

Improving Funding Attractiveness with Financial Forecasts for a Seed Stage Digital Company

Leo Ikuta

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Author(s) Leo Ikuta	
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<p>Current financial reporting standards hinders the ability for digital companies to present investor value using traditional financial reports. A new method to communicate financial data is needed for digital companies to present financial information to investors and funding channels. Using a seed stage digital booking platform as a commissioning company, the project-based thesis provides a demonstration of how small digital companies can describe financial data.</p> <p>The project objective is to improve the commissioning company's (Ecotude) attractiveness towards investors by utilising Govindarajan et al.'s 2018 blueprint. This project will create financial information that do not comply with the Generally Accepting Accounting Principles (non-GAAP).</p> <p>The theoretical framework consists of three components which improves Ecotude's funding attractiveness. The main data collection methods are desktop research and qualitative interviews to acquire data regarding Ecotude's business, the hospitality industry and the requirements expected by funding institutions.</p> <p>The results provide Ecotude with financial forecasts that are presentable to investors during their funding acquisition activities. By following the blueprint's principles digital companies a new method to communicate their financial data to investors. However, the project suggests that certain aspects of traditional financial reporting standards should not be neglected when following the blueprint.</p> <p>In order to improve funding attractiveness, it is suggested for Ecotude to create a minimal viable product, analyse website traffic and create a competent core team prior to approaching investors.</p>	
Keywords Funding Attractiveness, Financial Forecasts, Seed Stage Company	

Table of contents

1	Introduction.....	1
1.1	Background of the study.....	1
1.2	Project Objective.....	3
1.3	Scope.....	5
1.4	Demarcation.....	6
1.5	International Aspect.....	6
1.6	Benefits.....	6
1.7	Key Concepts.....	6
1.8	Commissioning Company.....	7
2	Attracting Funding for Digital Companies.....	9
2.1	Digital Companies– What Are They?.....	9
2.2	Creating financial forecasts.....	9
2.2.1	Revenue Forecasts.....	9
2.2.2	Cost Forecasts.....	10
2.3	Govindarajan et al.’s Blueprint for Digital Companies.....	10
2.4	Funding Institution’s Prerequisites.....	12
2.5	The Theoretical Framework – Model of Improving Funding Attractiveness.....	13
3	Analysis of Current Methodologies.....	14
3.1	Desktop Research.....	14
3.2	Qualitative Interviews.....	14
3.2.1	Digital Company CEO X.....	14
3.2.2	Ecotude.....	14
3.2.3	Interview with Butterfly Ventures.....	15
3.3	Analysis of current data.....	15
4	Creating Financial Forecasts.....	16
4.1	Findings from Qualitative Interviews.....	16
4.1.1	Digital Company CEO X.....	16
4.1.2	Ecotude.....	17
4.1.3	Butterfly Ventures.....	18
4.2	Revenue forecasts and its drivers.....	19
4.3	Costs of current operations.....	22
4.4	Costs of Future Projects.....	26
5	Financial Presentation for Funding.....	29
5.1	Revenue Model.....	29
5.2	Estimated Booking Volumes and Forecasted Revenue.....	30
5.3	Cost of Current Operations.....	31

5.4	Cost of Future Projects	32
5.5	Projected Income Statement	33
5.6	Where will the Funding Go?	35
6	Conclusions	37
6.1	Key Outcomes	37
6.2	Recommendations	39
6.3	Suggestions for Further Research and Projects	39
6.4	Project Evaluation	40
6.5	Commissioning Company Feedback.....	41
6.6	Reflection on Learning.....	42
	References	43
	Appendices.....	48
	Appendix 1: Forecast of Travellers in Ecotude’s Target Markets in 2023	48
	Appendix 2: Forecast of Ecotude’s Customers Per Country in 2023.....	49
	Appendix 3: Calculating Revenue Forecast per Night.....	50
	Appendix 4: Cost of Operations between 2024-2027.....	51
	51	
	Appendix 5: Postnord’s Study on Effective Customer Channels in Nordic Countries ...	53
	Appendix 6: Mirai’s study on Google traffic to hotel websites.....	54
	Appendix 7: Questions for Butterfly Ventures’ Associate	55
	Appendix 8: The Complete Funding Presentation.....	56

1 Introduction

This is a project-based bachelor's thesis for the Degree Programme in International Business in Financial Management at Haaga-Helia University of Applied Sciences. Throughout this chapter, the readers can expect a description of the current problem of financial reporting for digital companies and the overall process of the project.

1.1 Background of the study

Current financial reporting standards hinders the capabilities of digital companies to present value for investors. Digital companies that operate in the shared economy between buyers and sellers such as, Airbnb and Uber, are significantly large organizations with millions of users. Shared economy is the platform which service provides allows their assets to be used by consumers (Marr 2016). Yet, their annual financial statements do not reflect the performance of the company. For example, Uber's income statements for 2020 and 2019 reported a net loss of millions of dollars (WSJ 2021). However, in 2020 their market capitalization was valued at USD 79 billion (Cheng 2020). On the other hand, when General Electric's reported their first losses in the past 50 years, the company's stock price decreased significantly by 44% (Govindarajan et al 2018b). This is a true example which demonstrates that investors currently consider other performance metrics unrelated to earnings during their investment decisions towards digital companies.

This phenomenon occurs due current financial reporting standards' inability to conform towards digital companies' business models. For instance, assets reported in the balance sheet must be physical in nature which are owned and operated by the company. However, in the case of the accommodation rental platform, Airbnb, their business uses assets which are not owned by the company. For example, Airbnb has 7 million listings in 100 000 different cities (Deane 2021) whilst their balance sheet reported USD 654 million in property, plant and equipment in the end of 2020 (Investing 2021). To put this data into perspective, a study estimated that a 2-bedroom apartment located in city centre areas costs around €172 000 (Boyle 2021). Using the average value of a 2-bedroom apartment, if Airbnb owned all properties listed in their platform, USD 1,2 trillion in PPE would be reported (foreign exchange rate considered during calculation). Even though Airbnb does not own the properties listed in their platform, their business operations use a sum of assets significantly higher than what is reported. Thus, digital companies are unable to present their empirical financial values through current financial reporting standards.

On the other hand, they are key financial aspects which digital companies can present in order to improve their attractiveness towards investments. The key values are the following:

- Company's business model
- Innovative technology, product or service
- Marketing
- Subscriber data (revenue per customer, dropout rate)
- Non-GAAP earnings

(Govindarajan et al 2018a)

By demonstrating the business activities listed above, digital companies are able to describe their business performance using alternative statistics to traditional financial statements. The background of this study currently uses examples of major digital companies listed in the stock market to create investor value. Although, the commissioning company of this project is not listed in the stock market, the value drivers outlined in the Govindarajan et al.'s Harvard Business Review article may be applicable for seed stage companies to improve funding attractiveness. During funding acquisition activities, seed stage companies can highlight the fundamental value drivers to demonstrate key performance metrics of their business operations. In order to maximise digital companies' capabilities to highlight key financial data to investors, Govindarajan et al created a blueprint for digital companies to demonstrate necessary information.

Govindarajan and his colleagues are authors for Harvard Business Review who are tackling the issues of current financial reporting standards for digital companies. As an increasing number of businesses are experiencing digitalization, the inability of financial statements to reflect financial performance is a growing concern within the finance sector. Therefore, Govindarajan et al. created a blueprint for digital companies to utilise in order to provide financial information to potential investors. In brief terms, the blueprint consists of the following components:

- Information on revenue and its drivers
- Statement of outlays in 3 broad categories
 - Costs of current operations
 - Costs of future oriented projects
 - Itemization of extraordinary items

(Govindarajan et al 2018a)

Using the components of the blueprint, digital companies are able to demonstrate a balanced presentation of the company's financial structure. Seed stage companies can utilise this blueprint by presenting financial forecasts of the components listed above. Through the forecasted data, further financial ratios such as, break-even point, can be calculated in order to demonstrate forecasted financial performance of the organization.

The current uprising of digital companies is an intriguing phenomenon to observe. As a student in financial management and an enthusiast towards start-up technology companies, I was intrigued to discover that current financial reporting standards do not complement digital companies' business structure and operations. Therefore, this project-based thesis was conducted to explore how digital companies are able to evoke attractiveness towards investors using an innovative blueprint.

Whilst digital companies are experiencing difficulties in creating investor value, the hospitality industry is simultaneously experiencing a transition towards sustainability. During recent years, businesses and consumers have amplified their desires towards a sustainable ecosystem. The hospitality industry has altered their business models to conform towards consumers' wants and needs towards sustainability. Booking.com's 2019 annual report claims that, "87% of global travellers want to explore the world in more sustainable ways" (Booking.com 2019). Furthermore, 45% of travellers would feel more encouraged to find sustainable accommodations if booking websites provided eco-friendly alternatives (Booking.com 2019). The statistics clearly show that there is a demand for sustainable solutions within the hospitality industry and a digital platform that meets the demands may become a profitable business concept.

1.2 Project Objective

The objective of this project is to improve the commissioning company's (Ecotude) attractiveness towards investors by creating financial forecasts which are feasible to use during their funding acquisition activities. The project strives to utilise data Ecotude currently possesses to create presentable financial information using Govindarajan et al.'s blueprint.

The project tasks are the following:

PT1. Preparation of the theoretical framework. Create a framework which applies Govindarajan et al.'s blueprint and investors' needs.

PT2. Investigate revenue forecasting and costs for a digital company. A qualitative interview with SME Company CEO X to acquire outlays for Ecotude .

PT3. Evaluate Ecotude's current situation and available data.

PT4. Understanding funding attractiveness through a qualitative interview with Butterfly Ventures.

PT5. Create financial forecasts and presentation for Ecotude.

PT6: Evaluation of PM and project outcomes.

Projects Tasks (PTs)	Theoretical Framework	Project Management Methods	Outcome of the PT
PT1: Preparation of the theoretical framework. Create a framework which applies Govindarajan et al.'s blueprint and investors' needs.	Govindarajan et al.'s blueprint (Chp. 2.3.) Funding Institution's Prerequisites (Chp. 2.4)	Desktop Research	Completion of the theoretical framework (Chp. 2.5)
PT 2: Investigate revenue forecasting and costs for a digital company. A qualitative interview with SME Company CEO X to acquire outlays for Ecotude.	Ecotude Financial Forecasts (Chp. 2.2.1, 2.2.2, 3.2.1, 4.1.1)	Desktop Research Qualitative Interview	Understanding relevance of financial forecasting (Chp. 2.2) Understand costs incurred to create digital company in Finland (Chp. 4.1.1)
PT3: Evaluate Ecotude's current situation and available data.	Ecotude Financial Forecasts (Chp. 4.1.2)	Qualitative Interview	Ecotude's business initiation plans, strategy and cost estimates (Chp. 4.1.2)
PT4: Understanding funding attractiveness through a qualitative interview with Butterfly Ventures.	Funding Requirements (Chp. 4.1.3)	Qualitative Interview	Prerequisites for funding acquisition (Chp. 2.4) Relevance of Blueprint (Chp. 4.1.3)
PT5: Create financial forecasts and presentation for Ecotude.	Funding Attractiveness (Chp. 4, 5)	Working with MS Excel and MS Powepoint Desktop Research	Financial Forecasts and Pitch Deck (Chp. 4.2, 4.3, 4.4, 5)
PT6: Evaluation of PM and project outcomes.	Funding Attractiveness (Chp. 6.4)	Data Analysis Relevance Analysis Generalization Capability Analysis	Evaluation of project and its shortcomings (Chp. 6.4)

Table 1: Overlay Matrix

Table 1 demonstrates an overlay matrix which describes the usage of each PT and its relevance throughout the project. the findings for each PT can be found in the chapter mentioned in brackets on the theoretical framework column-

PT1 focuses on the creation of the theoretical framework. This PT requires desktop research to examine online articles and literature to create a theoretical framework which provides a balanced thesis between theoretical and empirical aspects.

PT2 analyses the method of creating financial revenues and costs for a digital company. Several aspects are researched during this PT. Current estimates on traveller volumes during 2023 and statistics on environmentally friendly travellers are investigated through desktop research to forecast revenue. Desktop research and a qualitative interview with SME Company CEO X is performed to understand expenses which digital seed stage companies incurs during their establishment and internationalization phases. Additionally, revision of previous academic materials are methods used to understand the process of creating financial forecasts using Microsoft (here on after referred to as, MS) Excel.

PT3 is dedicated to understanding and evaluating Ecotude's current business. Qualitative interviews with Ecotude and analysing their current data will provide information which can be implemented into the financial forecasts.

PT4 is used to gain insight on the prerequisites an applicant needs to acquire funding from Butterfly Ventures. A qualitative interview is conducted with an associate from Butterfly Ventures to understand their funding activities.

PT5 combines information gathered in PT2, PT3, PT4 to create financial forecasts for Ecotude. The project management method, data mining, is referred to as the process of extracting information from a large set of raw data to create set outcomes (Economic Times 2021). Therefore, this PT consolidates all the information gathered to create financial forecasts for Ecotude using MS Excel and MS PowerPoint.

PT6 evaluates the overall thesis project. This task considers the project outcomes' validity, reliability and the overall effectiveness of the project.

1.3 Scope

The scope of this project-based thesis is to present financial forecasts which predominantly follows the requirements of Govindarajn et al.'s blueprint. Additional

financial information relevant to improve funding attractiveness is included into the presentation. Thus, the project includes a pitch deck which Ecotude may use for their funding acquisition activities. Throughout this thesis, the terms, “pitch deck”, and, “presentation”, will refer to the slides created for Ecotude which are found in chapter 5 and appendix 8.

1.4 Demarcation

This project will create financial information that do not comply with the Generally Accepting Accounting Principles (non-GAAP). Therefore, the project will not create consolidated balance sheets nor income statements for publication purposes. Rather, the outcomes of the thesis will be used to produce financial data which can be used for investors to make investment decisions.

1.5 International Aspect

The international aspect of this thesis is the creation of costs of future projects (chapter 2.2) which focuses on creating a cost forecast for entering target foreign markets. Ecotude strives to expand their business to the Nordic and Baltic markets. Therefore, cost estimates will be created which provides Ecotude and their potential investors an understanding regarding the outlays of internationalising their platform.

1.6 Benefits

Due to the nature of Ecotude being a seed stage company it is critical for the company to understand their revenue potential and the outlays incurred to gain cash inflow. Therefore, this thesis will provide useful financial forecasts for Ecotude to gain insight on the revenues and expenses they may experience during their establishment and internationalisation process. Furthermore, the findings from this project may also create content for decision-making purposes whether the business is feasible to establish.

Additionally, this project demonstrates how financial information is presented using an innovative blueprint. This information is beneficial for other digital companies that are experiencing difficulties with attracting investors and presenting financial information. Furthermore, Govindarajan et al.'s blueprint can be taught in higher level education to demonstrate alternative methods of demonstrating financial information.

1.7 Key Concepts

Digital companies are organizations which integrates technology into their business operations. Technology is referred to as information systems, platforms and applications

which companies use to engage with customers to acquire revenue (Melo 2018). As Ecotude will be a digital booking platform, an effective method of forecasting and presenting financial data is necessary since digital companies are in nature different to typical manufacturing or service companies.

Funding is the cash provided to an organization by lenders, creditors and/or shareholders to financially support a business (Upcounsel 2021). Funding is required for organizations especially, start-up companies with minimal cash, to initiate and operate their business. In order to acquire funding from third parties, companies must be able to provide funders with value (such as, equity of the company) to acquire negotiated funds.

Financial forecasting is the process of estimating the future financial performance of the company (Corporate Finance Institute 2021). Considering seed stage and start-up companies, financial forecasting is required to understand the future performance of the business. There is a direct relationship between funding acquisition and financial forecasting since funding sources will not provide financial support for companies that are unable to provide strong financial forecasts.

A seed stage company is an organisation at its initial phase of a business lifecycle when the company is a thought or idea (Zahorsky 2019). Ecotude is currently at their seed stage phase which includes the exploration of potential markets and determining their potential financial performance.

1.8 Commissioning Company

The commissioning company, Ecotude, is a seed-stage digital company which strives to provide consumers a solution to find environmentally friendly accommodations during their travels in the Nordic and Baltic countries. Importantly, the company strives to amplify the benefits for consumers to book eco-friendly accommodations whilst minimising the negative effects to the environment. The platform plans to list accommodations which lists hotels and private homes. Ecotude is currently operated by two individuals and plans to expand operations to major cities of Northern Europe and the Baltic countries. Ecotude schedules to establish themselves as a limited liability company in 2023 due to the current economic issues in the hospitality industry affected by the COVID-19 pandemic.

Ecotude's revenue stream is their commission-based booking platform. A commission of 15% is taken from the hotel listed in their platform. The first platform Ecotude will create is their website. Although the planned establishment is scheduled for the future, Ecotude is seeking funding opportunities to transform the company from a seed stage to start-up

company. This requires the company to create financial forecasts to attract funding opportunities to convert their business idea into an operative enterprise.

2 Attracting Funding for Digital Companies

This chapter will introduce and describe key concepts which needs to be understood in this project. Digital companies, financial forecasts (revenue and costs) and the prerequisites of a funding institution are explained throughout this chapter. All the information listed will trickle down to the theoretical framework of this thesis which explains how the project strives to improve Ecotude's funding attractiveness.

2.1 Digital Companies– What Are They?

Chapter 1.1. discusses digital companies' incapability of promoting investor value through current financial reporting standards. However, digital companies evoke significant interest towards investments and multiple organizations are currently ongoing a digitalisation transformation. Due to the nature of digital companies, they tend to not possess significant amounts of assets of physical substance, unlike manufacturing companies. Additionally, if a digital company is operating in a shared economy, the physical assets used in their business model are not directly owned by the digital company.

Therefore, current financial reporting standards hinders digital companies' capabilities of fully demonstrating the value or earnings which they are able to potentially provide to investors. Through the use of this theoretical framework, the project strives to create financial forecasts and a presentation for Ecotude to improve their attractiveness towards investors and funding.

2.2 Creating financial forecasts

Financial forecasts produce crucial information regarding the potential financial performance of an organization in the future. Using the information from the forecasts, organizations are able to identify problems beforehand and become more proactive to acquire revenues and expense outlays that are estimated in the forecasts (Flynn 2012). The use of financial forecasts for Ecotude will enable the company to understand the returns and outlays which they may expect during the establishment and internationalization phase.

2.2.1 Revenue Forecasts

Revenue forecasts are dominantly the most important estimate for a seed stage company. The value of expected and potential revenue which a seed stage company estimates

describes the demand for the product, service or platform. Revenue forecasts are defined as , “An estimate of your revenues over a fixed period of time” (Cohen 2020). The organizations ability to gain revenue which overcomes the costs is the core purpose of acquiring profit. This information is crucial to forecast for funding attractiveness as revenue forecasts describes the market’s acceptance towards the product, service or platform which an organization provides and it is essential to consider when projecting organizational growth (Huefner 2011, 1).

Considering market acceptance, Lesonsky describes two fundamental customers which organizations must consider, the consumers and businesses (Lesonsky 2000, 76). Considering Ecotude’s main revenue stream, a commission of 15% is taken from the accommodation owners which are listed in Ecotude’s platform. Therefore, Ecotude strives to create a platform which enables travellers to find ecologically certified accommodations and vice versa (helps sustainable accommodation owners to find customers). In order for Ecotude to maximise their revenues they must create a platform which considers and connects both accommodation owners and travellers.

2.2.2 Cost Forecasts

Similarly, to a revenue forecast, cost forecasts are the expected value of costs incurred during a period of time. Costs is considered to be the expenses which a business incurs to sell a product or service (Carlson 2020b). Therefore, cost forecasts are the estimated value of all costs expected to be incurred to sell a product or service during a period of time. It is important for organizations to create cost information since it eases decision-making for internal business activities and for investors to understand the cost structure of organizations (Gazely & Lambert 2006, 9). Therefore, investors are also interested in understanding the organization’s costs which are expensed during a period of time.

It is common for seed stage and start-up companies to experience losses during an accounting period. However, if a company is able to provide forecasts and expectations which suggests that a profit will be made within a few years, it may potentially be an attractive source to invest towards.

2.3 Govindarajan et al.’s Blueprint for Digital Companies

As mentioned briefly in chapter 1.1, the blueprint consists of identifying revenue and its drivers and the three main cost categories. The blueprint is described more specifically through Ecotude’s perspective.

Information on revenue and its drivers are the most significant data in terms of value creation towards investors. Revenue describes the market's acceptance towards Ecotude's platform and its success to acquire market share against their competitors. However, Govindarajan et al. includes the need of describing the revenue drivers in order to evoke value towards investors. As digital companies operate in a vast business environment with fierce competition on the internet. Therefore, it is important for Ecotude to highlight the key revenue drivers to guarantee distinct revenue streams. Highlighting key revenue streams will include the following features:

- Number of potential active users.
- Geographical distribution of website users.
- Customer retention rates.
- Average time spent on websites.
- Rate of users who rents accommodations through Ecotude.

The features listed above are subtopics which the blueprint suggests on presenting during funding acquisition activities. However, in the case of Ecotude the majority of the features are unpredictable since they do not have a customer base or traffic on their website. The features mentioned above are recommended for Ecotude to implement when they launch their platform and acquire traffic on their website and mobile application.

Govindarajan et al.'s blueprint emphasises the need to break down key outlays. The first outlay to describe is the costs of current operations. As Ecotude is at their initial phase, the company needs to highlight the monetary funds needed to support business establishment activities. Importantly, the amount of funds needed to establish themselves as a competitor in the world-wide-web needs to be demonstrated. In order to effectively present the costs of current operations, segments of costs have to be created:

- Soft avenues (e.g. customer acquisition, product enhancement)
- Hard avenues (e.g. hardware, servers)
- Distinction between fixed and variable costs
- Detail variable costs with unit of activity

Presenting costs effectively may give Ecotude the edge towards funding attractiveness. Breaking down outlays between fixed and variable costs provides investors with information which shows Ecotude's cost structure and strategy to utilise the funds.

Whilst the first set of outlays consists of current operations, the second category focuses on the costs of future oriented projects. Providing forecasted costs of future business operations is a necessary component in order to describe investors with information of the company's future. It is important to highlight future projects and demonstrate how it affects current business operations. Additional data including resources to conduct future projects

and launch dates are necessary. By creating a distinction between costs of current operations and costs of future projects investors are able to determine the firm's current and future profitability.

The last outlay in Govindajaran et al.'s blueprint is the itemisation of extraordinary items. Extraordinary items are referred to the accounting transactions which are abnormal and do not occur repeatedly (AccountingTools 2021). The blueprint suggests that extraordinary items are presented to investors. However, this will be disregarded for the thesis project as extraordinary items are difficult to forecast. However, it is advised to consider extraordinary items into pitch decks if it improves Ecotude's funding attractiveness.

2.4 Funding Institution's Prerequisites

Ecotude strives to acquire funding from a specific funding institution operated by the Finnish government (hereby, referred to as Funding Institution Y). The funding program is specifically created to support start-ups and SMEs to internationalise into foreign markets after establishment. In order to become a successful applicant for the funding, the program requires applicants to fulfil several criterions which include:

- Feasible funding plan and prerequisites for profitable business and growth,
- Identified customers and earnings model,
- Created a realistic competitive advantage in the market,
- Company formed as a limited liability company and
- Strives for internationalisation.

(Business Finland 2021)

The list above presents the most important requirements Ecotude must possess to acquire funding. On the other hand, it is also important for Ecotude to pitch their business in an attractive manner. Attaining funding attraction can be performed through the use of accurate and credible financial data which evokes investor value. Since an interview with Funding Institution Y was unattainable, another funding institution is interviewed during this project to explore funding attractiveness and necessary financial information required in pitch decks.

2.5 The Theoretical Framework – Model of Improving Funding Attractiveness

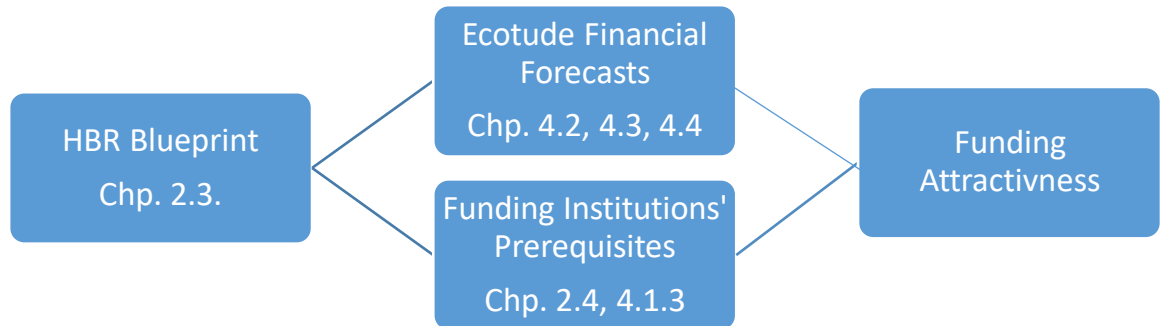


Figure 1: Theoretical Framework

Figure 1 demonstrates the process of the theoretical framework. Initially, Govindarajan et al.'s blueprint is familiarised to understand how investor value is evoked using the blueprint. Secondly, Ecotude's financial forecasts are created and funding requirements are taken into consideration when creating Ecotude's presentation. By creating a presentation influenced by the blueprint, the project strives to improve Ecotude's funding attractiveness.

3 Analysis of Current Methodologies

The readers can expect a detailed description of the project's process of acquiring information and data. The research methods are defined and the research methods' purpose are explained throughout this chapter.

3.1 Desktop Research

Desktop research is a project management method which involves investigating relevant literatures, articles and studies found online. This method is particularly used to find statistics to support the creation of Ecotude's financial forecasts such as, traveller volumes prior to COVID-19, estimated traveller volumes for the upcoming years, average price of accommodations in Ecotude's target markets and certain outlays incurred by Ecotude during their establishment and internationalisation phases.

3.2 Qualitative Interviews

The purpose of qualitative interviews is to explore the interviewee's motivations and opinions (Roberts 2021). The nature of qualitative interviews includes the use of open-ended questions and potential follow-up interviews to gain raw data. In this case, the interviews are conducted to understand fundamental aspects of creating financial forecasts and improving funding attractiveness for Ecotude.

3.2.1 Digital Company CEO X

In order to understand costs of establishing a company in Finland, a CEO operating a digital company was interviewed. The CEO prefers to remain anonymous throughout the project and therefore, the CEO is referred to CEO X in this thesis. The company creates websites and provides digital services for other enterprises. Their services include subscription deals for MS 365, webhosting, domain name, search engine optimisation (SEO) and search engine marketing (SEM). The secondary purpose of this qualitative interview was to also gain insight on prices regarding the creation of websites and acquiring website traffic through SEO and SEM. The qualitative interview was performed through a virtual meeting.

3.2.2 Ecotude

Qualitative interviews were conducted with Ecotude's CEO, Mr. Suovalu, to understand the company's current situation. Using open-ended questions, the interview strived to extract details of potential financial performance of the company. Furthermore, it is

necessary to understand the overall hospitality market and Ecotude's motives during the establishment phase. A total of four qualitative interviews were conducted with Ecotude, three with Mr. Suovallo and one with the company's Operations Manager. The interviews were performed in person with Mr. Suovallo whilst the meeting with the operations manager was conducted virtually.

3.2.3 Interview with Butterfly Ventures

Butterfly Ventures is an organization that focuses on providing funding for seed stage companies in the Nordic countries. The company was established in 2012 and conducted funding activities with 66 companies. They highlight their ability to provide seed stage companies with funding even if the funding applicant has not reported any revenue. (Butterfly Ventures 2021) As Ecotude is also seed stage company with no economic activity, it is appropriate to discuss funding attractiveness considerations with Butterfly Ventures. The organization currently seeking to invest towards deep technology.

A qualitative interview was conducted with an associate from Butterfly Ventures. Using predetermined questions (refer to appendix 7) the purpose of this interview was to explore how to improve funding attractiveness and which key financial information must be presented to acquire funding through their organization. Additionally, the importance of the presenting financial information required by Govindarajan et al.'s blueprint in pitch decks is discussed with Butterfly Ventures.

3.3 Analysis of current data

The data retrieved from the desktop research are acquired through research studies, statistical websites and online travelling forums. The acquired information is added to calculate the financial forecasts for Ecotude. On the other hand, qualitative interviews with CEO X, Ecotude and Butterfly Ventures will be analysed by qualitative content analysis. This method of analysis is performed by examining the contents of the documented information to find answers which support the research objective (Bhatia 2018). The findings from the qualitative interviews are included into Ecotude's financial forecasts and presentation.

4 Creating Financial Forecasts

This chapter is dedicated to describing the findings from the qualitative interviews with Digital Company CEO X, Ecotude's current team and the associate from Butterfly Venture. Additionally, the financial forecasts created for Ecotude is presented in this chapter.

4.1 Findings from Qualitative Interviews

Chapter 3 explains the process of interviewing certain individuals to find relevant information for this project. the findings from the interviews are found subchapters 4.1.1, 4.1.2 and 4.1.3.

4.1.1 Digital Company CEO X

Overall, the findings provided the project with relevant information regarding online presence and attractiveness for a digital company. CEO X provided pricing on certain services which Ecotude must incur in order to create a feasible web-platform with strong capabilities to attract customers online. CEO X highlighted the following outlays needed to create an online website and an online platform for daily business functions:

- MS Office – 9 €/ user.
- Outlook – 10,90 €/ month.
- Webhosting – 225 €/ year.
- Domain – 12 € / month.
- SEO – 1000 € / month.
- SEM – 3600 € / month.
- Creation of MVP – 3500€.
- Hosting for application – 2000€ / year.

The costs found on the list above are direct prices from CEO X's company. These values are used to partially forecast Ecotude's establishment costs. Additionally, CEO X suggests for any internationalizing company to acquire five domains. Domains are the names of the websites which online users type to find a website on the search engine. Acquiring multiple domains is suggested since Ecotude is able own their brand name in their target foreign markets. This protects Ecotude from competitors or similarly named organizations to use Ecotude's name online. Additionally, this prevents consumers from misinterpreting companies which are named similarly to Ecotude.

CEO X also provided insight towards funding acquisition. CEO X explains that investors do not provide funding for seed stage companies' financial performance. Rather, they invest towards the team operating the company and the idea the company strives to deliver to the market. Furthermore, CEO X suggests to also present profit per booking

since investors are also interested to understand Ecotude's financial performance per booking.

4.1.2 Ecotude

The initial interview with Mr. Suovalu focused on understanding Ecotude's current situation. The findings suggest that Ecotude is clearly in their initial phase and the company's vision and value which they strive to provide to customers is clear. However, a financial plan and initiation strategy is missing which enables Ecotude to transition from a concept to a real business. Therefore, creating a financial plan for Ecotude to utilise is necessary.

The second meeting with Mr. Suovalu strived to examine what the organization requires to support the business initiation. The following requirements were identified for Ecotude to progress towards establishment:

- Talent acquisition of a Chief Technical Officer (CTO) or a software developer.
- Development of Ecotude's website (creation of three versions).
- Content of Ecotude's value creation strategy:
 - Market differentiation,
 - Ecotude certification.

Additionally, Ecotude is also performing counselling with a business advisory institution which suggests that 2023 is an ideal period for Ecotude to establish their business operations. This is due to the airline industry's and hospitality industry's slow recovery. However, Ecotude strives to launch quickly to domestic and foreign target markets after establishment.

Ecotude hopes to acquire financial data which supports the establishment of business operations. This includes:

- Understand funding streams
- Open financial perspectives of the company
- Network with individuals experienced in Finnish finance sector

During the third session, an interview was performed with Ecotude's Operations Manager. the objective of this interview was to identify the establishment process of Ecotude. During the interview, the strategic steps needed to establish the company was identified by the following step:

1. Creation of earnings model
2. market analysis of hospitality industry
 - a. demand analysis
 - b. market entry strategy
3. Marketing strategy analysis and plan
4. Creation of MVP for piloting

5. Integration process
6. Funding
7. Campaigns and memberships
8. Registration of the company
9. Competitor analysis

The steps mentioned above is the method in which Ecotude strives to progress.

Therefore, this thesis project will support Ecotude's financial planning to with steps 3 and 4 to improve their probability to acquire funding at step 6.

The last interview conducted with Mr. Suovalo focused on the cost forecasts which is incurred during the establishment of business operations. A rough estimate of the outlays was provided:

- Salaries – 180 000€.
- Marketing – 70 000€.
- Platform innovation – 50 000€.
- Creation of MVP – 5000€.

4.1.3 Butterfly Ventures

The findings from the qualitative interview with the associate from Butterfly Ventures provided empirical considerations regarding the requirements of improving funding attractiveness.

The associate initially explained the importance of specific general characteristics for an attractive funding applicant. She explained that since Butterfly Ventures provides funding for companies that do not report any revenue, they invest significantly towards the funding applicant's team. They expect funding applicants to have strong expertise in the industry which they are involved in and are significantly driven towards the product, service of platform. Rather investing towards the financial data of the applicant, Butterfly Ventures invests towards people and their idea. Additionally, Butterfly Ventures expects their applicants to involve in industries with a large market size with a product, service or platform which is able to differentiate itself from the competitors. Importantly, a competitive advantage must be highlighted.

In order to improve funding attractiveness, Butterfly Ventures highlighted certain financial data to be calculated. The expected data are the following:

- Financial forecasts: burnout rate, break-even point.
- Funding usage – where the funding will be spent?

The burnout rate is measuring the duration taken for an organization to spend cash or funds. (Carlsen 2020a) The value of the burn rate is an attractive calculation to present to

investors since it provides an understanding on how quickly the funds provided are spent. Furthermore, the break-even point is the exact sum in which revenues are equal to total costs (Gazely & Lambert, 14). After reaching the break-even point, the company will experience profit. The break-even point can be presented by the amount of revenue required to equal total costs or the unit number of products or services required to be sold to equal total costs. In the case of this project, the break-even point is presented by the number of bookings required to equal costs (refer to figure 6).

Considering the cost forecasts, Butterfly Ventures expresses their interest towards understanding the company more thoroughly through costs plans regarding their applicants' internationalization process. It provides information to understand the figures and also a proof of concept. Furthermore, the principles of the blueprint from Govindarajan et al.'s article was discussed with Butterfly Ventures. The associate explained that for pitch decks, they consider the following calculations as important data for funding attractiveness:

- Revenue forecasts (does not require all revenue streams to be mentioned),
- Cost forecasts of current operations,
- Cost forecasts of future projects.

This suggests that there is a link between Govindarajan et al.'s blueprint and the expectations of Butterfly Ventures in relation to funding attractiveness. This validates that the Govindarajan et al.'s blueprint is potentially a feasible principle to follow when applying for funding.

4.2 Revenue forecasts and its drivers

The economic situation of the hospitality industry is very difficult to forecast and predict due to COVID-19. Analysts suggest that, a global herd immunity is possibly acquirable by the mid-2022 through vaccinations (Bai & Marks 2021). These forecasts are beneficial for Ecotude as they strive to establish business operations in 2023 however, it is still difficult to predict travellers' behaviour after the pandemic. The hospitality industry may experience significant revenues as consumers start travelling after living in confinement. On the other hand, individuals may still be hesitant to travel even after potential herd immunity is created. According to a study conducted by Mckinsey & Company, they suggest that travelling volumes will return to 2019 figures by 2023 or 2024 if correct public-measures and economic policies are placed to tackle the pandemic (Borko et al 2020). On the other hand, an article from by Executive Traveller suggests that travel volumes in 2023 is estimated to be 80-90% in comparison to pre-virus statistics of 2019 (Flynn 2020).

Therefore, this project's financial forecast will use hospitality industry's statistics from 2019 as a basis to estimate the potential traveller volumes and revenue from Ecotude's target markets. The target markets included in the revenue forecasts are Finland, Sweden, Norway, Denmark, Estonia and Latvia. Specifically, the target markets' traveller volumes and average accommodation prices is based on 2019 statistics.

Therefore, the assumptions of the calculating revenue forecasts in 2023 are the following:

- 85% of 2019 statistics as estimated traveller volumes in 2023
- 45% of travellers having an ecological mindset
- 1000 ecological travellers will book accommodation through Ecotude's platform
- Average accommodation prices in target markets
- The average duration a traveller stays in target markets
- Sustainable accommodations are already listed in Ecotude's platform

The reasoning behind the assumptions must be clarified. 85% of 2019 traveller volumes is the median percentage estimate from Flynn's article regarding travelling volumes in 2023 (Flynn 2020). Additionally, Booking.com's sustainable travel report suggests that 45% of travellers would be encouraged to find ecological accommodation's if they are available in accommodation platforms (Booking.com 2019).

As Ecotude will be a new platform, the number of users significantly depends on marketing and market reach. Throughout this project, ecological travellers will be referred to travellers with increased awareness towards sustainability and conforms towards a sustainable lifestyle. The revenue forecast will assume that only travellers with an ecological mindset will book through Ecotude's platform. However, the amount of travellers booking through Ecotude's platform is relative to their marketing efficiency and acquisition of market share. The average accommodation prices and duration of stay in Ecotude's target markets will be found through desktop research.

Furthermore, the revenue forecasts will assume that sustainable accommodations with ecological certifications are already listed in Ecotude's platform. As explained in chapter 2.1.1, Lesonsky explained the importance of understanding the two critical markets. The revenue forecast will assume that the estimated 20 000 travellers booking through Ecotude successfully found ecologically certified accommodations.

Forecasted Revenue 2023			
Ecotude			
in EUR			
Target Market	Revenue Per Night	Avg. Duration Stayed	Revenue per Total Duration
Finland	2 346	7	16 424
Sweden	5 149	7	36 046
Norway	2 782	5	13 911
Denmark	5 342	4	21 368
Estonia	819	3	2 457
Latvia	408	3	1 225
Forecasted Revenue			91 430

Table 2: Ecotude’s Forecasted Revenue of 2023

Table 2 presents the forecasted revenue which Ecotude may potentially experience during their business operations in 2023. This calculation assumes that 1000 new users will book an accommodation through Ecotude’s platform. By summing the revenues from Ecotude’s target markets, the forecasted revenue is projected to be 94 430€. A detailed description of how the revenues is forecasted can be found in appendix 1 and 2.

Initially, the revenue forecast per night is calculated. This calculation assumes that the estimated volume of Ecotude’s customers stays for one night in the target markets. By multiplying the estimated volume of customers and the average price per night in each target market, Ecotude’s revenue per night is found. It is important to note that Ecotude’s commission is taken into consideration when calculating the revenue per night.

Secondly, the forecasted revenue per average duration stayed is calculated to estimate Ecotude’s total revenue. The average duration a traveller stays varies between the target markets. Therefore, the revenue per night is multiplied by the average duration by travellers in the target market to calculate Ecotude’s revenue. This calculation assumes that travellers to the target markets will use Ecotude’s platform to reserve an accommodation throughout their whole stay.

Thus, the total revenue which Ecotude may acquire in 2023 is over €1,8 million. This is the market potential that Ecotude may experience if the estimated volume of travellers in this calculation reflects the reality in 2023. This calculation assumes that only 20 000 travellers out of 20 million travellers with an ecological mindset will book an accommodation through Ecotude’s platform (see appendix 1 and 2). The volume of Ecotude’s customers heavily depends on their marketing strategy and their ability to

introduce their platform in the market. However, the COVID-19 pandemic will also play a crucial role in the demand for a platform such as, Ecotude. Regardless of the predictions and estimates concerning the pandemic, it is merely impossible to precisely know the economic situation of the hospitality industry in 2023.

4.3 Costs of current operations

The seed stage company will initiate its business operations in their domestic market, Finland. Therefore, the cost of current operations will lean towards the establishment of the company and its business operations in Finland.

Cost of Current Operations 2023	
Ecotude	
Establishment Costs in Finland	
in EUR	
Fixed Costs	
Company Registration	278
Creation of MVP	3 500
Webhosting & Domain	255
Microsoft Office (4 Employees)	432
Outlook	131
Mobile Application	22 500
Fixed Marketing	
SEO	12 000
SEM	43 200
Ikkunapaikka	6 000
Mondo	2 745
Matkaopas	3 096
Salaries	
Software Developer	39 600
Social Media Marketing Manager	16 800
CEO	
Product Developer	
Social Media Influencers	2 500
Total Fixed Costs	153 037
Variable Costs	
Social Media Marketing	
Youtube Advertisement (per 10 000 views/month)	12 000
Linkedin Advertisement CPM (per 10 000 views/month)	660
Accounting (Outsourced)	4 164
Total Variable Costs	16 824
Total Costs	169 861

Table 3: Ecotude's Forecasted Cost of Current Operations

Table 3 is an excel sheet presenting outlays which are needed to establish the company. The prices of the outlays were found through desktop research and qualitative interviews with CEO X and Ecotude. Additionally, costs regarding marketing were acquired through Ecotude's internal cost analyses. Based on Govindarajan et al.'s principles, the fixed and variable costs are displayed separately to demonstrate which costs must be incurred

regardless of sales volumes. Overall, Ecotude's costs of current operations is projected to be below 170 000€.

Considering the fixed costs, there are critical takeaways from table 3 which require additional explanation. The creation of the minimal viable product (MVP) is a cost incurred when outsourcing the website design and platform for Ecotude. The MVP is the basis of Ecotude's web platform which can also be used during their internationalisation process. Additionally, certain costs which must be incurred to maintain business operations and upkeeping the website are listed. These costs are:

- Webhosting and domain.
- Microsoft Office License.
- Outlook.

There are several outsourcing services which Ecotude could incur in order to improve their revenue. Critically, a mobile application is beneficial to create when operating an accommodation reservation platform. The significance of business's having a mobile application has increased as owning a smartphone has become a norm. According to Haselmayr's article, the creation of a mobile application is necessary for companies to improve their interaction with the market (Haselmayr 2021). In respect to Ecotude's platform, the benefits of creating a mobile application are the following:

- Visible to customers at all times.
- Direct marketing channel.
- Customer value and brand recognition.
- Improve customer engagement.

(Haselmayr 2021)

Ecotude's inclusion into the application stores for mobile phones may significantly increase their brand awareness and customer engagement. The application may not serve as the main revenue stream. However, it is necessary to have presence within the devices (smartphones) which consumers use on an hourly basis.

Furthermore, it is necessary for online platforms to invest towards outsourcing important digital marketing. Improving a company's online presence by investing towards search engine optimisation (SEO) and search engine marketing (SEM) are fundamental parts of marketing an online platform. SEO is the process of improving a website's visibility on online search engines such as, Google and Bing by improving the content on the website. An algorithm is embedded into search engines which lists the most relevant websites according to the keywords written into the search engine. (Search Engine Land 2021)

Investing towards SEO enables Ecotude to improve their market reach towards consumers on the internet. Delgado's study suggests (refer to appendix 6) that 39% of hotel searches on a computer is performed by consumers through organic searches on Google's search engine (Delgado 2020). Organic searches are considered to be the traffic experienced by a website without the influence of digital advertisements such as, Google ads (Brenner 2019). The volume of organic searches a website experiences directly corresponds to the effective SEO Ecotude acquires. Therefore, in order for Ecotude to maximise the number of visitors on their website, investments towards SEO are required.

On the other hand, SEM is process of promoting a website through search engines using paid advertisements. Examples of SEM include Google ads and MS Advertising. (Search Engine Land 2021) By using Delgado's research as evidence, 18% of hotel websites' traffic through computers originates through advertisements. Significantly, 30% of website traffic on hotel websites come through advertisements on mobile phone device. This further provides evidence on the importance for Ecotude to create a mobile optimised website or a mobile application as booking channels.

As consumers primarily book their accommodations online, it is necessary for Ecotude to invest towards SEO and SEM to improve their presence towards potential customers. Other marketing techniques acquired through Ecotude's business plan is the use of advertisements in travelling magazines. As listed in table 3, the costs to advertise Ecotude on Ikkunapaikka, Mondo and Matkaopas (which are major Finnish travelling magazines) sums to below 12 000€. Experimenting and exploiting several marketing channels is always necessary to improve Ecotude's presence to their target consumers. However, it is appropriate to invest significantly more towards digital marketing as consumers searching for accommodations primarily book through online websites.

A case study conducted by Postnord in 2015 claimed the most effective channel to promote a website towards Nordic consumers (in Finland, Sweden, Norway and Denmark) is through emails (refer to appendix 5). The study suggests that the most effective way to promote a website for Nordic consumers is by approaching them with emails. According to their statistics, around 50% of consumers in Finland, Sweden and Norway approach websites through emails whilst Denmark's statistics suggested 32%. (PostNord 2015) This was the most effective channel to approach customers whilst social media and magazines also showed good statistics. Therefore, Ecotude investments towards SEM specialists to approach customers through emails would be beneficial.

Even though salaries are not a direct outlay to create Ecotude's platform, they are fundamental outlays incurred for the driving force behind Ecotude. It must be highlighted that the salary expense for the software developer will only be applicable towards entry-level software developers of whom are able to do basic tasks such as, coding. Software developers with higher expertise will require a higher salary. Additionally, the hiring a social media manager and social media influencers are key staff to improve Ecotude's presence towards consumers within social media platforms. It is important to also consider that the founders of seed stage companies do not retain a salary before significant revenues are experienced. Based on financial forecasts, the CEO's and Operation Manager's salary is 40 000€ each. This is only a theoretical sum since the financial performance of Ecotude directly corresponds to the amount of salary they acquire. If Ecotude's financial performance is lower than the forecasts, the founders can expect a lower annual salary.

On the other hand, the list of variable costs emphasises towards marketing expenses that are not commonly included in SEM. Ecotude's marketing plans included the creation of advertisements for Youtube and LinkedIn. These are considered to be variable costs as the advertisement is expensed through cost per impression (CPM). CPM is a pricing model which expenses the advertiser relatively to the number of views. Furthermore, outsourced accounting is also considered to be a variable cost as the expense incurred depends on the amount of transactions recorded by the accountant. The expense reported on table 3 is an estimated cost for outsourcing accounting relative to Ecotude's revenues, customers and cost transactions.

4.4 Costs of Future Projects

Cost of Future Projects 2023	
Ecotude	
Internationalisation Costs	
In EUR	
1. Foreign Market Research	
Fixed Costs	
Demand Analysis	15 000
Competitor Analysis	10 000
Total	25 000
2. Pilot Testing in Foreign Markets	
Fixed Costs	
Marketing (Promotions, Incentives)	2 500
Total	2 500
3. Internationalisation of Platform	
Fixed Costs	
International Domains	60
Marketing	
SEO (5 countries)	90 000
SEM (5 countries)	120 000
Website Translation (10 Languages)	2 000
Total	212 060
Total Internationalisation Costs	239 560

Table 4: Ecotude's Cost of Future Projects

Table 4 presents certain outlays which Ecotude incurs during their internationalization phase. This Excel sheet is designed to trickle down from one step to the next. Therefore, the initial foreign market investment for Ecotude to incur is towards foreign market research. This enables Ecotude to acquire general information regarding the target markets' demand towards Ecotude's platform as well as a competitor analysis (if there are any competitors). After the foreign markets are analyzed, empirical tests of the platform are tested in the target foreign markets. If feasible markets are found, investments towards the internationalization of the platform are incurred. This specific internationalization process provides Ecotude with the opportunity to initially test their foreign target markets before implementing significant investments towards the internationalizing their platform.

Initially, in-depth knowledge regarding Ecotude's foreign target markets must be acquired and analyzed. By outsourcing demand and competitor analysis to appropriate institutions located in foreign target markets, Ecotude has the ability to gain information on their platform's profitability and feasibility in the market.

However, market research does not fully provide information of the empirical performance of Ecotude. Therefore, a minor investment towards pilot testing their MVP in foreign markets will provide empirical results of demand. The costs of conducting the pilot testing consists of promotional material and incentives for the pilot test participants. In this outlay it is assumed that 10 participants from Ecotude's five target markets are rewarded with a 50€ discount for their initial booking through Ecotude's platform. Incentives are required to motivate the participants to provide crucial information regarding the usability of Ecotude's platform and general feedback. This small investment to empirically test the platform may produce key insights for future returns.

After the foreign markets' demand is tested, investments towards marketing and localizing Ecotude's platform is incurred. Acquiring five international domains is incurred to maintain Ecotude's domain online. This enables the company to maintain their brand in foreign markets whilst preventing competitors or similarly named organization to use Ecotude's brand name. Website localization is the process of conforming and adapting the website towards specific cultures and languages to provide improved user experience for international consumers (Motionpoint 2021). By providing Ecotude's website platform with multiple languages (especially, the foreign target market's mother tongues) this improves the user experience for consumers to book through Ecotude's platform in their own language. Conforming marketing towards certain cultures are also possible by outsourcing SEO and SEM to specialists from the target foreign markets.

It is beneficial for SEO and SEM to be outsourced to Ecotude's foreign target markets individually. Local SEO and SEM specialists are experienced in their local online market's and thus, improves Ecotude's presence on foreign locations on the internet. Since Ecotude strives to internationalize their platform on the internet, it is necessary to invest towards localizing the platform to foreign consumers. This can be performed by providing the platform in multiple foreign languages. Therefore, outsourcing the translation of Ecotude's platform through an automated translation company will improve customer usage and experience using the platform.

The cost of current operations and costs of future projects are the basic outlays which Ecotude incurs for their establishment and internationalization phases. It is important for

start-up businesses to keep their costs low whilst maintaining a frugal mindset (Woods 2008, 69). Therefore, whilst listing the outlays in tables 3 and 4, the project strived to find the most cost-effective ways to initiate Ecotude's establishment and internationalization process.

5 Financial Presentation for Funding

In this chapter, the readers can expect to see an example of Ecotude's financial presentation using Govindarajan et al.'s blueprint which can be used for their funding acquisition activities.

5.1 Revenue Model



Figure 2: Revenue Model of Ecotude

Figure 2 presents a presentation slide which demonstrates the general factors of Ecotude's revenue model. Using the example above, one can calculate that the average revenue of 1,5 Million € will be acquired. This revenue forecast is different to the forecasted revenue presented in table 2 since this revenue model provides an example of Ecotude's revenues using 20 000 users (not 1000). Furthermore, figure 2's calculation uses the average price per night and the average duration of stay in Ecotude's target markets. On the other hand, table 2's forecast and table 5's income statement considers the different average prices and duration of stay in the target markets. The purpose of this slide is to demonstrate the potential revenues Ecotude will acquire if their platform reaches a volume of 20 000 paying customers.

On the other hand, Govindarajan et al.'s blueprint's principle of demonstrating costs differentiates itself from common pitch deck templates. Major companies' initial pitch decks do not include presentations of their costs (CBInsights 2020). Therefore, the

following subchapters demonstrates Ecotude's cost of current operations and future project.

5.2 Estimated Booking Volumes and Forecasted Revenue

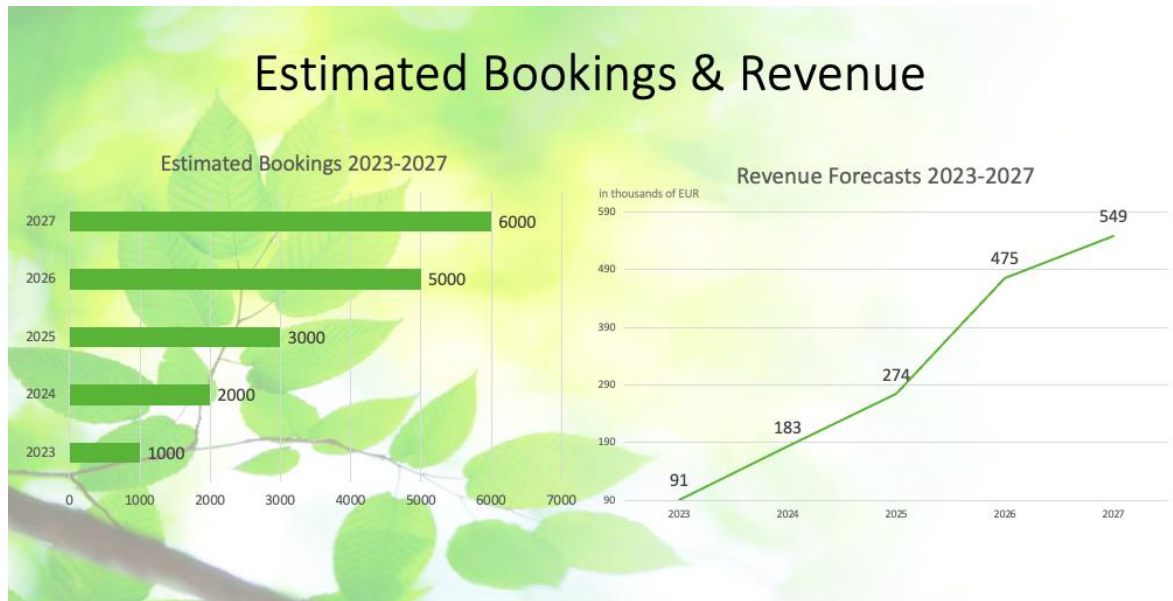


Figure 3: Estimated Bookings and Revenue Forecasts

Figure 7 illustrates the growth of Ecotude's booking volumes and forecasted revenue between 2023 to 2027. The bar chart presents the number of bookings Ecotude is expecting to acquire annually through the five years after establishment. The line graph illustrates the revenue which Ecotude is projected to acquire through their bookings. Table 2 only demonstrates Ecotude's revenue forecasts for 2023 however, projections of their revenue for the upcoming years are necessary to demonstrate their potential growth for investors.

5.3 Cost of Current Operations



Figure 4: Cost of Current Operations

This slide outlines Ecotude’s costs of current operations using bullet points and a pie chart. As seen in the figure 4, marketing costs are dominantly the highest outlays during their establishment costs. All the costs listed are not expected to be covered by funding. However, outlining current costs presents investors with relevant information on the focal outlays currently experienced by the company.

For funding acquisition purposes, Ecotude could potentially highlight that investments would be used to fund their marketing activities in the domestic (Finnish) market. It is advised to create an MVP prior to approaching funders for investments. This improves their attractiveness towards funding since a platform which can be used to gain cash inflow is already created.

Listing administrative costs are typically unusual during funding acquisition activities. Investors expect funding applicants to possess a registered company as a limited liability company with applications for daily business purposes (such as, webhosting, MS Office and company email). However, administrative costs are outlays which Ecotude will incur during their current business operations and for this reason, they are included into figure 7.

5.4 Cost of Future Projects



Figure 5: Cost of Future Projects

The cost of future projects incurs significantly higher expenses than the costs of current operations. The process regarding costs of future projects is explained in chapter 4.4. however, this presentation slide on figure 5 provides a simplified perspective of the cost incurred during the internationalization process. By highlighting the internationalization costs, investors gain an understanding of Ecotude's methodology of expanding into foreign markets.

5.5 Projected Income Statement

Ecotude Projected Income Statement 2023-2027					
in EUR					
Year	2023	2024	2025	2026	2027
Revenue	91 000	183 000	274 000	475 000	549 000
Operating Expenses					
Administrative Costs	5 320	6 530	7 274	9 806	10 994
Platform costs	53 000	3 600	3 600	3 600	3 600
Marketing	292 201	277 860	277 860	277 860	277 860
Salaries	58 900	58 900	58 900	138 900	138 900
Total Operating Costs	409 421	346 890	347 634	430 166	431 354
EBIT	-318 421	-163 890	-73 634	44 834	117 646

Table 5: Forecasted Income Statement

Table 5 presents Ecotude's projected income statement. Even though Govindarajan et al.'s blueprint does not require an income statement, it is necessary for funding applicants to describe their profitability estimates and expectations to attract investors. As Ecotude is expecting an increase in user volumes in the future, the potential revenues and expenses must be analysed. As seen in table 2, the estimates assume that Ecotude's platform will receive 1000 bookings in 2023 and the volume of bookings is expected to grow after establishment. The increasing revenue seen in table 5 corresponds to the increased bookings which Ecotude is expecting to receive.

On the other hand, the costs of current operations and future projects are applied into the income statement. As seen in table 5, 2023's estimated operating expenses are significantly higher than the upcoming years. This is due to the costs of future projects implemented into 2023's accounting period. As operating costs vary depending on the accounting period, the cost of operations is independently calculated and described in appendix 4.

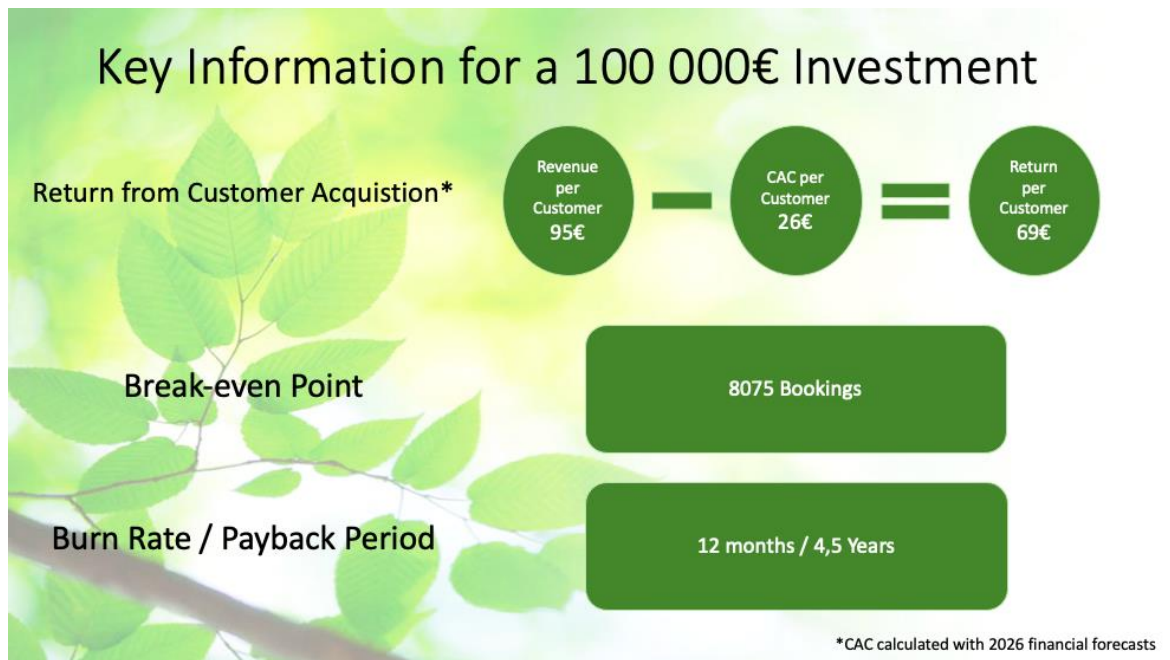


Figure 6: Key Financial Information

The purpose of figure 6's slide is to highlight key financial calculations if a 100 000€ investment is acquired. This slide considers the recommendations mentioned by Digital Copany CEO X and Butterfly Ventures' associate to improve funding attractiveness. Initially, the return from customer acquisition is calculated to describe the profitability attained after deducting customer acquisition costs (CAC) from revenue per customer. CAC is referred to the total amount of marketing costs during a period of time (Skok 2021). Therefore, after deducting Ecotude's CAC from revenue per customer in 2026, the return is 69€. The return from customer acquisition is calculated with 2026 projections since it is the first accounting period when Ecotude may potentially experience positive earnings before interest and taxes.

By creating the projected income statement on table 5, other financial ratios relevant to investment decisions are calculated. Based on Ecotude's projections, they will experience their initial break-even point is experienced after 8075 bookings (in 4,5 years after establishment in 2026). Thus, if Ecotude acquires an investment of 100 000€, a burnout rate of 12 months is estimated to dominantly fund their costs of current operations. Furthermore, the payback period for the 100 000€ investment is calculated to be 4,5 years. The payback period is considered to be the duration taken for a company to receive earnings that covers the investment (Debitoor 2021).

5.6 Where will the Funding Go?



Figure 7: Where will the Funding Go?

Investors are also interested to understand where the funding applicant is planning to expense their acquired investment. Figure 7's presentation slide suggests that Ecotude would invest towards improving their platform, foreign market research and importantly foreign marketing. These are the primary segments to invest using the potential funding acquired as Ecotude needs to constantly improve their platform's user experience whilst improving their knowledge and understanding of their target foreign markets. Since the forecasted costs of foreign SEO and SEM were significantly high, investments towards foreign marketing are necessary to improve Ecotude's market presence.

It is necessary to highlight that an investment of 100 000€ will not completely cover Ecotude's costs of current operations and future projects. However, it is a feasible amount which Ecotude may acquire to initiate their business operations and expand to international markets. The funding of 100 000€ can potentially be used by Ecotude to fund their advertisements in the domestic market (Finnish market), foreign market research, pilot testing their platform in international markets and translating their platform.

The six slides found above provides Ecotude with a presentation for their funding acquisition activities which is heavily influenced with Govindarajan et al.'s blueprint of reporting financial information. Through this method of presenting financial data, investors

are able to understand Ecotude's revenue drivers and its forecast, their costs of current operations and costs of future projects.

During thesis project, the United Kingdom coincidentally announced that international travel will be available for consumers on 17th of May. This announcement enabled consumers to book their holidays and Independent's article suggests that holiday bookings increased by 600% compared to previous months. (Adams 2021) As governments gradually lifts travel restrictions and consumers start travelling, the hospitality industry may experience large volumes of travellers to book accommodations for their stay. Therefore, the close future will be an appropriate time for Ecotude to enter the market to provide travellers with an alternative platform to book sustainable accommodations.

6 Conclusions

6.1 Key Outcomes

Throughout the project, the theoretical framework was able to create an innovative basis to find the correspondence between Govindarajan et al.'s blueprint and investors' expectations to create funding attractiveness. By understanding the relevance of forecasting revenue and costs, the project provides Ecotude with financial estimates which may reflect their business revenues and the outlays they will incur during their establishment phase and future projects. While applying Govindarajan et al.'s blueprint to improve Ecotude's funding attractiveness, certain shortcomings of the blueprint were noticed. Overall, complementing certain conventional reporting standards with Govindarajan et al.'s blueprint may potentially be an effective way for seed stage companies to attract investors.

During the analysis of Ecotude's current financial information it is noticed that the company was at its very early stage and requires additional financial information to understand whether the proposed platform is profitable or not. The outcomes of this project thesis provides financial information which the Ecotude can interpret and analyse to determine whether launching their digital platform is profitable.

Additionally, through inquiries with Butterfly Ventures the thesis provides findings on the applicability of Govindarajan et al.'s blueprint to attractive investors for a seed stage company. The findings from the interview suggests that the information from the blueprint is important and attractive for investors to see during companies' funding acquisition activities. However, it is necessary to also consider that funding institutions will not always provide funding for companies using Govindarajan et al.'s proposed blueprint. The findings only determine that highlighting the company's revenue drivers, costs of current operations and costs of future projects are information which is attractive to present during funding acquisition.

Due to the COVID-19 pandemic, it is difficult to accurately determine the hospitality industry's performance and consumers' perspectives of travelling after the pandemic. Through desktop research, it is suggested that travelling volumes is expected to return to pre-virus figures in 2023 if appropriate policies are placed by governments. The speculations may not reflect hospitality industries and travelling industry's performance in 2023. However, the economic predictions are considered in calculating Ecotude's financial forecasts.

The presentation of Ecotude's financials is created to propose a method of displaying their financial data to funding channels. The slides from the presentation found in chapter 5 only presents information required by Govindarajan et al.'s blueprint, Butterfly Ventures and suggestions from CEO X. It is difficult to predict whether the presentation and data displayed will be attractive for investors during Ecotude's funding acquisition activities. However, the information displayed will provide investors with an understanding of Ecotude's expectations and current situation.

Overall, the project does improve Ecotude's funding attractiveness since the commissioning company did not have calculated financial forecasts prior to this thesis. The project outcomes provide Ecotude with specific financial information regarding their potential revenue, costs of current operations and costs of future projects. Additionally, the presentation made through MS PowerPoint provides a basis of what Ecotude can potentially use during their funding acquisition activities to display key financial information.

On the other hand, strictly following Govindarajan et al.'s blueprint to present financial information may lead to digital companies neglecting certain considerations expected by investors. The blueprint suggests digital companies to list information which cannot be found in traditional financial reports. For example, highlighting number of active users and their geographic distribution are data which is expected by the blueprint. This information may be relevant for investment decisions. However, the relevance of traditional reporting standards cannot be ignored when digital companies present their financial performance.

Therefore, certain aspects of traditional reporting standards cannot be neglected when digital companies attempt to attract investors. The use of income statements to display revenues and expenses during several accounting periods is an effective way to present investors with information regarding profitability and growth potentials. By initially identifying the blueprint's features such as, revenue (and its drivers), cost of current operations and future projects, the information gathered can be consolidated into an income statement. Once an income statement is created, appropriate financial ratios can be calculated and presented to further improve attractiveness towards investors. Thus, complementing Govindarajan et al.'s blueprint with traditional reporting standards may be an innovative method for any digital company to present financial information.

6.2 Recommendations

Through the desktop research and inquiries conducted for this thesis project, several recommendations of Ecotude are created for future references. Firstly, registering the company as a limited liability company is necessary to expand Ecotude's capabilities of acquiring funding. At its current situation, no funding channels are useable before the company is registered.

Secondly, creating a pilot platform before approaching investors for funding would significantly improve Ecotude's attractiveness. The creation of the pilot platform enables Ecotude to show investors how their platform operates. It may not be necessary to create a mobile application during its funding acquisition phase however, a website with mobile optimization is necessary to present to investors.

Thirdly, this project did not consider certain features of Govindarajan et al.'s blueprint. As extraordinary items are difficult to forecast, they were not accounted for while creating financial forecasts. It is advised for Ecotude to inform their extraordinary items to their investors if it provides valuable information. Furthermore, Ecotude could present the features listed in chapter 2.3. during their funding acquisition activities after a customer base is established and traffic on their platform is analysed. Investors are particularly interested in the behaviour of consumers on online platforms and mobile applications.

Additionally, during the qualitative interviews Ecotude evoked interest towards a specific funding institution in Finland which specialises in the providing funding for internationalising companies. However, it is recommended to also contact Butterfly Ventures for potential funding opportunities.

Lastly, the associate in Butterfly Ventures explained that it is important for funding applicants to have a solid team prior to applying for funding. Funding institutions which invest towards early-stage companies do not invest towards the applicants' financial performance but rather, to the team and their idea. It is recommended for Ecotude to find and hire qualified members to join Ecotude to improve their attractiveness towards funding.

6.3 Suggestions for Further Research and Projects

As Ecotude is focused on becoming a channel for consumers to find sustainable and ecological hotels, it is necessary for Ecotude to market themselves as a competitive platform towards consumers and owners of accommodations. Considering Ecotude's

target consumers, this project estimated a volume of new users is 20 000 by 2023. Further research on marketing strategies to meet forecasted demands must be researched to potentially acquire a more accurate understanding of the volume of new users.

Furthermore, Ecotude may also consider creating value for accommodation owners. In order for Ecotude to acquire accommodation listings into their platform, necessary value has to be evoked to property owners. Further research and projects to attract property owners to list their accommodations to Ecotude's platform may improve their business operations.

6.4 Project Evaluation

The methodologies used during this thesis project was appropriate for the project outcomes. Through the combination of desktop research and qualitative interviews, the findings corresponded accordingly to the findings. However, there are certain drawbacks which must be considered during the project evaluation.

The project's theoretical framework using Govindarajan et al.'s blueprint to create investor value can possibly generalised to other digital companies. By following the blueprint, digital companies can provide investors with relevant information which dictates their investment decisions and thus, possibly improve attraction towards investments. Additionally, the findings from the interview with Digital Company CEO X provides key outlays and necessities to establish a digital platform. The prices and costs of establishing a digital company can be generalised to other companies established in Finland. On the other hand, the inquiries with Butterfly Ventures validates the importance and relevance of the financial information which are included in Govindarajan et al.'s blueprint.

However, this project cannot provide a feasible basis which assumes that Govindarajan et al.'s blueprint is suitable for all digital companies to acquire investments. Certain factors such as, company valuation and market size are not mentioned in the blueprint that are necessary for investment decisions. This suggests that Govindarajan et al.'s proposed blueprint may improve investment attractiveness for large digital companies which have established daily business operations such as, Uber and Airbnb. Nonetheless, the blueprint does cover certain key principles for improving a seed stage company's attractiveness towards investors. This evaluation suggests that the principles mentioned in the blueprint should not be the only financial information which seed stage companies present in their pitch decks.

A drawback which hindered the findings from the qualitative interview was the project's inability to interview Funding Institution Y which Ecotude strives to apply for funding. Directly interviewing Funding Institution Y regarding their funding program and their considerations regarding funding attractiveness would have improved this thesis project's value for Ecotude. Therefore, the findings obtained through Butterfly Ventures may not be directly generalised when applying for funding through Funding Institution Y since the funding organizations have different prerequisites.

The method of calculating financial forecasts in this thesis can be generalised to similar companies. However, the findings from the financial forecasts are specifically tailored for Ecotude and reflects finding according to Ecotude's pricing model and target markets.

Certain takeaways must be considered and mentioned during the evaluation of this thesis. The assumption that 45% of travellers would be encouraged to find sustainable accommodation alternatives cannot be generalised. In other words, 45% of "ecological travellers" will not conclusively always book a sustainable accommodation. Therefore, the forecasted volume of ecological travellers may not reflect the actual volume of travellers that will book through Ecotude.

The calculation of forecasted revenue assumes that Ecotude has a feasible number of listings of hotels and accommodations for consumers to rent. It assumes that the estimated 20 000 users find a sustainable accommodation in Ecotude's target markets. It is important to highlight that depending on the number of listings on Ecotude's platform, the demand for may vary and consequentially, the potential revenue is affected.

The sources from which the average duration stayed in target markets by travellers may not come from the most accurate sources. The average duration of stay was found through websites and forums which focus on providing travelling suggestions to specific countries.

6.5 Commissioning Company Feedback

This is very useful work for Ecotude, and it helps us in our process to find funding. There are concrete examples listed and noted, based on real life examples and data. Well structured work and good calculations of which we can use in real life. As a comissioning company, though not established yet, we are very pleased to see well thought, written and structured thesis work - which is highly useful for us.

Customer acquisition costs estimation is not included, but like mentioned, we have to calculate this any case ourselves based on selected channels etc. Perhaps this is more or less our job to calculate and excluded from this thesis. You have already estimated marketing costs along with many other details and suggestions.

6.6 Reflection on Learning

Conducting this thesis project provided an opportunity to gain insight on the process of establishing a company (more specifically, a digital company) in Finland. This enabled to further understand the “start-up” mentality which is required in order to launch a product, service or platform. The start-up mentality is a unique trait to acquire within the business world and provides the opportunity to find business solutions from several perspectives.

Furthermore, the experience in creating financial forecasts and the listing of outlays contributed to my knowledge in financial management. This experience provided the chance to understand what is required to establish and internationalise a company whilst exploring funding solutions and opportunities. Through familiarising funding opportunities, the prerequisites which funding institutions expect from applicants were also explored. The project provided a basis of what aspects investors and funding institutions expect and find appealing for a small company. These overall boosts my confidence of starting a company when the opportunity comes.

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Appendices

Appendix 1: Forecast of Travellers in Ecotude's Target Markets in 2023

Forecasted 2023 Traveller Volumes	Ecotude
Traveller Volumes in Target Markets (2019)	
Finland	7 100 000
Sweden	16 000 000
Norway	9 400 000
Estonia	3 800 000
Latvia	2 900 000
Denmark	13 000 000
Sum	52 200 000
% of Travellers in 2023 (in comparison to 2019)	85 %
Traveller Volume Forecasts in 2023	44 370 000
% of Travellers with Ecological Mindset	45 %
Estimated Volume of Travellers with Ecological Mindset	19 966 500
% of Travellers Booking Through Ecotude	0,01 %
Estimated volume of travellers booking through Ecotude	1 000

Initially, the travel volumes from Ecotude's target markets were found through desktop research (52,2 million travellers). By considering Flynn's article's estimates, an estimated volume of 44,37 million travellers (or 85% of 2019's volumes) will potentially visit Ecotude's target markets. From the 44,37 million travellers, 45% (or 19,97 million) of travellers would be encouraged to book sustainable accommodations. This is considered to be the potential market size.

The bottom row called, "Estimated volume of Travellers booking through Ecotude", is the amount of travellers that are estimated to book accommodations through Ecotude's platform. As the screenshot is taken whilst calculating Ecotude's 2023 revenue forecasts, the estimated number of bookings through Ecotude's platform is 1000. However, this value can be changed to calculate the forecasted revenue of different periods using different booking volumes.

Appendix 2: Forecast of Ecotude’s Customers Per Country in 2023

Forecasted 2023 Traveller Volumes	Ecotude
Estimated Volume of Travellers per Country 2023	
Finland	6 035 000
Sweden	13 600 000
Norway	7 990 000
Estonia	3 230 000
Latvia	2 465 000
Denmark	11 050 000
Sum	44 370 000
Estimated volume of Travellers with Ecological Mindset per country	
Finland	2 715 750
Sweden	6 120 000
Norway	3 595 500
Estonia	1 453 500
Latvia	1 109 250
Denmark	4 972 500
Sum	19 966 500
Estimated volume of Ecotude Customers per country	
Finland	136
Sweden	307
Norway	180
Estonia	73
Latvia	56
Denmark	249
Sum	1 000

Appendix 2 presents the estimated volume of travellers in each of Ecotude’s target markets with an ecological mindset. Furthermore, the bottom table called, “Estimated Volume of Ecotude Customers per Country”, shows the estimated number of travellers booking through Ecotude’s platform from their target markets.

Appendix 3: Calculating Revenue Forecast per Night

Forecasted Revenue 2023			
Ecotude			
in EUR			
Revenue Forecast per Night			
Commission per Booking			15 %
Target Market	Estimated Volume of Customers	Avg. Price per Night	Revenue per Night
Finland	136	115	2 346
Sweden	307	112	5 149
Norway	180	103	2 782
Denmark	249	143	5 342
Estonia	73	75	819
Latvia	56	49	408
Total Customers	1 000		
Total Revenue Per Night			16 847

To calculate the revenue per night, the estimated volume of customers is multiplied with the average price per night in Ecotude's target markets. As each target markets' average price per night and average duration of stay changes, each target market's revenue forecasts are calculated separately before the total revenue can be calculated.

Appendix 4: Cost of Operations between 2024-2027

Cost of Operations 2024	
Ecotude	
in EUR	
Fixed Costs	
Webhosting & Domain	255
Platform maintenance	3 600
Microsoft Office (4 Employees)	432
Outlook	131
Fixed Marketing	
SEO	12 000
SEM	43 200
Salaries	
Software Developer	39 600
Social Media Marketing Manager	16 800
Social Media Influencers	2 500
Total Fixed Costs	118 518
Variable Costs	
Social Media Marketing	
Youtube Advertisement (per 10 000 views/month)	12 000
Linkedin Advertisement CPM (per 10 000 views/month)	660
Accounting (Outsourced)	5 652
Total Variable Costs	18 312
Total Costs	136 830

Cost of Operations 2025	
Ecotude	
in EUR	
Fixed Costs	
Webhosting & Domain	255
Platform maintenance	3 600
Microsoft Office (4 Employees)	432
Outlook	131
Fixed Marketing	
SEO	12 000
SEM	43 200
Salaries	
Software Developer	39 600
Social Media Marketing Manager	16 800
Social Media Influencers	2 500
Total Fixed Costs	118 518
Variable Costs	
Social Media Marketing	
Youtube Advertisement (per 10 000 views/month)	12 000
Linkedin Advertisement CPM (per 10 000 views/month)	660
Accounting (Outsourced)	6 396
Total Variable Costs	19 056
Total Costs	137 574

Cost of Operations 2026	
Ecotude	
in EUR	
Fixed Costs	
Webhosting & Domain	255
Platform maintenance	3 600
Microsoft Office (4 Employees)	432
Outlook	131
Fixed Marketing	
SEO	12 000
SEM	43 200
Salaries	
Software Developer	39 600
Social Media Marketing Manager	16 800
CEO	40 000
Product Developer	40 000
Social Media Influencers	2 500
Total Fixed Costs	198 518
Variable Costs	
Social Media Marketing	
Youtube Advertisement (per 10 000 views/month)	12 000
Linkedin Advertisement CPM (per 10 000 views/month)	660
Accounting (Outsourced)	8 928
Total Variable Costs	21 588
Total Costs	220 106
Cost of Operations 2027	
Ecotude	
in EUR	
Fixed Costs	
Webhosting & Domain	255
Platform maintenance	3 600
Microsoft Office (4 Employees)	432
Outlook	131
Fixed Marketing	
SEO	12 000
SEM	43 200
Salaries	
Software Developer	39 600
Social Media Marketing Manager	16 800
CEO	40 000
Product Developer	40 000
Social Media Influencers	2 500
Total Fixed Costs	198 518
Variable Costs	
Social Media Marketing	
Youtube Advertisement (per 10 000 views/month)	12 000
Linkedin Advertisement CPM (per 10 000 views/month)	660
Accounting (Outsourced)	10 116
Total Variable Costs	22 776
Total Costs	221 294

Appendix 5: Postnord's Study on Effective Customer Channels in Nordic Countries

Mikäli yritys haluaa sinun tutustuvan verkkokaupansa tarjontaan, mitä kanavaa tai kanavia pitkin se saisi sinut parhaiten vierailemaan verkkokaupassaan?

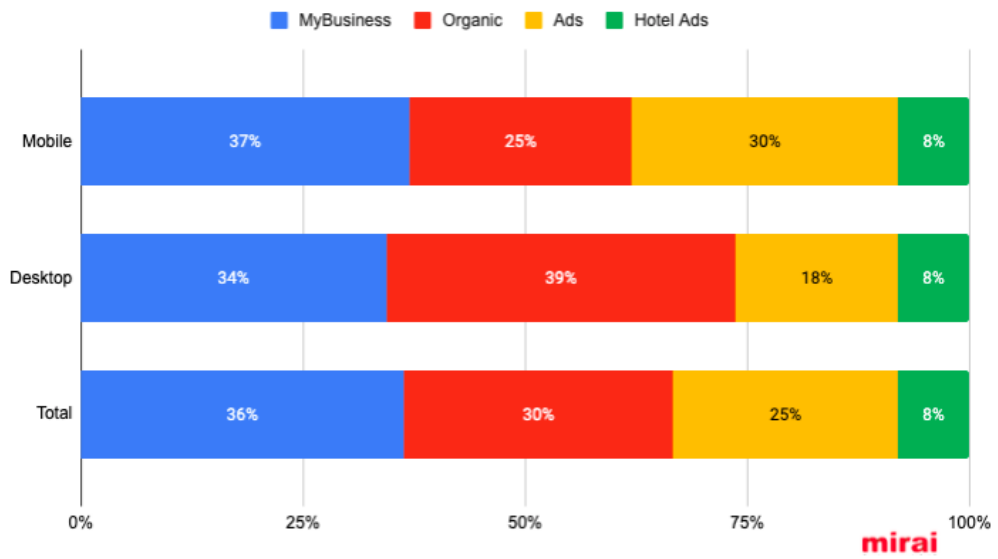
Tutkimusjoukko: verkko-ostoksia vuosineljänneksen aikana tehneet	Ruotsi	Tanska	Norja	Suomi
Tekstiviesti	10 %	2 %	5 %	8 %
Internet (bannerit, ponnahdusikkunat tai vastaavat)	16 %	21 %	26 %	15 %
Sähköposti	45 %	32 %	50 %	52 %
Postilaatikko	19 %	16 %	12 %	28 %
Painettu lehti	18 %	17 %	16 %	27 %
Radio	2 %	6 %	6 %	9 %
Televisio	10 %	19 %	13 %	16 %
Sosiaalinen media	14 %	16 %	21 %	18 %

(Postnord 2015)

Translation of heading, "If a company wants consumers to familiarize themselves with a website and their offerings, what is the best, or what are the best channels to promote consumers with the website?"

Appendix 6: Mirai's study on Google traffic to hotel websites

Google traffic to hotel websites by source



(Delgado 2020)

Appendix 7: Questions for Butterfly Ventures' Associate

1. What key (or hidden) characteristics must a company have to successfully acquire funding?
2. For a seed stage company to maximise their attractiveness towards funding, what financial information (excluding a balance sheet and income statement) should the applicant provide?
3. During initial inquiries with potential clients do you expect them to have a cost plan regarding their internationalization process and pilot product/service/platform? If this is not expected, would you find it attractive if a client already had a consolidated cost plan?
4. Would you consider the following financial information relevant to improve funding attractiveness?
 - a. Revenue forecasts
 - b. Cost forecasts for current operations
 - c. Cost forecasts for future projects?
5. Are there any attributes that you find unattractive when a funding applicant presents their data?



Slide 1

Ecotude – The Home of Sustainable Accommodations

Your Booking

- Easy
- Simple
- Sustainable

Solution for you to find Sustainable Accommodations during your travels in the Nordics

-“We maximise the positive effects of travelling and minimise the negative effects. No compromise, only Green Accomodations”

Slide 2

Market Size



Slide 3

Our Initial Target Markets

- Finland
- Sweden
- Norway
- Denmark
- Estonia
- Latvia



Slide 4



Slide 5

Our Platform

We provide sustainable accommodations, Effortlessly

20 Million
Ecological
Travellers

Easy Booking
for
Sustainable
Travelling

15%
Comission

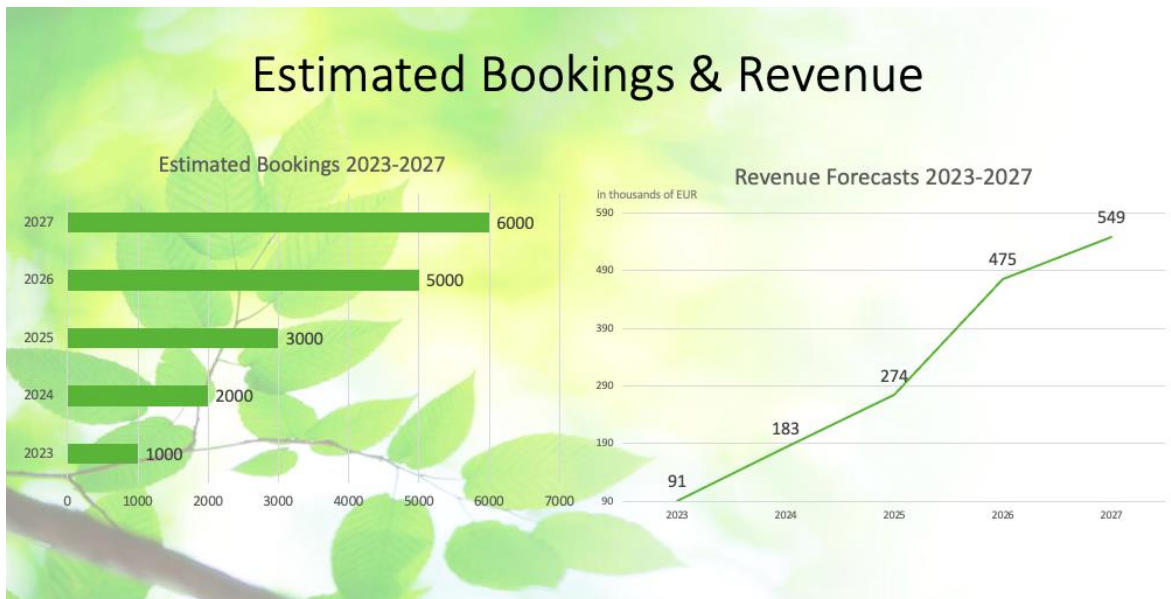
Slide 6

Our Revenue Model



Slide 7

Estimated Bookings & Revenue



Slide 8

Costs of Current Operations

Establishment Costs

Administrative costs:

- Company registration
- Webhosting & domain
- MS Office & Outlook licensing

Platform Creation:

- Creation of MVP
 - Mobile optimization
- Mobile Application

Marketing

- SEO & SEM
- Advertisements
- Social Media Marketing



Slide 9

Costs of Future Projects

Internationalization Costs

Foreign Market Research

- Demand Analysis
- Competition Analysis

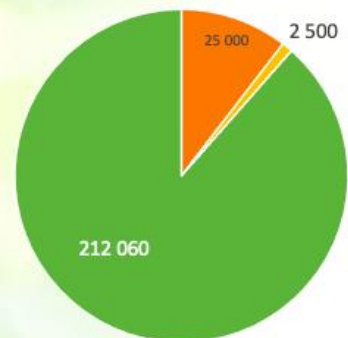
Pilot Testing

- Promotional materials, incentives

Platform Internationalization

- SEO & SEM
- Website Domains
- Website Translations (10 Languages)

- Foreign Market Research
- Pilot Testing
- Platform Internationalization



Slide 10

Ecotude Projected Income Statement 2023-2027

in EUR

Year	2023	2024	2025	2026	2027
Revenue	91 000	183 000	274 000	475 000	549 000
Operating Expenses					
Administrative Costs	5 320	6 530	7 274	9 806	10 994
Platform costs	53 000	3 600	3 600	3 600	3 600
Marketing	292 201	277 860	277 860	277 860	277 860
Salaries	58 900	58 900	58 900	138 900	138 900
Total Operating Costs	409 421	346 890	347 634	430 166	431 354
EBIT	-318 421	-163 890	-73 634	44 834	117 646

Slide 11

Key Information for a 100 000€ Investment



Slide 12

Where will the Funding go?

Platform
Improvement

Foreign
Market
Research

Digital
Marketing

Slide 13