

BUSINESS PLAN FOR AN ACCOMMODATION COMPANY IN HELSINKI

Case: The Terrys House

Abstract

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Title of publication Business Plan for an Accommodation Company in Helsinki Case: The Terrys House		
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<p>Abstract</p> <p>The author wrote this thesis to analyze a business idea –an apartment hotel in Helsinki, Finland. To reach this goal, a feasibility analysis is determined to figure out whether the accommodation that appears and serves as a standard apartment meets the targeted market needs.</p> <p>To begin with, the introduction where addresses why the research is conducted and how the thesis is framed and structured as well as the research methodology. For the aim of this research, the deductive approach was applied along with the usage of quantitative and qualitative research methods. In addition, both primary and secondary data were collected to achieve the ultimate objective of the research. Primary data was gathered by creating a survey among the consumed customers and interviews with experienced people working in the same industry. Secondary data were obtained from literature publications such as books, reports, articles, and electronic sources.</p> <p>The theories about a business plan, the Business Model Canvas, and the sharing economy are also discussed. Following, an empirical research to collect primary data regarding the business idea concept is reported. Finally, the feasibility analysis regarding the probational time is implemented to find out the answers for the study questions and thus successfully serve the goal of this research. It is worth to mention that the thesis acts as fundamental stage to create an official company of the apartment hotel in the target market.</p> <p>The main findings show that the proposed business idea is promising and potential. In other words, the apartment hotel has the feasibility to be developed in Helsinki.</p>		
<p>Keywords</p> <p>apartment, business plan, canvas, hotel, sharing economy</p>		

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1 INTRODUCTION

1.1 Background

This thesis commences with the first chapter being the introduction. In this chapter, readers will have a general picture of the hypothesis. Through the research background, thesis objectives, and limitations, the reader will get known to the topic and purpose of this study. Fundamental theories will be mentioned in the theoretical framework. Research approach and methods and data collection techniques will also be discussed in this chapter. At the end of this section, the thesis structure will be presented.

Traveling ambition is observed to be expanding as trends worldwide. Thus, tourism is relatively growing, mainly, in Finland, 1.5 million nights have been spent in Finland only in January 2019 (Tuominen & Nurmi 2019). Finland is also the most attractive travel destination listed within the top 10 travel destinations for business and leisure by Lonely Planet in 2017 (Lonely Planet 2016).

The author has had almost more than four years of experience in the hospitality industry in Finland since 2016. Having the motivation for the business idea five years ago, the author has held the ambition to run a business in the field that devotes her own time and effort in the Hotel industry. Wanting to gain the first-hand experience, pushing oneself to work on the area is the most effective way. Thus, in late 2018, the business commenced to be tested, which will be discussed more in Chapter 5. The probation started in October 2018; however, in this thesis, the probational analysis is counted for almost a year since March 2019 to the time this thesis is written from 2019 to February 2020. During that trial, the Airbnb platform is taken into checking the feasibility of the idea. The results seem to be promising and encouraging; hence, this is an excellent time to start to have more in-depth research on the topic for further understandings and any future development plan.

The idea of this thesis is the author building a business plan and preparing to establish an apartment hotel company. The main product and services of the company are apartment rooms and hospitality services, respectively. The fundamental idea of the business is to monthly rent the premises, and the premise is rented out daily after renovation and decoration.

The idea is based on the sharing economy, which will be discussed in detail in Chapter 2, and the current Helsinki hotel industry market. While hotels provide services with high prices, hostels offer a more affordable one but much less quality and spaces. Thus, the author wants to present to customers the solution of accommodation at an affordable price while the quality equals to a hotel room.

1.2 Thesis Objectives, Research Questions and Limitations

The thesis objectives are the indication of the researcher's perception and intention for the study. Research objectives help readers understand the operation of stages used to tackle the research questions. (Saunders et al. 2012, 43-60.) In general, the thesis is generated to help conduct the business plan for the business idea, hence, finalize the company establishment process. This study aims to examine the enterprise idea to decide if commencing an apartment hotel in Finland is fruitful and the potential to grow in the future.

Determining a well-defined research question is crucial when starting research. The research question provides the reader with a thorough understanding of the study topic and the addressed-to-be matter. The research question is the central question to be answered after the study is concluded. (Saunders et al. 2012, 42-43.)

The main research question this thesis is about to address is:

How is the feasibility of the business idea of running an apartment hotel in Helsinki?

As the main question is broad and comprehensive, to help readers to get down to the topic question easier, sub-questions should be provided. Those are the research question in more detail to make the main research question easier to answer. (Thiel 2007, 107.) The following sub-questions are composed to achieve the answer to the main question:

1. *What is the sharing economy?*
2. *What is a business plan? What is the Business Model Canvas?*
3. *Would the business be profitable?*

Scopes and limitations always appear regardless of any research topic. This thesis research is also not an exception. Geographically, the study is limited within the Helsinki region of Finland. Concerning the vast hospitality industry, the business idea is bounded in the sharing economy concept. Furthermore, the thesis would not discuss any legislation issues within the market. Lastly, concerning the case focus, this thesis only supports the case company planned by the author.

1.3 Theoretical Framework

The theoretical framework of the thesis is captured from the theory of business planning. This approach forms the first determination of the research topic.

This thesis is aimed to create a clear business plan for an established company. As a result, the theory of a business plan is presented, including most of the crucial aspects of a

business preparation being explained in detail. Examining within the Helsinki market, this theory helps readers understand the feasibility of the business idea in the researched geographical area.

1.4 Research Methodology and Data Collection

Research methodology and data collection presented in this chapter are used in this thesis. To conduct research, researchers can implement several approaches and methods. Among those, the author has given the decision which ones to be applied, a deductive approach, and a mixed-research method.

Regarding the research approach, there are two commonly used approaches: deductive reasoning and inductive reasoning. These two approaches are contrary to each other. The deductive approach starts with a theory, continues with data collection and ends with the logical conclusion only when all the premises are true. (Ketokivi & Mantere 2010, 33). Meanwhile, inductive reasoning starts with data collection to eventually create a theory (Saunders et al. 2012, 144). To suits the thesis topic the best, a deductive research approach is chosen.

Concerning research methodology, there are quantitative and qualitative methods can be used for the research design. Quantitative research methods' data is usually based on numbers and figures from different variables. These will then be measured and examined by statistical techniques. Questionnaires and surveys are generally conducted to gather data. To expend the conceptual framework by the qualitative method, on the other hand, researchers need to achieve an in-depth understanding of different issues from researched participants. Strategies like action research, case study research, ethnography or narrative research can all be used in qualitative research. Data can be collected via interviews and observations. (Saunders et al. 2012, 162-168.) To keep the topic objective and detailed from as many sides of the matter, both quantitative and qualitative methods are considered.

In this thesis, the primary data is gathered, and from "first-hand" experiences during the business testing period. A survey among past and current clients involved forming the result for the probational analysis. The purpose of the service is to analyze the satisfaction of the customers towards the business' products and services. Simultaneously, the result of the customers' choice journey is also figured. In addition, two interviews are conducted to gather the information from, first, a person who has previous experiences in implementing the same business idea, and second, from a customer's point of view. Besides, the secondary data is also collected from published literature, articles and relevant Internet-based sources.

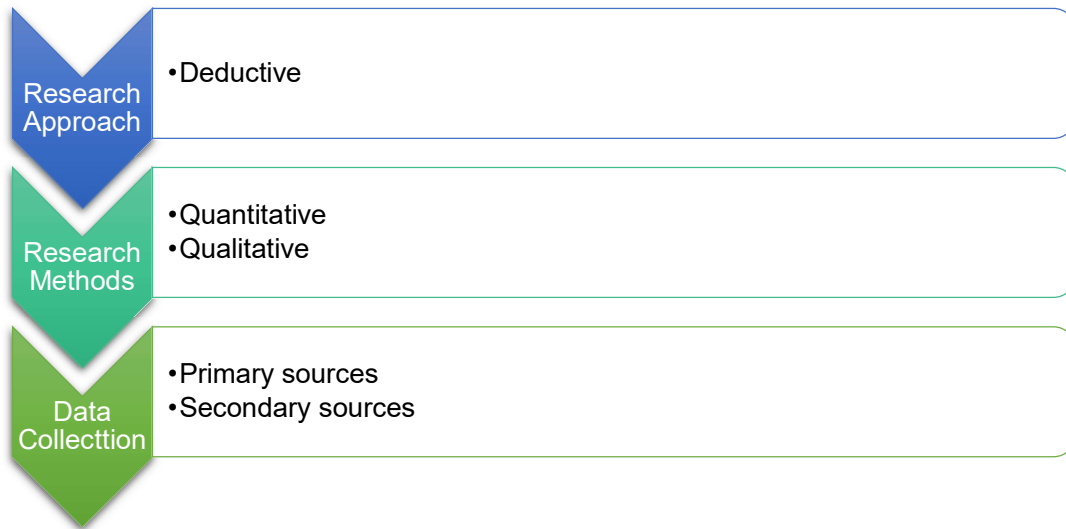


Figure 1 Research Methodology and Data Collection

In brief, shown in Figure 1, this research is about to conduct with a deductive approach and both quantitative and qualitative research methods being applied. Data is collected from both primary and secondary sources.

1.5 Thesis Structure

This thesis research includes six chapters in the below figure. Afterward, the brevity of each phase will be presented.

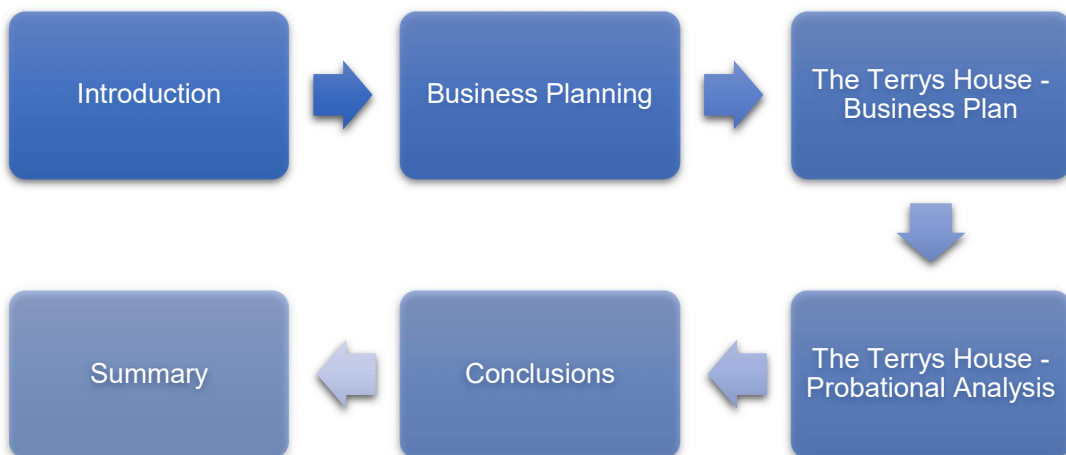


Figure 2 Thesis Structure

To start with, the first chapter of the thesis is Introduction, where the background of the hypothesis is mentioned where readers get known to the reason behind this research being

conducted. After that, readers will get familiar with the topic through the research objectives, questions, and limitations. The Introduction chapter also shows the critical theories in the thesis as well as the applied research approach and methods. At the end of the section, the overview of the thesis structure is also described in detail.

The thesis continues with the Business Planning chapter. This part will present readers with the concepts and definitions of business planning itself and the process of it. This chapter also includes the definition of sharing economy concept as well as the business opportunity and business concept. Taking the vast amount of theory in this chapter is the perception of the so-called Business Model Canvas.

The third chapter is produced directly to the case company, The Terrys House. In this chapter, the actual business plan will be generated, covering all the necessary parts of a real case to give the full picture of how the business will be run. This part is followed by the fourth chapter of the thesis, where the real-life tested situation of the idea is covered and analyzed.

The fifth chapter will answer the main questions and sub-questions of the research. This part leads to the conclusions and further to the future research suggestions and even evaluate the reliability and validity of this thesis. Finally, the sixth chapter will give a summary of all the above sections and finish this thesis research.

2 BUSINESS PLANNING

This chapter presents the reader with business planning. The aim is that the reader gets familiarized with the definition of a business plan and understands its importance in starting and maintaining a business. At the end of the chapter, the reader gets an overview theory of the business plan, which may include and cover business opportunity and concept, market research, business model, a marketing plan, operational plan, financial plan, and risk management.

2.1 Business plan and its magnitude

This subchapter will present readers with the definition of the business plan. Simultaneously, the significance of forming a business plan and its advantages will also be mentioned in the first part of this second chapter.

A business plan is considered as a tool to “assess the current and future states of an organization and its environment, delineate long-range and short-range objectives based on this assessment and develop appropriate action guidelines to achieve these objectives” (Schilit 1987, 13). A business plan is a vehicle, a roadmap, helping an organization to specify the most profound strategies and resources for the forecast of upcoming venture years. Besides, regarding potential investors, venture capital, bank or business angel, a proper business plan is the screening device to consider whether to invest in the organization. (Lange et al. 2007)

A well-prepared formal business plan will provide a vast amount of benefits. By providing a thorough picture of different aspects of the pursuit, a comprehensive plan allows an entrepreneur to settle fundamental and granular financial and human needs required to commence and manage the new venture (Timmons et al. 1985). Moreover, a detailed roadmap will equip the entrepreneur with a more systematic goal approach (Shrader et al. 1989) and assist in assuming the preparing resource accuracy (Armstrong 1982). It is also stated that businesses with elaborate plan preparation succeed more in effectively implementing strategies and tackling inherent risks (Mainprize & Hindle 2007).

Therefore, concerning this new venture case, The Terrys House needs to prepare its business plan to picture the vision of the growth in at least the upcoming three to five years. Moreover, by creating a formal business plan, the owner of the business will be prepared with estimated information and resources necessary to operate and maintain the company in the market. Finally, to consider when to seek for any loans or investors, a plan is highly recommended to be as detailed as it could be.

2.2 Sharing Economy

This sector presents to the reader a clearer idea about the sharing economy and its definitions. This phenomenon is the fundamental background on which this thesis's business idea is based.

2.2.1 Definition of sharing economy

The sharing economy is an economic model. It is defined as a peer-to-peer (P2P) based activities. These transactions include acquiring, providing or sharing access to goods or services whose process is often assisted by a community-based online platform that connects buyers and sellers. The sharing economy gives individuals the ability to rent, lend, or borrow assets owned by someone else. Thus, with the access of the internet, sharing economy connects the owners of assets and those seeking these assets. (Sundararajan 2016, 26)

In term of "sharing economy", when referring to communal consumerism, the utilization, and the production of goods and services are a combination of old communal habits and modern means of open communication made possible by digitalization. Thanks to online technology, we have now been able to share goods, resources, and expertise in ways that were not accessible before. (Lahti & Selosmaa 2013, 12-16.) Thus, the sharing of goods is certainly not a new phenomenon, not to mention, the application of the latest technology laid the grounds for the modern sharing economy to blossom. (Stephany 2015, 2.) Peer-to-peer economy, in other words, is to describe the sharing occurrence as the transactions between two individuals rather than on peers- to- business basis. At the core meaning, sharing economy is the rating platform where sellers can rank and feedback buyers and vice versa. This ranking possibility was another aftermath of digital technology. (Hill 2015, 39-40.)

Sundararajan defines the sharing economy as an economic system with five characteristics. Firstly, it is market-based, which means that sharing economy on its behalf establishes markets for exchanging goods and services. Secondly, due to high-impact capital, sharing economy opens new opportunities where assets can be turned into time and money, and this way, they can be used to their full capacity. Moreover, crowd-based networks allow the supply of capital and labor to come directly from a group of individuals as a substitute for third party corporates. Lastly, the sharing economy creates a blurring line between personal and professional and between fully employed and casual labor. Giving a ride to someone

used to be an individual deed while on this day, it can be purely an act of business. (Sundararajan 2016, p. 26-27.)

2.2.2 Sharing economy in tourism

It is worthwhile noting that the special tourism offer is often not an entirely new phenomenon. In the tourism sector, peer-to-peer activities have developed in five fields of activity in which accommodation is one of those. Airbnb is one of the services that generate an economic benefit beyond the recovery of costs and generally involve frequent or systematic transactions, which can be considered a commercial activity by private persons or entities. This occurrence happens when individuals provide access to under-utilized goods and resources, such as offering their home as an accommodation to visitors. (UNWTO 2017)

The supply of tourism products and services through digital platforms – often referred to as the sharing or collaborative economy – can be understood as sharing information, assets, and services in community-based peer-to-peer (P2P) networks. Several terms are used interchangeably with the “sharing economy.” They contain but are not limited to, the collaborative economy, collaborative consumption, peer-to-peer (P2P) economy, consumer-to-consumer (C2C) economy and participative economy. The underlying idea of transactions between suppliers and users are on an equal level, and the suppliers do not present as companies, but generally, a private person offers a product, service or information through an intermediary’s platform. This offer can be material assets such as a house, a room, or a car, as well as immaterial resources such as time and skills. (UNWTO 2017)

During the survey conducted by UNWTO in 2017, most respondents (85%) mentioned several accommodation platforms that are active in their destinations. When analyzing these platforms, it is essential to highlight the broad range of the tourism offer provided, depending on the platform used. In a single platform, the accommodation offered can take the form of supplying a single room or even a sofa, or the entire property, whether the owner’s first house (while they are away) or a secondary residence (a holiday home or even a boat). By contrast, other platforms only focus on offering a specific type of accommodation. Not all platforms are limited to the temporal provision of primary or secondary properties by private individuals but also provide features by commercial operators renting out on a permanent base.

2.3 Business Model Canvas

This subchapter will go deeper into the central part of the thesis, helping readers understand more clearly the meaning and purpose of a business model Canvas and its functions in building a business plan.

2.3.1 Definition of Business Model Canvas

This part will bring the reader to the more detailed information from the idea of the formula named “Canvas.” The response to the question: “What is Business Model Canvas?” is mentioned below.

Business Model is the method through which an enterprise earns a livelihood by obtaining and sustaining financially. It is a blueprint to visualize how a company operates from the creation stage to the construction stage then to the development (Osterwalder et al. 2012).

Canvas is strategic management. It is also a lean start-up template form in which a business model can be developed or documented. Canvas gives the structure of a business plan that helps complex companies simplify their business models. It is presented as a visual shorthand, which consists of nine blocks describing a firm's or product's value proposition, infrastructure, customers, and finances (Osterwalder & Pigneur 2010).

The Business Model Canvas is a specific tool that was developed by Alexander Osterwalder for either creating a business model or expanding an existing business model. It is represented as a nine-block- visual chart showing the connection between the values of the company and its customers. These elements are the key characteristics that a company is meant to focus on, including customer segments, value propositions, channels, customer relationships, activities, resources, partners, cost structure and revenue streams (Osterwalder & Pigneur 2010). This block chart is described in Figure 3 below.

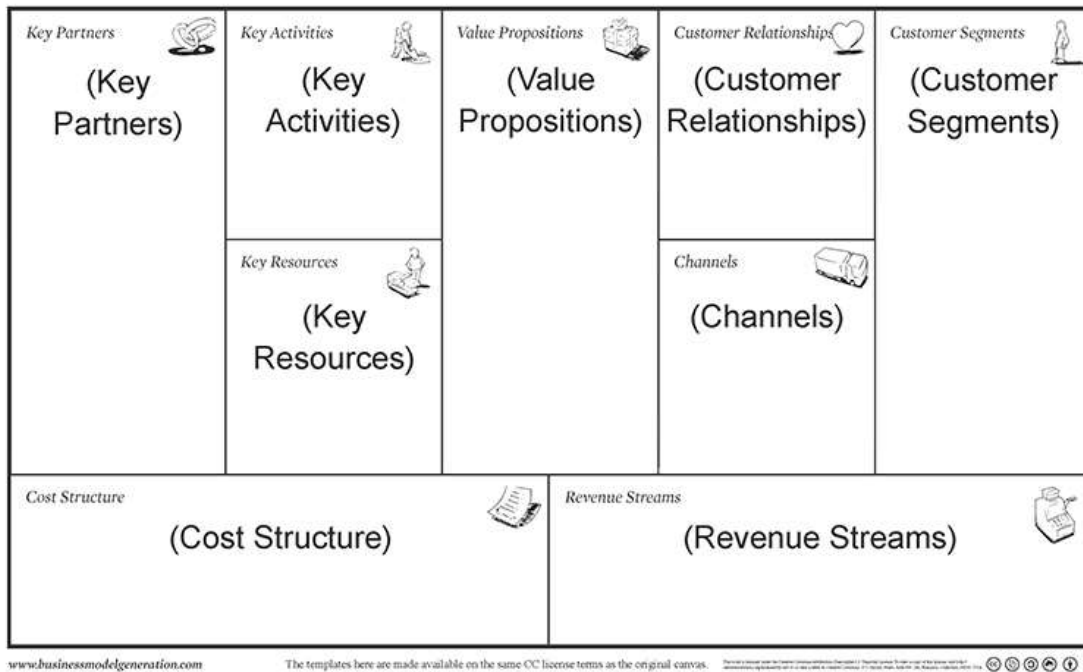


Figure 3 Business Model Canvas (Osterwalder & Pigneur 2010)

These nine elements will be focused more on details in these following parts of the sub-chapter. Separately, readers will understand more how this business model operates and functions.

2.3.2 Customer Segment

This key driver is to find out who the customers and consumers on which the company wants to focus. Customers are the reason why an organization exists (Osterwalder et al. 2012). This customer segment can be understood as a combination of segment dimensions and segment composition. After filling this part of the chart, a company will be able to have a list of Personas, individual customer types, to make decisions about which persona to prioritize.

Customer segment dimensions identify the potential profitability and attractiveness that the service or product of the company can bring to one or many groups of consumers. Segment Dimensions affect the decisions, the needs of customers within a segment-defining the value of the product, its distribution.

When the segment dimensions contain more than one that seems vast to focus, it is recommended to have a more in-depth consideration into each segment dimension to figure out the problems, the needs, habits of consumers to find the alternatives.

Customers are both direct consumers and other enterprises. When customers are direct consumers, the organization is known as a business-to-customer enterprise. When customers are other enterprises, the company is considered as a business-to-business firm. Different customers require different methods to approach (Osterwalder et al. 2012).

2.3.3 Value Propositions

Value propositions describe the benefits customers can expect from the products & services. To stand out from competitors, a business should come up with a better approach for creating values for customers.

These values may include, for instance, the convenience that saves time and avoid any troubles for consumers. Pricing is also of absolute importance. No customer wants to pay more for the same kind of product or service. The design of the product is a decisive point linked with the price that leads to a reasonable affordance. Furthermore, the brand and the status of the given products will shape them with a significant taste and quality (Osterwalder et al. 2012). And the most importance of value proposition may refer to the performance, customization and full function of the products or services (Osterwalder & Pigneur 2010).

Linked with the customer segment, value propositions are meant to answer the question why: “why people need to buy or use the product or service of the company”; “Why needs to buy from this company but not the others?” and “What makes the product or service more valuable than other alternatives?”.

2.3.4 Channels

Channels include entities that indicate how these propositions are promoted, sold, and delivered. They used to communicate from proposition to segments, as well as objects through which product to sell and later service customers. Having a list of crucial Channels, linked to Personas or Segments, a company can figure which channels are relevant for each promotion, sales, service, etc.

Channels can also be valuable resources. Channels are a customer touchpoint which the company can use to reach, communicate, and distribute goods to its customers. (Osterwalder & Pigneur 2010). Therefore, channels can be one of the most important aspects for companies that are entering into new markets, since without the first contact and the customer awareness about the company's services, there is no business at all.

During the creation of a business model, channels should be taken into consideration in two ways. Firstly, the phase of the company's channels needs to be determined. For companies

that are doing a market-entry channel are more related to searching for customer awareness. Established companies' selling channels should be considered by evaluating their current purchases and the convenience level of buying ability, delivery methods, and after-sales processes aligned with customer support. Secondly, the most efficient channels need to be identified. There are at least five typical channels: in-person or telephone, on-site (online) or in-store (offline), physical delivery, internet via social media, blogs or email, and lastly, traditional media like newspaper, television or radio, etc. (Osterwalder et al. 2012).

2.3.5 Customer Relationships

"The Customer Relationships called for by a company's business model deeply influence the overall customer experience." (Osterwalder & Pigneur 2010). As it is named "Customer Relationship," this element describes how the customers are interacted with through their sales and product lifecycle. This stage will present the method of how the relationship between the company and its consumers is built whether through phone number, on a website, or via separate platforms. Customer relationships may change over time (Osterwalder et al. 2012). The more matured the market is, the closer and more intense the attention to relationship should be paid. The more important thing is through this relationship-building method, the Value Proposition should be delivered to the Customer alongside from promotion, to sale, to post-sale service channels.

Relation can be built through personal assistance, directly to each individual client. This is considered as the deepest and most intimate type that requires long time building. Besides, self-service or automated services will bring the relationship once customers need. Also, creating and maintaining communities can be an interesting method to hold relationship with client. Lastly, co-creation is an effective way to keep the relation at the same time developing products where client is allowed to raise their voices and those are listened. (Osterwalder & Pigneur 2010)

2.3.6 Key Activities

"Every business model calls for a number of Key Activities." (Osterwalder & Pigneur 2010). Key activities are about to tackle: "What uniquely strategic things does the business do to deliver its proposition?" These are the critical things the business needs to do to deliver on its propositions and do the rest of the business work. A list of essential activities needs to be linked to the business' value propositions to provide products and services in the right direction. For a product-or-service-driven business, this probably includes ongoing learning about users and new techniques to build better products and services.

Key activities include production, problem-solving, and network. The production category relates to making, designing, and delivering products and services in quality and quantity. Regardless of industrial areas, every business needs to have this first stage to have the product formed. Tackling challenges refers to forming new solutions to address the problems. Creating a network or platform would require continuous promotion, development, maintenance, and management. (Osterwalder & Pigneur 2010)

2.3.7 Key Resources

Vital resources are the unique strategic assets the business must have to sustain, support the company, and to compete. These resources are importantly needed to create value for consumers. These can be categorized into four leading groups: physical, human, intellectual, and financial: (Osterwalder & Pigneur 2010)

1. Physical resources are raw material, buildings, vehicles, transportation, storage facility, machines, and factory, etc. These resources may have strong links with logistics and infrastructure.
2. Human resources are staff, talented employees, or experts. These resources are more critical in companies in the knowledge-intensive and creative sectors.
3. Intellectual resources are the brand, patents, copyrights, partnerships, and customer databases. These are difficult to develop but vital elements for a strong business model to create substantial value.
4. Financial resources are cash, credit, loan, etc. that function as blood of an organization's body.

2.3.8 Key Partnerships

Partners are suppliers who can do what the company cannot do in the production process. By identifying key partners, the company can focus on its critical activities without being distracted. To consider who will become the partners, the company needs to analyze their strategies, necessary resources, and necessary actions as well to find the alignment to cooperate.

The purposes of creating partnerships are to optimize both partners by reducing costs like outsourcing or sharing infrastructure or to reduce risks in a competitive environment or even to acquire resources such as knowledge, licenses or client access. There are four different types of partnerships: (Osterwalder & Pigneur 2010)

1. "Strategic alliances" when company allies in strategy with non-competitors
2. "Coopetition" is partnering with competitors in strategy to form a kind of alliance
3. "Joint ventures" where enterprises cooperate to develop new businesses
4. "Buyer-supplier relationships" would ensure a reliable and stable supplies.

2.3.9 Cost Structure and Revenue Streams

Cost structure helps the company to see the business model's major cost drivers and how they are linked to revenue. These expenses may include fixed cost regardless of the volume of the produced and variable costs varying accordingly to the quantity of the goods to operate critical activities, build customer and partner relationships, and obtain significant resources. There are two types of a business model in this are: Cost- driven structure that aims to minimize and maintain the leanest cost structure while value-driven counterpart focuses on the creation of value with quality of products or services. (Osterwalder & Pigneur 2010)

Revenue streams are strategies a business uses to generate cash from customer segments. Revenue streams picture how the company can earn revenue from its value propositions. In other words, understanding the revenue stream helps the business have a more precise decision in the pricing process, which is the result of defining the value of the product or service. A business plan can have two streams: traditional revenue as for one-time payment or recurring revenue as for ongoing payments. Several ways to generate income streams including asset sales from ownership rights to physical goods, usage fee for a particular service, subscription fee resulted from continuous sales based on monthly or yearly subscription, lending or leasing, licensing by giving permission to use protected property, brokerage fee deriving from being the intermediation between parties, and advertising in both traditional and modern ways. (Osterwalder & Pigneur 2010)

3 THE TERRYS HOUSE- BUSINESS PLAN

This chapter will describe in detailed how the Business Model Canvas has been applied for the project idea. This leads to the result of the idea's business plan. The brief summary is filled in the figure below.

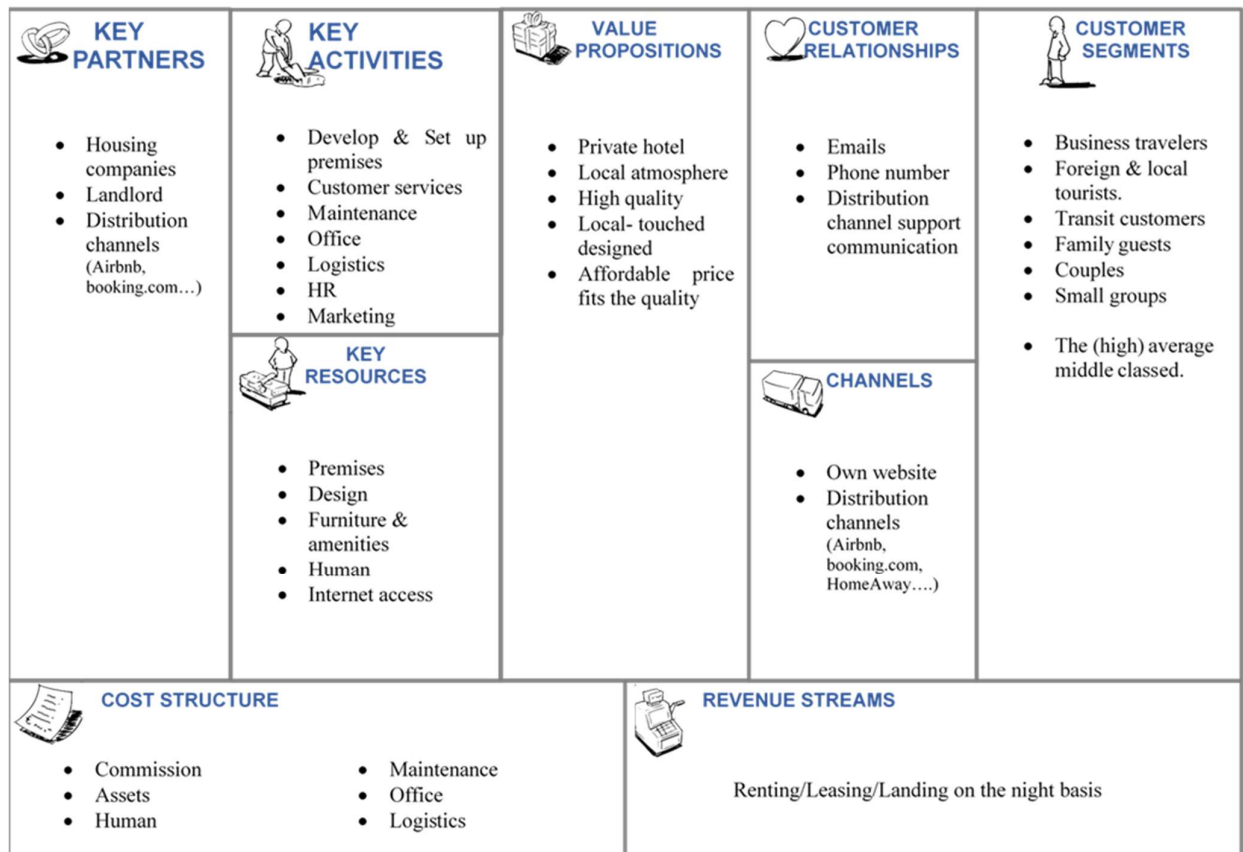


Figure 4 Business Model Canvas (Osterwalder & Pigneur 2010)

In general, the business plan is created based in nine elements of the formula of the Business Model Canvas. These aspects include customer segments, value propositions, channels, customer relationships, revenue streams, key activities, key resources, key partners and costs structure. The details of each element are described in each following sub-chapter.

3.1 Customer Segments

Concerning the customer segments, according to the business idea, target customers are business travelers, foreign & local tourists, transit customers, nuclear family, couples and small groups of three to four people. Regarding the price of the product, the middle or high-middle class is recommended key customers as well as business people like entrepreneurs

or managers who are willing to pay for the quality of the service but at the same time enjoy the local taste of their stays.

3.2 Value Propositions

The compelling about the proposition and the reason for customers to choose the service base on the characteristics of the product. In the form of a private hotel with a local atmosphere and local designed taste, the product goes at high quality. Though it is less than actual professional hotels in the town, higher than hostel quality and facilitated with all needed amenities. The product is affordably priced that fits the quality and all other attached services.

3.3 Channels

The main channel being used by this moment is the Airbnb platform. By using this platform, a commission is counted for 3-5% per booking revenue (Airbnb 2018). In the future, an actual website is expected. Thus, Airbnb will function as an Online Travel Agent (OTA), as well as other OTAs, which will considerably be taken in use like Booking.com, HomeAway.

3.4 Customer Relationships

Maintaining customer relationship is carried based on emails, phone numbers and with the support of the distribution channels, including own website that is about to be created and developed in the future, Airbnb, TripAdvisor, Booking.com, HomeAway, etc. Besides, official meeting and greeting are also counted to maintain a profound customer relationship.

Customer relationship is also built based on the reputation and reviews from previous guests. The higher reviews and rankings are, the more trustworthy customers will be in response.

3.5 Revenue Streams

When it comes to financial matters, this can be considered as the blood of the whole business. In regards to this business, the revenue stream is based on leasing on a nightly basis; in other words, rent by night. This stream brings the profit out of expenses, with the monthly rent being the highest cost that accounts for more than almost half of the revenue.

3.6 Key Activities

Key activities of the business start with setting up premises and developing them. Customer services and maintenance tasks are required before, during, and after guests' stay. Office

and logistics tasks carried though, to a less extent, they are necessary for the back-office work. Human resource tasks are less but still counted as up to now, two other people have been hired to take care of cleaning and maintaining the premises. Marketing tasks are carried occasionally, mainly before the premises being ready, then it will be revised and updated quarterly or once every six months.

3.7 Key Resources

To run the business smoothly, essential resources are vital to have. Having the premises is the first and foremost physic resource, allowing all the activities to be taken place. Designs, furniture, and amenities are the primary resources leading the product into the competing market. Human resource is fundamental to make everything happens, counting the idea from the first beginning to the end of the step of the whole process. Lastly, in this digital world, access to the internet and global knowledge is needed for any growth to be developed.

3.8 Key Partnerships

Key partners include landlord, who owns the apartment, housing companies, who maintain and manage the building area on an actual daily basis. Other essential partners are distribution channels (OTA), including Airbnb, TripAdvisor, Booking.com, HomeAway, ... The last party that can be counted is a renovation or repairing partner. However, they are only needed on-call; thus, they are not the key partners but required to be considered.

3.9 Cost Structure

Regarding cost structure, the most expense falls on the premise rent monthly. Followed by asset expense, which also can be considered as the initial investment into the premises. The commission fee is also counted per booking, about 3-5%. Wages for the employee is also a considerable expense calculated for an average of 10 euros per working hour. Maintenance, office, and logistics though not take much but occasionally are spent to keep the premises in good condition.

4 THE TERRY'S HOUSE- PROBATIONAL ANALYSIS

This chapter will analyze the process from the beginning- generating the business idea to the testing period, from August 2018 till December 2019. This has accounted for 17 months of the probational period. The reason why this period of time is chosen to be analyzed is that the planning stage started naturally based on the author's intention from August 2018. The actual operating stage started two months later in October 2018. And the business was on the track of the stable operation stage started from the beginning of 2019 and lasted for one year. Due to the fact of the global situation, from the beginning of the year 2020, the so-called Covid-19 viral global pandemic has unexpectedly occurred that led to the disturbance of the business without any preparation. Thus, to reflect the actual feasibility of the business idea, the full year 2019 is chosen to be analyzed as the normal operating year, and the ending months of 2018 are marked as the preparation stage. The more detailed analysis of this trial time is described in the following sub-chapters.

4.1 Idea Generation

Every business commences with the idea. Hence, this business of the author is not an exception. This sector is written to present the planning process of the idea probation. The process includes which stages and the preparations need to be taken into consideration.

Before commencing with the project idea, a short interview was conducted in November 2017 between the author and one of her friends who has the same business idea and has been successfully operating the business for almost two years, counting to the time of interview. The list of questions is mentioned in Appendix 1. According to the interviewee, there have been more than 1000 of Airbnb properties been run within the Helsinki area. This information has been once again officially confirmed by Yle, a Finnish national newspaper, that there are 2300 units, reported in March 2018 (Yle 2018).

Furthermore, according to the friend, the best time to start the business is around April to June, which in Finland is the beginning of summer, the start of the tourism season. In other words, the most crowded season for tourism in Helsinki is summertime. This piece of information is helpful for consideration when starting the business idea. Additionally, based on this friend's experience, financially, capital needed to prepare one apartment room accounts for about 5000 EUR, including the rent, furniture, and decoration purchases. Thus, a suggestion for a 6000 EUR capital for one-unit need is mentioned when considering the business budgeting.

As a saying is said, "Location! Location! Location!" location is highly crucial when talking about where to have and rent the apartment room for running the business. The interviewee has emphasized the importance of location and said, "The more central the apartment is, the more likely it is booked." This is totally understandable, especially for a city that all the attractions are in the middle of the center like Helsinki. As for tourists, who first time come to Helsinki, the moment they look at the map, the word so-called "central" is referred to as the Helsinki Central Railway Station. Hence, he has recommended finding the location that most close to this key geographic point.

Therefore, the idea commences with searching and finding the right premises. As for the local characteristics of the business, considering the surrounding neighbor is crucial. This brings both advantages and disadvantages to the searching and maintaining process. Renovation and setting up the premises are the next stages of the process. These stages require an eye to detail and the taste of interior decoration. Preparation for marketing is the following important step. In the vast number of competitors, the premises must stand out in terms of images, description content, and pricing, which is the most decisive point for clients.

Coming to the next stage, customer service skills are required to cope with all requests from guests, working as a receptionist is needed in the beginning to touch with customers. After receiving guests, working as a concierge is necessary to support guests during their stay, and cleaning and daily maintenance cannot be neglected after their stay. Monthly working in finance and analysis is a must to analyze how profitable the business is and searching for growth possibilities.

4.2 Preparation Stage

After the idea generation, initial preparations are considered as the foundation of the business. This section continues with the stage of preparing in the year 2018. This part of the thesis aims to show the progress of the project from the beginning to the most current situation in terms of planning and business frame.

From the beginning, the first intention is to test if the idea is workable. Thus, only one hotel room is focused on. Few months in advance have been spent searching for the right premise regarding size, structure, location, and price.

Finally, one premise is found but will be first operated in the next two months. So, the searching is carried on within multiple channels, two weeks after, the second premise is found, and the premise is kept and started as the second hotel room.

The first hotel room is established after six weeks spent on renovation, design, and decoration. In the following three weeks, most of the time and energy was spent on maintaining and upgrading the first hotel room, simultaneously preparing to establish the second room. Thus, after three months, the intention of having only one hotel room to test has turned into running two private hotel rooms.

A month later, thanks to the network being introduced to another person who would love to lease the premise, the third premise was operated three months after the second one. By the time this thesis is written, the fourth one has been established and started operating in late August 2019.

After the testing period and research market, the current business appears very promising to maintain and grow more. Hence, to legalize the business and to have proper protection, forming a company business as Private Trader, in Finnish, so-called "toiminimi" or "t:mi" is needed.

According to the Finnish Patent and Registration Office (PRH), the private trader is a person residing in the European Economic Area can operate as a private trader in business in Finland. In colloquial Finnish, private traders are often referred to as 'toiminimi', 't:mi' or 'yksityisliike'. In Finnish legislation, however, 'toiminimi' means the company name. (www.prh.fi).

4.3 Business Idea Testing

This subchapter analyses numbers around the project concerning business analysis. These analyses include revenue and expenses financially and customer satisfaction in terms of feedback. These figures are gathered all along the testing period. The numbers and figures mentioned in this sub-chapter are collected both manually by the author herself by recording data over time and via the report, which is private usage in the author's account from the platform Airbnb that the author has used during the time.

4.3.1 Revenue

At first, the revenue should be the first considerable section. From the beginning of the business until the end of the year 2019, more than 200 reviews for the business have been received. 4.9 out of 5 is rated. Through the whole year 2019, the total earning has accounted for more than EUR 65500 compared to the first four months operating in 2018 with the total earnings being more than EUR 9000. This 65500 number is divided into 12 months of the year shown in the figure below.

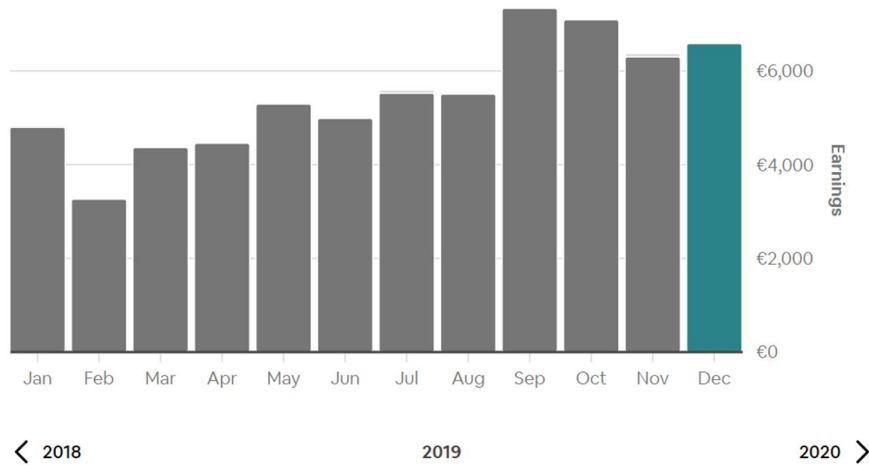


Figure 5 Total Revenue Monthly 2019

This chart has been created from the earning report on the controlling portal on the Airbnb website from the author's controlling account. According to the report, the total earning of the year, to the exact number, is EUR 65510.85. The lowest revenue occurred in February, with the total being EUR 3262.56. This amount is understandable due to the fact that February in Finland is the coldest time in winter, alongside there are not many events or conferences happening in February. The significant figure as a surplus happened in September with total revenue being EUR 7335.76, which is followed by the second highest in October being EUR 7091.98. The annual revenue in 2019 has brought the average revenue per month to go with approximately 5500 figures.

4.3.2 Expenses

This section will discuss the costs that have been expensed during the year 2019. Thus, all the investments or initial fee made in the year 2018 is not analyzed based on the purpose of analyzing how well the business is operated in a normal situation. Expenses generated from the operation are mainly the leasing fees, which are the highest fixed cost, utility costs including internet, electricity, water, and insurance, along with other development and maintenance costs.

While the exact total cost of each apartment unit is listed in Appendix 2, the costs for each of the four evaluated apartments have been transferred into the percentage of the total costs in the figure below.

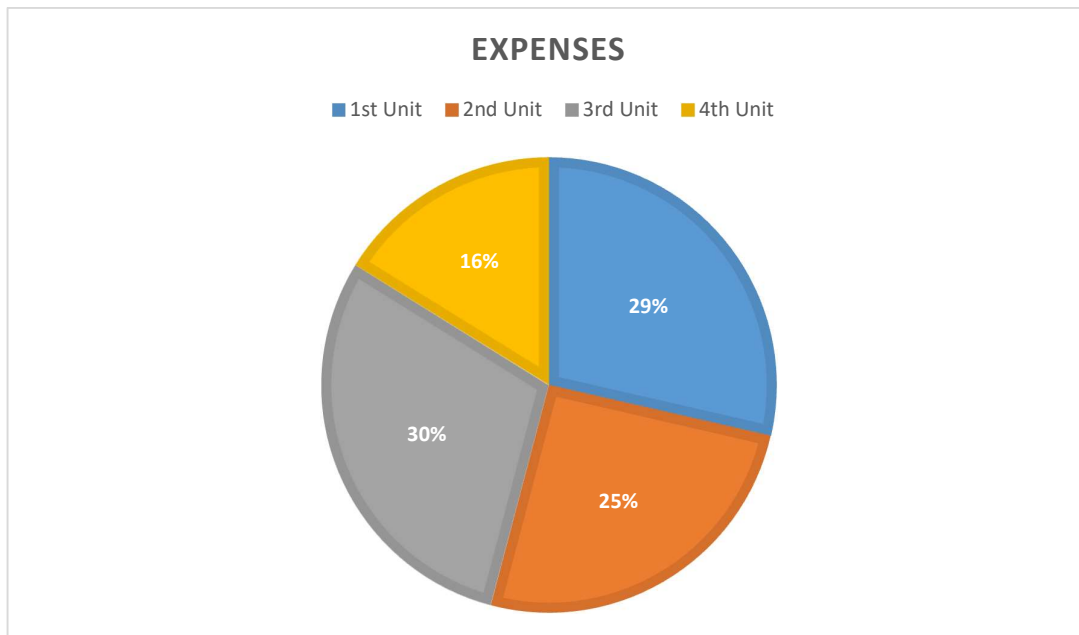


Figure 6 Annual Expenses 2019

The total costs of all the operations in the year 2019 accounted for more than EUR 53000. According to the above figure, it is easy to see that the costs of each unit are quite equally divided with a slight rational difference. The third unit attributed to the more percentage because the fixed cost of it, which is the leasing fee, is the highest one of the four. On the other hand, the fourth unit referred to the least cost is based on the fact that it is the last unit to be invested and only be operated for the last four months of the year.

In a nutshell of the financial part, the gross profit generated from the business during the probational period, the year 2019, is more than EUR 12000. Thus, even after calculating the tax, the business appears to be profitable.

4.3.3 Consumer Feedback

Concerning customer satisfaction, a survey in the form of feedback has been done for each time the customers finish their experience. The survey is voluntary, and the answer is anonymous. The survey contains ten questions in the form of both star-rating and open question. The list of feedback survey is mentioned in Appendix 3. This feedbacks, unfortunately, are accumulated from the starting year 2018 until the year 2019. However, as the year 2018, the business was operated only for three to four months that makes no huge error to the analyzed result. The numbers created automatically through the Airbnb platform are presented in the figure below.

4.9 ★ Overall rating
202 Total reviews
89% 5 star reviews

Ratings (202)



Figure 7 General Response

Throughout the period of time with more than 200 customers, the survey has received in total of 202 answers voluntarily. Out of that number, 89% of the feedback has graded the service 5-star that was based on consumers' own point of view from their overall experience. This has led to the total grade of the author's profile being 4.9 out of 5. Rationally, with high grade, the units will be more recommended for new guests when they search for accommodation need on the website.

Moreover, the platform Airbnb also generates other feedbacks from customers where the author does not know for certain which and how many questions are listed. The figure below indicated those feedbacks for customers to the service and product of the business.

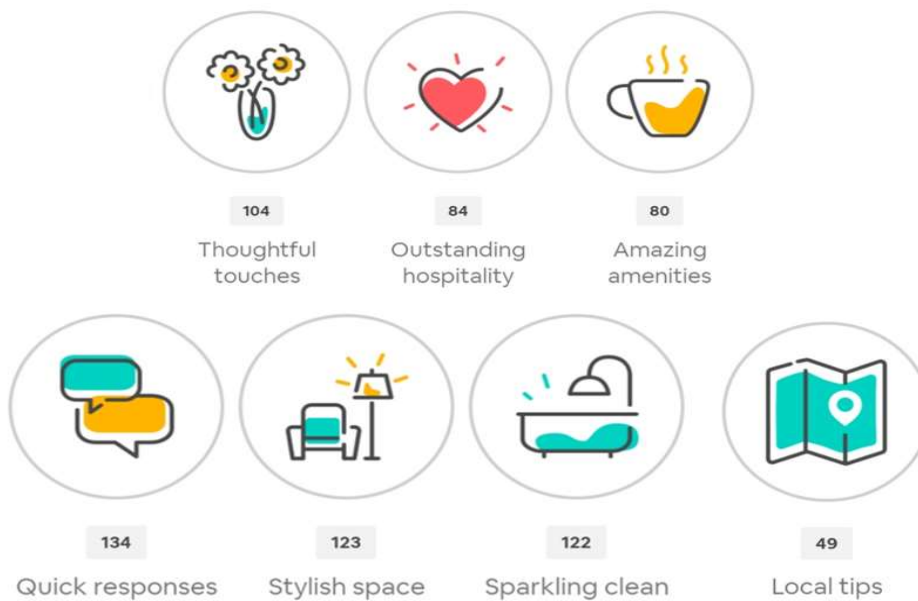


Figure 8 Other Feedback

Figure 8 shows the other feedback that the customers had to their experience. Out of those 202 responses, 134 answers indicate “quick response,” 123 answers indicate “Stylish space,” and 122 was the number of “Sparkling clean” rating. These are the top three feedbacks from customers’ viewpoints.

During the probational time, a short interview on 16th March has been conducted with one of the guests coming from Switzerland to gather information about hospitality services and how she feels when coming to one of the tested units. The interview has last for 30 minutes at one of the coffee shops at Kamppi shopping center. The atmosphere wanted for this interview is a cozy and friendly environment. The interviewee, being a manager at one hotel in Switzerland, has shared her 5-year experience in the hospitality field and given a certain amount of feedback on the targeted apartment.

The interview questions are listed in Appendix 4. According to the interviewee’s answer, the apartment is small-sized; however, it is sparkingly clean and has provided almost all the needed facilities to the customers from bed sheets, towels to the hairdryer, iron, and even cooking oil or pepper. She stayed for two nights and three days, which is the average length of stay per guest. Overall, the hospitality service provided to the guest is more than her expected with so many helpful instructions and a welcoming manner.

5 CONCLUSIONS AND FURTHER RESEARCH SUGGESTIONS

This chapter compiles all the information gained during the empirical research and the practical analysis of this thesis. This chapter presents the answers to the main research question and the sub-questions in the first subchapter. The reliability and validity of this study are also focused on the second subchapter. This chapter is finalized with a suggestion for further research and development for this thesis study.

5.1 Answers to Research Questions

The research in this thesis was conducted to discover the information about the feasibility of the apartment hotel business idea operating in Helsinki. Sub-questions act as a supporting role to address the main question. Thus, they are answered first.

Sub-questions:

1. *What is the sharing economy?*

The sharing economy is one of the economic models that allow share goods, resources, and expertise between peers and peers/businesses or between customers and customers. It is based on the market's needs. It brings to the full capacity of the assets used in sharing economy. The sharing economy allows direct capital and direct labor to the service or the product. It also creates the blurring line between personal and professional or between fully employed and casual labor. Airbnb is an example of sharing economy in the tourism industry where the products and services are provided on digital platforms.

2. *What is a business plan? What is the Business Model Canvas?*

A business plan is a tool, a map to specify the most thorough strategies and resources for the forecast of upcoming years of a business, a company, or an organization. A business plan is generated based on the current situation of business to develop an appropriate action guideline to achieve the target goals of the company. A profound business plan prepares the business with estimated information and resources necessary to operate and maintain the company in the current market.

The Business Model Canvas is a specific tool to create a new business plan or to expand an existing business, developed by Alexander Osterwalder. It is a strategic template to simplify the complex business model. Business Model Canvas contains nine key elements being customer segments, value propositions, channels, customer relationships, activities, resources, partners, cost structure, and revenue streams.

3. *Would the business be profitable?*

According to the bookkeeping made manually by the author and the report system made by the digital platform, Airbnb, the profitability of the business idea is positive. Total revenue for 12 months is over EUR 65500. The total expenses are over EUR 53300. This has led to the gross profit being more than EUR 12000 annually.

Main research question:

How is the feasibility of the business idea of running an apartment hotel in Helsinki?

The business idea is feasible. There is a market need for planned products and services. It is feasible to maintain the business after the probational time, the year 2019. Concerning nine elements in the business model canvas planning of this business idea, there are no obstacles for the business, and everything sounds potential.

5.2 Reliability and Validity

This section presents the reliability and validity of this thesis research. Reliability is the consistently rational findings generated through data collection methods and analysis process. These conducted by another researcher or on another occasion. To measure the accuracy of the findings, validity is taken in use. Validity is described by construct validity, external validity, and internal validity. Construct validity relates to research that is designed to ensure the measurement of what is needed to measure. External validity contemplates the ability to conclude the findings. Internal validity is defined by the relationship between data and conclusion. (Saunders et al. 2012)

The primary purpose of the research is to figure out answers to all research questions. The objectives of this research were seized as all the research questions, including the supportive sub-questions, and the main question were tackled. The source of information used for this thesis was collected both from primary and secondary sources. Primary data was collected during the empirical research phase with the help of interviews, surveys, data recording throughout the time. There were two interviews that have been conducted. Both of the interviews were done via a face-to-face meeting, one is in Vietnamese and the other is in English. The survey was distributed among customers who have consumed and experienced the product and service. The number of respondents was 202 counted to the time the research is written, which is enough to draw a persuasive conclusion about the quality of the product and customer satisfaction. Financial recording made manually by the author and the supporting platform has brought the correctness of the financial figures. From the outcomes of the empirical research, the findings certainly address the main research question of this study. Secondary sources were gathered from literature in both written and electronic forms, such as official books, articles, national and international news, and reports

which discussed the topics related to the examined questions. Therefore, the study is inspected to be valid. To conclude, the reliability and validity of the research are maintained thoroughly.

5.3 Suggestions for Further Research

The thesis' purpose was to find out how feasible the business idea of operating an apartment hotel in Helsinki is. Further research may be expanded to the later phases of legal issue on how to open an official company in Finland. Furthermore, the deeper examine in other aspects of a business including organizing management and further investment & development.

Moreover, this research only focused on the period of year 2019, which is before the exposure of the global corona virus, Covid-19, pandemic . In order to help the Terrys House to maintain and survive in such huge leap, a further research on risk management is suggested. A deeper and broader research can provide more appealing and proper information for the case company.

6 SUMMARY

This thesis' purpose is to analyze the feasibility of the business idea of an apartment hotel in Helsinki. The findings are informative and useful for the case company because this is the fundamental stage to decide the Terrys House company should be created. There are several attributes in the success of a business. This thesis discussed the primary consideration and planning stage of the whole process.

This thesis was written based on deductive reasoning. In the beginning, the author explained the essentials of this thesis objectives, theoretical framework, research methodology and thesis structure. After that, business plan, sharing economy, and the Business Model Canvas were discussed.

Chapter three introduced business plan model in tractive applied on the case company. Nine key elements of it were analysed in this chapter. Empirical research and its analysis were discussed in chapter four. In order to collect data for the research, interviews via meeting as well as an online survey and reports were conducted. The obtained information gave a deeper understanding of how feasible the business idea is in terms of financially and the quality of its product.

The final part of the thesis, chapter five was written to answer all the sub-questions that came up in the introduction, supporting to response to the main research question. In this chapter, the author also discussed the reliability and validity of the study as well as how research can be further expanded. This thesis attains all the objectives that were established and is viewed to be thoroughly valid and reliable.

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APPENDICES

APPENDIX 1

Interview Questions List

1. To your knowing, how big the market of Airbnb in Helsinki?
2. How are the high and low seasons divided during the year?
3. When it comes to finance, how much you need to prepare to invest in one unit?
4. Among the huge are of Helsinki, where is the ideal location for this business?

APPENDIX 2

Annual Expenses 2019

	Annual expenses	
1st Unit	€	15,261.85
2nd Unit	€	13,627.95
3rd Unit	€	15,873.72
4th Unit	€	8,631.57
Total	€	53,395.09

APPENDIX 3

Question feedback survey to customers

1. Overall experience.

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

2. Share your story.

This is an open question. Customers will write their experience when using the service and product. The answers are shown publicly on the author's profile.

3. Feedback to host.

This is an open and optional question. In this section, customers are able to leave private feedback to the author. This private message is meant for any opinion the reviewers do not want to public.

4. Accuracy: *How accurately did the photos and description represent the actual space?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

5. Cleanliness: *Did the cleanliness match your expectations of the space?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

6. Check-in: *How smooth was the check-in process, within control of the host?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

7. Communication: *How responsive and accessible was the host before and during your stay?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

8. Location: *How appealing is the neighborhood (safety, convenience, desirability)?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

9. Value: *How would you rate the value of the listing?*

This is a star-rating question out of 5. The average rating from all reviewers is shown on the profile of the author's controlling account that is shown publicly.

10. *Would you recommend staying here?*

This is a yes/no answer. The answer anonymous and it will not be linked to the reviewer.

Appendix 4

Interview's questions

1. What is your occupation and working experience?
2. To your experience, what is the average nights occupied in the accommodation industry?
3. How do you feel about the apartment in general?
4. Is the stay that the unit the same as you expected?