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BUSINESS PLAN FOR COMPANY MUMPA OY

Conducting a business plan for a company yet to be established

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ABSTRACT

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Name of thesis BUSINESS PLAN FOR COMPANY MUMPA Conducting a business plan for a company yet to be established		
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<p>Creating a business plan is one of the most important tasks while establishing a company. A Business plan helps the new company to proceed to success. A Business plan evaluates the feasibility of the company and formulates the basic ground for the company. This thesis provides knowledge and practical information on what business plan is and how to use it in establishing a company.</p> <p>This master's thesis was created for the purpose of evaluating the feasibility of a company acting in the rental apartment business in the area of Ylivieska. This evaluation was done before establishing the company.</p> <p>The framework used in this thesis is problem-based structure. The theoretical and practical contents are presented in turns. This thesis follows a modified form of the Business plan by Gerson & Shotwell. A business plan form produced by Bruce R. Barringer was also used as a base structure. The Business plan was assembled out of executive summary, company analysis, industry analysis, market analysis, strategic analysis, management analysis, financial analysis and the conclusion.</p> <p>The outcome of this thesis was that the company could be feasible, and that the elements of establishing and running this company successfully were present, but because of financial aspects, the company won't be profitable for a while, which creates uncertainty, if it is economically a good idea to establish the company.</p>		
Key words Business plan, entrepreneurship, rental industry, business idea.		

ABSTRACT
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1 INTRODUCTION

Starting a business can be easy, but what aspects should be taken into consideration beforehand? How to evaluate if a certain business field is profitable and how to proceed with the company? A business plan gives a good overview of the company's situation and can help the company to make decisions about the future.

The purpose of this thesis is to develop a business plan for a company called Mumpa Oy and to evaluate the possible profitability of the company. The company has not been established yet, so some information is impossible to receive, which leads to assumptions.

The business plan template form used in this thesis is based on the business plan on Writing and implementing a Marketing Plan: A Guide for Small Business owners. (Gerson & Shotwell 1991, 7-10.) Additionally, also Bruce R. Barringer's business plan format, (Barringer 2015, 21.) with some small adjustments has been used for a core of this business plan. The author has previously made a feasibility analysis on the business idea, which is also used as a basis for this business plan. The feasibility analysis is based on a course called Innovative Entrepreneurship and SME Management held by Juha Kansikas in Seinäjoki University of Applied Sciences. This thesis uses a problem-based structure as it's theoretical framework. The theoretical framework guides the business plan forward. The theoretical framework and practical business plan proceed in turns, maintaining the structure of the thesis in balance and easy to read. (Aho, H-R., Forsell, M., Kukkola, A., Leppisaari, I., Leppälä, R., Orjala, U., Peltoniemi, J., Rasehorn, K., Taari, T., Tammisto, M., Tolonen-Kytölä, T.& Torkinlampi, E 2020.)

This thesis first begins with the executive summary which gives an insight to the business plan in general and to the company that will be established. The Executive summary also briefly examines the company's plans and goals. The second part of this thesis evaluates the company while concentrating on the history of the company, SWOT-analysis, products, target markets, resources, competitors and success factors. The following chapter addresses the rental industry. The business environment, growth rate and the product life cycle are examined more thoroughly. The fourth chapter analyzes the market the company is operating in. This chapter includes the introduction of the segmentation, scope, barriers, demand, market share, price and advertising in the rental industry and evaluations on the aspects. The chapter about strategic analysis consists of goals and plans of the company and how the company will achieve success and what kind of actions will help the company to proceed. The Management analysis

chapter evaluates and indicates the entrepreneurs. The financial part includes budget and other calculations about the company's potential financial success. The last chapter conclusions and discussion presents the conclusions that can be made after completing the business plan in total. The last part also tries to answer the research problem, is the company Mumpa feasible.

2 BUSINESS PLAN- EXECUTIVE SUMMARY

An executive summary explains the company's business plan in totality. The summary is a shorter version of the whole business plan. This business plan consists of six phases. The phases are: executive summary, company analysis, industry analysis, market analysis, strategic analysis, management analysis and financial analysis. (Gerson & Shotwell 1991, 7-8.) Before starting a company, it is vital to plan your business actions. The purpose of the executive summary is to give an overview of the business and develop the reader's interest towards this specific business plan. (Harvard Business Review 2014, 19-22.)

The secret to business strategy is simple: Identify the essential puzzle piece (the secret sauce) to your business's success, create a plan for success, and then consult on and help your team to execute your plan into gold. (Stroh 2014, 143-144.)

2.1 General description of the business plan

Behind every established company, there is an idea on how to make money and follow your own passions while doing something you are interested in. This idea can form in many ways, with careful consideration or by accident. (Raatikainen 2001, 34.)

It is important to test your business idea beforehand on paper with calculations and risks assessments. It is not uncommon that new entrepreneurs calculate fixed costs and break even points incorrectly. Clearly identified goals help business partners in their decisions to collaborate with the company. (Barrow, Brown & Clarke 2006, 298-299.) This testing is normally done with the help of a business plan. The Business plan should also implement the ways the company can grow its business in the variety of products or services (Harvard Business Review 2014, 29). Banks, financial houses and equity capital providers such as Finnvera also always require a business plan in order for the company to get money from them. These actors receive a lot of applications, so the business plan needs to be clear, brief, logical, truthful and keep the interest of the reader ongoing. (Blackwell 2008, 5.)

Normally a business plan includes defining the starting stage and situation analysis, definition and analyses of the markets and competition, company's goals and strategy, Business tactics and

development strategies, financial calculations, calculating the future risks and opportunities. (Finnvera 2001, 3.)

Well-functioning company is composed of sectors that support and complete each other. These sectors combined create a successful company. The following figure identifies the different sectors.

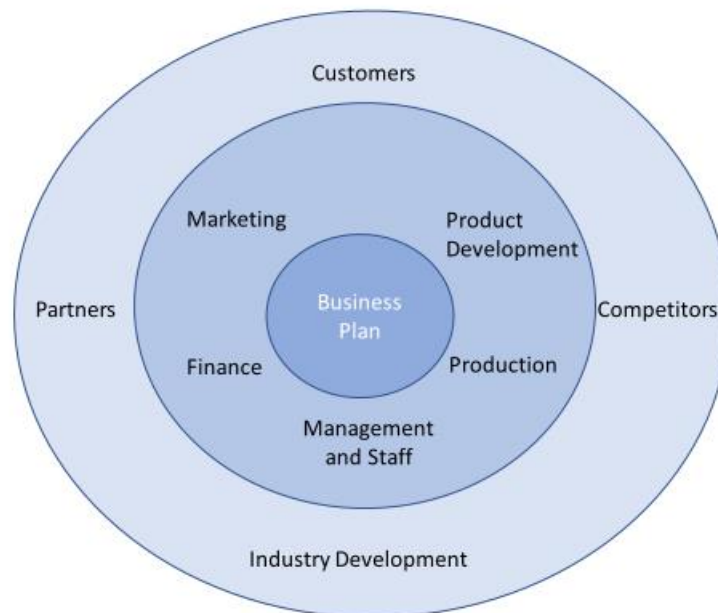


FIGURE 1. Sectors supporting a well function company (adapted from Finnvera 2001, 5)

The success of the company is based on the fact that every inner circle section (FIGURE 1) is developed with determination and that the development aims to the same goal as the other sections. Basically, a business plan explains how the company is going to operate its inner operations in the changing operational environment (Finnvera 2001, 4-5.)

A business plan is normally focused on the period of the next three to five years. The time extension depends on the size, business field and the situation the company is in. (Johnsson, Karjalainen & Ruuska 2001, 7-8.)

David H. Bangs Jr identifies three main reasons for why a business plan is needed. The process makes you look at your business plan more closely. You have to be objective, critical and unemotional while evaluating your business idea. The second reason is that when the business plan is ready, it is a tool that

helps you to run your company and will help you guide it to success. The third reason is that the business plan will also explain and open your business ideas to others, and you can use it as a basis for seeking financial support. (Bangs 2002, 1.)

The basic reasons for writing a business plan can be divided into two categories. An internal reason is that the business plan forces the establishers to cooperate with each other and come up with the specific details of the business. External reason is that the business plan communicates the value of the new business to third parties like investors and bankers. (Barringer 2015, 20.)

The research done while constructing a business plan might aid you in discovering opportunities or competitive threats you have not yet realized. Constructing a business plan clarifies your thoughts which might influence the decisions you make regarding your business actions. With the help of business plan research and analyses you can also reveal fatal problems in your concept. (Clippinger 2019, 98.)

This reveals that making a business plan is very important. Planning can be seen as the most important part while establishing a company. If an entrepreneur does not plan beforehand how the company will be managed, the company can end up in various kinds of troubles in a short period of time.

2.2 Introduction to the company

The company is called Mumpa Oy. The company will be established in Ylivieska. The field of the company is in renting out apartments but also purchasing and selling apartments is possible. The company has two owners, Anna-Sofia Yrjölä with 50 percent of ownership and Tapani Yrjölä with 50 percent ownership.

The company has not been established, and the company has not yet started business activity. The business will be established based on an idea that the owners' current rental apartments are rented out as private persons and perhaps it would be easier to expand the amount of properties if the actions were done by a company. The basic business plan is to rent out properties and buy, renovate and sell properties. At the moment, most of the available apartments in the Ylivieska area are owned by private individuals. A company might stand out positively.

The Basic idea of practice is to rent and sell apartments in northern Ostrobothnia, mainly in the area of Ylivieska. The company will buy cheap apartments and, if needed, do renovations in them, then the apartments are rented out or sold depending on which the company sees more profitable at the time.

2.3 Brief description of the marketing program

The key recipe for professional service marketing and sales consists of selecting a set of simple and effective things to do and doing them consistently. (Hayden 2007, 1.) A marketing program is a guideline plan which the company will follow in order to get clients and sales including advertising and relationship marketing. A marketing program helps the company to create a customized plan on how to sell its products to clients. (Hayden 2007, 1-2.)

The marketing program of the company will be quite simple. The company will use mainly internet advertising. In addition, the company will concentrate on good customer service. The Good word of mouth will hopefully gain trustworthiness to the company.

The company will post advertisements of free apartments to an internet selling site tori.fi. The company will also put an advertisement to Facebook on groups concerning rental apartments. The company will also announce new available apartments on their website. All the advertisements mentioned above are free of charge. If the company decides that they want more advertisement they might consider newspaper advertisements to get the attention of elderly people who do not seek apartments online. For younger people, the internet has established its place in looking for apartments. The company plans to have one day answering policy to all inquiries, so that the customers feel appreciated.

2.4 Business and financial goals and requirements

Business and financial goals are important for a company. Goals can be identified as the point where the company is heading in business wise and in financial wise. Goals increase efficiency and effectiveness of the companies. (Bider & Johanesson 2005, ix.) There are operational goals, which clarify the state that the company wants to accomplish by the help of processes, for example renting out all the apartments and strategic goals which can be identified as abstract objectives the company wants to achieve. For example, able to be responsive to market demand. (Bider & Johanesson 2005, 11.)

The operational goal of the business is to obtain several apartments in the region of Ylivieska and possibly in the near areas. The goal is that the rented apartments provide the company with continuous rental income and the sold apartments provide extra profit. The strategic goals include that the apartments are bought with the help of bank loans, but the goal is that in the future the company can achieve such income that the apartments can be bought without loans. The goal requires that the company's apartments are rented out quickly and constantly and that the company can purchase the apartments at a reasonable price. The company's apartments need to be attractive to the customers so that the goal can be achieved. The strategic goal of the company is also to be known for good service and quality apartments at a reasonable price.

3 ANALYSIS OF THE COMPANY MUMPA OY

A company analysis is a thorough analysis of the company. Company analysis starts with SWOT (Strength, Weaknesses, Opportunities and Threats) analysis. The company analysis identifies the entrepreneur, how they got started, what is the company's offering and who are the major competitors. The company analysis will also show the costs of your company compared to your competitors. (Gerson & Shotwell 1991, 8.)

3.1 SWOT- analysis

The SWOT analysis is a simple way of analyzing the company's business. The goal of Swot analysis is to identify internal strengths and opportunities, and the weaknesses and threats of the company. (Qualitas Forum 2020.)

A SWOT-analysis is a good way to make conclusions and plan possible needed changes. SWOT -analysis is often an essential part of a business plan. Company can compare its own strengths and weaknesses on business fields essential requirements for successful business.

In the SWOT-analysis, a company compares its own abilities to use the opportunities provided by the business environment, to the needed skills to succeed in the business environment and what can prevent it. These can be divided into strengths, weaknesses, opportunities and threats. Strengths and opportunities combined create the conditions to master the business field and success. Weaknesses and threats combined or separately prevent this. (Pitkämäki 2001, 79-80.)

The company Mumpa's Strengths, Weaknesses, Opportunities and Threats are analyzed in the next paragraphs according to TABLE 1. below.

TABLE 1. SWOT-Analysis table of company Mumpa Oy

<p>Strengths</p> <ul style="list-style-type: none"> -Knowledge of the area -Knowledge of the prices -Knowledge of the financing, selling, marketing -Skilled owners (can repair and renovate) -Financial capacity -Connections -Advertising etc. knowledge /branding 	<p>Weaknesses</p> <ul style="list-style-type: none"> -Time capacity -Financial capacity -Knowledge about legislation -Knowledge about taxes -Small amounts of apartments -Small at first
<p>Opportunities</p> <ul style="list-style-type: none"> -Growing city area -More jobs -Owning apartments is coming harder for people -Changing living habits 	<p>Threats</p> <ul style="list-style-type: none"> -Small city -Possible depression -Unemployment /emigration from the city -Loan rates increase -Apartments expensive repairs

The strengths of Mumpa Oy include that the entrepreneurs live in the area and have a good knowledge of the area. The entrepreneurs have been renting out apartments before, so they have knowledge of the prices. The entrepreneurs have knowledge about financing, selling and marketing. The owners can renovate by themselves. The owners have financial capacity to get the business running. The owners have good connections to entrepreneurs, marketers and banks in the area.

Opportunities for company Mumpa are that the City of Ylivieska is growing, there are an increasing amount of available jobs in the city, so people need rental apartments. Because of financial legislation, retrieving own apartments is getting harder which leads to more people who are renting.

The threats and weaknesses of the company Mumpa are that the entrepreneurs are working full time somewhere else, so they might have problems with time capacity. At the beginning, the company won't be making a lot of profit, which can create financial problems for the company. The entrepreneurs do not

have that much knowledge about the legislation on the rental company industry. The company tax legislation is also a weakness of the entrepreneurs. The company will be owning just a small number of apartments, if some of them are not rented out it can create a huge gap in the business's financial situation. The company is situated in a small city which can create problems. Possible times of depression can also create big problems for the company.

3.2 Company history

The entrepreneurs have many years' experience in selling, buying, renovating and renting out apartments. The entrepreneurs have good knowledge and experience about running a business, marketing and selling. The entrepreneurs also have experience in the financial sector which will help them in financial planning. The entrepreneurs have experience, but they have not been responsible for the whole company by themselves, this might bring some obstacles in the beginning, while establishing a company is new to them.

The company will be based in Ylivieska. Ylivieska is a small city in Central Ostrobothnia. In Ylivieska the markets of rental apartments are growing. New buildings are constantly constructed, which will lead to more rental apartments to the markets. The rent prices are at the moment quite high, which is good. At the moment the owned apartments are all in Ylivieska, but in the future it might be wise to expand the company to bigger cities to decrease the risk of one city's rental market changes. The business idea arises from the fact that the growth of private wealth might be easier while operating as a business instead of a private person.

In the beginning the company won't need specific premises, while most of the company's actions will be marketing and negotiations, which can mostly be handled on the web. The operational actions can be handled in the owner's own house. There won't be a need for specific equipment at the beginning, the owner's current equipment is sufficient. It is unlikely that the owners need to hire outsiders in the beginning.

The financial investments depend on how big the company wants to be. Bank loans and business funding are possible ways to acquire financial support. The owners are willing to put their personal funds to the company.

3.3 Product offerings

In the beginning of establishing a company, the company has to choose what kind of product they offer. What is it and how much it costs? While considering these, the company needs to take into consideration what kind of customer demand there is in our business area and the price range in the area. (Dobson & Yano 2002, 293-294.) Often Customers agree to pay more for rapid response and this action might grow the company's market share and able price increase. (Dobson & Yano 2002, 293-294.)

The products of Mumpa Oy are the apartments they rent out. The products are aimed at people who need to rent or buy apartments. Targeted group should also be able to afford to rent the apartments and stay for a long time. Products are mainly older apartments in the Ylivieska area. The apartments can be single, double or three-room apartments and in a row house or in apartment buildings.

The purchasing price, maintenance charge and location are the most important while choosing the apartments. The apartments are slightly renovated after the purchase, depending on the current quality. If possible, only esthetical renovation is done, but it is possible to do some cheap kitchen and bathroom renovation. These renovations raise the interest rate of possible renters. Light basic colors are favored so the design decorations of the apartments do not limit out possible renters.

The rents in the apartments are kept in the middle of the price range in Ylivieska so that a larger scale of the target market can afford them and the interest rate toward the apartments is high. The products of Mumpa Oy depend highly on the apartments the company decides to purchase; the purchasing decisions are made by the two entrepreneurs. The entrepreneurs will use their own knowledge of the buildings and area, deputy managers certificate and rent income calculator (sijoitusasunnot.com 2019) to aid them with the decisions.

3.4 Prospective target markets and customers

Every customer does not want the same thing. Offering products to suit everyone's needs is not possible. The company should choose who they target and who they don't. Therefore, a company should have a target market that they want to sell their products to. The target market of a company can be identified as a group of people who have equal characteristics which leads to identical purchasing patterns.

Target markets can be specified for example with the help of a combination of the following; Demographic, Attitudes and Opinions, Need states, Emotional Needs, Lifestyles, Shopping occasion, Job description. (Cooper, Grutzner & Cooper 2008, 60-62.)

The target market of company Mumpa Oy is people who need rental apartments. These groups of people can vary a lot. The main target group is people/ companies who can afford to pay the rent on time, stay a long time, and keep the condition of the apartments good.

In the table below the most typical renters are divided and generalized assumptions on their housing features are compared. This clarification is mainly directional, while renters housing habits can vary. According to this parametric the most desired target market is elderly people and pensioners and then working young adults. The next group would be students, and then families with children.

TABLE 2. Target market comparison on their typical housing features

Target market	Afford to pay	stay for long time	keep the conditions
Pensioners/ elderly people	X	X	X
Working young adults	X		X
students	X		
families with children	X		

3.5 Resources

While establishing a company some resources need to be used. The main resource categories can be divided into five sectors: Financial, human, educational, emotional and physical resources.

Financial costs include for example startup costs, registering, business equipment, products. There are many ways to acquire financial resources; often the resources come from the entrepreneur's own assets, also for example financial institutions and private investors can grant loans and lines of credit. Human resources include the persons related to the company and their talent and strength. Experienced workforce aids the success of the company. Educational resources include the knowledge and education the entrepreneurs have about the business. The entrepreneurs should learn to understand the company's competition and gain in-depth knowledge about the business field so more educated decisions can be made of the business's direction forward. Emotional resources can be identified as the mental strength

of the entrepreneur, while establishing a company can be very stressful. In this part a support team of family, friends, mentors or professional team can be helpful. Physical resources can be identified for example as the work place, phones, information systems, computers and marketing materials. These basic functions need to be in order so that the company can function effectively. (Henderson 2019.)

The financial resources of the company Mumpa are the entrepreneur's own assets, house and apartments. Additionally, the company will use bank loans and try to acquire loans from Finnvera. As Human resources the two entrepreneurs have knowledge of entrepreneurship, financial aspects, selling and marketing. Educational resources include the school education, practical experience, this thesis and the aid from Ylivieskan kehityspalvelut (YTEK). Emotional resources are family and friends and YTEK personnel. Physical resources are quite simple, entrepreneurs can use their own house and equipment at start, they also have skills to produce marketing material.

3.6 Major competitors and competitive position

It is important to identify and understand the competitors of the company and their presumable responses. If the entrepreneur does not have this information, it is possible that the company makes strategic errors with their performance actions. (Picken 1995, 1.)

Before an entrepreneur can evaluate the competitors, strengths and weaknesses or plan business moves or countermoves, the entrepreneur should identify the competitive position and create a clear view of the situation of possible strategic interactions. (Bergen & Peteraf 2002, 157.)

At the moment there are a lot of rental apartments in the area of Ylivieska. Most of the apartments are owned by private citizens, there are not many companies renting out apartments in the business area of the company. One competitor is Ylivieskan Vuokra-asunnot Oy which offers the apartments owned by the city of Ylivieska. These apartments can be slightly cheaper than privately owned apartments but also the quality of the apartments can vary a lot. Other competitors are companies who are offering private citizens apartments through their own agencies. Overall the rental prices in Ylivieska are quite high. According to asuntojen.hintatiedot.fi the average square (m²) price in euros is around 10€ in Ylivieska while in Oulu the price is around 11€, even though the markets are totally different, while Oulu is a university City with huge growth rate.

Getting into the market is quite easy, as the owners have been renting out apartments privately earlier, they know the commonly used ways and places to market their apartments. The basic renting out fees are not high but the costs of establishing a company require more equity. Also, the new company needs marketing.

3.7 Success factors

The main key factors for success in every industry is to clarify and define what the company needs to be good at to succeed. (Barringer 2015, 134.) To evaluate if the company is succeeding or failing there are seven success factors that can be used to evaluate the state of success. First of all, the company should have defined its ultimate business goals. The second important success factor is that the company should have a long-term vision. Third success factor is making sure that the management supports the missions carried out towards the success. The fourth success factor is that the company should clarify its strategy steps. The fifth success factor is to set up governance and instructions for completing the needed tasks and steps toward success. Sixth success factor is making sure that staff, resources and funding are adequate. The seventh step is to invest in evolving process platforms. (Li & Solis 2013, 5-6.)

Additionally, to these basic success factors in business, it is possible to identify some success factors especially in the apartment rental industry. These success factors are, Property presentation, Quality marketing, Market research, Good communication, time management and Prioritize the tenants. (Ghali 2019.)

The success factors of Mumpa Oy are next analyzed with the seven success factors clarified above. Business goals of Mumpa Oy are that they achieve a lot of rental apartments to their ownership and that all apartments are rented out. Long-term plan is that the owners can provide sufficient income from this company instead of their current jobs. The entrepreneurs are the management, so they are likely to follow and support the missions. It is vital that the entrepreneurs have the courage to act as needed.

Clarification of strategy steps will proceed with the help of this thesis. Governance and instructions are hard to handle in this company while the workforce is only two people, the workers must manage themselves. Sixth success factor staff is probably at the beginning in order, and thankfully the owners have knowledge about financing. The seventh step of using developing platforms is not yet in order while

the business is small, but for the business to grow, it is vital to do accurate calculations which can be aided with the right form of process platforms.

The specific rental industry success factors are in quite good condition. Property presentation is well known to the entrepreneurs and they have knowledge and skills to accomplish it. The entrepreneurs have skills, education, experience and connections on marketing which will help them to provide successful marketing. This thesis helps the entrepreneurs in market research, and they are familiar with the market from a private side. Good communication and time management are factors which need active attention, they are often forgotten and mishandled which can cause serious problems. The importance of Prioritizing tenants is already well known by the entrepreneur.

Also, of course one success factor is that the company needs to make profit. In order for the rental apartments to be profitable, the company Mumpa Oy will use Vuokratuotto laskuri from sijoitusasunnot.com (2020) to calculate the profit and evaluate risks on each apartment.

3.8 Cost comparisons

The most important thing while establishing a price is the combinations of prices and the strategy. Competitive strategy should be created first, and the price strategy should follow the competitive strategy. (Liu 2015, 34.)

There are 319 784 rental apartments in Finland. (Suomen virallinen tilasto 2018.) The average rent price is 12.94 € per square meter. In cities with under 20000 inhabitants the average rent prices per square meter is 9,54 €. (Suomen virallinen tilasto 2016.)

The competitive strategy of Mumpa Oy is to provide good basic apartments to people with reasonable pricing. The strategy of the price will be that in the middle of the price range. Not high but no low. The table below will identify the square meter prices of the apartments available for rent, on 31.3.2020, in the webpages of Ylivieskan Vuokra-asunnot Oy and in the vuokraovi.com, which is free web-based market for rental apartments.

TABLE 3. The price comparisons of rental apartments in Ylivieska

Ylivieskan vuokra-asunnot Price per m2	Vuokraovi.com Price per m2
11,07	9,1
12,3	8,9
7,8	11,5
7,16	10,45
10,58	8,47
6,17	8,31
6,11	12,4
8,5	10
7,9	8,9
Average 8,6€	Average 9,7€

The price range of free apartments in Ylivieska 31.3.2020 is with Ylivieskan vuokra-asunnot 8,6 € per square meter (Ylivieskan vuokra-asunnot 31.3. 2020.) and with free markets the rents are around 9,7 € per square meter (Vuokraovi.com 31.3.2020.). The pursued average price of Mumpa Oy apartments will be 9,00 € per square meter.

4 INDUSTRY ANALYSIS

The industry analysis gives a deeper image of the industry. Industry analysis identifies the growth rate of the industry. It also clarifies where the industry is in its state of life cycle development (Gerson & Shotwell 1991, 8.) Industry analysis also helps the company to understand their place in the business field compared to other competitors. (Educba 2020.)

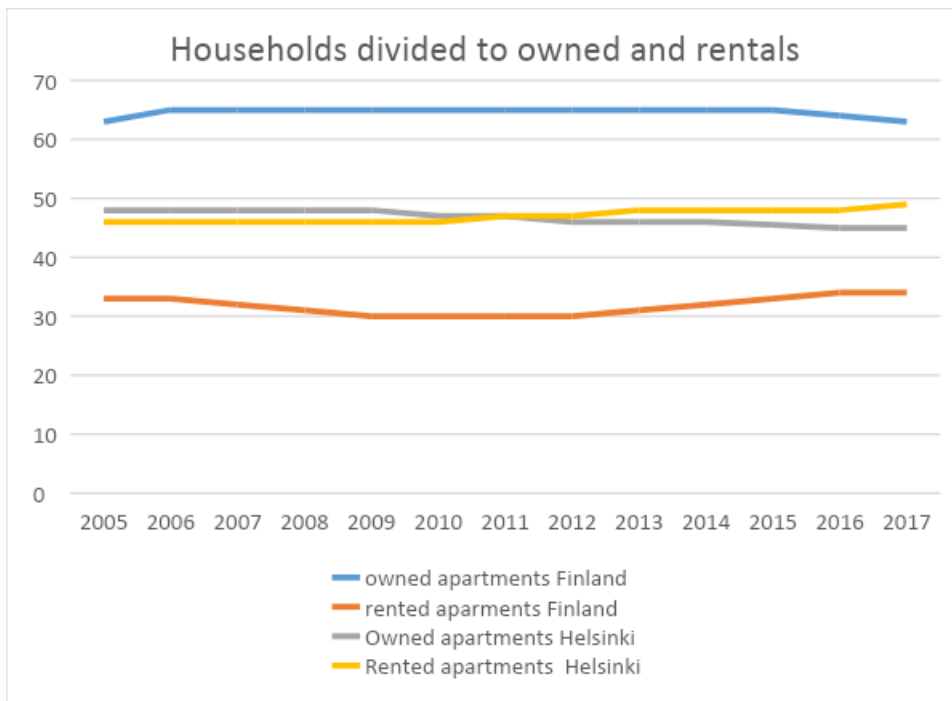
Industry analysis should present an elaborate understanding of the business field in general and the estimate of possible profit in the industry. An industry analysis should include the size of the industry, its development and potential growth. Also, the geographic concentration and differentiations between regions should be introduced. (Clippinger 2019, 111.)

4.1 Definition and description of the industry

The number of households living in rental apartments was in 2017 around 877 000 (KTI 2019.), this is 33 percent out of all households. (Pellervon taloustutkimus 2019.) Out of Finnish rental housing industry, 36 percent of the apartments are somehow supported by government subsidies. These apartments are mainly owned by Finnish municipalities' daughter companies. These companies enable rental housing for various households with different needs. (KTI 2019.) These affect the pricing of rental apartments especially in smaller cities. The competitor of Mumpa Oy, Ylivieskan vuokra-asunnot, is one of these subsidized companies.

KTI Finland estimates that the number of rental apartments in Finland in 2017 is around 510 000 apartments. This number is rising through increased construction and through the fact that the number of apartment investors has risen. Professional investors own around 190 000 apartments out of the Finnish rental apartments. The rest is owned by private investors.

According to KTI the need for rental apartments is going to stay strong. Urbanization and smaller household sizes support the rental demand. Rental apartments prices vary between regions in Finland. Naturally in Helsinki and other bigger cities the prices are higher. (KTI 2019, 57-61.)



GRAPH 1. Households divided by renters and owners in Finland and in Helsinki (adapted from Tilastokeskus 2017)

The number of companies renting out apartments has been quite stable for years. In bigger cities there are companies renting out apartments but in Ylivieska there are not many companies. The basic business is quite simple, and it has not changed.

4.2 Business environment of Mumpa Oy

Business decisions are influenced by various factors. Business environment can be defined as the internal and external factors that affect the business or to the businesses' decision making.

Internal Factors are for example personnel, physical facilities and marketing. Internal factors can be identified as controllable factors, the company can modify these factors. External Factors are for example Economic, Political/Legal, Demographic, Social, Competitive, Global and technological factors. These factors are outside of the company's control. (Cherunilam 2009, 1-2.)

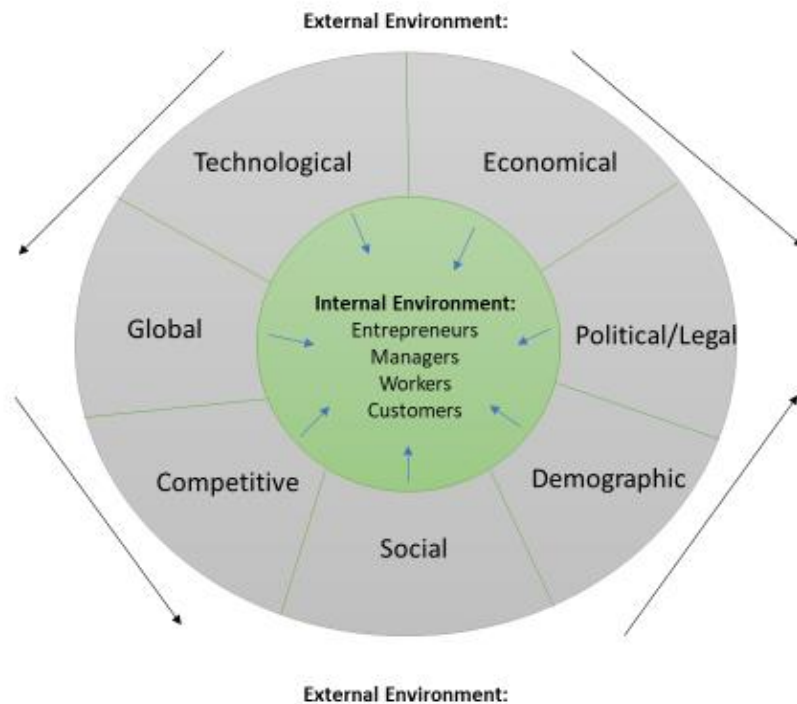


FIGURE 2. Business environment divided into Internal and External environment (adapted from Rice University 2020)

The business environment can have a huge effect on the rental business. Because the company Mumpa is not established yet, the internal factors; Personnel, Physical facilities and Marketing factors are analyzed in chapters Management analysis and Strategic analysis.

External factors like the economical environment can affect a lot. If the financial situation in the region is bad, there are no jobs and no schools, people will move out of the region. It can also affect in a way that people won't buy houses, but they need to rent them. Political/legal environment can influence the situation if the government decides to raise taxes on rental income. Also, for example when the government implemented the new loan roof in 2016, it affected the rental industry. It is harder for customers to receive bank loans for their own houses, so the customers are forced to live longer in rental apartments, which is good for this company while the need for rental apartments rises.

Social environment can affect the business. Finnish people are buying less apartments, but people are renting more and more. People want to spend their funds in something else rather than owning an apartment. Competitive environment can affect the company if the amount of rental apartments rises a

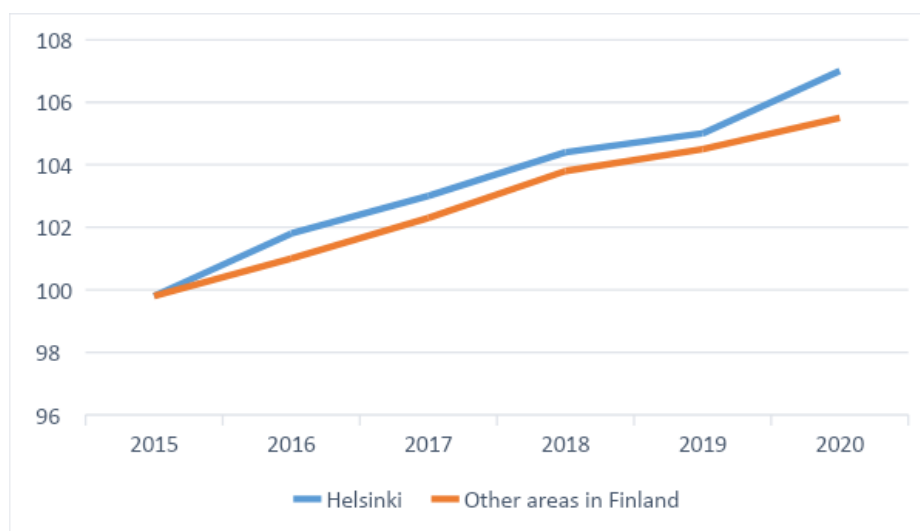
lot or the prices go significantly lower. Democratic environment won't probably affect a lot in Finland while the situation is quite stable. Global environment won't affect the company that much. Maybe the uncertainty of global financial markets might scare people so that they do not want to take house loans and prefer to rent apartments. Or the uncertainty in global markets might get investors to invest more into apartments instead of stock markets. Technological environment can affect the company a lot. Technological inventions can affect the marketing side of the company. This can create new ways of renting the apartments and how customers will find the apartments.

4.3 Growth rate and key growth factors

The number of people living in rental apartments in Finland is increasing constantly. (Tilastokeskus 2019.) In the last ten years the number of households living at rental apartments has almost doubled (The number has risen with 90 000). (Tilastokeskus 2018.)

The possible reasons for the increase of living at rental apartments are that the selection is versatile, the preferred living conditions have changed and financial situations in households are promoting living in growing cities. (Pellervon taloustutkimus 2019.)

In recent years the rental prices have been increasing. Since the year 2015, the prices in the Metropolitan area have increased with 6,8 percent and in the other areas of Finland with 5,5 percent. The table below shows the increases of rents in Helsinki and in the other Areas of Finland.



GRAPH 2. The prices of rental apartments have risen since 2015 (adapted from Tilastokeskus 2019)

4.4 Industry product life cycle

Product life cycle can be identified as the path of certain recognizable stages which the product goes through during its existence. These stages can be identified as Market development, Market Growth, Market maturity and Market Decline.

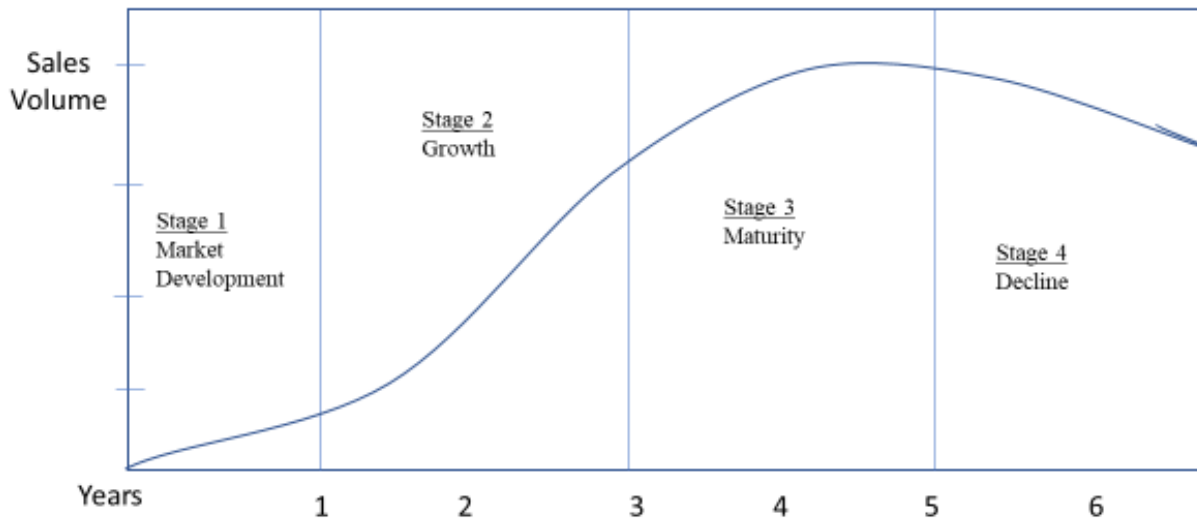


FIGURE 3. Product life cycle- Entire industry (adapted from Levitt 1965)

Market development means the stage when the new product is brought available to the markets. In this part the demand might not be high, and sales are slow. The next part is Market growth, in this part the demand starts to increase, and the size of the markets quickly increases. The stage three is Market maturity, in this part the demand stabilizes and keeps steadily on its reached stage. The fourth stage is Market decline. In the stage Market decline the product loses the consumer appeal and the sales begin to go down. (Levitt 1965.)

In the rental apartment industry, the product life cycle is normally very long. Market development stage normally occurs on the newly built apartments which have been developed but not yet ready to move in. People moving to rental apartments usually need the apartment straight away and do not want to commit to rental apartments beforehand. This stage only lasts for that period when the apartment is planned or been constructed, which normally is quite short. Market growth is normally when new or renovated apartments come available to rent. These apartments attract a lot of people with the help of excellent conditions. This stage can last from one to five years depending on how good the conditions stay. The

third stage of Market maturity comes after the apartment is no longer new and the conditions of the apartment are good, but not excellent. The interest stays quite stable. This part can last for decades in rental apartments, with the help of small surface renewals. The last stage Market decline is normally reached when the conditions in the apartment are such that most people do not want to live in the apartment anymore. For instance, Surfaces can be damaged, or there can be moisture in the building.

The same apartments can be rented out for decades. The apartments might need some minor adjustments or repairs occasionally but the costs can be kept at a minimum. Larger renovations normally come from the need of the entire building, these renovations are conducted only after a long period of planning. This gives the company time to plan their actions towards the apartment. In the rental business it is not vital that the apartments are renovated, so for example kitchen renovations can be for-longed with many years.

5 MARKET ANALYSIS

Market analysis identifies how and where the company provides their products and services. Market field explains, is the company's business local, regional or for example international. In order for the company to know how to target their marketing it is vital for the company to do market segmentation. This can be done in phases. The company needs to identify the characteristics of the target market, with the help of demographics, psychographic or locational trades. Then the company needs to define the target market's attractiveness. (Gerson & Shotwell 1991, 9.)

It is also important that you know the obstacles in entering the markets, what kind of demand there is. Market share and sales volumes of the competitors are also important. The company should compare and decide if their sale channels and distribution channels are adequate to the specific marketplace. What kind of pricing will the company choose? Also, market analysis should include promotional plans. (Gerson & Shotwell 1991, 9.) A Market analysis should identify the primary and secondary target markets, analyze the competitors in the business field in detail. (Clippinger 2019, 113-114.)

5.1 Market scope

Market scope means the products and markets the company will concentrate. It is important to choose the path the company will pursue so that the company can choose an effective business model. (Definition 2020.)

The company will sell and rent out apartments. They will also renovate apartments to receive more income. It is also possible for the company to act as a middle-hand between other private landlords and the renters. The company will provide rental apartments available and market them in various channels, they can help persons find rental apartments and also sell apartments to persons interested. The company can also assist the customers on rental, purchasing, funding actions.

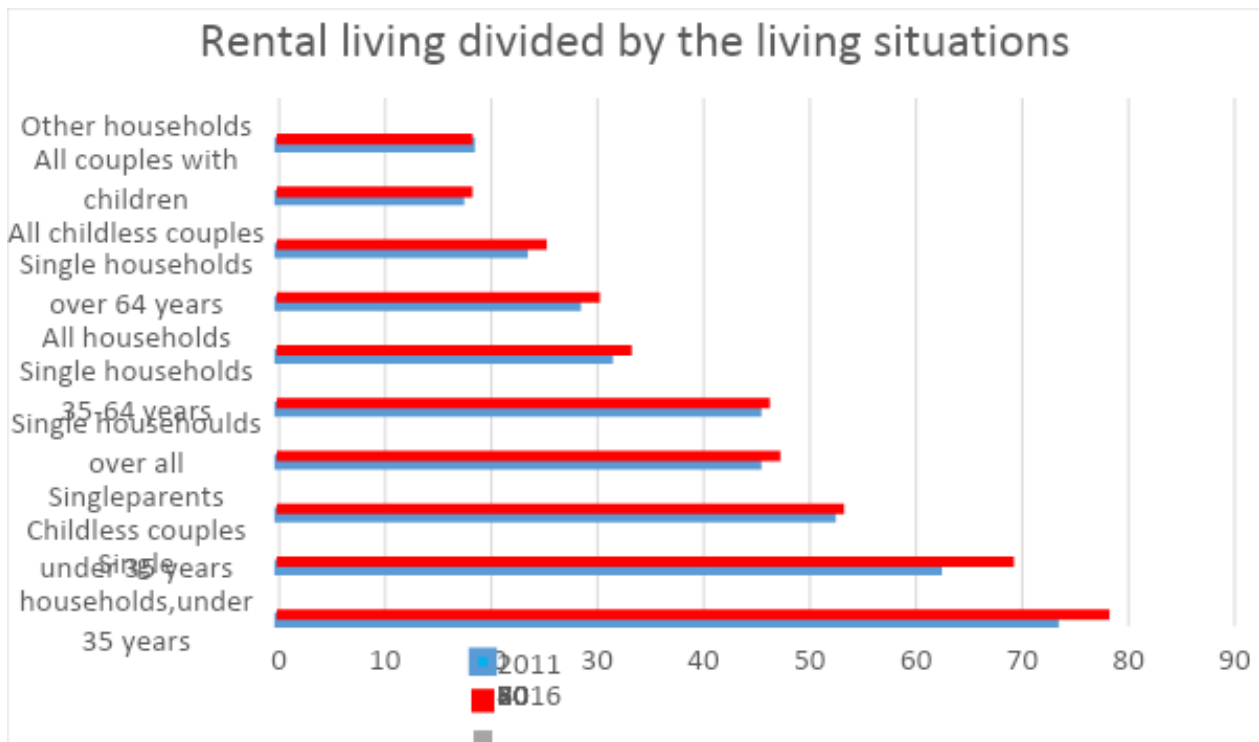
The customers are people who are trying to find a rental apartment or who want to purchase an apartment. The customers are everywhere. They can be contacted through web, social media, print media, word of mouth. The markets can be divided into many various segments.

There are a lot of private persons acting in the field and also some companies. In the beginning the company Mumpa will be conducting business mainly in the area of Ylivieska. In the region of Mumpa the companies are quite small, and they do not put emphasis on marketing. The entrepreneurs feel that in this region it might be possible to gain extra benefit from acting as a company. There are a lot of people moving into the city. The market share does not have to be big, for example 10% of the markets would be a great success while the idea of the company is not to get all of the markets to itself. Hopefully when the company grows the company can provide more apartments and the customers learn to trust the company which will increase the company's demand.

5.2 Market segmentation

Market segmentation can be defined as knowing your customer. Providing your customers what they want or might want. In market segmentation the markets are divided into smaller groups of possible customers by their similar characteristics. This helps the company to analyze and possibly find niche opportunities and raise their competitive position. The company should select some group or groups as their target market and divide their marketing actions toward these groups. (Weinstein 2004, 4-5.)

There are many groups of people living in rental apartments. To make the market segmentation a bit easier, below is a table created by Pellervon taloustutkimus that has divided different rental groups by their living situations.



GRAPH 3. Rental living divided by the living situations of households (Adapted from Pellervon taloustutkimus 2019)

With the help of the table above and the common knowledge the entrepreneurs have on the rental markets in Ylivieska company Mumpa Oy has selected as their target market:

- 1.Older people/pensioners trying to find a rental apartment or selling their current apartment
- 2.Students
- 3.Working adults
- 4.Families with children,

The groups 1 and 2 are most common and probably the most profitable. The number of pensioners living in rental apartments are small, but pensioners usually do prefer to live in the same apartments for a long time and they keep the apartments in good condition. Students on the other hand are a large group but only live a short period in the apartments, and housing habits can be rougher. These groups also have steady income from pensions or from student benefits.

The groups 3 and 4 can be short lasting and uncertain while these people can acquire their own apartments or lose their jobs. Especially in group 4, the conditions of the apartments might suffer while many people living in the apartments, especially children, can cause wearing out of the surfaces.

5.3 Market barriers

Market barriers are the obstacles the company can face while entering and working in the field. These barriers can be the result of the current situation in the world, government created or created by the competitors. (Hayes 2020.)

The Barriers of company Mumpa Oy can be that the costs of apartments available for sale are too high and the company cannot acquire sufficient number of apartments. Other barriers can be that the restrictions and requirements of loans are too high.

5.4 Market demand

Market demand can be clarified as the demand of the specific product and the people wanting to acquire it. The demand can be defined by the customers willingness to purchase the product at the certain given price. (Bigcommerce 2020.) Too optimistic evaluation of demand, while establishing a company, is the most commonly made mistake. It is often forgotten that it is hard to change people's buying behaviors and get them to buy from a new seller. (Finnvera 2001, 22.)

Ylivieska is a growing city, and the workforce is moving to Ylivieska from nearby cities. This moving creates a need for rental apartments. There are available rental apartments in Ylivieska, but most of them are owned by private persons or the city of Ylivieska. The apartments owned by the city of Ylivieska are offered to rent by Ylivieskan vuokra-asunnot. There are no specialized companies renting out apartments. Renting from a private citizen is not really regulated and there can be many variables in practices. Companies are more regulated, so customers know what to expect. Thus, there is a demand for a company renting out apartments. The pricing will be in the middle of the pricing range, so the demand should be good. The company Mumpa will also aim for the good quality and fresh design of the apartments so that the demand will be good.

5.5 Market share and market sales

Market share can be identified as the amount of how much the company's products are sold compared to the products offered in the same market field. Market sales are the amount of sales which are possible to all the competitors in the same market. (Bplans 2020.)

The market share and sales of the company Mumpa Oy will be very small in the beginning. In the early stages of the business, there are no possibilities to acquire a lot of apartments. The aim is that the market share can be increased in the future, but it is not important to the company to become a market leader. It is more important that the demand is so good that the apartments are rented out consistently.

5.6 Distribution channels and sales approaches

Distribution is vital for the products to be available to the consumers. Companies need to find certain channels on how to bring their products available to the possible customers. The products should be offered somewhere where the products can be seen, analyzed and possibly sold. (Sherlekar & Gordon 2010, 137-138.) There are multiple distribution channels for rental apartments; for example, store locations, newspapers, internet and television marketing.

In marketing your products, various sales approaches can be used. There are four common sales approaches; Needs-based selling, solution-based selling, objective-based selling and insight-based selling. In Needs-based selling the customer has a need which they want to execute. In needs based selling the seller needs to uncover the needs and serve them with a right solution for them. In solution-based selling the customer knows something is wrong but doesn't know what to do. In solution-based selling the seller has to understand the problem, diagnose the reason and offer a solution for the problem. In objective-based selling the customer has some goal or initiative they want to support. In this selling approach the seller needs to understand the goals, realize how they can use their abilities for the customers goals benefit and then present the company's product as an aid to achieve the customers goal. In The insight-based selling the company sees an opportunity for enhancement but the customer has not yet realized it. In this selling approach the seller has to offer data and insight and guide the customer through to the realization of a new need. (Kunkle 2018.)

Distribution channels of company Mumpa Oy will be the company's own webpages, tori.fi and Facebook and probably also vuokraovi.com. All these channels are well-known by the customers and widely used.

The sales approach, used by the company Mumpa Oy, will be Needs-based selling. Normally people move when they already have a need for a new apartment. The company tries to find the people in need of an apartment and offer them apartments that are suitable for their current needs.

5.7 Pricing structures and policies

Pricing is one of the most important decisions while bringing your product to markets. It is the determinant aspect of the success of the company's feasibility and to the interest of customers. (Finnvera 2001,22.) It is important that the rental prices are sufficient so that the company can manage its business. The basic calculation on the rental profit is to decrease the whole years management charges (B) from the rent (A). Then the apartments debt free price (C) is calculated to the transfer tax (D) and then the rent after decrease is divided by the debt-free calculations. Then the calculations are multiplied by 100%. This gives the annual rental income. (sijoitusasunnot.com. 2020)

$$((A-B)*12/(C+D))*100\% = \text{annual rental income}$$

There are also additional costs that need to be taken into account, when assessing the right rental price. For example, loan costs, renovations, possible empty months, taxes and also other company expenses need to be covered with the rental income.

The company Mumpa will use the Vuokratuotto laskuri -2.0 calculator from sijoitusasunnot.com to assess the right prices and which apartments to purchase for rental apartments. There is an example calculation in the APPENDIX 1. The price policy for rent is planned so that the company should have around five percent income for each apartment. The price per square meter is around 9-11 euros depending on the apartment's location and conditions. The company will also collect a deposit equal to one month's rent as the rent security deposit.

The financial accounting of the company Mumpa Oy will be done by a professional accountant. The company is small, so the costs of accounting can be kept small. The entrepreneurs do not have good experience in accounting, so to save time, it is more efficient to outsource the accounting.

5.8 Advertising, public relations and promotional plans

Advertising the products is a very useful and important part for companies. The company needs to promote its product in order the consumers and society to know and find its products. With advertising, the company can build the company image so that the confidence in the company rises. This creates the identity of the company and with advertising it is easy to guide the image into the wanted direction. Advertising also helps the company face competition, when the markets are tough. General advertising of the company also endorses the sales of certain products. Advertising creates awareness of the company and can even create demand. People want to buy products, especially from the specific company. With the help of good advertising the company can differentiate from its competitors. (Rajput & Vasishth 2008, 16-18.)

The company Mumpa Oy will keep its advertisements quite simple. The main thing is to acquire good pictures from the apartments. Apartments are pictured empty, with some high-end design decorations to attract the customers. The information about the apartments is clear and simple. In the company Mumpa's own web pages and Facebook pages, there could be some additional videos and information about the apartments. The rental restrictions and conditions are clearly and easily accessible in the webpages. The company's logos are clearly visible in every advertisement and photo to create awareness of the company.

The public relations are handled by the vice-CEO and the information is kept simple and formal. Some design features are used to create more attractiveness and trustworthiness towards the company. Ready marketing material creates an image of a bigger company. The number of apartments is low at the beginning, so there are not much marketing efforts needed, because finding the customers can be quite simple. When the number of apartments rises in the future, more additional marketing is needed. For example, the company can use its connections to newspapers and reporters to have some article written about them.

6 STRATEGIC ANALYSIS

The strategic analysis identifies the goals of the company. How the company plans to execute the business actions and what kind of tactics the company will use to be successful. The strategic analysis will also identify the time schedule for the plans to execute and a list of actions planned. (Gerson & Shotwell 1991, 10.) The strategic analysis identifies the ways how the company will argue convincingly the ways their competitive advantage is reached, and it will also give detailed information on how the specific sections of the strategy are executed. (Clippinger 2019, 115.)

6.1 Goals and objectives

It is important for the company to have goals and objectives. Goals and objectives give the company some clarification what they aim and want to achieve. Goals and objectives help the company to proceed with the business and the company can use a strategic approach to achieve its goals. Without clear goals and objectives, it is much harder to measure the success of the company. The company needs to define the purpose of the company and define the strategic aims of the company. In the business plan the goals and objectives of the company need to be clear, specific, in written form, realistic, commonly agreed, measurable, achievable, scheduled, consistent and challenging enough for the whole company. (Adair 2004, 32-38.)

The main goal of the company Mumpa is to gather assets for the company. The assets will be mostly in the form of apartments. The apartments are sold or rented out. In the long run, hopefully owners can collect profit to their own private use.

At first the goal of sales and profits are low, while probably some of the rental apartments need to be acquired with bank loans. The company will aim for owning three apartments in the first year, all of them should be rented. The goal is that the first-year company will make at least 15000€ worth of sales and that the profit for first year is positive. The three-year plan is to be able to collect 1500€ salary in a month for both entrepreneurs.

6.2 Key performance/success indicators

In this thesis the strategy is analyzed with the help of McKinsey's Seven S model of strategic readiness. The Seven S model offers a way to check how the company's business is executing. These seven S's are Staff management, Style leadership, skill management, Structure, Systems, shared values and strategy.

Staff management refers to the strategic and tactical everyday tasks. In staff management analysis it is vital to analyze if the company's employees have clear roles and responsibilities and are the jobs in question in balance. Style leadership analyses if the company has a shared vision and equal style managing the business, treating colleagues and operating as a group. It also analyses if the company effectively advocates change, makes the strategic goals clear and modify the organization shape, if needed. Skills management analyses the basic skills the company has on their own business field and basic skills of running a company in general. Structure analyses the structure of the company. Is the structure of the company effective and efficient enough so that the strategic objectives can be reached? Systems part analyses the systems that are used to run the business like financial and business management control systems, market analysis and resource planning. Shared values analyses the culture of the company, if the company has shared values and expectations and are clear to all employees. Strategy part analyses are the strategies and actions plan of the company in order for reaching the goals. (Stroh 2014, 143-144.)

The company Mumpa is not yet running so the analysis of the company's key strategic performance indicators is quite hard, most of the analyses are based on assumptions. To the staff management, the entrepreneurs have divided the tasks and know who is responsible for which tasks. In a small company it is vital that the entrepreneurs do take this seriously and really do their parts so that the tasks really are done. Style leadership and shared values are in order in the company while it is a company that is managed by a married couple with similar interests and communication between the entrepreneurs is continuous. Both entrepreneurs are also very much open to change and want to keep the business developing. Skill management is quite good with the company. The entrepreneurs have previous experience of managing a business and they also have done business in the business field as private persons. Structure part might need some development. The entrepreneurs might not have time to do all the needed tasks or communicate efficiently enough which might cause troubles for the company. Systems part is very important. While the company is small the company won't be using large expensive systems. Most of the systems are based on free calculation tables or own excel tables, all the financial

accounting is done by an accounting firm. In the future it would be wise to invest in some management system program. Strategy part is supported by this thesis.

6.3 Tactical plans and goals completion schedule

Tactical plan can be seen as the short-term plans of conducting the strategic plan. (Tutorialspoint 2020.) The tactical plans of Mumpa are to acquire the apartments in the autumn of the year 2020 and get them renovated and rented out before the winter. After the first phase is completed the company will probably need some time to gather assets to proceed with the purchase of new apartments. The table below clarifies the tasks, person responsible, costs assumptions, and the timeline.

TABLE 4. Goals completion schedule of company Mumpa Oy

TASK	PERSO N RESPO NSIBLE	COSTS	TIMELINE
1. FIND SUITABLE APARTMENTS	ANNA- SOFIA	0€	SUMMER 2020
2. ENSURE FINANCING	ANNA- SOFIA	0€	SUMMER 2020
3. PURCHASE	TAPANI	100 000€	AUGUST 2020
4. POSSIBLE RENOVATIONS	TAPANI	5000€	AUGUST 2020

(continues)

TABLE 4 (continues)

5. ADVERTISEMENTS	ANNA-SOFIA	1000€	SEPTEMBER
6. OPEN HOUSE	ANNA-SOFIA	100€	SEPTEMBER 2020
7. SELECTION OF RENTERS & AGREEMENTS	ANNA-SOFIA	150€	SEPTEMBER 2020
8. COMMUNICATION WITH RENTERS	ANNA-SOFIA	0€	ON GOING
9. FINANCIAL ASSESSMENTS OF POSSIBILITY OF NEW APARTMENTS	BOTH	300€	DECEMBER 2020

6.4 Operating assumptions

Operating assumptions are the plans how the company plans to execute different strategies. The operating strategies are product strategy, competition strategy, price strategy, distribution strategy and public relations strategy.

The product strategy of company Mumpa is to offer good basic apartments to people with reasonable pricing. Not the high-end finishes while the losses might be huge if renters ruin the apartments. The design of the apartments will still be kept good so that they attract new renters.

The competition strategy of company Mumpa is based on the facts that the apartments are quite cheap, basically designed, the rental company offers safety and that the company is well marketed. Owned by a company, not a private person. Easy to contact. Apartments are renovated. The prices are in the middle of the price range. All apartments are including water and electricity.

The price strategy of the company is quite simple. The strategy of the price will be in the middle of the price range. Not high but no low. The company will not be competing with the price.

The distribution strategy of the company Mumpa is that first the free apartments are advertised in the selected medias. The apartments are shown to the interested parties and according to their interest and background and situation the most suitable renters are selected. The focus mainly on long-term renters.

The public relations strategy of the company includes mostly using Facebook and tori.fi and the webpages of the company as public relations source. The public relations between the business and customers will be done mainly with WhatsApp and email. Also, phone conversations can be used as a form of communication.

7 MANAGEMENT ANALYSIS

Management analysis clarifies who are the key personnel in the company. It is good to have some personnel description so future staff requirements are easier. Management analysis includes Organizational chart, management and customer service plan. (Gerson & Shotwell 1991, 10.)

7.1 Identification of key management personnel

Key management personnel can be identified as the persons who have the authority and responsibility for planning, directing and controlling the activities of the business. (Bragg 2017.)

The company Mumpa Oy will be owned by the two owners Anna-Sofia Yrjölä 50 percent of the shares and Tapani Yrjölä 50 percent of the shares. The Board of directors will include two real members, the owners and one silent partner Pirjo Yrjölä.

Anna-Sofia has worked in a banking sector as a financial expert for eight years and also previously as sales assistant in a smaller firm. She also has several years of school education from business administration. Tapani has been a co-entrepreneur in a mid-sized company for ten years, he has also experience in sales and in management. Additionally, Tapani has the school education and experience on electronic communication. He is also well connected to the marketing field in Ylivieska.

7.2 Personnel pro forma for current and future needs

Tapani Yrjölä will be the CEO of the company and Anna-Sofia Yrjölä will be the vice-CEO. Anna-Sofia will be in charge of renting, financing and marketing etc. Tapani will be in charge of selling, purchasing and renovating the apartments. At first the company will not hire any employees. The work is done in the owners free-time.

7.3 Organizational structure

The organizational structure shows the form of the company. The organizational structure form is a clear way of showing how the departments, functions and people are linked together in the organization and how they cooperate with each other. (Bhattacharyya 2009, 3.)

The following figure 4 will identify the organizational structure of company Mumpa. The responsibilities are divided by the persons responsible.

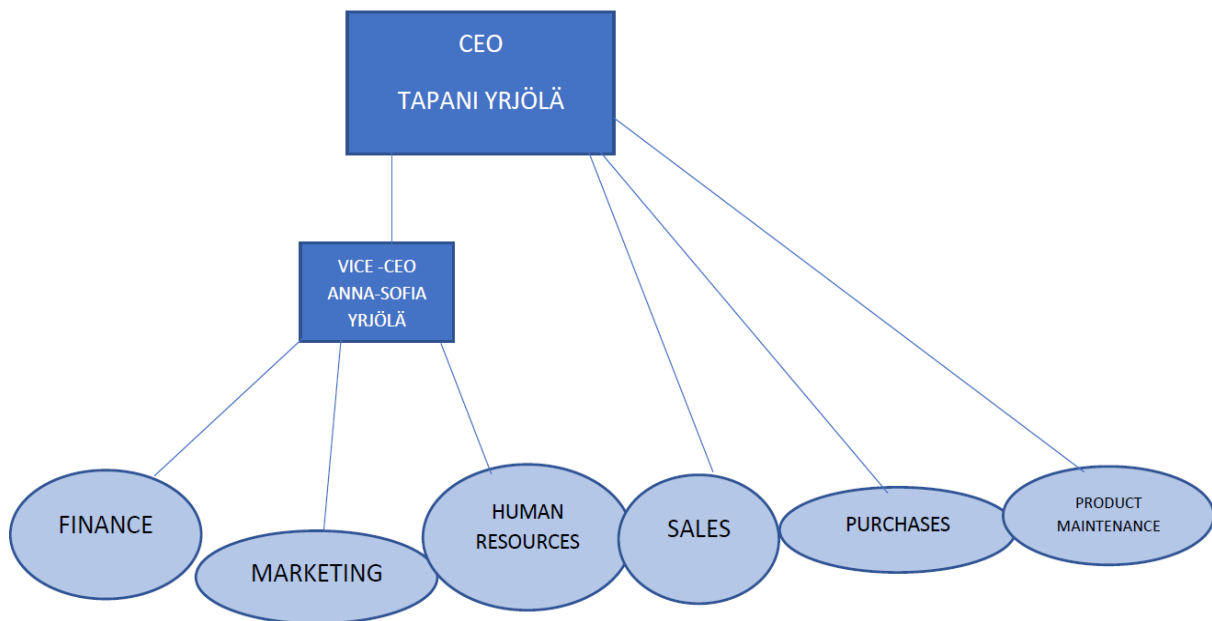


FIGURE 4. The organizational structure of company Mumpa Oy

The organizational structure of Mumpa Oy will be that the CEO will be in charge of the sales and purchases and the product maintenance structures. Vice-CEO will be in charge of the finance, marketing and human resource structures.

8 FINANCIAL ANALYSIS

Financial analysis uses financial data to evaluate the company's performance. With the help of financial analysis recommendations on useful actions can be made. (Corporate Finance Institute 2020.) Financial analysis identifies the company's financial situation. Financial analysis consists of budgets, balance sheets, financial schedules and other financial statements. (Gerson & Shotwell 1991, 10.) The company Mumpa Oy has not been yet established, so for this thesis it was not possible to get all the financial analyses.

8.1 Budgets and financial statements

A well-done budget is the basis of a company's success. Budget is the plan on how to execute the affairs of the company. Budget is based on the company's strategy. Strategic decisions influence the businesses budget decisions. Budget actions are often done with the help of short-term operational plans, but also long-term operational plans should be kept in mind while conducting budget. Normally budgets are done annually. A Budget can be described as the statement of the expected Income, costs and expenses. (Withney 2010.) This thesis will be using Business Oulu's financial calculations table (Business Oulu 2019.) as a template to evaluate the financial aspects of the company Mumpa Oy

The Financial calculations of company Mumpa Oy can be examined in the APPENDIX 2/1 and APPENDIX 2/2. The Budget is done with the perspective that only the most essential things needed for the company are acquired so that the expenses could be kept low for the first years. Even though this system is applied, there will not be any profit for several years. The basic costs for maintenance charge, taxes and loan expenses are so high that there won't be a lot left for the company's additional costs. In order for the company to be in business the entrepreneurs should invest a lot of startup capital while the company won't be making money for a while. The company can also make more profit if they can buy apartments cheap and sell them with higher price but this, at the price range of the apartments the company has chosen, is not very likely at the moment when older apartments prices are quite low in Ylivieska.

The entrepreneurs will invest 10 000€ from their private assets for the start-up capital of company Mumpa Oy. The planned three apartments to be acquired will probably need around 70-100 000€ loan

from the bank. The entrepreneurs are willing to use their private apartments for collateral deposit towards the apartments that need to be acquired, while the purchased apartments can only be collateral up to 70-75 percent of the purchasing price.

The startup capital will be enough for the company to be running for the first years. The annual net sales will be around 17 000€ and the annual income will be around 9000€. The annual costs will be at the beginning around 11 000€. This indicates that the company Mumpa Oy will be making around 2500€ loss for the first year. The amount of loss will be decreasing annually when the costs of loans decrease.

In order for the company to stay in business it is highly likely that the entrepreneurs need to invest their own assets more to the company in coming years, especially if they want to grow the business.

9 CONCLUSIONS AND DISCUSSION

This thesis evaluated the prospects of success for a company not yet established. The evaluation was done in a form of a business plan. The thesis consists of different parts of a business plan. In the first part the basics about business plan are clarified and the basic information about the company and its business idea, marketing program and goals and requirements are also briefly examined. In the company analysis chapter, the company is examined more thoroughly. This part included swot-analysis, history of the company, product information, target markets, resources and competitors, success factors and costs. The chapter Industry analysis explains the general information about the industry in the rental field and the growth rate of the industry. The fifth chapter Market analysis conducts a deeper image on the markets the company is operating in. Scope, segmentation, barriers and demands as well as advertising and price structure of the company are clarified and examined through theoretical framework. Strategic analysis consists of goals and plans on how the company will achieve success and what kind of actions will help the company to proceed. Management analysis concentrates on the entrepreneurs, how the company is structured and the managerial abilities on the company. The Financial part includes budget and other calculations on the company's potential financial capability and expenses as well as sales.

After a closer look at the business and the potential success of the company, it can be seen that the company would have good basic functions in order to proceed with the establishment of the company. The entrepreneurs and the business environment would be suitable, and it could be possible for the company to succeed. The financial analysis reveals that the business would not be very profitable in the beginning and it might take several years to achieve positive revenue. It could be very hard to achieve growth with the company and the goals of the company might not be reached.

The entrepreneurs should consider whether they want to establish a company and wait for years to achieve success and profit. Are the eventually reached possible growth and success rates adequate to run a business and cover the losses made over the years? Conducting the rental industry business as a private person might be more profitable because of the higher rates of company loans and regulations. Private persons taxation is more expensive, but the profits are available to the entrepreneurs immediately and there are no compulsory accounting expenses.

This thesis indicates that it was important to do the business plan and evaluate all the aspects concerning the company Mumpa Oy and the possible success. Without a complete business plan the entrepreneurs

could have made a huge financial mistake, while not considering all aspects of the business's financial side.

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1 KOHTEEN PRUSTIEDOT

Velaton hinta	40 000,00 €
Vuokra	500,00 €
Vuokratorkotus vuodessa %	1 %
Tyhjien kulkuraiden vara vuodessa	2
Asunon pinta-ala	48 m ²
Hoitovastike	202,00 €

2 YHTIÖAINA

Yhtiön lainan määrä	0,00 €
Yhtiön lainan korko	2,00 %
Yhtiön lainan laina-alku	30
Yhtiön lainan yhtenystapa	Annuitteesti
Rahoitusvästikkeen kirjainpöytäkirja	Tulotasetu
Yhtiön väestöä yhteensä	0,00 €
Yhtiön lainan korko	0,00 €
Yhtiön lainan yhtenystapa	0,00 €

3 RAHOITUS

Omanrahjoitusosuus	0,00 €
Partikkelilainan osuus	40 300,00 €
Yhtiön lainan osuus	0,00 €
Partikkelilainan yhtenystapa	Annuitteesti
Partikkelilainan korko	2,00 %
Partikkelilainan laina-alku	20
Lainan jäljestyspöytäkirja	0,00 €
Lainan väestöä yhteensä	206,40 €
Yhtiön väestöä yhteensä	238,40 €
Koron osuus	63,00 €

Vuokratulojen vero %	24 %
Partin antama valausarvo osuudelle	70 %

3. REMONTIT

Asunon remonttivara	5 000,00 €
Taloyhtiön omien varojen	0,00 €

4 ARVONNOUSU

Arvioitu arvonnousu vuodessa	1,00 %
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Edistynyt vuokratuottolaskuri

TULOKSET

TUOTO	
Vuokratuotto	6,50 %
Vuokratuotto euroina (vuodessa)	2 160,00 €
Tuotto omalle pääomalle alussa	#/AKU/0€

HINNAT

Neljän hinta	65,106 €
Neljän vuokra	11,49 €
Hoitovastike per neljä	4,30 €

ARVONNOUSU

Arvonnousu kulkuraidissa	33,33 €
Arvonnousu vuodessa	480,00 €
Arvonnousu omalle pääomalle Vuosi	#/AKU/0€

KASSAVIIVAN ASKENTAMA / KK

Vuokratuotto	500,00 €
Hoitovastike	202,00 €
Rahoitusvästike	63,00 €
Partikkelilainan korko	63,00 €

Kassavirta ennen yhtenystä

Lainan yhtenys	270,00 €
	18,40 €

Kassavirta brutto / KK

Kassavirta brutto / Vuosi	131,60 €
Vero vuokratuloista / KK	1 573,20 €

Kassavirta netto / KK

Kassavirta netto / Vuosi	66,80 €
	301,60 €

RISKISKENNÄRIOT

KOROKEN MUUTOS / KK

Kriittinen korkoprosentti alussa	9,94 %
Koron +13% -yhteiskäsi	146,00 €
Kassavirta ennen yhtenystä	7,60 €
Kassavirta yhtenystien jälkeen	35,04 €
Vero vuokratuloista	-27,44 €
Kassavirta netto / KK	112,00 €

Koron +2% -yhteiskäsi

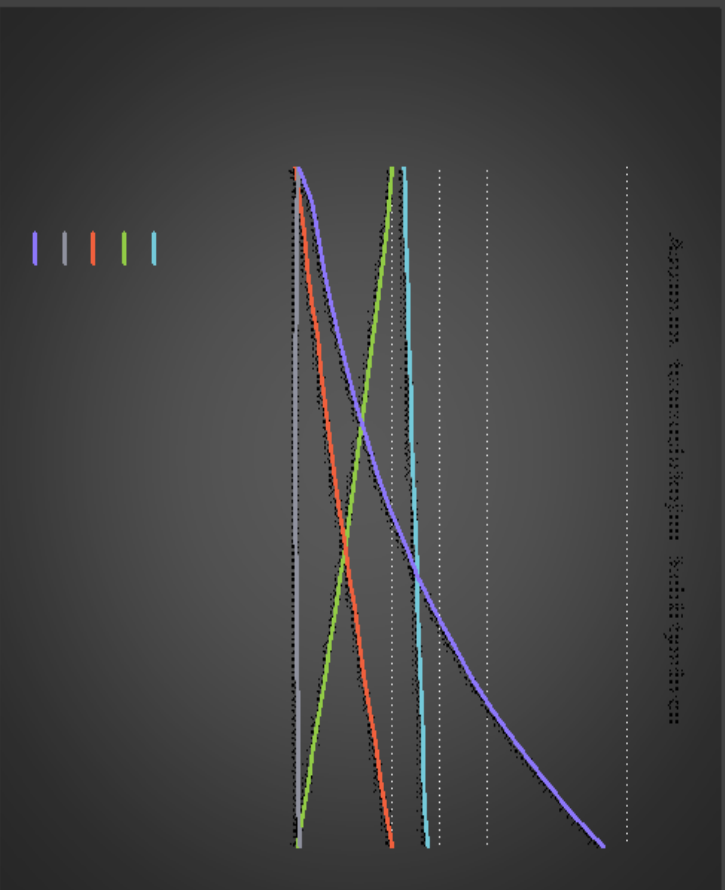
Kassavirta ennen yhtenystä	26,40 €
Kassavirta yhtenystien jälkeen	26,88 €
Vero vuokratuloista	-53,28 €
Kassavirta netto / KK	44,00 €

Koron +4% -yhteiskäsi

Kassavirta ennen yhtenystä	-94,40 €
Kassavirta yhtenystien jälkeen	10,56 €
Vero vuokratuloista	-104,96 €
Kassavirta netto / KK	7,68 %

TYHJÄT KULKURAIDET VUODESSA

Et tyhjiä kulkuraidia	6,50 %
1 tyhjiä kulkuraidia - vuokratuotto %	7,68 %
2 tyhjiä kulkuraidia - vuokratuotto %	6,50 %
3 tyhjiä kulkuraidia - vuokratuotto %	5,32 %



Service offered by:

OULU | BusinessOulu**FINANCIAL CALCULATIONS**

Name of the Firm

Mumpa Oy

Author

Anna-Sofia Yrjölä

Date

20.4.2020

FUND USE AND FUNDING RESOURCES

FINANCIAL REQUIREMENTS (Inc. VAT)		EUROS	FUNDING			EUROS
1. PREMISES ALTOGETHER	Aid-%	70 000	6. LONG-TERM LOANS	IN ALL		70 000
- land area			Loan given by	Interest-%	Term (year)	Capital
- buildings (duty free)		70 000	Finnvera			
- buildings			Bank	2,5 %	10	70 000
2. EQUIPMENTS ALTOGETHER	Aid-%	500	7. LEASING			
computer and printers		500	8. PART PAYMENT			
			9. BUSINESS ALLOWANCES			
- goods storage by business purchase			- ELY-Centres Investments allowances/aids			
- advanced purchased storage						
- duty free purchases						
3. MARKETING INVESTMENTS		1 000	10. VAT RETURN			290
web pages & marketing materials		1 000	11. OWN FUNDING IN ALL			10 000
			- capital investments by owner			10 000
			- shareholder loan from Finnvera			
4. DEVELOPING INVESTMENTS						
5. OTHER WORKING CAPITAL		9 080				
	IN ALL	80 580		IN ALL		80 290
Financial Requirements - Funding =		290	Allowances and VAT -returns in all			290

BUSINESS COSTS IN A YEAR (VAT 0 %)

	1. YEAR	2. YEAR	3. YEAR
	2020	2021	2022
12 Instalment of Loans and Accent	8 663	8 488	8 313
- interest in Euros	1 663	1 488	1 313
- capital of loans in the end of the year	63 000	56 000	49 000
13 Annual Costs of Part Payment			
14 Wages and Salaries of Employees			
- monetary Wages in Month			
- number of months	12,0	12,5	12,5
15 Social Costs etc. % of Wages	40 %		
16 Entrepreneur's Pension Insurance (YEL), non-mandatory pension fees			
- YEL-wages, basis for the pension (yearly wages)			
- YEL-percent in the calculation	24,10 %	24,10 %	24,10 %
- non-mandatory pension insurance premiums			
17 Other Indirect Employee Cost	560	560	560
- YEL-entrepreneurs accident and life insurance fees	560	560	560
- membership fees of unemployment Funds for Entrepreneurs			
- other non-mandatory insurance premiums for employees			
18 Other Staff Costs			
- employee health care			
- work clothes and protection instruments			
- other optional staff cost (meal, recreation, gifts etc.)			
19 Costs of Premises			
- rents and assessments			
- electricity, heating and water			
- repair, cleaning, guarding, waste disposal			
20 Leasing Rents, Final Instalment of the Total Financing	30 %		
21 Cost of Construction Machines and Vehicles (business use)			
- fuel costs			
- maintenance and repair			
- insurance, inspection, transport, other costs			
22 Costs of ADP-equipment and -programs			
- equipment- and program rents, updating and maintenance	200	204	208
- Purchase of ADP-equipment (operating life under 3 years)	100	102	104
23 Costs of Other Machinery and Equipment	100	102	104
- maintenance and repair			
- purchase of machinery/equipment (operating life < 3 years), small-scale acquisition			
- other machinery costs			
24 Travelling Expenses (fares, accommodation, meals, other travelling expenses)	100	102	104

25	Compensation for Travelling Expenses				
26	Marketing Costs		450	459	468
	- advertisements, printed matter		250	255	260
	- other marketing costs		200	204	208
			1 000	1 020	1 040
27	Administrative Services				
	- hired staff, legal services, consulting service, other administrative costs				
	- bookkeeping, financial administration, auditing		1 000	1 020	1 040
28	Knowledge Acquisition (papers, books, membership fees)				
29	Costs of Communication and Monetary Transactions		220	224	229
	- tele- and data communication		100	102	104
	- post and courier costs				
	- monetary transactions		120	122	125
30	Insurance Premiums (liability-, loss-of-profit-, other insurances)				
31	Office Supplies				
32	Other Costs (discussion, vehicle costs in private use, other costs)				
SALES ESTIMATE (all prices incl. VAT)			1. YEAR	2. YEAR	3. YEAR
			2020	2021	2022
Good or Service Produced 1	24,0 %	Net sale			
- unit price inclusive VAT					
- unit price VAT 0 %					
- quantity (e.g. euros/hour)					
Good or Service Produced 2	24,0 %	Net sale			
- unit price inclusive VAT					
- unit price VAT 0 %					
- quantity (e.g. euros/hour)					
Good or Service Produced 3	24,0 %	Net sale			
- unit price inclusive VAT					
- unit price VAT 0 %					
- quantity (e.g. euros/hour)					
Marketing Product 1	24,0 %	Net sale	6 532	6 663	6 796
- sales price/unit inclusive VAT			675,00	688,50	702,27
- sales amount (pieces, quantity))			12,00	12,00	12,00
- purchase/cost price per pieces incl. VAT			310,00	310,00	310,00
- purchase/cost price per pieces VAT 0%			250,00	250,00	250,00
- gross margin %			54,1 %	55,0 %	55,9 %
- gross margin €			3 532	3 663	3 796
Marketing Product 2	24,0 %	Net sale	5 226	5 330	5 437
- sales price/unit inclusive VAT			540,00	550,80	561,82
- sales amount (pieces, quantity))			12,00	12,00	12,00
- purchase/cost price per pieces incl. VAT			250,00	250,00	250,00
- purchase/cost price per pieces VAT 0%			201,61	201,61	201,61
- gross margin %			53,7 %	54,6 %	55,5 %
- gross margin €			2 806	2 911	3 018
Marketing Product 3	24,0 %	Net sale	4 839	4 935	5 034
- sales price/unit inclusive VAT			500,00	510,00	520,20
- sales amount (pieces, quantity))			12,00	12,00	12,00
- purchase/cost price per pieces incl. VAT			250,00	250,00	250,00
- purchase/cost price per pieces VAT 0%			201,61	201,61	201,61
- gross margin %			50,0 %	51,0 %	51,9 %
- gross margin €			2 419	2 516	2 615
33	INCOMES ACCORDING TO SALES ESTIMATE (GOOD OR SERVICE PRODUCED, GROSS MARGINS OF SOLD PRODUCTS)		8 758	9 090	9 429
34	- minus BUSINESS COSTS (rows 12 - 32)		-11 193	-11 057	-10 922
35	Business Costs in One Month (x 2 = min. WORKING CAPITAL)		933	921	910
36	ENTREPRENEUR'S EARNINGS (all costs paid excl. personal income tax)		-2 434	-1 967	-1 494
37	DEPRECIATIONS (25 % of machinery/equipment, 7 % of premises)		-5 001	-4 633	-4 295
38	ENTREPRENEUR'S TAXABLE INCOME				
39	NET SALES / TURNOVER		16 597	16 929	17 267
40	VAT (Euros)		3 983	4 063	4 144
41	TOTAL SALES		20 580	20 992	21 411
	BUSINESS WEEKS PER YEAR		47	52	52
	BUSINESS DAYS PER WEEK		5	5	5
	SALES PER DAY		88	81	82