THE NIGHT CLUB INDUSTRY IN HELSINKI

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ABSTRACT

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The thesis analyses the night club market in Helsinki. A night club is a licensed service of alcoholic beverages that operates within the service industry under specific laws and regulations.

The market of licensed service establishments in Helsinki is fierce as 1044 night clubs, bars, and restaurants compete for customers. The night club market in Helsinki is controlled by the night club “guru” Sedu Koskinen, who successfully operates 11 establishments. With 15 years of experience and a belief that the night club reaches maturity after three years of business, Sedu Koskinen sets a challenge for any entrepreneur that wishes to enter the market.

In 2008, the promotion of “Happy Hours” and discounts on alcoholic beverages became prohibited outside the night club’s premises. The government has put forth a legislative proposal to increase the alcohol tax by 10 percent in the end of 2009 in order to reduce the misuse of alcohol. Hereby, the retail prices on alcoholic beverages would increase by 4.5 percent. Furthermore, increased taxes will certainly encourage the individual import of alcohol from abroad. Night clubs’ sales depend on the consumer consumption of alcoholic beverages. Moreover, night clubs, bars, and restaurants are the alcohol consumption distribution channels that generate most tax income revenues on alcoholic beverages. Hereby, an increased level of taxes on alcoholic beverages may negatively influence the Finnish economy.

The report provides a study of the Helsinki night club industry and its future. Furthermore, it may serve as a reference point for an individual that is considering introducing a new establishment into the night club market in Helsinki. The researched topics include a description of the night clubs currently in the market, the competition strategies, estimated future economic development and trends in the market.
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2 INTRODUCTION

This thesis is a study of the Helsinki night club industry and its future. Furthermore, it may serve as a reference point for an individual that is considering introducing a new establishment into the night club market in Helsinki. The report analyses the market of night clubs in the capital region of Finland. The researched topics include a description of the night clubs currently in the market, the means of competition, estimated future economic development and trends in the market.

Helsinki in Short
Finland has a rather small population of around 5 million. The population in Helsinki accounts for approximately 578,126. The capital region, The Metropolitan Area of Helsinki, or Helsinki region, has around 1,2 million inhabitants, which accounts to one fourth of the total population. Hereby, Helsinki is definitely an advantageous location for a new night club. The competition is certainly interesting and challenging.

The advantage of the nightlife in Helsinki is the small size of the city that makes it is easy to cross the city centre from one side to the other, even with the help of trams and the numerous taxis that are available. Hereby, it is easy to visit several night clubs in one night. The night club life in Helsinki is plentiful with people, music, and ambiance.

Definition of Night Club
A night club is an entertainment restaurant that usually operates during night time. The operating concept involves consumption of alcohol, dancing and usually live music and entertainment. Furthermore, some establishments may even offer food. In Finland night clubs are restricted by age and usually an entrance fee is demanded. In other languages night clubs are called disco or discothèques.

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1 CIA the World Factbook (2009)
2 Väestötietojärjestelmä (2009)
3 Rauhansalo Mina – Helsinki.fi
4 Wikipedia.org - Yökerho
Night clubs are part of the service industry where goods may be transformed into the process of providing a service. However, the focus is on the interaction between the customer and the night club in order to ensure customer satisfaction.\(^5\)

Hereby, customers that attend night clubs can be analysed by their consumer behaviour that is influenced by the economy, politics and culture and these consumers can be attracted via different marketing strategies.

During the past four years a constant increase of licensed service establishments has occurred. In 2005 these amounted to 934 companies, the following year the number increased to 970.\(^6\) According to the National Institute for Health and Welfare, statistics show that there were 1,023 licensed service establishments in Helsinki in 2007.\(^7\) In 2008 the amount had increased to 1,044.\(^8\) These include night clubs, bars and restaurants with the permission to serve spirits.

### 3 THE SK ENTERTAINMENT GROUP

A business idea can be completely new or the plan can be a development to do something in a new way.\(^9\) This concept is certainly something that Sedu Koskinen follows.

Mr Seppo “Sedu” Koskinen, the “night club guru” and owner of SK Entertainment Group Oy and SK Ravintolat, specialises in the night club, restaurant and bar business. The organisation includes all together 60 establishments located in 24 cities around Finland.\(^10\) With over 15 years of experience in the business, Sedu Koskinen today has 11 licensed service retail companies in Helsinki.\(^11\) The total turnover of the SK Entertainment Group during fiscal year 2001 was reported at 5.3 million Euros, by 2003 it had increased to 14 million Euros.\(^12\) In 2008

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\(^5\) Rosenberg Matt (2007)  
\(^6\) National Supervisory Authority for Welfare and Health (2005)  
\(^7\) National Supervisory Authority for Welfare and Health (2006)  
\(^8\) National Institute for Health and Welfare (2007)  
\(^9\) National Supervisory Authority for Welfare and Health (2008)  
\(^11\) SK Ravintolat - Avainluvut  
\(^12\) SK Ravintolat - Sedu Koskinen  
\(^13\) SK Ravintolat  
\(^14\) Ruohonen Anna (2003)
the turnover was approximately 90 million Euros which indicates an increase of 15 million Euros from 2006.\footnote{SK Ravintolat (2008)}\footnote{Helsingin Sanomat.fi (2006)}

Hereby, Sedu Koskinen has developed a challenging and competitive night club market in Helsinki, where only the smartest and strongest succeed. Therefore, an understanding of the market is essential.

According to Sedu Koskinen the night club industry is constantly changing and the lifetime of an establishment is five years. According to the Product life Cycle stage, maturity only lasts two to three years.\footnote{de Camp Walter (2003)}\footnote{SK Ravintolat - Sedu Koskinen} If this is true, then a new entrant has to be prepared to differentiate and develop a competitive strategy that will be able to challenge Sedu Koskinen’s chain. How can a business, which operates only a couple of hours during the night, become profitable?

Is the goal of Sedu Koskinen to completely overtake the night club industry in Helsinki and the whole of Finland? A testimony of the successful entrepreneur is the opening of a night club in Thailand and Estonia.\footnote{Latvakangas Eva (2007)} He often is criticized for thinking too much as making business rather than developing the night club culture. Furthermore, the night clubs tend to follow a similar pattern in style and atmosphere and customers say that if you have visited one of SK’s night clubs then you have visited them all. Customers either like them or hate them.

### 3.1 Sedu Koskinen Strategy

What makes Sedu Koskinen so successful and what is the strategy? In an interview for Viisi Tähteä, Mr Koskinen stated that all his energy is put into development. By this he means that the ideas for his establishments are his own, and although Mr Koskinen employs several stylists, that draw the layouts according to his plans, Mr Koskinen still stands for 80 percent of the design including fabric, furniture, and colours.
Other restaurant owners may not visit Sedu Koskinen’s establishments more than once after the opening week. However, Sedu Koskinen sees it as a necessity to constantly visit the competitor’s place of business. This allows for a great opportunity to check out the competition and what kind of customers the competitors are attracting.

Although constant change requires money, according to Sedu Koskinen gaining money and financial success is not what is the most important in life, but the man rather values personal wellbeing, an excellent working environment and to be proud of own accomplishments. This is proved by the fact that Sedu Koskinen has never purchased an already existing and ready establishment, but rather prefers to develop nightclubs that meet his own requirements.

It is said that Sedu Koskinen does not follow market demand or conduct market research, but rather develops business according to own styles, moods, and likes, as seen fit and at a pace that reflects the man’s own time. Often Sedu Koskinen takes the decision to make a change although the target market is not yet expecting it.

Sedu Koskinen’s philosophy is to continuously change the establishments; he calculates that the business life time is maximum five years, within which it can experience many developments or transformations.20

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Table 1- Growth/Share Matrix

<table>
<thead>
<tr>
<th>Growth</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Star</td>
</tr>
<tr>
<td>Low</td>
<td>Question Mark</td>
</tr>
<tr>
<td>High</td>
<td>Cash Cow</td>
</tr>
<tr>
<td>Low</td>
<td>Dog</td>
</tr>
</tbody>
</table>

In an interview for Uusi Suomi Sedu Koskinen says that a successful night club will in three years generate the results that a bar or restaurant will achieve in ten years. According to the Growth/Share Matrix developed by the Boston Consulting Group, as shown in table 2, a cash cow has a high market share, but a low growth rate producing positive cash flows. The dog operates with a low market share with low growth opportunities, dogs are risky and should be disposed of in order to prevent high expenses due to a weak competitive position. Stars are businesses with high market share and high growth options and the challenge is to maintain the position in the market. Question mark companies operate with low market share within a rapidly growing market. Question mark businesses can be turned into stars by heavy investment or should be eliminated.  

According to Sedu Koskinen a star is born that at first requires high funds. From this a cash cow is developed that will produce cash flow. At the end of the lifecycle the business will turn into a dog and hereby will only create expenses for the business in order to keep it running.  

Due to the short lifecycle Sedu Koskinen’s strategy is to plan two night clubs at the same time in order to ensure profitability, one for the present opening and the second for replacement. This is achieved by listening to customer wants and surveying daily sales. This concept can be proven by the successful Lux night club that operated for three years and was then replaced by the Tiger night club in 2009.

It could also be said that Sedu Koskinen’s establishments are competing among each other; whenever customers seem to start to get bored with one place, a new one is opened.

21 E. Porter Michael (1980)  
22 Levitt Theodore (1965) - Product Lifecycle Curve  
23 Uusi suomi (2008)  
24 Uusi suomi (2008)  
25 Stara.fi (2009)
Sedu Koskinen’s segment criteria are based on age, for example Apollo Live Club’s age limit is 24 in order to attract more mature customers while Royal Onnela is targeted at younger individuals.\textsuperscript{26}

However, all is perhaps not as well as it seems for Sedu Koskinen. Sedu Koskinen’s Studio 51 and Kaivohuone, owned by Koskinen and Kassiopeia Finland Oy (investment company), made a loss of over 1,5 million Euros in 2007. As a result Kaivohuone Oy, which is part of the SK-Entertainment Group Oy, now owns both restaurants and Studio 51 was renamed Freda 51. Sedu Koskinen refused to buy out Kassiopeia Finland Oy and Kassiopeia Finland Oy was unable to sell the clubs at the proposed price by Mr Koskinen. However, finally Mr Koskinen was able to purchase 50 percent of the business. Koskinen says that he is not worried about the losses.\textsuperscript{27}

Furthermore, competition suspect that Sedu Koskinen’s restaurants, bars and night clubs are partly funded with Russian capital, something that Sedu Koskinen himself laughs about.\textsuperscript{28} However, in the summer of 2008 Sedu Koskinen employed Russian women DJs to perform topless during the Club Moscow event, in what was still Studio 51.\textsuperscript{29}

\section*{3.2 Sedu Koskinen’s Night Clubs}

\textbf{Kaivohuone}

Kaivohuone has a unique location in the centre of Helsinki in the Kaivopuisto park. Around since 1838, today Ravintola Kaivohuone functions as an entertainment point and has space for 1 000 dining customers and a 170 m2 dance floor is reserved for the dancing customers and 7 bars tend to customers’ wants\textsuperscript{30}. The decoration of the establishment reflects its long history with dark wood and crystal lights. The night club is frequented by a more mature clientele.

\textsuperscript{26} de Camp Walter (2003)  
\textsuperscript{27} MTV3.fi (2008)  
\textsuperscript{28} de Camp Walter (2003)  
\textsuperscript{29} Iltalehti.fi (2008)  
\textsuperscript{30} Ravintola Kaivohuone - Pleasure
The Tiger Night Club
Tiger opened its doors in March 2009 in the same premises where Lux had operated for the three previous years. Tiger is promoted as a night club that offers an international atmosphere. This has been established by employing international DJs such as DJ T-Money that often performs in famous clubs in London. Furthermore, the technique of serving drinks is said to be a show in itself and drinks are served at the table.31
On Thursdays the Rooftop club which is a part of the night club is available at a free entrance with a business orientated theme and atmosphere.
Marketing approaches include the possibility to register as a Tiger member and receive information on future happenings.32

The Butterfly Night Club
The Butterfly is the first night club with a constant theme in Helsinki. The Butterfly offers a 1970s “peace and love” atmosphere complete with hippie culture, soul, disco, and funk. Furthermore, the alcoholic beverage selections bring back old classics such as, the Screaming Orgasm and Pink Cadillac.33
Marketing
Butterfly uses viral marketing as part of the company’s digital promotion strategy, for example Facebook, where it is possible for the customers to interact with each other and share experiences. As a member, customers can enjoy further VIP (Very Important Person) events.34

Apollo Live Club
As the name implies the Apollo Live Club offers live rock music and this is openly performed on a large stage. Furthermore, the establishment is a perfect meeting place for business people or other private gatherings which is made possible through several private loges in the theatre or in the Apollo Street Bar that furnishes a comfortable and relaxed setting. The night club is open on Fridays and Saturdays. During the week, the club is utilized for private gatherings, for example presentations or concerts. The clientele of the night club is of a mature character.

31 Väkevä Valtteri (2009)
32 The Tiger
33 Väkevä Valtteri (2009)
34 Butterfly
Marketing
By becoming a loyal customer, one has the possibility to win a VIP evening. Other privileges include free entrance for the member holder and three guests and a pass through the line in order to enter the club faster and a private table with drink service by own server. On the webpage it is possible to send feedback to the club and have a look through the club via a virtual tour.35

The Freda 51 Night Club
The Freda 51 night club is known as the Diamond of the city “Stadin Timantti”. After the DJ scandal in 2008 (mentioned in Chapter 3 paragraph 1 p.6), Sedu Koskinen reopened Studio 51 as Freda 51. Today, this club is frequented by a more mature clientele that prefers Finnish hits of pop, rock, disco and karaoke.36

The KY Klubi Night Club and The Royal Onnela Night Club
The KY Klubi night club is targeted at a younger generation which can be noticed by the age limit of 18. Furthermore, the entrance fees are also lower at 5 Euros in comparison to Apollo Live Club that has an entrance fee of 10 Euros. Another night club that is also targeted at a younger customer group is the Royal Onnela

Marketing
Club Gold is a private club within the premises of the KY Klubi and is reserved for the Gold card holders and their guests. These customers are offered free entrance until midnight. As a registered member of KY Klubi, a customer can receive the latest information concerning events at the club. On the webpage customers can interact with each other, however the message board is very simple and not frequently used.
Other marketing approaches include a virtual tour presenting the night club online.37

The Imperia Night Club
In May 2009 Sedu Koskinen together with Radio Sputnik opened the Imperia night club. The idea is based on the fact that many Russians circulate in Helsinki and according to Sedu Koskinen these are more patriotic than the Finns and hereby prefer Russian mainstream music

35 Apollo Live Club
36 Freda 51
37 KY Klubi
Therefore, the red and gold design and atmosphere have been taken into account to offer a club that reflects beauty which the Russians appreciate. The concept involves creating an international atmosphere and the dress code is stricter in order to influence the clientele. Jeans and t-shirts are acceptable, however these have to be designer clothes, and women wear skirts or dresses instead of jeans. The evenings offer a DJ or live music, go-go dancers and a prize for the best dressed customers. It is more of a gathering place for Russians and customers that value style. Moreover, the nightclub is managed by 18 year old Irina Mazhorova.

Marketing
No webpage is available at the moment and the online search engines do not deliver the name.

3.3 Sedu Koskinen’s Marketing Strategies

The 13 on 1 Ticket
In the press statement on the homepage of SK Ravintolat, Sedu Koskinen states that night clubs, bars, and restaurants are safe places to consume alcohol because these provide trained staff that can supervise the use of alcohol. For example, on a Saturday Sedu Koskinen’s establishments employ 600 bouncers and security officers. 70 000 to 100 000 customers visit Sedu Koskinen’s nightspots weekly. Even though the economy is in recession, the consumption of alcohol has not diminished. Although, taxes on alcoholic beverages increase and encourages the individual import of alcohol from abroad, this is said to have a small impact on companies that serve alcohol. In order to prevent unsupervised alcohol consumption at home and its after effects of domestic violence or other illegal activities, the SK group and its subcontracted security experts have taken preventive measures against the financial crisis and its influence on society by launching the “13 on 1 Ticket” concept. The idea is to attract customers to consume alcohol in supervised locations rather than at home. This concept functions on the basis that with one entrance and cloakroom fee, one customer can enter any night club, restaurant, and bar that is owned by Sedu Koskinen on Fridays and Saturdays after

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38 Statistics Finland (2009)
39 Helsingin Sanomat (2009)
40 Helsingin Sanomat (2009)
41 Etholén Hanna (2009)
six o’clock in the evening, excluding special events.\textsuperscript{42} \textsuperscript{43} Naturally, the model signifies that the organization has to bargain on its funds.\textsuperscript{44}

**The SK Group Members**

The SK Entertainment Group has around 240,000 registered members or loyal customers in Finland with an average age of 24. These are entitled to information about future events and nightly happenings. Other privileges include invitations to loyal customer parties and special events, discounts on alcohol beverages and entrance fees, and offers provided by the SK Group’s sponsors, for example cinema tickets.\textsuperscript{45}

The SK Group offers three membership cards, the Club Royal which is a national private club with many privileges. The card can be purchased at a yearly fee of 400 Euros for an individual customer and can be used by the owner and three friends. The Business membership card’s value is 900 Euros and can be used by the card holder and five guests. The SK Gold card is valued at 150 Euros per year and the SK Silver Card 15 to 17 Euros.\textsuperscript{46}

### 3.4 Other Night Clubs in Helsinki

**Den Kungliga Klubben – Stockholm Diskotek**

The nightlife in Helsinki is not only reserved for the local natives, but is also very much internationally orientated. This can be proven by Niko Hallamäki and Mehdi Jounes who decided to take advantage of the Finnish Swedish bilingual environment and opened the Stockholm Diskotek night club. However, due to illegal opening hours the Stockholm Diskotek was quickly put out of business. Nevertheless, not discouraged, the two entrepreneurs not before long opened a new night club, Den Kungliga Klubben. 3 bars and a large dance floor is frequented by young Swedish speaking Finns.

\textsuperscript{42} Raunio Antti (2009)  
\textsuperscript{43} SK Ravintolat (2009)  
\textsuperscript{44} Raunio Antti (2009)  
\textsuperscript{45} SK Ravintolat  
\textsuperscript{46} Club Royal
The Circus

After a long period of Sedu Koskinen ruling the night club market, Niko Hallamäki and Mehdi Jounes opened a large night club in March 2009. The Circus night club was purchased for 4 million Euros and is considered one of the largest in Helsinki and can accommodate 1 200 customers. For karaoke lovers the night club offers closed off glass booths where the night club can be viewed from the inside but not seen through from the outside. Here a smaller group can gather and sing karaoke. The night club is only open on Fridays and Saturdays. Hallamäki states that there is not enough clientele to support a six day week and he further says that many night clubs have to offer some form of discounts during week days to attract customers.47

Teatteri Night Club

Teatteri night club has been around since year 2000 and can accommodate 2 000 customers and is one of the biggest nightclubs in Helsinki and is frequently visited by VIP celebrities, movie stars and sportsmen.48 49 Teatteri reflects class and style, no tennis shoes but rather suits for men and dresses for women. The music is presented by DJs and the style is often house music.

Lost and Found and Don’t Tell Mama are gay night clubs. Other frequently visited clubs in Helsinki are Night club Kaarle XII and The Redrum Night club.

The Bläk Night Club

The Bläk night club opened its doors in October 2007. This club is a private meeting place for members only and their guests are the society’s most famous. The homepage does not provide any kind of information but states “for members only”.50 As a result of limited private quality gathering premises in Helsinki, Bläk has had a success with business people that organize different client meetings within the club’s premises.51

47 Väkevä Valtteri (2009)
48 Hokkanen Jenni (2006)
49 von Wendt Jonas (2006)
50 Bläk
51 MTV3.fi (2008)
4 LAW

Alcohol License and Licensed Service of Alcoholic Beverages

In Finland the sales of alcohol must follow strict rules and regulations. According to the Finnish alcohol law article 21 a night club that provides alcohol as its service must carry an alcohol licence. This licence is admitted by the Province where the retail trade is located.\(^{52}\) \(^{53}\) However, the holder of the licence is not obliged to be present at the service; instead an individual with experience and responsibility must oversee the deal while the licence owner is absent.\(^{54}\)

The alcohol that the night club wishes to serve at its premises must be purchased either from the Finnish government operated Alko (Alcohol State Monopoly), licensed importers, or the business can import its own alcohol by registering with Valvira which is responsible for the social- and health permits and supervision.\(^{55}\)

A licensed service of alcoholic beverages may open at earliest 05.00 in the morning and remain open until 02.00 in the morning. However, night clubs in Finland must stop serving alcohol 30 minutes before closing time. The serving of alcoholic beverages can start at 09.00 in the morning and must stop at 01.30 in the morning. However, permission can be granted for the service of alcohol until 03.30 in the morning and customers are allowed entrance until 30 minutes before the service of alcohol ends. The extension may be admitted on the condition that the location of the night club does not cause harm or disturbance in the proximity of the club. Another ground for extension is the business idea, for example the theme or entertainment that requires longer opening hours and the service of alcoholic beverages.\(^{56}\) \(^{57}\)

\(^{52}\) Länsi-Suomen LääninHallistus - Alkoholijuomien anniskeluun tarvitaan lupa
\(^{53}\) 21 § Anniskelulupa
\(^{54}\) 21 § (b) Vastaavaa hoitajaa ja tämän sijaisia koskevat edellytykset
\(^{55}\) Länsi-Suomen LääninHallistus - Miten anniskeluluvalla toimitaan
\(^{56}\) 3 § VNA alkoholijuomien anniskeluajan jatkamisesta
\(^{57}\) 1.5 Anniskeluaika (2008)
Marketing

Advertising of alcoholic beverages is only allowed within the premises of the night club, for example price boards, posters, staff clothes, or decoration. These prices are not allowed to be seen from the outside of the night club.\(^{58}\)

In 2008, the promotion of “Happy Hour” or special offers became prohibited outside the premises of the night club. Earlier night clubs, bars and restaurants promoted “Happy Hour” for example in the windows of the establishment, in newspapers, and via text messages.\(^{59}\) This law was proposed by the Social and Health Minister in order to prevent the harm that is caused by alcohol. However the prohibition of “Happy Hour” promotion will not change the alcohol consumption habits of the Finnish population. Rainer Pätsi, superintendent of National Supervisory Authority for Welfare and Health says that the only way to influence the alcohol consumption habits is to increase the alcohol taxes and decrease the retail trade of alcoholic beverages by removing the service licences from for example kiosks and service stations.\(^{60}\)

According to the new law the discount prices of alcoholic beverages may not be seen from the outside of the nightclub.\(^{61}\) However, there is nothing which states that the alcoholic beverages could not be promoted at full price. This signifies that the alcoholic beverage would constantly have to be served at the same price. On the other hand, this is perhaps not a profitable strategy.

\(^{58}\) § (1) Mainonta ja muu myynninedistäminen anniskelu-, vähittäismyynti- ja valmistuspaikoissa
\(^{59}\) Valtioneuvosto (2007)
\(^{60}\) Viisi Tähteä (2005)
\(^{61}\) Valtioneuvosto (2007)
5 MARKET ANALYSIS AND TRENDS

Table 2 - The Nights Spent by Foreign Tourists in Finland During January, February, and March 2008 and 2009

As stated in chapter 3, many night clubs specifically new establishments are concentrating on creating an international atmosphere in order to attract a more international clientele. However, according to recent data collected by Statistics Finland the amount of tourists has declined. Table 2 refers to the nights spent by foreign tourists in Finland during January, February, and March 2008 and 2009.\textsuperscript{62} In January 2009 the total number of foreign tourists was 540 000 compared to 558 000 in 2008.\textsuperscript{63} \textsuperscript{64} February 2009 was specifically low at only 240 000 tourists to previous years’ 409 000.\textsuperscript{65} \textsuperscript{66} Finally in March the number of foreign tourists

\textsuperscript{62} Statistics Finland (2009)
\textsuperscript{63} Statistics Finland (2009)
\textsuperscript{64} Statistics Finland (2008)
\textsuperscript{65} Statistics Finland (2009)
\textsuperscript{66} Statistics Finland (2008)
visitors was 360,000 in 2009 and 421,000 in 2008. This certainly is a result due to the economic situation at the moment. Furthermore, the decrease is estimate to continue.

5.1 Economy

In 1991, sales in night clubs, bars and restaurants declined by 9 percent and by 1993 15 percent hotels were declared bankrupt. According to Matkailu- ja Ravintolapalvelut MaRa’s executive vice president Veli-Matti Aittoniemi the restaurant business is better prepared and stronger to face the challenges of 2009. Year 2008 was outstanding and Mr Aittoniemi predicts that the purchasing power will increase by 3 percent and inflation will slow down in 2009. However, Mr Aittoniemi shows concern considering how the situation will affect people’s saving rate. The demand declined by 2 percent in 2008, due to an increase of 5.5 percent in sales prices.

It is difficult to predict the future of the night club industry. The reason for this is that the economic situation and its development are at the moment unstable and no one knows what will come to pass. The economic trend was predicted to be at its weakest in the end of 2008. However, instead 2009 seems to be even weaker than last year. The most important economic indicator in the service business and hereby the night clubs, is the purchase power of private households. Many households are in debt and no the future is uncertain. Etla the Research Institute of the Finnish Economy estimates that the general economic growth will slow decrease to 2 percent between 2009 and 2012.

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67 Statistics Finland (2009)
68 Statistics Finland (2008)
69 Ruokatieto (2009)
70 Markailu- ja Ravintolapavlelut MaRa (2009)
71 Alan Kehitys (2008)
The prohibition of “Happy Hour” promotion and the reasoning behind it; to prevent the misuse of alcohol is perhaps not the best solution. As already mentioned by Sedu Koskinen in Chapter X the consumption of alcohol in public retail trade premises is supervised by professionals and hereby safer than consumption at home. The National Institute for Health and Welfare offers statistics on alcohol consumption. According to the statistics of 2008 42.6 percent of alcoholic beverages were sold at the state owned company Alko, 42.7 percent at grocery shops and 14.7 percent in night clubs, bars, and restaurants.72 The ban of discount promotion will probably not decrease the percentage of consumers that purchase alcoholic beverages in night clubs, bars, and restaurants. Moreover, the official consumption statistics do not include alcoholic beverages that have been purchased outside of Finland. This consumption is assumed to be around 17.8 percent.73 Furthermore, if the prohibition is related to the concern of alcohol

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72 National Institute for Health and Welfare (2009)
73 National Institute for Health and Welfare (2009)
misuse, then other approaches should be considered. Possibly even encourage the consumption of alcoholic beverages in retail trade premises.

Table 4 - The Alcohol Consumption in Licensed Premises 2007 – 2008

<table>
<thead>
<tr>
<th>Beverages</th>
<th>Licensed Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 000 L</td>
</tr>
<tr>
<td>Beer</td>
<td>76 721</td>
</tr>
<tr>
<td>Wine</td>
<td>16 606</td>
</tr>
<tr>
<td>Väkevöidyt Viinit</td>
<td>74</td>
</tr>
<tr>
<td>Distillate</td>
<td>13 544</td>
</tr>
</tbody>
</table>

Table 4 demonstrates the alcohol consumption in licensed premises from 2007 to 2008. The statistics show that beer consumption has decreased by 7.5 percent from the previous year. Wine consumption has also decreased in 2008 by 6.3 percent. However, distillate alcoholic beverages have increased by 3 percent.74

Taxes
The government has put forth a legislative proposal to increase the alcohol tax by 10 percent at the beginning of October 2009. This plan is estimated to increase the retail prices on alcoholic beverages by 4.5 percent and spirit prices would raise twice as much as beer and wine.75 The proposal to increase taxes on alcoholic beverages will certainly affect the sales of alcohol in the service business and is hereby predicted to decrease.

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74 The National Supervisory Authority for Welfare and Health (2008)
75 TalousSanomat (2009)
The national economy is slowing down. As indicated in table 5, in 2008 the growth rate was at 3 percent compared to 4.5 percent in 2007. The unemployment rate in 2008 was approximately 6 percent, in March 2009 the unemployment rate was stated as 8.3 percent. In the beginning of 2008 the sales of alcohol in retail trade premises increased by 3.5 percent. However, the demand decreased as sales prices rose by 5.7 percent. The profitability of the industry has declined and Matkailu- ja Rarvintolapalvelut MaRa demands that the government would reject the proposal to increase alcohol taxes.

In 2008 the government increased the alcohol taxes on spirits by 15 percent and other alcoholic beverages by 10 percent.

A night club has difficulties to subsidize an increased level on alcohol taxes by other products, as most of its sales depend on the service of alcoholic beverages. Furthermore, an increase of tax level in 2009 will have a negative influence on sales for night clubs, bars and restaurants. In addition, the national economy will suffer, as tourism is clearly decreasing, as mentioned in chapter 3, and demand is declining. Furthermore, increased taxes will only encourage and increase the individual import of alcoholic beverages from abroad. Night clubs, bars and

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76 Suhdanne (2008)
restaurants are the alcohol consumption distribution channels that generate most tax income revenues on alcoholic beverages. Hereby, an increase of taxes on alcoholic beverages may have a negative influence all together on the Finnish economy. In the night club industry it is hereby very important to follow the finance indicators and the development of interest rates as uncertainties will quickly reflect in consumer buying behaviour.

6 ANALYSIS OF THE NIGHT CLUB STRATEGY IN HELSINKI

As described in chapter 3 Mr Koskinen always reforms the latest project. This means that If Mr Koskinen is in the process of purchasing a new establishment this will be completely renewed before the opening. Furthermore, a constant vision of the future is needed in order to adapt to future changes. Sedu Koskinen prides himself by having the gift to identify customers’ latent wants by listening to people and by following television and literature, and travelling. Furthermore, age may be an indicator that influences Sedu Koskinen to renew a night club if the establishment looses its appeal towards customers as consumers get older.

Over the years it can be noticed that by paying attention to consumers, competitors and the dominant market has made Sedu Koskinen a successful business man. In Helsinki Sedu Koskinen is most often the first to take advantage of the most profitable opportunity and hereby receive a large control and share of the market. Long and short term goals and strategies are needed in order to survive in the constantly changing market and by continuously observing the market and recognizing latent wants a competitive advantage has been achieved by Sedu Koskinen.

The Night Club Industry

The night club business is part of the service industry and hereby it can be identified by specific features, such as tough competition as night clubs compete over customers, constant changes in the market, fluctuations in the economy that influence the business operations, expensive labour, and black market activities, the importance of a good location, and finally the strict laws and regulations.

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77 Ruokatieto (2008)
The most significant aspect in the service industry is customer interaction and the ability to handle customers. Customer loyalty is what keeps a night club in operation. These often influence the environment of the club, for example the music, themes, and drinks. Several strategies are used to approach the customer all with the objective to meet customer expectations. For example, in order to receive a member card at Kaarle XII night club the customer must contact the staff. Member cards are only admitted personally by the employees of the night club. The reason for this is that the night club wishes to get to know the customer personally in order to offer the best services.\footnote{Kaarle XII}

The service products offered in a night club are for example the drinks including beer, cider, wine and spirits, cigarettes and music. Furthermore, the design and layout of the night club is important in order to efficiently meet customer expectations. Moreover, the decoration and theme of the night club must carefully be considered before opening a night club.

The value of real estate in Helsinki is constantly increasing. In a study conducted in 2001 by Matkailu- ja Ravintolapalvelut MaRa, the rent of real estate was around 17 Euros (excluding Value Added Tax) per m2 and at some locations even 80 to 110 Euros per m2.\footnote{Ahonen Jouni, Koskinen Topi, Romero Tomas (2003)} Today, Matkailu- ja Ravintolapalvelut MaRa’s statistics indicate that the rent of premises has increased by 3.75 percent compared to the previous year.\footnote{Matkailu- ja Ravintolapalvelut MaRa (2008)} Most night clubs rent the premises instead of purchasing. The reason for this is that usually the rented premises have already been used as a service licensed establishment. Hereby, the entrepreneur automatically receives the permission to trade and perhaps even certain equipment.\footnote{Ahonen Jouni, Koskinen Topi, Romero Tomas (2003)}

**Marketing**

Most night clubs in Helsinki offer some form of membership card. As a holder of a loyalty card, the consumer can take advantage of different privileges such as free entrance with a couple of friends, table service, and invitations to special VIP events. Furthermore, the consumer can receive discounts on alcoholic beverages. However, since it is illegal to promote

\footnote{Kaarle XII}{Kaarle XII} \footnote{Ahonen Jouni, Koskinen Topi, Romero Tomas (2003)} \footnote{Matkailu- ja Ravintolapalvelut MaRa (2008)} \footnote{Ahonen Jouni, Koskinen Topi, Romero Tomas (2003)}
discounts on alcoholic beverages from the inside out, then these can only be conveyed to the consumer once the member is inside the night club.

However, many night clubs do not seem to put much effort into marketing. For example Freda 51, has a very limited webpage and do not present any type of membership privileges. The night club does however allow free entrance on Fridays before midnight.

The Circus night club promoted its opening on television. Photo and video galleries assist in attracting consumers. By looking at pictures from an evening at a night club, potential consumers may get curious and hopefully want to visit the club.

**Competition**

The nightclub business is extremely competitive. However, operating within the night club industry can be a profitable venture, this is proven by the success of Sedu Koskinen.

There are several factors that affect competition and on the basis of which night clubs compete within the market. The most important aspect is the understanding of customer wants.

For example one of Sedu Koskinen’s segment criteria is certainly age. For example the KY Klubi night club welcomes a younger segment and the age limit is 18 as Freda 51 prefers a more mature customer base where the age limit is set at 24. This strategy is also used by Kaarle XII night club where the age limit to enter the club is 24 and the Fever night club has an age limit of 18.

Night clubs also compete on the entrance prices. Night clubs with that want to attract the younger generation of 18 year olds set the entrance fees lower than a night club that targets and attracts a more mature consumer segment. For example, the entrance fee to Fever is around 6 Euros, while the Circus charges 10 Euros.

Besides the usual activities and events that the night clubs organize, many clubs are also emphasizing on the private gatherings, for example birthdays, bachelor parties and business meetings. For example the Tiger night club allows table reservations for groups of 12 to 15 or 6 to 8 people and the prices range from 300 to 350. As already mentioned, the Apollo Live Club is only open during Fridays and Saturdays and during the rest of the week the establishment is used for private gatherings of any kind.
7 CONCLUSION

Considering all aspects mentioned in the report, starting a night club business in Helsinki is not easy. Many aspects must be taken into consideration. The most important is to find a well placed location and experienced staff. Who is the target group and most importantly how can the entrepreneur meet customer expectations considering the interior decoration and creating the right atmosphere. Finally, there is the economic situation and the laws and regulations.

The Finnish legislation states that a night club must carry a service licence in order to be able to serve alcohol. The licence is admitted by the Province where the retail trade is located. The alcohol that the night club serves at its premises must be purchased either at the state owned retail chain Alko, licensed importers, or the business can import the alcohol by registering at Valvira, which is responsible for the social and health permits. Furthermore, regulations involve the service of alcoholic beverages.

In 2008, the promotion of “Happy Hour” or special offers became prohibited outside the premises. Advertising of alcoholic beverages is only allowed within the night club, for example, on price boards, posters, staff clothes or decorations. The discount prices are not allowed to be seen from the outside of the premises.

Earlier “Happy Hour” was a very important method to reach customers.

The ban of the “Happy Hour” promotion and the reasoning behind it is to prevent the misuse of alcohol.

The increase of alcohol taxes is supposed to diminish the consumption of alcohol in order to prevent the misuse of the substance. Moreover, the new regulations concerning the promotion of discounts and “Happy Hour” on alcoholic beverages will only add to the difficulties within an already limited and regulated industry. Will problems that arise with alcohol consumption be solved by limiting night clubs, bars and restaurants? As already mentioned in the report service licensed premises have the experience and manpower to supervise the consumption of alcohol. Instead, the regulations may end up increasing the consumption of alcohol at home.
The government has put forth legislative proposal to increase the alcohol tax by 10 percent at the beginning of October 2009. This plan is estimated to increase the retail prices on alcoholic beverages by 4.5 percent and spirit prices would raise twice as much as beer and wine. As most of the night clubs’ sales depend on the service of alcoholic beverages, these may have difficulties to subsidize by other products due to an increased level on alcohol taxes.

The main competitors of the service industry which includes night clubs, bars and restaurants are the state owned retail stores Alko and grocery shops. Should the proposed increase on alcohol taxes come into force, then the licensed service establishments of alcoholic beverages will most certainly face a decrease in the service of alcohol.

The reason behind why night clubs are starting to promote international activities, for example Imperia and Tiger, may be a result of the economic situation and regulations concerning promotion and the possible increase on alcohol taxes. If the consumption at licensed service premises reduces due to decreased consumer spending then night clubs have to develop another strategy. In this case develop a concept that will appeal to international consumers.

Competitive strategies involve the interaction between the consumer and the night club. Most night clubs offer loyal customer cards that allow many privileges. An example is the SK Groups’ “13 on 1 Ticket”, which allows the member to pay one entrance fee and cloakroom fee for one evening and then have the option to visit any nightclub that is owned by SK Ravintolat.

The night club business is part of the service industry and hereby it can be identified by specific features, such as tough competition as night clubs compete over customers, constant changes in the market, fluctuations in the economy influence the business operations, expensive labour, the high priced locations, and finally the strict laws and regulations.

The competition in the business is harsh. Sedu Koskinen’s clear dominance of the market makes it difficult to challenge the night club guru. However, with a correct strategy and always considering the customer there will be hope. The Circus is one of the largest new night clubs in Helsinki and is not under the ownership of Sedu Koskinen.
The most important aspect in the service industry is customer interaction and the ability to handle customers. Customer loyalty is what keeps a night club in operation. These often influence the environment of the club, for example the music, themes, artist and drinks.
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Signed: __________________________

Monica Åström
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