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ESTABLISHING AN ORIENTAL BUSINESS IN FINLAND

Case: Start-up Vietnamese Handmade Home-Textiles Company

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ABSTRACT

Business life is an adventurous trip which contains abundant challenges and hindrances to overcome. Therefore, in order to pave the way for entrepreneurs to business life, business plan is invented as a prerequisite for establishing a company. Being fully aware of this truth, the author attempts to compose this thesis as an applicable business plan for a start-up company which is developed from a discovered potential business idea. The thesis aims at evaluating whether Finland is a promising target market for Vietnamese handmade home-textiles products such as Hoi An lanterns, lotus lamps and handmade embroideries or not.

This study is conducted by qualitative research method, case study and deductive method. Information is gathered from interviews, academic publications and online sources. Under the light of theoretical framework as business planning process and business model Canvas, collected information is thoroughly analyzed.

The start-up company will generate revenue via B2C channel as eShop and through B2B channels such as importing agent for wholesalers, retailers and restaurants. Flexibly, connecting Finnish customers to Vietnamese business partners is another profit-yielding method. Upgrading this local oriental business into the international business level is the plan's future prospect. Besides, relevant facts about Vietnam, Finland and their handicraft industries are presented. In addition, business model Canvas is discovered as an effective alternative for designing an enterprise's operation.

The outcome of this thesis is the positive conclusion for launching the business in real. However, it is advisable to conduct further related studies. The collected market information, under the author's observation, pinpoints the sufficient demands for mentioned products. Despite the harsh competitive environment in Finland, the company has strong chance to survive as product exoticness, quality and price are the main competitive edges.

Keywords: handicraft industry, business planning, business model Canvas, Hoi An lanterns, lotus lamps, handmade embroideries

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1 INTRODUCTION

1.1 Background

An entrepreneur is the person who discovers business opportunities among various possibilities in daily life and determines to convert the abstract business idea into a profitable business. However, the real business world is a harsh battlefield filled with risks and unexpected events. Hence, in order to cope with vicissitudes in business life, the entrepreneur is demanded to be independent in decision making, to be passionate and self-controlled in dealing with troubles, to overcome challenges and get rewards from own efforts, to devote time and energy and to be able to face failures. One of the most effective ways to be proactive in action is composing a business plan in advance. A business plan is the observation for business idea in written form which provides the guideline and helps to foresee possible risks and opportunities. (Harvard Business Review Press 2011, 1-3.; Burns 2007, 9-12.)

1.2 Thesis objectives and research questions

Thesis objectives

The thesis aims at analyzing the feasibility of the business idea and therefore decides whether commencing a Vietnamese oriental business in Finland is fruitful or not. Since convincing the investors is one of business plan's substantial functions, research questions focus on responding fundamental questions commonly required by the investors.

Research questions

1. Why are Vietnamese oriental handmade home-textiles chosen?
2. How harsh is the competition in target market in Finland?
3. How to profitably operate the business in Finland?
4. How much financial resources are needed to implement the plan in real?
5. What are the main risks which are incurred in proceeding the business plan?

1.3 Theoretical framework

Business planning is the process of collecting internal and external data and information to prepare for writing and implementing a business plan. The process defines company's goal, vision and strategies for achieving those goals. (Malcolm 2011)

The business plan is the guideline to achieve the set goal. It is an undeniable truth that the business idea is the crucial motivation for starting a business. However, the business idea frequently is formed in the moment of excitement or passion for discovering new things. In fact, spontaneous ideas rarely support the business's growth in long run. Therefore, writing a business plan is considerably important for diminishing risks and mapping out the future vision of the enterprise. It helps the entrepreneur, in real business management, stay focus on the chosen business path, not wandering around with other distracting operational elements. A business plan mainly consists of marketing, logistics and financial plans as well as company's vision, goal and business idea. (Harvard Business Review Press 2011, 1-2.; Burns 2007, 9-12.)

The business operation model Canvas is applied in this thesis as part of the theoretical framework. All in all, since business planning is a vital initial step for launching a profitable business, the process is utilized as the theoretical framework throughout this study.

1.4 Research method and data collection

Qualitative and quantitative research methods are two scientific methods for conducting academic research. Quantitative research method aims to pursue factual explanation for social phenomenon in quantified and numerical way. Quantitative data is collected as questionnaires, measurements, numbers, to name but a few, from surveys, experimental studies and numeral documents. In the other extreme, qualitative research method seeks to obtain the knowledge for complicated social

issues, human behavior, practice-oriented researches, theories and new research fields. (Mamia 2011.; Rantapuska et al. 2011.)

TABLE 1. Differences between quantitative and qualitative research methods (Rantapuska et al. 2011).

	<i>Quantitative</i>	<i>Qualitative</i>
Research question	How many, how much, how often	Why, how
Goal	Quantitative description Statistical generalisation	Understanding of reasons
Follow-up questions	Not possible	Possible
Research methods	Questionnaire by sheet, by phone or internet	interview, group discussion, documents, observations
Number of cases	100-	1-30
Data/case	little	much

Table 1 illustrates the differences between quantitative and qualitative research methods. The dominant distinct of the two methods is the data to be analyzed. Statistical data is counted, measured and calculated in quantitative research meanwhile reasoning, interpreting, observing and explaining are applied for data analyzing in qualitative research. (Rantapuska et al 2011.)

A case study is a common method in conducting academic and practical research for further education institutions. The term “case” involves contemporary social phenomenon which exists and is affected by the reality surroundings. A case study is the seeking procedure for answers to research questions by examining the chosen case and inquiring relevant and various evidences. (Gillham 2010, 1-2.; Woodside 2010, 1.)

As the thesis objective is analyzing the abstract business idea’s feasibility, the correspondent research method is qualitative. Since the content is built primarily on the hypothesis of a successful enterprise and later on checks the feasibility, the deductive research method is chosen.

Data is collected from interviews as the primary sources. In addition, relevant academic books and documents, business articles and internet are secondary sources.

1.5 Thesis structure

In general, the thesis consists of two main parts: the theoretical base which is covered in Chapter 2 and 3 and the empirical study in Chapter 4. To be precise, Chapter 2 provides general information concerning Vietnam and Finland as well as the two nations' handicraft industry. In Chapter 3, the description of business planning process combined with Canvas business model is developed into a logical theoretical framework for the empirical study. Chapter 4 presents the case study with factual business plan for Vietnamese handicraft textiles supply business. Basically, five research questions are answered in details in Chapter 4. The conclusion and proposals for necessary future researches to obtain effective preparation for launching a real business are discussed in Chapter 5. Lastly, Chapter 6 summarizes the fundamental issues of the thesis.

1.6 Scope and limitation

Firstly, the thesis aims at discovering all necessary factors which contribute to the preparation of a good business plan for a wholesaler and eShop. Therefore, the information concerning a business plan for a retailer is omitted.

Secondly, entrepreneurship refers to the future assumption for operating a business in the most profitable way. Hence, the whole document analyses how to organize the internal operation, not focusing on influential external factors as purchasing method, supply chain management and other relevant business processes.

Thirdly, since this document is the business plan for a start-up company which operates in Finland, the research and segmented markets are neither business nor international markets but Finnish consumer markets.

Finally, in order to launch a sound business in real, further detailed researches concerning marketing and distribution plans are essential. This thesis is limited to building an initial business plan for the suggested idea.

2 VIETNAM, FINLAND AND HANDICRAFT INDUSTRY OVERVIEW

2.1 Vietnam in a nutshell

Vietnam is a subtropical country located in Southeast Asia with estimated population in year 2009 as eighty-eight million people (World Health Organization 2011). Worldwide, Vietnam is ranked 13th in term of dense population nation. Due to the increase in life expectancy and reduction of fertility, Vietnam population is entering the “demographic bonus” period which provides the country exuberantly young and dynamic work force. Despite a great deal of existing challenges for social welfare of the nation, this fact reveals the precious opportunity for a promising economic development in the next ten years 2011-2020. (Singh 2010.)



Facts of Vietnam	
Population	91,519,289 (2012 est.)
Area	331,210 sq km
Capital	Hanoi
GDP growth	5.8% (2011 est.)
Export (billion \$)	96.81 (2011 est.)
Import (billion \$)	103.7 billion (2011 est.)
Unemployment rate (%)	4.1% (2011 est.)
Inflation rate (%)	18.9% (2011 est.)

FIGURE 1. Vietnam (CIA The World Fact book 2012).

Furthermore, located in the extremity of the Indochina peninsula with the stretching territory over several altitudes, Vietnam, along with ample flora and natural resources, possesses the logistics benefits for trading in regional and international circumstances. (Diễn Đàn Kiến Thức 2011.)

Achievements

In year 2011, the estimated GDP of Vietnam increases 5,89% which is lower than the GDP increase in year 2010 as 6,78% due to subduing high inflation and stabilizing macroeconomics policies. The total export turnover rises 33,3% compared to year 2010. (General Statistics Office of Vietnam 2011)

Challenges

Heavily influenced by the world economic recession and internal deficiencies in economics management, 2011 was a harsh year for Vietnam economics (Communist Party of Vietnam Online Newspaper 2011). As shown in Figure 2, within four recent years, Vietnam has been facing the fluctuating and high inflation rate which reaches its peak in July 2008 as about 28%. In year 2011, Vietnam economics experienced the radical increase in inflation rate up to 19,8%. (Asia Development Bank 2011.)

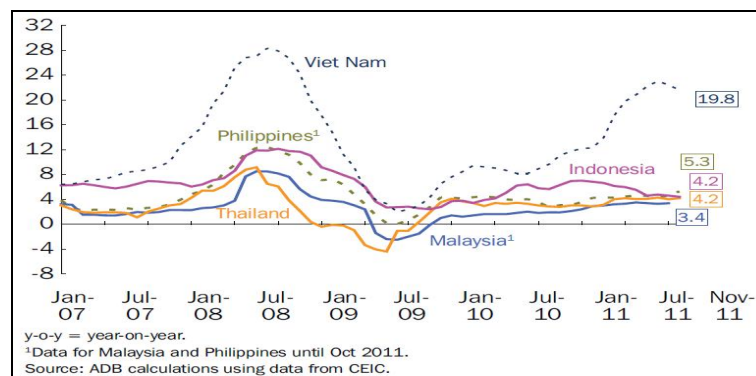


FIGURE 2. Headline inflation – ASEAN-4 plus Vietnam (y-o-y,%) (Asia Development Bank 2011a).

Currency is the direct reason and ultimate result of inflation. Figure 3 pinpoints Vietnamese currency as the most depreciated currency among ASEAN countries in year 2011 with -7,2% change. In the other extreme, People Republic of China's renminbi has appreciated the most. (Asia Development Bank 2011.)

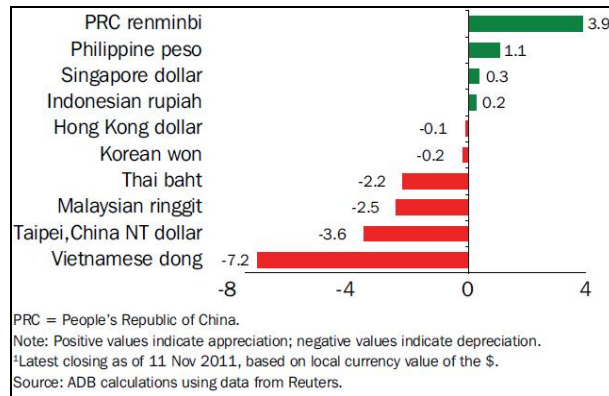


FIGURE 3. Exchange Rates against US dollar (3 Jan 2011 to 11 Nov 2011, % change) (Asia Development Bank 2011b).

Confronting continuously internal and external challenges as in the current situation, Vietnam's dream to be "the dragon of Asian economics" is beyond the reach. Thus, in order to boost the economic growth, it is advisable to shift Vietnam's economics growth model from relying on investment capital, resources, cheap labor and governmental enterprises to emphasizing the efficiency, working capacity and competitiveness as decisive criteria for firm development. (Vietnam Economic Forum 2012)

2.2 Vietnamese handicraft industry

Vietnamese arts and crafts industry is well-known not only for its long tradition but also for the significant contribution to national socio-economy development. In spite of favorable strengths and opportunities, the sector encounters structural constraints and threats which are necessary to be thoroughly considered and tackled. (Vietnam Trade Promotion Agency/ITC 2006.)

In order to capture the in-depth insight of Vietnamese arts and crafts sector, Table 2 interprets the internal and external context affecting its productivity and future development.

TABLE 2: SWOT-analysis of Vietnamese arts and crafts industry (Vietrade/ITC 2006).

<i>Strengths</i>	<i>Opportunities</i>
<ul style="list-style-type: none"> • Broad range of cheap and various raw materials • Cheap and skillful labor force • Long tradition • Reliability • Export capacity for international partners • Product quality • Competitive production costs 	<ul style="list-style-type: none"> • Rising demands for Vietnamese handicraft products • Government regulations • WTO membership in world trade • Increasing market due to development in hospitality industry • Presence of few large international importers
<i>Weaknesses</i>	<i>Threats</i>
<ul style="list-style-type: none"> • Production deficiencies • Insufficient financing supports for enterprises • Shortage of entrepreneurial skills • Ineffective supporting system • Poor transportation infrastructure 	<ul style="list-style-type: none"> • Increasing scarcity of raw materials • Lack of diversified product ranges • Harsh competition in international market • Invalid competitive edge with mass production and cheap labor

Strengths

Thanks to favorable climatic conditions and long-rooted handicraft tradition, Vietnamese products have step-by-step conquered Europe, the United States of America and Asia markets with satisfactory quality and price level. In fact, high availability of natural raw materials and cheap but skillful labor force constitute the competitive edge for Vietnamese producers, especially compared to Chinese competitors. (Vietrade/ITC 2006.)

Weaknesses

Complex bureaucracy and insufficient governmental finances supports lead to deficiencies in production and trade. Besides, poor infrastructure conditions and

weak entrepreneur skills make Vietnamese producers lag behind Chinese competitors in term of delivery speed and trade promotion. (Vietrade/ITC 2006.)

Opportunities

Demands for Vietnamese handcraft products are growing due to low labor costs. In fact, in addition to sales volume for end customers, Chinese handcraft manufacturers gradually move production plants to Vietnam in order to harness profits from low labor costs. Furthermore, presence of few international buyers in the country motivates the competitiveness. WTO membership and government's stimulating regulations create more opportunities for handcraft imports and exports. (Vietrade/ITC 2006.)

Threats

Rapid nature resources' consumption without proper protection and forestation plan results in scarcity of some essential raw materials. Therefore, importing needed raw materials with high price to maintain production level inevitably leads to low competitiveness. Moreover, dependency on four limited product groups combined with the absence of breakthrough product designs is obstacles for Vietnamese products to capture the market trends. (Vietrade/ITC 2006.)

2.2.1 Handmade embroideries

Vietnam is proud of being one Asian nation whose traditional embroidery industry was rooted and has vigorously developed over centuries. Famously known by admirable skillfulness, patience and enduring nature in hardship, Vietnamese, particularly women, use needles and threads to elegantly convey their souls and hearts through each handmade embroidery artwork. Embroidery process demands not only abundant time and efforts but also inborn skills to comprehend complex techniques. (Vietnam Handicraft Exporters Association 2012.) Acknowledging this national pride, the author designates this part to briefly introduce Vietnam traditional embroidery industry to readers.

Branches

Traditionally, embroidery industry is divided into four main different branches. In modern society, all of the four branches still exist, but the second branch is leading in generating national export incomes. (Le 2008.)

The first one is embroidered textual cloths or flags used in family gatherings, ritual events, celebrations, congratulations or condolences and cultural or sport events. Nowadays, products of this kind are usually seen only in special occasions. (Le 2008.)

The second branch is embroidered paintings of beautiful sceneries, portraits, texts, to name but a few. Currently, this branch's products become favorite home decorating, gifts or anniversaries and therefore, are strongly developing. Beside the local consumers, the other main customer groups are tourists and Vietnamese overseas citizens. Also, embroidered Japanese kimono contributes noticeable proportion in sales. (Le 2008.) Figure 4 illustrates one of excellent hand embroidery artworks produced by a Vietnamese famous hand embroidery company.

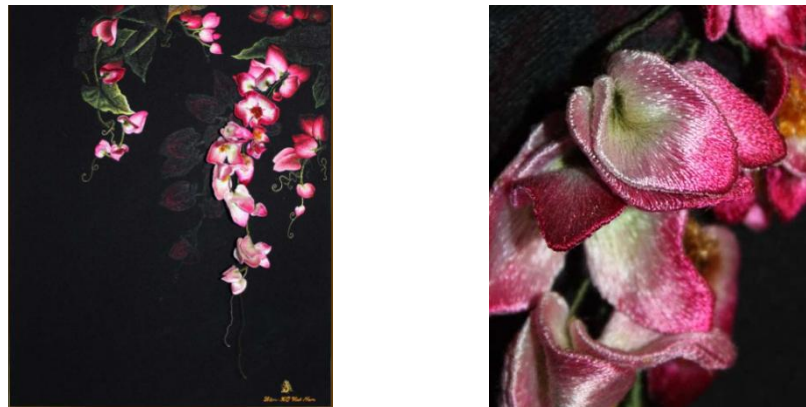


FIGURE 4. “The world of dreaming mist” embroidery artwork (XQ embroidery art 2012).

The third branch is embroideries for daily use or “white embroideries” which combines French techniques with Vietnamese elements. The embroideries are made on the white textiles by using white threads and relief embroidery tech-

niques. The product range consists of table cloth, napkins, bed linen, pillow cover, venise lace for pocket handkerchief and crocheted doilies. (Le 2008.)

The fourth branch is making embroideries for royal family members. Currently, this branch is gradually vanished. Typical products are sophisticated and valuable clothes for kings, queens and royal family members. (Le 2008.)

2.2.2 Handicraft export

Figure 5 provides general picture of Vietnam handicraft export sector in the past five years. The data in year 2010 is preliminary. The chosen product categories are those contributes noticeably into national export income.

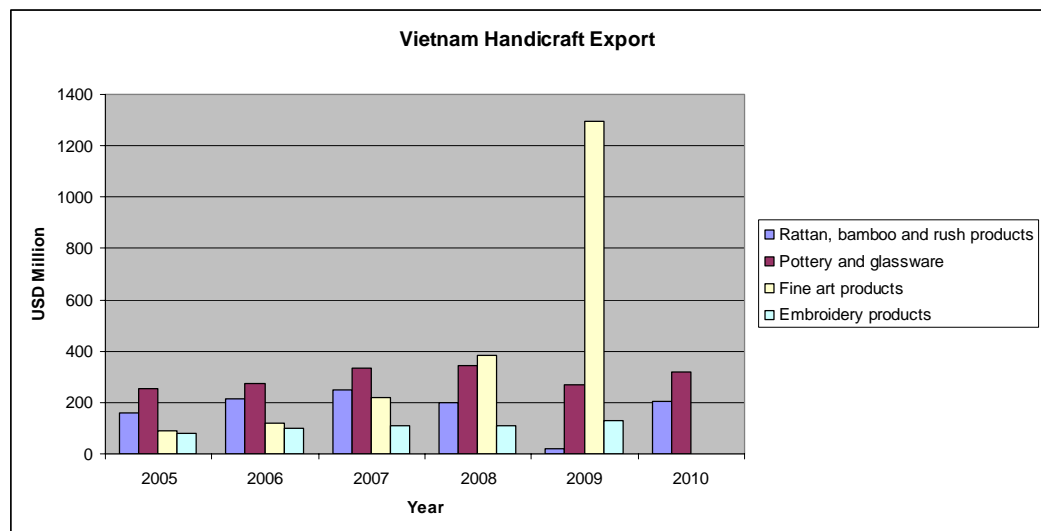


FIGURE 5. Vietnam main handicraft products exports in the past five years (General Statistics Office of Vietnam 2011c).

The factual information proves that except the soaring export value of fine art products, export income yielded by the other three handicraft products is relatively stable. Among which, the exportation of embroidery products gains the lowest yet the most stable value. (General Statistics Office of Vietnam 2011.)

2.2.3 Hoi An lantern

While traveling to Vietnam, visiting Hoi An ancient city, one of world heritages approved by UNESCO, is indispensable. Among numerous local cultural treasures, tourists have been greatly interested in colorful Hoi An lanterns due to its exoticness and compact size convenient for distant transportation. Originally, Hoi An lanterns are used in special occasions or festivals as outdoor decorations and streets enlightenment in darkness. (Hoi An Festival 2009.)



FIGURE 6. Hoi An lanterns (Vietnam National Administration of Tourism 2012).

Hoi An lanterns are mainly made of bamboo and Jacquard silk fabric, in some cases brocaded silk fabric. Selected bamboo is proceeded carefully to create qualified and durable bamboo spokes for forming the frame. The final stage is combining the frame with wooden rings and pasting silk fabric. (Hoi An Festival 2010.)

2.3 Finland

Situated in Northernmost Europe, Finland is one of the Nordic countries which have European Union membership (CIA The World Factbook 2012). Even though geographical areas of Finland and Vietnam are relatively similar, Finland's total population is equal to population of Vietnam's biggest city, Ho Chi Minh City. Opposite to Vietnam, Finnish economy experienced high unemployment rate and low inflation rate in 2011.



Facts of Finland	
Population	5,262,930 (2012 est.)
Area	338,145 sq km
Capital	Helsinki
GDP growth	2,7% (2011 est.)
Export (billion \$)	85,4 (2011 est.)
Import (billion \$)	80,79 (2011 est.)
Unemployment rate (%)	7,7 (2011 est.)
Inflation rate (%)	3,3 ((2011 est.)

FIGURE 7. Finland (CIA The World Factbook, 2012).

Finland is well-known for a highly industrialized and free-market economy. In addition to manufacturing, import and export contributes substantially to national economics. Getting hit harshly by the global financial crisis, Finnish economy is gradually recovering with growth in export, domestic trade and household consumption. (CIA The World Factbook 2012)

Interior decorating taste

To wisely manage the finances in crisis, Europeans, particularly Finnish people, tend to live in compact and cozy houses with emerging space of living room, kitchen and office. Favorite furniture, therefore, are removable and practical. Furthermore, trends of using eco-friendly yet delicate, stylish and round-corner furniture are dominating the Finnish market. Besides, simple and elegant theme color is widely applied in interior decorating. Concerning purchasing habit, online shopping and quality-oriented are contemporary trends. Following the trend “Less means more”, accessories are recommended by professionals for creating a lively yet incomplex living environment. (Vietnam Handicraft Exporters Association 2011.)

Moreover, Finnish customers tend to buy less craft and design products and become more lenient in purchasing foreign products than before. The decisive fac-

tors for purchasing decision are the uniqueness of the product, quality and price. Among which, price is ranked as the most important element, followed by quality and fitness to individual taste of customers. (Taito Group 2011.)

Finnish embroidery history

The Finnish embroidery history is long and complicated due to the country's history. The enduring time being under Sweden and Russian's control had provided various techniques and applied colour theme. Different embroidering methods have come to South and West regions through Sweden. The embroidery in Western Finland is similar to Swedish tradition meanwhile the Eastern and Karelia region's style is affected by Russia. The Western region's popular embroidered blankets have various stitching figures by colourful threads on black wool. Blankets decorations are various and figures are symbols. Eastern Finland popular embroideries vary with more complex techniques. (Käspaikka 2003.)

The embroidery tradition was rooted back to 1400's in Catholic religion. The monasteries interior were decorated with knitted textiles. The embroidery history before 1700's of Finland and Sweden is presented as handicrafts in monasteries. The only preserved knowledge related to needlework hobbies in Finland is the common utilisation of golden thread. Since years 1700, embroideries were favourite in Finland. The Finnish tradition of embroideries was derived from Swedish tradition of wall watercolour paintings. In the latter half of 1800 decades, tailor-made watercolour paintings with either poem or texts and decorated painting frames were created as congratulation presents for weddings, birthdays or name days. This fashion was applied firstly in Swedish-speaking minority and coastal regions where the foreign connection existed. In years 1900, the embroidered paintings promptly became fashionable. The mid of 1920 and 1930 was the heyday for embroidered paintings among Finnish people. The trend was pioneered by Swedish-speaking minority and introduced mainly by local teachers and priests. House walls were decorated with paintings which had meaningful sayings. The research in 1978 showed that embroidery paintings' main topics were Christian literature, Kalevala (Finnish national epic), proverbs, folk songs and poems. Embroidery paintings presented in almost every household. Despite the growing interest for embroideries, the Finnish artworks were less qualified and simpler com-

pared to Swedish ones due to lack of skills, proper education and poor materials. (Kansanen 1981, 11-53.) Finnish modern embroidery tradition is influenced by West and East areas (Käspaikka, 2003).

2.4 Finnish handicraft industry

Similar to other industries, handicraft industry constitutes its own innovation ecosystem which includes handicraft entrepreneurs, shops, purchasing agents of department store, accessories producers and traders, relevant educating agents as Wetterhoff/HAMK and hobbyists. Besides, success of ecosystem impacts considerably handicraft buyers and customers. Ecosystem, the dynamic and living network of mentioned operators, supports handicraft industry. Core of the ecosystem is attitude toward the branch and its future. (Hautamäki 2012, 21.)

The appreciation for handcraft works in Finland has increased since last year. This growing trend suits well together with sustainable development. Part of this trend is self-creating which obviously excludes entrepreneurship. However, self-redesigning trend indirectly strengthens and alters the ecosystem form and leads to “handicraft innovation” with new models and techniques. Users’ developed innovations have been the commencement for new products in the inception of many industries. Entrepreneurship is also increasing. Since traditional manufacturing industries move to developing countries, small size entrepreneurs are established. In entrepreneurial economy, managers of small firms handle network as well as cooperation and handicraft industry is not an exception. Quantity of handicraft companies amounts up to nearly 10000. The majority are micro-companies operated by few employees. For handicraft entrepreneurs, hiring one paid assistant is a great achievement. (Hautamäki 2012, 21.)

Larger companies are necessary in handicraft industry. The field’s key problems are low profitability and pricing. If knitting a wool shirt takes a week, the set price should cover a quarter of monthly expenses, including reasonable salaries. To be able to sell in the mentioned price level, the product should be at premium quality and brand. Larger companies are capable of providing customers products with

mixture of suitable price and quality as well as building well-known brand. (Hautamäki 2012, 21.)

3 BUSINESS PLANNING PROCESS AND MODEL

Business planning process is an essential preparing step for entrepreneurs before establishing an own company. The process aims at gathering all necessary relevant information for building up and implementing a sound business plan in practice. In this preparing phrase, company composes the business plan and model based on the facts of related business environment, theories and business idea.

3.1 Business operation model

Business model systematically describes how enterprise's business components, as a whole, harmonize together to generate value for its customers. An effective business model is able to fulfill elemental managerial matters as: Who are potential customers? How to reach and satisfy their needs? How to profitably deliver values to target customers? How to run the business cost-effectively? Many earlier researches and stories about successful organizations prove that a sound business model performs as a firm foundation for building up a feasible business. (Harvard Business Review on Business Model Innovation 2010.)

In Finland, Seppo Hoffren's business model is commonly used in creating a business plan. However, business model Canvas is utilized in this thesis since it is transparent and simple yet informative and contemporary.

3.1.1 The business model Canvas

The business model Canvas comprises of nine Building Blocks which represents four kernels of the business: customers, offer, infrastructure and financial viability.

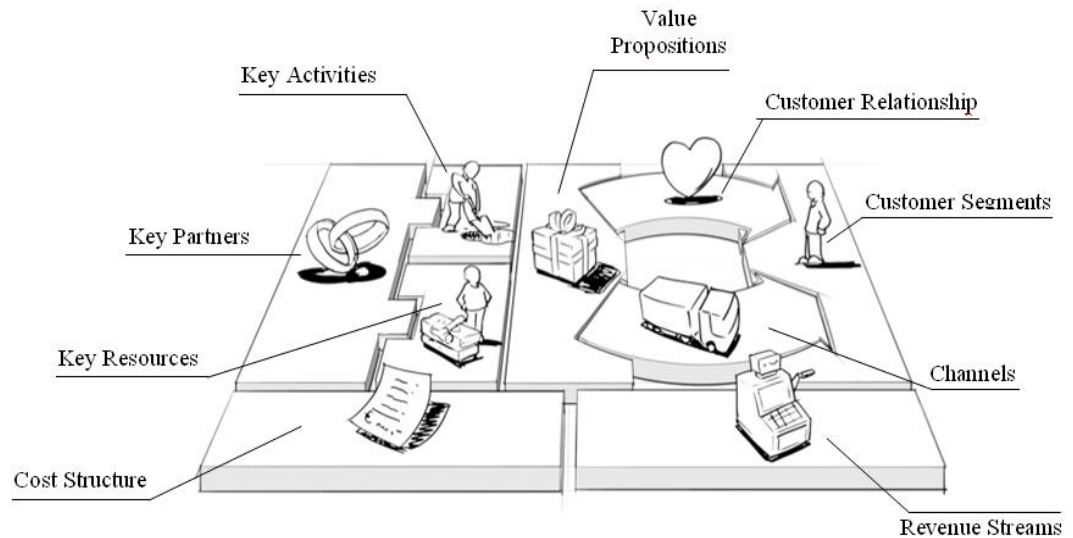


FIGURE 8: The business model Canvas (Osterwalder et al 2010, 18-19).

Customer Segments

The Customer Segments building block assists enterprise to perceive to whom the company's value is created and serves. If profitable customers play a vital role for company's existence, the Customer Segments building block is considered as the first and important part of company's business model. (Osterwalder et al 2010, 20.)

As a matter of fact, no company is capable of appealing to all customers' needs, at least in the same way. Therefore, clustering customers into separate homogeneous groups of individuals to efficiently fulfill their distinct needs is the prioritized task of each organization. Though one or several customer segments with various sizes are probably defined by a business model, it is important to rationally decide the potential segments which are beneficial for serving. A comprehensive insight of particular customer segments is a firm base for designing a sound business model. (Osterwalder et al 2010, 20.)

Among many different customer segments, Osterwalder et al (2010, 21.) analyse five common types of market segments as mass, niche, segmented, diversified and multi-sided markets (multi-sided platform). Enterprises whose business models aim to serve the mass markets will not stay focus on any specific customer seg-

ment but a large community with same needs and demands. In contrast, business models which are designed for niche markets seek to deliver value propositions catering to the distinct needs of specific customer segments. However, customer segments are distinguished based on not only similarities but also differences. Organizations that provide products or services for different customer groups with relatively identical needs and demands operate under the segmented customers business operation models. On the other hand, diversified customer segments refer to two or more absolutely distinct customer segments that a company is dealing with. Furthermore, multi-sided markets business models concentrate on handling two or more interdependent customer groups.

Value Propositions

The Value Propositions building block indicates the bundle of benefits that a company delivers to its target Customer Segments. The bundle of benefits is, to be more precise, products or services which are customized to solve the problems or fulfill the specific needs of selected Customer Segments. Value Proposition is one substantial competitive advantage which distinguishes the company and its competitors. Some Value Propositions generates values by providing completely new or innovative offers meanwhile the others offer improved performances with additional features and attributes. (Osterwalder et al 2010, 22.)

There are different ways to create customer value. Beside the two mentioned methods as delivering completely new set of offers and enhancing products or services performance, customizing products or services according to customer segments or individuals' particular needs is a significant and trendy strategy. Today, the boom of social networks as Facebook, Twitter and plenty of other sites allows customers to actively exchange information and experiences by leaving feedbacks, reviews and new ideas. As a result, the shift from being a mere buyer to being co-creator and buyer has emphasized the role of mass customization and co-creation. (Osterwalder et al 2010, 23-25.)

As saving money is survival during the recent economic crisis, especially in Europe, customers become more price-sensitive. Consequently, providing same value with lower price tactic has been commonly chosen. In addition, facilitating

customers' burden by diminishing their cost or risks incur in the purchasing process also creates value. Furthermore, product design and brand/status are generally focused on in fashion and consumer electronics industries. Widening the availability of products to new customers and enhancing the convenience or usability are other two noteworthy ways to bring customer values. (Osterwalder et al 2010, 23-25.)

Channels

The Channels building block illustrates how the Value Proposition is made available and delivered to Customer Segments. Channels are the connection between organization and customers which grant customers the accessibility to products or services and post-purchase customer support. Through usage of Channels, customers gain the awareness and experiences concerning company's Value Propositions. (Osterwalder et al 2010, 26.)

TABLE 3. Types and phases of Channels (Osterwalder et al 2010, 27).

Channel Types			Channel Phases				
Own	Direct	<i>Sales force</i>	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		<i>Web sales</i>					
Partner	Indirect	<i>Own stores</i>					
		<i>Partner stores</i>					
		<i>Wholesaler</i>					

Table 3 lists the types and phases of Channels. Applying the right channel mix to gain positive customer experiences and maximized profits is essential. The channel chosen process generally consists of five different phases. Nonetheless, these five phases are not obliged to be strictly taken into consideration by every organization. Company can reach customers either by own channels, by partner channels or by the combination of them. Own channels can be direct such as virtually trading via internet and establishing own sales force or indirect as managing retail stores. On the other hand, organization can indirectly satisfy customer needs by partner channels for instance wholesalers, retailers and partner stores. It is substantial that company applies the most cost-efficient yet effective channels balance since each channel type has pros and cons. Own channels, especially direct ones, create both high margin and high operating costs. Meanwhile, despite the low margin resulted from the partner shares, partner channels benefit company with speedy products availability due to the cooperation network. (Osterwalder et al 2010, 27.)

Customer Relationships

This building block defines the type of relationship that company maintains and develops with its customer segments. Customer relationships are the influential elements for customer experiences. In general, there are two types of customer relationships: personal and automated. (Osterwalder et al 2010, 28.)

Personal relationships are divided into two sub-categories. The first one is personal assistance which is grounded by the human interaction between customers and customer representatives in the purchase and post-purchase processes. The second one is dedicated personal assistance which emphasizes the intimate and individual relationship with long-term customers. (Osterwalder et al 2010, 29.)

Automated relationships include self-service and automated services. Self-service relationship lets customers help themselves with provided means. Automated services, on the other hand, are the combination of self-service and developed automated processes which assist customers by providing information or recommendations customized to their personal interests. (Osterwalder et al 2010, 29.)

In the era of lightning-speed information technology, new trends in maintaining customer relationships have been increasingly utilized. Many companies establish and develop online user communities as channels for customers to give feedbacks, exchange information and experiences with each other. In doing so, companies have chances to observe and obtain customer insight. The growing popularity of social networks has altered the role of customers from passive buyers to co-creator of the company's value. (Osterwalder et al 2010, 29.)

Revenue Streams

The Revenue Streams Building Block embodies the monetary value yield by a company in exchange for delivering the Value Propositions to Customer Segments. In other words, this block represents the monetary flow within the organization. (Osterwalder et al 2010, 30.)

TABLE 4. Pricing mechanisms (Osterwalder et al 2010, 33).

Pricing Mechanisms			
Fixed Menu Pricing Predefined prices are based on static variables		Dynamic Pricing Prices change based on market conditions	
List price	Fixed prices for individual products, services or other Value Propositions	Negotiation (bargaining)	Price negotiated between two or more partners depending on negotiation power and/or negotiation skills
Product feature dependent	Price depends on the number or quality of Value Propositions features	Yield management	Price depends on inventory and time of purchase (normally used for perishable resources such as hotel rooms or airline seats)
Customer segment dependent	Price depends on the type and characteristics of a Customer Segment	Real-time-market	Price is established dynamically based on supply and demand
Volume dependent	Price as a function of the quantity purchased	Auctions	Price determined by outcome of competitive bidding

Table 4 demonstrates two main types of pricing mechanisms that are possibly belong to each revenue stream.

There are two different types of revenue streams in a business model:

1. Transaction revenues: generated by single time payments
2. Recurring revenues: generated by continuous payments for either trading products or services to customers or post-purchase customer services. (Osterwalder et al 2010, 30.)

In order to effectively recognize all possible revenue streams from each customer segments, the company ought to seek to answer the question “For what value is each Customer Segment truly willing to pay?” There are numerous ways to create revenue streams. The most common way is asset sale which refers to trading the proprietary rights to a tangible product. (Osterwalder et al 2010, 31.)

For service sector, revenue streams can be generated by charging fees. Fees are named differently based on the characteristics and length of access period to the services. Usage fee is paid based on the frequency of using the services. Subscription fee is charged for permanent access to services such as magazines, online games, to name but a few. People who use the assets which they do not possess pay the lending/renting/leasing fee in exchange for the fixed-term permission to exclusively use the properties. In media industry and technology sectors, rights holders generate revenue by charging licensing fees from users who want to access their protected intellectual properties. Intermediaries earn brokerage fees for connecting two or more parties. Finally, advertising fees is paid for advertisements of Value Propositions. (Osterwalder et al 2010, 31-32.)

Key Resources

The Key Resources Building Block represents the indispensable capital for operating a business model. Different types of business model demand different kinds of key resources. In general, there are five main kinds of key resources: physical, human, financial or intellectual. (Osterwalder et al 2010, 34.)

Physical

Physical resources refer to tangible assets that can be liquidated for paying off loans if necessary for instance buildings, vehicles, machines, distribution systems and so on. The business model which is built mainly on physical resources is usually capital-intensive. (Osterwalder et al 2010, 35.)

Human

Human resources play a fundamental role in every business model, particularly in knowledge-intensive and creative industries. Some industries whose business models rely heavily on human resources are medical and hospitality and tourism. (Osterwalder et al 2010, 35.)

Financial

Financial resources represent the monetary sum needed for making the business model work. Entrepreneurs can acquire this type of resources by governmental grants, loans from banks and acquaintances and own savings. (Osterwalder et al 2010, 35.)

Intellectual

Nowadays, an increasing amount of companies apply the business models which focus on building brands, partnerships, protecting copyrights, patents, license and customer databases. Intellectual resources generate incredible values despite the fact that maintaining and developing process confronts various difficulties and obstacles. (Osterwalder et al 2010, 35.)

Key Activities

The Key Activities Building Block defines fundamental internal activities of a company to generate sufficient resources for effectively utilizing the business model in practice. Similar to Key Resources, Key Activities vary depends on types of business operation model. (Osterwalder et al 2010, 36.)

Production

For companies who yield revenue streams by asset sales, the business model is governed by production activity. These activities involve designing, manufactur-

ing and delivering physical products to customers in terms of quality and quantities. (Osterwalder et al 2010, 37.)

Problem solving

Companies whose business models focus on this type of key activities aim to facilitate or eliminate customers' problems by providing solutions. Hospitals, consultancies and majority of service organizations apply this kind of business models with activities such as knowledge management and continuous training. (Osterwalder et al 2010, 37.)

Platform/network

Business entities with platform or network key activities utilize the platform key resources such as software, social network and brands. Key Activities in this category relate to platform management, service provisioning and platform promotion (Osterwalder et al 2010, 37.)

Key Partnerships

The Key Partnerships Building Block indicates the company's external network of business relationships such as partners and suppliers.

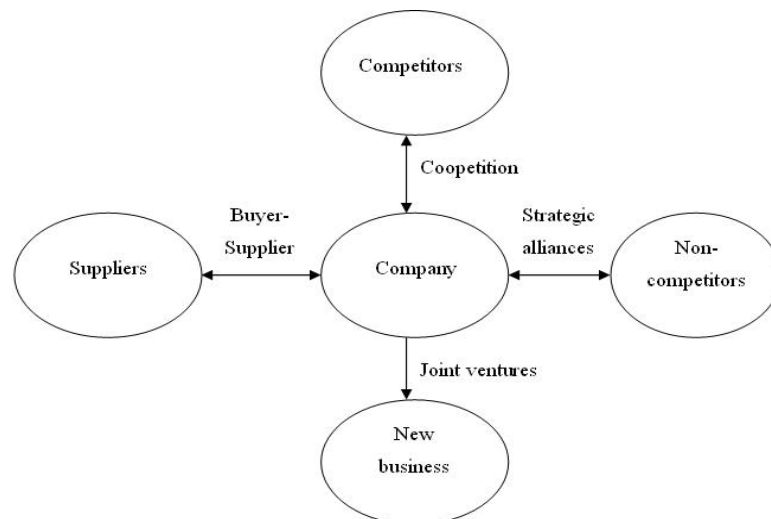


FIGURE 9. Types of partnerships (Osterwalder et al 2010, 38).

As it is undeniable that a company cannot perform excellently and possess all necessary resources by itself, forming partnerships becomes indispensable in modern business operation models. Partnerships benefit companies in seeking mutual assistance, diminishing risk and costs, acquiring resources and expanding the products availability. (Osterwalder et al 2010, 38.)

Figure 9 illustrates four different basic types of partnerships. Buyer-supplier is the most common basic partnerships in business. The non-competitors form strategic alliance with each other whereas the strategic partnerships among competitors are named as coo-petition. However, if necessary, competitors can form strategic alliance in certain areas yet remain competing in the other fields. At last, joint ventures partnerships is formed when two or more companies join together to create a total new business. (Osterwalder et al 2010, 38.)

In dynamic and competitive business environment, enterprises are obliged to cooperate and rely on partners to thrive the business. By outsourcing and sharing infrastructure with partners, companies obtain the optimization of resources and activities allocation as well as economy of scale for cutting costs. Besides, reduction of risk and uncertainty is a motivation for forming partnerships. In addition, instead of pursuing all necessary resources and achievements alone, enterprises rely on each other to acquire particular resources and activities for instance knowledge, licenses or access to customers. (Osterwalder et al 2010, 39.)

Cost Structure

This building block represents the monetary amount that companies are forced to spend to make the business operation model work. Trade-off occurs naturally as each activity which profits the organization incurs certain costs. The calculation of these costs in different business models vary due to distinct focuses on Key Resources, Key Activities and Key Partnerships. (Osterwalder et al 2010, 40.)

Generally, there are two classes of business model Cost Structures: cost-driven and value-driven. However, majority of companies use the balanced business model of the two extremes. (Osterwalder et al 2010, 41.)

Cost-driven model

It is absolutely true when profits decrease, costs increase and vice versa. Consequently, the only way to exclusively yield the profits is minimizing the costs.

Companies whose operations are dominated by this ideology apply the cost-driven business operation model. The cost-efficiency model focuses on saving any possible costs such as deploying extensively outsourcing and automation rather than hiring excessive staffs combined with cheap Value Propositions. (Osterwalder et al 2010, 41.)

Value-driven model

In contrast, there are companies who rather consider the premium value creation as main privilege than strictly monitoring the budget. Five-star hotels and luxurious resorts, for example, apply the value-driven model by providing excellent personal customer services and supreme qualified Value Propositions. (Osterwalder et al 2010, 41.)

Characteristics of costs structures

Fixed costs refer to the unchanged expenses that are not influenced by the production volume. Variable costs define the expenses which vary according to production volume. Economies of scale refer to the cost reduction when scale of output expands. Economies of scope means the larger company's scope of operation is, the less costs is paid. (Osterwalder et al 2010, 41.)

All in all, the business model Canvas is most effectively utilized when being performed as a table liked in Figure 10. Brainstorming ideas for different Building Blocks are written down on stickers and being glued in correct cells.

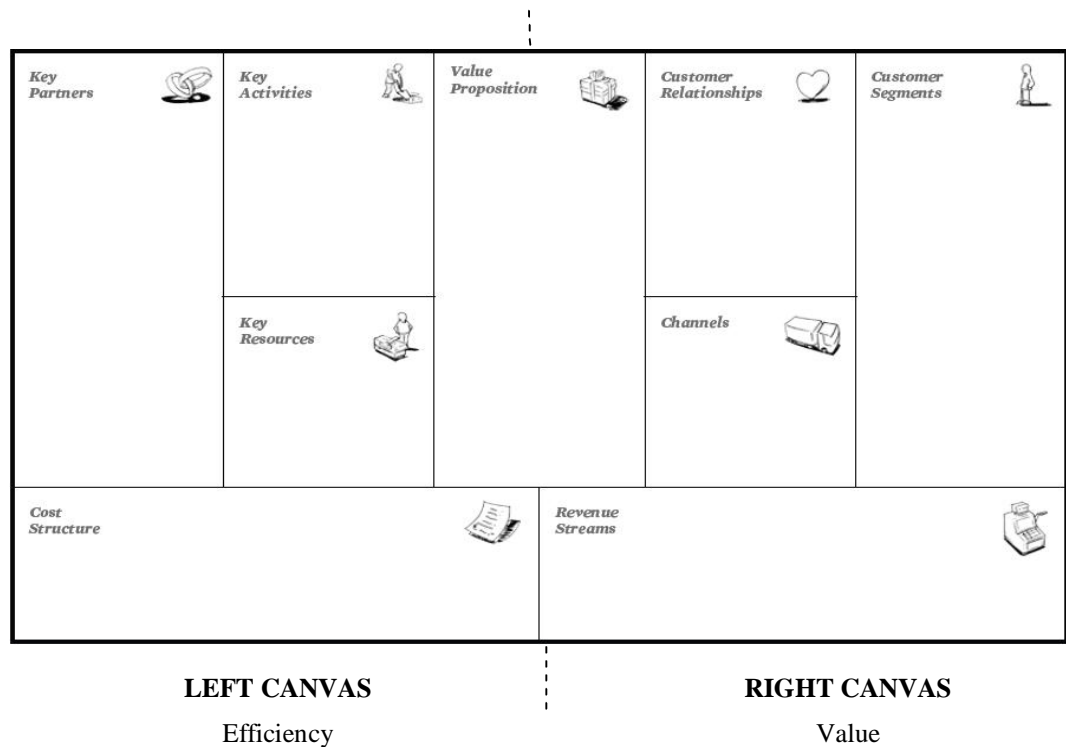


FIGURE 10. The simple business model Canvas (Osterwalder et al 2010, 49).

Figure 10 illustrates the business model Canvas as a hands-on tool in which users can paint their own pictures of new or existing business for efficient business management (Osterwalder et al. 2010, 42).

3.1.2 Strategic planning process

Figure 11 defines steps included in the strategic planning process. The strategic planning process enables the company to define clearly its mission, objectives and vision. Under the light of these primary essential factors, the enterprise is capable of strategically formulating, implementing, controlling and evaluating the plan. By doing so, the chance for conquering the high competitive business environment is considerably increased. (QuickMBA 2012.)



FIGURE 11. The strategic planning process (QuickMBA 2012).

Mission and objectives

Mission statement expresses the business vision of the enterprise which consists of constant core values and purposes as well as visionary goals. The company objectives state the economical status, personnel and organization information, production and product development after the first year and two or three years later. (Alter. S. K, 45.)

On the other hand, mission represents the core purpose and ideology of the company as well as the way to generate competitive advantages over competitors. Goals are the prospects and image that a company desires to achieve. In order to accurately identify goals and missions, the enterprise needs to consider how the situation of company is expected to change in the upcoming years. (Hobbs 2008, 1.)

Vision

Vision is the ambition for success that a company longs for. The success can be the expansion of the company's size and branches, the enhancing availability of the products or gaining the desirable profits. (Hobbs 2008, 3.)

On other hand, business vision is defined as the core ideals of a company that are constant despite various adjustments occur during the development process. Three basic factors of business vision can be found in Figure 12. (QuickMBA 2010.)

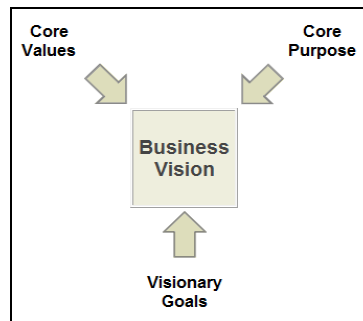


FIGURE 12. Components of business vision (QuickMBA 2010).

Core values are the profound values that remain consistent to support the company throughout company's existence. Besides, core purposes are the relatively permanent optimistic motives for the subsistence of the company. Once being discovered, the core purposes perform as the guiding light for company to move forward. The visionary goals are the future achievements that company desires to obtain. The visionary goals are selected and changeable as time goes by whereas the core values and purposes are merely discovered and unchangeable. (QuickMBA 2010.)

Environment scan

The environment scan process uses analyzing tools as SWOT and PEST analyses. SWOT is applied in interpreting the internal situation of the firm such as strengths, weaknesses, opportunities and threats. PEST is utilized in analyzing the external macro-environment which highly influences the firm's operations and alternations. (QuickMBA 2010.)

Strategy formulation and implementation

Strategy is formed based on the information from the environment scan. Strategy is an essential part in the business planning process. Vision, mission, objectives

and strategy altogether construct the strategic planning of the firm in future. Among numerous ways to define the business strategy, the author chooses three definitions of business strategy as below due to their simple and capturing expressions. (QuickMBA 2010.)

Barrows (2009) concisely denotes business strategy as “the way a firm competes in an industry.” To clarify, the firm should consider business strategy as a guiding path full of competitions, events and actions with the destination as the final objectives. On the other hand, Grundy (2003, 6-7.) adopts the definition of business strategy from Black Adder (the Television comedy) which refers to business strategy as “The Cunning Plan”. The author finds this definition interestingly descriptive for the nature of the business strategy. In general, a cunning plan reveals that there always exist flexible and intuitive ways to obtain the final goals profitably and securely.

There are three basic competitive strategies: cost management, differentiation and focusing. First, cost management strategy emphasizes the cost effectiveness as the competitive advantage of the company. Second, organizations who apply the differentiation tactic approach customers with more innovative products or services than competitors’. Eventually, some companies distinguish themselves by applying focusing strategy which aims to dedicate services on specific customer segments. (Hoffren 2002, 13.)

Customer/Product matrix matches different customer segments that the company serves with the appropriate products that company plans to offer to.

TABLE 5. Customer /Product matrix (Mustonen 2009).

Product Customer	1	2	3	4	5
A					
B					
C					

The customer/product matrix helps the company to define the product or service range of the enterprise.

3.2 Marketing planning

This chapter provides an in-depth view about marketing role and performance in a start-up company.

Market segmentation

Market segmentation is the process of dividing a large and heterogeneous market into distinct groups or segments within which customers' demands or interest are similar. Customers belong to the same segment react identically to distinct marketing proposition. (McDonald et al. 2010, 8-10.)

Kotler (2012, 215.) declares that consumer market can be segmented based on geographic, demographics, psychographics and behaviors criteria. Nonetheless, McDonald and Dunbar, in their book "Market segmentation: how to do it, how to profit from it" published in 2010, refer these criteria as "predetermined approaches" for the market which are proved to be ineffective in market-based segmentation.

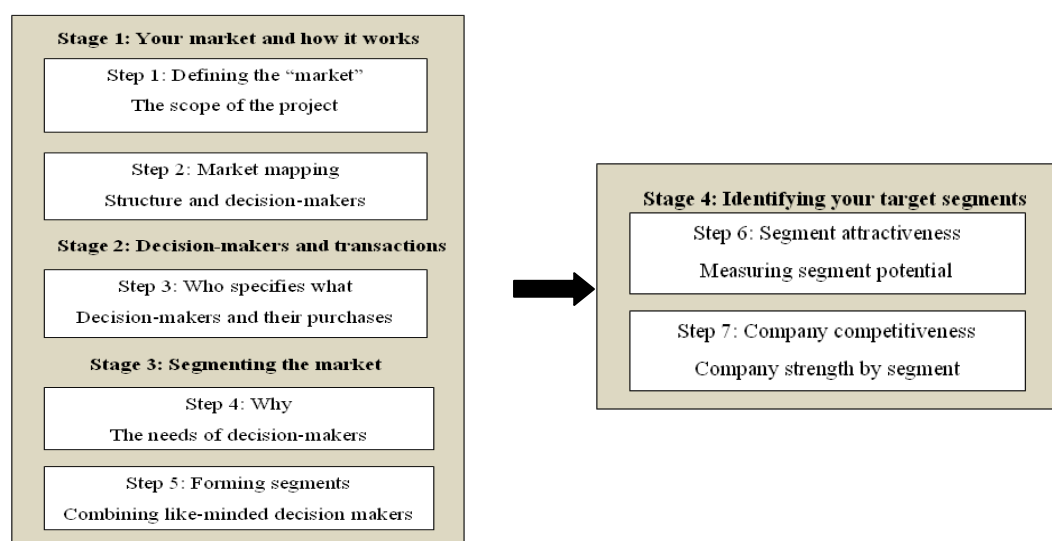


FIGURE 13. The segmentation process (McDonald et al. 2010, 15-17).

Figure 13 presents the market-based segmentation process. The process embraces two phases: Phase 1- developing segments and Phase 2- prioritizing and selecting segment. These phases are described succinctly by Figure 13. Phase 1 involves five steps which are divided into three phases. The main objective of this first phase is to define the market in which the company operates and its characteristics. As the Phase 1 is accomplished, the target segments identifying process is proceeded by taking the two last steps as in Figure 13. (McDonald et al 2010, 47-70.)

Sales target and forecasting

This section estimates the prospective yearly turnover based on the operational method of the company. The sales target should be calculated in details for each customer segments from the price per units of products or services. If necessary, the extra services fees are added. (Mustonen 2009.)

Sales forecast is the anticipation of sales, in term of monetary value or trading units, during specified future periods under the chosen internal and external circumstances of the operation. This process is considered as cornerstone of marketing management and embarkation of customer-oriented business planning. While numerous methods are applied by different companies, the following paragraph briefly explains some significant methods of sales forecasting. (Sherlekar et al 2010, 165.)

The traditional method of forecasting sales is relying on the opinion of executives who, along with personal knowledge and experiences, draw conclusion based on market information from customers and business partners. However, since customers' purchase decision is decisive element, the contemporary methods derive from customers' expectations such as survey about future buying intentions and habits and sales force estimates as salesmen possess direct contact to customers. On the other hand, since the information technology industry is developing with lightning speed, numeral analyzing programs provide time-saving yet accurate methods for sales forecasting such as statistical sampling and time-series analysis. (Sherlekar et al 2010, 168-170.)

Marketing mix

Product

Product is the core value proposition that company provides to its segmented customers. It is important to perceive products or services as three levels: core customer value, actual products and augmented products.

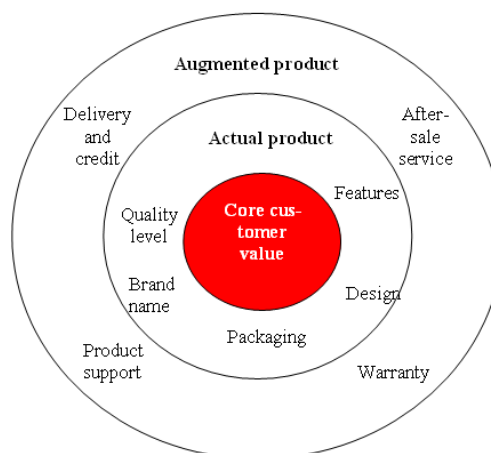


FIGURE 14. Three levels of product (Kotler 2012, 250).

As is apparent in Figure 14, a product is interpreted in three levels. The foremost and fundamental level is core customer value which implies the customer's mental needs satisfied by the product's performance. The actual product with quality level, brand, features, design and packaging that is displayed and offered directly to customers is defined as the second level of a product. Finally, post-purchased and additional services such as delivery and credit, product support and warranty form the third level as augmented product. (Kotler 2012, 249-250.)

Some goods are categorized as tangible such as furniture, food or clothes meanwhile services are intangible commodities. Broadly speaking, experiences, organizations, persons, places and ideas are considered as products as well. On the other hand, in term of purchase goals, products are classified as consumer and producer products. Consumer products refer to those commodities and services that are purchased for satisfying consumers' final needs. In contrast, producer products are

those goods and services which are bought as intermediary materials for the next production process. (Kotler 2012, 248-253.)

Product life cycle (PLC)

Each product, similar to living creatures, evolves over a span of life cycle's phases from inception to decline. The duration length of product life cycle varies depend on the type of researching product. A conventional product life cycle is divided into five explicit stages: product development, introduction, growth, maturity and decline. No matter in which phase the product currently is, it is vital to anticipate and plan for coping with challenges. (Komninios 2002.)

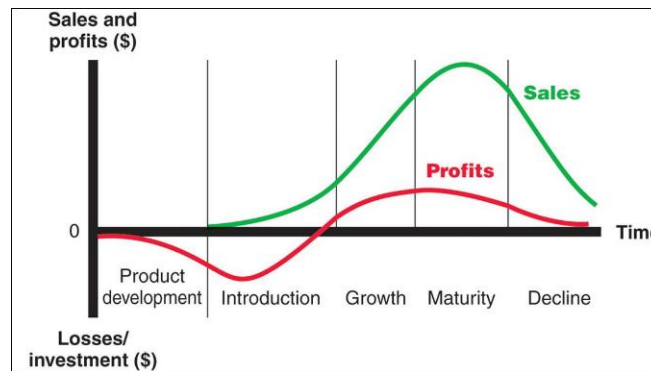


FIGURE 15. Sales and Profits over the Product's Life from Inception to Decline (Kotler 2012, 297).

Figure 15 illustrates the changes in profits and sales throughout the product's life cycle phases. The product development phase is the product's infancy period when a new-product idea derives and is developed inside the operation. During this phase, companies are forced to suffer not only from the non-profit situation but also accumulating investment costs. As the product idea is proved to be potentially profitable, the next step would be introducing it to the market. The company whose product is in introduction phase endures profit deficit due to heavy introduction costs even though sales are gradually rising up. Once the product enters growth stage, company enjoys the soaring up sales and profits due to accelerating market acceptance. After the growth period, product enters the maturity phase

when the obtained maximum potential buyers and heavy marketing expenditure for competition lead to sales and profit downturn. Eventually, product life cycle ends in decline phase when profits and sales drop. (Kotler 2012, 297.)

Product line and product mix

Product line refers to a set of products with identical manner or within same price ranges that a company offers to relatively similar customers. All product lines of a company altogether are named as product mix. (Kotler 2012, 258-260.)

Place

Distribution channels are interdependent enterprises who distribute products from sellers to buyers. This marketing tool is indispensable for making consumption happen in right place at the right time with the right quantity. These enterprises are named as intermediaries. (Zimmerer et al 2005, 204-207.)

There are numerous alternatives for choosing distribution channels based on types and number of intermediaries as well as terms of delivery and responsibilities. Generally speaking, there are three types of distribution channels: exclusive, intensive and selective channels. With few aggressive and knowledgeable intermediaries involved, exclusive distribution provides privileges such as better image and margins and more control over the process. However, this cooperation results in lower purchase frequency and reciprocity. On the other hand, intensive distribution strategy with widespread distributing network, along with a considerable amount of intermediaries, highlights the convenience for consumers' purchase as cutting edges. Furthermore, company can apply the selective distribution tactic as choosing certain intermediaries for efficient deliveries. (Mustonen 2009.)

Pricing

Price is the equivalent monetary value of a product/service that customer pays in exchange for benefits of usage. This is the only factor among 4P's of marketing mix accounting for sales revenue and customer demand forecast which is resilient. (Entrepreneur 2012.)

Plausible pricing of products/services is the essential tactical tool for capturing the customer value. Figure 16 below lists the fundamental considerations in setting price. (Kotler 2012, 315.)

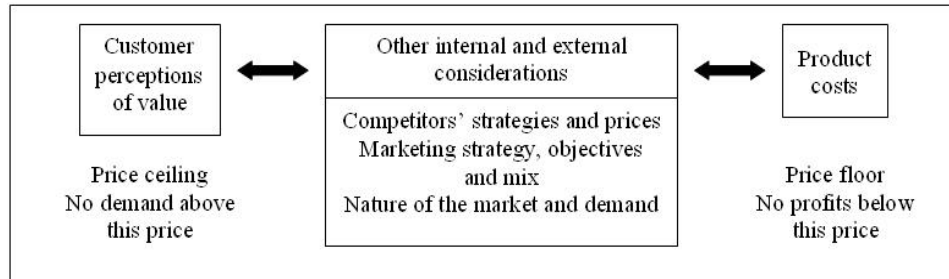


FIGURE 16. Considerations in setting price (Kotler 2012, 315).

The rational price which company sets for its products should fluctuate between two extremes: price ceiling and price floor. Price ceiling is the maximum limit which is defined by the customer perceptions of product's value. In contrast, price floor is the minimum limit which equals production costs. In addition, internal and external factors such as marketing strategy and mix, nature of market and demand as well as competitors' strategies and prices are greatly influential for the pricing decision. (Kotler 2012, 315.)

Pricing strategies

Three major pricing strategies, customers value-based, cost-based and competition-based, are constructed based on three main influential considerations mentioned in Figure 16 respectively: customers' acknowledgement of value, product costs and competitors' strategies. (Kotler 2012, 315.)

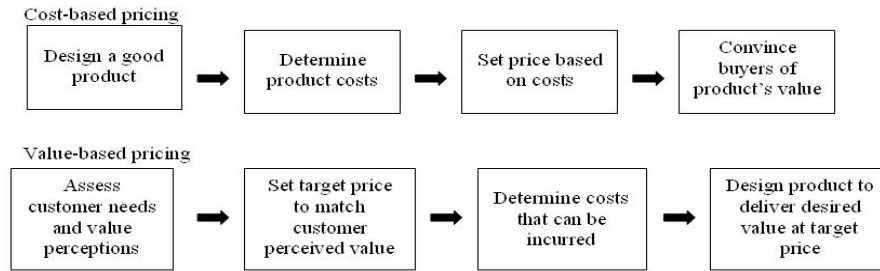


FIGURE 17. Value-based pricing versus cost-based pricing (Kotler 2012, 316).

Figure 17 clarifies the difference between the two reverse pricing strategies: cost-based and value-based. The value-based pricing adjusts the target selling price to the evaluation of customer demands and value perceptions. The cost-based pricing, in contrast, uses the cost of manufacturing and additional profit margin as the prime basis. (Kotler 2012, 316.)

The third pricing policy is determining the product price according to competitors' price structure. In this case, neither customer demands nor production costs are taken into account. (Sherlekar et al 2010, 201.)

Discounts

Discounts are categorized as four types: trade discounts, cash discount, quantity discount and season's discount. Trade discounts occur only in business to business (B2B). The manufacturer deducts certain percentage from conventional product's market price for intermediary parties in distribution channels as retailers and wholesalers. The subtracted amount represents the reimbursement repaid for the marketing costs of resellers. On the other hand, to receive prompt payment for the transaction, the seller offers cash discounts from the net amount due to be paid for purchasers if the sum is transferred within the required period. Besides, in order to obtain economies of scale benefits, manufacturer grants quantity discounts to encourage bulk orders. Lastly, seasonal discounts are offered differently in different sales seasons (Sherlekar et al 2010, 210-213.)

Promotion

This ultimate element of the marketing mix is defined as “... the process of marketing communications involving information, persuasion and influence (Ramachandra et al 2010, 6.2).” Indeed, product with supreme quality combined with satisfactory attributes is incapable of raising sales without customers’ perception and acceptance for its existence. It is essential to convey the message of delivering right product in right time with right price. In the contemporary targeted marketing, promotion is the powerful marketing instrument in non-price competition. (Ramachandra et al 2010, 6.2-6.3.)

Comprehending profoundly the importance of promotion, marketing communication mix is developed as an effective tool for marketers to approach potential customers. Table 6 names four basic components of the promotion mix.

TABLE 6. Marketing communication mix (Mustonen 2009).

Communication type	Target groups	Goals	Tools
Advertising	<ul style="list-style-type: none"> • retailers • consumers (big audience in chosen target groups) 	<ul style="list-style-type: none"> • to provide information • to cause interest and desire to buy • to change attitudes • to sell 	<ul style="list-style-type: none"> • advertising in media: TV, newspapers, etc. • direct marketing • outdoor marketing
Personal Selling	<ul style="list-style-type: none"> • retailers • consumers (individuals) 	<ul style="list-style-type: none"> • to sell and help to sell • to ensure satisfaction 	<ul style="list-style-type: none"> • customer visits • presentations • customer services
Sales Promotion	<ul style="list-style-type: none"> • retailers • consumers (individuals and target groups) 	<ul style="list-style-type: none"> • to motivate to sell • to create images and impressions • to encourage to buy 	<ul style="list-style-type: none"> • sales competition and training • trade fair • sponsorship • competitions for customers
Public Relations	<ul style="list-style-type: none"> • interest groups • media • supporters 	<ul style="list-style-type: none"> • to inform • to change attitudes • to gain positive publicity • to strengthen the company image 	<ul style="list-style-type: none"> • events and seminars • press releases • invitations • gifts and donations

To widely and promptly approach retailers and a large group of target customers, enterprise commonly chooses to sponsor product advertisement by media, direct or outdoor marketing. Not only aiming at raising sales, this promotion type also helps to arouse the interest and purchase desire as well as alter attitudes by providing information concern the benefits gained by purchasing. (Mustonen 2009.)

The other impersonal communication type is sales promotion which also target retailers and consumers both as individuals and segments. This is a temporary impetus for boosting sales and delivering positive images and impressions for customers. Practically speaking, sales competition and training, trade fair, sponsorship and competitions for customers are generally named as sales promotion. (Ramachandra et al 2010, 6.4.; Mustonen 2009.)

Public relations are the popular impersonal marketing communication type which aims to interest groups, media and supporters. Company organizes social events and seminars, press releases, invitations, gifts and donations to obtain positive public reputation and strengthen images. (Public Relations Society of America 2012.)

Personal selling is the direct communication between the seller and individual customer for supporting reason and therefore ensures customer satisfaction as well as enhances sales. The critical forms of this communication type are customer services, oral presentation and customer visits. (Cambridge Dictionary Online 2011.)

3.3 Financial plan

As explicit in Figure 18, the comprehensive financial structure of a company consists of two key elements: net cash flow and capital financing. Net cash flow is defined as the differences between the cash inflow and cash outflow of a company (A. & C. Black 2007, 149).

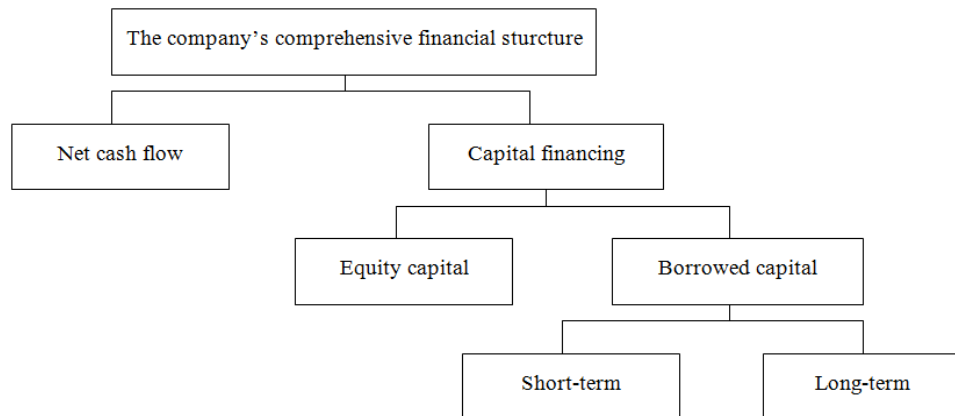


FIGURE 18. The financial structure of an enterprise (Mustonen 2009).

To explain, net cash flow is the cash that is always available to be withdrawn without endangering the company's cash flow situation in future (Roger et al 2008, 15). Capital financing refers to the monetary value that company owns in order to operating the business.

TABLE 7. Equity capital vs. borrowed capital (Mustonen 2009).

Equity capital	Borrowed capital
<ul style="list-style-type: none"> • Owner's money and retained earnings • Invested in the beginning of the business operation and permanently remains in capital cycle • No scheduled repayment • Directly proportional with credibility of company 	<ul style="list-style-type: none"> • Loans and liabilities from funding organizations • Coping with problems in fixed time period • Scheduled repayments and interests • May be inversely proportional with credibility if the sum is substantial, no decisive powers for company's matters

Table 7 scrutinizes the differences between equity and borrowed capitals. Equity capital is the funds belong to the owner which is purposed for starting-up investments and operating the business in long-term. In contrast, borrowed capital identifies the funds obtained from external sources for fixed-term usage. As a matter of fact, the repayments and interest are scheduled in advance depends on the agreed loans periods: short-terms loans is below one year and long-term is more one year. While equity capital volume is directly proportional with credibility of a company, borrowed capital, with substantial sum, is inversely proportional for the credibility. (Suomen Uusyrityskeskukset ry 2011, 20.)

Capital sources

In Finland, an entrepreneur receives financial supports from governments for starting-up phrase. The capital supplies are from employment office, Finnvera-the industrial development fund, commercial banks, insurance companies, venture capital funds, the ministry of trade and industry and local councils. In order to get the loans, it is essential to provide the finances analysts the detailed business plan which proves to be profitable business based on its size, approaching strategies for encountered problems, industry experiences and desires. (Suomen Uusyrityskeskukset ry 2011, 20-21.)

Costs

Fixed costs are expenses that remain the same despite the alterations in the activity level (the amount of sales and production). In the contrary, variable costs are costs that fluctuate according to changes in activity level. Besides, costs are categorized as direct and indirect costs (overheads). Direct costs are defined based on specific product or service while it is impossible to defined directly indirect costs. Marginal costs refer to the additional costs to the total costs sum which incur when the activity level increases by one unit. (The University of Arizona 2012; Kouhia 2007.)

Calculation of the total costs of a product is processed as followings.

Phase 1: defining the total direct costs

$$\text{Total direct costs} = \text{direct materials} + \text{direct labor} + \text{direct expenses}$$

Phase 2: production costs

Production costs = total of direct costs + share of production overheads

Phase 3: total costs

Total costs of a product = production costs + share of general overheads

Taxation

Direct taxes include income tax, municipal tax, church tax, inheritance and gift tax. Indirect taxes include value added tax, customs duties and import charges, assets tax. Value-Added Tax (VAT) is the most common tax which is levied on the supply of goods and services when company's annual revenue is over EUR 8.500, importing goods and entrepreneur's own consumption. (Kouhia 2008.)

Insurance

Mandatory form

Personal pension insurance (YEL) is mainly meant for paying old-age pension, sickness benefit, maternity and paternity grants or rehabilitation allowance to entrepreneur. The payment is income-based which is applied for Finnish entrepreneurs age from eighteen to sixty seven. In year 2011, the operation, which exists over four consecutive months with minimum annual income as EUR 6.896,69, is eligible for purchasing this insurance type. (Suomen Uusyrittyskeskukset 2011, 37.)

Optional forms

Voluntary entrepreneur accident insurance covers accidents occurred in working and leisure time. Business-interruption insurance provides protection from income loss which is incurred from business interruption. Personal liability insurance covers the losses happened to third party and relevant legal expenses. Legal-expenses insurance compensates the legal costs for operational problems. (Suomen Uusyrittyskeskukset 2011, 36.)

Gross margin target

Contribution is the difference between sales revenue and variable costs. Therefore, contribution equals profit plus fixed costs. The contribution percentage is calculated as: $Contribution \% = (100 * Contribution) / Revenue$ (Kouhia 2007.)

Break-even point represents the minimum sales volume required for a company in order to functionally operate. In case contribution equals fixed costs, the business neither yields profit nor makes loss. Break-even point value is calculated as:

$$\text{Break-even point} = (100 * \text{Fixed costs}) / \text{Contribution \%} \text{ (Kouhia 2007.)}$$

Margin of safety, commonly in positive value, indicates the possible decrease in revenue to get no loss. However, in some exceptional cases, the negative value of margin of safety measures the recommended increase in revenue for acquiring zero profits. (Kouhia 2007.)

$$\text{Margin of safety} = \text{Revenue} - \text{Break-even point}$$

Pricing in retail trade is calculated by using the pricing coefficient.

$$\text{Sales price} = \text{Purchase price} * \text{Pricing coefficient}$$

In the above formula, the pricing coefficient is defined as

$$\text{Pricing coefficient} = 100 / (100 - \text{Gross margin \%})$$

Profit/loss account

Profit and loss account shows how profitable the business entity has operated during the financial year. The common financial year length is twelve months, in some cases can be extended up to eighteen months. By preparing this document, it is not only easy for company to revise itself but also provide information for potential investors. In performing the profit/loss account, the left side is for entering expenditure information which is debited data while the right side is for entering credit data concerning generated revenue. If the result is profit (positive value), it is written down in the left side. In contrast, the negative value is written in the right side as loss. (Small Business Development Corporation 2012.)

3.4 Risk analysis

Risk is the adverse events which incur inevitably in the business operation. In the book "Risk Strategies" (2009), Les defines risk as the combination of three factors: the events, either trivial or hazardous, probably occur; the possibility of occurrence and the scope of tackling or managing unwilling events.

Generally speaking, there are two types of risks that are necessary to be taken into considerations: operational and financial risks. Operational risks derive from inside the organization and its operational processes as well as from company's product or services. Financial risks result from the damages of assets or market

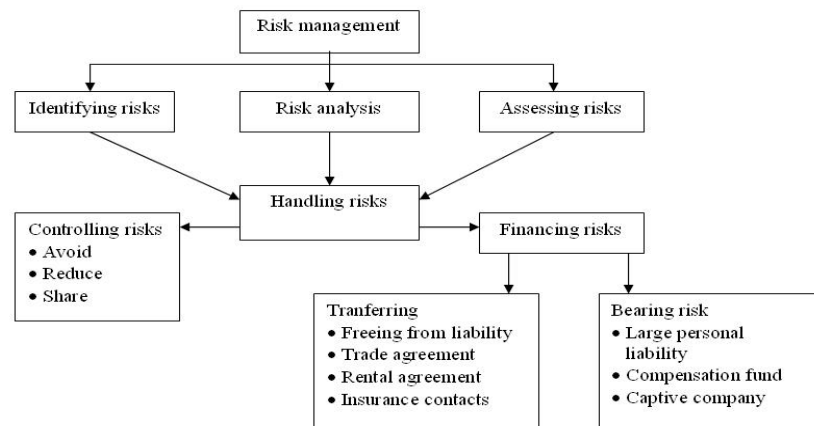


FIGURE 19. Risk management (Mustonen 2009).

Figure 19 illustrates the overall risk management process of a company in anticipating and coping with inevitable uncertainties occur in business. Necessarily, prospective risks should be identified, assessed and analyzed. After fully comprehend the nature and scope of potential risks, the next step is figuring out approaches for risk management: controlling and financing.

4 CASE: START-UP VIETNAMESE HANDMADE HOME-TEXTILES COMPANY

4.1 Business idea

This chapter introduces the business idea and its relevant information. Beside the reality background, the business idea is analyzed thoroughly by using business model Canvas.










4.1.1 Context and motivation

The idea of importing handmade art (handmade embroideries and HoiAn lanterns) to Finland derives during the author's visit to her home-country, Vietnam, in summer 2011 for wedding preparation. The author, as a business student, perceives abundant compliments for oriental decorating articles of Finnish guests as high potential demand in Finnish market. In addition, the author also noticed how handmade embroideries fascinate Finnish people.

4.1.2 Business model Canvas

The author aims to build up customer-oriented business model. In term of cost structure, the chosen tactic is applying mixture of value and price-driven structure. Table 8 succinctly states the planned business model for start-up Vietnamese handicraft art gallery.

TABLE 8. Business model Canvas (modified from Osterwalder).

<p>Key Partnerships </p> <ul style="list-style-type: none"> • Vietnamese suppliers • Product-support providers • Cooperated wholesalers (e.g. Kesko Group, Stockmann) • Local and ethnical home textile for interior decorating retailers 	<p>Key Activities </p> <ul style="list-style-type: none"> • Importing, delivering and selling products • Providing chances for customers to co-create embroidered paintings <p>Key Resources </p> <ul style="list-style-type: none"> • Rent warehouse • Owner's education and determination • Own capital, grants and loans • Partnership, Asian products reputation 	<p>Value Proposition </p> <ul style="list-style-type: none"> • Vietnamese handmade home textile for interior decorating • Exotic, rare and inexpensive product line in Finnish market • Additional purchasing options for locals 	<p>Customer Relationships </p> <ul style="list-style-type: none"> • Personal assistance on website • Co-creation as allowing tailored products <p>Channels </p> <ul style="list-style-type: none"> • eShop • Wholesalers • Retailers • Restaurants 	<p>Customer Segments </p> <ul style="list-style-type: none"> • High and middle income level individuals and families • Asian- or handicraft oriented consumers • Wholesalers who are capable of purchasing in large quantity at a time • Retailers who are specialized on selling interior decorating home-textiles • Oriental style restaurants
<p>Cost Structure </p> <p>Mixture of cost and value-driven structure</p>		<p>Revenue Streams </p> <p>Physical product sales</p> <p>Sourcing – finding new manufacturers for customers</p>		

Customer Segment

The chosen segment is niche market which includes high and medium income level capital inhabitants and home-textile retailers as well as wholesalers all over the country. Other characteristics of potential customers are Asia-oriented and interior decorating hobbyists.

Value Propositions

The presence of Vietnamese silk lanterns and hand embroidered paintings “spice up” domestic market with exoticness and newness. In addition, the reasonable price level for high quality and durable products is another competitive edge. As analyzed in section 4.2, historically, embroidered paintings used to be popular decoration in every Finnish home. However, when textile manufacturing industry was shifted to developing countries, particularly China, for cheap labor costs, diversified printed textile with convenient usage has conquered the market. Vietnam handcraft lanterns and paintings may revive the nostalgic feelings in Finnish customers. Another substantial value is sophisticated and partly tailored design. Furthermore, providing accessibility for Finnish customers to ethnical home-textile products, which are limited at the moment, is another way to generate value proposition.

Channels

There are several different sales channels which should be chosen carefully to maximize the effectiveness. Based on the provided information, the chosen sales channels for the Vietnamese handmade home-textiles company is mainly in B2B sales (wholesalers and retailers) and the minor part is online shop for domestic customers. Table 9 comprises of the information concerning chosen sales channels with five channel phases.

TABLE 9. Types and phases of Channels (modified from Osterwalder et al 2010).

Channel Types			Channel Phases				
Own	Direct	Web sales	1. Awareness Using partners' channels Own marketing efforts	2. Evaluation Feedback on company's website	3. Purchase Allowing customers to purchase products directly in own shop and partners' shops and virtually	4. Delivery Direct sales Post-office services	5. After sales Phone services Returning products in certain considerations
	Partner	Own store					
Retailers' stores							
	Indirect	Whole salers					

A quantitative web-based survey conducted in year 2007 gathers information from European entrepreneur respondents. Figure 20 graphically illustrates how craft and design enterprises perceive the importance of different direct channels. The percentage in each column is not 100% since neutral answers are eliminated from the calculation.

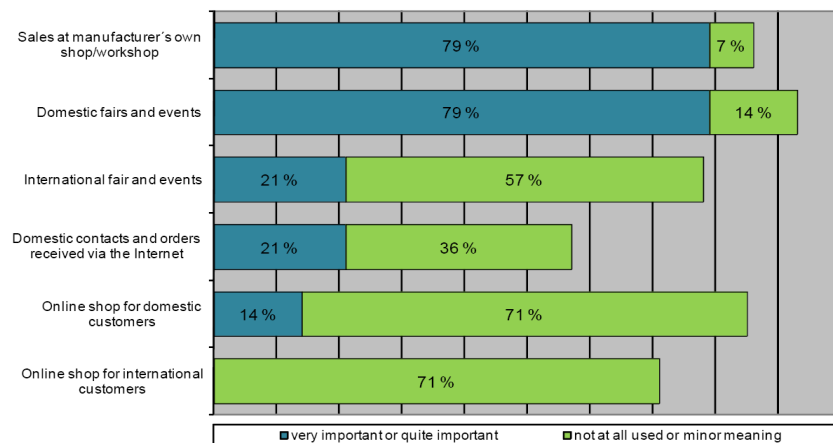


FIGURE 20. The importance of different direct sales channels in Europe countries (Taito Group 2007).

In Finland, domestic fairs and events is considered as important with 25% whereas 75% of Finnish respondents perceive sales at the manufacturer's own shop or workshop is very important. Moreover, direct B2B sales are evaluated as more important in Finland than in other European countries. (Taito Group 2007, 8-9.)

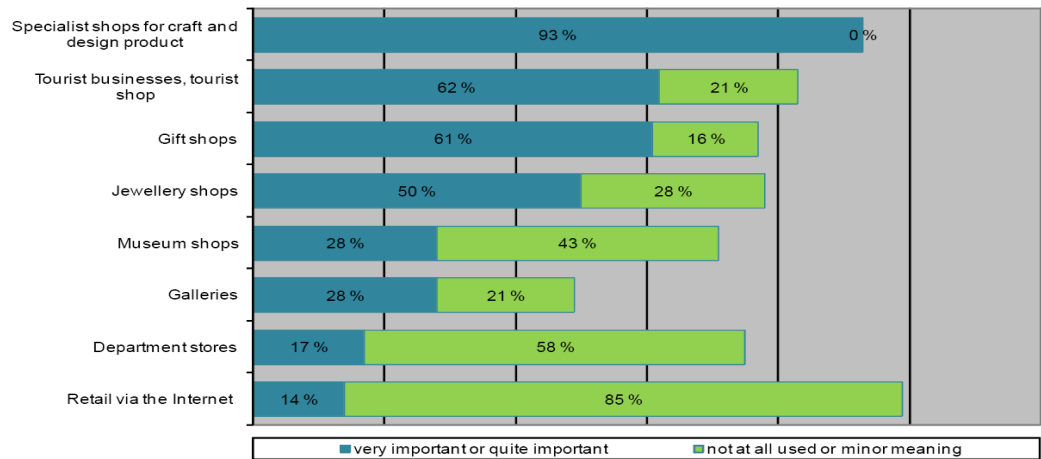


FIGURE 21. Domestic retail distribution (Taito Group 2007).

In Finland, specialist shops for craft and design products are considered as very important by 75% of respondents. 25% of respondents think museum shops and domestic contacts and orders received via the Internet are quite significant. (Taito Group 2007, 10.)

Customer Relationships

Aiming to build outstanding customer services, the author chooses personal assistance for online communities to maintain customer relationship. Indeed, establishing online communities in social networks and company's website enhances company's performance by customer feedback and comments. As embroidered paintings are tailored if needed, co-creation is named as another way for company to strengthen customer relationships.

Revenue Streams

As defined by Osterwalder et al (2010), Vietnamese handicraft art gallery generates Revenue Stream by selling ownership rights to physical products as embroidered paintings, cushions and Hoi An lanterns. Besides, sourcing for new Vietnamese manufacturers and connecting them to Finnish wholesaling customers is another revenue stream.

Key Resources

Physical

Needed physical assets are renting warehouse, office necessities, a desktop and distribution cooperation with wholesalers and post services.

Intellectual

The business and products brand are registered under the company's name. A sticker contains product information and price is attached to each product. An own website is essential for serving eShop's customers.

Human

In order to cope with limited starting budget, the only human resource of the company is the owner's labor, knowledge, education and determination. Besides, mental support from family members and friends play an important role.

Financial

The start-up expenses are covered by the owner's investments, government grants and loans. In the latter development phase, the cooperation and investments from cooperating partners is added.

Key Activities

Company's key activity is considered as problem solving since the products' presences enrich the option range for local customers. Besides, customers gain benefits from increasing competitiveness in domestic home textile market due to slightly cheaper price and high quality products.

Key Partnerships

Key Partnerships are buyer-suppliers and strategic alliances. The buyer-supplier partnerships are formed with suppliers as Vietnamese manufacturers who are specialized in producing mentioned products and Finnish wholesalers, retailers and restaurants. Strategic alliances are formed with product-support suppliers.

Cost Structure

The chosen tactic is the mixture of value and cost-driven structure. Delivering high value proposition for customers is as important as reducing costs efficiently. To achieve the mentioned cost structure, the Vietnamese manufacturers are chosen carefully so that the cost-efficiency and high quality assurance are obtained.

4.2 Company overview

Name and location

The company will run B2C business as establishing a virtual eShop and B2B business as being wholesaler. The warehouse is located either in Helsinki or Lahti for storing goods. The sphere of operation is the whole Finland.

Business line(s)

The company will operate as a retailer and wholesaler for ethnical handicraft art (Vietnamese handmade embroideries) and Hoi An lanterns. Furthermore, since this is international trade, importing is another important field for considering. In general, the main business line is retail sale of yarns and needlework supplies. (Statistics Finland 2008).

Ownership

The enterprise form is private partnership (Tmi) since the registration cost is the lowest. In future, since bilateral supports are vital in doing business, especially when the main founder is a foreigner, the enterprise form can be easily altered as limited partnership (Ky). (El-Khoury 2012.)

Founder

The primary founder is this thesis's author who is currently a business student in Lahti University of Applied Sciences. The BBA (Bachelor Business Administration) degree after graduating provides sufficient basic knowledge for implementing an international business. Moreover, the chance to live and penetrate into Finnish culture during school time enriches the author's understanding for Finnish interior decorating taste and the locals' appreciation for handicraft products. As being a Vietnamese native speaker, the desire to introduce traditional handmade products as one of own culture's treasures to Finland is growing. In addition, Vietnam and Finland's firmly developing trade relation forms beneficial regulations for building up a business. As the company grows larger, hiring more staffs and workers are crucial for the long-term development.

4.3 Business objectives

Acknowledging the essential role of business objectives in obtaining business success, the author designates this thesis section for interpreting the start-up company's mission, objectives and vision. Moreover, Finnish market and competitive environment are also analyzed.

4.3.1 Mission and objectives

Designed with mixture of Asian and Western style, the company's mission is to supplement elegant and exotic focal points to household environment of Finnish customers. In addition, these products widen the range of options for those who desire to make their living spaces as "home sweet home" with own efforts.

In order to achieve the mission, company's objectives are prioritizing in providing customers with high quality Asian home textiles for interior decorating with reasonable prices since the beginning of business operation. On the other hand, perceiving the customers' essential role in the survival of a business, the owner de-

votes herself to acquire in-depth customer insight for an outstanding customer services.

4.3.2 Vision

Within the next four years, the company aims to establish an own gallery shop as a favorite destination for Finnish customers not only to visit for purchasing decorative home textile but also enjoy handmade art. Furthermore, since these are rare and new articles in the current market, the owner wishes not only to revive hand embroideries, a vanishing Finnish tradition, but also forming a new trend in interior decorating sector.

4.3.3 Strategy formulation and implementation

Market analysis

A brief searching in “Uljas - System for distribution of Foreign Trade Statistics” services reveals that there has not been record for import volume of mentioned embroideries and handmade lanterns from Vietnam (Finnish Custom 2012). In the other words, this fact means Finland is a whole new market for these kinds of home-textile products. Acknowledging the position, the author perceives this newness in the market both as a competitive edge and a risk.

Furthermore, a web-based quantitative survey conducted by Taito Group in 2007 provides useful information about craft and designs organizations in Europe and Nordic countries. Meanwhile Figure 22 illustrates the numerical data from European respondents; the textual analysis clarifies the situation in Nordic countries as Sweden, Norway, Iceland and Finland.

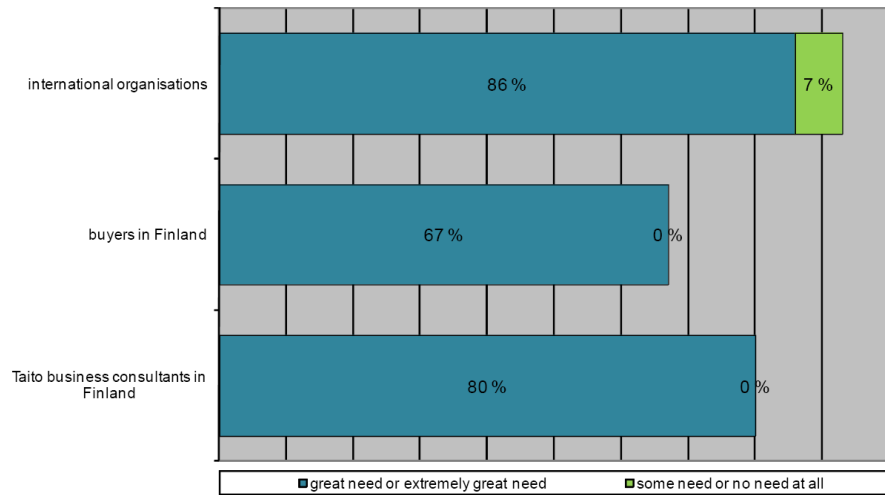


FIGURE 22. Companies' needs for renewed product selection (Taito Group 2007).

As shown in Figure 22, Taito Business consultants in Finland conclude that craft and design enterprises are in serious shortage of developed and renewed product selection. The critical percentage for this need in Nordic countries in general and particularly in Finland is 100%. Moreover, in term of products and services evaluation, 75% of attended crafts and design organizations in Nordic nations believe in high quality and originality of products and/or services. The product availability is considered in moderate level by 50% and satisfactory level by 25% of Nordic respondents. (Taito Group 2007, 12-15.)

Despite the economic downturn in recent years, Figure 23 below shows the increase in the number of owner occupied houses in Finland. This fact means the demands for Finns to invest in interior decorating is possibly rising. (Statistics Finland 2011.)

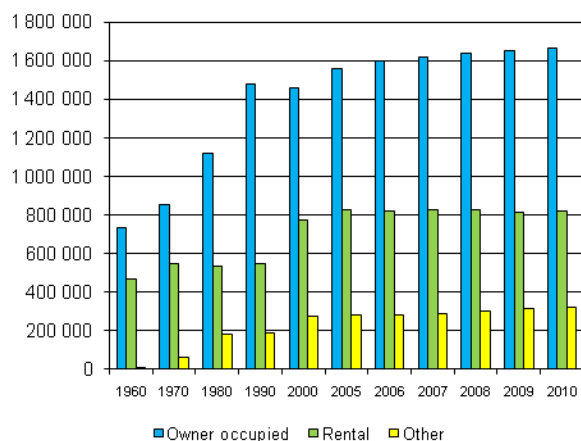


FIGURE 23. Dwellings by tenure status 1960-2010 (Statistics Finland 2011).

In addition, Meskanen and Koivisto, the owners of Lifestyle Architecture & Design, perceive no negative effect that economic turmoil in the past few years has on luxury living space trend of Finnish citizens. (Helsinki Times 2011.)

The market analysis pinpoints certain needs for Vietnamese hand embroideries and lanterns as a brand new addition to the existing home-textile collection in Finland.

Competitive environment

The internationalization process has rapidly reshaped the world economic landscape. One dominant change is the trend of relocating European's manufacture plants to Asia for cheap production costs. This growing trend, naturally, allows Asian products to enter European's market and compete with local producers in many business lines, and home-textile is not an exception. Following the trend, Finnish home-textiles market is shared by several local and foreign players. Finnish market is dominated by two giant players: S-Group and Kesko Group (K-Group) who get products supplies from various sources (El-Khouri 2012). These two leading chains and Stockmann, capital region's large department store, are potential wholesaling customers for the start-up company. Beside the competition with other suppliers for these three wholesalers, there exist countless of small and medium enterprises who offer wide range of home-textiles from simple printed

cushion covers to qualified and designed ones. In term of ethnical characteristic, Chinese producers are the largest competitors since Chinese textile products are relatively similar to Vietnamese ones.

Competitors

The following competitor analysis is concluded from a small survey of typical and noticeable home textiles suppliers for the start-up company's potential customers as S-Group, K-Group and Stockmann, the largest department store in Finland.

According to research from Finnish Custom webpage, there has been no record concerning the amount of imported silk lanterns and embroidered home-textiles from Vietnam. Moreover, the author's observation also pinpoints the scarcity of these products in current market. As a result, basically, there is no direct competitor in the mentioned field. Nevertheless, indirectly, there are several home textile local and foreign manufacturers operated in Finland. Beside the vast amount of printed textiles with diverse designs, embroidered textiles are sold in relatively smaller quantity, rather simple design with high average price level.

TABLE 10. Competitors.

Competitors	Product	Price range
House Collection (Sokos-S Group)	Printed bed linen and cushion cover Embroidered bed linen and cushion cover	12-43 7-33
Anno Collection (Anttila – K Group)	Printed bed linen and cushion cover Embroidered cushion	17 13
Kenzo (Stockmann)	Embroidered cushion cover (42*42) Embroidered pillow cover	50 60
Linum (Stockmann)	Embroidered cushion cover	13, 28, 48
Hemtex	Printed bed linen Printed cushion cover Minor part of embroidered cushion cover	10 16, 25
Chinese lanterns (Tiimari Oy)	Decorative paper lantern	2
Turkish lanterns provider	Turkish decorative paper lantern	14, 21
Pentik Oy	Printed designed cushion covers and bed linen	26

Table 10 lists some home-textiles producers in Finland who are considered as the main competitors.

Anno & House collection

These brands are owned respectively by two familiar department stores Anttila (Kesko Corporation) and Sokos (SOK Corporation). In addition to own brands, other home textiles brands are among their collections. Table 11 analyzes Anno and House Collection competitors with strengths and weaknesses.

Strengths

As the two leading retailers in Finland, Kesko and Inex-partners have strong finances for supporting effective promotion and widespread distribution network. Deploying plus-card system and shops-scattering tactic, they succeed in acquiring substantial amount of loyal customers. Furthermore, offering products with wide range of price and qualities helps to satisfy various customer segments.

TABLE 11. Anno & House collection.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong finances • Effective marketing • Wide range of prices • Familiar to local customers • Widespread distribution network 	<ul style="list-style-type: none"> • Mass production • Simple printed style • Average quality

Weaknesses

In spite of numerous noticeable advantages, there exist certain weaknesses the start-up Vietnamese handmade home-textiles company will face. The dominant setback is products with quite simple printed figures which are manufactured massively. Moreover, products' quality is pretty much in average level.

Pentik

Possessing positive reputation for providing local qualified and stylish designed products over decades, Pentik is considered as a rough competitor for the start-up company. Beside the grand seasonal collection of designed ceramics, cushion covers with unique designs are occasionally manufactured.

TABLE 12. Pentik.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Famous designed products • High quality • Strong finances • Domestic brand • Effective marketing and distribution network 	<ul style="list-style-type: none"> • High price • Seasonal mass production • Westerner familiar style

Strengths

Similar to Anttila and Sokos, Pentik's marketing tools and distribution network is supported by strong finances. High quality designed products with domestic brand are absolutely competitive edges for the enterprise.

Weaknesses

As cushion covers are not Pentik's main product line, the limited selling time and availability is considered as one setback. Once being manufactured, cushion covers are produced massively with familiar western art style might reduce consumers' interests.

Other noticeable competitors

Linum and Kenzo are two home-textiles brands whose products can be accessed in Stockmann department store in Helsinki. Their products are westernized designed with rather high sales price. Further information concerning these two brands is currently unavailable since they are foreign brands and operate as suppliers for Stockmann.

On the other hands, Turkish and Chinese paper lanterns are direct competitors for Hoi An lanterns and lotus lamps. Chinese paper lanterns with low quality and cheap prices are offered in Tiimari Oy, one of Finnish office and home decoration retailer. Being supplied with smaller amount, Turkish paper lanterns provide more sophisticated and exotic outlook. In term of price level, Turkish lanterns are relatively similar to Hoi An lanterns and lotus lamps.

Company's competitive strategies

Acknowledging the competitors' advantages and disadvantages, the competitive strategy plays crucial role in creating the start-up company's distinction over competitors. The SWOT analysis below interprets not only strengths as competitive edges but also other important effecting factors.

TABLE 13. Start-up company's SWOT-analysis.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Competitive price • Products' special attributes • The owner's knowledge and education • Variety and exoticness 	<ul style="list-style-type: none"> • Completely new product type in the market • Weak finances • Lack of experiences in business management
Opportunities	Threats
<ul style="list-style-type: none"> • Supportive system and motivating legislations for entrepreneurship in Finland • Currency differences • Growing interests for Asian products • Vietnam's beneficial economical structure 	<ul style="list-style-type: none"> • Unstable world economics situation • Unexpected phenomenon as calamities, terrorism, etc. • Shortage of raw materials in nature • Complicated, time- and money- consuming bureaucracy • Loss and damages

Strengths

The company's competitive edges are reasonable price combined with products' special attributes as high quality, handmade and sophisticated design, wide range of lanterns' shapes, color, fabric and the tailor-made hand embroideries if needed. Particularly, the exoticness is the emphasis for customer attraction. In addition, the owner's knowledge and education concerning business management and Finnish business operational environment contributes greatly to the success of the new company.

Weaknesses

However, there exist a number of limitations that company has to cope with. Firstly, the fact that these products are totally new to Finnish market leads to the low awareness and interests of customers toward products. Secondly, it is obvious that the start-up company has weak finances which might negatively influence the business operation. Finally, despite the author's academic education, the real experiences in business life which is accumulated as the time goes by are always valuable.

Opportunities

Finland is well-known for its friendly and supportive environment for operating own business. Vietnam's beneficial economics structure with cheap labor costs and low priced materials costs combined with currency differences of euro and Vietnam dong help entrepreneurs to easily yield profits.

Threats

As always, there are vast amounts of threats and uncertainties in entrepreneurship. However, the most noticeable threats are the fluctuating world economics and shortage of raw materials in nature. Being stroke by the continuous economic crisis, European countries are facing unstable economical developments and decreased investments. As a result, the depreciation of euro currency can lead to loss in profit. Moreover, with serious shortcomings of nature protecting awareness, Vietnam is encountering the deforestation which causes the shortages of certain natural materials, especially for arts and crafts industry. The obligation to import

raw materials from neighbor countries increases the production costs and purchasing prices.

4.4 Marketing strategy

Customer segmentation is the first and most important building block mentioned in Canvas business model. Table 14 analyzes four different target customer segments of the start-up company.

Market segmentation

There are four main customer segments that the start-up company is aiming to serve: end users (eShop), restaurants, wholesalers and resellers of home-textiles. In order to effectively perform the customer services, purchasing motivations, characteristics, trading methods and marketing tools of each segments are analyzed in Table 14.

TABLE 14. Customer segments.

Target segment	End users (eShop)
Purchasing motivation	Personal usage at home or given as gifts
Typical characteristics	Internet user; interest in either Asian style products, new addition for home-textile collection or interior decorating, handmade and ecology supporter; average or high income level; emphasis on design, quality and price
Trading method	Orders via internet and direct delivery
Marketing tools	Internet advertisement (banners, searching tools and in own website), social network (Facebook, Twitter), word-of-mouth
Target segment	Wholesalers of home-textiles
Purchasing motivation	Profits from selling to end users and distributing to retailers
Typical characteristics	Profit-oriented; intermediaries; maximize economies of scale; reliable partners; decision-making rights belong to certain individuals; wide distribution network
Trading method	Personal meetings, contractual orders and direct delivery, trade fairs
Marketing tools	Direct sales, discounts, small booklets
Target segment	Retailers of home-textiles
Purchasing motivation	Profits from selling to end users
Typical characteristics	Profit-oriented; intermediaries; maximize economies of scale; simpler decision-making process
Trading method	Personal meetings, contractual orders and direct delivery, trade fairs
Marketing tools	Direct sales, discounts, small booklets
Target segment	Restaurants
Purchasing motivation	Interior decoration for business space and customers' attraction
Typical characteristics	Quality and design oriented
Trading method	Word-of-mouth, internet, personal meetings
Marketing tools	Advertisements on internet and direct deliveries

Handcraft products are not seasonal products since it is possible to utilize them all year round. All of mentioned segments are, at least in the first business year, Finnish customers and organizations.

4.4.1 Marketing mix

Product

As guided in Figure 14, product is analyzed in three layers. This part realistically interprets the lantern and embroideries products according to Figure 14.

Core customer value

In purchasing these ethnical decorating products, customers perceive the exoticness and newness of Asian style goods. Their presences enrich the colour theme of the house, being the focal points in elegant background and express the house owner's taste of art. Reasonable price and good quality leave customer no regret for the purchasing decision.

Actual product

Features

Hoi An lantern is made of Jacquard or brocaded silk fabric which is pasted around the bamboo frame. There are several colours for customers to choose. In the beginning, lanterns, which are chosen for importing, have the length, in transporting form, of ten and thirty centimetres.



FIGURE 24. Hoi An lantern.

To maximize the beauty of Hoi An lanterns, the best way to display them is hanging in free space. It is recommended to store or display them in dry and shadow places to preserve the colour and quality.

Hoi An lotus lamps are favouritely imported to USA and some other Western markets to decorate in hotels, restaurants and bedroom. Unlike Hoi An lantern should be hung for the best display, the lotus lamp is placed on a firm surface.



FIGURE 25. Hoi An lotus lamp (Hoi An Festival 2009).

The lotus lamp has four inner and four outer petals. The frame of each petal is made of thin and light iron. Depending on customer's personal taste, the used fabric can be double silk layers or single brocade layer. Similar to Hoi An lantern, there are several colour options.

The most special attribute of hand embroidered painting is handmade. Purchasing price increases directly proportional with the complexness and the size of the drafted drawing. The drawing can be chosen from those painted by the artisans or be provided by the customers. Necessary time for embroideries' completion varies from one week, one month to three months, depending on how difficult the drawing is. The primary choice of the author is paintings with size 60cm *80cm.



FIGURE 26. Embroidered cushion.

Alike paintings, prices for embroidered cushions vary depend on the complexness of the figures. The imported cushion cover has size of 40cm * 40cm and can be sold as a set or individually.

Design

To meet various demands of distinctive customer groups, Hoi An lanterns are designed in different shapes and colours as shown in Figure 27.



FIGURE 27. Different shapes of Hoi An lanterns (HoiAnShop 2012).

The most chosen design, especially in weddings, is oval ones. According to the author's knowledge, oval and round shapes symbolize the exuberance, prosperity, perfectness and smoothness in Asians' lives. Design of Hoi An lotus lantern lamp

diversifies in amount, colour, size, fabrics and shape of petals. Lotus is one symbol for enduring Vietnam people, especially women.

Hand embroidered paintings are designed according to customers' tastes or the artisan's own new creation. Artisan's minimum designing time is six months. Design of paintings varies from simple to complicate. The embroidering artists previously were expertise in all relevant aspects of the career. However, nowadays, due to the strong industrialization, the artisans' knowledge focuses limitedly on one specific area. (Le 2008.) Hand embroidered cushions and bed linen sets are designed in various ways which suit different tastes of customers.

Quality level

Hoi An lotus lamps and lanterns are made of either Jacquard silk fabric or brocade which is absolutely more durable and sophisticated than existing paper lanterns in the current market. For embroideries, the planned purchasing price level assures the premium quality in term of fabric and threads. Moreover, carefully choosing the raw materials and manually creating the products increase the prestige of Vietnamese embroideries.

Packaging

Since Hoi An lanterns are favorite souvenirs for tourists, Vietnam producers develop lantern designs into foldable form to ease distant transportation as shown in Figure 28. In addition, to limit space-consuming, chosen lanterns are in small and medium sizes. Lanterns are packed in fitted plastic cover. In contrast, due to the design, Hoi An lotus lantern lamps are forced to be transported in separate cardboard boxes since folding is impossible. Company's name is printed on stickers which are placed on the plastic bag before deliveries in Finland.

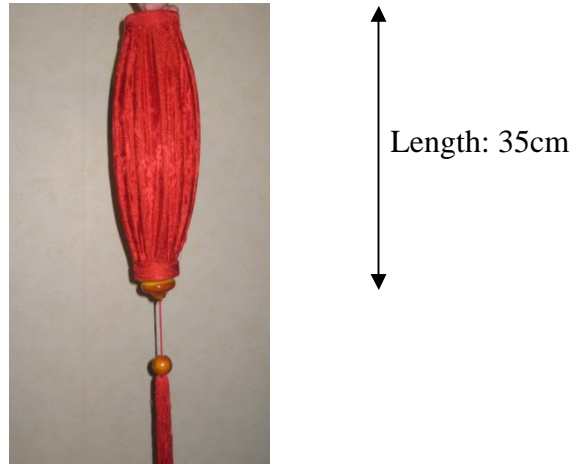


FIGURE 28. Hoi An lantern in portable form.

Due to high shipping expenses and for damage prevention, embroidered paintings are transported as pieces of textiles in plastic bags without frames. Similarly, cushion covers are transported as pieces of textiles. The inside pillows and frames are bought separately if customers request. If the total purchasing price for embroideries amounts up to VND 50.000.000 (approximate EUR 1.811), the supplier is responsible for packing fee.

Augmented product

Delivery and credit

For wholesalers and retailers, the delivery is made by their own transportation means. The start-up company's responsibility is transferred since the products pick-up from the shipping dock. For eShop's customers, the delivery is made by the owner's own van after the orders are placed via internet or phone. Delivery time is confirmed based on distance between warehouse and delivery destination.

Warranty

Since these are consumable and fragile products, it is demanding to guarantee products after purchasing. However, in case damages are considered as related to production's faults, it is possible for customers to change or get other similar products in condition of extra time.

After-sale service

The owner establishes a website which provides customers not only information about available products, selling price range and contact information but also ability to give feedbacks. Furthermore, customers can contact by phone or email for prompt responses.

Product support

The owner plans to supply also the framing services for embroidered paintings. For cushion covers and lanterns, inside pillows and bulbs plus electric connecting services are available with fee if necessary.

Product line

Asian-style handmade textile for interior decoration is primarily chosen.

Product mix

In the inception of business, product collection is limited as mentioned products previously. Later on, when the business grows more profitable, embroidered table cloths and curtains are added. In addition, more various sizes will be added into the existing collection.

Brand

Products are branded according to company's registered name. A little sticker contains price and enterprise's name is attached to the product. If possible, the owner plans to discuss with Vietnamese suppliers to attach the name tag of the company to the products before shipping to Finland.

Price

Illustrated prices in following table are informed in February 2012. However, prices widely vary depend on the different type of materials and orders' time period. Prices for handmade embroidered paintings are highly estimated since the decisive factor for pricing is the layout. The more detailed the layout is, the higher the price is.

In the beginning, for convenient transportation, the chosen lanterns for introducing to customers are lotus lamps (one size) and Hoi An lanterns with length in portable form as 10 cm and 35cm. For embroideries, bed linen set (one duvet cover plus two pillow cases), cushion (40*40 cm) and paintings (60*80 cm) are selected. The selling price is calculated based on the estimation of competitors' prices and price index.

TABLE 15. Purchasing and selling price per unit.

Product Examples		Purchasing prices (EUR)	Selling prices (EUR) + VAT (23%)			
			Wholesaler (40%)	Retailer (80%)	Restaurant (90%)	End user (100%)
Hoi An lantern	10	■	■	■	■	■
	35	■	■	■	■	■
Lotus lamp		■	■	■	■	■
Embroideries	Painting	■	■	■	■	■
	Cushion	■	■	■	■	■
	Bed linen set	■	■	■	■	■

Pricing policy varies depending on channel types. For eShop, since customers are end users, selling prices are set based on competitors' price level. For wholesalers and retailers, due to the economies of scale, selling prices is discounted respectively 60% and 40% from the original selling prices for end users. Restaurants get products with 10% discount. Product's price with zero value in Table 15 means no supplies intended for those customers.

Place

In the beginning, a virtual eShop is established for cost-savings and effective market analysis. In addition, a small warehouse is rented either in Lahti or Helsinki for storing products for eShop's customers. The deliveries for wholesalers and

retailers are made either at the destination port or strictly following the contracts.

Figure 29 succinctly describes the planned distribution channels.

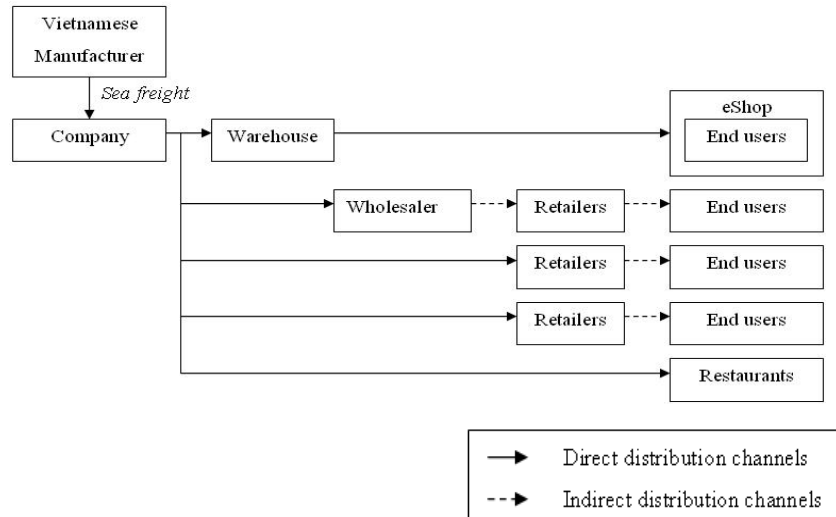


FIGURE 29. Distribution channels.

In Figure 29, direct distribution channels are worthy to consider since they are related to the start-up company. In order to save costs, products are bought directly from Vietnamese manufacturers and shipped by sea transportation. The overseas delivery time is twenty-five days. At the destination port, quantities of products which are planned for eShop business are delivered to warehouse by transportation services. The rest are transferred to transportation means of wholesalers and retailers. Depending on the contract terms, products which are ordered by restaurants are transported either by post delivering services (Itella) or customers' own vehicles. EShop's customers receive their packages via post delivery services Itella.

Promotion

Table 16 explains the marketing communication mix that the author is planning to apply for the start-up company.

TABLE 16. Applicable marketing communication mix for handmade art business.

Communication type	Target groups	Goals	Tools
Advertising	<ul style="list-style-type: none"> • Retailers • Internet consumers 	<ul style="list-style-type: none"> • To inform the presence and availability of oriental home-textiles to Finnish customers • To arouse awareness and interest to try and purchase products and introduce to friends 	<ul style="list-style-type: none"> • Keyword for internet searching tools as Google, Bing, etc. • Advertising on own website • Word-of-mouth through networks and online communities • Direct marketing as personal meetings with partners' representatives • Small booklets to retailers and wholesalers for product information
Personal selling	<ul style="list-style-type: none"> • Retailers • Consumers who purchased products 	<ul style="list-style-type: none"> • To positively impress customers, ensure their satisfaction and future orders 	<ul style="list-style-type: none"> • Customer services and post-purchase services • Direct deliveries to individual customers • Small forum in eShop's website for feedback
Sales promotion	<ul style="list-style-type: none"> • Retailers • Wholesalers • Internet customers 	<ul style="list-style-type: none"> • To obtain more business partnerships 	<ul style="list-style-type: none"> • Trade fair (in the beginning of business operation)

As the limited finances resources in the first year and the small scale of business, the applied marketing methods are advertisements in internet, company's website and direct meeting with wholesalers and retailers, personal selling and sales promotion as the participation in trade fairs.

4.5 Financial plan

4.5.1 Budget planning

Table 17 illustrates the company's budget planning for the first four business years. The calculation for the first year is thoroughly explained in following parts and appendices.

TABLE 17. Budget planning.

Year	1 st	2 nd	3 rd	4 th
Net sales (EUR)	██████	██████	██████	██████
Variable costs (EUR)	██████	██████	██████	██████
Fixed costs (EUR)	██████	██████	██████	██████
Profit	██████	██████	██████	██████

The first business year's value is further explained later. The estimated values for the second, third and fourth years are calculated assuming that business operation continues to yield profits and develop. The predicting quantities for sold products in the second, third and fourth years are increased accordingly one and a half, double and three and a half of the first year quantities.

Budget calculating for first year of business

The following tables provide detailed explanation for the budget calculation in the first business year. Total sum of important expenses are illustrated.

TABLE 18. Revenue in first business year.

Channel	Total revenue (EUR)
eShop	██████
Wholesaler	██████
Retailer	██████
Restaurant	██████

The estimated total costs needed for first year of operating the business is illustrated as in following table.

TABLE 19. Costs for the first business year.

Fixed costs (EUR)	Variable costs (EUR)
██████	██████

Fixed costs

Normally, entrepreneur's pension insurance is counted as 21,6% of work income. New entrepreneurs get discount of 25% for the first forty-eight months which stands for 16,88%. The minimum annual income is EUR 10.000. Other insurance which is considered is business property and premises insurance for goods stored in warehouse. (Suomen Uusyrityskeskukset ry 2011; Saarits 2012)

Company premises cost is the expenses spent for establishing website plus yearly domain fee and monthly hosting fee. Leasing payment is paid for rented warehouse from Warehousing Service Company in Helsinki. Warehousing costs also include cleaning and electricity usage fees. Communication costs comprise tele-

phone, internet and other related sums. As it is complicated to manage bookkeeping and accounting tasks without professional supports, outsourcing for accounting companies is recommended with the costs as mentioned in appendix (Saarits 2012). Office expenses are paid for printing materials such as printing papers and inks.

As the owner starts the business without hiring any employee, the salaries and related sum as well as unemployment fund are zero. Since majority of promotion is made by direct selling with wholesalers and retailers and advertising on website and searching tools, the marketing costs is paid for printing one hundred simple A5 size brochures with four pages.

Variable costs

Import duties and payable taxes are calculated based on the total value of imported goods combined with the importing costs as shipping and insurance costs. The import duties percentages for lantern and lotus lamps are ■■■■ and for needle works on silk fabric products are ■■■■.

4.5.2 Capital

Table 20 illustrates the initial balance sheet for the first year. The necessary loans offered from Finnvera equals to the difference between the needed investments and the existing capital sources.

TABLE 20. Preliminary balance sheet (modified from Lahden Uusyrityskeskus 2012).

INVESTMENTS		CAPITAL SOURCES		Interest	Period
Real estates		Bank loans			
Rental deposit		Finnvera			
Renovation		Others			
Phone, fax, copy		BORROWED CAPITAL			
IT equipments and programs		Shareholder loan			
Production		Other shareholder funds			
Furniture		Own funds			
Equipments		Grants for company			
Car		EQUITY			
Samples					
Marketing investments					
Registration costs					
Others					
Preliminary warehouse value					
Cash reserves					
Equity capital					
Total		Total			

Start-up grants for entrepreneur disposal is EUR 500-550 /month (pretax amount as EUR 700) for the first six months. The grant can be provided for maximum more six months. Finnvera's loans vary from 3.000 to 35.000 is offered and being repaid within five years. Loan repayment starts in the beginning of the second year. Interest rate in the first year is 4%.

4.5.3 Profitability

Table 21 explains the estimated profitability calculation for the first business year. VAT taxes are not included into the amount of fixed costs.

TABLE 21. Profitability (modified from Lahden alue Uusyrityskeskus 2012).

		Monthly	Financial year	12
Net income (needed)				
(+) Loan repayment				
(-) Amortization				
(=) Income after taxes				
(+) Taxes				
(=) Net income (needed)				
(+) Loan interests				
(=) Operating gross margin				
Fixed costs (VAT 0%)				
	(+) Salary and salary related			
	(+) Employees indirect expenses			
	(+) Other employees indirect expenses (Entrepreneur YEL)			
	(+) Premises expenses			
	(+) Machine, gadgets and furniture expenses			
	(+) Transport and forwarding expenses			
	(+) Vehicles expenses			
	(+) Travel expenses			
	(+) Sales and marketing expenses			
	(+) PR expenses			
	(+) R&D expenses			
	(+) Accounting, bookkeeping, etc.			
	(+) Insurances			
	(+) Management expenses			
	(+) Others			
	Total (VAT 0%)			
(=) Sales margin				
(+) Materials and equipments (-VAT)				
(=) TURNOVER (NEEDED)				
(+) VAT		23,00 %		
NET TURNOVER (NEEDED)				

Based on the calculation in Table 21, target invoicing, the minimum sales income, is identified accordingly for every working hour, day, week and month.

TABLE 22. Target invoicing (modified from Lahden alue Uusyrityskeskus 2012).

		Month	Week	Day	Hour
TARGET INVOICING EURO PER					
Time definition	1 year = 12 months				
	1 month = 4,35 weeks				
	1 week = 5 days				
	1 days = 8 hours				

All in all, profitability calculation aims as revealing the estimated necessary sum required to be generated during the first business year.

4.6 Risk analysis and management

Dependency risks

All stocks are stored in the same rented warehouse which cause loss for the whole set in one go. In the beginning, the largest customers are expected to be wholesalers who order large bulk of products at a time. Hence, the loss of the large wholesalers results in considerable minus in revenue. Due to shortage of capital, important decisions are made by the owner herself. This fact might leads to paralyzed decision making situation whenever the owner is absent.

Information risks

As the shop, negotiations and transactions are internationally operated in electronic form, the information protection is crucial work. Marketing plan, purchasing prices, business partners and financial statements are highly classified information, for which viruses, spywares and malwares are harmful. Partners as wholesalers and retailers might take initiative and order straightly from the suppliers. Inaccurate information related to market demand leads to ineffective operational plan and extra expenses.

Environmental risks

As Finns are highly aware of environmental protection, being precautious for related matters is necessary.

Product risks

As imported products are made of natural cotton and colors, they are considered as environmental-friendly. Therefore, it is trustworthy that there will be no risk related to this matter.

Product delivery: since this is international transportation, there is big risk that shipped products are not as qualified as the product preview in catalogue or expectation. Besides, loss or damages are highly possible. Hence, it is important to ensure the quality by contract terms or personal check before shipping in Vietnam. The delivery in Finland is mentioned in accidental and environment risks.

Warranty: it is possible for customers to return faulty products within a couple of days after purchasing, in condition of the price tags are remained and no considerable damages.

5 CONCLUSIONS AND PROPOSALS FOR FUTURE RESEARCH

This chapter pinpoints the author's findings drawn from the research up to now by providing answers to research questions. These findings then form a strong foundation for the final decision whether commencing an oriental business under the light of defined business idea is recommended or not. Eventually, proposals for future research are discussed due to the defined limitation and scope of the thesis.

5.1 Yes/No decision

Yes, this is a profitable and feasible business idea which is worthy to be further researched and implemented in Finland. The financial calculations prove that it is quite possible to make profit in long run despite the incurred losses in the first business year.

The author's strong belief in the business idea's viability is based on three reasons: 1) Finnish consumers' existing interest in products with Asian style and quality, 2) Finnish people's monthly income level compared to product's unit price and 3) the sphere of operation.

Firstly, Finnish consumers' positive impression of Asian products is obviously shown as the dominance of Chinese and other oriental goods in the market. Furthermore, low purchasing costs and eye-catching designs attract profit-seekers in Finland. Secondly, as stated in the Market Analysis part, Finnish people tend to invest greatly in interior decorating aspect. In addition, the average monthly income of the Finnish citizen is slightly over EUR 3,200 (Statistics Finland 2012). In comparison to the sale prices mentioned in Table 15, the author believes that it is absolutely possible for locals to purchase suggested articles, particularly for those who are active and passionate in decorating their own homes. Lastly, since the sphere of operation is the whole Finland, the risk for weak consumption due to regional unemployment rate is diminished. However, it is still strongly recommended to conduct market researches before executing the business plan. Negotia-

tions with potential wholesalers, retailers and online consumers' opinions from internet forums are vital sources.

5.2 Findings

The gathered information in previous chapters is fitted in Table 23 for acquiring sufficient answers to research questions.

TABLE 23. Research questions and findings.

Research questions	Findings
1. Why are Vietnamese oriental handmade home-textiles chosen?	<ul style="list-style-type: none"> • The author's viewpoint based on products' knowledge in domestic and international markets • Products' special attributes • Scarcity of handmade products with oriental style in the domestic market • Increasing eco-friendly and handicraft trends in recent years
2. How harsh is the competition in target market in Finland?	<ul style="list-style-type: none"> • Chinese home-textiles are dominating Finnish market • Famous home-textiles brands from other countries • Domestic "giants" in designing and trading home textiles • Hundreds of shops specialized in interior decorating scattered all around Finland
3. How to profitably operate the business in Finland?	<ul style="list-style-type: none"> • Start with cost-efficient options as virtual eShop and being a wholesaler • Emphasizing the combination of high quality, reasonable price and products' newness as competitive advantages • Appropriate pricing policy and marketing tools • Effective sales network for boosting sales • Being flexible in satisfying customers' needs
4. How much financial resources are needed to implement the plan in real?	<ul style="list-style-type: none"> • Capital needed: EUR ██████████ • Costs for the first business year: EUR ██████████
5. What are the main risks which are incurred in proceeding the business plan?	<ul style="list-style-type: none"> • Dependency risk • Information risk • Environmental risk

The first research question implies the reasoning background of the business idea since the chosen products are new to the Finnish market. For explaining this matter, there are couples of reasons to be mentioned. Primarily, it is the owner's intuition and observation. During the preparation for her own wedding, the owner was acquainted with Hoi An lanterns and hand embroidered painting. In Vietnam, Hoi An lanterns in general and hand embroideries have long been the favorite house decoration for locals and famous souvenirs for tourists. Moreover, these products are exported with large volume to not only other Asian countries but also to Europe and United States of America. Besides, the compliments and admiration of Finnish guests strengthen the author's wish to carry out the business plan for these products.

Other noticeable reasons are the products' characteristics and the growing appreciation for handmade goods in Finland. With considerable currency exchange difference, the importer of Vietnamese products gains profits from cheap purchasing costs and high selling prices. Moreover, chosen products are at good quality and designs. For embroidered paintings, it is possible to order tailored products according to customers' needs. The author's observation shows that handmade home-textiles in Finland are uncommon and expensive. The majority of current home-textiles collection is printed figures.

The second research question discusses about the competitive environment in the Finnish home-textile market. As mentioned in Table 23, Chinese products are dominating the market and some other brands from France, Turkey, to name but a few. Prior to foreign competitors, domestic famous brands as Pentik, Marimekko and some others were invincible players since widely favorite designs and patriotism is an affecting factor in Finnish consumer behavior. Hundreds of interior decorating shops and online shops are boosting the competitiveness in the market.

The third question is solved by the business planning process throughout this study. In short, reasonable sale prices, high quality and good customer services are survival factors that the company aims to maintain and develop. To start off the business, trading via virtual eShop and with existing partners in the market is the most rational choice. Accompanying with a broad distribution network of part-

ners, appropriate marketing tools and intensive market research are applied for effective sales boosting and flexible adaptation to customers' needs.

The fourth question brings up the most important issue that all potential investors are interested in: the financial plan. The total capital needed is EUR [REDACTED]. The only organization which offers loans for this type of business is Finnvera.

Eventually, the fifth question predicts possible risks in the business operation process. Four main risks are listed as environmental risks, dependency risks, information risks and product risks. In order to partly protect oneself from risks' consequences, the owner decides to purchase accident insurance to cover any losses which are incurred in the warehouse.

5.3 Proposals for future research

First of all, this study is an initial business plan written for new products in the existing market, which, in the author's viewpoints, are potentially profitable. In addition, provided information and data are mainly subjective, theoretical and fluctuating depending on the research moment. The largest reason is that the majority of necessary information for realistic conclusion is classified and tactical for interviewed companies. The other significant fact is that the products are new to Finnish customers. Hence, launching a real business purely based on this preliminary business plan is extremely risky. The vast amount of inevitable difficulties that the entrepreneur will confront might be hazardous for his/her personal life and prestige. Therefore, it is utmost important to invest time and money to carefully conduct thorough research about the Finnish market, supply chain, purchasing process, logistics, competitors and other essential business issues before the executive decision.

The financial calculations prove that the business idea can develop into a sustainable business in the long term and yield profits. However, the sale prices and sale volume in this thesis are set based on the author's small survey about potential competitors' price level and some of her Finnish acquaintances' opinions. Hence,

it is advisable to conduct additional detailed quantitative research on a wider scale with for example, structured questionnaires and internet page views, to ensure the suitable price level, realistic sales volume and critical factors for attracting customers.

Nevertheless, life is full of possibilities and unforeseen. As emphasized in the mission and business model Canvas parts, customer needs are the heart of a business operation. Therefore, having flexible tactics to satisfy customers' needs is the key to success in doing business. As a result, the start-up company's role differs for each customer segment. The company can be a retailer for eShop customers whereas for wholesalers and retailers, it can be a supplier, import agent or even intermediary for connecting customers with new Vietnamese partners if necessary. Supplied products are not obligatory to be the suggested Vietnamese hand-made home-textiles but can be any other products which suit the potential customers' needs.

Moreover, international business is unstoppably growing since the world is flat. Therefore, to be more ambitious and farsighted, the author suggests further researches concerning the business expansion to Finland's neighbour nations such as Sweden, Norway and Denmark. Besides, the Netherlands and even the United States of America are highly potential markets since there have been export records of Vietnamese embroideries to these countries.

6 SUMMARY

This study aims at interpreting the feasibility of the business idea of establishing an oriental business in Finland. The task is carried out by practicing qualitative research method combined with case study. Applying the business planning process as theoretical framework, the author builds up an academic business plan which includes not only fundamental elements for starting a company but also information concerning the Finnish market as well as Vietnam and Finland's handicraft industry. Business model Canvas is utilized in both empirical and case study parts as an effective supporting tool for business operation. Altogether, collected data presented in this whole study form informative answers to research questions.

As the initial business idea is written down and analyzed, the conclusion turns out to be positive in spite of various risks. Combining with detailed description of chosen products, the market analysis implies the potential demands and financial calculations shows profits in the long run. The way to operate the business is scrupulously cogitated and constructed with consultancies from professionals.

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APPENDICES

APPENDIX 1. Total revenues for the first business year

APPENDIX 2. Purchasing costs

APPENDIX 3. Fixed costs and variable costs

APPENDIX 1. Total revenues for the first business year

Channel	Product Examples		Quantity	Selling price	Total
eShop	Lantern	10	■	■	■
		35	■	■	■
	Lotus lamp		■	■	■
	Embroideries	Paintings	■	■	■
		Cushion	■	■	■
		Bed linen set	■	■	■
	Total sum				
Wholesalers	Lantern	10	■	■	■
		35	■	■	■
	Lotus lamp		■	■	■
	Embroider	Cushion	■	■	■
		Bed linen set	■	■	■
	Total sum				
Retailers	Lantern	10	■	■	■
		35	■	■	■
	Lotus lamp		■	■	■
	Embroideries	Cushion	■	■	■
		Bed linen set	■	■	■
	Total sum				
Restaurants	Lantern	10	■	■	■
		35	■	■	■
	Lotus lamp		■	■	■
	Total sum				

APPENDIX 2. Purchasing costs

Products Examples		Purchased quantity (pcs)	Purchasing costs (EUR)
Lantern	10	■	■
	35	■	■
Lotus lamp		■	■
Paintings		■	■
Cushion		■	■
Bed linen set		■	■
Total		■	■

APPENDIX 3. Fixed costs and variable costs

Financial year	12	Month	VAT%	VAT's share of the purchase costs	Year
Net income after taxes					
Personal taxation					
Basic entrepreneur's income for YEL					
YEL-insurances					
Rents			23		
Electricity/Heating			23		
Cleaning			23		
Premises expenses					
Transportation			23		
Forwarding			23		
Transportation and forwarding					
Marketing			23		
Accounting, bookkeeping, etc.			23		
Accidental insurances			0		
Management expenses			23		
Packaging			23		
Posts			23		
Others					
TOTAL					

Variable costs (EUR)	
Transportation	
Purchasing costs	
Import duties	