

Introduction of a New Transport Service on the Finnish Market

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<p>Abstract:</p> <p>The aim of the thesis was to identify whether there would be a market for new personal transport service in the Capital region of Finland (Helsinki, Espoo, Vantaa and Kauniainen). The service is a driver-rental service that resembles taxi service with the difference being that the customer is driven to his destination in his own car. Research questions were: is the service feasible in Finland and is there a market for it in the Capital region of Finland? To answer these questions the author used literature and electronic sources review, Porter's Five Forces Model, SWOT analysis and a survey to conclude that the service would indeed be feasible in Finnish Capital region. The thesis was limited in geographic scope to Capital region of Finland, in scope of the analyses done it was limited to strategic analyses and preliminary marketing survey. The results of the strategic analyses show that the prospective market for the service would be a small niche with strong competition of substitute services, strong suppliers, strong competition within the industry and moderately strong customers. Should a new entrepreneur enter the market it would face prospect of more threats than opportunities on the market. Survey results show that there is high acceptance level for the service and that the preferred price level of the service should be below the taxi service prices and prices charged by public transport operators.</p>	
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1 INTRODUCTION

Finland, and more concretely its Capital region (Pääkaupunki seutu), has a very well developed system of mass transport. The system, which is run by municipalities in the area (Helsinki, Espoo, Vantaa, Kauniainen) and encompasses local rail (in German speaking countries known as “S-bahn”), Helsinki metro, bus and ferry (to Suomenlinna sea fortress) modes of transport, ranks regularly around 2nd spot in European survey for best public transport conducted by the automotive clubs (Helsingin Sanomat 2010). Accordingly, the public transport system is very popular among its passengers – Europe’s most satisfied public transport passengers live in Helsinki area (Helsinki Regional Transport 2010). Other means of paid personal transport in the area are taxi services. Taxi market in Finland is competitive and thriving, with high average level of service quality (the cars used are usually mid- to upper class sedans, drivers are required to have education on the field of personal transport (Länsi-Suomen Lääninhallitus 2010)). The road network in the area is extensive and well maintained.

However, the frequency and amount of connections, which are served by the public transport system, drops considerably during nights (only few busses and trains are in operation during this time) (HSL 2010) and weekends. At these times, the taxis can serve more customers requiring personal transport (especially during early morning hours). Weekends and late night, early morning hours coincide with the time when the most alcoholic beverages are consumed. Drunken driving is prohibited by the law and inebriated customers have to look for alternative modes of transport home from the pub, restaurant etc. Part is served by the public transport, part by the taxis, part will walk home, part will be taken home by a sober friend/family member/acquaintance, and part will use services of increasingly popular black taxi operators (Takala 2010) or by driving home under the influence of alcohol.

The last two modes of transport, which are used although they are dangerous and in case of drunken driving illegal, clearly show that there is an untapped demand for service which is not currently offered by any of the traditional personal transport services. Currently there are no services specifically aimed at customers who come to consume alcoholic beverages with their vehicle and are in the need of transport afterwards. These customers could be served by service that would drive them back home in their own vehicle. Analysis of possibility of launching of this kind of service (called service S in further text) in the Capital region of Finland along with quantification of demand and evaluation of risks connected with the launch and operation of this novel transportation service are the main topics of this bachelor's thesis.

1.1 Background

The author was told by a friend that in Prague (Czech Republic), there are services, which allow renting a service of a driver to drive the customer to his destination in his own car. According to him, there are several such companies in operation, serving mainly customers under the influence of alcohol. The author was interested in researching whether such a service would be able to operate and be successful in conditions of Finnish capital area given many similarities of the two areas. Both are inhabited by 1000000+ people (Wolfram Alpha 2010), both have similar GDP per capita (Cox 2009) and both of the countries in which these capitals lie have similar culture when it comes to consumption of alcoholic beverages. These similarities are the author thinks that similar service might operate well in Finland and to her thinking on scientifically sound basis, she decided it to be the topic of her thesis.

1.2 Research Aim

This thesis was conducted for the purpose of investigation of possibility to run driver-renting service in Finnish Capital region. The aim of the thesis was to analyze whether

such a business concept is sound within Finnish conditions and whether there is sufficient demand for the service to warrant its realization. Secondary aim was to determine size and structure of the market segment targeted by our service. In short, the aim of the thesis is to find out whether a company offering service S would be a successful venture or not. The author laid out following research questions:

Research question 1:

Is the service S feasible in Finland (from legal, strategic, operational point of view)?

Research question 2:

Is there demand for service S in the capital region of Finland?

(In other words, is service S feasible in Finland from economic point of view?)

With these questions, it was possible to create a thesis that would reflect the decision-making and information gathering of a company deciding to launch a novel product on an unknown market utilizing methods and knowledge acquired during author's studies at Arcada.

1.3 Thesis Structure

1. Introduction serves as a foundation of the thesis. Motivation, background and research aim are presented here in detail. Structure of the thesis, its limitations and methods used are described in this part as well.

2. Theoretical framework provides necessary theoretical background, shows key concepts in the researched area. This part is based extensively on review of secondary material and it forms the foundation for analytical part of the thesis. The analytical methods, their use, importance and validity of their results are described here. Moreover, basic description of the service and the market on which it is offered is included in this section.
3. Analytical section – comprises of application of analytical tools of strategic management on the data collected from publicly available sources (mainly press and Internet) and serves as a basis on which the results of the results section are judged and decisions are drawn in the discussion section.
4. Primary data analysis section contains analysis of collected empiric data. This part of the thesis represents marketing management point of view in the thesis.
5. Discussion section integrates results of both marketing research analysis and strategic analyses and draws conclusions on research questions. Suggestions on further research finalize the thesis.

1.4 Scope and Limitations of the Thesis

The scope of the thesis is geographically limited only to the Capital area of Finland (which is with its concentration of customers and wealth the most attractive place where to launch service S). References to other geographic areas are only included to provide additional insight.

The thesis does not include a financial analysis of any kind. It is not intended as a business plan, but as a kind of a “proof of concept” analysis, which takes place before actual business plan is created. Thesis utilizes analyses used in strategic and marketing management. Other analytical approaches (financial management, operational management,

management of human resources) are therefore less accented. Due to the language barrier, the amount of the information available to the author (who does not speak the local language) is smaller than that available to the person speaking Finnish language. This might influence accuracy of certain claims, however not the validity of the assertions this work makes as a whole.

1.5 Research Method

Two research methods were used to find answers for the research questions: secondary and primary research. Secondary research consisted from collecting and analyzing data from bibliographic and electronic sources. This research method is used in chapters 2 and 3 of this thesis. Primary research is represented in this work by form of a questionnaire. Chapter four of this work is dedicated to analysis of the collected data from the questionnaire.

Secondary material collected was twofold: part was dealing with the analytic methods used to analyze the second batch of data, which was dealing with transport markets and industries related to the market, and industry in which the service S will operate. While data regarding analyses were obtained from bibliographic sources, most of the data concerning the industry were obtained by direct observation and from electronic sources.

Questionnaire based survey was conducted on sample of 50 respondents in January 2011 in Helsinki and Espoo. Questionnaire was only used in paper form and it can be found in its entirety in the appendices section of the thesis. There was only one version used for all of the respondents. Questionnaire was only available in English version. Questionnaire and its composition are directly related to the second research question and based on the results of analyses conducted in chapter 3.

2 THEORETICAL FRAMEWORK

2.1 Porter's Five Competitive Forces Model

Porter's five forces model is an analytic tool developed by Professor Michael E. Porter of Harvard Business School in 1979 to assess the profit potential of industries (Johnson, Scholes and Whittington 2006 p.78). This model does not view the competition as a form of interaction of only the players in the same industry as a company, but includes also other industries/sectors that affect the original industry as well (Porter 1998 p.21). Porter (1998 pp.22-23) recognizes five important competitive forces that shape the industry and determine its structure:

1. Threat of entry (of new competitors)
2. Bargaining power of suppliers
3. Bargaining power of customers
4. Threat of substitute products or services
5. Jockeying for position among current competitors (Competitive rivalry)

Their interaction is graphically depicted in Figure 1.



Figure 1. Porter's five forces graphically represented (source: http://upload.wikimedia.org/wikipedia/commons/6/66/Porters_five_forces.PNG)

The stronger the effects of these forces are, the more intense the competition in the analyzed industry. The more intense competition leads to lower profitability within the industry and to lower attractiveness of the industry as a whole for the outside investors. The strongest force(s) are the most important for strategy formulation as they determine the profitability of the industry the most. In different industries, different forces have the greatest impact – e.g. in one industry, the customers might hold the most power, in other it might be threat of substitute products that determines the intensity of the competition within the industry. Which force(s) is the most important, is dependent on the structure, economic and technical characteristics of the industry. (Porter 1998 pp.21-23)

2.1.1 Threat of Entry (of New Competitors)

The propensity of new competitors to enter the industry is dependent on the presence of barriers to entry. New competitors have to overcome these in order to gain position in the industry. They are usually not permanent and do not necessarily deter all the potential competitors, but they delay their progress. (Johnson, Scholes and Whittington 2006 p.81)

Porter, 1998 recognizes these six major barriers to entry:

1. Economies of scale – if existing competitors in the industry can utilize economies of scale, then they force any newcomer to enter the market in large scale or accept a cost disadvantage (ibid). As economies of scale are connected with the size of the company, they might also have other important advantages over newcomers.
2. Product differentiation – by creating brand differentiation the companies within the industry force any new newcomer to overcome customer loyalty. Tools and traits determining brand differentiation are: advertising, customer service, being first in the industry and product differences and other. (ibid)
3. Capital requirements – if new competitor has to invest big amount of resources beforehand, it might deter him from entering the industry. Sufficiently high capital requirements greatly reduce amount of potential entrants to the industry. (ibid)

4. Cost disadvantages independent of size – the companies within the industry might have advantages which are not available to new players such as patents, favorable location, access to best resources, government subsidies, proprietary technology or reap fruits of the learning curve (they are in the industry so long that they know how to do things right and in efficient manner). (ibid)
5. Access to distribution channels – if existing way of distribution of the products to the customers are firmly in the hand of the existing companies, any newcomer will have difficulties to deliver his products to the customer. (ibid)
6. Government policy – government regulations may directly or indirectly affect the possibilities to enter the industry (ibid). Tools governments use are: compulsory licenses (in Finland for example in Taxi industry, selling of weapons), limiting sales of certain products on its area (Finnish example: sale of liquors - Alko), environmental regulations, safety regulations, forbidding the sale and purchase of certain products (drugs, etc.) and other.

These barriers differ from industry to industry and can be combined. For example in oil extraction industry the established players have advantages of economies of scale, very high capital requirements are needed to enter the industry, they have cost advantages independent of size (know how, location), access to distribution channels and are often protected from competition by the governments.

2.1.2 (Bargaining) Power of Suppliers

Suppliers of the industry if powerful enough can raise the price of their products or lower their quality regardless of their customers. This in turn can limit profitability of their customers (the industry). (Porter 1998 p.28)

Factors influencing the power of the supplier(s) are:

1. If supplier industry is “dominated by a few companies and is more concentrated than the industry it sells to.” (Porter 1998 p.29) Example of this is OPEC (Organisation of Petroleum Exporting Countries).
2. Their products are unique or differentiated, or their products have high switching costs (for example if supplier manufactures parts by customers exact specifications or if their production lines are connected with their customer’s). (ibid)
3. They are not obliged to compete with other products for sale to the industry. (ibid) In line with previous implication about unique product, if there is no competition for the supplier industry, then customer industry has to bear the increased costs. Example of this is Chinese rare earths production and exporting industry.
4. They can forward integrate into the customer’s industry – this way they effectively limit bargaining power of their customers. (ibid)
5. If the industry is not an important customer of the suppliers – if the industry is an important customer, then suppliers are dependent on its well being and will protect the existing relationships. (ibid)

2.1.3 (Bargaining) Power of Buyers

According to Porter 1998, buyers are important competitive force if they possess following qualities (please note that the mechanisms that work here are similar as in the case of suppliers):

1. They are concentrated/purchase in large volumes – if they purchase in large volumes – they are important customers and industry’s well-being is dependent on theirs as implied in point 5. of previous section.
2. The products they purchase from the industry are standard or undifferentiated – low or nonexistent switching costs allow customers to choose freely the suppliers, thus increasing the competition for their purchases.

3. They generate low profits – financially weak customers are highly price sensitive and as such create pressure for lowering of the prices in the supplier industry.
4. The product of the industry is not important to the quality of their products or services – if the product is not the core part of their service or product, they will be price sensitive. Example: Replacement of cream in the ice creams by plant based oils and milk. This shows that the quality might only be perceived (by the consumer).
5. The industry's product does not save their money – if the product can repay itself multiple times, the customer is not price sensitive, but looking for quality instead. Example: investment banking, mineral prospecting. (Porter 1998 p.30)
6. The buyers can realistically integrate backwards to the suppliers industry. Car companies and their big customers were waging this conflict – as a buyers threatened suppliers with self-manufacture. (ibid)

2.1.4 (Threat of) Substitute Products

Substitute products represent a threat because they effectively put a price cap on how much the industry can charge for its products (because of cross elasticity of demand). Their influence can be lowered by improving quality or differentiating industry's product. If the substitute offers better price/performance ratio, its limiting effect on industry profitability will be more pronounced. The most dangerous substitutes are those that improving their price/performance ratio compared to industry's product and substitutes produced by highly profitable industry. (Porter 1998 p.32)

Forms of the substitution can be various:

1. Product-for-product substitution – example of this phenomenon is postal service and e-mail (Johnson, Scholes and Whittington 2006 p.82), printed books and e-books/e-book readers.

2. Substitution of a need – occurs when new product or service that renders existing service/product redundant (Johnson, Scholes and Whittington 2006 p.82). Example: mobile phones SMS (Short Message Service) made sending of telegrams obsolete.
3. Generic substitution – product belongs to the same group when it comes to customer's disposable income distribution (ibid). Example: When customer wants to travel he might consider travelling by bus, train, ship, airplane, car etc.

2.1.5 Jockeying for Position (Competitive Rivalry)

Competitive rivalry in the industry is form of competition where players compete by price, product introductions and advertising (Porter 1998 p.32). Intensity of competition depends on:

1. Number of competitors – if it is large or competitors are about the same in the size and power, there will be intense competition for better position (ibid).
2. Slow industry growth – expansive players will be willing to start to fight for market share (ibid). This leads from the fact that in the slow growing industry one of most viable ways how to increase profitability is to maximize market share.
3. The product of the industry is undifferentiated and/or lacks switching costs – customer can freely choose from whom to buy (ibid). Low to non-existent customer loyalty then creates conditions for fights for customers of the competitors.
4. High fixed costs, perishable product – when demand drops there is strong propensity to cut the prices (ibid). Propensity to cut the prices stems from the need to minimize potential losses and it might lead to price wars.
5. Capacity is increased in large increments – this leads to supply demand misbalance and to short term overcapacity and following price cutting (ibid).
6. High exit barriers – stem from very specialized assets (high sunk costs), or management's loyalty to given industry. This means that players that would otherwise leave the industry stay and compete even if their return on investment is low or negative. This lowers profits of other players in the industry as well. (ibid)

2.1.6 Porter's Five Forces Model – Conclusion

The competitive forces that are the most powerful are those that business must overcome or use to its advantage in order to succeed in the industry. Important note here is that the competitive forces and their intensity change in time and place. Example: barriers to entry to space travel industry were so high from most of 20th century, that first competitors appeared at the end of last century; legislative barriers of entry may and do differ from country to country – e.g. China has less stringent environment protection legislation than European union.

Porter's Five forces model is one of the analyses of external environment of the company and one that gives an important insight into how industry in question works and why. In order to construct the correct strategy for given market/industry it is important to analyze internal environment of the company as well.

2.2 Strengths, Weaknesses, Opportunities, Threats (SWOT) Analysis

SWOT analysis is one of the best-known and widely used analyses not only in business environment but also in non-profit sphere. SWOT analysis integrates analysis of influences of internal environment factors of the company (strengths and weaknesses) and external environment factors (opportunities and threats). "SWOT analysis is grounded in the basic principle that strategy-making efforts must aim at producing a good fit between company's resource capability (as reflected by its balance of resource strengths and weaknesses) and its external situation (as reflected by industry and competitive conditions, the company's own market opportunities, and specific external threats to the company's profitability and market standing)." (Thompson Jr. and Strickland III 2004 p.117)

2.2.1 Strengths

“Strength is something a company is good at doing or a characteristic that gives it enhanced competitiveness.” (Thompson Jr. and Strickland III 2004 p.117)

A strength can be:

- A skill or important expertise – know-how, expertise in good customer service, unique talents, expertise in e-commerce etc. (ibid)
- Valuable physical assets – hi-tech equipment and plants, attractive location, worldwide distribution facilities, large financial reserves and other can be an example of valuable assets. (ibid)
- Valuable organisational assets – quality control systems, proprietary technology, patents, loyal customers and other. (ibid p.118)
- “Valuable intangible assets – brand name image, company reputation, buyer goodwill, or a motivated and energized workforce” (ibid)
- Competitive capabilities – fast development and market introduction of products, strong partnerships with key suppliers, effective research and development, fast reactions to market conditions and emerging opportunities. (ibid)
- An achievement or attribute that gives the company a market advantage – low overall costs, biggest market share, strong brand name, wide product range, exceptional customer service. (ibid)
- Alliances or cooperative ventures – successful alliances and partnerships increase company’s own competitiveness. (ibid)

Every company has a different set of strengths. The strengths have synergic effects so two can give the third (e.g. good research and development capability with large financial assets make it possible to create a breakthrough product/patent, that will provide a unique advantage over other competitors).

2.2.2 Weaknesses

“A weakness is something a company lacks or does poorly (in comparison to others) or a condition that puts it at a disadvantage.” (Thompson Jr. and Strickland III 2004 p.119)

The weaknesses can take as many forms as strengths. If company lacks any of strengths mentioned in section 2.2.1 then this lack is a weakness.

According to Thompson and Strickland 2004, weaknesses can take a form of:

- No clear strategic direction
- Obsolete facilities
- A weak balance sheet
- Higher costs compared to others
- Lacking key skills/capabilities
- Lower profitability than others
- Too narrow product line
- Weak image/reputation
- Weak distribution channels
- Insufficient funds to follow promising strategies
- Underutilized capacity
- Lower technical know-how or lagging in R&D

As was true with strengths every company has its own unique set of weaknesses, which may also have synergies, which amplify their effects. Example: weak management skills of the management together with not very loyal/discontented workforce will negatively affect every other aspect of company operation.

2.2.3 Opportunities

Market opportunities represent possibilities for company to grow its profitability, market share, improve its brand awareness, break into new market, gain a competitive advantage of some sort and other possibilities. They are not made all equal and each one bears a different profit potential (Thompson Jr. and Strickland III 2004 p.126). Every industry offers different amount of market opportunities (ibid) and they change in time

and place. Company might only pursue the opportunities for which it has sufficient resources (Thompson Jr. and Strickland III 2004 p.119), which means that for different segments on the market and for different companies within the industry there might be different (attainable) opportunities.

Potential market opportunities are amongst others:

- Falling trade barriers
- Expanding into new segments, geographic markets
- Weakness of competitor(s) – which gives a chance to take his customers over
- Possibility to integrate backwards/forwards
- Possibility to gain new strategic partner
- Possibilities to utilize new technologies
- Sharp increase in demand on the market
- Booming economy
- Possibility to employ expert(s), specialist(s) with unique skills/capabilities

2.2.4 Threats

Threats are factors in company's external environment that threaten its profitability and competitive well-being (ibid p.127). The amount of threats in differs from industry to industry and in time and place. Threats differ in intensity and in probability to hit the company. The company must identify such threats that have both a high impact on its profitability and high probability to affect it and prepare defenses against them. Different companies (even in the same industry) face different threats –e.g. that what might destroy small players in the industry might not have any effect on the industry's leader.

Threats come in many forms:

- Entry of new competitors
- Disruptive technological changes – they might give other players in the industry a competitive advantage, render company's product obsolete, increase price/performance ratio of substitute products.
- Improved substitute draws away the customers
- New government regulations in the industry

- Cuts in demand (caused by catastrophes, market crashes, recessions...)
- Supplier industry cartelizes
- Price wars in the industry
- Drop in trade barriers protecting the company

2.2.5 SWOT Analysis – Conclusion

SWOT analysis provides insight into both company's internal and external environment and serves as a base for other strategic analyses and company's strategy formulation. Kotler and Keller 2006 pp.54 see the usefulness of SWOT analysis in goal formulation phase of planning process where it is combined with other tools of management by objectives. Thompson and Strickland 2004 pp.127 see the use of SWOT in drawing decisions about "how company's strategy can be matched to both its resource capabilities and its market opportunities, and how urgent it is for the company to correct which particular resource weaknesses and guard against which particular external threats." This implies that strengths of the company should be utilized to exploit market opportunities and not to cover/counterweight its weaknesses or fight the threats. Weaknesses should be eliminated and threats either evaded or be overcome (i.e. a solution for weakness is its elimination, not growth of some of company's strength).

2.3 Description of Service S

The service S is an alternative personal transport service with model akin to a taxi service. The alternative taxi service works as follows:

1. Customer calls the call center
2. Driver is dispatched to his location (in the car driven by his designated colleague)
3. Driver drives the customer home in customer's own car

4. Driver and the customer arrive at the destination, where the driver is picked up by his colleague. Payment occurs.
5. Driver is driven to the next customer, or to the center.

The main point of service S is to serve customers that are indisposed to drive their own car (in the case of the service investigated in this thesis that means under the influence of alcohol or drugs that lower the ability of the individual to drive a car) to get them with their car to the destination of their liking (most probably to their home). There are legal (driving under influence is considered a misdemeanor/felony virtually in all the European countries) and biological reasons (customer drunk into sleep - transport ordered by a friend, person is under influence of a medication that lowers attention etc.) why a person cannot/should not drive the car and that is where the service steps in.

Usage scenario: A customer drives to the city center to shop and later meet some of his friends by accident, goes for a dinner and drinks alcoholic beverages. He/she needs to get himself and his car home. Now he has several options:

1. Call the taxi and get driven back home, return for the car on the next day (paid service).
2. Use the black taxi and return for the car next day (paid, risky)
3. Use the public transport to get home, return for the car next day (paid service).
4. Drive home under the influence of the alcohol (risky and illegal, free).
5. Get driven home by a sober friend/family member (can be in his own or other car, free).
6. Get home by walking, distance permitting (risky, free).
7. Hitchhike (risky, improbable, free).
8. Stay where he is until becoming sober and drive home later (improbable scenario, though possible in some cases, free or paid depending on activities/place to stay).
9. Use service S and get home with a car (paid service)

Most of these options do not include the transport of the car back home, which means that effectively there is a need to use e.g. taxi or public transport twice if retrieving the car and if he goes home after retrieving the car, he is effectively travelling the route he would be travelling once using service S three times.

The main competitors in the market are taxi services and public transport (at least in Finnish capital area, in the areas with worse public transport network the taxi service will have a market lead).

Service S and common taxi services share similarities in few areas. The similarities with taxi service are:

- Ordering by phone
- Customer is transported using a motorized vehicle intended for individual transport
- Charging for each kilometer driven, minutes waited etc.
- Price of the trip can be divided among several persons if necessary (car owner + few of his friends)

Dissimilarities include:

- The customer orders services of driver only, car is provided by him/herself
- Fuel consumed is not included in the price of the transport (because it is customer's own fuel that is being consumed)
- The customer's car is transported as well
- No taxi license necessary¹ (the service S is not a taxi service, in its core it is a "driver renting service", the vehicle used for transport is not provided with the driver), therefore no permit from the city is necessary when starting the business.

Comparison to public transport service:

Similarities:

- Paid personal transport service

¹ Hypothetically, the exact legal status of the service is unknown.

Differences:

- Public transport operates on a fixed schedule and on predefined routes. Service S operates on demand and on customer-defined routes.
- Service S will most probably be more expensive than public transport ticket.
- Public transport does not transport passengers' motor vehicles (exception: Suomenlinna ferry)
- Public transport vehicles are not equipped with payment transactions terminals – cash payments only.

2.4 Characteristics of the Market

Market for service S comprises of customers that need transport after drinking alcoholic beverages and have a car to their disposal. As such, the customers are a subset of taxi and public transport service users. The market is currently serviced by taxi services, illegal taxi services (in the capital area) and public transport. There is a limit imposed on number of taxi services operating in the area – in Helsinki at the time of the writing of this thesis the number was 1400 licenses (Takala 2010). There are several companies providing public transport services for the municipalities in the capital region. Illegal taxi services are relatively new phenomenon, they seem to operate on word of mouth basis, with driver serving his long-term clientele (Takala 2010).

The demand for the transportation service of intoxicated customers is cyclic in nature (the most popular days are Friday and Saturday when local population visits the pubs/bars most often), with sharp spikes in demand on certain days (Vappu, Juhannus, New Year's Day) and most of the transport is done during night time (after the bars/pubs close).² The exact size of the market in terms of revenue/turnover is hard to define as the market is fragmented and there is no data concerning specific market segment the author is interested in (it does not yet exist as such). However, it is possible

² Based on author's personal observation.

use data from taxi union (Suomen Taxiliitto, further in the text ST), which can provide an insight into market structure. This is a relevant source of data as business model of service S is most similar to the business model of taxi operators.

According to ST, the annual revenue of the whole Finnish taxi industry is 830 million EUR. About 9500 taxi entrepreneurs own around 10000 vehicles in Finland. Amount of kilometers driven annually is around 830 million, which shows that the average revenue of kilometer driven is EUR 1. The cities are served by slightly larger amount of taxi operators (55%) than the countryside (45%). One-half of the customers are private customers, 30% are local/municipal services and remaining 20% are business customers. There are approximately 560 customers per taxi entrepreneur. (Suomen Taksiliitto 2010)

For purposes of service S, it would make sense to scale down the market that is relevant to it. According to ST data arguably 50% of their revenue comes from private customers (there is no exact data available, so presumption the author made is that there is no price discrimination in taxi pricing – even if there was, it would most probably be in favor of businesses and municipalities that have sufficient financing to order large amounts of services) and therefore revenues from this segment are 415 million EUR. If a presumption is made that one fifth of the population of Finland lives in the Capital area, and that the distribution of taxi operator's customers is even throughout the country (not very probable, big cities should have more than average number of both operators and customers) then there is market of around 83 million EUR annually in taxi services for private customers in the Capital area. Target market niche of service S is a part of this market. The exact share of customers willing to use service S can only be obtained through the market surveys and then by extrapolation of the results on the aggregate values of the whole market. Most optimistic guess by the author is that about two percent of the customers might be willing to use service S and that would mean market of size of 1,6 million EUR just from the taxi customers. There are also customers using the public transport service though, so the aforementioned sum can be used as the bottom line for the estimation of the market size of the segment.

Overall market evaluation: Taxi market in Finland is in its growth phase, it is very fragmented (with around 9500 mostly small enterprises) and not very consolidated. The barriers to entry are low (taxi permit) and the barriers of exit are equally low. The market overall is competitive, though due to the nature of the service it is not possible to take total number of taxi entrepreneurs in Finland as universally implying competitive market (because there might be highly competitive market with hundreds of operators in Helsinki, while in Nuorgam in the northern Lapland there might only be one locally monopolistic operator).

3 ANALYTICAL SECTION

3.1 Porter's Five Forces Analysis

3.1.1 Threat of Entry of New Competitors

- Barriers to entry are low to medium: taxi permit is all what is needed – service S is not a traditional taxi so its operators do not even need a taxi car on their own. If taxi permit was necessary, the situation would be more complicated – city of Helsinki imposes the limit on the amount of the taxi licenses and the demand exceeds supply in this case (Helsingin Sanomat, 2008). The total number of taxi services in Helsinki did not change in last two years.
- Barriers to exit are low: minimum of long-term liabilities of any kind (no pre-ordered production, minimal staff, capital needs are minimal – no need for financial leverage by borrowing money), capital investments (car) can be used in private life as well.
- In concrete segment of service S very low sunk costs (in line with previous implication)
- Customer loyalty low to medium – in the taxi market the overall quality offered is uniform, service is not significantly differentiated – the car park is similar across the industry and the prices have a set minimum. There is not much space for differentiation and so the customer might well just chose by finding the taxi at the stand randomly or use telephone number he has obtained from somewhere (in case of service S the source is the bartender).
- Industry profitability is low to medium – with average revenue per entrepreneur of 87500 EUR yearly.³
- Capital requirements are low; as we only need a car/scooter, place for an office and telephone + computer with an Internet connection. Capital requirements of the competitors are higher as every driver has to have own vehicle + telecom-

³ Calculated from ST's data

munication infrastructure of taxi services is more extensive than that of service S (they run on TETRA – terrestrial trunked radio service – this is in effect a private telephone network (Anttalainen, 2003)).

- Brand equity is low – customers usually use the taxi, which is available regardless of its brand. In case of public transport system, there are brands, but they are also not important from the customer's point of view.

Overall the barriers to entry and exit are low, however big amount of players already on the market and relatively low profitability of the industry as a whole make the threat and probability of entry of new competitors lower.

3.1.2 The Intensity of Competitive Rivalry

- Innovation in the industry is overall low – the taxi services are standardized and do not evolve over time in any significant matter – usually the services offered are personal transport, bulk transport services for municipalities/companies (Suomen Taksiliitto 2010) and sometimes parcel/package delivery. Minor source of income is also leasing of the car's exterior as an advertising space.
- Competitive strategies used within the industry are specialization and focus strategies that often overlap. The focus is in most cases geographic – company operates within one city/city part/village/important traffic connection (Airport Taxis, etc.). Specialization strategy then demonstrates in more ways – some businesses offer transport of bigger amounts of customers at once (through use of vans and minibuses), other specialize through their car park (by using exclusive, luxury cars); while other might specialize is one group of customers (municipal or companies). There is no clear sign of any cost leader, or price wars in the industry. The structure of the industry with many small players indicates, that the competition might push the prices down, however due to partitioning of the taxi companies along the whole country, the taxi companies can also function as local monopolies or oligopolies. This on the other hand eliminates a big

part any pressures on price. The biggest competitive pressure is in the big cities, where there are more taxi operators on relatively small area.

- Level of advertising expense – taxi operators in Finland do not usually use aggressive forms of marketing and overall marketing expenses tend to be low – most popular forms of advertising are:⁴
 1. Advertisements on the company cars
 2. Advertisements in the local bars, points of contact (train station, airport)
 3. Advertisement in local advertisement newspaper (Metro, Lansiväylä)
 4. Advertisements in local radio
 5. Advertisement on the internet (on the company's webpage and on the other pages)
 6. Leaflets, business cards - traditional method – leaving promotional and contact information in the places with high concentration of potential customers

While the overall expenses are comparatively to other industries low, its importance on the market with largely uniform product is high. A customer is not going to use the services of the company of whose existence he does not even know. This has serious implications for company offering service S, as it will not have enough of our own cars to make the company visible in normal traffic like the cars of normal taxi services are. In taxi service market, the customer is going to use either the taxi he can see or the one whose telephone number he remembers.

Overall, the level of competition is medium – high, depending on the area.

⁴ Based on author's personal observation.

3.1.3 The Bargaining Power of Customers

- Customers do not have any form of propensity for bargaining (bargaining is not customary in Finland); the prices are firmly set and available to the customer before and during the ride.
- Customers are individual and many – that lowers their bargaining power in comparison to the service providers. Company and municipal customers are bigger and have bigger leverage when it comes to bargaining; however, they are not our principal customers.
- Buyer information availability is high – the customers are well informed about the prices and offering of the taxi companies either through the internet or through the bartenders or local newspapers.
- Availability of existing substitute products is high – customers can use other modes of paid or free transport that I have described in section 2.3. An important note here is the fact, that the availability of substitutes is variable in time. During the day the biggest availability of individual transport, services are between 6 – 7 AM to 10PM. During these hours the public transport system works at full capacity, person in need of travel can also count on friends/acquaintances/family members for transport better than during later hours. The availability of public transport services is also not evenly spread geographically and in later hours, there are large areas that are not serviced at all. Appeal of the travel by bicycle/on feet also decreases during the night hours (because of the cold weather, psychological reasons etc.). Taxi services run more or less at stable rate throughout the day, however their availability during the nighttime is lower than optimal (Takala 2010). Therefore, during the day, the availability of direct substitutes is very good, but in the night, it is low. As service S is to operate during the night hours, the availability of substitutes during that time is low.
- Buyer price sensitivity is medium to high – existence of drunken drivers and black taxi operators suggests that the customer is price sensitive to the point of risking breaking the law. This might also be increased due to effects of recent recession, which increased number of unemployed in the whole country and led to cut backs in customer spending. During the crisis, the amount of customers of

the taxi operators at Helsinki International airport fell by around 20% (Helsingin Sanomat 2009). On the other hand, our principal customers are people under the influence of alcohol who have often lowered sensitivity thresholds.

Overall, the bargaining power of customers is low to medium during the intended period of operation of service S (late night/early morning, weekends) and high during the day-time.

3.1.4 Threat of Substitute Products or Services

- Buyer propensity to substitute is medium. Customers will be more prone to use substitute services during the day as written in previous section.
- Relative price performance of substitute is high for public transport services and low to medium for taxi services – tickets for public transport in Helsinki area can be obtained for prices ranging from 2,50 EUR (4,00 EUR during the night time) (HSL, 2011) and taxi services start at approximately 8,00 EUR (price you have to pay no matter how far you travel “entrance fee”) (Suomen Taksiliitto 2010). As service S is aimed as a direct competitor of taxi services, its prices will have to be similar or lower than theirs (service S cannot compete with public transport that utilizes economies of scale to their advantage and is subsidized by the municipalities).
- Buyer switching costs are zero. The buyer does not lose any money for not using service S. He can freely choose any other mode of transport but service S. Switching cost occur only when it comes to transport of his car, which none of other services offer (customer will therefore have to use another mean of transport to pick up his car at later time what incurs costs). This is what operator of service S needs to accent in his marketing communication to increase perceived value of service S for prospective customers.

- Perceived level of product differentiation is low – the purpose of transportation is to get from one place to another and in the city with second best public transport system in Europe the differentiation is even harder for taxi operators.
- Number of substitute products on the market is high, however during the night-time, their availability is low.
- Ease of substitution - low to medium. In case of taxis, which are primary substitutes of service S, there is no difference if customer orders service S or taxi service over the phone. In case of public transport, the substitution is not as easy as the customer has to get to the nearest station and wait for the transport mean to arrive according to the timetable. As was said before, the ease of substitution lowers in the late night, early morning hours.

Overall, the threat of substitute products is high.

3.1.5 The Bargaining Power of Suppliers

The most important suppliers in case of service S are the drivers whose payroll expenses will represent the largest share of its operator's operational overhead. Secondary suppliers are the telephone service provider (principal means of contact will be through the phone), internet service provider (secondary means of contact), landlord (at least one office will be needed), diesel/petrol provider (for the car/scooter of the driver that will collect other drivers after their ride with the customer is over, otherwise any costs incurred will be paid in full by the customer e.g. the petrol will be used to refuel his car, if the need be). For purposes of the analysis only the drivers are important, rest of the suppliers are not an important factor.

- Supplier switching costs relative to firm's switching costs are low, for the company it is more costly to replace a driver, then for a driver to find a new employer/start his own company. Indeed the drivers who will over time attain a stable

clientele may be prone to cut his overhead by eliminating intermediaries (operator) and provide his services directly to the customer.

- Impact of inputs on costs is high – most of operator’s expenses will be payroll and most of revenues will come from the drivers, this dependency will increase their bargaining power when dealing with operator as their employer.
- Supplier concentration – ability to vertically integrate and cut the operator out is high as the drivers are in direct contact with the customer and their costs to become competitors are low.
- Employee solidarity – unknown at the time before starting the company, however might be an important factor – the working conditions of the drivers will not be very pleasant and if united, their claims for better pay (to offset the negative effects of the working conditions) might drive the prices of service S to levels where operator might lose competitiveness.

Overall, the bargaining power of suppliers is very high.

3.1.6 Porter’s Five Forces Model – Conclusion

Porter’s five forces analysis has shown that:

- Industry of service S is highly competitive, with low barriers to entry and exit, a competitor might come and leave at any time, although their total number has to stay the same.
- Competition among the players in the industry is high, albeit geographically limited.
- At all times, there is threat of substitute products. During the daytime, this threat is represented mainly by public transport services and during the nighttime by taxi services.
- Customer bargaining power is low, however they are price sensitive and the offered service is not differentiated.
- Suppliers represented mainly by the drivers are very powerful.

These outcomes show that the conditions for newcomers in the industry are difficult and any new player will have to have well prepared and implemented strategy in order to succeed.

3.2 SWOT Analysis

Data collected in the theoretical part of the thesis and results of Porter's five forces analysis serve as a basis for SWOT analysis. As was said in the section 2.2, the SWOT analysis provides a unified look at the company from both internal and external environment. For purposes of this analysis, the author will assume she is running the company offering service S, with her husband and several of their friends. This point of view represents probable form of the company if the author decided to realize it. The analysis and its outcomes would differ if it were done by e.g. taxi company seeking to enrich its service portfolio, or that of a company diversifying from other industry.

3.2.1 Strengths

- The first mover advantage – the company will be a first of its kind on the market. That will allow it to build market share and goodwill before the competitors copying its business model appear. This time will probably not last long, so it is important to use it to the maximum extent.
- Lower operating overhead compared to taxi businesses – much smaller car park and lower need to purchase fuel lead to lower operating costs, which means higher profitability and/or possibility of competing by price.
- Clearly defined product, mission and vision of the company – the company has clear purpose and target audience. This will be important especially during the first months of existence of the company, as it will need to attract many customers with limited workforce. Therefore, focus on one particular group of custom-

ers is of essence (in order not to waste any resources on less important customers, market segments etc.).

- Managerial education of both the author and her husband – they have theoretical knowledge and practical skills needed to start and run a company.

3.2.2 Weaknesses

- No previous experience in the field
- Never run a company before - no one of potential entrepreneurs has relevant experience with running a company.
- Foreign background – service S is dependent in big part on customer's trust and it is easier to gain the trust if operator/driver similar to the customer (i.e. Finnish customers might trust Finnish drivers more than foreign ones regardless of language barrier).
- High insurance costs – as compared to competitors – service S drivers will need to have more insurance coverage because of risky conditions in which they will operate. Both health and accident insurance should cover the driver as well as accident protection (the car insurance is car owner's, however the responsibility for the vehicle is on the driver for duration of the service. Legal defense in case of accident might be complicated due to fact that the driver is the only sober person in the car and therefore bears more responsibility than the car's owner bears). Both health (drunk passengers on board most of the time) and property accidents (cars owned by the passenger might not be of as high quality or be serviced as well as those of taxi operators) probability is higher compared to taxi and public transport.
- No established brand – the company will be a new one and it will have to build awareness about its service in competition with established players. Further problem is that it will not have as high exposure through its vehicles as substitute service operators.

3.2.3 Opportunities

- Untapped market – market is served by indirect substitutes, primary need is not entirely satisfied.
- First mover advantage (low direct competition at start). Detailed explanation given in section 3.2.1 “Strengths”.
- Low capital expenses will give the company a maneuvering space in the first months of existence of the company. It can operate for relatively long time even with low amount of customers. That increases chances of company surviving its first year.
- Customer loyalty is low – this will make getting new customers from the competitors easier.
- The substitute products do not cover the Capital area evenly – the company might exploit the areas with low presence of competitors as a starting point.
- The services offered by the competitors are not differentiated – the company can solidify its position by showing to the customers, that it is not another taxi service.
- Innovation in the industry is low – by utilizing of modern communication channels (internet, social networking) the company can differentiate itself from the competitors and attract customers.
- The use of taxis is declining (Takala 2010) – one of the reasons might be the recent recession (Helsingin Sanomat 2009), which did damages to taxi operators’ financial health and might have reduced the amount of operating businesses in the field. The other might be the fact that if there are less taxis in use there will be less turnover overall – customers are left waiting; some may not be served at all (according to Takala 2010, this is one of the main reasons of popularity of black taxis). This means that there is a market segment in which the needs of the customers are not satisfied by current operators – and it is close to company’s target group.
- Possibility market service as a safer alternative to the black taxis – use of black taxis, although not illegal is connected with a risk of being robbed, or taken

advantage of while under the influence (Helsingin Sanomat 2006). Service S will take the customers from the same pool as the black taxis. The company can use its legal operation and form as a form of safety for the customers that use services of black taxis. Vice-versa it can use this as a safety against cheating customers, that are connected with the use of black taxis (Takala, 2010).

3.2.4 Threats

- Cultural differences – Finnish customers might not be willing to hand their car over to another person. This can be further aggravated by foreign background of the driver.
- Legal threats – in itself service S runs on the creative explanation of the law (not a taxi service – does not need a license), licensed taxi drivers may successfully lobby at city council to include service S into the license program which would effectively raise company's costs and put a barrier on market entry as those are seldom awarded in recent years.
- Staffing and staff related difficulties – the nature of the job (nighttime work, work with people under the influence, uneven workload) might act as a deterrent to the prospective drivers. Related to it is a very low appeal of service S for women drivers - as driving a group of drunken men poses serious personal safety risk. Moreover, due to the status of the passengers it is more probable some basic level of fitness prowess might be necessary (carrying passed out client to/from their car etc.). The company might not find enough drivers to cover the Capital area evenly.
- Systematic risk of transportation of drunken clients - transported persons might be aggressive towards each other or the driver, might reject to pay the fare, pass out, have health problems, misbehave, irritate the driver or act recklessly during being transported, thus directly endangering themselves and the driver. The company needs a record of accomplishment of being reliable to attract new customers and retain the old ones.
- Market niche disappearance – once the novelty of service S wears off, there might be a steady decline in amount of customers even without competitors ac-

tion (service S might not cover their real needs – e.g. customers might not travel to the pub or bar by car, but use the alternative solutions).

- Pricing very dependent on price levels of competing services – the company might not go much over the price levels offered by taxi companies/public transport operators as it might face the risk of imperfect differentiation in the eyes of consumers (you are a taxi, why are you so expensive?). Because of offering a substitute product, company's prices are cross elastic.
- Easy to copy concept – as service S operator's business idea is simple in its core and easy to copy, operator might face heavy competition soon from the new companies to companies offering substitute products (e.g. a taxi operator might just add similar service to service S to their portfolio and reap the advantages of economies of scale and long market presence – instead of losing customers to the company, effectively transferring them to other service). Secondly operator might run into risk of employees freelancing – especially after transporting certain clients on regular basis – as they are in direct contact with the customer and might build a stable customer base. It can be profitable for them to cut the intermediaries (in this case their employer) and start their own enterprise.
- Not knowing the customer well enough – if the majority of the customers live in the vicinity of their favorite bars/pubs, their transport might be well executed by other means, or the trips can be very short – thus making the company run on low margins
- Collective bargaining – taxi services have legally binding lower limit on cost per km driven (Suomen Taksiliitto 2010). If operators of service S were treated the same way, they will lose the ability to compete with lower price.

3.2.5 SWOT Analysis - Conclusion

The author's company possesses limited amount of strengths, of which the most important are the innovative business idea and personnel. Weaknesses are numerous with limited practical experience being one of the biggest. Opportunities are plentiful with lowering of use of taxi services opening the market for competitors being the strongest

one, first mover advantage also provides strong opportunity. Threats are plentiful, some lead from the fact that the company is a startup, while other are more generic, though industry-specific. The most important threats are staffing and staff related difficulties in which the company might run and legal risks on close second place. There have previously been difficulties with unlicensed “alternative” taxi services in the past, so legislators and legislation might pose a significant danger to the company’s business.

4 PRIMARY DATA ANALYSIS

4.1 Questionnaire – Basic Facts and Limitations

In January 2011, the author has conducted a survey on sample of 50 respondents in Espoo and Helsinki. The questionnaire can be found in appendices at the end of this work. It was written in English, no other language mutations were made. All respondents received the same questionnaire. All 50 questionnaires were returned (0% loss). The purpose of the questionnaire was threefold:

1. Find if the concept of the service is interesting/acceptable for Finnish customers
2. Find how much are the accepting customers willing to pay for the service
3. Find what are the reasons behind refusal of the service's concept

There are multiple limitations to the questionnaire:

- Design – the purpose of the questionnaire was to get qualitative data. Questions were few in order to minimize time needed to fill it and to keep focus on the main point – service and its description.
- Design flaw – question no. 6 gave too limited options for the respondent (lowest frequency being once per month). Those that would like to use the service less often did not have appropriate option available – adding “other” option would fix the problem, however at this stage the validity of the answers for this question was low and therefore it was not analyzed.
- Only 50 copies circulated – due to time constraints it was not possible to create and distribute more questionnaires. Low total amount makes use of the questionnaire for statistical analysis purpose unviable (because of high statistical errors at such a low count); however, for finding information about the acceptance of the concept of the service, this is an acceptable shortcoming, not diminishing validity of the collected information.
- Availability of the questionnaire in English version only leads to potentially skewed results. Target market for the service is also customers not speaking

English and their opinion could not be taken into account. This limitation stems from author’s foreign origin and low language proficiency in Finnish language.

- Respondents answers might have also be influenced by the wording of the questionnaire (English is not the author’s nor respondents’ mother tongue), place of taking the survey, author’s nationality and other influences. Results therefore should be taken with these limitations in mind.

4.2 Analysis of the Questionnaire

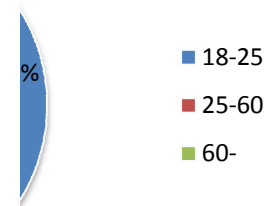
4.2.1 Characteristics of the Respondents

Out of 50 respondents taking a part in the survey, 33 (66%) were men and 17 (34%) women. Large majority of the respondents - 42 (86%) consumes alcoholic beverages while eight (14%) do not. The age distribution of the respondents is shown in Table 1 and Figure 2.

Age Groups

Table 1. Respondents by Age Groups

Respondents by Age Groups	
Age	Count
18-25	21
25-60	27
60-	2



The age groups limits were selected to mirror ages at which the person is studying (18-25), engaged in working life (25-60) and retired (60-). Majority of the respondents 32 (64%) would use the service while remaining 18 (36%) would not.

4.2.2 Acceptance of the Service by Different Traits

From 32 respondents accepting the service 21 were male and 11 female. Amongst those rejecting the service, 12 were male and six female. Their percentual ratio can be seen on Figure 3.

Figure 3. Acceptance of the Service by Sex

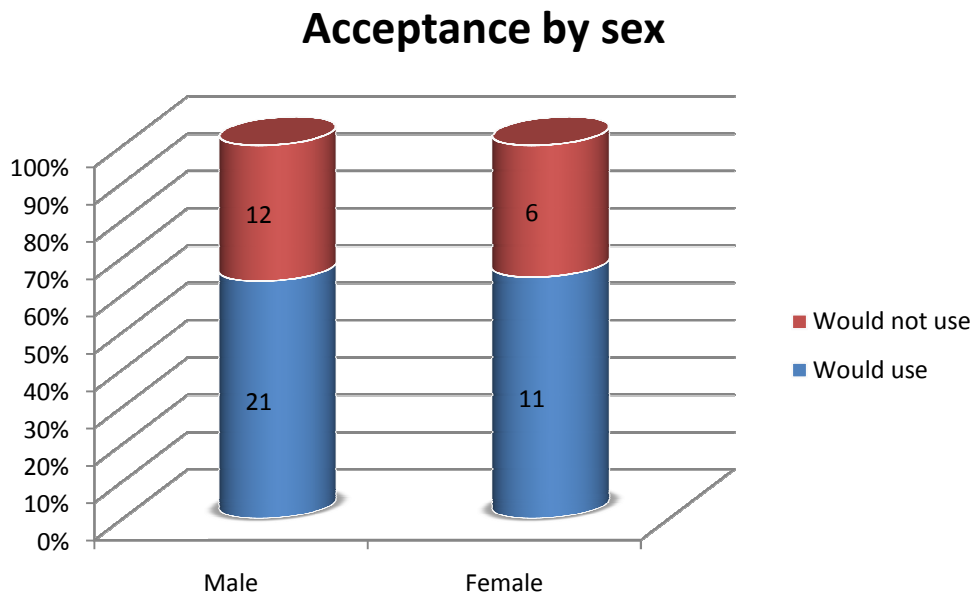
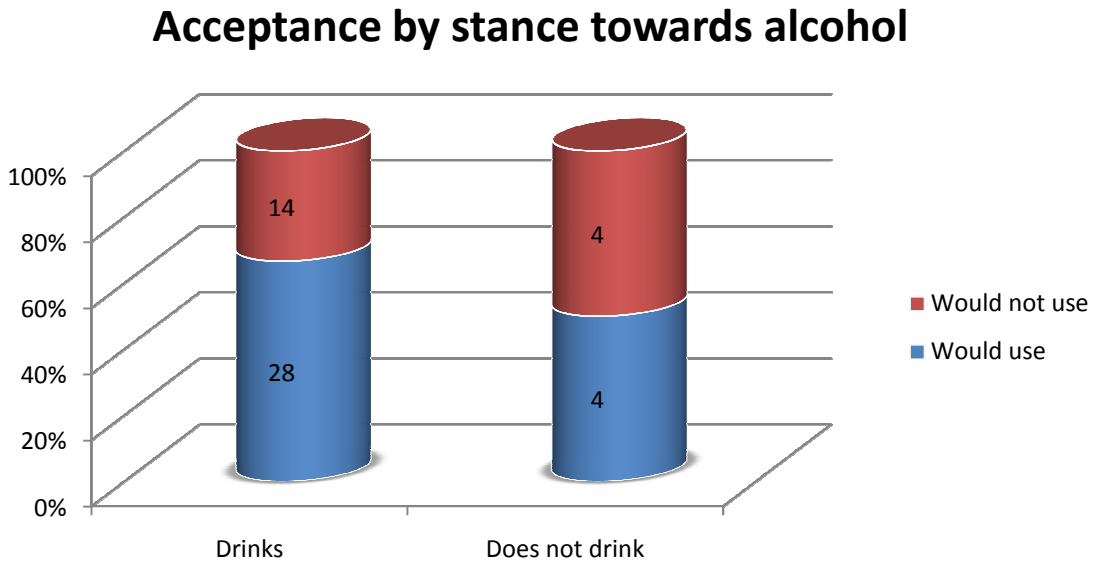


Figure 3 shows that the acceptance of the service stands at the same rate for both sexes and therefore the service is as attractive for men as it is for women.

Figure 4 depicts acceptance of the service by respondents who drink alcoholic beverages and teetotalers.

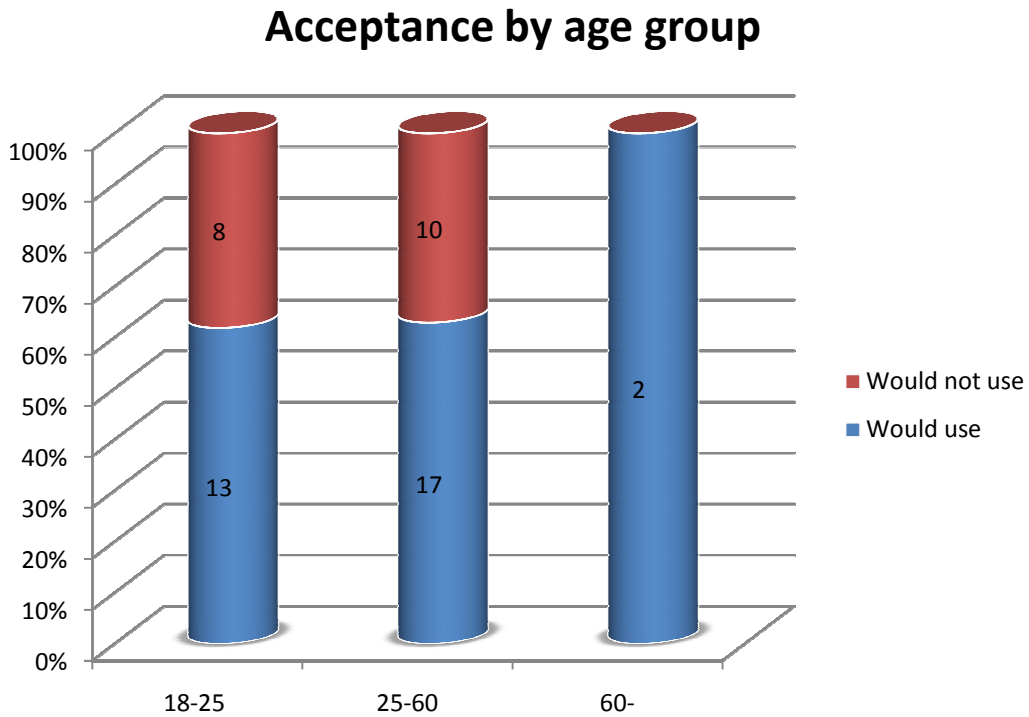
Figure 4 Acceptance of the Service by Stance towards Alcohol



It is clearly visible that the service is more popular amongst those who drink alcohol (28, 66%) than amongst those who do not (4, 50%).

Acceptance of the service amongst age groups is shown on Figure 5.

Figure 5 Acceptance of the Service by Age Group



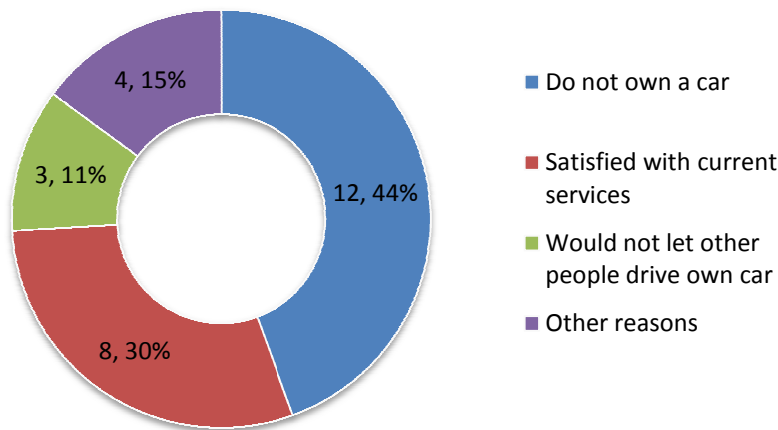
There is very little difference amongst two most populous age groups 18-20 (13, 61,5%) and 25-60 (17, 59%). This shows that the service is attractive the same for both segments. While acceptance of the service among 60+ year olds is 100%, their low count (2 respondents) does not allow drawing any conclusions from this result. Most probably, their distribution would incline towards this of younger respondents would there be more respondents from this age group

.Reasons for Refusal of the Service by Traits

As shown in section 4.2.1 18 respondents who represent 36% of the whole sample would not use the service. Their reasons for not using it are summarized in Figure 6.

Figure 6. Reasons for Not Using the Service

Reasons for not using the service



The total count does not add up to 18, as there was more than one option possible to tick. Nevertheless, the biggest single reason (44% of respondents who would not use the service) for not using the service is that the respondent does not own a car (which is logical). As a second most important reason came satisfaction with currently available services (30%). Unlike in the case of not owning a car, the company can influence this stance via marketing activities. At the 3rd place, 11% of respondents would not give their car to the other person and 15% of respondents who would not use the service had other reasons for doing so.

In Figure 7 we can see the reasons for not using the service divided by sex of respondents. Clearly, surveyed men did not own a car in larger proportion than women did and in general, they were more satisfied with the services currently available on the market. Women in turn were more reluctant than men to let their car be driven by somebody else and had more other reasons than men had not to use it.

Figure 7. Reasons for Not Using the Service by Sex

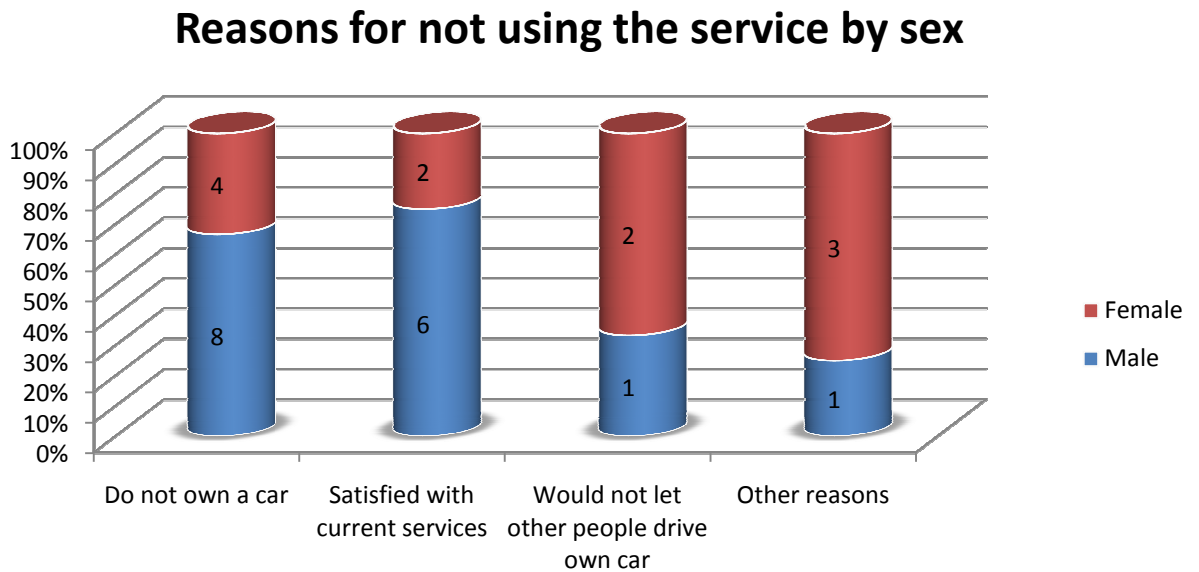
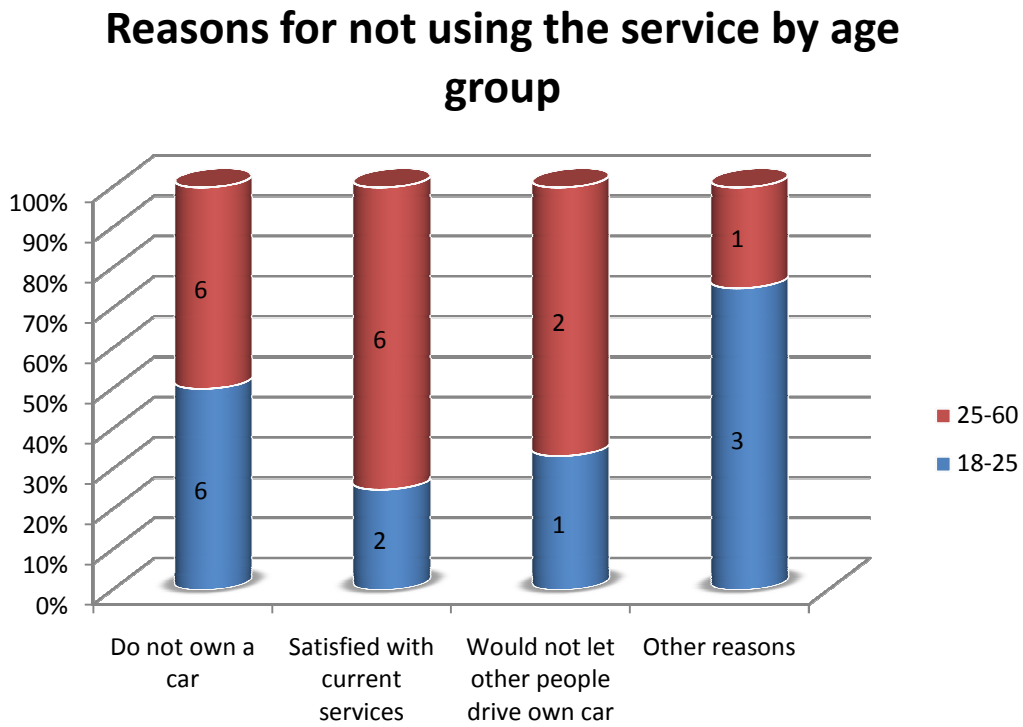


Figure 8 shows the reasons for not using the service by age groups. Not having a car is occurs with the same frequency among groups 18-25 and 25-60. The older group is more satisfied with current services and less prone to let other people drive their car.

Figure 8. Reasons for Not Using the Service by Age Group

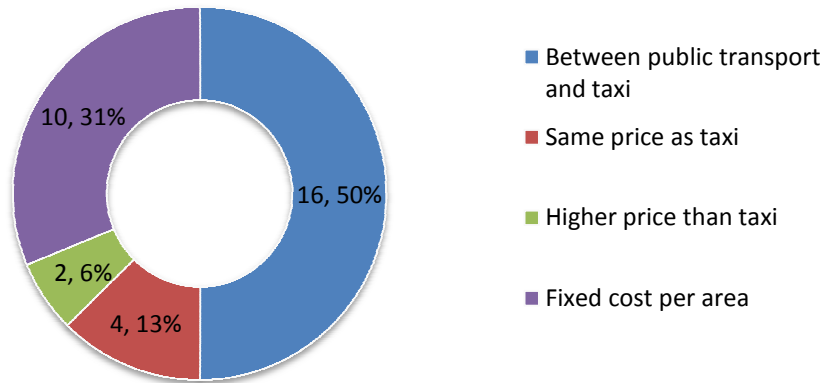


4.2.3 Proposed Price Level

This question was available only for respondents who would use the service were it available. Table 9 shows their preferred price levels for the service.

Figure 9. Proposed Price by Users

Proposed price by users



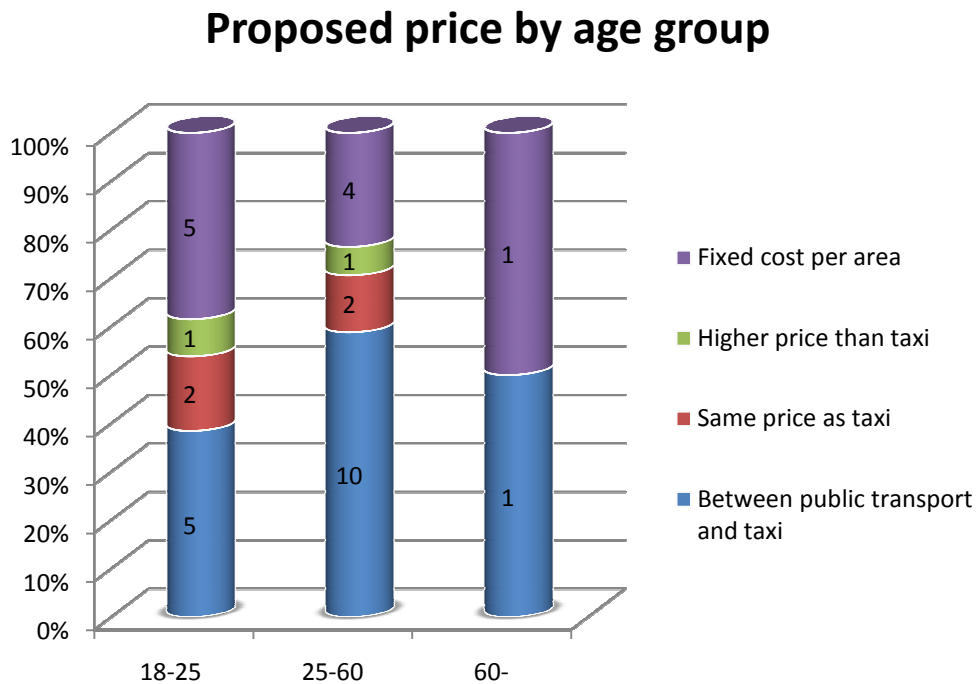
The most popular pricing model according to 50% of the respondents would be to set the price between that charged by the public transport and that of taxi services. Pricing by fixed price for area was the second most popular option, which was chosen by 31% of respondents. Remaining 19% of customers would pay the same price like for taxi or even more.

In Figure 10 and Table 2, we can see what level of pricing is preferred by various age groups.

Table 2. Proposed Price by Age Groups

Proposed price by age group				
Age	Between public transport and taxi	Same price as taxi	Higher price than taxi	Fixed cost per area
18-25	5	2	1	5
25-60	10	2	1	4
60-	1	0	0	1

Figure 10. Proposed Price by Age Groups



The preferred price level changes considerably between groups. Price between that of public transport and taxi is strongly preferred by age group 18-25. The rest of groups give equal preferences to lower than taxi, higher than public transport and fixed price per area. The youngest age group has the largest percentage of respondents who would pay the same amount or more than taxis charge for the service.

Figure 11 shows how much would alcohol drinkers and teetotalers be willing to pay for the service. Alcohol drinkers show preference for lower than taxi price, but overall are more generous than teetotalers who would prefer this pricing level in 75% of the cases.

Last figure, Figure 12 shows pricing preferences by sex of the respondents. Both sexes prefer lower than taxi pricing, but to the different extent, male respondents are most in favor of this model, while females are less focused. Females as a group are more generous than men (i.e. have larger percentage of respondents who would pay the same amount or more than taxis charge).

Figure 11. Proposed Price by Stance towards Alcohol

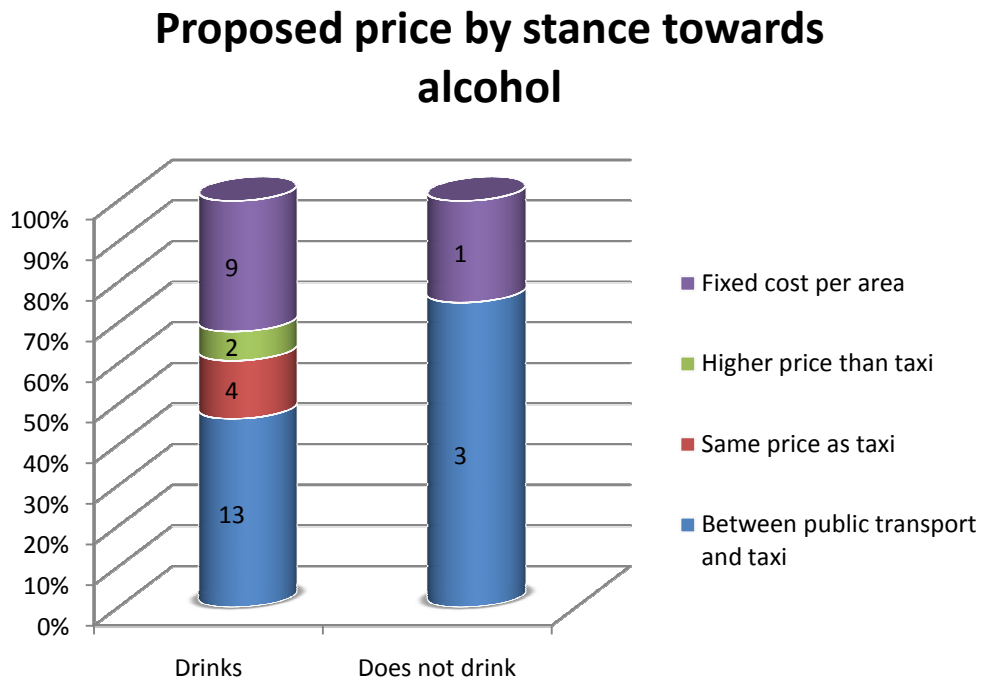
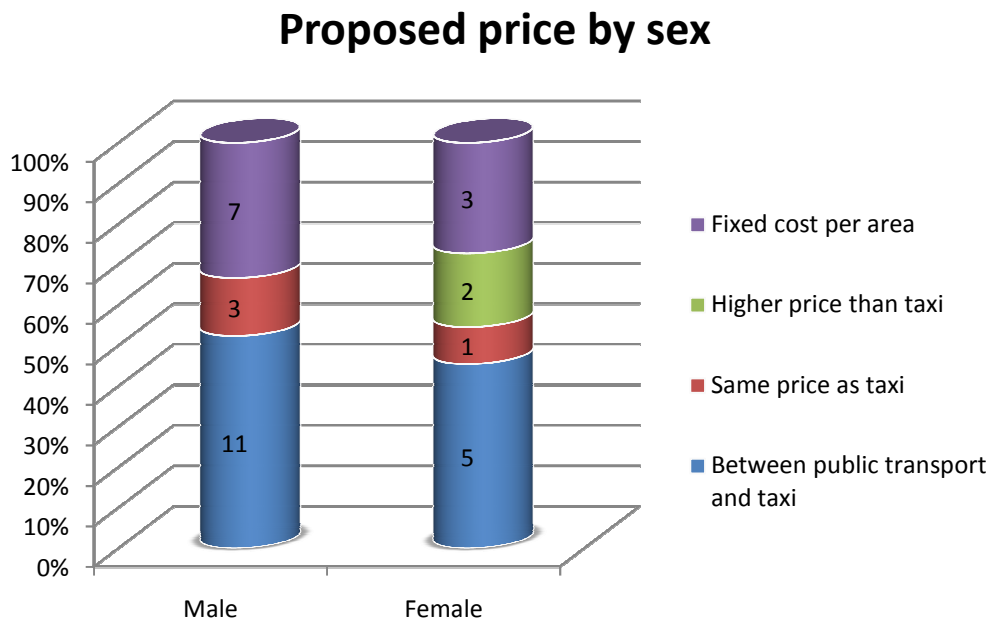


Figure 12. Proposed Price by Sex



4.3 Questionnaire – Conclusions

Questionnaire has shown that Finns like the idea/concept of the service. It has also shown that the acceptance of the service does not depend on the sex or age group. Alcoholic drinks consumers are more willing to use the service, although it has some appeal for teetotalers as well.

The most popular pricing models are lower price than taxi, higher price than public transport and fixed price for area. These clearly show the perceived value of the service and set the price ceiling below prices charged by taxi services. In general young respondents, women and alcohol drinkers are more generous when it comes to preferred price level.

Reasons for not using the service are led by not owning a car, this was expected and it is one of the limitations of the service as compared to taxi services. Men and people between 25 and 60 years are more satisfied with the level of current services offering on the market.

The questionnaire showed that focus on the young, alcohol drinking populace could yield the optimal returns. They are relatively numerous, generous and least conservative in the reasons why not to use the service.

5 DISCUSSION

5.1 Conclusion

Analyses in sections 3 and 4 have shown that the service is both feasible in Finnish conditions and attractive for the customers, which answers positively both of the research questions. There is no reason why the service should not be as successful in Finland's Capital region as it is in Prague.

While saying so, it is important to note that the business model and the industry (environment) are highly challenging for a potential entrepreneur. Industry has low barriers to entry, high competition, strong substitutes, strong suppliers and moderately strong customers. Revenues from successful market entry are not high. The market is a very specialized niche. There is clear acceptance of the service by the populace, but the preferred price level is set below taxi price levels. Potential entrepreneur launching this kind of service has to utilize very efficient model of operations to ensure profitability. Target group of the service should be people of young and working ages who drink alcoholic beverages.

Thesis represents the first analytic steps that an entrepreneur should take before launching a new service on a new, unknown market. During thesis writing process, the author has learned new analytic method and its application on a real life problem faced by many companies and entrepreneurs. Analytic mindset that needed to be developed for successful answering of the research questions of this thesis will surely aid the author in her professional life.

5.2 Suggestions for Further Research

The analyses in this thesis have shown that there is both possibility and acceptance of the service on Finnish market. This calls for better marketing research of the topic in order to prove the results of this thesis with greater rigor. A logical continuation of this thesis would be a business plan, which would include results of both this thesis and necessary financial analyses. From strategic point of view, there is lot to be done and finished as well, the analyses included here can be reinforced with value chain analyses. Marketing management insight into problematic of how to advertise this service is another way of research which may yield interesting results.

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APPENDICES

Appendix 1. – Questionnaire

Hello, my name is Qi Dejie. I am a student at Arcada University of Applied Sciences in Helsinki currently working on my Bachelor's thesis in International Business Degree Programme. The topic of my thesis is "Introduction of a New Transport Service on the Finnish Market".

The service which feasibility on the Finnish market I study works as follows:

My transport service is like a taxi service, but in my transport service, you only order a driver, not the car. The driver will then drive you to your destination in your own car. This service can be used in a situation when you came to some place with a car, but for some reason can not drive it back home by yourself, (the reasons might be consumption of alcoholic beverages, consumption of prescription drugs that influence perception, forfeiting of the driver's license by the police etc.).

Please answer the following questions by ticking ✓ one of the options:

1. Please, state your sex:

- Male
- Female

2. Please state your age:

- 18-25
- 25-60
- 60-

3. Do you drink alcoholic beverages?

- Yes
- No

4. Would you use my transport service if it was available?

- Yes
- No

5. (Answer only if you chose “No” in question number 4.) Why would you not use the service?

- I do not own a car
- I am perfectly satisfied with taxi and mass transport services, no need for additional service.
- I would not give my car to an unknown person
- Other (Please state the reason): _____

6. (Answer rest of the questions only if you chose “Yes” in question number 4.) How often would you use the service per month, if it was available?

- 1 time
- 2-5 times
- 5- times

7. What would be an acceptable price for the service for you?

- Between the price charged by public transport and taxis (Starting from 4 € in the night time)
- The same as taxis charge (8,30 € minimum in the night time + distance driven)
- Higher than taxi prices
- Fixed cost per area (e.g. 20 € for transport within Helsinki, 30 € for whole region)

