

# **Investigations for a Small Business Development in the Field of Hotel Industry in Finland**

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Bachelor's Thesis

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<p>Abstract</p> <p>The expansion or creation of a new company requires a great deal of work and efforts for it to achieve success. Thus, the thesis presents relevant investigations that could be utilized during the process of business planning.</p> <p>The objective of the thesis was to create a comprehensive business plan for extending the operations of the client company, RaitaHouse Oy, based on the author's observations of the company, and market research of potential competitors and customers' preferences. During the process, the strengths and weaknesses of the hospitality business run by the client company were identified as well as recommendations regarding their service improvement were given.</p> <p>The thesis starts with observations, a SWOT analysis and suggestions on improvements of the partner company RaitaHouse Oy; then the process moves smoothly to the theoretical frameworks of business planning in order to examine its significance, types and key elements. Furthermore, the chapter on market research represents the importance and methods of investigation. The researches of competitors and customers' preferences were conducted afterwards.</p> <p>The information gathered from the theory, observations and market researches were informative enough to create in a business plan. The major findings determined potential competitors, service provided by them, their prices, customers' preferences, recommendations for the hotel service in Finland and marketing tools which could be used to obtain more clients. In addition, observation of the company showed the real market situation on the market of hospitality and serves as an example and groundwork for the business plan, which is included in the thesis as an appendix.</p>			
<p>Keywords</p> <p>Market Research, Market analysis, Investigation, Business Planning, Qualitative research, Quantitative research, Research Methods, Hospitality Business</p>			

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## 1 INTRODUCTION

*“To succeed in today’s marketplace, companies must know how to turn mountains of marketing information into fresh customer insights that will help them deliver greater value to customers.” (Kotler & Armstrong, 2011, 96.)* This quote directly shows the dependence between companies’ marketing decisions and success of the organization.

The intention of the topic is a personal interest to open an own business in Finland. In accordance to the web publication on StartUpOverseas (2012), this country is one of the leading countries in the world for anyone who wants to start a business. Its exports in technology and other high-tech sectors are remarkable considering the countries’ size. The support in research and development, in regards to GDP and active personnel, is one of the best in the world.

Professional Internship in TUKIKON Oy, the universal organization situated in Kuopio cooperating with various fields of business, performing collaborations with enterprises and individuals, and specializing in providing consulting services to businesses in Russia and Finland, gave me the opportunity to understand features for foreigners operating in Finland. The summer research and cooperation with RaitaHouse Oy, a small developing chain of hotels located in touristic town Savonlinna, motivated me to improve service and expand the hotel chain to Kuopio or another similar city.

The main reason for choosing hospitality industry in Finland is extremely increasing amount of people desiring to explore this northern country. Therefore, the business sector of hospitality is developing faster with new companies emerging every day. Furthermore, the national economy of Finland receives tremendous support from the hospitality industry. Hence, the interest to open such a business with unique features for attracting more consumers is appearing.

The Finnish hospitality sector accounts for 3.8% of Finland’s GDP, which is more than banking and insurance or forestry industry. The sector’s annual turnover is 11 billion euro. Hospitality industry generates over 5.2 billion euro a year in taxation for the Finnish government (2009). That accounts for 5.4% of the total taxes and tax-related fees collected by the government. (MARA ry 2009.)

The partner company RaitaHouse will provide the researcher with all the necessary information about prices, competitors, marketing issues, expenses and profit needed to understand when opening a business.

It seems to be evident that market research and Analysis are a basis for continuous development of the company; thus, the main objective of the thesis is to conduct market research for RaitaHouse Oy with a help of professionals from TUKIKON Oy, and to create a business plan in order to organize an own business and expand the hotel chain of RaitaHouse Oy to Kuopio or another similar city.

The thesis is presented in one document. The clear objectives for the investigations are market research for RaitaHouse Oy regarding customers' preferences and competitors in Kuopio region, observation of the Partner Company, SWOT analysis and recommendations in service improvement. The second goal is to create a business plan in accordance with the whole researches and findings.

Primary data will be gathered through qualitative and quantitative researches where a questionnaire and an interview with customers of RaitaHouse Oy and TUKIKON Oy will be utilized. Customers' preferences concerning accommodation type, food, time, place, the most important factors in choosing a leisure trip, the purpose of the visits, optimal amount of money that person is willing to pay per night and other research questions that will help to improve present business and develop the subsequent one are asked. Theoretical part will be derived from different books regarding marketing sphere and business plan creation guidelines as well as Internet sources and study materials from Savonia University of Applied Sciences.

The business plan will be implemented in accordance with the previous experience of the market research of customers' preferences, analyzed competitors, theory and observations of RaitaHouse Oy conducted during the summer period. The advantages and disadvantages in company's organization will be considered and improved in the business plan represented in the Appendix 8.

To conclude this paragraph, it should be noticed that the topic of market research is essential for any industry because it is aimed at obtaining invaluable information about aspects that are not fully known. Furthermore, it serves as a foundation for all future decisions and at the moment presented as a highly demanded. Observation of RaitaHouse Oy will be a good example and a basis for understanding of all the sub-

tleties of the business in the sphere of hospitality. The final business plan will be primary realized in accordance with the observations that will help to reduce business risks and assist in preventing mistakes.

## **2 MARKET RESEARCH**

*"Market research is any organized effort to gather information about target markets, competitors or customers. It is a very important component of a business strategy. The term is commonly interchanged with marketing research; however, expert practitioners may wish to draw a distinction, in that marketing research is concerned specifically with marketing processes, while market research is concerned specifically with markets." (McQuarrie 2005.)*

Market research is more than an informal assimilation and interpretation of intelligence that is a natural consequence of keeping eyes and ears open. Market research is structured and purposeful. It is a systematic and objective collection and interpretation of data to help reduce risk in marketing decisions. All businesses need information to guide decision making. Managers are desperately trying to understand increasingly complex and global markets, and the need of more useable information have increased than ever before. Because of this, the research sector plays a valuable role in the commercial, social and political world today. (Hague 1988, 6.)

Generally, accurate and precise analysis of the market allows quickly finding vacant market niches, choosing the most attractive target market and better understanding consumers. Therefore, this kind of a research could also be referred to a systematic gathering, recording and analysis of the data of the market to improve decision making procedures and control them in the existing business environment.

### **2.1 The importance of the Market Intelligence**

The main resource of a market research is data which is determined as a collection of useful information and facts; thus, good market research turns data into intelligence to make smart moves in the business. Market intelligence describes the set of activities that provide a company with a view of a market using existing sources of information to understand what is happening in a market place, what the issues are, what competitors are doing, what customers or consumers are doing and what the likely market potential is for new products or services based on previous activities and responses. (Dobney 2012.)

Market analysis involves collecting information about the company, and then studies it in several ways, such as price, product, customer, and other important aspects. This information is then used to select the correct direction of business development. Moreover, the analysis allows managers to accurately identify the goals and objectives. The idea of how to properly and effectively promote products or services could be gathered as well. After systematization of information, the analysis of attached marketing efforts, how to improve their effectiveness and whether some adjustments would be created by the market intelligence is done. (Hague 1988, 5-9.)

Besides, studies of the market provide the necessary information about consumers, individuals, families, companies and different institutions. This information is required for proper market segmentation, competent positioning, promotion, product development and service offerings that meet the needs of these segments of the market.

Furthermore, the necessary information about the market, in which the company operates could be determined. This knowledge is necessary to develop and implement the right strategy of competitive struggle. The study allows the enterprise at the stage of development of hypotheses to understand better their market, space, the essence of the problems the organization faces, the possible directions of further development and the structure of the information needed for decision-making. In addition, the market intelligence helps to obtain knowledge related to pricing issues and how consumers receive, perceive and transmit information about products and services. Generally, the research process is significant to make the right decisions, find gaps in markets, know competitors and have information to satisfy customers in a correct way.

*" Understanding of customers' and potential customers' needs through market research is one of the best ways to obtain a sustainable competitive advantage, which is the key point of the market research." (Hague 1988, 8.)*

## **2.2 Qualitative and Quantitative research methods**

The key to success of any research is a systematic and comprehensive approach to solving problems. A combination of qualitative and quantitative research methods is designed to achieve the most accurate results.

The chapter will observe separately qualitative, quantitative research methods and goes through the comparison of such methods. In addition, its validity and reliability will be discussed in the last part of the topic.

### **2.2.1 Qualitative research method**

Qualitative research method is explained by various well-known authors. Qualitative research is a research using methods such as participant observation or case studies, which result in a narrative, descriptive account of a setting or practice. Sociologists using these methods typically reject positivism and adopt a form of interpretive sociology. (Parkinson & Drislane 2011.) Therefore, qualitative researchers are interested in understanding the meaning people have constructed, that is, how people make sense of their world and the experiences they have in the world. (Merriam 2009, 13).

Qualitative research is exploratory and involves using unstructured techniques based on small samples. It helps to find out what people like – or dislike – about a product, service or advertisement, and why they feel that way. The data arising from qualitative research are mostly words – the responses from people in the focus groups and depth interviews. Body language may be a further input as this could provide additional clues as to the inner feelings of respondents. Qualitative research is carried out by just one or two researchers who steep themselves in the subject, building their understanding. Qualitative research is used for exploring and understanding people's needs, testing reactions to concepts such as new products and services, advertising messages, approaches to buying and working out what the real issues or problems are. (Hague 1988, 75-94.) Generally, the method focuses on understanding, explanation and interpretation of empirical data and serves as a source of hypotheses and productive ideas. It does not respond to the question "how much?", but it answers to the question "what?", "how?" and "why?". In qualitative studies projective and stimulating techniques are widely used - unstructured, non-legislative ways to ask questions that help the researcher to uncover the motives, attitudes, relationships, preferences, values, satisfaction and problems of respondents.

According to the book of Mack and Woodsong (2009) about Qualitative Research methods, there are three most common types of collecting data, such as participate observation, where attention is concentrated on the one person; in-depth interview

that provides the researcher with information on individuals' personal histories, perspectives, and experiences; and the focus group.

The focus group is a team of six or eight people that are recruited and invited to talk about the subject. This focus group method tends to produce a wide range of opinions, because each member of the group will "trigger" the other members to think of things to say. On the other hand, group pressure may mean that only the most vociferous respondents' views are expressed. (Kotler 2004.)

### **2.2.2 Quantitative research method**

Quantitative research relates to quantity and is based on enough numbers of interviews to be able to obtain a robust measurement. Large numbers of interviews require considerable structure in the questionnaire, so the interviews are made up of closed questions rather than open and probing questions which invite free responses. (Hague 1988, 91.)

Quantitative research methodology deals with areas that can be expressed in numbers. It will tell researchers, for example, what proportion of the population drinks tea in the mornings and what their ages and occupations are; what it will not do very easily is telling researchers why those people prefer tea to coffee. (Kotler 2004.)

The quantitative research method is the main tool to obtain the necessary information for planning and decision-making, when hypotheses about the behavior of consumers have already been formed. The foundation of quantitative research methods is always a model that allows having accurate numerical values of the studied parameters. On the basis of quantitative research, the necessary volume of production, profitability, generate price, product parameters, could be expected to find an unoccupied niche market. The main achievement of quantitative research is that they reduce the risk of making wrong decisions and choices of inaccurate scheduling options.

The most common ways to gather quantitative data are survey and sampling. There are several types of surveys such as postal survey, personal structured interviews, telephone surveys, self-administered survey, panels and omnibus studies.

Postal surveys are questionnaires that are sent to the responders by post. Personal structured interviews represent planned questions during the face-to-face meeting

with the interviewee. Telephone surveys are the quickest and cheapest way to obtain data from respondents. Self-administered questionnaires are left for people, for instance on the table in restaurants, and required to put into the box. A panel is a group of respondents who regularly respond to surveys. Some panels are set up on a permanent basis and are often made available to researchers by commercial market research companies. Omnibus surveys are usually carried out by commercial market research agencies that combine several studies into one questionnaire. (Kotler 2004.)

### **2.2.3 Comparison of quantitative and qualitative research approaches**

The main difference between quantitative and qualitative approaches is a general framework of these approaches. Quantitative approach seeks to confirm hypotheses about phenomena, uses more rigid style of eliciting and categorizing responses to questions, and has highly structured methods such as surveys, while Qualitative approach seeks to explore phenomena, uses more flexible instruments and requires semi-structured methods as in-depth interviews.

The analytical objectives differ as well. The Qualitative approach concentrates more on description, while the Quantitative research pays attention to numerical format. Moreover, the format of questions for Qualitative approach is identified as open-ended questions, where people have an ability to express their own opinions, while the Quantitative research methods use closed-ended questions. Therefore, the format of data becomes different as well: numerical in Quantitative approach and textual in Qualitative approach. (Mack & Woodsong 2009.) Generally, the approaches of Quantitative and Qualitative researches are totally different, that is why both approaches were applied in the research to gather explicit results.

## **2.3 Validity and Reliability**

People who do not have knowledge about validity and reliability usually mix up these two definitions. In practice, they have different meanings. "Measures are valid when they measure what they are supposed to measure." (Bowie & Buttle 2004, 50) Validity of scale is defined as the extent to which differences in observed scale scores reflect the true differences among objects on the characteristics being measured. Reliability in research relates to consistency of results over period of time. A scale is

called reliable if it produces consistent results when repeated measurements are made. (Shukla 2008.)

If the process is transparent and clear for the reader, so that the person has opportunity even to apply it and gather the same reliable results to be confident in the process, it does not mean that research is valid. Moreover, if measurements along with results are accurate but not reliable, it is also not valid. The results from the thesis process are reliable and valid.

Generally, the market research process in relation to competitors was made in accordance to existing market situation and some variables from the analysis may bias if a new competitor appears. The deviation will be insignificant due to the large amount of present competitors.

The results regarding market research where customers' preferences concerning vacation in Finland were identified are valid and reliable. According to the researcher's experience, some people suppose that this kind of research is not valid rather than valid, because preferences of people are changing and each person has own tests about certain aspect. In any case, different nationalities participated in the research. It was installed to respond on a survey once for each person to avoid repeated outcomes. The deviations are possible in the questionnaire, because the majority of interviewees were people from Russia. These aspects are acceptable due to the fact that the majority of visitors are from Russia, thus it is convenient to consider mentioned points and consider in the further work. Therefore, the results are absolutely appropriate for a successful business plan creation.

## **2.4 Objectives and research questions**

Market research is an essential process which provides companies with extremely important information in order to obtain competitive advantage or improve business.

This part of the thesis includes market research of the future competitors in Kuopio and identification of the customers' preferences that will help to implement a business plan with considered mistakes, comments and advantages gathered from questionnaires with customers of RaitaHouse Oy and TUKIKON Oy. Furthermore, the market research of competitors for RaitaHouse will be conducted in Kuopio to expand the

hotel chain. Generally, the main objective of the market research is to create a foundation for the business plan of the new hotel that will be located in Kuopio region.

Market research questions are following: “Why we consider Kuopio as potential place to do a business?”, “What is the current situation on the market of hospitality industry in Kuopio?”, “What kind of competitors will the company face in Kuopio and what aspects should be considered?”, and “What results do questionnaires gathered from customers of RaitaHouse Oy and TUKIKON Oy show?”.

## **2.5 Market place information and Industry analysis**

A market is an environment that allows buyers and sellers to trade or exchange goods, services, and information. These interactions define demand and supply characteristics and serve as fundamental economic aspects. Moreover, a market can be identified as a space where any type of trade could be placed. Markets are dependent on two major participants – buyers and sellers. Buyers and sellers typically trade on goods, services or information. Some markets are extremely competitive, with a large number of vendors selling the same kinds of products or services. It depends on the market place. Conversely, some markets have low or no competition. (Svitsky 2013.)

The chapter is primarily concentrates on the chosen place to expand hotel along with analysis of the industry in Finland. The information was gathered from official web site Statistics Finland (2015) and City of Kuopio (2013).

### **2.5.1 Market information**

In accordance to the official Travel Site of Finland (2015), there are a lot of reasons to choose Finland as a place for traveling. In our case, these causes could be considered as advantages to open business in Finland. The main reasons are following: Finland is a country, where the northern lights could be observed; there are 188 000 cleanest lakes; people can walk in the forest anywhere they want; Finland has Restaurant Day, where anyone has opportunity to set up restaurant of their choice (for instance, on the street or in the park); only this country has original Santa Claus, boldest design, well-known heavy metal bands, craziest events, the largest archipelago, rarest seal, home of mysterious creatures Moomins and produces the most suc-

cessful games; there are the best places for skiing; Finland has the cleanest air, midnight sun film festival and over three million saunas. In addition, this country is the safest place in the world that consumes more coffee per person than does any other nation in the world.

Why is Kuopio chosen as a best market place for the hotel in Finland? Kuopio region is extremely popular for tourism due to the following facts: Kuopio is the second largest city in Eastern Finland and known for its wildlife. Numerous islands of Lake Kallavesi and the majestic forests of the mountain range Puijo create a unique landscape. This cozy and dynamic "Universities' town" attracts tourists constantly. Besides, it is a modern city, the largest center of science, business and high-tech in Eastern Finland, which is growing and developing all the time. Moreover, air and rail links provide a comfortable trip to the capital of Finland and back (to Helsinki four hundred kilometers). Flight takes only fifty minutes. There are about twenty cruises to different destinations, such as Alahovi, where visitors taste the wine from berries, Hietasalo, where customers walk and swim on the island to lumberjacks, and Jätkänkämpä, where there is an opportunity to spend time in traditional Finnish evening. The city hosts the oldest annual Dance Festival which is attended by Finnish and international dancers, the international Ice Marathon, Puijo World Cup ski jumping, Wine Festival and the International Festival of Arts ASTI. Furthermore, nine museums and Center of Photography VB are situated in Kuopio. (City of Kuopio 2013.) Therefore, Kuopio is an interesting city for travelling and has strong competition among hotels, thus the city suits to the idea of the new hotel location.

### **2.5.2 Industry analysis**

The business in the sphere of hospitality is a very perspective business in Finland. In 2013, the amount of external border crossings increased by about 8% compared with 2012. The growth was about the same 8% at the border between Finland and Russia. External border crossings increased also at airports in 2013 by about 7%. External maritime traffic increased by about 3% due to addition of travelers between Helsinki and St.-Petersburg. The share of visa holders in total traffic amount was higher than in 2012. The reason for this was an increased amount of Russian passengers and correspondingly a decreased amount of Finnish passengers. The amount of border crossings at external borders is expected to increase also in coming years even despite occasional decreasing in passenger traffic. (Findicator 2013.)

However, the official web site Statistics Finland (2015) shows that overnight stays by foreign tourists declined by 20.8% at Finnish accommodation establishments from last year and amounted to 489 000 in January 2015. In contrast, the number of nights spent by resident tourists increased by 2.9% from the previous year and they over-nighted 788 000 times at accommodation establishments. A total of nearly 1.3 million overnight stays were recorded at Finnish accommodation establishments in January 2015, which is 7.7% fewer than in January 2014. The image 1 represents the tourism situation in January 2015 in comparison to January 2014. For example, the amount of overnight stays by Russian tourists was decreased by 42%, while overnight stays of Italians increased by 11%. The total number of overnight stays in Finland decreased by 8% from the January 2014 due to the economical situation.

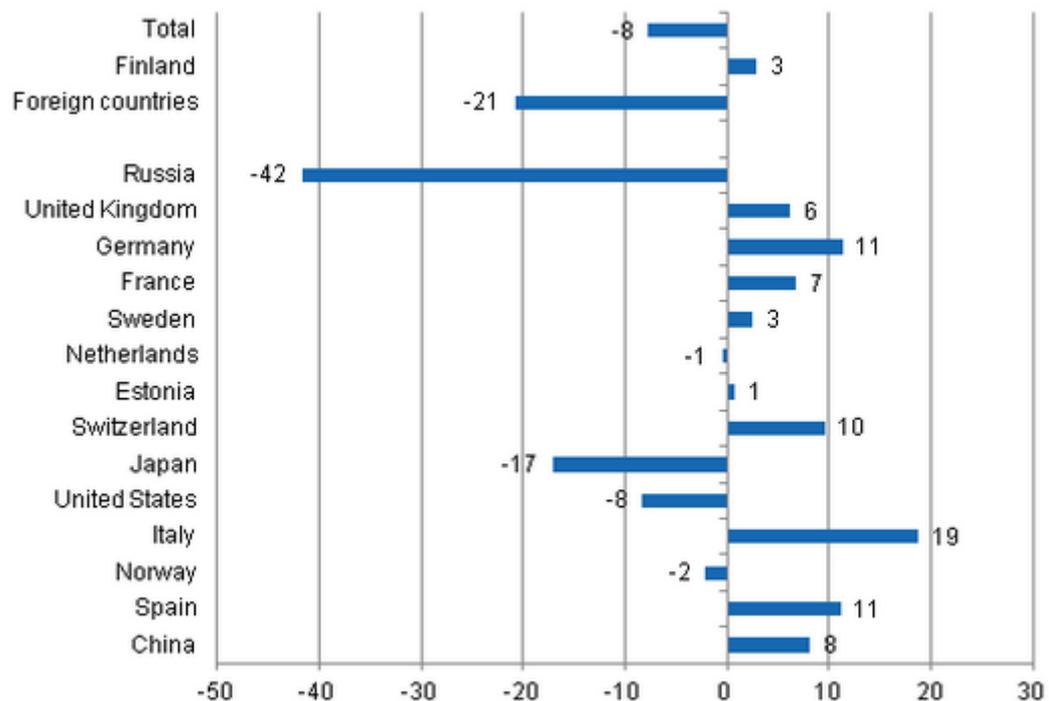


IMAGE 1. Change in overnight stays in January 2015/2014 expressed in percentage (Statistics Finland 2015)

In addition, the table presented in Appendix 3 shows that the total amount of nights spend in Finland in January 2015 is 649 171, where the Finnish arrivals accounted for 464 293, arrivals from foreign countries is for 184 878, where the first position placed by Russia (58 152 nights spend), the second position of Sweden (14 492 nights spend) and United States on the third position (13 478 nights spend). (Statistics Finland 2015.)

The new hotel will be located in the region Pohjois-Savo. In accordance to the image 2 from the web source Statistics Finland (2015), the amount of overnights staying in Pohjois-Savo decreased by 6% in 2015 in comparison with January of 2014. From my point of view, this amount is not significant in comparison with other regions. For instance, South and North Karelia each has average of 24% decreased.

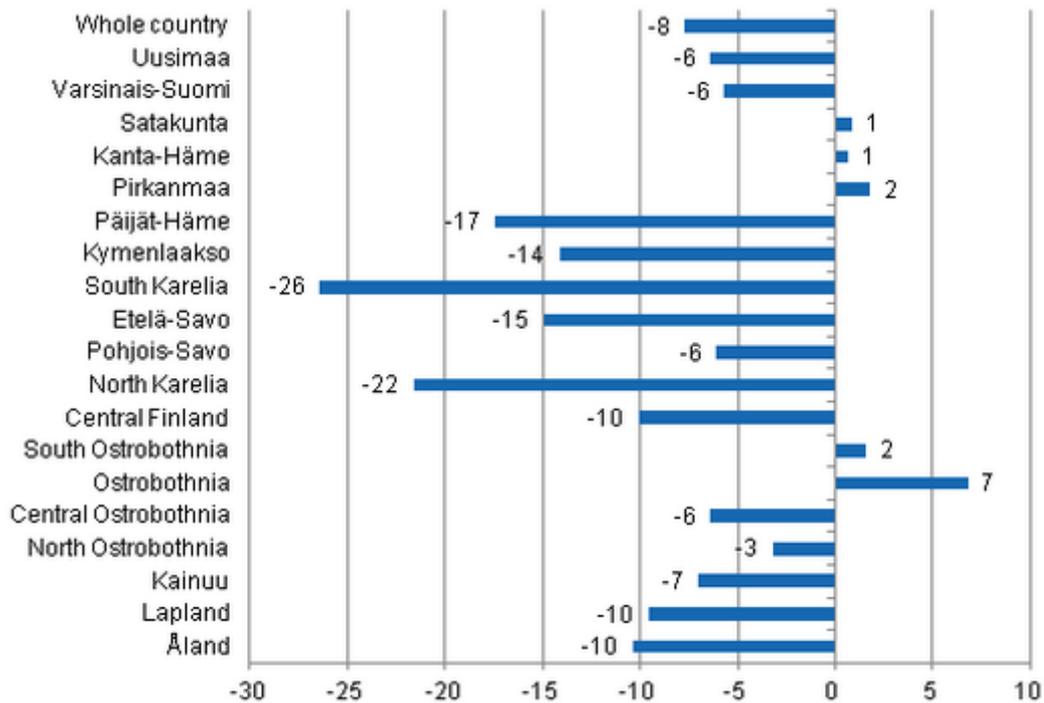


IMAGE 2. Change in overnight stays in January by region 2015/2014 expressed in percentage (Statistics Finland 2015)

The official web site Statistics Finland also provides us with price difference from January 2014 to January 2015. The image 3 represents that the average room price in January 2014 was 93.01 euro, while the average price in January 2015 is 91.02 euro. The changes are slightly differ from the previous year.

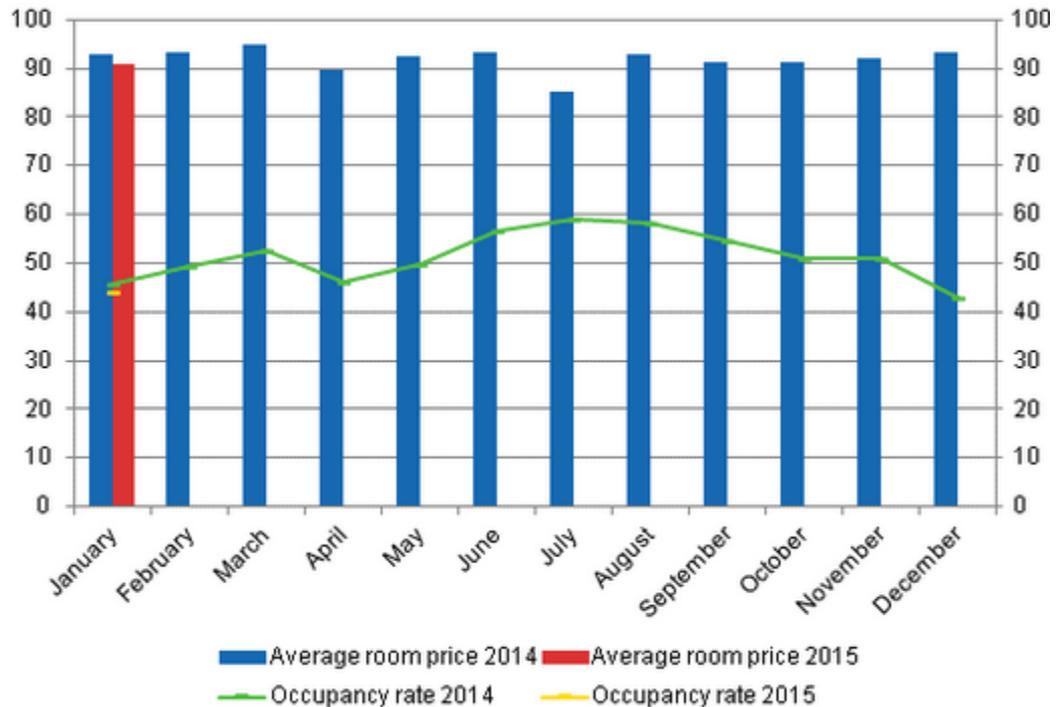


IMAGE 3. Hotel room occupancy rate and the monthly average price (Statistics Finland 2015)

According to the table presented in Appendix 2, the total amount of nights of 1 109 182 were spent in Finnish hotels in January 2015. The 19 regions were considered. The table shows that the largest total amount of nights spent has region Uusimaa (Helsinki, Espoo and Vantaa) and the lowest amount have Eland (4 149 nights) and Central Ostrobothnia (6 438). The region Pohjois-Savo (Kuopio) has 48 391 spend night during January 2015. In addition, the total change of nights in Pohjois-Savo is 0.2%, that means a positive result. (Statistics Finland 2015.)

These facts represent that there is a difficult economic situation in the world, but there is a still a large amount of people desiring to explore Finland. To attract customers, the hotel should provide the service at a high level with affordable prices. The investigations and observation of the partner company were discussed in the first part of the thesis and used in order to combine all the necessary information and findings with competitors and customers' preferences' consideration to create a hostel's business plan. In addition, the results of conducted investigations shows that Kuopio region is extremely popular for tourism, shopping and active holidays, therefore the hotel could be located in Kuopio.

## 2.6 Potential competitors

Competitor means a company offering a similar product and services to the same customers at similar prices or a company making products that supply the same service. (Kotler & Keller 2012). As competitors are the most dangerous threat for the organization, they have to be observed primarily.

This chapter will consider Porter's Five-Force model, major steps to explore competitors, official star-rating requirements in Finland and description of potential competitors. Moreover, the results of the investigation will be explained at the end of each chapter.

### 2.6.1 Types of competitors

The competition could not be avoided if we deal with business, because in almost all areas companies are already established. There are several types of competitors such as direct, indirect and replacement:

- A *direct* competitor is someone that offers the same products, with the same end game. (Clowe 2012). These companies provide us the most serious and dangerous competition. Customers can easily get away from us, if our competitors offer more favorable terms of cooperation, lower prices, interesting discounts, bonuses or gifts. When we started to develop the market, then these competitors have a major have some time working in the business, because they are already known for customers, they have reputation, have a certain weight on the market and customers are reluctant to change their habits.

- *Indirect* competitors offer the same stuff but have a different goal; they do not drive revenue the same way. (Clowe 2012). However, these companies are present in the same markets and the value of their proposal could be the same or similar, but they offer a completely different product.

- *Replacement* competitors are something someone could do instead of chooses your product, but they're using the same resources they could have committed to your product. (Clowe 2012). It is the most complex and unpredictable form of competition. Moreover, it is difficult to anticipate their actions It is impossible to understand when

and how they will move into the category of direct or indirect competitors, thus all companies have follow news appearing on the market to be ready for different situations.

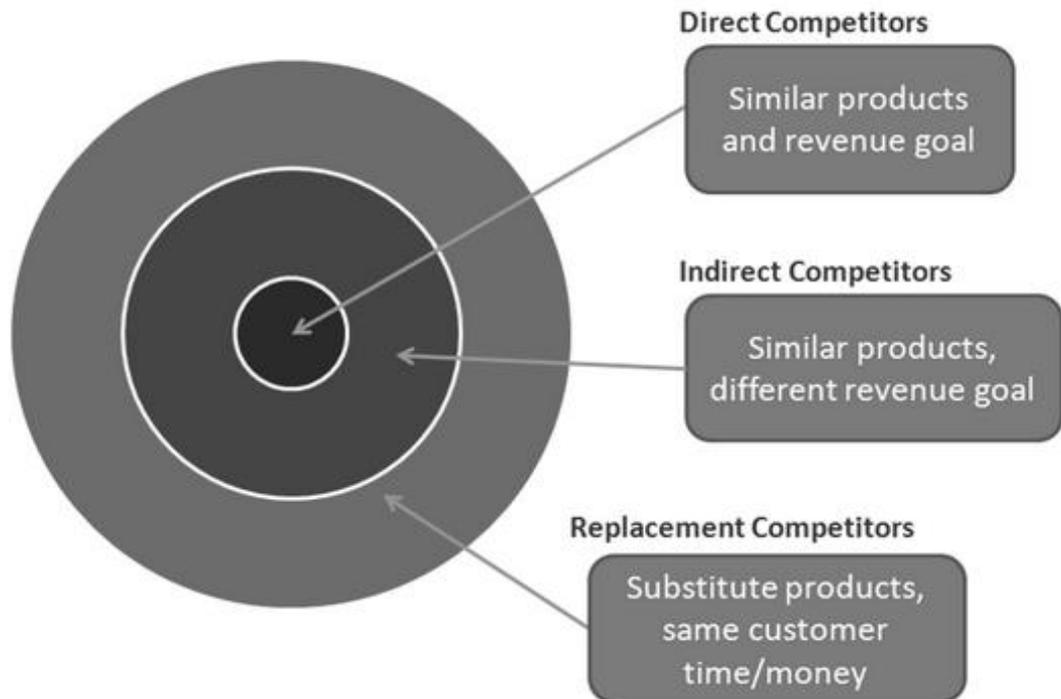


IMAGE 4. Types of competitors (Clowe 2012)

### 2.6.2 Porter's Five-Force model and significant steps for consideration

Most of the modern markets are competitive. Hence the need to study the competition, its level of intensity, forces and market factors that have the greatest impact on competition and its prospects is increased.

The number and capacity of firms competing on the market determines the level of competition. The intensity of competition is considered the most when the market has a significant number of competitors of approximately equal strength. However, this rule is not universal and always faithful to the position of the company, conducting research on the market. So for a large firm, which has powerful resources and many advantages, competitors are only firms of similar size with similar capabilities. On the contrary, for the medium or small company the presence of even one major competitor may be a significant obstacle to achieve success.

As the competitive environment is formed not only under the influence of intra struggle competitors, to analyze competition the Porter's Five-Force model should be considered:

- **Rivalry among competing firms** is usually the most powerful of the five competitive forces. The strategies pursued by one firm can be successful only to the extent that they provide competitive advantage over the strategies pursued by rival firms. Changes in strategy by one firm may be met with retaliatory countermoves, such as lowering prices, enhancing quality, adding features, providing services, extending warranties, and increasing advertising
- **Potential entry of new competitors** - Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms increases. Barriers to entry can include the need to gain economies of scale quickly, the need to gain technology and specialized know-how, the lack of experience, strong customer loyalty, strong brand preferences, large capital requirements, lack of adequate distribution channels, government regulatory policies, tariffs, lack of access to raw materials, possession of patents, undesirable locations, counterattack by entrenched firms, and potential saturation of the market.
- **Potential development of substitute products** – In our case, the hotel could be replaced by another hotel with more suitable condition for staying
- **Bargaining power of suppliers**
- **Bargaining power of customers** - When customers are concentrated or large or buy in volume, their bargaining power represents a major force affecting the intensity of competition in an industry. Rival firms may offer extended warranties or special services to gain customer loyalty whenever the bargaining power of consumers is substantial. In our case, additional service or special discounts could be provided to be more attractive for the customer (Fred 2011.)



IMAGE 5. Porter's Five-Force model (Fred 2011)

In our case, demand for a service in the sphere of hospitality is slightly growing, so the companies are not likely to conduct aggressive policies. The emergence of new competitors on the market in the near future is not expected due to the high barriers to entry such as costs that have to be covered on the start-up period, legal issues and difficulties in profit achievement. Service as well as prices of competing firms in the industry are not identical and will be analyzed further. The threat from buyers is large, because there is a large amount of competitors and they could be gathered by good promotional tools. Costs of care firms from the market of the product are great (retraining of staff, loss of sales network, liquidation of fixed assets and others.), so you should expect more perseverance firms out of the market to fight for their position - it slightly increases the level of competition. In general, the level of competition is low and in the near future will not change. Costs of leaving firm from the market are great, so the company should expect more perseverance firms out of the market to fight for their position - it slightly increases the level of competition. In general, the level of competition will be considered further to understand what advantage should have a firm to gather as much as possible customers.

There are five important steps to consider while monitoring your competitors:

1. Identify your competitors
2. Examine prices
3. Consider services
4. Compare services and prices
5. Determine the strongest competitors
6. Collect findings (Kleinvor 2012.)

### **2.6.3 Star-rating requirements in Europe**

At the present time, rating used to identify the quality of the hotel. There is a well-known association in Europe called HOTREC that operates with Restaurants, Cafes and Hotels. The HOTREC is an umbrella organization for 39 associations from 24 European countries. At a conference in Bergen in 2004, the partners drafted a hotel classification system in order to harmonize their national standards. In 2007 HOTREC launched the European Hospitality Quality scheme (EHQ) which has since accredited the existing national inspection bodies for hotel rating. (HotelStar 2015.)

The official criteria regarding hotels in Europe could be obtained from the official web site HotelStar (2015). At the moment, there is possibility to observe criteria of 2015-2020 years. The list of criteria consist of general information, reception and service, rooms, gastronomy, event facilities, leisure, quality and online activities.

The first part of the official criteria consists of the hotel general information. Cleanliness and perfect hygiene are prerequisites, all mechanisms and equipment should be functional and in faultless condition, all services must be provided by competent and identifiable staff in every hotel. The elevator has to be available in four/five-star hotels. Other requirements such as parking possibilities for the bus, garage, and wheelchair are not necessary.

The second part is about reception and service. For the hotels with stars from one to three separated area or desk securing privacy is required, while separate reception station should be organized in four/five-star hotels. Reception service should be opened 24 hours in five/four-star hotels, while in one-three star hotels it is possible to be available 24 hours for phone calls. Daily room cleaning, change towels on demand should be available in every hotel. Bilingual staff is required for three/four-star hotels, when multilingual personnel are necessary to have in five-star hotels. Photocopy/scan service, left-luggage service, daily newspapers and sewing service are important for four/five-star hotels. All types of hotels except one-star accommodation have to offer sanitary products and payments via cards to its guests. In addition, shoe polishing service, ironing and laundry have to be available from the hotel of three-star.

The third criteria concerning rooms show that all hotels should have modern and well-kept blanket with pillows, possibility to darken the room, wake-up service, adequate

wardrobe, linen shelves, accessible power socket, good room lighting, TV, available telephone for guests, internet access in the hotel, shower or bath with curtain, wash-basin, mirror, towel rails, toothbrush tumbler, toilet paper in reserve, one bath towel per person and waste bin. Hotels of three-five stars also have to provide clients with additional blanket, pillow, at least one chair per bed, desk, bedside table, additional power socket, reading light, dressing mirror, radio, telephone in the room, heating option, facial tissues, hairdryer and additional cosmetic products.

The fourth criteria regarding gastronomy represents that all rated hotels have to present their guests beverage and breakfast. The rules for hotels with a rating higher than three stars have to provide clients with beverage to the room. Minibar, breakfast buffet or menu card have to be available in four/five-star hotels. There are no special requirements for event facilities, but hotels could provide their guests with banquet options, conference room, business center and additional equipment that could serve as an additional advantage for the hotel.

Criteria on part of the leisure are also not necessary for star rating, but to have something of the list would give additional opportunity to have a level higher than in other hotels. Gym, rental of sport equipment, massages, sauna, beauty salon, SPA, swimming pool, child care, area for children, waiting room, library and animation program could add additional points for the hotel.

The quality and online activities considered as a last part of the criteria. Web site with updated information and realistic pictures is the most important aspect of the list. In hotels of four/five stars quality control, systematic analysis of guests' review and complaint management system should be involved.

#### **2.6.4 Description of potential competitors**

The data about competitors in Kuopio was obtained from Internet sources such as Booking.com and TripAdvisor. The information about competitors is a significant part because competitors' competitive advantages should be discovered in order to make own business better. There are twenty-two hotels situated in Kuopio, therefore each of them potentially serves as a competitor.

According to observed results, there are three apart-hotels, three villas, four hostels and twelve hotels among which there are such well-known hotel chains as Finlandia

hotels, Sokos, Cumulus, Best Western and Scandic. Villas will not be investigated in the topic due to the inappropriate accommodation type for the business plan.

### **2.6.5 Hotels**

The term "Hotel" is commonly referred to those hotels which are located in the center of the city or urban area, offering a wide range of services and not having a high price level. This is the most popular type of hotels, where room could be booked online easily, even at the last moment before arrival. "Spa hotels" are considered to be a relatively recent phenomenon in the world of tourism. They have everything that includes the word "spa": wellness center, wellness and anti-aging treatments, gyms, swimming pools, massage rooms, comfortable rooms, relaxed atmosphere, in a general word - complete relaxation. (Subtleties of Tourism 2013.)

City hotels are most popular in the sphere of accommodation because they provide a wide range of services and facilities. Kuopio has twelve hotels: three four-star hotels (SPA Hotel Kunnonpaikka, Sokos hotel and Hotel Atlas), eight three-star hotels (Finlandia Hotel Jahtihovi, Finlandia Hotel Isovalkeinen, Scandic Kuopio, Cumulus Hotel, Hotelli Puijo Koto, SPA Hotel Rauhalampi, Hotteli Sandels and Best Western Savonia Hotel) and Hotel Koivuranta is without stars. To evaluate the most suitable and affordable hotel, at first prices for staying in each hotel should be observed.

Table 1 represents prices for staying in Kuopio hotels for one night for one, two, three, and four persons. The column of prices per one person was sorted in ascending order, thus we can mention that the price depends on the number of hotels' stars. For instance, the most expensive night per person is in Hotel Atlas and in Original Sokos Hotel Pujonsarvi that have four stars. To spend a night in the hotel without any stars, in accordance to the table, will cost only 55 € which is three times less than in four star hotels. The average price is approximately 98.25 €.

The price of three-star hotels varies from 68€ to 117€ per night. This difference is based on the service provided, availability of activities and distance from Kuopio to the hotel. To consider service, additional facilities and features of hotels Hotel Atlas, SPA Hotel Kunnonpaikka, SPA Hotel Rauhalampi and Original Sokos Hotel will not be analyzed as they are considered as developed high quality hotels with a wide range of services.

TABLE 1. Prices for accommodation (hotels)

Hotels	1 person	2 persons	3 persons	2Adults+2 Children
Hotel Koivuranta	€ 55,00	€ 55,00	€ 70,00	€ 80,00
Hotelli Puijo Koto***	€ 68,00	€ 78,00	-	-
Hotelli Sandels***	€ 75,00	€ 95,00	€ 120,00	€ 138,00
Finlandia Hotel Isovalkeinen***	€ 84,00	€ 103,00	-	€ 120,00
Best Western Hotel Savonia***	€ 88,00	€ 109,00	€ 139,00	€ 169,00
Cumulus kuopio***	€ 99,00	€ 115,00	€ 144,00	€ 154,00
Finlandia Hotel Jahtihovi***	€ 104,00	€ 114,00	€ 144,00	€ 174,00
Spa Hotel kunnonpaikka****	€ 105,00	€ 143,00	€ 183,00	€ 223,00
Spa Hotel Rauhalahdi***	€ 114,00	€ 146,00	-	€ 147,00
Scandic Kuopio***	€ 117,00	€ 142,00	€ 162,00	€ 182,00
Hotel Atlas****	€ 135,00	€ 155,00	€ 185,00	€ 215,00
Original Sokos Hotel Pujonsarvi****	€ 135,00	€ 155,00	€ 170,00	€ 185,00

The website HotelStar describes the criteria by which the number of stars will be identified. In this case, we are considering mostly three-star hotels. There are following general criteria of three-star hotels: reception opened fourteen hours, accessible by phone twenty-four hours from inside and outside, bilingual staff (German/English languages), breakfast buffet, reading light next to the bed, bath essence or shower gel, bath towels, linen shelves, offer of sanitary products (toothbrush, toothpaste and shaving kit), credit cards, three piece suite at the reception, luggage service, beverage offer in the room, telephone in the room, internet access in the room or in the public area, heating facility in the bathroom, hair-dryer, cleansing tissue, dressing mirror, place to put the luggage/suitcase, sewing kit, shoe polish utensils, laundry and ironing service, additional pillows with blanket on demand and systematic complaint management system. (HotelStars 2015.)

The results presented below are gathered from the table about services, which could be found in Appendix 2. According to the findings, represented hotels have rate on the Booking.com equal or greater than seven points (rated as a “good” or “very good” accommodation). It means that customers are satisfied with the service and quality of hotels.

The following point to consider is hotels' location. The large amount of hotels is situated inside the city (the maximum distance from the city center is five kilometers). There are two exceptions: Hotelli Sandels (19 kilometers) and Hotel Koivuranta (17 kilometers). From the researcher's point of view, this is a big minus because it is

mentioned on the website that these hotels belong to the type of "City hotels", therefore hotels should be located in Kuopio.

Activities in hotels differ as well. For example, Finlandia Hotel Isovalkeinen, Best Western Hotel Savonia and Cumulus Kuopio have own fitness center with saunas; Hotelli Sandels has a golf course (within three kilometers), availability of fishing, skiing, hiking, cycling, or using bicycles. Scandic Kuopio has a hot tub, sauna and indoorpool that is working all the year. Hotel Koivuranta is located beachfront, not rated with stars and has sufficient number of activities such as fishing, skiing, cycling, sauna, library, children's playground and BBQ facilities. High rated hotels Finlandia Hotel Jahtihovi have only sauna and Hotelli Puijo Koto does not have any activities except sauna; it is a significant minus for such hotels.

The major amount of hotels has TV, satellite channels, telephones and radio. Hotelli Puijo Koto and Hotel Koivuranta do not have any media facilities in the rooms. This point is acceptable for Hotel Koivuranta (without star rating), but unsatisfactory for three-star hotels. Internet and parking are free in all presented accommodations. Cumulus hotel has additional option of organizing private parking place (that could be considered as an additional plus).

The main services of this level of hotels are laundry/cleaning service, ironing/iron and luggage service. Hotelli Puijo Koto, Cumulus Kuopio and Finlandia Hotel Jahtihovi have these important aspects. Partly service is available in Scandic Kuopio and in Hotel Koivuranta. Hotelli Sandels, Finlandia Hotel Isovalkeinen and Best Western Hotel Savonia do not provide this service. All hotels excluding Hotel Koivuranta have non-smoking rooms, family rooms, allergy-free room and facilities for disabled guests.

Large numbers of hoteliers speak Finnish and English. These languages are essential for working with foreigners and operating in Finland. Hotelli Sandels has an incomprehensible reason to speak only in Turkish and Russian, this aspect will not allow Finnish people to stay there, and, moreover, absence of the English language will not attract English speakers. Hotel Koivuranta's staff is able to speak only Russian or Finnish. This fact can significantly decrease the number of clients as well.

The extra beds are available in the most of hotels except Hotelli Puijo Koto. For example, the best proposals are in Scandic Kuopio and Cumulus Hotel; these accommodations accept without extra charges all children from zero to twelve years, fewer

than two years cot is provided for free. Finlandia Hotel Isovalkeinen and Finlandia Hotel Jahtihovi do not offer discounts for children. Check in/out is normal almost at all hotels. The latest check in is in Hotelli Puijo Koto what could be a reason for some customers not to reserve this hotel. Cumulus Kuopio and Scandic Kuopio hotels work twenty-four hours, while other hotels have limited working time. The great disadvantage is that pets are not allowed in Hotelli Puijo Koto and in Finlandia Hotel Jahtihovi. In other hotels, they are allowed or permitted for an additional fee.

To make a final result, the advantages and disadvantages of the hotels were calculated in accordance to the table. Hotels which have all required and additional facilities are granted by two pluses, one plus was given to the columns with positive answers without additional advantages. Minuses were given to the hotels with imperfections. Therefore, Cumulus becomes the best hotel in terms of price-value balance (fifteen pluses, no minuses and prices equal to average). The worst hotel in three-star category is Hotelli Puijo Koto (nine pluses and five minuses), but the price of the accommodation significantly lower than the average. Probably, the cons could be forgiven because of the price compensation. Hotel Koivuranta has the lowest score (eight pluses and five minuses), the hotel has the lowest price per night, moreover it is not rated with stars and specific aspects are not included to the service. From my point of view, if the hotel is rated by stars and some cons are changed, it will be a good competitor to others.

### **2.6.6 Hostels**

Hostel is a low-cost housing, oriented on travelers and young people. As a rule, its guests are living in shared rooms with six, eight, ten or twelve people. The main principles of such hotels are cheapness, communication, shared facilities and bunk beds. Hostels are different. Some hostels offer a bed and a shower, accommodation in other tends to be on a level of quite serious hotels. Therefore, costs of living in the hostel depend on the quality and service provided. (Friends 2014.)

There are four hostels in Kuopio: Hostel Rauhalhti, Hostelli Matkustajakoti, Hostel Asema and Hostelli Hermanni. The tables show prices of staying in these accommodations. According to the table 2, we can identify that the accommodation called Hostelli Hermanni has the cheapest price. The person is able to get a bed in a dormitory room for thirty euros. This is a great point because hostels are based on a cheap accommodation. Hostel Rauhalhti has the most expensive price, where quadruple

room with a private bathroom costs 132 €, while in Hostel Asema it is 119 €. Quadruple room with a shared bathroom costs ninety euro in Hostelli Hermanni. It should be mentioned that Hostelli Hermanni and Matkustajakoti do not have breakfast included into the price

TABLE 2. Prices for accommodation (hostels)

Hostels	Hostelli Hermanni	Hostelli MatkustajaKoti	Hostel Asema	Hostel Rauhalahhti
Single Bed in Dormitory Room	€ 30,00	-	-	-
Single room with private bathroom	-	-	€ 59,00	-
Single room with shared bathroom	€ 50,00	€ 50,00	-	€ 70,00
Twin/double room with private bathroom	-	-	€ 79,00	-
Twin/double room with shared bathroom	€ 60,00	€ 60,00	-	€ 80,00
Triple room with private bathroom	-	-	€ 99,00	-
Triple room with shared bathroom	€ 70,00	-	-	-
Quadruple room with private bathroom	-	-	€ 119,00	€ 132,00
Quadruple room with shared bathroom	€ 90,00	-	-	-
Quintuple room with shared bathroom	€ 110,00	-	-	-

According to the table presented in Appendix 3, all hostels have points "good" rated on the Booking.com website (greater than seven of ten points). Hostel Rauhalahhti is situated six kilometers from the city center (could be a big minus in choosing accommodation). Hostels except MatkustajaKoti have different activities and service. Meal is not available in Matkustajakoti and Hostelli Hermanni. All hoteliers speak Finnish and English, in some cases there are also additional languages such as Swedish and Russian. Hotel Asema accept children for extra charge, while other hotels have special proposals, for instance, all children from zero to three years stay free of charge when using existing beds. Hostel Rauhalahhti has the latest check in (from 16:00), while the earliest is in Hotel Asema (from 13:00). Pets are allowed on request for extra charge in all hostels.

To conclude the analysis of the hostels, pluses and minuses of them should be calculated. In accordance with the results, Hostel Asema has the best score of twelve

pluses and one minus. Hostel Rauhalahki is the worst hostel among the mentioned due to its location, absence of the Internet connection and price level.

### 2.6.7 Apartments

ApartHotel is a type of accommodation, described as "a serviced apartment complex". It is similar to renting an apartment, but with no fixed contracts; additionally, occupants can 'check-out' whenever they wish. Apartment hotels are flexible types of accommodation; instead of the rigid format of a hotel room, an apartment hotel complex offers a complete fully fitted apartment. The length of stay in these apartment hotels varies with anywhere from a few days to months or even years. The people that stay in serviced apartment hotels use them as a home away from home; therefore, they are fitted with everything the average home would require. (Pure 2008.)

Three apart-hotels are operating in Kuopio: LomakotiApartments, Spa Rauhalahki Apartments and Forenom Apartments. To analyze these apartments, their prices should be observed at first. According to table 3, the cheapest apartment is Lomakoti Kuopiossa. It costs 110 € to rent an apartment there, while in others it costs 146 € and 131 €. Spa Rauhalahki Apartments has the most expensive apartment for four adults, the price difference with other hotels exceeds 75 €. Apartments significantly differ; therefore, we have to make an investigation of service and quality of each accommodation.

TABLE 3. Prices for accommodation (apartments)

<b>Apartments</b>	<b>Studio</b>	<b>Apartment for 2 persons</b>	<b>Apartment for 3 persons</b>	<b>Apartment for 4 persons</b>
Lomakoti Kuopiossa	-	€ 110,00	€ 125,00	€ 140,00
Spa Rauhalahki Apartments***	-	€ 146,00	€ 186,00	€ 224,00
Forenom Apartments***	€ 124,00	€ 131,00	€ 141,00	€ 148,00

The table in Appendix 4 regarding service in apartments shows that all apartments have good points on Booking.com; it represents that customers are satisfied with the quality of accommodations. SPA Rauhalahki Apartments is situated six kilometers from the city center while other apartments are 1.5 km away and in the city center. Lomakoti Kuopiossa has a well equipped kitchen with all the needed facilities, while others have limited amount of them. Forenom Apartments does not have any availa-

ble parking place and this point could be crucial in choosing apartment for guests, who have a car. SPA Rauhalahdi Apartments have various services and activities because the building is situated on the territory of SPA complex Rauhalahdi. Extra beds are not available in Lomakoti Kuopiossa and SPA Rauhalahdi Apartments. Pets are allowed only in SPA Rauhalahdi Apartments, thus for other hotels it could be a big disadvantage.

To identify the best accommodations, advantages and disadvantages should be transferred into pluses and minuses. Forenom Apartments have the lowest amount of minuses (pets are not allowed), while the other apart-hotels have two minuses each regarding absence of extra beds and distance from the city center. Lomakoti Apartments has the biggest number of pluses, this accommodation has the lowest price. So, the most suitable accommodation in this category is Lomakoti Apartments.

The comparison of potential competitors shows the best hotels in terms of price-value balance. I am convinced that this research will help to understand what kind of service has to be in the hotel and what prices should be installed in order to attract more customers. The main findings will be utilized in the business plan expansion to gather competitive advantage and attract clients.

## **2.7 Research of customers' preferences**

The paragraph concentrates on the practical research process regarding the customers' preferences. Research methods, data collection along with data analyses and research results will be uncovered.

The process of identifying customers' preferences is an essential, because the success of the enterprise directly depends on investigations conducted to establish business which will satisfy consumers' needs. Therefore, the research is relevant part of the investigations and it will be implemented in the next chapters.

### **2.7.1 Research Methods and Data Collection**

Qualitative and quantitative methods are used in the research to collect data from customers of RaitaHouse Oy, TUKIKON Oy and potential consumers.

I have chosen both qualitative and quantitative research methods, because the combination of these two essential tools would provide with a correct and explicit outcomes.

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes. (Sapsford & Jupp 2006.) Survey was involved into the investigation process. The main representative of the quantitative research is a survey - standardized paper-pencil questionnaires, which were given to the customers of RaitaHouse Oy, TUKIKON Oy and sent to the potential clients in order to identify their preferences concerning hotels in Finland. The total number of paper-based questionnaires that were distributed to the customers is 30, while 100 messages were sent via email and public social networks (VK and Facebook) to gain responses.

The qualitative method in the form of open-ended questions was utilized to understand clients' interests about desired vacation as well as obtain advices in hospitality service improvement and get additional information about marketing tools. The attached invitation letter was sent to potential clients and could be found in Appendix 1.

### **2.7.2 Questionnaire**

The questionnaire was made with special technical tool for creating surveys and commonly used by Savonia UAS called Webropol. The questionnaire was created in two languages: Russian and English. These languages were chosen for some reasons. First of all, English is an international language and my study language. Besides, coming international clients all speak English even if they are from India or China. The second language chosen is Russian because about seventy percent of guests are from Russia and major part of them does not speak English.

The questionnaire was conducted anonymously and took about five-seven minutes to complete. The survey consists of twenty-two questions: sixteen multiple-choice questions and six open-ended questions. Moreover, each multiple-choice question has an additional option to write something that is not mentioned in multiple questions.

The first two questions were made in order to understand who answered the questions, thus sex and the age of the respondents were considered. The next question was created to understand language competencies of an interviewee. The fifth question was observed to discover with whom guests are usually spend time in Finland. The purpose of the visit, preferred type of vacation and accommodation, needed service, the best way of hotels' reserving and obtaining information, the most important aspects in leisure trips, preferences concerning food, parking place and translator were discussed in the next questions. Furthermore, the frequency of holidays in Finland, the optimal amount of money and days to spend there were considered as well. The last questions explored the best months to spend in Finland, thoughts concerning Finnish hotels and advices on attracting new customers. The survey questions are attached in Appendix 5.

### **2.7.3 Data Analysis**

The quantitative data obtained through invitation letters, customers of RaitaHouse Oy and TUKIKON Oy are analyzed gradually and utilized in the business plan. To explore gathered information more accurately, the data is transformed to the Microsoft Excel tables and pie charts. Moreover, to compare all the results obtained by Webropol and face-to-face meeting with guests, all outcomes are united into one table to identify the difference between International answers and responses of Russian people.

The qualitative data is observed in open-ended questions, where people expressed their opinions regarding hotels' service in Finland. The most answers determined are located in the chapter of Qualitative Research Result, while less significant points are in Appendix 6 and Appendix 7.

### **2.7.4 Description of results and analysis**

The survey results are very important to the thesis because they make the foundation for the future investigation. One of the most important aspects is customers' view, thus questionnaire shows what clients prefer and what they do not want to see in the hotel. Moreover, their advice and views are considered to evaluate opinions of people who were in a real business environment.

To collect answers for the questionnaire, the messages were sent to the potential customers, to guests of RaitaHouse Oy and TUKIKON Oy. The link of the Webropol survey was mentioned in each email in order to gain responses. The other part of answers was obtained by direct distribution of the printed questionnaires to the clients of RaitaHouse Oy. All answers are summarized in tables and pie charts of Microsoft Excel. The questionnaire is presented in Appendix 5 and the letter of invitation is presented in Appendix 1.

The total number of online respondents is eighty-nine. The total number of customers' answers in the hotel is thirty. The rate of response in paper-based questionnaire is hundred percent, while via internet is 88%. Total number of participants is 118.

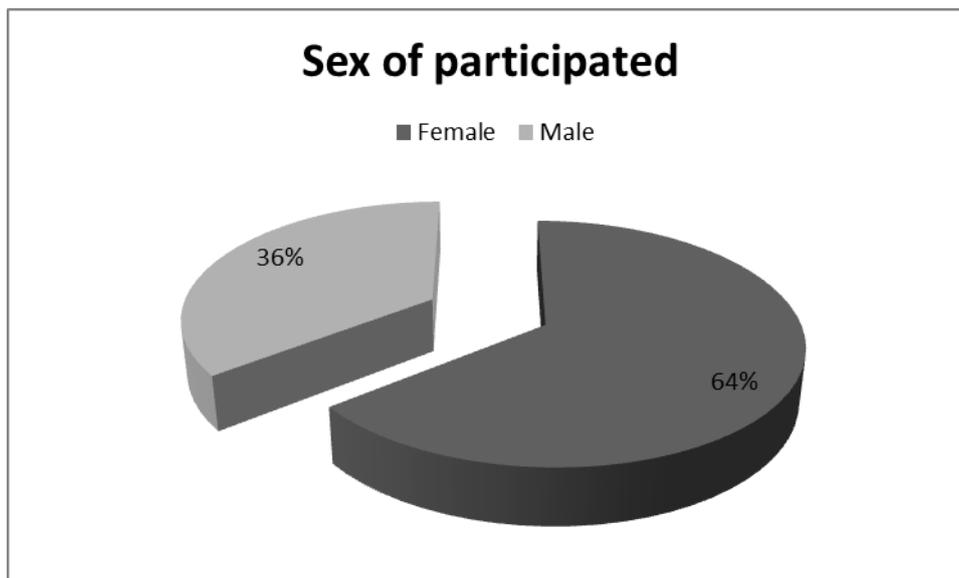


FIGURE 1. Sex of respondents (n=118)

The first two questions show the information about respondents. According to the table, there is a big difference between sex of answerers, thus seventy-six responds are received from females and forty-two questionnaires are obtained from males. Table 9 concerning age of respondents represents that young people between age 18-24 and 35-44 mostly participate in questionnaire (seventy-four respondents among 118).

TABLE 4. Age of respondents (n=118)

<b>2. Age</b>	Online (n=88)	Paper-based (n=30)
<b>18-24</b>	18%	11%
<b>25-34</b>	30%	6%
<b>35-44</b>	28%	10%
<b>45-54</b>	18%	3%
<b>55-64</b>	6%	3%
<b>65 and m</b>	0	0
<b>Total</b>	75%	25%

According to table 5, where respondents mention what languages they speak, we can notice that the main language is Russian (ninety respondents). This value is high because the majority of hotels' guests are people from Russia. The second language is English (seventy-one responders) due to its international significance. The third position belongs to the Finnish language (twenty-four responders), because Finnish people travel around their home country as well as foreigners. The results show that preferable languages for hoteliers are Russian, English, and Finnish. The presence of German, Spanish, French and Italian may be an advantage as well.

TABLE 5. Languages

<b>3. Languages</b>	Online	Paper-based	Total
<b>Russian</b>	89	1	90
<b>English</b>	42	29	71
<b>Finnish</b>	15	9	24
<b>German</b>	13	6	19
<b>Spanish</b>	4	4	8
<b>French</b>	3	4	7
<b>Italian</b>	0	6	6
<b>Estonian</b>	0	3	3
<b>Chinese</b>	0	2	2
<b>Swedish</b>	0	2	2
<b>Polish</b>	0	1	1
<b>Norwegian</b>	0	1	1
<b>Danish</b>	0	1	1
<b>Japanese</b>	0	1	1

The next table 6 presents that people visiting Finland prefer to stay in hotels with friends (forty-five responses or 38%), with a spouse (forty-two responses or 36%) and with children (forty-one responses or 35%). Therefore, a family room should be organized along with a special price for this kind of accommodation. For example, rooms

for two adults plus two children have to be discounted. The possibility to stay with animals is required (seventeen respondents or 14%). Probably, special equipment has to be organized, such as feeders, beds and toilets for big and small animals. The equipment could be provided as an additional service for an extra charge.

TABLE 6. With whom clients prefer to spend holidays

<b>4. With whom do you spend your holidays?</b>	Online (n=30)	Paper-based (n=30)	Total (n=118)
<b>Friends</b>	33%	53%	38%
<b>Spouse</b>	40%	23%	36%
<b>Children</b>	34%	37%	35%
<b>Parents</b>	24%	20%	20%
<b>Animals</b>	13%	10%	14%

According to the table 7, the most popular option is recreation (sixty-nine answers or 58%). The majority of people visit Finland in order to relax in a peaceful and quiet atmosphere. Therefore, all conditions of a relaxed atmosphere have to be respected. The second option is tourism which is selected by sixty-one persons or 52%. This means that guests have a desire to visit new restaurants, theaters, museums and attractions of the city. Thus, this is a great opportunity to think about organization of excursions around the city. Shopping is placed on the third position (forty-nine respondents or 42%); hence, about a half of interviewees visit Finland to purchase different goods. Shopping tours could be organized for those people as well.

TABLE 7. Purpose of the visit

<b>5. Purpose of the visit</b>	Online (n=88)	Paper-based (n=30)	Total (n=118)
<b>Recreation</b>	73%	17%	58%
<b>Tourism</b>	48%	63%	52%
<b>Shopping</b>	43%	37%	42%
<b>Business trip</b>	6%	27%	11%
<b>Medical treatment</b>	9%	3%	8%
<b>Other</b>	fishing, studying	0	2%

The table 8 shows that active holidays is the most popular option. It means that visitors prefer to spend most of the time outside the hotel. This category of visitors prefers to order economically suitable hotels. Secluded vacation is chosen by twenty-seven respondents or 23%, thus those people prefer to spend time, for instance, in the hotel located in the forest or in the suburb territory. Beach holidays are selected

by twenty-four or 20% persons who like to spend the time in Finland near a lake or a river.

TABLE 8. Preferred type of the vacation

<b>6. Which type of the vacation is the most attractive?</b>	Online (n=88)	Paper-based (n=30)	Total (n=118)
<b>Active holidays</b>	41%	70%	48%
<b>Secluded vacation</b>	24%	20%	23%
<b>Beach holidays</b>	16%	33%	20%
<b>SPA holidays</b>	10%	23%	14%
<b>Other</b>	6%	0	4%

As the research shows (table 9), the sauna is the most requested service in hotels of Finland (eighty-six responses among 118). It becomes evident that each accommodation has to make a sauna. Also, one public sauna in the hotel for an extra charge could be organized. Presence of bicycles attracts fifty-nine responders. Bicycles could be provided for an extra charge or for free. Organization of excursions is placed on the third position; it means that people are ready to spend money on touristic activities that could be organized by the hotel. It could be a usual observation of the city or a visit to historical museums. From the researcher's point of view, all interesting services will be requested by guests in further research of the hotel. The most popular services should be provided by the hotel in order to achieve success.

TABLE 9. Service in the hotel

<b>7. What kind of service would you like to have in the hotel?</b>	Online	Paper-based	Total
<b>Sauna</b>	58	28	86
<b>Rental of bicycles</b>	36	23	59
<b>Organization of excursions</b>	35	9	44
<b>Organization of picnic</b>	18	14	32
<b>Rental of rollerblading/skating</b>	22	6	28
<b>Rental of skiing equipment</b>	21	7	28
<b>Photographing service</b>	20	6	26
<b>Fishing equipment</b>	15	9	24
<b>Billiards</b>	16	4	20
<b>Board games (checkers, chess and dominoes)</b>	12	1	13
<b>Laundry</b>	9	4	13
<b>Rental of rackets for table and big tennis</b>	9	1	10
<b>Rental of a banquet hall</b>	2	1	3
<b>Other</b>	0	0	0

The following research in the table 10 shows that the best type of accommodation is Aparthotel (sixty respondents). These apartments are well equipped with all necessary facilities for a great vacation. Moreover, such apartments are relatively inexpensive.

sive. That is why this type of accommodation is the most popular among the others. A usual hotel situated in the city and having cheap prices gains popularity as well (forty-six respondents). The main reason to visit Finland, according to the answers, is recreation; thus, the third position is occupied by SPA Hotels (thirty-one answers). This aspect could be considered in a business plan; hence, service regarding SPA procedures could be added.

TABLE 10. Preferable type of accommodation

<b>8. Preferable type of accommodation</b>	Online	Paper-based	Total
<b>Aparthotel (apartments, small houses, villas)</b>	45	24	69
<b>Hotel (in the city, not expensive)</b>	39	7	46
<b>SPA Hotel</b>	22	9	31
<b>Resort Hotel</b>	25	5	30
<b>Hostel</b>	16	6	22
<b>Ski Hotel</b>	17	2	19
<b>Camping</b>	10	6	16
<b>Business Hotel</b>	3	2	5
<b>Boutique Hotel (5*, luxury hotel with stylish design)</b>	3	0	3
<b>Other</b>	0	0	0

The most popular way to reserve accommodation (table 11) is web site Booking.com (sixty-three respondents or 53%), thus all hotels have to be registered on the popular website in order to gather more clients. Another way to reserve a room is to use the website of the hotel (thirty-six responses or 31%). Therefore, a site of the hotel should be available. Another way placed on the third position is to order a room via e-mail (twenty-seven responses or 23%). The e-mail address should be available for potential clients.

TABLE 11. The best way to reserve accommodation

<b>9. What is the best way of reserving accommodation?</b>	Online (n=88)	Paper-based (n=30)	Total (n=118)
<b>By Booking.com</b>	53%	53%	53%
<b>By the website of the hotel</b>	33%	23%	31%
<b>By the e-mail</b>	15%	47%	23%
<b>By the travel agency</b>	19%	17%	19%
<b>By the phone</b>	17%	17%	17%
<b>Other</b>	0	0	0

To gather information about accommodations, people usually use the Internet (ninety-four responses) or listen to recommendations. Therefore, hotels should upload to the Internet as much information as possible in order to be chosen by clients (table

12). Moreover, by providing good service and representing friendly attitude to the guest, the hotel could be recommended to the others.

TABLE 12. The ways of obtaining information about hotels

10. How do you obtain information about hotels?	Online	Paper-based	Total
<b>Internet</b>	68	26	94
<b>Recommendations</b>	38	12	50
<b>Travel Agencies</b>	20	4	24
<b>TV/Radio</b>	1	9	10
<b>Newspapers/Magazines</b>	8	1	9
<b>Other</b>	0	0	0

From the diagram below, we could notice that results are relatively the same (they are slightly differing by two percent). Therefore, some customers prefer to spend time in Finland less than four times a year and other part prefers to spend time there more than four times a year.

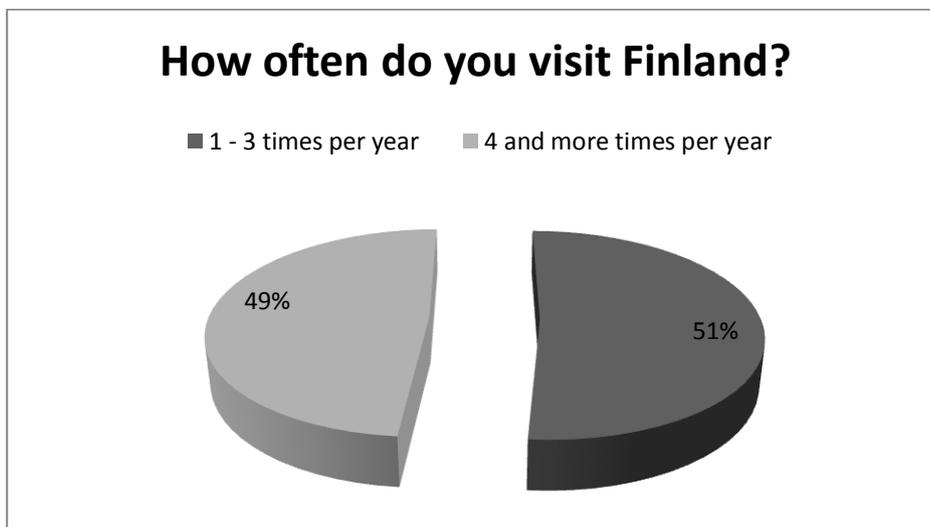


FIGURE 2. The amount of trips to Finland per year

The most important aspects in choosing a leisure trip are comfort and costs in accordance to the table 13. Therefore, the accommodation should be considered in terms of price-value balance when choosing the best hotel to spend time there. Moreover, location and reviews about the hotel are considered by customers as well.

TABLE 13. The most important aspects in choosing a leisure trip

12. What is the most important aspect in choosing leisure trip?	Online (n=88)	Paper-based (n=30)	Total (n=118)
Comfort	57%	53%	56%
Costs	60%	40%	55%
Location of the hotel	40%	40%	40%
Reviews	39%	33%	37%
Popularity of accommodation	10%	10%	10%
Other	1%	0%	1%

According to the table 14, respondents prefer to stay at the hotel with breakfast (thirty-eight responses or 32%). The second position is no meal (25%), where people eat where they like or cook at an own kitchen in aparthotels.

TABLE 14. Type of food

13. What type of food do you prefer?	Online (n=88)	Paper-based (n=30)	Total (n=118)
Only breakfast	35%	23%	32%
No meal	17%	47%	25%
Breakfast and dinner	23%	10%	19%
All inclusive	22%	13%	19%
Breakfast and lunch	9%	10%	9%
Lunch and dinner	5%	0%	3%
Other	3%	3%	3%

Question number fourteen regarding food preferences was open-ended. Twenty-six respondents mention that Finnish kitchen best suits for the holidays in Finland, twenty persons answer that they prefer to eat Russian food, seventeen persons like international food, some individuals mention that they do not have any preferences and will eat what the hotel will organize.

The need of a parking place is considered in question number fifteen. Ninety-one persons mention that a parking place is necessary, while only twenty-three respondents say that the parking place does not play a significant role. Therefore, each hotel should have an own parking place for free or for an extra charge.

Question number sixteen asks people whether a guide or a translator is needed during their stay in Finland. The majority (ninety-two) of guests do not want to use this service. There are only nineteen people who are not able to understand foreign languages.

The table 15 of the optimal sum which people willing to pay for one night per person shows that twenty-thirty euros is the most suitable sum per night. It means that two persons room will cost approximately forty-sixty euros per night (apartment, hostel or hotel of economy class). The next position has thirty – fifty euro per month means sixty – hundred euro per two people. This sum also could be spent in the hotel of the lowest category. For a hundred euros, people are able to find three-star hotels on sale.

TABLE 15. The optimal amount of money people are willing to spend for one night

<b>17. What is the optimal amount of money you are willing to spend per one night (1 person)?</b>	Online (n=88)	Paper-based (n=30)	Total (n=118)
<b>20 - 30 euro</b>	41%	15%	42%
<b>30 - 50 euro</b>	30%	9%	29%
<b>10 - 20 euro</b>	10%	6%	12%
<b>More than 50 euro</b>	3%	2%	4%
<b>Up to 10 euro</b>	2%	0	2%

The most suitable period to spend in Finland is less than seven days 47% (fifty-five responses). The period from seven to fourteen days selected by 34% (forty responses) of respondents is also popular in accordance with the table 16.

TABLE 16. The optimal number of days to spend in Finland (n=118)

<b>18. The optimal number of days to spend in Finland</b>	Online (n=88)	Paper-based (n=30)	Total (n=118)
<b>Less than 7 days</b>	53%	27%	47%
<b>From 7 to 14 days</b>	33%	37%	34%
<b>From 15 to 21 days</b>	11%	7%	10%
<b>From 21 days and more</b>	2%	23%	8%

Question number nineteen presents the most suitable months to visit Finland. The result shows that all months are partly mentioned, but the most valuable are July, August, December and January.

The next two questions are open-ended. This part could be explained as qualitative research method, because there people expressed their opinions regarding hotels in Finland. Generally, potential clients and customers of TUKIKON Oy and RaitaHouse Oy mention in question twenty that they would like to have rental sports and pets' equipment, staff speaking different languages, activities for children, international TV channels, computer, breakfast, warm, fashionable and quiet rooms, tour desk with excursions and sauna.

Question twenty-one observes different ways of attracting new customers. Respondents note that the advertisement should be located in the streets and around the roads, abroad, and in the Internet in Twitter, Instagram, VK and all useful websites. In addition, professionals from the marketing sphere could also help to develop the enterprise. Furthermore, interviewees recommend cooperating with different SPA salons, having special discounts and providing customers with a unique opportunity to have service free of charge in order to advertise company better. The whole lists of the most common answers are presented in Appendix 6 and Appendix 7.

### **2.7.5 The major findings on survey**

The main findings indicate that hoteliers have to speak at least three languages, such as Finnish, English and Russian (German, Italian, Spanish and French would be an additional advantage); the most frequent guests are families with children and groups of friends; some families could arrive to the hotel with pets; the major purpose of the visit is recreation, shopping and tourism; active holidays is the most requested type of vacation; the most valuable service for guests are availability of sauna, bicycles rentals and opportunity to organize excursions; aparthotels, city hotels and SPA hotels are the most popular accommodations among respondents; it is common to use Booking.com or the official website of the hotel to reserve accommodation; people use the Internet and ask for advice and recommendations to know about the best hotel to visit. Moreover, in choosing the hotel, respondents primarily consider its comfort and price. Besides, only breakfast or no meal options are preferred by potential customers. In addition, respondents are willing to pay about twenty-fifty euro per person to stay in the hotel for one night. Questions twenty and twenty-one should be considered afterwards in the business plan.

The results of the questionnaire are an essential part of the report because some aspects that could be invisible in business can affect the amount of customers and finally impact the total profit of organization afterwards. The main points are considered in business plan in order to create an appropriate hotel that will meet the needs of different customers.

### **3 OBSERVATION OF RAITAHOUSE OY AND TUKIKON OY**

The paragraph concentrates on RaitaHouse Oy, where all important information along with its description, prices, service, profit, revenue, marketing tools and other aspects will be revealed. The SWOT analysis of the RaitaHouse Oy is created and analyzed. The recommendations of service improvement are provided as well. Moreover, the major mission and vision of the enterprise TUKIKON Oy, which assisted in the thesis, is explained.

The observation of RaitaHouse was in terms of unstructured interview, where questions to the owners aroused gradually. Generally, represented investigation made in accordance to the official financial statements and questions to the owners.

#### **3.1 RaitaHouse Oy**

The chapter introduces description of RaitaHouse Oy, prices for service, popularity, promotion tools, customers, competitors that are situated in Savonlinna, major costs, revenues and future plans. In conclusion, SWOT analysis and recommendations in service improvement will be provided.

The experience and knowledge will be used in further business plan. Moreover, this example could serve for other entrepreneurs as an approximate sample of real existing business in the sphere of tourism.

##### **3.1.1 Description and prices for service**

RaitaHouse Oy is a small hotel chain located in Savonlinna where I worked during the summer period and cooperated with from the hotel's opening. The chain consists of three main objects called RaitaHouse, RaitaVilla and Apartments Savonlinna. Officially, the hotel started to work in 2013. RaitaHouse was opened in June 2013; RaitaVilla was announced for rent in August 2013 and Apartments Savonlinna has been operating since June 2014. Generally, it could be mentioned that the operation period of the organization does not exceed two years; however, the enterprise has shown a spectacular success.

RaitaHouse Oy hotels have different types of accommodation: the object RaitaHouse is situated in Savonlinna, Kaarnatie 5. The hotel has six apartments that are located a hundred meters from Saimaa Lake and fifteen minutes' walk from the city center of Savonlinna. Each apartment is of different size. At the moment, three apartments are of the same size of seventy-two square meters, four bedrooms, two toilets, a shower, and a well-equipped kitchen. Other three apartments have thirty-six square meters: two rooms, a toilet, a shower and a kitchen. All these apartments have their own terrace, parking place, heating, barbecue facilities, table tennis, Wi-Fi, darts, shuttle service, bikes free of charge, fishing, hiking, skiing, children's playground, and football and volleyball play-fields. Moreover, towels and bed linen are included into the price. The price for one person to stay in the hotel according to Booking.com is sixty euros, for two persons is sixty-six euros, for three persons is seventy euros, eighty-six euros for four persons and 160 euro for the maximum of eight persons. If clients order the accommodation in advance directly by the company's email, they could get an additional ten percent discount. At present, owners of the RaitaHouse Oy are planning to expand the number of rooms by division of several apartments until summer 2015.

Object RaitaVilla is a cottage situated in Savonlinna, Raitatie 18. This accommodation is located ten minutes from the city center. The property has a private sauna, a fully equipped kitchen, a guestroom, a laundry, two toilets, a shower, four bedrooms, a parking place, and a terrace with a pond and barbecue. RaitaVilla provides clients with additional facilities, such as bikes free of charge, surcharge shuttle service, darts, express check-in/check-out, fishing assistance, ski storage, newspapers, TV-area and other useful services. Towels and bed linen are included into the price if customers rent a house for more than two nights. The price is 175 euro per night for a maximum of six people, 225 euro per eight persons. The company is planning to acquire one more house on adjacent territory to create resort complex for a big companies and friends.

Apartments Savonlinna is the third object of RaitaHouse Oy located in Savonlinna, Nojanmaantie 16. This accommodation is situated 3.6 kilometers from the city center. Three apartments are included to Apartments Savonlinna: a Studio Apartment, two-rooms Apartments and a Superior apartment. The first apartment is Studio – it is a thirty square meters fully equipped apartment for maximum two adults and a child. The price for two persons is seventy-five euros; extra bed is for ten euros per night. The two-room apartment has sixty square meters accommodation with two rooms

and a sauna, a fully equipped kitchen, a toilet and a shower. The price for the accommodation is ninety-nine euros for maximum four persons. The last apartment is Superior: 120 square meters, three bedrooms, a guestroom, a fully equipped kitchen, a toilet, a shower, a possibility to have sauna for surcharge, a terrace, a garden, and a smoking-equipped place. All apartments of the hotel Apartments Savonlinna have own parking places, shuttle service and bikes free of charge. The price per night is 145 euro for a maximum of six persons. Into these prices, towels and bed linen are not included; they could be obtained for an extra charge. Extra charges: extra-person is additional twenty euros per night, baby-cot is ten euros, bed linen and towels are five euros per person, and sauna in some cases is fifteen euros per two hours.

Prices for accommodations directly depend on certain periods of time because special events increase the number of clients. For instance, weekends (sometimes prices are bigger, because weekends are most demanded for the leisure time especially during the summer period), July (During this month, Opera Festival in Olavinlinna is, which is one of the most known festivals in the world; people from different countries visit it. All hotels in Savonlinna are reserved in advance for this period) and Winter Holidays (New Year and Christmas are commonly used to spend time with relatives and explore new places; during this time, prices are extremely high).

### **3.1.2 Hotels' popularity and promotion tools**

The Hotels' popularity depends on various aspects such as service provided, prices, location, value, personnel, advertisement, etc. Therefore, the reasons of popularity of the hotel as well as their promotional tools are discussed below.

The hotels of RaitaHouse Oy become popular due to affordable prices that provide the opportunity for people with different income to stay in the hotels. The hotels have various apartments with different price levels. The special individual approach for every client as well as assistance in adaptation to a new atmosphere affects the increase of the popularity. During the research process, different situations were observed, for instance, when customers called to the hotels' administrator and asked to help in solving problem in the shop or bus station. Moreover, when consumers arrive at the hotel, they obtain all the necessary information about Savonlinna, especially, where it is possible to purchase goods on sale or when certain shops are opened. It is allowed to call an administrator directly to ask these daily questions as well. Besides, the location plays an important role in choosing these hotels. They are situated

close to borders with Russia: it is 126 kilometers to the border of Karelia and 129 kilometers to the border in direction to Saint-Petersburg. Personnel of the organization speak different languages such as Finnish, Russian, English and German, which significantly improves mutual understanding and mood of clients. In addition, hotels are situated close to the city center, in the forest, beachfront or in private living place, which also makes the hotel attractive.

It was noticed that the number of customers has significantly increased after the company was registered on the hotel reservation service Booking.com in 2013. I was fully engaged in the process of registration and cooperation with Booking.com. At the moment, hotels are high rated on the Booking.com in comparison with other hotels in Savonlinna (RaitaHouse – 8.6 rate based on 315 surveys, Apartments Savonlinna – 7.9 rate based on 39 surveys, RaitaVilla – 8.7 based on 38 surveys). There are forty-nine properties in Savonlinna available at the moment. RaitaVilla is on the second position among properties according to rates, RaitaHouse on the fourth place and Apartments Savonlinna on the sixth position.

Moreover, the company makes advertisement through sponsorship payments, for example, RaitaHouse help STPS local football club, where potential clients could hear about the hotel during the match or read information from players' t-shirts. The website Vkontakte is also used as a marketing tool, where the group of the hotel is situated to make the enterprise well-known.

### **3.1.3 Customers**

Nowadays, Booking.com, hotels' reservation system, plays an important role in customers' choice of hotel because it cooperates with about 573 507 properties worldwide in 72 810 destinations in 211 countries, manage worldwide bookings online, has low rates and more than 41 000 000 reviews about hotels on the site, staff speaks in 41 languages and the service is available anytime. (Booking.com 2014.)

In most cases, people prefer to reserve a hotel through Booking.com according to views of customers views, who spent time in the hotel. Moreover, the site has rating in points for each hotel. The customers usually receive a special letter by email where through the Booking.com web site they can evaluate service, location, cleanliness, staff, and value. In addition, it is possible to write an individual comment. All opinions and rates are visible for customers and they can observe all advantages and disad-

vantages, popularity of the accommodation and finally decide on the variant to stay in. According to experience, all comments are important for customers' decision and staff takes maximal efforts to improve service's quality and comfort of each client in order to get good reviews.

It has to be mentioned that seventy percent of clients in RaitaHouse Oy reserve by Booking.com, 25% are regular customers and only five percent of customers reserve apartments through VK web site (the largest social network in Europe that is fully named as VKontakte), telephone or email according to observations of the previous year.

### **3.1.4 Competitors**

RaitaHouse Oy has strong market position because of its universal apartments that allow people with different income to stay in comfortable conditions. There are forty-nine properties in Savonlinna that are potential competitors. At the moment, hotels of RaitaHouse Oy are highly rated on the Booking.com, but this fact does not exclude the presence of competitors.

The observation shows that the biggest competitor according to the customers' reviews is B&B Lomamökkila. B&B Lomamökkila is rated as the best property in Savonlinna according to 203 reviews (9.4 points). The hotel is situated 7.5 km from Savonlinna and five minutes' walk from the lake. This hotel has different types of rooms with breakfast included. The prices are affordable and equal to RaitaHouse but the reservations are available for ordering only if you stay more than two nights; this point could be considered as disadvantage. RaitaVilla is placed on the second position and has 8.7 points. The third place is occupied by RaitaHouse that is rated for 8.6 points. The next position belongs to Sokos hotel with 8.2 points according to 182 reviews. The hotel is not the competitor for the RaitaHouse Oy because it has another type of accommodation and a high price level due to its location in the city center and well-known reputation. The last position in the TOP-5 has Apartments Savonlinna with the 7.8 points.

At the moment, RaitaHouse does not have strong competitors due to its affordable prices and wide range of services. Moreover, this hotel proposes the best sales in Savonlinna such as forty-nine euros for two persons.

Apartments Savonlinna always have clients because the accommodation is situated close to city center and has nearby popular shops, such as PRIZMA, K-Market, S-Market, SOKOS and Kerd. Besides, these apartments have different price levels from the most comprehensible to superior.

Private houses in Finland are very popular among Russian clients, thus several villas are available in Savonlinna. RaitaVilla is rated for 8.7 points, Villa Viiriäinen is evaluated for 7.7 points and Villa Helmi is a new accommodation and does not have any reviews or points.

To compare these private houses, we can identify the most suitable and price-value acceptable. RaitaVilla has the best location because it is situated in Savonlinna while Villa Viiriäinen is about 8.7 kilometers from Savonlinna and Villa Helmi is seven kilometers from the city. The price in RaitaVilla is also the best among its competitors. To spend one night in RaitaVilla with a maximum of six persons costs two hundred euro during the summer period (high season), while Villa Viiriäinen 280 euro per six persons and Villa Helmi provides price starting from 580 euro per ten persons. The main feature of Villa Helmi and Villa Viiriäinen is that they are located close to the lake while in RaitaVilla lake is not within a walking distance. (Booking 2014.)

### **3.1.5 Costs**

The hotel has a lot of expenses such as heating, water, electricity costs, taxes, insurance, internet and TV. RaitaHouse, Apartments Savonlinna and RaitaVilla have different spendings. Costs vary depending on the season. The approximate information about expenses was gathered from the face-to-face interviews with owners of the hotels. The data was analyzed and formed into the tables.

The RaitaHouse hotel has total expenses of 37 632 € per year, where the highest are salaries including cleaning service (brutto amount, TAX not imposed in tables) which costs 24 000 €, heating and hot water 5 400 €, electricity 1 200 €, bookkeeper 1 200 € and materials 1 200 €. According to Finnish Taxation (2015), monthly payment of workers is varying 18-21% plus one-two percent of church tax from each salary. The lowest annual expenses are maintenance 300 €, garbage 336 € and internet 480 €. The table below indicates that heating and hot water payments differ along the year depending on the season. For instance, the winter season is the most expensive, while the summer is the cheapest period. TV expenses are 5.5 euro per TV: Rai-

taHouse has six items, thus the total payment per year is 369 €. VAT accounting for approximately 24% of the revenue as well as Booking.com taking 15% from each reservation could be considered as expenses.

TABLE 17. Expenses of RaitaHouse 01.01.2014-31.12.2014

	Heating&hot water	Cold water	Electricity	Property tax	Insurance	Salaries	Internet	Bookkeeper	TV	Materials	Shipping	Garbage	Maintenance
January	€ 700,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
February	€ 700,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
March	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
April	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
May	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
June	€ 200,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
July	€ 200,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
August	€ 200,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
September	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
October	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
November	€ 450,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
December	€ 700,00	€ 60,00	€ 100,00	€ 75,00	€ 45,00	€ 2 000,00	€ 40,00	€ 100,00	€ 33,00	€ 100,00	€ 80,00	€ 28,00	€ 25,00
<b>Totallyear</b>	<b>€ 5 400,00</b>	<b>€ 720,00</b>	<b>€ 1 200,00</b>	<b>€ 900,00</b>	<b>€ 540,00</b>	<b>€ 24 000,00</b>	<b>€ 480,00</b>	<b>€ 1 200,00</b>	<b>€ 396,00</b>	<b>€ 1 200,00</b>	<b>€ 960,00</b>	<b>€ 336,00</b>	<b>€ 300,00</b>

Apartments Savonlinna were created in June 2014; therefore, the expenses of seven months were considered in the table. The total amount of costs is 13 755.50 €. It could be mentioned that heating and hot water costs vary depending on the season as well. The apartments have three TVs, thus the total amount of costs per seven months is 115.50 €. The largest expenses are visible already: salaries including cleaning service (brutto amount) are 7 000 €, heating and hot water are 2 650 €. The cheapest is TV service that costs 115.15 €

TABLE 18. Expenses of Apartments Savonlinna 01.06.2014-31.12.2014

	Heating&hot water	Cold water	Electricity	Property tax	Insurance	Salaries	Internet	Bookkeeper	TV	Materials	Shipping	Garbage	Maintenance
June	€ 200,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
July	€ 200,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
August	€ 200,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
September	€ 450,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
October	€ 450,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
November	€ 450,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
December	€ 700,00	€ 50,00	€ 89,00	€ 75,00	€ 38,00	€ 1 000,00	€ 40,00	€ 85,00	€ 16,50	€ 80,00	€ 60,00	€ 28,00	€ 25,00
<b>Totallyear</b>	<b>€ 2 650,00</b>	<b>€ 350,00</b>	<b>€ 623,00</b>	<b>€ 525,00</b>	<b>€ 266,00</b>	<b>€ 7 000,00</b>	<b>€ 280,00</b>	<b>€ 595,00</b>	<b>€ 115,50</b>	<b>€ 560,00</b>	<b>€ 420,00</b>	<b>€ 196,00</b>	<b>€ 175,00</b>

Annual expenses of RaitaVilla are 16 902 €. The table below shows the same situation as in previous hotels, where the heating and hot water expenses depend on the season. The sum slightly differs by a hundred euros through these periods. The cheapest cost is for TV, because RaitaVilla has one TV with a payment of 66 € per year. The largest payments are salaries including cleaning service (brutto amount) 9 600 € and heating and hot water (in RaitaVilla, electricity is also included into this sum) are 3 300 €. The percentage of Booking.com (withdrawn from each reservation) and VAT are not included into these tables.

TABLE 19. Expenses of RaitaVilla 01.01.2014-31.12.2014

	Heating, Electricity & hot water	Cold water	Property tax	Insurance	Salaries	Internet	Bookkeeper	TV	Materials	Shipping	Garbage	Maintenance
January	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
February	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
March	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
April	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
May	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
June	€ 200,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
July	€ 200,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
August	€ 200,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
September	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
October	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
November	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
December	€ 300,00	€ 40,00	€ 50,00	€ 21,00	€ 800,00	€ 40,00	€ 80,00	€ 5,50	€ 40,00	€ 20,00	€ 28,00	€ 9,00
Total/year	€ 3 300,00	€ 480,00	€ 600,00	€ 252,00	€ 9 600,00	€ 480,00	€ 960,00	€ 66,00	€ 480,00	€ 240,00	€ 336,00	€ 108,00

The total costs for three hotels are 68 289 €. The income tax could be gathered from the total revenue; therefore it is not mentioned in costs' paragraph. The Booking.com's percentage of 15% is obtained from each reservation that is made through this service. It is not reflected in the tables as well.

### 3.1.6 Revenue

The major part of the data about profit of the organization was obtained through the annual tables provided by Booking.com. Moreover, the final sum of direct reservations was received as well.

According to the table, RaitaHouse had the net income of 64 730 € in 2014. The average net sum per month is 5 394.17€. RaitaVilla has earned the net income of 23 101 € that means about 1 925 € of net profit per month. Apartments Savonlinna have been operating since June 2014. Therefore, only seven months were considered, where the net income is 15 784 € (it means an average of 2 254 € that owners have per month from this object).

TABLE 20. Net income of RaitaHouse and RaitaVilla 01.01.2014-31.12.2014, Apartments Savonlinna 01.06.2014-31.12.2014

Accommodation	Expenses	Revenue							
		Booking					Usual Clients (without 24% VAT)	Net Income per year	Average Net Income per month
		Sum	Commission 15%	Total profit	VAT 24%	Total profit			
RaitaHouse	€ 37 548,00	€ 96 357,00	€ 8 860,95	€ 87 496,05	€ 20 999,05	€ 66 497,00	€ 35 865,00	€ 64 814,00	€ 5 401,17
Apartments Savonlinna (7 months)	€ 13 755,50	€ 26 762,00	€ 2 367,00	€ 24 395,00	€ 5 854,80	€ 18 540,20	€ 11 000,00	€ 15 784,70	€ 2 254,96
RaitaVilla	€ 16 902,00	€ 35 575,00	€ 2 412,73	€ 33 162,27	€ 7 958,94	€ 25 203,33	€ 14 800,00	€ 23 101,33	€ 1 925,11

The total revenue of the hotels is 103 616 € per year and about 9 000 € per month. It is supposed that the sum is reasonable and sufficient for a new developing business.

### **3.1.7 Future Plans**

RaitaHouse Oy is looking for new properties and opportunities, thus it is a developing company. At the moment, hotel RaitaHouse has six apartments of different sizes. It is visible that some apartments are too big. The owners of the hotels decided to divide apartments due to several reasons. First of all, the majority of the clients are couples or small families that need limited space. Secondly, apartments have the same prices not depending on the size. Therefore, costs become higher, for instance, when two persons stay in a four-room apartment. Moreover, according to the opinions on the web site Booking.com, large apartments are uncomfortable. So, the new strategy should be implemented before summer 2015.

The property RaitaHouse has large unactuated area where additional buildings for the hotel or different activities could be placed. The process of service improvement will be considered in 2015.

The object Apartments Savonlinna has three apartments. The building size allows adding three more apartments without reducing the size of the former apartments. This plan will be realized during 2015. Thus, the final amount of the apartments in Apartments Savonlinna will be six.

The cottage RaitaVilla has an opportunity to enlarge its area with acquiring one more property in order to create a leisure complex. This issue is being discussed and the final decision will be made in 2015.

The owners are planning to expand the hotel chain and cooperate with other different businesses to improve service. This plan will be implemented after the above-mentioned points will be achieved.

### **3.1.8 SWOT analysis**

SWOT Analysis is a useful technique for understanding strengths and weaknesses and for identifying both the opportunities and the threats the organization would face. There are different types of SWOT analysis. For instance, a SWOT analysis for the existing business could be used at any time to assess a changing environment and respond proactively. While a SWOT analysis for a new business is part of the planning process, where the researcher has to plan a business and think about it in terms

of its unique “SWOTs” that will put investigator on the right track right away. (MindTools 2014.)

The SWOT analysis of the RaitaHouse represented in the table 21, where strengths, weaknesses, opportunities and threats of the hotels RaitaHouse Oy are uncovered. The SWOT analysis could be considered in terms of what should be improved in the organization to achieve sustainable existence.

TABLE 21. SWOT analysis of RaitaHouse Oy

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Affordable prices for people with different opportunities</li> <li>• Location that allows people choose the best suitable variant close to the city center or farther away from the bustle and noise</li> <li>• Simplicity to manage business (due to a small size of hotels)</li> <li>• Reliable workers (the size of the staff is small, which promotes owners communicate with them directly and develop their relationships)</li> <li>• Hoteliers speak different languages, which also helps people in adaptation and mutual understanding</li> <li>• The ability to react quickly to changes on the market (quickly change service, add or remove certain facility)</li> <li>• Wide range of service without extra charge</li> <li>• Availability of discounts.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Limited freedom of owners (they involved into different work in the hotel)</li> <li>• High risks to lose everything and be in debt; three apartments are not yet renovated that cause negative review in the internet</li> <li>• Absence of meal</li> <li>• Star rating and gym/fitness center are not available</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• To enlarge hotel’s chain</li> <li>• To gain the larger amount of customers</li> <li>• To develop marketing tools</li> <li>• To get a rating by stars</li> <li>• To organize new services to attract more customers</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability (the company is sensitive to the crisis and competition due to its small size)</li> <li>• The dependence on clients (during the low season the hotel might have loss)</li> <li>• Inability to control costs (broken tables or beds, electricity errors, sewer cleaning and other unexpected problems that cause additional expenses)</li> <li>• Unstable funding (to enlarge size of the company it is necessary to save money or get a credit from the bank, sometimes credit causes problems)</li> <li>• The world financial crisis</li> </ul>

	<ul style="list-style-type: none"> <li>• Changes in Finnish laws and regulations regarding business for foreigners in Finland</li> <li>• Large number of competitors (during the high season the amount arise)</li> </ul>
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### 3.1.9 Recommendations in service improvement

There are some recommendations and ideas to improve service of the hotel:

- Include meal to the service (some clients ask about a possibility to get breakfast, lunch or dinner. Hotels with food involved increase its status. Moreover, the reservation could be declined if there is no meal opportunities offered)
- Due to the large number of tourists, there is a high interest in Savonlinna's history especially about its old castle, museums and beautiful historical streets. There is an possibility to organize excursions to these places for an extra charge
- There is no sauna in RaitaHouse hotel. From the researcher's point of view, it is necessary to have it during winter period due to the strong frosts in Finland. It could be built on the hotels' area and the service will impose an extra charge for customers. In addition, a sauna could be in a rent not only for the guests of the hotel
- These apartments do not have a major office or reception. It is strongly recommended to equip a place for all documentation. For instance, this place could be organized in RaitaHouse, where rooms will be divided and one of the rooms would be organized for this facility
- Owners of the hotel are planning to enlarge the number of apartments in RaitaHouse. It is recommended to build the house, where an international library, an additional kitchen for banquet facilities, a place for negotiations and a room with TV and games will be situated. This idea will be good for large groups of people to spend time together. According to the researcher's experience, the hotel accepts football and volleyball teams, customers on business trips and other big groups of people who want to spend time outdoors

- There is a lake close to RaitaHouse. It is a great opportunity to acquire a boat that people could rent for fishing or usual walks on the water.
- On the RaitaHouse area is the place for outdoor games. Therefore, equipment for the games such as table tennis, big tennis, football, volleyball and other would be on rent. Moreover, there are bikes free of charge – it could be made for an additional payment per hour. All this equipment becomes outdated and part of the obtained money could be used to repair and purchase new facilities
- To organize a souvenir shop for tourists. During the high season, there are a lot of guests from Spain, Italy, Australia, Thailand, Japan or China that would be interested to buy "a small part of the Finnish history"

These aspects will enlarge hotels' service and increase popularity. Generally, the researcher's cooperation and summer experience allow concluding that these hotels have suitable location, qualified personnel, wide range of services and ability for the future expansion. All the information was gathered from owners of the hotel and administration page of hotel reservation service Booking.com.

### **3.2 TUKIKON Oy**

The professional internship was done in TUKIKON Oy which is located in Kuopio, Finland. The company specializes in providing consulting services to businesses and organizations in Russia and Finland in the field of international trade and cooperation over fifteen years. Moreover, duties of the organization include working on business, travel services, consecutive interpretation during negotiations, and assistance in business organization and document translations. With an extensive network of contacts and relationships, the organization helps clients to find the most suitable trading partners or suppliers. Furthermore, Finnish and Russian partners are able to ask for help TUKIKON Oy in organizing visits, negotiations, marketing knowledge, travel, and translation services.

Customers of the enterprise are governmental agencies and non-governmental organizations, manufacturing plants, hospitals, travel companies, advertising offices,

publishing businesses, educational institutions and individuals. The working languages are primarily Finnish, English, Russian and French. Professionals of TUKIKON Oy company assisted and consulted during the thesis process providing with business advices and recommendations for the research process.

## **4 BUSINESS PLANNING**

A business plan should give you an idea of what you need to achieve or means a written statement of your business, what you want to achieve with it and how you will do that. It should outline the structure of your business, the product or service, the customer, the growth potential and the financials. In addition, as well as giving information about your business, it should also inspire you for the future. (StartUps 2013.)

A business plan is a document, generally projecting three to five years into the future about the route a company intends to take to maintain and grow revenues. It incorporates basic elements of a market research, promotional strategies, operational requirements, and financial projections. There are many variations and sub-categories of each element described above, but all are focused on addressing the undeniably important, overall components of operating a business enterprise. The plan is used for raising capital, expansion, reorganization of resources and activities, downsizing, and preparation for sell-out. (Bplans 2014.)

### **4.1 The importance of a Business Plan**

Business planning is one of the most important mechanisms and instruments of enterprise management, which determines and predicts its effectiveness in the future. Creating a business plan will allow the management team to more effectively utilize funds and assets of the enterprise, and use planning for competent management.

In all the books on business and economics, scientists write about the necessity of the business plan. From the researcher's point of view, the business plan is an idea transferred to the paper, where difficulties could be identified during the process of writing. It is better to face obstacles at the planning stage instead of detecting them in a real business environment.

According to Berry (2006), a famous entrepreneur, business planner and investor, there are fifteen unobvious reasons to have a business plan. First of all, managers in the company are not able to work without specific objectives for the business that could be a great reason to create a business plan, where clear goals will be identified. The famous business investor is convinced that strategy, priorities and specific action points have to be shared with a spouse, a partner or other significant persons

in order to inform them about your business actions and other elementary operations. Besides, reasons to do a business plan could be connected to displacement, decisions whether or not to rent a new space, hire new people, definition of the need of assets and their amount. The business plan could be a great opportunity to train new employees, develop alliances or sell a business. Furthermore, the financial summary of the report would present the relevance of the organization to accountants and consultants. The formal transactions, divorces, inheritances, and estate planning along with tax issues to calculate how much business is worth encourage planning business as well. Berry noticed that the main causes for the creation of a business plan are starting up a new business, searching for investors and growing your existing business.

## **4.2 Types of a Business Plan**

There are several types of business plans that are distinguished on the web journal Bplan (2014), such as a Standard business plan, a Startup plan and Internal plans (operational, expansion and strategic plan). The range of tasks solved by an enterprise determines the type of the business plan:

- A standard business plan covers topics including the company overview, the product or service you are selling, the target market and strategy of your company, implementation milestones and goals, management team, and financial forecasting with analysis.

- A start-up plan, also called a feasibility plan, is a very simple business plan that typically includes the following sections: an executive summary, a company overview, a mission statement, and a market analysis. Even if you do not have the exact numbers yet, it's always a smart idea to include a preliminary analysis of costs, pricing, and probable expenses.

- Internal plans will reflect the needs of the members of your company. Since the purpose of an internal plan is specific to the people directly involved in the company, it will most likely be shorter and more concise than a fully detailed standard plan. Internal plans are not intended for banks, outside investors, or other third parties.

There are several types of Internal Plans as well:

- An operations plan, also called an annual plan. An operations plan includes specific implementation milestones, project deadlines, and responsibilities of team members and managers. It is a plan used for staying on track to meet your goals as a business. Planning your goals allows your company to assign priorities, focus on results and track your progress. Your operations plan covers the inner workings of your business. It outlines the specifics of who should do what, and when they should do it.

- A growth or expansion plan focuses on a specific area of a business, or a subset of the business. For example, a plan for creation of a new product is a growth plan. These plans could be internal plans or not, depending on whether they are linked to loan applications or a new investment. An expansion plan requiring a new outside investment would include full company descriptions and background on the management team, just the same as a standard plan for investors would. Loan applications would require many details as well.

- A strategic plan is another kind of internal plan. A strategic plan incorporates the financial information and milestones of an operations plan, but focuses more on setting company-wide priorities. As you build the strategy for your company and decide how to implement it, you will want to examine your strengths and weaknesses as a business. As your company grows, you want to play to your strengths. Strategy is often a matter of selecting the right opportunities. Resources should be funneled strategically to the areas where they will provide the biggest overall benefits. (Bplans 2014.)

### **4.3 The key elements of a Business Plan**

To create a reasonable business plan, the strong algorithm has to be utilized. The business plan consists of several steps to be followed: executive summary (business concepts, goals and management), services, market research, marketing strategies (pricing and promotion) and finance.

The first element of the business plan is an executive summary. The purpose of the executive summary is to get the readers' attention by summarizing the key elements of the business plan. It must be short, to the point and very well written. The introduc-

tion to the business plan reflects business concepts, where what your business does, mission and vision statements, the keys to success or what differentiates the organization from others and business history should be mentioned. The goals and objectives describe the main purpose the business strives to achieve. The part about management will uncover the topic of business structure and briefly describe technical qualifications of each individual in this enterprise.

The next chapter reveals service, where the types of services, specific features in terms of importance to customers and risks have to be described. The purpose of the market research section is to prove that the market is large enough in your area to support survival and growth of your business. The analysis usually shows the main competitors, target market, segmentation of the market and additional applied researches. The chapter concerning market strategies illustrates the prices for the service and how they could be compared to competitors' ones. Location of competitors, site, facilities and risks should be disclosed in the paragraph. The advertising and promotion provide a list of sources planned to use to make the company popular.

One of the last chapters is operations with the purpose of indicating how you plan to operate the business. This means how you will produce the services or provide the products. Some sections of the point are applied only to manufacturing business (production plan, procurement and production flow chart). Sub-contractors could be mentioned if they are. The part of human resources describes the organizational chart, job descriptions, management and recruiting. The legal and administrative part shows the legal side of business and other provide with general documents, if they are required.

The financial part has to provide with breakeven, starting balance sheet, pro-forma income statements, cash flow forecast, program and finance. The break-even point is the point at which sales revenue equals total expenses. At this point, the entrepreneur neither makes money, nor loses them. It provides a good indication of the viability of a business project. The balance sheet is a snap shot of the business at any point in time. In the case of a business start-up, it is often the starting balance sheet. A balance sheet is made up of three parts such as assets, liabilities and debts that are owned by business. The purpose of the income statement forecast (pro-forma income statement) is to project the revenues and expenses of the business over a given period of time – usually one year. The cash flow forecast involves the cash flow information sheet, the seasonality sheet and resulting cash flow. This analysis is the

most important in the financial part because it could predict future changes, shortages and surpluses. (Ministry of Small Business and Economic Development & Western Economic Diversification Canada 2012, 13-35.)

## **5 BUSINESS PLAN OF RAITA HOSTEL**

The business plan, besides being a prerequisite for gaining access to finance, also provides the blueprint for successfully creating and running a new venture. It describes the business's vision and objectives as well as strategy and tactics that will be employed to achieve them. The plan may also provide the basis for operational budgets, targets, procedures and management controls. (Friend 2008.)

To create a successful organization, maximum efforts have to be taken. The key points of each business plan are precise calculations and practice-based market research. This business plan serves as an output of the final thesis, where during the process of implementation, all studied aspects, such as observation of RaitaHouse Oy, theoretical part of business planning, market research of competitors and customers' preferences regarding vacation in Finland are considered.

The business plan is created in accordance with the book of Business Planning made by Ministry of Small Business with Economic Development and Western Economic Diversification Canada (2012). The key elements of the process were considered in Chapter 3 of business planning.

The expected result is to create a business plan of a firm which will have a great competitive advantage, achieve success and obtain as much customers as possible. The business plan is presented in Appendix 8.

## 6 CONCLUSION

Officially, the thesis topic was presented in September 2014, but the general research was initiated in May of the same year. The theoretical part about conducting a research was learnt primarily.

During the summer period all data regarding a market research of customers' preferences and potential competitors was gathered. Moreover, observation of RaitaHouse was done as well. After that, topic presentation and thesis work plan were approved by the first supervisor and thesis plan turned into the writing process. First of all, the researcher started with literature to obtain theoretical frames to create the report as valid and reliable as possible. Afterwards, the data was analyzed and interpreted accurately. The expected date of finalization is the end of March 2015.

Theoretical parts were introduced through the books and Internet sources throughout the entire process. The process of business planning was described with the help of the literature of Ministry of Small Business and Economic Development Ministry of Small Business with Economic Development and Western Economic Diversification Canada, the importance of such process was proved by additional reasons of famous entrepreneur Tim Berry, and materials about types of business plan have been explored in terms of the theory from Internet sources. The market research, its significance, qualitative and quantitative research methods along with their comparison were examined by primarily using sources of such authors as Edward McQuarrie, Sharan Merriam, Natasha Mack, Cynthia Woodsong and Paul Hague. The theory helped to achieve accurate, proper, reliable and valid results.

The thesis is practice-based, thus the foundation of the report was to obtain data of an existing company and conduct a market research of competitors and customers' preferences that will be reflected in business plan of Raita Hostel, which may be found in Appendix 8. The market research started with the basic elements and definitions regarding the processes; then it went through the objectives and research questions along with the main process, findings, final results, validity and reliability of the report. The part concerning observation of RaitaHouse was created during the research process by interviewing owners of the hotel on a daily basis.

The main findings regarding customers' preferences of vacation in Finland indicate the tests, preferred service with facilities and other important aspects in the sphere of

hospitality that could satisfy customers' preferences and affect a decision to stay in the hotel. The results related to competitors represent that there are three accommodations, namely Hotels, Hostels and Apartments, which could be strong potential competitors to the future hotel. The deeper results could be found in chapters regarding market researches.

The observation of RaitaHouse Oy has shown the nature of the company. Their prices, the reason of its popularity, promotion tools, information about customers, future plans, revenues, costs, strengths, weaknesses, opportunities, threats and the researcher's own recommendations for service improvement were investigated.

The work done serves as a foundation for the business plan. Furthermore, it will be implemented in accordance with all the findings in order to gather competitive advantage, achieve success and obtain as many customers as possible. The final business plan is based on RaitaHouse Oy. Theoretical part of the study introduced gathered through the books and Internet sources. The process of business planning is described with the help of the literature of Ministry of Small Business and Economic Development; the importance of such process is proved by the additional reasons of famous entrepreneur Tim Berry, and material about types of business plan are explored in terms of the theory from Internet sources. The market research, its significance, qualitative and quantitative research methods and their comparison are examined by using primarily sources of such authors as Edward McQuarrie, Sharan Merriam, Natasha Mack, Cynthia Woodson and Paul Hague. Additional information about situation in hospitality business is gathered from the official site Findicator.

Thesis is practice-based; therefore, the foundations of such project are practical issues that are represented in the report about investigation for the small business development. Business plan serves as an outcome of the practical points. Generally, the results inspire confidence in the future business.

## 7 DISCUSSION

Generally, all the stated objectives for investigations for a small business development in the field of hospitality, such as observation of RaitaHouse, SWOT analysis of the company, recommendations for service improvement, market research of competitors and customers' preferences identification are successfully achieved. Therefore, it is a complex foundation for the future business plan that is presented in Appendix 8.

From the researcher's point of view, the thesis gave a lot of additional experience and improved the already existing knowledge. Moreover, research competences were improved as well as communication skills. Therefore, the importance of the research is relatively high because it directly contributed to own development and future plans.

The most challenging was the theoretical part. This part requires a lot of time and patience, because there is a great deal of information that has to be collected, analyzed, sorted, and from which the most necessary is determined in order to create theoretical framework that will cover and explain explicit practical points. Additionally, various source of information were used on relevant topics, and existing materials differ due to the divergence of views. Therefore, it was complicated to decide which source is the most reliable.

I do not consider the process of market research and identifying customers' preferences easy. During the process, obstacles and problems have appeared gradually, for instance, maximum efforts had to be taken to gather enough questionnaires, because potential respondents are not motivated to participate in the research. To obtain surveys back, individual letters of invitation were sent to the customers' emails, questionnaires were given to the clients directly, and the current research was uploaded to the social networks to obtain additional responses from potential guests. Finally, 118 persons were interested in the investigation (the response rate of online questionnaire is 88%, while in paper-based survey is hundred percent).

Besides, it is possible to observe some deviations as well, because the majority of respondents were people from Russia. I suppose that this bias should not be considered, because these results are not confusing due to the large amount of Russian visitors. In some cases, it is significant to identify preferences of nationality that generates income mostly to the organization. On the other hand, the research included

both qualitative and quantitative methods. For example, the quantitative approach helped to gather numerical data, while qualitative approach gave me an opportunity to include additional open-ended questions to the survey, where people had an ability to advice regarding hotels in Finland or give recommendations about marketing tools. Open-ended questions helped me a lot, because customers expressed their opinion freely, and crucial aspects that could affect the amount of guests were pointed out.

Market research of potential competitors involves a large amount of materials from the Internet sources, which were collected, analyzed, formed into tables and finalized. This process did not cause any difficulties due to availability of all the information on the website of well-known hotel reservation service. However, the final results show the best accommodation in terms of analyzed theoretical information and in practice findings may differ in comparison with reality. For instance, some hotels forget to mention the website service they have or note the facilities which are not available in the hotel.

The observation of RaitaHouse Oy is a difficult process, because owners of the organization did not have the exact and clear picture about the aspects I was interested in. Furthermore, I did not have any theoretical frameworks to obtain the necessary information, thus my questions aroused one by one during the summer period. In addition, I made tables, united information and analyzed them individually to understand advantages and disadvantages of the business. Afterwards, the SWOT analysis and recommendations in service improvement were provided. This practice gave me not only a great experience in real business environment, but also additional knowledge to my fellow students and owners of the organization.

The last objective of the thesis was to create an own business plan on the basis of existing firm RaitaHouse Oy. The main idea is to represent the example of the key aspects to create a hotel that will suit all possible interests of potential consumers and will have a great competitive advantage even among the high rated hotels. Therefore, the thesis project has a foundation of theoretical frameworks, market research of customers' preferences, research of existing competitors and observation of existing firms with real measurements that are utilized in the business plan. All the necessary aspects affecting hospitality business are considered and analyzed during the project, improved and added to a business plan in order to create a sustainable company that will obtain as many guests as possible. Moreover, through the research, weakness of the competitors is determined to be more competitive on the

market. Besides, the presented accommodation has various prices from the lowest in Kuopio to the highest that allow people of different wealth to stay in the hotel. In addition, the accommodation expected to have a wide range of service for free or extra charge which is not available even in the three/four-star hotels. Through the advantages, the amount has to be increased annually.

Business planning gave me experience in collecting results where the findings from the observation and market researches were accurately included to the final business plan. The additional knowledge and business planning competences were increased as well.

I consider the business plan as one of the most challenging processes because it is a complex work where all the necessary information has to be considered to create the plan that will suit the main idea of the topic. Additionally, the theoretical part was complicated as well because the theory was explored at the very beginning of the report. Thus, I had some difficulties in business plan creation. The financial part seems to me multiplex and requiring explicit and exact results.

The results of the business plan show an extremely low profit in the first year, but this point is acceptable due to the start-up expenses that will be covered in the next years. I suppose that not only investments but also money to live should be considered to be saved in expansion of this kind of business.

If I wrote this work again, I would create another plan of actions. Through the work, I have understood not only things I mentioned in projects, but also how to implement this kind of reports without making mistakes and save time.

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**APPENDICIES****APPENDIX 1****Invitation letter for guests and potential clients**

Hello,

My name is Natalia Tyurlik and I am fourth year student of International Business and Administration. At the moment, I am working on my thesis that called **market research for a small business development in the field of hotel industry in Finland.**

I send this email to customers of the RaitaHouse Oy and potential clients in order to obtain information about **customer's preferences** regarding hotels in Finland to conduct **market analysis** and **improve quality of provided services.**

I would appreciate if you answer my questions (22 questions). It takes about 5-7 minutes and it is conducted anonymously.

You can find the link of my questionnaire below:

<https://www.webropolsurveys.com/Answer/SurveyParticipation.aspx?SDID=Fin907635&SID=391ab207-1630-422a-a7da-629944945b2c&dy=1579717157>

Thank you.

Best Regards,

Natalia Tyurlik

International Business and Administration

## Service in the hotels

Hotels	Rate on Booking	Location	Activities	Food&Media	Internet & Parking	Service	Additional service	Languages	Children	Check in/out	Pets
Hotel Koivuranta	7 - Good (163 reviews)	17 km from Kuopio	BBQ, Fishing, Skiing, Cycling, Sauna, Beach, Library, Children's playground	-	Free	Ironing service, Meeting/banquet facilities	Family rooms, Heating	Russian, Finnish	under 2 years cot for free	Check in from 14:00, check out until 12:00 (desk working time is limited)	Pets are allowed on request for extra charge
Hotelli Puijo Koto***	7,2 - Good (131 reviews)	2 km from the city center	Skiing	Restaurant, Bar, Special diet menus (on request), no media provided	Free	Luggage storage, Laundry, Ironing service, Wake-up service	Non-smoking rooms, Family rooms, Heating, Non-smoking throughout, Ironing Facilities, Mosquito net, Fan	Swedish, Finnish, English, German	extra beds are not available	Check in from 15:00, check out until 12:00 (desk working time is limited)	Pets are not allowed
Hotelli Sandels***	7,3 - Good (37 reviews)	19 km from Kuopio	Golf course (within 3 km), Fishing, Skiing, Hiking, Cycling, Sauna, Bicycle rental	Restaurant, Bar, Special diet menus (on request), TV	Free	Luggage storage, Meeting/banquet facilities	Non-smoking rooms, Family rooms, Heating, Allergy-free room, Non-smoking throughout, Designated smoking area, Ironing Facilities	Turkish, Russian	All children from 0 to 4 years stay free of charge when using existing beds, under 2 years cot for free	Check in from 14:00, check out until 12:00 (desk working time is limited)	Pets are allowed on request for extra charge
Finlandia Hotel Isovalkeinen***	7,2 - Good (280 reviews)	5 km from Kuopio	Sauna, Fitness centre, Hot tub, Beachfront	Restaurant, Bar, Satellite Channels, Telephone, TV	Free	Car hire, Currency exchange, Luggage storage, Meeting/banquet facilities, Fax/photocopying	Non-smoking rooms, Facilities for disabled guests, Family rooms, Allergy-free room, Designated smoking area, Ironing Facilities, Heating, Private entrance	Finnish, English	All children for extra charges	Check in from 14:00, check out until 12:00 (desk working time is limited)	Pets are allowed for free
Best Western Hotel Savonia***	7,7 - Good (266 reviews)	2 km from the city center	Sauna, Fitness centre, Bikes available (free)	Bar, Snack bar, Special diet menus (on request), Telephone, TV	Free	Room service, Packed lunches, Luggage storage, Meeting/banquet facilities, Fax/photocopying, Wake-up service	Safety deposit box, Shops (on site), Non-smoking rooms, Facilities for disabled guests, Family rooms, Lift, Heating, Non-smoking throughout, Designated smoking area, Fan, Ironing	Finnish, English	All children from 0 to 4 years stay free of charge when using existing beds, under 2 years cot for free	Check in from 14:00, check out until 12:00 (desk working time is limited)	Pets are allowed on request for extra charge
Cumulus Kuopio***	7,5 - Good (568 reviews)	City center	Sauna, Fitness centre	Restaurant, Bar, Radio, Telephone, TV	Free, additional option of private parking on request	Room service, Luggage storage, Laundry, Dry cleaning, Meeting/banquet facilities, Business centre, photocopying	Newspapers, Non-smoking rooms, Facilities for disabled guests, Family rooms, Lift, Heating, Non-smoking throughout, Designated smoking area	-	All children from 0 to 12 years stay free of charge when using existing beds, under 2 years cot for free	Check in from 14:00, check out until 12:00 (24-hours desk)	Pets are allowed on request for extra charge
Finlandia Hotel Jahtihovi***	7,8 - Good (605 reviews)	City center	Sauna	Restaurant, Bar, Radio, Cable Channels, TV	Free	Room service, Luggage storage, Ironing service, Meeting/banquet facilities, Fax/photocopying	Facilities for disabled guests, Lift, Heating, Allergy-free room, Non-smoking throughout, Air conditioning, Ironing Facilities	Finnish, English	All children under 1 year stay free of charge when using existing beds	Check in from 14:00, check out until 12:00 (desk working time is limited)	Pets are not allowed
Scandic Kuopio***	8,3 - Very Good (235 reviews)	City center	Sauna, Hot tub, Indoor pool	Restaurant, Bar, Breakfast in the room, Minibar, TV	Free	Room service, Luggage storage, Shoeshine, Meeting/banquet facilities, Fax/photocopying	Safety deposit box, Non-smoking rooms, Facilities for disabled guests, Lift, Non-smoking throughout, Designated smoking area, Air Conditioning, Iron	Finnish, English	All children from 0 to 13 years - free of charge when using existing beds, under 2 years cot - free	Check in from 14:00, check out until 12:00 (24-hours desk)	Pets are allowed on request for extra charge

## APPENDIX 3

## Service in Hostels

Hostels	Rate on Booking	Location	Activities	Food & Media	WiFi & Parking	Service	Languages	Children	Check in/out	Pets
Hostelli Hermannii	7,8 - Good (146 reviews)	City center	-	TV, no food	Free	Ironing service, Fax/photocopying, Non-smoking rooms, Facilities for disabled guests, Family rooms, Heating, Non-smoking throughout, Designated smoking area	Russian, Finnish, English	Children from 0 to 3 years - free of charge when using existing beds, under 2 years cot for free	Check in from 14:00, check out until 12:00	Pets are allowed on request for extra charge
Hostelli MatkustajaKoti	7,4 - Good (153 reviews)	City center	-	TV, no food	Free	Non-smoking rooms, Non-smoking throughout, Heating	Russian, Finnish, English	All children from 0 to 3 years stay free of charge when using existing beds, under 2 years cot for free	Check in from 14:00, check out until 12:00	Pets are allowed on request for extra charge
Hostel Rauhalahdi	7,3 - Good (164 reviews)	6 km from the city center	Tennis, Fishing, Skiing, Darts, Canoeing, Hiking, Cycling, Riding, Water sport facilities, Sauna, Fitness centre, Spa and wellness centre, Massage, Hot tub, Hammam, pool, Bicycle rental, Children's playground, Karaoke, Nightclub/DJ	Telephone, TV, Restaurant, Bar, Restaurant (à la carte), Restaurant (buffet), Snack bar, Tea/Coffee Maker	No internet, Free parking	Newspapers, Safety deposit box, Family rooms, Non-smoking throughout, Designated smoking area, Mosquito net, Heating, Packed lunches, Vending machine (drinks), 24-hour front desk, Currency exchange, Luggage storage, Meeting/banquet facilities, Fax/photocopying, Barber/beauty shop, Gift shop, Bridal suite, Wake-up service	Swedish, Finnish, English	For children under 2 years cots for free	Check in from 16:00, check out until 12:00	Pets are allowed on request for extra charge
Hostel Asema	8 - Very Good (40 reviews)	City center	Bicycle rental	TV, Bar, Restaurant (à la carte), Snack bar, Special diet menus	Free	Car hire, Shuttle service, Airport shuttle, Express check-in/check-out, Luggage storage, Non-smoking rooms, Family rooms, Soundproof rooms, Heating, Non-smoking throughout, Designated smoking area, Fan, Ironing Facilities	Finnish, English	All children for extra charges	Check in from 13:00, check out until 12:00	Pets are allowed on request for extra charge

## Service in Apartments

Apartments	Rate on Booking	Location	Kitchen	Media	WiFi & Parking	Service	Languages	Children	Check in/out	Pets
Lomakoti Kuopiossa	8,4 - Very Good (13 reviews)	City center	Dishwasher, Microwave, Cleaning products, Coffee machine, Kitchenware, Refrigerator, Oven, Dining table, Stovetop, Toaster, Washing Machine, Kitchen, Electric kettle	TV, Radio, Cable Channels, DVD Player, CD Player	Free	Family rooms, Lift, Heating, Non-smoking throughout, Air conditioning, Designated smoking area, Fan, Hardwood/Parquet floors, Ironing Facilities, Soundproofing, Iron, Private entrance	Swedish, Finnish, English	Extra beds are not available	Check in from 14:00-20:00, check out until 12:00	Not allowed
SPA Rauhalahden Apartments***	7,9 - Good (169 reviews)	6 km from the city center	Microwave, Kitchenette, Coffee machine, Refrigerator	Radio, Satellite Channels, Flat-screen TV, Telephone	Free	Tour desk, Meeting/banquet facilities, Fax/photocopying, Barber/beauty shop, Gift shop, Wake-up service, Safety deposit box, Non-smoking rooms, Family rooms, Heating, Non-smoking throughout, Designated smoking area, Hardwood/Parquet floors, Safety Deposit Box, Iron	Finnish, English	Extra beds are not available	Check in from 16:00, check out until 12:00	Allowed on request
Forenom Apartments***	7,4 - Good (40 reviews)	1,5 km from the city center	Dishwasher, Refrigerator, Kitchen	TV	Free, No parking available	Express check-in/check-out, Private check-in/check-out, Laundry, Non-smoking rooms, Family rooms, Heating, Non-smoking throughout, Hardwood/Parquet floors, Iron, Private entrance	Swedish, Russian, Finnish, English	Free All children under 5 years stay free of charge when using existing beds	Check in from 16:00-17:00, check out until 11:00	Not allowed

## Questionnaire for clients and potential customers

### Questionnaire

The obtained data will be used in market analysis of hotel services and for the quality improvement. The interview will take about 5-7 minutes and is conducted anonymously.

1. Sex

- Male
- Female

2. Age

- 18 – 24
- 25 – 34
- 35 – 44
- 45 – 54
- 55 – 64
- 65 and more

3. Which languages do you speak?

---

4. With whom do you spend your holidays?

- Parents
- Children
- Friends
- Spouse
- Animals

5. Purpose of the visit

- Medical treatment
- Recreation
- Tourism
- Business trip
- Shopping
- Other \_\_\_\_\_

6. Which type of the vacation is the most attractive for you?

- SPA
- Active holidays
- Secluded vacation

**APPENDIX 5 2(4)**

- Beach holidays
  - Other \_\_\_\_\_
7. What kind of services would you like to have in the hotel?
- Rental of rollerblading / skating
  - Rental of Bicycles
  - Rental of Skiing
  - Rental of rackets for table and big tennis
  - Billiards
  - Sauna
  - Fishing equipment
  - Board games (checkers, chess, dominoes)
  - Organization of picnic
  - Photographing
  - Photo shoot service
  - Rent of a Banquet hall
  - Laundry
  - Organization of excursions
  - Other \_\_\_\_\_
8. Preferable type of accommodation
- Hotel (in the city, a wide range of services that are not expensive)
  - Business Hotel
  - Resort Hotel
  - Boutique Hotel (5 \* luxury hotel with stylish design)
  - Aparthotel (apartments, small houses, villas)
  - Ski Hotel
  - Hostel
  - Spa Hotel
  - Camping
  - Other \_\_\_\_\_
9. What is the best way of reserving accommodation?
- By phone
  - The site of the hotel
  - Travel agency
  - By e-mail
  - Booking.com
  - Other \_\_\_\_\_
10. How do you obtain information about hotels?
- Newspapers / Magazines
  - Internet
  - Travel Agencies

**APPENDIX 5 3(4)**

- TV / Radio
- Recommendations
- Other \_\_\_\_\_

11. How often do you visit Finland?

- 1 - 3 times a year
- 4 and more

12. What is the most important aspect in choosing a leisure trip?

- Accommodation
- Costs
- Comfort
- Location of the hotel
- Reviews
- Popularity of the accommodation
- Other \_\_\_\_\_

13. What type of food at the hotel do you prefer (times per day)?

- No meal
- Only breakfast
- Breakfast and lunch
- Lunch and dinner
- Breakfast and dinner
- All Inclusive
- Other \_\_\_\_\_

14. Food preferences

---

15. Do you need a parking place?

- Yes
- No

16. Do you need a guide / translator?

- Yes
- No

17. What optimal amount of money you are willing to spend per one night in the hotel for one person?

- Up to 10 euro
- 10 - 20 euro
- 20 - 30 euro

**APPENDIX 5 4(4)**

- 30-50 euro
- More than 50 euro

18. The optimal number of days to spend in Finland

- Less than 7 days
- From 7 to 14 days
- From 15 to 21 days
- From 21 days or more

19. In which months would you like to come to Finland?

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20. Your wishes and thoughts regarding hotels in Finland

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21. Your advices for attracting new customers

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22. Review about RaitaHouse Oy (Apartments Savonlinna, RaitaHouse and RaitaVilla) and you suggestions

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Thank you!

**APPENDIX 6****The most common responses on Question 20 in the survey**

*"In 90% cases in Finland everything is fine, but I would like to have opportunity to rent sports equipment". (Responder 1)*

*"Due to the economic situation, I would like to see accommodation with prices lower than usual". (Responder 2)*

*" I really like Finland, my family and I spend time there more than 3 times a year. I would be very pleased if I will communicate with the Russian-speaking staff". (Responder 3)*

*"I would like to see a man who could advise me on attractions, shopping and discounts". (Responder 4)*

*"I would like to have a varied breakfast and rooms warmer during the winter period". (Responder 5)*

*"It could be great if Finnish hotels will have quiet rooms with channels in different languages". (Responder 6)*

*"Finnish hotels should have advertisement of restaurants, cafes and shops on different languages as well as schedule of expected city events". (Responder 7)*

*"Excursions of the hotel would be a great opportunity to explore the city". (Responder 8)*

*"The design of the rooms could be more fashionable". (Responder 9)*

*"We are traveling usually with our children and we would be more than happy if hotels will have activities for children". (Responder 10)*

*"Every time I take my dog with me, but in most cases hoteliers are not accept any pets that is challenging". (Responder 11)*

*"I am sauna's lover and for me it is not possible to stay in the hotel without sauna". (Responder 12)*

*"I have to travel a lot and sometimes I do not have opportunity to take my computer with me. It would be good if hotels will have computers even for rent". (Responder 13)*

*"New unique and interesting service should be established to attract more new customers". (Responder 14)*

**The most common responses on Question 21 in the survey**

The advertisement should be located on the streets and around the roads where travelers could observe it without using internet". (Responder 1)

"Only qualified professionals are able to help in the issue". (Responder 2)

"Placed advertisement not only in Finland but also abroad could help to gather more guests in to the hotels". (Responder 3)

"More advertisement in internet and special sales will have success". (Responder 4)

"Advertisement everywhere and cooperation with SPA salons should attract customers". (Responder 5)

"Hotels need to have special guests' card where regular customers will have additional discounts and bonuses". (Responder 6)

"The room with included bonus into the payment such as sauna, bicycle rental, excursion or SPA procedure will definitely attract consumers". (Responder 7)

"Transfer opportunities have to be in each hotel. Mailing about discounts in the hotels will be accepted". (Responder 8)

"The dissemination of information about hotels through social networks such as Instagram, Twitter, VK, Facebook, different public pages, groups, personal page, and friends." (Responder 9)

"The long stay discounts, different activities in the hotel". (Responder 10)

**Business Plan**

# **Business Plan of Raita Hostel**

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## APPENDICIES

APPENDIX 1 Pro forma Cash Flow

APPENDIX 2 Nights spend in hotels, January 2015

APPENDIX 3 Arrivals of visitors and nights spend by country of residence

APPENDIX 4 Sales forecast

## **1 EXECUTIVE SUMMARY**

The business plan is a foundation of any business. To create a successful organization, investigations should be conducted. Thus, the basis of the business plan are observation of the partner company RaitaHouse Oy, where prices, hotel's popularity, promotion tools, customers, competitors, costs, revenue and future plans are considered. To identify advantages and disadvantages of the business in the sphere of hospitality, SWOT analysis is established. Moreover, possible services are considered and recommended to implement. In addition, market researches to identify potential clients and customers' preferences are conducted. Generally, these processes are aimed at finding ways to attract as many customers as possible. Determination of competitors along with prices and services allows us to understand which aspects are absent, need to be improved or present in the hotels. The questionnaire obtained from guests gives an opportunity to understand customers' preferences regarding hotels and get advice about service improvements and marketing tools. The theoretical framework about the process of business planning will help explicit necessary information.

The first part of the thesis is utilized to gather a great competitive advantage among other hotels and to be primarily attractive for different levels of customers. The main idea of the business plan is to expand the hotel chain of RaitaHouse Oy situated in Savonlinna to Kuopio or another similar city. According to the market research, the most requested types of hotels are Aparthotel, City Hotel and SPA hotel. Therefore, to gather a great result these types of hotels should be combined to the one, thus hotel will include usual rooms with toilets, rooms with shared toilets, dormitory rooms, and well equipped small apartments with a wide range of services. The hotel will be called Raita Hostel.

The idea of such a project should be successful because the market research discovering the main preferences of customers and competitors along with their prices and services serves as the foundation of the project. Moreover, the observation of the real example of hospitality business is conducted in order to understand nature, weaknesses, strengths, opportunities and threats of the sphere. These aspects will help to accurately identify the necessary things to achieve a high result. The business plan is made in accordance with the book of Ministry of Small Business and Economic Development & Western Economic Diversification Canada (2012), considering

business concepts, goals and management, services (mix and risks), market research, marketing strategies (pricing and promotion) and finance.

## **1.1 Business Concepts**

Raita Hostel is a unique hotel that will be oriented to customers' preferences and based on weaknesses of competitors that are identified, analyzed and finalized in first part of the thesis. These aspects will be improved, added and uncovered in the business plan of a new hotel. Therefore, the service and accommodation types will have a wide range in order to gather customers with different capabilities. The hotel will not be rated by stars but will have the level of a three or four-star hotel.

The expected hostel will consist of fifteen designed accommodations: two dormitory rooms for women and men, five well equipped apartments for families, six rooms with shared bathroom and two rooms with toilets. The building situated on the address Kiekkotie 2 and 4, 70200, Kuopio is considered. The total area of the building is 568 square meters (the hotel could be situated in the similar building in any similar city).

### **1.1.1 Mission and Vision**

Mission statement defines what an organization is and why it exists. The statement could define who your primary customers are, identify the products and services you produce, and describe the geographical location in which you operate. (Entrepreneur 2014.) Vision defines the optimal desired future state - the mental picture - of what an organization wants to achieve over time. (Psychology 2014.)

The mission of the company is to provide customers with a convenient hotel in terms of price-value balance with the service that could satisfy needs of different levels of consumers. The vision is to gather as many clients as possible and become a sustainable well-known company by 2020.

### **1.1.2 The keys to success**

There are several keys to success that will serve as competitive advantages of the firm. Moreover, these aspects will differentiate company from the others:

**Wide range of service** – the service will be presented in accordance with customers' preferences identified through research process. The information about service of potential competitors will be used to improve the future hotel and add additional opportunities for clients.

**Multifunctional staff** – staff speaking different languages allow people from different countries obtain a mutual understanding with the personnel (it is one of the most significant points).

**Marketing tools** – the hotel will be advertised by Booking.com, TripAdvisor, VK, Facebook and the hotel's official web site.

**Discounts** – The system of discounts will allow usual clients, companies' workers and large teams to save their money by getting additional discounts.

**Design** – The different design of rooms will be used to make the hotel unusual.

Generally, the main keys to success are the results pointed out during the observation of the real existing company in the sphere of hospitality, market research of competitors and customers' preferences. Additional aspects such as wide range of service, multifunctional staff, marketing tools, discounts and design will be additional advantage for the organization.

## **1.2 Goals and objectives**

The core objective of a business is to gather as many clients that have different level of income as possible. This point will make hotel available for every client, thus the reputation of the hotel will grow.

The planned organization will meet customers' needs that were presented in the investigations and are summarized in a business plan. In addition, competitors' weaknesses were considered in order to utilize them in the business plan to obtain a great competitive advantage. To achieve set expectations, own assets and a loan from the bank will be used.

### **1.3 Management Ownership**

A sole proprietorship is the simplest and most common structure chosen to start a business. It is an unincorporated business owned and run by one individual with no distinction between the business and the owner. The entrepreneur is entitled to all profits and is responsible for all your business's debts, losses and liabilities. (Small Business Administration 2012.)

The form of business organization is Ownership, where one person is liable for the firms' possible losses and profits. This organization type already existing in RaitaHouse Oy or a partnership are not necessary for Raita Hostel. The owner of the company will be a proprietor of the RaitaHouse Oy, while I will serve as a director in RaitaHouse and informally – the owner.

## **2 MARKET RESEARCH**

The purpose of the industry and market research section is to prove that the market is large enough in the area to support the survival and growth of your business. (Ministry of Small Business and Economic Development & Western Economic Diversification Canada 2012). The market research serves as one of the major parts of the business planning, because during the process, all the necessary aspects are identified, such as competitors, their competitive advantages, weaknesses, services and prices, preferences of customers and other investigations that could affect the enterprise's success.

The following market research will represent industry analysis, target market, competitors and four market factors. In addition, the SWOT analysis of the company will be provided.

### **2.1 Target Market**

Market segmentation is dividing a market into distinct groups of buyers with different needs, characteristics or behavior, who might require separate product or marketing mixes. (Kotler P. 2004.)

The business is aimed at gathering clients from different segments, such as:

1. Young families with children – Kuopio is the city of tourism and the hotel will allow staying in the apartment with all the needed facilities and offer additional discounts for families with children. Moreover, the necessary service will be provided to children to give an opportunity to their parents to rest. The prices will be affordable as well. In addition, Kuopio is the city of education and a lot of young people come to study, get courses, and apply for education there. Besides, a large number of families are interested in visiting this innovative and technologically progressive city. The segment will be primarily linked to international families. These families usually travel on weekends and holidays
2. Holiday makers – people seeking for interesting hotels, service and activities for affordable prices. This category of people is popular in Europe, thus the segment will be connected to European people. The most requested types of

the accommodation for such segment are rooms with private and public toilets. Such people tend to travel at any time.

3. Working class people – a dormitory room will be the best choice for long-stay trips for Finnish employees. These rooms will be occupied during the working days. According to the researcher's experience, a large amount of firms contact the cheapest hostels in order to reserve accommodation for workers.

The expected proportion of segments presented in the FIGURE 1. The pie chart shows that the hostel forecasts to obtain 50% of young families with children, 30% of working class people and 20% of holiday makers from the total arrival per year.

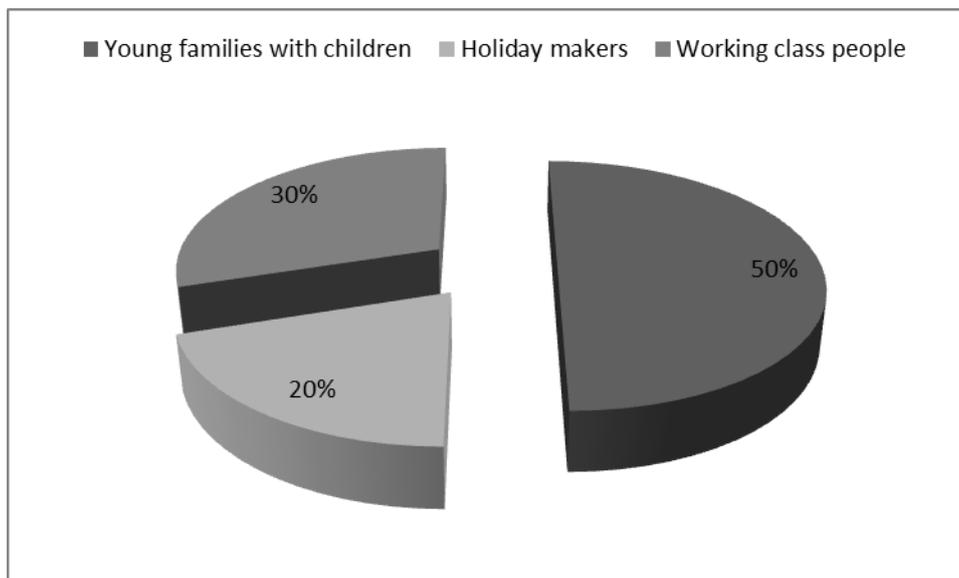


FIGURE 1. Proportion of segments

## 2.2 Competition

According to the researches presented in first part of the thesis report, twenty-two hotels are situated in Kuopio. There are three apart-hotels, three villas, four hostels and twelve city hotels. As the results show, the potential competitors are three apart-hotels, four hostels and ten hotels, such as Finlandia Hotel Jahtihovi, Finlandia Hotel Isovalkeinen, Scandic Kuopio, Cumulus Hotel, Hotelli Puijo Koto, SPA Hotel Rauhalampi, Hotelli Sandels and Best Western Savonia Hotel, Hotel Koivuranta, Hostelli Hermanni, Hostelli MatkustajaKoti, Hostel Rauhalampi, Hostel Asema, Lomakoti, SPA Rauhalampi Apartments and Forenom Apartments.

The most convenient accommodations in terms of price-value balance were identified from each type of the hotel: Cumulus became the best hotel among city hotels, the Hostel called Asema is the best accommodation among hotels and Forenom is a leader in the category of apartments.

From my point of view, from the competitors' research, the best accommodations should be considered as the biggest competitors in the market place with their special services, activities and prices. The major disadvantage of these hotels is that none of the hotels has all the necessary services which are requested by customers. Furthermore, it was observed in the market research that the larger part of three-star hotels does not include service required for three-star hotels, thus the rating mentioned is incorrect and unfair. All prices, services and activities of accommodations located in Kuopio are presented in business plan.

### **2.2.1 Unique selling proposition**

USP means unique selling proposition. It is one of the basic effective marketing and business that has stood the test of time. A USP can help customers by saving their time when they are considering buying a product or service. By stating simply and clearly why your product or service is different, it will stand out from the competition. The USP could be used for every product or service. (Cartered Institute of Marketing 2009.)

The hostel is unique for some reasons. First of all, it will be a new hostel with different designed rooms, which will have comfortable conditions. Secondly, there will be located various types of accommodation that will allow people with different income level stay in the hostel. Besides, the service of a wide range will be provided at a high level for relatively low costs. Moreover, hostel will have the most affordable price in the region and regular clients, large groups of people and long staying reservations would be considered for special discounts.

### 2.2.2 SWOT analysis

SWOT analysis is a useful technique for understanding your strengths and weaknesses, and for identifying both the opportunities open to you and the threats you face. What makes SWOT particularly powerful is that, with a little thought, it can help you uncover opportunities that you are well-placed to exploit. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you unawares. By looking at yourself and your competitors using the SWOT framework, you can start to craft a strategy that helps you distinguish yourself from your competitors, so that you can compete successfully in your market. (MindTools 2014.) Table 1 reflects strengths, weakness, opportunities that will be available for the organization and threats that can directly affect enterprise's existence and profit.

TABLE 1. SWOT analysis

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Wide range of service</li> <li>• The best prices in the region</li> <li>• New hotel with a special design</li> <li>• Existence of activities that are not available in three/four-star hotels</li> <li>• Personnel speaking different languages</li> <li>• Individual approach to customers</li> <li>• Different discounts for big families, long-stay vacations and usual guests</li> <li>• Developing hotels' chain</li> <li>• Great marketing tools</li> </ul>	<ul style="list-style-type: none"> <li>• Unknown hotel in Kuopio</li> <li>• Meal is not available</li> <li>• Absence of gym/fitness/wellness center</li> <li>• Absence of star rating</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• To gain a significant part of the market share</li> <li>• To obtain more customers than other organizations are able to do due to affordable prices, wide range of service and new design in the hotel</li> <li>• To spread advertisement to different countries</li> <li>• To develop the hotel chain (open more hotels)</li> <li>• To make additional service (meal, rental and activities)</li> <li>• To get a star rating (at least a three-star hotel)</li> </ul>	<ul style="list-style-type: none"> <li>• Popular hotel chains could be strong competitors on the market</li> <li>• Rival companies have an opportunity to create a better marketing strategy</li> <li>• Global changes (currency changes or revolutionary situations)</li> <li>• Changes in Finnish laws and regulations regarding business for foreigners in Finland</li> <li>• The world financial crisis</li> <li>• Competitors</li> </ul>

### **3 MARKET STRATEGIES**

Marketing is one of the most misunderstood aspects of business. To many, marketing is sales and promotion. Sales and promotion are important elements of marketing, but marketing is a broader concept. It envelops the design and packaging of a product – the price and discounting strategies for the business – and the intimate knowledge of the current and future needs and wants of the target market.

To create balanced approach advertising, product strategy, location and price strategy will be considered further. In addition, the significant point of any market strategy such Marketing Mix will be considered as a basis of former definitions.

#### **3.1 Marketing Mix**

The main market factors could be explained using the marketing mix where the product, price, place and promotion are considered. These factors finalize the main idea and objectives of the future company. A marketing mix is a set of controllable tactical marketing tools – product, price, place, promotion – that the firm blends to produce the response it wants in the target market. (Kotler 2004.) Generally, marketing mix is a key element of any business strategy. The model is simple and versatile to use, and it is a kind of checklist for effective company development in the market.

Originally, marketing mix consists of four elements (4P), then was complicated and as a result moved into the marketing mix of 5P and 7P. In this chapter three models of the marketing mix will be discussed. New three elements included in the model 7P are Process, People and Physical Evidence.



IMAGE 1, Marketing mix (PowerBranding 2014)

### 3.1.1 Product

Product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, service, persons, places, organization and ideas. (Kotler 2004). The first element simply means a product or service offered to the buyer (on our case to the customers). Therefore, service and the main idea of the hostel should be uncovered in the paragraph.

The market research conducted in Kuopio shows the best list of services preferred by customers, thus those services will be implemented. Moreover, all possible services will exist in the hotel in order to comply with three-star hotels.

The hostel will consist of fifteen accommodations: two dormitory rooms for women and men, five well equipped apartments for families, six rooms with shared bathroom and two rooms with toilets. Dormitory rooms each will have six beds, rooms will be simply furnished: lighting, beds, wardrobes with locks, mirrors and small desks, the toilet and shower will be located on the floor. Well-equipped Apartments will have beds of different sizes (singles, twin or double), lighting, kitchen with all needed facilities (pot, coffee machine, refrigerator and oven), toilet with shower, wardrobe, desk, dining table and seating area with TV. Room with public and private toilet will differ only by presents of the bathroom. Therefore, these kinds of rooms will have: lighting, beds of different sizes (on request), wardrobe, nightstands, TV and desk.

All rooms will be made in different design, for example, dormitory rooms will be in light colors, rooms with private and public toilets in soothing colors while well-equipped apartments in bright colors.

Types of rooms are concentrated on the segments mentioned in the previous chapter to have a great competitive advantage:

- Rooms with a shared bathroom and dormitory rooms will be popular among working class people. Usually companies reserve these kinds of rooms for its workers for a long period of time and at a low cost.

- Rooms with a private toilet will be suitable for Holiday Makers that could arrive at the hotel at any time. In addition, this segment also would order dormitory room (when group of people) or rooms with a public toilet that are proposed for affordable prices.

- Well-equipped apartments and rooms with an own bathroom are aimed at gathering young families with children. It will be expensive if young family stays in a high-rated hotel. Apartments with a kitchen and a bathroom are very popular in the segment for a long stay, because families could spend less money by cooking in own kitchen. Moreover, the prices will be extremely lower than in other accommodation. In addition, rooms with private bathroom are comfortable for a short-stay and payment per night is affordable as well.

The hotel will have a wide-range of free and extra-charge service; this fact will differentiate the organization from competitors. Therefore, prices for any accommodation will include bed linen and towels, a wake-up service, a tour desk, a 24-hours working desk, a TV and PS room, a public kitchen, coffee and tea, and a parking place. Bed linen and towels will be situated in the reserved room, tour desk would be available on the reception and each guest will have opportunity to observe interesting places in Kuopio. Wake-up service will be available on request; the request should be made to administrator. 24-hours working desk means that the administrator will be available any time (ten hours on the reception and 14 hours by phone that will be mentioned on the reception). Public kitchen, TV room, coffee and tea will be located in the general hall that would be available for guest of the hostel. Parking place would be reserved on request (the request could be made by Booking.com or email message).

Additional equipment without an extra charge would be provided as well: equipment for pets, baby cot, equipment for disabled guests and toys and games for children. This equipment could be provided on request. To protect the organization from robberies the amount of ten euro should be paid as a deposit (the amount will be returned if equipment will be given back).

Moreover, an equipped smoking area, a family room, non-smoking rooms and allergy-free rooms will be available in the hotel. Smoking area will be organized on the balcony of the building and will be available for all clients. Special rooms will be on request via Booking.com or direct email as well.

The services for an extra charge will be following: rental of fishing equipment, rental of bicycles, ironing equipment, rollerblading/skating equipment and skiing equipment. The equipment could be gathered from the reception and returned back in an agreed time. Usage of washing and dry machine, fax/photocopying, a shoeshine service, a computer for rent, a sauna, a library, DVD films, an extra bed, a photo-shoot service, a transfer, pets and excursions could be gathered from the reception. Sauna and usage of washing machine will have special schedule with time reservation, the photo-shoot service will provide customers with a good photographer for a limited period of time. A transfer should be order in advance by phone or email of the organization, while excursions will be available in tour desk.

The importance of the service should be considered in terms of market segmentation. The target market is divided into three segments such as young families with children, holiday makers and working class people. Table 2 represents the most valuable service in terms of market segments. Young families with children will need additional equipment for children such as baby cot or different toys to distract children. In addition, as the families are young likely that additional equipment will be requested for extra charge such as bicycles, fishing, skiing and skating equipment. Holiday makers will be interested in rental of equipment as well. Moreover, tour desk for their trips is required. The working class people prefer quiet atmosphere. Therefore, they would prefer to have a library in the hotel. The wake-up service is necessary for the segment as well as sauna and rental of computer.

TABLE 2. The most valuable service in terms of market segments

<b>Young families with children</b>	<b>Holiday makers</b>	<b>Working class people</b>
<p>Service included into the price:</p> <ul style="list-style-type: none"> <li>• Bed linen and towels</li> <li>• A tour desk</li> <li>• TV and PS room</li> <li>• Coffee and Tea</li> <li>• Parking place</li> <li>• Equipment for pets</li> <li>• Equipment for disable guests</li> <li>• Toys and games for children</li> <li>• Baby cot</li> <li>• Staying children from 0 to 14 years for free</li> </ul> <p>Additional equipment an extra charge:</p> <ul style="list-style-type: none"> <li>• Rental of fishing equipment</li> <li>• Rental of bicycles</li> <li>• Ironing equipment</li> <li>• Usage of washing and dry machine</li> <li>• Shoeshine service</li> <li>• Rollerblading/skating equipment</li> <li>• Skiing equipment</li> <li>• Computer for rent</li> <li>• Library</li> <li>• Sauna</li> <li>• Photo-shoot service</li> <li>• Excursions</li> </ul>	<p>Service included into the price:</p> <ul style="list-style-type: none"> <li>• Bed linen and towels</li> <li>• A tour desk</li> <li>• 24-hours working desk</li> <li>• TV and PS room</li> <li>• A public kitchen</li> <li>• Coffee and tea</li> </ul> <p>Additional equipment an extra charge:</p> <ul style="list-style-type: none"> <li>• Rental of fishing equipment</li> <li>• Rental of bicycles</li> <li>• Ironing equipment</li> <li>• Usage of washing and dry machine</li> <li>• Fax/photocopying</li> <li>• Shoeshine service</li> <li>• Rollerblading/skating equipment</li> <li>• Skiing equipment</li> <li>• Computer for rent</li> <li>• Sauna</li> <li>• Photo-shoot service</li> <li>• Transfer</li> <li>• Excursions</li> </ul>	<p>Service included into the price:</p> <ul style="list-style-type: none"> <li>• Wake-up service</li> <li>• A public kitchen</li> <li>• Coffee and tea</li> </ul> <p>Additional equipment an extra charge:</p> <ul style="list-style-type: none"> <li>• Ironing equipment</li> <li>• Usage of washing and dry machine</li> <li>• Fax/photocopying</li> <li>• Shoeshine service</li> <li>• Computer for rent</li> <li>• Library</li> <li>• Sauna</li> </ul>

### 3.1.2 Price

Price is the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using product or service. (Kotler 2004). The prices of the accommodations are the cheapest in Kuopio region. Moreover, the different rooms' types are available and pieces depend on the level of the room as well. In other words, price means a price strategy, where the results should present positive outcomes.

After the market observation, the final prices for accommodation are decided to be as presented in the table 3. These prices are made in accordance with the market research of competitors, where all prices are collected and analyzed. The final price strategy of Raita Hostel is created to be the most affordable in the region in order to dominate in the price category.

According to the table 3, the hotel will have a possibility to stay in different kind of rooms. For example, the cheapest one is the place in dormitory room that will cost 25€, while the most expensive is 55 € to spend a night in a well-equipped apartment (single room). The cheapest price of competitors for the person is 30€ in a dormitory room and the highest is 135 € per night.

TABLE 3. Prices for accommodations

<b>Accomodation prices</b>					
	<b>1 person</b>	<b>2 persons</b>	<b>3 persons</b>	<b>4 persons</b>	<b>Family discount (2adults+ 2children)</b>
Place in dormitory room	€ 25,00	-	-	-	-
Well - equipped apartment for families	€ 55,00	€ 59,00	€ 69,00	€ 79,00	€ 75,00
Room with shared bathroom	€ 35,00	€ 45,00	€ 55,00	-	€ 65,00
Room with private bathroom	€ 45,00	€ 55,00	€ 65,00	-	-

The prices for accommodation presented in the table 3 include bed linen and towels, a wake-up service, a tour desk, a 24-hours working desk, a TV and PS room, a public kitchen, a parking place, coffee and tea. Additional equipment without an extra charge could be provided: equipment for pets, equipment for disable guests and toys and games for children. Moreover, an equipped smoking area, a family room, non-smoking rooms and allergy-free rooms will be possible to obtain in the hotel. In addition, the baby cot will be provided without an extra charge for children less than two years and all children from zero to fourteen years old could stay in the hotel for free if they use existing beds.

The service for an extra charge is presented in the table 4. In accordance to the table, the most expensive service is photo-shoot (15 euro per hour), while the cheapest service books and films rentals (one euro per day).

TABLE 4. An extra charge service

<b>An extra charge service</b>	
<b>Service</b>	<b>Price</b>
Finishing equipment (per hour)	€ 2,00
Bicycles (per hour)	€ 5,00
Ironing equipment	€ 5,00
Usage of washing and drying machine (per one time)	€ 10,00
Fax/photocopying (per page)	€ 0,40
Photo print (per photo)	€ 2,00
Shoeshine service (per pair)	€ 5,00
Computer (per 10 minutes)	€ 1,00
Rollerblading/skating equipment (per hour)	€ 5,00
Skiing equipment (per hour)	€ 5,00
Sauna (per hour)	€ 7,00
Library (book per day)	€ 1,00
DVD films (film per day)	€ 1,00
Extra bed (per night)	€ 10,00
Photo-shoot service (per hour)	€ 15,00
Transfer (around the city)	€ 10,00
Pets (per night)	€ 5,00

The most requested service in accordance with customers' preferences will be established in the hotel. Therefore, the hotel will offer high-quality designed rooms with a wide range of services for relatively cheap prices. In addition, if customers stay longer than three days, discounts will be considered. Sport teams, employees and other groups requiring more than four nights will be provided with special sales as well. Moreover, regular clients will have an opportunity to stay in the hotel cheaper than through the Internet service.

Payment methods will be different: customers will have an opportunity to pay by cash or credit card. Moreover, working class people would provide Raita Hostel with the coordinates of the company to send a bill via post or e-mail. The cost for accommodation should be paid on the time of arrival. Not less than three days before arrival clients are able to cancel the reservation without an extra charge. If a reservation will be canceled during the last three days – the money of the reservation will not be returned.

### **3.1.3 Promotion**

Promotion implies activities that communicate the products or services available to target customers. (Kotler 2004). All companies need to market themselves. There are different types to advertise your existing company. These aspects are uncovered in the chapter "Advertisement and Promotion".

According to the web journal of Cuellar-Healey (2013) there are different promotional elements such as advertising, personal selling, public relations, sales promotion, direct marketing and other promotional options. However, some of the presented promotional tools such as advertising and public relations will be discussed. Sales promotions

#### **Advertising**

Advertising is the most well-known and widespread promotional element and an efficient method to reach a large number of people. The company could be advertised through television, radio, magazines, newspapers, direct mails, yellow pages and internet. (Cuellar-Healey 2013.)

The internet will be utilized as the cheapest and the most convenient promotional tool:

- The business will be registered on the well-known hotels' reservation service which has obtained the largest score during the market research regarding how people prefer to reserve accommodation. RaitaHouse Oy already exists there and the process of adding one more hotel will be simple. The cooperation with the company is free of charge, but for each reservation there is a 15% fee that goes to the Booking.com. At the end of the month, company receives the invoice with all reservations (its 15%) that were made during one month. There is ten days deadline to cover the payment
- The public pages such as VKontakte and Facebook will have information about the hostel (the web sites will have groups that will show the overall description with prices and service available in the hotel; every day the administrator will randomly add people to the group to obtain as much as possible potential clients)

- The official web site also will provide clients with all necessary information (the link of the official web page will be located in groups of VK and Facebook)

### **Public Relations**

Public relations and publicity relates to the planned and sustained efforts of a firm to establish and maintain a favourable public image and generate publicity aimed at a broad public audience. Publicity is basically a non-personal, unpaid presentation of a firm, product or service. (Cuellar-Healey 2013.)

The company will be advertised on the exhibition in Helsinki or another foreign city, where the company will be recommended directly to the potential customers. The advantage of such activity is to find partners and new clients. Moreover, the push strategy will be more convenient to motivate visiting our hostel. At the moment, there are no plans for the first three years to present on such event.

Secondly, the company is already a sponsor of the STPS football team in Savonlinna, where during the matches players are wearing t-shirts with the logo of the company and speaker announces collaborating enterprises in the competition. This marketing tool could be useful for special teams and other people who visit Kuopio and chose an already known hotel that also supports a local football team.

### **Other promotional options**

Brochures will be used from the second year of operation. These papers usually include all necessary information that could attract customers. Brochures will be distributed at the weekends in order to share as much as possible amount.

#### **3.1.3.1 Segmentation of advertisement**

The hostel will have three segments of the market such as: young families with children, holiday makers and working class people. Each segment has own method in searching the hotel. The most common way to choose the hotel is to go through the Booking.com, where all information including availability of hotels, prices, service, reviews and alternative variants are located. Therefore, all presented segments tend to observe hotels via this web site.

Young families with children could pay attention to the company during the football match, where the RaitaHouse Oy is a sponsor of the organization, and then they could obtain information about the hostel via official web site. Brochures will serve as a great motivation for such families to visit the hostel.

Holiday makers are usually seeking for something new and they, probably, would not consider an invitation letter as a junk email, but on the contrary, it would be interesting for them. In addition, they are always exploring unknown meeting and different exhibitions could be interesting for them, where hostel's representatives would utilize push direct marketing strategy.

Working class people are usually come from different organizations and the major decision on the hotel is made by the head of their enterprise. Therefore, it is obviously that companies pay their attention primarily on the prices of the accommodation and special discounts. Thus, our affordable prices and special offers such as discounted price for a companies and long stay bookings will be negotiated. The important promotional tool as email marketing is a key to success in the segment, because companies will get special proposal via private email and will keep it in mind (Buzz-marketing).

### **3.1.3.2 Expenses on advertisement**

The advertising and promotion will have a limited amount of expenses. The major costs will be on creation of the official web site, while publics in social networks will be free of charge. The expenses of the Booking.com are 15% from each reservation (the sum per month would be extremely high depending on the season).

The expenses for the sponsorship are three hundred euro per year (it already exists and there is no need to pay it). The expenses on brochures on the second year will be about thousand euro (hundred papers costs about ten euro).

It is a difficult, costly and lengthy process to create an official web site. Firstly, the domain (name of the website) should be acquired. I have observed the prices on the Russian market and the price for the international domain will cost about ten euro per year (it has to be continued for the same amount of money). The hosting (the right to keep information on the web page) should be purchased next; the host's price is about forty-two euro per year. Finally, to make the web site, its design and launch it

the programmer is required. The prices for the web site design are different, for example, I found the person who is able to create it for 120 euro (one month). Therefore, the start-up funding will be about 170 euro per year and the subsequent use of the site will cost fifty-two euro per year.

### **3.1.4 Place**

Place is all the company activities that make the product or service available to target customers. (Kotler 2004). The place also means a location of the hostel and all included facilities. The location represents the places where the hotel and facilities are located, how it could be reached and what competitors are situated nearby.

The address of the business is Kiekkotie 2 and 4, 70200, Kuopio. The distance to the city center is two kilometers. The hotel will be located near the roads, traffic, cafes and shops. The hostel will be located in a place with good connection. For example, the closest bus station is situated a hundred meters from the hotel, where bus number five or six could take you to the city center, while bus number fifteen could deliver you directly to the main city square. The map of the bus routes in Kuopio represented in Image 2. The green symbol is Raita Hostel. Besides, the hostel could be reached by taxi standing on the railway station, bus station, and city center or by phone 0200 30 300. Furthermore, the destination from the central bus and railway station is about 1.8 kilometers that is about twenty-five minutes by foot. The destination to the city square is 2.2 kilometers or thirty minutes by foot.



### **3.1.5 People**

People - all companies are reliant on the people who run them from front line sales staff to the managing director. (Professional Academy 2014). The term appeared in connection with the development of relationship marketing and marketing services. The term "People" refers to people who can have an impact on the perception of your product in the eyes of the target market. (PowerBranding 2014.)

It is significant to have the right people, because business success depends on their efforts. The company Raita Hostel will have the owner of the whole organization (the same owner as in RaitaHouse Oy), director that will be a universal person: an administrator and an assistant in all matters. Moreover, two cleaning persons will work in the organization to prepare rooms and public places before and after customers. ' Generally, the administrator and owners will promote, improve and represent the hostel. Customers of the hostels will primarily affect the reputation of the organization by leaving their comments on TripAdvisor and Booking.com.

### **3.1.6 Process**

Processes – The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for. Also, It refers to the methods and process of providing a service and is hence essential to have a thorough knowledge on whether the services are helpful to the customers, if they are provided in time, if the customers are informed in hand about the services and many such things. (Professional Academy 2014).

The process of delivery of the service is very simple in Raita Hostel. To reserve the accommodation, a person is able to call directly to the hotel, send an email or book a room through the hotel reservation service or by the official website. The arrival will be accepted after the mentioned check-in time. The service provided in the hostel is available any time and could be gathered from the administrator of the hotel. The process of delivering service is very fast to satisfy customers' needs. The list of the service and its prices will be published in the hostel, on Booking.com and official web site. At the first period, company will not have any programs for service improvement, because the stage of initial services should be primarily checked.

### **3.1.7 Physical Evidence**

Physical Evidence – Almost all the services include some physical elements even if the bulk of what the consumer is paying for is intangible. For example, a hair salon would provide their client with a completed hairdo and an insurance company would give their customers some form of printed material. Even if the material is not physically printed (in the case of PDF's) they are still receiving a “physical product” by this definition. (Professional Academy 2014.)

For example, to make the right decision, potential clients may observe the hostel's reviews in advance on TripAdvisor or Booking.com. The rooms and public places will be in a new condition, thus clients should be satisfied with the interior. In addition, to receive good opinions, administrator will take maximum efforts.

#### 4 HUMAN RESOURCES

The hotel will have minimum staff. It will include a director, who will perform the function of an administrator, and several part-time cleaners. The functions of the administrator will be performed by me: purchase of necessary materials, collection of documentation and transferring it to the accountant that already exists and situated in Savonlinna, renovation of rooms, providing customers with equipment for rent, executing customers' requests and 24-hours availability.

Cleaning staff will be hired for part-time job; it could involve students with limited working hours as well. Cleaners will change bed linen, towels, wash clothes, dry and clean rooms along with public places after customers' departure approximately from 11:00 to 15:00. They are required to have hygienic/sanitary passport and be responsible for the work.

The table below shows that the expenses on personnel will be at minimum level. The administrator will earn the fixed amount of 1200€ (TAX included) and two part-time cleaners will have eight hundred euro (together). According to the official web site of taxation in Finland (2015), the TAX varies 18%-21%. In addition, the church TAX of two/three percentage should be paid as well). To identify the net income of administrator the 23% will be imposed to the sum of 1 200 €. Therefore, the net income will be about 924 euro per month. The cleaners will not be imposed by tax due to the low income. (VERO 2014.) The next year, the salary of administrator will not be changed but cleaners will have increased amount due to enlarging of working hours.

TABLE 4. Personnel Plan

<b>Personnel Plan</b>			
Position	Year 1	Year 2	Year 3
Director/administrator	1200	1200	1200
Cleaner	800	1000	1000
<b>Total per year</b>	<b>24000</b>	<b>26400</b>	<b>26400</b>

## **5 FINANCIAL PLAN**

The main purpose of the financial plan is to show the financial requirements to start the business, and to keep the business profitable and liquid. (Ministry of Small Business and Economic Development & Western Economic Diversification Canada 2012).

In accordance with the book of Ministry of Small Business and Economic Development & Western Economic Diversification Canada (2012), there is a list of required documents that have to be represented such as starting-up assets and costs, starting balance sheet, pro-forma (sales forecast) income statement and cash flow forecast.

### **5.1 Start-up Balance Sheet and Service expenses**

The start-up balance sheet will include current assets and capital assets. The current assets will be presented as cash, inventory, and pre-paid expenses with accounts receivable that are required during the first year. The capital assets are those that could be used in the run-business as a certain object like computer or rental equipment to perform additional service in the hotel.

Assets mean all things that business owns, thus the liabilities plus equity equal assets. (Ministry of Small Business and Economic Development & Western Economic Diversification Canada 2012). The start-up funding will be based on own assets of 227 000 €. The building situated in Kuopio costs 365 000 €, thus 80 000 € will be a contribution to the seller and another sum of 285 000 € will be borrowed from the bank. The sum of 146 500 € (of 227 000 €) will be spent to start-up expenses and payments that will arise during the first year.

The expansion of the hotel chain does not require registration process, thus costs on start-up process become lower. Moreover, the interest rate could vary from 1.9 to 4%, it depends on the bank; for example, Danske Bank consider young people opening a business for about 2-2.5%. According to the table, the approximate expenses per first month will be 146 500 € including reconstruction costs and furniture with techniques, the monthly payment will be about 6 000 € per month during the first year that notices in the other assets.

As total start-up expenses will be covered by start-up inventory, the total requirements do not consider this variable. Total requirements account for 365 000 €, this sum is needed to take a building on credit. The amount of about 20% should be paid to the seller, therefore start-up inventory for the building will cover 80 000 € of 365 000 €. Then, the amount of 285 000 € will be borrowed from the bank for ten years on 1.9% (it should be mentioned that the VAT from the purchase will be 4%). The final sum of the property will be 285 000 € plus 6 000 € (approximate interest rate of 1.9-4%) plus 11 400 € (tax of the property purchase), the final sum will be about 302 400 €. The monthly payment will be about 2 520 €.

TABLE 5. Starting Balance Sheet

<b>Assets</b>		<b>Liabilities</b>	
<i>Current Assets</i>		<i>Current and non-current Liabilities</i>	
Cash	€ 80 000,00	Loan from the bank	€ 285 000,00
Inventory	€ 285 000,00	<b>Total Liabilities</b>	
Pre-paid expenses	€ 500,00		
<b>Total Current Assets</b>	€ 365 500,00	<b>Equity</b>	
		Investment	€ 227 000,00
<i>Capital Assets</i>		<b>Total Equity</b>	
Service organization	€ 4 000,00		
Materials	€ 3 000,00		
Furniture, technique and reconstruction	€ 50 400,00		
Other	€ 89 100,00		
<b>Total Capital Assets</b>	€ 146 500,00		
<b>Total Assets</b>	<b>€ 512 000,00</b>	<b>Total Liabilities+Equity</b>	<b>€ 512 000,00</b>

The amount for service organization is 4 000 € in accordance with capital assets presented in table 6. The sauna will be included into the reconstruction costs. The table represents the services which require additional costs. The total expenses on service are 3 980 €, thus additional borrowing is not necessary. TV and PlayStation console for the public usage and camera already exist.

TABLE 6. Service organization expenses

<b>Service expenses</b>	
Fishing equipment (2 complects)	100
Bicycles (4 items)	800
Ironing equipments (iron, table)	60
Washing machine+dry machine	500
Telephones for wake-up and room service	400
Fax/photocopying machine	150
Shoeshine equipments	70
Mosquito net (15 sheets)	50
Equipment for disabled quests	300
Tour desk	50
Equipment for pets	200
Rollerblading/skating equipment (4 pairs)	200
Skiing equipment (2 complects)	400
Board games	200
Toys and games for children	200
Computer for rent	300
<b>Total expenses</b>	<b>3980</b>

## 5.2 Strategy and Implementation summary

The strategy is aimed at gathering as many customers as possible by affordable prices and a wide range of services. The sales strategy will be considered in the paragraph. The table will provide with the information about expenses and expected sales during the first three years.

Table 7 represents expected costs for the next three years. The first year has the largest costs due to the high start-up expenses. The biggest payments during these years are for covering the bank loan and the salaries which should be paid to the personnel.

TABLE 7. Expected expenses

<b>Expenses</b>	<b>1 year</b>	<b>2 year</b>	<b>3 year</b>
Bank loan payment (+4% VAT of the purchase and the 2% interest rate)	€ 30 240,00	€ 30 240,00	€ 30 240,00
Water and Heating	€ 9 600,00	€ 10 800,00	€ 12 000,00
Electricity	€ 1 200,00	€ 1 440,00	€ 1 680,00
Insurance	€ 480,00	€ 480,00	€ 480,00
Salaries	€ 24 000,00	€ 26 400,00	€ 26 400,00
Internet	€ 480,00	€ 480,00	€ 480,00
Bookkeeper	€ 1 200,00	€ 1 200,00	€ 1 200,00
TV (16 items)	€ 1 056,00	€ 1 056,00	€ 1 056,00
Materials (towels, toilet paper and soap )	€ 600,00	€ 900,00	€ 1 200,00
Garbage	€ 720,00	€ 720,00	€ 720,00
Maintenance	€ 1 200,00	€ 1 560,00	€ 1 800,00
Other	€ 75 724,00	€ 24 724,00	€ 32 744,00
<b>Total expenses</b>	<b>€ 146 500,00</b>	<b>€ 100 000,00</b>	<b>€ 110 000,00</b>

The table represented in Appendix 4 shows that expected amount of nights to be sold in the first year is 3 600 (approximately four beds of dormitory rooms, two apartments, three rooms with a shared bathroom and two rooms with a private bathroom per night). The next point represents the average sum people pay for the accommodation and service, thus the dormitory room is 25 € per night, apartments is 66 €, a room with a shared bathroom is for 50 € and rooms with a private bathroom are for 68 € per night. The total amount of hours expected to be sold in service provided is 6 388.

The service charges are following: rental of fishing equipment is two euro per hour, rental of bicycles is five euro per hour as well as ironing equipment, usage of washing and drying machine is ten euro per one time, fax/photocopying is forty cents per page, a shoeshine service is five euro per pair, rollerblading/skating equipment is five euro per hour, skiing equipment is five euro per hour, a computer for rent is one euro per ten minutes, sauna is seven euro per hour, library is one euro per book/day, DVD films disk/day is one euro, an extra bed is ten euro per night, a photo-shoot service is 15 euro per hour, a transfer is ten euro around the city and pets are for five euro per night (equipment for pets without extra charge).

Therefore, the expected sales of accommodation in the first year is 162 00 €, while the expected sales of service is 16 083 €. The total expected sales is 178 083€ and

expenses are 146 500 € including start-up expenses (the monthly expenses mentioned in start-up funding paragraph). The total profit is 31 583 €. The profit is low because of start-up expenses.

In the second year, the expected number of night to be sold is 5 020 (six beds of dormitory room, three apartments, three rooms with a shared bathroom and two rooms with a private bathroom per night ) and the average prices for the night will not be changed. As the number of nights increased by about 39%, the expenses will be enlarged as well by the same percentage (costs for additional goods for toilets, bed linen, towels, cleaning staff and so on). The total expected amount of hours sold in service provided on the second year will be greater by 11% (7 109 hours). The total profit of accommodation and service sales is 145 370€ without tax.

In the third year, total sales of nights will be expected to increase by about 32% (6480 sold nights) with the same payment per night, while the service sold will be increased by 9% (7771 hours). The total expenses will slightly differ in comparison with previous year. Thus, the total turnover will be 208 023 € without tax.

### **5.3 Pro Forma Cash Flow**

The table pro forma cash flow represents the cash received, expenditures and net cash flow from the first starting year. The table is situated in Appendix 1. The first months including start-up expenses such as for the reconstruction, furniture and other organizational points show the largest loss over 30 000 € in each first three months. Then business will start to work and the loss will be covered by the revenue made by accommodations and service sales. The total revenue is expected to be approximately 31 583 €. The net revenue is expected to be low due to the start-up expenses.

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**APPENDIX 1**

**Pro Forma Cash Flow**

Cash from operations	January	February	March	April	May	June	July	August	September	October	November	December	Total per year
Cash Sales	€ -	€ -	€ -	€ 19 000,00	€ 15 000,00	€ 25 000,00	€ 29 000,00	€ 28 083,00	€ 15 000,00	€ 14 000,00	€ 14 000,00	€ 19 000,00	€ 178 083,00
<b>Total revenue</b>	€ -	€ -	€ -	€ 19 000,00	€ 15 000,00	€ 25 000,00	€ 29 000,00	€ 28 083,00	€ 15 000,00	€ 14 000,00	€ 14 000,00	€ 19 000,00	€ 178 083,00
<b>Expenditures</b>													
property tax % and VAT)	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 2 520,00	€ 30 240,00
Heating and Water	€ 800,00	€ 800,00	€ 600,00	€ 600,00	€ 600,00	€ 400,00	€ 400,00	€ 400,00	€ 600,00	€ 600,00	€ 600,00	€ 800,00	€ 7 200,00
Electricity	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 1 200,00
Insurance	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 480,00
Salaries	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 2 000,00	€ 24 000,00
Internet	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 40,00	€ 480,00
TV/(16 items)	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 88,00	€ 1 056,00
Bookkeeper	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 1 200,00
Maintenance	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 100,00	€ 1 200,00
Washing materials	€ 45,00	€ 45,00	€ 30,00	€ 30,00	€ 40,00	€ 90,00	€ 95,00	€ 90,00	€ 30,00	€ 30,00	€ 30,00	€ 45,00	€ 600,00
Garbage	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 60,00	€ 720,00
Furniture, technique and reconstruction	€ 25 200,00	€ 25 200,00	-	-	-	-	-	-	-	-	-	-	€ 50 400,00
Service organization	€ 4 000,00	-	-	-	-	-	-	-	-	-	-	-	€ 4 000,00
Other	€ 1 524,00	€ 1 500,00	€ 1 300,00	€ 1 300,00	€ 1 300,00	€ 3 500,00	€ 5 000,00	€ 2 900,00	€ 1 300,00	€ 1 300,00	€ 1 300,00	€ 1 500,00	€ 23 724,00
<b>Total expenses per month</b>	€ 36 617,00	€ 32 593,00	€ 6 978,00	€ 6 978,00	€ 6 988,00	€ 9 038,00	€ 10 543,00	€ 8 438,00	€ 6 978,00	€ 6 978,00	€ 6 978,00	€ 7 393,00	€ 146 500,00
<b>NET PROFIT</b>	€ 36 617,00	-€ 32 593,00	-€ 6 978,00	€ 12 022,00	€ 8 012,00	€ 15 962,00	€ 18 457,00	€ 19 645,00	€ 8 022,00	€ 7 022,00	€ 7 022,00	€ 11 607,00	€ 31 583,00

## APPENDIX 2

## Nights spend in hotels, January 2015 (Statistics Finland 2015)

Region / municipality	Nights spend, total	Change of nights spend, total, %	Nights spend, residents	Change of nights spend, residents, %	Nights spend, non-residents	Change of nights spend, non-residents, %
<b>Whole country</b>	1,109,182	-6,70	697,537	5,10	411,645	-21,60
<b>Mainland Finland</b>	1,105,033	-6,70	695,577	5,20	409,456	-21,60
Uusimaa	337,599	-5,70	193,292	9,20	144,307	-20,30
Espoo	25,788	-5,40	15,97	26,80	9,818	-33,10
Helsinki	214,933	-5,70	109,801	12,00	105,132	-19,00
Vantaa	62,201	-7,90	39,212	-3,20	22,989	-15,00
Varsinais-Suomi	54,559	-5,10	44,969	-2,00	9,59	-17,20
Turku	35,975	-8,40	29,77	-4,00	6,205	-24,90
Satakunta	16,572	4,10	12,588	-0,40	3,984	21,70
Pori	10,021	5,70	7,443	-2,90	2,578	42,00
Kanta-Häme	20,314	1,70	17,836	8,30	2,478	-29,40
Hämeenlinna	10,838	-9,10	9,524	-3,30	1,314	-36,80
Pirkanmaa	74,568	4,90	64,196	10,80	10,372	-21,20
Tampere	58,395	7,40	49,344	13,60	9,051	-17,30
Päijät-Häme	33,868	-10,80	27,934	-0,50	5,934	-40,00
Lahti	10,681	-14,60	7,707	-4,70	2,974	-32,60
Kymenlaakso	13,541	-21,00	8,604	-6,90	4,937	-37,50
Kouvola	6,456	-18,00	4,808	2,20	1,648	-47,90
South Karelia	32,854	-28,00	16,195	23,50	16,659	-48,80
Lappeenranta	20,524	-20,20	13,006	23,50	7,518	-50,60
Etelä-Savo	25,639	-9,90	20,548	2,90	5,091	-40,10
Mikkeli	10,871	-6,90	8,323	15,60	2,548	-43,10
<b>Pohjois-Savo</b>	<b>48,391</b>	<b>-6,40</b>	<b>37,378</b>	<b>6,70</b>	<b>11,013</b>	<b>-34,00</b>
<b>Kuopio</b>	<b>35,821</b>	<b>0,20</b>	<b>27,667</b>	<b>17,40</b>	<b>8,154</b>	<b>-33,10</b>
North Karelia	22,721	-17,10	16,652	-1,00	6,069	-42,70
Joensuu	12,003	-14,00	9,06	-4,40	2,943	-34,30
Central Finland	66,325	-10,50	49,284	0,50	17,041	-32,10
Jyväskylä	28,987	-5,60	23,773	1,20	5,214	-27,60
South Ostrobothnia	27,878	3,30	26,69	4,50	1,188	-17,80
Seinäjoki	11,303	7,90	10,494	7,50	809	12,20
Ostrobothnia	19,732	7,10	14,954	6,40	4,778	9,60
Vaasa	14,526	-2,60	10,298	-8,60	4,228	15,90
Central Ostrobothnia	6,438	-7,30	5,957	-7,00	481	-10,90
Kokkola	5,026	-5,20	4,601	-5,80	425	1,40
North Ostrobothnia	78,325	-5,20	52,661	2,90	25,664	-18,40
Kuusamo	25,62	-7,50	11,896	21,70	13,724	-23,50
Oulu	37,236	0,00	29,745	5,20	7,491	-16,40
Kainuu	56,468	-5,50	40,89	12,20	15,578	-33,20
Kajaani	5,772	2,30	4,922	10,20	850	-27,80
Sotkamo	47,632	-5,40	34,604	14,80	13,028	-35,50
Lapland	169,241	-8,00	44,949	-3,00	124,292	-9,70
Rovaniemi	48,576	-3,40	13,528	16,10	35,048	-9,30
Eland	4,149	-13,00	1,96	-15,80	2,189	-10,40
Maarianhamina	3,445	-16,10	1,799	-19,50	1,646	-12,20

## APPENDIX 3

## Arrivals of visitors and nights spend by country of residence

Country of residence	Visitor arrivals in all accommodation	Nights spend in all accommodation	Change of nights spend in all accommodation	Nights spend in hotels	Change of nights spend in hotels, %
<b>Total</b>	<b>649,171</b>	<b>1,277,704</b>	<b>-7,7</b>	<b>1,109,182</b>	<b>-6,7</b>
Finland	464,293	788,491	2,9	697,537	5,1
Foreign countries	184,878	489,213	-20,8	411,645	-21,6
Sweden	14,492	23,179	2,5	22,622	2,6
Germany	12,723	32,064	11,3	29,361	9,2
<b>Russia</b>	<b>58,152</b>	<b>181,062</b>	<b>-41,7</b>	<b>134,347</b>	<b>-45,6</b>
United Kingdom	13,478	44,184	6,2	36,216	4
United States	4,505	9,782	-8,3	9,541	-7,2
Norway	3,693	6,665	-2,2	6,263	-4,4
Netherlands	5,666	18,106	-0,5	14,354	3,8
Italy	3,699	9,014	18,8	8,327	18,5
France	9,881	30,945	6,7	30,158	10
Japan	7,026	13,061	-17,1	12,775	-16,6
Estonia	5,661	13,472	0,7	10,852	-0,9
Switzerland	3,732	13,292	9,6	7,575	1,7
Spain	2,414	6,639	11,2	6,248	11,6
China	3,463	6,551	8,1	6,418	15,1

## Sales forecast

<b>Accommodation Sales</b>	Year 1	Year 2	Year 3
Dormitory room (beds on sale)	1440	2160	2880
Equipped apartment for families	720	1080	1440
Room with shared bathroom	1080	1060	1440
Room with private bathroom	360	720	720
<b>Total Accommodation Sales</b>	<b>3600</b>	<b>5020</b>	<b>6480</b>
<b>Accommodation Prices</b>			
Dormitory room	€ 25,00	€ 25,00	€ 25,00
Equipped apartment for families	€ 66,00	€ 66,00	€ 66,00
Room with shared bathroom	€ 50,00	€ 50,00	€ 50,00
Room with private bathroom	€ 68,00	€ 68,00	€ 68,00
<b>Sales</b>			
Dormitory room	€ 36 000,00	€ 54 000,00	€ 72 000,00
Equipped apartment for families	€ 47 520,00	€ 71 280,00	€ 95 040,00
Room with shared bathroom	€ 54 000,00	€ 53 000,00	€ 72 000,00
Room with private bathroom	€ 24 480,00	€ 48 960,00	€ 48 960,00
<b>Total Accommodation Sales</b>	<b>€ 162 000,00</b>	<b>€ 227 240,00</b>	<b>€ 288 000,00</b>
<b>Service Sales</b>			
Fishing equipment (hours)	144	150	164
Rental of bicycles (hours)	1000	1100	1250
Ironing equipment (hours)	96	110	120
Usage of washing and drying machine (hours)	48	50	52
Fax/photocopying (pages)	1400	1600	1800
Shoeshine service (pair of shoes)	50	55	60
Rental of rollerblading/skating equipment (hours)	80	95	110
Skiing equipment (hours)	110	120	130
Rental of computer (10 minutes per time)	1350	1450	1550
Sauna (hours)	480	550	600
Library (book/ 1 day)	340	400	430
DVD films (disk/ 1 day)	1100	1200	1250
Extra bed (nights)	55	59	65
Photo-shoot service (hours)	40	60	70
Transfer (times)	60	70	75
Pets (night)	35	40	45
<b>Total Service Sales</b>	<b>6388</b>	<b>7109</b>	<b>7771</b>
<b>Service Prices</b>			
Fishing equipment (per hour)	€ 2,00	€ 2,00	€ 2,00
Rental of bicycles (per hour)	€ 5,00	€ 5,00	€ 5,00
Ironing equipment (per hour)	€ 5,00	€ 5,00	€ 5,00
Usage of washing and drying machine (per hour)	€ 10,00	€ 10,00	€ 10,00
Fax/photocopying (per page)	€ 0,40	€ 0,40	€ 0,40
Shoeshine service (per pair of shoes)	€ 5,00	€ 5,00	€ 5,00
Rental of rollerblading/skating equipment (per hours)	€ 5,00	€ 5,00	€ 5,00
Skiing equipment (per hour)	€ 5,00	€ 5,00	€ 5,00
Rental of computer (per 10 minutes)	€ 1,00	€ 1,00	€ 1,00
Sauna (per hour)	€ 7,00	€ 7,00	€ 7,00
Library (per book/ 1 day)	€ 1,00	€ 1,00	€ 1,00
DVD films (per disk/ 1 day)	€ 1,00	€ 1,00	€ 1,00
Extra bed (per night)	€ 10,00	€ 10,00	€ 10,00
Photo-shoot service (per hour)	€ 15,00	€ 15,00	€ 15,00
Transfer (per time)	€ 10,00	€ 10,00	€ 10,00
Pets (per night)	€ 5,00	€ 5,00	€ 5,00
<b>Sales</b>			
Fishing equipment	€ 288,00	€ 300,00	€ 328,00
Rental of bicycles	€ 5 000,00	€ 5 500,00	€ 6 250,00
Ironing equipment	€ 480,00	€ 550,00	€ 600,00
Usage of washing and drying machine	€ 480,00	€ 500,00	€ 520,00
Fax/photocopying	€ 560,00	€ 640,00	€ 720,00
Shoeshine service	€ 250,00	€ 275,00	€ 300,00
Rental of rollerblading/skating equipment	€ 400,00	€ 475,00	€ 550,00
Skiing equipment	€ 550,00	€ 600,00	€ 650,00
Rental of computer	€ 1 350,00	€ 1 450,00	€ 1 550,00
Sauna	€ 3 360,00	€ 3 850,00	€ 4 200,00
Library	€ 340,00	€ 400,00	€ 430,00
DVD films	€ 1 100,00	€ 1 200,00	€ 1 250,00
Extra bed	€ 550,00	€ 590,00	€ 650,00
Photo-shoot service	€ 600,00	€ 900,00	€ 1 050,00
Transfer	€ 600,00	€ 700,00	€ 750,00
Pets	€ 175,00	€ 200,00	€ 225,00
<b>Total Service Sales</b>	<b>€ 16 083,00</b>	<b>€ 18 130,00</b>	<b>€ 20 023,00</b>
<b>Total Sales</b>	<b>€ 178 083,00</b>	<b>€ 245 370,00</b>	<b>€ 308 023,00</b>
<b>Expenses per year</b>	<b>€ 146 500,00</b>	<b>€ 100 000,00</b>	<b>€ 110 000,00</b>

