

Helsinki Restaurant Market Analysis: Setting up a Restaurant

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<p>The aim of this thesis is to gain knowledge and understanding of customer preferences and market characteristics in the Helsinki area in an effort to facilitate the implementation of a South American style restaurant through the Haaga-Helia Start-up School. The commissioner is the author of the thesis and his partner through the start-up business planned for the summer of 2018. It is a research-based thesis that makes use of qualitative investigation methods.</p> <p>To obtain a realistic and accurate image of the market under question two research methods are applied. The first, in order to comprehend general trends and consumer preferences, is the study of existing data available from reliable and trustworthy sources. This method allows the research to gain a considerable amount of data to answer some of the wider research problems. In combination with the first method in-depth, semi structured interviews will be carried out to answer the more qualitative aspects of the research project. The interviews have been done on entrepreneurs currently operating in Helsinki.</p> <p>The results of this thesis will serve as a how-to guide for potential restaurant entrepreneurs. The analysis of the various stages of setting up a restaurant will offer the reader an informative insight to the restaurant industry in Helsinki.</p>	
Keywords Restaurant, Market, Helsinki, Concept, Employee, Entrepreneur	

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1 Introduction

Having worked in the hospitality industry for over six years, with two years' experience in Helsinki allowed me to see the opportunities available for a Uruguayan/Argentine steak house in Finland. This thesis will focus on determining the feasibility of starting a restaurant business in central Helsinki. Through the definition of the restaurant concept, the analysis of the market and most importantly, the knowledge of experts in the field this thesis will establish whether it is possible to have a successful South American steak house in Helsinki. Using available market analysis resources, combined with in depth interviews with professionals, this research will provide a guide to setting up a restaurant in Helsinki.

Alejandro Navarrete, a longtime colleague of mine, and myself have started the process of creating a restaurant in Helsinki. This study aims to provide the necessary background information on the market in order to begin designing a business plan. The restaurant in question is a Uruguayan/Argentine style steak house. The objective is to have a restaurant in a central location with moderate pricing and capacity for eighty customers at a time. The menu will offer traditional Southern American grilled food along with side dishes. The drinks menu would focus on wines from Argentina, Uruguay and Chile. The core concept is cooking quality cuts of beef, pork and chicken with a wood burning grill. The atmosphere will revolve around the grill as a central piece of the restaurant. This study will help define the process of setting up this concept and developing a successful business around it.

1.1 Objectives

The question this research aims to answer is the feasibility of opening a successful restaurant in Helsinki and the main challenges presented. The principal objective is to understand the market and the start-up process in order to produce a coherent business plan. The feasibility is measured through analyzing the personal experience of participants; the core concepts applied to each restaurant, the operational aspects of running a restaurant business, customer retention and satisfaction, employee relations and market competitiveness. This was achieved through in-depth interviews.

Feasibility will be measured through looking at the current market situation and analyzing the experience of the interviewees. It is vital to understand the consumer and the market trends that determine their choices. This must be put into the context of the restaurateur's

ability to adapt and attract customers. The concepts the study focuses on are personal experience, restaurant design, market trends, consumer behavior, marketing, employee relations and government regulations for starting a restaurant.

2 Defining the concepts

This section will establish the framework under which this study has been conducted. We will discuss the concepts and aspects that influence opening a restaurant in Helsinki. It is important to understand what is a restaurant, how the Helsinki market behaves and what are the steps to opening a restaurant business in this city.

2.1 The restaurant

This study focuses on full service restaurant. A full service restaurant is defined as an establishment that offers a wide variety of food through a menu and has table service with waiters. Basic facilities such as bar, bathrooms and tables are also required. The key characteristics of a full service restaurant are as follows: A host that seats the customers, a broad menu, waiters or servers that take the order from the seated customers, food is brought to the customers table, guests are tended to throughout the experience and payment takes place at the end of the service. This type of restaurant focuses on giving the customer a complete experience based on personal attention. Within the given definition, there are two types of full service restaurants: fine dining and casual dining.

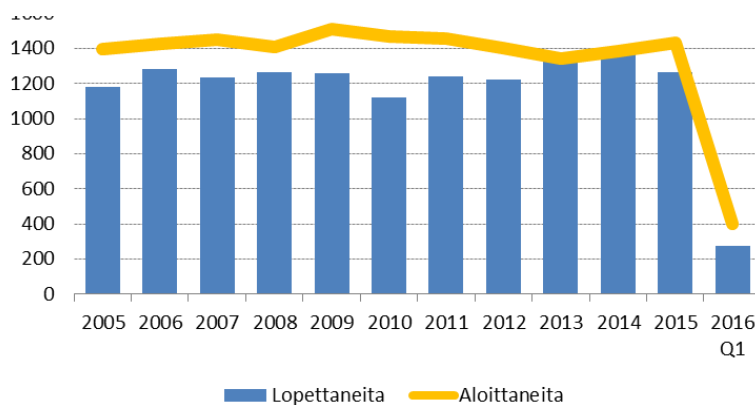
A fine dining restaurant offers a high quality specialized menu, attentive and formal staff that are highly trained, well thought out interior and ambiance, and a code of conduct customers must follow. Fine dining takes place in a formal setting that offers the customer a quality experience that reflects on the price. These types of establishment require reservations and usually do not take walk-in customers.

This study focuses on casual dining establishments. Casual dining refers to restaurants that offer a wide variety menu at a moderate price. The ambience and décor give the customer a more relaxed homey feeling and the service is casual and friendly. This type of restaurant takes reservations but also caters to walk-in customers. The objective of a casual full service restaurant is to offer an affordable dining experience through cutting costs in more high-end products and amenities.

2.2 Characteristics of the Helsinki market

The Finnish economy specializes in adapting to different challenges that arise. From its independence, Finland has learned to diversify through innovation, hard work and change. In recent years, the number of foreign nationals living in Finland has steadily grown. This trend has seen the growth of various sectors of the economy, one of the most notable being the restaurant sector. Since the nineties, there has been significant growth of the restaurant sector in Helsinki. The Finnish hospitality industry accounts for 5.4% of taxes and tax related fees collected by the Finnish government and 3.8% of the nation's GDP (MaRa, 2017). It is a significant industry for the nation, employing more than 140,000 individuals, an increase of 37% since the mid-nineties (MaRa, 2017).

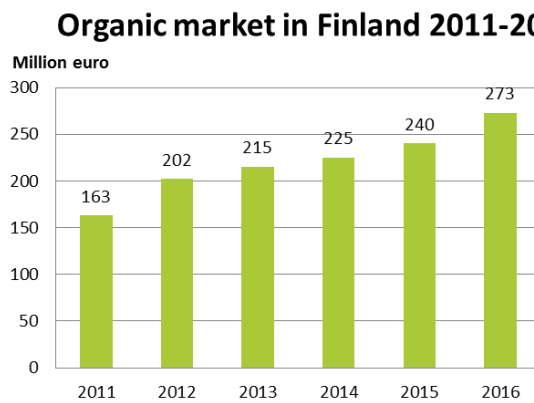
Figure 1. Number of restaurants opening and closing in Finland (MaRa, 2017)



The graph above illustrates the amount of restaurants that have opened versus the amount of restaurants that have closed per year since 2005. The trend has been steady in the past decade, showing an average gap of 200 establishments opening rather than closing per year. The graph shows a balance for the years 2013 and 2014 where the market appears to have stagnated. In 2015, the market picks up once more. It is necessary to consider that the economic situation of the nation does not seem reflected in this visualization. The economic crisis in 2008 does not affect the patterns of growth seen in previous years.

The current consumer trends in Finland show a move towards awareness of product origins. The consumer is demanding fresh, organically produced and locally sourced ingredients. This has been a worldwide trend and can be put into context by looking at the development of organic agricultural land within the EU since the 1980's. The area dedicated to organic food production in Europe has grown by 12 million hectares in the last 30 years (Flanders Investment & Trade, 2015). Land dedicated to Finnish organic agricultural production has risen 70,000 hectares since 2006 as can be seen in the graph below (Flanders Investment & Trade, 2015).

Figure 2. Organic Market in Finland (Flanders Investment & Trade, 2015)



Alongside the lean towards organic products, the Finnish consumer is looking for faster and more casual service. There has been a rise in unconventional fast food restaurants and street vendors in recent years, drifting from big fast food chains to smaller pop-up restaurants that offer organic ingredients, casual service and exotic menus. The aforementioned has led big restaurant chains to the need for change. Sourcing organic ingredients that are locally grown is becoming the norm and a more casual and efficient service appears to be the requirement. Multiple food events, such as the various restaurant days throughout the year, have raised an interest in consumers for different culinary experiences.

Food delivery services such as Foodora and Wolt have taken off since 2014. These types of delivery services allow the consumer to access a wide variety of restaurants from their homes. Wolt has more than 400 restaurants represented in its service. This kind of service

has turned eating delivery food from only pizza and kebabs to virtually anything the customer desires. Food delivery is a limited market, as consumers still demand eating out. Wolt is addressing this by creating a “no-standing-in-line” concept. *“What happens at the restaurant next is something special: Literally no one is receiving orders. No one is handling payments. There’s only people putting the orders on a plate and people handing them out to hungry customers or bringing them to the table.”* (Mykkänen, 2016) If this initiative is successful, it means the restaurants using this service would reach extremely high levels of customer turn over by eliminating almost all customer contact.

Alcohol consumption has changed in the last two decades. The Finnish Hospitality Association estimates that alcohol consumption has steadily dropped in Finland, seeing consumption in restaurants drop by 50% as home consumption has risen (MaRa, 2017). The effects of this on the restaurant industry are notable. The Finnish government is aiming to pass legislation that will allow restaurant to regain a share of the alcohol consumption. The Finnish ministry of social affairs and health refers to the legislation as follows; “These norms have burdened especially the restaurant industry. Provisions concerning serving hours and customer service at restaurants and bars would be eased.” (Tuominen, 2017) Currently restaurants can only serve alcohol until 3:30 am and are restricted with regards to advertising and promoting alcohol for their establishment. The new legislation would eliminated the need to obtain separate licences for the three different alcohol classifications and institute one licence for all beverages. The reform would also allow restaurants to retail alcohol in accordance with current alcohol retail laws (Tuominen, 2017). In addition restaurants will be able to have shared serving areas in street terraces and local festival areas through catering permits. Serving requirements will be eased from 18 years of age to 16 with an adult present. The size of alcoholic beverages is currently regulated, the reforms will allow restaurants to serve class B alcohol in larger units. These reforms allow restaurants to make a bigger turn over on alcohol and regain some of the market share lost to home consumption and neighbouring markets such as Estonia.

Finland has the highest tax a brewed beverages in Europe, making the consumption of cheaper, large-scale brewery beers a staple since stricter alcohol regulations were implemented in 1994. Since 2005 there has been an increase in the manufacture and consumption of locally and internationally produced craft beer. Consumers can currently find a wide variety of craft beers at retailers and in restaurants. Although the prices are higher, the current consumer is not only looking for organically produces local food, they are also interested in the origin of their beverages. It is become a staple to offer organic wine options at restaurants with the appropriate certification.

2.3 Things to consider when opening a restaurant in Helsinki

This section serves the purpose of defining what steps exist in the process of opening a restaurant. We will look at each concept and define them in preparation for further analysis.

2.3.1 Concept creation

The Oxford Dictionary defines concept as 'an abstract idea. A plan or intention. An idea or invention to help sell or publicize a commodity.' (Anon., ei pvm) In the restaurant business, a concept encompasses a matrix of ideas rooted in the product offered. The concept includes the menu, logo, marketing strategy, financial model, service philosophy, interior design and customer base. It is what differentiates the restaurant from other competitors. (Simon, 2006) The first step of designing a concept is to choose the food offering. It is important to look carefully at the profitability of the menu. One must analyse the profit margin from each ingredient and calculate the margin for each dish to get an idea of how the product on offer will perform. Having chosen what kind of food the business is based on the entrepreneur must pair it with the style of service, the ambience and the location. As an example we can look at a theoretical pizzeria. Pizza is a very versatile yet common dish that is served by many restaurants. It is a dish that is guaranteed to give a high turnover. For this reason it is important to have a strong concept that will set the restaurant apart from other competitors. The restaurant owner must design a unique service around the product. The owner may choose to offer a set menu including starters, wine and dessert or he may decide to concentrate more on the take-away and delivery service. Having made the choice of service philosophy it is necessary to look at a suitable physical space to implement this idea. It is important to make sure there is enough seating to be able to sell enough product in a given time period. The foot traffic of the area must be analysed to guarantee a strong flow of customers. The demographics of the area play an important

role in defining the target market. If the product and service have been designed to cater to eighteen to thirty year olds, it is vital to choose a location that matches said demographic. Many restaurateurs take existing concepts that work in different locations and adapt them to their specific situation. (Simon, 2006) An idea that works in a different city or country with similar characteristics to the local setting is likely to work.

Having defined the idea of the restaurant one must create a coherent business plan in order to prove the feasibility of the undertaking. The business plan will allow the entrepreneur to calculate the initial investment, personnel, location and apply for the required permits. A business plan must include the concept and ideas that will be put into practice and a detailed balance sheet that shows the estimated costs and sales of the business in a given period. The balance sheet should provide the estimated investment and sales revenue for a three-year period (Andrew Zacharakis, 2011). It must include the initial capital, loans, fixed and immaterial assets, taxation costs and equity. The balance sheet is meant to determine the profitability of the business by comparing costs to profit. This is an essential tool for an entrepreneur to be able to keep track of goals and set long and short-term objectives. The balance sheet must cover an hour-to-hour snapshot of the businesses operations (Stutely, 2012).

2.3.2 Establishing a company

When starting a business in Finland there are a number of company types to choose. It is important to understand the business you intend to establish in order to create the appropriate company. Most restaurants in Finland that are run by one or two entrepreneurs are limited liability companies. A limited liability company is made up of one or more founders. The share capital required for a private limited liability company is €2,500 or €80,000 for a public limited liability company. With regards to the responsibility, *“The owners are responsible with the amount of share capital they have”* (Enterprise, 2017). In terms of taxation a limited liability company is an attractive option to an entrepreneur with a small budget as the rate is of 20% on the profits made. It is also possible to start as a private entrepreneur where all the decisions and profits fall upon the individual. General partnerships are often created when starting a restaurant. These partnerships distribute the responsibility to both parties involved but require a high level of trust between the partners. Many entrepreneurs opt for buying into a business directly, *“You can enter the restaurant and café business by purchasing a company that is already in the business, or the operations or a share of such a business”* (YritysHelsinki, 2015)

2.3.3 Finding a location

Most restaurants in Helsinki rent their premises through a rental agreement. When renting a location for a restaurant a fixed term agreement is necessary. The contract must be between 5 to 10 years and allow the tenant to have enough time for repairs and interior re-design. The property owner must agree to the premises being used as a restaurant. It is also possible to purchase a business that already has a premise and continue using the contract that was in place. The transfer of the rental agreement must be in the contract and the property owner has the right to refuse the continuation of the contract after a background check of the new tenant.

The following is a list of things to consider when choosing a premise:

- City plan
- Protected building
- Accessibility
- Fire safety
- Exits and Entrances
- Staff facilities
- Cleaning and waste management
- Toilet facilities
- Smoking (not compulsory)
- Vestibule and cloakroom
- Air conditioning
- Sanitary engineering and equipment
- Lighting
- Soundproofing, noise
- Public premises
- Restaurant room
- Kitchen
- Deliveries of food and supplies
- Dry and cold storage rooms
- Terrace and outdoor catering areas
- Advertising equipment and awnings

(YritysHelsinki, 2015)

2.3.4 Permits

When searching for an appropriate location the entrepreneur must ensure it is suitable for preparing, storing and serving food. There must be authorisation by the city's Building Control Department stating that the establishment is suitable for a restaurant. (Tuominen, 2017) Not all restaurants require the same infrastructure, so it is vital to assess what modifications are needed before drawing up a contract with the property owner. (Yrityshelsinki, 2015) It is required that the location has permits for Building Control, Food Control and the Rescue Department. *"All renovations and alterations more extensive than light repairs and indoor furnishing and decoration require a building permit in most cases."* (Yrityshelsinki, 2015).

2.3.5 Personnel

Choosing the right employees is a challenging part of setting up a business. The employer is obliged to arrange occupational healthcare, personal social security, pension contributions and unemployment benefits. All contracts made with employees must abide by the collective agreement for the hospitality sector. Finnish law protects the employees from being discriminated in any way through the following acts:

- Employment Contracts Act
- Working Hours Act
- Annual Holidays Act
- Non-discrimination Act
- Act on the Protection of Privacy in Working Life
- Collective Agreements Act
- Act on Job Alternation Leave
- Study Leave Act
- Pay Security Act

3 Structure and methodology

3.1 Target of research and objectives

As previously discussed, the target of this research is to assess the feasibility of opening a South American steakhouse restaurant in Helsinki. The aim is to understand how the Helsinki restaurant market works and how restaurants initiate their operations within said market. It is important to understand the consumer, the various market trends, barriers to entry, laws and regulations and personal experience related to opening a restaurant in Helsinki. Having gained this knowledge the research will determine the feasibility of committing to opening a restaurant in Helsinki.

Research on the structure of the market and the formalities of opening a business in Helsinki was conducted through bibliographical sources. To support and further examine the nuances of opening and maintaining a restaurant Business in Helsinki, in depth interviews were conducted on five restaurateurs from different restaurants.

3.2 Methodological choices

This study uses two research approaches, combining two types of qualitative methods in order to develop a balanced between the need to explore concepts and the need to measure specific market trends.

3.2.1 The interview

Not all research can benefit from the use of qualitative interviews. Research that depends on an exploratory element, a personal view point that can only be collected through personal contact, where there is a vast amount of complex data to be collected, and sufficient time to conduct the interviewing process.

Qualitative interviews are used for studies that aim to explore a subject. These types of studies help the interviewer see the relationship between variables where it is necessary to understand the decisions that are made related to the specific subject (Mark Saunders, 2009). In order to explore the variables set in this research it was important to interview

people in a high position within their business. The aim was to obtain interviews with owners, restaurateurs and managers. Non standardized interviews have been proven to be more successful than questionnaires at getting individuals from higher positions to agree to be interviewed. The interview is an integral part of our society, we see it in our daily lives through news interviews, talk shows, magazines, documentaries and research (Clive Seale, 2004). The act of interviewing can seem natural and of importance to the interviewee. Reluctance to answer questionnaires comes from the impersonal nature of said method and the extensive use of this tool by corporate researches, prompting the participant to disregard the value of said method. Individuals receive personal assurance and a sense of importance through personalized interviews (Mark Saunders, 2009). The researcher is then able to engage on a more personal level and gain a greater understanding on the interviewee's point of view.

Through standardised open-ended in-depth interview, we will explore, in detail, the process of setting up and maintaining a restaurant business. "By using depth interviews in a research design, the validity of the research is increased as the respondent's own perspective is incorporated into the research agenda." (Hague, 2004) The interviewees have been selected according to their relevance in the industry. Interviewees include renowned restaurant owners, general managers and human resource manager.

3.2.2 The use of secondary data

Secondary data refers to data collected by a third party for a different purpose. The use of secondary data gives the researcher a wide array of data that has already been gathered in order to complement the primary data collected. Certain fields of study have a richness of data collected in many forms that are of value to multiple research projects. Secondary data can be classified in three categories: documentary, multiple source and survey. Documentary data can be written material such as diaries, newspapers, company reports, email etc. or non-written material such as video or audio sources. Survey data includes questionnaires, censuses and regular surveys. Multiple source data refers to a combination of methodologies that result in a comprehensive collection of data, this can be government reports, financial publications, journals, books and other sources of combined data.

For the purpose of this study, we will concentrate on multiple source secondary data. In order to illustrate a comprehensive understanding of the restaurant industry we rely on market analysis reports from reliable sources and bibliographical material.

3.3 Description of implementation or working methods

The combination of qualitative interviews and secondary data allows the study to compare individual points of view to data gathered through previous research. In this section, we will discuss the interview process and the secondary data source that have been used.

3.3.1 How the interviews were conducted

Five in-depth interview were conducted for this study. The interview process began with an analysis of the subject. The kind of data would be required to answer the research question was determined to be of a wide variety and an exploratory method would need to be applied. It was necessary to obtain information from individuals with a depth of knowledge of the industry. The first step was to design an interview that would provide the guidelines for a conversational style interview. In order to gain an understanding of the process of setting up a restaurant in Helsinki the interview was designed to allow the participants to delve into the following topics: Personal background, restaurant concept, business model, marketing strategies, market trends, customer behaviour, personnel, and laws and regulations.

It is important to know what **background** the interviewee has to establish a context for his or her answers. As the objective of the study is to analyse the feasibility of setting up a restaurant in Helsinki it is important to know what kind of experience, character and work ethic is required to succeed in the industry. Knowing the participants background also allows the interviewer to better mould the questions for each case. This part of the interview is called the gauging section. This is where the data gathered in the rest of the interview can be put into context. The questions varied from educational background to personal experience in the industry.

The following section was designed to engage the interviewer in a discussion about the process of creating a **concept**. Each participant had their own experience and in some cases, there were multiple concepts to be discussed. The intent of this section of the interview was to dissect the design of a concept from the beginning to its implementation. The participants were asked about sources of inspiration, market analysis tools, interior design, menu design, finding a location and creating a service concept.

Having discussed the restaurant concept it was necessary to understand the **business model** behind it. Interviewees were asked about setting targets for their business, following the day-to-day operations and dealing with problems as they arise. The varying nationalities and backgrounds provided similarities and varying answers.

Marketing strategies were discussed with the hypothesis that traditional methods of marketing have lost value in today's technology driven markets. The questions were intended to reveal what marketing strategies the participants used.

An important part of the interview was the open ended discussion concerning **market trends**. The research aimed to analyse the individual opinions of the participants with regard to competition, saturation, pricing, demand and restaurant lifespans. These questions allowed the interviewer to gather personal opinions of the evolution and future of the Helsinki restaurant market.

The importance of finding the right **personnel** was a theme discovered in the study of bibliographical material in preparation of the study. This section was intended to discover the difficulties in hiring employees, what regulation exists concerning employee relations, how to train staff, and how to retain personnel.

3.3.2 Who were the interviewees

In order to analyze the interviews with a degree of fluidity and ease, we will refer to the interviewees by their first names. The following is a short description of each interviewee to understand the context of their answers.

Carlos Henriques is first and foremost a chef. He has worked in Michelin star restaurants in Finland such as Chez Dominique and Olo and has taken on several personal endeavors into the restaurant business. He started his career in the restaurant industry at a young age as a means of paying his university tuition and quickly fell in love with it. Currently he is undertaking two projects: *Mustacho's*, a Portuguese street food restaurant, and Nolla, a zero waste restaurant, his most ambitious project to date.

Roshan Salwathura is the managing director for Hawaii Restaurants and a restaurant entrepreneur. He has have five restaurants under his management at the moment: Holiday, The cock, the Sandro chain and two more restaurants are coming up.

Toni Sievanen is the Operation manager for four Royal Ravintola restaurants in Helsinki including, The Cock and Roster. He studied Hotel management and has worked within Royal Ravintola for more than 10 years.

Kamal Jaber is the Owner of Mezami, a Lebanese restaurant that has recently become a chain with the establishment of a second location in late 2016. Kamal is originally from Lebanon and Mezami is his first endeavor into the restaurant business.

Viviane Daboul is a Restaurateur and owner of the renowned Helsinki restaurants, Farouge and Vivos. She has built a career in fine dining and authentic Lebanese restaurants and catering. With more than 20 years in the industry she has become an important personality in Helsinki's restaurant scene.

4 Results

In this section, the results of the interviews will be analyzed in conjunction with the accumulated secondary data in order to provide a series of well-defined steps regarding the establishment of a restaurant. The interview questions were designed in order to gain an understanding of the process of setting up a restaurant. We will look into concept definition to understand how entrepreneurs develop an idea into a working concept. The process of establishing a company is the next step to consider. The type of company should fit the concept and operational capabilities on the entrepreneur. The following step is to find a location that is suitable for the concept of the restaurant. The legalities of setting up

a restaurant in Finland require a considerable amount of understanding. For this reason it is necessary to study the laws and regulations that encompass the operations of a restaurant. In order to have a successful business it is important to source the correct personnel and manage them adequately. Lastly, we will look into the Helsinki restaurant market to understand the exterior variables that affect a restaurant. It is important to compare the interview data with secondary data in order to see the many variable approaches to setting up a restaurant business. The following section will compare the results from the interviews with secondary data.

4.1 Defining the concept

In each of the five interviews conducted, the participant had their own definition and experience of creating a concept. As discussed earlier a restaurant concept is the creative process of defining what the restaurant will be with the purpose of establishing a framework and service theory that will define the restaurant. The culmination of the concept creation process is the business plan. The following extract from the book *How to Open a Restaurant: Due Diligence* describes the importance of the concept creation process: “*Instruction 1, Concept and vision, is going to be the focus of your business plan (...). Prospective investors and financial institutions will gauge much of their decision making process on this. Your thesis has to play out like a movie in order for them to understand and get excited about your proposition.*” (Frank Stocco, 2011, p. 15) The clarity and simplicity of one’s vision is essential to defining a solid concept. Stocco understands the need to be able to attract investors with a clear vision, this is what will help attract and retain customers once the restaurant is operational.

The Idea

In many cases, the first step in creating a concept is choosing the type of food that will be served. Creating a menu is like making a small business plan. The owner must think of sourcing, costs, preparation time, portions, naming the dishes, among other things. Once the food concepts is established, the entrepreneur can concentrate on designing the restaurant concept. When describing the concept creation process, Roshan states that he went into the process knowing that he wanted to offer a Mediterranean menu. In order to achieve this, Roshan and his partners travelled to various Mediterranean countries to gain inspiration for the menu. Once they came back to Helsinki they designed a detailed menu

before commencing the concept design. *“With food, one knows the range of things to talk about. With restaurants, there are so many options that a disciplined approach may not be easy to design”* (Howard R. Moskowitz, 2005, p. 211). During their travels, they also settled on a unique concept for the restaurant they found whilst in Israel. Due to the complexity of issues surrounding restaurant concept design, many restaurateurs opt to gather ideas from existing and successful restaurants. It is a safe option to take a concept that works and apply it to one’s food concept and specific location (Simon, 2006). Modifying existing concepts is a frequent occurrence in the restaurant industry. It is important to differentiate your concept from the original source of inspiration to guarantee a unique experience and avoid legal issues.

For Vivian, the food concept was known from the very beginning of the creation process. She wanted to start a Lebanese restaurant, as this is what she knew how to do. For her the challenge was setting up a restaurant that was the first of its kind in Helsinki. She gathered inspiration and knowledge from her experience in the hospitality field, having work in hotels and restaurants. Kamal also had the food idea of a Lebanese menu but had no prior experience in the hospitality industry. His background as a business major helped him set up a viable business plan but his main source of knowledge came from trial and error. Through his first restaurant, he learned the difficulties in choosing staff, interior design, branding and marketing.

As an exception to the rule, Carlos started with a restaurant concept and designed a menu around it. Carlos drew his inspiration from a desire to change the way restaurants handle waste. His vast experience in the industry gave him the necessary tools to come up with ways to reduce waste. The food concept was design to accommodate this modality. According to Fusions Report, 12% of food waste in Europe is generated by the hospitality sector whilst the production sector, processing industry and wholesalers amount to 36% of the food waste generated (Åsa Stenmarck), 2016). Carlo’s concept aims to help reduce these figures through packaging efficiently with biodegradable and reusable transportation methods.

Service Philosophy

Once a food concept is decided, the next step is to establish a service philosophy. All interviewees own or manage a casual service restaurant. Within this concept one must choose the focus of the service. There are constant factors to delivering good customer service that are worth mentioning before proceeding: looking a customer in the eye, smiling, greeting customers, anticipating customer needs and being attentive. Each owner will

add his or her own touch to the customer's experience. Throughout the interview process the different participants focused on different aspects that reflected their style of management and leadership. Vivian, coming from a formal service background gave emphasis to keeping the customer's needs first. She expects her employees to always put the needs of the customer before those of their colleagues. In contrast, Roshan's style of leadership focuses on creating a cohesive team that works together to make the customer experience as smooth as possible. Contrasting these styles of leadership gives an understanding of how the same goal can be achieved through different methods. Vivian's restaurant have made a name for themselves through great customer service. Her way of achieving this was through constantly training her staff and trying to retain a highly experienced workforce. This method is hard to maintain as the restaurant industry is a difficult sector when it comes to employee retention, the benefits include having a more independent staff that can make decisions remotely from the management and can handle difficult situations. The negative aspects of this method include the high cost of training and salaries for more experienced employees (Simon, 2006). Roshan values individuals who can adapt to the team despite their previous experience. This can be a challenge as inexperienced workers are prone to making mistakes and have difficulties with handling stressful situations (Frank Stocco, 2011). The benefits can be seen in the reduced salaries inexperienced individuals receive, the friendly and diverse environment generated by likeminded and motivated individuals and a unique customer experience. Roshan stressed the importance of interacting with the customers. One of the design features of the restaurant was to purposely avoid putting up toilet signs in order for the customer to engage with the staff and ask where to find the facilities.

Inside the restaurant

The interior design reflects not only the concept but also the personality of the owner. It is the embodiment of product offered (Howard R. Moskowitz, 2005). Much of the design is dependent on the physical location of the restaurant. The process of choosing a location will be covered further on in the thesis. For this reason we will focus on the design aspect as a concept. The design depends on the type of restaurant, the market, the concept and the budget (Regina S. Baraban, 2010). As discussed earlier, it is possible to gain inspiration from existing restaurant in one's design. Originality will help to make a concept stand out from others and create a unique atmosphere, however, customers also seek comfort and a sense familiarity when dining, this factor limits the extent to which a restaurant de-

sign can go. In order to retain customers it is necessary to present them with an environment that is welcoming and inviting (Frank Stocco, 2011). Our interviewees differ on ideas of design. As mentioned, Roshan and his team gathered inspiration from an existing restaurant in Israel. The décor was centred on a casual concept. Opting for the use of recycled furniture, Holiday Bar presented the customer with a homey feeling. The layout of the tables and bar area was designed to allow the customer to feel and see the entire layout. Similarly, Carlos opted for the use of recycle furniture to accompany his concept of low waste dining.

For Kamal and his Lebanese restaurant, the focus was set on making efficient use of his limited budget. His first restaurant was set in a small space and did not allow for a large number of seats. The expense on furniture was high as he opted to buy new tables and chairs and had a difficult experience with his contractors during the renovation. During the concept creation process of his second restaurant, he took into account the mistakes made in his first endeavour and planned accordingly; procuring a bigger space, using recycled furniture and equipment, and adding warmer decorative features.

Carlos is primarily a chef; he concentrated on having an efficient kitchen before even considering the seating arrangement. The layout of the kitchen plays a central role in the effectiveness of the service. Tony Sievanen recounts his experience in setting up The Cock Brasserie as a project that focused on creating a unique environment for the customer. A disproportionate amount of the budget was spent on the décor and customer space whilst the kitchen was made functional but lacking in space and equipment. The first year of operation of The Cock quickly showed the inefficiencies of the kitchen. The confined space lead to delays in service and work related accidents. A restructuring of the kitchen and dish washing facilities was necessary in order to solve these issues.

4.2 Finding a location

There are many variables involved in choosing the correct location. It is important to identify the type of customer one expects to serve. Each interviewee went through a different process of selecting a location. The following section will analyse their responses.

When Kamal decided to commence operations in a fixed location he considered the type of service he wanted to offer and decided he needed a location with a significant amount of foot traffic surrounded by office building. In order to find this he spent time going to various available locations and observing the foot traffic, the types of people on the street, the amount of businesses and restaurants nearby and the state of the building itself. With the

intention to attract office workers for a lunch menu, Kamal settled on a location that is in central Helsinki, with various office buildings in the surrounding area. It was important to him that the location be ready for restaurant operation. The location he chose was a café that was closing down. As mentioned previously, he renovated the interior and began operations as soon as the proper inspections were cleared.

Roshan had a unique experience with Holiday Bar. As part of Royal Ravintolat, Holiday Bar had access to various locations that were fit for a restaurant and already under the companies control. Holiday took over part of an existing Royal Ravintolat restaurant in a highly sought after area of Helsinki for an exceptional price. Similarly, The Cock restaurant found a location that was already contracted by the mother company. However, the building was in need of renovation and the rent was significantly high. The renovation process was expensive but the intention of Toni and the rest of the parts involved was to establish a Helsinki "classic". It took the Cock almost 2 years to recoup the investment spent on renovating the facilities.

Carlos had a different approach to choosing a location. He knew the concept he had was enough to attract the target market he sought. Through research and inquiries he learned that individuals would travel a distance of five kilometres to experience what he was offering. This Allowed Carlos to establish his restaurant in a significantly cheaper area, thus reducing operation costs which he invested in providing a better service.

4.3 Establishing a company

Once a business model and concept is established, the next step is to decide what type of company favours the aforementioned criteria. In this section, we will focus on the experiences of Vivian, Carlos and Kamal, as Roshan and Toni established their restaurants through a father company, Royal Ravintolat. It is important to highlight the possibility of creating a restaurant through this type of investment but it does not apply to the average entrepreneur in Helsinki. Vivian went for a general partnership, Carlos opted for Limited Liability Partnership (kommandiittiyhtiö) and Kamal is the exception as he opted to form a proprietorship (toiminimi).

Vivian started her first restaurant with her spouse. His knowledge of the Finnish restaurant business and experience working in various restaurants in Helsinki allowed the couple to define their objectives clearly. The general partnership suited their needs, as Vivian's

spouse would act as the head chef and help with the initial investment and business consultancy. It is important to note that there must be a high level of trust between partners in a limited partnership as costs and profits must be shared to their own agreement.

Carlos took it upon himself to design the concept and start the restaurant's operations. Having worked on the idea for a determined amount of time he was in need of funds to be able to invest in the business. Carlos started a limited liability partnership as he did not need a partner that would get involved in the creative process but was in need of funding to develop his business plan.

Kamal started small, with a food truck and catering service before he made plans to open a restaurant. In order to do so he created a proprietorship with the intention of starting up his brand. A proprietorship is a solid choice for a first time entrepreneur as it reduces the number of stakeholders and allows the company to receive reduced tax rates and benefits (Enterprise, 2017). Kamal's business plan allowed him to calculate his expenses precisely and apply for the necessary loans without the help of a third party.

4.4 Permits, registrations and tax

For all of the interviewees the registration and permit application was the most frustrating step in the entire process. Permits are needed for the premise, food handling, alcohol dispensing, retail and trade licence for non-food products, copy write authorisation for music, among other variables that may exist such as smoking areas or terrace permits. In conjunction with having the appropriate permits, it is necessary to notify the correct authorities of opening hours or any changes to the exterior of the building.

The restaurant must operate in a premise that is legally fit for the serving and production of food. The restaurateur must apply through the building supervising authority of the location. As mentioned early and expressed by all of the interviewees, it is advantageous to find a location that was previously operating as a catering service (i.e. restaurant or café) and already has the necessary physical modifications to make the premise adequate for said operation. If the location includes a terrace area the restaurant needs to obtain the appropriate permit to operate out doors or on the side walk, adjusting to the restrictions imposed by local authorities regarding noise levels, serving of alcohol in the outdoor areas and smoking areas.

A written notification must be submitted to the food control authority of the given location in order to alert the authorities that the premise will be serving food and as such will be subjected to inspection. Food and alcohol handling permits are required for all staff. All staff that will be handling food require the hygiene passport. Employees can obtain this certification through Evira. Staff that will be managing alcohol sales require the alcohol passport. As of 2017 it is only necessary for the responsible shift manager to possess the alcohol passport. In order to acquire the alcohol passport employees can attend the required examination through various educational institutions. Along with the appropriate individual alcohol permits, it is necessary for the restaurant to have an alcohol distribution licence. According to Roshan, this is the most complex and demanding permit to obtain. There are three classes of alcohol licence; A class, for mild alcohol, B class for alcoholic beverages of up to 4.7% and C class for strong liquors of above 4.7%. Costs are calculated on the type of licences and the estimated amount of yearly sales. Based on this figure there is a 100% premium charged on the yearly sales of alcohol. As noted by Vivian, this is a costly process but worthwhile as a large amount of profit can be made from the sale of alcoholic beverages if the volume sold is large enough. Vivian's second restaurant did not have an alcohol licence, as it was not expected to sell large amounts of alcohol.

When asked what advice he would give to a potential, first-time entrepreneur, Carlos said he would recommend getting professional consultancy on issues regarding permit and tax. Through his first experience, he learned that it could be very challenging for one individual without knowledge of the Finnish language, to apply to all the necessary permits and fill out the correct tax applications.

4.5 Personnel

The hospitality industry is renowned for its high employee turnover. Most positions do not require higher education or intensive training and this is reflected in the salaries of said positions. For this reason, the industry attracts temporary workers such as students and younger individuals. As in most industries in the developed world, the most expensive operating cost is labor. An Effective workforce determines the success of a business. Finnish labor laws guarantee a livable minimum wage and employee benefits.

As mentioned earlier the restaurateur must take into account several legal aspects when hiring employees. This section will concentrate on the personal experience

of the interviewees of hiring, firing and motivating employees. In conjunction, general information about the Helsinki labor market will be presented to support the data from the interviews.

As shown in *table 1* below more than 49000 individuals are directly employed by the restaurant sector, accounting for 10% of the service related labor force. Of these 49000 almost 9000 are foreign workers (Tarkoma, 2015). The restaurant industry is seeing steady growth in Finland, with an emphasis in the Helsinki region. According to the data in *figure 2*, there is significant growth in foreign employees working in the service sector. The data shows an increase of approximately 15% from 2008 to 2015 in the restaurant sector. Toni Sievanen states that with the high demand for employees, restaurants in Helsinki are seeking foreign employees that have the necessary qualifications but lack knowledge of the Finnish language. This internationalization of the restaurant work force has significantly changed the customers experience for many restaurants in Helsinki. Toni goes on to say the Cock restaurant has seen positive customer feedback from the use of foreign employees. He states that customer are accepting of the fact that someone in the service industry may not speak Finnish and in some cases find it an attractive concept that adds authenticity to the restaurant. For him the best kind of marketing is what the customer sees from the staff.

Vivian states that foreign staff often share more of the work ethic she has and are easier to work with. Carlos illustrates the fact that most of the people he has worked with in the kitchen and as waiting staff have been foreigners. He strives to find a balance of local and foreign workers in his restaurants to give a well-rounded experience to the customer.

Kamal began working by himself with his food truck, but as soon as he open his first location, he found himself needing qualified staff. Seeking to cut costs, Kamal hired trainees from different institutions as kitchen and waiting staff. He found that whilst the costs were significantly reduced, the lack of experience and monetary motivation was noticeable and affected the final product. He soon fixed these issues by hiring experienced individuals for busier shifts.

Figure 2. Industries where the number of employed persons with foreign background has grown most in 2008 to 2013 (Tarkoma, 2015)

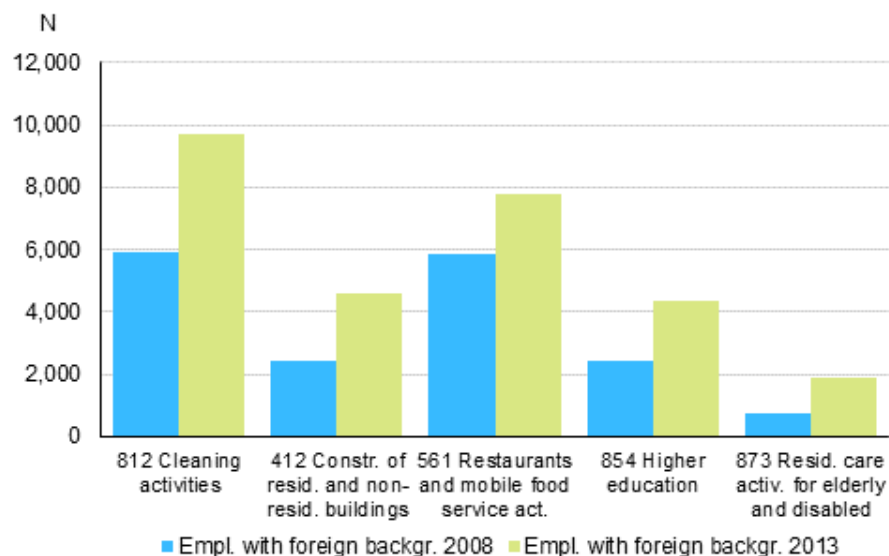


Table 2 Most common occupational groups of wage and salary earners aged 18 to 74 included in the group of service and sales workers in 2015 (Tarkoma, 2015)

Service and sales workers (AML 2010)	Wage and salary earners		
	Total	Women	Men
5223 Shop sales assistants	99,379	65,902	33,477
53213 Social work assistants	42,423	39,193	3,230
53111 Childminders in kindergartens and other institutions	28,335	27,461	874
5153 Building caretakers	23,813	3,795	20,018
51201 Cooks	21,705	14,617	7,088
53219 Other practical nurses	21,334	19,522	1,812
53221 Household service workers	19,799	18,819	980
5131 Waiters	13,830	10,163	3,667
51202 Restaurant services supervisors and shift managers	13,816	10,963	2,853
5222 Shop supervisors	12,779	8,340	4,439
5230 Cashiers and ticket clerks	12,116	10,378	1,738
5312 Teachers' aides	11,391	10,027	1,364
5414 Security guards	10,735	2,499	8,236
5246 Food service counter attendants	10,518	8,638	1,880
53112 Private childminders	8,272	8,235	37
53212 Mental handicap nurses	6,571	5,637	934
5244 Contact centre salespersons	5,851	3,059	2,792
53291 Dental assistants	5,216	5,164	52
53222 Personal care workers, family carers, etc.	4,785	3,967	818
5411 Fire-fighters	4,426	173	4,253
Total	377,094	276,552	100,542
Service and sales workers total	416,571	303,030	113,541

Vivian has expressed frustration with regard to staffing issues. For her, it is difficult to find qualified employees that have acceptable customer relation skills. The main problem with finding the right people arise from cultural differences and socio-economic issues that limit the available workforce. Vivian, coming from a Mediterranean country, found it difficult to source employees that would reflect the style on offer at her restaurant. Work ethics regarding customer relations were lacking. For Vivian, the high turnover of employees is due to the demographics of hospitality workers in Finland as they consist of part time workers that are mainly students or transitional workers. In her experience, Vivian tried to pick the more motivated applicants that did not necessarily have the experience but had the correct attitude. It was a constant struggle to motivate employees and it involved her being present at the restaurant most of the time.

Training the right people and retaining them is key to running a successful restaurant. All interviewees share the idea of having a structured hierarchy consisting of managers, shift managers and specialized positions. Carlo's experience as a chef allows him to organize the kitchen staff effectively. He understands the importance of having a dedicated manager for the waiting staff. Responsible and reliable managers are costly but allow the owner to exercise his or her responsibilities with ease. Kamal and Vivian took it upon themselves to manage every detail of the restaurant and, despite having a lot of passion in what they do, find themselves overstretched at times.

Sourcing good employees takes time and resources. Roshan states that he receives at least ten CV's per day directly to his email. Of those ten applicants, he can confidently say that one or two of them are up to par for his required positions. If he finds an applicant suitable, he will schedule a face-to-face interview. The next step would be a paid trial shift to assess the applicants capability and gauge their work ethic. Having passed the trial shift he consults his shift manager as to whether the applicant is worth taking on. A contract must be drafted for a trial period of up to two months. During the trial period the new employee must demonstrate his or her ability to work as a team, handle the pressure of peak hours, demonstrate customer service skills and show responsibility. The whole process of making sure you have the right person is time consuming for the owner and managers. Toni adds that it can take up to a year to train an effective waiter, he goes

on to say that most employees leave after the first year due to personal reasons such as studies or better employment opportunities outside of the industry. Carlo's compares his experience in Portugal to Finland with regard to employees; He notes that in Portugal it is common to see restaurant staff that have worked in the industry for more than a decade: "they don't even need to write down the orders". He finds it a source of frustration to invest time and resources in training new employees only to see them leave once they have become reliable member of the staff team.

When asked how to deal with the issues of employees, the participants state that it is essential to have a responsible manager, an effective training plan and an open mind.

4.6 The Helsinki Market

As mentioned, the Helsinki restaurant industry is experiencing high levels of growth. Our interviewees have all expressed the fact that it is a highly competitive market. Carlos believes that cooperatives and big restaurant chains are taking over much of the market share. The S Group and Royal Ravintolat are example of companies that have been acquiring large amounts of restaurant. Carlos states that in the past year Royal Ravintolat has added 18 restaurants to its name. The vast amount of new restaurants has forced many to lower prices in order to compete. Vivian goes into detail about the "Iounas" phenomena; "no matter how good your food and service is, if it is not under 10€ no one will buy it". Set lunches have a restricting effect on some restaurants. According to Kamal, "in most cases you break even on lunch shifts, but you cannot stop serving lunch as it is an essential method to market yourself". Roshan illustrates this point through describing how Holiday Bar operates. Holiday Bar only serves lunch on Saturdays. They do not have a set menu, rather a la carte. By avoiding the costs of opening during lunch they concentrate on marketing the night service and trying to have restaurant at full capacity every evening. Holiday has the advantage of being a popular and trendy restaurant that finds it easy to attract customers during the evenings. For other restaurants, it is very difficult to have a full house on a Tuesday or Monday night.

Toni adds that there is also a growing trend of home cooking. Throughout his career, he has noticed a higher interest from customers in trying out recipes at home instead of going out with friends to a restaurant. He states that every time a group of friends gets together

to cook and drink in private; it is a potential loss of approximately one hundred euros per person for the restaurant industry. The reasons for these phenomena lie in the economic situation affecting Europe at the moment and trends regarding the accessibility to a wider variety of ingredients and tools for elaborating exotic meals at home.

One of the larger impacts of the growth of the industry for Vivian is the deterioration of quality. Vivian notes that she has seen an increased use of inferior ingredients, caused by the pricing crisis that comes with rapid growth in competition. The high operating costs combined with increased competition has led some restaurants to seek quantity over quality.

The Helsinki market has become highly competitive and divers in recent years. Some argue that the unexpected growth has led to unfair market opportunities for entrepreneurs. Carlos believes that you cannot start your own restaurant business with less than 250000 euros upfront. However, there is room to experiment through activities such as pop-up restaurants and food trucks. Many young entrepreneurs are starting with catering events in order to gauge trends and market behaviours before they invest in opening a fixed location. There are opportunities for new entrants but they are limited by one's own commitment and expertise.

4.7 Making yourself known

As discussed, marketing plays a significant role in the restaurant industry. Traditional marketing methods have lost influence on today's public. Restaurateurs are seeking alternatives. This section will analyse the different marketing strategies of each interviewee.

Carlos tried to use traditional forms of marketing such as magazine advertisements with his first restaurant. He states that it was a total failure. The total outreach was merely in the hundreds. For Nolla he invested in making a concept video for Youtube and spent 100€ on Facebook advertising. Through Facebook alone, he reached 100,000 people within one week. The Youtube video reached 500,000 views within a month. Carlos is adamant that traditional advertisement in the restaurant industry has lost all its value.

Roshan and Vivian have a similar approach to marketing. They rely on making themselves the face of their restaurant, generating a following of customers through their explosive personalities. This method involves a large amount of personal sacrifice. Vivian recounts spending most of her time at the restaurant, talking to customers and making sure everyone was satisfied. Roshan possesses a similar philosophy. He states that he cannot

let a customer leave unsatisfied. Even if they have had a truly terrible experience, he will make the effort to solve the issue before they leave. Toni attributes the success of the Cock to the brand name the owner made for himself. Being an accomplished chef and personality was more than enough marketing to attract a full house every night.

Kamal entered the industry with no previous experience or connections. Much like Carlos he engaged in an aggressive social media campaign. With a limited budget, he managed to attract enough interest to start creating a customer base.

All interviewees share the opinion that the service offered is what makes customers come back. Despite their varying levels of success and influence, they agree that a solid business ethic along with quality service during the first contact with the customer is all that is needed to keep them coming back.

5 How to start a restaurant in Helsinki

The purpose of this thesis was to illustrate the process of starting a restaurant in Helsinki in a comprehensive way. Based on secondary data and interviewees with experimented restaurateurs we have established the process of opening a restaurant.

5.1 Summary

The Helsinki restaurant industry is growing. New restaurants are opening in great numbers through entrepreneurs, franchises, cooperatives and restaurant groups. It has become a highly competitive market with a limited demand. Customers are demanding variety, quality and affordability. In order for the restaurateur to succeed he or she must concentrate on the key components of the restaurant and take into account the necessary variables. The following section is the guideline for opening a restaurant.

Step 1 – The concept.

We have learned that having a solid concept with a firm service philosophy is very important for getting started and retaining customers in the future. The concept will provide the structure for the business plan and establish the business values. It will determine the décor and style of the restaurant, the menu and customer service.

Step 2 – Creating a business

Choose the right type of company form to meet your needs. Consider if there is a partner involved, what kind of investment you can commit to and how you expect to grow.

Step 3 – Location

Having determined your concept, make sure you find a location that caters to your target market. It is good practice to find a location that was previously dedicated to serving food in order to avoid costly renovations and licensing issues.

Step 4 – Rules and regulations

Getting the right permits may be the hardest part of setting up restaurant. Consider what the restaurant will be providing. The building must be up to code, the staff must have the certification required to be handling food and alcohol, the restaurant must have the licensing to sell alcohol, food and play music.

Step 5 – Staff

Arguably, the most difficult part of opening a business, but the most vital asset the restaurant will have. The right staff will define the restaurant. Find experienced managers and motivated workers. Organize an effective training process. Make use of trainees when necessary. Always motivate your employees through demonstrating hard work.

Step 6 – Know the market

Try to be aware of what is happening in the industry. It is important to know consumer trends and your competitors.

Step 7 – Market yourself

As we have learned from the interviewees, being the face of your business gives the restaurant a unique touch. Uniqueness will attract customers and help retain them. Social media is the strongest marketing tools after the restaurant itself. Having extraordinary customer service and a quality menu will serve as a prime marketing tool.

5.2 Conclusion

The principal objective of this thesis was to assess the feasibility of starting a restaurant in Helsinki. The collection of data through secondary sources and in depth interviews allowed for a concise understanding of the Helsinki restaurant industry and the process of setting up a restaurant business. Through the analysis of the interviewee's experiences and the secondary data collected, it can be determined that with the necessary tools and insight, it is feasible to set up a restaurant in Helsinki.

The limitations of the study are as follows. The lack of standardization in in-depth interviews can lead to concerns about the reliability of the results of the study. Standardization in scientific quantitative research allows the researcher to eliminate variables through repetition. Through in-depth interviews the open ended questions do not allow the mapping of standardized answers. The answers could vary depending on the interviewer, the way the question have been asked and weather an alternative researcher would reveal a different perspective of the same issue through a different interview format (Mark Saunders, 2009). Another issue

that would jeopardize the reliability of the study would be interviewer bias. *This is where the comments, tone or non-verbal behaviour of the interviewer creates bias in the way that interviewees respond to the questions being asked* (Mark Saunders, 2009). The following are the conclusions that allow us to determine the viability of opening a restaurant in 2018.

To establish a restaurant is no easy feat. One must devise a working concept based on a product that has been researched and culminating in a business plan that takes into account all the costs involved in running a restaurant. The feasibility is measured through the specific factors analyzed in chapter four and defined in the summary. It is important for the restaurateur to confirm the viability of going through all of the steps analyzed in said chapter. For example, if one is uncertain of how to establish a company, or what laws and regulations dictate the ability of opening a restaurant, it is important to seek advice and study the due processes.

The interviewee's insight allowed us to understand that the restaurant industry in Helsinki has become highly competitive, thus making it necessary to have a unique concept and a business philosophy aimed at retaining customers and making the best use of available resources. Resources can be made efficient through various methods. As discussed, a marketing strategy based on word-of-mouth and social media will not only save money, but also work more effectively than traditional marketing methods. Having a well trained staff with responsible managers will allow the restaurant to provide a good service whilst keeping employee turnover low.

The author and commissioner began this thesis with the intention of determining whether it was feasible to open a South American style casual dining restaurant in Helsinki. Researching the process of starting a restaurant, with a focus on the experience of restaurateurs in Helsinki, has motivated us to begin our own process and commence working on a business plan. We find it viable to do so as we have the necessary capital, experience and insight in the industry, a concept that is unique, the understanding of how to set up a company, knowledge of laws and regulations, the tools for finding personnel, an understanding of the market, and a clear marketing strategy.

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