

Starting a Business in Finland

Case Dragon Sheng Restaurant

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<p>Abstract</p> <p>After the global financial crisis in 2008, European countries had a debt crisis start in 2009. It directly or indirectly affected the employment rate in European countries. In Finland, there are many people facing unemployment. They need to look for a job, or they can start their own business, especially the foreigners. Starting up their own business can help the foreigners get a job, it provides some working places and it is increasing the GDP for Finnish government as well.</p> <p>In this thesis, the main objective was to present how the catering companies can start-up a business in Finland. The case company Dragon Sheng Restaurant is used to study the site selection, operating process, profitability calculation and government support policy for a start-up business. The thesis works as a reference for those people who want to build their own business.</p>			
Keywords Start up, enterprises, restaurant, marketing research, financial management			

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Appendix 1 The business plan

1 INTRODUCTION

With the fast development of the Chinese economy, there is a special situation taking place. More and more undergraduates are leaving school or university with no job prospects after one or two years. The limited position makes undergraduates begin to start up businesses by themselves. Those undergraduates are often full of passion and hope for the future. They studied a lot of theoretical knowledge, have a higher level of technological superiority, but they lack experiences. Through starting up their own business, they can improve their ability to increase the experience of social communication and apply their knowledge. Through successful entrepreneurship, undergraduates can achieve their own ideas and prove their value.

However, in this thesis, the main target market is not China but Finland. Nowadays, more and more students choose to study in Nordic countries because of the highly equal education opportunities and the relatively low tuition fees. In Finland, many Chinese operate restaurants and provide the part-time jobs to those Chinese students to help them get some living expenses. Overseas students are hard to find a job due to the language barrier. After graduating, they are more likely to start up their own business instead of looking for the limited positions. Establishing a restaurant is a good choice for them. Finland has much successful small-medium entrepreneurship with the help of the strong support from the government. Through this thesis, the readers can understand the idea of a startup business with an example and get to know the basic government policy.

The thesis can be divided into three parts. In the first part, there will be introduced some Finnish government policies to support these entrepreneurs, and how making market research is used to avoid unnecessary losses and reduce failures. During the second part, a real case study can explain the idea well and cost evaluation and sales profit forecast are shown. The final chapter is the general conclusion for the whole thesis.

2 GOVERNMENT POLICY

2.1 TE Office grant

As it is known, Finland is a high-level welfare country. The government is willing to support people setting up business so that they can bring places of work and taxes. From the “TE Palvelu” (the Finnish employment service website), people can find the eligible conditions for entrepreneurs. The persons who are seeking a job as unemployed; the persons who are employed, but are going to set up as a full-time entrepreneur after a period in paid employment, education or domestic work; the persons who has part time job and are planning to be a full-time entrepreneur and can be eligible for a startup grant. The startup grant provides a secure income to the entrepreneur from the business starting up till running, but no more than for 12 months. The basic grant is 32.40 € per day in 2017. The decision will be made by the TE Office. (TE-palvelut 2017.)

2.2 Professional services for starting a business

Finland is an easy place to do business no matter whether native or foreign companies. There are some companies which offer professional help in business set up and management in Finland.

Rantalainen Oy was established in 1972. International services are offered in over eight languages. Rantalainen has an online English-language PDF Starting a Business in Finland to tell the entrepreneurs the Finnish legal system, ways of doing business in Finland, the establishment cost and length of time, obligations and taxation in Finland. (Expat Finland.)

Leinonen was established as Techotilit Oy in 1989. Leinonen's provides specialist expertise guiding and is supporting international companies entering Finnish markets, and Finnish companies establishing their businesses abroad. One hour free consultation for every new client is a special service of them. (Expat Finland.)

Advisors Finland is an accounting firm which was established in 2005. It specialized in company formation and accounting and tax services for foreign companies and individuals. There is an incorporation package from Advisors Finland to simplify the start business or branch in Finland. It is convenience that entrepreneurs can conduct the

incorporation package by email and it does not require entrepreneurs being in Finland. (Expat Finland.)

1Office Finland is located in Helsinki. The business services are provided by 1Office which can help to simplify the setup and to operate a Finnish business. (Expat Finland.)

Azets' integrated financial services allowed to fully outsource its business processes and financial management. Azets provides company registration and consulting services. Using global expertise ensures compliance with all regulatory requirements. (Expat Finland.)

Jasecon has over twenty years of experience to provide company formation, accounting, taxation, and business consulting to global companies. (Expat Finland.)

UHY TietoAkseli experts in a financial administration. They provide a Start-up Package to a new enterprise. TietoAkseli has a free guidebook which gives specific information about the Finnish business environment, investment, setting up, employment, taxation, accounting, and reporting. (Expat Finland.)

All the companies provide services at least in three languages, in English, Finnish and Swedish. Foreign entrepreneurs do need to worry about language barriers. The small and medium startup enterprises are recommended to consult Rantalainen Oy and Leinonen. The two companies have a longer history than others, they can help the restaurants to research the Finnish market, analyze the customer base, to be a consultant in Finnish legal system and taxation, control cost management and give the appropriate suggestions.

2.3 TEKES funding agency

Marjo Ilmari gives some useful information about startup companies and how to get government funding in the Geektime website. She is a director of the startup program at TEKES, the Finnish Funding Agency for Technology and Innovation, which is responsible for Finland's generous government grants. (Geektime.)

The first method is for the companies which in the initial stage and planning for global growth. They can get grant of 75 % from TEKES but maximum grant is 50 000 €. This amount of money can help the new restaurant to test the customer base, get familiar with

the competitors, make advertisement on the newspaper and make earlier stage decoration. In this way, the newcomer can have more understanding of new markets. Meanwhile, TEKES can see how the new group works, whether the new firm has enough strength to get a response from the market and win the customer. The second method is funding for research, development and pilot projects. It is a kind of loan where loan level is 50 – 70 % of the project and the company must pay it back. Payback usually starts after three years if the business is successful. (Geektime.)

3 MARKET RESEARCH

3.1 Different types of research

Broadly, there are two types of market research, desk research and field research. Desk research is a method of analyzing and researching existing second-hand information directly through computers, magazines, and books. The aim is to develop the profit of the market which entrepreneurs are seeking to enter. Desk research is the first step of marketing research. It provides market background for field surveys and can get some information which the field research cannot gain, such as original information of the competitors. By collecting the existing second-hand information entrepreneurs can save time and have a comprehensive understanding of the market. (Reuvid 2011, 31.)

Reuvid (2011) stated that “field research is conducted with potential customers and suppliers, or with product users in the case of research into new product design or packaging.” Field research refers to the process of collecting firsthand information by the researchers. It is involved in person to person, face to face, telephone interview or e-mail questionnaire. There are two common methods of field research. Observing the lunch prices and dishes in different styles of restaurants and calculating amount of customers are the conditions of making comparisons in observational method. Participant method which means to select two or three attractive restaurants to enjoy their products and services. Qualitative interviews are very common in nowadays. After designing the questionnaire, looking for the respondents to answer the questionnaire and write their opinions or answers into the questionnaire. (Filed research 2016.)

3.2 Marketing analysis – SWOT

SWOT analysis is based on the internal and external competitive environment and competitive conditions under the different situation analysis. It will be closely related to the research object of the main internal strengths (S), weaknesses (W) and external opportunities (O) and threats (T). Evaluating the position of a company by using data, SWOT analysis determines the factors which assist the company to achieve objectives and what obstacles must be overcome or minimized to achieve desired results, where the organization is today, and where it may be positioned in the future. Using this method, the organization can carry out a comprehensive, systematic and accurate study of the scenarios in which the research objects are located. The organization is able to formulate

corresponding development strategies, plans, and countermeasures according to the research results. (INVESTOPEDIA 2017.)

In Figure 1 it can be seen the strengths, weaknesses, opportunities and threats of a new restaurant.

Strengths	Weaknesses
<ul style="list-style-type: none"> → Brand awareness → Delicious food → Reasonable price → Systematized service 	<ul style="list-style-type: none"> → New location → Limited customers → Limited seats and space
Opportunities	Threats
<ul style="list-style-type: none"> → Have more capacity to add restaurant area → Become the most famous Chinese restaurant 	<ul style="list-style-type: none"> → Heavy taxes → Lack of employee → Seasonal

FIGURE 1. SWOT analysis for a new restaurant

3.2.1 Strengths

The most important advantage of a restaurant is a brand awareness compared with other restaurants. It is known to all people that live in an age of information. The Internet is a necessary communication tool. The restaurants' address and services can be found easily while customers are browsing the restaurant website. Still, once customers patronized any sub-branch the rest restaurants' location is seen. Keeping the mature management mode and uniform taste make a new restaurant have more strengths than the others. Chinese food is more and more popular in the whole world. Oriental culture is seen attractive. Wonderful Chinese food combining with mysterious oriental culture makes people to have a desire to taste and explore. The new lunch mode buffet provides over 10 kinds of food to ensure customers satisfaction.

3.2.2 Weaknesses

The restaurant is located in a small town called Siilinjärvi. It has about 22 000 inhabitants. Almost one of four inhabitants are under 15 years old teenagers and they have no capacity to consume in the restaurants. (Siilinjärvi kunta 2015.) The limited population shows it cannot bring large group of consumers and revenue to the restaurant. In the early stages of business, entrepreneurs only have a small investment in the restaurant so that the area of the restaurant will be not over the budget. The limited seats make the restaurant unable to serve many customers so that the customers may leave the restaurant in the first weeks of opening.

3.2.3 Opportunities

After operating the restaurant in some years, the performance of the restaurant stabilizes and has a source of fixed customers. In this situation, the restaurant can get more capacity to expand the area and develop a take away food services. Besides, the restaurant has the ability to use more advanced raw materials and offer more styles of food such as sushi. The customers' interests can be caught by providing more plentiful food. This is the first Chinese restaurant in the town and it might become the most famous restaurant in the town in the future.

3.2.4 Threats

Heavy Finnish taxation is a big problem for all enterprises. Luckily, the Finnish government can provide some grant to support the startup businesses and has preferential policies to those enterprises which get low profit and revenue per year. However, once the tax is increasing, it will become a huge threat for small and medium sized enterprises.

Finland has a long winter time but short summer time. In the summer time, every July and August, people would like to go abroad traveling or visiting friends. At that time, the customers will decrease. It influences the whole revenue of the restaurant. During winter time, bigger number customers let few employees feel pressure and being busy.

4 CASE COMPANY – DRAGON SHENG RAVINTOLA

4.1 Choosing collaborators

Usually, the most management skills can be learned by training or self-learning after you have worked or run your own business. Through selective recruitment, the professional or knowledgeable employees can be added to the business. However, the first step is always difficult if one is without any business experiences or an experienced manager. This problem can be simplified by franchising a developed group. The case company, Dragon Sheng Restaurant, has three sub-branches in Finland. The franchise will gain a systematic management training, trained chef gets familiar with every step in the kitchen. In this thesis, how to open a new restaurant by choosing collaborators and learning their operation management are going to be explained. This is an example how to start up a business in Finland. (Reuvid 2011, 28.)

4.2 Location and named

Not every available location is right for a restaurant. Harder to find the address than people think is a successful factor in choosing the restaurant location. Like running a restaurant in an old industry factory is beyond people's imagination. Tasty food and impeccable service are important of a successful restaurant, but location is crucial. In most cases people are lazy so that parking places must be available for customers' convenience. Making the restaurant sign visible is like a free advertising and GPS for car drivers. While looking for a restaurant location, one must keep in mind what is the neighborhood like and where are the competitors, because the neighborhood may have the same business ideas and styles as the restaurant. Popular restaurants always attract other restaurants. Analyzing the competitor's business ideas and operation modes is a critical factor for a successful restaurant. (The balance 2016.)

The location of the restaurant is in Siilinjärvi, which has 510 km² area and over 22 000 population. It takes 20 minutes to drive a car from Kuopio to Siilinjärvi. In Siilinjärvi town center, there are gathered office workers, businessmen, and shopping customers. All the people around is the target customer base for the restaurant.

The name of the restaurant is the "Dragon Sheng Ravintola". Dragon Sheng Restaurant already has three branches in Finland. They are in Iisalmi, Kuopio, and Mikkeli. They

provide a lunch buffet, take away and menu services. All buffet dishes and tastes are unified. The safety and healthy food can be an important part to achieve the trust from customers.

4.3 Pricing

Food cost and portion control are two ways to make a profit. Food cost refers to the whole cost used to prepare the dish. The employees prepare, serve and clean up and all these are included in the food cost. The food cost generally should be 30 % - 35 %. (The balance 2017) The average price of the lunch buffet is 9 € as seen in Table 1. The menu is offered the whole day. The lunch buffet includes six kinds of salad, nine kinds of hot dishes with rice, water, juice, and coffee. During the weekend, sushi is available for the whole day. The price is a bit higher than in other restaurants, but the lunch buffet offers more dishes.

TABLE 1. Information of competitors

	LATAAMO	Reppumies	Kotipizza	Sillimax
Location	Business center	Town center	Town center	Town center
Service	Lunch buffet	buffet	pizza	Pizza / kebab / hamburger
Price	8,4 €	9 €	7,9 € - 12,9 €	6,5 € - 15 €

4.4 Advertising

The use of the information and computer technology has impacted a lot people's daily life. The internet marketing is an essential tool for any enterprises. (Reuvid J, 2011.) The first step for advertising is to add a new restaurant information to the official website <http://dragonsheng.com>. Then, a location on Google Map is created which helps people to find the address. Next, the traditional advertising tool, newspapers are used. Publishing 20 % discount advertisement in the newspapers for the first two months can attract many customers and get some publicity as well.

4.5 Competition

A survey of competitors' customer base is done in order to help new enterprises to get to know the preferences of a local citizen. There are totally 15 restaurants found in Siilinjärvi. However, most of them are cafes, gas stations, and hotels. Therefore, only four restaurants need to be noticed. As Table 1 shows in Chapter 4.3, there is no preponderances in the price because the average price in restaurants is 9 €. Three of them are located in the town center to compete customers.

4.5.1 Kahvila-ravintola Lataamo

Kahvila-ravintola Lataamo is operated by VS Restaurants Ltd. The location in Siilinjärvi is in Innocum business center. There are maximum 90 seats available. Lataamo provides a lunch buffet which includes salad, soup, two hot main dishes, bread, drinks, dessert, and coffee. The price is 8.40 € per person. Meanwhile, the price of salad lunch is 6.40 € and soup lunch is 7.40 €. Lataamo has only three hours lunch, from Monday to Friday 10.15 - 13.30 (Lataamo). To sum up, the main customer base of Lataamo is business people and Lataamo is not a real competitor to the Chinese restaurant.

4.5.2 Reppumies

Reppumies is in the town center. It provides hamburgers, grilled food, pizza, hot dishes, and desserts. The normal price is about 10 € compared to some special meat dishes is 14 € - 22 €. In general, Reppumies is more expensive than others. (Reppumies.)

4.5.3 Kotipizza

Kotipizza is a Finnish pizzeria chain founded in 1987, which currently has about 260 restaurants. Sales of Kotipizza chain restaurants in 2015 was amounted to EUR 77.3 million. More than 99 percent of Kotipizza restaurants are franchise-based restaurants which are run by independent franchise entrepreneurs. The franchise entrepreneur gets access to a tested and a profitable business idea, the finished product and brand, the chain's know-how and other benefits. (Kotipizza 2012.)

4.5.4 Siilimax

Siilimaxi provides pizzas, kebab and so on. The highest price in a single product is 15 €. Siilimaxi has a special service, home delivery. The delivery area is 5.0 km for 3 €, but if the amount of subscribed products exceeds 15 € the home delivery will be free. (Siilimaxi 2017.)

4.5.5 Summary

Lataamo is located in a business center and its main customer group is business people who work in the area. It is not a threat to the Chinese restaurant. Reppumies provides fast food and drinks. They have a higher price compared with the other restaurants in the town center. Kotipizza is an old Finnish pizzeria chain company. Kotipizza restaurants are franchise-based restaurants run by independent franchise entrepreneurs. Dragon Sheng Restaurant is going to develop towards this mode. Western cuisine is different from eastern cuisine. For example, the vegetables always are cooked in the eastern countries rather than non-cooked vegetables in the western countries. Eastern countries discover many different tastes in dishes, like sweet, sour, spicy, sweet spicy, sweet and sour, and so on. And in China, every food can be cooked, no matter vegetables or fruits. Therefore, the Chinese restaurant provides more possibilities to customers to enjoy the unprecedented delicacy. Although Kotipizza is a strong competitor, different culture and different cuisine can attract more customers. Siilimax can deliver food to customer's home. It makes Chinese restaurant to lose some customers who live far away from the center. To sum up, Kotipizza and Siilimax are the strongest competitors for a new restaurant.

5 COST EVALUATION

5.1 Rental

The key success factor to a business is a cost control. Cost evaluation is the first step. As for the restaurant, rent fees and employees costs are the biggest two parts in the total cost. From Siilinjärvi town website, it is easy to find that the average rental in the center is 8 € + VAT 24% per m². It is assumed as 10 € per m². The restaurant area is 100 m² including the kitchen area. Hence, total rent for 100 m² space is 1 000 € per month. Once signing a contract with the landlord, the tenant needs to pay three-month rental as deposit.

5.2 Electricity and water fees

The electricity and water costs depend on the consumption per month. The water supply tariff from Siilinjärvi town website (see table 2) shows that every cubic meter water for corporations is 1.43 € including VAT 24 %. The waste water processing fees are higher, 1.66 € per m³ without 0.40 € VAT 24 %. In total, water supply tariffs are 3.49 € per m³.

TABLE 2. Water supply tariffs for corporations in Siilinjärvi. (Siilinjärvi kunta 2017.)

Water supply tariffs for corporations	€	VAT 24 %	Total €
Water Usage / m ³	1.15	0.28	1.43
Waste water processing / m ³	1.66	0.40	2.06
In total	2.81	0.68	3.49

In electricity fees, Lumo Energia company offers general electricity. The price of electricity is determined by the consumer monthly in accordance with the electric energy market variable. In this way people can get electricity all time, preferably with the current price. The declared total price included the margins of 0.49 cents / kWh and VAT 24 %. The prices in March was 3.49 cents / kWh. Price is updated monthly in accordance with market developments. The agreement is based free of charge. (Sähkö Sopimus Siilinjärvi 2017.)

5.3 Total cost and investment

Table 3 is a reference for those who have same ideas in the operating restaurant. It presents the majority costs in a restaurant. However, some numbers cannot be defined exactly. The both minimum cost and maximum cost are shown in order to give a better reference. In the early stage of the restaurant, the initial investment is 10 000 € including the decoration fees.

TABLE 3. Restaurant total cost in early stage

Cost				
	Minimum		Maximum	
Rent	1,000 €		1,200 €	
Electricity and water cost:	300 €		400 €	
Food cost	8,000 €		12,000 €	
Employee cost (including two chef and owner)	3,600 €		4,000 €	
Insurance	800 €		1,000 €	
Advertising	800 €		800 €	
Tax	2,000 €		2,000 €	
Others	300 €		300 €	
	16,800 €	201,600 €	21,700 €	260,400 €
Decoration	8,000 €		8,000 €	
The total Investment	10,000 €		10,000 €	

6 SALES AND PROFIT FORECAST

Customers' attention can be attracted by a novel and appealing restaurant. Before formally opened for business in January, a one-month advertisement was published in the newspaper. Because of publicity and some discount offered, people were usually willing to try new tastes. It is assumed that the restaurant will be opened in January. The main reason why January is a good time to open the restaurant is that the Chinese New Year Day usually takes place in January. People celebrate festivals and warmly welcome the fortunate and wealthy arrival.

Operating a restaurant in Finland sometimes is seasonal. Finland has the long winter but short summer time. In the first two months, the month revenue is expected to be 20 000 € to 25 000 € per month (Figure 2). From March to May, turnover decreases a little because there is no discount in the price. It takes some time to let customers accept the original price. Due to the holiday season, the summer time is the lowest revenue in a year. Turnover increases again from September to December month by month.

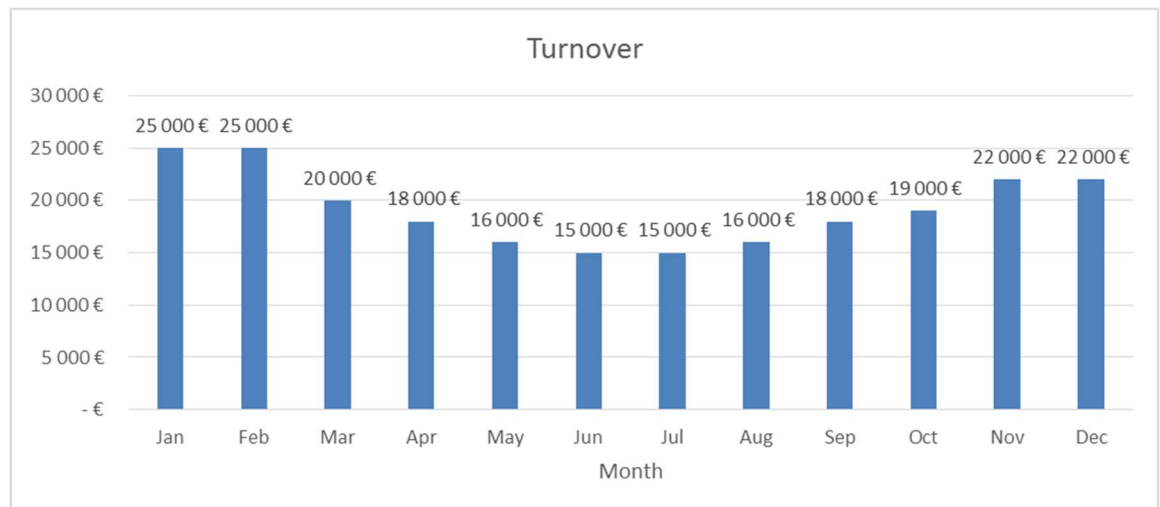


FIGURE 2. New restaurant turnover in the first year

Figure 2 presents the month revenue in the first open year. The total turnover in a year is 231 000 €. The minimum cost in a year are 201 600 € and maximum cost in a year are 260 400 €. To sum up, during the first year gains 29 400 € or loss 29 400 €.

In the second year, as can be seen in Figure 3, the revenue has a slight increase compared with the first year. The total revenue is 264 000 €. The minimum costs and maximum costs are the same. Finally, the balance in the second year is the profit maximum 62 400 € or minimum 3 600 €.



FIGURE 3. New restaurant turnover in the second year

As seen in Figure 4, from the third year on, restaurant revenue is tending to be stable. With the help of Dragon Sheng restaurant's management model, a new restaurant has a firm foothold in Siilinjärvi and has the fixed customer group. Still, the restaurant is developing every moment and trying to give best services to customers.

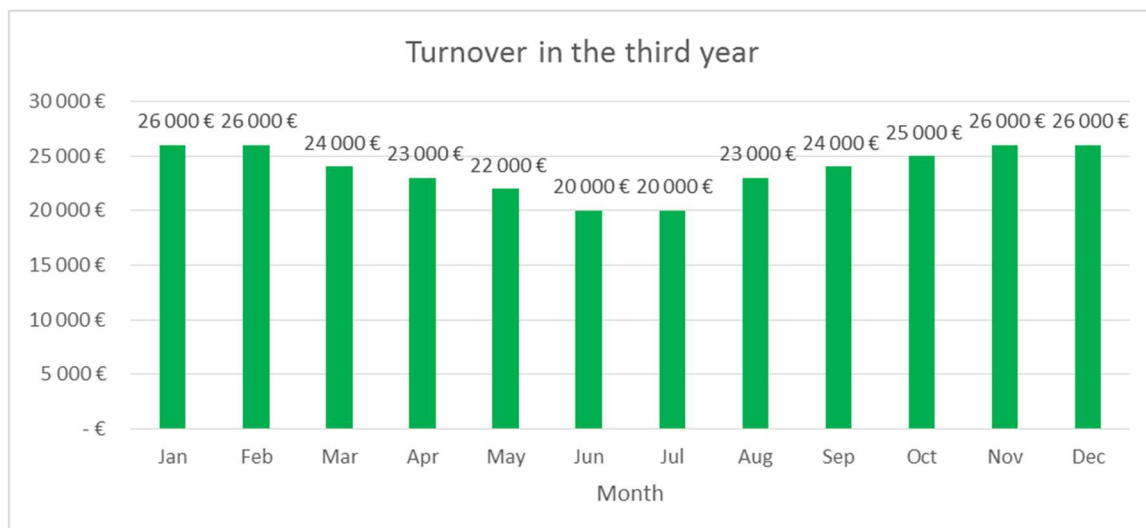


FIGURE 4. New restaurant turnover in the third year

7 CONCLUSION

Whether in Finland or China, undergraduates are encouraged to start their own businesses. The purpose of the thesis is to introduce undergraduates how to start up a business in Finland, in which parts and points they need to focus attention and consideration. For that purpose, running a restaurant is an example to explain better the ideal how to startup a business in Finland.

The thesis is based on the government supporting policy, SWOT analysis, the process of starting up a restaurant, cash management, sales and profit forecast. More and more small and medium size enterprises are set up recently. However, some of them fail within two or three years of start-up because lack of knowledge in cost management and wrong prediction in sales and profit. Chapter 4 and Chapter 5 are indispensable in the thesis, as they present factors needed to be considered to the people who want to startup a business. The aim is to make sure the enterprisers will not loss much money in the beginning stage by making the cost management.

The free education attracts more and more students to study in Finland. Meanwhile, the work places are less and less. Starting up their own business help the students to have a job as soon as possible. The idea of the thesis is to show the undergraduates how to set up a restaurant in Finland. There are many businesses that can be started, running a restaurant is just one of them.

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APPENDIX ONE: The business plan

1 Business idea and objectives

1.1 Business idea

By studying in Savonia UAS with project management, B2B, economics courses and three years working experiences in the Dragon Sheng Chinese Restaurant, the business idea is formed in mind. Learning Finnish language and tasting different styles of restaurants become a part of the daily life. The business is starting a Chinese restaurant in Siilinjärvi, Finland. The restaurant is located in the city center, has about 100 m². The investment is 10 000 €.

1.2 Objectives

Short term (current year):

The revenue of restaurant and cost of the restaurant is balanced.

Making sure no loss in every month.

Medium term (next 1 – 2 years):

The restaurant starts to get profit.

Having the fixed customers.

Long term (3 years and beyond):

The original investment is getting back.

After 3 years, all the profit is the net profit.

2 Target customers

2.1 Demographic details

Ages: All ages

Gender: All genders

Income: 0 € - 25 000 € per month

Types: Individuals

Target customers: International

2.2 Problems in the business

Different people has different tastes. The restaurant cannot satisfy all the customers. On the other hand, some customers have allergy in the special food.

2.3 Pricing

The price depends on the cost of food, employee cost and average price in the town.

3 Market and competitors

3.1 The method of market research

Desk or online research

Market testing

Personal experience

Social media research

Mystery shopping competitors

Family and friends

3.2 Competitors

	Lataamo	Reppumies	Kotipizza	Siilimax
Location	Business center	Town center	Town center	Town center
Products and services	Lunch buffet	Pizza buffet	pizza	Pizza / kebab / hamburger
Price	8,4 €	9 €	7,9 € - 12,9 €	6,5 € - 15 €
Strengths	businessmen	Good location	Famous Finnish pizzeria chain	Home delivery
weaknesses	Short lunch time	Higher price	One product	Higher price
Website	http://www.ravintolalataamo.fi/	http://www.reppumies.net/	http://www.kotipizza.fi/fi#Siilinjärvi	http://siilimaxi.fi/

3.3 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> → Brand awareness → Delicious food → Reasonable price → Systematized service 	<ul style="list-style-type: none"> → New location → Limited customers → Limited seats and space
Opportunities	Threats
<ul style="list-style-type: none"> → Have more capacity to add restaurant area → Become the most famous Chinese restaurant 	<ul style="list-style-type: none"> → Heavy taxes → Lack of employee → Seasonal

