



**BUSINESS PLAN FOR ESTABLISHING A FINNISH RESTAURANT  
IN LU'AN, CHINA**

**Thesis**

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Abstract

After Varkaus and Lu'an city became twin cities in 2004, there has been a series of co-operations in the field of education, industry, and culture fields. However, there are still many areas in which the two cities could continue to develop the relationship. Therefore, this thesis provides an alternative idea to enhance the two cities' relationship.

The main objective of the study is to make a business plan for investors who are interested in establishing a Finnish restaurant in Lu'an city. The theoretical framework of the study consists of seven steps to make business plan. In the study both qualitative and the quantities research methods have been used. In the qualitative research, an interview was conducted with a restaurant manager from Lu'an City; In the quantitative part, a questionnaire survey was carried out with the aim to find out customers' consuming behavior and expectations on the future Finnish restaurant.

The results of the study show that a business idea of establishing a Finnish restaurant in Lu'an city is accessible. Some attentions should be paid on the customer relationship management of the restaurant.

Keywords

Business Plan, Finnish food, Establishing a restaurant

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## **1 INTRODUCTION**

The title of the thesis is *Business plan for establishing a Finnish restaurant in Lu'an city*. After Varkaus and Lu'an city became twin cities in 2004, there has been a series of co-operations in the field of education, industry, and culture. However, there are still many areas in which the two cities to continue to develop the relationship. Therefore, this thesis provides an alternative idea to enhance the two cities' relationship, and in this way further improve the relationship of the Finland and China as well.

### **Structure the study**

The second chapter gives background information to the whole thesis. It contains a general view on the Finnish food culture and on the Lu'an city. In addition, more examples will be mentioned about the activities between cities and the business situation in the target market.

The third chapter is a theoretical section; the framework of the business plan consists of seven steps. Detailed information will be given in each step. The fourth chapter describes a research process on the target market. Two research methods were applied to this research. Based on the results, an implementation plan will be given on the fifth chapter. There is a conclusion in the final chapter of the thesis.

### **Purpose of the study**

The main objective of the study is to make a business plan for investors who are interested in establishing a Finnish restaurant in Lu'an city. Now, there are some Finnish companies who have already established factories in Lu'an city. Therefore,

there could be more possibilities for the two twin cities to enlarge the cooperation field. As Lu'an government wants to attract more investors to Lu'an city, the trend of economic development could have more diversity in the future. The government welcomes different investment projects in Lu'an city. As catering industry in Lu'an city is prosperous, a Finnish restaurant could enrich the citizens' lifestyle. This would also provide a window for people to get to know Finland and the Finnish culture.

### **Research problems**

The research was divided into two parts which were conducted separately. In the qualitative research, the interview method was used. For the quantitative research 400 questionnaires were distributed. The main research problem was whether there are enough potential customers who are interested in Finnish restaurant and in its cuisine. One of the research problems when conducting the research was that there was a lack of experts who are familiar with the possible investment in a foreign restaurant in Lu'an. In addition, there was only some literature and data available related to Lu'an catering industry.

## **2 BACKGROUND INFORMATION ON ESTABLISHING A FINNISH RESTAURANT**

This chapter gives an overview of the background information about Finnish food culture and introduction of Lu'an city. It provides the main characteristics of Finnish food; the business environment of Lu'an city and the corporations between the twin cities Varkaus and Lu'an city.

### **2.1. Characteristics of Finnish food**

There are many differences between Finnish and Chinese food and cuisine. Finnish food often uses whole meal products and berries. Milk and its derivatives like buttermilk are commonly used as food, drink or in various recipes. Fish, meat and potatoes play a prominent role in traditional Finnish dishes. The genuine taste of Finnish food derives from the pure lakes, farmland and forests. With unique foodstuffs and services Finnish food promotes people's health, wellbeing and vitality. The quality of food is guaranteed by scientific know-how and high-quality production techniques. Generally, there are three main characteristics of Finnish food: (Food from Finland, 2008)

#### **1) Delicious taste of Finnish food**

The taste of Finnish food is simple and fresh and Finnish food gets its flavors from the pure environment. The Finnish soil, waters and air are the cleanest in Europe; Northern climate allows farmers to use far less chemical pesticides than do their counterparts in other countries (Food from Finland, 2008).



## 2) Vitality of Finnish food

Finland is a pioneering developer of health-enhancing foodstuffs. Companies produce food that tastes good and makes people feel good. There is a wide selection of products that support wellness. Unique in Finland is the fruitful possibility to connect food and nutrition data to precise health data that is also regularly collected from the population. Furthermore, there is cumulative expertise in Finland to carry out small and large-scale nutrition intervention trials (Food from Finland, 2008).

## 3) Integrity of production.

When selecting a Finnish product, there is no need for a consumer to worry about what to buy and eat. Chemical and microbiological risk factors have been mineralized from Finnish food. The Finnish countryside offers products combining high-quality, good food hygiene and both ethical and environmental viewpoints. (Food from Finland, 2008).

## **2.2. Serving styles between Western and Chinese food**

In Chinese serving food style, cold dishes were always served first. The number of cold dishes served will vary depending on the party size. Hot dishes that were boiled or poached were usually served first followed by foods that were fried. Stir-fried dishes will be served next, then braised and steamed dishes. Fried rice or noodles were usually served the last. Depending on the region, sometimes, whole fried chicken will be the last dish served. Then you will get your desserts. (Yahoo, 2010)

Soup will be served a little differently from region to region. Some regions prefer to

serve their soup before cold dishes. Some regions prefer to serve soup before desserts. According to Chinese traditions, soup was served before desserts.

Also, Chinese do not serve all dishes at once. Some regions will serve one or two dishes at a time. They will not serve another dish until the previous dish(es) was almost done. Some regions will serve one dish first. When you are about 1/2 way through the dish, the next dish will be served. Then different dishes will be served at a steady pace until the table was full. (Yahoo, 2010)

Western-style food orders dishes reach serving order has 4 on Western-style food menu or 5 big classifications.

1) Dish. The first dish of Western-style food is a head dish, also call appetizing article. Appetizing tasted content has cold head commonly dish with hot head dish cent.

2) Soup. What differ with Chinese meal is, the 2nd dish of Western-style food is soup. The soup of Western-style food can be divided roughly wait for 4 kinds for cold boiling water of clear soup, vichyssoise etc.

3) Deputy dish. Fish cooked food serves as the 3rd dish of Western-style food commonly, also call deputy dish. Normally aquatic product kind dish and egg kind, biscuit kind, crisp box dish is tasted call deputy dish.

4) Entree. The flesh, birds' kind the 4th dish that dish is Western-style food, also call entree.

5) Greengrocery dish. Greengrocery dish can be arranged in the flesh kind after dish, also can mix the flesh kind dish go up at the same time desk, can calculate so

for a dish, or call a kind to distribute food. Greengrocery dish calls salad in Western-style food.

6) Sweetmeats. The sweetmeats of Western-style food are the edible after entree, can calculate doing is the 6th dish. Tell from real significance, it includes the food after all entree, wait like flummery, thin pancake made of millet flour, ice-cream, cheese, and fruit.

7) Coffee, tea. Last of Western-style food are to go up beverage, coffee or tea. Drink coffee to want to add candy and weak butter commonly. (Yahoo, 2011)

### **2.3. Introduction of Lu'an City**

Lu'an city is located in western An hui province, China, a total area of 18,141 square kilometers, total population of 6.68 million (2002). It is a city of civilization and long history. 4,000 years ago, the offspring of Gaoyao, who was one of the four ancient saints of China was conferred upon this place, thus, Lu'an city is also called Gaochen. Meanwhile, Lu'an is a famous revolutionary base. As early as in 1920, "Chinese Revolution Group" was set up here. It once has been called the cradle of generals and its one of the most important revolutionary scenic spot. There are abundant in natural resources (rice, oil, cotton, tea, silk etc). Therefore, Lu'an is a treasure place for investments (Lu'an government, 2010).

#### **Information related to business activities**

In March, 2003, Lu'an had the reform of abandon districts jurisdiction and set up municipal jurisdiction and opened a new historic stage. Social economy has made rapid progress, comprehensive strength becomes stronger and stronger; the city

will turn on a new look every day, the city function of radiating and pioneering become strengthened. Reform is gradually opening further to the outside world. By the pioneering of the provincial economic zone and the experimental economic zone, and using industrial zone as platform, the city has formed various, diversified and all direction opening frame. At present days, leading by the scientifically development concept, the whole city tries its best to seize the opportunity and make rapid progress. Aiming at improving comprehensive economic strength, people's living standard, central city construction and agricultural anti-disaster ability, the whole city tramps forward the prospective future. The most obvious investment advantage is low cost, here are some invest costs data in 2010 (Lu'an government, 2010):

Table 1. Cost of investment (Lu'an government, 2010)

Item	Price ( 1 yuan = 9,3370 eur, exchange rate on 31.05.2011)
Land (for commercial purposes)	1080-1580 Yuan ( In city centre, 2007)
Water (for commercial purposes)	3,00 Yuan/ton
Electricity (for commercial purposes)	0,8397 kwh/Yuan
Highway transportation freight	0,5-0,6 Yuan/ton/km
Water transportation	0,1Yuan/ton/km
Staff salary	800-1200 Yuan/ month

### **Cooperation between Finland and Lu'an city**

In October 2003, a government delegation from Varkaus visited Lu'an, the two sides reached upon an agreement of intent to establish relationship of friendly city. In September 2004, a delegation from Lu'an municipal Government visited Varkaus

and formally signed the agreement of establishing friendly-city relationship between Lu'an and Varkaus (Lu'an Foreign (Overseas Chinese) Affairs Office, 2008).

On June, 2006, Lu'an acrobatics groups visited Varkaus, along with other twin cities from Russian, Demark, and Germany etc. During the visiting, the acrobatics delegate had wide contacts with Varkaus local politicians and members from other cities' representatives.

There are lots cooperation in education fields also; there is an exchange program that a certain amount of students from West Anhui University, Lu'an city have opportunities to come to Varkaus to continue their bachelor study. Meanwhile, there are some teacher exchange visits between the two universities.

Besides, some Finnish companies have set up factories in Lu'an city, for example in new energy and other industry fields.

Till now, there are quite widely co-operations in the area of education, culture, and industry. Both two cities benefit a lot of from corporations. Based on the feedbacks and current situation, it is possible to enhance and deepen this co-operation in more diversified fields in the future.

### **3 THEORETICAL OF BUSINESS PLAN**

A business plan is a written document that describes a business, its objectives, its strategies, the market it is in and its financial forecasts. It has many functions, from securing external funding to measuring success within your business (Business link, 2011).

#### **3.1 The executive summary**

The summary is written last although it goes at the beginning of the plan. It is the most important part of the business plan.

The Executive summary gives the reader a chance to understand the basic concept and highlights of the business quickly, and to decide whether to commit more time to reading the entire plan (Abrams 2003, 417). In a short space, the minimum must be an outline of (Finch 2010, 24):

- The business;
- The team;
- The proposal;
- Why it will succeed;
- What the rewards will be;
- Any major risks and how you can minimize them;
- What you want from reader

### 3.2 Businesses background

You must be able to clearly describe what your business does, whether you are writing the business plan for your own purposes or if you want other people to provide funds through investments or loans (Business link, 2011).

This part of the plan sets out your vision for your new business and includes who you are, what you do, what you have to offer and the market you want to address (Business link, 2011).

Start with an overview of the business:

- When you started or intend to start trading and the progress you have made to date
- The type of business and the sector it is in
- Any relevant history - for example, if you acquired the business, who owned it originally and what they achieved with it
- The current legal structure
- Vision for the future (Business link , 2011).

Then describe your products or services as simply as possible, defining:

- What makes it different
- What benefits it offers
- Why customers would buy it
- How you plan to develop your products or services
- Whether you hold any patents, trademarks or design rights
- The key features of your industry or sector (Business link, 2011).

### **3.3 Markets and competitors**

In this section you should define your market, your position in it and outline who your competitors are. In order to do this you should refer to any market research you have carried out. You need to demonstrate that you're fully aware of the marketplace you're planning to operate in and that you understand any important trends and drivers. You should also be able to show that your business will be able to attract customers in a growing market despite the competition (Business link, 2011).

#### **Market structures**

Market structure is best defined as the organizational and other characteristics of a market. It is good to focus on those characteristics which affect the nature of competition and pricing – but it is important not to place too much emphasis simply on the market share of the existing firms in an industry (Riley 2006, 91).

Traditionally, the most important features of market structure are:

- The number of firms (including the scale and extent of foreign competition)
- The market share of the largest firms (measured by the concentration ratio – see below)
- The nature of costs (including the potential for firms to exploit economies of scale and also the presence of sunk costs which affects market contestability in the long term)
- The degree to which the industry is vertically integrated - vertical integration explains the process by which different stages in production and distribution of a product are under the ownership and control of a single enterprise. A



good example of vertical integration is the oil industry, where the major oil companies own the rights to extract from oilfields, they run a fleet of tankers, operate refineries and have control of sales at their own filling stations.

- The extent of product differentiation (which affects cross-price elasticity of demand)
- The structure of buyers in the industry (including the possibility of monopony power)
- The turnover of customers– i.e. how many customers are prepared to switch their supplier over a given time period when market conditions change. The rate of customer churn is affected by the degree of consumer or brand loyalty and the influence of persuasive advertising and marketing (Riley 2006, 107).

### **Competitors**

Competitor analysis has two primary activities. First, company is obtaining information about important competitors. Second, company is using that information to predict competitors' behavior. The goal of competitor analysis is to understand: with which competitors to compete, competitors' strategies and planned actions, how competitors might react to a firm's actions, how to influence competitor behavior to the firm's own advantage (NetMBA, 2002).

### **3.4 Marketing and sales**

This section mainly describes the specific activities you intend to use to promote and sell your products and services. It's often the weak link in business plans so it's

worth spending time on it to make sure it's both realistic and achievable. A strong sales and marketing section means you have a clear idea of how you will get your products and services to market (Business link, 2011).

### **Position**

The focus marketing position should be to make sure that products and services meet customer needs and that company wants to develop long-term and profitable relationships with those customers. To achieve this, you will need to create a flexible strategy that can respond to changes in customer perceptions and demand. It may also help you identify whole new markets that you can successfully target (Business link, 2011).

The purpose of marketing strategy should be to identify and then communicate the benefits of what business offers to target market. Once created and implemented strategy, company should monitor its effectiveness and make any adjustments required to maintain its success (Business link, 2011).

### **Customers need**

Understanding customers' needs and desires can help company to tailor product or service to better suit customer needs. It may also highlight valuable developments company can make to current offering, or indicate gaps in the market that can fill with new products or services. Strong sales are driven by emphasizing the benefits that product or service brings to customers. If company know the challenges that face them, it's much easier to offer them solutions. It's also well worth keeping an eye on future developments in customers' markets and lives. Knowing the trends

that are going to influence customers helps company to anticipate what they are going to need - and offer it to them as soon as they need it (Business link, 2011).

### **Product decisions**

The product as an element of the marketing mix in customer relationship marketing comprises everything that is offered to a customer. In a product presentation, the product's benefits, and especially its quality, must be emphasized. It is important to customize and differentiate the product so that it will successfully meet the needs, wants and values of customers. The quality of the product must meet customer expectations so well that the customer is willing to buy the product again and to increase existing business with the company (Lahtinen and Isovitta 1994, 117).

### **Price decisions**

Price is the only element in the marketing mix which directly produces sales revenues. Price has an essential influence on how well the product sells. The company determines its profits through its pricing (Lahtinen and Isovitta 1994, 127).

The objectives of pricing decisions are setting the basic price; considering the price change; determining discounts and terms of payment; paying attention to psychological factors. The price must suit both company and customer. The price setting must be based on costs, demand and competition. There are four alternative price policies: high-price policy (market-skimming pricing), low-price policy (market penetration pricing), standard market price policy and price discrimination policy (different price is charged for different customers for the same or slightly different product) (Lahtinen and Isovitta 1994, 127-131).

When deciding on product assortment and product range, the objectives and resources of the company need to be considered, as well as capital investments, competition, the standard of service that has been decided upon, target market needs and any seasonal considerations(Lahtinen and Isovitta 1994, 81-83).

### **Location (Place)**

Place decisions are, along with product and price decision, one of the basic competitive tools of marketing. The need of communication emerges after these basic factors are determined. The examination of place decision is divided into two parts. An industry company's place decisions concern predominantly the determination of distribution channels, whereas the accessibility of service is the most important matter for a service company. An industry company's place decisions are further subdivided into two parts: decisions relating to the channel of distribution and physical distribution. Meanwhile, a service company's place decisions confront two issues: external accessibility and internal accessibility (Lahtinen and Isovitta 1994, 147).

Service company place decisions are divided into external accessibility decisions and internal accessibility decisions. The division is based on the importance of accessibility to accommodation and facilities. Such accessibility is more significant to service companies than to industrial companies. Particularly at the stage of attracting customers, the external accessibility is of vital importance. The company should be well located, it should attract customer interest and its exterior sector should be attractive. On the other hand, it is internal functioning that ensures customer satisfaction (Lahtinen and Isovitta 1994, 158).

## **Distribution**

The selection of a distribution channel (known as a marketing channel or sales channel) means choosing the types of distribution channels and individual retailers to use in production distribution. The criteria for selecting distribution channels and individual distributors are efficiency, economy and coverage. The task of a distributor is to create demand, to satisfy demand and to inform (Lahtinen and Isovitta 1994, 148).

Basic criteria in selecting the intermediaries are image factors and the efficiency of distributors. Only high-quality companies with expertise are selected to be a part of the distribution channel. The producer and importer have three alternatives: intensive, selective and exclusive distribution (Lahtinen and Isovitta 1994, 148-149).

## **Promotion**

Promotion is another name for marketing communications, communication designed and implemented to persuade others to accept ideas, concepts or things to motivate consumers to action. There are many potential promotional tools or activities and the traditional way of categorizing all of them is as promotion mix, which comprise advertizing, public relations, sales promotion and personal selling (Pickton and Masterson 1994, 270):

Personal selling is communication based on personal contacts and verbal presentation skills which aim at making sales. In a selling situation the seller tries to influence customer knowledge, attitudes and behavior in order to facilitate the purchase by the product. The main selling stage including preparation, contact,

sales negotiation, closing and after sales operation (Lahtinen and Isovitaa 1994, 175-180).

Advertising can be defined as any paid form of nonperson presentation and promotion of ideas, goods, or service by an identified sponsor. Advertising strategy consists of two major elements: creating advertising messages and selecting advertising media today, however, soaring media costs, more-focused target marketing strategies, and the blizzard of new media have promoted the importance of the media-planning function. The decision about which media to use for a campaign--television, magazines, cell phone, a web site, or e-mail- is now sometimes more critical than the creative elements of the campaign. As a result, more and more, advertising are orchestrating a closer harmony between their message and the media that deliver them (Kotler and Armstrong 2010, 454-457).

Public relation (PR) uses different activities designed to promote good will between an organization and outside world. These activities may include providing news and features stories for media, running events, sponsorship, or building relationships with influential individuals and groups. PR may use the same media (e.g. television, radio, the internet) as advertising but in a very different way. While advertisers buy space or airtime and control what goes into it, relations offices have to persuade to include stories and their brands and cannot control what those journalists say (Pickton and Masterson 2010, 270-271).

Sales promotion (SP) is mass communication technique that offers short-term incentives to encourage purchase or sales of a product or service. These activities have three target groups according to the concept: the company's own personnel; retailers, dealers and customers, end-users. The sales promotion program follows: decide on the size of the incentive; set conditions for participation; determine how to

promote and distribute the promotion program; determine the length of the program and evaluate the program (Kotler and Armstrong 2010, 499-506). Exhibitions, fairs, customer presents, competitors (own sales present, retails, customers etc) belong also to SP.

### **3.5 Operations**

The business plan also needs to outline operational capabilities and any planned improvements. There are certain areas should focus on.

#### **Production**

Usually, there are four main types of production; these are listed below, in increasing order of complexity and a decreasing of flexibility (Morden 1997, 175):

Job or unit production

—in which products are manufactures on a one off basis, often to order. Each product may differ in size, design, construction and quality (Morden 1997, 175).

Batch production

—in which the level of market demand is sufficient to justify manufacture of batches of similar products (Morden 1997, 175).

### Mass production

—in which components, sub-assemblies and finished products are manufactured on a continuous, repetitive basis for sale in mass market, using standardized designs and production methods (Morden 1997, 175).

### Process production

-- in which production takes place on a continuous flow basis, using specialized plant design to produce one, or a limited variety of output. The production process is performed by the plant itself, and operations management is concerned with scheduling, monitoring and controlling the process (Morden 1997, 175).

## **Information technology**

There are a variety of ways in which the application of IT can yield distinctive competence and competitive advantage within the operational context.

Operations management: IT developments are fundamental to advanced operational and manufacturing systems. Distinctive competences can be developed in the area of logistics and distribution; the management of operational networks described above, and international manufacturing and distribution (Morden 1997, 186).

Cost savings: IT applications are widely used to achieve operational cost saving, whether in manufacturing and inspection; transaction processing; or clerical and administrative activities (Morden 1997, 186-188).



Product differentiation and customer service: The application of operational systems based upon IT gives rise to a wide variety of opportunities for product differentiation and the offer of enhanced customer service. Examples include: Customized specification, design, engineering and production etc (Morden 1997, 188).

### **3.6 Business team skills**

The business plan needs to set out your own background and skills and the structure and key skills of both your management team and your staff. It should identify the strengths in your team and your plans to deal with any obvious weaknesses.

### **Leadership and management of an enterprise**

Management is the cornerstone of organizational effectiveness and is concerned with arrangement for carrying out organizational process and the execution of work. Because of organizational, management and thereby manager- are embedded in a system of authority relations. This tends to give a difference of perspective. Authority relations imply the need to delegate, to control, to engender trust, to be able to deal with status difference (Chell 2001, 174).

According to Mintzberg, there are ten managerial roles, which fall into three categories that a manager should acquire:

Managerial activities	Associated roles
Interpersonal roles - arising from formal authority and status and supporting the information and decision activities.	<ul style="list-style-type: none"> <li>• figurehead</li> <li>• liaison</li> <li>• leader</li> </ul>
Information processing roles	<ul style="list-style-type: none"> <li>• monitor</li> <li>• disseminator</li> <li>• spokesman</li> </ul>
Decision roles: making significant decisions	<ul style="list-style-type: none"> <li>• improver/changer</li> <li>• disturbance handler</li> <li>• resource allocator</li> <li>• negotiator</li> </ul>

*Figure 1. Ten managerial roles defined by Mintzberg (Mintzberg 1973, 217).*

Besides management skills, a qualified entrepreneur should have leadership skills also. Leadership, a critical management skill, is the ability to motivate a group of people toward a common goal. This skill is especially important to those in the business field. In order for a business to run and continue to generate profits, the leaders should be able to delegate tasks well and perform their other duties as the heads of the company (E article, 2009).

Generally, a good leader has the following characteristics:

- Honesty - Display sincerity, integrity, and candor in all your actions. Deceptive behavior will not inspire trust.
- Competent - Your actions should be based on reason and moral principles. Do not make decisions based on childlike emotional desires or feelings.

- Forward-looking Set goals and have a vision of the future. The vision must be owned throughout the organization. Effective leaders envision what they want and how to get it. They habitually pick priorities stemming from their basic values.
- Inspiring - Display confidence in all that you do. By showing endurance in mental, physical, and spiritual stamina, you will inspire others to reach for new heights. Take charge when necessary.
- Intelligent - Read, study, and seek challenging assignments.
- Fair-minded - Show fair treatment to all people. Prejudice is the enemy of justice. Display empathy by being sensitive to the feelings, values, interests, and well-being of others.
- Straightforward - Use sound judgment to make good decisions at the right time (Coach 4 Growth, 2010).

### **Human resource management in SME's**

Human resource management (HRM) is the strategic and coherent approach to the management of an organization's most valued assets — the people working there who individually and collectively contribute to the achievement of the objectives of the business (Armstrong and Michael 2006, 3). The feature of HRM includes: organizational management, Personal administration, manpower management and industrial management.

Small business is often at a distinct disadvantage in terms of recruiting, selecting and retaining staff when competing against big business in what is becoming an increasingly competitive global market. However, it is essential that small business obtain and maintain the best possible staff to sustain their competitiveness. This

has been confirmed by Crompton, Morrissey and Nankervis (2002) when they suggest that the enhancement of work performance and positive contribution to business success can be made through the identification and successful recruitment, selection and retention of staff (Crompton, Morrissey and Nankervis 2002). Effective recruitment, selection and retention of employees in big business is normally maintained by a core team who perform the human resource management role and preserve effective outcomes based on theoretical developments and supported by the experiences of large organizations (de Kok, Uhlaner and Thurik 2006, 207). Therefore, the three R's of Recruitment, Relationship and Retention are intuitive as a means of creating sustainable entrepreneurship in SME's (Cameron and miller,).

### **3.7 Financial forecasts**

In financial forecast, company will need to provide a set of financial projections which translate what company has said about their business into numbers

The following aspects have to be considered when preparing it:

- How much capital you need if you are seeking external funding
- The security you can offer lenders
- How you plan to repay any borrowings
- Sources of revenue and income (Business link, 2011).

### **Financial planning**

Company forecasts should run for the next three (or even five) years and their level of sophistication should reflect the sophistication of business. However, the first 12

months forecast should have the most details associated with them. Include the assumptions behind projection with figures, both in terms of costs and revenues so investors can clearly see the thinking behind the numbers (Business link net, 2011).

The forecasts should include:

1) Sales forecast

The amount of money you expect to rise from sales.

2) Cash flow statements

Company's cash balance and monthly cash flow patterns is usually for at least the first 12 to 18 months. The aim is to show that your business will have enough working capital to survive so make sure you have considered the key factors such as the timing of sales and salaries (Business link, 2011).

3) Profit and loss forecast

It is a statement of the trading position of the business: the level of profit you expect to make, given your projected sales and the costs of providing goods and services and your overheads (Business link, 2011).

The forecasts should cover a range of scenarios. New businesses often forecast over-optimistic sales and most external readers will take this into account. It is sensible to include subsidiary forecasts based on sales being significantly slower than you are actually predicting, with one for sales starting three months later than expected, and another forecasting a 20 per cent lower level of sales (Business link, 2011).

There are some risks should be considered when preparing forecast, risks can include (Business link, 2011):

- Competitor action
- Commercial issues - sales, prices, deliveries
- Operations - IT, technology or production failure
- Staff - skills, availability and costs
- Acts of God - fire or flood

### **3.8 Defining the business idea**

A Business Idea is representation of the strategic formula of an organization. It is the articulation of an organization's mental model of the forces behind its current and future success. Only when articulated can it be discussed communicated tested and improved (Schutte, 2010).

A business does not always have to be innovative, but it must be stand out from other competitive products or services in some way. This means that the entrepreneur must be able to act creatively. The creative abilities of prospective entrepreneurs can be improved in various ways. Such as thinking unconventionally or viewing a matter from another person's perspective or using one of the various group creativity techniques (Strydon, Antonites and Beer 2009, 72).

The generations of ideas can be divided into five broad approaches: from skills, expertise and aptitude; from common needs; from existing problems; from everyday activities; from other resources (Strydon, Antonites and Beer 2009, 72).

A business idea must be able to be defined in term of its business activity and customers before it is evaluated and developed. To choose the correct business, it

is necessary to evaluate the business idea. Business idea can be evaluated by two means of methods: namely a feasibility study and viability study (Strydon, Antonites and Beer 2009, 72).

## **4 MARKETING RESEARCH**

Marketing research is a critical part of a marketing intelligence system. It helps to improve management decision making by providing accurate, relevant, and timely information. Every decision poses unique needs for information, and relevant strategies can be developed based on the information gathered through marketing research. The process of a research project includes finding a market issue, translate it into a marketing research project, design survey questionnaire, collect information from a survey, conduct analysis, and report the findings and marketing implementations. (Kumar, Aaker and Day 2002, 3-4)

### **4.1 Research problems**

The main research problem is whether there is enough potential customers/demand to start a Finnish restaurant in Lu'an city. Currently, there are only two foreign fast food restaurants in Lu'an city: KFC and McDonald's. Strictly speaking, there is no pure exotic restaurant operation in Lu'an and therefore it is hard to estimate the demand and potential customers in this city. The economic development in the city is falling behind to some extent compared to other large cities in China. Citizens do not have many opportunities to get in touch with foreign culture except on the internet. For instance, citizens have rarely a chance to get to know foreign food culture. Thus, this feature increases the difficulty when conducting the research.

### **4.2 Research methods**

Two research methods were applied in the thesis: a Questionnaire survey and an in-depth interview.



## **Quantitative research – Questionnaire survey**

The questionnaire is the most commonly used method of gathering information about use and users. Questionnaires are a less expensive way to reach more people, including people at some distance. Depending upon the mode of distribution, this can be quickly done and data analysis can begin right away. The questionnaire avoids interviewer bias, guiding, and cues that can impact the validity and reliability of the data collection. Anonymity insures more valid responses. Response quality is better because respondents may gather and consult sources needed to respond well (University of Tennessee net). A good questionnaire accomplishes the researches' objectives. Survey must be customer-built to the specification of the given research purposes, and they are much more than a collection of unambiguous question (Kumar, Aaker and Day 2002, 275)

Altogether, 400 questionnaires were distributed to respondents. The questionnaire survey was conducted in restaurants and near the restaurants so that the target groups were the customers who regularly go to restaurant or have restaurant experiences. When choosing the respondents, the diversity of target groups was also considered in order to make the results more valid and reliable.

There were 11 questions in the questionnaire. The types of questions included single choice questions, multiple choice questions (ranking order scaling, the rating scale, semantic differential scale), and an open question. The contents are covering the general information about respondents related to dining habits, potential customer's motivation and expectations towards a Finnish restaurant, and alternative ways for promoting restaurants. Answering to questionnaire survey lasted approximately 2-4 minutes per person. The English version of the questionnaire is in Appendix 1.

## **Qualitative research- In-depth Interviews**

Individual in-depth interviews were conducted on a one-to-one basis between the interviewer and the respondent. This has the advantage that the interviewer can probe attitudes and pinpoint response to a specific topic. This may be useful where the purpose of the research is to understand customer attitudes and feelings about a product class or topic area, and to develop depth into personal, social and cultural context surrounding purchase or consumption. (Craig and Douglas 2000, 190)

The in-depth interview requires professional interview skills from the interviewer. Therefore, the student (Wang Dong) who previously studied at West Anhui University, Chinese language and literature department was chosen as an interviewer. Face-to-face interviews were conducted among the people who have some knowledge about running a business and analyzing the profitability options, people who have experience about business. Finally, the manager Mr. Yang Fupin from “Shou Country restaurant” was chosen. He has more than ten years experiences of restaurant operations.

### **4.3 Research results**

The results of the questionnaire survey will be explained in different diagrams. In the interview part, the interviewee gives a SWOT analysis on the idea of establishing a Finnish restaurant in Lu’an City.

## Result on questionnaire survey

The survey was conducted on the second week of March 2011. The the survey took one week totally; each day one restaurant was chosen as target place. Two students, which graduated from West Anhui University, were responsible for the survey. The restaurants are all located in the city centre and one of them is a large and high quality restaurant, the rest are small or medium-size restaurants. The survey was carried out from 7<sup>th</sup> March to 13<sup>th</sup> March, starting at 5 p.m. and lasting until 8 p.m. every day because this period is the most favorite time for dining out. The survey took place outside the restaurants after having received from the owners. Usually, we chose the customers who had finished their dinner and planned to go home were chosen, because they were considered to have more time and to have more patience with the survey. There were a table and few chairs outside the restaurants for the respondents to sit down and answer the survey.

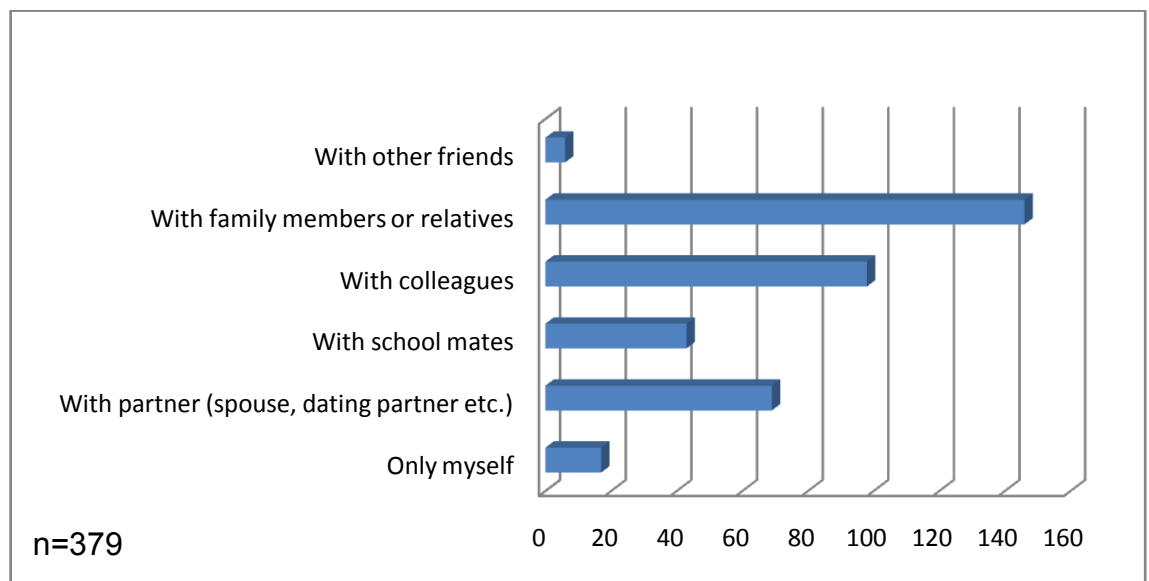
Altogether, 400 copies of the questionnaire were sent by the two students from West Anhui University (Wang Dong and Jin Peng). The questionnaires were distributed during the period 07.03.2011 - 13.03.2011 from 5 p.m. to 8 p.m. daily. Altogether 379 valid answers were received. The reason for invalid answers was unclear marking on paper. Some respondents did not return their questionnaires.

	Male (195)	Female (184)
Less than 4 times	16 %	19 %
4-8 times	25 %	22 %
More Than 8 times	11 %	7%
Total percentage	52%	48%

*Figure 2. Dining frequency in a month according to gender ,n=379.*

195 males and 184 females participated in this questionnaire survey. Nearly half of respondents are dining out around 4 to 8 times a month, and 35 % people are dining out less than 4 times.

Based on the Economic Statistic from Anhui Province 2010, Lu'an area (containing Lu'an city and five counties) ranks the last one in GDP per capital among the major cities in Anhui Province. However, there is an existing economic development gap among Lu'an city and other five counties. So the purchasing power of customers in Lu'an city is still at high level and the survey was limited to Lu'an city. The salary and economy development determined the frequency of people's dining out.



*Figure 3. Who is most often having a meal out with respondents.*

Most respondents prefer to have a meal out with family or relatives since China is a family oriented country. People are willing to spend most of the time with their families and some young generations live with older generations. Meanwhile, there

are nearly one fifth of people choose the option with colleagues. Because in China people have lots of social activities related to work, most of time of the social activity is to have meals with colleagues and discuss their business routines at the restaurant table.

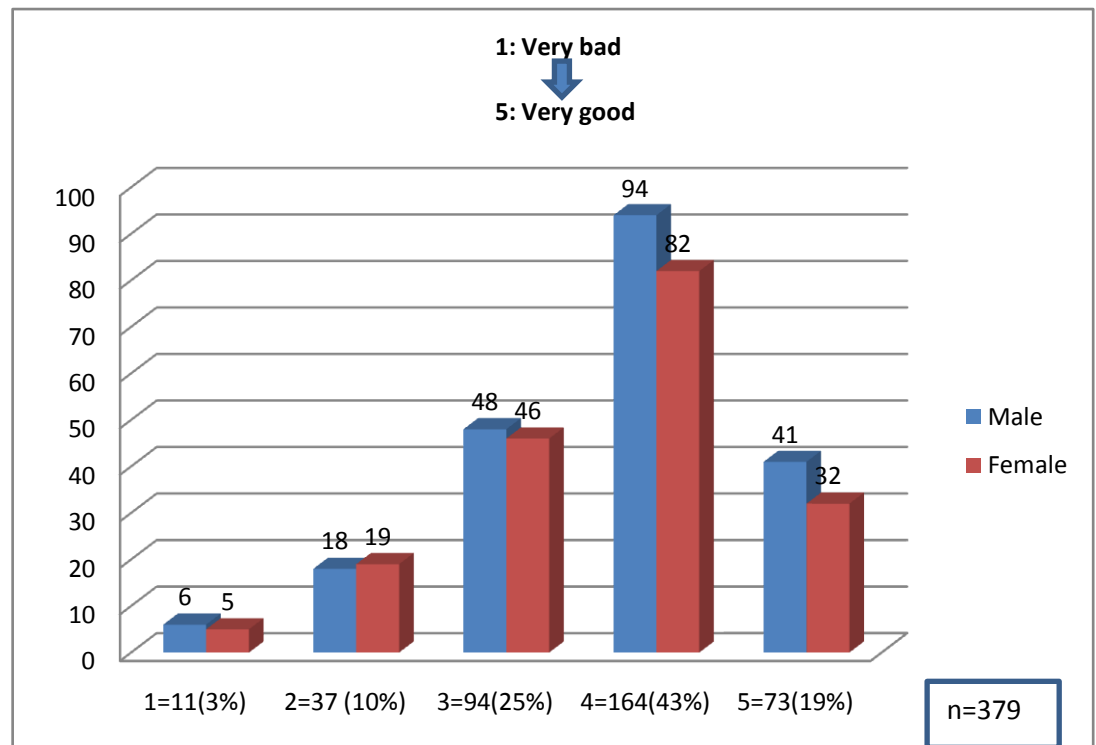
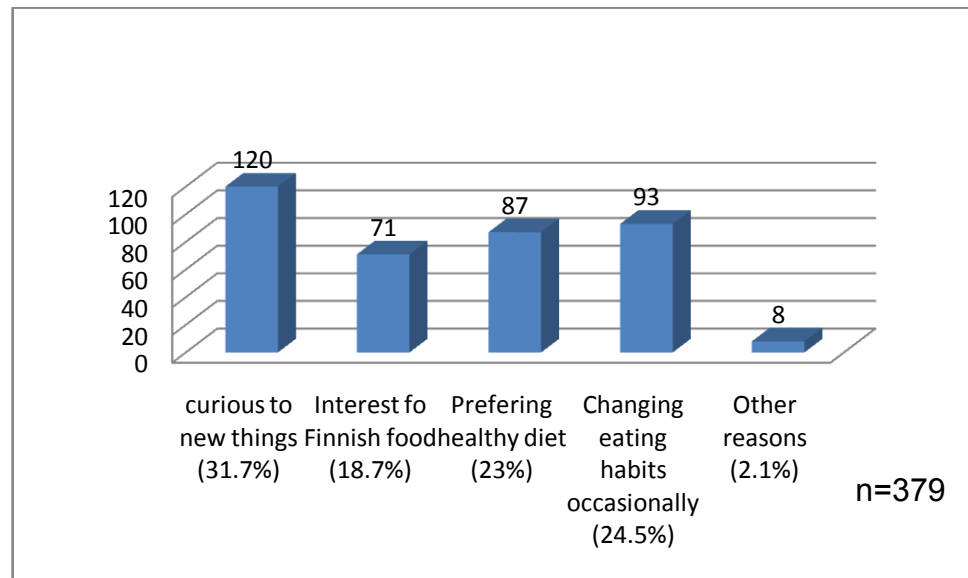


Figure 4. Rating the idea of running a Finnish restaurant in Lu'an.

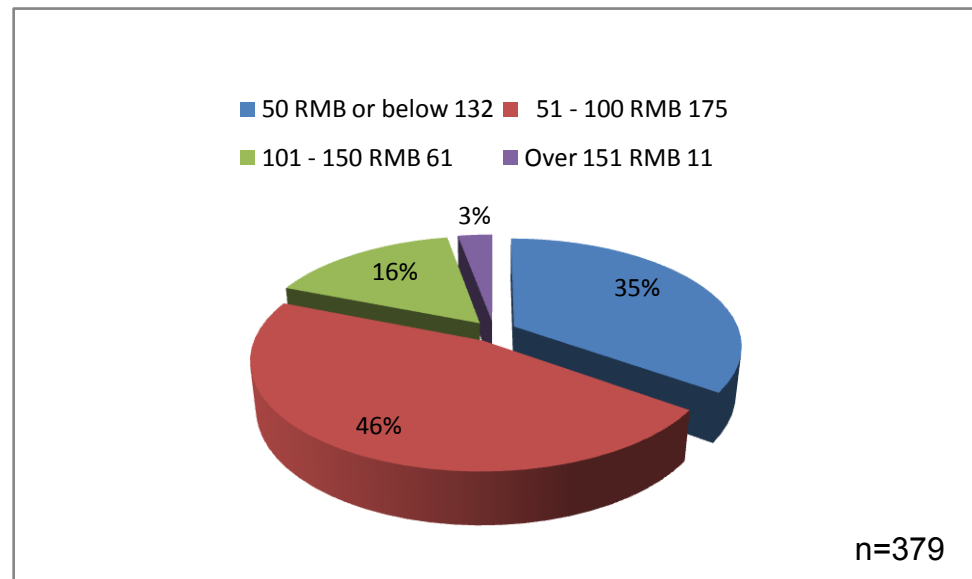
Figure 4 shows that as we can see, 19 % respondents give a full score 5 the idea of establishing a Finnish restaurant in Lu'an city, 43 % regards the idea as good and 25 % respondents hold a neutral opinion towards this idea. Only 3 % of the respondents think that the idea is not profitable.



*Figure 5. The most important motivation for respondents to try Finnish food.*

Since some people are not familiar with Finnish food culture previously, 120 respondents think that curiousness motivates them to try Finnish food at first time. 93 % of the respondents want to have changing eating habits occasionally and they choose Finnish food as an alternative diet.

During the survey, some flyers were distributed to some respondents who wanted to know more about Finnish food culture. Based on the information provided, about 87 respondents preferred healthy diet as their main motivation. In addition, 71 respondents selected interest for Finnish foods.



*Figure 6. Acceptable price for dining in a Finnish restaurant for one person.*

46 % of the respondents accepted 51-100 RMB as dining price and 35 % thought that less than 50 RMB for one time dining per person was acceptable. According to the Statistical Bureau of Lu'an city, the Household income per capita in 2010 of Lu'an city is 15886.1 RMB (1323.8RMB per month). At that point, below 100RMB dining per person is the choice for most of the people. Still, 16 % of respondents could accept 100-150RMB, and only 3 % can afford the price high than 151RMB.

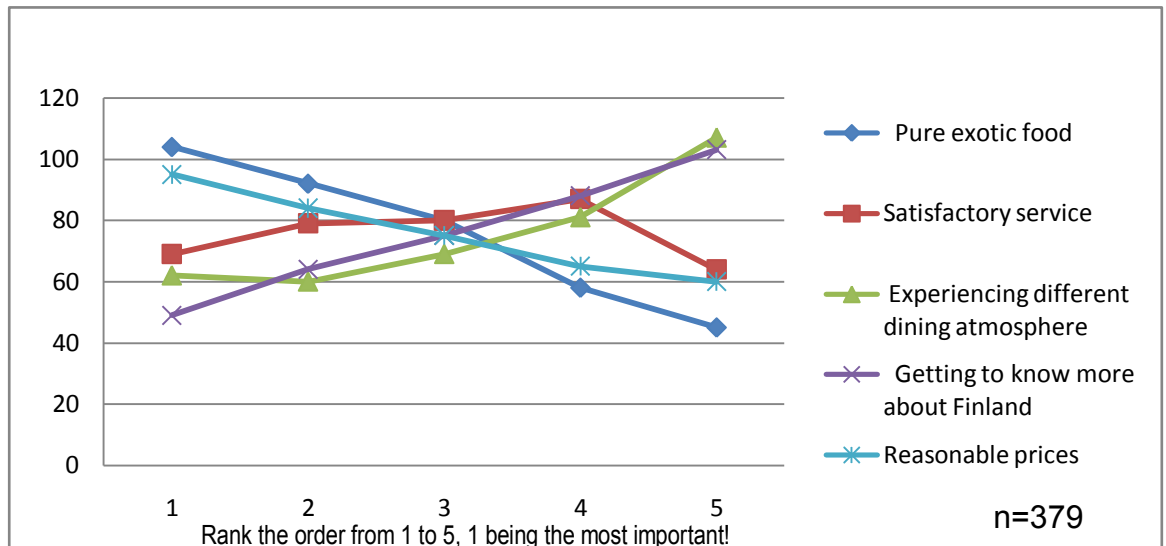
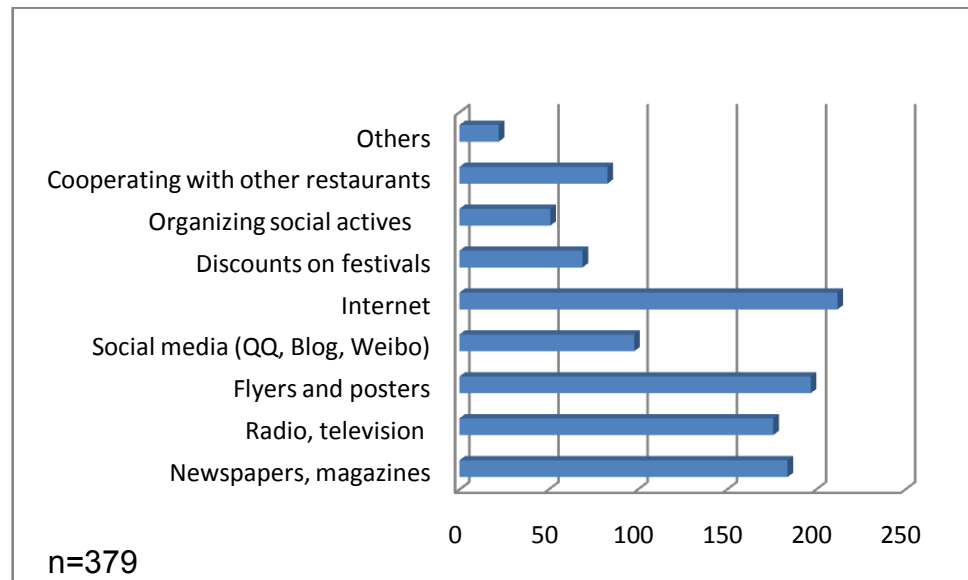


Figure 7. Expectation towards future a Finnish restaurant.

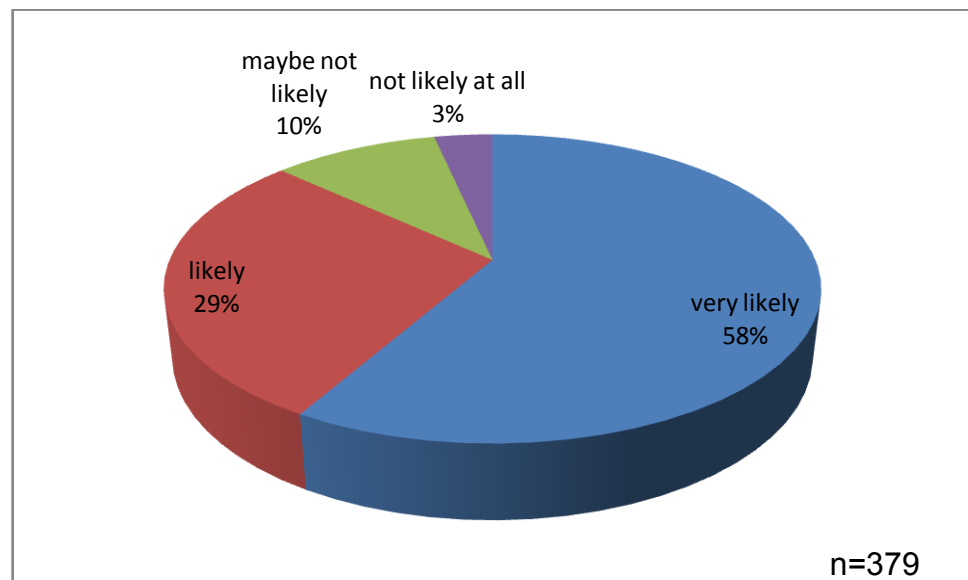
According to the results, most of the people expected to get pure exotic food at a reasonable price in a future Finnish restaurant. Thus, attention should be paid on these two aspects in the future operations. However, the respondents did not give high rates to the dining atmosphere and to getting to know Finland. All kinds of means would have to be used to give customers more information about Finland. (During the survey it was found out that, some respondents did not know Lu'an and Varkaus are twin cities)





*Figures 8. Ways to promote Finnish restaurant.*

Internet proved to be the most popular way to promote a Finnish restaurant, as 212 respondents support this promotion method. Flyers and posters, radio and television, newspapers and magazines are the next main ways to promote a Finnish restaurant in Lu'an city. Meanwhile, 98 respondents prefer using social media including QQ, Blog and Weibo which are quite popular among the youth in China today. Cooperation with other restaurants is also a good alternative to promote the business.



*Figure 9. The possibility to come to Finnish restaurant.*

Altogether, 80 % of the respondents would come to a Finnish restaurant which is a relatively high percentage. It shows that Lu'an is a potential market for a Finnish restaurant.

### **Result from the interview**

Totally five invitations were sent, and finally one invitation was agreed. Mr Yang the manager of "Shou County" accepted the invitation. The interview was conducted as an informal conversation. Wang Dong, who graduated from West Anhui University, carried out the interview.

At first, Mr Yang analyzed the current business situation in Lu'an city. There are two main operation types among Lu'an restaurants. One is the traditional restaurant operation model. The characteristics of these restaurants that they are small to medium scale; the location is near a residential area (within ten minutes' walking); the variety of dishes is limited, and dishes are traditional Lu'an style. Usually, there

are certain loyal customers who are mostly from middle age group. Both serving and dining times are short. The decoration in the restaurants is simple, and mixed with modern style. The risks to invest in this kind of restaurants are small. The average consumption per person is around 20RMB at one time.

Another type of operation model is to pay attention on cultural added value and human engineering. These kinds of restaurants have their own characteristics. For example, one restaurant specialized in Sichuan cuisine; another is engaged in Anhui Cuisine etc. Each restaurant has its own cultural connotation including humanism culture, cultural spirit or place of interest. Usually, the internal decoration reflects their company cultural. What is more important, the decorations of the restaurants have close relationship with human engineering. For example, Restaurants normally use red, orange, white and black colors in the interior decoration. For Chinese people, red represents fortune and happiness. Meanwhile, red can stimulate customers to finish their dishes faster; orange and green can arise the customer's appetite; black has the function of absorbing noise. Besides, the restaurants are located in commercial centre, district area etc which has enough parking space. These restaurants need large investments and adequate market researches before established.

Secondly, based on the introduction to Finnish foods by Wang Dong, Mr. Yang gives a SWOT analyse towards the idea to establish a Finnish restaurant In Lu'an city.

### Strengths

Finnish food has a good image of pure nature and high product quality. The customers who pursue for high standard and healthy life would choose a Finnish

restaurant. Lu'an has such a huge population so that there are certain groups who would be interested in a Finnish restaurant. A Finnish restaurant could become a door to let more Lu'an citizens to know Finland and promote the relationship between Lu'an and Varkaus (Maybe there is a possibility get support from local governments).

#### Weaknesses

Limited variety of foods; possible high price of food (The price of raw materials is growing higher in domestic market and there are expensive import fees).

#### Opportunities

There are no foreign restaurants in Lu'an till now; most people would get interested in exotic cuisine; increasing number of foreignen customers, for example Finnish visitors.

#### Threats

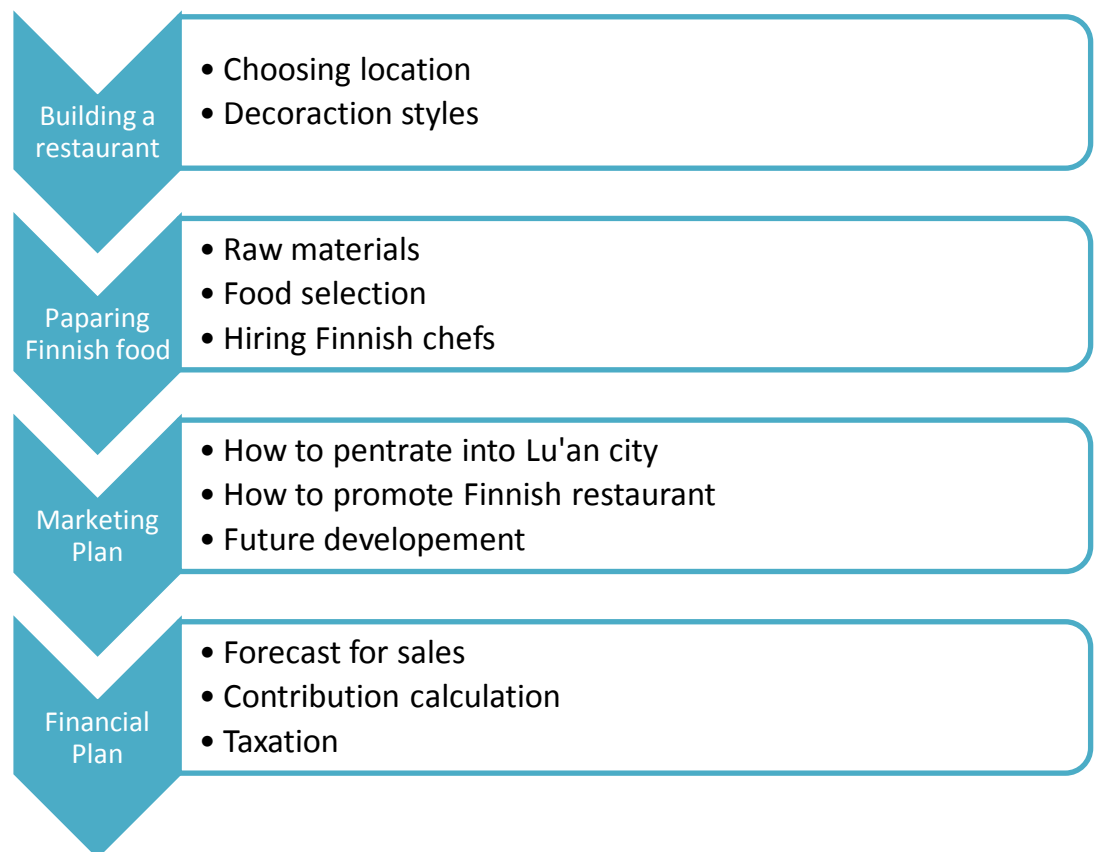
Local customers lack knowledge of Finland and Finnish foods; there are numerous restaurants in Lu'an and the competition is quite hard; it is still a question of how many customers would accept the taste of Finnish food; the price of raw materials is getting high in China, so how to control the cost is another threat.

## **5 BUSINESS PLAN FOR A FINNISH RESTAURANT IN LU' AN**

The business plan is based on the previous research results. This is the part where it is explained how to put business plan into practice, what has been planned. In this part of the business plan, the strategy will be stated and defined (marketing, sales) and assignments and milestones will be specified.

Based on the previous questionnaire survey and interview, the results support the idea of establishing a Finnish restaurant in Lu'an city. It reflects that Lu'an is a right target market to promote this business idea. Moreover, there are lots of improvements that a Finnish restaurant needs to take into consideration in order to meet customers' requirements. For example, how to make the Finnish restaurant stand out compared to other restaurants in Lu'an city; how to promote the Finnish restaurant effectively. The implementation plan will provide detailed solutions to these questions.

The general process on establishing Finnish restaurant is shown in Figure 10



*Figure 10. The general process to establishing a Finnish restaurant.*

## 5.1 Establishing a Finnish restaurant

There are several preparations to be done before the restaurant is launched into the market. Good location and nice decoration of the restaurant would give customers a good impression at first sight.

### Location

At first, the most important part when preparing the establishment is to find a good location. The restaurant's image begins with its location. The character of nearby buildings, streets, and businesses affects people's perception of a restaurant. The locality will attract a certain type of clientele and determine the price range, type of service, and menu selection. The restaurant's theme should reflect the needs of the

people around it. The location indicates the type of service and quality of food people will find there. Location sets the mood for the total dining experience. The most desirable location for an urban restaurant is on the corner of a block. Here the restaurant enjoys greater visibility and greater flexibility in exterior design. An entrance off each street is best. (Michigan State University, 1981)

In this case, the ideal location for a Finnish restaurant could be in the Lu'an city centre since there live around 400,000 people in 40 sq km. The citizens gain a higher salary compared to the average income of the whole Lu'an area. From the map of city centre of Lu'an, we can notice that there are lots of administrative organizations, education organizations, and entertainment centers in this area. Therefore, the area is a good potential market for Finnish restaurant.



Figure 11. City centre map of Lu'an.

## Style

The Finnish restaurant should be medium-sized. The restaurant cannot be only a dining place, but it can act as a platform to display Finland. There are some reference suggestions for the decorations:

### 1) Old fashioned style

In the decoration of the house, the interior decoration and dishes have been inspired by the Finnish forests and thousands of lakes, with a dash of Finnish “sisu” and logging traditions. The walls could be painted with a simple white color. The restaurant pays homage to the thousands of lumberjacks and log floaters, the



matrons and foremen at the logging sites, and of course the mill owners. ( *Savotta, A&S restaurants net*)



*Figure 12. Example of old style restaurant (Savotta, A&S restaurants net).*

This decoration style gives customers a sense of natural feeling when dining in the restaurant. Warm lights, wood decorations, soft Finnish music along with traditional natural Finnish dishes lead customers to a relaxed mood; it is a good place to get out of the fast paced city life.

## 2) Modern style

Finnish famous brands can be used in the interior decoration. For example, using Marimekko's newest dinnerware line for table settings. The warm, strong and clean shapes of the tableware and the unlimited ways of using the pieces inspire customers to break the conventions of table setting and to mix influences from different food cultures. These dishes can be easily adapted to any use as required -

according to the food served, the company, the weather or the mood; on the wall, Marimekko's wallpaper could be used for covering the wall. The natural - product category, which fits in perfectly with the comprehensive lifestyle thinking. (Finnish design net). Meanwhile, it can bring even more joy and beauty into the customer's every dining experience; Using Aalto collections can have different functions. Aalto candle holder can enhance the restaurant interior spaces; Aalto glassware provides customers simple pleasure; the mysterious shape of an Aalto vase gives customers many speculations.

This style gives customers have a refreshing impression when first entering into the restaurant. A series of Finnish designs brings another concept on modern aesthetic to people. While enjoying the high-quality foods, customers must have an unforgettable impression on Finnish brands also. On the whole, the dining atmosphere under this style is interestingly different, comfortable and friendliness.



*Figure 13. Example of modern style restaurant (Sokos Hotels Albert net).*

## 5.2 Preparing Finnish Foods

Ensuring that the customers have an opportunity to taste pure traditional Finnish food is one of the objectives of the Finnish restaurant. There are several points that we have to focus on when preparing Finnish food.

### Foods selection

As a restaurant providing a real taste of Finnish cuisine, the menu should be varied by seasons. The dish range includes fish, lamb, root vegetables, wild mushrooms, berries, and of course reindeer etc. In addition, customers can enjoy different kind of “pulla”, “piirakka”, sweets, and breads. It should be ensured that customers can eat home-made Finnish food in the restaurant. Here is the raw menu with food provided by season:

January - Burbot and roe with blinies

February - Runeberg tarts, pea soup and laskiaispulla (Shrove buns)

March-April - Lamb, mämmi (Finnish Easter pudding), pasha

May - Perch, whitefish, pike-perch, sima (mead) and tippaleivät (May Day fritters), nettles

June-July - New potatoes, salmon, sausage, herring, strawberries, blueberries, cloudberries

August - Root vegetables, crayfish, wild duck, chanterelles, apples

September - Baltic herring, vendace, hare, trumpet chanterelles, lingonberry

October-November - Lamb, cabbage, elk, reindeer, goose

December - Ham, rosolli salad, root vegetable casseroles, ginger biscuits,

Christmas pies, glögi (mulled wine). (Finnish cuisine in Helsinki)

Finland has special culinary treats for each season of the year; the Finnish restaurant gives customers an opportunity try these specialties in different seasons.

## **Raw materials**

There are two main raw materials that sometimes need to be imported from other countries and they are different kind of berries and fishes (especially salmon). The direct way is from target countries –Shanghai by air, then, from Shanghai to Lu’an by highway. There are some wholesalers in Shanghai and Najing that in charge of importing these materials (from Norway, Finland, and Chile). Therefore, the restaurant can contact these wholesales directly. Usually, the purchase prices are expensive based on the transportation fees. In addition, the Finnish brand decorations have to be brought from Finland directly. Other raw materials can be brought from domestic market, for example in Lu’an city, Hefei or Shanghai.

## **Hiring chefs**

Finnish native people would have to be hired as main chefs. The contract form can be temporary or permanent. For temporary, 3-4 Finnish chefs would be hired a year so that each chef can work for 3-4 months individually. For permanent, 1-2 chefs would be hired for a year. There is no special break within a year except holidays.

The Finnish chefs would give proper training for Chinese assistants about preparing Finnish foods. Thus, the assistants are required to have basic skills in English language.

## **5.3 Marketing plan for Finnish restaurant**

After preparations for the restaurant have been made, the next step is to make a detailed plan to promote the restaurant. Since restaurant belongs to service market, in the plan 4P’s model (product, price, place and promotion) will be included.

Product and place have been mentioned in the previous section, in this chapter we focus on how Finnish restaurant enter the Lu'an city, how to promote the restaurant in the market, and how customer relationship management is (CRM) applied in Finnish restaurant.

### **5.3.1 Entering the market**

In the beginning, it is important to let more local citizens to know about the Finnish restaurant. Since the area of Lu'an city centre is not so big and the population density in the city centre is quite big, the information can be spread easily. Meanwhile, it is better to use some promotions to assist the Finnish restaurant entering the marketing more efficiently.

#### **Advertising**

The Finnish restaurant can be advertised in newspapers, on the local radio, and on television. Meanwhile, we can make some brochures and flyers of the restaurant. It is better to put more pictures of Finnish food in order to give a deep visual impact to customers. In addition, outdoor and transport advertising is also effective. For example, the restaurant can make Finnish restaurant posters. The posters can be put in main streets, different organizations of Lu'an city or mobile vehicles. The purpose is to help customers to become aware of the restaurant's existence; to getting attentions or interests from customers. The final aim is to create and increase the demand.

#### **Public relations**

Since Varkaus and Lu'an city are twin sister cities; Savonia University of Applied Science and West Anhui University have educational co-operation. It would be nice if Finnish restaurant could get help from the Lu'an government and West Anhui

University. For example, the local government could use social media to promote restaurants so that more people know the Finnish restaurant in Lu'an. Meanwhile, we could invite some experts (Marketing, Finance) from West Anhui University to give some constructive suggestions on the development of Finnish restaurant.

### **Price decisions**

Considering the high cost of some imported raw materials (fish, berries) and high price of interior decorations, it is possible that the price of food is a bit higher compared with other restaurants of the same level. Based on the previous research results, what the expectations of customers are directed Finnish restaurant food in the first place, and the second important issue is price. However, the increased price should be controlled within a limitation. Therefore, in Finnish restaurant, we have to offer excellent Finnish food; also provide high-quality customer service in order to make customers feel that what they pay for is also worth of it.

### **5.3.2 Promoting Finnish restaurant**

In the operation of restaurant, various promotions can attract more customers and increase social visibility. Meanwhile, it is necessary to keep the regular customers.

#### **Membership Card**

Currently, there are some companies (restaurants, gyms, entertainment centers etc) in Lu'an issuing a membership card called "Lu'an Ren". This card can be used in these companies so that customers can get certain discounts and gifts sometimes. It is like "S-card" or "K-plus card" in Finland. It is possible that a Finnish restaurant could join in the union which issues "Lu'an Ren" cards. It is easier to access the market and to enhance the co-operation with other companies through the

membership. This kind of membership card could bring more potential customers than a single company's membership card.

### **Establishing key customers' files**

A customer who consumes over 50RMB when dining in restaurant can be treated as a key customer. In addition, we can establish key customers' files. The information includes the customer's name, date of birth, workplace, contact information etc. On important holidays or festivals, text messages or emails would be sent to these key customers for greeting.

The waiters and waitresses who would work in the restaurant would have to try to remember the features of these key customers. When customers come to the Finnish restaurant the next time, the waiters can address the key customers correctly to give them a feeling of being at home.

### **5.3.3 Customer relationship management in Finnish restaurant**

Long time customer relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Efficient dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business which ultimately enhances turnover and profit. If the customer is satisfied they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business (management study guide, 2011).

The characteristics of Finnish restaurant are different from those of other restaurant since only Finnish foods are provided instead of other style dishes. Therefore, the estimated number of customers is not very large. In order to maintain certain number of customers, we have to build a solid customer relationship with them:

For the Finnish restaurant, we have to update dishes daily so that the menus are different every a week. The restaurant follows the seasonal changes to make healthy cuisine. Furthermore, the interior decoration can be partly renewed every year.

For our key customers, the customers' information should be updated monthly. When traditional Finnish festivals take place, we can serve some Finnish traditional food. For example, the Finnish restaurant provides Mämmi in Easter, Sima in May Day, Joulupöytä in Christmas day etc. Meanwhile, we distribute relevant brochures related to the festival information to every customer.

## **5.4 Financial Plan**

This part gives a brief introduction on what an entrepreneur has to pay attention on in the financial part of the process of establishing a Finnish restaurant. A sample of a financial plan for a Finnish restaurant can be seen in Appendix 2.

### **Sales forecast**

It is a process of estimating what the sales of Finnish restaurant are going to be in the future. The process of preparing a sales forecast for a Finnish restaurant involves researching the target market, the trading area, competition and analyzing the research to guesstimate the restaurant's future sales.



### **Contribution calculation**

Difference between sales and the variable costs of the product or service is called marginal income. It is the amount of money available to cover fixed costs and generate profits. Determining the contribution margin has many advantages. A company can sell an item below the normal selling price when idle capacity exists as long as there is a contribution margin since it will help to cover the fixed costs or add to profits (Barron's Educational Series, 2005).

### **Different taxations**

In the catering industry of China, the entrepreneur has to pay sales tax, city maintenance and construction tax, educational surtax (tax rate can be 7 %, 5 % or 1 %), corporate income tax (generally the rate is 33 %), personal income tax.

## 6 CONCLUSIONS

The whole thesis can be separated into three parts: Theoretical part, research part and implementation part. The theoretical part gives detailed information on how to build the framework of a business plan. The main theory parts including: markets and competitors, marketing and sales, operations, team skills. In research part, two methods were applied in the thesis. From the interview section, a comprehensive SOWT analysis towards the business idea was given. While in survey part, the results were analyzed through different diagrams

In the final part, the implementation plan gives the investors clear possible directions towards the operation of the Finnish restaurant. The plan presents process of building restaurant, necessary steps of preparing Finnish foods, and marketing plan for promoting restaurant.

The purpose of the business idea is to let more people know about Finland and Finnish culture as the world becoming smaller and smaller now. As Lu'an and Varkaus are twin cities, this business idea can promote the relationship also.

Still, there are some improvements of this project. For example, in the research part, I could find more professional experts on investment or restaurant operation in order to make the research more convincing. In addition, I should enlarge my research target since I just chose five restaurants in the whole city.

However, the project can also bring some benefits:

- 1) The project can give Lu'an citizen another look on Finland. Currently, there are not many channels for people to know this country directly except from media. This restaurant seems a "mini Finland" since from the interior to the food are all representing Finnish style. The people will have totally feeling when in the

restaurant. From this restaurant. They can know more culture issues related to Finland. For example, some Finnish important festivals.

- 2) There are already some corporation between Lu'an and Varkaus. For example, in education field, industry field. It would be nice if the fields of cooperation can expand to culture area. More diversity cooperation in different fields can deepen the twin cities relationship. In addition, as the city are developing local tourism, the restaurant could become one of the tourist destinations of Lu'an city as there is no other Finnish restaurant in the whole province.
- 3) There is a previous project plan that a student propose to establishing a Finnish sauna club in Lu'an city. It is possible that the two projects can be combined together to become a big investment project in Lu'an city. The big project can witness how great changes have been happened in Lu'an city. In another way, the two projects have been done by the students from Savonia, it would have some promotion function on both of the two universities (Savonia University of Applied Sciences and West Anhui University).

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## APPENDIX 1

English version of the questionnaire:

Dear Customer,

I am a third year undergraduate student of Bachelor Degree Programmer in Business Administration at Savonia University of Applied Sciences in Finland.

I am working on my Bachelor's thesis on the topic of "Business plan for establishing a Finnish restaurant in Lu'an city". Now, I am conducting a quantitative survey to investigate what are the customers' attitudes and expectations towards future Finnish restaurant. It would be much appreciated if you could spend 2 - 4 minutes to complete this questionnaire. All information is used for research analysis purposes only and all information is kept confidential.

1. What is your gender?

- Male
- Female

2. Which age group are you in?

- Below 20
- 20 - 29
- 30 - 39
- 40 - 49
- 50 – 59
- 60 or over

3. How often do you eat out monthly?
  - Less than 4 times
  - 4 - 8 times
  - More than 8 times
  
4. Who is most often having a meal out with you?
  - Only myself
  - With partner (spouse, dating partner etc.)
  - With school mates
  - With colleagues
  - With family members or relatives
  - With other friends, Who \_\_\_\_\_
  
5. How would you rate the idea of opening a Finnish restaurant in Lu'an City?
  - 1 (Very poor)
  - 2
  - 3
  - 4
  - 5 (Very good)
  
6. What is the most important motivation for you to try Finnish food?
  - Curiousness to new things
  - Interest for Finnish food
  - Preferring healthy diet
  - Changing eating habits occasionally
  - Other, What? \_\_\_\_\_

7. What is acceptable price for you for one time dining (per person)?
- 50 RMB or below
  - 51 - 100 RMB
  - 101 - 150 RMB
  - Over 151 RMB
8. What are your most important expectations towards future Finnish restaurant?  
(Rank the order from 1 to 5, 1 being the most important!)
- Pure exotic food
  - Satisfactory service
  - Experiencing different dining atmosphere
  - Getting to know more about Finland
  - Reasonable prices
9. In your point of view, which one is the best way to promote Finnish restaurant?  
(Choose two or three answers)
- Newspapers, magazines
  - Radio, television
  - Flyers and posters
  - Social media (QQ, Blog, Weibo)
  - Internet
  - Discounts on festivals
  - Organizing social actives
  - Cooperating with other restaurants
  - Others, Please specify \_\_\_\_\_

10 . How likely it is that you visit a future Finnish restaurant?

- Very likely
- Likely
- Maybe not likely
- Not likely at all

11 . Any comment on future Finnish restaurant operation?

---

Thank you for your COOPERATION!

## APPENDIX 2

### Sample of Financial Plan

	2011	2012	2013
<b>Users</b>			
<b>Revenues</b>			
Net revenue			
<b>Operation Cost</b>			
Research & Development			
Sales & Marketing			
General & Administrative			
Other (Business Specific)			
<b>Total Cost</b>			
<b>Net Income</b>			
Net Income			
<b>Fund Raising</b>			
Total Investment			