



**SAVONIA**

THESIS - BACHELOR'S DEGREE PROGRAMME  
SOCIAL SCIENCES, BUSINESS AND ADMINISTRATION

# ESTABLISHING AN ENTER- PRISE IN KUOPIO, FIN- LAND

CASE STUDY: CAT-MADE

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Field of Study Social Sciences, Business and Administration			
Degree Programme Degree Programme in Business Administration, International Business			
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Title of Thesis Establishing an Enterprise in Kuopio, Finland. Case study: Cat-Made			
Date	27.11.2020	Pages/Appendices	52
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Client Organisation /Partners Savonia University of Applied Sciences			
<p>Abstract</p> <p>The research describes the start-up process in details, by using Cat-Made company as a case study. The main aim of the study is to present this process to the future entrepreneurs, who are willing to start their own business in Finland. The project presents the reasons why Finland has a favorable business environment and conditions for establishing an enterprise. It also explains the basic set of steps to occur in order to register the future company and to operate it successfully afterwards.</p> <p>This main topic was chosen, as the author had an internship position in the case study company to help the company to find a new marketing strategy to become more profitable and well-known in Kuopio and later in the whole country where business operates. The results of the research include a precise picture of a Finnish economy for today and improved marketing strategies for Cat-Made that could help the company's performance on the Finnish market.</p>			
Keywords Small and medium-sized enterprises, Entrepreneurship, Private Trader, Start-up process			

## LIST OF ABBREVIATIONS

B2B	Business-to-business
B2C	Business-to-consumer
BMC	Business Model Canvas
CAD	Computer-aided Design
CAM	Computer-aided Manufacturing
EU	The European Union
GDP	Gross Domestic Product
IPEA	International Preliminary Examining Authority
ISA	International Searching Authority
LLC	Limited Liability Company
MEAE	The Ministry of Economic Affairs and Employment
MYEL	Farmers' Pensions Act
OECD	Organization of Economic Co-operation and Development
PCT	Patent Cooperation Treaty
PRH	The Finnish Patent and Registration Office
SME	Small and Medium-sized Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
UAS	University of Applied Sciences
VAT	Value Added Tax
YEL	Self-employed Persons' Pensions Act

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# 1 INTRODUCTION

This research is describing the process of establishing business in Finland. The main aim of the study is to support future entrepreneurs by presenting the basic structure of this procedure and its key factors. The case study of the research is Cat-Made, a small embroidery enterprise, which is located in Kuopio, the largest city in the North Savo region, which provides remarkable opportunities for starting and operating a small business. This study is showing how to use these opportunities reasonably and how to engage in a business activity. The more descriptive explanation of the reasons and definitions of the case study will be presented in the next chapters of this thesis.

## 1.1 Background of the study

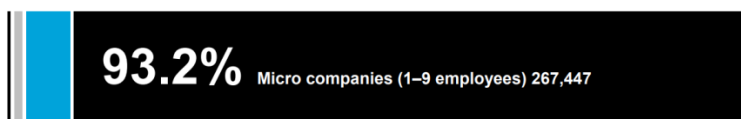
Jaakko Salmela, a senior statistician at Statistics Finland, says, «You can find small businesses everywhere, because Finland is a country of small enterprise, and small employer enterprises. Most of the jobs are created in small enterprises». (Dougall, 2016)

Small business is an entity, which is owned and operated independently. It is limited in size and revenue, as usually small business does not include more than 100 workers. (Your Dictionary) In accordance to official figures, more than 350000 of small businesses, employing one to ten people, are operating in Finland by 2017, which is 98.8 percent of all Finnish enterprises. The total number of people reaches roughly 1.5 million, where 30 percent of them are engaged in the service industry. (Yrittäjät, 2019) As a result, SMEs (small and medium-sized enterprises) play a significant part in the Finnish economy and employment. The enterprises of such type produce nearly 60 percent of the combined turnover of all businesses in Finland. Finnish SMEs generate more than 16 percent of the country's export revenue. (Yrittäjät, 2019) As a consequence, Finland provides favorable conditions for starting a small and medium-sized business. The FIGURE 1 represents the structure of Finnish companies by 2017. The number of SMEs in Finland is growing up year by year. The European Commission, the executive branch of the European Union, responsible for business, believes that the recent growth of Finnish SMEs value added is presumed to continue, increasing by 7.4% in 2017-2019. On the contrary, employment growth in small enterprises is likely to level off, but with only a small increase of 0.8% predicted. (European Commission, 2018)

### Company structure in Finland 2017

Yrittäjät

**0.2%** Large companies (>250 employees) 615  
**1.0%** Medium companies (50–249 employees) 2,883  
**5.6%** Small companies (10–49 employees) 15,989



In total **286,934** companies, excl. agriculture, forestry and fisheries.

FIGURE 1. Company structure in Finland 2017 (Yrittäjät, 2019)

Moreover, the author of this thesis is familiar with start-up registration process and its future development as the author has been personally involved in the establishment of an enterprise in Kuopio during the university internship, which will be further used as a case study for this research. It is a small embroidery company named Cat-Made, which offers ready-made products and individual embroidery services. During the establishment and a year of operating, the company has faced its ups-and-downs due to different aspects and challenges. The aim of the research is to present a detailed overview of the whole process based on the author's own experience and various information sources.

Therefore, the reporter of this research is currently obtaining a bachelor's degree in the field of international business and administration. The knowledge that the student has gained during the studying were successfully applied at the time of the establishment, which was an exceptional opportunity for putting theory into practice. The research is presenting various analyses, terminology and business legislation factors, which were learnt by the author during university study time.

## 1.2 Research questions and objectives

As it is mentioned before, Kuopio has favorable business conditions, which creates many opportunities for starting a small business and for its further development. Kuopio has a potential business ecosystem, which rapidly and continuously develops together with the companies. One of the demonstrative examples is KuopioHealth. (Kuopio Health) It is an open innovation network, which promotes health care, food industry and well-being. The members of this ecosystem believe that success in the global competition depends on a strong collaborative spirit. The company examines innovative research subjects by using a cross-disciplinary approach in the interest of creating something brand-new. Consequently, KuopioHealth's large-scale networks allow a more flexible market entry for enterprises. (Kuopio Health)

KuopioHealth's example was chosen to prove that the business environment in Kuopio is attractive for new businesses. Local companies have a large potential for expansion and future improvement. Moreover, many national sector research centers are based in Kuopio, including VTT Technical research center of Finland, THL the National Institute for Health and Welfare, Natural Resources Institute Finland (Luke), etc. (BusinessKuopio, 2019)

As a result, Kuopio and Kuopio-based companies are happen to be active in different national and international business collaboration networks, which opens thousands of doors for young entrepreneurs and new business solutions. That leads to the main objective of this study, which is to steer future entrepreneurs in the right direction when entering the business market in Kuopio, by defining the stages of business establishment procedure.

This study is providing answers to the most common questions concerning start-up registration process and further after-establishment actions. These answers enable new entrepreneurs to become familiar with the structure of business establishment process in Finland. Presented below is a list of the major research questions.

1. Why Finland? Or what are the conditions of setting up a company in Finland?
2. What are the steps of establishing an enterprise in Finland?
3. What type of company to establish?
4. How to develop and improve a small enterprise?

### 1.3 Thesis structure

The first chapter indicates a general idea of the study and its background. It also explains the author's motive and choice of the thesis topic. The main goal of the thesis work is stated in the first part as well as the objectives and research questions, which will be answered and examined in details in the next chapters. There is a theoretical framework included in this part, where the relevant theories and models based on a literature review are defined.

The second chapter mainly focuses on a process of setting up a business enterprise. It describes the basic strategy that every entrepreneur faces when establishing a company in Finland. This part consists of trade registration section with the list of needed documentary, value added tax explanation and common forms of enterprises and its characteristics.

The third chapter reveals the case study of the research. By using various analyses, the core concept and idea is explained on the example of Cat-Made start-up. This part is presenting challenges and aspects that each small enterprise could be faced with on different steps of establishing. Also it will cover finance, business planning and the whole organizational structure of Cat-Made's activities.

The fourth chapter defines the main business implementation methods on the current market. It shows the advantages and a disadvantage of Cat-Made's implementing strategy and its main characteristics. This part of the research explains the company's activities aimed on the execution of the development plans, which further will be converted into moves and actions to accomplish the long-term goals of the company and achieve its objectives.

The fifth and sixth chapters are the concluding sections of this study, where outcomes of Cat-Made's business activity are presented. The main questions will be answered by this stage of the research. Acknowledging the whole study, the new and improved strategy for the particular company will be generated by considering all gathered data and the study results.



## 2 ESTABLISHING AN ENTERPRISE IN FINLAND

Finland provides a wide range of business opportunities as for Finnish citizens, as for foreign entrepreneurs. The system of setting up an enterprise for both sides does not differ in general. The Finnish government supports and warmly welcomes every potential entrepreneur who is willing to invest in the country by doing business in Finland or cooperate with Finnish companies.

### 2.1 Theoretical framework

Theoretical framework demonstrates the current situation in the Finnish business environment, defining the highlights and challenges on the market. (William, 2006) Brief overview of the Finnish economy is displayed in this chapter for identifying its present-day status.

Finland is a country of high industrialization and mainly free-market economy with GDP per capita slightly higher than in Germany and Belgium and approximately as high as in the Netherlands or Austria. More than a third of GDP in recent years is accounted for the trade exports. As a result, the Finnish government is actively takes the initiatives to attract foreign direct investments. (Central Intelligence Agency, 2019)

Finland is highly competitive in manufacturing, especially in the wood, metal, engineering and electronic industries. However, due to cold climate conditions, the country is depending on the natural resources imports such as raw materials, energy and some elements for manufactured products. (Business Finland) Despite that, until 2009 Finland was included in the list of the best economic performances within the European Union, when Finnish financial markets succeed to avoid the global crisis. But this crisis has caused a significant decrease in exports, what provoked the Finnish economy to contract between 2012 and 2014. The situation has started to improve in 2016 with 1.9% increase in GDP before raising an expected 3.3% by 2017, supported by a strong increase in investment, private consumption and net exports. (Central Intelligence Agency, 2019)

During this year, Finland has faced with the main challenges, which are labor costs diminution and elevation of demand for its exports. (Statistics Finland, 2019) Consequently, Competitiveness Pact was enacted in June 2016 by the Finnish government to reduce labor costs and increase working hours. Under this circumstance, the wage growth in 2017 was very minor. (Eurofound, et al., 2016) In the long run, Finland's challenges to be solved are rapidly aging population of the country, lower productivity in traditional industries, what weakens financial sustainability, competitiveness and economic growth. The main industries in Finland include electronics, machinery and vehicles, forest industry and chemicals, reaching 21.6%, 21.1%, 13.1% and 10.9% accordingly. (Statistics Finland, 2018)

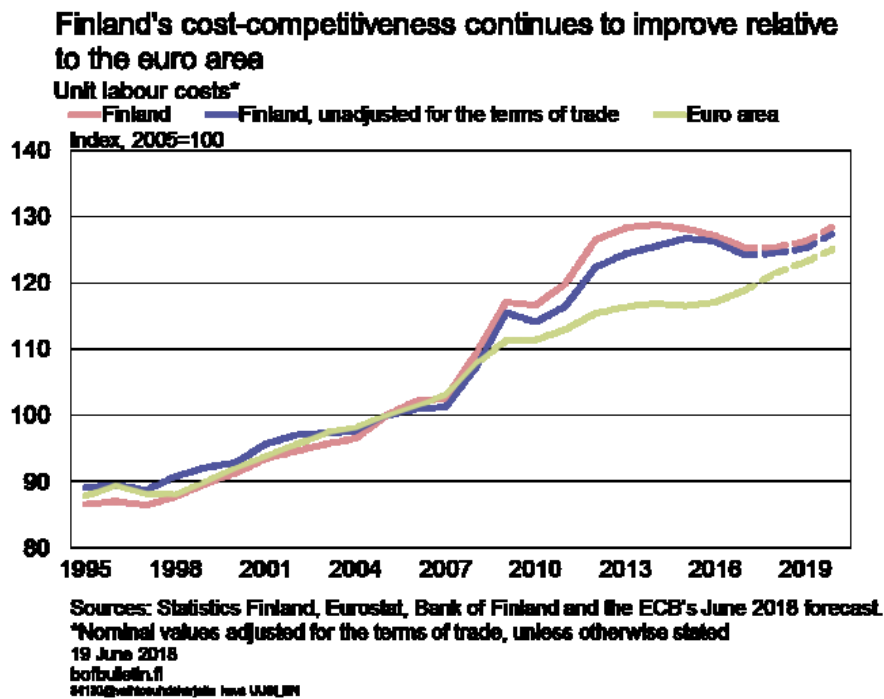


FIGURE 2. Overview of the Finnish economy

The Greater Helsinki, which is the largest urbanized area in Finland and its most important economic, scientific and cultural region, generates almost a third of the country's GDP. (Statistics Finland, 2018) Northern Savonia takes the seventh place in the list of the Finland's regions by GDP and twelfth place by GDP per capita. (Organisation for Economic Co-operation, 2018) Northern Savo is located in the eastern Finland and borders with South Savo, Central Finland, North Karelia and others. (The World Bank) It is the sixth most populated region and it contains 18 municipalities, where 5 of them are cities. (foreSavo, 2019) Kuopio is the capital of Northern Savonia and also the highest populated municipality of the region with a number of more than 100,000, when the population of the whole Northern Savo is approximately 250,000. (Statistics Finland, 2019)

Kuopio offers versatile educational and research expertise along with favorable business environment. The number of operating business in the city is constantly increasing. There are nearly 6,000 enterprises in Kuopio at this moment, where more than 200 of them are export companies. They provide over 50,000 jobs. (BusinessKuopio, 2019) Powerful international networks grant opportunities for organizations in healthcare and the biotech, medical and ecological sectors, as well as for cooperation in education, travel and culture. Moreover, the continuous development in Kuopio's health technology, pharmaceutical and environmental industries together with information and communication technology have created a large number of start-ups and rapidly growing companies in the city. Also, this provides attractive investment opportunities. (BusinessKuopio, 2019) The city of Kuopio is among the leading dynamic centers of Finland, when measured by the vitality and competitiveness characteristics. (Pohjois-Savon Liitto, 2019)

Considering the history of economy in Finland and business opportunities in Kuopio and its nearby area, it is clearly seen that the region provides rather beneficial and encouraging opportunities for entrepreneurship. Its operating labor market is one of the largest 50 markets for the all Nordic

countries. (OECD Territorial Reviews, 2017) This allows companies to find enough available workers for efficient functioning. Kuopio has a diverse economy from healthcare to manufacturing as a key strength. Moreover, there are many specialized professional and business services located in the city. And educational institutions play a great role as an employer, offering numerous teaching and research services, which is also accounted as a local economic strength. A variety of business services and developing environment builds a strong platform to growth for professionals and enterprises along with opportunities for investors. (BusinessKuopio, 2019)

## 2.2 Business forms and characteristics

State of Finland allows to establish an enterprise of any form of business organization. The most common are private trader, Limited Liability Company and partnerships. (Suomi.fi) Choosing one among all of them is a crucial decision for the future company. Entrepreneur must take into account further goals, business operations, capital, taxation, number of employees needed, etc. Finnish citizens and foreigners have almost the same opportunities to start a business in Finland, as well as the form of business organizations. The forms have their own differences and similarities along with advantages and disadvantages. Overview of the most common business types in Finland is presented below, which would be useful while choosing the structure of the future enterprise. (Suomi.fi)

### 2.2.1 Private trader (*Toiminimi/Yksityisliike*)

Private trader or sole proprietorship is a business, whose owner is a single person. However, even if there is no legal distinction between business entity and individual entrepreneurs, it is also possible for them to employ other people. It is easiest form to set up and costs less than other types of ownership. Private trader has unlimited liabilities, which means that the business creditors may request owner's personal assets in case if the company cannot afford to pay them. (The Accountancy Partnership, 2012)

Finnish private traders are called "toiminimi", "tmi" or "yksityisliike". But Tax Administration office uses such definition as "self-employed", when referring to sole traders. According to the Finnish law, sole proprietorship must be registered only if business operates in permanent premises, separated from owner's home; the persons employed are not owner's family members; and business operates in a licensed trade. If private trader's industry is concerning forestry, agriculture and fishing, it does not have to be registered at the Trade Register. (Patentti- ja Rekisterihallitus, 2019)

Basically, sole proprietorship is the most common business form, where owner only has to register the name and secure local licenses. However, the major disadvantage of such type of business is that the owner is fully and personally in charge of the company's debts. Thus, sole proprietor owners often combine personal and company's fund and property in contradistinction to other forms of organizations. (Entrepreneur Europe) Moreover, sole trader's bank account is usually registered on

the name of the owner. But many businesses started as a sole proprietorship are aimed to be gradually developed into a more complex business form. (Entrepreneur Europe) The table below is highlighting the main advantages and disadvantages of establishing a sole proprietorship.

<b>Sole Proprietorship</b>	
<u>advantages</u>	<u>disadvantages</u>
+ Easy and inexpensively to set up	- Unlimited personal liability for losses and debts
+ Owner does not have to pay unemployment tax	- Owners cannot sell an interest to raise capital
+ Mixing personal and business assets	- Rarely survives incapacity of the owner

TABLE 1. Advantages and disadvantages of sole proprietorship

### 2.2.2 Limited Liability Company (*Osakeyhtiö*)

Limited liability companies are hybrid legal organizations, which combine pass-through taxation of a sole trader or a partnership with limited liability of a corporation. (Schwindt, 1996) The LLC offers a great tax advantage over limited partnership, because if partner takes an active role in company's management, this partner becomes liable for the firm's losses and debts. (The Business Information System) But in a partnership it is considered as a passive loss and cannot be used as a tax deduction to offset company's active income. Also the owner of LLC is commonly known as a member, not as a shareholder. Furthermore, ownership in a limited liability company is usually represented by so-called "member or LLC interest", rather than by "shares" or "shares of stock". (Entrepreneur Europe)

However, in exchange for significant benefits, LLC owners must take the "transferability restriction test". This test implies that ownership interests of the company could not be transferred without restrictions. But this restriction is not a big problem for smaller LLCs, where stock ownership transfers happen quite infrequently. Generally, LLCs meet fewer regulations than corporations, which allow maintaining a more flexible management structure. (The Business Information System)

In Finland there is a fee for setting-up an LLC, which is 275 euros in case, if the a start-up notification is filled online, and 380 euros, if it has been filled on paper. However, the applications are available only in Finnish and Swedish, as long as LLC is a more difficult type of business to establish and operate. (The Business Information System) The table below is highlighting the main advantages and disadvantages of establishing a limited liability company.

<b>Limited Liability Company</b>	
<u>advantages</u>	<u>disadvantages</u>
+ Limited liability, that protects owners and members	- More expensive form to establish
+ Fewer regulations and management flexibility	- Ownership of LLC is hard to transfer

+ Pass-through taxation	- May be more difficult to raise financial capital
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TABLE 2. Advantages and disadvantages of LLC

### 2.2.3 General and limited partnership (*Avoim yhtiö ja kommandiittiyhtiö*)

Partnership of any type is a legal form of business organization, where two or more individuals share company's profits and management. The federal government recognizes various types of partnership, but the two most common of them are general and limited partnerships. The major difference between them is that in a general partnership the partners manage the company together and assume responsibility for the partnership's debts or other obligations, when in a limited partnership there are both general and limited partners. General partners own and operate the business and assume liability for the partnership, when limited partners only serve as investors, hence they have no control over the company. (The Business Information System) Limited partnership is usually not the best choice for the new business, due to the administrative complexities and the amount of required filings. However, general partnership is an easier choice, if the entrepreneur has two or more partners who are willing to be actively involved in business. (Entrepreneur Europe)

One of the main advantages of a partnership is taxation system or pass-through taxation, which means that the partnership does not have to pay taxes on company's income, but "passes through" the profits and losses to all individual partners. During tax period, partnership must file a tax return that reports the income and loss of the company. Plus, every partner should report on their share of income or loss. (The Business Information System)

Like in a sole proprietorship, general partners are personally liable for company's debts. Each partner can make loans on behalf of the partnership and also make other decisions that can affect the other partners, in case if the partnership agreement allows to do so. The agreement is an essential document for the partnership, as it identifies the way of making decisions concerning business, how disputes have to be resolved or how to handle a buyout. (Murray, 2019) According to that, partnerships are more expensive to set, as it requires more legal and accounting services to make arrangements that suit all partners. The table below is highlighting the main advantages and disadvantages of establishing a partnership.

<b>Partnership</b>	
<i>advantages</i>	<i>disadvantages</i>
+ Easy to establish and change the legal structure later, if needed	- Risk of disagreements between partners
+ More capital is available for business activity	- Requires a lot of filings and legal services (attorney, accountant)
+ Pass-through taxation	- Liability for the debts of the business is unlimited (general partnership)

TABLE 3. Advantages and disadvantages of partnership

## 2.3 Trade registration

Small and medium-sized enterprises in Finland generate 60% of total value added, which is a bit higher than the European Union average of 57%. However, employment reaches 65.2% and it is slightly lower than the EU average of 66.4%. Despite that fact, during 2017 SMEs growth has increased, where employment raised by 1.2% and value added by 5.8%. (European Commission, 2018) The growth in Finnish value added is forecasted to continue in 2020 increasing by 4.6%. At the same time, the forecasts for employment are less positive as the fall of 0.1% is predicted, what leads to an approximate loss of 1,000 of SME's jobs. (European Commission, 2019)

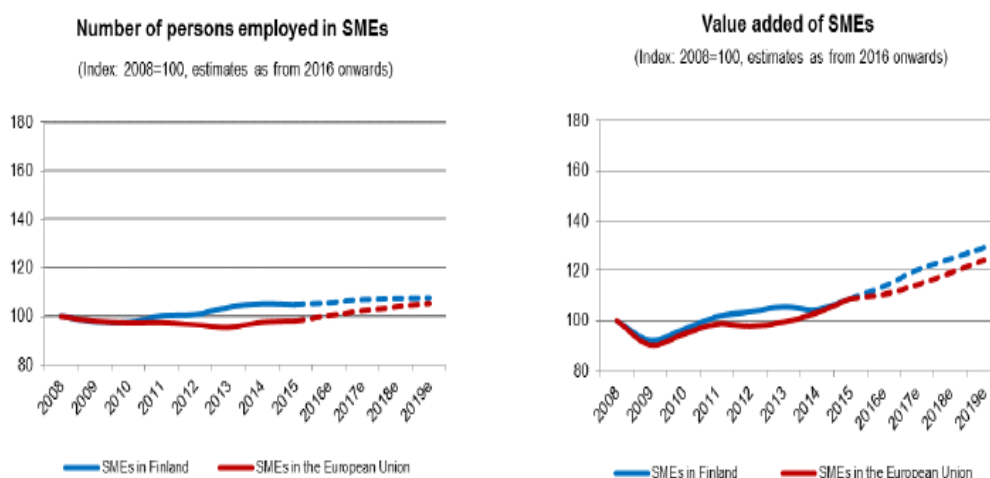


FIGURE 3. Employed persons and value added of SME's

Entrepreneurship as a career opportunity is more likely to attract people in other European Union countries than in Finland. But still the governments alongside with municipal authorities have put a lot of effort to support start-ups and entrepreneurship. Moreover, Finland warmly welcomes international companies and entrepreneurs from abroad who is willing to open an enterprise in the country. Foreign companies opened in Finland have the same benefits as any Finnish company. (Business Finland)

There is a simple and quick system to open a legal entity in Finland. It takes approximately 2 weeks in total. But before registration, business idea must be developed into a more concrete business concept, which is a basis for business plan preparation, further financing, profitability calculations and market analysis. Consequently, original business idea is a raw draft, which has to be gradually evaluated towards the actual business activity. State of Finland offers the services of Finnish Enterprise Agency (*Uusyrittyskeskus*), which aims to promote and support entrepreneurial activities in Finland. The agency is offering professional assistance for new and already existing companies, which is fully free of charge. (Uusyrittyskeskus) Those organizations that have been established with the agency's expert services are more likely to be profitable and to avoid challenges during first years of operation.

After defining the business concept, selected name of the company should be submitted to the Trade Register. (Business Finland) Trade Register is maintained by the Finnish Patent and Registration Office (*PRH*). (Patentti- ja Rekisterihallitus) After submitting, the name of the company gains an exclusive right. PRH registers companies as well as associations, foundations and other organizations and corporations. PRH's office is also an International Searching Authority (*ISA*) and International Preliminary Examining Authority (*IPEA*) for the international Patent Cooperation Treaty (*PCT*) applications. The office complies under the administrative sector of the Ministry of Economic Affairs and Employment (*MEAE*). (Patentti- ja Rekisterihallitus)

The next step is getting a business ID. In Finland it is called "Y-tunnus". (The Business Information System) There is a business notification or "Y-form", which must be filled for establishing and registering a business. The form is issued by Trade Register and Tax Administration office. Y-code contains 7 digits, a dash and a checkmark, for example, 1234567-8. New company receives its business ID as soon as it has been registered. The instructions for filling application are provided by PRH and Tax Administration as well. (The Business Information System)

These are the basic steps for establishing a legal entity of any type in Finland. It is clearly seen, that the system is fast and convenient as for entrepreneurs, as for Trade Register. However, every Finnish citizen is allowed and welcome to use a huge variety of online tools, which are helpful and informative for those, who is planning to start a business. The tools are providing the information about business ideas, granting services and they also could describe the advantages and disadvantages of every type of business. The tools can be found on TE-palvelut, Suomi.fi, BusinessFinland.Fi or Oma Yritys-Suomi. (Business Finland) Majority of online business services are available in Finnish, Swedish and English languages and some of them are offering even more options. Consequently, everyone in Finland has an opportunity to be an entrepreneur.

## 2.4 Value added tax (VAT)

Taxation in Finland is mainly executed by the Finnish Tax Administration, an agency of the Ministry of Finance. After taxes have been collected, they are distributed to the Finnish Government, Church, municipalities and Kela, the Social Insurance Institution. (Ministry of Finance, 2009)

Value added tax is a general consumption tax. VAT is an indirect tax and it is payable to the State on the sales of goods and services and its importation in the conduct of business, which takes place in Finland, according to the present Value Added Tax Act. (Value Added Tax Act, 1993) Taxation stabilizes income and consumption in order to control production and consumption by taking environment into account and to decrease production of goods that are unhealthy. Taxpayers are all Finnish residents as well as companies and enterprises that are doing business in Finland. (Ministry of Finance) The level of VAT, that is included in prices, is regulated by the VAT rate and equals to the total tax paid for value added. This kind of tax system is broadly applying in almost all European

OECD (Organization for Economic Co-operation and Development) countries. However, VAT system is not mandatory European Union membership. (Ministry of Finance, 2013)

From the beginning of 2013, the standard rate of value added tax in Finland has been 24%. Today it is the fifth highest standard rate within the European Union member countries. Finland uses two reduced rates of 10% on books, newspapers, sport services, transport and accommodation, TV and entertaining events; and 14% on food, catering services and animal feed. There is also an excise tax in Finland, which is applied on alcohol, tobacco, lotteries, insurances, automobiles and candy prices. Pharmaceutical companies pay only the excise from their annual income. (Vero Skatt, 2018) Moreover, no VAT is levied on medications. In the aim of support to keep pharmacies in low populated areas, there is a tax credit for the ones that keep subsidiary pharmacies (sivuaapteekki). (Lääkealan turvallisuus- ja kehittämiskeskus Fimea)

However, there are several VAT relief arrangements available for small businesses in Finland. It is applicable for self-employed persons and small scale business enterprises, whose turnover is less than 30,000 euros per accounting year or, in other words, 12 calendar months. But everyone, who is making profit in Finland, is obliged to register for VAT, even if the income is low. (Vero Skatt, 2019) Still there is a list of a few business categories that are exempted from this tax:

1. Medicine and healthcare
2. Social services
3. Education and trainings
4. Finance and insurance
5. Copyright fees
6. Postal services

If the business is operating in one of the listed-above categories, it is not possible to include value added tax in the invoice. (Vero Skatt, 2019) However, there is a different type of sales transactions that is not VAT applicable. The countries, which are using VAT system, usually indicate certain goods and services as zero-rated sales, which cover international commercial transactions. For instance, exported goods, prescription medication, donated goods sold through charity stores, children's clothing, etc. (Vero Skatt, 2019) Countries define these products as zero-rated, because they are leading contributors and an essential component of a broader supply chain. (Investopedia, 2019) Consequently, business VAT-exempt activities and zero-rated transactions differ from each other according to their requirements.

## 2.5 Accounting and financial administration

In Finland the separate business account is needed when establishing a company. It is more convenient to manage company's financial transactions and operations. And the account's bank statement is one of the most important accounting documents, as it displays company's payment trans-



actions unambiguously. To open a firm's bank account in Finland, the extract from Trade Register is required. (Suomi.fi)

The account is the firm's record of current revenue and expenditure. It includes information not only about company's profit and loss, but also assets and liabilities. Usually companies choose to outsource its financial management to accounting firms. Such firms are specialized on bookkeeping, financial statements, as well as managing company's payroll, invoicing transactions and notifications to the authorities. (Suomi.fi, 2019) In Finland accounting companies also perform accounting and audits for the same company, but audit services are conducted separately. The examples of the Finnish accounting firms are Rantalainen Accounting Services Ltd., Adcount, Leinonen, etc.

It is not recommended to outsource full financial management to an accountant firm. Consequently, partial outsourcing is advisable and most common way to manage finance of the company. (Suomi.fi) For example, small and medium sized enterprises usually control their invoicing and payment transactions, while accounting and payroll management are outsourced to the professional services, as it is more complex tasks. And the division between them should be agreed on in advance with an accounting firm. (European Commission, 2015)

However, every entrepreneur must know the basis of accounting and financial administration; even if the company's financial management is being outsourced. This will allow to keep track with the company's financial situation and taxes. Also each entrepreneur should be able to read the company's financial statement and to know how to adjust business operations to become more profitable.

The most important statutes on accounting in Finland are the Accounting Act, Accounting Decree and regulations issued by the Accounting Board on applying legislation in practice and providing company's accounting records. (Björklund, 2015) Also double entry bookkeeping is often required, but in case of sole trader with minor operations there is a personal choice of the owner whether to use single or double entry bookkeeping. Double entry means that each transaction of the company must be entered into two accounts: debit and credit. (Suomi.fi) Every Finnish company must keep the record of all expenditure, revenue and other financial transactions and adjustments related to the business, according to the Accounting Act 1336/1997. (Ministry of Economic Affairs and Employment, 2015) The accounting record is also used as a basis for filing firm's tax return.

## 2.6 Insurance for entrepreneurs

Finnish entrepreneurs usually must use pension insurance for self-employed persons (YEL) or insurance under Farmer's Pensions Act (MYEL). (Mela, 2019) Insurance serves to accrue pensions and to secure entrepreneurs, if they cannot keep on working in case of an accident, for instance. In Finland there are certain mandatory insurance arrangements for different industries. Moreover, it is always possible to obtain additional cover by using voluntary business insurance. (Yrityksen-Perustaminen, 2019)

Income of the company determines how much to pay is required and the amount of the future pension. (Aluehallintovirasto; Eläketurvakeskus, 2019) According to the Self-Employed Persons' Act, the pension for self-employed persons must be taken out if:

1. The age of the person is between 18 and 67
2. At least 4 months of business operations
3. The income exceeds the minimum limit for pension insurance, which is approximately 7,800 euros

If the income of the company lies below the minimum, but other requirements for insurance are met, entrepreneur has an opportunity to take out voluntary pension insurance. (Aluehallintovirasto; Eläketurvakeskus, 2019)

YEL and MYEL both guarantee that the pension will be covered in case of the retirement. Moreover, if the company's owner feels inability to work, self-employed persons' insurance will provide with rehabilitation or disability pension, depending on circumstances. YEL and MYEL both give right to a supervisor's pension to the family of the company's owner in case of death. MYEL-insured also can apply for compensation under the group life insurance policy. (Aluehallintovirasto; Eläketurvakeskus, 2019)

## 2.7 Financing

The first stages of establishing an enterprise involves investments, fixed and other costs. Entrepreneur can use equity capital, liabilities or even both of them to cover the costs of business. Investments are helpful to keep the business running and operating, while working capital allows the owner to pay fixed cost or other current charges. The company's investments include premises such as buildings or lands; equipment and software; and furniture and other movable assets. Fixed costs usually contain wages and salaries for the staff; rents and leases; and the owner's income itself. There are other costs involved in the business activity, for example, marketing and sales promotion; energy, water, cleaning and other costs facility-related; training and membership fees; accounting services; insurances; etc. (Suomi.fi, 2020)

The amount of capital required for a new company principally depends on the company's size and business ideas. For instance, initial investments for a small service firm can be very small. Contrary to the previous example, a production company is often required to possess expensive machinery even before it can operate. Generally, company should have the capital to cover at least 2 or 3 months of business activity.

A cash flow statement should be included in business plan, where must be presented calculations on the amount of money the start-up requires. The total amount of financing needed can be calculated

by summing together the company's investments and working capital. Entrepreneurs can use equity capital or liabilities to cover expenses of the company, where equity capital is the money and assets invested by the owners themselves and income from business activity; and liabilities involve loans.

In addition to cash flow statement, the company's business plan must display financial and profitability calculations. Also these calculations are required when it comes to applying for external funding. Generally, accounting firms are also helpful in preparing statements and calculations. Profitability statement describes how much the company has to sell at a certain price during certain period of time to make the company's operation profitable. Consequently, by adding together the goal profit and costs there is an amount of how much the company must sell. (Suomi.fi, 2018)

There are a variety of different accounting and consultant public services in Finland, such as Kokkolanseudun Kehitys Ltd or Vaasa Region Development Company, which offer advisory service on funding alternatives and help to better analyze the ongoing situation of the company.

### 3 CASE STUDY: CAT-MADE

In this part of the research, there is a real company's case presented as an example of the whole process of establishing an enterprise in Finland. The case study is an approach which allows examining a real case from different angles in its currently existing settings. This research strategy is mainly occurred to conduct an in-depth exploration of a certain company in order to determine the essential features, principles and further actions. (PressAcademia, 2018) In other words, case study method is a fundamental and detailed analysis of a particular individual, event, enterprise, etc.

This case was chosen by the author of the project, because the author has taken an intern position in the company in order to reveal its challenges and to obtain strategies for its future improvements. Moreover, by the time of this internship the company was new to market, which was helpful for better understanding the process of setting-up a business in Finland.

#### 3.1 Introduction to Cat-Made's computerized embroidery services

Computer-controlled or just machine embroidery is a variety of computer-aided design and manufacturing (*CAD/CAM*). (EduTech, 2019) The principle of its work includes special embroider machine, that makes stitches and patterns on textile, which are created by using embroidery software. This principle is quite common to 3D printing or laser cutting. It is often used in advertising or branding, as well as decoration in fashion industry. (EduTech, 2019) For better understanding of machine embroidery process, there are basic steps of this procedure listed below:

1. By using special software that is connected to embroider equipment, create design file or upload already existing one
2. Adjust or edit design, if needed (colors, size, combining with other patterns, etc.)
3. Convert the file to machine's embroidery file to make sequence of certain commands for machine to sew the pattern
4. Choose suitable size of the machine's hoop and place the fabric in it
5. On the machine define location of the image on the textile
6. Place the needle on the start-point
7. Start the process and control the process to avoid working mistakes
8. In the end remove the ready pattern and cut the leftover fabric

If the embroidery is used for the commercial purposes, the firm may have large machines or just a few smaller ones. There is a process called contract embroidery, where an embroider company offers to its clients sewing the design on clothes or other article of wearable merchandise. For examples, logo of the company on T-shirts for staff. In that case, the buyer usually supplies the goods and the embroidery company only in charge for the sewing part.



FIGURE 7. Cat-Made's logo

Cat-Made is owned by a private trader and located in Kuopio, Northern Savonia region. The company has been established in August of 2018. It offers different types of computerized embroidery services, for example, sewing on goods, selling ready-made patches or creating individual projects. Unfortunately, the company is currently not operating due to lack of financing and promoting. In order to that, the Cat-Made's owner has offered to the author of this thesis an internship position, where the researcher would find the ways to develop the company and make it profitable. Consequently, in the next chapters the methodologies of the research and necessary analyses are presented, what leads to the possible solutions and future suggestions for Cat-Made.

### 3.2 Research methodology

This chapter determines the research methods which are used in this study. The methodology itself is a set of approaches and techniques that are focused on gathering data and further interpretation of the results. This allows the researcher to answer two major questions: how the data was collected and how it was analyzed? There are two general types of research methods presented in this work. Those types include both, qualitative and quantitative, methods, which are accordingly represented by such common instruments as observations, participation, individual interviews and statistics and content analysis as well. (Wilkinson, David; Birmingham, Peter, 2003)

After defining business idea and its concept, target market analysis is presented. Target marketing allows to determine market segments based on certain characteristics, such as location, hobbies, age, occupation, etc. Thus, the analysis helps to understand the types of customers who can be potentially interested in purchasing company's product. (Ward, 2020)

The next method of research is competitor analysis, which identifies current competitors on the market. This tool is evaluating the competitor's main strengths and weaknesses, comparing to own company. It helps to establish uniqueness and competitiveness of the company's product or service. (White, 2019)

SWOT analysis is one of the basic techniques, which defines company's strengths, weaknesses, opportunities and threats. Strengths and weaknesses are considered to be internal factors, which are related to an enterprise itself, its assets, resources and operations; while opportunities and threats are external factors, which are occurred on the market, such as economy, competition and customers. (Mind Tools Content Team, 2019)

As a result, there is business model canvas, which is overviewing the Cat-Made's current position. Canvas concludes business key factors into one matrix for better understanding the company's operations and its value proposition. The model describes business activities in a straightforward and structured way. (BMI)

### 3.3 Business idea and concept

Any business idea is usually connected with its creator who wants to determine value proposition of the business to enter the market successfully and to build competitive advantage, which is one of the main features for the company to surpass its competitors. Cat-Made's competitive advantage is uniqueness and complete individuality of the products.

Students of Finland are found of patches, as it is a part of a student life. Each university is offering its brand overalls, on which students are supposed to attach patches from different events, places and other school activities, as it is clearly shown on the FIGURE 7.



FIGURE 8. Example of Finnish overalls with attached patched

Students usually purchase such patches in the university, where they choose among already made products. Thus, Cat-Made offers its customers to create their own design for the patch, for instance, finding an image or even drawing one. Moreover, the company is consulting with the buyer before

sewing the final version by sending the picture of the future patch to approve it for avoiding dissatisfaction.

Basically, the company's services are mostly covering individual and social needs, as a self-expression need or social acceptance need. Moreover, patches usually represent their owner's views, preferences and opinions, which is helpful for finding common interests amongst new people and breaking the first ice. Therefore, Cat-Made's business idea is mainly focused on producing individual goods and inviting the clients to take part in creation of those goods. Moreover, not only students would benefit from Cat-Made's services. Patches are also widely used in merchandise or uniforms. The FIGURE 8 is representing the uniform embroidery. Companies usually embroider its logo or slogan on the staff clothing, which reflects the brand image of the organization and attracts consumers by small and easy-to remember detail on the clothes or other fabrics and accessories.



FIGURE 9. The example of the uniform embroidery (YIT Oyj, 2017)

The main idea behind Cat-Made embroidery is to provide uniqueness and individuality with simple and small detail of the apparel. The owner of the enterprise believe that embroidery services are highly demanded in Finland, as it is a great part of a student life for both Finnish and foreign students. Thus, Kuopio and nearby areas have a numerous amount of small and medium-sized organizations, which could be interested in creating their own exceptional image by embroidering personal uniform.

### 3.4 Target market analysis

Target market, or in other words, target audience is the customers to whom the company could potentially sell its goods and services. (Ward, 2020) Although, target market is not every person who is located in the company's area, but only those people, who are good fitted for the company's product. By marketing to everyone, there will be a waste of time and resources instead of profitability. That is why it is important to define business's target market for developing the most efficient marketing strategy. The process of defining the company's customers is called market segmenta-



tion. Cat-Made's target market analysis is mainly focused on answering five questions. Those are: who, what, when, where and how. (Ward, 2020)

### 1. Who?

The potential customer of Cat-Made is a young person from 18 to 30 years old, studying in Finland. The student is not necessarily a Finnish citizen, because there are many students from other countries are coming to Finland for an exchange or due to other international programs. Usually the person is actively participating in school events and interested in student-life entertainments.

Finland has two kinds of higher educational institutions, such as universities and universities of applied sciences. Both types of universities provide overall for its students. That means that embroidered patches are demandable across all Finland. But majority of Cat-Made's potential customers is concentrated in Kuopio and Northern Savonia region due to the company's location. The Cat-Made's product is not targeted on any particular gender, because patches are popular amongst all students in Finland. Moreover, the overalls are in fact unisex.

Cat-Made also expects to fulfill orders for small companies, which are interested in creating own uniform or other merchandise. However, the company is yet unable to perform the orders, containing more than 100 items due to lack of equipment. According to this, Cat-Made's main target group is primarily students from Finland and other countries.

### 2. What?



FIGURE 10. Cat-Made's ready-made products

The Cat-Made's product is either a ready-made patch or embroidery directly on textile. FIGURE 10 represents the samples of ready-made patches produced by Cat-Made. As it is shown, the goods have different shapes, colors and ideas.



Basically students attach patches, concerning their school events, hobbies and interests. Usually patches contain student's university symbol, name of the city where they study, cultural characters that are popular in Finland, such as Moomins, and various brand's logo, such as sport teams and so on. FIGURE 11 reflects the variety of patches, differing in its forms and meanings.



FIGURE 11. Example of overalls and patches

Consequently, every student is able to choose any style, color or size in order to create unique patch. Cat-Made's goal is to provide exclusive products, based on the customer's own image and idea. Although, Cat-Made is also offering already made products, which are produced according to the customers' reviews and today's popular trends.

### 3. When?

Cat-Made's customers are most likely to buy its products in the beginning of every academic semester. Every September and January there are new students arriving in Finland due to different studying programs. During the first student orientation week each university offers its new students their brand overalls, which color depends on the location, field of study and program. As soon as overalls have been purchased, student starts to buy patches. That is why the best timing for selling Cat-Made's products is in September and January. Also it would be efficient for the company's sales to follow student's events to create ready-made made patches according to them.

Many patches are sold in the university or other student-oriented places, such as student association halls, what means that the suitable time for selling products is in the morning and afternoon, while the students are being at their universities or the places of their school activities.

### 4. Where?

For profitability and higher demand, the company must know the location of their customers. It is essential to know where they live, study, work and spend their free time for better understanding of customer's needs and wants.

There are two main universities in Kuopio, which are Savonia UAS and University of Eastern Finland. Both of those institutions have campuses in other cities of Northern Savonia region, such as Joensuu and Varkaus. Usually patches are sold in student cafeterias or student offices, which are located inside the university building.

Also young people, studying in Kuopio, often go to different cafes, gyms and student halls. Universities are the partners with some of them, so they provide a discount for its students to use the facilities. That means that these places are suitable for selling Cat-Made's products as well. Moreover, the products could be connected with the activity or the place they sold in. And as the places are study-oriented, its working hours start from morning till late afternoon on the weekdays. Consequently, the study-related places are the perfect locations for Cat-Made's promotion.

#### 5. How?

As it is mentioned above, patches are mostly sold in the university or studying-related places. The patches are usually containing the name of the city, popular characters, logos of different brands and sport teams, etc. Such products are demandable and best-selling. The reason is neutrality and relevance.

Despite that fact, young people are willing to reflect themselves. Cat-Made's goal is to offer students both popular products along with an opportunity to create something unique. If the customers are satisfied with the Cat-Made's ready-made products, they could look forward to make an order with their own image. Although, there is no company that would produce a single patch for the customer, because usually the embroidery companies take orders starting from 50 or even 100 patches, while Cat-Made provides an opportunity to make single orders starting from 1 item, which is completely exclusive and created by the customer.

Referring to the previous paragraphs, the main target audience of Cat-Made is students. And students have accounts on different social networks nowadays, such as Facebook, Instagram, YouTube and others. Cat-Made believes that using the platforms for promoting and selling is one of the best options to increase its sales and further development. Moreover, young people have started to use these networks for online shopping more often, what has already become a common purchasing habit, as it is quite easy and convenient way to purchase products. Cat-Made offers different option for making orders, and using the social networks is one of them.

### 3.5 Competitor analysis

As previously mentioned, every Finnish university is offering overalls to its students, which means that embroidery has a certain influence and demand among Finnish students and companies. There are a few enterprises producing embroidery products. However, most of them are operating in wholesales, where the order must contain 50 or 100 items as minimum. (Merkillinen) Such companies usually distribute its products to the smaller businesses and local stores. These smaller companies often sell not only embroidery, but other accessories, crafts and décor elements. For example, Etsy, which is popular in Europe, and Packforce Finland Oy, which is a Finnish company.

Moreover, there are a number of industrial manufacturers, which distribute the products across the whole country. For instance, Hoopee.fi, Promler.fi and the greatest one is Merkillinen.fi. The competitive advantages of those are a massive amount of production and being on the market for a long time. Due to these facts, it makes them one of the most reliable and well-known embroidery companies in Finland.

The strongest competitor is Merkillinen, which is a part of Turun Haalarimerkki Oy. According to the company's webpage, it is a privately owned supplier, producing high-quality embroidered textile patches, which delivers even large orders as fast as possible at rather competitive prices. (Merkillinen, 2019) The samples of Merkillinen works is presented below on the FIGURE 13.



FIGURE 12. Examples of Merkillinen.fi products

Merkillinen.fi mostly uses B2B business model, while working with other organizations. Their orders must include at least 50 items. However, the price on a single product decreases, if the number of them increases. The maximum items per one order is 3000 with the price starting from 0.30€ per patch. (Merkillinen) The company is located in Turku, operating since 2008. Merkillinen Ltd. also works with other European and American companies. Its partners include companies, associations, communities and individuals. (Finder) The order is processed through Merkillinen's webpage by requesting for a quote. However, Merkillinen Oy is considered to be an indirect competitor, as it operates in wholesale trade, while Cat-Made is retail-oriented.

The Finnish customer awareness is one of the greatest strengths of Cat-Made's competitors, as well as possibility to manufacture large orders at once. However, big companies specialize on the wholesale trade, supplying its ready-made products to the smaller businesses, while Cat-Made grants an opportunity for its customers to create their own design and to make orders starting with 1 item.

Giant industrial companies, such as Merkillinen or Hoopee.fi, usually only adapt design, and not create the new one. Cat-Made offers its customer not only to participate in the process of creation, but it offers an opportunity to work with small or medium amounts of produced items. Those features are considered to be main advantages over the competitors, already existing on the Finnish market.

### 3.6 SWOT analysis

SWOT analysis, which stands for strengths, weaknesses, opportunities and threats, represent the current state of the company, its challenges, advantages and willingness. (Mind Tools Content Team, 2019) The SWOT table is displayed below.

	Internal	External
	<b>Strengths</b>	<b>Opportunities</b>
<b>Positive</b>	<ul style="list-style-type: none"> <li>• Individual Design</li> <li>• High Quality</li> <li>• Compactness</li> </ul>	<ul style="list-style-type: none"> <li>• Young audience</li> <li>• Cooperation with organizations</li> <li>• Social Networks</li> </ul>
	<b>Weaknesses</b>	<b>Threats</b>
<b>Negative</b>	<ul style="list-style-type: none"> <li>• New equipment is needed</li> <li>• Development needs</li> </ul>	<ul style="list-style-type: none"> <li>• Customer unawareness</li> <li>• Strong and well-known competitors</li> </ul>

TABLE 4. SWOT analysis of Cat-Made

#### 3.6.1 Strengths

As mentioned earlier, the Cat-Made's main advantage is giving an opportunity to the customers to participate in creating their own individual design, what makes the product unique and personalized. Moreover, Cat-Made is offering not only choosing an image and style for the future patch, but a consultation before direct textile embroidery. After the customers have sent their design ideas and requirements, Cat-Made creates a digital image of the future patch and sends it to the customers. Only when after buyer's approval, the patch is embroidered on the machine, what is quite helpful, when reaching customer's satisfaction. The example of such image is displayed below on the FIGURE 13.

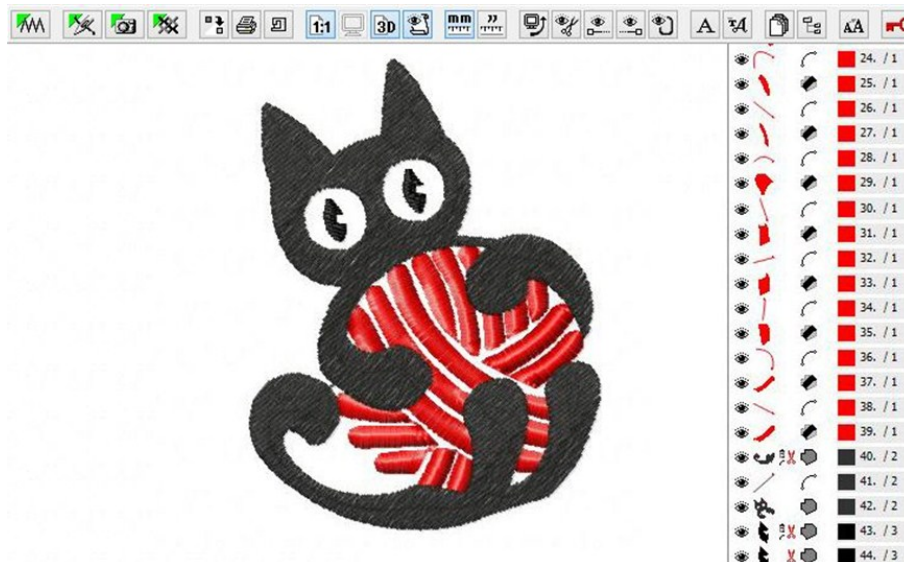


FIGURE 13. The example of Cat-Made's digital image

Moreover, Cat-Made provides its customers with the highest quality products. The company has met positive feedback from its customers. Being a new to the market company, Cat-Made is trying to communicate with the customers for better understanding and service satisfaction. According to their feedback, the customers are satisfied with the Cat-Made's product and comparably low prices.

Also Cat-Made's business activities do not require large space to operate, as the equipment is quite compact, which grants an opportunity to work directly from home. At the first stages of business operations it is important to be fully involved in the process. The orders are processed without leaving home, which helps in fastest reply and feedback from the customers. Additionally, Cat-Made does not have a strict working schedule, as there is only one employer in the company yet, which allows confirming orders during weekends and holidays. Thus, the customers can get their products in a fastest way possible.



FIGURE 14. Cat-Made's equipment

### 3.6.2 Weaknesses

One of the main struggles for Cat-Made is that the company has to be more developed for customer's attractiveness. It is important to get to know business from different angles, so the company can be efficient in the problem solving. For the new start-up it is rather important to face with the most common challenges during the first stages of business operations to be more effective in the future. For instance, Cat-Made cannot afford to make large orders, as the current equipment requires manual adjustments, which affects negatively the production time. Such problems should be solved in order to the further company's development.

The company has a professional embroidery machine. However, it still is not able to reach industrial machines' results. The machine is small and it produces small quantities of a product. Consequently, it takes a lot more time to produce a single patch, comparing to industrial equipment. Moreover, such equipment does not require any manual adjusting, which makes the process faster and more convenient. But the price for large machines is quite high. Additionally, larger equipment requires larger spaces to operate. Thus, Cat-Made is not able to afford it yet, but the company is looking forward to it to increase productivity and profitability of the business.

### 3.6.3 Opportunities

As mentioned earlier, the Cat-Made's main target group is students, which are mostly young people aged from 18 to 30 years old. The new students are coming to Finland every semester and a number of them are buying university's overalls. Due to that fact, it is possible to forecast, that Cat-



Made's product is going to be demandable. In addition, the prices are quite competitive, which makes the product affordable and more attractive for the main target group. Cat-Made believes that young audience is a key to growing and a great opportunity to become well-known.

Despite that, Cat-Made is looking forward to work with small companies as well. The company uses both B2B and B2C model, as previously mentioned. The opportunity to work with other businesses could lead to building strong connections with the companies, which follows partnerships and cooperatives. Cat-Made is also considering this as a great opportunity for the company's development.

As the main target group is students, Cat-Made's way of promotion the business is by using different social network. Nowadays, every significant enterprise has profiles on several platforms. For example, Instagram, YouTube, Snapchat, etc. Cat-Made considers social networking as one of the best ways to reach young audience. It is quite easy to get to know the product by just scrolling Instagram or Twitter feed. Thus, Cat-Made believes that online promotion and advertising can be used as a strong opportunity for customer attraction. Moreover, Cat-Made is planning to launch its own webpage that will be linked to the company's accounts on social networking services.

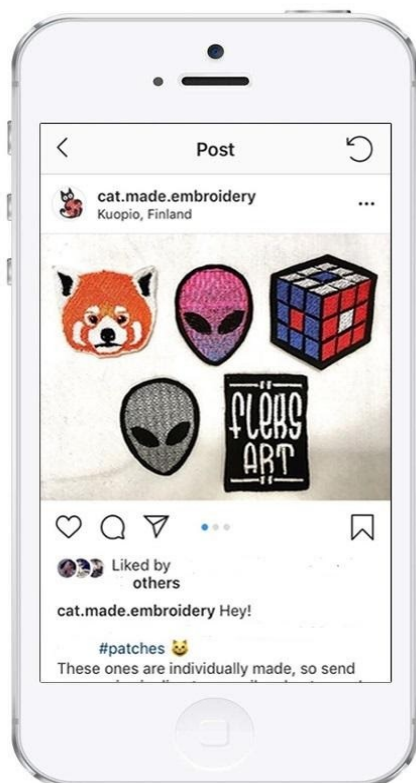


FIGURE 15. Cat-Made's Instagram account

#### 3.6.4 Threats

One of the biggest struggles of the company is getting to know to the customers. When the customers are not aware of the company, it is more likely for them to work with trusted and well-

known companies. Customer unawareness is the most common threat for the most of businesses, which are new on the market.

Also, Cat-Made has a number of strong competitors, which the customer would most likely to use, considering the name and the time of being on the market. Cat-Made has to offer something fresh and different to attract customers and to become well-known. The company has a few opportunities to do so, as mentioned earlier. Cat-Made offers participation in the creation process, consultation and small starting amounts to order. This is something that is not that common on the market today. Thus, it could be efficient for Cat-Made's activities to become competitive and to settle on the Finnish market with prospects for further development and growth.

### 3.7 Business model canvas

Michael Lewis, the author of "The New, New Thing: A Silicon Valley Story", believes that a business model is a "term of art", what means that many people have heard about it, but they cannot describe it. (Lewis, 1999) Basically, business model is a conceptual structure of company's plan to make profit. When establishing a new business, business model is essential step in order to attract investment, recruiting and identifying product and target market. (The entrepreneurs' guide, 2019)

Business model canvas, or BMC, is an easy way to describe business and product. BMC takes only one page to overview company's structure and strategy, keeping attention on the key factors of production. Thus, such type of business planning is an effective way to understand business from the inside.

Business model canvas for Cat-Made is presented below. The table is helpful in summarizing the complete state of the company, which was described in this chapter. The elements, combined in the model, provide a comprehensible view of Cat-Made's key drivers. (BMI)












<b>Key Partners</b>  - Suppliers (materials, software, equipment)	<b>Key Activities</b>  - Embroidery - Designing - Marketing - Online product distribution	<b>Value Propositions</b>  - Uniqueness - Customer creates product - Competitive prices - B2B and B2C models	<b>Customer Relationships</b>  - Social networks - Email - Feedback	<b>Customer Segments</b>  - Students - Small enterprises
	<b>Key Resources</b>  - Physical (raw materials, equipment) - Financial (personal funds) - Human (sole trader)		<b>Channels</b>  - Advertising - Online shopping - Delivery - Customer assistance	
<b>Cost Structure</b>  - Raw materials - Equipment - Software - Marketing		<b>Revenue Streams</b>  - Sales		

TABLE 5. Business model canvas for Cat-Made

The Cat-Made's customers are divided into two main groups, which are students and small enterprises. However, the company is not able to produce large orders, containing more than 100 items, which makes students the major clientele at this time. Generally, students buy patches to express themselves, what leads to the central value proposition, which is uniqueness.

There are a few companies, which provide embroidery services in Finland, but most of them are engaged in wholesale business, rather than retail. Cat-Made builds an alternative to already-made patches for students and offers them an opportunity to create their own small project. This makes every order completely personal and unique. Additional key proposition to that is price competitiveness. Despite the fact, that it is not possible for Cat-Made to fulfill large orders, the prices for its products are comparable to the wholesale giant companies, which makes Cat-Made to look more attractive for potential customers.

The average age of a Finnish student is between 22 and 26 years old. (Opetus- ja kulttuuriministeriö, 2017) People of this age tend to use various social networks and Cat-Made uses it as the main channel to promote and advertise its products for the customers. It is also possible for every client to make an order within this network or via email, what allows the ordering procedure to be more convenient.

Moreover, social networking establishes a great customer communication. Modern networking services are offering business tools, showing statistics and insights of the company's profile. Also the customers are open to share their opinion by commenting and leaving feedback. As a result, the company is able to reach its customers instantly, which makes customer communication fast and convenient for Cat-Made and for the customers. Furthermore, despite designing and embroidering,

Cat-Made provides free of charge online-consultation with its clients, concerning individual projects, in order to assist and achieve the most accurate results.

It does not require plenty of space to manage Cat-Made, as well as equipment. The company has a single embroidery machine at the moment, but with prospects for future expansion.

Also sales can be arranged by using different distribution channels, such as online shopping, social networking platforms or direct sales during student events. There is plenty of student fair occurring during an academic year. The company sees this as a great opportunity to increase sales and attract new customers to its products. Universities also allow to arrange casual selling point on its premises, for instance, cafeterias, halls or other student-oriented places. Cat-Made is looking for an opportunity to engage in this kind of business activities.

## 4 IMPLEMENTATION

According to a survey-based research held by the organization of the Finnish Entrepreneurs, a significant number of foreigners is interested in running their own company. The study explains that foreigners choose Finland as a location for their businesses, mainly because Finland offers support to the new enterprises on the early stages of operating. (Calvar, 2019) However, main difficulties that a young company faces with are coming on the later stages. The survey in this study shows that majority of the foreign companies in Finland are very limited, considering their turnover. More than a half of these enterprises hardly reach the 30000 euros per month, which is explained by the short-term operating period. However, 26% of the foreign companies on the Finnish market earn more than 100000 euros per month. (Calvar, 2019) While Finland provides great opportunities for its every resident to start their own business, it is still a challenge for an unexperienced entrepreneur.

Cat-Made's owner has proposed to the author of this thesis an internship position to develop suitable and effective growth strategy. The position included various tasks, concerning research, development and conducting analyses for the company's performance improvement. It is also a chance for the author of this research to apply the university-gained knowledge into existing business.

The previous chapters contain research and analysis conducted by the author of this thesis in order to explain the reasons of establishing a company in Finland. It also shows that Cat-Made's product and its concept have a potential to be demandable on the Finnish market. Despite favorable conditions, Cat-Made's operations were on hiatus, while conducting this research. The closing chapters of the thesis offer a new strategy for the case-study Cat-Made company. It includes solutions to the already existing problems, as well as to the possible future difficulties.

The author has settled the main questions of the research, which are:

1. Why Finland? Or what are the conditions of setting up a company in Finland?
2. What are the steps of establishing an enterprise in Finland?
3. What type of company to establish?
4. How to develop and improve a small enterprise?

During the whole research, the first four questions were answered and explained. The last chapters cover the last two of them, by summing up information obtained in the first chapters and developing a growth strategy for Cat-Made. The research methods for the final parts of this study are representing qualitative research methods. Focus groups, case-study research and further content analyses are displayed in order to find the answers to the last two question of this thesis-project and to introduce the future suggestions for Cat-Made's operations.

## 4.1 Data collection

Focus group technique was approached for data gathering in this research. This method is a common qualitative collecting data approach. The groups are discussing and exploring a set of specific issues or product's characteristics that the group is focused on. The key aspect of focus group is a collective activity of participants and their interactions. This method was chosen, as it provides more qualitative data, comparing to interviews, or face-to-face contact between interviewee and researcher. (Devault, 2020)

The method of focus group discussion usually consists of four main steps. Those are:

1. Research design
2. Data collection
3. Analysis
4. Results and reporting

In this chapter, research design and data collection are presented in order to define the major purpose of focus group and to create script of further discussion. This part of the research also answers the following questions:

1. What is a focus group?
2. Is focus group different from any other "groups"? How?
3. Why to use this method?
4. How to manage focus group discussion?

Definition of the focus group was presented earlier in this chapter, but to put it simply, focus group is a discussion in a small group of people, who shares common interests or characteristics, such as hobbies, studies, occupation, etc. Usually the meeting is guided by a leader, who sets the direction for the conversation. Its main difference from other type of groups is specific discussion topic availability. (Devault, 2020) Despite that, structure of such meeting are carefully organized, planned and managed by a facilitator, or a trained leader, who conducts the research. Such method is mainly used because participants are open to share their thoughts and discuss the topic within the group. Due to that, researcher gets clearer results and true responses. (B2B International) Moreover, facilitator also can analyze mimics, emotion and other non-verbal signs that participants are showing out during group discussion. However, before conducting a focus group meeting, its script should be written carefully and in details, including criteria for the group, main questions and goals, other discussion topics and the rules for the particular discussion. (Devault, 2020)

### 4.1.1 Focus group description

As mentioned in the previous chapters, Cat-Made has defined the main target groups, which are students or small enterprises. Considering current state of Cat-Made company, it does not have the required resources to make large orders. Consequently, the researched is focused on the first target group, or the students.

The table below is summing up differences and similarities of focus group participants in order to visualize the image about each of them and group in general. The group contains 8 people, who were interested in taking part in this research and all of them are living in Kuopio in time of this research process. TABLE 6 summarizes the profiles of the participants and highlights their differences and similar characteristics. The criteria are rather basic for such discussions, social demographic data, occupation and hobbies.

<b>Participants</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>Gender</b>	Male	Female	Female	Female	Male	Female	Male	Male
<b>Age</b>	25	18	30	27	21	23	20	26
<b>Place of Birth</b>	Finland, Kuopio	Russia, Petrozavodsk	Kenya, Nairobi	Finland, Varkaus	Ukraine, Kiev	Vietnam, Hanoi	France, Lyon	Luxembourg, Diekirch
<b>University</b>	University of Eastern Finland	Savonia University of Applied Sciences	Savonia University of Applied Sciences	Savonia University of Applied Sciences	Savonia University of Applied Sciences	Savonia University of Applied Sciences	Savonia University of Applied Sciences	University of Eastern Finland
<b>Degree Program</b>	Master	Bachelor	Bachelor	Bachelor	Bachelor	Bachelor	Bachelor (exchange)	Master (exchange)
<b>Field of Study</b>	Economics and Business Administration	Engineering	Business and Administration	Health Care	Business and Administration	Engineering	Tourism and Hospitality	Tourism and Hospitality
<b>Year of Study</b>	First	First	Graduate	Graduate	Second	Third	Second	Second
<b>Interests &amp; Hobbies</b>	IT-technologies, hiking	Guitar playing, singing	Modeling, dancing	Skiing, horseback riding	Politics, travelling	Drawing, graphic design	Winter sports, travelling	Archery, linguistics
<b>Employment</b>	Yes	-	Yes	Yes	Yes	-	-	Yes
<b>Position &amp; Hours</b>	System Administrator	-	Individual Entrepreneur in	Sales Manager (full-time)	Assistant Administrator	-	-	Hotel Hostess (part-time)

(part-time)	Modeling Business (full-time)	(part-time)
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TABLE 6. Focus group participants and their characteristics

The participants for the group were chosen from the universities of Kuopio, which are Savonia University of Applied Sciences and University of Eastern Finland. This focus group contains 50% of females and 50% of males in it. The age of the participants varies from 18 to 30, which is the main target audience for Cat-Made, according to the research in the previous chapters. It is also clearly seen that the members of discussion are representing different countries and cities, because that would help in defining target market more detailed and to see the preferences of diverse nationalities.

The students of University of Eastern Finland are representing Master's degree programs, while Savonia students are bachelors. Two of the participants were also on an exchange program in Kuopio, and they are not living in Finland permanently, but only staying for the time of their studies. The rest of the group is currently living in Kuopio and planning to continue staying in this city. Moreover, two of the members have already finished their studies in university at the time of the research, while the others are still studying and have more years ahead.

The hobbies and interests reflect that most of the time they are different from field of study of each participant. Acknowledgment of Cat-Made's customers' hobbies and everyday life could be helpful in gathering ideas and offering new products to the market. Despite that fact, that the traditional overalls are a part of a student life in Finland, students' interests are not only concerning university, but their interests, free time and their life separated from studying. Moreover, the majority of the group have jobs which is also could be useful for Cat-Made's product development and future strategy. Two graduated students of this group are engaged in a full-time position, while those who both studying and working are occupied part-time jobs. Some of the positions are not connected to the field of study of the participant, but their hobbies instead. This also highlights the importance of the customers' interests, when offering the new product to the specific target audience. Cat-Made believes, that getting to know its customer segment better would only benefit to the business and to the relationships between enterprise and its consumers.

#### 4.1.2 Focus group discussion

In this chapter, the process of the focus group discussion is presented. The rules and the structure of the meeting are explained in details for better understanding of environment, which the facilitator has created for the participants. It is a crucial aspect to make every participant to feel comfortable for true response and productive discussion between them. When the atmosphere in such groups is negative, it is impossible to gather all information needed and feedback for the product.

The group contains 8 people. Their names are intentionally not included in the research to direct attention to the process of meeting. The names are replaced with the first eight alphabetic letters, according to the TABLE 6.

The facilitator chose a small room for this meeting, as the group is rather small. However, the room was not too small for the participants' personal comfort space. The researcher believes that large spaces could affect people negatively by making them feel themselves small and insignificant. Thus, the meeting space should not be too large neither too small. The chairs in the room were soft and comfy, as the discussion would take some time, the members have to feel themselves relaxed and not under any pressure for an honest and complete feedback. Moreover, snacks, cookies and variety of soft drinks were offered to the participants to break ice between them and simply cheer them up before meeting. Also the room was full of windows and warm colors in interior to set the pleasant mood for the group.

After creating friendly environment, the participants should meet each other and their facilitator to know each other's names and to have a small talk before the meeting. Each participant had a badge with their names or nicknames to avoid confusion and awkwardness in the group by forgetting other participant's name. When the members have met each other and are ready to start the discussion, they are taking their seats, as they chose them, and the facilitator starts the discussion.

Focus group has certain rules, which the leader should explain before starting conversation. Such rules are usually called "ground rules", as they ought to be clarified before discussion starts. This meeting's rules are mostly concerning politeness, attention and respect to each participant to avoid conflicts and other uncomfortable situations. The rules were constructed without using "do not" in the beginning to highlight friendly atmosphere with no strict rules and limitations. (Johnson, et al., 1975) The set of them is listed below:

1. Paying attention and showing respect to every member
2. Careful listening without interrupting
3. Speaking when no one else is talking
4. Using normal tone of voice without screaming and shouting
5. Every opinion is welcome
6. Being respectful to every member and every opinion without judgement
7. Asking additional questions

Before asking participants to share their feedback on the company's product, it is better to start with a small warm up discussion. The facilitator has decided to begin with their common character, which is studies, or being a student. The questions were including studying and entertaining aspects of being a student itself. Warm up discussion helps the members of the meeting to feel themselves comfortable with each other and to find their points of contact, what allows to continue the discussion in a more relaxed and informal way. It is also important for facilitator to ask additional questions and

to communicate with each member of the meeting to draw everyone in. That was the people do not feel themselves excluded or unconfident.

After the warm up, it is time to ask more direct questions, concerning the Cat-Made's product. The moderator asks every participant, if they have their own overalls and why they bought them or not. Seven out of eight participants have bought their overalls during their first year of studying. The only member, who has not bought it yet, is the member B. The member B is a first year student of Savonia UAS and is planning to buy them in the nearest future. The rest of the group has explained that the reasons for buying the university's overalls were concerned remembering the student life after graduating and participating in school events, wearing school's merchandise. Also students A and E are planning on or already are the tutors at their university, which is a student who introduces to new students the campus, teachers and different school activities. Overalls and its color help the new students to recognize their tutors and tutors of other groups.

Overalls differ in color, what depends on the university and field of study. But patches are what overalls have in common, as the students purchase them on the same events. During this part of the discussion, the moderator asks questions related to the overall decorations, or patches. For example, if the student would want to create their own one. Sixty three percent of the group has shown their interest in designing their own custom, while others said that they would not want to spend time on such a small matter as decorations.

After this, the moderator explains the idea of Cat-Made's product, showing that there is a simple way to order the patch online, by choosing existing design either creating the new one. The facilitator also presented free samples of Cat-Made's product for the members of this meeting, as they could have an opportunity to see and to touch the product personally. This helps to get more accurate feedback for the research.

Some participants have changed their opinion after seeing the product and understanding the idea of Cat-Made. Eighty eight percent of the group would consider ordering from Cat-Made after presentation. Moreover, the participants were asked to leave their feedback and questions, related to the products.

## 4.2 New marketing strategy

More than 50 percent of the focus group members is interested in purchasing Cat-Made's product. The whole focus group is a main customer segment, which Cat-Made is planning to work with, which are students. The meeting is an essential tool in understanding customers' wishes, ideas and opinion on the product and online service. Based on the groups' feedback, it is possible to create a strategy for Cat-Made's further operations and make necessary improvements to the company and product itself.



There are four main strategies that businesses use in order to grow or to develop the company. The strategies are Market Penetration, Market Development, Product Development and Diversification, which it is shown on the TABLE 7 below. This table is called The Ansoff Matrix. (Mind Tools Content Team, 2018) The framework was created in order to help managers or marketers to identify suitable strategies for company's future growth. Furthermore, the grid helps not only finding right strategy for certain business, but analyzing the risk that company could face, while approaching new strategy. Strategy risks are increasing by moving into a new block in the matrix, whether horizontally or vertically. (Mind Tools Content Team, 2018)



TABLE 7. The Ansoff Matrix

According to this research and potential customers' feedback, it is suggested for Cat-Made to choose two strategies from the matrix: market penetration and market development. While market penetration strategy is essential to approach in the current state of the company's operations, market development would be possible to use in the further development for the business to expand. Market development strategy will be presented in the *Suggestions for future improvements* section and market penetration strategy is explained below in the chapter.

Market penetration takes minimum amount of risk amongst other of all presented in the grid, as it is related to the existing product on the existing market, as it is also shown on the TABLE 7. In other words, market penetration strategy is an activity, when a business introduces its product or service to the current market, where similar products/services already exist. (Kenton, 2019) Thereby, this business is able to gain its market share from the other companies on the market, or its competitors. As Cat-Made is new to the existing market, it has to focus on the development of the existing product till the company is able to make higher profit.

The researcher suggests this strategy as a safest way to increase sales at the current state of Cat-Made. One of the suggested solutions for the Cat-Made's case is to improve its digital marketing roadmap to attract more customers. Digital marketing is an essential for business nowadays, as In-

Internet advertising revenues has already exceeded the revenues from television and broadcast. (Internet Advertising Bureau, 2018) As students is the main target group, it is important to improve company's digital marketing strategy to increase brand awareness and to attract the new customers. Thus, Cat-Made pages should be available on the most of the social networking platforms (Twitter, Facebook, Instagram, etc.). Moreover, it is crucial to create content and share information about the product on a daily basis, because nowadays it is rather difficult to remember every commercial ad that customers are seeing online every day. In order to gain customer loyalty, Cat-Made has to often share updates and news on the product and special deals via social networking. Furthermore, most of the platforms today offer an opportunity to sell within its web-pages or mobile applications, what makes business operations more convenient for both, the customer and the company.

After gaining more customers, the next step for the company would be a new product development to attract a new customer group. As it was briefly mentioned in the research, Cat-Made was planning to also include ready textile embroidery, which means that the customer would have an opportunity to purchase an end-product with a patch on it, for example, t-shirts, pants or any other garments. The embroidered textile is not a brand new product, but an improved old one. Nevertheless, it will help in getting new customer groups, besides students. In that case the customer also has an opportunity to create own style to decorate garments that are available in the online-store.

In the beginning of the company's business operations, it is recommended to lower current prices and offer free samples of the product in order to gain maximum customer attraction. When customer base has started to form, the prices could be slightly increased. (Mind Tools Content Team, 2018) If the customer was satisfied with the product, it means that this customer would buy it again, even if the prices have been increased. Furthermore, when the customer base is growing and becoming more loyal to the brand, it is possible to launch a loyalty program, when the regular customers are getting exclusive benefits and bonuses from the company. Such programs would motivate the clients to continue making purchases or to buy certain products related to a loyalty program.

## 5 CONCLUSIONS AND RECOMMENDATIONS

In this final chapter, results of this research will be compiled and concluded. Suggestions for the future improvements of Cat-Made also will be presented in this part of the thesis. The recommendations were based on the previous research, following data analysis.

### 5.1 Conclusions

Finland offers a wide range of opportunities to start own business for both, citizens and foreign entrepreneurs. Finland is a good place for establishing an enterprise, because there are a numerous of professional assistance and start-up advisors available, who is offering services in Finnish, Swedish and English. Therefore, currently there are more than 6,500 Finnish companies, which have been established by foreign entrepreneurs. There is a list of basic steps, which has to be followed by everyone who is willing to establish an enterprise in Finland (Business Finland):

1. To select a name for the future company
2. To register the name at the Trade Register. After this step, the name will acquire exclusive rights as a company's name.
3. To open a bank account for business.
4. To fill in the "Y form", or business notification, this is mandatory for establishing an enterprise and its registration. The notification is considered by Trade Register and Tax Administration register.
5. To choose the type of business (Limited Company, Individual Entrepreneurship, etc.).

By following these steps, a company can legally be operated in Finland. Limited Liability Company is the most common form of business in Finland now. However, Finland offers a great support and opportunities for small and medium-sized enterprises. Furthermore, SMEs are generating almost 60% of value added. (Yrittäjät, 2019) Thus, business establishing procedure in Finland is fast and easy for both, entrepreneurs and Trade Register. Also Finland provides support, advisory services, online tools and insurances for the young and existing companies, what makes a favorable environment for businesses and its operations in Finland. (Business Finland)

Cat-Made is a fresh enterprise, owned by a private trader in Kuopio, Eastern Finland. Cat-Made's business operations are focused on embroidery, or, in other words, creating and printing patches. The main target group is students, as Finnish students' tradition is to attach patches on their university's overall to represent the event, interest and other personal characteristics. Kuopio is a largest city of the Northern Savonia region and has a number of great universities, such as University of Eastern Finland and Savonia University of Applied Sciences, what is attractive for many students in Finland and abroad. Every year there are new foreign exchange students, coming to Kuopio. These factors make a great deal of opportunities for Cat-Made to become a profitable and well-known

company in Kuopio. This research analyzes the company's current state to create a suitable strategy for the company to develop and grow. The research is followed by SWOT analysis, Target Market analysis, Competitor analysis, Focus group discussion and other tools for precise and correct data gathering and further analysis.

This research collects information on the process of establishing an enterprise in Finland, including registration procedure, taxation, insurance and company's financing. The main goal of this study is to motivate and to provide the results of this research to the future entrepreneurs, who are willing to start a business in Finland. For clarity, the researcher uses a specific example as the case study, or the Cat-Made company. The research explains how to use the opportunities given by Finland to establish an enterprise and how to engage in a business activity.

## 5.2 Suggestions for future improvements

As it was mentioned above in the subchapter *New marketing strategy*, market development strategy will be described in this part of the research, as it is a good strategy for the future company operations. The researcher believes it would be impossible to perform this approach in the current state of Cat-Made. Thus, it is recommended to use this approach, when the company becomes more profitable. Whereas, market development is a strategy that is concerning obtaining new market segments, it is quite risky to do so now. However, this approach could be useful for Cat-Made in the future. The suggestions will be reasoned in this final chapter of the research.

If market penetration is the safest strategy, market development is the second lowest-risk strategy in The Ansoff Matrix. Itself market development is a business growth strategy, when a company presents their goods or services to a completely new market. (Mind Tools Content Team, 2018) The new market for Cat-Made could be small and medium-sized enterprises in Kuopio. For example, Cat-Made could produce special uniforms such as t-shirt, shirts or accessories with a company's logo for the small businesses of Kuopio, where personnel does not include a lot of people. This approach would introduce Cat-Made to a Business-to-Business form of operations, which is an important experience in the company's role and portfolio. This is also helpful in building and strengthening the company's brand.

It seems quite possible for Cat-Made to adapt its products to this new market in the future. This could be implemented by offering free samples to the companies in Kuopio or by creating special deals for the first-timers for the lower price, if the client is interesting in purchasing the Cat-Made's product. Cat-Made could be offering two options for such clients such as designed patches or already-made textile embroidery, where the second option is, obviously, would cost more, as it would include higher material costs. However, the client would have an opportunity to choose any option suitable. Cat-Made could be providing design consultations and design creating, if the customer wants. For the customers there could be trial versions of the final product with a possibility to fix and make changes before printing a whole batch.

Market development is an effective method to expand and develop the company, but it is quite impossible for Cat-Made to realize now, as business-to-business usually involves upfront investments for operations to start. However, it could be a realistic goal for the company to aim. To use this approach the company will be passing through a number of stages, but before strategy implementation, the company should have clear and certain business objectives and aims and a business plan to achieve. Following is the list of the stages that are performed in the market development strategy (The Economic Times):

#### 1. Finding a new target market

Before implementing the strategy, it is essential to know who the new customer is. Customer groups can be defined by their age, profession, family, etc.

#### 2. Research

Market research should be concerned the product and potential customers, or target market. The research should answer the questions such as income of the customers, if the customer is using similar products, if the customer is using competitor's product, etc. Only after conducting a clear market study, it is possible to create effective development strategy. It is important to observe customers' habits, interests, buying behavior, etc. Market research also includes competitor analysis with information on their prices, offers and their performances through years of operations.

#### 3. Risk management

When research and analysis has been done, the business will get a clear idea of possibilities to grow. Only when the market plan is completed, cost effective and could be profitable after applying, then the company can introduce itself to the new market. The ability to take risks and manage with challenges shows, if the business can enter the market or not. If the research shows that the market is not appropriate for implementation, then it is better not enter or find a new market. (Rouse, 2020)

#### 4. Entering the market

The entering could be implemented through following the next steps: product promotion, company's logistics and market share increase. (TradeStart) It is important to advertise and promote the product to reach the customers. After the customer has been reached, the ways of distribution should be defined, depending on the geographic area, customs and other regulations, related to the delivery. When the company has established a connection with the new target market, it must pay close attention to what the customer needs and wants, because it is much easier to lose a customer, than to find a new one. In order to avoid this scenario, it is important to use surveys, consultations and tools to know what customer likes about the product and does not like. Only direct customer communication will help in getting honest answers. (Keegan, 1989)

In conclusion, the most suitable option for Cat-Made's future improvements is to obtain a new target group in the same geographic area, where it is now. This strategy will increase the total product's consumption on the specific location. In order to do so, the most crucial point to focus at is a product positioning, which could be concluded through surveys, focus groups and other marketing tools. The benefits of the product must be presented to the new target market in a way that would be convincing, although it should not exclude the current customer.

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