



Expansion Plan for a Photography Company

Case: CaroK

Christa Kylfält

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Tiivistelmä

Tämän opinnäytetyön tarkoituksena on valottaa asioita, joita on otettava huomioon harkittaessa valokuvayhtiön laajentamista. Opinnäytetyössä olevalla yhtiöllä on selkeä jo olemassa oleva laajentamis tavoite.

Opinnäytetyössä keskitytään CaroK nimiseen valokuva-alan yritykseen, jolla on toiveissa laajeta ja avata liike. Työssä uppoudutaan laajentamiseen markkinoinnin näkökulmasta, sekä tutkitaan tarvittavia strategioita yhtiön markkinointia varten.

Työssä tutkitaan myös laajentamiseen tarvittavia finanssi tietoja, jotka valottavat yhtiön kuluja ja tuloja tällä hetkellä sekä tulevaisuudessa.

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Author: Christa Kylfält
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ABSTRACT

The purpose of this thesis is to give an idea of what a photography company needs to take into consideration when thinking of expanding. The company in question in this thesis already has a certain target as to where it is going to expand.

This thesis focuses on a photography business called CaroK which wishes to expand and open a store. It is mainly focused on the marketing side of expansion and gives an in depth view of the strategy needed to market the business.

The thesis will also lightly touch upon financial data and give an idea of revenues and expenditures at the present moment as well as the future.

Key words:

Expansion plan, Marketing Analysis, Marketing

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1 INTRODUCTION

CaroK photography was developed by Carolin Kylfält in November 2009. The company offers photography as well as digital design, webpages, and the possibility to get your pictures in paper photograph form. This thesis will be focusing on the expansion of CaroK from a sole proprietorship with one employee and a home studio, into a photography company with a studio, one photography shop and later another. The thesis will mainly be concentrating on the marketing side of expansion. Recognition plays a big role in how much of the market share it will own.

Budgeting will be touched on lightly but at this stage it is not of major relevance.

2 BUSINESS IDEA AND PRODUCTS

When you think of photography, it is a luxury product that most people are still willing to pay for, even though their financial situation may not be great. CaroK focuses on photography in Finland and making it an all-around experience for customers. At this point Carolin Kylfält mainly travels to the customers, but after opening two photo shops she will also be able to offer customers such things as passport photos and photo developing.

2.1 Background

2.1.1 Carolin Kylfält

Carolin Kylfält founded CaroK in November 2009 while in a work placement at Nokia. At that time she was studying photography in Jyväskylä and needed a company to bill Nokia for the services that she had provided them. At that moment she was not thinking of starting a company yet, but as the necessity rose she felt it was as good a time as any. The company was founded as a sole proprietorship with Carolin Kylfält as the only person in it.

Previously Carolin Kylfält graduated from the Jyväskylä School of Applied Sciences, from the Facility Management and Consumer Communications degree program, majoring in Facility Management, having switched over from International Business. She completed her bachelor's degree in 2004 and feeling it was not her calling, started her degree at the Jyväskylä Institute of Adult Education in the Audiovisual Media Communications degree program in 2008 and graduated in 2010, her main focus being photography and multimedia design.

After graduating from the Jyväskylä Polytechnic, she worked in restaurants in Jyväskylä (Freetime) and Helsinki (mbar) as a bartender and

later as a duty manager. This was not in accordance with her training but did open many opportunities to expand her social network, which proved useful when starting her photography business. She also worked for RR Human Resources giving her the opportunity to use her business knowledge. Her friends and acquaintances became her first clients in the photography business and through word of mouth, she soon found herself having a basic clientele.

Carolin Kylfält is a very conscientious businesswoman and does not dive into new business ventures without assessing the risks that are involved. She is calculative and well informed on relevant issues and whether or not a business will be profitable for her.

2.1.2 CaroK

The starting point of CaroK was while Carolin Kylfält was doing her degree in audiovisual media communication and was at her work placement in Nokia Company. In order for her to be able to bill Nokia for the services provided, they required a company billing address. This gave way to the foundation of CaroK which was registered as a sole proprietorship in November 2009.

CaroK photography at this moment does not have a solid location, which is because most of the clientele, wish for the photographer to be present at events that happen elsewhere. The base of operations, is, at this point Carolin Kylfält's apartment in Jyväskylä where she has all the technology required to run her business. If people wish to have studio pictures taken, it is possible at Carolin Kylfält's current workplace Kuvapiste Valkonen in Jyväskylä, where she has a deal with the owner that she can use the facilities for the purposes of her own business. However a studio is well on its way owing to the fact that Carolin Kylfält purchased a property which can facilitate a studio and photography central.

At the moment CaroK photography offers services to anyone needing them but the main clients include wedding couples, graduates,

confirmation students, as well as big corporations such as British American Tobacco, Kopparberg, Red Bull, Shaker and SOK-Keskimaa. CaroK has been able to tag such big clients because of the fact that the business offers much more than just photography. When dealing with CaroK you can choose from multiple services: photography, image enhancing, image developing, printing, web design, image reconstruction and a very extensive wedding package.

The initial demand for CaroK photography surprised Carolin Kylfält since she had thought of starting moderately slowly, first providing services to her acquaintances. However word of mouth spread information fast and she started getting job offers from people she did not know, even before the company had a website. People had shared their experience of CaroK with their friends who in turn told other people and so on.

A big advantage to the company is that it is able to offer services at lower prices than its competitors; this is because Carolin Kylfält believes that although photography is a luxury product, it should be available to everyone who wishes it. Also, the biggest names in photography in Finland today, charge large sums for their services, owing to the demand that they have come across. To ease this overgrowing demand, they have decided to charge extra.

What separates CaroK from others, is also the fact that Carolin Kylfält has made it possible to satisfy all your photography needs in one place. This is especially true for clients who need a wedding package. For them, it is possible to get their portraits, reception photos, developed photos, invitations, website including their wedding menu, gift registry, guest list and whatever else they may require (see Figure 1), and thank you cards, all from the same provider; also, pictures, such as “trash the dress” which are photos taken of the bride in her wedding dress after it has been used, are also becoming increasingly popular among younger couples.



Figure 1: Example of Wedding Website

At first it was anticipated that owing to the financial crisis in Europe people would cut out luxury expenditure first, however people did not stop getting married or graduating and they did not stop hiring professional photographers to immortalize the events. When people have a once in a lifetime day (graduation, wedding, etc.) they are willing to spend money in order to never forget that day, hence the continuous demand for photographers.

CaroK works in cooperation with other photographers in the region in order to share the demand, for example if someone calls in need of a photographer but that day is already booked, the photographer will refer the client to another photographer who may be available on that particular day.

At the moment CaroK has a website, <http://carok.fi/>, where potential customers can contact the photographer and also has a page in “facebook” called CaroK, which can be viewed by anyone using the social network. Facebook provides a good opportunity to get viewed by hundreds of people and potential customers owing to the large amount of users.

2.1.3 Expanding

The idea for expansion came when her boss at Kuvapiste Valkonen in Jyväskylä said that in a few years' time he would be ending business for retirement and told Carolin Kylfält that he could sell her the machinery and the lease on the store could be continued in her name. After this Carolin started contemplating buying another store as well, giving her company recognition and after her studios renovation is complete, three different locations.

When thinking of expanding the need to recruit and change the company form come into question. She has proposed to her sister, Christa Kylfält, that she would become a partner in the expansion and manage the business side of the company while more people would have to be employed to work in the stores. The company form would be changed to a limited liability company.

Kuvapiste Valkonen would change its name to just Kuvapiste and it would be owned by CaroK; as for the other store which is being planned, the name is still an open issue, but in all likelihood it would carry the name of CaroK giving the company recognition and an opportunity for people to find out that such a company exists.

3 MARKET ANALYSIS

A market analysis consists of three different factors, mainly the internal environment, the microenvironment and the macro environment. The internal environment is made up of:

- Staff or internal customers;
- Office technology;
- Wages and finance

The microenvironment is made up of:

- External customers;
- Agents and distributors;
- Suppliers;
- Media;
- Shareholders;
- Competitors

The macro environment is made up of:

- Political and legal forces;
- Economic forces;
- Sociocultural forces;
- Technological forces

Together, what the macro environment consist of are also called the PEST factors.¹

Companies must always be aware of the ever changing environments and in this thesis we will go through the relevant factors in each environment in relation with the business and expansion. Because CaroK is a fairly new business and has not been able to become a full time job for Carolin Kylfält yet, there will be no relying on past profits or indicators, as they will not tell us much of how the company will succeed after the expansion. One of these

¹ <http://marketingteacher.com/lesson-store/lesson-pest.html>

indicators is for example the balanced scorecard and will not be necessary in this thesis.

3.1 Internal Environment

3.1.1 Staff or Internal Customers

The staff in the two new stores will have to have extensive knowledge about photography equipment, machinery and different functions, for example they will have to be able to operate a professional camera. They will have to know how to photograph and independently adjust the settings on the camera as well as be well acquainted with other technology such as several different computer programs. A basic knowledge of photo manipulation will be in their advantage. The two stores will need highly specialized staff and it would be a prerequisite to hiring that you have either a degree in photography or audiovisual design or that you have a sound knowledge and extensive history using specialized photography equipment.

Employees will be expected to be customer friendly and to be able to advise or help customers on any issues they need. A certain level of independent working would be required.

Carolin Kylfält would still remain the main photographer and she would do the jobs that require travelling or shooting weddings or graduations, this is because no one but her can guarantee that the style of CaroK photography keeps up to her standard.

Christa Kylfält would be in charge of the business side, which is the marketing and human resource management. Accounting would be outsourced to a capable agency. In other words Christa would have nothing to do with the photography side of the business; she would only be the one keeping together the paper work while Carolin runs the creative side of the business.

3.1.2 Office Technology

All the technology in the stores would have to be capable of handling large amounts of orders and there would need to be a certain amount of backup machinery to keep operations running smoothly if something were to break down.

Special picture developing technology would also have to be acquired for the second store. Kuvapiste Valkonen already has a photograph printer, software and technology that are needed in a photography store, which means that one store, will already be fully stocked and operational at the date when the name on the lease is changed to Carolin Kylfält. The other store may also be fully stocked at the purchase date depending on the purchase agreement.

Office supplies will have to be acquired and Kuvapiste Valkonen already has supplier relationships established, which again will ease the burden of expanding into stores.

3.1.3 Wages and Finance

The proper wages for the employees will be set at the market rate which exists when ownership and hiring take place. Other factors such as education and previous work experience in the field will account for the pay rate as well. The status of the employee will also play a part, for example if the employee is a trainee, he or she will get a certain percentage compared to the wages paid to fulltime employees. When hiring there will be a combination of fulltime and part-time employees as well as trainees.

3.2 Microenvironment

3.2.1 External Customers

Customers in the stores will mainly consist of everyday shoppers needing their pictures developed or framed and people coming in for passport photos or portraits. Kuvapiste Valkonen in Jyväskylä is situated in a shopping market called Minimani, so the main clientele are people who go shopping for food and necessities and drop by for their photography needs. Because the shop is situated in the premises of Minimani, parking is free compared to the city center.

In Kuvapiste Valkonen it is possible to order prints and photo books as well as develop your photos and have portraits taken. There will also be the option of ordering photography sessions for your wedding or special day and it will be directly linked to CaroK.

Customers for the stores will consist of “drop-ins” as people mostly visit stores when they are in need of passport photos or development of photos. Since the regulations on passport photos have become very strict (head proportions have to be correct and ears have to be showing), most photo booths have been removed for their inaccuracy and passport photography is handled in stores which has brought lots of new customers to stores.

The clientele in Kuvapiste Valkonen at the moment is very loyal and have been going to the same place for years, owing to the fact that the store has been running for about 10 years in the same spot. However the clientele is mostly quite old, so this may present a problem in the future.

3.2.2 Agents and Distributors

Since the service provided in photo stores is a direct B2P (business to person) service, no middle agents will be necessary. This cuts out a whole segment on

the production chain, therefore simplifying business and making it more straightforward.

3.2.3 Suppliers

Kuvapiste Valkonen in Jyväskylä already has its suppliers for paper and office supplies and the same suppliers would most likely be used in the second store as well, to further strengthen supplier-business relationships.

It would be important however to continually compare suppliers and make them compete against each other in order to make sure you are getting the best prices, products and service. It is vital that business-supplier relationships are good, in order to ensure good service and on time deliveries of supplies. Also avoiding disputes with suppliers is vital since suppliers can sometimes make or break a business.

3.2.4 Media

Media coverage is important in Jyväskylä for the two stores. The internet is a good channel for advertising and different social networks such as facebook or MySpace offer a lot of visibility especially for the younger generation.

Keskisuomalainen, which is the biggest newspaper in Jyväskylä, offers an attractive opportunity for advertising. It is the fifth most read newspaper in Finland and the oldest Finnish newspaper today². Keskisuomalainen has nearly 70 000 subscribers³ and is a good way to get into contact with potential customers, especially older age groups who are not prone to using the internet.

² <http://fi.wikipedia.org/wiki/Keskisuomalainen>

³ <http://www.levikintarkastus.fi/levikkitietokanta/index.php>

3.2.5 Shareholders

The exact amount of shareholders in the future is yet to be determined. However Carolin Kylfält will always remain the main shareholder with the most power since she started the company and has invested the most into it. She will in any case keep at least 51% of the company. The exact amount of shares will be determined when the company is changed into a limited liability company and the number of shareholders is apparent.

3.2.6 Competitors

According to Eniro, there are 81 photography businesses in the Keski-Suomi region⁴. This means there are quite a few stores to compete with. Also there are other competitors, for example other travelling photographers in Finland and “amateurs” meaning usually family members or friends who offer to take pictures at an event, eliminating the need for a professional photographer.

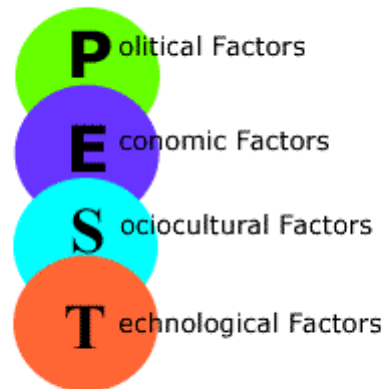
However, Kuvapiste Valkonen has a prime location in Jyväskylä and it is easy to go in, order what you want, then go shop for necessities, and come back again with your order waiting for you. The spot is convenient because it might suddenly remind people that they needed their picture taken and can do that on their shopping trip.

For the side of CaroK photography, competition is not a big issue, since very few if any stores offer the same services as CaroK. No photographer in Finland offers as extensive a wedding website as CaroK and also not all photographers are willing to travel, they concentrate on studio photography. Prices are also very competitive.

Since CaroK provides web design and graphic design, and already has an extensive company clientele on which to rely on, it is highly unlikely that CaroK will go out of business anytime soon.

⁴ <http://www.eniro.fi/yriitykset/KESKI-SUOMI/VALOKUVAUS/>

3.3 Macro Environment



www.marketingteacher.com

Figure 2: Pest factors⁵

3.3.1 Political and Legal Factors

Owing to the nature of the business, political and legal factors are not very extensive. Legal factors include copyright laws and other such laws dictating ownership of creative material.

In CaroK as well as Kuvapiste, after the pictures or services have been transferred to the client and they have been paid for in full, the usage rights of said pictures or services are given to the client. For example, they may use pictures that they have ordered or commissioned as they please, they gain full access to publish them or do what they wish, however ownership of the photos stays with the photographer and she can choose to publish pictures, for example on her website. In keeping with good relations, all publications of pictures are approved by the client. Other pictures that have not been commissioned by anyone are copyrighted to CaroK.

Political factors are not great in the business and industry. Value added tax is the only tax that the government requires the company to pay, when yearly net income remains under 10,000€. The VAT paid in each company purchase, for

⁵ www.marketingteacher.com

example a computer, is deducted from the VAT that CaroK owes from goods sold.

3.3.2 Economic Factors

The economic situation that is currently in Finland and Europe has a big impact on selling luxury services and products. After the starting of the financial crisis in 2008, people have been less willing to spend on luxury items and have in effect limited their spending to necessities only. However photography is needed at weddings and social events, also people do not cease needing passports and photography seems to be one area in which people are not willing to compromise.

People nowadays are less prone to hire a photographer for no reason, but stores are still afloat because everyday photography is not unreasonably expensive. In Kuvapiste in Jyväskylä, passport photos cost 13 euros which is the lowest price for passport photos compared to the prices in the center of the city where passport photos cost over 20 euros. Kuvapiste offers the lowest prices in all aspects of photography and developing pictures in Jyväskylä which gives it an undefeatable competitive advantage.

Because of the financial crisis, lots of people have consequently lost their jobs and are in need of work. This drives people to further educate themselves, and therefore, Finland can offer employees with expertise of many industries.

3.3.3 Sociocultural Factors

The population in Finland is growing older and is on average middle aged at the moment. The current clientele of Kuvapiste Valkonen are of the older generation and once the company has been changed to Kuvapiste a problem may present itself in the fact that some of the regular clientele may not be able to come to the store anymore, due to old age. One main focus has to be on how to attract younger clientele.

3.3.4 Technological Factors

New technology is being developed every day and people have come to rely on the benefits provided by said technology. New photograph printers for example have been developed moving from ink printers which smudge photos to printers that use the same technology that photographers had in dark rooms but in one machine instead of a room, see figure 3. The picture goes through the machine soaking in different chemicals which bring the picture onto the paper, the colours on the pictures are said to last over 200 years so far and they can even be washed with no harm coming to the picture.



Figure 3: Konica Minolta R1 Super 1400 Digital Minilab System⁶

This new technology makes it possible for pictures to be ready in 5 minutes instead of days as it used to be. Technology has helped people to expect fast service and great quality.

Kuvapiste Valkonen also has two sets of three computers that are linked to each other on an internal network and make it possible to offer a wide spectrum of image enhancement, retouching and restoring. There is also a computer on which customers can upload pictures from a CD, memory card or USB stick and choose which photos to print out and in what size, and machines will do the rest.

⁶ http://www.konicaminolta.com/about/releases/2003/1002_01_01.html

3.4 SWOT Analysis

The SWOT analysis is an important measure when finding out market position. SWOT is an acronym which stands for internal *strengths* and *weaknesses* and external *opportunities* and *threats*.⁷ The SWOT analysis allows one to review the company's internal factors relating to external factors. It gives an indication to where a company stands on a market and the gap between where you thought you were and where you actually are is called the strategic gap. After identifying the possibly existing gap, it is easier for a company to move in the desired direction.

⁷ Zikmund, William G. *Marketing, Creating and Keeping customers in an e-commerce World*. Cincinnati: South-Western College Publishing, 2001

The SWOT analysis of CaroK in regards to the expansion is as follows:



Figure 4: SWOT analysis table

3.4.1 Breakdown of SWOT Analysis

The fact that Kuvapiste Valkonen offers the lowest prices in Jyväskylä is a definite strength, as people especially nowadays are very price conscious and are always looking for the best deal they can make. However CaroK is a fairly new business and fluctuations in the market and taxation may occur which will force the store to think over its prices and will possibly have to increase them to reflect the market. Kuvapiste Valkonen also has a high standard of working, they do their best to offer the best quality and nothing less will do; this mode of thinking will be continued once the company is Kuvapiste.

The clientele in Kuvapiste Valkonen as well as CaroK is very loyal, but unfortunately on average the clientele of Kuvapiste Valkonen is also quite old. This means that in a few years' time when ownership changes hand, there may not be too many of the original clientele existing. This of course means that marketing has to be implemented to gain new customers.

The expertise which Carolin Kylfält has is something that everyone does not have, which means that if people need their pictures retouched or in other ways modified for example, they usually do not know how to do it themselves and therefore a photographer/graphic designer with the needed skills becomes their only option. This means that there will always be demand for skilled professionals in the photography industry.

CaroK has already formed partnerships with other photographers and companies which means more business if partners are unable to satisfy a clients need. It also means that partners are going to refer clients to turn to you if they cannot do the job themselves. Having partnerships with major companies such as British American Tobacco also means that your name will gain visibility and you have a firm clientele. Even the police in Jyväskylä refer people to Kuvapiste Valkonen for their passport photos because of the quality of the photos and because it is the cheapest.

Going over to the weaknesses, CaroK is a fairly new business, and buying a store, never having run one before, may present its problems. Such problems may occur in finding suppliers and good deals. One strong point however is that since Kuvapiste Valkonen already has its own suppliers such issues would only have to be thought about once opening the second store.

Seasonal fluctuations in the market are also very common. Most graduations and weddings take place in the spring or in the summer and so those are the times when the client list is going to be at its largest whereas in the winter and fall period there will not be as many major events. However winter time is the time of Christmas and there is always a peak before the holidays owing to the fact that people may order their Christmas cards from photo stores and may also order large quantities of prints.

Photography is a luxury product/service and there will never be as much demand for it as for example for food. However photography is quite expensive and one major client may keep bills paid for a substantial amount of time; every day does not have to be overwhelmingly busy in order to survive in the industry.

Owning one store will bring more visibility to CaroK, and owning two stores will bring a great deal more. The better one store survives, the more prone you are going to be to open another and then another, which could eventually lead to owning a chain of stores and a brand that everybody recognizes. Also owning the stores as opposed to just working in them, gives great opportunities to help the community and gain media exposure. On 6th of December 2011, which is the Finnish Independence Day, Kuvapiste Valkonen offered free photography for war veterans which gave the store visibility in the papers.

Major threats include the increase of taxation, if the government decides to increase the VAT for example, people are going to be less enthusiastic to purchase luxury services and this could be a potential business stopper, especially if the company is not firmly grounded.

Cameras are getting cheaper and cheaper every day and people sometimes think that now that they have a camera they don't have to hire anyone else to do the photography in the family. This is a big threat, because everyone who says "I have a camera, I can shoot your wedding" is costing the industry a potential client. *Buying a Nikon doesn't make you a photographer. It makes you a Nikon owner.*⁸

Kuvapiste Valkonen also operates with fairly old machinery, which means, if a machine breaks down it is becoming more and more expensive to fix them. If a machine breaks down for good, for example the minilab, it will have to be replaced with a newer but quality-wise not as good a machine which may lead to complaints. It is becoming increasingly difficult to find spare parts and supplies for the machines and they are becoming very expensive because they are so rare. If production of parts is stopped completely, all the machinery will have to be changed.

During 2012 police departments will require all passport photos to be sent in digital format. In following years, photos for other types of documentation will also be sent in digital format however the schedule for this has not yet been finalized as it depends greatly on the success of the on-going pilot trials. This can be seen as both a threat and an opportunity. A possible threat will be if

⁸ Author Unknown <http://www.quotegarden.com/photography.html>

police departments realise the possible income from hiring an in-house photographer who takes people's pictures on the spot, and subsequently eats into the profits of all photo shops. The solution to this would be to try to increase the revenue shares of other products as to become less dependent on revenues from passport photos. It can also be thought of as an opportunity seeing as many older photo shop owners have not gone digital, and will no longer be able to send passport photos to police departments in the upcoming years. Lots of business will be left over from these photo shops.

4 MARKETING

Marketing is essentially what brings buyers and sellers together. It is the values that drive a person to need your product. Marketing and selling are not the same concept, selling is when goods are exchanged for cash and marketing is the driver which leads people to the conclusion that they need to buy something.

In essence, marketing is concerned with everything that comes before selling, marketing creates the demand. The definition that Business Dictionary gives is as follows:

The management process through which goods and services move from concept to the customer. As a practice, it consists in coordination of four elements called 4P's:

- (1) Identification, selection, and development of a product,
- (2) Determination of its price,
- (3) Selection of a distribution channel to reach the customer's place,
- (4) Development and implementation of a promotional strategy.

As a philosophy, marketing is based on thinking about the business in terms of customer needs and their satisfaction.⁹

In order to market your product you have to have a clear understanding of what your product is and to whom it is targeted.

4.1 Market Definition

The target market for Kuvapiste (Valkonen) is and will be Jyväskylä. Since it is a small store quite close to the center of Jyväskylä, it will be easy to reach a lot of the population in the city. One advantage is also that it is situated within

⁹ <http://www.businessdictionary.com/definition/marketing.html>

a grocery store and thus offers free parking and visibility to shoppers of all ages.

The store relies a lot on its loyal clientele who have been coming there for years. This is because, photography, like having your hair done in a hairdresser is a very personal business, and the two businesses are very alike in the way that once you find a good hairdresser and photographer, you are not likely to change and take your business elsewhere.

4.2 Segments

The good thing about photography is that at one point or another everyone needs a photographer, whether to take a passport photo, make Christmas cards, take portraits or develop photos, it is a business that attracts all age groups and all kinds of people.

One of the main target market segments for Kuvapiste is the loyal customer base which went to Kuvapiste Valkonen as well. People who have been going to the store for years and who are accustomed to a certain level of expertise and quality. It is one priority that these customers keep coming to the store even after the owner has changed. An advantage in this is that Carolin Kylfält has been working in the store for one year already and by the time the owner is ready to retire, she will have worked in the store for about two years more, which means the customers will recognize her and feel comfortable doing business with her even though the owner and name have changed.

Another segment is Minimani shoppers. It is important that the shoppers who go to Minimani, acknowledge that there is a photography shop in the store and realize that they can take their photography/graphic design needs to Kuvapiste and be offered great quality service.

Since Kuvapiste Valkonen offers the lowest prices in Jyväskylä, it is a great opportunity to attract bargain hunters even after the name has changed. Nowadays people are stricter with their money and mostly use it on necessities, which is why people are always looking for the best deal. For example passport

photographs being over seven Euros cheaper than anywhere else in Jyväskylä, and the store being 2km away from the center, makes it attractive to bargain hunters.

Since CaroK and Kuvapiste are going to be integrated in a way, the target clients for Kuvapiste are going to grow as well, going in to people who need wedding photography and graduation photos taken.

Carolin Kylfält herself is in her thirties and is a woman, which makes her more easily approachable for older and younger people. She is accustomed to servicing people of all ages and has a strong background in customer service. People who get good service the first time around are likely to come again and this should be a main focus of the store, to get people to come back continuously in order to strengthen their loyal clientele.

4.3 Customer Expectations

Since photography is essentially a luxury product, people expect to get their money's worth. Customers expect high quality and good service as well as privacy.

When dealing with peoples' photographs, a high level of discretion is required. Customers expect that the person or persons handling their photographs will not comment on the content and will not show them around. Especially when people come to the photographer to get their photos developed which may be personal or private in some way, for example family photos, they will not expect you to give out any comments. People expect the photographer to develop photos and then forget what they have seen.

Although photography is a luxury product, people are not willing to pay great deals of money except when photographing special events. In yester years for example, wedding photography was not very popular, but one person hired a photographer then another saw the pictures and was impressed then another and another and they thought it a good idea to hire a photographer as well. Photography is a trend and it has to be kept fresh, that is why people expect

that every time a picture is taken it will offer something different and new. In photography, having a new perspective and fresh ideas is always important.

Customers also expect to get what they want. They expect the photographer to listen closely to their ideas and wants and to act accordingly. Customers are only going to pay for what they ordered and that is why quality standards must be kept high. Kuvapiste Valkonen has a guarantee as well as CaroK, if you are not at all happy or pleased, or if you were given the wrong product, you will get them exchanged for free, and it is always a given that what you pay for is what you are going to get.

4.4 Product Portfolio

The product portfolio of Kuvapiste would include photography, photo development, picture modifying/graphic design, supplies and cards. If we apply the Boston Matrix to these products, see figure 5, we can get an idea of how profitable each product is.

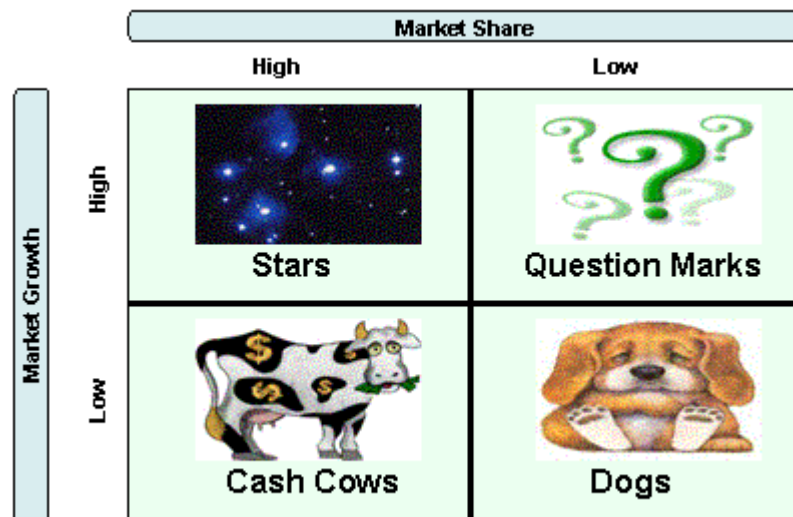


Figure 5: The Boston Matrix¹⁰

¹⁰ http://tutor2u.net/business/strategy/bcg_box.htm

Stars - Stars are high growth businesses or products competing in markets where they are relatively strong compared with the competition. Eventually their growth will slow and, assuming they maintain their relative market share, will become cash cows.

Cash Cows - Cash cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for continued profit - so that they continue to generate the strong cash flows that the company needs for its Stars.

Question marks - Question marks are businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors. Management have to think hard about "question marks" - which ones should they invest in? Which ones should they allow to fail or shrink?

Dogs - Unsurprisingly, the term "dogs" refers to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.¹¹

Photography and photo modifying/graphic design are Stars. They are products worth investing in and they will generate a lot of money for the company if properly marketed and enforced. In Jyväskylä, the low prices of Kuvapiste Valkonen in photography, give them a definite advantage compared to competitors and thus Kuvapiste Valkonen has relatively more customers in these areas of business. However both products need high maintenance, new machinery, expensive supplies and so forth, making them very expensive to uphold.

Picture development and cards are Cash Cows at the moment but may change into dogs in the future after people become more accustomed to digital cameras. They generate a lot of money and a lot of the business is run by

¹¹ http://tutor2u.net/business/strategy/bcg_box.htm

developing pictures. At this point, even though cameras have become digitalized and computerized, people still wish to have good quality photographs to put in their albums or to give to people as memoirs. It is a steady business, and only the machinery need maintaining.

Supplies are Question Marks. This is because, although the store sells photo albums and frames and other supplies, big markets such as Citymarket, Prisma and Minimani do as well, and often people will buy from bigger stores rather than a small photography business. However, photo frames and decorative supplies, present an attractive market and if the store at some point is able to compete with the prices of mega markets, it might later become a very profitable business.

5 Marketing Strategy

This segment will go over the aforementioned 4P's of marketing or the marketing mix; the 4P's stand for price, place, product and promotion. This segment will also define the marketing goals that CaroK wishes to achieve with Kuvapiste.

5.1 Marketing Goals

The main goal is to raise awareness to the fact that Kuvapiste is owned by CaroK. This can be achieved by integrating the marketing of the two. The website for CaroK and the facebook page will mention that Kuvapiste is in the ownership of CaroK and that services can be asked about in the store.

Kuvapiste also needs to gain more visibility in order to attract more customers from around the city, it should be emphasized that Kuvapiste offers the most inexpensive option to photography services compared to other stores. Increasing sales and awareness are by far the main goals.

5.2 Price

As Kuvapiste Valkonen already has the lowest prices in Jyväskylä, they are a viable option for all kinds of people to consider now and in the future. The main thing to concentrate on in pricing is how to keep the prices lower than elsewhere and how to promote that fact. People sometimes tend to think that if something is cheaper it is not as good. The quality compared to pricing has to be emphasized at all times; there is no compromising on the quality although the services and products are cheaper than elsewhere.

In the summer of 2011, a photography store in the center of Jyväskylä offered passport photos at a special offer price, they promoted that the photos cost 19 euros whereas in Kuvapiste Valkonen, the normal price for passport photos is

13 euros, 6 euros cheaper than the promotional price in the center. When going to the police to ask where passport photos can be taken in Jyväskylä, they often direct people to Kuvapiste Valkonen because of the free parking but most of all because of the excellent quality of the photos. This is one example of the fact that even though the prices are lower, the quality is not compromised.

The pricing strategy in the future should stay the same as now, but one can never predict the economic fluctuations that are to come.

5.3 Promotion

Since Kuvapiste Valkonen has already been around for 10 years, it is fairly well known. However visibility can always be better. Since the clientele is a bit older, it would be a good idea to promote the company in Keski-suomalainen which is the largest newspaper in Jyväskylä. This would give more visibility to the company and help attract more customers. Also one way of promoting could be in the Minimani fliers that are given out. Having the company logo and address/phone number on the flier might help attract shoppers of Minimani and this way people would pay more attention to Kuvapiste.

CaroK already has a website and a facebook page, and mentioning Kuvapiste on them might help people realize that the quality they got from CaroK is translated in Kuvapiste as well and may attract especially younger customers. Also a separate page on facebook could be created for Kuvapiste linking it to CaroK, where prices and promotional gimmicks would be advertised.

Promotion plays a big part in the success of a company and nowadays, everything is about being “green” and helping the community. On the Finnish Independence Day, Kuvapiste Valkonen offered free portraits and passport photos to war veterans, which gave the business visibility in the newspaper and gave the company a good image. Promotional gimmicks such as these are a good idea and an easy way to gain recognition for small companies. Other ideas for gimmicks could be having Santa Claus hand out candy and coupons for a discount on Christmas cards if you order more than ten for example. Or

on your birthday you get a 1 euro discount for passport photos, having of course proved that it is your birthday first. Promotional tricks such as these give a company a good image and can help in gaining customers that come back time after time.

Word of mouth is very important for a luxury item businesses. People who are satisfied after leaving your store are more likely to promote the store to their friends and family than those who leave with a frown. This is why customer service is a major priority in a small photography business.

5.4 Product

The products that Kuvapiste and CaroK sell and will sell are all relevant to photography. When the pricing and promotion are working, even if you have a luxury product that you are trying to sell, there should be little problem. People are more prone to buying more expensive products as long as they come from a place which they feel they can trust.

The products are mainly, photography, photo developing, cards, supplies and photo manipulation/restoration/retouching.

5.5 Placement

Kuvapiste Valkonen is located on Vapaaherrantie 11 in Holsti, Jyväskylä, approximately 2km from the center of the city, see Figure 6.

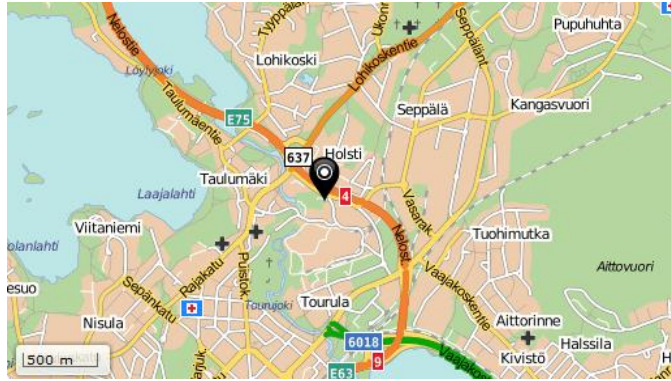


Figure 6: Kuvapiste in Jyväskylä¹²

Jyväskylä is situated in the middle of Finland (see figure 7) and is thus part of Keski-suomi. It has an approximate population of 130 000 people after Korpilahti and other small towns/cities were combined.



Figure 7: The position of Jyväskylä in Finland¹³

The placement of Kuvapiste Valkonen is in the shopping center Minimani which also has a café, jewelry store, leather store, electric store and a real estate

¹² <http://www.fonecta.fi/tuotteet-ja-palvelut/Jyv%C3%A4skyl%C3%A4/526562/Kuva.Piste/>

¹³ <http://www.tekniikkatalous.fi/uutiset/uusi+jyvaskyla+puhkuu+intoa/a154942>

agency. This attracts a multitude of customers, since you can do more than just shop for food and clothes.



Figure 8: The outside premises of Minimani Jyväskylä¹⁴

Holsti is very close to the center of Jyväskylä and is next to the shopping district of Seppälä, this means a lot of people go past Minimani daily and visibility is excellent. It is also about 200m from the premises of the upcoming studios of CaroK, so the properties are close to each other and give people the opportunity to visit both. Holsti is a trendy neighbourhood in Jyväskylä containing apartment buildings and detached houses; it is a profitable area with a high population concentration.

¹⁴ <http://www.minimani.fi/>

6 Budget

Budgeting in essence is planning the flow of money in a business for certain time periods, it can also be said to be a business plan in financial terms. There are two kinds, short and long term budgets. Short term budgets are usually planned for a year or less and long term budgets are for over a year. Short term budgets are usually more precise than long term ones, because although it is not practical, long term budgets can be stretched out indefinitely.

Short term budgets are mainly for planning and comparing. With a short term budget you can estimate how much you are going to spend and how much you are going to gain. It is easy to compare a short term budget to estimates of how you thought you would do. Essentially it allows you to reduce costs and track cash flow.

Long term budgets are mainly to estimate ahead. All business' come across variables that may not have been accounted for, and surprises do occur, however a long term budget should give a business a rough estimate of future spending and gaining. When making a long term budget total costs of decisions have to be taken into account and it is extremely difficult to estimate costs accurately.

When executed properly, budgets give you a sense of direction. They help show you how different sections of the business performed in a financial view and they help minimize the risk of errors. When budgeting one has to look ahead and foresee possible problems and how they should be handled.

Good budgets are in essence clear, relevant, guesses based on facts and figures of the industry or the business or both, and they calculate risks and take them into consideration.

Relevancy is important, it has to reflect the businesses purpose and funds and it has to be kept in mind that people may use a budget for different purposes. It should be well defined and all the base facts and figures should be confirmed before starting a budget based on them. The budget should not have any grey zones; every euro has to come from somewhere.

At this point budgeting is not relevant to CaroK in regards of purchasing the machinery from Kuvapiste. This is because, it comes into question when the actual transaction has been made and the lease on the property is continued by Carolin Kylfält. At this point the owner will need to consider where the best deals for supplies will come from. However this section gives a good outline for when the time comes.

Other financial statements are not yet relevant either, because CaroK is not going to purchase the business as a whole, rather the machinery and equipment. The name of the store will be changed from Kuvapiste Valkonen to Kuvapiste but the location will remain the same, only the name on the lease will be changing.

7 APPLICATIONS FOR FUNDING

Fortunately no bank loans will be needed because next year when CaroK makes its studios functional, more business will be managed. Also Carolin Kylfält has savings that she plans to exploit in order to pay for the machinery that will be purchased from Kuvapiste. Therefore, no calculations concerning interest rates and loan sums are necessary.

In appendix 2, we can see the cost of acquisition of used machinery compared to the cost of new machinery. These machines are very similar to cars in the way that the devaluation of the machinery is rapid. For example, a Konica Minilab would cost 45 000 euros when bought new, but as the machine is being bought used, it will only cost 3 000 euros.

In buying used machinery, the amount saved will come up to 110 300 euros since the cost of all machinery bought used is 9 000 euros and buying them new would be 119 300 euros.

After this, only the supplies and lease on the property of Kuvapiste will be necessary to consider, and as the business has already functioned in the same spot, and has a customer base, the risk is minimal and money for fixed and variable costs will be obtained from profits.

8 INCOME STATEMENT

The income statement of a business tells you all revenues and expenditures in a certain time period. Everything that goes in and out of the business is listed on an income statement. The income statement for Kuvapiste Valkonen can be seen in Appendix 1 and it is for the years 2009-2012.

As seen in Appendix 1, the revenues of the business have a steady growth pattern, it is estimated that in 2013 at the latest the revenues will increase rapidly as the implementation of the passport photo system will drive many customers to the store, but after that the store should go back into steady growth. By far the biggest source of income is passport photography; it has the largest profit before tax of about 12 euros per photo. The paper costs 0.08 euros, then adding chemicals used and wages it comes to about one euro per passport photo of expenditures and 12 euros profit before tax. The exact amount of revenues brought by each product can be seen in figure 9.

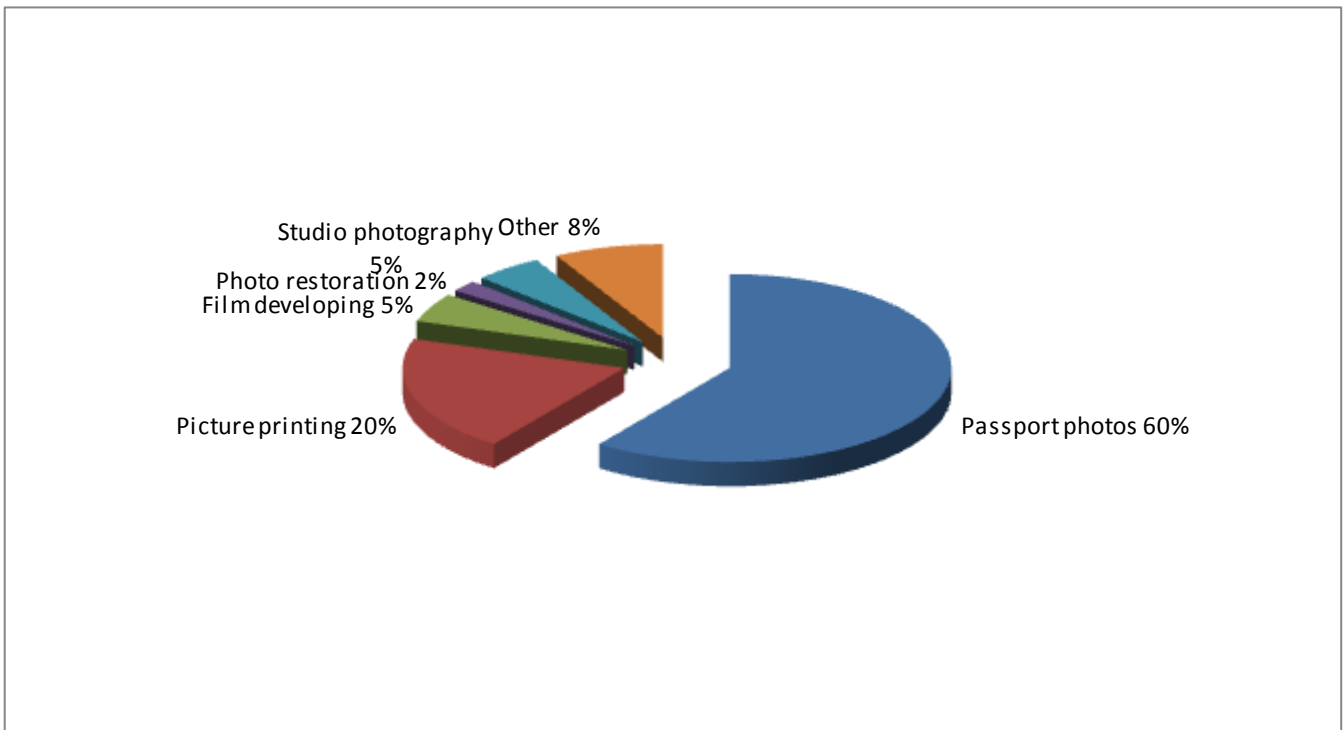


Figure 9: The breakdown of sales revenue in Kuvapiste Valkonen according to current owner.

The revenues in 2012 are estimated to be 115 000, and this sum is acquired mainly out of photography but also from all other products sold, such as cards and picture manipulation. The expenditures are similar year after year, and consist of things like rent and insurance.

Rent is fixed at 400 euros a month for the property size of 24 square meters. This in comparison with what the mega markets like Prisma charge (1500 euros for the same size property) is very inexpensive. The insurance for the space is 240 euros a year and it covers the business facility as well as everything inside it.

Cost of goods sold is the largest expenditure per year; it covers the light sensitive paper needed for developing photos. For example, when printing one passport photo, the paper it is printed on costs 0.08 euros and the price the customer pays for the photo is 13 euros. Of course this price also includes wages, chemicals needed for the picture, and wear and tear on the equipment.

9 CONCLUSION

CaroK and Kuvapiste Valkonen are both small businesses, but in no way are they struggling. Combining the two will bring more visibility to both and will help expand the customer base of both businesses. While this thesis was made, both companies existed separately and were fairly successful in their own industry. This thesis has focused mostly on the future concept of CaroK owning Kuvapiste and has helped to give an idea of what changes will have to be made and also new ideas on promotion as well as a brief insight into the financial figures.

When starting your company in the same location as the previous company having the same concept and nearly the same name, especially having worked in it previously, it is easy to keep business as usual. The main thing to think about is how in the future, will services and products change, will there be new products to consider or will technological development in the photography industry stay much the same as until now.

The potential for further expansion is good and when in the photography business you have to consider whether it will be more profitable to buy existing businesses or start your own from scratch. In this case it has proved to be more profitable to buy the existing machinery from Kuvapiste Valkonen and change the lease of the property as well as the name to Kuvapiste.

The owner of CaroK already has extensive knowledge in the photography business and also has extensive experience in customer service and business education. This will help make the business a success. However, the world is becoming more digitized and there are always threats to photography stores, such as will people want their photos developed in a few years' time? Will technology allow people to develop photos in their home, eliminating the need for such equipment in photography stores?

For a technological business, threats and opportunities, as well as strengths and weaknesses, have to be assessed continuously. In a rapidly changing industry, every day has to be started with fresh eyes and changes have to be adapted to in order to keep the business current and up-to-date.

Kuvapiste and CaroK have a definite advantage compared to competitors, which is pricing. Kuvapiste Valkonen already has the lowest prices in Jyväskylä which will be kept once it is Kuvapiste. It is therefore able to keep competition at arm's length and offer customers something others cannot. If the pricing strategy is kept the same, it will attract new customers as well as help keep the already existing loyal customers coming back for more.

After buying Kuvapiste Valkonen's machinery and changing the lease, CaroK will have good chances of further expanding the business and steadily becoming a chain. This will increase recognition and help people trust the company. Promotion will be one of the most important things for CaroK to consider while trying to get people to recognize both businesses as being owned by the same mother company so to speak. Promotional gimmicks will help the company image and newspaper advertising will help with company recognition.

CaroK is not trying to be the biggest photography company in the world but owning a store in Jyväskylä will be a good kick start to the future of the company. Owning Kuvapiste Valkonen and changing it to Kuvapiste will also help raise awareness of CaroK and will most likely turn out to be a good opportunity for the owner to gain more expertise, experience and customers.

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11 APPENDICES

11.1 Appendix 1: Income statement

KUVAPISTE**Income statement**

For the years ending

Revenue	2009	2010	2011	2012
Sales revenue	109000	110000	112000	115000
Service revenue				
Interest revenue				
Other revenue				
Total Revenue	109000	110000	112000	115000
Expenses				
Accounting	1550	1550	1550	1550
Insurance	240	240	240	240
Adevtising	0	120	50	100
Cost of Goods Sold	12400	10300	10900	11000
Chemicals	5200	2900	3050	3200
Maintenance and repairs	3000	1600	870	2000
Office supplies	600	720	970	1000
Rent	4800	4800	4800	4800
Utilities	288	288	288	288
Web hosting and domains	59	59	59	59
Bank transfers	340	360	360	360
Internet	600	600	600	600
Other				
Total Expenses	29077	23537	23737	25197
Net income before taxes	79923	86463	88263	89803
Income tax expense	28 % 22378,44	24209,64	24713,64	25144,84
Net income	57544,56	62253,4	63549,4	64658

11.2 Appendix 2: Cost of Acquisition

Cost of acquisition		
Item	Price	
	Used	New
Konica R1 minilab	3000	45000
Konica film developer	300	No longer available
Customer workstation	1500	3000
Epson poster printer	1000	3000
Brother lazer printer and fax	400	1200
Canon inkjet printer	50	150
Computer and screen	200	800
Camera Canon 40D	300	800
Studio flash x 4	500	1400
Furniture	500	4000
Program licenses	300	300
Miscellaneous	950	59650
Total	9000	119300