



# Centralized Debtor Database for Instant Loan Creditors

## New Service Concept



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## **Centralized Debtor Database for Instant Loan Creditors - New Service Concept**

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This thesis was conducted to evaluate and clarify a service idea regarding a centralized database collecting credit information about instant loan applicants to be shared with instant loan creditors as a means to decrease credit losses. The initial idea was formulated by Tentacle Networks Oy and generated into a ready-to-launch service concept along the process of this thesis.

The number of instant loans granted yearly has only accelerated since 2005 when the first service provider penetrated Finnish markets. Along with increasing number of loans granted has the misuse of loose foundations in granting instant loans increased as well. No centralized database has been used to record solvency of the applicants in terms of open and overdue loans from other instant loan providers and relative to this problem, instant loan providers have mainly had to rely on data collected internally.

The idea Tentacle Networks Oy introduces provides a centralized database for instant loan providers with features to verify the solvency of the applicant. Untrustworthy applicants are recognized by the system according to solvency by crosschecking for number of open and overdue instant loans from different creditors. The database uses social security number as an indicator to trace abuse of personal data and cell phone numbers.

The database development work has been in progress constantly during the writing of this thesis and will be launched as soon as the test-run in an internal environment is completed successfully. This thesis demonstrates an accurate service concept description in order to assist in selling the idea to the prospects and in launching the actual service.

Key words: Marketing plan, Service concept, Instant loan, Instant loan creditor, centralized database

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## 1 Introduction

This thesis introduces an idea developed by Tentacle Networks Oy to provide a centralized database, The Tentabase, for instant loan creditors in order to reliably verify solvency of the applicant. Untrustworthy applicants are recognized by the system according to solvency by crosschecking for number of open and overdue instant loans from different creditors. The database uses social security number as an indicator to trace abuse of personal data and cell phone numbers. The database also allows individuals to restrict loan applications for specific social security numbers or cell phone numbers and this is expected to dramatically cut the number of for example minors using their parents' cell phone number-social security number combinations to apply for SMS loans. (Kamila & Mallat 2008)

The first service providers to offer instant loans penetrated Finnish markets in 2005 (Valkama & Mutttilainen 2007, 9). Since then a number of new SMS loan creditors have emerged and along that the misuse of loose foundations in granting SMS loans (Arhinmäki 2007). Olli Kannas from Central Statistical Office of Finland states in his article in *Tieto&trendit 4-5/2008* that the branch grew significantly in 2006 and actors in the field have doubled in number during the last two years (Kannas 2008). According to the Central Statistical Office of Finland approximately one million SMS loans are granted yearly. Only during second quarter in 2008 the number of SMS loans granted was over 260 000 and nearly 49 million euros. (Lainatieto.fi 2008. Vuodessa otetaan yli miljoona pikavippiä)

Social security number-phone number-compatibility is being used as sole criteria to identify the applicant and verify his reliability; only three of the 48 (forty-eight) instant loan creditors studied for this thesis require applicant identification through internet bank which is considered to be a reliable means of identification (Appendix 1). No centralized database has been used to record solvency of the applicants or to trace abuse of identity of others. Some SMS loan creditors use service provided by Suomen Asiakastieto Oy as a background check for the applicants, but the process is incomplete and ignores issues such as open and overdue loans from other creditors. (Suomen Asiakastieto Oy 2009. Päätöksentekopalvelut, Optimi) SMS loan creditors have mainly had to rely on data collected internally, and this does not stop an unreliable applicant trying his luck with another SMS loan provider unaware of previous abuse.

This thesis is based on the ideas of Tentacle Networks Oy and conducted according to their requirements and desires. The initial idea was to construct a conscious business plan in order to generate the idea into a ready-to-launch service concept. However, as the idea matured it was obvious the emphasis should be on marketing the actual idea. Therefore this thesis combines essential elements of both business plan and marketing plan to clearly communicate the

initial idea of a new service concept and form a basis for implementing the plan and launching the service. The marketing plan also includes elements applicable to existing services Tentacle Networks Oy provides to promote the development and upkeep of existing services along the promotion of Tentabase.

Research conducted for this thesis is based solely on desk research and verbal information provided by the founding members of Tentacle Networks Oy. Questionnaires or interviews with the instant loan creditors were out of the question, since Tentacle Networks Oy did not want to reveal their idea to any third party until the idea was at a stage ready to be tested in an internal environment. This was not their wish but rather an ultimatum, and defined the framework for conducting research on the subject and constructing this thesis.

## 2 Tentacle Networks Oy - Company Profile

Tentacle Networks is a Helsinki-based limited liability company, an effort of three founding members. Even though the company was not registered until year 2006, Tentacle Networks had already operated at some level on non-profit-basis for years before, unaware at the starting point that these actions would eventually act as a trigger to evolve from a hobby and convenient pastime into a business idea. They started by offering an IRC-channel #rikos to a large community of friends, along with a free of charge e-mail accounts and web hosting for the community to publish their own websites.

The initial idea was to cover the costs (servers, rent for physical server location, working hours spent on maintenance) with voluntary donations from the community, but in fact the donations were so low (or rather nearly non-existent) that the cash flow was of a negative kind from a few pockets to the benefit of the entire community. #rikos IRC-channel and the website rikos.org with a photo gallery and a message board, as well as the e-mail accounts still exist free of charge today and are run by the founding members of Tentacle Networks, although they are not a part of the services provided. Providing services out of pure goodwill eventually led to the idea of setting up a company to provide the same service, and as the business idea developed and matured it seemed reasonable to make it official. The change in Limited Liability Companies Act in 2006 had some influence in selecting that specific year to register the company, as the initial capital required to form a limited liability company was lowered from 8000€ to 2500€. (Kamila & Mallat 2008)

## 2.1 Existing Services

Tentacle Networks Oy currently offers its customers a variety of services. A typical consumer customer would be interested in web-services such as web hosting to publish their websites on the internet (Mallat, 2008). In addition to web hosting, the service also includes ten e-mail accounts and a .com, .net, .fi or .org domain. Another popular service for consumer customers is a virtual server, which holds the opportunity for customers to host their own services. Virtual server acts as a physical server but is in fact only a minimal share of larger server located in Tentacle Networks' server space and operable for the customer through a basic internet-access. Virtual servers transfer issues such as electricity bills and functioning errors from the customer to Tentacle Networks Oy. Additional service concerning virtual servers (such as additional memory or storage space) as well as all service packages Tentacle Networks provides can be ordered easily through their website at <http://tentacle.fi>. Tentacle Networks service packages for consumer customers are explained in detail in Appendix 2. (Tentacle Networks Oy 2009)

Services provided for business customers are more complex. They include those provided for consumer customers and are spiced up with IT-consulting. Consulting services are customized according to customer needs and may consist of building VPN-networks, designing and managing IT-solutions for small and medium sized enterprises (SMEs), web design, disaster recovery and backups. (Tentacle Networks Oy 2009)

Currently a typical Tentacle Networks customer is a consumer customer, but a steady shift towards gaining more business customers and hence bigger deals and bigger cash flow is already taking place. Even though Tentacle Networks is not planning on reducing the services provided for consumer customers, the main focus in the future is to expand the network of business customers. (Kamila & Mallat 2008)

## 2.2 Recent Development

Already after only two operating years Tentacle Networks has managed to turn their financial result from a negative to a positive by making strategic decisions about the physical location and the amount of physical servers, as well as by negotiating a co-operation deal with a new service provider (Nebula Oy). In the previous server room running costs were notable, including rent, electricity, and internet access all invoiced separately. The deal with Nebula includes (for a fixed monthly fee) a modern server room with air conditioning and extinguishing system to ensure the safety and continuity of services in case of an emergency, fast internet access and electricity. The number of physical servers was reduced dramatically during the move and services operated on those servers were transformed to virtual servers.

These decisions led not only to a large reduction in electricity consumption, but also to an easier access to servers for maintenance from any location, any hour of the day, thus guaranteeing the customers a shorter response time from Tentacle Network to address their problems with services. Operating the physical servers from a secure server room has also cut down working hours on servers due to physical malfunctions, such as overheating, and transferred that time used to managing and developing the actual services, thus enabling Tentacle Networks to concentrate in their core business. (Kamila & Mallat 2008)

### 3 Service Concept Description

Misuse of loose foundations in granting instant loans is unfortunately common. (Arhinmäki 2007) The Social security number-phone number-compatibility is being used as sole criteria to identify the applicant and verify his reliability. Only a few instant loan creditors researched in this thesis require applicant identification through internet bank which is considered to be a reliable means of identification (Appendix 1). Even though nearly every instant loan creditor states in their terms and conditions that the applicant must possess a personal bank account in a Finnish bank, verifying that the applicant actually possesses the entered bank account is impossible. The credit institution activity act states that despite of bank secrecy, financial institutions have permission, but not obligation, to hand out necessary information about their customers to a credit information register (Laki luottolaitostoiminnasta 9.2.2007/121). However, for example Nordea has adopted a practice not to hand out any information to any party other than an authority (Telephone conversation with Nordea data protection representative). Therefore social security number - bank account - compatibility cannot be verified and instant loan creditors discharge themselves from liability in case the applicant does not have access to the bank account he has entered in the application. Most instant loan creditors only require the applicant to have a public cell phone number in order to apply for a loan, and their identity is verified by checking social security number-phone number-compatibility. (Appendix 3)

Identity thefts have not yet reached Finnish instant loan markets, but the risk is considerable. Data Protection Ombudsman Reijo Aarnio stated in an interview given to Helsingin Sanomat in early 2008, that it is only a matter of time when identity thefts will reach Finland. Identity thefts are a vast problem elsewhere in the world leading to billions of euros ending up in the wrong hands, and Aarnio is concerned over Finnish services where verifying identity is based on social security number, phone number or address. (Karkimo 2008)

Suomen Pienlainayhdistys ry (Direct translation: Finnish small-scale loan association) is a consortium formed by seven companies granting instant loans. The Executive Director of the association pleads that instant loan creditors are more respectable than their reputation im-

plies, and he is convinced that the disadvantages of instant loans are over exaggerated. According to the association, granting instant loans is not reckless or its interests unreasonable. (Lainatieto.fi 2008. Yhdistys: Pikavippien haittoja liioitellaan)

The association has compiled an ethical code of conduct to be followed by all its members. The code of conduct is to be applied from January 23<sup>rd</sup> 2007 onward. According to the ethical code of conduct, all creditors (members of the association) are bound to use reliable, currently available means to identify the applicant and to gain required information of his or her solvency. As available technology develops, the creditors should implement better identification means rapidly. (Suomen pienlainayhdistys ry 2008. Pienlainatoiminnan eettiset säännöt) The problem lies in the low number of members which the ethical code of conduct binds and in the fact that the code of conduct is not in fact binding, but suggestive (Lainatieto.fi 2009. Pienlainoilla on eettinen normisto). The association and member companies are introduced in detail in Appendix 4.

Some instant loan creditors use a service provided by Suomen Asiakastieto Oy as a background check for their applicants. This service gathers personal data behind a social security number and records payment defaults. It verifies the phone number-social security number compatibility to identify the customer, but does not cross-check for open and overdue loans from other instant loan creditors. (Suomen Asiakastieto Oy 2009. Päätöksentekopalvelut, Optimi)

Only verifying social security number-cell phone number compatibility is where the opportunity for abuse lies. Any person with a possession of someone else's social security number and access to his cell phone may easily apply for an SMS loan and enter any bank account he wishes. If a loan is granted, the amount will be transferred to the entered bank account and at this point the creditor will have discharged itself from liability; the liability now lies on the possessor of the cell phone number used, whether or not he was the one applying for the loan. (Appendix 3) Suomen pienlainayhdistys ry claims that in order to get a loan, the applicant must always send in a check up message (Lainatieto.fi 2008. Yhdistys: Pikavippien haittoja liioitellaan). This, however, is not a reliable means of confirmation, since anyone using the phone is capable of sending the message. The applicant (cell phone possessor) does have the right to cancel the loan, but will be charged processing costs to execute the cancellation. (Lainatieto.fi 2009. Tekstiviestilainan eli pikavipin peruuttaminen) Criminal charges may be pressed against the abuser but this is a long and costly road to walk.

No centralized database has currently been used to record solvency of the applicants or to trace abuse of identity when processing instant loan applications. The service process provided by Asiakastieto Oy, however comprehensive it is, is incomplete as it ignores issues such as open and overdue loans from other creditors.

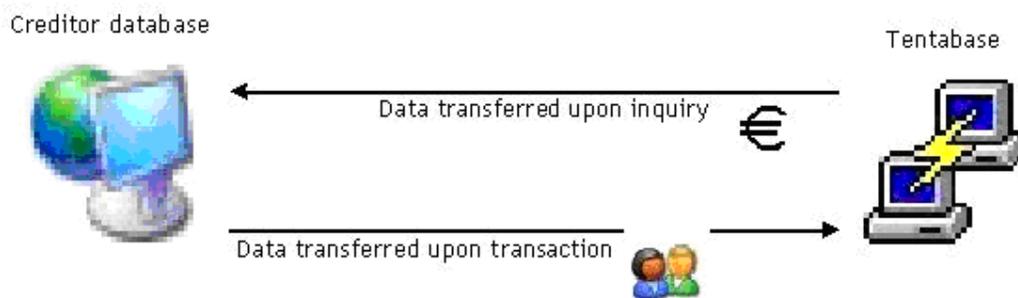
### 3.1 Tentabase

“A product must be more than a physical device: it must be a concept that solves someone’s problems” (Kotler 2003, 126).

The idea generated by Tentacle Networks Oy describes a centralized database, The Tentabase, for instant loan creditors. The idea is not to compete with Suomen Asiakastieto Oy, but rather complement the service they provide. Service concepts by Suomen Asiakastieto Oy are introduced further in section 4.6 Competitive factors. As Suomen Asiakastieto Oy has years of experience in the field of credit rating services and well established operating procedures and networks, Jaani-Markus Kamila and Mikko Mallat from Tentacle Networks Oy state that Tentacle Networks Oy simply does not currently have the resources (manpower and financial to be exact )needed to establish a network a comprehensive database requires. In order to compete with Suomen Asiakastieto Oy Tentacle Networks Oy should at the very least reach the same level of service as Suomen Asiakastieto Oy, and according to Kamila and Mallat this is simply not possible at the moment due to lack of tangible resources. (Kamila & Mallat 2008)

Yet, Tentacle Networks Oy is convinced of their ability to manage a smaller scale database and maintain a high quality service level. Tentabase is a fully automated database only requiring manual work during the actual establishment phase and later on during maintenance and development work. Both Kamila and Mallat from Tentacle Networks Oy possess the required knowledge and IT-skills to establish, maintain and further develop the database. (Kamila & Mallat 2008)

Tentabase is planned to provide instant loan creditors with additional features by cross-checking for open and overdue loans from other SMS loan providers. This feature requires close co-operation with the SMS loan providers to gain access to their internal customer databases, but Kamila and Mallat are rather confident that a positive solution will be reached to a certain extent, and thus preparations for negotiations are already being planned. The idea is that when a creditor decides to use Tentabase-services, they agree to two-way information exchange, meaning that Tentabase and the creditor database communicate with each other in real time. This means that whenever a transaction occurs in creditor database, for example when their customer pays off a loan, the database automatically transfers this data to Tentabase and no manual work is needed. However, Tentabase will not transfer any information unless an inquiry is made. The idea is demonstrated in Figure 1.



**Figure 1 - Data transfer principle**

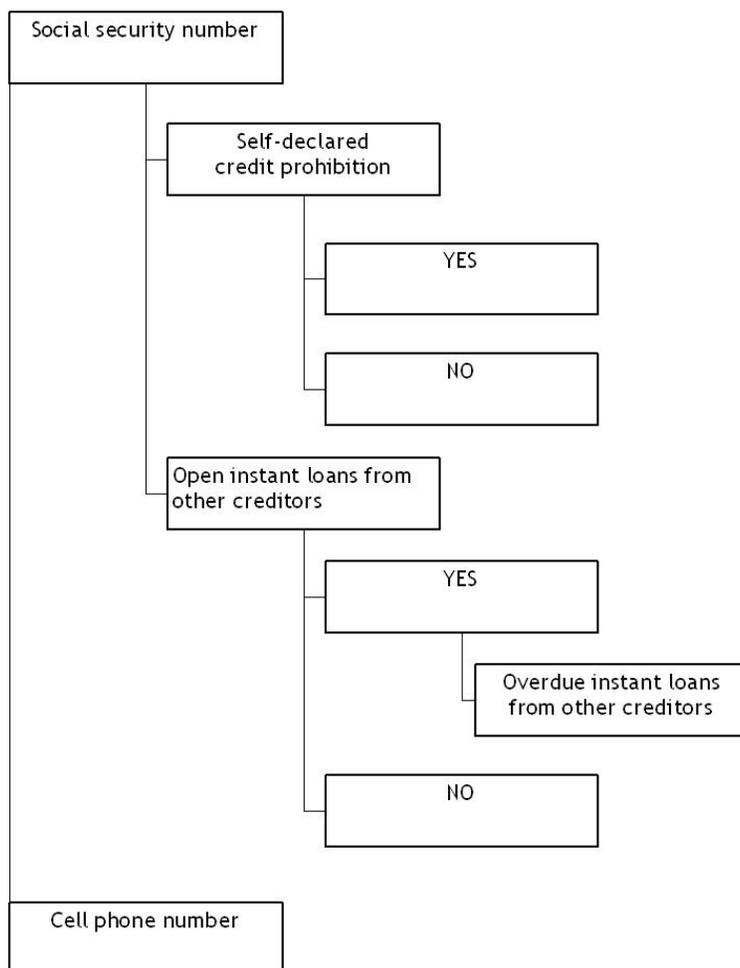
Another feature Tentabase provides is an opportunity for individuals to restrict applications for certain social security numbers or cell phone numbers. This is a feature Suomen Asiakastieto Oy also provides as a larger entity; a consumer can set a credit prohibition to restrict any loans to be granted. Tentabase restriction is designed to cover instant loans only. Abuse of the social security number - cell phone number - combination to apply for an SMS loan is too easy and even a self-declared credit prohibition does not automatically stop a creditor for granting a loan. An article by Hanne Yli-Parkas in Turun Sanomat (2<sup>nd</sup> May 2008) discusses the matter and is freely translated as whole in Appendix 5. (Kamila & Mallat 2008) Legal grounds for acquiring, handling and storing personal data, credit records and banking information are explained further in section 4.3 Legal factors.

The initial idea was for Tentabase, in addition to other features, to check for social security number - bank account - compatibility to reliably verify the identity of the applicant, but provided with information from Nordea data protection representative who states that Nordea has adopted a practice of not handing out any information about their customers to credit information register controllers, this idea was discarded. Nordea is however a powerful player in the field and a large number of instant loan applicants are likely to be their customers. Verifying the social security number - bank account compatibility for their part would have been impossible and hence the service pointless. (Kamila & Mallat 2008)

### 3.2 Tentabase Operational Principle

As manual work is not required during the inquiry process, inquiries to the database can be made at any hour of the day and Tentabase automatically processes the request as soon as it arrives. Tentabase will store all information processed for future inquiries and categorize it according to social security number and cell phone number. The initial idea was to categorize applicants only by cell phone number and disregard social security numbers in order to avoid

handling personal data, but it is obvious that the data based on social security numbers remains current while cell phone numbers are easily changed, and while one person can possess multiple cell phone numbers but only one social security number. Data categorizing principle is introduced in detail in Figure 2. (Kamila & Mallat 2008)



**Figure 2 - Data categorizing principle**

In case the applicant has open or overdue loans from other creditors, Tentabase will notify the creditor placing the inquiry. From this point on it is up to the creditor whether they will still manually process the application before accepting or rejecting it, or whether they will allow their system to automatically make the decision for them. Kamila and Mallat assume that majority of the creditors would skip manual work and let the system make the decision for them. Kamila and Mallat emphasize that Tentabase will not make the decision for the creditor, but rather assists in the decision making. (Kamila & Mallat 2008)

Information about restricting applications for specific social security numbers can be collected for example by using the service provided by Suomen Asiakastieto Oy. This action would require Tentacle Networks Oy establishing a service deal with Suomen Asiakastieto Oy and make Tentacle Networks Oy their contract customer. Information may also be collected through instant loan creditors' databases or directly from the consumers. A process chart of Tentabase operational principle is introduced in Appendix 6. (Kamila & Mallat 2008)

#### 4 Situational Analysis

It is obvious that instant loans have established a foothold in the market and therefore the challenge lies in supervision and regulation of the industry. Tentacle Networks Oy strongly believes a need in the selected market exists for a service such as Tentabase. (Kamila & Mallat 2008) Analysing situational factors throughout the selected industry will establish a deeper understanding of the importance of the actions to be taken in the process of establishing and further developing Tentabase.

##### 4.1 Demographic Factors

Even though emerging of new companies providing customers with instant loans has decelerated, the number of instant loans granted yearly by existing actors in the field has increased (Valkama & Mutttilainen 2008, 9-10). Therefore it is reasonable to assume the demand for debtor solvency services will at least maintain its current level, especially taking into account the prevailing economic situation (declining into recession) today. Even though an instant loan only provides a short-term solution to money-problems and should be used as a last resource or not at all, the prevailing situation is likely to affect the number of instant loan applications.

The loan applicants are not directly customers for Tentacle Networks Oy, but it seems reasonable to study the demographics through the instant loan applicants, as their behaviour does directly affect the utilization level of Tentabase.

Instant loans are such new phenomena that statistical information of an applicant profile is not available even by the Central Statistical Office of Finland, and therefore assumptions about applicants have to be made according to payment defaults. Payment default statistics do not describe an accurate profile of an average applicant, but can be considered as an indicative. According to Valkama & Mutttilainen (2008, 38-39) approximately 60% of payment defaults concerned men and 40% women, of which majority (37%) were between the age of 20

and 24. Distribution of instant loan payment defaults according to age is demonstrated in Figure 3.

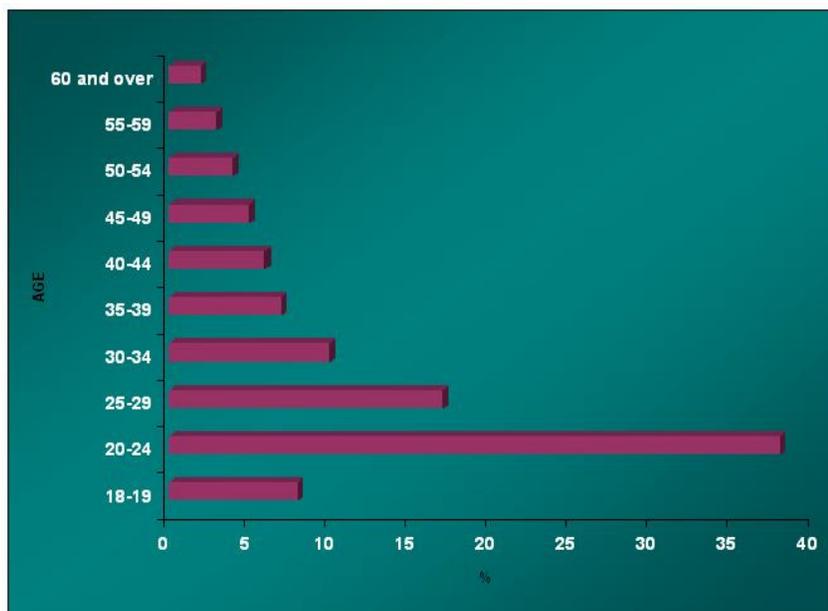


Figure 3 - Payment defaults in credit information register 2007

When examining court decisions by district courts, 20 to 24 year olds were the largest group of instant loan debtors. Approximately one fourth (27%) of sentences concerning instant loans were allocated to 24-year old men. Distribution of instant loan court decisions (sentences) according to age is demonstrated in Figure 4. (Valkama & Mutttilainen 2008, 47)

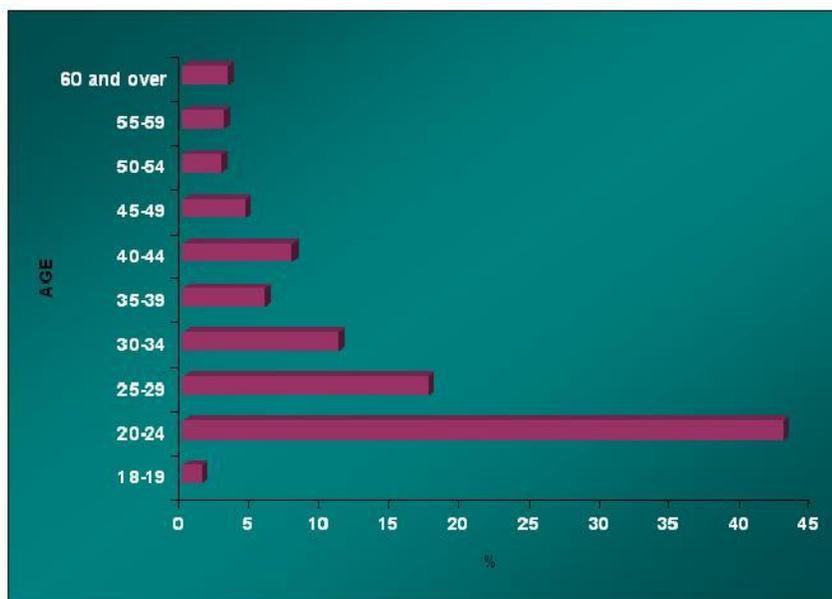


Figure 4 - District court decisions on instant loan payment defaults 2007

If assumptions are made according to payment default and court decision data, it is fair to assume that an average instant loan applicant is a person in his twenties, and more likely a male than a female.

#### 4.2 Political Factors

Political pressure for well-defined legislation in relation to SMS loans comes mainly from Finnish consumers and decision-makers, since majority of SMS loan creditors only grant loans for Finnish citizens. Only a few SMS loan creditors grant loans for applicants of other than Finnish citizenship. (Valkama & Muttillainen 2008, 13) The fact that Finland is descending deeper and deeper into economical recession does not support large investments in new product development. Kamila and Mallat from Tentacle Networks Oy still consider the effort worth the risk, since investments on machinery do not have to be done; Tentacle Networks Oy has recently invested a share of their liquid assets in new heavy duty servers that are more than capable of handling the processes Tentabase requires, hence human resources are the only investment required to establish the database. (Kamila & Mallat 2008)

Current political situation seems encouraging for establishing a service such as Tentabase. The Ministry of Justice formed a work group, in which the Finnish Consumer agency takes part, in the late 2007 to discuss renewing the legislation. One of the matters the work group is expected to address is reliable identification of the applicants. (Kuluttajavirasto 2008. Pi-

kavippimarkkinoilla kuluttaja edelleen liukkailla jäillä) The work group was also assigned to discuss changing the legislation so that the real yearly interest should be indicated even with small-scale loans (Oikeusministeriö 2008. Työryhmämietintö 2008:07, 22)

Several politicians have expressed their concern over the lack of consistent legislation and supervision related to instant loans. For example Paavo Arhinmäki (2007) is concerned over abuse of identity: minors applying for loans from their parents' cell phones in specific. He has also addressed the same problem that seems to pop up everywhere; high yearly interest rate which the instant loan creditor does not have to indicate. Arhinmäki proposed that all instant loan creditors should be bound to register, and the companies should be under supervision of Rata (Rahoitustarkastus, Financial supervision, more information at <http://www.rahoitustarkastus.fi/eng>), and the applicants should be identified reliably. Antti Kaikkonen (Kaikkonen 2008) has addressed the same issues at a more general level; he proposed that the government should examine the number and the extent of business activity of instant loan creditors in Finland, and propose a legislation aiming to improve the prevailing situation.

Miapetra Kumpula-Natri has a strict opinion about legislation relative to instant loans and has taken a stand to change the legislation. She expresses in her initiative (Kumpula-Natri 2007) her concern over the excessively slow progress of the work group and other authorities to actually change the legislation. She also demands tighter registration and supervision of instant loan creditors and blames for example Rata of inefficiency and for not taking enough responsibility over the matter.

### 4.3 Legal Factors

Legal grounds for acquiring, handling and storing personal data, credit records and banking information are strictly regulated by the Finnish law. Tentacle Networks Oy does not want to leave any room for error when dealing with the authorities, therefore this section has rather large emphasis. (Kamila & Mallat 2008)

#### 4.3.1 Personal Data Act

Personal data act defines legal grounds for acquiring, handling and storing personal data, and is applicable to automatic processing of personal data and for purposes of constituting a personal data file. The act states handling of personal data should be justified; use of personal data, sources for personal data acquiring and where personal data is handed off should be

defined before acquiring personal data and constituting a personal data file. (Henkilötietolaki 22.4.1999/523)

Relative to the Tentabase operational principle, it is important to know that it is legal to handle personal data in order for the data subject (the applicant) to form a contract with a third party (the creditor), and when there is a relevant connection between the data subject and the operations of the controller (Tentacle Networks Oy). The only data handled should be necessary in relation to the operations, and social security number should not be unnecessarily entered in any documents printed by the controller. The subject must be able at any time to find out what information and for what purpose has been handled. (Henkilötietolaki 22.4.1999/523)

The controller of a personal data file is obligated to compile a description of file, which clearly states the name of the controller, purpose for handling personal data, description of subjects, where the information is handed over, and how the register is protected from abuse. When personal data handling is automated, the controller has to inform the data protection ombudsman, the agency that supervises the actions of controllers, by sending him the description of file. The description of file has to be kept at hand for anyone in need of it. (Henkilötietolaki 22.4.1999/523) Description of file for Tentabase is demonstrated in Appendix 7.

#### 4.3.2 Credit Record Act

Credit record act is applied on acquiring, producing, storing and handing over of credit records. When dealing with individuals, the personal data act is applicable as well. In relation to Tentabase, the credit record act is of high importance because it is also applicable on credit records acquired from a third party (the creditor) for the process of making or suggesting credit decisions for a third party. (Luottotietolaki 11.5.2007/527)

Relative to Tentabase operational principle, it is important to know that it is legal to acquire personal data, credit records and payment default data from the creditors themselves, as long as the data is orderly stored in the creditor customer register. The creditor is also bound to notify the controller of a register immediately when the payment default has been cleared off. According to the credit record act, a controller of a credit record register (such as Suomen Asiakastieto Oy) can not refuse to hand over information to a party in need of the information to make a lawful credit decision on the subject. (Luottotietolaki 11.5.2007/527)

Data stored in credit records should be handled according to precautions defined in the personal data act (Henkilötietolaki 22.4.1999/523). As Tentabase is a fully automatized database, what is defined in the credit record act about handing over personal credit records electroni-

cally, is applicable. According to the credit record act data can be electronically handed over when following terms are met by Tentacle Networks Oy:

- information about whose data and for what purpose has been retrieved from the database, as well as by which party this has been done
- the creditor retrieving the information has committed to giving access rights only to persons specified in the contract between the controlled and the creditor

A description of file has to be made of credit record register as well. It is similar to the description of file of handling personal data, but it also has to state financial prerequisites to operate according to the law, and include information on what conditions are used to determine a credit rating. (Luottotietolaki 11.5.2007/527)

#### 4.4 Technological Factors

Up-to-date technology plays a significant role in internal operations of Tentacle Networks Oy. In order to remain as a considerable player in the field, Tentacle Networks Oy continuously seeks for new alternatives and opportunities relative to the technology used. Alternative technology means alternative solutions; physical servers were replaced with virtual servers to reduce electricity consumption as Tentacle Networks Oy is concerned over the ecological footprint they leave, and their services lean heavily on Open Source-solutions. (Kamila & Mälät 2008)

From the customer point of view, Tentacle Networks Oy aims to design IT-solutions to their customers based on the customer system requirements and the technology available. Therefore the technology used in customer cases relies heavily on the existing technology of the customer, and the solution is built within that framework. If a customer for example needs a disaster recovery and backup service and possesses computer XYZ using software 123, Tentacle Networks Oy will not offer a server ABC with a system 567 as a solution, but will make every effort to find a compatible solution and equipment to meet both customer and system requirements.

#### 4.5 Financial Factors

Financial environment has a major effect on each aspect of Tentacle Networks Oy operations. As stated earlier in section 3.1 Tentabase, Tentacle Networks Oy does not currently possess large enough resources to establish large-scale operations. One might think that the lack of resources is a negative aspect; Tentacle Networks Oy however feels the lack of resources is rather an opportunity than a barrier for operations. Not having outside funding or ever taken

a loan to establish operations has taught them to exploit every last bit of scarce resources and utilize alternative solutions effectively. (Kamila & Mallat 2008)

No outside funding is necessary for Tentabase either; Tentacle Networks Oy already possesses the necessary technological assets to establish the database, not to mention human resources, since Tentacle Networks Oy strongly believe that anything but IT is sheer waste of time and resources. (Kamila & Mallat 2008)

#### 4.6 Competitive Factors

Suomen Asiakastieto Oy is a leading Finnish company in credit rating providing companies with reliable information for all areas of operations. Asiakastieto Oy administrates the largest private corporate database in Finland with up-to-date information about companies, key-personnel and private persons; and their services are accessible through internet. (Suomen Asiakastieto Oy 2009)

Suomen Asiakastieto Oy is owned by Investcorp International Ltd (For more information, see <http://investcorp.com>), an international financier, realty and capital investor; and employs 140 sales, corporate and IT-professionals in Finland. Suomen Asiakastieto Oy co-operates with world leading credit rating companies, and is an associate of BIGNet chain, as are market leaders from 13 European countries. They are also members of Febis (For more information, see <http://www.febis.org/>) and Accis (<http://www.accis.eu/>) syndicates. (Suomen Asiakastieto Oy 2009)

Suomen Asiakastieto Oy provides creditors with two considerable service concepts: *Optimi* and *Simppele*. (Suomen Asiakastieto Oy 2009)

*Optimi* produces a credit judgement proposal without manual information searches and checks. It provides clients with a finished credit judgement with options “Yes”, “Consideration” or “No” and states most important factors influencing decision-making. The decision is based on conditions defined together with the client regarding corporate- or consumer customers (debtors). Conditions include factors such as age, solvency, corporate connections and financial status. (Suomen Asiakastieto Oy 2009. Päätöksentekopalvelut, *Optimi*)

Operational principle of *Simppele* is similar to *Optimi*, except that *Simppele* is designed for checking solvency of consumer customers only. It provides clients with information retrieved and interpreted from population register and credit register and produces a credit judgement. *Simppele* has two risk levels: on basic level all credit defaults lead to credit rejection

and on customized level the client may choose to allot the credit to an applicant with minor previous misuses. (Suomen Asiakastieto Oy 2009. Päätöksentekopalvelut, Simppeli)

In addition to Optimi and Simppeli introduced in this section Suomen Asiakastieto offers various services relative to enhancing sales and marketing and international risk management. (Suomen Asiakastieto Oy 2009)

The services Suomen Asiakastieto Oy produces provide a comprehensive solution for creditors in their decision-making process when verifying solvency of their applicants. However, they disregard information concerning solvency information by not providing information about open and overdue loans from other instant loan creditors. (Suomen Asiakastieto Oy 2009)

#### 4.7 Company Factors

This section aims to answer three simple questions: Who is Tentacle Networks for, what does it do, and how is it different? (Hiebing & Cooper 2003, 24) These questions are reviewed through analysing the scope and the core competences of Tentacle Networks Oy.

##### 4.7.1 Scope

Tentacle Networks Oy has this far been offering its services mainly to consumer customers, but as consumer market relative to web-services is crowded with competition with various alternatives to choose from and has a limited growth potential, expanding service offerings to business customers has become inevitable. Kamila and Mallat are conscious of overcapacity in the marketplace and are concerned over hyper competition, which Philip Kotler (2003, Introduction XI) describes to be leading to lowered prices yielding low margins. Unlike web-services offered to volatile consumer markets, IT-consulting services targeted to business customers this far have proven to be a solid source of continuous positive cash flow and aside from a few exceptions resulted in a long-term business relationship. (Kamila & Mallat 2008)

Tentacle Networks Oy strongly believes that the growth potential lies in Business-to-Business markets, as services for consumer markets are being maintained as a supporting activity. However, the development of services for consumer customers will not be neglected entirely since they provide a stable, yet small, portion of monthly income. In web-services (web-hosting in particular) volume plays a major role since the service is rather inexpensive to produce with low input in establishing and maintaining an account. (Kamila & Mallat 2008)

IT-consulting services require a larger input of working hours, but usually yield in relatively larger profit in terms of the actual consulting work done and a maintenance contract followed

by the start-up. Even small companies (and entrepreneurs) have become increasingly aware of the importance of a functional IT-environment to their business operations and are ready and willing to invest in both establishment and maintenance. Outsourcing IT-services enables them to concentrate on core operations while supporting activities are covered by Tentacle Networks Oy. (Kamila & Mallat 2008)

#### 4.7.2 Core Competences

- Years of experience in the IT-sector
- Up-to-date knowledge of the industry and latest trends
  - In order to anticipate change in customer needs
- Accurate insight of customer needs and wants
  - Due to long experience, trial and error
- Technological expertise in various disciplines of the industry
  - Each founding member highly skilled in their own area of IT-business

(Kamila & Mallat 2008)

#### 4.7.3 Competitive Advantage

Core competences are the source of competitive advantage (Kotler & Keller 2006, 39). IT-consulting is offered by a variety of companies that come in all shapes and sizes. In addition to expertise in establishing and maintaining functional IT-environment, Tentacle networks Oy considers its competitive advantage to lie in the overall knowledge of running small-scale operations in relation to IT-processes. They aim to differentiate themselves by devoting resources into customizing a perfect-fit service package for each customer rather than offering a standardized product. (Kamila & Mallat 2008)

As an answer to intensifying competition, Tentacle Networks Oy has also been bound to continuously seek for alternative market opportunities. The idea of a centralized database service for instant loan providers introduced in this thesis is a product of careful screening of pros and cons and intensive brainstorming. Even though competition exists in the particular market segment Tentacle Networks Oy is targeting, they consider their product to offer additional value and complement the service provided by competitors. (Kamila & Mallat 2008)

Tentacle Networks Oy considers to have reached their short-term goals by developing functional service packages for consumer customers. Even though the product range for consumer customers is standardized, it has been designed in accordance with the anticipated needs of the target market. For example the basic web-hosting service package, which consists of hosting with a pre-defined server space and number of e-mail accounts has proven to be a perfect match for an every day-user wishing to publish his website on the internet, as well as sending and receiving e-mails under an individually chosen trusted domain. IT-wise more active customers have an option to choose for example shell account service, with or without the hosting package. (Kamila & Mallat 2008)

Tentacle Networks Oy considers one of its strengths to lie in the deep understanding of an average customer and in specific knowledge of the issues a customer with limited IT-skills or resources faces. Years of experience from working life in the IT-sector of all three founding members form a solid base for communicating superior value in IT-solutions to the customers through both standardised and customised services. As Tentacle Networks is still run aside their full-time employments in the IT-sector, continuous personal development through daily activities guarantee up-to-date information of trends and latest technological development in the industry also in the future. A short biography of each founding member of Tentacle Networks Oy is demonstrated in Appendix 8. (Kamila & Mallat 2008)

Competition in the selected segment is intense and therefore Tentacle Networks Oy aims to continuously develop its product range in order to establish a solid and loyal consumer customer base to ensure a monthly positive cash flow, and to attract more business customers with customised IT-solutions. Unlike some other actors in the field, Tentacle Networks Oy also provides IT-support for customers via e-mail after office hours and during weekends. Establishing a centralized database of debtors for instant loan providers to avoid abuse in loan application process is a new product which Tentacle Networks Oy will launch after testing the product in an internal environment. (Kamila & Mallat 2008)

## 5 Target Market

Kamila and Mallat have divided the target market into two separate segments; primary and secondary. The importance of the market determines the intensity of marketing and the resources allocated to the marketing targeted towards the two segments. The secondary target market will not be treated as second class prospects, but it is obvious they demand more allocated resources than Suomen Pienlainayhdistys ry which covers seven prospects at once.

### 5.1 Primary Target Market

Primary target market: Suomen Pienlainayhdistys ry consortium

Jaani-Markus Kamila and Mikko Mallat have defined the primary target market for Tentabase to be Suomen Pienlainayhdistys ry. As Suomen Pienlainayhdistys ry is a consortium of seven instant loan creditors with a unified code of contact, one successful marketing effort would result in seven business relationships instead of one. Kamila and Mallat believe that in the future actions of Suomen Pienlainayhdistys ry will have a stronger influence also on creditors outside the consortium. Suomen Pienlainayhdistys ry is already considered to be the pioneer in establishing a decent credit granting practice, and if the legislation is to be tightened, which Kamila and Mallat strongly believe, creditors outside the consortium have no choice but to follow their example. (Kamila & Mallat 2008)

### 5.2 Secondary Target Market

Secondary target market: other instant loan and SMS loan creditors

Other instant loan creditors cover the remaining 41 creditors introduced in Appendix 1. Kamila and Mallat are confident that decisions Suomen Pienlainayhdistys ry makes (combined with political and legislative pressure) will yield in some business relationships outside the consortium as well. (Kamila & Mallat 2008)

## 6 SWOT-analysis

This section aims to summarize both the obstacles and the potential of the idea through SWOT-analysis by analysing internal strengths and weaknesses, and external variables in terms of opportunities and threats. SWOT-analysis is a tool that helps a marketer to focus on key issues. (Marketing Teacher 2009)

 <b>Internal</b>	<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>Intellectual property           <ul style="list-style-type: none"> <li>→ IT-expertise in three distinctively different areas</li> </ul> </li> <li>Deep understanding of customer needs</li> <li>Drive for development</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>Lack of resources</li> <li>Lack of marketing experience           <ul style="list-style-type: none"> <li>→ how to communicate the idea?</li> </ul> </li> <li>Yet a narrow network of useful contacts and business partners</li> </ul>
	<b>External</b>	<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Lack of a centralized cross-checking database in the market</li> <li>Lack of a instant loan-specific credit prohibition           <ul style="list-style-type: none"> <li>→ means to avoid abuse</li> </ul> </li> <li>Ethical code of conduct a good driver to adopt Tentabase</li> <li>Political pressure for a decent credit granting practice</li> </ul>

**Figure 5 - SWOT-analysis**

## 7 Marketing Efforts

In business markets the key factors of success are sales force, price and reputation for reliability and quality (Kotler & Keller 2006, 11). Tentacle Networks Oy has not heavily concentrated on marketing their products and services, as the main marketing channel this far has been their website ([www.tentacle.fi](http://www.tentacle.fi)). However, word-of-mouth has also played a significant role in acquiring new customers: both consumer and business customers. Yet a narrow business customer base has been acquired solely by word-of-mouth marketing, as has a major part of consumer customers as well. As the internet is their playground, opportunities provided by it should be exploited.

This far Tentacle Networks Oy has been pleased with the way marketing has been arranged: it has not been arranged. However, as Tentacle Networks Oy has discovered a need they have a

solution for, they have come to realize that marketing is the key for motivating potential customers to buy their service. (Kamila & Mallat 2008)

## 8 Marketing Objectives & Goals

“An objective is an overall goal” (Cohen 2006, 6) Marketing objectives and goals demonstrate a clear vision of what is intended to achieve with this plan. For clarity, objectives and goals are defined in separate sections, as objectives are general and cannot be quantified, while goals are measurable. (Cohen 2006, 6) It is obvious that marketing is not a short-term selling-effort but rather a long-term investment-effort (Kotler 2003, Introduction XII), and Tentacle Networks Oy has come to realize the importance of marketing to growth of their business and hence profits.

### 8.1 Marketing Objectives

Tentacle Networks Oy has a strong desire to positively contribute in a decent credit granting practise by offering a solution such as Tentabase for instant loan creditors. Kamila and Mallat suggest that the more instant loan creditors adopt Tentabase, the less abuse of instant loans will occur. They believe this will lead to number of payment defaults decreasing, since the ultimate purpose of Tentabase is to offer instant loan creditors a tool to decrease or even avoid credit losses by providing them with up-to-date information about their applicants' level of activity regarding instant loans. (Kamila & Mallat 2008)

Establishing a stable market position and communicating an image of a trustworthy business solution partner is essential for growth and development of both Tentacle Networks Oy as a company and their intended flagship Tentabase. This requires establishing a loyal customer base and raising awareness of the advantages Tentabase has for its users among instant loan creditors. Kamila and Mallat believe the positive financial effect Tentabase is expected to have on its users will assure any doubts they may have regarding for example the data transfer principle introduced in section 3.1 Tentabase. (Kamila & Mallat 2008)

As an exactly similar type of service is currently not available, Tentacle Networks Oy wants to set the bar for debtor solvency solutions regarding cross-checking services. Instead of settling for benchmarking, Tentacle Networks Oy wants to *be* the benchmark in providing debtor solvency solutions. It is highly expected that the basic idea will be duplicated by another player in the field and therefore Tentacle Networks Oy aims to remain the trend-setter. (Kamila & Mallat 2008)

## 8.2 Marketing Goals

As brutal as it sounds, it is a fact in any business that the ultimate goal is to make profit, since an unprofitable business is usually a business declared bankrupt. During the launch of the service, Tentacle Networks Oy aims to reach Suomen pienlainayhdistys ry consortium and close a deal with as many as possible, ideally with all of the member companies. A secondary goal is to attract instant loan creditors outside the consortium to follow the example and adopt Tentabase as a tool to promote decent credit granting practise. (Kamila & Mallat 2008)

Tentacle Networks Oy aims to establish a strong brand that communicates the overall value of the company to the potential customers (Kamila & Mallat 2008). Branding may be considered a goal as well as a strategy, and is discussed in detail in section 9.2 Branding.

## 8.3 The Goals Grid

Figure 6 demonstrates the goals and objectives in a wider perspective. Framework used for the figure is Fred Nickols' goals grid introduced in his article "The Goals Grid: A Tool for Clarifying Goals & Objectives" (Nickols 2009).



Figure 6 - The Goals Grid

## 9 Marketing Strategy

Defining marketing strategy begins with identifying the key driver for new service development: growth. Ansoff's matrix provides a simple but effective framework for defining the approach to strategy. (Marketing teacher 2009) Figure 7 demonstrates Ansoff's matrix and indicates the selection for Tentabase growth strategy.

<b>Product</b>		
<b>Market</b>	<b>Present</b>	<b>New</b>
<b>Present</b>	Market penetration	Product development
<b>New</b>	Market development	Diversification

Figure 7 - Ansoff's Matrix

Ansoff's matrix indicates two types of diversification: related and unrelated. Related diversification means we remain in an industry familiar to us, whereas unrelated means moving onto a business one has no previous experience in (Marketing teacher 2009).

### 9.1 Diversification

The approach for Tentabase could be described as a combination of both related and unrelated diversification, since this type of a database is a new product for Tentacle Networks Oy and the target market is a market place they have not marketed their services to before. Even though they are familiar with the IT-industry and challenges of operating the database, controlling a credit information database is a new area of business. Cohen (2006, 5) describes the basic concept of a strategy to lie in concentrating scarce resources at the decisive point. Currently all resources Tentacle Networks Oy has could be described as scarce, and they are determined to invest them in this particular project to promote growth and development of the company.

Diversification strategy does not come without disadvantages. It is the strategy least used and most risky, as the risk of failure is noticeable since both the product and the market are new. Larger companies also have an advantage over Tentacle Networks Oy in means of economies of scale and experience curve. (eNotes 2009) Despite the seemingly high risk, Kamila and Malat think the opportunities exceed the potential risks. Another aspect in favour of taking a conscious risk is the fact that financial resources invested in establishing the database are nonexistent.

## 9.2 Branding

”Great brands are the only route to sustained above-average profitability” (Kotler 2003, 10). Even though in recessionary times price loyalty is determined to be greater than brand loyalty (Kotler 2003, 13), Tentacle Networks Oy considers successful branding of their name and the product an efficient strategic approach to gain recognition in the market place. Especially in consumer markets a strong brand is an essential element in order to avoid customer retention (Kotler & Keller 2006, 11). However, the company itself or the product cannot just be declared as a brand, since brand is ultimately defined by the customer, and since brand does not equal brand recognition (Kotler 2003, 9). The level of success in penetrating the market and performance level of the actual product will ultimately define how well the intended brand will establish itself.

In branding efforts the following criteria should be met:

- A brand should be given personality in order to present emotional benefits over rational benefits
- Brand attributes should be defined and expressed in every marketing activity
- Brand should be built on corporate values
- Brand value proposition should be the key driver in strategy, operations, services and product development

(Kotler 2003, 10-14)

## 9.3 Positioning

Kotler (2003, 137) quotes Fred Crawford and Ryan Mathews who describe various attributes to examine positioning, such as product, price, ease of access, added value and customer experience. Crawford and Mathews suggest that a successful company should be able to dominate the market in one, perform above average (differentiate) in one and be an industry par

in the rest; some highly ambitious goals. Tentabase would definitely be for added value to its users and this is the gap intended to use in the positioning game, as well as the ease of access since Tentabase user interface will be customized according to customer requirements. Kamila and Mallat also hope that their readiness to serve their customers also after office hours and the overall casual social environment inside the customers would contribute in a positive customer experience. (Kamila & Mallat 2008)

Another approach to positioning, value disciplines, is introduced by Michael Treacy and Fred Wiersema. The three disciplines include product leadership, operational excellence and customer intimacy, and Treacy and Wiersema suggest a company should choose one to act upon. Choosing one, however, does not exclude the remaining two. Product leadership calls out for strong innovation and brand marketing, and focuses on high margins in a short time frame. Operational excellence means performing operations on a high level and providing quality for a reasonably low price, and focuses on efficiency and volume. Customer intimacy regards to excellent customer attention and service. (Treacy & Wiersema 1997)

Which ever approach to positioning any product or service is chosen, it is important to remember that a product must always be designed with an intended positioning mind (Kotler 2003, 136) and that what is sold is not a product, but an experience (Kotler 2003, 141).

#### 9.4 Vision and Mission Statement

As a part of strategy formulation it is equally important to define both mission and vision statement, since an organizational mission is its reason to exist and the vision is the foundation for the mission statement (eNotes 2009). Tentacle Networks Oy vision, mission statement and slogan are formulated based on the prevailing company environment, as well as future goals and ambitions. They might not be of a traditional kind, but one has to remember that Tentacle Networks Oy does not want to be a mediocre company with mediocre corporate philosophy, but to stand out from the mass of faceless companies.

##### 9.4.1 Vision

With its vision Tentacle Networks Oy aims to communicate an image of a trustworthy business partner who is concerned over the threat of ecological turbulence such as global warming:

“The desire of Tentacle Networks Oy is to be your trustworthy partner in efficient IT-solutions to promote sustainable development of your operations. Key driver for us is to minimize the ecological footprint we leave in all our operations. Wouldn't you like to pitch in? ”

#### 9.4.2 Mission Statement

The mission statement refers to the vision and is short and conscious, yet humorous to communicate the prevailing social environment of the company:

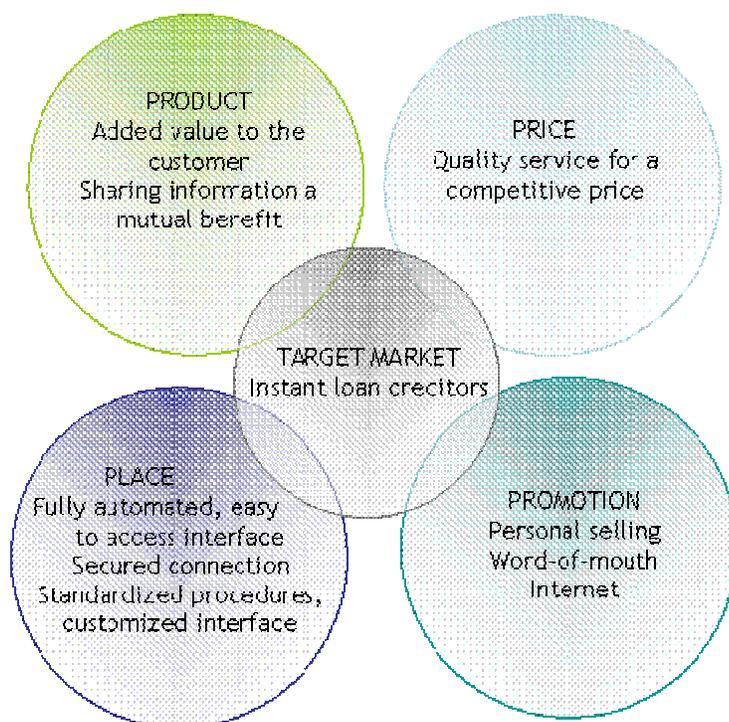
“Your paravirtual partner in sustainable IT-solutions”

#### 9.4.3 Slogan

The slogan “Paravirtual Activity” is based on the mission statement, which for its part refers to the vision. The primary purpose of the slogan is to draw positive attention and arouse curiosity towards the company.

### 10 Marketing Tactics

This section describes in detail what actions are to be taken to execute the strategy. Marketing tactics consists of variables that can be easily manipulated and controlled, and manipulating marketplace environs. (Cohen 2006, 54) Marketing mix is a description of tactical elements of the marketing plan (Marketing Teacher 2009. Marketing mix) and provides a structured frame work for defining actions to execute strategy. Figure 8 demonstrates the key components of Tentabase in each category.



**Figure 8 - Marketing mix**

### 10.1 Product

Product is an easily manipulative variable in the marketing mix. It can be handled in three different ways: it can be introduced to the market, altered, and withdrawn from the market. (Cohen 2006, 54)

As Tentabase is a new product to Tentacle Networks Oy, introduced to a new market, the outcome of the penetration is uncertain. However, assumptions can be drawn when examining the prevailing situation in relation to problem-solution-process. The fact that currently no centralized database such as Tentabase is provided by any other service provider supports the assumption of a positive outcome of the market penetration. In relation to branding, it is possible that the product will brand itself by being the first such service in the selected market. It is obvious that Tentabase provides a solution to the problem of applicants having multiple open or overdue loans from several instant loan providers without them knowing, but the question is whether the target market realizes the need. Optimal situation is that by providing a service such as Tentabase, Tentacle Networks Oy creates the need to the market place. In other words, Tentacle Networks Oy succeeds in manipulating the marketplace environs relative to social, legal and political situation.

Currently “Tentabase” is only a working name which the project runs under, but may be considered a strong candidate for the final name of the product. Customers should be able to recognise the function of the product from the name and associate it with the company (Hiebing & Cooper 2003, 220). “Tentabase” is short, simple, and provides information of both the company and the function. The company logo (Figure 9) associates with the product and directly with the company name and is easily recognizable.



**Figure 9- Tentacle Networks Oy logo**

The value, which Tentabase provides to the customer, is measurable in number and amount of credit losses of the instant loan creditors. Kamila and Mallat do not want to determine an accurate number; it will be ultimately defined by the creditors who actually adopt the system and use the information provided as a precaution with incoherent applicants. Kamila and Mallat still cautiously assess their belief that “the decrease of credit losses should be, if not massive, at least significant”. (Kamila and Mallat 2008)

Kamila and Mallat are convinced that the sharing of information to be used for the benefit of other instant loan creditors will raise questions among the potential clients. However, they also believe that this will not create an obstacle and jeopardise the entire operational principle of Tentabase, since the potential clients themselves will also benefit from the information shared by others. Kamila and Mallat want to emphasize that the information shared is for a mutual benefit of the creditors and the applicants. Added value in terms of credit losses and mutual benefit are the most important product attributes from customer point of view and are to be emphasized in all marketing communication.

## 10.2 Price

Pricing plays an important role in introducing a new product to the market place. Greg Balanko-Dickson (2007, 95) suggest that not having a well-defined pricing strategy is an essential element in killing a marketing campaign. Price creates an image of product quality; low price often communicates an image of poor quality, while high price acts as an indicator of

superior quality. Pricing tactics used for new product introduction are penetration pricing, meet-the-competition pricing and skimming. (Cohen 2006, 55-57)

Pricing tactic used for marketing Tentabase will be meet-the-competition pricing. The basic idea is that customers will be invoiced monthly according to the number of inquiries, and no monthly fees or other additional costs are charged. For example Suomen Asiakastieto Oy has defined an inquiry-based fee for personal data inquiries (Suomen Asiakastieto 2009).

Tentacle Networks Oy aims to price their service lower than Suomen Asiakastieto Oy, since Tentabase does not offer as many features as service provided by Suomen Asiakastieto Oy, but not too low in order to avoid communicating an image of poor quality. Image is an important factor in all marketing communication; therefore the price charged for Tentabase-inquiry is not called reasonable but *competitive*. In relation to profitability the price charged for an inquiry is not currently too high of an importance since operating costs for the database are restricted to electricity consumption but Tentacle Networks Oy has to think ahead for future investment in equipment and human resources. Kamila and Mallat do not want to make the mistake of pricing Tentabase out of the market by charging a price too high, yet the price should be for an actual benefit for the company as well. Actual price for the service is demonstrated further on in section 11 Financial calculations.

### 10.3 Place

“Place” in the marketing mix refers to distribution channels. The more players there are in the distribution chain, the lower the profit will be (Cohen 2006, 557). The operational principle is ideal for Tentabase since it contains no additional distributors between the database and the customer. As the connection between Tentabase and customer database is established, the data is transferred automatically and requires no manual work. Data transfer uses a secured connection, SSL (Secure Sockets Layer), to ensure safe data exchange. (Kamila & Mallat 2008)

The prevailing trends in the industry seem to lean increasingly on automated procedures, effortless accessibility and real-time operations and information exchange. Procedures, which Tentabase conducts, are standardized and consist of cross-check and credit prohibition-check. The interface is easy to access for the customer since it will be customized according to customer database requirements. Since the interface connection is establishing according to customer database requirements, manual work is needed. As Kamila and Mallat strongly agree that the service concept will eventually be duplicated, they want to remain one step ahead; whatever they do, they want to do better than the competitor. They believe that the key to success for Tentabase is not only the value it provides to the potential customers in

terms of credit loss, but also customized data transfer solution and individual service. Customizing the interface to fit the customer perfectly communicates the image of very intimate and customer-oriented service. (Kamila & Mallat 2008)

#### 10.4 Promotion

Promotion concludes the actual means used to sell Tentabase for instant loan creditors, and consists of description of personal selling, web marketing and word-of-mouth. As marketing efforts have not knowingly been done to promote any services Tentacle Networks Oy provides, this section has a rather large emphasis, since it communicates how the strategy to reach objectives and goals is transferred into an action plan.

##### 10.4.1 Word of Mouth

Word of mouth has been this far an effective marketing channel for Tentacle Networks Oy contributing in nearly all of the current customer relationships. Therefore it is highly probable that Tentabase will gain some recognition through word of mouth marketing as well. However, trying to sell a large scale operation such as Tentabase, word of mouth cannot be relied on as the sole marketing channel, and therefore other actions are to be taken. Word of mouth marketing is an effective to a certain extent, and any recognition through word of mouth is better than nothing.

##### 10.4.2 Web Marketing

Internet marketing through the website [www.tentacle.fi](http://www.tentacle.fi) is basically the only hint of a marketing effort ever conducted by Tentacle Networks Oy. The graphics and layout on the current website are designed by Pyry Ahlfors from Tentacle Networks Oy, and look rather professional and attractive, but the content needs updating. Ahlfors has decided to update both the layout and the contents in the near future, and this is a great opportunity to improve the informative value of the website. (Kamila & Mallat 2008)

The website will have a more comprehensive "About"-section of the company, including information that is useful and interesting to potential customers and investors. Currently the "About"-section provides a short description mainly of the services, but very little information of what Tentacle Networks Oy actually is. Tentacle Networks Oy has a short but colourful history and a brief overview of the history, and current situation would give the visitor some idea of what the company really is; a professional and innovative, yet a laid-back IT-player.

The “About”-section will consist of following components:

- A brief overview of what Tentacle Networks Oy is; what they offer, and how they function
- A brief overview of recent development in the company
- A brief overview of the current situation
- A brief overview of history; how they got started, and what inspired them to “go official”
- Vision and mission statement to communicate company goals and values
- short introduction of each founding member to give the company “a face” in order to establish a more personal connection between the visitor and the company

An eNewsletter will be sent on a regular basis to all customers, both business and consumer. The newsletter will be sent through e-mail, and after receiving each newsletter the customer will have an alternative not to receive newsletters in the future. Newsletters will also be available in the Tentacle Networks Oy website simultaneously with the e-mails sent to customers. The purpose of the newsletter is simply to keep the customers updated on recent events and solutions Tentacle Networks Oy provides; it should act as a reminder that the company exists and is ready and willing to communicate with the customer on any given matter related to the company-customer-relationship.

ExtraNet is a feature Tentacle Networks Oy does not currently provide. However, as soon as Tentabase is launched, an ExtraNet will be provided to Tentabase customers who will receive their user name and password to the ExtraNet when forming a contract to use Tentabase-services. ExtraNet will provide general information about recent development and updates on the database and general usage statistics. Service requests and questions sent through the ExtraNet will be processed as number one priority to maintain a quick and efficient service level for high priority customers. The customers will also be able to monitor their usage activity (and hence the cost) of Tentabase through ExtraNet, as it will provide the customers statistical information of the number and status (reply from Tentabase) of inquiries in real-time. The customers will also be able to upload monthly usage activity - statistics from ExtraNet, as well as edit their personal company information.

#### 10.4.3 Personal Selling

Personal selling involves a personal approach to all operations and serves as a direct link between the company and the target market (Hiebing & Cooper 2003, 255). Relative to Tentacle

Networks Oy and Tentabase in particular, personal selling is the most effective way to raise awareness of the product.

Personal selling plays a key role in raising awareness of the existence of Tentabase. As the primary target market is defined to be Suomen Pienlainayhdistys ry, primary attention and sales efforts will be directed towards the consortium. In an optimal situation Tentacle Networks Oy succeeds in setting up a meeting with the decision makers to present the service concept by introducing the operational principle and opportunities that lie within to the instant loan creditors. By selling the idea to the decision makers, Tentacle Networks Oy would pave the way for not only one but seven separate deals, and lower the bar for instant loan creditors outside the consortium to adopt the service as well.

Marketing material will be prepared to serve as support material for the potential customers. The material will consist of an accurate description of the operational principle, benefits the database holds for the customer, prices and a description of how the customer interface will be established. A version introducing the idea on a general level will be available at Tentacle Networks Oy website.

## 11 Financial Projections

No matter how small or large a company is, the number one driver of the business should be growth and hence increasing margins and final profits. Tentacle Networks Oy makes no exception, as their desire and future goal is to gradually increase capacity, enlarge product/service range and gain market recognition and hence market share; all this in the hunt of larger profits and a possibility that one day Tentacle Networks Oy employs all three founding members full-time. Tentabase is expected to be the service bringing in the largest positive cash flow, and to act as a base for future development and investment.

This section covers basic financial calculations to measure and predict the financial influence Tentabase would add to the overall result of Tentacle Networks Oy. As Tentacle Networks Oy is largely dependant on the opportunities Tentabase provides, this section has a rather large emphasis.

### 11.1 Breakeven Point

Breakeven point (critical point) is calculated by calculating fixed costs and variable costs and dividing the sum by unit price to define how many units have to be sold to break even (Wafin 2007).

The following examples define the breakeven point for Tentabase for two separate scenarios. Scenario one defines the breakeven point for current situation when Tentacle Networks Oy does not employ either one of its members and salaries or dividends are not collected. Scenario two defines the breakeven point for the optimal situation when Tentacle Networks Oy employs all three founding members full-time and salaries are collected. Although Tentacle Networks Oy provides other services in addition to Tentabase, these other services are excluded from these projections in order to demonstrate solely the effect of Tentabase, assuming it as the primary activity and other services as being supporting activities, as accurately as possible.

Pricing the inquiry transaction is based on Suomen Asiakastieto Oy pricing method per transaction: they have priced their inquiry for personal data at 1,30€ per inquiry. (Suomen Asiakastieto Oy 2009) Tentacle Networks Oy has decided to use 0,30€ + VAT (total of 0,37€) as a price for an inquiry. This is seemingly lower than the price Suomen Asiakastieto Oy charges but on the other hand, Tentabase inquiry covers less data and of a different nature than Suomen Asiakastieto Oy inquiry.

Following examples demonstrate the breakeven point on a monthly basis. Fixed costs consist of hardware upkeep and manpower. The upkeep of Tentabase would amount to approximately 150€ in all hardware upkeep, and costs for manpower are calculated using 3500€ as a monthly salary for all three founding members. Variable costs for Tentabase are non-existent since the number of transactions does not have an impact on the upkeep or manpower needed. The following calculations do not include any additional costs such as marketing costs, since the meaning is to only measure the impact of the actual operations; it simply demonstrates the minimum need of transactions to break even. Additional costs are however included in the cash flow statement demonstrated in Appendix 9.

*Breakeven point - Scenario 1*

<u>Fixed costs</u>	
Hardware upkeep	150,00 €
Manpower	0,00 €
Price / inquiry	0,30 €
Breakeven point	<b>500</b> inquiries

*Breakeven point - Scenario 2*

<u>Fixed costs</u>	
Hardware upkeep	150,00 €
Manpower	10 500,00 €
Price / inquiry	0,30 €
Breakeven point	<b>35 500</b> inquiries

**Table 1 - Breakeven point: number of inquiries**

Example one indicates that when no salaries and dividends are collected, the number of inquiries needed to break even is 500. Example two indicates the situation when all three members would be employed by the company full-time savouring a reasonable personal income.

In reference to the breakeven point calculations, following interpretations can be drawn to determine how many instant loan creditors should adopt Tentabase in order to Tentacle Networks Oy meet their financial goals.

As stated earlier in section 1 Introduction, approximately one million instant loans are granted yearly. 1 000 000 instant loans is used as a basis for calculating the number of instant loans granted on a monthly basis, and the 48 instant loan creditors introduced in this thesis as a basis for the number of instant loan creditors, since they serve as the primary and secondary target market. This calculation assumes the number of instant loans granted is evenly distributed between the 48 creditors to be able to calculate the number of inquiries placed in

the database on a monthly basis. In this calculation one instant loan granted equals one inquiry.

This calculation demonstrates the two scenarios introduced in Table 1 - Breakeven point. When no salaries and dividends are collected, the number of inquiries needed to break even is 500, and when all three members are employed full-time by the company, the number of inquiries needed is 35 500.

Instant loans granted yearly	1 000 000	
Instant loans granted monthly	83 333	
Number of instant loan creditors	48	
Instant loans granted monthly / creditor	1 736	
<i>Breakeven point</i>		
		500 inquiries
Number of customers needed to break even		1 instant loan creditors
Inquiries	1 736	0,30 € per inquiry
Profit after expenses		370,83 €
<i>Breakeven point</i>		
		35 500 inquiries
Number of customers needed to break even		21 instant loan creditors
Inquiries	36 458	0,30 € per inquiry
Profit after expenses		287,50 €

**Table 2 - Breakeven point: number of customer accounts**

The calculation clearly demonstrates the number of instant loan creditors needed to adopt Tentabase in order for Tentacle Networks Oy to break even in both scenarios. Engaging only Suomen Pienlainayhdistys ry (seven individual instant loan creditors) in Tentabase would yield in following results:

<i>Scenario 1</i>		
Number of instant loan creditors	7	
Instant loans granted monthly	12153	0,30 € per inquiry
Profit after expenses		3 495,83 €
<i>Scenario 2</i>		
Number of instant loan creditors	7	
Instant loans granted monthly	2596	0,30 € per inquiry
Profit after expenses		-7 004,17 €

**Table 3 - Profitability calculation**

The calculation indicates that engaging only Suomen Pienlainayhdistys ry would yield a positive result in first scenario, but would not be sufficient enough to employ all three members of Tentacle Networks Oy full-time. This enforces the assessment of Tentacle Networks Oy needing to be growth -driven and concentrate in volume in relation to Tentabase, in order to eventually employ all three founding members.

## 11.2 Optimal Profitability

As operating Tentabase holds no variable costs, calculating optimal profitability is fairly simple. Optimal profitability indicates the level of utilized capacity to gain maximum profit. (Wafin 2007)

The following calculation describes optimal profitability on a monthly basis using figures introduced in section 11.1 Breakeven point as indicators. The optimal profitability is introduced using three different scenarios; one member, two members and three members fully employed and collecting salary. The reason for using three different scenarios is simple; Kamila and Mallat assume that one person can only handle so much. Therefore N/A in the calculation stands for the fact that one person can only handle a certain amount of clients. When the limit is exceeded, it is necessary for another person to step in for assistance.

Number of customers	Total number of inquiries	Profit before expenses	Fixed costs					
			1 person employed	Profit after expenses	2 persons employed	Profit after expenses	3 persons employed	Profit after expenses
16	27 778	8 333,33 €	3 650,00 €	4 683,33 €	7 150,00 €	1 183,33 €	10 650,00 €	-2 316,67 €
23	39 931	11 979,17 €	N/A	N/A	7 150,00 €	4 829,17 €	10 650,00 €	1 329,17 €
32	55 556	16 666,67 €	N/A	N/A	7 150,00 €	9 516,67 €	10 650,00 €	6 016,67 €
39	67 708	20 312,50 €	N/A	N/A	N/A	N/A	10 650,00 €	9 662,50 €
48	83 333	25 000,00 €	N/A	N/A	N/A	N/A	10 650,00 €	14 350,00 €

**Table 4 - Optimal profitability**

The calculation assumes that one person can handle a maximum of 16 customer accounts (database maintenance, customer relations, and administrative tasks). The calculation indicates that 16 customer accounts would employ one member and yield in a profit of 4683,33€. If the number of customer accounts exceeds 16, one additional member should step in for assistance. However, considering increased costs in term of salary, seven more instant loan credi-

tors should adopt Tentabase in order for the profit to reach the same level as with 16 customer accounts.

A similar scenario occurs when the limit of 32 customer accounts is exceeded and a third member steps in; yet another seven more instant loan creditors are needed in order to retain the same profit level. A complete calculation is demonstrated in Appendix 10.

### 11.3 Capacity Utilization

Capacity utilization demonstrates the level of activity in a particular timeframe. (Wafin 2007) The following calculation demonstrates the capacity utilization on a monthly basis when number of customer accounts varies from 1 to 48 as demonstrated in Appendix 10. Capacity utilization is calculated using 48 customer accounts as an indicator of maximum capacity.

Number of customers	Capacity utilization	Number of customers	Capacity utilization
1	2,08 %	25	52,08 %
2	4,17 %	26	54,17 %
3	6,25 %	27	56,25 %
4	8,33 %	28	58,33 %
5	10,42 %	29	60,42 %
6	12,50 %	30	62,50 %
7	14,58 %	31	64,58 %
8	16,67 %	32	66,67 %
9	18,75 %	33	68,75 %
10	20,83 %	34	70,83 %
11	22,92 %	35	72,92 %
12	25,00 %	36	75,00 %
13	27,08 %	37	77,08 %
14	29,17 %	38	79,17 %
15	31,25 %	39	81,25 %
16	33,33 %	40	83,33 %
17	35,42 %	41	85,42 %
18	37,50 %	42	87,50 %
19	39,58 %	43	89,58 %
20	41,67 %	44	91,67 %
21	43,75 %	45	93,75 %
22	45,83 %	46	95,83 %
23	47,92 %	47	97,92 %
24	50,00 %	48	100,00 %

**Table 5 - Capacity utilization**

#### 11.4 Cash Flow

The cash flow budget is demonstrated in Appendix 9 for two different scenarios: scenario 1 demonstrates the *optimal* situation that could occur, and scenario 2 demonstrates a more *realistic* situation, which Kamila and Mallat believe is more likely to occur. The cash flow budget only indicates what might happen relative to Tentabase; all other operations Tentacle Networks Oy has are excluded in order to measure the effect of Tentabase alone on the cash flow.

Sales figures, as well as salaries are retrieved from Appendix 10 Optimal profitability. All figures are estimates, since for example TEL-payments and insurance payments vary each year, salary expenses cannot be calculated accurately. Therefore salary expenses are calculated by adding 35% on top of the actual salary. Other operating costs cover expenses such as unexpected hardware maintenance costs.

Marketing costs are divided in two sections; marketing materials and other marketing costs. Marketing materials cover physical marketing material and other marketing costs cover expenses such as hosting prospects in presentations. Apart from other figures in the budget, marketing costs are accurate numbers calculated by the export manager of Upc Consulting Ltd, Helena Porko. Specifications used to calculate the offer are demonstrated in Table 6.

Quantity	100pcs	Expenses	
Brochure	4-page A4	Sheet metal and establishment	200 €
Paper	150g art gloss	Paper	20 €
Colors	4+4	Printing	5 €
Printed with offset sheet printer		Folding & cutting	60 €

**Table 6 - Marketing material costs**

The two calculations differ from each other largely by liquid assets invested in new hardware, and by salaries collected. In scenario 1 (optimal situation) the growing number of clients would require some hardware updating. In scenario 2 the number of clients is not high enough for new equipment to be needed. Scenario 2 also indicates that for the first two months, work is to be done as it has been this far; as a personal non-profit effort. During the first two months, Tentacle Networks Oy will not employ any of its members full-time and therefore salaries will not be collected.

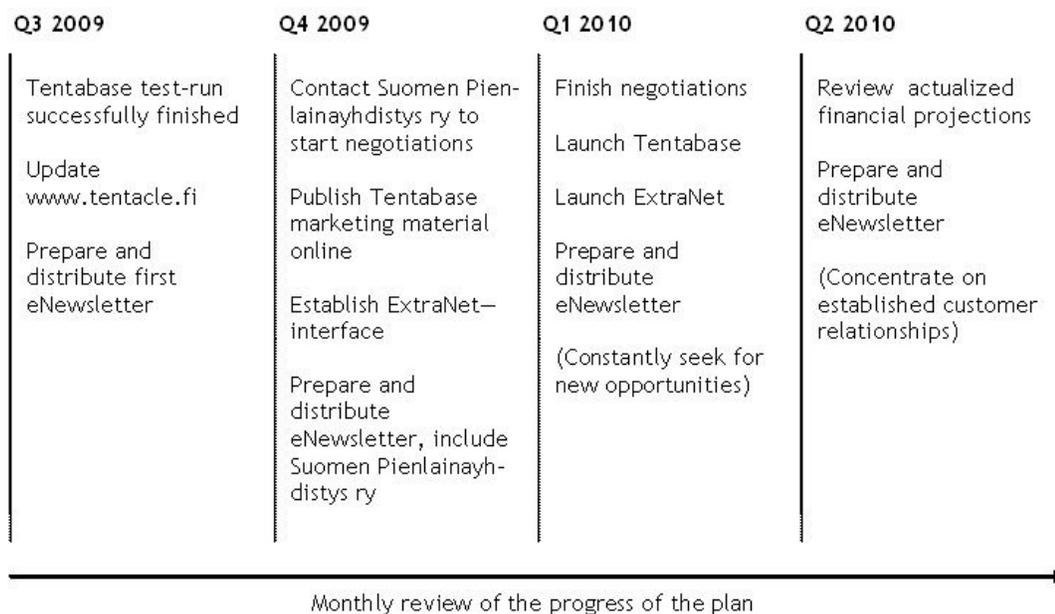
Both calculations demonstrate a situation where some months may produce a negative cash flow. However, the overall result for the year is expected to be positive.

## 12 Implementation

This plan will be implemented as soon as the Tentabase is fully established and successfully test-run in an internal environment. Kamila and Mallat are optimistic that the database and the test-run will be finished by the end of the third quarter of the financial year of 2009, and the marketing plan can be put into action.

During the third quarter of the financial year of 2009, simultaneously with test-running the database in an internal environment, the website will be updated and the first eNewsletter prepared and distributed to all consumer and business customers. After a successful test-run in the fourth quarter, situation will be favourable for contacting the primary target group, Suomen Pienlainayhdistys ry, to raise awareness of Tentabase and prepare potential negotiations. ExtraNet will be established and launched as soon as the first deal is closed.

Kamila and Mallat hope negotiations will be finished during the first quarter of 2010, this is however expected to happen during the latter part of the quarter rather than during the beginning. If the negotiations succeed as planned, actualized financial projections in terms of number of negotiated deals, usage activity and cash flow will be reviewed during second quarter of 2010. A monthly meeting will be held in order to review the plan and the progress of the plan. Figure 10 demonstrates a planned time span for launching the product and implementing the plan.



**Figure 10 - Implementation time span**

### 13 Summary

This marketing plan and overall thesis was conducted to assist and guide Tentacle Networks Oy in decision making relative to marketing and the overall process of establishing and launching the Tentabase-service for instant loan providers. The report was divided into different sections in order to clearly communicate essential parts of the thesis to both average reader and the company itself. In order for an average reader to understand the underlying idea behind the company and the idea, an accurate description of both case company and service concept as well as what triggered the idea for a service concept, were introduced at the very beginning of this report. The actual marketing plan section is also very descriptive and informative in order for the founding members of Tentacle Networks Oy to understand the basic concepts behind marketing; after all we are dealing with a group of IT-professionals with very little experience about marketing.

The potential the service idea introduced in this thesis holds is enormous but the problem lied in, not establishment and execution, but in communicating the idea to the prospects to actually sell the idea to gain profitable advantage. This marketing plan will assist Tentacle Networks Oy in communicating the idea to the great audience in order to establish a vaster network of business partners and capitalize on the idea in their efforts in order to contribute to the growth of the company.

It is expected that utilizing and implementing factors introduced in this report will result in gaining competitive advantage over potential competitors. Tentacle Networks Oy will be the first company to introduce a service concept that is directly and solely targeted towards assisting instant loan creditors in their decision making process. It is evident that once Tentacle is launched, the idea will be duplicated. By following the guidelines and goals clarified in this thesis Tentacle Networks Oy will be able to avoid obvious mistakes otherwise omitted in their sales efforts.

With the assistance of this plan Tentacle Networks Oy should be able to, not only establish the database, but implement their strategy clarified in this thesis. As IT-professionals with very little marketing experience, this plan will serve as a clearly stated instructions manual to assist the company every step of the way, as well as provider of information concerning financial projections and the prevailing market situation within a specific time span. When fully exploited, this plan should yield in increased competitive advantage over the chosen market and hence contribute in the overall growth of Tentacle Networks Oy.

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## Appendix 1 - Instant loan creditors

Creditor	Application means	Additional info	Web pages
Ainalaina	phone number - social security number - compatibility	Loans applicable only to personal bank account	www.ainalaina.fi
Amex	phone number - social security number - compatibility		www.amex.fi
Bonuslaina	phone number - social security number - compatibility		www.bonuslaina.fi
Credit24	Internet application internet bank identification	Loans applicable only to personal bank account	www.credit24.fi
Dr Credit	phone number - social security number - compatibility		www.drcredit.fi
Easy Credit	phone number - social security number - compatibility	Loans applicable only to personal bank account	www.easycredit.fi
Easylaina	phone number - social security number - compatibility		www.easylaina.fi
Euroraha	phone number - social security number - compatibility		www.euroraha.fi
Ferratum	phone number - social security number - compatibility		www.ferratum.fi
Folkia	phone number - social security number - compatibility	Loans applicable only to personal bank account	www.folkia.fi
Get Capital	phone number - social security number - compatibility		www.getcapital.fi
Gsm-laina	phone number - social security number - compatibility		www.gsmlaina.fi
Hansalaina	phone number - social security number - compatibility		www.hansalaina.fi
Herttavippi	Internet application internet bank identification	First application through internet bank	www.herttavippi.fi
Lainahana	phone number - social security number - compatibility		www.lainahana.fi
Lainatalo	phone number - social security number - compatibility		www.lainatalo.fi
Massia	Internet application internet bank identification	Loans applicable only to personal bank account	www.massia.fi
Minilaina	phone number - social security number - compatibility		www.minilaina.fi
Monetti	Internet application internet bank identification	First application through internet bank Loans applicable only to personal bank account	www.monetti.fi
Novavippi	phone number - social security number - compatibility		www.novavippi.fi
OKMoney	phone number - social security number - compatibility		www.okmoney.fi
Onnilaina	Internet application internet bank identification	First application through internet bank Loans applicable only to personal bank account	www.onnilaina.fi
Osuusluotto	phone number - social security number - compatibility		www.osuusluotto.fi
Pienluotto	phone number - social security number - compatibility	Loans applicable only to personal bank account	www.pienluotto.fi

## Appendix 1

Creditor	Application means	Additional info	Web pages
Pikatili	phone number - social security number - compatibility		<a href="http://www.pikatili.fi">www.pikatili.fi</a>
Pikavippi.fi	phone number - social security number - compatibility		<a href="http://www.pikavippi.fi">www.pikavippi.fi</a>
Privateloan	phone number - social security number - compatibility		<a href="http://www.ca.privateloan.fi">www.ca.privateloan.fi</a>
Rahatalo	phone number - social security number - compatibility		<a href="http://www.rahatalo.fi">www.rahatalo.fi</a>
Rahavippi	phone number - social security number - compatibility		<a href="http://www.netikka.net/rahavippi">www.netikka.net/rahavippi</a>
Rahax	phone number - social security number - compatibility		<a href="http://www.rahax.fi">www.rahax.fi</a>
Reiluvippi	phone number - social security number - compatibility		<a href="http://www.reiluvippi.fi">www.reiluvippi.fi</a>
Reissuluotto	phone number - social security number - compatibility		<a href="http://www.reissuluotto.fi">www.reissuluotto.fi</a>
Risicum	phone number - social security number - compatibility		<a href="http://www.risicum.fi">www.risicum.fi</a>
Satavippi	phone number - social security number - compatibility		<a href="http://www.satavippi.fi">www.satavippi.fi</a>
Suomivippi	phone number - social security number - compatibility		<a href="http://www.suomivippi.fi">www.suomivippi.fi</a>
Suoravippi	phone number - social security number - compatibility		<a href="http://www.suoravippi.fi">www.suoravippi.fi</a>
Tekstivippi	phone number - social security number - compatibility		<a href="http://www.tekstivippi.fi">www.tekstivippi.fi</a>
Televippi	phone number - social security number - compatibility		<a href="http://www.televippi.fi">www.televippi.fi</a>
Terrarahoitus	phone number - social security number - compatibility		<a href="http://www.terrarahoitus.fi">www.terrarahoitus.fi</a>
Viestilaina	phone number - social security number - compatibility	Loans applicable only to personal bank account	<a href="http://www.viestilaina.fi">www.viestilaina.fi</a>
Viestivippi	phone number - social security number - compatibility		<a href="http://www.viestivippi.fi">www.viestivippi.fi</a>
Vippaaja	phone number - social security number - compatibility	Loans applicable only to personal bank account	<a href="http://www.vippi.vippaaja.fi">www.vippi.vippaaja.fi</a>
Vippi.fi	phone number - social security number - compatibility		<a href="http://www.vippi.fi">www.vippi.fi</a>
Vippi24	phone number - social security number - compatibility		<a href="http://www.vippi24.fi">www.vippi24.fi</a>
Vippikone	phone number - social security number - compatibility	around the clock service	<a href="http://www.vippikone.fi">www.vippikone.fi</a>
Vippiluotto	phone number - social security number - compatibility		<a href="http://www.vippiluotto.fi">www.vippiluotto.fi</a>
Vippipankki	phone number - social security number - compatibility		<a href="http://www.vippipankki.fi">www.vippipankki.fi</a>
Öö-Laina	phone number - social security number - compatibility		<a href="http://www.17184.com">www.17184.com</a>

## Appendix 2 - Consumer customer services



## Paravirtual Activity

### Shell accounts

Shell accounts provide a traditional and extremely popular text-based remote access interface

Commonly used e.g. for IRC

- \* 100MB Disk space
- \* Remote access to kuori.tentacle.fi -server
- \* 1 Shell account
- \* Crontab - rights
- \* SSH/SCP/SFTP - rights to server
- \* Permission for three daemons (e.g. IRC)
- \* Secured data
- \* Opportunity to compile own programmes

Hosting included if necessary

### Tentacle Hosting

- \* 1000MB server / disk space
- \* PHP
- \* 1 Mysql - database
- \* 10 e-mail accounts (1G / domain)
- \* .com/.net/.org/.fi domain

### Virtual server

Virtual server is a modern solution to provide multiple network services for both individual- and corporate users

No more worries of electric bills or malfunction  
Tentacle Networks takes responsibility for the fluency of your operations

Delivery as quickly as during the date of order

Using the server to sell own services permitted

No ports from the server firewalled to ensure free traffic  
Pre- installed with a minimum set of software in order for you to install the software of your choice

Processes, files and server memory isolated from other customers on all virtual servers

Resource guarantee for processor time and memory

- \* 512MB memory
- \* 15GB secured disk space
- \* 512MB
- \* Public ip-address
- \* Root-administrator rights
- \* Secured electricity supply
- \* Optional distribution
- \* 100Mbit shared internet connection

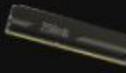
Distribution options

- \* Debian 4.0
- \* Gentoo 2008.0
- \* Centos 5.2
- \* Fedora Core 9 & 10
- \* Arch Linux 2007.08-2
- \* Slackware 12



**+ Storage space**

+5G server space for virtual server



**+ Additional memory**

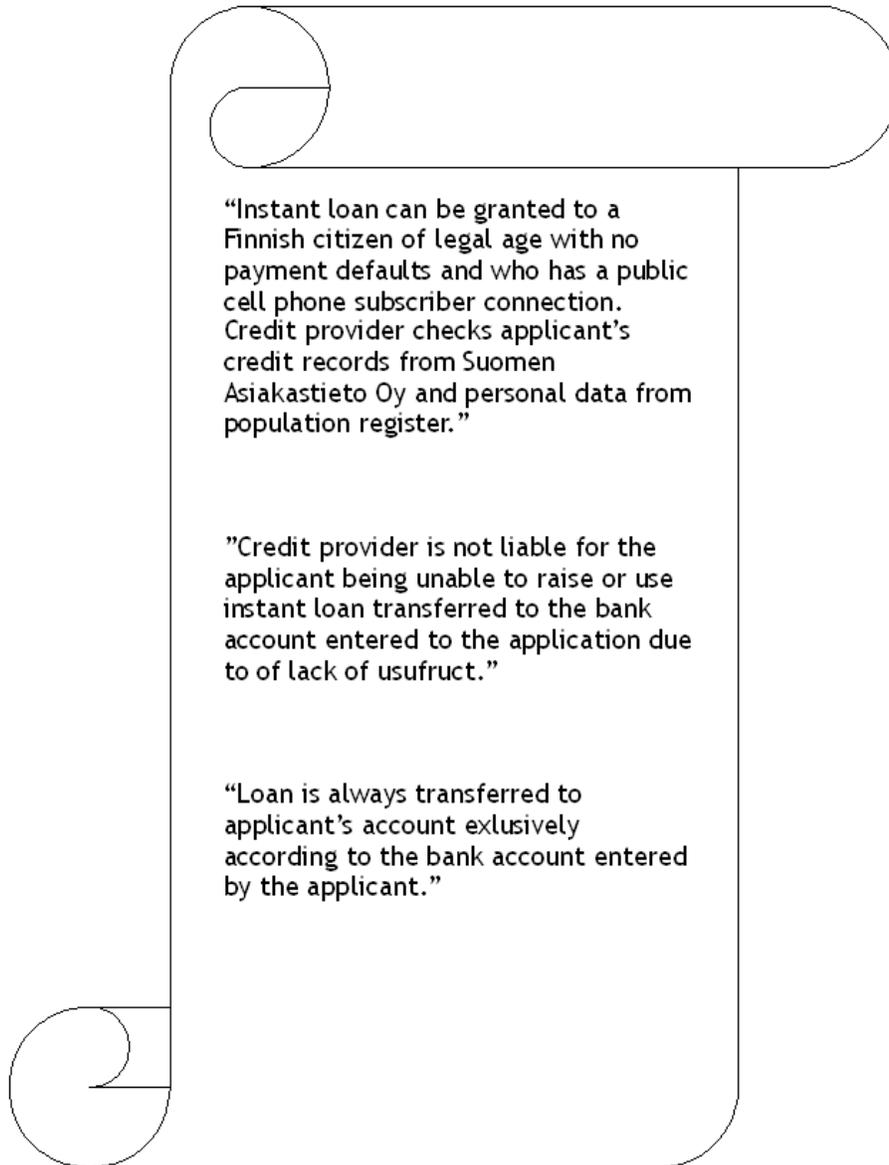
+256MB memory for virtual server

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Tentacle Networks Oy Sammonkatu 10B 00100 Helsinki 045-1206636 Fax:09-45400441 info@tentacle.fi  
Y-tunnus 2082935-0

## Appendix 3 - Loan terms

Quotations from **terms and conditions** published by all instant loan creditors



References to these quotations can be found in Appendix 1

## Appendix 4 - Suomen pienlainayhdistys ry



To develop respectable credit granting procedure and to answer to need of increasing knowledge of small-scale loans among consumers and different stakeholders

Desire to promote small-scale loan communities' operational preconditions

To promote societal relations and the overall appreciation of the industry

Member companies



Members and their personnel in charge are deemed impeccable, well established and reputable to ensure trust in small-scale loan operations

Contact information published in all marketing material and websites

Members follow the EU directives concerning money laundering

Members committed to follow the ethical code of contact

Members committed to verify that the applicant is of legal age and creditworthy

Applying for an instant loan from these companies easier and more reliable for consumers, as they are obligated to openly tell essential factor influencing granting the loan, such as the real yearly interest

New loan is not granted until an open loan is paid off

Loans are not usually granted between 12pm and 6am

## Appendix 5 - Article in Turun Sanomat

Hanne Yli-Parkas

Published 2nd May 2008 in Turun Sanomat

### **“All instant loan creditors do not use Asiakastieto Oy registry**

#### **SMS loan may be granted despite of self-declared credit prohibition**

A consumer annoyed over SMS loans set himself a self-declared credit prohibition, assuming the creditors would no longer be able to grant him loans.

Later he found out, that despite the prohibition a consumer can be granted high interest instant loans.

Consumer office has received lots of feedback from other surprised consumers as well. Suomen Asiakastieto Oy states on its website, that a self-declared credit prohibition can be set also when a consumer wants to restrict self-inflicted debt.

‘The practice with instant loans however is flimsy’ admits Mervi Pulli from Asiakastieto. ‘Consumers utilizing our service are contract customers. But all creditors have not made a contract with us and therefore will not get notification of the prohibition. For example some of the SMS creditors are our customers, some are not.’

Credit ratings collected by Asiakastieto are utilized by for example banks, financing- and insurance companies and mail-order companies, and they will receive the notification of self-declared credit prohibition. The problem are those parties who are not customers of Asiakastieto.

‘We cannot force anyone to use our services. Largest banks and credit card companies are quite extensively our customers, but there are so many SMS loan creditors’ Pulli says.

#### **Consumer Office supervises instant loan creditors**

‘Banks and financing companies are supervised by Rata (Financial Inspection). Instant loan creditors on the other hand are not supervised by Rata’ tells Rata publicist Niina Rantti. ‘Rata supervises credit institutions that collect the allocated money from the customers. This kind of practice requires a license from Rata. Instant loan creditors would be supervised by Rata if they financed their operations with funds collected from the consumers.’

According to current knowledge of Rata, instant loan creditors do not use funds collected from the consumers to finance their operations.

Rantti knows that at least one bill concerning the matter has been made to change the supervision system in a way that would bring instant loan creditors under supervision of Rata. For the time being instant loan creditors are supervised by Consumer Office.

**Credit prohibition only restricts abuse**

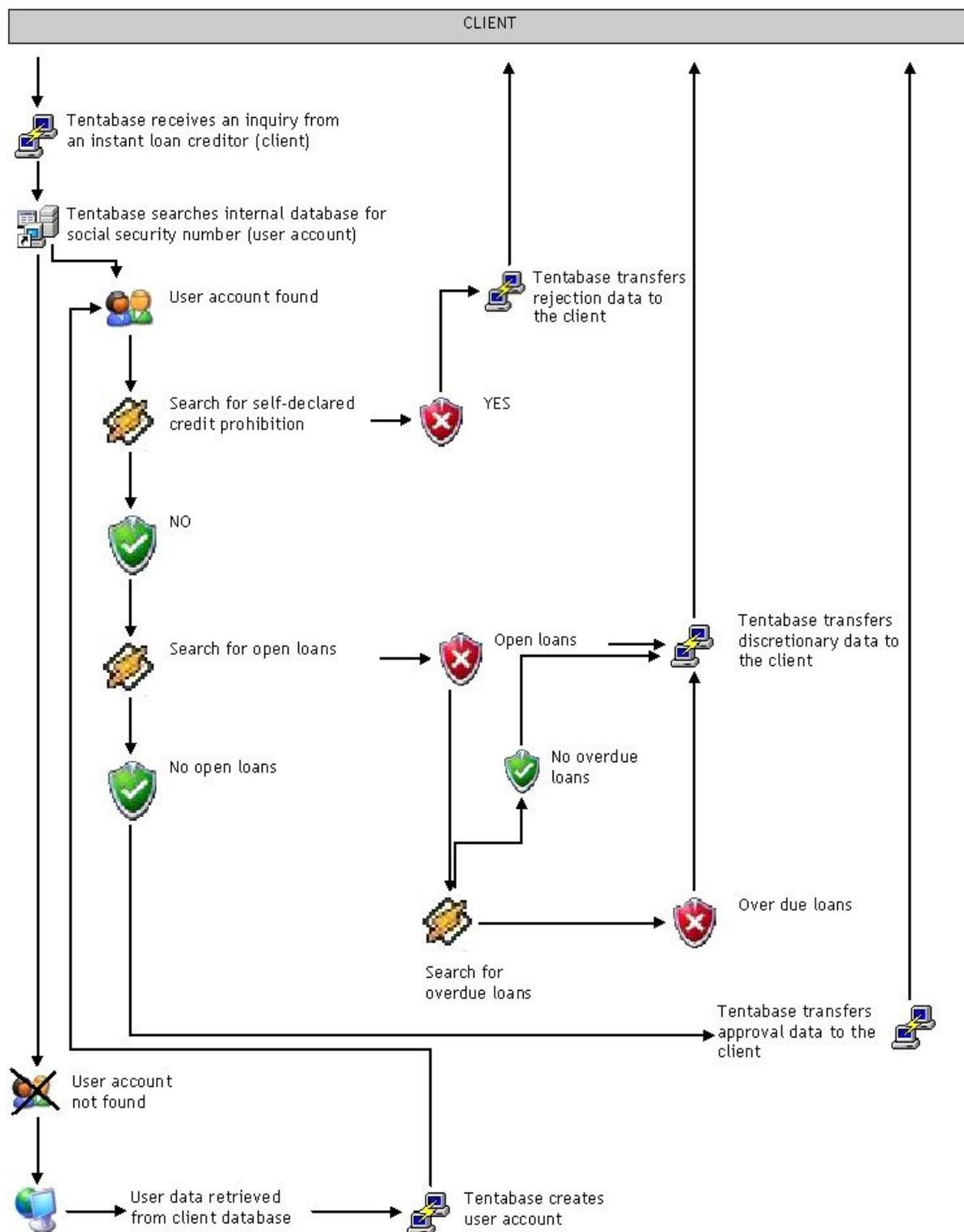
According to Mervi Pulli from Asiakastieto, they have received surprisingly few feedback from annoyed customers. Consumer Office on the other hand has had consumers contacting them. 'Consumer Office has discussed the situation with both Asiakastieto and Financial Inspection', says Consumer Office lawyer Gunveig Plantig-Visa.

Plantig-Visa still reminds, that self-declared credit prohibition does not restrict from applying a loan. 'Self-declared credit prohibition does not mean that you could not apply for a loan for yourself, it only ensures that no one else can apply for a loan using your name in case if for example your passport or drivers license goes missing.'

Self-declared credit prohibition can be set for example through Asiakastieto internet service, when the information is saved in the registry the next working day at the latest. Once the information has been saved, customer receives a letter indicating the credit prohibition."

Freely translated by Pia Porko

## Appendix 6 - Tentabase operational principle



## Appendix 7 - Description of file




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*Description of file of the personal credit data file*


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(Personal Data Act 523/99 section 10)  
Updated 24.2.2009

*Controller*

Name: Tentacle Networks Oy  
Reg.No. 123456  
Business ID: 2082935-0  
Domicile: Helsinki, Finland  
Address: Sammonkatu 10B, 00100 Helsinki  
Phone: + 358 45 120 6636  
Fax: + 358 9 454 00441

*Person in charge of the matters regarding the file*  
Mikko Mallat

*Additional information and requests for rectification*  
Tentacle Networks Oy

*Line of business of the controller*

As its line of business, the company is engaged in professional credit data activities. Relating to the activities, the controller processes personal data

*File used in the activity*

Tentabase personal data file of Tentacle Networks Oy

*Purpose of the processing of personal data*

To cross-check open and over due instant loans for the information of the creditor  
To restrict anyone so wishing to apply for an instant loan

*Description of the group of the data subjects and the data groups in the file*

The file only contains information on persons who have applied for an instant loan or have a self-declared credit prohibition

*Disclosure of data*

Personal data are disclosed only to instant loan provider to be used for credit granting

*Description of the principles of file protection*

The file is maintained in the premises of the controller, provided with appropriate protection and access control systems. The prevention of misuse and invasion attempts is carried out with technical and application solutions of different levels  
Social security numbers are not stored as such, but encrypted through a one-way encryption  
The clients are identified by user IDs and passwords that are personal in the online services

*Control of use*

The users have personal user IDs and passwords, on the basis of which the users are identified

All members of Tentacle Networks Oy are committed to observe secrecy

The user of the data has the obligation to account for the purpose of use of the personal data, at the request of the controller, data subject or authority  
In connection of a personal credit data request, the client has to choose and report the purpose of use according to the law before looking up the data

*Rights of the data subject*

The data subjects are informed of the processing of data according to the Personal Data Act

Upon using the right of access according to the law, the data subject has to prove his/her identity, either in connection of a personal visit or by enclosing a copy of the official identity card to the written request

The controller shall, on its own initiative or at the request of the data subject, erase, rectify or supplement erroneous, unnecessary, incomplete or obsolete data contained in its data file without undue delay. Essential in the rectification, supplementing or erasing is the purpose of use of data, i.e. credit data activity

*Transfer of personal data to outside the European Union or the European Economic Area*

Data are not transferred to outside the European Union or the European Economic Area without the express consent of the data subject

*Data sources*

Instant loan creditors

## Appendix 8 - Short biographies



**Pyry Ahlfors**  
1979

**Master villain in**  
**Web-design**  
**Layouts**  
**Graphics**

*Current status:*  
*Wishes to remain a mystery*

---



**Jaani-Markus Kamila**  
1979

**Virtuoso of**  
**Virtual servers**  
**Consulting services**

*Current status:*  
*Linux system specialist in a Finland's*  
*leading hosting company*

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**Mikko Mallat**  
1978

**Ruthless Salesman**  
**Hosting services**  
**Consulting services**

*Current status:*  
*Senior system specialist in a world's*  
*leading manufacturer of acceleration*  
*sensors*

## Appendix 9 - Cashflow budget

CASHFLOW BUDGET													
Scenario 1	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total €
Sales €	3 645,83	3 645,83	5 729,17	7 812,50	9 895,83	14 583,33	11 979,17	14 062,50	16 666,67	19 270,83	21 875,00	24 479,17	153 645,83
Cost of sales													
hardware upkeep	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	1 800,00
salaries	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	42 000,00
salary expenses	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	14 700,00
Other operating costs	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	1 440,00
Marketing costs													
Marketing materials	285,00	0,00	0,00	0,00	0,00	0,00	285,00	0,00	0,00	0,00	0,00	0,00	570,00
Other marketing costs	500,00	500,00	300,00	300,00	300,00	300,00	200,00	200,00	200,00	100,00	100,00	100,00	3 100,00
Investments													
new hardware	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	2 000,00	0,00	0,00	0,00	2 000,00
Income tax 28% advance	-597,57	-377,77	205,57	788,90	49,23	1 361,73	632,57	1 215,90	1 385,07	1 351,23	2 080,40	2 809,57	10 904,83
Total €	-1 536,60	-1 471,40	228,60	1 728,60	-173,40	3 201,60	1 141,60	2 926,60	3 361,60	3 374,60	5 249,60	7 124,60	25 156,00
Scenario 2	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total €
Sales €	3 645,83	3 645,83	3 645,83	4 687,50	5 729,17	6 770,83	7 812,50	8 854,17	9 895,83	10 937,50	11 979,17	13 020,83	90 624,99
Cost of sales													
hardware upkeep	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	150,00	1 800,00
salaries	0,00	0,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	3 500,00	42 000,00
salary expenses	0,00	0,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	1 225,00	14 700,00
Other operating costs	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	120,00	1 440,00
Marketing costs													
Marketing materials	285,00	0,00	0,00	0,00	0,00	0,00	285,00	0,00	0,00	0,00	0,00	0,00	570,00
Other marketing costs	500,00	500,00	300,00	300,00	200,00	200,00	200,00	100,00	100,00	100,00	100,00	100,00	3 100,00
Investments													
new hardware	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Income tax 28% advance	725,43	805,23	-461,77	-170,10	149,57	441,23	653,10	-270,43	21,23	312,90	604,57	896,23	3 707,20
Total €	1 865,40	2 070,60	-1 187,40	-437,40	384,60	1 134,60	1 679,40	-695,40	54,60	804,60	1 554,60	2 304,60	9 532,79

## Appendix 10 - Optimal profitability

Number of customers	Total number of inquiries	Fixed costs						
		Profit before expenses	1 person employed	Profit after expenses	2 persons employed	Profit after expenses	3 persons employed	Profit after expenses
1	1 736	520,83 €	3 650,00 €	-3 129,17 €	7 150,00 €	-6 629,17 €	10 650,00 €	-10 129,17 €
2	3 472	1 041,67 €	3 650,00 €	-2 608,33 €	7 150,00 €	-6 108,33 €	10 650,00 €	-9 608,33 €
3	5 208	1 562,50 €	3 650,00 €	-2 087,50 €	7 150,00 €	-5 587,50 €	10 650,00 €	-9 087,50 €
4	6 944	2 083,33 €	3 650,00 €	-1 566,67 €	7 150,00 €	-5 066,67 €	10 650,00 €	-8 566,67 €
5	8 681	2 604,17 €	3 650,00 €	-1 045,83 €	7 150,00 €	-4 545,83 €	10 650,00 €	-8 045,83 €
6	10 417	3 125,00 €	3 650,00 €	-525,00 €	7 150,00 €	-4 025,00 €	10 650,00 €	-7 525,00 €
7	12 153	3 645,83 €	3 650,00 €	-4,17 €	7 150,00 €	-3 504,17 €	10 650,00 €	-7 004,17 €
8	13 889	4 166,67 €	3 650,00 €	516,67 €	7 150,00 €	-2 983,33 €	10 650,00 €	-6 483,33 €
9	15 625	4 687,50 €	3 650,00 €	1 037,50 €	7 150,00 €	-2 462,50 €	10 650,00 €	-5 962,50 €
10	17 361	5 208,33 €	3 650,00 €	1 558,33 €	7 150,00 €	-1 941,67 €	10 650,00 €	-5 441,67 €
11	19 097	5 729,17 €	3 650,00 €	2 079,17 €	7 150,00 €	-1 420,83 €	10 650,00 €	-4 920,83 €
12	20 833	6 250,00 €	3 650,00 €	2 600,00 €	7 150,00 €	-900,00 €	10 650,00 €	-4 400,00 €
13	22 569	6 770,83 €	3 650,00 €	3 120,83 €	7 150,00 €	-379,17 €	10 650,00 €	-3 879,17 €
14	24 306	7 291,67 €	3 650,00 €	3 641,67 €	7 150,00 €	141,67 €	10 650,00 €	-3 358,33 €
15	26 042	7 812,50 €	3 650,00 €	4 162,50 €	7 150,00 €	662,50 €	10 650,00 €	-2 837,50 €
<b>16</b>	<b>27 778</b>	<b>8 333,33 €</b>	<b>3 650,00 €</b>	<b>4 683,33 €</b>	7 150,00 €	1 183,33 €	10 650,00 €	-2 316,67 €
17	29 514	8 854,17 €	N/A	N/A	7 150,00 €	1 704,17 €	10 650,00 €	-1 795,83 €
18	31 250	9 375,00 €	N/A	N/A	7 150,00 €	2 225,00 €	10 650,00 €	-1 275,00 €
19	32 986	9 895,83 €	N/A	N/A	7 150,00 €	2 745,83 €	10 650,00 €	-754,17 €
20	34 722	10 416,67 €	N/A	N/A	7 150,00 €	3 266,67 €	10 650,00 €	-233,33 €
21	36 458	10 937,50 €	N/A	N/A	7 150,00 €	3 787,50 €	10 650,00 €	287,50 €
22	38 194	11 458,33 €	N/A	N/A	7 150,00 €	4 308,33 €	10 650,00 €	808,33 €
23	39 931	11 979,17 €	N/A	N/A	7 150,00 €	4 829,17 €	10 650,00 €	1 329,17 €
24	41 667	12 500,00 €	N/A	N/A	7 150,00 €	5 350,00 €	10 650,00 €	1 850,00 €
25	43 403	13 020,83 €	N/A	N/A	7 150,00 €	5 870,83 €	10 650,00 €	2 370,83 €
26	45 139	13 541,67 €	N/A	N/A	7 150,00 €	6 391,67 €	10 650,00 €	2 891,67 €
27	46 875	14 062,50 €	N/A	N/A	7 150,00 €	6 912,50 €	10 650,00 €	3 412,50 €
28	48 611	14 583,33 €	N/A	N/A	7 150,00 €	7 433,33 €	10 650,00 €	3 933,33 €
29	50 347	15 104,17 €	N/A	N/A	7 150,00 €	7 954,17 €	10 650,00 €	4 454,17 €
30	52 083	15 625,00 €	N/A	N/A	7 150,00 €	8 475,00 €	10 650,00 €	4 975,00 €
31	53 819	16 145,83 €	N/A	N/A	7 150,00 €	8 995,83 €	10 650,00 €	5 495,83 €
<b>32</b>	<b>55 556</b>	<b>16 666,67 €</b>	<b>N/A</b>	<b>N/A</b>	<b>7 150,00 €</b>	<b>9 516,67 €</b>	10 650,00 €	6 016,67 €
33	57 292	17 187,50 €	N/A	N/A	N/A	N/A	10 650,00 €	6 537,50 €
34	59 028	17 708,33 €	N/A	N/A	N/A	N/A	10 650,00 €	7 058,33 €
35	60 764	18 229,17 €	N/A	N/A	N/A	N/A	10 650,00 €	7 579,17 €
36	62 500	18 750,00 €	N/A	N/A	N/A	N/A	10 650,00 €	8 100,00 €
37	64 236	19 270,83 €	N/A	N/A	N/A	N/A	10 650,00 €	8 620,83 €
38	65 972	19 791,67 €	N/A	N/A	N/A	N/A	10 650,00 €	9 141,67 €
39	67 708	20 312,50 €	N/A	N/A	N/A	N/A	10 650,00 €	9 662,50 €
40	69 444	20 833,33 €	N/A	N/A	N/A	N/A	10 650,00 €	10 183,33 €
41	71 181	21 354,17 €	N/A	N/A	N/A	N/A	10 650,00 €	10 704,17 €
42	72 917	21 875,00 €	N/A	N/A	N/A	N/A	10 650,00 €	11 225,00 €
43	74 653	22 395,83 €	N/A	N/A	N/A	N/A	10 650,00 €	11 745,83 €
44	76 389	22 916,67 €	N/A	N/A	N/A	N/A	10 650,00 €	12 266,67 €
45	78 125	23 437,50 €	N/A	N/A	N/A	N/A	10 650,00 €	12 787,50 €
46	79 861	23 958,33 €	N/A	N/A	N/A	N/A	10 650,00 €	13 308,33 €
47	81 597	24 479,17 €	N/A	N/A	N/A	N/A	10 650,00 €	13 829,17 €
<b>48</b>	<b>83 333</b>	<b>25 000,00 €</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10 650,00 €</b>	<b>14 350,00 €</b>