



Kirsi Mäki

# Business Plan for Establishing a Café in Alajärvi

Business Economics and Tourism  
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## Foreword

The thesis has been concluded in the spring period of 2010. I would like to thank my supervisor Rosmeriany Nahan-Suomela for all the help and advice she has given me within the thesis process.

I would also like to thank my friend Ambrogio Macera, who helped in finding the café owners in Italy and translated the questions for the café owner. Big thanks belong also to the café owners in Finland and in Italy for their cooperation.

Finally, I would like to thank my family and friends for all the support and strength they have given me during this work.

Vaasa 31.05.2010

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**ABSTRACT**

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The study was to investigate how to establish a company in Finland and how to write a business plan. The case study was the business plan for establishing a new café in Alajärvi. Business plans are needed for many reasons: to act as a guideline for businesses, help in internationalization, or help in getting finance for your business. By knowing what the business plan should include in theory, it is possible to create a business plan of your own. To be able to establish a business in Finland, one should know the phases of company establishment.

This thesis will be helpful for people thinking about establishing their own business. The theoretical framework consists of basic issues on company establishment and how a business plan is written. The aim of the study is to help people to establish their own business in Finland by giving the theory about company establishment in Finland and giving an example of a business plan of a company that is in the establishment phase. Aim is also to find out if there are differences in business plans of companies in different countries.

The empirical research consists of market research for finding the customers in Alajärvi for a café, international comparison of business plans to find out if there are differences in the business plans according to a country the business is established, and finally the actual business plan for establishing a café in Alajärvi.

The research methodology consists of quantitative and qualitative study. The citizens in Alajärvi are given a questionnaire, with fixed alternatives to be able to calculate the percentages of answers for each option. The results show that there would be customers for a new café in Alajärvi and the business plan is written according to the findings in the market research and the contents of the compared business plans. Café owners in Italy and Finland are interviewed with open-ended questions about their business plans to get deeper insight of the contents of their business plan. Results showed that the differences were minimal.

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Keywords: Company establishment, Business planning, Small business, Café

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## TIIVISTELMÄ

Tekijä	Kirsi Mäki
Opinnäytetyön nimi	Liiketoimintasuunnitelma kahvilan perustamiselle Alajärvellä
Vuosi	2010
Kieli	englanti
Sivumäärä	68+3
Ohjaaja	Rosmeriany Nahan-Suomela

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Tutkimuksen tavoitteena oli selvittää, kuinka perustaa yritys Suomessa ja kuinka kirjoittaa liiketoimintasuunnitelma. Tutkimuskohteena oli liiketoimintasuunnitelma uuden kahvilan perustamiseksi Alajärvelle. Liiketoimintasuunnitelmia tarvitaan monesta syystä: toimimaan suuntaviivana yrityksille, auttamaan kansainvälistymisessä tai auttamaan rahoituksen saamisessa yritykselle. Kun on tietoinen siitä, mitä liiketoimintasuunnitelman tulisi sisältää teoriassa, on mahdollista luoda oma liiketoimintasuunnitelma. Yrityksen perustamiseksi Suomessa, on hyvä tietää yrityksen perustamisen vaiheet.

Tämä tutkimus toimii apuna erityisesti oman yrityksen perustamista harkitseville. Teoriaosuudessa selvitetään yrityksen perustamiseen liittyviä perusasioita, sekä kuinka liiketoimintasuunnitelma tehdään. Tutkimuksen tavoitteena on auttaa ihmisiä perustamaan oma yritys Suomessa antamalla teorian yrityksen perustamisesta Suomessa sekä antamalla esimerkin liiketoimintasuunnitelmasta perustamisvaiheessa olevalta yritykseltä. Tavoitteena on myös selvittää niitä eriäväisyyksiä liiketoimintasuunnitelmissa, jotka kuuluvat eri maissa toimiville yrityksille.

Empiirinen tutkimus sisältää markkinatutkimuksen asiakkaiden löytämiseksi kahvilalle Alajärvellä, liiketoimintasuunnitelmien vertailun sekä itse liiketoimintasuunnitelman Alajärvelle perustettavalle kahvilalle.

Tutkimusmenetelminä käytettiin kvalitatiivista ja kvantitatiivista tutkimusta. Alajärveläiset vastasivat kyselyyn valmiilla vaihtoehdoilla, jotta vastausprosentti joka vaihtoehdolle on pystytty laskemaan. Tulokset osoittivat, että uudelle kahvilalle Alajärvellä riittäisi asiakkaita ja liiketoimintasuunnitelma kirjoitettiin perustuen tehtyyn markkinatutkimukseen ja vertailtujen liiketoimintasuunnitelmien sisältöön. Kahvilan omistajia Suomessa ja Italiassa haastateltiin avoimilla kysymyksillä heidän liiketoimintasuunnitelmistaan syvemmän näkemyksen saavuttamiseksi. Tulokset osoittivat eroavaisuudet liiketoimintasuunnitelmissa pieniksi.

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Asiasanat: Yrityksen perustaminen, liiketoimintasuunnitelma, pienyritys, kahvila

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**CONTENTS**

<u>APPENDICES.....</u>	<u>9</u>
<u>I BACKGROUND OF THE THESIS.....</u>	<u>10</u>
<u>1 INTRODUCTION.....</u>	<u>10</u>
<u>1.1 The aims of the thesis.....</u>	<u>10</u>
<u>1.2 Limitations.....</u>	<u>11</u>
<u>1.3 Research methods.....</u>	<u>11</u>
<u>1.4 Thesis outline.....</u>	<u>12</u>
<u>2 THE CITY OF ALAJÄRVI.....</u>	<u>13</u>
<u>2.1 History of Alajärvi.....</u>	<u>13</u>
<u>II THEORETICAL FRAMEWORK.....</u>	<u>14</u>
<u>3 COMPANY ESTABLISHMENT.....</u>	<u>14</u>
<u>3.1 Business idea.....</u>	<u>14</u>
<u>3.2 Establishing a market.....</u>	<u>16</u>
<u>3.3 Financing.....</u>	<u>16</u>
<u>3.3.1 Owner's equity.....</u>	<u>17</u>
<u>3.3.2 Outside investment.....</u>	<u>18</u>
<u>3.3.3 Other financing.....</u>	<u>19</u>
<u>3.4 Selecting the legal format.....</u>	<u>19</u>
<u>3.4.1 Private entrepreneur.....</u>	<u>19</u>
<u>3.4.2 General partnership.....</u>	<u>20</u>
<u>3.4.3 Limited partnership.....</u>	<u>20</u>

3.4.4 Limited company.....	21
3.4.5 Co-operative.....	22
3.5 Trade permits and notification.....	23
3.5.1 Licensing relating to alcoholic beverages.....	23
3.5.2 Approval of foodstuff premises.....	23
3.5.3 Taxes.....	24
3.6 Social security of an entrepreneur.....	24
4 BUSINESS PLANNING.....	26
4.1 Purpose of a business plan.....	26
4.1.1 Internal use.....	26
4.1.2 Finding investment.....	28
4.1.3 International business plan.....	28
4.2 Contents of a business plan.....	29
4.2.1 Executive summary.....	29
4.2.2 Description of the business.....	30
4.2.3 Management.....	31
4.2.4 Products or services.....	31
4.2.5 Market and competitors.....	32
4.2.6 Operations.....	33
4.2.7 Financial data.....	34

4.2.8 Appendices.....	35
III EMPIRICAL STUDY.....	36
5 RESEARCH METHODOLOGY.....	36
5.1 Quantitative research method.....	38
5.2 Qualitative research method.....	38
5.3 Collecting the data.....	39
5.4 Reliability and validity.....	40
6 MARKET RESEARCH FOR FINDING THE CUSTOMERS.....	41
6.1 Research methods for finding the potential customers.....	41
6.2 The results.....	41
7 INTERNATIONAL COMPARISON OF BUSINESS PLANS.....	48
7.1 Research methods.....	48
7.2 The results.....	48
8 BUSINESS PLAN.....	51
8.1 Executive summary.....	51
.....	52
8.2 The business and its management.....	53
8.2.1 History and position to date.....	53
8.2.2 The mission.....	53
8.2.3 Objectives.....	53
8.2.4 Keys to success.....	54
8.2.5 The management.....	54

8.2.6 Legal structure.....	54
8.2.7 Professional advisers.....	54
8.3 Products and services.....	54
8.3.1 Applications.....	55
8.3.2 Product and service development.....	55
8.3.3 Readiness for market.....	55
8.4 Market and competitors.....	55
8.4.1 Description of customers.....	55
8.4.2 Market and segment size and growth.....	56
8.4.3 Competition.....	56
8.4.4 Market projections.....	58
8.5 Competitive business strategy.....	58
8.5.1 Promotional plans.....	58
8.5.2 Pricing policy.....	58
8.5.3 Choice of location and premises.....	58
8.6 Manufacturing.....	59
8.6.1 Location.....	59
8.6.2 Facilities needed.....	59
8.6.3 Equipment and machinery needed.....	59
8.6.4 Production plans.....	59



<a href="#"><u>8.6.5 Quality control plans.....</u></a>	<a href="#"><u>59</u></a>
<a href="#"><u>8.6.6 Make or buy decisions.....</u></a>	<a href="#"><u>60</u></a>
<a href="#"><u>8.6.7 Staffing requirements.....</u></a>	<a href="#"><u>60</u></a>
<a href="#"><u>8.7 Forecasts and financial data.....</u></a>	<a href="#"><u>62</u></a>
<a href="#"><u>8.7.1 Start-up capital.....</u></a>	<a href="#"><u>62</u></a>
<a href="#"><u>8.7.2 Break-even analysis.....</u></a>	<a href="#"><u>62</u></a>
<a href="#"><u>8.7.3 Projected cash flow.....</u></a>	<a href="#"><u>63</u></a>
<a href="#"><u>8.7.4 Projected financial statement analysis.....</u></a>	<a href="#"><u>64</u></a>
<a href="#"><u>8.8 SWOT-analyses.....</u></a>	<a href="#"><u>65</u></a>
<a href="#"><u>8.9 Appendices.....</u></a>	<a href="#"><u>66</u></a>
<a href="#"><u>9 CONCLUSIONS AND FURTHER RESEARCH.....</u></a>	<a href="#"><u>70</u></a>

## APPENDICES

## I BACKGROUND OF THE THESIS

This section introduces the reader to the topic and sites the aims and limitations of the thesis. After that the thesis outline is introduced. This part also gives information about the city where the café will be established.

### 1 INTRODUCTION

I have always been interested in establishing my own bakery café since I have always loved baking and having people around. The thesis is written with a thought of finally giving a starting “push” for my dream.

For starting a bakery café one has to know the phases of company establishment and all that is needed in establishing a café – that is why the thesis will include theory about company establishment and business planning, and the business plan itself includes the detailed information on especially café establishment and the financial considerations regarding a new café.

#### 1.1 The aims of the thesis

The aim of the thesis is to find out how to establish a business in Finland and why business plan is needed for establishing and maintaining a business and also what purpose the business plan has for the business and for the financiers. The thesis should give guidance for people considering establishing their own business, giving an example of the contents of business plan. The theoretical framework will give the readers a guideline for starting to plan their own business by telling what things there are to consider before establishing a business.

The empirical study consists of a market research, comparison of Italian and Finnish business plans of cafés and the actual business plan for establishing a café in Alajärvi. Aim of this study is to make a working business plan to actually be able to establish a café in Alajärvi. The business plan should also give answers to what kind of markets

there are in Alajärvi for a café. The created business plan will work as an example for the readers who are considering establishing their own small business and needing help in creating a business plan of their own.

Other aspect in the thesis is the comparative study between Finnish and Italian café culture and the differences in business plans in different cultures. Aim is to find out if place and culture affect on business planning. The comparison of business plans from different countries will give an example for people writing a business plan for company outside Finland.

## 1.2 Limitations

The topic had to be limited so I decided to concentrate on bakery cafés since I am more interested in establishing a café of that kind. Also I am concentrating to new businesses since the idea is to establish a new business. The business plan is written with finding the finance for the café in mind and as a guideline for a starting business. Business planning has limitations as the markets might change soon after writing a business plan or something unexpected might happen that changes plans.

The comparison of business plans is limited to Finnish and Italian business plans of cafés since the café I am going to establish is Italian type of café in Finland. Because of this fact that the café is situated in Finland, the theory of company establishment concentrates on Finnish market. Interviews of the Italian café owners are done by e-mail since I do not have the chance to go to Italy and interview them face to face.

## 1.3 Research methods

Both desk research and field research will be carried out. Desk research includes finding the proper models for business plan and theory about company establishment and business planning. Field research will focus on market research in Alajärvi, finding the need for a café business in Alajärvi by questionnaire provided for the target group. I will use quantitative research method in this. In comparative study

about Finnish and Italian café cultures I will use qualitative research method and the study will be carried out by comparing business plans for cafés in both countries. To do this, I will choose a café in Alajärvi and interview the owners about the business plan they had for their café and I will do the same with an Italian café with similar services as the café in Alajärvi. Conclusions will be drawn from the differences found in the business plans.

#### 1.4 Thesis outline

I will concentrate in company establishment and business planning and how to write a business plan. The theoretical framework concentrates in the meaning and purpose of a business plan and the contents of a business plan. Theory about company establishment concentrates in practical things involved in establishing a business in Finland since the goal of the thesis is to be able to establish a café.

Empirical study involves market research about the potential customers in Alajärvi, international comparison of business plans and finally the business plan for establishing a café in Alajärvi.

## 2 THE CITY OF ALAJÄRVI

Alajärvi is a Finnish city situated in the lake district of Ostrobothnia. The town of Alajärvi was established in 1868 and it became a city in 1986. Population in 30.11.2009 was 10 581.

([http://www.alajarvi.fi/Suomeksi/Etusivu/Kuntainfo/Kunta\\_lyhyesti](http://www.alajarvi.fi/Suomeksi/Etusivu/Kuntainfo/Kunta_lyhyesti))

### 2.1 History of Alajärvi

It took over 7000 years for Alajärvi to develop into a city. Over 5000 years ago there were people already fishing and hunting in the area. People from Tavastia, Swedish coast and Savo were already then travelling through Alajärvi. In 1400s established churches in Ostrobothnia made the people to settle down. The church was helping in education and teaching people to read.

In 1868 when Alajärvi became an independent town, the people started to concern more of development and education of the area and so the first school was established in 1883. Agriculture school was established in 1925, school of economics in 1964, and music institute in 1980.

After the tar period the most important earnings of living became agriculture and forestry. People started moving to America in late 1800s and early 1900s in hope for better earning possibilities. Same case was in 1950s and 1960 when people were moving to Sweden. The possibilities for earnings of living became more diverse after 1960s when schools were established. The new important manufacturing businesses were log house industry, carpet industry, machine shop industry, and, sheet metal and aluminium industry.

([http://www.alajarvi.fi/Suomeksi/Etusivu/Kuntainfo/Alajarven\\_historiaa](http://www.alajarvi.fi/Suomeksi/Etusivu/Kuntainfo/Alajarven_historiaa))

## II THEORETICAL FRAMEWORK

This section will give information about the basic considerations in company establishment, from having a business idea to finding markets, financing the business, choosing the legal format and getting the permits and notifications as well as social security of an entrepreneur. There is also information about business planning, what business plan should include, and the purpose of a business plan for the company itself and financiers.

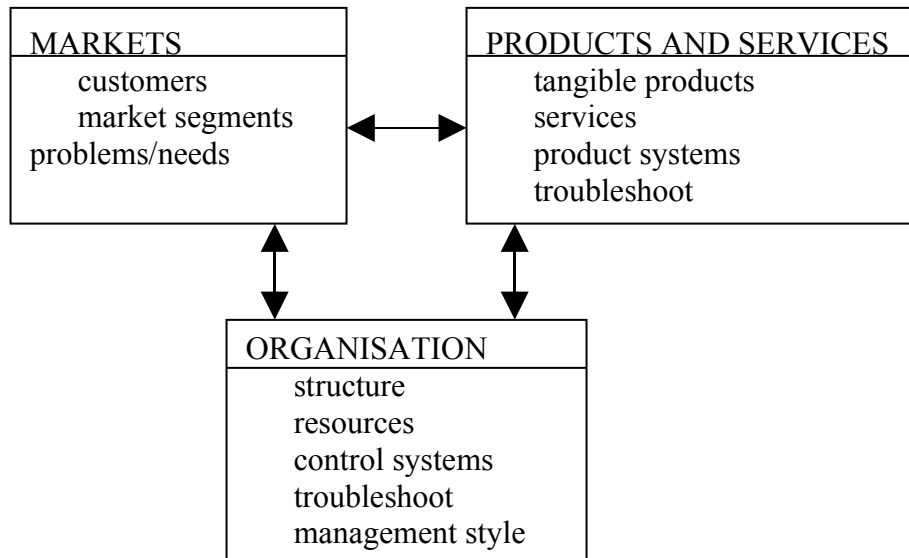
### 3 COMPANY ESTABLISHMENT

When a person has decided to establish a company, they usually have a business idea already in mind. According to Ramagopal (2008), company is an artificial person, invisible, intangible and existing only in the eyes of law. The company has to be registered under the law. There are steps that have to be considered in company establishment and they are introduced in the following text. (Ramagopal 2008, 21)

#### 3.1 Business idea

Company establisher should already in the beginning have a clear vision of how to make money on the branch they choose. In the beginning, the business idea is more of a plan that after a systematic work and polishing results into detailed description of the success factors of the business. Business idea is a result of a long developing and learning process and it needs constant checking. The idea should give an answer to questions why the business exists in the market, in what need, to who and what. Business idea also answers the question “how”. In other words, business idea includes the description of the market, products and services, and organisation. The base for a working business idea is the compatibility of these elements. Business idea describes the company’s pros and strengths compared to competition. Business idea and the elements can be described by following table:

Figure 1. Business idea and its parts (Holopainen 2008, 25)



The parts should make sure that the markets exist and there is enough of demand, the products and services are clearly defined and there is a need for them. Organisation should also have the resources: intellectual resources (knowledge, skills, knowhow), tangible resources (premises, machinery, equipment) and financial resources (money, warranty). (Holopainen 2008, 24-27)

According to Charles L. Martin (1992) every type of business has its own “ins and outs,” its own idiosyncrasies. And experience is the best teacher when it comes to learning a specific industry or type of operation. He also states that having a winning business idea already has the potential to become superior to competitors’ offerings and being demanded by potential customers. There will not be any chance for a better product if the customers are satisfied with already existing products. Martin and Holopainen (2008) agree on the fact that every successful business venture must have a plan - a blue print, to safely guide the business toward its objectives. Martin, however, adds that to make the business idea work the establisher of a business must have the personal characteristics of the entrepreneur: a person who is independent, not afraid of working hard, with a high need of power and/or achievement, who

enjoys good health, and so on. The person should also have prior experience as an entrepreneur or expertise in a particular industry. (Martin 1992, 12)

### 3.2 Establishing a market

This is the research stage in establishing the business. Making a market research and after analysing the results it is possible to make a decision to venture. Market research provides information how to move forward with your business idea as it reduces the level of uncertainty and therefore minimizes the risks involved. Research should be done thoroughly, regarding issues of market and operating context of the new venture. Such considerations should include the general market conditions, potential competitive reactions, the attractiveness of the innovation/business concept, and the creation and maintenance of competitive advantage.

The general market conditions includes information about the customers' needs and requirements, the size of potential markets, market growth rate and principal trends, structure of customer groups and segments, and buying behaviour. Potential competitive reactions are the nature, type, strengths and weaknesses of competition, strategies, tactics and positioning, and barriers to entry and exit. The attractiveness of the innovation/business concept depends on current satisfactions/dissatisfactions with current offerings, reactions to the new venture product/service mix, and pricing expectations and competitive levels and responses. The creation and maintenance of competitive advantage is dependable on resource requirements for start-up and subsequent refinement, structure of the network in which the venture will be located, sources of investment capital and attitudes to the venture and its operating context, and finally, power and influence of existing distribution channels. (Beaver 2002, 21-23)

### 3.3 Financing

Financing can be divided to equity, investments, allowance, and working capital. When planning the financing of a starting business one should notice that both the



investments and the long term working capital should be financed with long term financing. Sufficient amount of owner's equity (20-30 %) makes it easier to get outside finance and that way helps the venture to succeed. Banks, insurance companies, and special financing agencies are important partners in getting investment. Sufficient income financing is the basic for the company to succeed, develop, and expand.

The need for investment should be carefully planned. The investment need for a starting business depends from the branch of business. The investment need of a service business is normally smaller compared to the investment need of a production company. Typical investments for a service business are e.g. furniture and movables while production type of company might invest in buildings and machinery, and to intangibles such as IT-programmes or marketing. Building and premise investments require a lot of equity and therefore working in rented premises can be more reasonable for a starting business. The exceeding of the expenses should also be thought about when calculating the need of investment. (<http://www.finnvera.fi/fin/Liiketoiminnan-aloitus/Hae-rahoitusta/Tee-rahoitussuunnitelma>)

### 3.3.1 Owner's equity

Entrepreneur's own investment to the business is important for two reasons. First of all, it gives credibility to the business in the eyes of other investors, and secondly, the other investors can be sure about their investment as the entrepreneur has to worry for his/her own investment also. The percentage of owner's equity should be at least 20 %, and it may also be machinery and equipment beside the monetary investment. Partners may bring their investment to the business and bring more equity and also their expertise of the business. One option is also allowances from TE-Centres or municipalities. Municipalities may have some kind of start-up money for new businesses or they may help in building the premises for the business. TE-Centres

have allowances for company development and allowances for businesses in the countryside to make the area more diverse.

Equity investment is intermediate term financing that is given to against the shares to an unlisted, fast growing enterprise. These investments are temporary. The main purpose of equity investors is to aid the company's appreciation by giving added value. Equity investments come from equity investment companies and business angels. Public equity investment in Finland is given by Aloitusrahassto Vera Oyj, which is Finnvera's daughter company, Suomen Teollisuussijoitus Oyj, and Sitra. (Holopainen 2008,114-116)

### 3.3.2 Outside investment

The most common outside investment in Finland comes from bank loans, insurance company loans and Finnvera loans. Finnvera is owned by the Finnish government and it is the official Export Credit Agency of Finland. The principles of Finnvera are to act as a supplementary financier in cooperation with other financiers and to fix market insufficiencies by sharing the warranty risk. Finnvera has the loans for investment and working capital, development projects of a company, whole-time entrepreneurs and women entrepreneurs, microloans for a starting small business, and environment loan for environmental investments of a company. Finnvera also offers micro-guarantees for SMEs to obtain a loan and facilitates loan and guarantee decisions. (Holopainen 2008, 117-119; <URL:<http://www.finnvera.fi/eng/Starting-a-business/Financial-solutions>>)

Option for bank loans comes from financing companies that offer the company a chance to save guarantees to possible other needs and to invest in factory buildings and other premises when otherwise not possible. The financing modes in capital assets are either leasing or instalment finance. In both cases, machinery, equipment, transporting assets or corresponding act as guarantee. Financing companies offer also

working capital finance, where accounts receivable act as guarantee. (Holopainen 2008, 121-122)

### 3.3.3 Other financing

TE-Centrals in Finland offer start-up money for an entrepreneur who has signed up as unemployed to an employment office. Start-up money can be allocated also to students and people in pay work or home work that are going start their own business. This allowance is discretionary and it can be given to an applicant who has the sufficient facilities to work as an entrepreneur either by having the education or having experience from being an entrepreneur. Start-up money is applied from employment offices and they make the decision of giving the allowance. (<URL:[http://www2.te-keskus.fi/new/kaa/Yritys/Alkavien\\_yritysten\\_esite.html#Starttiraha](http://www2.te-keskus.fi/new/kaa/Yritys/Alkavien_yritysten_esite.html#Starttiraha)>)

## 3.4 Selecting the legal format

Business can be carried out in Finland as a private entrepreneur, companies established by one or many persons or organisations, or as co-operative companies with at least three founders. The most common ways of business are a limited company, a general partnership and a limited partnership. Finland is a possible place for also branches of foreign organizations to establish their business. (Holopainen 2003, 11)

### 3.4.1 Private entrepreneur

Private enterprise is considered to be the simplest way of trade. A natural person living in the European Economic Area (EEA) may act as private entrepreneur. A person residing outside of EEA needs a trade permit given by the National Board of Patents and Registration (NBPR). Private entrepreneurs are divided into self-employed persons or shopkeepers. If the private entrepreneurs have a stable place to do business they are considered to be shopkeepers. Shopkeepers may have more

employees than self-employed persons. There are differences also in bookkeeping as the shopkeeper should make a difference between the bookkeeping of their private assets and actions.

The owner of the enterprise acts on behalf of their business. If the private entrepreneur's home is outside Finland, he/she needs a representative living in Finland. Representative has to be informed to Trade Register. (Holopainen 2003, 11-13; Holopainen 2008, 195-196)

### 3.4.2 General partnership

General partnership has to have at least two partners (founders) and at least the other one, natural person or legal person, should be a resident or have registered office in EEA. Otherwise, a permit from National Board of Patents and Registration is needed.

The partners have the right to act on behalf of their business. They also have the right to prohibit the other partners to act on some cases. Each partner is liable for the commitments of the partnership with their entire property and each partner is liable for all the debts of the partnership.

A general partnership is constituted when the partners agree on the establishment. The partnership becomes public when the information has properly informed to Trade Register. (Holopainen 2003, 16-18; Holopainen 2008, 196-197)

### 3.4.3 Limited partnership

Limited partnership has to have at least two partners (founders), and at least one of them has to be a general partner. At least one of the general partners has to have a residence, or if the general partner is a legal person, a registered office in EEA. In other cases, a permit to trade is needed by the NBPR. Silent partner does not need to be resident or have a registered office in EEA.

The general partner has the same rights to act on behalf of the business as the partners in general partnership. Silent partner has no right to act on behalf the business unless otherwise agreed. General partners do not need to invest cash or any other capital as work input is sufficient. They are liable for the commitments and debts of the partnership as in general partnership. Silent partners, however, do invest cash or capital input and the liability of the commitments or debts of the partnership is limited to the amount of the capital investment indicated in the Partnership Agreement.

Limited partnership is constituted by the Partnership Agreement. Information becomes public after entry to Trade Register. (Holopainen 2003, 25-26; Holopainen 2008, 198-200)

#### 3.4.4 Limited company

A limited company may be established by one or more natural persons or legal persons (founders) and at least one of the founders have to have a permanent residence or a registered office in the EEA unless there is a permit for trade from NBPR. Legally incompetent or bankruptcy declared person cannot act as a founder.

In a limited company there are shareholders whose liability for the debts of the company is limited to the value of their shares. A limited company can be either private or public. A minimum share capital in a private limited company is 2 500 Euros and the minimum in public limited company is 80 000 Euros. If the share capital is divided into several shares, they will have the same nominal value.

The management of a limited company consists of the Board of Directors, Managing Director, and possibly a Supervisory Board. The Board of Directors should have at least three members, unless the share capital is under 80 000 Euros when there can be less than three members, and at least one of the ordinary members and one of the deputy members should have residence in the EEA. Otherwise, the NBPR grants an exemption from this requirement. Board of Directors is elected in a General Meeting

of the shareholders. The Managing Director is appointed by the Board of Directors and attends to the management of the company with the instructions and orders from the Board of Directors. Managing Director has to be a resident in the EEA unless granted an exemption from the NBPR. Supervisory Board should have at least five members and it is elected in the General Meeting of the Shareholders. It is elected if the share capital of the company is at least 80 000 Euros. The Managing Director or the members of the Board of Directors cannot be in the Supervisory Board.

Establishing a limited company includes the following stages: drafting of the Memorandum of Association and Articles of Association, subscription of the shares, payment of the share capital and registration of the limited company to the Trade Register. (Holopainen 2003, 32-38)

### 3.4.5 Co-operative

A co-operative needs at least three founders who may be natural or legal persons. A place of residence or nationality plays no part in founding a co-operative and thus even a foreigner may act as a founder. The co-operative decides in its rules the size of the share price, which should be of an equal amount. The accrued share prices constitute the share capital.

Management bodies are similar to the ones of a limited company: a Board of Directors, a Managing Director and possibly a Supervisory Board. The Board of Directors is elected by the General Meeting of the Co-operative as well as the Supervisory Board and the Managing Director is elected by the Board of Directors. Same rules apply here as well as for the management bodies in a limited company.

Establishing of the co-operative includes the following stages: drafting of the Incorporation Instrument and Rules of the Co-operative, election of the Managing Director and the chairman of the Board of Directors (if elected), and registration of the co-operative to the Trade Register. (Holopainen 2003, 52-56)

### 3.5 Trade permits and notification

In some cases the right to carry on business has been restricted and thus these kinds of businesses need a permit. This does not apply to businesses subject to free trade. Restricted trades have been listed in the Act on the Right to Carry On a Trade (27 September 1919/122). There are separate laws and decrees, which provide i.a. for the authority from whom to apply for the permit. Trades subject to a permit or notification are, for example, manufacture, import, sale, transportation and storage of alcoholic beverages, restaurant, cafés, pool rooms, hotels, holiday centres and all corresponding places, driving school activity, mass transportation, ambulance, taxi, goods transport, and private health care services. (Holopainen 2008, 237; Holopainen 2003, 72-74)

#### 3.5.1 Licensing relating to alcoholic beverages

Serving of alcoholic beverages requires a license to sell alcoholic beverages. This can be granted to a private person, a company or an organisation engaged in restaurant operations by the State Provincial Office of the municipality of domicile of the restaurant. There are licenses that permit to sell alcohol beverages of no more than 4,7 % (so-called license C), 22 % (so-called license B) and all alcohol beverages including the strong spirits (so-called license A). The license is granted to an applicant of age, who is not bankrupt and whose legal capacity has not been restricted. The applicant has to have the reliability for selling alcoholic beverages and the needed financial and professional preconditions. (Holopainen 2003, 74-75)

#### 3.5.2 Approval of foodstuff premises

Premises for the professional production, storage, marketing, service or other handling of foodstuffs need to have submitted a written notice in advance of the operations to the Municipal Public Health Authority, which may be, for example, the Municipal Health Board or the Municipal Environment Centre. The entrepreneur

includes to application the plan to prevent and remove any defects that result in health hazards. Public Health Authority examines notice and makes a decision thereon. (Holopainen 2003, 77; Holopainen 2008, 243-244)

### 3.5.3 Taxes

Starting a trade subject to value-added tax, assessment of prepayment tax, applying for entry in the prepayment tax register and registration as an employer need to have a basic registration notice submitted to the Regional Tax Office by using the Statutory notice form. Only one form is submitted regardless of how many outlets the business practitioner has. The form can also be used to inform the changes in the business, such as name, address, partners or bank account number. Statutory notice form is also used to give the information to the Trade Register. Company gets a Business ID (Business Identity Code) after entering the Business Information System. (Holopainen 2003, 77-81)

### 3.6 Social security of an entrepreneur

Self-employed person needs a safety net after retiring and in Finland there is insurance for the self-employed person's pension, which covers the self-employed person's income in case the self-employment ends due to disability or old-age. The pension amount and the insurance contribution are calculated on the basis of the earned income, which should correspond to the work effort of the self-employed person. This insurance is obligatory for self-employed persons when the requirements in the acts are applicable to them and the insurance should be taken within the first six months of self-employment. It can be taken with a pension insurance company or with a pension fund, if there is a pension fund for the line of industry.

According to the Self-Employed Persons' Pensions Act (YEL), the pension provider confirms the earned income for the self-employed person. The amount should be the same as the wage of an employee working with same tasks or the average wage for the work in question. The pension is calculated for the whole period of self-



employment according to the work contribution (earned income). The sick allowances, unemployment allowances and other are also paid according to the confirmed YEL income. The self-employed person may change the annual total earned income by paying higher or lower contributions than the confirmed income indicates and in that way improve the future pension.  
(<http://www.etk.fi/Page.aspx?Section=41869>)

## 4 BUSINESS PLANNING

When establishing a new business or expanding an existing one, it is important to have a plan for how to do it. The thought one puts in planning can make a big difference on the way the business will run. Two good rules for the reasons of planning are:

*Rule 1:* Planning is vital for your company's health and financial success.

*Rule 2:* Planning is like a map. If you take the time to plan your route before set off, you can save a lot of time along the way. (Webb & Webb 2001, 27-29.)

“Effective planning is a process of setting goals and deciding how to attain them (Timmons 1994, 375).”

### 4.1 Purpose of a business plan

Business plans may have many purposes. They may serve as a guide to the business throughout the lifetime of the business, as documentation for financing and also as an evaluation for the business potential in foreign markets. (Pinson 2005, 2)

#### 4.1.1 Internal use

The business plan meant for internal use of the company is like a blueprint to follow, which improves the user's chances of reaching their goals. It will provide the tools to analyze the business and implement changes that may affect the profitability of the business. Detailed information on all aspects of the company's past and current operations is of great value when forecasting the future of the company. (Pinson 2005, 2)

Business plans meant for internal use help the company in finding the strategic direction, performance management, performance measurement, coordination and control, communication, and empowerment. Making a review of the objectives,

resources, markets, strengths and weaknesses, options, etc may help in formulating new strategic directions and discarding previous intentions which are shown to be unworkable. Performance management gets easier by setting objectives and priorities and ensuring that everyone is working in same direction. Internal business plan should also contain clear, measurable goals. Performance measurement can be done using the SMART criteria:

- Specific;
- Measurable;
- Agreed;
- Realistic;
- Timed.

What is considered important in using the SMART criteria is to know how to achieve the goals. They have to be agreeable and realistic. Having clearly set goals helps in controlling the business better.

Communication is the most important role for an internal business plan in many ways. It provides a focus for the top team in the company to get together to discuss and make decisions, share ideas and clarify each other's roles and deal with possible underlying conflicts. Internal business plan is useful for the whole company as everybody there can see the business, the market and the whole context of their organization set out and explained. It helps the people in the company to understand better the direction the company is taking and their place in that strategy. A good business plan can prove to be a powerful motivator. It makes the staff feel more involved, more confident and therefore more inclined to take personal responsibility and take personal, rather than business, risks. (Finch 2006, 105-110)

#### 4.1.2 Finding investment

Preparing a business plan will give an insight for the investors into the planning process. Business plan will give an idea of the long-term health of a business and the profitability of a business. (Barrow 2001, 7-8)

Business plan should be thorough to get investment capital. Typically investors look for answers to three questions:

1. How does the proposed opportunity solve a problem within a niche market?
2. Do the founding team members have the competency to make this venture work?
3. Can we realize a high enough return to make it worth our while?

These questions should be partly answered already in the beginning of the business plan, in executive summary. There should be clearly stated the problem in the markets that the business is going to solve. The business plan should include enough information about the expertise and core competencies of the founders of the business so that the financiers would be able to decide if the founders are able to run and grow their business. The third question will cover almost the whole business plan. Marketing plan should be reasonable, also the pricing structure, and there should also be enough of customers. Also it is important to estimate how competition will affect your business and barriers to entry. Identifying the risk factors and having plans of how to overcome them is making the business plan more reliable to work. Investors will only fund valid opportunities so the business plan is important to be powerful enough to impress the investors. (Brown, Gutterman 2003, 19-24)

#### 4.1.3 International business plan

Business plan is a good means of evaluating the business potential in foreign marketplace. “No business today can afford to overlook the potential of international commerce brought about by changes in communications, technology, and

transportation. The development of a business plan will demonstrate ways in which the business can compete in this global community.” (Pinson 2004, 2)

The basic elements in domestic and international business plans are the same, but there are significant factors that must be taken into consideration on the international level. An international business plan has to consider the unique cultural, language and other differences in each targeted country. Also there has to be entry strategies for every new target market, for there are differences in regulatory policies and practices with respect to foreign participation in the local economy. Local culture, politics, weather, geography, and other factors affect market demand and supply in each of the countries of operation, which makes it more complex than dealing with different markets in one country. International companies have to prepare for more problems than domestic ones. They have to also take into consideration more opportunities regarding product development, raw materials purchase, manufacturing, marketing and sales, as there are multiple countries where to develop the product, acquire the materials, manufacture, transport through, and sell and distribute the product. (Brown, Gutterman 2003, 10-11)

## 4.2 Contents of a business plan

A business plan should include information about the near term and long term goals of the enterprise, a description of the products or services and the market opportunities for them, and also plan of achieving the goals in face of competition. (Barrow 2001, 6.)

### 4.2.1 Executive summary

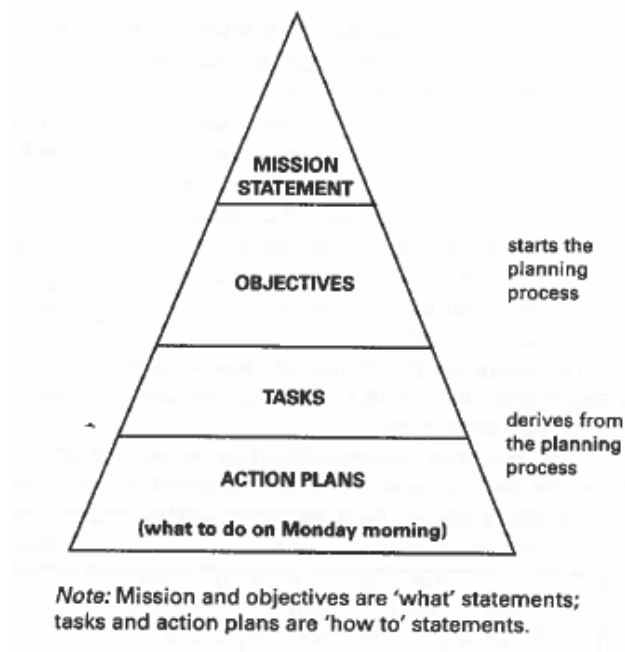
Executive summary introduces the business plan to the reader. The purpose of it is to get the reader familiar with the business idea and to catch the reader’s attention. This part is written after the business plan is complete as it reviews the whole business plan. Special attention in this part should be paid to business description, current position and future outlook, management, uniqueness, and financing; where to get

finance, how to use the finance, and when and how they will be repaid. (Ryan & Hiduke 2006, 361.)

#### 4.2.2 Description of the business

This part of the business plan should include information about the business background, mission of the business, near and long term objectives, and also information on the possible professional advisers. In this part there should be accurate information what the business does, who are the establishers and why the business is established. The purpose of this section is to introduce the key facts of the company and paint a broad picture to the reader's mind of what the business is about. To organize the information for mission statement and objectives, one can use the pyramid of goals as help. Mission statement and objectives are important in two main ways: they concentrate the efforts of the company and the employees and they concentrate attention on problems to be solved. (Finch 2006, 24; Barrow 2001, 23-24)

Figure 2. The pyramid of goals (Barrow 2001, 25)



The mission should be narrow enough to give direction and guidance to everyone in the business, and it should open up a large enough market to allow the business to grow. The objectives should tell the strategic goals, e.g. what needs to be achieved within the next one to three years (short-term objectives) and within the five next years (long-term objectives). They should determine how big the business will grow in the future, i.e. the market share. In short, the mission statement should explain what business the company is in and what is its purpose, the strategic goal for the next one to three years, and how that is going to be achieved – i.e. what are the values and standards of the business. (Barrow 2001, 24-27)

### 4.2.3 Management

“Research shows that the most important factor for investors in evaluating a proposal is the management team they back.” (Finch 2006, 49) The section of the top team of management should have information on each person about their age, relevant academic or professional qualifications, experience in the industry and job they are doing in the established business, highlights of past employment experience and their share stake in the company if they have one. All this information is essential to persuade the investors to back up the business and to give them the confidence that these are the right people to manage the business and able to do that. (Finch 2006, 49-51)

### 4.2.4 Products or services

In this section there should be a listing and explanation of what are the products or services that the company sells. The explanation should be clear enough for the reader, some products can be obvious and do not need explanation, but some have to be explained with smallest details so that the reader of the business plan gets a clear vision of the product. This part of the business plan should also show the reader if the products or services are ready for market, i.e. can they be sold now or do they require more developing or do the service sales people have the required skills. Both the tasks

to be done and time needed for development of the product and/or service should be stated. It is useful to also recognise the products and services that compete with the ones the company is offering. Comparison of the company's products and competing products can be useful, since after that it is possible to draw conclusions if the products or services survive the competition.

There should also be a mention if the business idea is unique and it needs to be protected. There are four categories of protection: patenting, trademark registration, design registration, and copyright. Patents protect the innovation of how something works. Trademark registration protects the name or the identification of the product or service, which can be a word, a signature, a monogram, a picture, a logo or a combination of these. Design registration protects the shape, design or decorative features of a product. Copyright gives protection against the unlicensed copying of original artistic and creative works, which can be articles, books, paintings, films, plays, songs, music, or engineering drawings. (Barrow 2001, 54-71)

#### 4.2.5 Market and competitors

Any new or growing business must focus on satisfying the customers' needs or solving customers' problems. Segmenting the market into customer groups helps to find the customers with similar needs. There are four rules to help decide if a market segment is worth trying to sell into: measurability, so that there are enough of customers to make it worth trying to offer something different, accessibility, so that the customers are at reach, open to profitable development, i.e. the customers can afford to spend on the benefits the business has to offer, and size, a large enough market. The business plan may, for example, include information on:

1. The principal customers described in detail, e.g. their income, sex, age, education, interests, occupation, and marital status.



2. The important factors affecting the customers' buying decisions: the product itself, the business, and other considerations, such as seasonality or changes in the economy.
3. Overall market size, history and forecasts - data that refers to the chosen market segment rather than just the market as a whole.

The business plan should also have an analysis of the competition. As well as with customers, there should be a detailed description of competitors. Also any of the expected or potential competitors should be listed. The size of the competitors should also be determined. That can be done by assessing the assets and sales volume or by number employees or branches. The operating methods of competitors may be compared in terms of quality of product and service, hours of operation, ability of personnel, servicing, warranties, and packaging, methods of selling, distribution channels, credit terms, volume discounts, location, advertising and promotion, reputation, and inventory levels. The business plan should include only the relevant comparison. Analysing the competitors helps to determine where the competitor is weak and how they might retaliate to other company's activity and what should be the product's point of difference compared to competitors. (Barrow, 2001, 77-104)

#### 4.2.6 Operations

Operations plan is made on the basis of what is decided before on what to sell, whom to sell and at what price. These may require operations as finding the maker for the product, selling the product, and delivering it. Other operations may be e.g. drawing up contracts of employment, printing stationery, and recruiting staff. This section should include information about the basic operations in selling, manufacturing, finding the materials and sources of supply, and describing the job responsibilities of the staff. Every operation does not need to be described in detail, but for the business plan it is sufficient to show that the principal matters that concern the company are taken into account, and that there is a workable solution in hand. Operations on

selling methods, possible advertising, retailing, and sales management, manufacturing process, material buying and choosing the right suppliers, and training the staff should be taken into consideration. Legal and insurance issues should also be thought as some forms of insurance are compulsory for certain businesses. The premises, equipment and stock should be insured in case of accidents or misfortunate incidents. (Barrow 2001, 177-191)

#### 4.2.7 Financial data

Business plans usually have financial documents that consist of both pro forma and actual financial statements. They are the quantitative interpretation of the plans and actions stated in the business plan and will provide the means to look realistically the profitability of the business. The purpose of this section is not only to satisfy the lenders and investors but also to serve as a guide for the whole lifetime of the business. That is why this section of the business plan should be updated frequently: examining the financial statements on a periodic basis, measuring the actual performance against the projections, and revising the new projections accordingly.

According to Linda Pinson (2004), there are four types of financial documents: statements of sources and uses of funds from a lender or investor, pro forma statements, actual performance statements, and financial statement analysis. First type includes the summary of financial needs with information about the working capital, growth capital, or equity capital needs. Loan fund dispersal statement informs the uses of financing, *how* the money will actually be used, with supporting data to back up the statement. Pro forma statements contain cash flow statement, three-year income projection, and break-even analysis. Every business plan must have at least these documents. Actual performance financial documents include balance sheet, profit & loss (income) statement, business financial history, or loan application. Because new businesses have no financial history, actual performance statements cannot be included. The financial statement analysis will be based only on projections

and will utilize the three-year profit & loss (income) projection. (Pinson 2004, 71-106)

#### 4.2.8 Appendices

The business plan may have a lot of detailed evidence to support it and they can be enclosed as appendices. It should still be carefully planned what is essential to include in the business plan so that it does not become too boring to read. Information that significantly adds the credibility of the business can be put in appendices and summarized in the plan. The referring should be clearly marked so that it can be easily found from the appendices. Appendices can be divided into two types of documents: 1) something that persuades the reader of your case, and 2) proof of what you are saying in the plan. These can be copies of patents, copyright evidence or trademark registrations, copies of leases, detailed accounts, market research reports, CVs of key personnel, and photographs that provide relevant support, for example of designs if the company is in design business. Technical descriptions and product brochures may also be of importance depending of course of the kind of business the company is working in. (Finch 2006, 18-19)

### III EMPIRICAL STUDY

This section includes market research about the possible customers for a café in Alajärvi, international comparison of business plans, including both Finnish and Italian business plans, and analyses of differences in business plans in different cultures. This section also includes the actual business plan made for establishing a café in Alajärvi. There is also suggested further research.

### 5 RESEARH METHODOLOGY

This part describes the used research methodology. According to Naresh K. Malhotra (2007), a research design details the procedures necessary for obtaining the information needed to structure or solve marketing problems. Typically a research design involves the following components, or tasks:

- Design the exploratory, descriptive and/or causal phases of the research
- Define the information needed
- Specify the measurement and scaling procedures
- Construct and pretest the questionnaire (interviewing form) or an appropriate form for data collection
- Specify the sampling process and sampling size
- Develop a plan of data analysis

The basic research designs are exploratory, descriptive or causal studies. Exploratory research is to explore or search through a problem or situation to provide insights and understanding. It can be used for defining the problem more precisely, identifying alternative courses of action, developing hypotheses, isolating key variables, gaining insights for developing an approach to the problem, or establishing priorities for research. Descriptive research is used to describe the characteristics of relevant

groups, such as consumers, salespeople, organizations, or market areas. It estimates the percentage of units in a specified population exhibiting a certain behaviour. It can also determine the perceptions of product characteristics, the degree to which marketing variables are associated, and make specific predictions. Causal research is used to obtain evidence of cause-and-effect relationships. Purposes for using this design are to understand which variables are the cause and which variables are the effect of a phenomenon, and to determine the nature of the relationship between the causal variables and the effect to be predicted. The differences of these designs are compared in the following table. (Malhotra 2007, 78-89)

Table 1. A comparison of Basic Research Designs (Malhotra 2007, 81)

	EXPLORATORY	DESCRIPTIVE	CAUSAL
OBJECTIVE:	-Discover ideas and insights	-Describe market characteristics or functions	-Determine the cause and effect relationships
CHARACTERISTICS	-Flexible -Versatile -Often part of the total research design	-Marked by the prior formulation of specific hypotheses -Planned and structured design	-Manipulation of one or more independent variables -Control of other mediating variables
METHODS:	-Expert surveys -Pilot surveys -Secondary data(analyzed qualitatively) -Qualitative research	-Secondary data (analyzed quantitatively) -Surveys -Panels -Observational and other data	-Experiments

This thesis will use the exploratory research in discovering the possible differences between the Italian and Finnish business plans of cafés, with a flexible and open-ended questionnaire given to the café owners. The data will be analyzed qualitatively to get a better insight of the characteristics of the business plans. For the market research carried out in Alajärvi, a descriptive research is used to observe the possible customer characteristics and possible customers for a café. There will be a planned and structured questionnaire design for the reason that the data could be analyzed quantitatively and, thus to be able to describe the market characteristics and finding the customers.

### 5.1 Quantitative research method

There are three ways to obtain quantitative information in marketing research: surveys, observation and experiments. Surveys are usually carried out in questionnaires with formal manner to get a systematic record of the responses. The questions are formed identically in the same order and with the same response alternatives for each question. This allows making a survey for a large group and the answers will be comparable. Experimental research is carried out with changing one or more variables to find out the impact on other variables. This method is a small scale research, where the results are carefully observed and measured. (Kent 2007, 182,203)

Quantitative research method was used in this study to find out if there is a market for a new café in Alajärvi. The research was carried out with a survey for a large group of people. The method was useful when a large group was interviewed and the answers had to be comparable to find out the percentages of every answer.

### 5.2 Qualitative research method

Qualitative market research explores the people's attitudes, perceptions, motivations and behaviours (Kent 2007, 89-103). The contexts of inquiry are not contrived; they

are natural, that is, nothing is predefined or taken for granted. Qualitative researchers attend to the experience as a whole, not as separate variables. The aim of qualitative research is to understand experience as unified. (Ely 1991, 4)

Qualitative research is used in this study to get a deeper and a whole understanding of the contents of the business plans of cafés in different countries. The research was carried out with a questionnaire with open-ended questions, where the café owners had a chance to answer freely in their own words what they considered important. This ensured the deeper understanding of the answers.

### 5.3 Collecting the data

Every research includes the collecting and analysing data, whether through reading, observation, measurement, asking questions, or a combination of these. The data may be numerical, consist of words, combination of these two, consist of pictures or artefacts, primarily or secondary collected, or consist of responses to a questionnaire, records of observations or experiments, or all of these things. (Blaxter et al. 2006, 153)

This study will mainly use primary data, collected straight from the respondents of the questionnaires. The business plan will also use primary data as the author has herself researched the markets and the needed operations for a café in Alajärvi.

In this case the research is conducted with questionnaires to citizens of Alajärvi to explore the markets in Alajärvi. To find differences in business plans of the cafés in Finland and in Italy a questionnaire is also provided for the café owners.

The collection of data to explore the markets in Alajärvi for a new café was carried out in a grocery store by letting the people that are coming from shopping to answer a questionnaire that was situated next to the cashiers. The collection of data to find out differences in business plan was carried out by face-to-face interview of the Finnish café owner and e-mail questionnaire for the Italian café owners.

#### 5.4 Reliability and validity

The reliability of the study is suffering from the scarce amount of respondents. To get a better picture of the markets in Alajärvi there should have been more respondents than just 27 as the population of Alajärvi is over 10 000.

The comparison of business plans would also have been more accurate if the owners had shared their business plans with the researcher, but they decided to answer only the questionnaire for privacy reasons. The overall picture was anyhow achieved with the questionnaire and made the comparison possible. The comparison would also have been more reliable if more café owners had agreed to answer the questionnaire.



## 6 MARKET RESEARCH FOR FINDING THE CUSTOMERS

Before establishing a business it is important to establish a market. This is the research stage in establishing the business. Making a market research and after analysing the results it is possible to make a decision to venture. Market research provides information how to move forward with the business idea as it reduces the level of uncertainty and therefore minimizes the risks involved. After finding out if there is demand for a new café in Alajärvi, it is possible to move forward with the café establishment.

### 6.1 Research methods for finding the potential customers

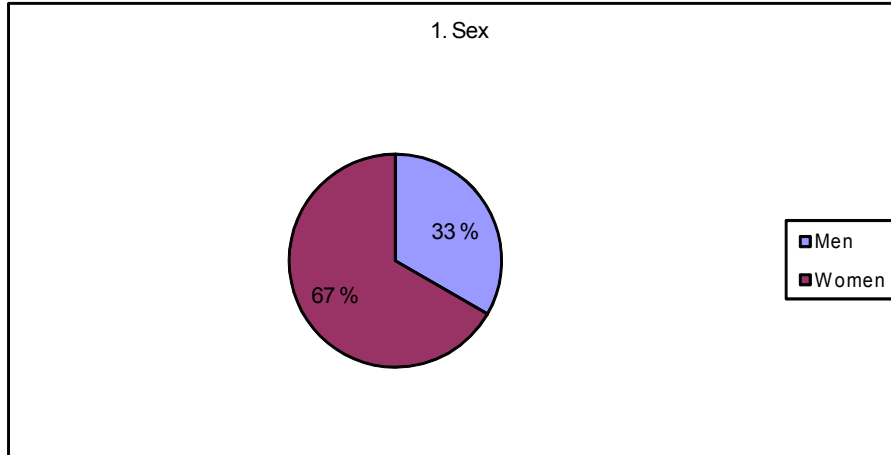
The research was carried out with a questionnaire of a quantitative type. The questionnaires were left to a grocery store's cashiers where the people coming from shopping could answer to the questions. The other reason for leaving the questionnaire to this kind of place was that there the respondents were from all ages and the answers could be more varied. 27 people answered the questionnaires during the day they were left in the store.

### 6.2 The results

#### 1. Sex

This question was meant to find out if there were any differences in answers of female or male respondents. 9 of the respondents were men, and 18 of the respondents were women.

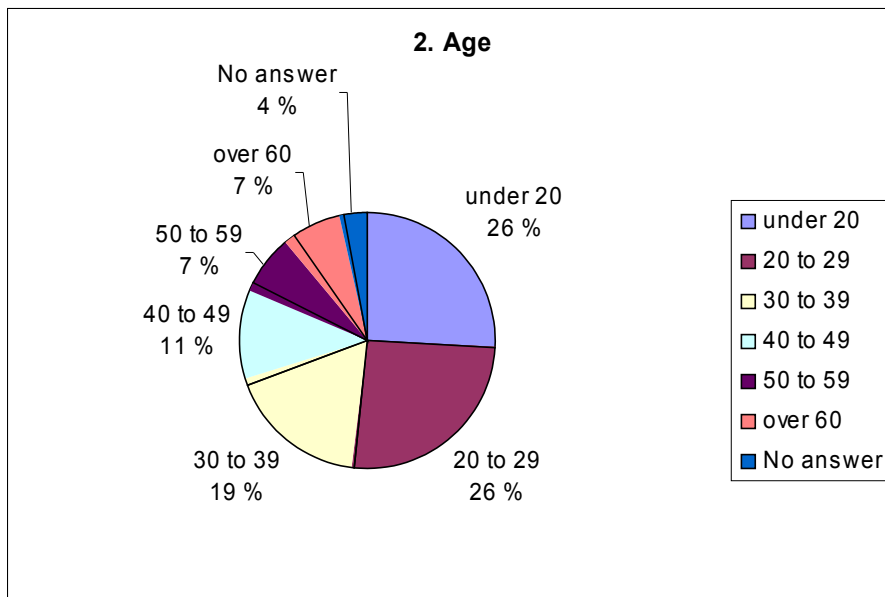
Figure 3. Sex of the respondents



## 2. Age

7 of the respondents were under 20, 7 of the respondents were between 20-29, 5 of the respondents were between 30-39, 3 of the respondents were between 40-49, 2 of the respondents were between 50-59, 2 of the respondents over 60, 1 of the respondents did not want to answer the age.

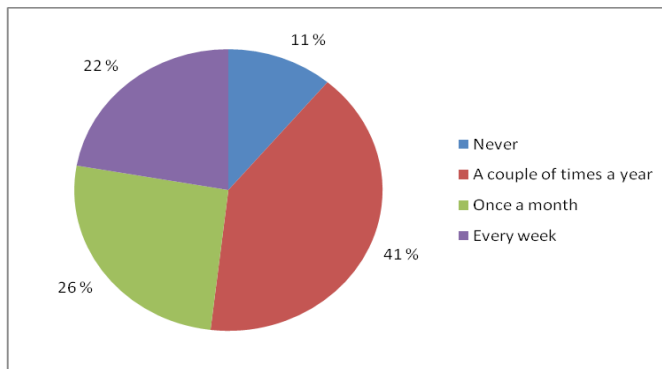
Figure 4. Age of the respondents



### 3. How often do you go to a café?

This question was meant for finding out the potential age group of the customers. 3 of the respondents answered never, 11 of the respondents answered a couple of times a year, 7 of the respondents answered once a month, and 6 of the respondents answered every week. Two of those who had answered never were over 60 years old and one between 30 and 39 years old. The most active ones to go to a café were aged between 20 and 29, 4 of that age answered they go to a café every week and 2 of that age answered that they go to a café once a month.

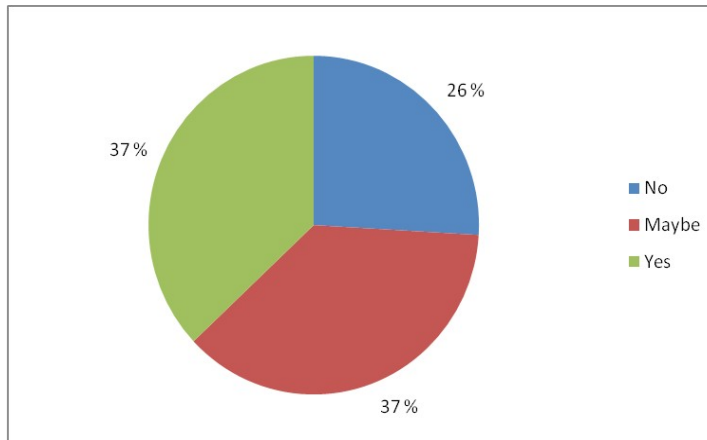
Figure 5. How often the respondents go to a café.



### 4. Would you go to a café more often if there were more cafés in the area?

7 of the respondents answered no, 10 of the respondents answered yes, and 10 of the respondents answered maybe. 5 of the respondents that answered no had answered to the previous question that they go to a café every week. The other two who answered no had answered that they never go to a café. As there were so many yes and maybe answers, there is a market for a new café in Alajärvi.

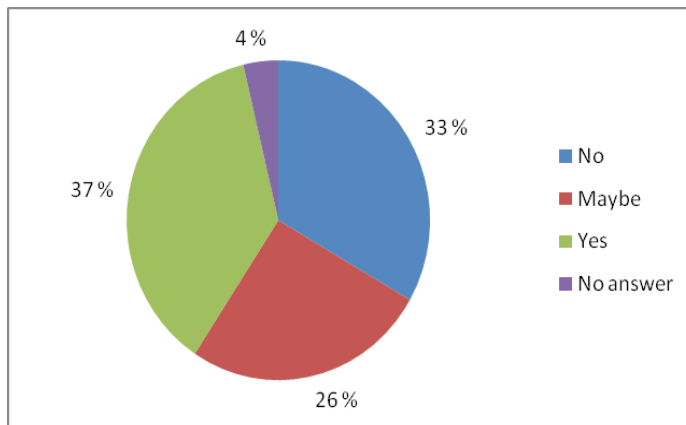
Figure 6. Would the respondents go to a café more often if more cafés.



### 5. Do you think Alajärvi needs more cafés?

This question was meant to find out if the people in Alajärvi wanted more cafés to the city. 10 of the respondents answered yes, 9 answered no, and 7 answered maybe. One had left this question unanswered.

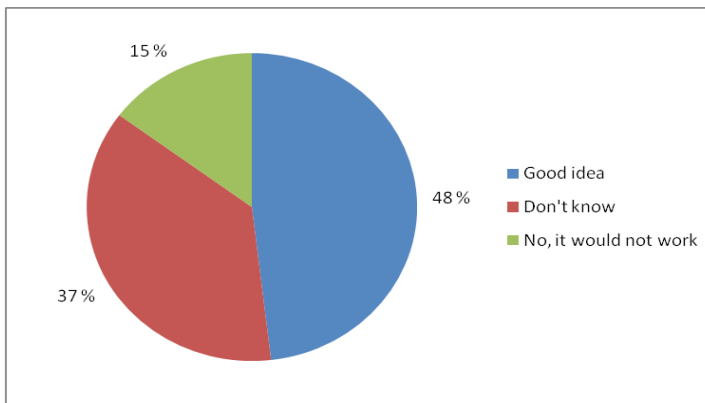
Figure 7. Need for a café in Alajärvi



## 6. What would you think of an Italian type of café in Alajärvi?

13 of the respondents answered that it is a good idea, they would like to have something new in the city, 10 of the respondents did not know, and 4 of the respondents answered no, it would not work. The answers seemed not to be dependent on the previous answers, the respondents who thought the idea as great, had also answered that Alajärvi does not need anymore cafés. 3 of the respondents who answered no, it would not work were male.

Figure 8. What would you think of an Italian type of café?

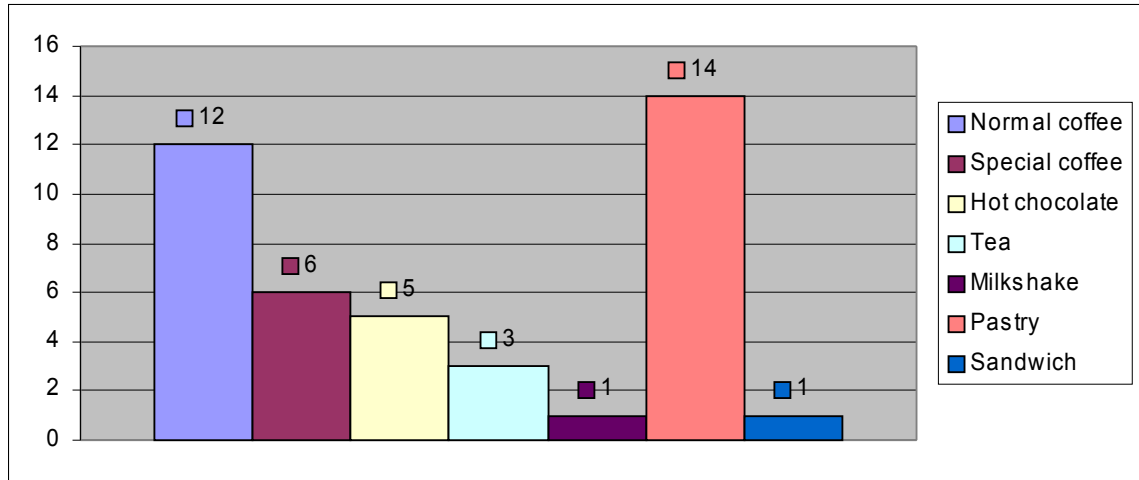


## 7. If you go to a café, what do you normally have?

The purpose of this question was to find out what would be most important products to have in a café. The respondents had a chance to choose many answers to this question. 12 of the respondents would drink a normal coffee, 6 would have a special type of coffee, 5 would have a hot chocolate, 3 would drink tea, and 1 would have a milkshake. 11 of the respondents who answered normal coffee had answered that they would also have a pastry, 2 of the special type of coffee drinkers had also answered to have a pastry as 4 of them would not have anything else than the coffee. Two of the tea drinkers would have a pastry and one would have a sandwich. The most popular

products would be the pastries and normal coffee, and second the special type of coffees.

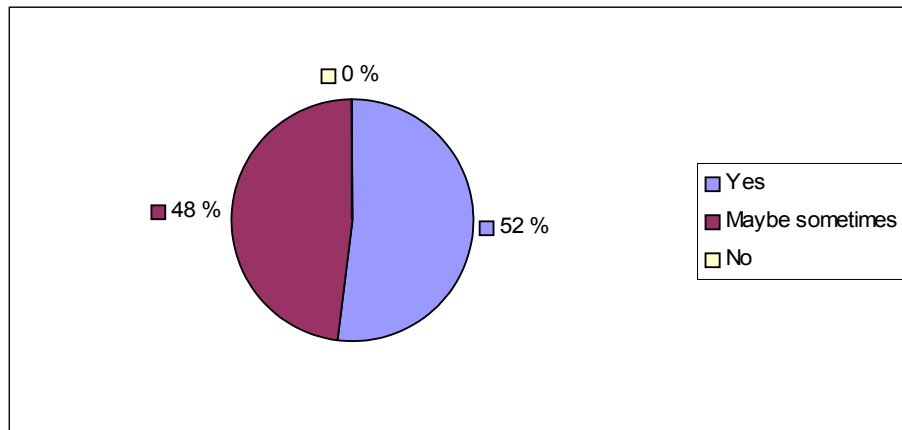
Figure 9. Most popular products



**8. Would you have some Italian type of pastries, ice cream or coffee if there was a chance?**

The purpose of this question was to find out if there would be people interested in having Italian type of café in the city and if they would buy the products. 14 of the respondents answered yes and 13 answered maybe sometimes. Nobody answered no.

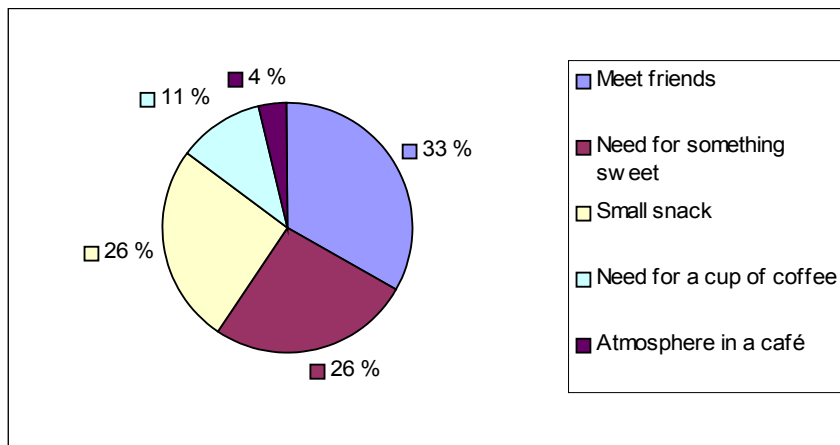
Figure 10. People having Italian pastries.



### 9. Why do you go to a café?

9 of the respondents had answered that they go to a café to meet friends, 7 to get something sweet, 7 to have a small snack, 3 went to a café to enjoy a cup of coffee, and 1 liked the atmosphere in cafés. 5 of the respondents who answered that they go to a café to meet friends were aged between 20 and 29, and 3 were less than 20 years old. The results show that it is important to have some place for people to meet friends and have a small snack. The long opening hours would ensure that the people would have a place to meet friends also in the evenings after work or school.

Figure 11. Purpose to go to a café



## 7 INTERNATIONAL COMPARISON OF BUSINESS PLANS

### 7.1 Research methods

In this part will be information about business plans from different countries. The comparison is made between one Finnish café and one Italian café. A questionnaire with qualitative questions was given to the café owners.

The Finnish café owner was interviewed face to face but the Italian café owner answered the questionnaire by email. The questions were chosen according to the normal contents of a business plan. The questionnaire had questions about the café, products and services, operations, competition, and additional information about the business plan.

### 7.2 The results

The first question tells the name of the café. The Finnish café was called Lähikauppa Limppu, as the café is next to a grocery store and bakery. The Italian café that was interviewed was Caffé 630.

The second question was about when the café were established. Lähikauppa Limppu was established in 1998 next to the bakery that had been there already decades. The Italian café was established 1995.

The third and fourth question was about which legal format the café had chosen and why. The Finnish café had chosen limited partnership as their legal format as the café is a family business and the legal format allowed also silent partners. Caffé 630 was a limited liability company, SRL, as the minimum capital is 10 000 Euros, and if the company goes bankrupt the owner does not have to respond with personal money but with the money that the company has.



The fifth question was about the owners. The Finnish café had three owners, with one of them being a silent partner. The Italian café had only one owner who was responsible for the decisions made in the café.

The next question was about how many employees the cafés had. Caffé 630 had 6 employees and the Finnish café had 8 employees.

The information about the products was collected with questions about what are the products or services, which ones the owners thought to be the most popular ones, question about if the owners had thought about adding new products or services, and what special features they had that distinguished them from other cafés. The products that the Finnish café had were coffee, soda, tea, products from the own bakery, and sandwiches. They had also the bakery shop next to the café. The Italian café had breakfast, lunch, and aperitif as their products and services. The most popular products in the Italian café were Espresso and Cappucino, and breakfast the most popular service. The most popular products in the Finnish café were normal coffee, jam donut, and cream donut. The Finnish café owners had thought about creating some new products from the bakery and the Italian café owners had thought about adding new taste alternatives for their croissants. The special features that distinguished the Finnish café from others was the self-made products, and the café was open for everyone, the working men could come there in their working clothes. The product that distinguished the Italian café from others was the cappuccino with chocolate.

The questions about operations of the cafés were about the goals they had and the strategies they were going to use to achieve these goals. The Finnish café wanted to keep the prices low, have large enough customer base, and create something new after generation change. The strategy to achieve these goals included renewing the business plan with an expert. The Italian café wanted to achieve 16 000 Euros sales per month, and their strategy to achieve this was taking care of the customers, giving the best service and always offering the best products.

The questions about competition were who they thought to be the biggest competition, and what other competition they had, and what were their strengths compared to competition. The Finnish cafés biggest competition was the bakeries across the country. They did not think there was any local competition since the other cafés were situated in the city centre. They did regard as a strength against other cafés the openness; that the customers may come to the café straight after work in any kinds of working clothes they wished, no matter how dirty they were. The Italian café considered to have no competition at all, since the café was the only one situated in the city center. They considered the location and good service to beat the competition.

Additional information about the contents of the business plans of the cafés had questions about the purpose of the business plan and the usefulness of the business plan. The Finnish café had made the business plan to get finance for the other parts of the business also, including the grocery store and bakery. They still thought that the business plan was no longer useful as the data in the business plan had gone old and needed to be renewed. The Italian café had the business plan as a guideline to achieve their goals, and getting finance by the end of the year 2010. They did not either consider the business plan very useful, since the café made their changes and plans according to the wishes of the customers.

The questions showed that there were not many differences in the cafés and their business plans. The differences were in the legal format the café owners had chosen for their cafés and in the purpose of their business plans. Lähikauppa Limppu had chosen the business plan to help only in getting finance as Caffé 630 had the business plan also as a guideline for their business, even though they thought the business plan to be not as important as the wishes of the customers acting as a guideline for their business.

## 8 BUSINESS PLAN

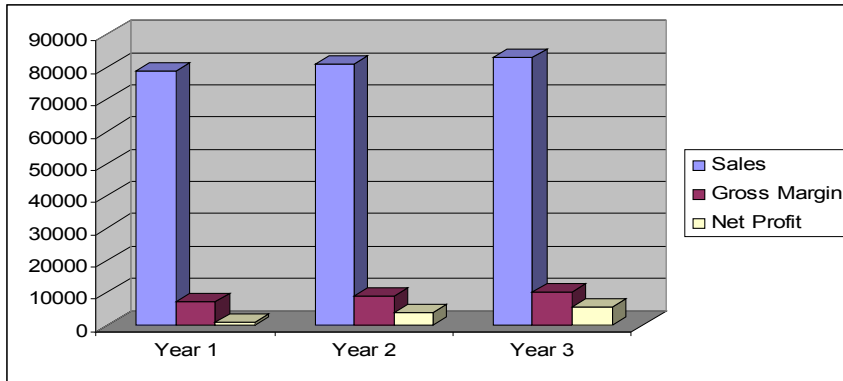
The business plan was made for a café that is in an establishment phase. It includes information about the goals of the company, the owner, products and services, the market and competitors, operations, and financial documents.

### 8.1 Executive summary

Alajärvi does not have many cafés. Café Italia is determined to become popular place for the people in Alajärvi to meet their friends and relax after school or work. The places are few in the evenings so there is a need for a new place for the people to meet their friends. The owner is competent, having baked for all her life and she has the interest for café culture. She has also educated herself to become a bachelor of business administration and that way she has all the keys to start her own business.

The company will be established on 29<sup>th</sup> October 2010 to bring diverse to the café culture in the city of Alajärvi. The business idea is to establish an Italian type of café in the centre of Alajärvi that serves special coffees, hot chocolates and freshly baked pastries and desserts famous in the Italian café culture. Also the café will be furnished in Italian style. The location attracts customers from the near-by schools, people being shopping and people working close-by.

The company is expected to grow sales revenue from 78 800 Euros in the first year to 83 000 Euros in year three.



## 8.2 The business and its management

### 8.2.1 History and position to date

The company will be established on 29<sup>th</sup> October 2010 to bring diverse to the café culture in the city of Alajärvi. The business idea is to establish an Italian type of café in the centre of Alajärvi that serves special coffees, hot chocolates and freshly baked pastries and desserts famous in the Italian café culture. Also the café will be furnished in Italian style. The idea for the business came from the scarce choice of places to just sit down and spend time with friends or go on a date since most similar type of places are kebab and pizza restaurants, a pub or cafés that are closing too early or are within a gas station. The city would need a unique place for the inhabitants to spend their afternoons or evenings.

### 8.2.2 The mission

The mission of Café Italia is to offer high quality service, coffee, espresso, hot chocolate and pastry products to meet the demand of the resident in Alajärvi as well as the visiting tourists.

### 8.2.3 Objectives

- Create a solid business in the city of Alajärvi.
- Achieve 25 % of the market share within the first three years.
- Sales of 78 800 Euros the first fiscal year, 81 000 Euros the second fiscal year and 83 000 Euros the third fiscal year.
- Be an active member of the community, and provide help in organizing the public happenings of the city, bring new aspects to the happenings organized by women entrepreneurs in Alajärvi.

#### 8.2.4 Keys to success

- Great tasting products
- Competent and friendly staff
- Long opening hours
- Comfortable interior design of Italian style

#### 8.2.5 The management

The management of the company consists of the owner Kirsi Mäki, who has the competency and skills to run a business due to her education. She has studied International Business in the Vaasa University of Applied Sciences and learned the needed skills for establishing a business and managing it. Her interest in café culture is a strong point for the company's future as well as the baking hobby she has had for her entire life. The owner has completed a Hygiene Proficiency Certificate.

#### 8.2.6 Legal structure

As the owner Kirsi Mäki is the only founder of the company, the company will have the legal format of private entrepreneurship. There will be a stable place to run the business in the city centre of Alajärvi so the owner will act as a shopkeeper.

#### 8.2.7 Professional advisers

Tilitoimisto Salo Oy

- Professional advice in bookkeeping and taxation of a starting company

#### 8.3 Products and services

The café offers a wide range of hot chocolate, coffee and espresso products that are made to suit for each customer. In addition there are served delicious freshly baked pastry products and Italian ice creams. The pastries are baked every morning to

ensure the freshness of the goods. A menu can be found in the appendices (Appendix 1).

### 8.3.1 Applications

The customers will come to the refreshing café to relax on a lunch break, after school or work and enjoy the delicious products that the café has to offer. They will also have an opportunity to take away.

### 8.3.2 Product and service development

The customers will have a selection of pastries and coffees for people having special diets. As there are special pastries for different holidays in Finland they will also be served on those special days. In the future the customers may have the possibility to order cakes and other pastries to their graduation parties, birthdays etc. In the near future it is also possible to turn the café into an Internet café with free Internet connection for the customers.

### 8.3.3 Readiness for market

The services are available in the centre of the city with long opening hours. These are the company's strengths as well as the friendly staff. The products are unique in the area; daily baked delicious pastries and the special coffees and hot chocolates. The premises still need to be refurbished. The coffee machinery needs to be ordered.

## 8.4 Market and competitors

### 8.4.1 Description of customers

According to the market research to find the customers, most of them would be young adults. As the café is situated in the city centre, most of the customers consist of students and office workers in the city centre. The students come to the café after

school to meet friends and spend time. The pleasant atmosphere and the cosy interior design in the café appeals also to people coming shopping from outside the city.

#### 8.4.2 Market and segment size and growth

People have to have a place to meet friends since the culture of visiting at homes has decreased and people have become busier with their lives. The hectic lifestyle requires a place to sit down and relax. Alajärvi has few of that kind of places but they are mostly kebab and pizza restaurants and do not have atmosphere. The market share in the beginning is approximately 15 %. After getting more known, the market share will probably grow to 20 % and finally to 25 %.

#### 8.4.3 Competition

Competition consists of cafés situated in the city centre of Alajärvi. It includes a bakery café, a lunch café, two religious cafés and a café next to a gas station. These are considered to be the core competition for Café Italia, as they have similar services as the new café will have. The core competition is described in more detail in the following:

- Nelimarkan kahvila
  - neat, comfortable café in a shopping centre
  - only few seats
  - short opening hours
  - delicious pastries
  - has been long in the business and has well-known products
  - loyal customers



- Ruoka-kahvio
  - lunch café that offers food and coffee
  - delicious home food and pastries
  - customers are workers in the city centre
  - short opening hours
- Alajärven Huoltokulma Oy
  - gas station that has a café, pizza and hamburger restaurant
  - pizza and hamburger restaurant draws a broad range of customers
- Lähetyskirppu
  - Second-hand store with a café for Christians from Pentecostal Church
  - only few products, but freshly baked
- Risteyspaikka night café
  - place to spend evenings for Christians from Evangelical Lutheran Church
  - Open only in the evenings on Wednesdays, Fridays and Saturdays

The potential competition consists of grills and pizza restaurants and of a pub Ruokaravintola Järvipaakarit, which serves food in the daytime and acts as a bar in the night time. The long opening hours of the restaurants makes it possible for people to come for lunch, dinner or see friends in the evenings. This ensures that there is a broad range of customers for the restaurants.

#### 8.4.4 Market projections

Alajärvi is a small city and there will not be big changes in few years. The changes in technology makes it more important to have wireless Internet connection in a café as the customers will have more equipped mobile phones and small laptops that they may carry with them. The customers may get bored with the products, which is why there has to be new products every now and then.

### 8.5 Competitive business strategy

#### 8.5.1 Promotional plans

The best way to promote a café in a small town like Alajärvi is the word-of mouth. The word-of-mouth promoting is started already before opening the café. Telling friends and family and letting them pass the word makes people curious for the new business that is going to open in town. The word-of-mouth policy for marketing will continue also after opening by giving the customers good service and thus ensuring positive feedback.

The opening will be informed formally in the local newspaper week before opening. There will be an advertisement every week in the newspaper for the first two months after opening the café to remind people about its existence and so that the people from outside the city will also notice the new café.

#### 8.5.2 Pricing policy

The prices for the products are determined by the gross margin of 10 %. The products are paid either with cash or bank card.

#### 8.5.3 Choice of location and premises

The café will be located in the city centre of Alajärvi, near the shops. The location makes it possible for people coming shopping in the centre to rest their feet. The

schools are also near so the students from junior high, high school and business school can easily come to the café after school to hang out with friends.

## 8.6 Manufacturing

### 8.6.1 Location

The coffee, hot chocolate and tea products are made in the café. The pastries are baked in the mornings before opening the café in the owner's home.

### 8.6.2 Facilities needed

Kitchen is needed for baking and the café with service desk and machinery is needed for making the coffee, hot chocolate and tea products.

### 8.6.3 Equipment and machinery needed

The owner already has the equipment for baking. The café will need an espresso machine, water boiler, hot chocolate machine and the freezer for ice creams. The pastries will have to be served from a cooling desk

### 8.6.4 Production plans

The baking ingredients are bought from the grocery stores in Alajärvi. The coffee, hot chocolate powder and teas are bought from a wholesale store. The pastries are baked in the café owner's home and other products are made in the café with the machinery.

### 8.6.5 Quality control plans

The quality has to be controlled according to the Public Health Authority with having the right temperature when handling foodstuff. The owner has completed Hygiene Proficiency Certificate to be able to work with foodstuffs.

### 8.6.6 Make or buy decisions

The pastries are baked by the café staff. Coffees, hot chocolates and teas are bought from the local wholesale store. Ice creams are ordered from Helsingin Jäätelötehdas and transported to Alajärvi in cooperation with local grocery stores.

### 8.6.7 Staffing requirements

The café has the owner as a whole time worker. Because of the long opening hours, there is also need for another worker who can be part time.



## 8.7 Forecasts and financial data

### 8.7.1 Start-up capital

### 8.7.2 Break-even analysis

#### NEED FOR CAPITAL

Investments

Facilities

	Rent	330	
	Reparation	2 000	
Equipment And Machinery	Purchase Price	7 530	
Interior Decorating	Furnishing	495	
	Other supplies	300	
Start Marketing	Advertisements	50	
	Marketing letters, brochures	5	
	Signs	30	
Goodwill		500	
Other investments, working capital (2 months)		11 440	22 680
Commercial Property			
Cash		1 200	
Initial stock		120	
<b>TOTAL NEED FOR CAPITAL</b>		<b>1 320</b>	<b>24 000</b>

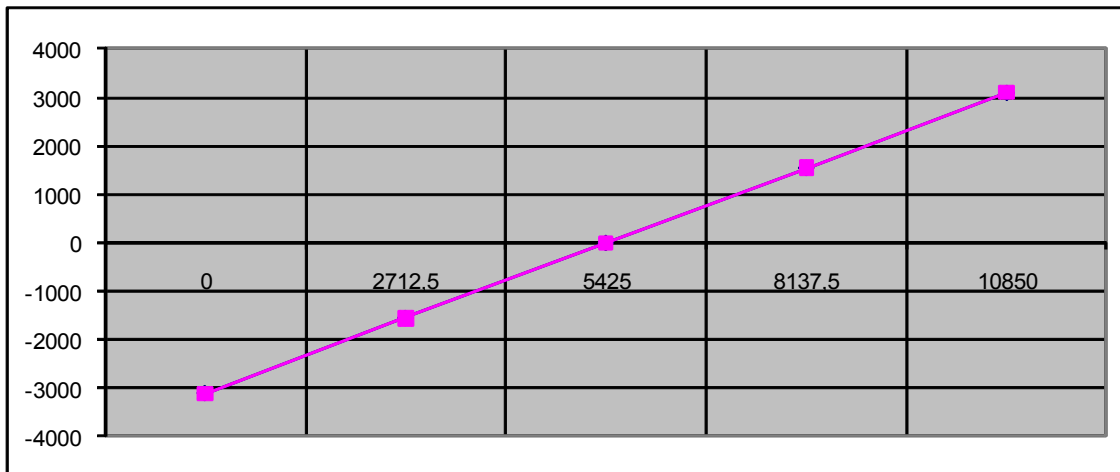
#### SOURCES OF MONEY

Loan Capital

	Long-term loans from financial institutions	15 000	
	Other long-term loans		
	Short-term loans	1 600	
	Credit check		
	Loans from suppliers		
	Other finance		
Owner's Capital	Owner's investment	5 000	
	Owner's equipment and machinery	400	
	Other own investment	2 000	
<b>TOTAL SOURCES OF MONEY</b>			<b>24000</b>

The break-even analysis table has been completed on the basis of average costs/prices. With fixed costs of 3 107 Euros and 5,5 Euros an average sale, we need approximately 5 380 Euros per month to break even. The sales need to be minimum of 6 122 Euros per month to cover also the loan payments and other financing costs.

Figure 3.



### 8.7.3 Projected cash flow

See Appendix 2.

## 8.7.4 Projected financial statement analysis

**Financial Statement Analysis**

	Year 1		Year 2		Year 3	
	Eur	%	Eur	%	Eur	%
<b>Revenue</b>						
Sales	78800		81000		83000	
Other income						
<b>Total revenue</b>	78 800 €		81 000 €		83 000 €	
<b>Sales Adjustments</b>						
VAT	5 838 €		6 000 €		6 000 €	
<b>Turnover</b>	72 962 €		75 000 €		77 000 €	
<b>Variable Expenses</b>						
Purchases						
Material	15 230 €		15 650 €		16 070 €	
Misc. Variable Expenses	13 030 €		13 060 €		13 160 €	
<b>Total Variable Expenses</b>	28 260 €		28 710 €		29 230 €	
<b>Sales margin</b>	44 702 €	61,30 %	46 290 €	61,70 %	47 770 €	62 %
<b>Fixed Expenses</b>						
1. Rent	3960		3960		3960	
2. Water and electricity	1440		1440		1440	
3. Self-employed person's pension insurance payment (YEL)	5064		5064		5064	
4. Employee's pension insurance payment (TyEL)	2820		2820		2820	
5. Owner's salary	24000		24000		24000	
<b>Total Fixed Expenses</b>	37284		37284		37284	
<b>Gross Margin</b>	7 418 €	10,20 %	9 006 €	12,00 %	10 486 €	13,60 %
<b>Other Expenses And Revenue</b>						
Interest and Loan Payments	6588		4988		4988	
Interest and Loan Revenue						
<b>Profit for the Year</b>	<b>830 €</b>		<b>4 018 €</b>		<b>5 498 €</b>	



## 8.8 SWOT-analyses

<p>Strengths</p> <ul style="list-style-type: none"> <li>• Unique products</li> <li>• Good quality</li> <li>• Friendly staff</li> <li>• Expertise in baking</li> <li>• Expertise in running a company</li> </ul>	<p>Weaknesses</p> <ul style="list-style-type: none"> <li>• Difficulties to forecast the sales</li> <li>• Long opening hours require more staff</li> <li>• Expensive products</li> </ul>
<p>Opportunities</p> <ul style="list-style-type: none"> <li>• Developing products</li> <li>• Increasing customer base</li> <li>• Cooperation with other small business entrepreneurs in the city</li> <li>• Theme days, new products for holidays</li> </ul>	<p>Threats</p> <ul style="list-style-type: none"> <li>• Epidemics</li> <li>• Competition</li> <li>• Too few customers</li> </ul>

## 8.9 Appendices

## APPENDIX 1

## Café Italia

## MENU

Kahvit

Kahvi	1,90	€
Espresso (vahva kahvi)	2,00	€
Caffé Latte (espresso, höyrytetty maito)	2,30	€
Macchiato (espresso, vaahdotettu maito)	2,30	€
Espresso con Panna (espresso, kermavaahto)	2,50	€
Cappuccino (espresso, höyrytetty maito, vaahdotettu maito)	2,50	€
Caffé Mocha (suklaa, espresso, höyrytetty maito, kermavaahto)	3,00	€
Mochaccino (suklaa, espresso, höyrytetty maito, vaahdotettu maito)	2,80	€

Kaakaot

Cacao (kuuma kaakao)	2,00	€
Cacao Banana (kaakao, banaanin makuinen siirappi)	2,50	€
Cacao Caramello (kaakao, karamellin makuinen siirappi)	2,50	€

Cacao Menta Cioccolato (kaakao, minttusuklaan makuinen siirappi)

2,50 €

Cacao Vaniglia (kaakao, vaniljan makuinen siirappi) 2,50

€

### Teeet

Tee 1,20 €

Jäätelö (persikka/sitruuna) 1,80 €

### Läivonnaiset ja jälkiruoat

Cannola (rapea leivostäähä hedelmä- ja tuorejuustotäytteellä) 5,00 €

Cassata (leivos hedelmillä ja tuorejuustolla) 5,00 €

Tiramisu (kahvinmakuinen leivos) 5,50 €

Millifoglio (rapea leivos kermäisellä täytteellä) 5,50 €

Macaron (marenkiläivos) 3,50 €

Suklaaläivos 4,50 €

Mansikkaläivos 4,50 €

Panna Cotta (kermähydyke) 4,50 €

Jäätelöt (2 palloa) 2,50 €

## APPENDIX 2

## Pro Forma Cash Flow Statement

Business Name: Café Italia

Year: 2010	Oct	Nov	Dec	Jan	Feb	Mar	6-MONTH TOTALS
<b>BEGINNING CASH BALANCE</b>							
<b>CASH RECEIPTS</b>							
A. Sales/revenues	6 210€	6 210€	7 452€	5 865€	6 210€	6 210€	38 157€
B. Receivables							
C. Interest income							
D. Sale of long-term assets							
<b>TOTAL CASH AVAILABLE</b>	6 210€	6 210€	7 452€	5 865€	6 210€	6 210€	38 157€
<b>CASH PAYMENTS</b>							
<b>A. Cost of goods to be sold</b>							
1. Purchases							
2. Material	1 200€	1 200€	1 470€	1 130€	1 200€	1 200€	7 400€
3. Labor	1 080€	1 080€	1 080€	1 080€	1 080€	1 080€	6 480€
<b>Total cost of goods</b>	2 280€	2 280€	2 550€	2 210€	2 280€	2 280€	13 880€
<b>B. Variable expenses</b>			40€				
<b>Total variable expenses</b>			40€				40€
<b>C. Fixed expenses</b>							
1. Rent	330€	330€	330€	330€	330€	330€	1 980€
2. Water and electricity	120€	120€	120€	120€	120€	120€	720€
3. Self-employed person's pension insurance payment (VEL)	422€	422€	422€	422€	422€	422€	2 532€
4. Employee's pension insurance payment (TyEL)	235€	235€	235€	235€	235€	235€	1 410€
5. Owner's salary	2 000€	2 000€	2 000€	2 000€	2 000€	2 000€	12 000€
<b>Total fixed expenses</b>	3 107€	3 107€	3 107€	3 107€	3 107€	3 107€	18 642€
D. Interest expense							
E. Federal income tax	260€	260€	260€	260€	260€	260€	1 560€
F. Long-term asset payments							
G. Loan payments	289€	289€	289€	289€	289€	289€	1 734€
H. Owner draws							
<b>TOTAL CASH PAID OUT</b>	5 936€	5 936€	6 246€	5 866€	5 936€	5 936€	35 856€
CASH BALANCE/DEFICIENCY							
LOANS TO BE RECEIVED							
EQUITY DEPOSITS							
<b>ENDING CASH BALANCE</b>	274€	274€	1 206€	-1€	274€	274€	2 301€

## APPENDIX 2

Apr	May	Jun	Jul	Aug	Sep	12-MONTH TOTALS
6 210 €	6 950 €	6 950 €	6 950 €	6 950 €	6 588 €	78 755 €
6 210 €	6 950 €	6 950 €	6 950 €	6 950 €	6 588 €	78 755 €
1 200 €	1 340 €	1 340 €	1 340 €	1 340 €	1 270 €	15 230 €
1 080 €	1 080 €	1 080 €	1 080 €	1 080 €	1 080 €	12 960 €
2 280 €	2 420 €	2 420 €	2 420 €	2 420 €	2 350 €	28 190 €
			30 €			
			30 €			70 €
330 €	330 €	330 €	330 €	330 €	330 €	3 960 €
120 €	120 €	120 €	120 €	120 €	120 €	1 440 €
422 €	422 €	422 €	422 €	422 €	422 €	5 064 €
235 €	235 €	235 €	235 €	235 €	235 €	2 820 €
2 000 €	2 000 €	2 000 €	2 000 €	2 000 €	2 000 €	24 000 €
3 107 €	3 107 €	3 107 €	3 107 €	3 107 €	3 107 €	37 284 €
260 €	260 €	260 €	260 €	260 €	260 €	3 120 €
289 €	289 €	289 €	289 €	289 €	289 €	3 468 €
5 936 €	6 076 €	6 076 €	6 106 €	6 076 €	6 006 €	72 132 €
274 €	874 €	874 €	844 €	874 €	582 €	6 623 €

## 9 CONCLUSIONS AND FURTHER RESEARCH

Business planning is continuously studied field. The importance of planning is growing all the time as the competition is hard. It is vital for the company's health and financial success to have a business plan, and it saves time along the way of developing the business as there are ready plans and projections for the company's future.

There are many steps to consider when establishing a business and a business plan is only one of them. The markets have to be studied to find out if there is a market for a new business, plan has to be made for a new business and the legal issues also have to be considered.

Further research on this field would be a business plan for expanding the café. The business plan needs changes when the markets change or there are changes in the financial projections. Business plans have to be monitored all the time for them to be accurate in the future projections.

Other subject for further research could also be a customer satisfaction research after the café has worked for a while. The café business is customer-based business and thus it is important to follow the preferences of the customers.

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City of Alajärvi

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Finnvera

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<URL:<http://www.finnvera.fi/eng/Starting-a-business/Financial-solutions>>

TE-Keskus

<URL:[http://www2.te-keskus.fi/new/kaa/Yritys/Alkavien\\_yritysten\\_esite.html#Starttiraha](http://www2.te-keskus.fi/new/kaa/Yritys/Alkavien_yritysten_esite.html#Starttiraha)>

Finnish Centre for Pensions

<URL:<http://www.etk.fi/Page.aspx?Section=41869>>



APPENDIX 1

**QUESTIONNAIRE FOR MARKET RESEARCH IN ALAJÄRVI**

**1. Sex**

Male  Female

**2. Age**

—

**3. How often do you go to a café?**

Never  A couple of times a year  Once a month  Every week

**4. Would you go to a café more often if there were more cafés in the area?**

Yes  Maybe  No

**5. Do you think Alajärvi needs more cafés?**

Yes  Maybe  No

**6. What would you think of an Italian type of café in Alajärvi?**

Good idea, I would like to have something different in the city

No, it would not work.

I don't know.

**7. If you go to a café, what do you normally have?**

A normal coffee  Special type of coffee  Hot chocolate  Tea

Milkshake  Sandwich  Pastry

Other, what? \_\_\_\_\_

**8. Would you have some Italian pastries, ice cream or coffee if there was a possibility?**

Yes  Maybe sometimes  No

**9. Why do you go to a café? Please, choose only one.**

To meet friends  Enjoy a cup of coffee  To have a small snack

Lunch  To get something sweet  I like the atmosphere in a café

Some other reason, what? \_\_\_\_\_

## APPENDIX 2

### **QUESTIONNAIRE FOR THE CAFÉ OWNERS**

#### Information about the café

1. What is the name of Your café?
2. When was Your café established?
3. What legal format do you have? (private entrepreneur, general partnership, limited partnership, limited company, etc.)
4. Why did You choose this format?
5. Who are the owners?
6. How many employees do You have?

#### Information about the products/services

7. What are your products and/or services?
8. Which ones do You think are the most popular products/services?
9. Are You thinking of adding new products/services or reducing them?
10. What special features do You have that distinguish You from other cafés?

#### Information about operations

## APPENDIX 2

11. What goals have You set for Your café business?

12. What strategies do You have to achieve those goals?

### Information about the competition

13. Who do You consider your biggest competition?

14. What other competition do You have?

15. What are Your strengths against competition?

### Additional information about the business plan

16. What purpose does Your business plan have? (establishing a business, financing, forecasting possibilities, some other?)

17. Do You consider Your business plan useful? What parts especially?

**If possible, please enclose Your business plan.**

**Thank You for your answers!**