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STARTING AND RUNNING A BUSINESS IN FINLAND

A case study

Thesis

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ABSTRACT

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This thesis follows the starting process of a beer and drink bar in a medium sized town in Finland, and analyses the process after four years of operations. The end goal was to provide tips and instructions for new entrepreneurs on how to make the starting process easier, faster or more efficient. This is done from the viewpoint of a business that has gone through the process already. Also writing and analysing this process worked as a learning tool for the entrepreneurs running the business in question to reflect on their own work subsequently.

The starting process is followed step by step chronologically as far as possible, and each step is analysed independently. The subject is divided into three parts. First part investigates entrepreneurship, the second part focuses mostly on analysing the business idea in the form of a business plan, and the third part goes through the foundation process. Theory of each chapter is elaborated on and then applied to the case in hand. The business plan for the company was compiled by the instructions given by a representative of Yritystalo Evald.

As the starting process of a business has multiple steps so possibilities on making mistakes are numerous. For example the initial operating cost calculations for the case company were grossly under estimated, but so was the yearly turnover in same relation. One major factor in avoiding mistakes in the long run turned out to be professional bookkeeper, who has extensive knowledge of tax laws among other things. The company itself was founded by two entrepreneurs, and has been up and running for five years. The company is profitable and able to support both owners financially, so in that sense the process was a success.

Key words

Entrepreneurship, Business plan, founding a company, foundation process

TIIVISTELMÄ OPINNÄYTETYÖSTÄ

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Tämä opinnäytetyö seuraa anniskeluravintolan perustamisprosessia, ja analysoi prosessin onnistumista viisi vuotta yrityksen perustamisen jälkeen. Tarkoituksena oli antaa ohjeita alkavalle yrittäjälle yrityksen perustamisprosessista sellaisen yrityksen näkökulmasta, joka on prosessin jo käynyt läpi. Tarkoituksena oli antaa neuvoja ja vinkkejä, kuinka tehdä prosessista selkeämpää, helpompaa ja kuinka välttää sudenkuoppia. Opinnäytetyön kirjoittaminen on myös hyvä tapa omistajille oppia perustamisprosessista analysoidessaan sitä jälkeen päin.

Useat perustamisprosessin vaiheet toteutettiin käytännössä samanaikaisesti. Prosessi on opinnäytetyössä pyritty käsitlemään mahdollisimman kronologisessa järjestysessä. Aihe on jaettu kolmeen osaan. Ensimmäinen osa käsitlee yrittäjyyttä, toisessa osassa liikeideaa analysoidaan ja kehitetään liiketoimintasuunnitelman muodossa ja kolmannessa osassa käydään läpi yrityksen käytännön perustamistoimet. Osiot käsitellään kappaleen alussa ensin teoriassa, ja sen jälkeen käytännössä kohdeyrityksen kannalta. Liiketoimintasuunnitelma kirjoitettiin Yritystalo Evaldin ohjeiden mukaan.

Perustamisprosessin useat vaiheet ja vaiheiden samanaikaisuus altistavat virheille. Esimerkki yrityksen tapauksessa alustavat toimintakustannukset aliarioitoihin pahasti. Virheestä selvittiin lähes vahingossa koska vuoden liikenvaihto oli aliarioituna lähes samassa suhteessa. Suurimmat kirjanpidolliset virheet ja verotukselliset rikkeet onnistuttiin välttämään, kun kirjanpitopalvelut ostettiin ammattilaiselta. Yritys itsessään on tuottava, sekä elättää molemmat yrittäjät rahallisesti, joten siltä osin prosessin voidaan katsoa onnistuneen.

Asiasanat

Liiketoimintasuunnitelma, yrittäminen, yrityksen perustaminen.

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1 INTRODUCTION

Self-employment is a major factor in the economic growth and sustainability. This is why it is crucial that new businesses are born and existing businesses continue to operate. There are 283 290 businesses in Finland excluding agriculture, forestry and fishing industries. These businesses employ 1,4 million people. 98,9 per cent of these businesses are small or medium sized businesses employing less than 250 people. Small and medium sized businesses are the biggest employers in Finland, creating jobs for over a 100 000 people between the years 2001 to 2012. In comparison big organizations created jobs for a little over 7000 people in the same timeframe. Small and medium sized businesses generate 55 per cent of the 393 billion euro yearly revenue and their share of GNP is over 40 per cent. (Suomen Yrittäjät, 2016)

Bar and restaurant businesses in Finland have been going through major changes in the past years. Joining the European Union and the importing of alcohol by passengers from Estonia, and the actions Finnish government took to constrain this led to difficult times for bars and restaurants. Opening a beer and drink bar in Finland includes numerous steps, from the tangible calculations, a business plan and formation documents to the intangible planning and analysing. A proper planning ahead will make the starting processes easier and more importantly, help to avoid possible risks along the way. (Katajalaakso, 2016; Simola, 2015)

1.1 Thesis goals

This thesis has two goals. Firstly to follow the starting process of a bar in a medium sized town in Finland, and secondly to analyse the process after the business has been up and running for a period of time. It will analyse the foundation of the company, operations and realized expectations four years after formation. Both the starting process and the analysing will be done from the viewpoint of an owner-operator. There are multiple steps in starting a business, which can be listed in any order desired. This thesis will go through the steps of forming a beer and drink bar in a medium sized town in Finland. It starts from an idea of entrepreneurship, develops into business idea, and further to up and running business. Furthermore it analyses decisions, calculations and expectations of the starting process four years after opening

1.2 Background

The case company is a beer and drink bar that opened for business in July 2012. It is owned by two entrepreneurs and employs 3 to 5 part time workers, depending on season. Company was formed after the previous bar in the premises closed down in May 2012. The owners have accumulated approximately ten years of work experience between them working in bars. When studying business and entrepreneurship, both of them were intrigued by the idea of starting their own business. They had often talked about starting a bar and when the opportunity presented itself, they took it.

1.3 Thesis structure and scope

This thesis is divided into four chapters. First chapter is introduction, background information and scope of thesis. Second chapter discusses what entrepreneurship is and what does it take from a person to become an entrepreneur. In addition it considers the development of an idea into a business idea. It takes a look at the reasons entrepreneurs have for starting a business. Third chapter consists of analysing the opportunity and prospects of the business idea in form of a business plan. Analysing the initial idea and the potential for success is done through a SWOT analysis, market research and by assessing the competitive factors and sales opportunities. This chapter also discusses the choosing of right company form, need for start-up capital and forms of funding available.

Fourth chapter lists the practical procedures of starting, such as formation documents, bookkeeping, value added taxing, licenses and mandatory payments as well as operating plan

for the future and hiring, renting or outsourcing labour. Chapters are compiled so that after the theory section the matter will be reflected upon from the perspective of the business in question. In chapters where felt necessary the subject is also commented on from the viewpoint of owner-operator after four years of operations. These comment are marked with an “**”.

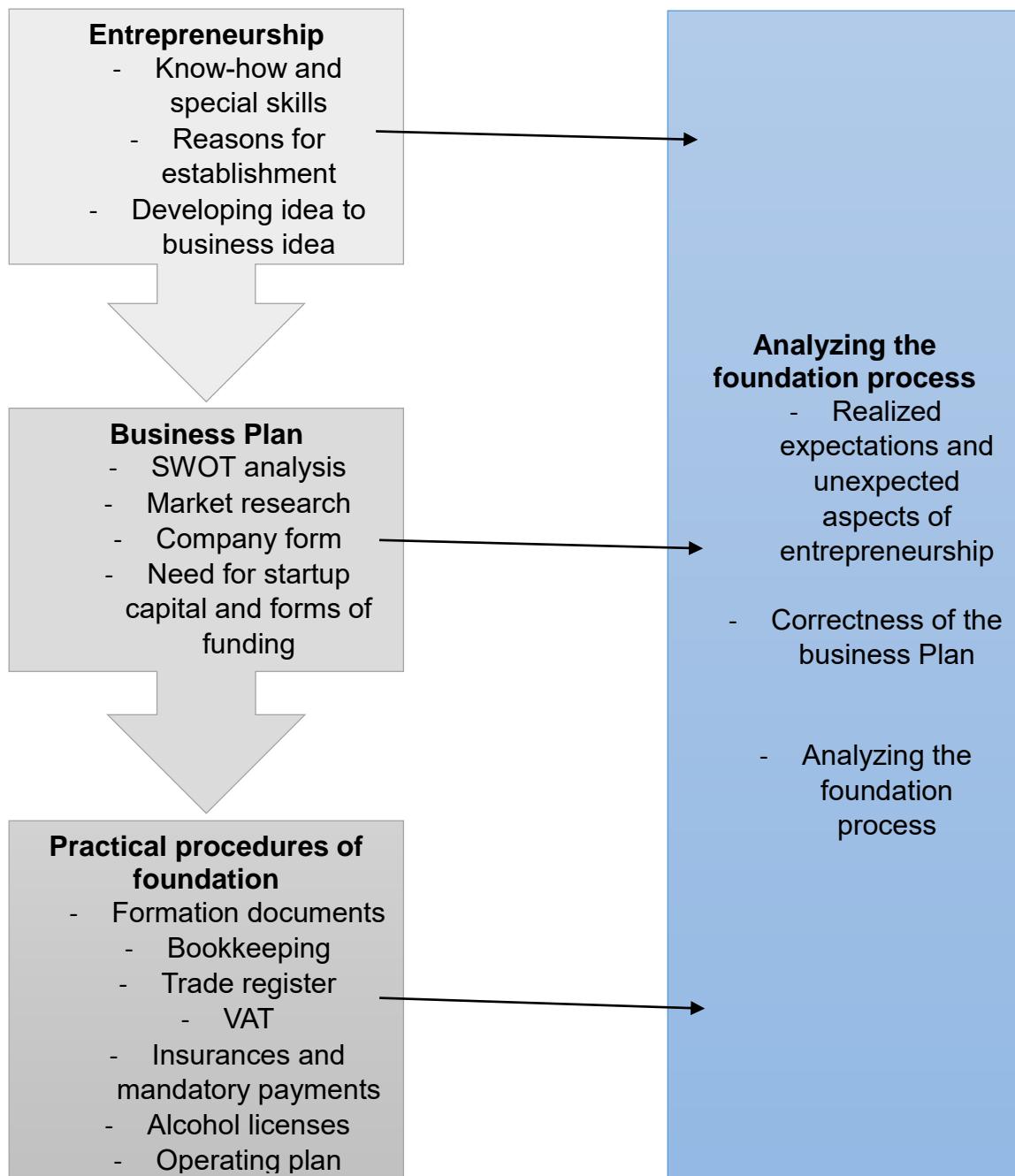


FIGURE 1. Frame of reference

2 ENTREPRENEURSHIP

The term entrepreneur was first coined by Richard Cantillon in 1750. He defined an entrepreneur as a farsighted, competent and single-minded individual who does not shy away from risks. From that simple statement entrepreneurship has grown into something loved by the business world. Entrepreneurs are seen as people bravely fighting for their existence in the cut throat business world making the most out of opportunities, and sometimes against all odds succeeding in becoming millionaires. Intrapreneurship is often defined as someone acting like an entrepreneur while employed. Intrapreneurs are people with creativity, vision and ambition but rather than baring the risk of starting their own business, express themselves in their place of employment. Work places can promote intrapreneurship, but it cannot be forced. It is a quality that comes from individuals and managers can only react to it either positively or negatively. (Burns 2001; Casson, 2008, 28; Sutinen 1998, 40-59.)

Self-employment and entrepreneurship are very important contributors to Finnish economic growth, competitiveness and employment. Entrepreneurship has a vast effect on economic and social behaviour and makes a real difference in the economic performance (Casson 2008, 28). The number of, and the appreciation for small businesses has grown in the past years. This is somewhat due to concern for employment, as large organizations do not create jobs at the same rate they used to and the public sector is cutting services and employing less and less people (Sutinen 1998, 3). Most entrepreneurs tend to possess certain characteristics and mind sets. They have a strong sense of being in control of one's destiny and being able to effect it with the choices one makes. Furthermore they have a strong need for accomplishment, and succeeding better regardless of the monetary compensation. Persons background also effects weather or not they become an entrepreneur. If a person has previous connections to entrepreneurs, they are four times more likely to take on the challenge than people with no such connections. (Sutinen 1998, 46.)

Current life situation is a major factor when deciding to become an entrepreneur. It can be a push towards entrepreneurship by negative aspects in work life, such as unemployment or the risk of losing one's job, dissatisfaction or not being able to adjust to working for someone else. A decision can stem from a positive pull also. General positive attitudes towards entrepreneurship and governmental support have been identified as pulling factors.

Additionally sometimes the pull comes from an opportunity that comes knocking or a very appealing business opportunity that is too good to let pass by. (Sutinen 1998, 47-48.)

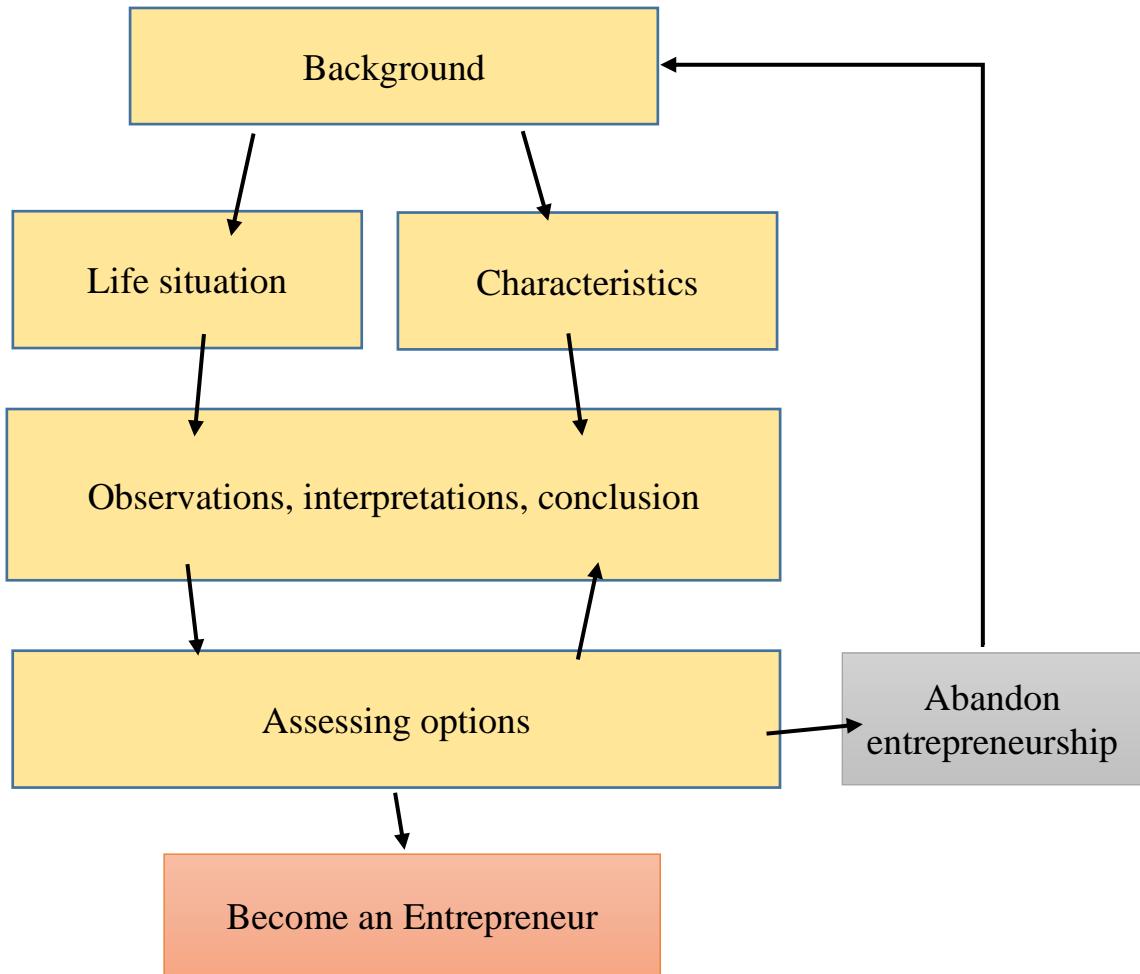


FIGURE 2. Decision process of entrepreneur (Sutinen 1998, 45.)

The task of starting a business includes a great number of things an entrepreneur must know. Not only does one have to know about the legal issues and other tangible things, but a starting entrepreneur should also take into consideration what being an entrepreneur will demand from oneself and from a possible business partner. The Federation of Finnish Enterprises (Suomen Yrittäjät) offers assistance and information for anyone wanting to become an entrepreneur. They also offer a free test that can be taken online to assess the entrepreneurial qualities one has. It is a good test to take when deciding whether or not to become an entrepreneur. The test can be found at: <https://oma.yrityssuomi.fi/yrittajatesti> (Sutinen 1998, 1; Suomen Yrittäjät 2016)

2.1 Know-how and special skills

The biggest asset for a new business is its owners. It goes without saying that one cannot start a business without the needed skills. Entrepreneurs need to learn the skills that help them cope and succeed as a private business owner. The problem is defining these skills. It is close to an impossible task as entrepreneurship is not a profession like a chef or a waiter. An entrepreneur needs to know enough of everything to be able to see and understand the company as a whole and to realize when the help of a specialist is needed. (Sutinen 1998, i) The smaller the company, the more an entrepreneur needs to be an all-rounder. In the case company the owners need to be skilled bartenders and they need to be able to handle marketing, book-keeping, orders and various other tasks. Only when the business grows will they be able to afford to hire specialist help, if felt needed. (Burns 2011, 143)

The case company owners have an extensive experience of bartending. Between the two of them they have amassed over ten years of work experience in bars and restaurants, and have developed an intimate knowledge of the bar culture. It is through this knowledge that they have garnered an understanding of demands and expectations of the bar clientele. They were starting the business with this understanding as its key concept. Both of them have also been working towards a Bachelor's in Business Administration degree and their education is tailored for starting a small business such as this. The studies included entrepreneurship, financial accounting and marketing.

2.2 Reasons for establishment

After working for close to 6 years together at various bars and nightclubs throughout the area the owners felt confident that together they can compete successfully in the market in their home town. They both felt that they possessed dynamic work ethics and compatible personalities. They had a sincere desire to put forward a friendly customer service approach coupled with a pleasing bar atmosphere. With the decline of the former bar they felt that it was an excellent time to open a new bar with an entirely new concept. One of the owners, who has worked closely with the former owners of the previous bar, was aware of the locations untapped potential and was willing to exploit it. With the exception of a new nightclub, a new bar had not been opened in the area for close to 7 years. *Even with the decline of the entire bar and

restaurant market in Finland in the past years, the case company was indeed opened at a good time. After several bars had closed or changed concept, there was a definite gap in the market for a comfortable lounge type bar. This gap the case company has managed to exploit.

2.3 From an idea to business idea

The idea for a business can be anything and come from anywhere. It can be an idea that an employee has, but employer is not willing to take part in so the employee decides to do it himself. It can be new technology, new innovation, and a way of doing things better or cheaper. Instead of an innovation it can start from the idea of what existing businesses are offering and what are they not. (Burns 2011, 126.)

A business idea is essentially a description of how the company is going to make money. It has two important functions. Firstly when meticulously analysed it serves as a tool for an entrepreneur to realize the compatibility and logic of ideas and to rationalize them to oneself. Writing down the business idea in the form of a business plan is essential especially when investments and connections are needed. In todays' world nobody has the time to listen to vague ideas. Investors and possible co-operators want to see comprehensive to-the-point ideas that are thoroughly thought of. (Sutinen 1998, 68-77.)

3 BUSINESS PLAN

There are multiple steps to take between having a business idea and making it a reality. A business needs customers, or a market, and it needs an owner who has the right skills to run the business. Market, entrepreneur, competition and the business idea have to be evaluated thoroughly, and to do this a business plan is constructed. It is essential to have a good business plan especially if start-up capital is needed. (Burns 2008, 143) Writing a business plan should not be considered as a burden, but an opportunity. Completing a well thought of business plan is the best way an entrepreneur can evaluate the business idea and outline the future of the company. It works as a tool for better understanding and researching the market, financial aspects of the business, set specific goals and anticipate and avoid obstacles. (Abrams & Barrow 2008, xxiv.)

For the case company a business plan was originally written according to the instructions given by a representative of Firmaxi in Yritystalo evald.

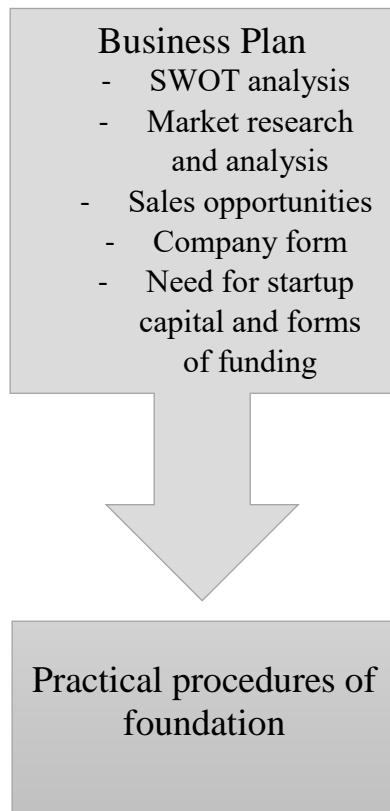


FIGURE 3. Business Plan. (Frame of reference)

3.1 SWOT analysis

The abbreviation SWOT comes from words Strengths, Weaknesses, Opportunities and Threats. The first two refer to internal factors, meaning the entrepreneur and the business, and the latter two to external factors i.e. the market the business operates in. With careful planning threats can be turned to opportunities, but before that can happen, those threats have to be fully understood. Crucial for the success of the SWOT analysis is that the business can be analysed objectively, which means that an entrepreneur has to be almost brutally honest about oneself, the business and the market. Due to the subjective nature of elements in the SWOT, it is easy to under or overestimate them. (Burns 2007, 254-257.)

Strengths for the case company are that the owners are skilled bartenders with combined experience of over 10 years. One of them has also worked as a restaurant manager for a local pub, and both owners have extensive knowledge of the field and market. A large support network is seen as a strength too. A large premise makes it possible to combine different bar concepts into one and has the opportunity to alter to changing consumer needs. *The biggest assets for the case company has been the work experience of the two owners, and the large support network they have. The knowledge of the market they had accumulated over the years has turned out to be an important factor as well.

The size of the bar is not large enough for different concepts per se, but has enough room for different sections. There is a so called sports den that has a big screen in it for showing sports games. The screen is hooked up to a game console with motion detectors for motion controlled games. Other areas in the premises are a pool table area and a sauna with room for groups up to 15 people. The space has been used for non-conventional bar use also, mostly in the form of birthday parties, class reunions and other conventions.

Weaknesses for the case company are a relatively small start-up capital, owners' lack of experience as entrepreneurs and the possibly very large workload on two people. The owners plan to extend the payment terms of opening costs as far as they can to compensate for the small capital in the beginning. As they are both single people, the workload itself is not an issue for neither of them. The concept is not new or really innovative and is easily copied. This is a weakness that is not easily fixed and the owners do feel that creating a unique atmosphere and friendly customer based service system is a way to compete with other bars. If another bar

with a similar concept was to appear, some kind of VIP card system, or other marketing tools can be implemented to increase appeal.

*Small start-up capital, even though definitely a weakness, did not play a major role in the long run as the bar received relatively good attention and a steadily growing stream of customers from the very beginning. Extending the opening costs helped also. Some payment terms were extended as far as six months after opening. The concept could indeed be easily copied, but opening another bar right at this moment would require a much larger start-up capital as there are no readily available and equipped bar locations, which in the present state of the whole business is not worth the risk. The reason why the case company was able to open with a small start-up capital was that the premises used to be a bar, and had all the equipment needed already, and the opening costs were extended up to six months after opening.

The workload turned out to be much bigger than estimated in the beginning, which led very soon to using paid labour which was not in the original plan. A lack of experience as entrepreneurs has not been a so called make or break factor, but has added to the already substantial workload of the owner-operators. After the first year with routines set in place and skills acquired, working became more efficient. Working hours got fewer, but not to the extent that paid labour was not still needed.

3.2 Market Research and analysis

In order for a company to work and make profit, it has to know its market. This means some degree of market research to minimize the risk and uncertainty and provide knowledge to base marketing strategy on. For a new business any information is valuable, and the key function of market research is to collect information on customers and competitors. (Burns, 2007 146,147)

The population of the town the case company is based is currently 47,000 (Kokkola.fi, 2016). The bars and nightclubs had been relatively unchanged for the last 7 years before the case company opened, with the exception of a nightclub that opened in 2008. The bar and restaurant field is suffering from high taxation and heavy restrictions. That combined with the after effects of the economic downturn in 2008 has had major effects on bar scene all around Finland. The newest nightclub in the case company's area was a part of a nationwide chain of nightclubs,

and has been the only bar to open in the area in ten years along with the case company, excluding a café that only operates during summer. In the same time at least seven bars have closed for different reasons. (Holopainen, 2013; Kokkola.fi, 2016)

It is important for a new business to understand its competition, how a new service or product compares to them, and how to develop a product for gaining competitive advantage. (Burns, 2007 106-107)

There are three big competitors in the market. The closest competitor is located about 140 meters from the case company. They have traditionally catered to sports fans and bar patrons aged over 30. The bar has many advantages including its loyal customer base of sports fans, and secluded patio. Its disadvantages include the fact that much of the bar has been unchanged for many years, and the small size and layout provide little privacy for customers. Second closest competitor is a popular bar attached to a nightclub. It caters to a broad selection of clientele ranging in age from 18-35. The advantages this bar has is the fact that one can enter a nightclub directly from within the bar. However it has a small customer space and aging furniture along with the lack of a patio. The third competitor is a comfortable bar offering a free pool table displayed at the front of the bar. Its interior smoking room is an added advantage for smokers. However, the staff is constantly changing and often unskilled lowering the standard of the bar.

*At the time of the case company opened there were eight pubs and three nightclubs in the area. Since the case company opened, one nightclub closed down in January 2013 (Holopainen, 2013). One pub had an unfortunate fire in 2015, and was completely destroyed. Another pub closed down in spring 2016. Other bars in the area have closed down also, but none of them in the close vicinity of the case company. All of these changes have affected the case company position in the market. The biggest competitors today are a pub and a nightclub that are a part of the local Sokos Hotel, as well as the two closest pubs to the case company. All three have a concept that closely resembles that of the case company. A local pub and billiard club competes with the case company mostly for weekday customers. Two potential new competitors are an old pub and a small local hotel. The old pub has been profiled more towards older, rougher crowd, but since renovations were done late 2015 it has attained some new customers and even though many customers still dismiss the place because of its reputation, but if the place is successfully rebranded it will become a serious competitor. The

hotel had a rebranding campaign that started fall 2015 to relaunch of the Hotel lobby bar, and the place has received more attention since. Cheaper prices and contemporary interior design are selling points for the hotel, but very few customer seats and remote location mean it is not a major competitor.

An important thing for a starting business is to find out how big the market is and whether it is growing or declining. Determining who the customers are and why would they become customers in the first place. This information is used to estimate the sales potential of the product or service. The case company's customer base includes bar patrons in and around the town it is based in. Bar clientele has become more demanding of quality of both product and service. These trends fit the case company's business concept perfectly. It is estimated that it will take about six months to establish a regular customer base. Capturing a healthy share of weekend customers is thought to be relatively simple, however much emphasis will lie in capturing a large share of weekday customers. (Burns, 2007, 106; Katajalaakso, 2016)

Bar customers can be divided into different categories. Regular bar customers visit bars during the week and week-ends from 2-3 times. Special bar customers will visit the bars primarily during the weekend or special occasions e.g. Office Christmas parties, summer-holidays. The spending habits of these two groups will vary greatly, however the regular bar customers generally spend an average of 10€ per visit while the special customers spend closer to 15€. One major factor, for both groups, determining which bar they will visit, is the amount of people already in the bar. Regular bar customers are very important customers as they not only serve as a base for revenue but also give the bar the appearance of being full.

*Customers have become more concerned about quality in both product and service. The case company has captured a large portion of the weekend customers, and it was indeed relatively easy. Establishing a regular customer base did take much longer than estimated initially. It was not until around two years after opening that one could say a solid base had been formed. Most of sales are made during Friday and Saturday nights still, and getting even a portion of weekday customers has proven to be much more difficult than expected. This is partially because the number of customers going out during the week has been decreasing. Also other bars that have been operating for much longer than the case company, have very loyal customers. Reaching that level of loyalty will take time and much work and dedication. Comparing the

number of customers and sales after weekend nights has shown that customers spend an average of approximately 14€ per night.

The ultimate goal of marketing is to promote the existence of a company and their goods and/or services to the customers to ensure profitability. The four Ps of marketing are factors that can be used to affect the behaviour of potential customers. These are product, price, accessibility or place and promotion. In some cases the staff or people, and standards of operating of politics are added to the mix. By choosing the right combination of these factors a company can aim its marketing at the selected target market. For the purposes of this thesis, politics are not covered. It is felt that, even though definitely an important factor for promotion, the subject is too personal for the business and much too complex to be covered here. (Isokangas & Kinkki 2003, 198–199.)

The case company is the newest pub to open in the area in 7 years, offering a much needed alternative for bar customers. It is also one of the most spacious locations in the area and offers an in-house sauna. The bar staff was limited to the two owners initially. The vision was to project timely, friendly service in a welcoming atmosphere. In the beginning the case company was concentrating on high volume selling items, but beer and cider selection were planned to be updated frequently and more options were to be added later, when distributors for special products had been found. More emphasis was to be put on special drinks and cocktails as the ingredients are readily available, and no other bar in the area has been focused on that aspect in depth.

A business idea usually starts with a product or service that will be provided. Product on its own is important, and fills a need for the customer, but increasingly services provided as an added value are in demand. Services are very different in nature from a product. They are intangible and usually consumed as produced. An entrepreneur should identify why the product or service offered is better than that of competitors, and how does it create a competitive edge. The case company' main products are draft beer, draft cider and mixed drinks. Initially there are a selection of 20 to 25 products of beer, cider and long drinks, which are classified under the Finnish alcohol law as mild fermented alcoholic beverages containing 4,7 per cent by volume (%VOL). 15-20 liqueur and other products classified as mild alcohols containing under 22 %VOL, and also a selection of 25 product classified by Finnish alcohol laws as spirits, with over 22 %VOL, including whiskies, cognacs and gins. Specialty items are expensive and hard

to attain, so a decision was made to concentrate on high volume selling items instead. Plans to take a few special beers and ciders in selection in years to come were made. Initially choosing a narrow selection was felt wise, as a high turn in inventory ensures that cash will not be tied up in products for long periods of time. The case company is concentrating more on special drink selection, which is easy for competitors to copy, but a seasonally changing selection and unusual choice in ingredients, such as ice cream drinks, should ensure a small competitive edge. (Finlex, 2016; Mariotti 2006, 66-67; Meretniemi & Ylönen 2009, 118)

Often in bars, the product and service go hand in hand. This was easy to see when comparing the price of a bottle of beer in the supermarkets to the same product sold in a bar. The price difference is considerable. This means that the price of the service and atmosphere is added value to the customer. The case company is dedicated to giving friendly service in a warm welcoming environment, and ensuring a pleasant experience by keeping the bar clean, candles lit and having mellow background music playing on a good level so that it does not interfere with conversation.

*The case company's selection has grown since opening, by almost 20 new products of fermented drinks, and 15 spirits. Some specialty items have been added to selection that are not sold in any other location in the area. Even though draft products amount to about 60 per cent of sales, concentrating on special cocktails and drinks has been a big selling point too. By comparison based on experiences of the owner operators, the culture of mixed drinks has been quite narrow in the area. The case company has strived to change that by developing a culture of cocktails. In practice this is done by suggesting new options to a hesitating customer, and helping them make their choice by asking a few simple questions to define their preferred taste and suggesting drinks accordingly. Friendly service coupled with an attractive and clean interior has been a considerable competitive factor for the case company. Every aspect of these things are easily copied by competitors, but after four years seem to be an important factor for customers when choosing a place where to spend their time and money.

The Price level affects not only the demand of a product or service, but also the image of the company. When deciding the price, an entrepreneur has to take into account the purchasing cost and manufacturing costs and competitors' prices. The price is right when the product has a good turnover and makes a good profit. Pricing is an important factor in the bar business. If prices are too low, it attracts an undesirable clientele. As the case company wants to distinguish

itself as a comfortable and classy pub, the pricing should not be set too low. However, in the current economic situation in Finland, and the decline of restaurant and bar market in the whole country, setting the prices too high could result in losing customers. The case company's prices will be based on the market averages. Domestic bottled beer being the least expensive at 4€ per portion. Domestic draft beer will follow around 5€ per portion. Ciders, Long drinks, imports, and most mixed drinks will be 6€ per portion. (Meretniemi & Ylönen 2009, 119)

A decision was made to set the prices of some high volume selling items, such as draft beer and cider, about 0,30 cents lower than competitors to gain a competitive edge until a time where the case company has attained a solid base of regular customers. Also non-alcoholic beverages are set at a lower price for the same reason. An above average price levels on some specialty products was decided on in order to compensate for the lower prices on high volume items, and to demonstrate an air of class.

The case company has a rental sauna space, that will be priced at 150€ for a three-hour session. Discounts can be offered for marketing reasons. Most drinks will be priced in order to produce an 80 % gross profit, while taking into account the cost and price of the non-alcoholic mixer.

*Setting lower prices in the very beginning resulted both in positive and negative things. Lower prices on volume sellers, although not the only factor, did assist greatly in attaining customers in the first year. A solid base of frequent regular customers took about two years to achieve. However setting a higher price on so called top shelf products helped at creating an image of class and stature, which again helped with orderliness and obviously with making operations profitable.

Lower prices became problematic when after a year from opening it was decided that prices should be raised to the same level as competitors to raise profit margins. Beginning of 2013 the basic VAT levels in Finland rose one percentage from 23 to 24 per cent, thus affecting the alcohol prices, and VAT on non-alcoholic beverages rose also from 13 to 14 per cent. This amounted to about a 0,05 € increase on draft beer and cider. The case company's prices were now an average of 0,35 € lower on high volume selling products than that of competitors. It was felt that rising prices the full 0,35 € on those products would result in displeased customers and would mean running the risk of losing them. A more moderate, but still a significant raise

of 0,20 € was decided on, with the plan to raise prices again after five to six months to coincide with the industry levels. Unfortunately Finnish government decided to raise the alcohol manufacturing tax from the beginning of 2014. Taxes on beer was raised by 8,2 %, wine by 8,6 % and spirits by 5,3 %. This resulted in higher prices across the board, and left the case company further away from the price level of others. Prices were gradually increased in 2014, and in the beginning of 2015 the case company had reached a desirable price level, with draft beer and cider now at 5,50 € per portion. (Panimoliitto, 2016)

The availability of products are essential and choosing location for a business is important. Factors that should be taken into account include infrastructure, availability of workforce, traffic patterns and much more. As it is important in the restaurant business to be located physically close to customers, entrepreneurs' goal should be to find a location that is convenient and easily accessed. The location is troublesome for two reasons. As the front of the bar is very small, it is not visible from a distance. Also, it is located somewhat far from other bars in the area, with most of them concentrating around market square and a small park situated two blocks from the case company. It seems somewhat silly that it would be so, since the case company is located less than 200m from the nearest two competitors. Unfortunately it is recognized to be located far enough for customers to potentially dismiss the case company as an option, or even to not know of its existence. (Scarborough 2011, 463)

*The location of the case company is not ideal. Feedback from a number of customers about the bar being too far from other bars was received in the first six months especially, but continued through the first year and a half of operating, until customers got used to the commute. The front of the bar still poses an issue, even though steps have been taken to make it more visible from a distance.

Promotion can be direct or indirect. Direct marketing is used for promoting an event, single product or the existence of the business. Indirect marketing is used for example building an image for the business. Tools of promotion include newspapers, internet, promotions inside the premises, competitions, events and much more. (Meretniemi & Ylönen 2009, 120). Promotion in the area is very challenging. The only affordable outlets are local newspapers and social media. Some promotion will be done by handing out brochures and drink tickets by the staff, but exposure from these is considered to be minor. Advertisements will be placed in the local newspapers on a weekly basis, promoting rental sauna and announcing bands or

other special occasions. Also a brochure will be produced, explaining the sauna and game room services. It will be distributed downtown to local businesses by owner-operators themselves. The owner-operators have contacts working for the soccer clubs in the area, and are planning to offer discounted sauna nights and sports nights tailored specifically for their needs to market the sauna.

After working in bars for so long throughout the area owner-operators have a friendly relationship with many of the regular bar customers. This fact will be utilized as well as possible in order to achieve a large customer base. Moreover one of the owners has gathered a list of contacts throughout the music community over the years, and those connections will be exploited in order to secure popular bands to encourage customers to visit that normally would not. The front of the premises is quite narrow in relation to the size of the bar. The front will be accentuated with a canopy, displaying the name. The windows in the front will get new stickers displaying the logo. Outdoor lights will illuminate the canopy and window stickers. Everyday there will be a stand promoting different aspects of our bar along with outdoor candles. This hopefully makes the bar highly visible to the entire street.

There are also plans on using social media sites like Facebook in order to create a site where members can be informed of different happenings within the bar. Opportunities to produce a low-cost short promotional video will be explored. The video will be advertising the interior the bar and promoting pool table and sauna areas, and it could be uploaded to YouTube and promoted through social media.

*Social media and local newspapers have played a major role in marketing. Most events are promoted through the company's Facebook site as events. Paid advertisements in Facebook have proven to be a reasonably priced and an effective option. Local newspapers have been used to promote bands and sauna every week, but recently a decision was made to discontinue with printed advertisements, because the cost-effectiveness of it is not felt to be adequate specially comparing to social media.

Occasionally bigger events have gained free advertisement in the form of a press release printed in the three main local newspapers. Owners have been interviewed for local radio and the newspapers from time to time concerning various topics in their field. A brochure promoting private parties and sauna was made, but mostly it has been handed out at the location to other

entrepreneurs and people looking for a place to have either their birthdays, company Christmas parties or any other big events. Friends and acquaintances of owner-operators proved to be a good promoting tool in the very beginning, since other outlets, even when reaching a great amount of potential customers, were also largely ignored by them. Word of mouth advertising may be slow, but it is the most valuable form of advertising. Having connections to musicians in the area proved to be an important asset once live music was decided to be played every weekend, and it worked also as a promotional tool when bands would bring in their friends and fans.

A marketing tool that could have had potential was a promotional video that was filmed by performing arts students, but was never released due to misplacement of the video by the students. Luckily as the video never reached the case company, there were no costs from it either.

The case company started co-operating with other local businesses. Together with a local hotel and restaurant a joint advertising campaign was held, where the businesses advertised each other inside each location. A Christmas party campaign and a wine campaign were executed in co-operation among the three companies. Also, a joined taxi advertisement was done together and it ran for over two years. The owners' opinions on the success of the taxi campaign differ, as one of them feels that the taxi advertisement has not been worth its value. The logo on the car was too small, and when the car is driving by fast, it could not be seen at all. The other of the two on the other hand believes that it was a success as he sees that it was when people got in to the taxi that the advertisement was best noticed and thus it was worth the investment.

A canopy was installed and stickers with logos were taped onto the windows. Unfortunately a traffic sign is blocking the canopy from view from the most crucial market square side. Lights were installed onto the canopy, and a light sign above it was fixed to make sure some part of the case company's existence could be observed from the market square. A stand is put out every day, and is used for promoting bands and drinks. After sunset candles and torches, and in daytime balloons and such have been used for extra visibility as well.

A promotional tool that could and should be utilized more is the inside of the premises. Products and events do get advertised, but should be updated more often. Posters for upcoming bands

are hang up, but an effort to design posters on promoting sauna and products could be made. This type of promotion is an overlooked tool in the case company. It could have a potential in reaching the target groups better as there are more than 500 customers coming and going every week. The costs of promoting inside the premises are very low, consisting mainly of designing and printing costs. The reason this has not been utilized better is that a more focused effort has been made on getting new people to come and visit the bar.

In a service based business, the customer should be treated as advertised. If focusing on a cosy and welcoming environment, the entrepreneur should ensure that this is in fact the experience all employees give to the customer. In the beginning entrepreneurs were assuming all the shifts themselves, including cleaning, wholesale purchases and daily paperwork. The shifts were rotated so that both owners were working on Friday and Saturday nights, and also had at least one free day every week. They were expected to be working about 65 hours per week. Extra help in the form of a blocker and a bouncer may be hired to work weekend nights from 22.00 to 03.00. (Mariotti 2006, 129-131)

*After just a few weeks of opening cleaning was outsourced, since it became very clear that the amount of working hours was grossly underestimated, and the bar started accumulating dirt even with the owners best efforts of cleaning. Bartending shifts were divided equally between owners. In case of illnesses hours are worked by either the other of the pair, or by hired help. Extra employees are used during the weekends. Usually one extra person on Friday and two on Saturday.

It has become obvious how important employees are for a bar since it is based firmly on customer service. A good employee is not only good with customers, but also reliable. Owners need to be able to trust that employee comes to work on time and will serve customers according to company policies. They also need to be able to trust that person with their money and intimate details about their business. Motivated employees also help with product development and operations by bringing in their ideas, knowhow and suggestions. The case company has been blessed with a capable and professional group of individuals, who are all highly motivated and have had a great impact on the success of the business.

3.3 Company form

As no business is exactly alike, forcing them all under the same label would not benefit the business or society. When deciding the right business form there are several factors that contribute to the final decision. These factors include the number of partners, need for capital and liability distribution, flexibility and continuity, taxation and profit or loss distribution and salaries. (Halonen 2012, 21-22; Isokangas & Kinkki 2002, 180-181)

Company forms are divided into two groups. Personal companies are private enterprise, limited partnership and general partnership. Capital companies include limited companies and cooperatives. The main difference between personal and capital companies from the entrepreneurs' point of view is that in personal companies the entrepreneur is personally liable for company debts, whereas in capital companies in case of bankruptcy the entrepreneur is not liable for company debts with his personal property. (Isokangas & Kinkki 2002, 182)

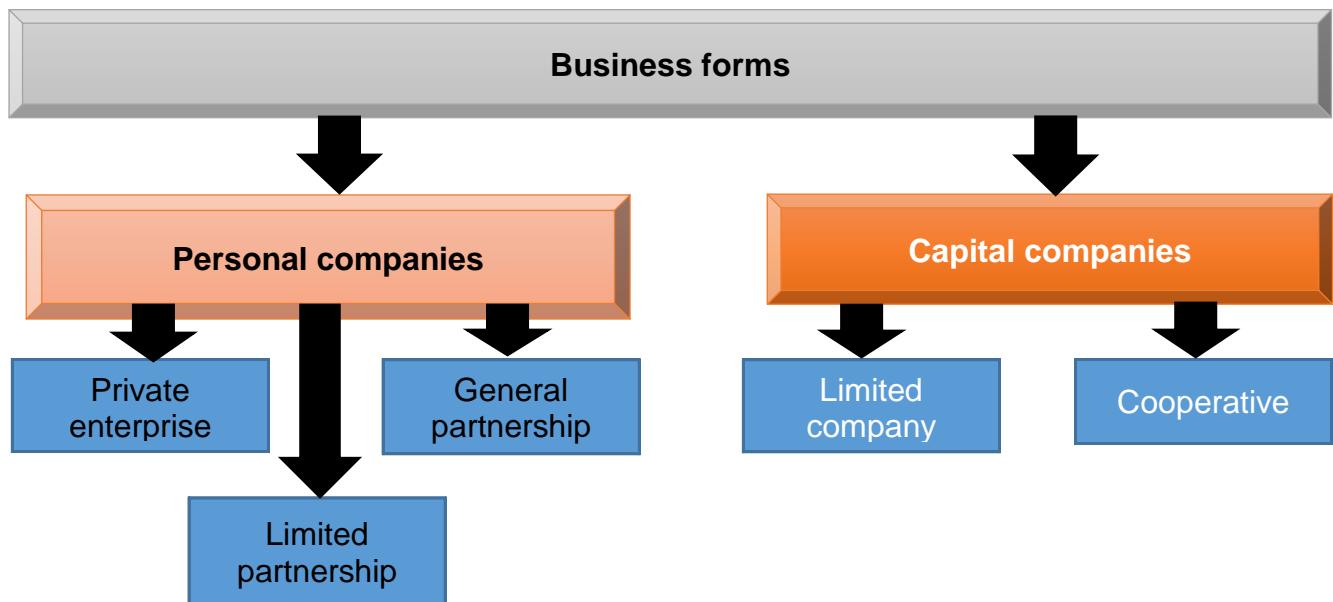


FIGURE 4. Business forms (Isokangas & Kinkki 2002, 182)

In Finland changing from one business form to another is possible if all legal requirements are met. Change can result in tax consequences, depending from which to which form change-over takes place. (Isokangas & Kinkki 2002, 182)

A private entrepreneur is an enterprise formed by one person. The owner of the enterprise makes decisions and acts on behalf of the company and concludes its contracts. Private enterprise is not a separate legal entity. A private enterprise is usually formed when the need for start-up capital is fairly small. As there can be only one entrepreneur, one is free to make all the decisions as one pleases. On the other hand a private entrepreneur is responsible for all the debts personally. A private enterprise, even though represented by the entrepreneur, has its own income, resources and debts. In practice the distinction is made in book-keeping. All profit of a private enterprise is considered as income for the entrepreneur. (Holopainen 2009, 13; Suomen Yrittäjät 2013; Isokangas & Kinkki 2002, 182-183)

A private enterprise has its own resources and debts, but when the enterprise makes a profit it is considered as one section of the entrepreneurs income and taxed as personal income. A private entrepreneur cannot pay salaries or fringe benefits to himself. If the entrepreneur uses fixed assets of the company, that amount is added to the result of the enterprise. However if the entrepreneur wants, he can demand that 10 % of profit is considered to be capital income which is taxed accordingly. The rest is considered to be earnings income and tax rate on it is progressive. (Isokangas & Kinkki 2002, 182; Holopainen 2009, 140)

Selling or succession is very difficult in private enterprise. The company cannot be sold as such, but the tangible assets, such as machinery can be. This is mainly why private enterprise is a good form of business for someone who wants to have a small business for employing only themselves. (Isokangas & Kinkki 2002, 183)

A general partnership can be founded by at least two persons, legal entities or another general partnership. Each partner is, without a separate authorization, entitled to represent the company. A private entrepreneur is sometimes in the need of support, either monetary or mental. A general partnership is a way to bring together entrepreneurs who can support one another, thus increasing their collective resources. General partnership is formed with a partnership agreement. All partners can act on the behalf of the company, and are liable for all debts of the company personally and collectively. Profits are divided between partners in relation to the investment they have made, if not otherwise agreed upon in the partnership agreement. General partnership, as already mentioned, needs at least two members. If the number of members drop down to just one, and no new members join in a year, the partnership is deemed as a private enterprise. General partnership can only be founded as operation that

is meant to be continuous. Founding a general partnership for example for the duration of a building process has not been accepted. (Holopainen 2009, 141 & 2012, 24; Isokangas & Kinkki 2002, 184; Suomen Yrittäjät 2013)

In a general and limited partnerships profit is divided between partners in accordance with the partnership agreement, and taxed as income. Partners can pay themselves a reasonable salary or fringe benefits. The income share of a partner is 20 %. Annual yield on his share of the net assets from the previous tax year, with tax rate of 28 %. The rest is taxed as earnings income with a progressive tax rate. By not paying a salary company saves the employer's social security costs. The profit distribution from a partnership is tax free. In connection with the advanced tax an entrepreneur has to pay sickness payment and a daily allowance payment, the latter which is tax deductible. Silent partners share of the income is paid as an interest on their investment. (Holopainen 2009, 141)

Just like general partnership, limited partnership can be founded by two or more partners. At least one of the partners has to be a silent partner. General partner is entitled to represent the company, whereas the silent partner has no authorization in the company matters. Investments of the silent partners to the company has to be monetary, but general partners' investment can be for example work input. (Holopainen 2009, 26; Suomen Yrittäjät 2013)

Limited partnerships are often founded when a private entrepreneur needs an investor for starting up the business. It is also often used as a "family business". In Limited partnership general partners are liable for all the debts of the company similar to a general partnership, but silent partners are only liable with the amount of capital investment they make. Profit is distributed first to the silent partners as dictated in the partnership agreement, and the rest is divided between general partners. (Isokangas &Kinkki 2002, 186-187; Suomen Yrittäjät 2013.)

In both general and limited partnership, a partner can sell or give his share of the partnership only by the terms set by other partners or terms set by the partnership agreement. If a member of a general partnership leaves, he is still liable for debts taken while he has been a partner. New partners are also liable for debts taken before they joined the partnership. A partnership agreement can outline the rules for redemption of partners share. These rules can make it easier both for the company or the folding partner when conditions for partnership are no longer met. For example one partner does not feel that the partnership is any longer serving their

needs, he can be redeemed of his share without terminating the partnership. (Holopainen 2012, 24; Suomen Yrittäjät 2013)

At least three persons are needed to found a cooperative. Often the purpose of a cooperative is to bring together partners who work for mutual benefit. A cooperative can be a non-profit community, or a company run and managed by owners or by the people who use its services. It does not have to have a specific number of members, and the share capital has not been pre-set. The purpose of a cooperative is to function as a supportive entity helping members financially by providing them with products and services. A cooperative is often founded as a tool for achieving a common ideological, social, cultural or economical purpose, and thus is not meant to collect profit for its members. (Holopainen 2009, 49-50; Suomen Yrittäjät 2013)

When a cooperative is founded all partners pay a fee to the cooperative. If a partner leaves they get this fee back. Thus the capital of the cooperative changes with the amount of partners. The number of partners and the amount of capital is not pre-set and can change continuously. The main decision making body is the general meeting, where all partners are welcome. Each partner has one vote regardless of the amount of shares. A big number of partners can make the day-to-day decision making and operations slow, so a representative board can be pointed. (Isokangas & Kinkki 2002, 192-193)

In a cooperative the relative income tax rate is 20 % (Verohallinto 2014). A refund of the surplus is paid to a private member as additional wages if he is in an employee for the company. To an entrepreneur the refund is income, which is divided into earnings and capital income. Any interest on capital is capital income of the member. It is tax free up to 1,500 euros, and when exceeding this limit 70 % is considered as capital income and 30 % is tax free. (Holopainen 2009, 142)

Limited liability Company (LLC) can be founded by one or more natural or legal persons. Partners in a LLC are shareholders. LLC:s are divided into private and public companies. The main distinction between the two is that private company's securities may not be made public. (Holopainen 2009, 33)

The highest power in a LLC has the board of directors. The company can be represented either by a member of the board of directors, an executive manager or any other representative of

the company appointed by the board of directors. A public LLC has to have a minimum share capital of 80 000€ and a private LLC 2500€. In a LLC shareholders liability is limited to the value of their shares, and are not liable for the company debts. Partners are not automatically entitled to act in company matters. The amount of shares does however determine the influence a shareholder has at a shareholders' meeting. This meeting appoints the board of directors which is the main decision making body in the company. Funds from a LLC can be distributed to shareholders as salary for their work input, shareholder loan or dividends. Shareholders' meeting can decide to pay out dividends to shareholders from the profit of last accounting period after losses, some payables and possible pre-set transfers to reserves have been deducted. Dividends can be payed freely when the company has equity, and there is no precondition for the last accounting period having to be profitable. (Halonen 2012, 29; Isokangas & Kinkki 2002, 188-189; Suomen Yrittäjät 2012 & 2013)

A private LLC can be changed into general or limited partnership, at which time shareholders become partners of a general or a limited partnership. For this to happen, the LLC must have at least two shareholders. LLC with just one owner can be changed into private enterprise. In a limited company a shareholder can be paid dividends or salary. A shareholder working for his company can have fringe benefits as part of his salary. Dividends are considered as either tax free income, capital income with 20 % (Verohallinto 2015) tax rate or earned income with progressive tax rate, depending on the net property of the company and the amount of dividends divided. Also, entrepreneur pays a medical contribution and a daily allowance contribution. (Holopainen 2009, 141; Suomen Yrittäjät 2013; Verohallinto 2015)

3.4 Need for start-up capital and forms of funding

All businesses need money to operate. Very often the most amount of money business needs at one time is at the beginning. The more starting up costs and the longer it takes for money to start coming in, the bigger the capital has to be. A business will generate costs from the moment the decision to form a company is made, but sometimes it takes months to generate any income. This will have to be taken into account when calculating the start-up capital needed. Initial investments and operating costs have to be carefully calculated before form of funding can be decided. (Kotro 2007, 16-19)

The first challenge in starting a business is finding money for starting. The Finnish high income tax level makes it next to impossible for saving start-up capital from wages. This means that an entrepreneur has to have solid calculations on how much capital is needed to show for possible investors. Capital needed can be identified as equity and working capital. Equity is money needed for start-up investments, such as renovations, equipment and initial inventory, working capital is the money needed for running operations before income is generated. (Passila 2009. 312-314)

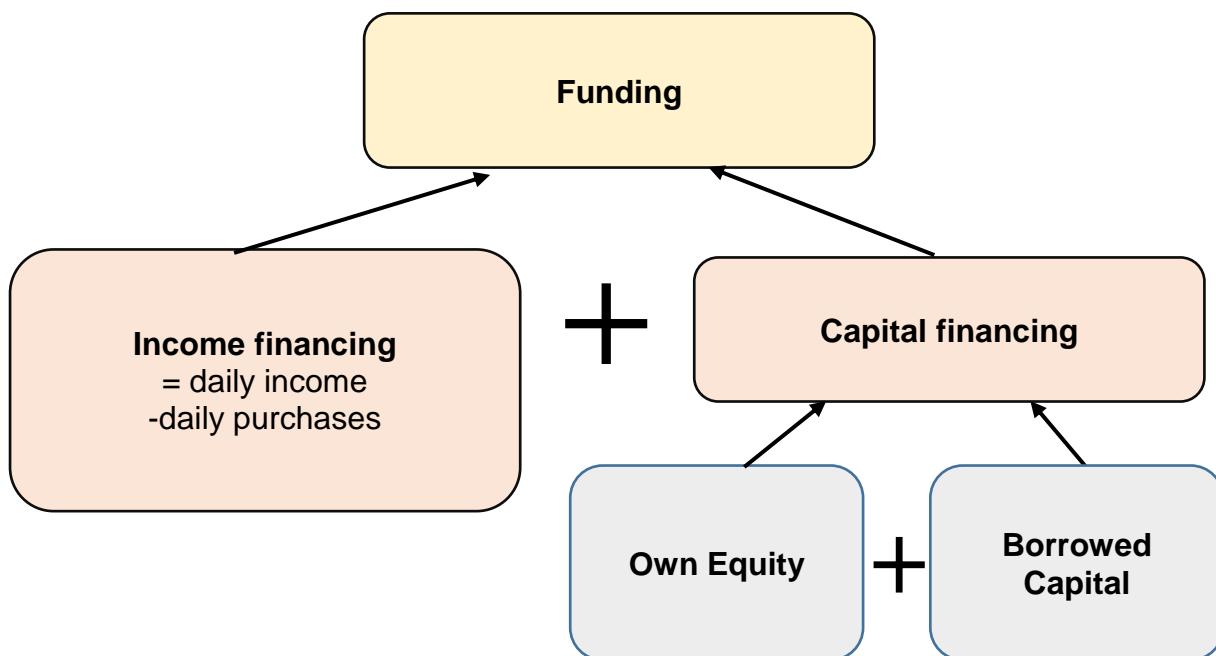


FIGURE 3. Forms of financing (Sutinen 2005, 97)

Finnish public employment and business services office (TE-Office) grants start-up grant to new entrepreneurs. It secures entrepreneurs' income in the starting process and through the estimated time it takes to stabilize a new business, however no more than 18 months. A start-up grant can be applied for if the person starting a business is an unemployed jobseeker or switches over from paid employment, education or domestic work. The start-up grant will only be granted after the TE-office determines that self-employment in the field in question is the best employment option for the applicant. Requirements for the grant include being a full-time entrepreneur, having adequate capabilities for running the business, possibilities to continuous profitable operation, necessity for entrepreneurs' survival and that the business is only started after the grant has been granted. (TE-toimisto 2015)

A start-up grant is composed of a basic grant of 32,80€ a day (2015) and supplementary grant, the amount of which is decided case by case by TE-office, can only amount up to 60 % of the basic grant. (TE-toimisto 2015)

TE-office makes the decision whether or not the support is granted to the applicant. Competition in the field in question and demand for new enterprises in the community also effects the decision. (TE-toimisto 2015)

Financing for starting a business can also be applied for from Finnvera. It is a specialized financing company owned by the State of Finland and it is the official Export Credit Agency of Finland. It provides financing for the start, growth and internationalization of businesses by offering loans, domestic guarantees against risks arising from exporting, venture capital investments and export credit guarantees among other things. For new entrepreneurs Finnvera offers personal loans for example financing investments in share capital of a limited company or to purchase shares of an existing company. The loan can only be granted if the amount of shares after the transaction is more than 20 per cent. Loans can be granted for several shareholders up to 100,000€ per person with the self-financing of at least 20 per cent. Finnvera used to grant women entrepreneur loans with half a per cent lower interest rate. The idea behind this was to encourage women to become entrepreneurs. The case company was founded on such a loan, but the woman entrepreneur loan has since seized to exist in the name of equality, and all small business loans are granted with the same marginal now. (Jyrävä 2013. Finnvera 2015)

The investments consist primarily of renovations, inventory, and rental guarantee. Because the premises was formally a bar, much of the equipment, such as bar desk, dishwasher, bar shelves etc. were ready for use. This makes starting possible with a relatively start-up capital. As a bar generates income almost immediately after opening, it is essential that the renovations are finished as soon as possible. Renovating was done by the owners themselves, with the help from friends and family. Hired help was used only if absolutely necessary to keep the costs down. Because of the small capital, as long payment terms as possible was negotiated to divide the opening costs when the business is open and making money.

The yearly turnover was evaluated at 150 000€ using the purchasing and selling prices, customer space and average amount of money a customer spends in one go, as well as size

of the market as nominators. Primary calculation was done by owners themselves basing them on experience rather than on forms. Confirmation that the estimated turnover was in fact very close to the industry average came from a Finnvera representative. All companies financed by Finnvera are committed to giving their financial information to them. Their calculations are mainly based on bars that have applied for start-up capital from them. Unfortunately this information is not public, so no figures can be presented.

*The initial opening cost calculations were off by about 10,000 euros, and turnover calculations by as much as 100,000 euros. Also initial operating costs were grossly underestimated. Lucky for the case company the errors in the initial income and costs were in balance, and even with the much larger operating costs, the company is still making a profit. The initial costs for renovations did not include sauna renovations, and as it was renovated shortly after opening, it distorted the opening costs to some extent. However payment terms were managed to be extended on some major purchases, which allowed for the case company to open for business with smaller start-up capital than actually was spent. Also because business took off very well, those extended payments from both opening and sauna renovations were paid off with no delays.

4 PRACTICAL PROCEDURES OF FOUNDATION

The practical procedures of starting a business could be listed in any way. Even though most of the steps are in practice done concurrently, the next chapter will follow the starting process of the case company, and the theory associated, in chronological order as far as it is possible.

4.1 Founding an enterprise and formation documents

To start a limited company, shareholders sign a written establishment document. This document has to have the following information: the date, the names and shares of each shareholder. Price of a share, payment terms for the shares and the names of board members and auditors. This agreement can also name the CEO, but it is not required, also the Chair of the board can be named. The accounting period is stated either in the foundation document or in the by-laws attached to the document. The by-law has to state the following: the name of the company, place of business located in Finland and field of business. (Suomen Yrittäjät 2014)

A by-law can also include a redemption clause. If shares are not paid by shareholder with money, but with contribution in kind, then the value of the contribution and factors contributing to the possible change of the value are stated. The value of the contribution in kind has to be at least the monetary equivalent to the value of shares at the moment of transference. (Yrittäjät 2014)

For the case company all shares were paid with money and divided 51 per cent and 49 per cent. One of the owners was also appointed as the CEO and the chair of the board in the formation documents. Together they represent the board of directors with one neutral person pointed as the supplementary member.

4.2 Bookkeeping and auditing

A Limited Liabilities Company is obligated to have bookkeeping regardless of the nature of the business. The main mission of bookkeeping is to track return, to keep entrepreneurs and

enterprises money flows separate and to provide information about the monetary state of the company. Taxation is based on the bookkeeping. Value added tax is paid based on the sales and profits indicated by the bookkeeping. LLC must have a double-entry bookkeeping system to track incoming and outgoing money, and based on which the income statement and balance sheets are composed. Cash flow must be registered daily, and all other transactions monthly, or within 4 months. Balancing of the accounts must be done within 4 months after the end of the accounting period. All accounting information must be kept at least 10 years after the end of the accounting period. (Verohallinto 2014)

Small enterprises are not obliged to be audited, but when the limits are crossed the company has to be audited yearly. The Auditing consists of an investigation whether or not correct and sufficient information has been given for the purposes of taxation and fulfilment of payment obligations. Auditing examines the type and extent of the way activities have been entered in the accounts and whether the information has been recorded and reported correctly. This is why the overall reliability of the accounting is very important. For the case company a bookkeeper was hired to handle not only the monthly bookkeeping, but also counting of salaries, financial statements, quarterly reports for alcohol authorities and if need be to arrange auditing. (Verohallinto 2015)

*The case company was audited first time in 2013, and tax audit was done on 2016 with no blemishes.

4.3 Trade register

A limited company is legally active when it has been registered in the trade register (Yritysrekisteri) by the Finnish patent and registration office. This has to be done within 3 months from signing the foundation document. The share capital, a minimum of 2500 euros, has to be paid before the registration, and is frozen onto an account until the formation process is complete and the company is active. Registration notification has to include; Assurance from the board members and the CEO that the company has been formed in the accordance to the laws and regulations concerning limited companies and a document from auditors stating that the share capital has been paid in accordance to the laws and regulations. The basic notification forms can be found online at

(<http://www.prh.fi/fi/kaupparekisteri/osakeyhtio/perustaminen.html>) or from the register office. The registration notification costs 380€. Notification fee can be paid with an invoice, or with bank card in the register office. (Patentti- ja rekisterihallitus 2014; Suomen Yrittäjät 2014)

4.4 Value added Tax

Value added tax (VAT) is a tax on consumption that is included in the price of a product or service. It is a tax that does not recur. VAT is an indirect tax, meaning that in a transaction between companies, the VAT of the purchase can be deducted from VAT payments made on sales, when the product or service bought is used in the business activities of a company liable for VAT. Each company in the chain of exchange pays the VAT accumulated on the product on their level passing it on to the next level, and finally the VAT is assumed by the end consumer. (Holopainen 2016, 108)

The general VAT rate in Finland is 24 %, and reduced rates are 14 %, 10 % or 0 %. Tax rates for restaurants is 14% excluding alcohol and cigarettes, which have a tax rate of 24 %. VAT is counted and declared to the Finnish tax agency Verohallinto. After a company has declared itself for the tax register (Arvonlisäverovelvollisten rekisteri), it receives a tax identification number (Y-tunnus) which has to be visible in all receipts and invoices. Taxes have to be declared and paid annually, quarterly or monthly depending on the company revenue. Under 25 000€ revenue is declared annually and under 50 000€ revenue is declared quarterly. If a company wishes to, it can declare taxes more often than mandated by law. The case company declares and pays its taxes monthly. Taxes have to be declared even if no business transactions are made in the taxing period, or if the periods tax payables are negative. (Holopainen 2016, 111-112)

4.5 Insurances and other mandatory payments

An entrepreneur is obligated by the Finnish law to pay entrepreneurs pensions insurance (YEL) and when hiring employees entrepreneur is also obligated to insure employees for pension (TyEL) and for accidents. YEL is the basis of the insurance. Entrepreneurs' pension and

sickness insurance per diem are dependent on the YEL. YEL payments are tax deductible in full. New entrepreneurs get a 22 per cent discount on YEL payments for the first four years, and if the business closes before the four year period is over, the remaining time can be used on another time. There is no limitation as to how long the time between entrepreneurship can be. (Yrityssuomi 2015, Holopainen 2016, 142-143)

YEL insurance is needed if the entrepreneur is between 18 and 67 years of age and a tradesman, partner in a general partnership, general partner in a limited partnership or a preeminent owner of a LLC, with over 30 per cent of shares or over 50 per cent of shares owned together with a family member. YEL not only ensures old age pension, but enables entrepreneur to receive vocational training and financial security in case of weakened working ability or disability. It also includes the opportunity to collect family pension or to pass to part time pension. (Holopainen 2016, 142; Yrityssuomi 2015)

YEL insurance must be taken within six months of entrepreneurship, when the business has been running continuously for more than four months. YEL is about 24 per cent of income, but varies according to age. (Yrityssuomi 2015)

4.6 Alcohol licenses

In order to sell alcohol in Finland, a bar owner has to apply for an alcohol retail permit. The permit can be applied from Aluehallintovirasto (AVI). The permit is issued as permanent, fixed term or temporary. The grounds for the permit is written in the alcohol laws and apply also to change of permit holder. Alcohol retail permit can be licensed to applicant over 18 years of age, who has not undergone a bankruptcy and whose validity has not been restricted. The applicant has to be trustworthy and have adequate financial and professional qualifications to sell alcohol. A permit holder cannot start a new business until he or she has applied for a new license for new premises.

According to Finnish alcohol laws, alcohol can only be served between 09:00-01:30. With alcohol retail permit extension alcohol can be sold between 05:00-03:30. The 09:00-03:30 extension can only be granted for a special reason. The place of business must be in a location where the extension does not cause bother to nearby residents. Extension can be withdrawn

if disturbances occur. The place of business must also have exceptionally good standard of paid performances, or special events that require longer serving time. Every restaurant with alcohol retail permit is obligated to have an operation control plan that minimizes the risk of defects and betters the quality of operations. It has a major role in avoiding breaches, like preventing under aged drinking in the premises and minimizing disturbances and disadvantages caused by exes drinking. (Aluehallintovirasto, 2012)

4.7 Operating Plan

If a company makes no profit, it will not survive for long. An operating plan is a plan how to use available resources, and add value to them to make a profit. Every choice an entrepreneur makes effects the business in some way. Choosing a lower quality products because they are cheaper can result in losing customers or gaining profit. Businesses can change over time many times over to meet changing customer needs, but initially a plan should be set in place to clarify how money is made and resources utilized to maximum potential. (Mariotti 2006. 8)

The case company will be selling alcoholic and Non-alcoholic beverages which include: Draft beer (domestic and imported), a moderate selection of domestic and imported bottled beer, domestic and imported ciders, long drink (regular and cranberry), frozen-blended drinks, mixed drinks, milkshakes, coffee and coffee drinks and non-alcoholic beverages. Sauna facilities will be offered for rent for a maximum of ten people at a time. The sauna will feature a game room with the Rock Band Entertainment System and furnished with couches and tables. It will be available daily from 17.00-20.00 or 21.00-00.00 for a competitive price of 150 euros. The case company also has a large dance area that can be closed off to in order to cater to large private parties.

*Selection of specialty beers and ciders have grown since opening. New mixed drinks are developed and drink menus updated regularly. The demand for non-alcoholic beverages has grown bigger, which has led to more selection being offered, like non-alcoholic beer and ciders, and hot chocolate. The bar has been rented out occasionally for larger parties, such as birthdays and conventions. Sauna facilities have been rented for 140€ for the whole night from 18.00 on. It has a computer hooked up to a TV, with internet connection and speakers for

listening music. Gaming area was decided to be set up in the bar side and is available for all customers to use.

It is getting harder and harder to affect profitability by pricing, and the focus is consequently shifting more towards affecting the profitability by purchasing cheaper. Purchasing has not necessarily been focused enough on in many companies. More weight has been put on the art of selling, but not even the best salesperson can fix the damage caused by bad purchasing. Purchasing should also be organized so that too much capital is not tied up in inventory. (Sutinen 1998. 205)

The case company will be utilizing one of two major distributors for non-alcoholic and mild alcohol products (Sinebrychoff, Olvi). Also AlkoTukku will be used for filling strong-alcoholic needs. An expected weekly ordering frequency is necessary based on sales outlook. Any additional stock can be purchased locally. The terms of transportation along with price and volume will be negotiated with the respective supplier. The expected amount spent on orders is calculated at about 4000€ worth of stock and supplies.

*90 % of products come delivered from Sinebrychoff Oy, a contract was discussed so that distributor offers marketing money and a volume bonus that is tied to litres bought. Most things needed for operation from classes to toilet paper come from local wholesale store. Orders to both distributors and wholesale stores are made weekly. Initial estimations for orders done weekly were correct, but amounts were greatly underestimated.

Initially, the only employees working will be the owners. They will be able to monitor the quality and timeliness of service, cleanliness of the restaurant and inventory control. Customers will have the option to offer anonymous feedback through customer surveys. Trade magazines will be an excellent source for generating new ideas in order to keep the selection competitive. New distributors will be investigated on a regular basis to keep the selection unique and interesting. Regular visits to other local bars is a good way to track trends within the market.

*Surveys were not undertaken inside premises, for it was felt that the nature of the business is face to face interaction and customers tend to give feedback, both positive and negative in the service situation. While trade publications are a good tool for generating new ideas, most new ideas are formed by brainstorming with staff and customers. Most of the top selling drinks are

the ones that were developed by trial and error. The cocktail list is renewed every few months and the case company also offers seasonal drinks, such as eggnog and glögi drinks during Christmas season and ice cream drinks in the summer.

4.8 Hiring, rental labour and outsourcing

When workload gets too great, and it is time to get help, the means of doing so should be carefully evaluated. Hiring an employee is a big investment, the means of getting more workforce should be assessed. Instead of hiring, company can outsource, rent labour, buy services from another company or in some cases do co-operation with other businesses. When hiring employees the reason for employment should be defined both in the short and long term. Often companies hire extra help in a hurry not really considering how the work might be changing, and is there enough work in the long run. Since hiring is also expensive, thorough analysis of the task should be conducted to clarify the level of knowledge, skills and abilities of the person wanted. The amount of experience, values and characteristics the task demands are clarified when starting the hiring process. (Holopainen & Levonen 2001. 331-332)

Methods of advertising a vacancy include newspaper ads, employment agency and their web page, recruitment fares and acquaintances to name just a few. When applications start coming in, they are read through and the most suitable ones are chosen. A decision should never be made solely on applications, but 5-8 people should be invited to be interviewed. In the interview the qualifications, background, motivation and expectations, self-image, health and expectations for salary and any questions about terms and conditions of the contract should be discussed on. (Holopainen & Levonen. 2001. 331-334)

Most employment contracts are based on the collective labour agreement. There are no legal forms how a contract has to be written, but it is advisable to have written contracts so all terms and conditions are easily checked if need be. The contract must contain

- names of both parties
- addresses
- social or Business identification numbers
- starting date

- The duration of temporary employment
- duration of trial period
- description of the task
- Salary, payment terms and dates

(Holopainen 2016. 119)

An employer is under obligation to arrange employees pensions insurance (TyEL) when their salary exceeds 57,51€ per month. All employees aged 18 to 67 must be insured regardless of nationality. In 2016 the TyEL is 24,60 per cent (including temporary 0,5 per cent reduction) from salary, overtime pay, vacation compensations, fringe benefits and all other forms of compensations that accumulate under a contract of employment. Employees percentage of the payment is 5,7 for under 53 year old, and 7,20 for over 53 year old employees. (Holopainen 2016. 122)

Other mandatory insurances for an employer are for employees' occupational injury and illness, and unemployment insurance. Occupational injury and illness insurance is quite self-explanatory. The price of the insurance depends for example on the industry and the amount and quality of work. Unemployment insurance is paid from employees between 17 and 64 years of age. Employers share of payment is 1 % and employees it is 1,15 %. Unemployment insurance reserve collects advance payments on estimated amount of salaries usually twice a year. An employer withholds the employees' share of the payment from salaries. By the end of January the employer must declare annual salaries paid from which the unemployment insurance reserve counts the advance payments and whether employer has to pay more, or will receive money back from the reserve. (Holopainen 2016. 124)

Labour renting means that a company provides its employees for other companies to use for a compensation. Usually this service is used for short term vacancies when costs of hiring would otherwise be excessive. Some of the work could be outsourced based on that some company knows the products and produce goods or services cheaper, or with a higher quality. A contract should be mutually beneficial. Before any contract is signed, the definition of what is to be bought and the quality of product or service should be defined. It is also important for the subcontractor to realize that they need to be able to perform the task better than the client company. (Staffpoint 2016; Sutinen 1998. 217-218)

*The case company started with the idea that labour force would only be used for weekends, but shortly after opening the workload was determined to be too much for two people to handle. Firstly cleaning services were outsourced to a local company, which cleaned the premises three to four times a week. Secondly more part-time servers for the weekends were hired, and lastly about a year into operations bouncers were rented from a security company.

2014 however cleaning services were discontinued for 2 reasons. Firstly the employees were eager for more hours, and cleaning was a good way to offer them. It was also felt that the quality of the work of the cleaning company did was not necessary the quality that was expected and paid for. Very quickly after that cleaning became a natural part of the shifts, and this way the premises are clean, and money is saved.

5 CONCLUSIONS AND RECOMMENDATIONS

This thesis has covered the foundation process of a business and business plan both theoretically and from the starting company point of view. It has also evaluated the success of the foundation process further into running the business.

The result of the thesis is giving a compact guide on how to develop a business idea to a running business. It also sets out to give advice on how to make the process of starting a business easier, and how to avoid pitfalls from the point of view of a company that has gone through the process. This thesis could serve as a guide for people wanting to become entrepreneurs by comparing the ideas and expectations that entrepreneur has before and after starting a business.

The aim of thesis was to follow the steps of the foundation processes of a business and to analyse the success of the process four years later. This was done both theoretically and in practice. The process of foundation has multiple steps and more theory that can be covered in the thesis, so a decision was made to give a short description of the theory of each section to give a basis for the empirical work. Thesis goes through all the steps of foundation of the case company excluding start-up and profit calculations, as this information is not public.

All in all the author is pleased with the outcome of the thesis process, as writing it has served as a good tool for analysing and learning from the work put in to opening a business. It has also provided valuable pointers on what to do differently if ever decide to form another company or expand the existing one. Even though the thesis was supposed to be written long time ago, the author is pleased that an opportunity to stay with the case company for an extended period of time occurred as it gives the opportunity to learn more.

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Anne Katajalaakso

Haastattelu

22 marraskuuta 2016

Anne Katajalaakso on työskennellyt Hotelli Seurahuoneen palveluksessa Kokkolassa 13 vuotta. Vuoden 2004 maaliskuusta hän on työskennellyt esimies asemassa, ja yrittäjänä vuodesta 2008.

Miten ravintola-ala, ja nimenomaan alkoholin myynti on kehittynyt viimeisen 13 vuoden aikana? Mitkä asiat ovat mielestäsi vaikuttaneet kehitykseen?

Kehitys on valitettavasti ollut miinusvoittoista jo pitkään. Kun Suomi liittyi Euroopan Unioniin ja matkustajien tuontimääärärajoitukset poistuivat, alkoi kansa kantaa juomiaan mm. Virosta. Alkoholiveroa alennettiin, jotta viinarallia saataisiin rauhoitettua. Alennus 2005 sai aikaan sen, että useat kuluttajat ostivat oluensa mieluummin marketista kuin anniskeluravintoloista. Kuluttajamyynti kasvoi, mutta ravintolat kärsivät. Alkoholin valmisteeron korotukset vuosina 2008, 2009, 2012 ja 2014, sekä ALV verokannan korotus 2013 ovat kiristäneet olot lähes sietämättömiksi. Pelkästään Kokkolassa viimeisen 5 vuoden aikana 7 baaria on lopettanut toimintansa, ja samassa ajassa vain yksi uusi on avannut ovensa. Tukalaan tilanteeseen vaikuttaa hintojen nousemisen lisäksi tietysti myös ihan yleinen tilanne. Ihmisillä on rahat tiukalla, ja ensimmäisenä karsitaan ravintolamenoista.

Onko suomalaisten juomakulttuuriin tullut muutoksia kuluneen 13 vuoden aikana?

Kyllä. Olemme hitaasti mutta varmasti siirtyneet slaavilaisesta vodkakulttuurista lähemmäs keskieurooppalaista mietojen alkoholien kulttuuria. Käytännössä se näkyy ravintolasiakkaissa siten, että baarien ja ravintoloiden pitää pystyä tarjonnallaan vastaamaan enenevässä määrin asiakkaiden yksilöllisiin mieltymyksiin. Esimerkkinä tästä viinit, erikoisolut ja cocktailit, joiden kysynnän osuus on kasvanut.

Juomatapojen muutos näkyy myös alkoholittomien juomien myynnin kasvuna. Ennen ihmiset jotka eivät juoneet, eivät myöskään käyneet baareissa. Nykyisellään näiden ihmisten määrät ovat selvästi lisääntyneet. Myös nuorten keskuudessa juomatapojen muutos näkyy selkeästi. Kymmenisen vuotta sitten kulttuuri oli selkeästi sitä, että kuka jaksoi juoda eniten, oli porukan kovin jätikä. Nykyään kaatokännäämistä ei pidetä enää millään tapaa hienona.

Uusi baari avattiin 2012. Kuulostaa siis siltä, että avajaiset olivat huonoimpaan mahdolliseen aikaan. Miltä tulevaisuus alalla näyttää sinun mielestäsi?

Avajaiset olivat todellakin epäkiitolliseen aikaan. Tällä hetkellä ravintola-ala elää hiljaisen kuoleman ja himmeän toivonkipinän aikaa. Hallituksen lupaamat muutokset alkoholilainsäädäntöön byrokratian ja säädösten helpottamiseksi, sekä linjaus alkoholin kulutuksen siirtämisestä kotisohvila ravintoloihin valvottuihin oloihin luo vähän toivoa. Ensimmäinen ehdotus hallitukselta kuitenkin oli viinien siirtäminen marketteihin, ja markettien alkoholinmyyntiaikojen vapauttaminen. Millä tavalla tämän pitäisi auttaa ravintoloita, sitä en tiedä. Toisaalta ei ajat tästä enää paljon vaikeammaksi voi mennä. Sinnitellään ja eletään toivossa, että jonain päivänä asiat muuttuisivat. Toivottavasti ennenmin, kuin myöhemmin. Ajat kun ovat jo käyneet liian koviksi valtavan suurelle osalle ravintolayrittäjiä suomessa.

Kokkolassa 22.3.2016

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