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# BUSINESS PLAN FOR A STARTING COMPANY



BACHELOR'S THESIS | ABSTRACT

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## BUSINESS PLAN FOR A STARTING COMPANY

The purpose of this thesis was to make a business plan for a starting company in Southwest Finland based on the author's business idea, which is to provide various aerial services.

The thesis consists of a theoretical part, empirical part and the actual business plan, which is a classified part of the thesis. The theoretical part covers the concept of a business plan, its necessity and how the business plan is structured. The theoretical part emphasizes the aspects the writer considers important to include in a business plan. The theory part consists essentially of literature about the subject, the writer's own knowledge and of the material found on internet, such as articles. The empirical part of the thesis is a survey.

The third part of this thesis includes a business plan for a company that is going to be established. The business plan aimed to create a clear and realistic picture of the company's activities and related operations using the theoretical part as a base, an empirical study and information obtained from secondary sources.

The business plan also sought to evaluate and assess whether the implementation of the business idea is realistic. For this purpose, estimates were made using profitability calculations and cash flow calculations. Based on the business plan, it was determined that it is profitable to start the business.

In conclusion, the writer was able to deepen his knowledge about the basics of business operation, learned to make a business plan and was able to determine that the business idea is viable.

### KEYWORDS:

business plan, business idea, starting company

Nicholas Efsthio

## LIIKETOIMINTASUUNNITELMA ALOITTAVALLE YRITYKSELLE

Tämän opinnäytetyön tarkoituksena oli luoda liiketoimintasuunnitelma Suomessa aloittavalle yritykselle kirjoittajan ilmakuvaan liittyvään liikeideaan perustuen.

Työ sisältää teoreettisen osuuden, empiirisen osuuden sekä itse liiketoimintasuunnitelman, joka on salassa pidettävä osa opinnäytetyöstä. Teoreettinen osa käsittelee liiketoimintasuunnitelmaa käsitteenä, sen tarpeellisuutta sekä avaa liiketoimintasuunnitelman rakennetta. Teoriaosuudessa painotettiin kirjoittajan liiketoimintasuunnitelman kannalta tärkeitä pitämiään asioita. Teoriaosuus koostuu pääasiallisesti alaan liittyvästä kirjallisuudesta, kirjoittajan omasta tiedosta sekä Internetistä löytyvistä materiaaleista kuten artikkeleista. Opinnäytetyön empiirinen osuus sisältää kyselytutkimuksen.

Toiminnallinen osuus sisältää kirjoittajan laatiman liiketoimintasuunnitelman perustettavalle yritykselle. Siinä pyrittiin luomaan mahdollisimman selkeä ja realistinen kuva yrityksen toiminnasta ja siihen liittyvistä toiminnoista käyttäen teoreettista osuutta, empiiristä tutkimusta sekä sekundäärisiä lähteitä pohjana.

Liiketoimintasuunnitelman avulla pyrittiin myös pohtimaan ja arvioimaan, onko kyseisen liikeidean toteuttaminen kannattavaa. Tätä varten tehtiin arvioita kannattavuuslaskelmien sekä myyntilaskelmien avulla. Liiketoimintasuunnitelman pohjalta voitiin päätellä, että liikeidean toteuttaminen on kannattavaa.

Johtopäätelmänä kirjoittaja pystyi syventämään osaamistaan liiketoiminnan perustamisen saralla, onnistui laatimaan liiketoimintasuunnitelman ja päättämään että liikeidea on toimiva.

### ASIASANAT:

liiketoimintasuunnitelma, liikeidea, aloittava yritys

# CONTENT

<b>1 INTRODUCTION</b>	<b>7</b>
1.1 Research motivation	7
1.2 Background	7
1.3 Research questions and objectives	7
1.4 Thesis structure	8
<b>2 BUSINESS PLAN</b>	<b>9</b>
2.1 What is a business plan?	9
2.2 The phases of planning a business	10
<b>3 BUSINESS PLAN STRUCTURE</b>	<b>11</b>
3.1 Business idea and vision	11
3.2 Value Proposition	12
3.3 Company form, name and team	13
3.4 Description of products and/or services	14
3.5 SWOT analysis	14
3.6 Marketing plan	15
3.6.1 Structure of the marketing plan	16
3.7 Funding and cost structure	21
3.8 Risks	22
<b>4 RESEARCH METHODOLOGY</b>	<b>24</b>
4.1 Research design	24
4.2 Primary data collection	24
4.2.1 Limitations	25
4.3 Secondary data collection	25
<b>5 RESEARCH ANALYSIS</b>	<b>27</b>
<b>6 CONCLUSION</b>	<b>31</b>

## APPENDICES

Appendix 1. Survey

Appendix 2. Business plan (classified)

## FIGURES

Figure 1. Break-even point depicted graphically. ....	22
Figure 2 The age distribution of survey participants. ....	27
Figure 3. Aerial service companies known by participants of the survey. ....	28
Figure 4. Participants' estimates of aerial photography pricing.....	29
Figure 5. Distribution of answers in question six. ....	30

## **LIST OF ABBREVIATIONS (OR) SYMBOLS**

SWOT	Strengths, Weaknesses, Opportunities, Threats
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# 1 INTRODUCTION

## 1.1 Research motivation

The author of this thesis has been interested in establishing a company related in aerial services for a long time. Having watched closely a friend establishing his own business on a relatively same industry, has been an eye-opening factor for the writer to begin pursuing the same goal of being a business owner. To be able to establish a business properly, a business plan is needed.

## 1.2 Background

The purpose of the thesis is to create a thorough business plan that can be used for a starting company and to evaluate its profitability. Good business plan helps the possible entrepreneur at the start of business with acquiring loans, funding and other grants and it also helps to assess the potential of the business idea. The business plan is created for a starting company located in Southwest Finland, which is to provide various aerial drone photography services for individuals and companies.

When planning to start a company or expanding an existing one, constructing a business plan is perhaps the most important part in that. It is obvious, that no one is willing to fund a company when there is nothing concrete to show or tell about. Little planning before starting the business can help avoid many major mistakes, which might happen, if things have not been properly planned.

## 1.3 Research questions and objectives

The objective of this thesis is to produce a business plan, that can be used for starting a company based on the business idea. The goal is also to deepen the author's learning of the basics of business creation. To reach the objective, the research questions that will help the writer to reach the objective are:

1. What is a business plan?
2. What should be included in the case company's business plan?

3. Is there market potential for these services in Southwest Finland?

- Are consumers aware of aerial services?

#### 1.4 Thesis structure

The theoretical part of the thesis acts as a guideline for anyone who plans to do a business plan. It covers the contents of a business plan. Business plan needs to be thorough enough for it to help evaluate the company and as a guideline for its operations. The business plan chapter mainly defines the concept of business plan, what it is and why it is useful. Next chapter covers the structure of the business plan. It is to be noted, that this is not the only way to structure a business plan, and this is done based on what the writer wants to examine in his own business plan. In addition to the theoretical part, the thesis will include an empirical part, which contains a small survey researching how well drones and their services are known to consumers. The results of the empirical section are added to the business plan if they prove to be feasible and provide valuable information of the subject.



## 2 BUSINESS PLAN

### 2.1 What is a business plan?

Business plan tells the plan of an existing company or a starting business. It goes through all the actions which are needed to ensure the success of a company. It is its makers view of how in future one is going to thrive over competition and create value for customers. (Hesso, 2015, 10,12) A good business plan highlights the orientation for future.

Business plan is the company's most important and versatile tool. When it is being built, the company has to survey its core competencies along with its source for success, strengths and weaknesses. The company has to evaluate its position in the market area and it also has to evaluate the necessary requirements for personnel, production, research, marketing and finance resources. Thoroughly composed business plan establishes a solid base, from which the company can build its operations for success. (Pitkämäki, 2001, 9)

When composing the plan, the founder must think the current state of all the operations of the company. The business plan is most useful to the company itself. A good plan acts as a base for all business activity, whether it is related to investments, marketing, advertising, subcontracting or other relevant part to the development of the company. (Pitkämäki, 2001, 9)

When is business plan needed?

Business plan is needed especially at the beginning of establishing a business. Working on a business plan deepens the entrepreneur's idea of the big picture and the conditions of a successful company on the everchanging operational environment. Especially on the financial markets the business plan is essential when evaluating a starting company as an investment, but in this case, no external funding is needed. Other situations, when a business plan is useful is during powerful changes in the operation of a company, such as mergers or crisis situations, or when the company is researching for new market entries for new products for example. (Kinkki and Isokangas, 2004, 232) The more thorough the business plan is, the easier it is for the potential investors to fund the company.

One often hears a saying: well begun is half done. With careful planning the company prepares itself for the future. Planning the business is a vital part of making the company successful. When the company is starting its business, the business plan is constantly changing alongside the business. Business plan helps the company to focus on its core competence and it eases the identifying of problems and the resource requirements are easily observed. (Koski and Virtanen, 2005, 20)

## 2.2 The phases of planning a business

The planning of a working business starts crudely from the analysis of the company's internal operations and operational environment, to finding the goals, purposes and the defining of the business strategy. The defined business strategy is then adjusted to a more practical form by creating procedures based on the strategy and furthermore creating sales forecasts and calculations based to the procedures created. (Kinkki and Isokangas, 2004, 232-233)

The process of a business plan is different in a starting company than in an already existing company. At the start, the planning for a starting company rather focuses on defining the business idea and analysing the resources. (Kinkki and Isokangas, 2004, 232-233)

Forming a business plan starts usually by gathering information about the company's market, potential competitors and the customers. Nowadays Internet is an easy way to find all of these, but it is important to be able to pick the relevant information. (Puustinen, 2004, 59.)

### 3 BUSINESS PLAN STRUCTURE

Even though every business plan is somehow different from others, it should include a basic structure. The structure covers at least some of these:

- Basic information about the company; Name, company form, location and a business idea (Kinkki and Isokangas, 2004, 234)
- Analysis on the operational environment; the current situation on the markets, demand, competition, customers, suppliers and products and services
- SWOT analysis and core competencies (Kinkki and Isokangas, 2004, 234)
- Operating plan; Marketing, development of the services, personnel, risks and financial analysis with budget forecasts and sales forecasts (Kinkki and Isokangas, 2004, 234)

A business plan of a starting business contains more uncertain drafts about the future views than in an already existing business. (Kinkki and Isokangas, 2004, 234-235)

Business plan should be always structured around the writer's own needs. There are numerous templates on the Internet, which are good for making a business plan but in the end, the writer itself evaluates which are the most suitable metrics in his or her business plan.

One of the most important goals when making a business plan is to motivate the writer to be self-critical towards the success possibilities of the company. (Hesso, 2015, 14)

Different business plan templates highlight slightly different aspects but usually they have a similar core structure. Some Business plans emphasize on financial calculations. Calculations might even cover half of the plan alone. Other business plans focus more on the writer's attributes and the ability of being an entrepreneur. These templates are designed to evaluate the writer's abilities and are best suited for people who are dreaming of becoming an entrepreneur. (Hesso, 2015, 13)

#### 3.1 Business idea and vision

Business idea is the cornerstone of a company and the it is a definition of how the company is going to make money. Business idea itself reveals already a lot about the

business plan and the business idea tells immediately for the financier what the business plan is about. (Hesso, 2015, 24-25)

It should be able to answer these three questions:

- What?

The products and services the company is going to provide for its customers. It has to be announced clearly, so that a potential investor or customer understands the added value potential for the investor or customer. (Hesso, 2015, 24-25)

- How?

Distinctly depicting the logic, how the company is going provide the information and ability to sell the products and services for the customers. (Hesso, 2015, 24-25)

- To whom?

Defining the segment, to whom the services and products are offered. These segments can be very vague or detailed, for example people who use public transports or people aged 25-26. (Hesso, 2015, 24-25)

Vision tells, what the business is aiming for. It is a purpose, which gives strength to everyday work. With good performance and good leadership, it is possible to reach the vision of the company. There are many challenges towards achieving the vision, so in order to fulfill it, hard work, good strategy and also a little bit of luck is needed. (Hesso, 2015, 27-28)

The company's vision could be for example that after five years it could be a market leader in its industry, or it has been able to double its personnel. Vision is often built on short story or a slogan, which makes the vision inspiring and motivating, the kind that would pursue the writers commitment towards achieving it. (Yrityksen-perustaminen.net, 2018) For example, Finnish company KONE has a vision of offering the best customer experience. (KONE, 2018)

### 3.2 Value Proposition

When a company sells products or services, it is a promise of something. The company promises, that the customer gets value for its money. This is called value proposition. Many companies use lots of time defining their value proposition as it is a difficult concept. In value proposition the company should be able to tell in short terms what does

the customer get when it buys the product or service. There are two different value propositions: functional and emotional value propositions. (Yrittäjät, 2016)

Functional value proposition is a concrete attribute on the service and the benefit it helps to create. Usually companies with a functional value proposition have a strong presence in the market but due the fact that competitors are usually able to copy the attribute relatively quickly, the competitive advantage is hard to maintain. Emotional benefits are not as concrete as functional value propositions, but often seen more effective because they affect emotions. (Yrittäjät, 2016)

Skilled companies are able to combine both functional and emotional value propositions. They try to get people interested through the emotional benefits and with functional benefits the companies give their customers rational arguments to justify their buying decision. (Yrittäjät, 2016) The case company will aim to create both emotional and functional value propositions for customers, to provide the best possible value.

Nowadays products and services rarely have one or more clearly significant advantages, thanks to competition. Instead of individual product features, the competition is driven by the entirety. The company which has the best overall product, gets the customer. Customers evaluate their purchasing and think what the best overall solution would be. (Yrittäjät, 2016)

### 3.3 Company form, name and team

This part will specify, what company form the business chooses and why. This part also tells some basic information about the company such as the name and the owner.

When establishing a company in Finland, the company form, the name of the company and the field of activity have to be determined. The number of founding partners, the amount of capital needed, division of responsibility, funding and taxation are the aspects that have to be taken into consideration when choosing the company form. Different company forms in Finland are: proprietorship, partnership, limited partnership, limited company and cooperative association.

The most simple and popular company form is proprietorship. All the decision-making and responsibility is solely on the entrepreneur, and the company can employ personnel the same way other company forms. It is often advisable to start a part-time

entrepreneurship with this company form. (Infopankki, 2014) It is also possible to start a so called "light entrepreneurship". There a self-employed person or a freelancer professional works through an invoicing service platform. They take care of the accounting and bureaucraties. The entrepreneur does not have its own business identity code and the entrepreneur works through the company that provides the service. One example of this is a company called UKKO, which provides this kind of service and they charge 5% of the company's billings. This is very easy for starting companies and entrepreneurs are able to focus more on the development of the company. (UKKO, 2018)

### 3.4 Description of products and/or services

This part explains in more detail, what it is that is being sold. It is advised to be as specific as possible but to avoid unnecessary information. The reader should be able to get a more than a vague idea about the services. Nevertheless, some products and services require lesser explanation. It is naive to assume that the reader understands easily the services provided without providing sufficiently information. (Barrow et al., 2015, 97)

If the company has any services or products, which have any competitive advantages, they should be explained here. An advantage might be a special skill or an attribute that is not easily obtainable. If the company has none of these, and many companies do not, it is important not to just make something up. (Barrow et al., 2015, 100)

### 3.5 SWOT analysis

SWOT is shortening for Strengths, Weaknesses, Opportunities and Threats. It is an important tool when analyzing the strengths and weaknesses of a company and assess future opportunities and threats. In SWOT, the existence of a company is examined in the light of both internal and external factors. The internal factors that the company itself can influence are strengths and weaknesses. (Seth, 2015, 5)

Strengths of the company are those actions or resources, which the company can utilize. Weaknesses on the other hand are those actions and resources, that the company must improve to operate more successfully. Healthy business is possible only when the company's future threats and opportunities are known. (Suomen Riskienhallintayhdistys ry, 2018)

SWOT analysis can be used in all kinds of organizations and companies. It can be applied to a certain segment of the company or it can be used to assess the whole company. Detailed analysis is more limited, which means that it can define markets, products or personnel for example. (Suomen Riskienhallintayhdistys ry, 2018)

There are also disadvantages for using SWOT: It might be difficult to determine whether some aspects should belong as opportunities or as threats for example. It is also seen as vague and aspects in SWOT do not need to be explained or justified. (Hall, 2017)

The SWOT is used for the case company to provide overview about the company's operative environment and its aspects. The results of SWOT will be explained as well to provide detailed information about the aspects included in it and why are they considered to be part of the case company's SWOT.

### 3.6 Marketing plan

Marketing plan is a business document that helps to define a marketing strategy for a company. It is often used on a specific period and it covers much of the marketing related details about costs, pricing, goals and actions. It is not a definitive document and it should always be evolving around the market situation and the developing trends of the industry, where the business is operating. (Duermyer, 2017)

It is a roadmap that helps the company to achieve the goals and business objectives it has set. Some small businesses include a marketing plan in their overall business plan, but to thoroughly research the markets, it is advisable to make it a separate plan. (Duermyer, 2017) Separate plan is more thorough and detailed, but a marketing plan within a business plan gives an overview of the strategy, which should be developed more thoroughly once the business has been established.

The benefits of a marketing plan are obvious, marketing is equally important as the service the company is providing. Without marketing, possible customers and clients do not have the ability and information to find the company and its services and products it provides. (Duermyer, 2017)

Marketing plan, especially on a small business, covers almost all the elements of starting a business and developing it including a competition analysis, the demand for the service provided, and analysing the results in SWOT analysis for example. It is a tool that the

company needs daily, and it helps to evaluate the current situation constantly. (Duermyer, 2017)

It should include details of the market, including segmentation, the goals of the plan for a certain period, for example 12 months. With a specific goal it is easier to measure and evaluate the effectiveness of the company and how it is developing towards its goals. The plan should also include all the tactics and measures needed to be able to achieve the goals that have been set. (Duermyer, 2017)

### 3.6.1 Structure of the marketing plan

In this thesis, the marketing plan aims to assess the following aspects: target market and segmentation, competitive analysis, pricing and advertising. These are the aspects the writer wants to include in the actual business plan.

#### 1. Market segmentation

Market segmentation helps to define the different groups on market and which segments will it go after. (Kotler and Armstrong, 2015, 32) It is advisable to group the customers into different segments to decide, which segments are lucrative to keep, and which are reasonable to ignore. (Osterwalder & Pigneur, 2010, 20) Customer segmentation is an important part of every company. It helps direct marketing and sales to the right group.

It is advised to notice that almost all the customers are different in the way they work and possibly operating in different industries. This does not mean that all customers should be treated differently. The company can tailor its contracts with each of its customers differently. (Brennan et al, 2008, 148-149)

There is always someone that is not interested in the product or a service of a company. It is vital that the chosen segments are interested customers and that the service creates value to them. After segmentation, the company aims to target these segments with marketing that is most likely to work for that segment. The customers are ready to pay that the product is designed for their needs. (Hesso, 2015, 92-95)



## 2. Customer relationships

Customer relationships are an entirety, which comprise of creating the relationship, improving it and constantly upkeeping that very relationship by providing customers with superior value and satisfaction (Kotler and Armstrong, 2010, 37). Customer relationship has developed into a central part of successful business, and how much the business is able to produce worthwhile and long-term customers. After sales marketing is also an important part of maintaining customers, and it ensures their satisfaction and helps maintain mutual relationship. (Hellsten, 2016) It is also important that the customer relationship is economically profitable. If it is not, make it one or focus on more lucrative customer relationships. (Hesso, 2016, 149)

One of the biggest reasons for the importance of maintaining customer relationships is Internet. Nowadays it is easy to find lots of knowledge and information with just one click. The customer is easily able to find the best price for the product sought via search engines. Therefore, it is important to have personal service related relationships with customers, so they are willing to pay slightly more from the product or service. Because of social media, the meaning of customer relationships has emphasized. Many competing companies can utilize social media in marketing, so customer receives more information about competitors. Companies have transferred their marketing strategy from mass marketing to more individual approach for customer relationships. (Hellsten, 2016)

Because of the Internet, customers are more price conscious and product conscious than before. Companies in Southwest Finland have hard time competing with price only, so to get competitive edge over the others, a personal service must be able to be provided. The key to success is mutually beneficial and long term, even generations spanning customer relationships. (Hellsten, 2016)

## 3. Competitive analysis

Competitive analysis is a critical part of the company's marketing plan. Every business has competition. It is a field of strategic research helping to gather and analyse information about company's rivals. It is important to find out what kind of threat the

competitors are posing. Competitive analysis is perfectly legal way of collecting information available in the public domain about the competition. (Haden, 2015)

Identifying company's possible competitors is the first step of competitive analysis. The easiest way of finding those is simply using Google to find out the competitors in the company's area of operation. Google does not show everything, but it does probably show the most prominent companies in the industry.

After the competitors have been identified, next step is to analyse their contents. This is the best way of finding out what kind of content they provide and how it differentiates from your business. It is important to determine whether competitors have advantages over the services that are provided by the company, and how they differentiate. (Tighe, 2017)

Customers want to know the quality and content of what the company is producing and see if the company has any case studies as an example. New businesses might have difficult time finding prospective clients without any kind of portfolio to show from earlier work. The first assignment is most likely the hardest to get, but after that the company has a case study to show to other possible customers seeking out similar services.

It is also important to analyse what advertising and promotion channels the competition is using and what seems to be the best way to reach potential customers. Reflecting the competitors' strengths and weaknesses and analysing them helps determining, what is good on their strategies and way of working, and if there is something that needs improving. Reflecting this on the company's own strategy is a good way of improving and becoming better than the competition.

#### 4. Pricing

It is not a secret that pricing the company's products or services properly is a key to success. Pricing the services properly can enhance how much is sold and creating a foundation that will prosper. Pricing strategy usually involves pinpointing certain key aspects such as who are the target customers, what is the pricing of competition and understanding what the relation between quality and price is. (Wasserman, 2018) There are risks involved in pricing, and determining the wrong pricing strategy might be disastrous to a company.

The first risk is under-pricing: many companies mistakenly drive their price too low attempting to make the consumer think it is the least expensive option and hoping to boost their sales volumes. Most of the time this just makes the service perceived as cheap. Customers always want to get value for their money, and a price too low is not an indicator of high quality. (Wasserman, 2018)

The second risk obviously is over pricing. Pricing the product above the competition and customer's desire to pay will decrease sales. Many starting companies are tempted to price too high right from the start. It is advisable to step into the customers shoes and evaluate what is the price you would be willing to pay for your company's services. (Wasserman, 2018)

There are several different strategies for pricing the company's products and/or services mix and one is called product line pricing. Products and services in the product line are priced differently based on the cost differences of the product or service, customer evaluations and competitors' prices. (Kotler and Armstrong, 2010)

The case company has a few different services with slight differences between them. In this thesis the writer evaluates and determines prices by investigating their cost differences and how the competitors price their similar services. The competitor prices are reflected on the quality they produce and that will help to determine the pricing of the services in writer's company.

The pricing can either be fixed or flexible. Fixed price is the static price of a single product. There the price is determined by the Value Proposition and moreover the price is designed right for the customer segment. Flexible price is determined by the negotiating parties and the price is affected by time and demand. (Corporate Finance Institute, 2018) The case company's pricing will be mainly fixed, because it gives the customers ease of access determining the pricing, because otherwise these services could have lots of additional costs, such as hourly rates for shooting and editing, traveling costs and costs depending on the difficulty of the shooting for example. The disadvantage is with fixed price that the difference between assignments and their requirements can vary and especially challenging assignments can be time consuming.

## 5. Advertising and promotion

Advertising is used to make the possible customers aware of the company and its products and services. It is used to increase sales and enhance the company's brand image either now or later. It aims to inform and change people's viewpoints about services, products, ideologies and people. (Graafinen, 2018)

Advertising usually happens on different medias. Media is publicly available source on any platform or device. The main point is that the information is easily available for public, and not only available on certain channels, such as company's private networks for example. Nowadays the most important channel for new and small companies to advertise is social media. It is a public platform, which is easily accessible by the public to read and participate in it. The site also has to have information that benefits the readers and where they can bring added value by participating on the conversation, either by commenting other peoples' contents or bringing their own contents and allowing the comments on that. However, usually company's own websites are not considered social media, if the reader is not able to create even a tiny bit of his or her own content on the website. (Korpi, 2010)

There are so many different channels in social media, where a company can advertise their services. The bigger the platform, the more people the company is able to reach. The most known social media channels are Facebook, Instagram and Twitter to mention a few. 90% of purchasing decisions are guided by the consumers' unconscious mind and when customer likes the brand, it is because it has been able to appeal to the customers unconscious mind. That is why the ability to create likeable content which affects the customers unconscious mind is so important. Social media account for a company is so much different compared to its website. Website usually would contain information about the company, its philosophy and its products and services. Social media is different. It requires presence and constantly new content. (Levinson and Lim, 2013, 4) Levinson and Kelvin state in their book: "Regularity breeds familiarity, and familiarity creates trust". This familiarity then creates sales. The biggest social media channels the case company intends to use are Facebook and Instagram. There, advertising can be conducted free of charge and it is good way for the starting company to spread awareness of its services.

Promotions are events, activities and for example contests. They are to increase and create awareness of the company and its products and/or services. Promotion differ from advertising because it is less educational in its nature compared to advertising. Promotions can be for example free sampling, offering coupons at a mall or participating in an exhibition. These promotions should be targeted towards the segments which are determined as the possible customers. (Ashe-Edmunds, 2018).

### 3.7 Funding and cost structure

This part will focus on how the company will be funded. The case company's business plan will include a start-up costs estimates, 12-month cash flow forecast, sales forecast and break-even analysis.

Making forecast of the cash flows for a company is not easy and it is even more difficult in volatile environment. Small-business owners need to have the ability to plan. This is an essential talent if they want their business to properly succeed and thrive. The owner of a small business needs to develop projected financial statements to see whether it is profitable to keep the owner out of financial trouble. (Peavler, 2018)

On a long term, only profitable business can grow. With a gross profit calculation forecast it is possible to estimate, what kind of profit the company could possibly make. If a company has multiple different services, some of the services might be operating on losses. (Hesso, 2015, 167)

Break-even point is an indicator, that tells both on product level and organization level when the company's operations turn profitable. It is a great indicator as one can figure out the cost structure of the company. With these calculations one can find out the hourly and daily billings, which are needed to cover the costs. (Hesso, 2015, 167)

Figure 1 shows graphically the point where the total cost and the total revenue curves meet (Ready Ratios, 2011). Expenses are divided into two different categories, fixed and variable based on how they are affected on the volume of production and sales. If the sales are increasing or decreasing, variable costs are increasing in the same ratio whereas fixed costs are generated by upkeeping the production. Fixed costs can be rent, insurance, marketing or phone expenses for example. At least on short term, fixed costs stay relatively unchanged, even though sales and production levels decrease. That is why fixed costs create a bigger risk for the company than variable costs, because they

do not automatically decrease when production levels do. (Kinkki and Isokangas, 2004, 154, 157-158)

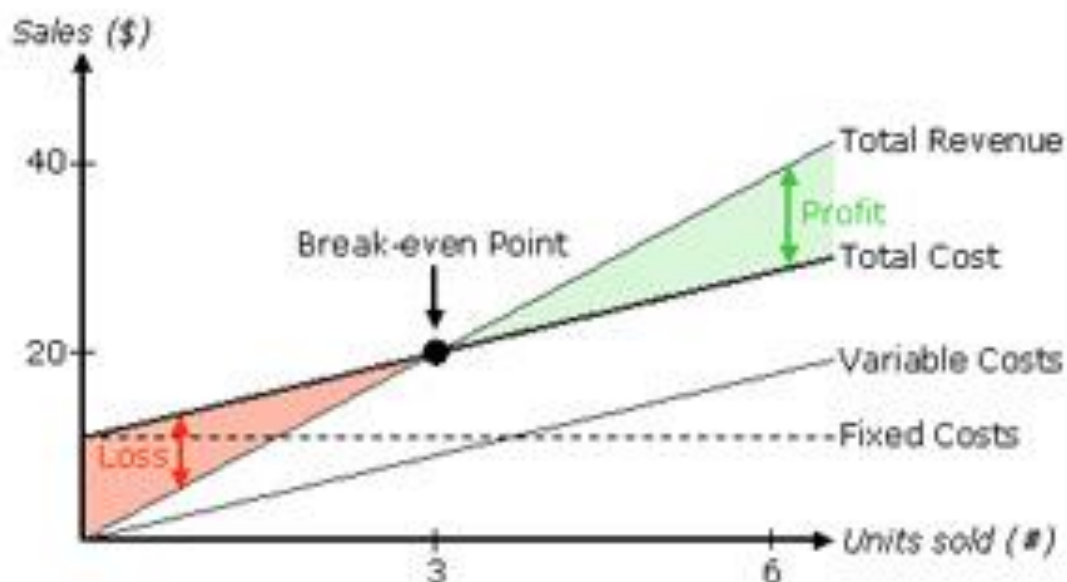


Figure 1. Break-even point depicted graphically. (Ready Ratios, 2011)

### 3.8 Risks

Risks are an essential part of business activity. Business is conducted to achieve profit, and risk is the flipside of the coin resulting in the possibility of failure. Risk is related to uncertainty. It is not certain that when acquiring the means of production and making investments, that the company will be able to get back the money used for them. Investments are related to future and future is uncertain. It is not possible to fully forecast, what are the possible conditions in the future. Part of the future uncertainty is also the customer. Customer can make its decision freely, buy or not to buy, or to buy from competitors. The further away in time the investments are made, the higher the risk and chance of failure those investments contain. (Kinkki and Isokangas, 2004, 124)

Risk management aims to steer the company's actions in a way that it would be unlikely or minimal for the risk to create damage in the company. The phases of risk management are risk identification, risk assessment and risk control actions. In risk identification the company processes all the possible risks that could affect the operation. (Kinkki and

Isokangas, 2004, 126) In business activity it is not possible to fully avoid risks, but with careful plans and protective measures the risk can be minimized.

There are several risks, when establishing a new business. A business plan is just a plan, and there is a potential risk of the plan not working as intended. In this case, the calculations might prove to be wrong for example, causing increase in budget and resulting in inability to continue the business. Some customer segments might not be ideal customers, and this needs more research to minimize the risk of targeting wrong customer segments.

## 4 RESEARCH METHODOLOGY

### 4.1 Research design

Research includes the systematic gather and the interpretation of information, and it has a clear purpose of figuring things out. A research can consist of three different research designs, including quantitative research, qualitative research and a mix of both. Research design is a general plan of how the researcher will answer the research questions it has set. (Saunders et al, 2016)

Quantitative research examines relationships between numerical variables, which are analysed with the help of statistical and graphical techniques. Quantitative data collection methods usually include various forms of surveys or interviews. Qualitative research examines to reach a comprehensive knowledge about the participants' meanings and relationships between them, through in-depth interviews for example. (Saunders et al, 2016) A mixed method research design applies both quantitative research and qualitative research.

This thesis applies quantitative research method in its primary data collection to answer the research question about how well-known drones and their services are known to consumers in Southwest Finland. It also sought to acquire knowledge what consumers' think an aerial photography might cost and determine whether a market potential exists.

### 4.2 Primary data collection

Primary data is information, that is collected specifically for the research conducted and is collected by the researcher. (Saunders et al, 2016) The primary data collection was done in a form of web questionnaire, because the time available for data collection was short.

The survey with six questions was sent in April 2018 to 73 people through Webropol Surveys and 39 of those people answered the survey giving an 53,4% answering rate. The survey targets consumers living in Southwest Finland because the case company would be operating in this market area. If the survey had been sent to a wider area of Finland, the results would have provided too much unnecessary data about aerial service



companies and entrepreneurs working outside Southwest Finland. The survey had a purposive sampling and all the selected respondents were perceived as potential customer segments such as farmers, home-owners and companies in Southwest Finland area. The survey did not distinguish individuals and businesses from each other, as they were all considered possible customers so there is not data indicating how each segment answered.

#### 4.2.1 Limitations

The author had no knowledge, whether there might have been differences in understanding and interpretation of the questions. For example, some respondents might not have understood the concept of aerial photography and what is included in it. Also, if the survey had been sent to a larger group it would have been able to acquire more generalised results of how well-known drones and the aerial drone service companies are. As this survey targeted possible customers, it would have been beneficial to categorize them with more demographic questions in order to analyse different customer segments within the survey. This would have provided information about the most prominent customer segments and the least prominent customer segments. This data would have been valuable when creating the business plan and defining the market segments.

#### 4.3 Secondary data collection

Secondary data is information, that was originally gathered for some other purpose. This kind of data can be further analysed to help provide answer to the research questions. (Saunders et al, 2016, 727) The research questions are aimed to be answered with the use of secondary data gathered from academic books, articles and websites. Secondary sources for the theoretical framework are gathered from academic books such as Hesso (2015) Hyvä Liiketoimintasuunnitelma. Secondary research conducted online helps the writer to establish credible sources of knowledge and furthermore it is used as a guide for reaching the objective of creating a business plan. Examples of secondary data used in this thesis is for example websites of possible competitors to determine their quality of content and marketing channels for comparison.

It is important to have a critical point of view when using secondary sources gathered from articles and websites. All articles' credibility will be studied and then determined, whether the source is a scholarly source, a trade source or a popular source. Based on the author of the source, how did it get its information and if they are using references for their articles, it is determined whether the source can be used.

## 5 RESEARCH ANALYSIS

The survey about drone services consisted of six questions and total of 39 participants around Southwest Finland answered the survey

### 1. What is your age?

The survey sought to acquire consumers from different age groups because it will affect the results of the answers. Drones have become more common in everyday life in recent years and according to the survey, older people are not as familiar with the concept. The survey was answered by all different age groups with ages 20-29 and 50+ being the biggest age groups. 14 out of 39 were aged 20-29 and 13 out of 39 were over 50.

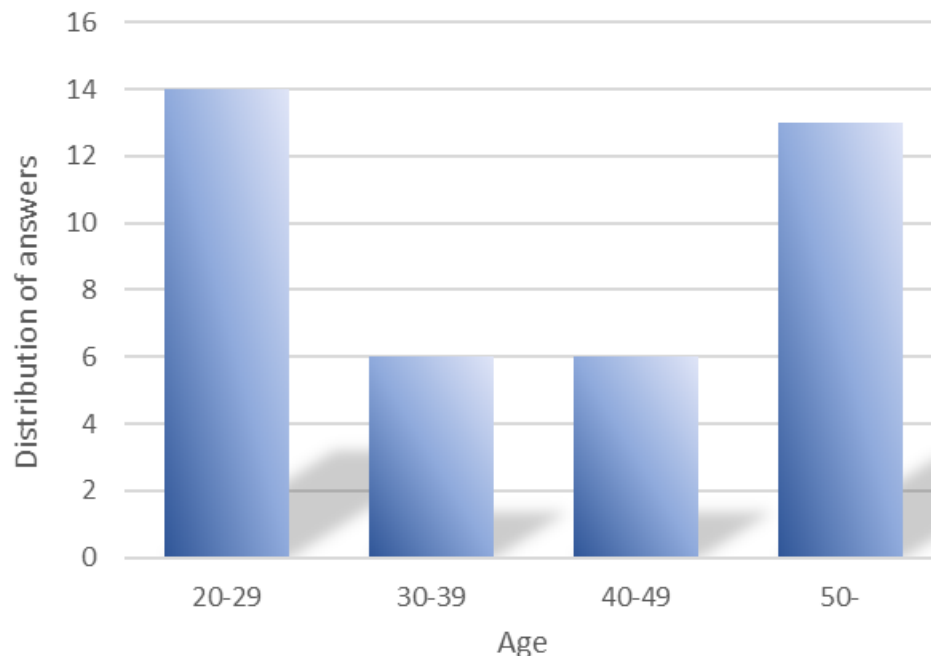


Figure 2 The age distribution of survey participants.

### 2. Do you know what a drone is?

This was a simple yes or no question. 82% of the participants knew what a drone is and 18% did not. It can be said that drones are well-known for consumers. Over 70% of those who answered no in the second question, were people aged 50 or more.

### 3. Do you know about the services that can be conducted with drones?

74% of the participants answered yes and 26% answered no. There is a clear correlation between the second question and the third question. People that do not even know what a drone is, do not know about the services either. Nearly all that answered yes in the second question, also knew the services. It is good to know that people are aware of these services because it means the entrepreneur can concentrate more on advertising its services and less on raising awareness of drones and drone services in general.

### 4. Do you know any companies that provides aerial drone services? If yes, who?

The company that was mentioned the most, was Suomen Ilmakuva Oy. They are a company established in 1985 and specialize in aerial photography, but they do not use drones. They use airplanes and helicopters and they have an archive of four million pictures. Figure 3 shows all the companies and entrepreneurs named in this survey. Most of these companies are not even operating in Southwest Finland. Starimage is one of the competitors operating in Southwest Finland, but generally drone service companies are not well known. This might implicate that these companies are not able to reach potential customers with their methods of advertising for example.

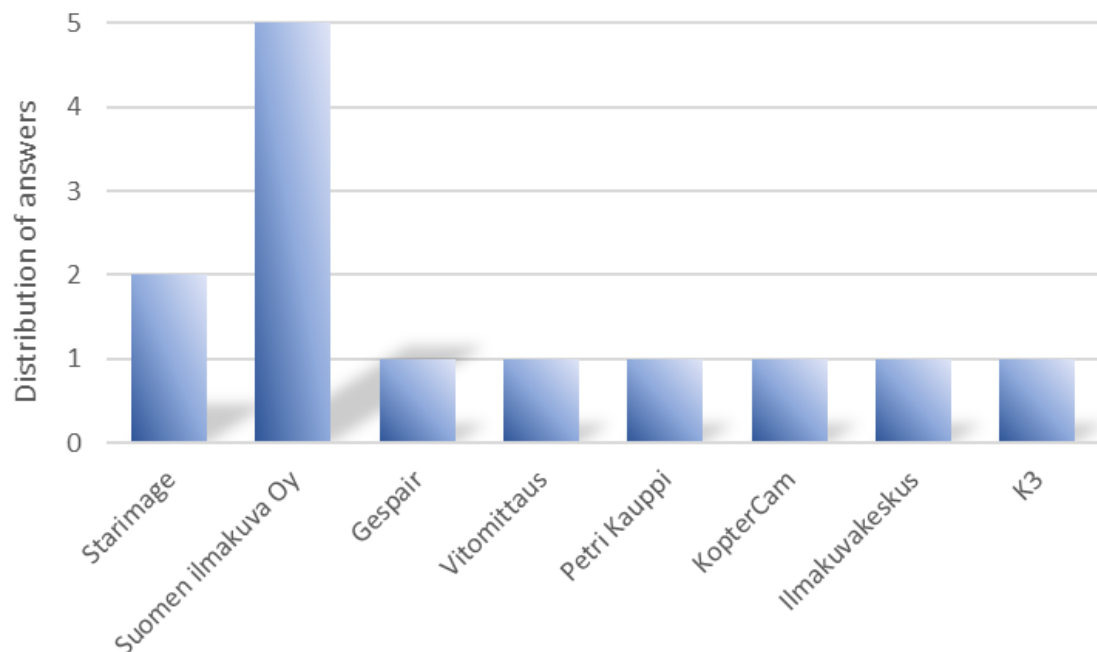


Figure 3. Aerial service companies known by participants of the survey.

5. What do you imagine that an aerial photography costs?

Figure 4 shows how participants imagined the pricing of aerial photography. Aerial photography's are not considered particularly cheap, and most of the participants priced them over 100€. This is important when pricing the company's products and pricing the product under 100€ would be under-pricing.

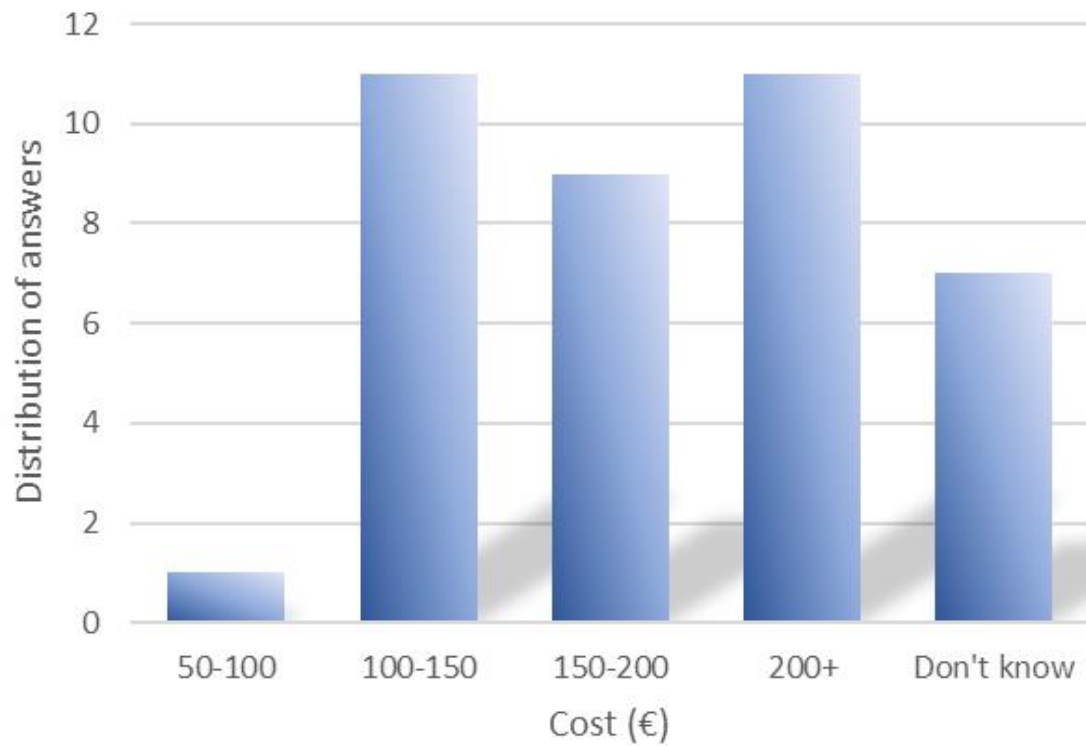


Figure 4. Participants' estimates of aerial photography pricing.

6. Have you or has your company ever needed any of these aerial services?

Question 6 was aimed to figure out the need for these services in general. Figure 5 shows how the participants answered and 64% have not had any need for aerial services. It is safe to assume that the three participants who did not answer, have not had any need for these services. A positive surprise is that 46% of the participants have had a need for aerial services, photography and video being the most popular.

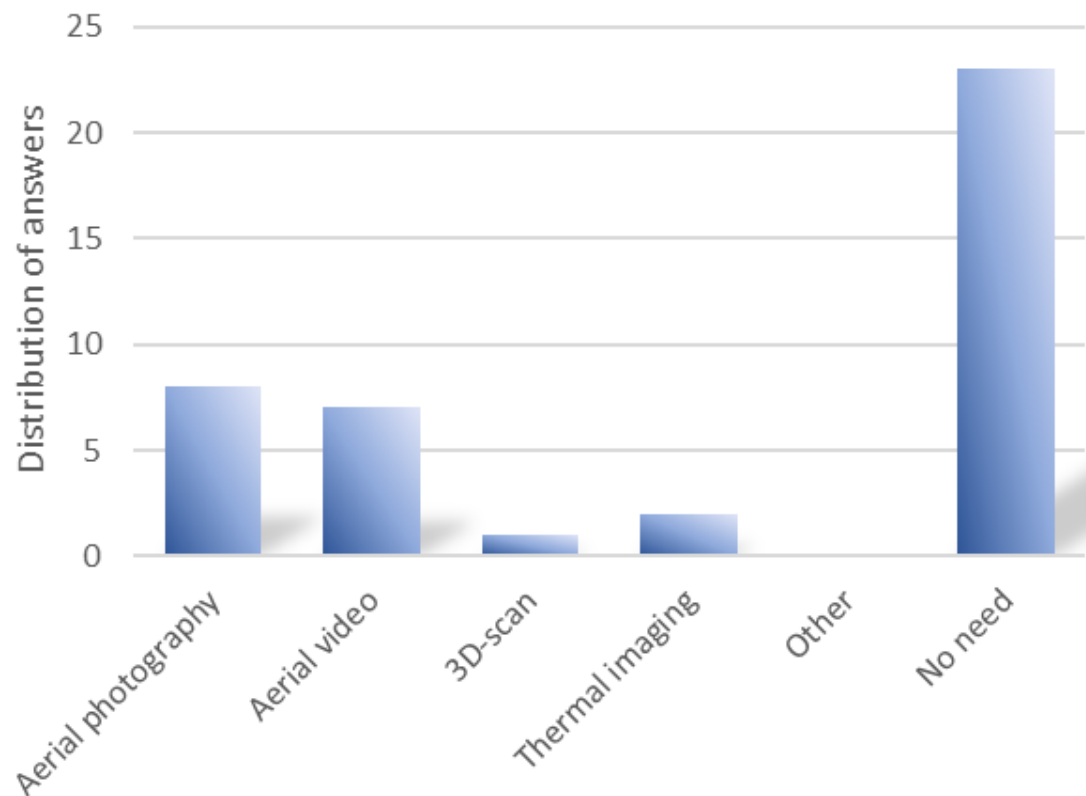


Figure 5. Distribution of answers in question six.

## 6 CONCLUSION

The purpose of this thesis was to create a viable business plan for a starting company in Southwest Finland. It was to help determine the profitability of the company and the viability of the business idea. In addition, the goal was to deepen the author's knowledge of the basics of business creation.

In this thesis the business plan was created for the writer's aerial drone service company. The concept is not new and there are some competitors already on the market, but with the results from survey it is possible to make projections about the market potential, and the industry is still in its early days. Based on the primary data and secondary data, the writer determined the business to be profitable and the idea viable.

The survey would have provided more reliable answers, if there were more participants, but in general the survey clarified how well-known drones and drone services are and there is need for aerial services. According to the survey, there is need for these services, but without proper data about whom these services should be provided, it is difficult to determine the most prominent customer segments yet.

Efforts have been made to make financial calculations on the most realistic scale. Competitors' prices and the results of the survey have been taken into perspective, to determine the pricing of services. However, the real validity of the calculations cannot be seen until the company has been established and has become operational. In addition, the usefulness of different marketing channels was evaluated in the company's advertising. In the digital media era, there are so many potential media channels that it is not sensible to allocate resources to each, but to invest in the ones that are most beneficial to oneself.

During the writing process the writer managed to deepen his knowledge about basics of business creation and understood the usefulness of a business plan. There are many examples and templates about how to create a business plan and it was difficult to determine what to include in the writer's own plan. The structure used in this business plan turned to be viable for this purpose, but it might not work in other plans. After all, the business plan should be always structured in a way that best serves the needs of the writer.

When the company is being established, the business plan needs to be evaluated again and determine its viability on the base of current market situation. The sooner the company is established, the more viable this business plan is for the company. A year from now the business plan might prove itself useless, if the market situation has changed a lot. That is why business plan needs to be evaluated and constantly developed so it can be the base of a successful company.



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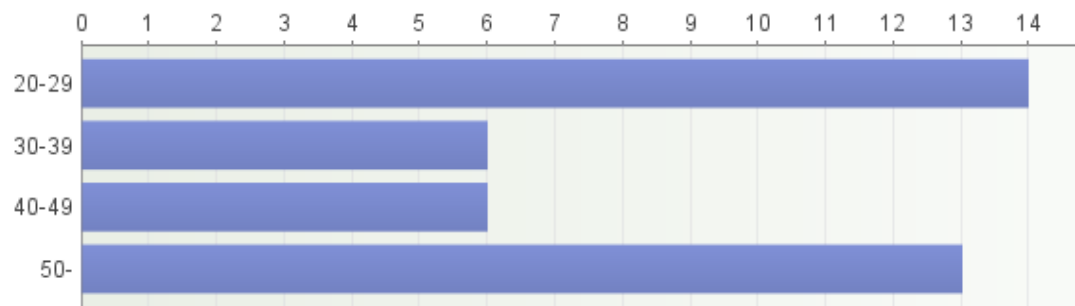
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## Survey

### Ilmakuvaus [Näytetään 39 vastaajaa, kyselyssä yhteensä 39 vastaajaa](#)

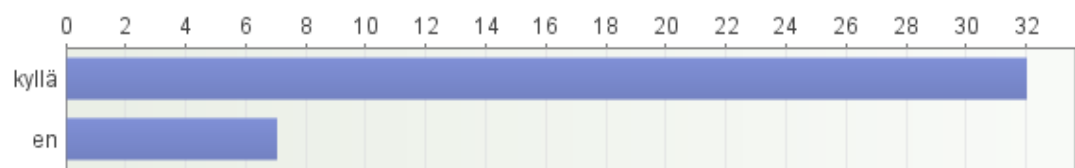
#### 1. Kuinka vanha olet?

Vastaajien määrä: 39



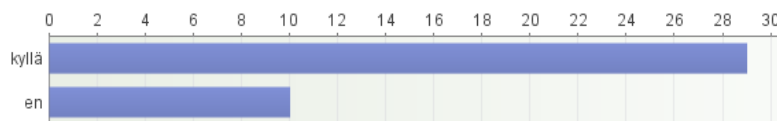
#### 2. Tiedätkö mikä on drone?

Vastaajien määrä: 39



#### 3. Dronella voidaan muun muassa ottaa ilmakuvia, kuvata videota ja tehdä 3D-mallinnuksia rakennuksista tai eri kohteista. Oletko tietoinen tällaisista palveluista?

Vastaajien määrä: 39



#### 4. Tiedätkö alan toimijoita, jos kyllä niin ketä?

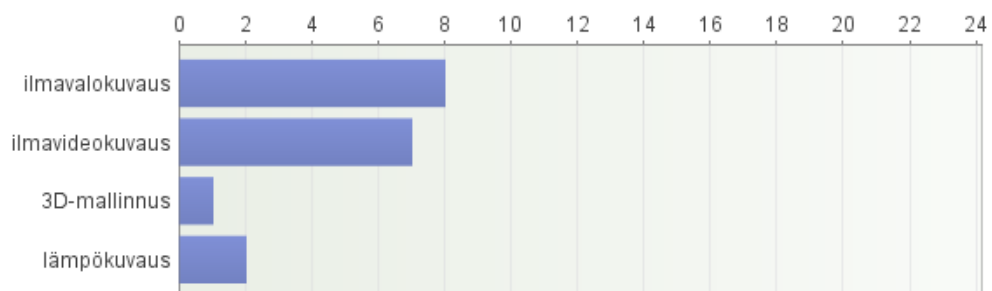
Vastaajien määrä: 19

☒ Pililota

- ☐ En
- ☐ Starimage, suomen ilmakekuva
- ☐ Gespair
- ☐ En tiedä
- ☐ -

#### 6. Onko sinulla tai yritykselläsi ikinä ollut tarvetta joillekin seuraavista palveluista?

Vastaajien määrä: 36



#### 5. Minkälainen mielikuva sinulla on ilmavalokuvauksen hintatasosta?

Vastaajien määrä: 39

