of the target group and total expenditure of the group in restaurant services

	Number of people	Expenditure €
Students	27 248	27 847 135
Junior officials and other employed	73 337	37 951 823
Senior officials	85 801	73 874 854
Entrepreneurs	66 670	41 235 315
Unemployed	12 464	3 876 418
Other	24 349	21 037 533
Total	289 869	205 823 078

(Statistics Finland 1990-2005, www.stat.fi.)

In total, the expenditure of this target group in restaurant services based on the statistics from 2006 was €205 million.

This target group is less prone to try new things and not so easily influenced by advertising and current trends. This group's priorities are heavily influenced by family values and the welfare of their kids. But it has to be remembered that the children in these families can be very influential on the parents' expenditure habits and purchases. Therefore the children who are very easily persuaded to try new things can be counted as one of decision makers in the families thus making them partially in charge of the usage of the disposable income.

Positioning

Eddie Rocket's should position itself so it would be attractive to both target segments. The restaurant chain has managed to do that in Ireland very well; it attracts young professionals and families at the same time. The target groups visit the restaurant at different times of the day; target group B visits the restaurant on weekends and on holidays during daytime and the target group A visits the restaurant during evenings. This should be accomplished in Helsinki operations as well. Eddie Rocket's should succeed in creating an image of a family oriented place but still maintain the "urban coolness" in order to attract younger consumers as well. The positioning should be done through strategic marketing that is well balanced to reach both target groups and multiple marketing channels should be used to have comprehensive cover over the market. The segmentation in this study is very broad and does not provide detailed information of the consumer behaviour. The purpose of this segmentation was to prove that there is market potential for Eddie Rocket's and there is sufficient profitability potential in the market.

6.8 Marketing

This chapter will look into the marketing plan of Eddie Rocket's. The subject is covered by using TOWS analysis as well as marketing mix. The TOWS analysis will look into the strengths introduced earlier in the SWOT analysis and how they could be used to minimize possible threats and weaknesses. The marketing mix will cover matters of product, price, place, promotion, people, process and physical evidence. The most important parts of the mix are place, people and physical evidence. After the matrix all these areas will be explained in more details.

The promotional aspect of the marketing plan are not very detailed as many of the decisions and materials will come from the franchisor. The examples of promotional campaigns were given to give a financial guideline of the local marketing costs in Helsinki. During the first operational year Eddie Rocket's will be promoted in newspapers, radio and television. Eddie Rocket's good service and pleasant atmosphere will create a good experience to the customer thus leading to customers promoting the restaurant by word of mouth.

The TOWS matrix below will introduce some of the strengths of Eddie Rocket's and how they can be used to minimize threats and weaknesses. This is a very basic strategic tool that helps to identify some basic elements that need to be considered when planning the company's strategies.

Table 31. TOWS Matrix of Eddie Rocket's

TOWS	External Opportunities	External Threats
<ul style="list-style-type: none"> - Distinctive brand identity - Experience in franchising - Trendy & popular theme - Popularity of American food 	<ul style="list-style-type: none"> - New locations in Finland and other Nordics - Better & more beneficial supplier networks - Regular client base - Eddie Rocket's experience in franchising will help in setting up new locations - Quality fast food in a trendy diner will help to achieve a regular client base 	<ul style="list-style-type: none"> - Other competing restaurant chains - Consumer preferences - Distinctive brand and good quality food will make Eddie Rocket's different and better from its competitors - American style food has remained one of the most popular foods throughout the years
<p>Internal Weaknesses</p> <ul style="list-style-type: none"> - No previous history in Finland - Set concept / no room for creativity 	<ul style="list-style-type: none"> - The first restaurant in Helsinki will create a good base and starting point for other locations - A constant and popular concept does not need to change dramatically over the years 	<ul style="list-style-type: none"> - Helsinki is the largest and the most variable place to start a new restaurant. - Unique idea will make Eddie Rocket's different from its competitors in Helsinki - Wide product selection to attract different types of consumers

Strengths – Opportunities

Eddie Rocket's has a successful history in franchising in different locations around Ireland and the British Isles. This experience will be a definite benefit when expanding to a new country like Finland. Although cultural factors might be somewhat different between Ireland and Finland, the basic benefits and possible problems behind starting a new diner will be more or less the same from one country to another. Therefore Eddie Rocket's in Finland should be able to avoid the most common mistakes when starting a new restaurant.

Eddie Rocket's will be serving one of the most popular types of food in Finland, American food, in trendy surroundings so achieving a regular client base should not be such a challenge. Finnish people appreciate good service, good quality food with reasonable prices – and Eddie Rocket's offers exactly these things. The atmosphere in Eddie Rocket's is very trendy and popular among different age groups; therefore the diner should appeal to the different target groups.

Strengths – Threats

Eddie Rocket's has a very distinctive brand image in Ireland and of course in Finland the goal is to create a similar trend. The original surroundings, friendly service as well as good quality food will differentiate it from its competitors. So far this kind of diner concept is very unique in Helsinki; so far no restaurant has combined quality fast food into old fashioned diner surroundings. Eddie Rocket's should not be too concerned about consumer preferences; after all, ever since American food landed in Finland it has kept its position as one of Finns favourite foods. However there has to be alternatives for the more health conscious Finns as well.

Weaknesses – Opportunities

Once the first Eddie Rocket's diner had been set up and running smoothly in Helsinki, other locations can be considered. This will also give a good example of how the concept will work outside the British Isles and in the Nordics.

If the concept will work in Helsinki, Eddie Rocket's should be willing to try the concept in other cities as well. As part of the whole franchise concept, many major decisions are made by the franchisor. The individual franchisee has very little power when it comes to major changes in the restaurant and for example promotion. The concept has been proven very successful in Ireland so Eddie Rocket's does not feel a strong pressure to change it. When the changes become current they will come from the franchisor and will affect all the restaurants of the chain simultaneously.

Weaknesses – Threats

Bringing a new concept and a restaurant into the Finnish (or any other) market is always risky. There are no guarantees how the consumers will react to the restaurant or if it will be a success. Helsinki was chosen to be the first location in Finland for several reasons. Being the capital it is the most populated city in Finland thus creating the largest possible group of potential customers. People in Helsinki are also used to new experimenting restaurants where as in smaller towns people can be more set in their ways. So far, there is no such restaurant in Helsinki that could directly be compared to Eddie Rocket's. There are restaurants with similar products but with completely different atmospheres.

Consumer preferences are changing constantly and therefore restaurants have to be able to meet the different demands of the consumers. The selection of meals has to vary enough to satisfy many different target groups and well as for example people with allergies. Many of the issues with allergies can be avoided by using different types of ingredients and problems regarding customer preferences can be partially avoided by keeping the menu versatile enough. Customers also always had the change to leave some ingredients or extras out of the meal to make to suitable for to their preferences.

Eddie Rocket's product matrix

This product matrix lists a few main products sold in the restaurant.

Similar product matrixes can be found in the competitor analysis about all three major competitors. This will make it easy to compare the major differences between the products of different restaurants.

Table 32. Eddie Rocket's product matrix

Product	Price	Quality / Quantity	Pros & Cons
Hamburger + fries	- € 8.30 + €4.40	- Food is never prepared in advance and always according to customer's wishes - Different extras available for burgers and fries	+ Made from high quality ingredients + Served to the table on real dishes instead of paper plates + Portions are very large
Salads	- €8.50 - €12.00	- Classic caesar salad with a few different variations + Cobb salad - Always made once only when order has been places - Always from fresh vegetables	+ Portions are very large + Vegetables are always freshly cut
Desserts	- € 3.60 – €4.70	- Sundaes, milk shakes, brownies & cheese cake	+ inexpensive extra after a meal

Eddie Rocket's meals are never prepared in advance and they are always made from fresh ingredients. Any special wishes the customer might have will always be taken into consideration and there is a range of extras the customers can use to customize their meal according to their preferences. This way, the customer can leave out any ingredients they might dislike and add their favourite flavours instead. Eddie Rocket's also has some healthier choices for those who do not want hamburgers and french fries. The Eddie Rocket's salads are a big and delicious alternative for the classic burgers and hot dogs. And if these are not enough there is a range of mouth watering desserts to leave a sweet taste to remember Eddie Rocket's by.

Marketing mix

The matrix below will introduce Eddie Rocket's marketing mix from two different points of view; it will describe how the situation is currently in Ireland and how the same things should be in Helsinki. It also mentions some special issues that should be taken into consideration when starting the diner in Helsinki. Each of the points are explained in more details after the matrix.

Table 33. Eddie Rocket's marketing mix table

Action plan Part of the Marketing Mix	How is the situation now in Ireland	What should be the situation in Helsinki, Finland	Issues requiring special attention
Product	<ul style="list-style-type: none"> - Hamburgers, hot dogs, fries, salads, ice cream, shakes and soft drinks - Narrow menu selection - Large meal and drink size - Kid's menu 	<ul style="list-style-type: none"> - Same product set but some ingredients will be changed to be more "Finnish" - Menu selection will stay same - Meal sizes stay the same 	<ul style="list-style-type: none"> - Meat, chicken and dairy products have to come from Finnish producers, since people value and prefer domestic products in these categories
Price	<ul style="list-style-type: none"> - Medium priced - Average meal cost €12 per person 	<ul style="list-style-type: none"> - Similar price lever - Prices need to go up by 22% due to higher costs in taxes, labour and ingredients 	
Place	<ul style="list-style-type: none"> - Central locations - Near shopping centres, cinemas and on main streets in city centre 	<ul style="list-style-type: none"> - Central location is needed on a busy consumer area in Helsinki city centre 	<ul style="list-style-type: none"> - Premises should not be inside shopping centre - This would allow later opening hours
Promotion	<ul style="list-style-type: none"> - Advertising focused on families and young urban adults - TV, radio and newspapers - Web site 	<ul style="list-style-type: none"> - Advertising focused on families and young adults - Radio and newspapers - Main target groups are families and young adults 	<ul style="list-style-type: none"> - Advertising should be only in local medias since only one location in Helsinki - Main decisions and advertising material comes from the franchisor
People	<ul style="list-style-type: none"> - Friendly and efficient personnel is one of the key elements of Eddie Rocket's success 	<ul style="list-style-type: none"> - The Helsinki diner should achieve a same kind of reputation about its staff in Ireland 	<ul style="list-style-type: none"> - Staff needs to be well trained and it should not change too often in order to keep a consistent level of good service

Process	<ul style="list-style-type: none"> - Diner has a host(ess) who greets customers and shows them to a free table - Waiting staff interacts with the customer throughout the whole visit - Since food is enjoyed in the restaurant staff can get instant feedback from the customers. 	<ul style="list-style-type: none"> - Same pattern for staff and customer interaction will happen in Helsinki - Especially in the beginning direct feedback from customers is important to identify any areas that might need improvement 	<ul style="list-style-type: none"> - Take away food is consumed outside the restaurant so any feedback cannot be received straight away - Customer will form his/hers opinion after leaving the restaurant so no damage control can be done if needed
Physical evidence	<ul style="list-style-type: none"> - Classic diner with comfy leather dining booths - Individual jukeboxes on every table 	<ul style="list-style-type: none"> - The signature style will be the same in the Helsinki diner as well 	<ul style="list-style-type: none"> - The diner has to be kept flawlessly clean and well organized at all times

Product

Eddie Rocket's has a simple idea when it comes to the products; basic burgers, hot dogs, salads, French fries etc. made from high quality ingredients. The menu is not very large when it comes to the number of different kinds of products but there is products for every taste; meat, chicken, fish and vegetarian. As a part of the franchise concept the menu is the same in all the restaurants around Ireland and it would be the same in Finland as well. Some products such as meat, chicken and dairy have to be bought from domestic suppliers since Finnish people are very suspicious of the foreign version of these products. In Ireland the meal and drink size in Eddie Rocket's is very large and it will stay like that in Finland too. Because the portions are so large, Eddie Rocket's has a separate menu for children. In the kid's menu there are half a dozen different Eddie Rocket's dishes served with french fries and choice of beverage.

Price

Eddie Rocket's in Ireland is a medium priced restaurant. It is cheaper than many a'la carte restaurants but it is not quite as cheap as fast food restaurants such as McDonald's. An average meal price is around €12.00 per person. The menu prices would be 22% higher in Finland compared to the menu prices in Ireland.

The biggest factor in the price increases is taxation; the corporate tax Finland is 26%, whereas in Ireland it is only 12.5%. Also the VAT, ingredients and labour costs are higher in Finland than they are in Ireland. After the prices have been increased they would have to be rounded up since Finland does not use 1 and 2 cent coins and all the prices are rounded up to the next even 5 cents.

Place

In Ireland Eddie Rocket's has expanded to all bigger towns in Ireland and to Dublin's major suburbs. All the Eddie Rocket's restaurants are located in the town centres or close to busy shopping centres. In Helsinki the first location would be in the city centre in a busy consumer area close to stores and other activities. The city centre of Helsinki some quite spread out so therefore Eddie Rocket's should be located in a few block radius from the largest shopping centres such as Stockman and Kamppi. Preferably the premises should be along a busy shopping street and not inside a shopping centre Shopping centres usually limit the opening hours of their shops and therefore Eddie Rocket's should not be inside one. Eddie Rocket's in open past midnight during the weekend and therefore a shopping centre is out of the choice. Along a street and with it's own entrance Eddie Rocket's can choose its own opening hours without any parties limiting them.

Promotion

In Ireland Eddie Rocket's advertises in most forms of advertising; television, radio, newspapers and Internet. The internet site www.eddierockets.ie has an extensive range of information on Eddie Rocket's products , the company, latests events, history on American diners and all the Eddie Rocket's locations with their opening hours. The advertisement in Ireland is mainly targeted to families with young children as well as young adults.

In Helsinki, Eddie Rocket's will advertise in three major medias; newspaper Helsingin Sanomat, television ads on MTV3 and radio on Radio Nova.

Television and radio advertisement is mainly concentrated around the time of opening to increase people's awareness of the new diner. 20 second television ads will run twice a day on MTV3 prime time shows for 7 days after the restaurant has been opened. Another similar campaign will follow in June. Also the radio ads will run around the time of opening on Radio Nova's morning shows. The television ads are mainly targeted to the young adults who watch a lot of the popular prime time television shows. Most people listen to the radion while driving their cars so the radio commercials are planned to reach the older potential customers on their way to work in the morning. Radio ads will run total 3 times a year, 2 times 15 second ads each day. Radio ads will run during opening time, then in August and in November. Newspaper ads will run on a regular bases throughout the year as a "reminder" Eddie Rocket's. Newspapers will reach the young adults, families an anyone who suscribes or reads Helsingin Sanomat. Roughly half a million people read Helsingin Sanomat in the capital region and about one million in the entire country soit has a potential to reach a large group of Eddie Rocket's potential customers.

People

Friendly and efficient personnel are one of the key elements of Eddie Rocket's success in Ireland. The goal would be to achieve a similar reputation in Finland. The restaurant is expected to be very busy from the beginning so the staff has to be prepared for it and make a good impression from the start. To ensure that customer will return to Eddie Rocket's it is vital that the customer gets an impeccable first impression of the diner and the people who work there.

Eddie Rocket's in Helsinki will have a staff consisting of chefs, waiters and a few extras. The staff has to be qualified for the job and they will receive further training for their specific duties. Eddie Rocket's waiting staff will be in constant contact with the customers so their personalities have to be energetic and sociable. They also have to interact with children so they will have to know how to deal with the younger clientele.

Process

A visit to Eddie Rocket's is more than just a lunch or a dinner; it is an experience. The experience will start as soon as the customer enters the restaurant and is greeted by a staff member. If there is no table available at that moment, the customer will be pointed to sit at the counter and wait for a table. Right after the customer has sat down at the table a member of the staff will take the orders and forward them straight to the kitchen. The meals are prepared promptly and according to customers wishes. Everyone at the table will receive their meals at the same time so nobody has to wait for their meals any longer than others.

Once customers have enjoyed their meals they have a chance to give some direct feedback to the staff. This is not a very common custom in Finland where many people prefer to leave their feedback anonymously in a box. Eddie Rocket's staff will encourage the customers to give immediate and honest feedback regarding everything about their visit. This way any mistakes, flaws or grievances can be addressed straight away. The main object is that all customers would leave Eddie Rocket's feeling happy about their visit.

This kind of feedback is not possible when it comes to take away food. As food is consumed outside the restaurant premises there is no chance for direct feedback. Therefore the food should always be prepared flawlessly and staff should make sure that all the items ordered are also received by the customer. This way the risk of disappointments can be decreased and customers have a greater chance of returning to Eddie Rocket's in the future as well.

Physical evidence

The appearance of the restaurant is a major part of the dining experience and Eddie Rocket's is famous for its signature style. All Eddie Rocket's restaurants have a unique style that is repeated in all the diners in Ireland and UK. As part of the franchise concept the diner in Helsinki would follow the example of all the other diners.

Eddie Rocket's franchisor organizes and supervises the building of all the new diners to ensure that the style of the restaurants are consistent with one another.

All the diners are designed to offer the customer an experience in an authentic American 1950's style diner. Eddie Rocket's diners have comfy red and white leather dining booths and individual jukeboxes on every table so customers can listen to their favourite oldies while enjoying their meal. The restaurant should be kept tidy, clean and well organized at all times. This way customers will enjoy their stay and it will be easier for the staff to do their jobs. This will eliminate any unnecessary waiting and staff can fully concentrate on customer service and customers do not have to see what happens "behind the scenes".

Positioning

Eddie Rocket's should position itself carefully in order to reach all its target groups. Eddie Rocket's goal is to become a popular lunch restaurant for adults working in the city centre of Helsinki as well as a place to go for dinner on the weeknights as well as weekends. In Ireland it is also a very popular restaurant for families and Eddie Rocket's in Finland will also be promoted as such. Since it is located in the city centre it is close to all the stores, sights and entertainment, it is easy stop by for a lunch or dinner with the whole family. The Eddie Rocket's products are all time favourites for all these age groups and the unique and trendy environment will create an atmosphere that everyone will enjoy.

7. LOGISTICS

The term logistics has its origins in the military. In the military logistics refer to the process of supplying a theatre of war with troops, equipment and supplies. This term is borrowed and applied to the business world and it is known as business logistics. (Stroh 2002.) Logistics is the process of planning, implementing and controlling the efficient, cost effective flow and storage of raw materials, in-process inventory, finish goods, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements. (LinkIS 2008, www.linkis.com.)

7.1 Key suppliers and products

Choosing and managing suppliers is an important part of setting up a new business. Finding a supplier is a lot more than just finding the cheapest prices. Other factors such as value for money, quality, reliability, speed and service are much more important and have a large influence on the overall decision. The suppliers who meet the most of these demands are likely to be chosen.

Eddie Rocket's in Helsinki has no foreign suppliers and the suppliers have been chosen from the surrounding areas or as close as possible. This is necessary for many reasons. Most importantly, food products are perishable so they have to be delivered in a short amount of time. Finnish people are very conscious about food products being domestic. This is highly important especially when it comes to meat and dairy products.

Eddie Rocket's does not require that many different types of supplies so the activities can be centralized quite easily. This way orders and deliveries are easier to manage as many different products can be combined into one bigger delivery. Eddie Rocket's suppliers play a major role in the business so the selection has been done carefully and by considering many different aspects of the business relationship.

These suppliers are presented below.

Table 34. The suppliers and their major product groups

Supplier	Products
Kanta-Hämeen Tuoretuote Oy Hämeenlinna	Food products
KOFF Kerava	Beverages
Eromanga Home Bakery Oy Helsinki	Cakes and brownies

Kanta-Hämeen Tuoretuote Oy

Kanta-Hämeen Tuoretuote Oy was chosen mainly due to its extensive products and partner selection, flexible service and experienced personnel. Kanta-Hämeen Tuoretuote Oy is able to provide all food products required for Eddie Rocket's operations; meat, fish, dairy, vegetables, bread and everything else needed to prepare the meals. They offer very flexible delivery times and strict quality control. Kanta-Hämeen Tuoretuote Oy is a family company located in Hämeenlinna which is about 100 kilometres north of Helsinki. The cities are connected with a highway so the delivery times are not so long despite the distance. They have an online ordering system so orders can be done easily when necessary. It might be risky to centralize all food products to one supplier but in the case of Kanta-Hämeen Tuoretuote Oy there is a natural plan B in case something goes wrong and deliveries can not be made. Kanta-Hämeen Tuoretuote Oy is a part of Suomen Palvelutukkurit Oy which is a network of independents wholesalers around Finland. Together they cover most of Finland and they mostly share the same range of products. In case the regular supplier would be unable to deliver some products another member of Suomen Palvelutukkurit Oy can be used as a substitute. (Suomen Palvelutukkurit Oy 2008, www.palvelutukkurit.fi.)

Koff

The beverage market is mostly dominated by Coca Cola and Pepsi. From the beginning Eddie Rocket's has been co-operating and purchasing all beverages from Coca Cola so naturally the diner in Helsinki will follow the company's lead. Coca Cola in Finland is manufactured by Oy Sinebrychoff Ab and therefore it becomes an obvious choice for supplying the beverages for Eddie Rocket's in Helsinki. Oy Sinebrychoff Ab is located in Kerava, about 30 kilometres North of Helsinki. Their brewery and logistics centre is a state of the art complex which includes all Finland's distribution activities for the company. Deliveries are flexible and designed for each company individually. Sinebrychoff also maintains any machinery and equipment needed to sell their products. (Sinebrychoff 2008, www.koff.fi.)

Eromanga Home Bakery Oy

The requirements for the supplier of the dessert cakes and brownies limits the number of potential suppliers. Eddie Rocket's requires a subcontractor who will bake the desserts according to Eddie Rocket's recipes and will deliver them regularly as agreed. Surprisingly enough there are not that many companies that meet these requirements. There are many companies who make and sell their own products but there is not that much selection when it comes to subcontractors. Eromanga Home Bakery Oy is located right at the centre of Helsinki so deliveries can be made extremely fast. (Eromanga Home Bakery 2008, www.eromanga.info.)

7.2 Infrastructure

Helsinki has one of the world's best infrastructures. Transport by vehicle, rail, aircraft and ship is easy and efficient. The technology infrastructure, as measured by fibre optic cables or wireless connectivity is one of the best in Europe. Almost the entire population has access to fibre optic networks and almost all commercial premises in Helsinki have both telephone and broadband connections. Wireless communication is also very advanced, with 3G data and phone use very high.

The telecommunications environment in Helsinki is one of the most advanced in Europe.

When delivering goods from other cities in Southern Finland, road is by far the best alternative. Helsinki is connected to other cities by highways or secondary roads. The roads are in good condition and maintained well all year round. So far there are no road tolls in Finland as most of the funding comes from the Ministry of Transport and Communications. Traffic jams have become a major problem on the inbound highways around Helsinki. However these traffic jams are limited to certain hours in the morning and in the afternoon due to commuting between Helsinki and the surrounding cities. Traffic jams can be avoided by simply planning deliveries and timing them before or after the commuters take over the roads.

The downtown area of Helsinki is made of small one-way streets and therefore it can be difficult for delivery trucks to move around. Business premises in the area do not have any specific loading areas so the trucks simply have to park and unload the delivery on the street in front of the restaurant. As deliveries cannot be done during restaurant opening hours they have to be done in the morning before opening. Since the restaurant opens at 11am the deliveries can be done around 9am as the biggest traffic jams have already passed at this time.

7.3 Procurement

Table 35. Product deliveries and frequencies

	What?	When?	How?
Kanta-Hämeen Tuoretuote Oy	Food products	1 or 3 times a week	By truck as individual delivery
KOFF	Beverages	Once a week	By truck as part of delivery round
Kotileipomo Eromanga Oy	Cakes & brownies	Once a week	By car as individual delivery

Weekly delivery activities

Table 36. Weekly delivery schedule

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Tuoretuote		Tuoretuote		Tuoretuote		
KOFF						
Eromanga						

The deliveries from Tuoretuote are divided into three weekly deliveries. Certain products are delivered three times a week whereas some are only delivered once a week. The Friday delivery is always larger than the Monday and Wednesday one due to larger quantities required during weekend. Tuoretukku delivers the good by truck as an individual delivery due to the large quantities. Beverages are delivered always on Mondays as the soda mixes can be stored for a longer time period than most food products.

Eddie Rocket's will be included in the regular delivery rounds of Sinebrychoff. Eromanga delivers cakes and brownies by car once a week as the quantities needed are quite small.

Exact contents of each delivery can be found in Appendix 10.

Once ingredients are delivered to Eddie Rocket's, all food is prepared in the restaurant premises. The only exception to this is the cakes and brownies which are made by a subcontractor. All the meals are prepared only when a customer has placed an order so nothing is prepared in advance. Most of the time the food is also consumed in the restaurant premises with the exception of take away meals. Eddie Rocket's does not deliver food so any take away meals are picked up by the customer. Therefore the outbound logistics are next to non-existent.

7.4 Supply chain

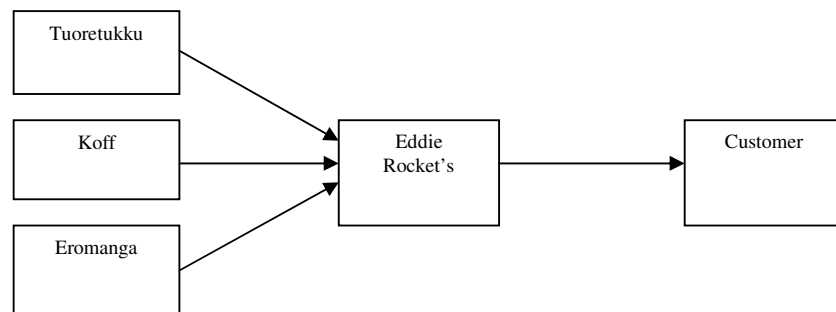


Figure 8. Supply chain

The Eddie Rocket's supply chain includes three different suppliers. The supplier activities are very centralized which makes it a lot easier to manage the supply chain.

This also allows Eddie Rocket's to build a long lasting and successful relationship with each of these suppliers as all of them have a very important role in the restaurant's operations. The products include finished and semi-finished goods and they are all delivered using the just in time system. Eddie Rocket's has no actual stock due to the nature of the goods used.

This is also why the deliveries of certain products have been divided between certain weekdays instead of just delivering once a week. All three of the suppliers are domestic ones so there is no need for international trade or transport. As all the suppliers are located close to Helsinki all deliveries are done by using road transportation.

All the products are prepared and sold to the customer in the restaurant premises so there are no outbound logistics for Eddie Rocket's. All the products are perishable so they can not be bought long in advance and held in stock. Therefore the inventory is used within a week after it has been delivered. There is also no stock left over for the following week as the excess food is used for complimentary staff meals.

Value added chain

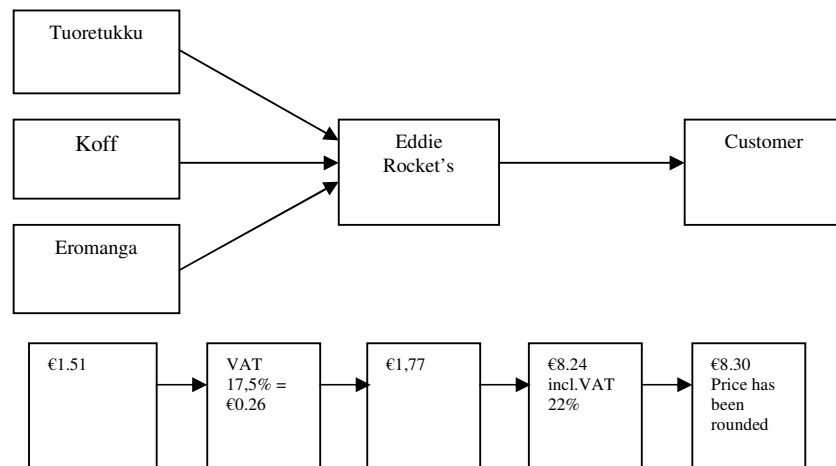


Figure 9. Value added chain

This price example is for a Classic Hamburger. The menu prices have all been increased by 22% from the menu prices in Ireland due to higher corporate and value added taxation as well as higher labour costs in Finland. Unlike Ireland, Finland does not use 1 and 2 cent coins which is why the final menu price has been rounded up to a more even price.

8 SALES AND FINANCE

8.1 Estimated visitation and expenditure

It is estimated that Eddie Rocket's will reach 10% of its target group during the first operational year. The total target group in greater Helsinki area is 582,186 people of which 58,218 people will visit Eddie Rocket's. The visitation frequency is estimated to be 2.3 times a year meaning that some people will visit the restaurant only once but some will visit over four times. All this totals to 133,903 visits to Eddie Rocket's during the year 2009. If this is spread out over the year it means over 11,000 visits per month, about 2,500 per week and approximately 370 visits per day. There are 100 customer seats in the restaurant and if this is combined with the average visitation the usage percentage of the restaurant should be minimum 24% at all times. This usage rate is an average and it varies a great deal throughout the day; early afternoon the usage might be near 10% but during the busy hours like lunch time and evening the usage is probably close to 100%. People are estimated to spend €11.3 per visit on average. This again is an average meaning that the expenditure from one customer to another varies a lot. Some people will only have a cup of coffee whereas some people will have a full meal including a hamburger, a portion of fries, a soft drink and a dessert. When the average expenditure is combined with the visitation the sales estimate can be formed. The sales estimate for Eddie Rocket's for 2009 is just over €1,500,000. The sales estimate per month is €126,000 and per day the revenue should be €4,145.

Table 37. The estimated visitation and expenditure

The estimated visitation and expenditure	
The reached target group visits	58,219 x 2,3 = 133,903
Visitation per month, week, day	11,159; 2,575; 367
Expenditure on Eddie Rocket's per year, month, week, day	€1,513,101.41; €126,091.78; €29,098.10; €4,145.48
Restaurant usage minimum	24%

See Appendix 1 for more detailed calculations.

8.2 Capital need assessment

The needed capital is quite large to set up Eddie Rocket's. Restaurants are expensive to build and Eddie Rocket's is no exception. The needed capital to fund the start up of the restaurant is €612,060. This covers the capital investments, other start up costs, the operational costs of the first three months and the excess cost reserve of 10%. The needed funding is raised by a loan from Finnvera, the start up fund from Ministry of Labour and own equity capital. Below are the calculations made, for more detailed calculations see the Appendix 2.

Table 38. Capital need

Capital need	€
Finnvera loan	550,000
Start up money	12,060
Own equity	50,000
TOTAL	612,060

The interest rate for the loan is 6% per year. The interest expenses after the first year are €33,000.

Table 39. Total capital target

Total capital target	€
Investments	281,021
Working capital	282,327.66
Excess cost reserve 9%	48,711.34
TOTAL	612,060.00

The capital need was decided after doing the calculations of the capital needed. The excess cost reserve is adjusted to fit into the capital budget thus being 9% instead of the normal 10% used in financial calculations.

8.3 Estimated product sales and purchases

Eddie Rocket's needs to have quite large purchases to cover the estimated amount of sold items. The sales estimate is designed to match the estimated expenditure and visitation. All product items' sales per day were estimated based on average order structure in Eddie Rocket's; hamburgers, hot dogs, french fries and soft drinks have the highest sales volumes and desserts and special platters' sales volume is the lowest. The sales volumes are estimated quite high but in order for the restaurant to stay in business and be profitable the volumes need to be quite high as the prices are relatively low. The sales estimate for the first operational year is €1,623,064.80 including VAT 22%.

Table 40. The sales estimate for 2009

The sales estimate for 2009	
Turnover	1,253,083.63
VAT 22%	353,433.84
Total	1,623,064.80

The purchase quantities per week are quite high as the sales volume is so large. The purchases are done weekly as the possible storage time of the goods is short and the quantities ordered are large for some products therefore being impossible to store in Eddie Rocket's facilities. The purchase costs per week are estimated to be €9,033.57 based on the sales estimates.

Table 41. Purchasing costs

Purchasing costs	€ per month	€ per year
Product costs / Food	36,134.28	433,611.36
Miscellaneous items	1,000	12,000
TOTAL	37,134.28	445,611.36

The miscellaneous items include napkins, cutlery, crockery and other needed small items. Estimate of the profit margin based on the sales and purchasing costs is over 73%. For more detailed calculations see Appendixes 3 and 4.

8.4 Taxation

The taxation in Finland is high and it has an impact on designing the finances for Eddie Rocket's as the business needs to be adapted to a different surrounding. The VAT in Ireland for the catering industry is 13.5% and there is no input VAT to be paid. In Finland the input VAT is 17.5% and the output VAT is 22%. The corporate taxation in Ireland is 12.5% and equivalent in Finland is 26%. This financial adaptation has been done by raising the prices for Helsinki operations by 22%. This enables the business to manage the higher taxation both in value added taxation and in corporate taxation. The prices were raised by 22% because this way the prices excluding VAT is close to the Irish prices excluding VAT. The profitability in Finland is still lower than in Ireland due to higher costs of labour and higher cost of product procurement. The pricing policy would have to be taken into consideration to ensure the optimal profitability.

Table 42. VAT calculations

VAT calculations	€ per month	€ per year
Input VAT 17,5%	3,637.37	43,648.42
Output VAT 22%	29,452.82	353,433.84
VAT payable	25,815.45	309,785.43

For more detailed calculations see Appendix 5.

8.5 Financial statements

All the financial statements are found in the Appendixes 6 to 9. Please refer to them for this section of the financial planning.

Cash flow analysis – Appendix 6.

Income statement – Appendix 7.

Profit and loss account – Appendix 8.

Balance sheet – Appendix 9.

8.6 Break even analysis and key ratios

According to the financial projections made for Eddie Rocket's the break-even point is reached and even exceeded during the first year of operation. The break even point by sales value is €1,254,178.30. As the sales estimate is over €1.6 million for the year 2009 the break-even point is met well. It has to be remembered that the franchising fee of 6% of the revenue, interest expenses and the depreciations of 20% are not included in these figures. The gross margin is over 53% meaning that after the cost of sales the company is quite profitable. Although, the fixed costs are high and this lowers the profit margin to be just over 13%. The return on investment is good for the company as it is just over 45%. It could be better but it has to be born in mind that in the catering industry the start up costs are high due to the speciality machinery and other equipment needed. Probably year on year terms the return on investment would get higher. Lot of the company's resources are tied up to its capital thus making the return on capital a bit lower amounting to almost 27%.

Table 43. Financial ratios

Financial ratios	
Break-even point	€1,254,178.30
ROI	45.43%
ROIC	26.74%
Profit margin	13.35%

For more detailed calculations see appendix 9.

8.7 Financial summary

From the financial aspect, Eddie Rocket's would be a profitable business if all the estimates hold their ground. The estimates are done based on the potential target group interest in the restaurant and this is very dependant on the success of the marketing plan. If the marketing tactics fail to reach the wanted target group the restaurant will not be profitable and it would face bankruptcy.

The marketing plan needs to be designed well to appeal to the target group and get them excited about Eddie Rocket's.

The initial investments needed to build up Eddie Rocket's are high and the capital need is high. As the partners are unable to fund the operations themselves a substantial loan is needed to cover the expenses meaning that the debt ratio is very high amounting to almost 90%. The business needs to be profitable from the first operational year to be able to cover the costs of the loaned capital. Finnvera was chosen as the source of the loaned capital as it is a very stable and trustworthy company and they provide adequate capital resources for start up businesses.

The main initial investments for the business are the machinery and equipment needed and the renovation of the premises to suit Eddie Rocket's needs; covering 74% of the initial investment costs. As the business operates in the catering industry it needs to have enough staff to cover the operations. The labour costs are high in Finland thus making them the most expensive fixed cost for the business. The labour costs cover over 70% of the fixed costs for the business. The fixed costs are high for running Eddie Rocket's. The purchasing costs are high as well due to the large sales volume of goods. As a percentage of the sales value they are not high but the profit margin of that needs to cover the other operational costs. All in all, running Eddie Rocket's is expensive and the sales targets need to be met in order to succeed with this business.

After all the expenses, Eddie Rocket's makes €33,278.20 profit during the first year in operation. As it is generally thought to be good to reach a zero result after first year in business, Eddie Rocket's is exceeding that well. Of the profit, €20,000 is used to pay the loan and the rest will be split equally among the shareholding partners. Assets after the first year are valued to be worth €645,060.00. The depreciations for the first year amount to €21,847.20.

All in all, Eddie Rocket's seems to be a profitable business with potential to grow more in future years. The calculations for the first year prove that if the estimates are correct; Eddie Rocket's is a profitable business to invest in.

9 RISKS

9.1 External Risks

Economic risks

The most obvious economic risk for Eddie Rocket's would be a recession and its consequences. Finland suffered a massive recession in the beginning of the 1990's. One of the most important reasons for this was the collapse of the Soviet Union, Finland's principal trade partner at the time. Now there is no such obvious threat, although many Finnish companies again are trading with Russia. Luckily Finland has recovered from it and the current economic situation is very positive. As there are no major political conflicts in sight and economy is blooming there are questions in the air. These questions include decreasing taxes, increasing salaries as well as the problem of supply and demand of labor not intersecting.

Finland has always had one of the highest value added tax (VAT) in the European Union. Only Sweden and Denmark have higher VAT than Finland. Many countries have a much lower VAT for food than other products. However, in Finland, this is about to change in 2009 when Finland is meant to cut its VAT on groceries and most likely this will not be compensated in food sold in restaurants – only on take away (Finnish Hotel and Restaurant Association 2007, www.shr.fi). Eddie Rocket's can prepare for this risk by having a take away menu available as it is expected that the sale of take away food will increase if the price changes along with the changes in taxation. This phenomenon has already happened in Sweden where the VAT is lower on take-away food; already over 40% of the purchased restaurant food is take-away (Lankinen 2006b, 26-28). Many working people buy take away food for lunch simply because there is no time for an actual restaurant meal. Every industry is constantly faced with a strong pressure for salary increases. The catering industry is no exception and it is expected to receive three separate increases during 1.10.2007–31.3.2010. First raise will be 3,4% and will take place 01.10.2007. The second one, 3,1% on 01.09.2008 and finally 2,4% on 01.09.2009. (Hartonen 2007.)

While salaries increase the risk for grey economy comes more obvious. The European Foundation for the Improvement of Working and Living Conditions says in its annually published report that the negative effects of grey economy are exceptionally clear in Finland. The clearest example is distortion of local competition which is caused by grey economy restaurants selling products way below average price level. This will force even legal restaurants to take some extreme measures to stay in the competition. (European Foundation for the Improvement of Living and Working Conditions 2004.)

Political risk

Political risk is usually defined as risk as a result of political changes or instability in a country. Finland is a politically stable country constantly trying to balance between East and West. The European Union has permanently made Finland a part of the European community and but Finland still depends a lot on Russia when it comes to international trade. There is no immediate threat of war between Finland and Russia so the risks relating to Russia are more economic rather than political.

Corruption is often considered one of the greatest political risks in the world. However, Finland has been maintaining a status as of one of the least corrupted countries in the world. In 2007, Finland shared the first place with Denmark on the Transparency International Corruption Perceptions Index as the least corrupted country in the world (Transparency International 2008, www.transparency.org). The index defines corruption as the abuse of public office for private gain and measures the degree to which corruption is perceived to exist among a country's public officials and politicians.

It is important for all business owners and managers to keep on top of the developments especially when it comes to labour unions and their negotiations about salaries. The main purpose of a union is to safeguard and improve the benefits and rights of its members. This includes, for example, income development, employment security, and quality of work life. Roughly 80% of working Finns are members of a union.

The International Labour Organisation (ILO) has recently ranked Finnish unions as amongst the most effective in the world. Finnish unions are industry or occupation-based and one of their most important functions is to run unemployment funds and to provide earnings related unemployment benefits. These are typically much higher than the basic unemployment allowance provided by The Social Insurance Institution of Finland (KELA).

Finnish are generally very aware of their rights and demand them from their employers. The Finnish constitution guarantees that workers are free to belong to unions and to form associations. In companies with at least ten employees, workers have a right to elect (at least every two years) three safety and health representatives. The representative is responsible for representing workers on safety and health issues and has a right to obtain relevant company documents. Employers must give representatives a reasonable period of paid time off to perform their duties and receive training. Companies with at least 20 workers must create a safety and health committee. Trade unions also routinely exercise their right to strike, however they must give a 14 days' notice of a planned interference with the business.

Competition risk

Many entrepreneurs often disregard any strategic discussions about competition, because many feel that their product is so new and so unique that competitors will not be a significant risk. But large companies could come in after the market has been proven and buy up. In a way new companies even compete with other new businesses outside their own market for employees, resources, and financing. So underestimating the competition can be fatal to new businesses. (Global Entrepreneurship Institute 2007, www.blog.gcase.org.)

Competitors have already been analyzed in previous chapters gathering together their strengths and weaknesses. Using these kinds of competitor analyses a new business can get a clear picture of the market it is about to enter. As the catering industry is doing well in Finland there are new restaurants opening on a regular basis – each of these with its own unique idea and concept.

It is important for a company to constantly conduct research on its competitors and their strategies. This way, whatever major developments might be occurring, one would know about them in advance. Entrepreneurs should not underestimate the power of good old fashioned gossiping as the circles in the catering business are somewhat closed and news travel extremely fast.

Supplier risk

A restaurant is completely dependant on its suppliers and it can only be as good as its suppliers are. The most important part of hedging any supplier related risks is the process of choosing the suppliers for Eddie Rocket's. A supplier has to be reliable since especially with food products timing is very important. This also brings up a question of quality.

Eddie Rocket's is committed to provide high quality food so the supplier has to be able to assure the quality of their products. Even though everyone is on the market for the best deals, one has to keep in mind that cheap prices and high quality seldom go hand in hand. A good supplier will be able to fill the demands for reliability, quality and service with reasonable cost. A supplier has to be able to provide good service and honest communication in case of any problems. The best suppliers will want to talk with business owners regularly to find out what needs the company might have and how they can serve their customers better. When creating a long term business relationship a part of the liability is formed by company's financial security. A strong and honest relationship will benefit both sides.

Making a contract with a supplier, certain issues have to be considered; is this the best possible price available and are there any discounts available? Is the quality of the supplies meeting the expectations? Does the supplier keep its customers updated on new products or services that may improve their business? Are supplies delivered on time and in good order? Are queries and complaints resolved quickly? If the supplier is not meeting these demands, changes have to be demanded or the relationship can be permanently damaged.

In the worst case scenario, contracts have to be terminated. It is important to have guidelines in place for dealing with ending a supplier contract and help the business to avoid alienating a supplier one might need at a later date. If a contract really needs to be terminated one should be honest and explain to the supplier why this is happening. The supplier may be able to offer a better deal or a solution to the problem by lowering the price or raising the quality of goods or services they provide.

Environmental risks

Over 100 million tonnes of waste are generated in Finland each year, equivalent to about 20 tonnes per person, however most of this waste comes in the form of rock and earth resulting from mining operations and construction. With environmental problems constantly on the increase, more attention is being paid to the recycling and reuse of various materials. The aim is to reduce the amount of material that could be reused by industry but now ends up in dumping sites. (Mäkelä 2007, www.virtual.finland.fi.)

Finnish waste legislation covers all waste types except certain special types of waste such as radioactive waste, which are covered by separate laws. Finnish waste legislation is largely based on EU legislation, but in some cases includes stricter standards and limits than those applied in the EU as a whole. Finland also has legislation on some issues related to wastes that have not yet been covered by EU legislation.

Even though almost all materials can be recycled, the key is to decrease the amount of waste in the first place. Most international fast food restaurants are being accused of creating masses of waste since all the food is individually packed. This obviously requires huge amounts of paper and cardboard which will always end up in the trash. Eddie Rocket's will not have this problem, since the food is served on real dishes rather than in little cardboard boxes. The only individual packaging will be used for take away food and these packing materials can always be made from already recycled paper.

Despite this, restaurants create huge amounts of waste such as napkins, metal cans and frying grease. This is where recycling comes into the picture. Eddie Rocket's will do its share in recycling. The waste created in the restaurant will be divided into categories and recycled accordingly. These categories will include at least bio waste, paper, cardboard, glass, metal and the so called "energy waste" which will be used in energy production.

Hazards

Hazards are the type of risk that companies can hedge somewhat easily; by having insurance. Unfortunately hazards can not always be predicted but they can be prepared for. Companies are obligated to ensure the safety and health of workers in every aspect related to their work. By training the staff to know how to deal special circumstances and hazard companies can be prepared for all kinds of unexpected events.

Fire is probably the most common type of hazard that businesses face. Therefore according to the Constitution of Finland restaurants with more than 50 customer places have to have a special action plan in case of fire in the premises. This plan is meant for the staff and it has to give instructions, for example, on how to prevent dangerous situations, emergency exit routes, necessary equipment and location of the nearest shelter. The action plan has to be updated regularly and kept available for all staff. (Constitution of Finland, 8§ and 9§.) All the employees have the responsibility to know how to make an emergency call, where the exit routes are and how to use the fire extinguisher. By following these basic rules companies can prevent fires and minimize the damage if there actually is a fire. Even a small hazard can cause significant damage and financial losses. Therefore it is absolutely necessary for any business to insure its property. Most Finnish insurance companies offer different kinds of solutions for businesses and their personnel. Business insurance can include coverage against for example vandalism, water damage, fire, robbery, storm damage and explosion. The insurance plan will always be designed for each business according to its special needs and requirements. (Fennia 2008, www.fennia.fi.)

Socio-cultural risks

The lifestyle of Finnish people has been changing dramatically over the past decades. Changes in eating habits and more hectic every day life have caused the Finnish population to become increasingly obese. Obesity has now been recognized as a major issue in the society and there is a constant need for answers and treatments to control this phenomenon. 60% of working men and 40% of women are overweight. The numbers have been increasing for the last 30 years especially among men between the ages of 15 and 35. The medical, social and financial issues caused by obesity can only be expected to increase in the near future. (Finnish Heart Association 2007.)

People are becoming more conscious about their lifestyle choices. There is a global phenomenon creating an image what people should look like and this has created a new movement for healthier lifestyle. There is an endless list of miracle diets and ways to lose weight which obviously can be seen in peoples eating habits. People are more and more aware of what they are eating and they are not afraid to demand healthier choices.

People have started to expect also healthier foods on the restaurant menus and for a restaurant like Eddie Rocket's this can be a genuine threat. As the Eddie Rocket's menu is not exactly designed for dieting, new approaches should be considered. Eddie Rocket's should come up with some additional, healthier choices.

These could include, for example, milk shakes made from fat free milk and ice cream, low fat dressings and various side dishes from fruits and different types of vegetables. There should also be some dishes designed for people with allergies. This way everyone could make their restaurant visit just as healthy as they want without giving up the fun experience of dining in Eddie Rocket's.

9.2 Internal risks

Personnel risks

Entrepreneurship always includes risk taking. An entrepreneur invests a lot of time and often property in the company. Sometimes things do not work out as planned and therefore it is vital to have good insurance and pension coverage. One should never invest all the resources in the company as the consequences would be catastrophic in a case of failure.

In the case of Eddie Rocket's, it would be a partnership instead of a single entrepreneur. A partnership agreement plays an essential role; it clearly defines the ownership and liability of each party in the agreement. It goes without saying that the agreement has to be done in writing. Partners should have major strategic objectives in common so they want to make the partnership work and partners have to be willing to invest long term and to be willing to commit resources - in terms of time, people and money.

Personnel risks refer to risks that may be directed to company's employees. These risks can come from outside as well as inside the organization. On the other hand personnel might be the cause of these risks. Good personnel are definitely one of the keys to success especially for small and medium size businesses and therefore managing it is a vital part of business operations.

In smaller businesses, each employee and their contribution is very important and their absence can cause a disturbance in every day business. A loss of employee can be a significant threat to a business and sufficient cover must always be insured for company's activities. Good atmosphere, chance of promotion and a voice in the company are probably the biggest motivators for people to stay in a company as salaries are usually based on collective agreements within the catering industry. It is also important to bear in mind that many people working in the catering industry are young people and students who work part time along their studies. This also makes it more difficult to engage in long term employment relationships.

Lack of contracts and agreements is a common risk factor in the catering industry. Many problems can be avoided simply by having a contract of employment. Without a contract it is next to impossible to prove agreement and conditions in a case of dispute. Eddie Rocket's has a strict policy that all employees will have a signed contract for the entire length of their employment.

People who work together form a small community. At best, a community will support and motivate its members but in the worst case scenario it will demotivate and destroy the spirit of the community. Many problems in the work community are due to interpersonal relationships. As an extreme this can result as gossiping, arguing and even harassment. These problems can mostly be solved by addressing them appropriately instead of blaming it on certain individuals. Socializing as a group outside the work place can help to create a pleasant work environment. For example a Christmas dinner or birthday parties are a good way to get to know the colleagues which again will help to achieve a positive atmosphere which can also be detected by the customers.

Financial risk

The number one concern for a new business is profitability. No matter how much a business generates in sales, the most important key is generating bottom-line profit. Profit is what provides opportunities for future growth and expansion, so measuring current and past profitability and projecting future profitability is very important.

Controlling expenses is a cultural issue when discussing profitability. This should start with the business owner and carry over to the employees. From the very beginning, the business has to be careful not to spend money. There are several ways of cutting down expenses and together these little things can add up to large savings. It is important to remember that effective expense control is not a one-time event; it is an ongoing occurrence whose success or failure lies entirely in the hands of the entrepreneurs.

The on-going franchise fee is paid on an ongoing basis once the business is up and running. It is based upon a percentage of the gross revenue or sales of the franchisee. There is no set formula; it depends on the division of responsibilities between franchisee and franchisor. The more the franchisor does the higher the fee. In some cases there will be no on-going fee. There are also cases where the franchisor will justify an increase in fees on issues such as extra start-up costs and inflation. In any case the type of fees to be paid, its regularity and whether it can be increased or decreased should be properly communicated to the franchisee before agreements are reached. An obvious risk for Eddie Rocket's would be significant changes in the franchise fees. Currently Eddie Rocket's franchise fee is 6% (Eddie Rockets. 2008. www.eddierockets.ie) but this can all change when the company continues to grow. There is no real way of hedging this risk except making sure that terms and conditions regarding this are clearly understood and written on the franchise agreement.

10 FORECAST AND CONCLUSIONS

Forecast

The economic situation in Finland is expected to remain the same in 2010 as in the previous year as well. This means a quite secure market situation as the economic fluctuations are minimal. People will continue to have fairly high disposable income and leisure time expenditure will remain high. The commodity price level is not going to change a lot as the inflation rate is forecasted to be moderate. Therefore the costs of production will remain at the same level. The VAT change of grocery and take-away food remains as a threat but also creates higher profit margins as the input VAT will decrease for the purchased food products.

Based on the first operational year the number of customer visits is expected to rise. Consumers will know the restaurant better therefore spread the word and bring in more clientele. In the year 2009, the target group coverage was 10% and in 2010 it is expected to rise to 15 to 20%. The frequency of visits is also expected to increase once people get more familiar with the restaurant. The average visiting frequency is most likely going to reach 3 times a year. Visitation frequency variation will get wider among the target group due to the formation of regular clientele. Some people will not visit the restaurant at all whereas some people will visit even 10 times a year. The visitation will also increase due to active promotion in various media. The advertising methods for 2010 are not clearly defined as they will be based on the success of different types of campaigns during 2009.

As visitation is expected to rise this will also have an effect on the sales. Revenue increase will follow the trend of visitation thus leading to 15 to 20% sales increase. The average expenditure will remain at the same level as during the first operational year since it is not realistic to assume that people will start spending more on the visits. The increase in visitation and frequency will generate the growth in sales. Profitability is expected to continue on a similar level or to increase slightly. The personnel costs will increase due to 5% salary increases as well as new personnel being hired.

The product costs will rise with the higher sales volumes as well, although with larger order quantities the supplier discounts will increase therefore escalating the economies of scale effect. The loaned capital will grow interest and the assets will depreciate thus leading into less balanced ratio among them. All in all the profitability will remain quite stable during 2010.

The supplier relations will tighten during the second operational year as the trade relation has been established and mutual trust has been gained. This will lead to more open and negotiable agreements with the suppliers. As already mentioned the trade discounts are very likely to take place and lead to better profit margins for the restaurant. Also the VAT change to 12.5% will lower the product purchase prices.

The competitor situation is hard to forecast as the market dynamics change constantly and new competitors enter the industry all the time. The three competitors introduced in this study will remain strong in the market and continue to drive up the intensity of the rivalry. The threat of copycat competitors rises as well once Eddie Rocket's 50's diner concept has been proven to appeal to Finnish consumers. Eddie Rocket's needs to create brand loyalty among its target group in order to avoid the competition from the copycat restaurants. The customer loyalty needs to be raised to face the competition from the existing rivals and as well as fight off new competitors. This can be done by starting a customer loyalty scheme to reward the loyal customers.

All in all, the near future looks bright for Eddie Rocket's in Helsinki, Finland. The sales will most likely rise as the restaurant will attract more people and will form regular clientele. The target group will be penetrated deeper and new consumers attracted to the restaurant. The supplier relationships will get stronger and the trade relations will gain more trust. The profit margin will rise but the fixed costs will rise as well leaving the profitability in a stable state. Eddie Rocket's will face the challenge of maintaining the already existing clientele interested and at the same time attracting new business. The first few years will determine the long term success of Eddie Rocket's in Helsinki, Finland. This time will be challenging and demanding for the business but if it manages to pull through the tough beginning, the future prospects are endless for this business endeavour.

Conclusions

The chosen company form creates a set of regulations and standards to follow. This can be seen as a positive and negative factor for the business. The safety of having the knowledge and the guidance of the predecessors of the franchise chain helps the planning and starting up of this business venture. In the long run the franchise agreement might start to feel as a heavy burden to bear if the wishes and future plans of the franchisor and the franchisees are not unified. Through this study the franchising business model is proven to be more of a positive than a negative influence.

Based on this research and study, it is quite safe to state that Eddie Rocket's will be a profitable business if all the forecasts of the market will hold their value. The market situation is attractive and penetration is possible. The market penetration will be hard but not impossible; it requires a good understanding of the industry dynamics and effective marketing tactics. The market in the Helsinki area has a lot of potential and Eddie Rocket's will most likely grab a share of it. The business concept is strong and the potential brand value is huge if the marketing tactics work. Eddie Rocket's core competencies should be used as the primary selling points for the restaurant as it will have competitive advantage over the competitors through them. The food itself, restaurant atmosphere and the service will have to be immaculate in order to achieve all that, in other words, the place, people and physical evidence need to be faultless. Resources should be allocated to the staff training, quality food and cleaning services.

From the financial aspect, Eddie Rocket's is a viable business with good potential to grow. The operating costs will be covered and the business will be making profit during the first year of operation. The liabilities will weigh heavy on the balance sheet as the needed start up capital is funded by a loan. This poses a threat for the business if the economic situation changes in Finland and in the EU as the interest rate levels might surge. Even though the business is quite stable, the economic changes can shake the foundation of this business venture in a drastic way.

The hedging plans are made for this as well but without existing customer loyalty Eddie Rocket's would not survive economic fluctuations during the first years of its operations. The positive aspects of the economic situation are the increased purchasing power of the consumers, low inflation and government supported economic freedom.

The marketing plan cannot be discussed in detail as the marketing plan presented in this study is a mere building structure for the actual detailed strategic marketing plan. The franchisor will have the decision power regarding the marketing tactics thus leaving making detailed plans void for this project. The purpose of the marketing plan was to map out the restaurant positioning in the Helsinki catering industry scene. The marketing plan provides information of the situational analysis of the restaurant in comparison to the competitors. The comparison of the marketing mixes and products will provide a base to build the strategic marketing plans. Both financial and human resources are needed to actualize the marketing plans and start off the brand building.

As the final conclusion there can be five statements made:

- The franchise model of the business will be beneficial for the venture as the provided knowledge and know-how are more valuable for the start-up company than the full decision power when starting an independent operation.
- The economic aspects are positive; people have more disposable income at their use, leisure time expenditure is on the rise, inflation is moderate and government supports new entrepreneurs in Finland.
- The catering industry in Finland is growing annually and further growth is expected. This industry set provides an attractive starting point for the business and there is a lot of market potential to attain.
- The core competencies for Eddie Rocket's are service, products and the outlook of the physical premises. These need to be communicated clearly in the marketing strategies. Brand building needs to be successful in order for Eddie Rocket's to succeed.
- The operational costs are high for running a restaurant in Helsinki, Finland. The initial capital need is very high thus making the company dependent on outside financing sources and very vulnerable to economic fluctuations.

11. SUMMARY

The theory basis for this study is the theories of Michael Porter and Philip Kotler. Their theories are highly valued throughout the business world and taking their insights and analysis models into consideration when starting up a new business venture is always wise. These theories were chosen for this study as they provide well balanced structural models for analysing the industry and markets.

Eddie Rocket's 50's style city diner is a very successful franchise restaurant chain in Ireland. The main idea of this study was to find out if the same business model would be successful in Helsinki, Finland as well. As mentioned earlier, Eddie Rocket's operates solely as a franchise restaurant therefore setting rules, regulations and standards for the new joining franchise ventures. There are benefits from this licensing agreement but also some negative points to consider. The freedom of own choice is very little and operations must be kept according to the franchisor's standards. Also the costs of the franchising licence and the regularly paid fees have to be taken into consideration before starting up the business and throughout the course of action. There are two business partners signing the franchising contract and sharing the responsibilities and liabilities equally.

The catering industry in the Helsinki region is very vivacious and diversified with many differently sized competitors in the market. The industry and market penetration is quite easy but building a successful business is very hard. The profitability is generally very low unless the restaurant manages to balance out the pricing policy and the production costs optimally. The success of a restaurant can be determined generally according to the success of it during the first operational year. Eddie Rocket's faces a big challenge with overcoming the competition and making profit. The competitor examples for this study were chosen to represent different types of competitors in the market. McDonald's is a restaurant for everyone and it is the epitome of the fast food culture, Rosso is a traditional family restaurant and Colorado is a modern and lively place for urban consumers. Eddie Rocket's would be facing competition from all of these restaurants but they all compete with different aspects of the business; pricing, family values and trendiness.

The target group selection for Eddie Rocket's was done quite roughly and the purpose of it was to map out the market potential in the Helsinki area. The market potential is high and there is a lot of potential revenue to attain. The main target groups in Helsinki for Eddie Rocket's are 15 to 34 year-olds without families and 35 to 54 year-olds with families. These groups combined together prove the needed market potential existence for the restaurant to be successful. The combined disposable income levels of these groups are very attractive and if the target groups are reached sufficiently their expenditure in the restaurant will guarantee the profitability of the business. The target group coverage is highly dependent on the success of the marketing strategies and brand image creation.

The marketing plan for Eddie Rocket's in this study is made out to give general structure for the promotional operations and positioning. The marketing plan is not detailed as the franchisor will make the end decisions regarding the strategic marketing. The marketing plan was made to give a financial estimate of its costs for the first year and map out the basic advertising strategies. The promotion will be done through print media, radio and TV coverage in the Helsinki area. The main marketing tactic is to please the clientele in such a way that the word of mouth will work as an efficient marketing tool. The most important parts of the marketing mix are the place, people and physical evidence. Through the successful combination of these, the customers should be left pleased with the overall experience at Eddie Rocket's.

The supplier selection was based on the criteria of needed products. The chosen suppliers are able to deliver all the needed items to the restaurant leaving the need for further supplies deals void. Tuoretuote Oy is able to provide all the needed food products to maintain the Eddie Rocket's menu. They are closely situated in southern Finland thus ensuring efficient delivery times. By focusing the supply chain to one main supplier the trade discounts and better delivery terms are easily acquired. The other two suppliers are Sinebrychoff Oy and Eromanga Home Bakery Oy. They provide drinks and desserts for the business. The supplier partnership needs to be well maintained as the restaurant is dependant on these suppliers and as the order quantities for food products are large and deliveries are needed often.

There are many risks for this business to face. The risks can be categorized into external and internal risks. The external risks include economic, political, competition, supplier, environmental, hazard and socio-cultural risks. The internal risks include financial and personnel risks. All these risks need to be carefully considered before entering the market. Efficient hedging plans are needed in order to cope with these factors. Preparing for the unexpected is very important as there is a lot of invested capital tied in the business venture.

Financially Eddie Rocket's will do well for the first year. The business will be generating profit and it will be able to cover all its liabilities well. The initial investment will be high as there is a lot of speciality machinery and equipment needed. The restaurant industry is known to be an expensive business area as the start up costs, labour costs and production costs are high. The production costs may vary from one business to another but generally even if the profit margins seem to be high; it does not guarantee profitability as the running costs are high. The visitation and sales estimates are done based on the target group penetration, the average restaurant visitation by Finnish consumers and the average consumer expenditure on restaurant services. The target group penetration will be quite low during the first year but sufficient enough to generate over €1.6 million turnover for the restaurant. All in all, financially, the restaurant will manage fine during the first year of operation.

The business model for Eddie Rocket's 50's diner would seem to be work well in the Finnish market surroundings. There is potential clientele for the business, the competition can be controlled and the profitability estimates should reach the target levels. Eddie Rocket's has an open possibility to make itself successful in the Helsinki area with possibilities of expanding to different regions in Finland.

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Appendix 1 - Estimated visitation and expenditure

It is estimated that Eddie Rocket's will reach 10% of its target group potential during the first operational year.

Total of potential target group	582 186
The reached portion	58 219

The people are estimated to visit Eddie Rocket's 2,3 times during the year.
This calculated to an average per person assuming that some people visit only once and some people visit more than 3 times.

The target groups visits during first year	133 903
Total visits per year	133 903

This is spread out over the year

Per month	11 159
Per week	2 575
Per day	367
Per opening hour/day 13h	28
Per opening hour/day 15h	24

There are 100 customer seats in the restaurant meaning that the restaurant will be used in minimum 24% all the time.
The visitation during the day may vary a lot as some moments the restaurant is used only 10% and sometimes the usage is 100%.

One person is expected to use €11,3 per visit.

Expenditure per year	1 513 101,41 €
Per month	126 091,78 €
Per week	29 098,10 €
Per day	4 145,48 €
Per hour/day 13h	318,88 €
Per hour/day 15h	276,37 €

The expenditure can vary a lot from customer to customer. Some people just get a coffee but some customers take hamburger, fries, a soft drink and dessert. The €11,3 is calculated as a rough average.

Appendix 2 - Financial plan 1.1. - 31.12.2009

Capital

	€			€
Finnvera loan	550 000,00	6% interest	Finnvera loan	550 000,00
Start up money	12 060,00		Interest per year	6,00 %
Own investment	50 000,00		TOTAL	33 000,00
TOTAL	612 060,00	€		

Equity ratio	Own/total capital * 100	10,14 %
Debt ratio	Loan/total capital * 100	89,86 %

First three operational months (+Nov. and Dec. 2008)

Purchases	108 402,84
Fixed costs	167 616,60
Cash fund	5 000,00
Total working capital	281 019,44

Rent deposit	10 000,00	Covers the november and december 2008, actual deposit €5000
Machinery	51 966,00	
Renovation	90 000,00	
Interior	71 225,00	
Cashier	750,00	
Office equipment	1 850,00	
Phone share	1 500,00	
Registration	330,00	
Franchising fee	45 000,00	
Security	1 000,00	
Miscellaneous expe	8900	Expenses before opening:Electricity €1400, cleaning €6000, adds €1500
Total investments	282 521,00	

Total capital target	
Investments	282 521,00
Working capital	281 019,44
Excess cost reserv	48 711,34
Total capital target	612 060,00

Machinery and equipment investments

Machinery and equipment

	Total price incl. VAT 22%
2 Electrical stove/Grill	4 280,00
3 Fridges	3 930,00
1 Freezer	2 730,00
1 Cold drawer	2 856,00
1 Hot plate station	3 250,00
1 Dish washer	4 600,00
2 Milkshake blenders	1 975,00
2 Cooler tables	3 020,00
1 Kitchen fan	4 500,00
1 Microwave oven	790,00
2 Deep friers	6 080,00
TOTAL	38 011,00
Other items	
Cutlery	1 560,00
Crockery	3 470,00
Pans&Pots	3 560,00
Utensils	865,00
Miscellaneous items	4 500,00
TOTAL	13 955,00
TOTAL	51 966,00

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Setting up costs	
Registration fee	330,00
Franchising fee	45 000,00
Phone share	1500
TOTAL	46 830,00

Depreciations for first year

	20% per year
Machinery	7 602,20
Interior	14 245,00
Other items	2 791,00
Office+cashier	520
Outfits	975
TOTAL	26 133,20

Interior and renovation

	Total price incl. VAT 22%
Renovation (work, materials)	90 000,00
Counter á €14300	14 300,00
Tables á €275 / 23pcs	6 325,00
Bar stools á €250 / 10pcs	3 750,00
Sofas á €550 / 46pcs	25 300,00
Jukeboxes á €350 / 23pcs	8 050,00
Design items incl. posters etc.	13 500,00
TOTAL Interior	71 225,00
TOTAL	161 225,00

Outfits for employees

	Total price incl. VAT 22%
Waiter's whole outfit	225,00
Chef's whole outfit	175,00
TOTAL*	4 875,00

*All fulltime employees have 2 sets of outfits

Office equipment and cashier	
Table	150,00
Chair á €50	100,00
PC	700,00
Printer - fax, phone,copy, print	200,00
Phone - landline	100,00
Mobile phone á €150	300,00
Miscellaneous	300,00
Cashier system	750,00
TOTAL	2 600,00

Investment in total 267 496,00

Appendix 3 - The product costs vs. sale price and profit per item

Products	Cost of purchase/€	VAT 17,5 %	Cost + VAT	Ireland Price/€	VAT 13,5 %	Price incl. VAT	Finland Price/€	VAT 22 %	Price incl. VAT	Menu Price incl VAT 22%	Profit excl. VAT	Profit due to menu rounding	VAT total	Profit + VAT
Regular fries	0,15	0,03	0,18	3,16	0,49	3,65	3,47	0,98	4,45	4,40	3,32	3,27	0,95	4,22
Chilli Fries	0,30	0,06	0,36	4,28	0,67	4,95	4,71	1,33	6,04	6,05	4,41	4,42	1,27	5,69
Garlic&Cheese F.	0,42	0,09	0,51	4,45	0,70	5,15	4,90	1,38	6,28	6,30	4,48	4,50	1,29	5,79
Bacon&Cheese F.	0,44	0,09	0,53	4,45	0,70	5,15	4,90	1,38	6,28	6,30	4,46	4,48	1,29	5,77
½Fries&½Onion Rings	0,34	0,07	0,41	4,45	0,70	5,15	4,90	1,38	6,28	6,30	4,56	4,58	1,31	5,89
Cheese Fries	0,27	0,06	0,33	4,02	0,63	4,65	4,42	1,25	5,67	5,70	4,15	4,18	1,19	5,37
Garlic Fries	0,30	0,06	0,36	4,02	0,63	4,65	4,42	1,25	5,67	5,70	4,13	4,15	1,19	5,34
Onion Rings	0,68	0,14	0,82	4,76	0,74	5,50	5,23	1,48	6,71	6,75	4,56	4,60	1,33	5,93
Nachos	0,47	0,10	0,57	5,15	0,80	5,95	5,66	1,60	7,26	7,30	5,19	5,23	1,50	6,73
Garlic Mushrooms	1,43	0,30	1,73	5,58	0,87	6,45	6,14	1,73	7,87	7,90	4,71	4,74	1,43	6,17
Buffalo Wings	1,51	0,32	1,83	6,53	1,02	7,55	7,18	2,03	9,21	9,30	5,67	5,76	1,71	7,47
Buffalo Wings Sharing	2,26	0,48	2,75	10,34	1,61	11,95	11,37	3,21	14,58	14,60	9,11	9,13	2,73	11,86
B.L.T.	0,65	0,14	0,79	4,71	0,74	5,45	5,19	1,46	6,65	6,70	4,53	4,59	1,32	5,91
The Club	1,34	0,29	1,63	6,88	1,07	7,95	7,57	2,13	9,70	9,70	6,22	6,22	1,85	8,07
Tuna melt	1,04	0,22	1,26	5,15	0,80	5,95	5,66	1,60	7,26	7,30	4,62	4,66	1,38	6,04
Reuben's Deli	0,54	0,11	0,65	5,15	0,80	5,95	5,66	1,60	7,26	7,30	5,13	5,17	1,48	6,65
Classic	1,25	0,26	1,51	5,84	0,91	6,75	6,42	1,81	8,24	8,30	5,18	5,24	1,55	6,79
Cheeez Please	1,37	0,29	1,66	6,18	0,97	7,15	6,80	1,92	8,72	8,80	5,43	5,51	1,63	7,14
Double take beef	1,93	0,41	2,34	6,88	1,07	7,95	7,57	2,13	9,70	9,70	5,63	5,64	1,72	7,36
Double take chicken	2,43	0,51	2,94	6,88	1,07	7,95	7,57	2,13	9,70	9,70	5,14	5,14	1,62	6,76
Atomic	1,25	0,26	1,51	6,18	0,97	7,15	6,80	1,92	8,72	8,80	5,56	5,64	1,65	7,29
Moby Dick	1,89	0,40	2,29	5,84	0,91	6,75	6,42	1,81	8,24	8,30	4,53	4,60	1,41	6,01
Veggie	1,22	0,26	1,48	5,84	0,91	6,75	6,42	1,81	8,24	8,30	5,20	5,27	1,55	6,82
Chicken Fillet	1,49	0,32	1,81	5,84	0,91	6,75	6,42	1,81	8,24	8,30	4,93	5,00	1,49	6,49
Cheeezy Chicken	1,62	0,34	1,96	6,18	0,97	7,15	6,80	1,92	8,72	8,80	5,19	5,26	1,58	6,84
Chicken in a basket	2,01	0,43	2,44	6,53	1,02	7,55	7,18	2,03	9,21	9,30	5,17	5,26	1,60	6,86
Chili 3-way cup	1,64	0,35	1,99	6,62	1,03	7,65	7,28	2,05	9,33	9,40	5,64	5,70	1,71	7,41
Southern Chicken Tenders	2,01	0,43	2,44	6,53	1,02	7,55	7,18	2,03	9,21	9,30	5,17	5,26	1,60	6,86
Grilled onions	0,07	0,02	0,09	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,83	0,87	0,24	1,11
Guacamole	0,07	0,02	0,09	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,83	0,87	0,24	1,11
Cheese	0,12	0,03	0,15	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,78	0,82	0,23	1,05
Chilli	0,31	0,07	0,38	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,59	0,63	0,19	0,82
Bacon	0,17	0,04	0,20	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,74	0,78	0,22	1,00
Grilled mushrooms	0,07	0,02	0,09	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,83	0,87	0,24	1,11
Fried egg	0,26	0,05	0,31	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,65	0,69	0,20	0,89
Jalapenos	0,07	0,02	0,09	0,82	0,13	0,95	0,90	0,25	1,16	1,20	0,83	0,87	0,24	1,11

The product costs vs. sale price and profit per item

Products	Cost of purchase/€	VAT 17,5 %	Cost + VAT	Ireland Price/€	VAT 13,5 %	Price incl. VAT	Finland Price/€	VAT 22 %	Price incl. VAT	Menu Price incl VAT 22%	Profit excl. VAT	Profit due to menu rounding	VAT total	Profit + VAT
Footlong	2,04	0,43	2,47	5,84	0,91	6,75	6,42	1,81	8,24	8,30	4,39	4,45	1,38	5,83
Chili Dog	2,11	0,45	2,56	6,18	0,97	7,15	6,80	1,92	8,72	8,80	4,69	4,77	1,47	6,24
Cheese Dog	2,16	0,46	2,62	6,18	0,97	7,15	6,80	1,92	8,72	8,80	4,64	4,72	1,46	6,18
Chili Cheese Dog	2,24	0,47	2,71	6,18	0,97	7,15	6,80	1,92	8,72	8,80	4,57	4,65	1,44	6,09
Bacon Big Boy	2,33	0,49	2,82	6,18	0,97	7,15	6,80	1,92	8,72	8,80	4,48	4,55	1,43	5,98
Super Nachos chili	1,35	0,29	1,64	7,74	1,21	8,95	8,52	2,40	10,92	11,00	7,16	7,24	2,12	9,36
Super Nachos chicken	1,60	0,34	1,94	7,74	1,21	8,95	8,52	2,40	10,92	11,00	6,92	7,00	2,06	9,06
Caesar Salad	0,53	0,11	0,64	6,01	0,94	6,95	6,61	1,87	8,48	8,50	6,09	6,11	1,75	7,86
with grilled chicken	1,46	0,31	1,77	7,74	1,21	8,95	8,52	2,40	10,92	11,00	7,06	7,14	2,09	9,23
with grilled chicken + bacon	1,63	0,34	1,97	8,17	1,28	9,45	8,99	2,54	11,53	12,00	7,37	7,84	2,19	10,03
with fried chicken tenders	1,46	0,31	1,77	7,74	1,21	8,95	8,52	2,40	10,92	11,00	7,06	7,14	2,09	9,23
with tuna	1,27	0,27	1,54	7,74	1,21	8,95	8,52	2,40	10,92	11,00	7,25	7,33	2,13	9,46
Cobb Salad	1,59	0,34	1,93	8,26	1,29	9,55	9,09	2,56	11,65	11,70	7,50	7,54	2,23	9,77
Shakes & Malts	0,58	0,12	0,70	3,42	0,53	3,95	3,76	1,06	4,82	4,90	3,18	3,26	0,94	4,20
Ice Cream Floats	0,26	0,05	0,31	3,07	0,48	3,55	3,38	0,95	4,33	4,40	3,12	3,19	0,90	4,09
Orange juice	0,25	0,05	0,30	1,69	0,26	1,95	1,86	0,52	2,38	2,40	1,61	1,63	0,47	2,10
Good coffee	0,05	0,01	0,06	1,95	0,30	2,25	2,14	0,60	2,75	2,80	2,09	2,15	0,59	2,74
Tea	0,08	0,02	0,10	1,69	0,26	1,95	1,86	0,52	2,38	2,40	1,77	1,79	0,51	2,30
Milk	0,41	0,09	0,50	1,64	0,26	1,90	1,81	0,51	2,32	2,40	1,40	1,48	0,42	1,90
Soda regular	0,09	0,02	0,11	2,29	0,36	2,65	2,52	0,71	3,23	3,40	2,43	2,60	0,69	3,29
Soda large	0,14	0,03	0,17	2,55	0,40	2,95	2,81	0,79	3,60	3,60	2,67	2,67	0,76	3,43
Bottled water	0,41	0,09	0,50	1,60	0,25	1,85	1,76	0,50	2,26	2,50	1,35	1,59	0,41	2,00
Apple & Blackberry crumble	2,00	0,42	2,43	3,24	0,51	3,75	3,57	1,01	4,58	4,60	1,57	1,59	0,58	2,18
Fudge Brownie	2,00	0,42	2,43	3,24	0,51	3,75	3,57	1,01	4,58	4,60	1,57	1,59	0,58	2,18
Knickerbocker Glory	1,43	0,30	1,73	3,24	0,51	3,75	3,57	1,01	4,58	4,60	2,14	2,17	0,70	2,87
Banana Split	1,43	0,30	1,73	3,33	0,52	3,85	3,66	1,03	4,70	4,70	2,24	2,24	0,73	2,97
Ice Cream (3 scoops)	0,50	0,11	0,60	2,55	0,40	2,95	2,81	0,79	3,60	3,60	2,31	2,31	0,69	3,00
Kit Kat Dream	0,48	0,10	0,58	3,33	0,52	3,85	3,66	1,03	4,70	4,70	3,19	3,19	0,93	4,12
Smarties Sundae	0,48	0,10	0,58	3,33	0,52	3,85	3,66	1,03	4,70	4,70	3,19	3,19	0,93	4,12
Caramel Cheese Cake	2,00	0,42	2,43	3,24	0,51	3,75	3,57	1,01	4,58	4,70	1,57	1,69	0,58	2,28
Jigsaw Puzzle Ice cream	0,66	0,14	0,80	2,55	0,40	2,95	2,81	0,79	3,60	3,60	2,15	2,15	0,65	2,80
Mini Hamburger	0,90	0,19	1,10	4,54	0,71	5,25	5,00	1,41	6,41	6,50	4,09	4,19	1,22	5,41
Hedgehog mash	1,58	0,34	1,92	4,54	0,71	5,25	5,00	1,41	6,41	6,50	3,42	3,51	1,07	4,59
Poppin' Chicken	0,66	0,14	0,80	4,54	0,71	5,25	5,00	1,41	6,41	6,50	4,34	4,43	1,27	5,70
Hot Dog	1,49	0,32	1,81	4,54	0,71	5,25	5,00	1,41	6,41	6,50	3,50	3,60	1,09	4,69

Total costs vs sales and profit

Products	Cost of						Cost of Finland					
	purchase/€	Menu Price	Sales per	Cost per	Sales per	Profit incl.	purchase/€	Price/€ excl.	Sales per	Cost per	Sales per	Profit excl.
	incl. VAT	incl VAT 22%	month	month/€	month/€	VAT	excl. VAT	VAT	month	month/€	month/€	VAT
Regular fries	0,18	4,40	868	156,24	3 819,20	3 662,96	0,15	3,47	868	128,90	3 014,86	2 885,96
Chilli Fries	0,36	6,05	588	211,68	3 557,40	3 345,72	0,30	4,71	588	174,64	2 769,73	2 595,09
Garlic&Cheese F.	0,51	6,30	476	242,76	2 998,80	2 756,04	0,42	4,90	476	200,28	2 332,75	2 132,48
Bacon&Cheese F.	0,53	6,30	224	118,72	1 411,20	1 292,48	0,44	4,90	224	97,94	1 097,77	999,82
½Fries&½Onion Rings	0,41	6,30	476	195,16	2 998,80	2 803,64	0,34	4,90	476	161,01	2 332,75	2 171,75
Cheese Fries	0,33	5,70	448	147,84	2 553,60	2 405,76	0,27	4,42	448	121,97	1 982,37	1 860,41
Garlic Fries	0,36	5,70	364	131,04	2 074,80	1 943,76	0,30	4,42	364	108,11	1 610,68	1 502,57
Onion Rings	0,82	6,75	168	137,76	1 134,00	996,24	0,68	5,23	168	113,65	879,28	765,63
Nachos	0,57	7,30	56	31,92	408,80	376,88	0,47	5,66	56	26,33	317,07	290,74
Garlic Mushrooms	1,73	7,90	84	145,32	663,60	518,28	1,43	6,14	84	119,89	515,58	395,69
Buffalo Wings	1,83	9,30	280	512,40	2 604,00	2 091,60	1,51	7,18	280	422,73	2 011,68	1 588,95
Buffalo Wings Sharing	2,75	14,60	140	384,30	2 044,00	1 659,70	2,26	11,37	140	317,05	1 592,03	1 274,98
B.L.T.	0,79	6,70	196	154,84	1 313,20	1 158,36	0,65	5,19	196	127,74	1 016,50	888,76
The Club	1,63	9,70	168	273,84	1 629,60	1 355,76	1,34	7,57	168	225,92	1 270,96	1 045,04
Tuna melt	1,26	7,30	168	211,68	1 226,40	1 014,72	1,04	5,66	168	174,64	951,22	776,58
Reuben's Deli	0,65	7,30	196	127,40	1 430,80	1 303,40	0,54	5,66	196	105,11	1 109,76	1 004,65
Classic	1,51	8,30	700	1 057,00	5 810,00	4 753,00	1,25	6,42	700	872,03	4 496,31	3 624,29
Cheeez Please	1,66	8,80	756	1 254,96	6 652,80	5 397,84	1,37	6,80	756	1 035,34	5 143,78	4 108,44
Double take beef	2,34	9,70	588	1 375,92	5 703,60	4 327,68	1,93	7,57	588	1 135,13	4 448,35	3 313,22
Double take chicken	2,94	9,70	392	1 152,48	3 802,40	2 649,92	2,43	7,57	392	950,80	2 965,57	2 014,77
Atomic	1,51	8,80	476	718,76	4 188,80	3 470,04	1,25	6,80	476	592,98	3 238,68	2 645,70
Moby Dick	2,29	8,30	252	577,08	2 091,60	1 514,52	1,89	6,42	252	476,09	1 618,67	1 142,58
Veggie	1,48	8,30	224	331,52	1 859,20	1 527,68	1,22	6,42	224	273,50	1 438,82	1 165,32
Chicken Fillet	1,81	8,30	896	1 621,76	7 436,80	5 815,04	1,49	6,42	896	1 337,95	5 755,28	4 417,32
Cheeezy Chicken	1,96	8,80	756	1 481,76	6 652,80	5 171,04	1,62	6,80	756	1 222,45	5 143,78	3 921,33
Chicken in a basket	2,44	9,30	112	273,28	1 041,60	768,32	2,01	7,18	112	225,46	804,67	579,22
Chili 3-way cup	1,99	9,40	84	167,16	789,60	622,44	1,64	7,28	84	137,91	611,50	473,59
Southern Chicken Tenders	2,44	9,30	168	409,92	1 562,40	1 152,48	2,01	7,18	168	338,18	1 207,01	868,83
Grilled onions	0,09	1,20	112	10,08	134,40	124,32	0,07	0,90	112	8,32	101,25	92,93
Guacamole	0,09	1,20	196	17,64	235,20	217,56	0,07	0,90	196	14,55	177,19	162,63
Cheese	0,15	1,20	364	54,60	436,80	382,20	0,12	0,90	364	45,05	329,06	284,02
Chilli	0,38	1,20	168	63,84	201,60	137,76	0,31	0,90	168	52,67	151,88	99,21
Bacon	0,20	1,20	224	44,80	268,80	224,00	0,17	0,90	224	36,96	202,50	165,54
Grilled mushrooms	0,09	1,20	196	17,64	235,20	217,56	0,07	0,90	196	14,55	177,19	162,63
Fried egg	0,31	1,20	140	43,40	168,00	124,60	0,26	0,90	140	35,81	126,56	90,76
Jalapenos	0,09	1,20	56	5,04	67,20	62,16	0,07	0,90	56	4,16	50,63	46,47
TOTAL				13 861,54	81 207,00	67 345,46				11 435,77	62 993,64	51 557,87

Total costs vs sales and profit

Products	Cost of						Cost of Finland					
	purchase/€	Menu Price	Sales per	Cost per	Sales per	Profit incl.	purchase/€	Price/€ excl.	Sales per	Cost per	Sales per	Profit excl.
	incl. VAT	incl VAT 22%	month	month/€	month/€	VAT	excl. VAT	VAT	month	month/€	month/€	VAT
Footlong	2,47	8,30	196	484,12	1 626,80	1 142,68	2,04	6,42	196	399,40	1 258,97	859,57
Chili Dog	2,56	8,80	140	358,40	1 232,00	873,60	2,11	6,80	140	295,68	952,55	656,87
Cheese Dog	2,62	8,80	140	366,80	1 232,00	865,20	2,16	6,80	140	302,61	952,55	649,94
Chili Cheese Dog	2,71	8,80	84	227,64	739,20	511,56	2,24	6,80	84	187,80	571,53	383,73
Bacon Big Boy	2,82	8,80	196	552,72	1 724,80	1 172,08	2,33	6,80	196	455,99	1 333,57	877,58
Super Nachos chili	1,64	11,00	140	229,60	1 540,00	1 310,40	1,35	8,52	140	189,42	1 192,35	1 002,93
Super Nachos chicken	1,94	11,00	84	162,96	924,00	761,04	1,60	8,52	84	134,44	715,41	580,97
Caesar Salad	0,64	8,50	140	89,60	1 190,00	1 100,40	0,53	6,61	140	73,92	925,91	851,99
with grilled chicken	1,77	11,00	280	495,60	3 080,00	2 584,40	1,46	8,52	280	408,87	2 384,71	1 975,84
with grilled chicken + bacon	1,97	12,00	168	330,96	2 016,00	1 685,04	1,63	8,99	168	273,04	1 510,76	1 237,72
with fried chicken tenders	1,77	11,00	168	297,36	1 848,00	1 550,64	1,46	8,52	168	245,32	1 430,83	1 185,50
with tuna	1,54	11,00	168	258,72	1 848,00	1 589,28	1,27	8,52	168	213,44	1 430,83	1 217,38
Cobb Salad	1,93	11,70	140	270,20	1 638,00	1 367,80	1,59	9,09	140	222,92	1 272,29	1 049,37
Shakes & Malts	0,70	4,90	420	294,00	2 058,00	1 764,00	0,58	3,76	420	242,55	1 578,70	1 336,15
Ice Cream Floats	0,31	4,40	140	43,40	616,00	572,60	0,26	3,38	140	35,81	472,95	437,14
Orange juice	0,30	2,40	280	84,00	672,00	588,00	0,25	1,86	280	69,30	519,57	450,27
Good coffee	0,06	2,80	1 596	95,76	4 468,80	4 373,04	0,05	2,14	1 596	79,00	3 417,20	3 338,19
Tea	0,10	2,40	308	30,80	739,20	708,40	0,08	1,86	308	25,41	571,53	546,12
Milk	0,50	2,40	420	210,00	1 008,00	798,00	0,41	1,81	420	173,25	759,38	586,13
Soda regular	0,11	3,40	2 968	326,48	10 091,20	9 764,72	0,09	2,52	2 968	269,35	7 484,52	7 215,18
Soda large	0,17	3,60	2 548	433,16	9 172,80	8 739,64	0,14	2,81	2 548	357,36	7 152,80	6 795,44
Bottled water	0,50	2,50	168	84,00	420,00	336,00	0,41	1,76	168	69,30	295,76	226,46
Apple & Blackberry crumble	2,43	4,60	56	135,80	257,60	121,80	2,00	3,57	56	112,04	199,84	87,80
Fudge Brownie	2,43	4,60	84	203,70	386,40	182,70	2,00	3,57	84	168,05	299,75	131,70
Knickerbocker Glory	1,73	4,60	112	193,76	515,20	321,44	1,43	3,57	112	159,85	399,67	239,82
Banana Split	1,73	4,70	84	145,32	394,80	249,48	1,43	3,66	84	119,89	307,75	187,86
Ice Cream (3 scoops)	0,60	3,60	168	100,80	604,80	504,00	0,50	2,81	168	83,16	471,61	388,45
Kit Kat Dream	0,58	4,70	140	81,20	658,00	576,80	0,48	3,66	140	66,99	512,91	445,92
Smarties Sundae	0,58	4,70	84	48,72	394,80	346,08	0,48	3,66	84	40,19	307,75	267,55
Caramel Cheese Cake	2,43	4,70	56	135,80	263,20	127,40	2,00	3,57	56	112,04	199,84	87,80
Jigsaw Puzzle Ice cream	0,80	3,60	112	89,60	403,20	313,60	0,66	2,81	112	73,92	314,41	240,49
Mini Hamburger	1,10	6,50	28	30,66	182,00	151,34	0,90	5,00	28	25,29	139,89	114,59
Hedgehog mash	1,92	6,50	28	53,62	182,00	128,38	1,58	5,00	28	44,24	139,89	95,65
Poppin 'Chicken	0,80	6,50	56	44,80	364,00	319,20	0,66	5,00	56	36,96	279,77	242,81
Hot Dog	1,81	6,50	56	101,36	364,00	262,64	1,49	5,00	56	83,62	279,77	196,15
TOTAL				7 091,42	54 854,80	47 763,38				5 850,42	42 037,50	36 187,08

The product sales 2009

Products	Price excl. VAT 22%	Menu Price incl VAT 22%	VAT 22 %	Sales per day	Sales per week	Sales per month	Sales per year	Sales per month excl.VAT	Sales per month incl. VAT	VAT 22 %
Regular Fries	3,47	4,40	0,98	31	217	868	10 416	3 014,86	3 819,20	850,34
Chilli Fries	4,71	6,05	1,33	21	147	588	7 056	2 769,73	3 557,40	781,21
Garlic&Cheese F.	4,90	6,30	1,38	17	119	476	5 712	2 332,75	2 998,80	657,96
Bacon&Cheese F.	4,90	6,30	1,38	8	56	224	2 688	1 097,77	1 411,20	309,63
½Fries&½Onion Rings	4,90	6,30	1,38	17	119	476	5 712	2 332,75	2 998,80	657,96
Cheese Fries	4,42	5,70	1,25	16	112	448	5 376	1 982,37	2 553,60	559,13
Garlic Fries	4,42	5,70	1,25	13	91	364	4 368	1 610,68	2 074,80	454,29
Onion Rings	5,23	6,75	1,48	6	42	168	2 016	879,28	1 134,00	248,00
Nachos	5,66	7,30	1,60	2	14	56	672	317,07	408,80	89,43
Garlic Mushrooms	6,14	7,90	1,73	3	21	84	1 008	515,58	663,60	145,42
Buffalo Wings	7,18	9,30	2,03	10	70	280	3 360	2 011,68	2 604,00	567,40
Buffalo Wings Sharing	11,37	14,60	3,21	5	35	140	1 680	1 592,03	2 044,00	449,03
B.L.T.	5,19	6,70	1,46	7	49	196	2 352	1 016,50	1 313,20	286,70
The Club	7,57	9,70	2,13	6	42	168	2 016	1 270,96	1 629,60	358,48
Tuna melt	5,66	7,30	1,60	6	42	168	2 016	951,22	1 226,40	268,29
Reuben's Deli	5,66	7,30	1,60	7	49	196	2 352	1 109,76	1 430,80	313,01
Classic	6,42	8,30	1,81	25	175	700	8 400	4 496,31	5 810,00	1 268,19
Cheeez Please	6,80	8,80	1,92	27	189	756	9 072	5 143,78	6 652,80	1 450,81
Double take beef	7,57	9,70	2,13	21	147	588	7 056	4 448,35	5 703,60	1 254,66
Double take chicken	7,57	9,70	2,13	14	98	392	4 704	2 965,57	3 802,40	836,44
Atomic	6,80	8,80	1,92	17	119	476	5 712	3 238,68	4 188,80	913,47
Moby Dick	6,42	8,30	1,81	9	63	252	3 024	1 618,67	2 091,60	456,55
Veggie	6,42	8,30	1,81	8	56	224	2 688	1 438,82	1 859,20	405,82
Chicken Fillet	6,42	8,30	1,81	32	224	896	10 752	5 755,28	7 436,80	1 623,28
Cheeezy Chicken	6,80	8,80	1,92	27	189	756	9 072	5 143,78	6 652,80	1 450,81
Chicken in a basket	7,18	9,30	2,03	4	28	112	1 344	804,67	1 041,60	226,96
Chili 3-way cup	7,28	9,40	2,05	3	21	84	1 008	611,50	789,60	172,47
Southern Chicken Tenders	7,18	9,30	2,03	6	42	168	2 016	1 207,01	1 562,40	340,44
Grilled onions	0,90	1,20	0,25	4	28	112	1 344	101,25	134,40	28,56
Guacamole	0,90	1,20	0,25	7	49	196	2 352	177,19	235,20	49,98
Cheese	0,90	1,20	0,25	13	91	364	4 368	329,06	436,80	92,81
Chilli	0,90	1,20	0,25	6	42	168	2 016	151,88	201,60	42,84
Bacon	0,90	1,20	0,25	8	56	224	2 688	202,50	268,80	57,12
Grilled mushrooms	0,90	1,20	0,25	7	49	196	2 352	177,19	235,20	49,98
Fried egg	0,90	1,20	0,25	5	35	140	1 680	126,56	168,00	35,70
Jalapenos	0,90	1,20	0,25	2	14	56	672	50,63	67,20	14,28
TOTAL PER MONTH						11 760		62 993,64	81 207,00	17 767,44
TOTAL PER YEAR 2009							141 120	755 923,63	974 484,00	213 209,23

The product sales 2009

Products	Finland	Menu Price	VAT	Sales	Sales	Sales	Sales	Sales per	Sales per	VAT
	Price/€	incl VAT 22%	22 %	per day	per week	per month	per year	month excl.VAT	month incl. VAT	22 %
Footlong	6,42	8,30	1,81	7	49	196	2 352	1 258,97	1 626,80	355,09
Chili Dog	6,80	8,80	1,92	5	35	140	1 680	952,55	1 232,00	268,67
Cheese Dog	6,80	8,80	1,92	5	35	140	1 680	952,55	1 232,00	268,67
Chili Cheese Dog	6,80	8,80	1,92	3	21	84	1 008	571,53	739,20	161,20
Bacon Big Boy	6,80	8,80	1,92	7	49	196	2 352	1 333,57	1 724,80	376,14
Super Nachos chili	8,52	11,00	2,40	5	35	140	1 680	1 192,35	1 540,00	336,31
Super Nachos chicken	8,52	11,00	2,40	3	21	84	1 008	715,41	924,00	201,78
Caesar Salad	6,61	8,50	1,87	5	35	140	1 680	925,91	1 190,00	261,15
with grilled chicken	8,52	11,00	2,40	10	70	280	3 360	2 384,71	3 080,00	672,61
with grilled chicken + bacon	8,99	12,00	2,54	6	42	168	2 016	1 510,76	2 016,00	426,11
with fried chicken tenders	8,52	11,00	2,40	6	42	168	2 016	1 430,83	1 848,00	403,57
with tuna	8,52	11,00	2,40	6	42	168	2 016	1 430,83	1 848,00	403,57
Cobb Salad	9,09	11,70	2,56	5	35	140	1 680	1 272,29	1 638,00	358,85
Shakes & Malts	3,76	4,90	1,06	15	105	420	5 040	1 578,70	2 058,00	445,28
Ice Cream Floats	3,38	4,40	0,95	5	35	140	1 680	472,95	616,00	133,39
Orange juice	1,86	2,40	0,52	10	70	280	3 360	519,57	672,00	146,55
Good coffee	2,14	2,80	0,60	57	399	1 596	19 152	3 417,20	4 468,80	963,82
Tea	1,86	2,40	0,52	11	77	308	3 696	571,53	739,20	161,20
Milk	1,81	2,40	0,51	3	21	84	1 008	151,88	201,60	42,84
Soda regular	2,52	3,40	0,71	106	742	2 968	35 616	7 484,52	10 091,20	2 111,02
Soda large	2,81	3,60	0,79	91	637	2 548	30 576	7 152,80	9 172,80	2 017,46
Bottled water	1,76	2,50	0,50	6	42	168	2 016	295,76	420,00	83,42
Apple & Blackberry crumble	3,57	4,60	1,01	2	14	56	672	199,84	257,60	56,36
Fudge Brownie	3,57	4,60	1,01	3	21	84	1 008	299,75	386,40	84,55
Knickerbocker Glory	3,57	4,60	1,01	4	28	112	1 344	399,67	515,20	112,73
Banana Split	3,66	4,70	1,03	3	21	84	1 008	307,75	394,80	86,80
Ice Cream (3 scoops)	2,81	3,60	0,79	6	42	168	2 016	471,61	604,80	133,02
Kit Kat Dream	3,66	4,70	1,03	5	35	140	1 680	512,91	658,00	144,67
Smarties Sundae	3,66	4,70	1,03	3	21	84	1 008	307,75	394,80	86,80
Caramel Cheese Cake	3,57	4,70	1,01	2	14	56	672	199,84	263,20	56,36
Jigsaw Puzzle Ice cream	2,81	3,60	0,79	4	28	112	1 344	314,41	403,20	88,68
Mini Hamburger	5,00	6,50	1,41	1	7	28	336	139,89	182,00	39,45
Hedgehog mash	5,00	6,50	1,41	1	7	28	336	139,89	182,00	39,45
Poppin' Chicken	5,00	6,50	1,41	2	14	56	672	279,77	364,00	78,91
Hot Dog	5,00	6,50	1,41	2	14	56	672	279,77	364,00	78,91
TOTAL PER MONTH						11 620		41 430,00	54 048,40	11 685,38
TOTAL PER YEAR							139 440	497 159,99	648 580,80	140 224,61
TOTAL FOR ALL FOOD 2009							280 560	1 253 083,63	1 623 064,80	353 433,84

Appendix 4 - The costs of goods sold

Product groups	The cost of products per	Cost per portion / €	Portion size	Min quantity possible to order
Beef	5,50	0,83	150g	5kg
Chicken fillet	7,50	1,13	150g	5kg
Chicken wings	3,30	1,65	500g	5kg
Tuna	6,00	0,90	150g	1kg
Cod	9,75	1,46	150g	1kg
Vegetable burger	5,35	0,80	150g	1kg
Sausages	9,40	1,88	200g	1kg/4pcs
Meats	10,00	0,20	20g	1kg
Egg	3,10	0,31	100g/1 pcs	1,2kg/12 pcs
Fries	1,20	0,18	150g	10kg
Mashed potatoes	3,50	0,70	200g	1,5kg/box
Nachos	3,00	0,30	100g	1kg
Onion rings	4,25	0,64	150g	1kg
G.Musrooms	7,75	1,55	200g	1kg tin
Vegetables in burger	2,50	0,09	35g	5kg
Vegetables in salads	2,50	0,31	125g	
Fruits	7,50	1,13	150g	1kg
Buns and dogs	5,00	0,50	1 pcs/100g	20 pcs/bag
Small buns and dogs	4,00	0,40	1 pcs	20pcs/bag
Bread	3,00	0,12	2 slices/40g	1 loaf/1kg/50sls
Sauces	3,50	1,75	0,5dl	2 litre
Milk	1,00	0,50	5dl	10 cartons/box
Cheese	10,00	0,15	15g	1kg
Ice Cream in shakes	2,00	0,20	1dl	5l
Ice Cream in desserts	2,00	0,06	3dl	
Coffee	6,00	0,06	10g per cup	10x500g/box
Tea	10,00	0,10	10g per cup	100 bags/box
Sodas regular (mix6:1)	2,00	0,11	3,3dl	Postmix box/10l
Sodas large (mix 6:1)	2,00	0,17	5dl	
Bottled water	1,00	0,50	5dl	24 btls/box
Juice	0,90	0,30	3,3dl	10 cartons/box
Cakes and pastries	17,8	2,23	125g	appr. 1kg/cake

Vegetables includes: Salads, onions, sliced mushrooms, tomatoes, pickles, jalapenos

Fruits includes: All fruits used

Cakes and pastries includes: All cakes and pastries

Meats includes: Bacon, ham, pastrami

Cheese includes: Cheddar, swiss, blue cheese, parmesan

Sauces include: Garlic, chilli, guacamole, hot&spicy, blue cheese, tartar, mayonnaise, chocolate, strawberry

Sodas includes: Coke, Diet Coke, Fanta, Sprite

Beer includes: Budweiser 330 ml bottle

All the group prices are calculated as an average of the group

Suppliers
Tuoretuote OY
Koff
Eromanga home bakery

Total ordering quantities per product/group - Variable cost estimate

Product groups	Needed per	Ordered per	Excess per	Cost per	Total cost
	week kg/l	week kg/l/bag	week kg/l	kg/l/bag	per week
Beef	876,23	880	3,77	5,50	4 840,00
Chicken fillet	140,70	145	4,30	7,50	1 087,50
Chicken wings	61,25	65	3,75	3,30	214,50
Tuna	12,60	13	0,40	6,00	78,00
Cod	9,45	10	0,55	9,75	97,50
Vegetable burger	8,40	9	0,60	5,35	48,15
Sausages	39,80	40	0,20	9,40	376,00
Meats	8,54	9	0,46	10,00	90,00
Egg	7,00	7,2	0,20	3,10	22,32
Fries	125,33	130	4,68	1,20	156,00
Mashed potatoes	1,40	1,5	0,10	3,50	5,25
Nachos	7,00	7	0,00	3,00	21,00
Onion rings	15,23	16	0,78	4,25	68,00
G.Musrooms	21,00	21	0,00	7,75	162,75
Vegetables	98,40	100	1,60	2,50	250,00
Fruits	7,35	8	0,65	7,50	60,00
Buns and dogs	144,90	73	11,00	5,00	365,00
Small buns and dogs	2,00	1	0,00	4,00	4,00
Bread	7,28	8	0,72	3,00	24,00
Sauces	100,63	101	0,38	3,50	353,50
Milk	63,00	70	7,00	1,00	70,00
Cheese	15,12	16	0,88	10,00	160,00
Ice Cream	68,60	70	1,40	2,00	140,00
Coffee	3,99	4	0,01	6,00	24,00
Tea	0,77	1	0,23	10,00	10,00
Sodas (mix6:1)	95,82	110	14,18	2,00	220,00
Bottled water	21,00	24	3,00	2,00	48,00
Juice	23,10	30	6,90	1,00	30,00
Cakes and pastries	7,88	9	1,13	0,90	8,10
TOTAL	1 993,74				9 033,57

Vegetables includes: Salads, onions, sliced mushrooms, tomatoes, pickles, jalapenos

Fruits includes: All fruits used

Cakes and pastries includes: All cakes and pastries

Meats includes: Bacon, ham, pastrami

Cheese includes: Cheddar, swiss, blue cheese, parmesan

Sauces include: Garlic, chilli, guacamole, hot&spicy, blue cheese, tartar, mayonnaise, chocolate, strawberry

Sodas includes: Coke, Diet Coke, Fanta, Sprite

Beer includes: Budweiser 330 ml bottle

All the group prices are calculated as an average of the group

Suppliers
Tuoretuote OY
Koff
Eromanga home bakery

Appendix 5 - VAT payables 1.1. - 31.12.2009

Products				Month				Year			
	Output VAT	Input VAT	VAT payable	Pcs sold/month	Output VAT	Input VAT	Pcs sold/year	Output VAT	Input VAT	VAT payable/year	
Regular fries	0,98	0,03	0,95	868	850,34	27,34	10 416	10 204,14	328,10	9 876,03	
Chilli Fries	1,33	0,06	1,27	588	781,21	37,04	7 056	9 374,46	444,53	8 929,93	
Garlic&Cheese F.	1,38	0,09	1,29	476	657,96	42,48	5 712	7 895,47	509,80	7 385,67	
Bacon&Cheese F.	1,38	0,09	1,29	224	309,63	20,78	2 688	3 715,51	249,31	3 466,20	
½Fries&½Onion Rings	1,38	0,07	1,31	476	657,96	34,15	5 712	7 895,47	409,84	7 485,63	
Cheese Fries	1,25	0,06	1,19	448	559,13	25,87	5 376	6 709,57	310,46	6 399,11	
Garlic Fries	1,25	0,06	1,19	364	454,29	22,93	4 368	5 451,53	275,18	5 176,34	
Onion Rings	1,48	0,14	1,33	168	248,00	24,11	2 016	2 976,02	289,30	2 686,72	
Nachos	1,60	0,10	1,50	56	89,43	5,59	672	1 073,17	67,03	1 006,14	
Garlic Mushrooms	1,73	0,30	1,43	84	145,42	25,43	1 008	1 745,03	305,17	1 439,86	
Buffalo Wings	2,03	0,32	1,71	280	567,40	89,67	3 360	6 808,77	1 076,04	5 732,73	
Buffalo Wings Sharing	3,21	0,48	2,73	140	449,03	67,25	1 680	5 388,40	807,03	4 581,37	
B.L.T.	1,46	0,14	1,32	196	286,70	27,10	2 352	3 440,46	325,16	3 115,29	
The Club	2,13	0,29	1,85	168	358,48	47,92	2 016	4 301,70	575,06	3 726,64	
Tuna melt	1,60	0,22	1,38	168	268,29	37,04	2 016	3 219,51	444,53	2 774,98	
Reuben's Deli	1,60	0,11	1,48	196	313,01	22,30	2 352	3 756,10	267,54	3 488,56	
Classic	1,81	0,26	1,55	700	1 268,19	184,98	8 400	15 218,28	2 219,70	12 998,58	
Cheeez Please	1,92	0,29	1,63	756	1 450,81	219,62	9 072	17 409,71	2 635,42	14 774,30	
Double take beef	2,13	0,41	1,72	588	1 254,66	240,79	7 056	15 055,95	2 889,43	12 166,52	
Double take chicken	2,13	0,51	1,62	392	836,44	201,68	4 704	10 037,30	2 420,21	7 617,09	
Atomic	1,92	0,26	1,65	476	913,47	125,78	5 712	10 961,67	1 509,40	9 452,27	
Moby Dick	1,81	0,40	1,41	252	456,55	100,99	3 024	5 478,58	1 211,87	4 266,71	
Veggie	1,81	0,26	1,55	224	405,82	58,02	2 688	4 869,85	696,19	4 173,66	
Chicken Fillet	1,81	0,32	1,49	896	1 623,28	283,81	10 752	19 479,40	3 405,70	16 073,70	
Cheeezy Chicken	1,92	0,34	1,58	756	1 450,81	259,31	9 072	17 409,71	3 111,70	14 298,02	
Chicken in a basket	2,03	0,43	1,60	112	226,96	47,82	1 344	2 723,51	573,89	2 149,62	
Chili 3-way cup	2,05	0,35	1,71	84	172,47	29,25	1 008	2 069,69	351,04	1 718,65	
Southern Chicken Tenders	2,03	0,43	1,60	168	340,44	71,74	2 016	4 085,26	860,83	3 224,43	
Grilled onions	0,25	0,02	0,24	112	28,56	1,76	1 344	342,69	21,17	321,53	
Guacamole	0,25	0,02	0,24	196	49,98	3,09	2 352	599,71	37,04	562,67	
Cheese	0,25	0,03	0,23	364	92,81	9,56	4 368	1 113,75	114,66	999,09	
Chilli	0,25	0,07	0,19	168	42,84	11,17	2 016	514,04	134,06	379,98	
Bacon	0,25	0,04	0,22	224	57,12	7,84	2 688	685,39	94,08	591,31	
Grilled mushrooms	0,25	0,02	0,24	196	49,98	3,09	2 352	599,71	37,04	562,67	
Fried egg	0,25	0,05	0,20	140	35,70	7,60	1 680	428,37	91,14	337,23	
Jalapenos	0,25	0,02	0,24	56	14,28	0,88	672	171,35	10,58	160,76	
TOTAL	51,20	7,08	44,11	11760	17 767,44	2 425,77	141 120	213 209,23	29 109,23	184 100,00	

VAT payables 1.1. - 31.12.2009

Products				Month				Year			
	Output VAT	Input VAT	VAT payable	Pcs sold/month	Output VAT	Input VAT	Pcs sold/year	Output VAT	Input VAT	VAT payable/year	
Footlong	1,81	0,43	1,38	196	355,09	84,72	2 352	4 261,12	1 016,65	3 244,47	
Chili Dog	1,92	0,45	1,47	140	268,67	62,72	1 680	3 224,02	752,64	2 471,38	
Cheese Dog	1,92	0,46	1,46	140	268,67	64,19	1 680	3 224,02	770,28	2 453,74	
Chili Cheese Dog	1,92	0,47	1,44	84	161,20	39,84	1 008	1 934,41	478,04	1 456,37	
Bacon Big Boy	1,92	0,49	1,43	196	376,14	96,73	2 352	4 513,63	1 160,71	3 352,92	
Super Nachos chili	2,40	0,29	2,12	140	336,31	40,18	1 680	4 035,66	482,16	3 553,50	
Super Nachos chicken	2,40	0,34	2,06	84	201,78	28,52	1 008	2 421,40	342,22	2 079,18	
Caesar Salad	1,87	0,11	1,75	140	261,15	15,68	1 680	3 133,84	188,16	2 945,68	
with grilled chicken	2,40	0,31	2,09	280	672,61	86,73	3 360	8 071,32	1 040,76	7 030,56	
with grilled chicken + bacon	2,54	0,34	2,19	168	426,11	57,92	2 016	5 113,34	695,02	4 418,33	
with fried chicken tenders	2,40	0,31	2,09	168	403,57	52,04	2 016	4 842,79	624,46	4 218,34	
with tuna	2,40	0,27	2,13	168	403,57	45,28	2 016	4 842,79	543,31	4 299,48	
Cobb Salad	2,56	0,34	2,23	140	358,85	47,29	1 680	4 306,21	567,42	3 738,79	
Shakes & Malts	1,06	0,12	0,94	420	445,28	51,45	5 040	5 343,31	617,40	4 725,91	
Ice Cream Floats	0,95	0,05	0,90	140	133,39	7,60	1 680	1 600,74	91,14	1 509,60	
Orange juice	0,52	0,05	0,47	280	146,55	14,70	3 360	1 758,56	176,40	1 582,16	
Good coffee	0,60	0,01	0,59	1 596	963,82	16,76	19 152	11 565,89	201,10	11 364,80	
Tea	0,52	0,02	0,51	308	161,20	5,39	3 696	1 934,41	64,68	1 869,73	
Milk	0,51	0,09	0,42	84	42,84	7,35	1 008	514,04	88,20	425,84	
Soda regular	0,71	0,02	0,69	2 968	2 111,02	57,13	35 616	25 332,24	685,61	24 646,63	
Soda large	0,79	0,03	0,76	2 548	2 017,46	75,80	30 576	24 209,47	909,64	23 299,83	
Bottled water	0,50	0,09	0,41	168	83,42	14,70	2 016	1 001,02	176,40	824,62	
Apple & Blackberry crumble	1,01	0,42	0,58	56	56,36	23,77	672	676,37	285,18	391,19	
Fudge Brownie	1,01	0,42	0,58	84	84,55	35,65	1 008	1 014,55	427,77	586,78	
Knickerbocker Glory	1,01	0,30	0,70	112	112,73	33,91	1 344	1 352,74	406,90	945,84	
Banana Split	1,03	0,30	0,73	84	86,80	25,43	1 008	1 041,61	305,17	736,43	
Ice Cream (3 scoops)	0,79	0,11	0,69	168	133,02	17,64	2 016	1 596,23	211,68	1 384,55	
Kit Kat Dream	1,03	0,10	0,93	140	144,67	14,21	1 680	1 736,01	170,52	1 565,49	
Smarties Sundae	1,03	0,10	0,93	84	86,80	8,53	1 008	1 041,61	102,31	939,29	
Caramel Cheese Cake	1,01	0,42	0,58	56	56,36	23,77	672	676,37	285,18	391,19	
Jigsaw Puzzle Ice cream	0,79	0,14	0,65	112	88,68	15,68	1 344	1 064,15	188,16	875,99	
Mini Hamburger	1,41	0,19	1,22	28	39,45	5,37	336	473,46	64,39	409,07	
Hedgehog mash	1,41	0,34	1,07	28	39,45	9,38	336	473,46	112,60	360,86	
Poppin' Chicken	1,41	0,14	1,27	56	78,91	7,84	672	946,92	94,08	852,84	
Hot Dog	1,41	0,32	1,09	56	78,91	17,74	672	946,92	212,86	734,06	
TOTAL	48,98	8,41	40,58	11 620,00	11 685,38	1 211,60	139 440	140 224,61	14 539,18	125 685,43	
TOTAL ALL PRODUCTS					29 452,82	3 637,37		353 433,84	43 648,42	309 785,43	

Appendix 6 - Cash budget 1.11.2008 - 31.12.2009

	Total															
<u>General data</u>	November08	December08	January	February	March	April	May	June	July	August	September	October	November	December	1.1-31.12.2009	
Equity Capital	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	62 060	
Loan capital	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	550 000	
Rent deposit			5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	
Phone share		1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	
Wages			26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	26 013	
No. of workers			15	15	15	15	15	15	15	15	15	15	15	15	15	
Capital costs			124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	124 336	
Cash fund	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	
Sales/month+VAT			125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	125 950	
Excess cost r. 9%	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	48 711	
Liquid assets 1.	558 349	415 319	239 818	133 659	151 267	168 875	186 484	204 092	214 227	231 835	244 211	261 819	279 427	291 803		
Receivables																
Turnover			104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	104 424	1 253 083,63
VAT received			29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	29 453	353 433,84
Loans																
Total receiveb.	558 349	415 319	239 818	267 535	285 144	302 752	320 360	337 968	348 104	365 712	378 087	395 696	413 304	425 679	1 623 064,80	
Payments																
Purchases	91 500	36 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	37 134	445 611,36
Investments	45 000	130 666														130 666,00
Insurance			461	461	461	461	461	461	461	461	461	461	461	461	461	5 526,29
Phone			200	200	200	200	200	200	200	200	200	200	200	200	200	2 400,00
Rent	2 500	2 500	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	7 000	84 000,00
Electricity	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700	8 400,00
Registration	330															
Advertisement		1 500	14 206	1 500	1 500	1 500	1 500	8 973	1 500	6 733	1 500	1 500	6 733	1 500	48 644,41	
Cleaning service	3 000	3 000	2 196	2 196	2 196	2 196	2 196	2 196	2 196	2 196	2 196	2 196	2 196	2 196	26 352,00	
Wages			29 343	29 343	29 343	29 343	29 343	29 343	29 343	29 343	29 343	29 343	29 343	29 343	352 114,92	
Social costs 40%			11 737	11 737	11 737	11 737	11 737	11 737	11 737	11 737	11 737	11 737	11 737	11 737	140 845,97	
Entertainment			37	37	37	37	37	37	37	37	37	37	37	37	442,80	
Security		1 000	100	100	100	100	100	100	100	100	100	100	100	100	1 200,00	
Internet costs			45	45	45	45	45	45	45	45	45	45	45	45	540,00	
Interest paid															33 000	33 000,00
VAT paid			3 637	3 637	3 637	3 637	3 637	3 637	3 637	3 637	3 637	3 637	3 637	3 637	43 648,42	
VAT payables			-637	25 815	25 815	25 815	25 815	25 815	25 815	25 815	25 815	25 815	25 815	25 815	283 333,44	
Total expenses	143 030	175 500	106 159	116 268	116 268	116 268	116 268	123 741	116 268	121 501	116 268	116 268	121 501	149 268	1 279 743,75	
Liquid assets 2.	415 319	239 818	133 659	151 267	168 875	186 484	204 092	214 227	231 835	244 211	261 819	279 427	291 803	276 411	2 644 110,65	

Appendix 7 - Income statement 1.1.-31.12.2009

	excl. VAT		incl. VAT	VAT received	VAT paid
Revenue	1 181 185,39		1 514 340,24	333 154,85	43 648,42
Expenses				Difference	289 506,44
Purchases	445 611,36		445 611,36		
Insurance	5 526,29		5 526,29		
Phone	2 400,00		2 400,00		
Rent	84 000,00		84 000,00		
Electricity	8 400,00		8 400,00		
Advertisemen	48 644,41		48 644,41		
Cleaning serv	26 352,00		26 352,00		
Wages	352 114,92		352 114,92		
Social costs 4	140 845,97		140 845,97		
Entertainment	442,80		442,80		
Security	1 200,00		1 200,00		
Internet costs	540,00		540,00		
Interest paid	33 000,00		33 000,00		
Depreciation i	26 133,20		130 666,00	104 532,80	value after depreciations
Total	1 175 210,95		1 279 743,75		
Profit	5 974,44		234 596,49		

Appendix 8 - Profit and Loss statement 1.1. - 31.12.2009

Sales revenue	1 623 064,80	€
Adjusting items	309 785,43	€
Net Turnover	1 313 279,37	€
Variable costs	445 611,36	€
Gross Margin	867 668,01	€
Fixed costs	670 466,39	€
Operating Margin	197 201,62	€
Depreciations 20%	21 847,20	€
Operating profit	175 354,42	€
Financial Income and expenses	33 000,00	€
Franchising fee 6%	97383,888	€
Profit/Loss for the financial year	44 970,54	€
Corporate tax 26%	11 692,34	€
Total after taxes	33 278,20	€

Note:

Adjusting items
VAT
Variable cost
Product costs
Fixed costs
Exact calculations on next page
Depreciations
20% of the machinery and equipment
Financial expenses
6% loan interest
Franchising fee 6% of revenue

Fixed costs and variable cost estimate 1.1. - 31.12.2009

Fixed costs per month	€	
Rent	7 000,00	Lease is signed for 2 years, ending fine 3 months rent
Electricity	700,00	
Phone	200,00	Covers all the phones used
Insurance	460,52	
Advertising	4 053,70	Average per month if the cost are spread over the year equally
Entertainment	36,90	Charges of music licence
Salaries	29 342,91	
Salaries cost 40%	11 737,16	
Security	100,00	
Internet costs	45,00	
Cleaning services	2 196,00	
Total costs per month	55 872,20	
Fixed costs per year	670 466,39	

Salary costs per month

	Per person /month	Total per group/month	Evening/h á €0,94	Sunday x2 á hour	Night h á €1,82	Total one person/month	Total per group/month
Salaries							
4 chefs á €10,65/h	1 704,00	6 816,00					
7 waiters á €8,79/h	1 386,00	9 702,00	75,20	289,50	273,00	2 341,70	9 366,80
3 extra personnel á €8,72/h	418,56	1 255,68	65,80	131,85	509,60	2 093,25	14 652,75
2 managers fixed	2 000,00	4 000,00	22,56	0,00	0,00	441,12	1 323,36
TOTAL COST PER MONTH	5 508,56	21 773,68	0,00	0,00	0,00	2 000,00	4 000,00
TOTAL COST PER YEAR		261 284,16	163,56		782,60	6 876,07	29 342,91
			1 962,72		9 391,20		352 114,92

Cleaning services (includes equipment, detergents, transportation)

	Per hour €30	VAT 22%	Per day	VAT	Per month - VAT 22%	Per month + VAT 22%
1 person cleaning 2 hours a day	30	6,6				
TOTAL PER YEAR			60	13,2	1 800,00	2 196,00
					21 600,00	26 352,00

<http://www.deltapalvelut.fi/index.php?id=3&keel=fi>

Security

	Installing €	Per month / €
24h security incl. alarm + monitoring	1 000,00	100,00
TOTAL PER YEAR		2 200,00

Insurance

	Per month / €	Per year / €
Full cover insurance		
incl. people, assets, legal costs	460,52	5 526,29

www.pohjola.fi

Variable costs

	€ per month	€ per year
Product costs / Food	36 134,28	433 611,36
Miscellaneous items e.g. cutlery*	1 000,00	12 000,00
TOTAL	37 134,28	445 611,36

*Calculated as an estimated average of purchases like straws, napkins, extra crockery, extra cutlery etc.

**The transportation of the goods is included to the purchasing prices
As a frequent and large buyer the logistics are included.

Advertising (calculated as averages)

	Per month / €	Per year / €
Magazines	500,00	6 500,00
News p.***	1 000,00	13 000,00
Radio**	1 308,22	15 698,66
TV*	1 245,48	14 945,75
Internet	0,00	0,00
TOTAL	4 053,70	48 644,41

*TV campaign is run 2 time a year for 1 week
2x15sec add on prime time TV on MTV3

**Radio campaigns are 3 times a year for 1 week, 2x15sec add during morning hours on radio channel Nova

***Includes 1 extra month, December 2008

Appendix 9 - Balance sheet and financial ratios 1.1.-31.12.2009

Balance sheet 1.1.2009

Assets		Liabilities	
Cash at banks and at hand	558 348,66	Equity capital	62 060,00
Cash fund	5 000,00	Loan	550 000,00
Excess cost reserve	48 711,34		
	612 060,00		612 060,00

Balance sheet 31.12.2009

Assets		Liabilities	
Cash at banks and at hand	280 218,38	Equity capital	62 060,00
Cash fund	5 000,00	Loan	550 000,00
Excess cost reserve	48 711,34	Interest	33 000,00
Rent deposit	5 000,00		
Phone share	1 500,00		
Machinery&Equipment	267 496,00		
Stock (miscellaneous items+some food)	37 134,28		
	645 060,00		645 060,00

The break even analysis 1.1.-31.12.2009

Break even point		
Gross margin %	Gross margin/Sales revenue	53,46 %
BEP	Fixed cost/Gross margin %	1 254 178,30
Excess sales	Sales revenue-BEP	368 886,50

The financial ratios 1.1.-31.12.2009

Operating margin %	12,15 % low
Profit margin %	13,35 % low
ROE - Return on equity %	66,56 % pretty good
ROI - Return on investment %	45,43 % good
ROIC - Return on capital %	26,74 % ok

Appendix 10 - Weekly delivery activities

3 times a week	Monday	Wednesday	Friday	Total kg/l/bag	Total packs	Pack size
Beef	240	240	400	880	176	5kg/box
Chicken fillet	40	40	65	145	29	5kg/bag
Chicken wings	15	15	35	65	13	5 kg box
Fries	40	40	50	130	13	10kg/bag
Buns and dogs	20	20	33	73	73	20pcs/bag
Bread	3	2	3	8	8	pcs/kg
Milk	20	20	30	70	7	10l/box
Ice Cream	20	20	30	70	14	5l/box
Vegetables	30	30	40	100	20	5kg/box
Sauces	30	30	41	101	50,5	2l/bottle
1 time a week	Monday					
Cheese	16			16	16	1kg/cheese
Tuna	13			13	13	1kg/tin
Cod	10			10	10	1kg/bag
Vegetable burger	9			9	9	1kg/bag
Sausages	40			40	40	1kg/bag
Meats	9			9	9	1kg/bag
Egg	7,2			7,2	6	12 pack
Mashed potatoes	1,5			1,5	1,5	1,5kg/pack
Nachos	7			7	7	1kg/bag
Onion rings	16			16	16	1kg/bag
G.Musrooms	21			21	21	1kg/bag
Fruits	8			8	8	1kg/bag
Small buns and dogs	1			1	1	20pcs/bag
Coffee	4			4	8	500g/pack
Tea	1			1	1	1kg/pack
Sodas (mix6:1)	110			110	11	10l/box
Bottled water	24			24	1	24btl/box
Juice	30			30	3	10l/box
Cakes and pastries	9			9	9	1kg/cake