Start-up business plan and consumer market research of the Finnish organic market

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Start-up business plan and consumer market research of the Finnish organic market

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The purpose of this thesis was to create a business plan for establishing a retail store specialized on selling organic products with a priority on selling local production. To help with the business planning an organic market consumer research was conducted. Finnish organic market was studied to achieve a clear knowledge regarding the current situation on the market. With the help of the background research, an effective business plan was created and the entry to Finnish organic market evaluated. Secondary data used in this research examining different sources such as literature, electronic material and articles for evaluating the market. Furthermore, a consumer market survey was conducted for a group of residents in Helsinki Metropolitan area and analysed using quantitative methods.

According to the survey results there are 4 customer segments on the market. Active buyers along with regular buyers purchase organic products more often - weekly and monthly respectively. Those two segments compile 48% of all respondents. Another considerable target segment is random buyers that are 37% of the respondents. They decide to buy organic products spontaneously or occasionally. Making in-store promotions and introducing to random buyers the benefits and features of organic products is a possibility to shift them into the regular or even active buyer segment. Lastly, 15% of the respondents are non-buyers. The reasons why they do not buy organic products are high price or no interest towards organics.

The results revealed that the organic market in Finland is growing rapidly. Sustainable food production, wellbeing of animals, the environment, cleanness and quality of the food are among the reasons why consumers buy organic products. There is certainly a demand for new businesses to enter to organic market.

Due to an increasing demand towards organic products a growth of new retail businesses in Finnish organic market can be predicted in the near future and therefore it is essential to build an effective and solid strategy for a new start-up business to differentiate on the competitive market. Therefore, creating a strong business strategy and further investigation of the Finnish organic market competitors should be carried out in the future.

Keywords: business plan, market research, Finnish organic market
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“Let food be thy medicine and medicine be thy food.” (Hippocrates)

Natural way of living has always been point of interest to the writer of this thesis. When choosing the topic, the idea was to combine final study work with the knowledge I will need after graduating about organic market and my own venture establishment. As a result, this thesis has been created.

The business idea is to launch a retail store specialized on organic products with emphasis on Finnish local production. To help with business planning, a study of the Finnish organic market will be conducted.

1.1 Purpose of the thesis

One of the goals of the thesis is to create a business plan and develop an understanding in business planning process needed for establishing a start-up company.

The other main goal is to achieve a clear knowledge regarding current situation on the Finnish organic market. With the help of a market consumer survey, the writer will be able to create effective business plan and evaluate the entry to Finnish organic market. Along with primary data secondary data will be used in this research examining different sources such as literature, electronic material and articles.

1.2 Reliability of the thesis

The author has encountered limitations finding accurate information regarding Finnish organic market. The information available is general and do not give much details on what exactly is occurring on the market. To mention more precisely, data regarding competitors’ market share and competitors’ financial statistics was not available to the writer. Furthermore, there is no official government statistics regarding the organic Finnish market. All information presented in this thesis is gained through researches and accumulation of data of Finnish Organic Trade Association Pro Luomu.

1.3 Structure of the thesis

The thesis consists of 5 sections. In the first section, you find introduction to the thesis. Second section concludes theoretical knowledge needed for conducting the thesis. Section three, an empirical study, presents organic market consumer research, which contains of both, secondary data research and the conducted survey. In the fourth section, the business
plan for establishing a retail store is introduced. Lastly, fifth section is a conclusion on the research findings and business planning.

2 Theoretical framework

Theoretical part of this thesis is constructed of a market research process and business planning theory was examined to create this thesis. Main points are explained briefly following the actual research and business planning part of the thesis.

2.1 Market research

According to Lewis, Saunders and Thornhill (2000), business and management research is a systematic process of gathering and analysing information about the market, client, product or service. Below is shown a research process:

![Research process diagram]

Figure 1: Research process (Lewis et al. 2000, 5)

2.1.1 Research approach

In the beginning of a research raises an important question concerning the design of the research. This is whether the research should use the deductive approach, where you develop a theory and hypothesis and design a research strategy to test the hypothesis, or the inductive approach, where you would collect information and develop theory as a result of a data analysis. (Lewis et al. 2000, 87)
Deduction emphasises

- scientific principles
- moving from theory data
- the need to explain causal relationships between variables
- the collection of quantitative data
- a highly structured approach

Induction emphasises

- gaining an understanding of the meanings humans attach to events
- a close understanding of the research context
- the collection of qualitative data
- less concern with the need to generalise
- a more flexible structure to permit changes of research emphasis as the research progresses

Figure 2: Major differences between two research approaches (Lewis et al. 2000, 91)

2.1.2 Research method

A survey method was chosen for the research between all other methods. Given technique is associated with the deductive approach. It is a popular and common method in business researches, which allows the collection of a significant amount of data from a large number of people.

2.1.3 Reliability of research findings

Reliability refers to the extent to which the data collection systems or analysis procedures will produce consistent findings. According to Lewis et al. (2000), there are four threats to reliability:

- Subject error, where participants may provide random or unreliable responses under certain circumstances. For example, under time pressure or misunderstanding the question

- Subject bias, where participants may provide intentionally wrong responses which may be beneficial to them in some way
- Observer error, where several observers with several ways of conducting measurements may complicate and mislead the research findings

- Observer bias, where subjective perception of an observer can also threaten the reliability of results

2.1.4 Validity of research findings

Validity in data collection means that your findings are truly represent the observable fact you are claiming to measure. Controlling all possible factors that compromise the research’s validity is a primary responsibility of every researcher. (Lewis et al. 2000, 101)

2.1.5 Types of secondary data in research

Secondary data includes both quantitative and qualitative data. The data you use may be raw data where there has been little if any processing or gathered data that have received some form of selection or summarising. Different researches have generated a variety of classifications for secondary data. There are three main sub-groups of secondary data: documentary data, survey-based data and multiple-source secondary data. (Lewis et al. 2000, 189)

Documentary secondary data are often used in researches that also use primary data collection methods. Documentary data includes written documents such as administrative and public records, books, magazine articles and newspapers. Documentary data also includes non-written documents such as tape and video recordings, films and television programmes. (Lewis et al. 2000, 190)

Survey-based secondary data refers usually to data collected by surveys which have already been analysed for their original purpose. Such data can refer to organisations, people or households. (Lewis et al. 2000, 192)

Multiply-source secondary data can be based entirely on documentary or on survey data or can be a combination of two. The key factor is that different data sets have been combined to form another data set prior to you accessing this data. (Lewis et al. 2000, 194)

2.1.6 Principles of sampling

Every market researcher needs to understand the basics of sampling. Sampling enables to take a small proportion of the total population and to establish a result that is representative of the whole. (Hague 2013, 91)
The only surveys that can be measured in terms of their accuracy are those based on a census or a random sample. If the sample is chosen randomly, with everyone in the population having an equal and known chance of being selected, then we can apply measures of probability to show the accuracy of the result. (Hague 2013, 91)

Sampling error is the error that results from a data collection process of a sample. When you take a sample, it is only a subset of the entire population, therefore there may be a difference between the sample and population. The variability in the responses to a survey question begins to settle down once there are more than 30 completed interviews. The more accurate the required result needs to be, the larger the sample needed. The other important thing to remember about sample sizes is that they must always be judged in terms of their accuracy on the number of people being examined. Sampling error is the error that results from a data collection process of a sample. When you take a sample, it is only a subset of the entire population, therefore there may be a difference between the sample and population. (Hague 2013, 105)

2.1.7 Collecting primary data using surveys

A primary purpose of a survey is to gather data from respondent. A structured type of a survey was chosen which consists of closed or prompted questions that require the designer of a survey to be aware of or be able to foresee all possible answers. Closed questions take the form of single or multi-response questions. Respondents are given a list of potential answers from which they can choose the one most appropriate for themselves. The predefined answers are worked out by common sense and industry knowledge. The researcher should think all possible answers to the questions before survey is carried out. Incorrect framing of the answer could affect the quality of a survey. (Hague 2013, 108)

Some open questions were also designed in the survey to find out the reasons of buyers’ behaviour. Surveys can also be classified by their purpose. Hague (2013, 109) states, that questions are formed to collect three different types of information: about behaviour, attitudes and information used or classification purposes. In this thesis, mainly behavioural questions and questions for collecting an information were created.

2.1.8 Quantitative data analysis

The final output of a survey is data. In quantitative studies, the researcher enters the data in the computers. It is entered as a data matrix in which each column usually represents a variable and each row a case. First variable should be a unique identifier to facilitate error checking. All data should, with few exceptions, be recorded using numerical codes to facilitate analysis. (Lewis et al. 2000, 330)
The analysis should explore data using both tables and diagrams. A choice of table or diagram will be influenced by research questions and objectives, the aspects of the data you wish to emphasise and the level of measurement at which the data were recorded. In the book of Lewis et al. (2000, 369) we can find following examples of tables and diagrams that could be used for analysis:

- Tables to show specific values
- Bar charts, multiple bar charts and histograms to show highest and lowest values
- Line graphs to show trends
- Pie charts to show proportions
- Scatter graphs to show relationships between variables

Data validation is vital on all stages of the market research process. Appropriate mode for checking and validating responses is for instance export of the data in the form of a spreadsheet. In this document all the responses are given row by row. Columns form the questions. From the spreadsheet the researcher can scan the columns and rows of data to spot things that stand out as unusual. The spreadsheet also allows the analyst to check the amount of responses and average scores. If these do not match with the cross-tabulations, it gives the signal to check for errors. (Hague 2013, 189)

2.2 Business plan

A business plan is an extensive, written description of the business of a company. It is a detailed information on company’s products or services, market and clients, marketing strategy and management, financial plans and uses of funds. (UNCTAD 2002, 13)

The structure, content and depth of a business plan depend on many factors, such as:

- The main objective of the business plan
- The stage of the business
- Industry of business
- Financing situation
- Size of a company

The following structure of a business plan was decided to use in this thesis:

- Executive summary
- Background
- SWOT analysis
- Products
- Target customers
- Industry and competition
- Marketing plan through the 4 P’s of Marketing Mix
- Financial projections
- Risks

2.2.1 Executive summary

Even though the whole business is described later, a short summary highlighting the key points of a business plan helps the reader to study the complete document. The contents of the executive summary could be divided into three parts as described below:

![Figure 3: Three parts of executive summary (UNCTAD 2002, 40)](image)

2.2.2 Background

UNCTAD (2002, 46) states, that this section of a business plan may consist of a few pages of background information that is specific to the business. The reader should be given a brief overview of what business is, how it started and where it is heading.

2.2.3 Products

In this section of a business plan, describe your products, emphasizing any unique features that may give you a competitive advantage. You should concentrate on the features and benefits of a product that make your product preferable for customers. (UNCTAD 2002, 52)

You also could state the prices of your products in this section, giving a breakdown of the main elements and summarizing the key assumptions and methods you have applied. When establishing your price policy, you should examine two sets of questions and achieve a good balance of following considerations:
• From a buyer’s point of view, how sensitive are your target clients to price? How does the price variation influence their buying behaviour? Which level of the price is acceptable to them? How would they react to lower prices of similar products from your competitors?

• From a seller’s point of view, consider which price covers your cost and leaves you a satisfactory profit?

According to UNCTAD (2002, 62), the clients’ price acceptance will depend mainly upon these three factors: the value that the product brings to the client, affordability and competitive choices in the market.

There can be several policy options in setting the price. Essential options are maximizing total profit, maximizing the volume of sales or maximizing the margin per unit sold. If you wish to gain more clients, introduce yourself quickly in the market or expand the business by introducing more products later, maximizing sales volume method is the most appropriate. In this manner, you are also establishing a reputation as a seller with reasonable prices. If you choose maximizing the profit method, it is preferable option if you are looking to maximize net profits in the future. With maximizing margin per unit sold neither sales nor profit are maximized, but you get the best margin for each product sold. (UNCTAD 2002, 63)

In the business plan of this thesis the pricing policy will be described in marketing plan section.

2.2.4 Target customers

In this section define the existing and identified target client groups or major single clients. Particular issues to be covered are:

• Who they are?
• Where are they located?
• Why do they buy?
• When and under what circumstances do they buy?
(UNCTAD 2002, 72)

2.2.5 Industry and competitors

According to UNCTAD publication (2002, 71) in this part, two main aspects should be covered:

• Market characteristics - a description of your target market, any special features of your target market such as industry profitability or new trends
• Market size - summarize details regarding the current size of your target market and its growth potential

Presenting your business in the background of its competitors shows that you understand your industry and are prepared to cope with some of the challenges to your company’s success. You need to write also a description of your competitors and if it is possible their strengths and weaknesses. If you position yourself carefully, you will successfully differentiate yourself from most of the competition. Here are some questions that will help with positioning:

• How do you want to position yourself in the market?
• How do you want your clients, your business partners, your competitors to perceive your products to be?
• What do you want your uniqueness to be?

The position you choose will form the basic element of your image promotion, advertising and overall marketing campaign. (UNCTAD 2002, 73)

2.2.6 Marketing mix

A successful marketing strategy must have a marketing mix as well as a target market for whom the marketing mix is prepared. These four ingredients are closely interrelated. Under
the systems approach, the decision in one area affects action in the other. Marketing mix decisions form a large part of marketing management. (Appannaiah et al. 2009, 44)

2.2.7 Financial projections

The amount of financial information that you need to put into the plan will vary with circumstances and depends upon:

- The size and complexity that you are describing
- Whether the business already trading
- Who the audience for your business plan is

A summary of financial projections should appear within the body of the business plan and detailed figures should generally be put in an Appendix. (Finch 2013, 90)

There are four elements that is usually covered in the financial data:

- Income statement/profit-loss account
- Balance sheet
- Cash-flow budget
- Initial investments

In this thesis an income statement for first twelve months, an investment calculation and a cash-flow budget for a first twelve month of operation will be prepared.

According to Finch (2013,91), an income statement is a simple and straightforward and is the key to the success of a business organization. It comprises a listing and sum of its income first, then it deducts its costs to reach a net profit or loss. A cash flow statement displays a business’ cash flow and helps to evaluate cash availability. The setting-up costs of a business should be financed with equity capital - that is money from the investors, personal money of the funder of a business and/or from bank loan.

2.2.8 Risks

It is critical that you need to identify those areas to which your business is vulnerable. If you have already considered possible responses for example to changes in the market, you can react more quickly than if you have never even thought of the consequences. Thus, whether things got worse or better than you expected, you have already identified the likely causes and impact and considered your responses. (UNCTAD 2002, 189)

There are several ways of dealing with risks, for instance you can:
Demonstrate that probability of something happening
Show that the impact of the event would not damage the business seriously
Explain how you would respond to unfavourable circumstances
(Finch 2013, 110)

3 Finnish organic market consumer research

This section consists of secondary data research on the concept of organic product, on the consumer segment of the Finnish organic market and as a final point conducted survey on a consumer market with data analysis.

3.1 Research methodology

3.1.1 Research objectives

The research examines the Finnish organic consumer market with a purpose of creating a business plan. The main objectives are:

- To examine a concept of organic product
- To identify a present situation of organic market
- To develop an understanding of consumers’ attitudes and purchasing behaviour towards organic products through a conducted research

3.1.2 Research method

A secondary data research will be conducted based on information available in internet, magazines, articles etc. for identifying a present situation on organic market in Finland. Secondary data will be used mainly for creating a business plan. Along with secondary research primary study will be conducted to learn about the organic consumer market. The research will be carried out as an online survey for as large group of people as possible.

The online survey was distributed via social media with an emphasis on potential clients residing in Helsinki Metropolitan area of Finland. A particular region was selected since a start-up store the author planning to establish will be located in this area. The survey target group was chosen to represent as whole population of the area as possible. The main targets were people in different age groups and both genres living in Helsinki, Espoo and Vantaa. To ensure that responses will be also from age group 50 years and older emails were sent to some parents of the respondents.

After collecting survey answers the author will analyse the data with the use of tables and diagrams.
3.1.3 Reliability and validity of the research

Until present moment there is no official government statistics on organic market in Finland. All information presented in this thesis regarding organic market is collected by Finnish Organic Food Association Pro Luomu. Author of this thesis had to rely only on one source of information.

The sample size of the survey could have been larger than 27 to get more accurate results. The author had difficulties with finding interviewers for a survey located in Metropolitan area of Helsinki.

There were also some limitations in the survey questions. After conducting the survey and analysing the answers I have discovered that some questions could have been formulated differently to get more accurate and reliable answers. Furthermore, the language barrier could affect the respondents’ answers. Due to the foreign language, some respondents could have misunderstood the question.

3.2 Concept of organic product

Organic agriculture, which is controlled by strict government standards, requires that products carrying the organic label are produced without the use of toxic pesticides and synthetic fertilizers, antibiotics, synthetic hormones, genetic engineering or other excluded procedures such as sewage sludge or irradiation. Organic producers are aware of that what they put into the soil has a profound impact on what they gain from it. That is why they rely on such practices as hand weeding, mechanical control, cover crops, crop rotation and dense planting, rather than toxic pesticides and synthetic fertilizers, to enrich the soil in which they grow their crops. The organic producers recognize that treating soil with care provides plants with the nutrients they need to grow. In addition, it enables the absorption of major nutrients like Vitamin C and results in a higher nutrient content and often a better tasting crop. (European Commission 2017)

It the beginning there are procedures involved to help build healthy soils, which nurture the plants and help decrease the rate of plant disease. In order to earn organic certification, land must be handled without prohibited materials for at least three years. With certification, organic producers must develop an organic operating farm plan, which supervised by their certification agency and inspected annually. (European Commission 2017)

In case of raising animals, animal welfare is a top priority for organic producers. By law, producers are required to raise animals without the use of antibiotics or synthetic growth hormones. In addition, organic farmers must provide animals with 100% organic feed and safe,
clean, cage-free living conditions. Furthermore, organic producers must provide their animals with access to the outdoors and pasture so that they are able to move freely. (European Commission 2017)

All organic non-food products are produced without the use of any toxic or synthetic chemicals. Thus, choosing an organic t-shirt, organic dog food, an organic personal care or an organic nutritional supplement helps to prevent damage to valuable water resources, protect species diversity and our planet. It is essential to point out, that organic products reduce health risks to farm workers, their families and consumers by minimizing their contact with toxic chemicals on the farm and in foods, the soil in which they work and play, the air they breathe and the water they drink. Organic production not only helps to reduce health risks, but food grown organically is rich in nutrients and vitamins as well when compared to conventionally grown products. (European Commission 2017)

Organic agriculture is based on practices that not only protect environmental health, but also make every effort to improve it. Organic producers preserve and protect natural habitats with the understanding that a biological landscape helps to feed both - people and the planet. Organic practices help keep our water supply clean from toxins and chemicals. In addition, by prohibiting the use of petroleum-based fertilizers and absorbing carbon dioxide from the air, organic agriculture helps to reduce our carbon-footprint. (European Commission 2017)

There are certified labels in European Union for organic and ecological products. In addition, each country might have their own label which producers can use when manufacture the organic product in that specific country:

European Union certified label for all organic products manufactured within EU:

![Figure 5: EU certified label for organic product (European Commission 2017)](image-url)
Figure 6: Finnish certified label for organic food product (Evira 2016)

Figure 7: Label for organic product made in Finland (Luomuliitto)

3.3 Organic market consumer segments

According to the Organic Consumer Survey (Kuluttajabarometri 2015), consuming of organic products by Finns increases each year. In the year 2015, organics have been bought for 44 euros per resident.

3.3.1 Who are organic buyers?
Figure 8: Organic consumers in Finland

*Active buyer* prefers to purchase only organic if possible and buys weekly:
- Families with little children
- Young and middle-age couples
- Metropolitan area residence

*Regular buyer* is not so passionate about organics as active buyer and buys organic products at least monthly:
- Under 30 years old women and men
- Over 50 years old women
- Countryside residence

*Random buyer* purchases organics randomly:
- More men than women
- Parents of a school-age children
- Middle-age singles
- City residence

*Non-buyers* prefer not to buy organics at all:
- More men than women
- Young singles
- Families with a teenagers’ children
- Small town residence

(Kuluttajabarometri 2015)

3.3.2 Why Finns buy organics?

Finns buy organic products mostly in everyday grocery stores. Other places where they make purchases are markets and speciality stores. Active buyers visit speciality stores the most.

Primary reasons why Finns buy organics are cleanness of a product and a good taste. When compared to conventionally grown products organics are healthier and environment friendly. All three consumer segments would buy organic products more often with a lower price of a product. Active buyer segment is willing to pay extra price because they appreciate the ex-
pense associated with organic production. However, other segments are more price-sensitive. (Kuluttajabarometri 2015)

3.4 Research findings

In this section the author will first present a summary of the research findings and afterwards analyse each question separately. See Appendix 2 in the appendices part for a survey questions in the end of this thesis.

3.4.1 Summary of research findings

27 people living in Helsinki Metropolitan area have answered the survey. 23 of 27 respondents do buy organic products. They are mostly women between 30-50 years old. 48% of the respondents are purchasing organic food products regularly, 37% are buying organics occasionally. 4 respondents, two of them are men and two are women, never purchase organics reasoning that with too high price or no interest towards organic. People who do buy organic food products believe that they are clean from chemicals and much healthier. 31% of the respondents spend more than 50 euro per month on organic products, 60% spend between 10-20 euro monthly. 15 respondents never buy organic non-food products. Most popular organic food products people buy are fruits and vegetables, milk and juice. Among organic non-food products most popular are personal care and home cleaning products.

3.4.2 Results of the survey

![Gender of the respondents](image)

Figure 9: Are You male or female?

Among 27 responses 11 were from men and 16 were from women.
3 of the respondents were between 18-29 years old, 10 respondents were in category 30-39 years old, and 7 responses equally were in each category - 40-49 and older.

Everyone has answered on third question positively. That means all respondents were familiar with a concept of organic product, which in turn is a positive sign for a researcher.

7 respondents are buying organic products weekly that means actively. They are going under category of Active buyers, mentioned previously in Kuluttajabarometri survey. Active buyers are women between 30-50 years old. Organic product is a superior choice for them due to cleanliness and healthy. 6 respondents are buying organic products monthly. They are going under category Regular buyers. 10 respondents purchasing organic products less than month-
ly. They are random buyers, who purchase organics rather occasionally than intentionally. 4 respondents never buy organic products reasoning that with the high price or no interest towards organic. Half of them are men and half of them are women.

![Cause of purchase](image)

**Figure 12:** Name a reason why you purchase organic products

5 respondents have answered that organic product is good to the health. 6 respondents buy organics because it is cleaner and more natural comparing to usual product. 1 respondent has named a good taste as a reason. Almost half of the respondents buying organic randomly or in other words accidentally.

![Organic products](image)

**Figure 13:** Name two or three organic food products you purchase more often

Among organic food products the most popular were fruits and vegetables, milk and juice.
Figure 14: How often you purchase organic non-food products?

Half of the respondents never buy organic non-food products. 4 respondents purchasing them regularly and 8 respondents occasionally.

The most popular answers for non-food organic products people purchase were personal care products and home cleaning products.

Figure 15: How much money you spend on organic products monthly

7 active buyers are buying organic products for more than 40 EUR monthly. The rest 16 of the respondents who do buy organic purchase it for 10 EUR - 20 EUR a month.
4 Business plan for a retail store specialized on organic products

4.1 Executive summary

The present business plan is created to ensure viability of the venture the author of this thesis intending to start as well as to use it as a basis for developing a detailed plan of activities.

A start-up retail store will specialize on selling organic products, both food and non-food. Company’s priority will be to support local organic producers. Location of the small business is planned to be near shopping mall in Espoo city. The owner of a company will be the only employee at least in the beginning of operations.

According to preliminary calculations establishing a small retail store will need 21 165,00 euros of initial investments. To keep business running a store must earn monthly 13 000 euros of sales revenue. Preliminary calculations are found in the financial projections section 4.7 of this thesis.

4.2 Business background

The natural way of living has been always very close to the heart of the thesis writer. Growing demand for organic and chemicals-free products and acknowledgment of more and more people regarding our environment and health has made the decision in which direction I would like to take my business steps. The research of this thesis has proven my observations in organic products’ market. There is certainly a growing demand for organic products in Finland.

My business concept is to establish a retail store with the main focus on organic products with the emphasis on local producers first. In the store a customer can find every day products such as food, personal care and basic home care. The business will be located in Espoo area, preferably near shopping centre. The owner of the store will be the only personnel in the beginning of business operations.

4.3 SWOT analysis

A business idea of this thesis was analysed using SWOT analysis. Strengths and weaknesses in this analysis are internal factors. Opportunities and threats are external issues.
<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural healthy products</td>
<td>More expensive than non-organic food</td>
</tr>
<tr>
<td>Good customer service</td>
<td>Location of the store</td>
</tr>
<tr>
<td>Supporting local economy by purchasing from local producers</td>
<td>Limited number of personnel</td>
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<th><strong>Threats</strong></th>
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<td>Big retail chains selling organics with lower prices</td>
</tr>
<tr>
<td>People are becoming more health-conscious</td>
<td>Future competitors</td>
</tr>
<tr>
<td>Unmet demand for organic products</td>
<td>Reduced buyer power due to economic situation</td>
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4.4 Products

All products will have a certificate label depending on an origin of a product.
Business will offer to customers organic and locally grown or made produce, chemical- and preservative-free groceries, cruelty-free body care and eco-household products. The products are:

- Free of artificial preservatives
- Free of artificial colours
- Free of chemical additives
- Organically grown
- The least processed or unadulterated version available
- Non-irradiated
- Cruelty free

4.5 Target customers

Activity on the market has grown due to several factors such as greater availability in supermarkets and wider availability of a range of products. As mentioned in the market research section more and more Finns are buying organic products regularly. The most frequent users are found in Helsinki Metropolitan area. Families with children and women of different ages are the most Active Buyers. Regular Buyers are similar with Active Buyers except they are not so passionate towards organics as Active Buyers are. Purchasing of Random Buyers for organics in the main is not planned event but typically more occasion driven based on what is available and visible in the supermarket. The most important reasons for Finns to buy an organic product are purity of a product, good taste and because products are more ecological and environment friendly. (Kuluttajabarometri 2015)
Buying Finnish is an important consideration for Finnish consumers. However, buyers of organics recognise that it is not always possible to buy Finnish organic.

There are two segments of the population where there is a real potential to increase volume of purchasing of organic products. These are Regular and Random buyers. While slightly different in their attitudes towards organic, both share similar values when it comes to food. Making promotions and introducing organic products to these segments included in marketing plan of the business plan.

4.6 Industry and competition

Organic products are increasing trend in Finland. Sustainable food production, wellbeing of animals, the environment, cleanness, taste and quality of food among the reasons why consumers want to buy organic products. The growth of the food consumption in general has stagnated in the Western World, but organic food has managed to increase demand and the sale grow faster than the grocery stores sales in general. (Flanders Investment & Trade 2015)

According to the Finnish Organic Food Association Pro Luomu year 2016 has shown an accelerated growth in demand for organic products. In grocery shops, the sales of organic foodstuffs rose 14%. Growth was clearly stronger than during 2015 and previous years. It surpassed 1% growth of retailing grocery shops as well.

Estimated sales of organic products in 2016 is 273 million euros. In the food sales the market share of organic products is now 2%. Trade specialists evaluate that organic food sales will increase to 410 million euros by 2020. According to executive director of Pro Luomu, organic products include several consumer trends such as wellbeing, naturalness and responsibility. The better the supply to the customers the more Finns choose organic products and more often. (Pro Luomu 2017)
Figure 16: Sales of organic market 2011-2016 (Pro Luomu 2017)

The growth of organic market can be explained with the different factors. In general, the consumers’ awareness has grown. People want to know all about the production and origin of food, and they are being critical towards industrialized farming and the food system in general. (Pro Luomu 2017)

In addition to organics, also local food is gaining popularity. A big explanatory factor for this are the Finnish retail chains S-group and Kesko-group who have taken more organic products into their selection and have even produced own private-label organic products. The retailers also have been active in the cooperation with the organic associations to develop and promote the Finnish organic sector. Currently these two chains have about 3 000 organic products in their selection. 60% of them are estimated to be Finnish production. (Flanders Investment & Trade 2015)

Great part of organic sales is made of every day food products and their price is of big importance to consumers. The organic sales show that retailers have become more proactive: organic products are marketed more than before and prices have also come down. The input of retailers on marketing, which differs between different retailer group and different parts of the country, is also reflected in the sales. The sale of organic products has clearly grown more in the Helsinki Metropolitan area than in the whole country in average.

The retailers must be more observant towards the products they sell and the place in the shelves should be justified better than previously. In general, the competition in the organic segment is going to tighten and products will come and go more easily than in the previous years when the selection and supply was more limited. Nevertheless, the role of the big retailers such as Kesko and S-group has been and continues to be big in selling and introducing new organic products. Without big chains the market share of organics would be significantly smaller. (Flanders Investment & Trade 2015)

The largest retail stores specialized in selling organic and ecological products in Helsinki Metropolitan area are:

**Ruohonjuuri Ekokauppa**

Rapidly growing and the biggest retail chain in Finland specialized on a sale of organic and health products. Currently having 10 stores. Does not import products themselves but buy from importers. Products can also be purchased online. Ruohonjuuri is planning to open one new store each year. The company also sees the possibility to expand their business out of the country. (Ruohonjuuri 2017)
**Ekola Ekokauppa**
Focus on distribution of organic and ecological products. Consists of wholesale, 2 retail stores and a web shop. Ekola stores have their own successful importer and wholesaler business of more than 400 products. (Ekolo ekokauppa 2017)

**Life Finland Oy**
There are about 90 franchising based Life stores in Finland. It is a subsidiary of Life Europe AB company. Products can also be purchased online. (Life Finland Oy shop 2017)

In addition to the stores mentioned above, there is a plenty of online shops selling organic products.

4.7 **Marketing plan**

Marketing plan is introduced through 4 P’s of Marketing Mix, which are product, place, price and promotion.

4.7.1 **Product**

The business will sell Finnish local organic production. However, at this moment assortment of locally produced organics is limited, so a business owner is compelled to include into product list also products from other EU countries.

Below are main competitive features of an offered products:

- Organic certificated food and drinks
- Harmful chemicals-free cosmetics and hygiene products
- Ecological or environment friendly everyday use home care products
- Environment friendly packaging material with most of products
- Biggest assortment of a local organic products

4.7.2 **Price**

When setting prices for products two pricing tactics were taken into consideration:

- Cost based pricing - the price of a product cost plus a set amount based on how much profit company intends to achieve
- Competition pricing - setting a price with paying attention to competitors’ prices
In the beginning of a business operations the main target is to cover all product costs and store expenses. Therefore, a cost based pricing was chosen to begin with. A price mark-up is set initially to 35%. Afterward, when sales revenue is high enough and an adequate number of customers is gained, a pricing policy might be reconsidered and adjusted with competitors’ prices.

4.7.3 Place

Initially location for a store will be in Espoo area near shopping centre, easy reachable for the customers. In the future when enough customers gained the store can relocate inside shopping centre.

4.7.4 Promotion

Advertising

Most of the advertising will be made through social media like Facebook and word-of-mouth promotion, which are common free channels of a marketing. This kind of free advertisement will be continuous process. Before an opening of the store and during first month of operations, an advertisements will be published in a local newspaper to introduce a new business to the customers.

In-store promotions

The products with insignificant demand will be displayed so that they are more visible to customers and therefore will increase a sales revenue or customer awareness of a product.

Furthermore, degustation of a products will be carried out periodically in order to increase or create an awareness of a product. Tastings are crucial part of a marketing plan. They serve two significant purposes; to motivate consumers’ decision making and to attract new customers to the main customer target segment Active Buyers.

4.8 Financial projections

The financial plan consists of initial investments calculation, projected income statement for a first 12 months of a business operations and of cash-flow budget for a first twelve month.

4.8.1 Initial investments

According to estimates and as shown in Appendix 2, the start-up will need 21 165 euros initial capital including company registration fees, equipment for the store and stock purchase.
With a personal capital available of 5,000 euros and a personal property of 200 euros, a start-up will take a bank loan for ten years for 15,965 euros.

4.8.2 Projected income statement for first twelve months

The income statement shows us revenues from sales, expenses of the company, and how much we earned profit or loss each month. In Appendix 3, we can see that total monthly expenses estimated to be 3,411 euros, including salary of the owner who will initially work in the store. To cover up all expenses, the store needs to have monthly sales revenue at least 13,000 euros. The mark-up percentage of a product set initially to 35%.

4.8.3 Projected cash-flow budget for a first twelve months

The cash-flow budget displays a company’s monthly cash inflow and outflow. A company will have an initial cash capital of 6,000 euros for unexpected expenses. A cash-flow budget can be seen in Appendix 4.

4.9 Risks

There are different risks a start-up retail store can confront. Risks can be related to internal or external factors. They are:

- Revenue loss
- Unexpected expense
- Business disruption
- Personnel problems
- Liquidity insufficiency
- Economic condition
- Theft and equipment damage

The most crucial threat for a freshly established business is revenue loss. For sales projections, a 10% negative deviation from expected sales will be accepted. If sales objectives are less than 90% of projections, certain actions will be taken. For unacceptable sales levels during the first-year business, the store will double in-store promotions. If sales do not increase within one month of the in-store promotions, the store will advertise with the help of leaflets for one month.

Another serious risk is unacceptable business liquidity. If the business lacks liquidity, the store will examine their cash flow projections to determine which unexpected expenses cause the liquidity deficit.
In case of any business disruptions, personnel problems or any other risks the actions will be taken to eliminate them.

5 Conclusion

The consumer market research results support my business idea. The author can conclude that with the increase in sales of organics, growing awareness of consumers on the benefits of organic products there is a market for a new business. Apparently, substitute products are available at much cheaper price than organic products. Organic production costs more than conventionally grown or made products. However, I believe the threat of substitute is minor and customers are still choosing organic products which should keep the industry market share on the rise and as the economic situation improves we will see a sharp increase in the demand of organic products.

Due to increasing demand towards organics a growth of a new retail businesses in Finnish organic market can be predicted in the near future and by that it is essential to build an effective and solid strategy for a new start-up business and differentiate yourself on the competitive market. Therefore, creating a strong business strategy and further investigation of the Finnish organic market competitors are suggested future actions for the start-up.

Kuluttajabarometri 2015 consumer research and the thesis writer primary research reveal that almost half of the population in Helsinki Metropolitan area, 48% - 49% of the respondents Active and Regular buyers, purchase organic products regularly. Random buyers, 37% of the respondents, are potential future target customers. Introducing to this segment organic products and its features is an essential part of a marketing plan written in this thesis.

Due to a small sample size of the survey the accuracy of a research findings is low. The reasons for a too small sample size might be if respondents answer the survey only when they are interested in a survey topic or they refuse to answer due to lack, pressure of time or no interest towards the survey topic. Unfortunately, the thesis writer did not have enough time resources for searching more survey candidates.

Although internet links to the online survey were sent to the group of the residents of Helsinki Metropolitan area, there is a probability that the researcher made a mistake and some respondents do not belong to this group. Furthermore, design of some questions of the survey could have been formed differently. Inaccuracy was made when researcher did not control the survey questions first by giving the survey to someone to answer and check if everything is correct.
The business plan created in this thesis has a great importance for the writer who desire to enter in a business world. It gives a broader picture of related industry and helps to build a strategy for a new business. Furthermore, business planning is vital for a start-up financial success. With the help of financial projections you have a clear understanding of a company money situation and are able to foresee and eliminate all related risks.
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Appendix 1 Survey for Finnish organic consumer market research

Are You?
- Male
- Female

Which of the following categories includes your age?
- 18-29
- 30-39
- 40-49
- Older

Are You familiar with a concept of organic product?
- Yes
- No
- Other

How often You purchase organic products?
- Weekly
- Monthly
- Less than monthly
- Never

If “never”, please give a short reason why and stop Your survey here:
............................................................................................................

If You do buy organic products, please give a short reason why:
............................................................................................................

Name two or three organic food products You purchase more often:
............................................................................................................

How often You purchase organic non-food products?
- Weekly
- Monthly
- Less than monthly
- Never
If you do buy, please name two non-food organic products you purchase more often:

……………………………………………………

What is your average amount of money you spend on organic products monthly?

- o 10-20 euro
- o 30-50 euro
- o More
## Appendix 2 Initial investments and financing

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Appendix 1

Appendix 3 Income statement for a start-up retail store for a first twelve month

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| Income/loss before taxes | 19 | 19 | 19 | 249 | 249 | 249 | 432 | 432 | 432 | 432 | 432 | 432 |
# Appendix 4 Cash-flow budget for a start-up for a first twelve month

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