Business Plan

Flower Shop in Helsinki | Les Fleur

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Abstract:
Floral industry has always been a billion-euro industry in Europe. The author believes with the optimistic economic growth in the continent, the outlook of opening a flower shop in Helsinki is very promising. The aim of the research is to examine the business plan at a closer look, from a financing, market opportunities, customer’s analysis, competition, marketing and management perspectives. The author, then can understand his market better to make better decision making in his business. The research investigates the entrepreneurship and start-up scenes in Finland, the characteristics of floral industry and the key of a successful business plan. Such theoretical framework helps the author to have a solid academic understanding of existing entrepreneurship ecosystem. The theory is followed by the interviews with two biggest flower shops in Vietnam. It sheds the light on how to operate a flower shop empirically. They share with the author their experience in managing a flower shop, such as challenges they may face, seeking the right floral suppliers.

The author concludes that by aiming a wealthier customer group, the shop needs to provide a luxurious experience for customers. The customers need constantly being impressed by the floral arrangements and services. It will bring them back to the store. In other words, people of higher income often pay at a premium price to have a distinct experience at the shop. Les Fleur helps customers enjoy the art of floral design and learn more about the art themselves.

However, the success of the shop depends on the buying power of customers in the next few years, competition scenes in Helsinki and creative quality of Les Fleurs. The unstable economic situation may negatively affect the sales; the shop needs to consider to adjust to the possible outcome. Competitors will also try to imitate the business model if the company operates successfully. More importantly, the flower shop needs to invent themselves on a regular basis to meet customers’ demand.
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1 INTRODUCTION

1.1 Motivation of research topic

Floral industry has been a billion-euro industry in Europe. A report conducted in 2014 by Florint said that the total sales turnover in Europe in floral industry reached 9.7 billion euros. Even though the floral demand in Europe has shrunk by 19% on average, the report suggests that in Finland and other Scandinavian countries, the market starts to grow again. McHugh (2014) claimed that the sustained economic recovery arrived in Europe with the banks more willing to lend and customers more willing to spend. Considering flowers has always belonged to upper scale of consumer goods, the next few year period is a good time to penetrate into floral industry.

The author is tremendously keen on opening a floral shop himself since he believes he can develop himself both from a business and artsy perspective. Today, Finland is an ever entrepreneurial-friendly country. The Economist (2013) praised Finland along with other Nordic countries innovated itself by creating a “market- and entrepreneur-friendly” economy. It leaves an immediate effect on the start-up scenes in Finland. New jobs and companies are created everyday. In other words, there is no better time to open a business than today.

1.2 Aim of the research

The author writes the thesis in the process of preparing for his business. Preparation and research is essential and the key to the success of any business. Within this thesis, he aims to investigate the entrepreneurship culture in Finland, especially in floral industry. This helps clarify the opportunities and challenges he may face when starting a business in Finland. Operating a flower industry in 2016 greatly differs from that 5 years ago. Understanding the start-up scenes only helps the author in the process of decision-making.

At the same time, this thesis aims to develop a well-written business plan for his flower shop. A business plan puts all of the research and efforts into the written form. It investigates the business at a closer look, i.e. finances and risks, competitions, target customers, supplier selection. By doing this, the author wants to thoroughly examine his
dreams if they are economically viable. Moreover, it also acts as a useful tool for the author to show to his potential investor or angel sponsor. It is the first thing to prove his business’ profitability in investors’ eyes. Investment is crucial especially during the first stage of the opening.

1.3 Description of method

The methodology adopted is driven by the predetermined research objectives to ensure that the results comprehensively answer the chosen research questions. The author examines secondary researches and interview owners of well-established flower shops to better develop the research.

Secondary research

Data and information is collected from Internet, mainly through popular databases such as EMERALD, ABI and EBSCO. Such databases include high-quality reliable journal articles from universities or institutes. The author would focus on journals articles published in the last ten years because the topic chosen requires up-to-date information and background, and the floral industry is fast-changing. Secondary research forms a solid base for theoretical framework. Then the author can see how his idea and knowledge stand among existing researches.

Interviews

Through personal contacts, the author has the opportunities to interview the founders of two of the biggest flower shops in Hanoi, Vietnam. Their information and business model are further developed in the theoretical framework. By doing interviews, the author can have a better understanding of the market at an empirical perspective. Moreover, the owners have very contemporary understanding of the business at the moment. The author can then learn from their experiences and mistakes. The interview questions are designed with the help from the book “The Art of Interview Skills” by Fiona Setch.

1.4 Structure of the study

The author divides the thesis into 3 main parts, including Theoretical Framework, Flower Shop Interviews, and Business Plan.
The theoretical framework allows the readers understand the background of the study, the concerning literature school, and how it relates to the business plan. The author aims to identify the entrepreneurship culture especially in Finland. Then he also further investigate into floral industry. This helps form a solid base for further study. After that, he continues to look into the literature review of a good business plan. The purpose is to create a standardized well-written plan. In other words, writer find it easier to organize his work; readers find it easier to navigate.

On the other hand, the flower shop interviews include the questions and response from the owners of 2 well-established flower shops in Hanoi, Vietnam. It sheds an empirical light on the study. After considering the literature review and primary research, the author compiles his business plan at the end of the thesis. It describes his in-depth plan for the florist shop. It should include all the necessary parts in a business plan for both internal and external use.

### 1.5 Demarcation

In terms of theoretical framework, floral industry and entrepreneurship culture is ever-changing. It is dangerous to assume the information investigated in the study is an absolute. However, the writer tries to minimise this problem despite his limited resources and time by using latest data and research information. Readers therefore, need to apply what they read in relation to other factors, for example, a sudden turn in local economy.

In terms of interviews, the author examines the biggest flower shops in Hanoi, Vietnam. Even though they operate in the same industry, Finland and Vietnam greatly differ in business systems. The author, therefore, only uses relevant hands-on experiences to his business. In other words, the research needs to study the Finnish market in the future/in other research paper.
2 THEORETICAL FRAMEWORK

2.1 Entrepreneurship

Definition
In recent years, the crisis adversely affects the global economy. Many major corporations have to lay off their employees in order to stay competitive. The situation highly requires young talents to start up their own business. In other words, they have to create their own jobs. The Global Entrepreneurship Monitor (2013) claimed that the entrepreneurial activity was found in less than 6% of the population in working ages in four largest economies in Europe, including Germany, France, Italy and Spain. Esposito (2015) suggests that Europe needs to create a “greater push of innovation” by shifting a profit-seeking business model into value-driven entrepreneurs. This means that entrepreneurs need actively identify market failures and provide their value to create a new market and reverse existing structures in major enterprises. Europe is in a high need for entrepreneurs for a growing economy. On another note, Buytaert (2013) expressed his concern that the difficulty for start-ups in Europe in considerably higher than America, with magnifying problems such as cultural prejudice, language, geography, etc. He believes that the government should play a more active role in boosting entrepreneurial activities.

Entrepreneur is defined as a person who constantly seek market opportunities to create something of “recognise value” (Bolton and Thompson, 2000). They habitually pursue new opportunities to innovate themselves in order to provide better products or services to customers. Similarly, Kirzner (1997, p.31) explains that entrepreneur identifies and exploits opportunities by substituting existing less effective “course of action” a more “superior way of serving customers”.

Thompson (2004) also clarifies the differences between the entrepreneur and the enterprising person. He believes an enterprising person tends to be creative and innovative in their work; however, its value and impact can be limited in scope. The entrepreneur, on the other hand, creates a more substantial value. He believes the ability to become a successful entrepreneur does not belong to everyone. He introduced the framework of FACETS to define entrepreneur, which is the acronym for focus, advantage, creativity, ego, team and social. The six factors are interdependent to each other. He said an entre-
An entrepreneur needs a specific set of the six factors (in score between -20 and +20) to succeed in specific industries. For example, an entrepreneur should recruit team members whose the six factors complement each other. For some industries such as interior design, creativity ranks the first in the scale of importance. In an article named “Teams and the culture of the individual” in Strategic Direction (2015), the author adds that choosing the team members plays a key role to the success of start-ups. Two or more control-freaks in one group will easily cause the conflict. In other words, a business plan can only take off once it is implemented by a right management team.

Besides, according to Praag and Cramer (2001), a person would be more likely to become an entrepreneur if their perceived rewards surpasses employment’s wages. The person, therefore, assesses their individual abilities and risks involved in their decision of venturing into new business to evaluate the expected rewards. The intention to become entrepreneur also varies to the individual’s age because of risk-taking activities in entrepreneurship (Levesque et al. 2002). A person of young age is more likely to venture into entrepreneurship than his older peers.

On the other hand, entrepreneurial activities can present themselves in many activities within the companies, from creating an innovative product offer to an entrepreneurial marketing with redefining customers group. An entrepreneur usually identifies his opportunities in one specific segment of business, then prompts changes in other parts (Strategic Direction, 2015). It is arguably inefficient to be innovative in all parts of a business model since it requires tremendous amount of resources and risky decision-making. For this reason, an entrepreneur needs recognise the suitable element of the business model to be innovated. Strategic Direction (2015) also suggests that being entrepreneur in specific element can be more profitable than in others. Svensson et al (2014) supports this school of study by approaching the entrepreneurial activities through company’s business model. For example, they believed a company can build their business through entrepreneurial marketing, including redefining existing customer segmentation or identifying new target group.

**Governments’ and Educations’ Roles in promoting entrepreneurship**

Pfanner (2012) believes that Europe is at a disadvantage in promoting entrepreneurship among young people because of a lack of entrepreneur initiatives from the government.
and schools. The problem arises especially when many big companies cut off their labour to save money and people struggle to employ themselves.

**Government**

Robinson et. Al (2016) suggest 5 sources the government can capitalise on to motivate new businesses. First, cities and regions should create an entrepreneurial ecosystem for businesses. Li, Zuibielqui and Connor (2015) believes it enhances the expected value from entrepreneurship. The start-ups can learn and network with each other at ease. If an entrepreneur chooses to locate in a city without a strong network externality, the government should induce compensatory policies such as lower tax rates. Second, government should encourage business to operate within close proximity to the knowledge source. This means entrepreneurs can have better access to rich knowledge investment, human capital and university research. Third, the government should induce policies to encourage failing start-ups to create some social value for the place. It means experience, ideas and product innovations should also serve the entrepreneurs communities. Fourth, some places can be more suitable for specific industries to operate in. They then can attract specific start-ups for a higher success rate. Fifth, the government should decrease the sunk costs such as fixed assets (real estate or infrastructure).

In addition to that, Castaño-Martínez et al (2015) suggests that the government should spend greater expenditure on R&D by universities and public investment in education in order to stimulate the entrepreneurial activities. At the same time, the countries should simplify the legal systems and access to credit for start-up. This aligns with European Commission (2012, p.3) with three pillars in supporting new businesses. They include “development of education and training in entrepreneurship”, creation of a strong entrepreneurial environment, and foundation of models to reach suitable groups. Even though such simplification does not happen overnight, its benefits surely surpass the hassle.

**Educations**

Along with governments, universities should also provide education and training to students regarding entrepreneurship. Ruskovaara et al (2010) emphasises the function of teachers as the promoters in their students’ learning process. They believe that the teacher should be a member of the professional communities. This way he can inspire his students with his own vision, experience and motivation. He then can help students
transform their own visions and dreams into a functioning reality. Entrepreneurial education should be implemented through “constructive learning and self-experiential methods (Solomon et al., 2002). However, Ruskovaara et al (2010) also express their concern by pointing out that entrepreneurship education in reality still faces some challenges. This means the program is not a part of ordinary schoolwork, but through projects and theme days. The teachers also lack essential practical experiences in such programs. They fail to inspire and instruct students in their entrepreneurial dreams. Fortunately, the value of school goes beyond the role of the teachers though. Lim et al (2015) believes that graduates have better potentials to become entrepreneurs if they are exposed to both formal and informal entrepreneurship education. Informal education can imply running ones’ business during or before study, running family’s business, etc. For example, a student can help their parents operate a food popup in Restaurant Day. Such activities help students acquire independent learning skills and self-reflection and social networking for their future career (Shelly and Seung, 2008).

2.2 Start-up Scenes in Finland

Finland’s economy was heavily dependant on Nokia’s performance, once the leader in mobile technology. However, in recent years, Nokia and many major corporations especially paper companies, have failed to satisfy investors and consumers. Best (2015) suggests that the country terribly suffered from the same economic woes as many developed economies in the late 2000s. He also mentions that the newly-formed start-up scene tremendously helps ambitious graduates and 30-somethings follow their own businesses. It entirely shifts the mindset of young graduates. Working in major corporation is not the best or only option any more. People increasingly believe they can pave their own career way. Shead (2015) argues that the start-up scene in Finland have taken off since the collapse of Nokia. Nokia has left a wealth of available experienced managers in the market. Such managers are believed to provide talent of working in a multinational company to the start-ups in terms of preparation for growth and global management. For example, the biggest story of start-up success in Finland, Rovio is run by CEO Pekka Rantala, once Nokia’s SVP of Marketing. Shead (2015) also suggests that because of increasing start-up scenes in Finland, especially in gaming (Coleman, 2015),
many big tech companies from Silicon Valley and China have relocated their R&D facilities to Finland.

Besides, Finland have created a very large entrepreneurial ecosystem particularly in Helsinki. Helsinki is home to SLUSH, a tech-centric conference which attracts thousands of start-ups, investors and media annually (Mitzner 2015). SLUSH is known to change the game completely by helping talented people to establish themselves and scale worldwide from the beginning. In 2015, SLUSH attracted influencers such as prime minister, Nobel Prize winner, president. It brought together 15K entrepreneurs, investors and media from over 100 countries. However, Mitzner (2015) also criticises the role of Finnish government regarding start-ups. He believes start-ups are constrain by many regulations which prevent people from taking risks and unite with other talents globally. On the other hand, Weinglass (2015) disagrees with that school of beliefs. She believes Finland has done a great job in helping entrepreneurs by pouring hundreds of millions of loans, investments in start-ups every year. Such grants are not limited to only Finnish residents, but all start-ups operating within the territory of Finland.

Along with SLUSH, Helsinki also has a vibrant start-up scene. They include associations such as Tekes (public fund for financing research, development and innovation in Finland), Helsinki Business Hub; accelerators such as Veturi (seed funding providers and strategic guidance); events such as AAS; co-working space such as Start-up Sauna (for entrepreneurs in Northern Europe), Helsinki Think Company; start-up news such as ArcticStart-up. (Grip, 2015). These accelerators act as a great help for entrepreneurs, both Finnish and foreign. This stays aligned with European Commission and study from Li mentioned earlier. Large helpful entrepreneurial ecosystem has a positive impact on the success rate of start-ups.

The early impact of start-up in Finland’s gloomy economy expresses itself in numbers. Anteroinen (2015) states that funding rounds in Finland jumped 36% to 133% this year. The government also tries to simplify labour market, decrease interest rates. These spurred investors to switch to direct investments and crowdfunding. Besides, the author advises start-ups in Finland need to explore different options, including “crowdfunding, strategic partnerships and engagement through community development.”
2.3 Floral Industry

Flowers have been widely used for different occasions such as weddings, funerals, religious holidays or decorations of homes. Consumers’ attitude towards flowers is an ever-changing problem throughout the years. The florist shops therefore need to carefully study the market before penetrating into the industry.

Flowers Market

Flower industry has been affected by the economic recessions, with decreasing global exports of cut flowers to 20.6 billion dollars in 2013 (UN Comtrade, 2014). Rijswick (2015) claimed that one of the main structural change in floriculture is that the industry witnesses increasing international competition, both in the market and suppliers. He explains even though Netherlands still dominates the global cut flower trade, its global share is decreasing (from 58% in 2003 to 52% in 2013). Such market share is distributed into other markets such as Kenya, Ecuador, Ethiopia, Colombia. Florists shop therefore gains an advantage since suppliers from outside of Netherlands tend to provide lower-cost services and products. Veselinovic (2015) supports this theory by pointing out Kenya is the third largest exporter of cut flowers globally, with 35% of floral sales in EU. The country grows its market share because of its sunny climate. It allows suppliers grow high-quality blossoms all year round without expensive greenhouses. The country then also has excellent transportation through Nairobi airport. Such locations allow flowers reach their end-users quickly to guarantee quality. Similarly, Ecuador also grows globally as a flower exported country. Conefrey (2015) claims the country has the best climate for flowers, particularly roses with its natural light all year round and long cold night. With growing competition from such countries, Schuetze (2014) believes it has challenged Dutch flower auction. Netherlands has a system of flower auction for retailers around the world. Prices change on a daily basis and auctioneers claim his desired quantity of flowers. However, with Internet prevalence, cheap roses from Africa, such business models are gradually disappearing.

In terms of logistics, Rijswick (2015) also suggests that sea container is increasingly popular because of price advantage compared to air freight, better ability to control conditions in containers, increasing number of ports and reefers, sustainability.

On the other hand, Rijwick believes the floral market in Europe is expected to stagnate in the next few years because of gloomy economy and strong competition from discount
floral arrangement in supermarkets. However, Schuetze (2014) disagrees with this school of thought. He claims profit in floral industry in Holland rose to 4.5 billion in 2014. He supports the figure by the fact that many people in Europe have chosen to stay at home instead of vacation in a time of austerity. This leads them switch to relatively cheap luxury.

*Consumer behaviour*

Krass (1999) believes flowers always show their symbolic values in every modern society. They are purchased in many different occasions such as weddings, funerals, birthdays, religious holidays and decorations of homes. Baourakis et al. (2000) supports that floral purchasers buy at a steady rate but only on special occasions. However, the consumer behaviour is changing. For example, they’d prefer to buy a plant in one situation and purchase cutting flower in another situation (Levitt 1998). This means marketers should create a positive attitude about flowers and describe how customers can use the flowers as a beautiful gesture to their family, friends and partners. Tzavaras et al. (2010) shed further light on this theory. They believe future advertising campaigns should target to increase demand for floral products because consumers nowadays have various choices of gifts and decorations.

Regarding socio-demographic, females are believed to appreciate the floral products more because they tend to be the key buyers of households, decorations, shopping and gift-wrapping (Mortelmans, Damen 2001). This theory of gender difference in floral interest is supported by other academic studies such as Behe and Wolnik (1991). They claim males buy more on birthdays, anniversaries, and females buy on many more occasions. Besides, income also comes into play regarding floral shopping habits.

*Sustainability*

Sustainability has become a big trend in floral industry. Companies are looking to minimise waste and chemicals; customers express their increasing concern over the environmental impact of products they bought. (Gaul 2014). She claims sustainability is available in various processes such as production, marketing, floral sourcing, etc. The emerging trend is to source locally and reuse various products to minimise the amount of waste. Moreover, some organisation such as Scientific Certification Systems (SCS) recently launched a new eco-label program in US to help customers choose flowers which meet environmental and societal regulation (Trade Journals, 2005). Companies
can position themselves as eco-friendly easily in customers’ minds with such certificates.

2.4 Business Plan

Purposes
A business plan is an essential tool for any entrepreneur before going further with their plan. Brown (2007, p.174) believes a business plan helps entrepreneur explore his business idea, examine their possibility and financially secure their ideas. He also advises entrepreneurs to write the plan from their own perspectives instead of concentrating on satisfying lender or outside investors’ requirements. This helps them avoid overlooking some beneficial business areas.

Hormozi et al. (2002) adds that entrepreneurs can use the business plan as a tool to define the business and explain further how their venture operates in the current market. Even though writing the business plan can take great amount of efforts and time, a well-developed one provides unlimited benefits (Arkebauer, 1995). The business owners can communicate goals throughout the organisation and drive his business towards its objectives. From the writing process, entrepreneur can determine if his concept is worth pursuing and keep the business on track (McKeever, 2011). A good business plan does not necessarily guarantee a start-up’s success, but it decreases the odds of failure (Crawford-Lucas 1992). He also raises the point that entrepreneur should not treat his business plan as a mere tool for start-up point. It can be continuously used to evaluate progress and determine goals for the future. The availability of a business plan is highly related to a company’s growth and performance (Orser et al., 2000).

In addition, a business plan aims to obtain outside financing from investors (Hormozi et. Al 2002). When the owner intends to acquire his potential funding from investors or expand his own existing business, the investors will require a business plan the first thing. They investigate the business’ potential, market opportunities and more importantly, their return on investment.

However, Harrison et al. (1994) express their concern over the importance of the business plan. They believe many entrepreneurs fail to deliver an effective plan with, i.e. false information and outdated market opportunities. It leads them make incorrect decision-making in the future.
Writing a business plan

Before writing a business plan, the writer has to do his homework, including researching the market, identifying existing business opportunities, etc. Even though it takes tremendous amount of time and efforts (from 6 months to a year), the writer can educate himself on all of the industry trends, customers and business as a whole (SBA, 1997). A business plan often follows a standardised format with certain sections. The length usually varies between 30 to 40 pages. The writer of business plan can be the owners, co-owners, major stakeholders, or by a hired consultant. Hormozi et. Al (2002) recommends entrepreneurs to investing their time writing the business plan, then having them revised by experts. The benefits are threefold. First, they can evaluate the business opportunities and resources from their own judgement. It is a huge learning opportunity. Second, the consultant can revise the writer which sections need improving for external purposes. A poorly-written plan can easily turn the investors away. Third, it cut costs. Many new and small business cannot afford hiring a consultant from the beginning. Harrison et al (1994) divide business planning into two approaches: *ends* and *means*. They suggest many entrepreneurs consider the production of business plan as an end rather than a mean. This means writers view the plan as a task or destination with narrow and largely internal involvement, limited outward looking into current market situation. Instead, they suggest business should be a journey for writers. They should continuously take into consideration external realities and view the plan as a mean for business planning process. Such approach into business planning provides a more comprehensive and appropriate business plan.

Business Plan Sections

1. Introductory elements

   Cover Page
   
   The cover page should include the name of the owner, company logo, company name, address, contact details. It helps reader quickly inform themselves the content and how to contact the owner of the business plan

   Table of Contents
   
   This helps readers navigate through different sections of the plan. All business plan pages are numbered and included in the table of contents

   Executive Summary
This is the abbreviated version of the entire plan. Many busy lenders and investors do not read beyond the executive summary. The writer should capture the essence of the plan into this short summary to capture the audiences’ attention. Ideally the executive summary is written after the writer finishes his plan.

2. Business section

**Industry**
According to Sahlman (1997), investors want to read the business plan to determine if the market for the desired product/service is large or attractive enough to make a profit. The business plan should explain why the venture make sufficient profit and worth investing. Ideally the investors tend to favour the market with high growth potential since it brings the most profit. However, the writer should also include any future challenges for the industry or negative information to make a realistic plan.

**Company**
This part should start with company mission statement. The mission statement needs to be short, concise and easy to remember. It shows a clear objective for the future. This drives the company towards achieving it. Besides, this part also includes the planned legal structure, if it is a sole proprietorship, partnership, corporation, or any other combination.

**Product or service**
The writer should explain what the key selling points of their product or service are from others in the market. It is particularly helpful if the product is technical and the readers need some industry background. Besides, the writer can then explain how the company can still retain its selling points despite a tough competition.

**The market**
The two major parts of a market analysis are target customers and competition. An investor always looks for an entrepreneur who fully understand his target customers (Elkins, 1996). Such understanding encompasses target market, sociological, demographics, customer behaviour. Besides, an entrepreneur should also analyse his potential competitors such as their annual sales, market share, key selling points. This helps the business differentiate themselves from the market.
Marketing Plan
A marketing plan is to show the readers how the business attracts new customers and retain existing consumers.

Management Team
It is arguably the most important part of business section since investors believe that without a right combination of people working, all of other sections become irrelevant (Sahlman 1997). A management team should have people with different skills complementing each other. Those include where the team is from, level and place of education, work experience.

3. Financial Statements

Income Statement
The statement is to report if the business generates profit in the given period. It is a valuable tool to control business operation using sales and expense estimates. Investigating differences between forecast and actual income helps entrepreneur identify any arising problem.

Balance Sheet
This lists out the assets, liabilities, and owner’s equity at the report period. The balance sheet also helps the writer control his business operation easier.

Statement of cash flows
This part sets a good financial statement from mediocre one. It shows how the writer can manage the cash flow (Gracie, 1997). For example, it shows if the managers know when the cash is needed throughout the operating year and plan accordingly. Bankers can use it to determine how the loan is repaid. The investors can determine if the business generate cash in real life, not just in paper.

4. Appendix
The process of writing a business plan requires many assumptions in order to forecast the business activities. The appendix therefore requires to include the chosen assumptions. The writer should challenge the assumptions and provide in which scenarios proves such assumptions wrong. This enhances the business plan and produce a much more realistic view on the market. Besides, a good appendix also includes research data, diagrams, tables, questions, any relevant financial information. Fundamentally this include extra information the readers should be aware of to understand and examine the business plan better.
3  FLOWER SHOPS INTERVIEW

3.1 Liti Flower Shop

3.1.1 Introduction

Liti Flower Shop
Address: 03 Pho Hue, Hanoi, Vietnam
Website: litiflorist.com
Email: info@litiflorist.com

Liti Florist Shop was founded by Krystine Nguyen, was among the biggest flower shop in Hanoi, Vietnam. Krystine Nguyen is a person who has a strong passion for flowers. She also works as a senior marketing manager for an aviator company. Four years ago, she realised the potential of floral market in Vietnam. The journey with Liti started as she posted a status on Facebook to see if her friends were interested in her floral arrangements. Her status received tremendous amount of support from her friends. Then she decided to start selling flowers online and built her own retail network. 2 years after that, Krystine opened her own Liti shop in Hanoi. Her story of success stems from her unique product at the time. Most of the flowers at the shop are imported and not easily
found in regular flower shops. She, with her friends, also offers many original flower ideas into the market. Besides, Krystine and her colleagues have tried to improve her floral skills through participating in courses in England and Singapore.

**Social Media Presence**

The shop has built a strong social media presence, especially on Facebook and Instagram with over 200k likes on Facebook. They post regularly about available floral arrangements, inspirations, anecdotes, etc. The readers, therefore, do not feel like they are bombarded with irrelevant adverts, but useful information about flowers. Facebook for Liti also acts as a customer service tool. They can interact with customers such as answering customers’ enquiries, analysing feedbacks on new arrangements, examining upcoming floral trends.

### 3.1.2 Interview result

Krystine Nguyen shared her stories in building her own florist shop from the scratch with the author.

**Strengths**

From the day one, Liti shop’s unique selling point in the flower market is their upscale floral arrangements. This was something Hanoi lacked 4 years ago. Most of the flower shops were arranged by unskilled florists. They opened shops with little preparation. The owner realised the great demand for the product. Krystine has constantly works to create new floral arrangements on a regular basis. In other words, Liti’s product is their biggest strength. This set them apart in the market according to Krystine.

**Challenges**

Krystine mentions untrained staff and suppliers were among their biggest challenges. In Vietnam, there exists no proper education for florists. People therefore either have to seek formal education overseas or educate themselves. However, oversea education is not always affordable. Krystine insists that she has to train her staff from the beginning. In addition, she has to occasionally hire Dutch floral experts to Vietnam to coach her own staff.

On the other hand, Liti operates in Northern Vietnam. It does not have the best weather for flowers. Krystine has to seek the suppliers from Southern Vietnam or even in Holland and Ecuador. The shop then faces higher shipping costs from the flower suppliers.
Krystine reveals that the suppliers from countries such as Ecuador require a minimum amount of 100 kg flowers for each shipping. It takes roughly 2-3 days. That requires thorough planning for order process and flower storage (i.e. floral coolers).

**Competition**

4 years ago, Liti did not have to compete with any significant florist shop in their price range. However, in recent years, things have change dramatically. Many florist shops in Hanoi starts to imitate their business models. This includes them copying the exact or similar floral arrangements from Liti to their flower shops. It is practically impossible for Liti to prevent such issue. Liti therefore needs to invent themselves constantly in order to stay ahead of the game.

**Marketing**

Krystine said she had a strong background in marketing. She worked in a senior marketing position in a major corporation in Vietnam for a few years before founding her own business. Liti’s marketing budget is about 5-10% of the revenue, which Krystine claims to be the average of the market as well. They have over 200K likes on Facebook. Liti manages their online presence through two main platforms, including Facebook and Instagram. Facebook is the most popular social media in Vietnam. This makes sure Liti has a good online coverage in Vietnam. Additionally, Instagram is a visually focused platform where customers look for inspirations and places to go.

The shop heavily promotes itself before four major periods, including Lunar New Year, Valentine, Women’s Day and Mother’s Day. Their marketing segmentation also changes accordingly to these occasion. For example, they immensely target men on Women’s Day since they are the customer target. This ensures a more effective marketing campaign. They also try to upsell the flowers with wines or chocolates during such occasions.

**Customers Target**

The key customers group for Liti is personal buyers. Liti also has commercial accounts such as corporations, hotels, etc. However, Krystine insists that they do not focus on commercial accounts for two reasons. First, Krystine has had experiences in retails for a long time. Her existing networks and experiences bring in immediate profit. Second, commercial account is considerably riskier. She claims that if her shop loses a commercial account, it will lose 5-10% of the revenue. The same thing does not apply to retail though.
Financing

Her financing has been outsourced by external accountant since she does not have experiences regarding financing.

Entrepreneurship

Her business was totally financed by the owner’s fund. It was from her years working in her senior marketing position. She said that Vietnamese unfortunately has very poor support to entrepreneurs. She received little support or guidance from the government in setting up her business. However, she did successfully apply for a program from Dutch government to help new business in Vietnam. They provided a program to help entrepreneurs in Vietnam to better operate their business.

3.2 38 Degrees

3.2.1 Introduction

38 Degrees Flower Shop
Address: 79 E Hai Ba Trung, Hanoi
It is arguably the biggest flower shop in Vietnam, with two stores in Hanoi and Ho Chi Minh City. It was founded by Do Hoan My, the key shareholders in one of the biggest corporations in Vietnam, POMINA. He possesses a very financially stable family who can invest heavily in his business. He wanted to create a new demand for upper scale floral market in Vietnam back in the day. It is also his passion to further develop the floral market in Vietnam to the next level. That was the story of how 38 Degrees started.
The shop only focus on imported flowers from Europe, South Africa and Africa. They want to create a shop where customers can find the exotic flowers. There existed no flower shop before 38 Degrees successfully did this.

3.2.2 Interview Results

Do Hoan My believes that flowers are aesthetically beautiful but the floral industry is, on the contrary, very challenging and risky. According to Mr. Do, there are some challenges facing the entrepreneurs as follows.

- Flowers longevity is short. The problem arises when the flowers are imported from overseas such as Europe, Africa and South America.
- Grand initial investment. It is grand because Mr. Do wanted to change the whole industry and create a completely new demand for the market.
- Poorly-skilled floral artists. Vietnam offers no formal education for floral designs. This makes it enduringly challenging to find a local expert in flowers.
- High pressure to run smoothly all parts of the operations including seeking suppliers, preserving flowers, sales, marketing, designing, human resources. Delay in any part affects the whole process, which can ruin the reputation of the shop.
- Managing the human resources since floral designers are rather individualistic. The managers need help them cooperate with each other.

He also suggests the author that it is important for flower shops not only invent themselves in the start-up scenes but also reinventing themselves once established in the market. He believes that way customers would not feel the urge to come back to the shop on a regular basis.

Regarding marketing, 38 Degrees strongly applies “word-of-mouth” approach and discounts at the store. People shop via references from friends usually get a discount of 50% at the store. It is an effective way to promote the shop via word-of-mouth and friends/family.

Regarding the suppliers, he claims the process of finding a good supplier is difficult. Since the suppliers only ship the flowers at a large number. This means the shop has to have enough sales in a day to avoid excess storage problem. Besides, the shop also experienced a first year of loss in finance so his strong financial background really helps.

He said the reason why his flower shop flourish these days is due to his effective and efficient team members who work in synchronisation with each other.

4 BUSINESS PLAN

4.1 Executive Summary

Les Fleurs is a Helsinki-based flower shop. It offers fresh floral arrangements with the wide selections of unique flowers and greens both local and imported worldwide. Besides, Les Fleurs provides quarterly floral design classes and competitions held by our professional artists. The team also provides cutting-edge modern galleries and homes
with the perfect luxurious floral experience. Tailored to customers’ needs, they offer every possible thing when it comes to flowers.

Les Fleurs target two main groups of customers as follows.

*Private customers:* key retail customers are businessman, housewife, and the elderly. In the beginning stage, Les Fleur focuses more on the retail customers to build its customer base/reputation and promote the floral classes.

*Commercial accounts* such as banks, hotels, large corporations, upscale restaurants, coffee shops and consulate/foreign trade offices. This customer group will be focused more at a later stage of operating to bring in more revenues.

The shop also has chosen suppliers and human resources.

*Supplier:* They purchase locally from wholesalers throughout the country who offer a wide variety of flowers throughout the year and can drop ship directly to a retail florist. Les Fleur also imports from Kenya, Ecuador and Netherlands for higher-quality or special flowers. For each drop overseas, the minimum amount of purchasing is 100 kg of flowers. New types and patterns of flowers and designs will be updated at least once a month to keep customers always inspired by unique styles. It is a creatively challenging task but it is our key differentiation.

*Human resources:* 2 board team members. They hire several artists who have at least 2 years of experience in floral design, trained as a florist, will create floral arrangements and run frequent classes. Besides, they will engage the services of a part-time delivery person, and, for certain floral-intensive holidays, may employ temporary staffing. Key staff such as florist designers have their intensive training with floral experts at least twice a year. This is a grand opportunity for them to improve their skills and deliver better performances at work.

### 4.2 Market opportunity

Market opportunities does cover both selling flowers and teaching floral classes. The owners do not only focus on the selling side, but also on the teaching part, which give us opportunities to develop to different sides. They can develop their flower shop itself
with new flowers arrangements. There exists limited choice of cutting-edge flower shops within Helsinki. Les Fleur aims to create a market of their own for customers. Regarding flowers arrangements classes, they have the possibility to greatly develop our business. They employ teachers on a regular basis. This ensures the teacher knows perfectly about the themes of the classes which are changing frequently. The teachers are also rotating to show their strongest assets in different classes.

There are not many flower shops in Helsinki that offer this wide range of both national and international flowers and that also offer classes for people yearning to learn more about flowers and arrangements. Besides, they also create a much upper scale feel into our products by, i.e. adding little gifts to special flower arrangements. This adds a more personal touch into the products. In other words, shopping at Les Fleur is more of an experience rather than buying a product. They have the opportunity to surround themselves with an artsy floral environment, discuss their interest and passion with people of their same mind, and improve upon the skills they love.

4.3 Target customers

Within retail segment, the key customers are businessmen, housewives, and the elderly. Businessmen have stable income and look for an upper scale gifts for their significant others or family/friends. As a result, the shop is also designed to be more male-friendly than others in the city. At the same time, the shop displays ordinary flower arrangements and design classes for people who have free time and enjoy decorating their houses with flowers. Such floral arrangement comes at less expensive price. People can just buy them to treat themselves or decorate houses on a more regular basis.

Within commercial segment, customers encompass companies such as banks, hotels, large corporations, upscale restaurants, coffee shops and consulate/foreign trade offices that often require weekly/monthly/occasionally longer-lasting arrangements. They offer services mainly for a specific business' decor for their lobbies, reception areas, wedding, anniversary, welcome events, etc. This customer group is riskier since they involve higher investment, higher revenues and the competition is not always easy.
4.4 Competition

There are many different flower shops in Helsinki. However, what set Les Fleur apart is that their offers stay beyond just flower arrangements. The shop includes a wide range of both flowers and greens, both national and international. Such arrangements are also updated once a month. The management team believes that in order to stay ahead of the competition, the product has to be at the centre of the differentiation. In other words, customers should feel the unique quality, the “wow factor” about Les Fleur’s product and service.

The shop differentiates itself as a hectic and easy-accessed flower shop from the quiet traditional shops to which customers have little interactions. Customers can easily customise their orders from a call or message away. The shop also creates original designs that the customers can choose between. Besides, customers and the shop can work together to design personalised floral bouquets. However, this also asks for bigger budget.

In short, Les Fleur offer every possible thing when it comes to flowers. Les Fleur want to embed into customers’ mind that they are not an ordinary flower shop. It is a place to flower-lovers to enjoy the art of flower arrangements. People can take a walk through to shop to see the latest flower collections. They deliver more than just service. Les Fleur aims to create a unique experience. None of the flower shops in Helsinki has ever successfully done that yet.

Primary competitors

Flower shops in Helsinki scatter geographically and they also target different customers group based on their socio-demographic traits. There are many small flower shop located around Helsinki city centre (especially in Hakaniemi). Some names are Kaisaniemen Kukka Oy (in Kaisaniemenkatu 8), Eerikkin Kukkla (Mannerheimintie 20). Their biggest strength is their location convenience. Many customers just want to choose to buy an easy flower bouquet near their house for their partners. In other words, such small shops primarily aim to cater the local neighbourhood. It brings in regular profit for the shops. On the other hand, there are some challenges facing these flower shops. They have limited choice of flower arrangements for customers. The selection also does not update on the regular basis. Besides, such shops have very poor presence on search engine and social media. Their website is also poorly designed. It does make sense because they cannot invest much money on their marketing campaign. They just place a
banner outside to attract customers/tourists passing by. Little marketing effort has been done online.

Besides, there are some shops in Helsinki which are primarily operates online. The most popular one is Syväsen Kukka (at floristi.net). They offer online order before 11AM to receive same day delivery. Their offer is also affordable, ranging from 4 EUR. Floral arrangements is similar to that in supermarkets. These shops compete in a different range than Les Fleur. It targets younger customers and people with less disposable income. Their marketing methods also focus on online channels such as SEO, and Facebook ads. Floristi.net claims the fourth and fifth position on keyword “flower shop in Helsinki” even though its business size is smaller than others like Runebergin Kukka. Supermarkets (K-Market chain mainly) also has incorporated flowers into their offer in recent years. They choose the suppliers mostly from Kenya, Ecuador and Columbia for cheap and stable flowers. Customers choose to buy these flowers for two main benefits: price, and convenience. It is for a less special occasion and specifically caters less wealthy working class. The floral design selection is also limited. Such supermarkets usually promote their flower in the household leaflets with the offer.

The main competitor of Les Fleurs is Runebergin Kukka because of its company size and target customers.

**Runebergin Kukka (RK)**

Address: Runeberginkatu 59

1. **Strengths**

   RK is one of the oldest flower shops in Helsinki. This means their biggest asset is the reputation. They have broad networks with retailers, suppliers, customers and local areas. In specific, RK attracts many top-notch talents around Finland, with Jouni Seppänen as a key shareholder and floral designer. He is a world renowned Finnish championships in floral design six times. Therefore, customers do have a wide selection of exotic and special floral arrangements in RK. They want to buy flowers in RK because of its trustworthiness, consistency in product, and upper scale product in the market. They also offer 24/7 delivery service for customers. Fundamentally people should expect to have a more luxurious shopping experience here.

2. **Weaknesses**

   The shop has not catered into the growing expats community in Finland. Their website and service is not available yet in English. Customers can easily switch to com-
petitors because they do not know how to navigate in the websites. Moreover, the flower shop also shows a poor performance on search engine tool like Google. It does not pop up in the first two pages of the key word “flower shop in Helsinki”, considering the size and reputation of the shop. At the same time, RK has not possessed a good Facebook page. They only have over 3K likes on Facebook and little interactions with customers. They should have capitalised on such channels to provide a much better service.

3. Objectives

Their market share is not revealed publicly. However, as one of the oldest floral shops in Helsinki, it is among the top players in the market. With an increasing number of floral arrangements in more affordable price range, RK aims to exploit more from the customers of lower income in the few years. In short, their objective is to gain more market share.

4. Marketing Strategies

With its bigger budget spent, RK has very grand and successfully marketing campaign and materials, primarily offline. RK’s logo can be found available in many hotels, corporations and events. They also promote through floral trucks especially during summer. Besides, the shop has very centre location in Töölo. Location is always the key to products like flowers. Regarding website, it has the best designed website in all of the floral shops in Helsinki. Customers find it easy to navigate and research about the company. Product photography is also beautifully taken care of. However, it needs develop an English version for expats and English speakers in Helsinki.

Secondary competitors

Some floristry school in Helsinki compete with our shop, such as TheKnowledgeAcademy in Bulevardi Str. 07, 00120 Helsinki. People who participate in the course may not be interested in our courses offered anymore. In the future, when we expand our classes on a larger scale, these existing schools will be a big threat.

Risks

Les Fleur may face many more competitors entering in the next few years when Finnish economy is recovering and competitors realise that people’s buying power is gaining back. The competitors also will try to copy the shop’s floral design. It is very challeng-
ing for Les Fleur since we cannot get the floral design patented at ease. The process is often time-consuming and not worth pursuing.

Besides, the shop also can risk losing the commercial account. Such customers have very volatile demand and requirements. They also can switch between new shops and even newcomers without much hassle. Losing such customers mean losing a great deal of revenue for the shop.

On the other hand, economy situation can also adversely affect the shops. It is unpredictable how people can afford to shop at a premium price.

4.5 Marketing Strategy

Les Fleur invests a significant amount of initial budget on marketing and communication activities since it aims to quickly expand its customer base.

The shop sells both products and services package to customers. Products include unique flower arrangements with regularly-updated selection of flowers. Services include lessons taught by well-trained experienced florist at the shop. New courses start every four months. All of the products and services are sold at a premium price. The shop is not only a place for customers to shop flowers but also enjoy an environment of flower art. They aim to deliver fun and exciting experiences for customers.

Customers can purchase the products both online and onsite. They can pay by credit card or cash. Discounts are offered before flower-intensive holidays to encourage sales. Customers are also provided with a customer card at the first order. Customer card acts as a loyalty card so that customers feel like they belong to a part of the flower shop. Marketing campaign is heavily pushed in these following occasions: Valentine’s Day, Women’s Day, Mother’s Day, Christmas & Hanukkah.

Les Fleurs aims to market both through offline and online communication channels. Targeting older group of people, Les Fleurs never underestimates the importance of traditional channels.

**Traditional Marketing**

*With Private Customers*
Les Fleurs aims to grow its presence in Helsinki area. These following methodologies are implemented:

- Distributing leaflets, posters about the shop to customers in the beginning of launching period. The distribution happens on the high street.
- Set up a flower van in the city centre. There are two people giving out free roses to woman on the street. Roses will be attached with a tag with brief information about the shop and flower arrangement classes. Such activities are taken place before major events such as Mother’s Day, Christmas, etc.
- Get at least one Finnish magazines about woman’s lifestyles and one men Finnish magazines to write about the flower shop.
- Inviting influencers into the launch day of the shop with free gifts. Influencers are lifestyle/fashion bloggers, journalists, etc.
- Promoting on local daily/weekly newspapers.

*With commercial accounts*

Les Fleurs will contact the owners/managers of hotels, restaurants, etc. to initiate a business relationship with them. Networking is highly essential for further development of the shop. The owners/managers are also invited to the launch date.

The shop also sends free flower bouquets to hotels, restaurants, coffee shops, corporations, etc. on their important events, including launch days, birthday, anniversary. Those are to nurture the relationship with them.

**Online Marketing**

*Social Media*

Social media is being heavily used, especially on Facebook and Instagram. Les Fleur try to create a fun and exciting experience for customers on their site. Facebook and Instagram accounts do not only post sales, discounts program but also other worth reading posts. Such posts may be instruction how to freshen the flowers, arrange a beautiful flower bouquet, etc.

LF also buy Facebook ad to obtain traffic or online presence to larger number of customers. The Facebook ad targets our potential customers.

On the other hand, for a more visually-focused product like flowers, Instagram is a key channel to promote. Instagram page is updated on a daily basis with flowers arrangement at the shop/fun facts about flowers. It is managed by the owners of Les Fleur.
Email Marketing

Customer information is being obtained with the consent of customers. Email and newsletter are being sent on a monthly basis during off-season, twice weekly during heavy season. The email includes newsletter for the company. In the newsletter, we have all the latest collections and discount codes (if applicable) for customers.

Video

LF creates a 2-minute-commercial about the flower shop to release on YouTube/Daily Motion. The video is to introduce about the shop.

LF charge the service (flower arrangement lessons) and products (flowers arrangement) at a premium price since we deliver various refreshing products that no flower shop in Helsinki has offered yet. The customer services are also better than other shops.
LF firstly rented two vans to deliver flower to households. Customers can choose to shop online or offline. They can buy as ordinary products or gifts. Customer can pick up and get home delivery.

Cost of Marketing is around 20,000 EURO. Its breakdown is shown in the Financing part later.

4.6 Management Team

The flower shops have 2 board members.

Dung Tran
Experience in working in Marketing/Customer Service.
Strong visual/design experience with a focus on photography/art
Strong personal funds/investment
Passion for flowers/art
Familiar with Online Marketing/Social Media Platforms

Jason Mark
Experience in managing/business with 7 years working in a restaurant
Strong personal funds/investment
Broad network in Helsinki within hospitality industry.

2 board members have been friends/partners in years. They aim to penetrate into flower business in Helsinki which is still poorly developed. Dung takes care of marketing sides of the business. He will create a strong visual sense of the shop online and offline. His strong point is to promote the shop to key customers and influencers. His lack of management skill is compensated by Jason’s skills. On the other hand, Jason will manage the shop from a more managerial side. He makes sure daily activities are run smoothly such as training/recruiting team members, networking with people in the business. Jason also capitalises on his existing network in hospitality industry. Both of the board members invest their own money into the shop. As agreed beforehand, the salary is expected to be maximum 1500 euro before all the loans are covered.

4.7 Finance

The author believes finance is the key component of his business plan. He has consulted his friend - the owner of the coffee shop PAPU in Helsinki (in Mariankatu 24, Helsinki) in building up the financial plan as well as several reliable sources for florist industry statistics both in Finland and other regions such as Europe and US. This helps create more realistic numbers for the shop.

4.7.1 Sales forecast overview

The sales forecast table is broken down into 3 main revenue streams including: traditional customers, commercial customers, and design classes. Increases in sales in special holidays and events are not to be computed separately but combined together with modifications in specific monthly figures. There are 3 types of sales forecasts computed: neutral, pessimistic and optimistic with pessimistic figures are to be at 75% and optimistic figures are to be at 125% of neutral forecasts, based on a standard formula.
4.7.2 Traditional customers

The author anticipates total sales of 50 705 EUR during the first year of operations for traditional customers. Under the assumption of the average selling price of 35 EUR for a normal flower bouquet at daily or frequent base, with average selling unit of 35 arrangements monthly, the monthly sales would be 3 850 EUR.

According to Florint - International Florist Organization – Florist sector European market 2014 report, average spending per consumer a year is 27 EUR. However, we set our selling price to be higher than average industry figures since we put more focus to create added value to flower arrangements through art. “Countries such as Germany, The Netherlands, Belgium and Switzerland have very good floral education, and their flower arrangements are what consumers are looking for when they go buy flowers at flower shops. By creating a good education in floral design, consumers will buy arrangements and trust flower shops. It’s building the trust with consumers and showing them that when one buys from a flower shop one will get the added value consumers are looking for in flower shops.”
4.7.3 **Commercial accounts**

The author anticipates total sales of 32 400 EUR during the first year of operations for commercial customers. Under the assumption of the average selling price of 60 EUR for a normal flower bouquet at daily or frequent base, with average selling unit of 45 monthly, the monthly sales would be 2 700 EUR. The selling price range, however, might vary between minimum price of 60 EUR to 100 EUR or more, depends very much on customized arrangements of orders.

4.7.4 **Holidays/Events**

Increases in percentage of sales during holidays and special events are computed based on the average statistics of US floral industry. Due to the similar Western culture characteristics and purchasing consumer behaviour in holidays/special occasion between US and European countries, we assume the changes will be the same with very little differences. (“Holiday statistics on buying flowers,” n.d.)

- Xmas – December: 30%
- Mother’s Day – May: 24%
- Valentine – February: 20%
- Easter – March: 13%
- Thanksgiving – November: 6%

The selling price during Valentine’s Day in February is expected to increase around 20%, due to the increase from suppliers. (Lipka, 2014)

4.7.5 **Design Class**

We anticipate sales of 7 200 EUR during the first year of operations, with 3 classes running monthly at average 200 EUR which generates a sales 600 EUR per month.

*Below are the breakdown sales forecast for the first fiscal year. (See also appendix for 3 year sales forecast)*
### 2016

#### Traditional customers

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<th>Product Name</th>
<th>Units</th>
<th>Selling Price (EUR)</th>
<th>Total Sales</th>
<th>% of Total</th>
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<td></td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
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#### Commercial Accounts

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#### Design Class

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<td>% of Total</td>
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### SALES FORECAST

#### Year 1

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#### Year 2

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<th>Optimistic (1.25)</th>
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#### Neutral

- Growth Rate: 13%
- Total sales: 90304.5

#### Pessimistic (0.75)

- Growth Rate: 10%
- Total sales: 67728

#### Optimistic (1.25)

- Growth Rate: 15%
- Total sales: 112881

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**Cost of Goods Sold (COGS)**

The author applies 3 formula of Cost of Goods Sold (COGS) to the financial forecasts based on industry statistics of Paul Goodman, a Certified Public Accountant and editor of *Floral Finance*, an industry newsletter. A typical and most common formula of COGS comes in at 32% of total sales, while the lowest and highest numbers are 30% and 36%, respectively. The corresponding gross margin are 68%, 70% and 62%. (Goodman, 2015)

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<td>33476</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>63213</td>
<td>72408</td>
<td>78111</td>
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<tr>
<td>Gross Margin (%)</td>
<td>70</td>
<td>70</td>
<td>70</td>
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</table>

<table>
<thead>
<tr>
<th>Highest COGS Formula</th>
<th>38 %</th>
<th>38 %</th>
<th>38 %</th>
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<tbody>
<tr>
<td>COST OF SALES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional customers</td>
<td>19268</td>
<td>22070</td>
<td>23256</td>
</tr>
<tr>
<td>Commercial accounts</td>
<td>12312</td>
<td>14364</td>
<td>15987</td>
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<tr>
<td>Design Class</td>
<td>2736</td>
<td>2873</td>
<td>3160</td>
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<td>Subtotal Cost of Sales</td>
<td>34316</td>
<td>39307</td>
<td>42403</td>
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<tr>
<td>Gross Margin</td>
<td>55989</td>
<td>64133</td>
<td>69184</td>
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<tr>
<td>Gross Margin (%)</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
</tbody>
</table>
4.7.6 Start-up Funding

The total funding requirements are set to be 100 000 EUR as mentioned earlier. Funding comes entirely from owners’ investments. (50 000 EUR each).

4.7.7 Expenditure requirements

*Finance sources*

As proposed before, finance sources come from owners’ investments of 100 000 EUR to soundly begin operations and have suitable cash reserves for further developments. This comes entirely from personal cash investments of 2 owners without the intention to seek for loan.

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>Owner 1's cash investments</td>
<td>50000</td>
</tr>
<tr>
<td>Owner 2's cash investments</td>
<td>50000</td>
</tr>
<tr>
<td>Loan</td>
<td>0</td>
</tr>
</tbody>
</table>

| Total Sources of Funding    | 100000 |
### Expenditure Requirements

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build out</td>
<td>12000</td>
<td>12%</td>
</tr>
<tr>
<td>Deposit</td>
<td>1300</td>
<td>1%</td>
</tr>
<tr>
<td>Equipment *</td>
<td>11000</td>
<td>11%</td>
</tr>
<tr>
<td>Inventory</td>
<td>5000</td>
<td>5%</td>
</tr>
<tr>
<td>Start-up Expense **</td>
<td>14500</td>
<td>15%</td>
</tr>
<tr>
<td>Working Capital</td>
<td>46200</td>
<td>46%</td>
</tr>
<tr>
<td>Cash reserve</td>
<td>10000</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total Expenditure requirements</strong></td>
<td><strong>100000</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

#### Equipment *

- **Phone** 200
- **POS System & Software** 4000
- **Accounting & Credit Card Software** 1000
- **Backup Device** 800
- **Cooler** 5000

Subtotal: 11000

#### Start-up Expenses **

- **Cost of establishing the business** 1000
- **Legal fees/Accounting** 1000
- **Initial Marketing & Advertising** 8000
- **Stationery** 800
- **Store Design** 1000
- **Internet Installation** 200
- **Office Supplies, Giftwrap, Packing** 1000
- **Furniture** 1500
- **Other** 1000

Subtotal: 14500
4.7.8 Location

Les Fleur is located in Helsinki. The author examines the socio-demographic traits and rent costs of neighbourhoods in Helsinki through the website toimitlat.fi and asunnot.oikotie.fi. These two websites provide the cost of many available offices in Helsinki for rent. The author aims to limit his rent to under 1 300 euro to avoid unaffordable overheads.

After thorough considerations, the author determines the ideal place for the shop is in Kruununhaka. The statistics for this area is included in the appendix. It is extracted from My Enterprise Finland. The advantage of this area is that the local neighbour has higher income disposal with the average income of 53,183 EUR. This ensures they can afford the shop price range. Besides, they are also well-educated, with 35% of people aged over 18 holding a higher level university degree and nearly 90% pursuing education beyond basic level studies. These are people who seek to purchase items with more aesthetic value. A good neighbourhood ensures stable operating revenue, since convenience is one of the key factors in floral industry. Customers value shops within close proximity.

4.7.9 Expense Budget

Equipment expenses include cost of essential assets for operation such as phone, POS system & software, back-up devices and cooler.

Start-up expenses include legal fees, initial marketing, website development, rent, insurance, utility costs and miscellaneous expenses prior to opening.

It is anticipated that equipment expenses will be 11 000 EUR which accounts for 11% of total use of fund while start-up expenses will be 14 500 EUR – 15% of total uses.
### Expenditure Requirements

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build out</td>
<td>12000</td>
<td>12 %</td>
</tr>
<tr>
<td>Deposit</td>
<td>1300</td>
<td>1 %</td>
</tr>
<tr>
<td>Equipment *</td>
<td>11000</td>
<td>11 %</td>
</tr>
<tr>
<td>Inventory</td>
<td>5000</td>
<td>5 %</td>
</tr>
<tr>
<td>Start-up Expense **</td>
<td>14500</td>
<td>15 %</td>
</tr>
<tr>
<td>Working Capital</td>
<td>46200</td>
<td>46 %</td>
</tr>
<tr>
<td>Cash reserve</td>
<td>10000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditure requirements</strong></td>
<td><strong>100000</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

#### Equipment *

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone</td>
<td>200</td>
</tr>
<tr>
<td>POS System &amp; Software</td>
<td>4000</td>
</tr>
<tr>
<td>Accounting &amp; Credit Card Software</td>
<td>1000</td>
</tr>
<tr>
<td>Backup Device</td>
<td>800</td>
</tr>
<tr>
<td>Cooler</td>
<td>5000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>11000</td>
</tr>
</tbody>
</table>

#### Start-up Expenses **

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of establishing the business</td>
<td>1000</td>
</tr>
<tr>
<td>Legal fees/Accounting</td>
<td>1000</td>
</tr>
<tr>
<td>Initial Marketing &amp; Advertising</td>
<td>8000</td>
</tr>
<tr>
<td>Stationery</td>
<td>800</td>
</tr>
<tr>
<td>Store Design</td>
<td>1000</td>
</tr>
<tr>
<td>Internet Installation</td>
<td>200</td>
</tr>
<tr>
<td>Office Supplies, Giftwrap, Packing</td>
<td>1000</td>
</tr>
<tr>
<td>Furniture</td>
<td>1500</td>
</tr>
<tr>
<td>Other</td>
<td>1000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>14500</td>
</tr>
</tbody>
</table>
Key operating factor in the projected profit and loss is calculated based on the relevant figures provided in reliable sources as specifically stated below:

- **Cost of Goods Sold**: neutral at 32%, lowest at 30% and highest at 36% of sales. The Gross Margins are estimated (with neutral 32% COGS) at 68%, which is reasonably achievable compared to the florist industry’s gross margin 55.4% (The Retail Owners Institute, 2015).

- **Payroll**: the minimum salary is paid at 1 170 EUR per month with annual increase of 1.3% (“Statistics Finland - index of wage and salary earnings,” 2016). The ratio of Payroll/ Sales is 31.09%, very close to 30% industry ratio (Taulli 2009).

- **Marketing and advertising cost** eats up 3% of sales while contracted floral designer account for 7% to 12% of design class sales. (Goodman 2015)

- **Other expenses** including social security expenses, entrepreneur’s pension insurance (YEL), Entrepreneur’s unemployment insurance are calculated using 2016 figures from Työntantajamaksut, Tärkeitä lukuja.
Entrepreneur’s pension insurance (YEL) is 23.3% of work income; new entrepreneur gets a 22% discount on payments for the first 48 months (18.17% of work income). (Network of Enterprise Agencies 2016).

Entrepreneur’s unemployment insurance is 0.5% of salary. Insurance includes the Self-employed Persons’ Voluntary Accident Insurance and other insurance for entrepreneurial activities.

Insurance payment of 200 EUR per month with discount of 9-month price for 12 months is recommended by the author’s friend - owner of PAPU coffee house in Mariankatu 24, Helsinki (opening from December 2015).

- Target net profit before tax is expected to be 0%, 9% and 11% in 3 years. Given the fact that the industry average is 5% while there are many shops doing well and making up to 15%, the author’s target should be reasonably achievable. (Goodman 2015). Net margins therefore come at 0%, 7% and 8% for 3-year period after interest and taxes.

4.7.11 Break-even analysis

This calculator is to determine the number of units required to breakeven and the potential profit could be made based on the anticipated sales volume (only for flowers purchasing with traditional and commercial customers; sales from design class is excluded) given the necessary data below.

We assume the average purchase of 47.5 EUR (35 EUR each for traditional accounts, 60 EUR each for commercial accounts). The annual sales for the first year is estimated at 83 105 EUR. The total amount of units sold per month will be approximately 155 (110 and 45 units for traditional and commercial customers, respectively). The revenue is divided equally to depict which types of products and arrangements each customer will purchase. The amount of each product purchased, however, will depend upon the season and month.
Summary of Input (average monthly)

<table>
<thead>
<tr>
<th>Total fixed costs (Total operating expenses - contracted designer's class payroll)</th>
<th>60746</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total monthly fixed costs</td>
<td>5062</td>
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<tr>
<td>Average Percent Variable cost</td>
<td>32 %</td>
</tr>
<tr>
<td>Variable cost per unit</td>
<td>15,2</td>
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<tr>
<td>Sales price per unit</td>
<td>47,5</td>
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<tr>
<td>Anticipated unit sales</td>
<td>155</td>
</tr>
</tbody>
</table>

Detailed Data Table

<table>
<thead>
<tr>
<th>Unit Sold</th>
<th>Sales Revenues</th>
<th>Variable Cost</th>
<th>Fixed Cost</th>
<th>Operating Profit</th>
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</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5062</td>
<td>-5062</td>
</tr>
<tr>
<td>10</td>
<td>475</td>
<td>152</td>
<td>5062</td>
<td>-4739</td>
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<tr>
<td>30</td>
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<td>456</td>
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<td>50</td>
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<td>250</td>
<td>11875</td>
<td>3800</td>
<td>5062</td>
<td>3013</td>
</tr>
</tbody>
</table>

According to the calculation, the shop needs to sell 157 units with the sales revenue of 7444 EUR monthly in order to cover the costs. At greater units sold, the shop gains more profit such as 200 units generates 9 500 EUR monthly.

Inventory management – Waste control

As a new florist, we aim to find suppliers that will allow us to purchase in small or average quantities. This way we don’t have to pay a lot of cash initially and can also minimize the amount of inventory that could possibly go wasted. Flower costs will vary throughout the season depending on what is in season and the demand. The amount of initial inventory will be approximately 5 000 EUR.
5 CONCLUSION

The business plan for Les Fleur is a useful tool which helps the author shed tremendous lights in his research for his own floral business. The author needs to capitalise on the lively entrepreneurship ecosystem in Finland and the growing buying power of customers to penetrate into the business. Through the business, the author is able to answer his raising question in the beginning about the feasibility of the business. The market opportunities are very promising. The management team complement each other’s skills. Besides, with initial personal funds and bank loans, the plan can totally take off. The only grand challenge for Les Fleur is to differentiate itself from existing tough competition. On the other hand, the author needs further develop his research on the flower market specifically in Helsinki region and initiate an interview with a florist shop in Helsinki. He also needs write about the business after 5 years into the business. This helps develop a longer term plan for the shop.

6 REFERENCE


48


Työnantajamaksut, Tärkeitä lukuja 2016. [online] Available at: http://www.yrittajat.fi/yrittajan-abc/tyonantajan-abc/tyonantajamaksut/tarkeita-lukuja-318403#tyoelake


7  APPENDIX

7.1  Question Interviews for 38 Degrees

1. How did you start 38 Degrees?
2. How do you differentiate yourself from competitors?
3. What are the challenges facing your shop?
4. How did you financially support the shop in the beginning?
5. How did you manage to attract new customers and retain existing customers?
6. What is the key to your success?
7. What is the plan for the upcoming years?
8. Did you think you change the floral industry in Vietnam?
7.2 Question Interviews for Liti Shop

1. How did you come up with idea of opening Liti Shop in the beginning?
2. How do you differentiate yourself from competitors?
3. How did you seek the right suppliers for your shop?
4. What are the challenges facing the shop?
5. What advantages do the shop possess?
6. What customers do you target?
7. How did the entrepreneurship ecosystem help you (if at all)?
8. Did your abroad floral training help?
9. How did you manage your marketing campaign?
10. Tell me a bit about financing part?
11. What do you think about the competitors?
12. What are the heavy season?
7.3 Statistics for Kruununhaka neighbourhood

### Size and Stage in Life of Households

<table>
<thead>
<tr>
<th>Topic</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households, total</td>
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</tr>
<tr>
<td>Average size of households</td>
<td>1.8</td>
</tr>
<tr>
<td>Occupancy rate</td>
<td>38.6</td>
</tr>
<tr>
<td>Young single persons</td>
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</tr>
<tr>
<td>Young couples without children</td>
<td>290</td>
</tr>
<tr>
<td>Households with children</td>
<td>639</td>
</tr>
<tr>
<td>Households with small children</td>
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</tr>
<tr>
<td>Households with children under school age</td>
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</tr>
<tr>
<td>Households with school-age children</td>
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</tr>
<tr>
<td>Households with teenagers</td>
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</tr>
<tr>
<td>Adult households</td>
<td>2422</td>
</tr>
<tr>
<td>Pensioner households</td>
<td>911</td>
</tr>
<tr>
<td>Households living in owner-occupied dwellings</td>
<td>2053</td>
</tr>
<tr>
<td>Households living in rented dwellings</td>
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</tr>
<tr>
<td>Households living in other dwellings</td>
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</tr>
</tbody>
</table>

### Educational Structure

<table>
<thead>
<tr>
<th>Topic</th>
<th>No.</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>Basic level studies</td>
<td>748</td>
</tr>
<tr>
<td>With education, total</td>
<td>5321</td>
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<tr>
<td>Matriculation examination</td>
<td>1096</td>
</tr>
<tr>
<td>Vocational diploma</td>
<td>1213</td>
</tr>
<tr>
<td>Academic degree - Lower level university degree</td>
<td>970</td>
</tr>
<tr>
<td>Academic degree - Higher level university degree</td>
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</tbody>
</table>

### Households’ Disposable Monetary Income

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Households, total</td>
<td>3961</td>
</tr>
<tr>
<td>Average income of households</td>
<td>53183</td>
</tr>
<tr>
<td>Median income of households</td>
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</tr>
<tr>
<td>Households belonging to the lowest income category</td>
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</tr>
<tr>
<td>Households belonging to the middle income category</td>
<td>1636</td>
</tr>
<tr>
<td>Households belonging to the highest income category</td>
<td>1669</td>
</tr>
<tr>
<td>Accumulated purchasing power of households</td>
<td>210657789</td>
</tr>
</tbody>
</table>