



LAHDEN AMMATTIKORKEAKOULU
Lahti University of Applied Sciences

BUSINESS PLAN FOR A FASHION BRAND

Case: MW Oy

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Mira Valkjärvi

Weimu You

Lahti University of Applied Sciences
Degree programme in International Business

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ABSTRACT

This thesis copes with finding a niche market in Finnish fashion industry and based on the findings, a business idea is generated as well as a business plan is completed for the case company MW Oy, which is founded by the authors of the thesis. This thesis concentrates on the process of formulating the business idea rather than implementing the business plan, even though the business plan is an essential part of the study.

When dealing with theoretical framework, to better analyze the Finnish fashion industry and Chinese fashion industry, theories such as PESTEL Analysis and Porter's Five Forces Analysis are applied. Some business models of existing companies in Finnish fashion industry are examined and evaluated, and based on the findings, the authors come to a conclusion that a niche market lies in the scarf and similar accessories sector. SWOT analysis is used to present the strengths, weaknesses, opportunities and threats of both MW Oy and its main competitors. Later on, a preliminary business plan is created accordingly using the Hoffren Business Idea Model, with emphasis on the market need, image, product, target group, mode of operations and resources.

The research method used in this thesis is qualitative research method, thus qualitative data is collected through unstructured interviews with entrepreneurs and popular Finnish fashion bloggers in the Finnish fashion industry, on the other hand, literature related to the field of study is acquired from publications such as articles, journals, written books and online sources.

Keywords: business idea, business start-up, business planning, fashion industry

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TIIVISTELMÄ

Opinnäytetyö tutkii mahdollisen niche segmentin löytämistä Suomen muotialalta. Löydösten perusteella voidaan luoda liikeidea ja alustava liiketoimintasuunnitelma yritykselle MW Oy, jonka opinnäytetyön kirjoittajat perustavat. Opinnäytetyö keskittyy pikemminkin liikeidean suunnitteluun kuin liiketoimintasuunnitelman toteutukseen, vaikka liiketoimintasuunnitelma on oleellinen osa tutkimusta.

Teoreettisesta viitekehyksestä puhuttaessa on parempi analysoida Suomen ja Kiinan muotialat, jota varten käytetään analyysityökaluja kuten PESTEL ja Porterin viiden vaikuttavan kilpailuvoiman malli. Olemassa olevien suomalaisten muotialan yritysten toimintamallien tutkimisella ja arvioinnilla löydettyjen tulosten perusteella niche segmentiksi todettiin huivit ja asusteet. SWOT analyysityökalua käytetään esittämään vahvuudet, heikkoudet, mahdollisuudet ja uhat MW Oy:stä ja myös sen kilpailijoista. Myöhemmin luodaan alustava liiketoimintasuunnitelma Hoffrenin liikeideamallin mukaan, joka keskittyy tarpeeseen, imagoon, tuotteeseen, asiakasryhmiin, toimintatapaan ja voimavaroihin.

Opinnäytetyössä käytetään laadullista tutkimusmenetelmää, joten tieto kerätään epämuodollisten haastattelujen kautta kuten erilaisilta yrittäjiltä ja suosituilta suomalaisilta muotibloggaajilta. Toisaalta tietoa kerätään kirjallisista lähteistä kuten artikkeleista, kirjoista ja luotettavista internet lähteistä.

Avainsanat: liikeidea, yrityksen perustaminen, liiketoimintasuunnittelu, muotiala

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1 INTRODUCTION

1.1 Background

When the decision of writing the thesis brought the authors together, the common point was a love and passion for the fashion industry. Taking a closer look at the list of the world's richest people, it can be seen that within the top 10, three of them are billionaires in the field of fashion industry (Forbes 2011). On the other hand, both authors have a strong belief in Finnish design, but dislike the high prices of products made in Finland.

The International Council of Societies of Industrial Design, also known as ICSID, nominates a design capital of the world every other year. Their reasoning for this comes from the fact that more than half of the world's population now lives in urban areas and because of that design has become a fundamental tool to make cities more attractive and liveable. The World Design Capital designation is essentially a promotion project to celebrate the accomplishments of cities that use design as a tool to improve social, cultural and economic life. The World Design Capital in 2012 is Helsinki, partnered with Espoo, Kauniainen, Vantaa and Lahti. This promotion gives the authors strong belief that now is the time to utilize the current day atmosphere. (WDC Helsinki 2012.)

One of the authors comes from a family of entrepreneurs and her mindframe has always suggested that she would not suit following others. Having a creative personality and desire to be in charge lead the author to want to create something new and unique that would fit the Finnish market. Yet she was well aware of the fact that competition is fierce in Finnish fashion industry and having a relatively low price would give a company a competitive advantage.

The other author has always seen the potential of his home country, China, which has the reputation of being the world's top manufacturing country (Marsh 2011). Yet for Chinese brands, China does not have something equally well known to offer the world. There are variable reasons for this, and one of the main reasons

speculated by the author is the lack of good design and innovation of Chinese domestic brands. Thus when the opportunity of combining Finnish design with Chinese manufacturing knocks, the author is strongly confident in the cooperation.

While in the process of deciding the thesis topic, the authors found that in the current day modern people are more and more willing to shop online (Skarda 2010). This opens the doors for the authors to target more than just the Finnish market in the future. The combination of the two authors brings together knowledge of the Finnish market and innovative design with knowledge of Chinese potential and entrepreneurial mindset.

1.2 Objectives

The main objective of the thesis is to research the Finnish fashion market and to find an appropriate niche to satisfy an unfulfilled need of the Finnish consumer. With the research data that the authors will collect, they will then proceed to perfect their business idea. The secondary objective is to complete a viable business plan based on the business idea. As the business plan is a secondary goal, the authors will rather concentrate on the part of the business idea and some financial information.

1.3 Research Questions

The research questions are found in the list below. The first three questions focus on the niche market and the last three focus on business planning.

1. What is the niche market for the fashion brand?
2. What is the target group the authors plan to focus on with the niche market?
3. What kind of products will the fashion brand have?
4. How much financing is required to start up the business?

5. Where to find help and financing for the new business?
6. What is/are the distribution channels of the company?

1.4 Limitations

As the authors focus on a niche market within Finland, the first limitation is that research will only focus on the niche market. Within the niche market, the authors will have certain target groups, other target groups outside of the niche market will not be researched. The niche market aspect also affects the products; therefore, the authors will only focus on the products within the niche market.

The belief in Finnish design combined with the fact that the authors live in Finland, no other country is considered as the home of the design. Because of the personal ties to China, the authors will not research possibilities of manufacturing in other Asian countries such as Vietnam, India, Thailand nor Cambodia. It is assumed that the manufacturing in China is more profitable than manufacturing in Finland, even with customs formalities and shipping costs.

Since the primary goal of the thesis is to develop a strong business idea, all other aspects of the business plan will have less importance and therefore will not be studied. Yet all parts especially the financial part will be dealt with, but with less concentration than the business idea. It could be said that a preliminary business plan will be created.

1.5 Theoretical Framework

One of the first steps in starting up a business is to draw up a detailed plan; this is done so that the entrepreneurs themselves have a clear picture of their idea and also to attract financing (Blackwell 2011, 1). When looking at business planning from a theoretical point of view, there is no certain way to complete a business plan. The authors will consider several business models such as Hoffren's dynamic model, the business model canvas proposed by Alexander Osterwalder and atomic models of Weill and Vitale. The authors will first introduce each of these models and then decide upon one suitable for usage. To help in the decision process, the authors chose to use the decision matrix.

For the gathering and analyzing of the research data, the authors chose to use PESTEL analysis, Porter's Five Forces Analysis and SWOT Analysis. PESTEL Analysis will be used in the analysis of Finland, while Porter's Five Forces Analysis will be used to analyze the fashion industry in Finland. SWOT Analysis will be used to analyze the case company and competitors in Finland. The authors will now introduce the above mentioned analysis tools for later use.

PESTEL is an abbreviation of the words Political, Economic, Social, Technological, Environmental and Legal. It is hard to say anything about the PESTEL's history and it has several acronyms, because it has been in regular use for the past 10 years (CIPD 2010). There are several factors that affect the decision making of business when entering a new country. Therefore, to better analyze the country and make an informative decision, businesses are recommended to use the PESTEL analysis tool (Oxford University Press 2007).

Industries may appear on the surface quite different from one another but the underlying drivers to attain profitability are the same. Therefore, to better understand industry competition and profitability, one must analyze the industry's underlying structure in terms of the five forces determined by Porter (2008, 3). The below seen figure is a graphic presentation of Porter's Five Forces Analysis.

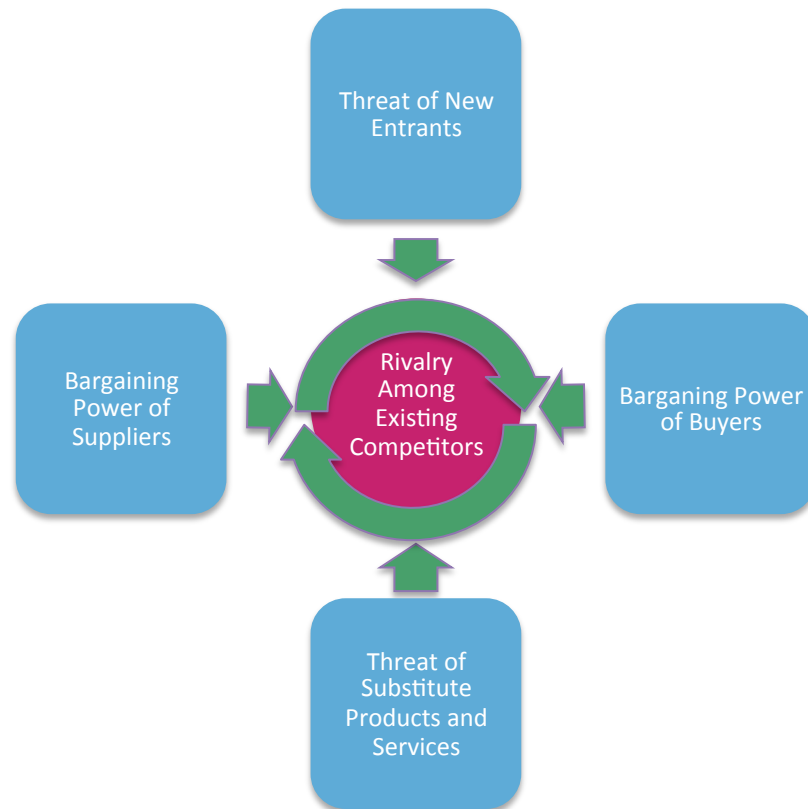


FIGURE 1. Porter's Five Forces Analysis (modified from Porter 2008).

SWOT analysis is often credited to Albert Humphrey, whom led a research project from which the SWOT tale begins (Dun & Bradstreet 2008, 35). SWOT is an abbreviation for the words Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis helps give businesses a clear view of their current strategy, which means to understand their internal strengths and weaknesses as well as their external opportunities and threats (Griffin 2007, 88). The authors find that the SWOT Analysis is a useful tool when analyzing information about the case company as well as its main competitors. The reason why the authors find SWOT Analysis such a useful tool is because: it does not require any special training to use, nor extensive marketing research data (Mehta 2000).

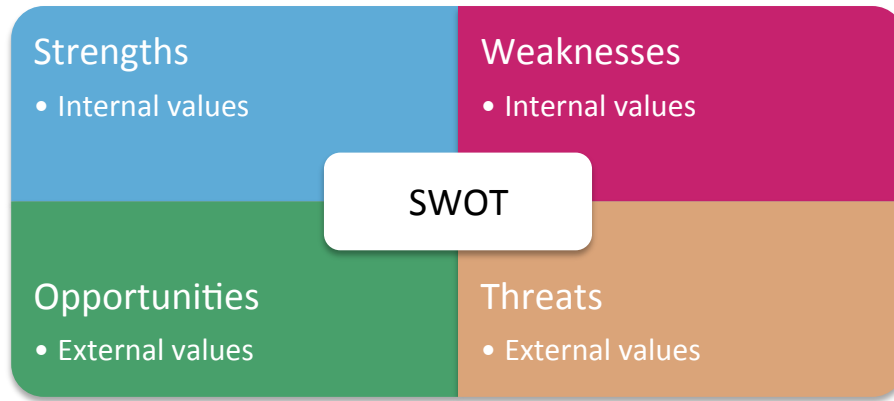


FIGURE 2. SWOT Analysis (modified from Dun & Bradstreet 2007)

The above seen figure is a modified graphic presentation of the SWOT analysis. The four categories are placed in the shape of a square with the internal values on the top and the external values on the bottom. The authors chose this style of presenting the SWOT Analysis as they find it to be quite simple and easy to read.

1.6 Research Method & Data Collection

An overview of the research methodology is presented below:

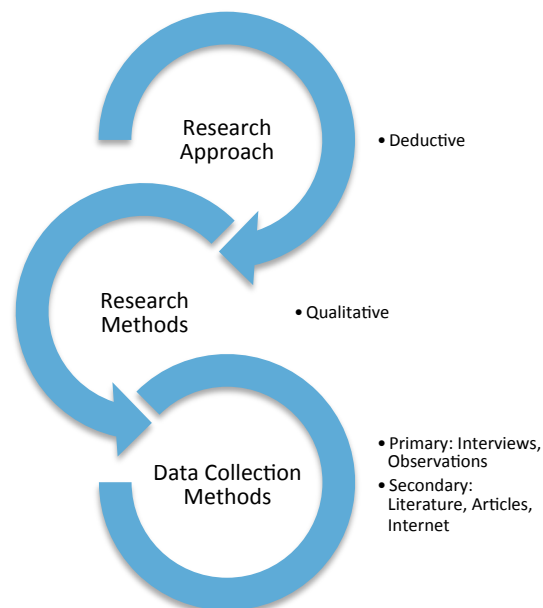


FIGURE 3. Research Methodology.

There are two broad concepts to reasoning in research: deduction and induction. The two approaches differ from each other enormously. A deductive research approach moves from a general idea to a more specific idea while inductive research approach moves from a specific idea to a generalisation (Burney 2008). The authors' primary idea of creating a business is a general one, and when it moves from creating a business in Finland to establishing a fashion brand designed in Finland and manufactured in China, a more specific approach is taken. From the contents and context of this research, it can be seen that the research approach of this study is deductive.

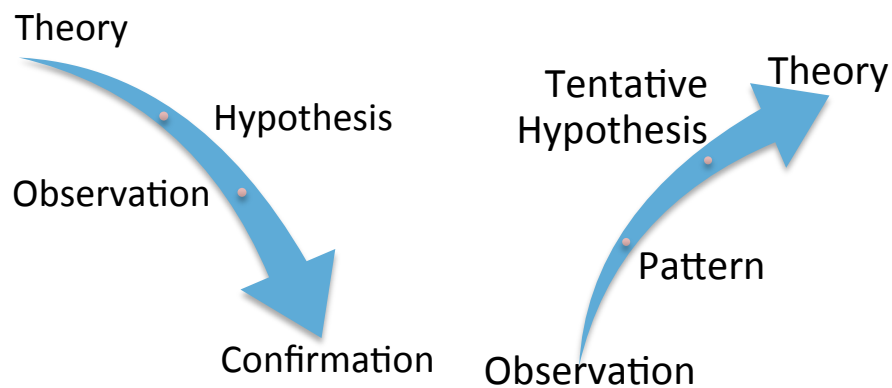


FIGURE 4. Deductive & Inductive approach (modified from Burney 2008).

In order to gather research data for this research, a suitable research method should be selected and applied. Qualitative research method, an approach that is used to observe and interpret reality with the aim of developing a theory, could explain what was experienced. On the other hand, the quantitative approach is used when beginning with a theory or hypothesis, which then will be tested for confirmation or disconfirmation of the hypothesis. (Newman & Benz 1998, 3.)

To answer the research questions of this study, interviews and desk research are primarily required due to the nature of the research questions. Since interviews and desk researches need to be interpreted and decoded to reveal the data; and qualitative research includes an “array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the

frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen 1979, 520-524), qualitative research method is chosen to be the research method.

Research data will be collected from both primary and secondary sources, by applying the chosen research method - qualitative research method, in various ways. Primary sources are mainly collected by authors’ observation and interviews as the empirical part. For the theoretical part, published sources such as literature, articles, journals and information gathered from Internet are used and considered secondary sources.

1.7 Structure of the Thesis

The following figure will demonstrate the structure of the thesis.



FIGURE 5. Structure of the Thesis.

The thesis is divided into two parts; a theoretical framework formed throughout chapters 2 to 4 and the empirical part of chapter 5. Chapter 2 will go through the theory of making a business plan and also how to create a successful business idea. In chapter 3, the authors will concentrate themselves on the different markets of Finland and China and analyze the Finnish fashion industry. In chapter 4, further knowledge about Finland and starting up a company will be gathered.

The empirical part starts from chapter 5 where the authors will complete a business plan for the start up company. The focus in chapter 5 will be on the business idea and marketing. In chapter 6, the authors will discuss about the findings and whether to take action on the business plan. Chapter 6 will also include further research questions for possible future studies. The final chapter, chapter 7, will be a summary of the entire thesis which key aspects are included.

2 BUSINESS IDEA & BUSINESS PLANNING

In the first part of this chapter, the authors will describe basic concept and building tools of a convincing business idea. In the latter part, the authors will go through in more detail the process of business planning and the tools needed.

Below is a figure that shows the flow of steps from a business idea to a established business.

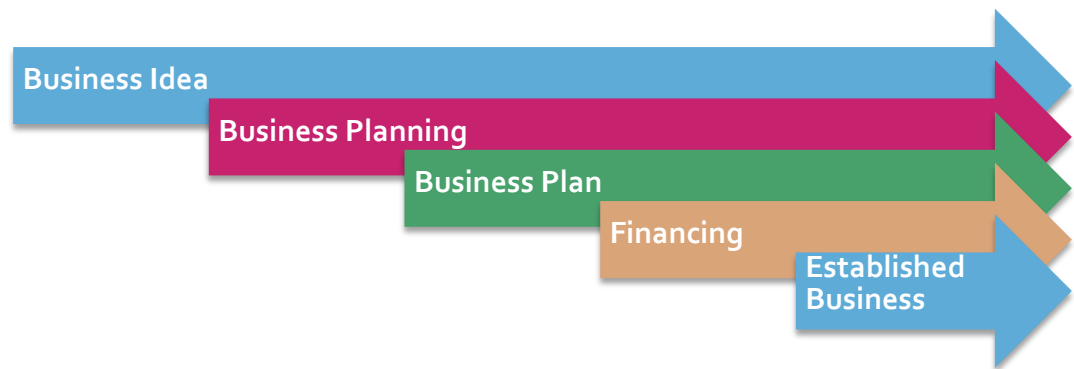


FIGURE 6. Business Idea to an Established Business (modified from Kurb et al 1998 and Uusyrityskeskus 2012).

2.1 Business Idea

It is said that without a business idea there is no business, as such the starting point of each business should be a convincing business idea. Yet it is important to see that the initial business idea is not the end of the creative progress but only the beginning. Many fail to understand that the idea itself needs to mature and develop before it can face the challenges of pursuing financing and the market.

(Kurb et al 1998, 20.)

According to McKinsey (2000, 37), to help the business idea stand out, especially in the eyes of investors, the following characteristics are needed:

- The need of the customers are fulfilled or/and a problem is solved
- It is innovative
- It is unique
- It has a clear focus
- It offers long-term profitability

Having the above-mentioned characteristics is not enough according to McKinsey (2000), as one needs to not only think of the investors but also the customers. Therefore, the business idea should also be able to answer the following questions that are determined by Kurb et al (1998, 41).

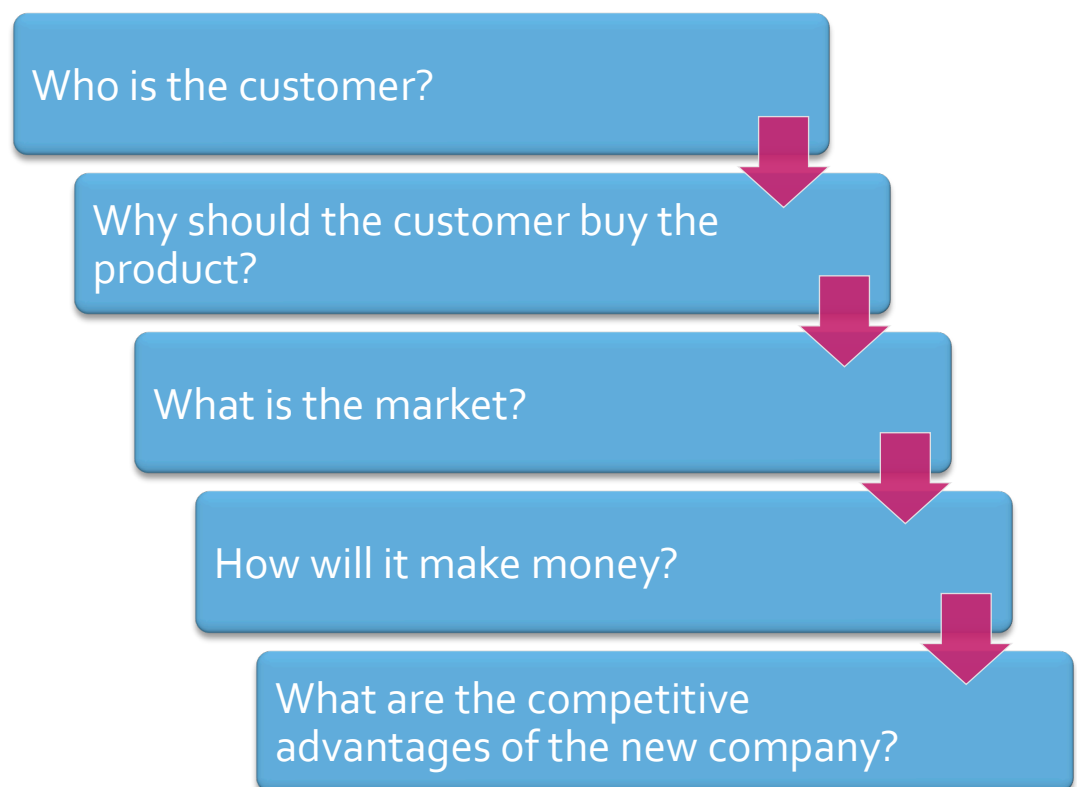


FIGURE 7. Building a Business Idea (modified from Kurb et al 1998).

Knowing who the customers are and why should they buy a product are essential questions, as customers buy a product because they want a need to be satisfied or a problem to be solved. Therefore, knowing which customers need the business idea will fulfill. There might be a case of the product not being exactly what the customers need; in this case, modification of the business idea or product is needed. (Kurb et al 1998, 41.)

Another aspect is to know the market that the business idea will be in, having similar products in a market can be considered proof of having real economic value. Moreover, most products make money directly, yet in some cases the process of making money can be more complicated. It is crucial to find the appropriate distribution chain for the business idea or product. Lastly, the new business needs to identify their strong point or competitive edge in the market, as in most cases the market already has existing rivals. (Uusyrityskeskus 2012, 10.)

2.2 Business Planning

Business planning is an essential key in developing a business so that it runs effectively and efficiently (Reading 2002, 7). In this chapter, the authors outline their understanding of the expressions and concept of business planning and its models. Later in the chapter, the authors will demonstrate the concept of a business idea.

As the term business planning itself intuitively suggests, it has something to do with business and planning. The online version of Cambridge Learner's Dictionary (2012) provides no results for the combined term but definitions for the two separate terms as follows:

“Business: the activity of buying and selling goods and services, or a particular company that does this, or work you do to earn money”

“Planning: the act of deciding how to do something”

By combining these two terms, a first understanding of business planning can be: the act of deciding how a company buys and sells goods and services to earn money. Business planning requires a business plan, as a business plan is the written form of business planning (Uusyrityskeskus 2012, 11). The planning of business includes a business plan that helps entrepreneurs and enables them to develop their business ideas systematically (McKinsey 2000, 47). It is said that a business plan is a guide for a company in the actions they have done and do in the future. For a start-up company, a business plan is based on research of the industry to figure out the best way to do business. To be a guide is not the only function of a business plan, as it will also give investors a clear view of the profitability of the company. (Pinson 2008, 1.)

As model is a “representation of something, either as a physical object which is usually smaller than the real object, or as a simple description of the object which might be used in calculations” (Cambridge 2012), the authors believe that business planning model is an abstract representation of the business idea of a company, and under the business idea, there exists an abstract comprehension of what the company offers, to which it offers this and how it can accomplish this to earn money.

2.2.1 Different Business Models

In this section, the authors explore and compare some of the existing business planning model literature such as Hoffren’s (2002) dynamic business idea model, Osterwalder’s (2010) business model canvas and the atomic business models of Weill and Vitale (2001). After having a through understanding of the matter, the authors will then select the most suitable business model in accordance with their business idea.

2.2.1.1 Hoffren's Business Model

Hoffren (2002, 1-39) presents a structure of a business plan, which contains a dynamic model for a business idea in his writings. The structure of the business plan includes: basic information of the business and the founder, dynamic business idea model, reasoning for the founding of the company and business idea, company objectives, need for financing, strategies for profitability, SWOT analysis of the business, conclusions and summary. Hoffren's (2002, 1-39) structure of a business plan is similar to other business plan theories, but the dynamic business idea model is unique. Therefore, the authors find it worth being taken into consideration as a possible theoretical framework.



FIGURE 8. The Dynamic Business Idea Model (modified from Hoffren 2002).

The dynamic business idea model constructs of six elements displayed as a figure. These six elements are as follows: market need, image, product/service, target group, mode of operations and resources consisting of physical, financial and human. With these categories, a business can clearly identify and represent their business idea. (Hoffren 2002, 10.)

2.2.1.2 The Business Model Canvas

The Business Model Canvas is a strategic management and entrepreneurial tool for developing new or documenting existing business models. It is a visual chart with nine elements describing a company's key partners, key activities, key resources, channels, value proposition, customer relationships, customer segments, cost structure and revenue streams. Business model canvas helps companies in aligning their activities by illustrating potential trade-offs. (Osterwalder 2010, 14-42.)

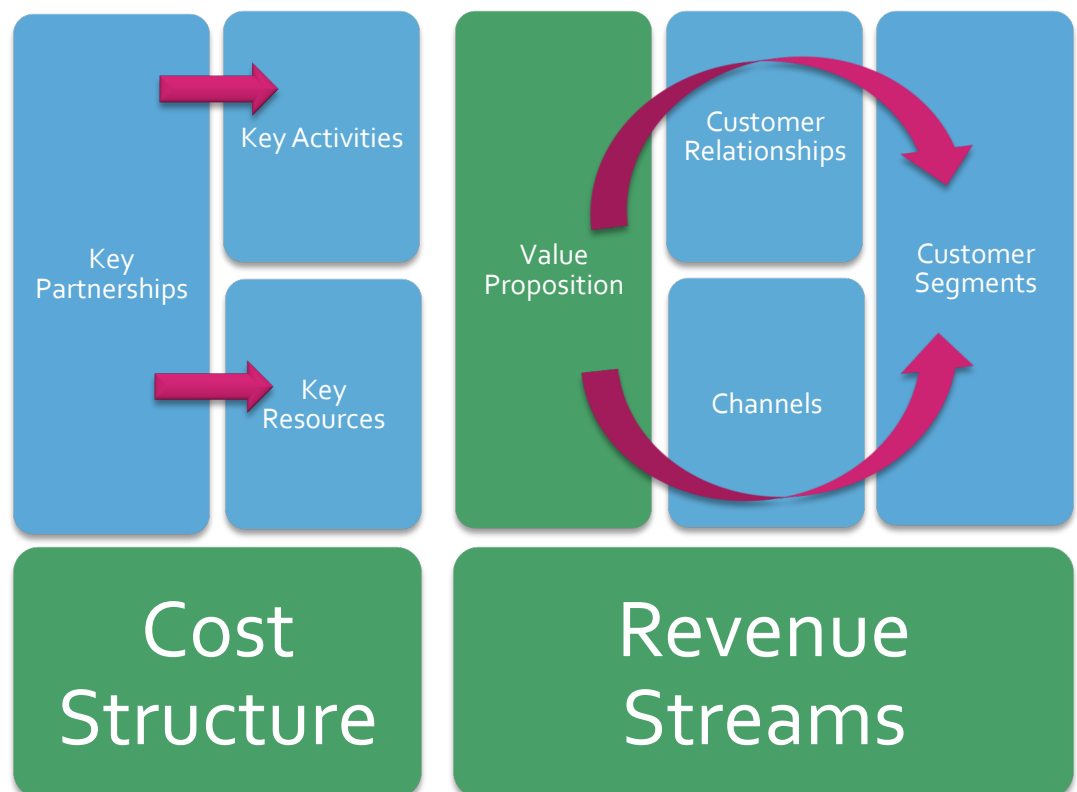


FIGURE 9. The Theory of Business Model Canvas (modified from Osterwalder 2010).

As Osterwalder illustrated in his writings, a blank canvas much like a painting canvas is where the picture of the company is painted. It is recommended to have the business model canvas of Osterwalder's (2010, 45) on a wall where the nine elements will be identified. The following figure is an example of the canvas to be placed on the wall.

<p>Key Partnerships</p> <p>Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?</p>	<p>Key Activities</p> <p>What key activities do our value propositions require? Our distribution channel? Customer relationships? Revenue streams?</p> <p>Key Resources</p> <p>What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?</p>	<p>Value Proposition</p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to customer segments? Which customer needs are we satisfying?</p>	<p>Customer Relationships</p> <p>What type of relationship are we expect to establish and maintain? How costly are they?</p> <p>Channels</p> <p>Through which channels do we reach our customers? How are our channels integrated? Which ones work best?</p>	<p>Customer Segments</p> <p>For whom are we creating value? Who are our most important customers?</p>
<p>Cost Structure</p> <p>What are the most important costs inherent in our business model? Which key resources or activities are most expensive?</p>		<p>Revenue Streams</p> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying?</p>		

FIGURE 10. The Business Model Canvas (modified from Osterwalder 2010).

2.2.1.3 Atomic Business Models

Weill and Vitale define their atomic business models as a description of the roles and relationships among a firm's consumers, customers, allies and suppliers and it identifies the major flows of product, information, and money, as well as the major benefits to participants (Vitale & Weill 2001, 39). In Weill and Vitale's business models, there are eight atomic business models. Each model describes a different way of conducting business electronically, and these atomic business models can be combined to form a business initiative.

Weill and Vitale (2001, 36) have developed a formalism to assist analyzing business initiatives, which they call e-business model schematic. The schematic is a graphical representation, aiming to highlight a business model's important elements. This includes the firm of interest, its suppliers and allies, the major flows of product, information and money and finally the revenues and other benefits each participant receives. By using such a representation, the authors intend to uncover major contradictions of a business model, emphasize the core competencies to implement the model, show the position of each player in the industry value chain, deduce the organizational form and IT infrastructure for implementation and reveal which entity owns the customer relationship, data, and transaction. (Vitale & Weill 2001, 42-54.)

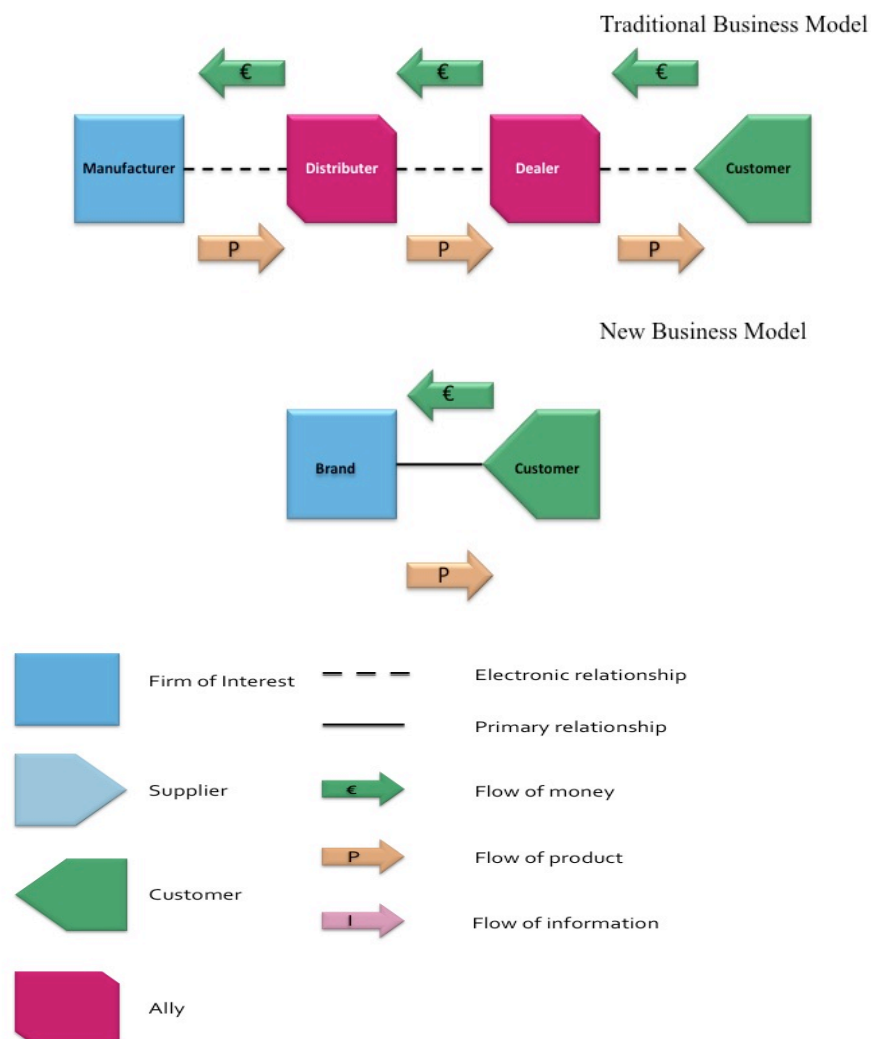


FIGURE 11. The Business Model Schematics (modified from Weill & Vitale 2001).

2.2.2 Business Model Conclusion

In choosing the appropriate business model, the authors used the decision matrix. In a decision matrix, the authors will choose appropriate criteria for the business models. The criteria are weighed according to the importance of the criteria and then the authors scored the models according to the scale they have chosen (Pugh 1996, 151-153). The criteria are as follows: usage in Finland, portrayal of a business idea, ease of use, clarity, displays important information as product, market and customer. The authors weighed the criteria so that business idea has the highest weigh and the display of information the lowest. The following table displays which model scored the highest.

TABLE 1. Business Model Decision.

Criteria	Weigh	Hoffren	Osterwalder	Weill & Vitale
Business Idea	5	3x5=15	1x5=5	1x5=5
Usage in Finland	4	3x4=12	2x4=8	1x4=4
Clarity	3	2x3=6	3x3=9	3x3=9
Ease of Use	2	2x2=4	3x2=6	1x2=2
Display of Information				
Product	1	3	1	1
Market	1	3	3	2
Customer	1	2	3	3
Total		45	35	26

The table shows that Hoffren's model scored the highest, followed by Osterwalder's and the lowest score was with Weill and Vitale's. Weill and Vitale's atomic models were clear in nature but lacked in the portrayal of the business idea. It is also important to point out that Weill and Vitale's models are most commonly used for the e-commerce business, as the authors have not yet defined their mode of operations, it is not wise to chose this model.

Osterwalder's model ranked closely to Hoffren's because it provides most of the criteria. Osterwalder's canvas model is clear, easy to use and displays the entire concept of the business, but lacks in displaying the business idea and product. In the case of the authors, their main point is to create a strong business idea and find the suitable product rather than create the entire business plan, therefore, this model would not provide the authors with valid information at this point of the business planning process.

Hoffren's dynamic business model scored highly in all of the criteria and most importantly focused on the business idea aspect. The main goal of this thesis is the business idea and the Hoffren model answers perfectly to the goal. Also the Hoffren model is often used in Finland to attract investment when considering financing, so in this case it meets the secondary goal of the thesis as well. Thus, Hoffren Business Model is chosen to be the business model which the authors will apply in the thesis.

3 FINLAND & CHINA AS BUSINESS PARTNERS

In this chapter, the authors will present some significant characteristics of China and Finland, and as well highlight some facts concerning the competitive advantages of both countries that the authors can take advantage of. Firstly, the authors will present facts about China's economy and the fashion industry. After this, the authors will move to analyze China with the PESTEL analysis tool, which will be followed by information gathered from an interview with a Chinese manufacturer. Secondly, the authors will present facts about Finland's economy and the fashion industry. PESTEL will be again used to analyze Finland after which the authors will provide examples of several Finnish companies' business models.

3.1 China

In this section, the authors will focus on the major aspects of China. The first important part is to give a clear view of the geographical factors of China, as they are important on an export level. The second important part is to take a look at the economy and for the third part to better understand the Chinese manufacturing industry.



FIGURE 12. Map of China (CIA World Factbook 2012).

China is situated in North-eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea and South China Sea. China shares a border with 14 countries, most importantly with Russia (CIA 2012). There is a railway connecting Finland and China through Russia. The Trans-Siberian Express connects Moscow and Beijing (Lewis 2004) while Tolstoi operates between Finland and Moscow. From the Finnish side, the train stops in several places as it departs from Helsinki and passes by Lahti and Kouvola (VR 2011). In the following table, the authors list important facts about China.

TABLE 2. Important Facts of China (modified from CIA 2012).

Full Name	People's Republic of China
Population	1,343,239,923 (July 2012 est.)
Capital City	Beijing
Total Area	9,596,961 km ³
Main Spoken Languages	Mandarin, Cantonese, Shanghainese
Major Religion	Taoist, Buddhist, Christian, Muslim
Unemployment Rate	6.5% (2011 est.)
Inflation Rate	5.4% (2011 est.)
GDP – Per Capita (PPP)	€ 6429 (2011 est.)
GDP – Real Growth Rate	9.5% (2011 est.)
Labor Force	819.2 million
Industrial Production Growth Rate	13% (2011 est.)
Exports	1.45 trillion (2011 est.)
Imports	1.27 trillion (2011 est.)
Main Exports	Electrical and other machinery, apparel, textiles, iron and steel, optical and medical equipment
Main Import partners	Japan, South Korea, US, Germany, Australia (2010)
Main Export partners	US, Hong Kong, Japan, South Korea, Germany

According to the CIA World Factbook (2012), ever since the end of the 1970s China has shifted from a closed, centrally planned system to a more market-oriented system. This shift was strengthened with the China's membership to the WTO in 2001 (European Commission 2011). The year 2010 was an important year for China, as it became the world's largest exporter and the second largest economy in the world just behind the US. Even today China is the leading manufacturer in several industries such as textiles and apparel industry, consumer

products industry including footwear (CIA 2012). The below table displays some rankings of China in EU imports.

TABLE 3. China's ranking in EU imports by product group (modified from the European Commission 2011).

Product Groups	Rank	Value (million euros)	Share of product in total (%)	Share of partner in EU Imports (%)
Manufacturers	1	272,549.0	96.5%	30.0%
Iron and steel	3	3,150.3	1.1%	12.0%
Chemicals	3	11,014.2	3.9%	8.0%
Other semi-manufactures	1	21,287.3	7.5%	28.5%
Machinery and transport equipment	1	144,988.7	51.3%	32.5%
Textiles	1	6,601.8	2.3%	32.5%
Clothing	1	30,512.7	10.8%	45.6%
Other manufactures	1	54,994.1	19.5%	40.3%

China is now an important challenge for EU, especially concerning trade policy. China has become the EU's second largest trading partner and the biggest source of imports. This implies that the two markets are closely entwined and that EU has contributed to the large export growth in China. With all this, EU is now more willing to open trading relations with China. The following figure shows the major imports from China to the EU and how they have changed during the years. (European Commission 2011.)

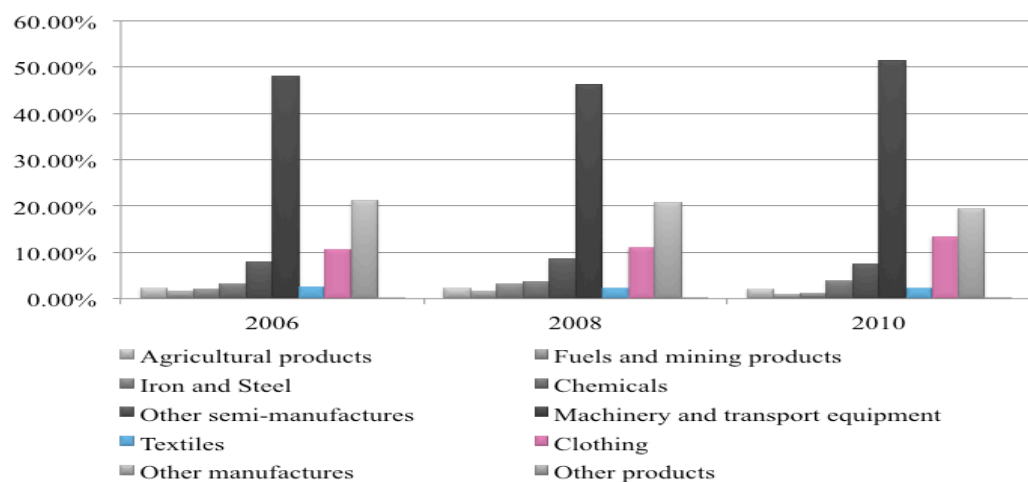


FIGURE 13. EU's Major Imports From China (modified from the European Commission 2011).

3.1.1 PESTEL Analysis of China

The following figure depicts the PESTEL analysis of China. It includes factors such as political, economical, social, technological, environmental and legal.

POLITICAL FACTORS

- **Constitutional system**
 - Socialist system in political system
 - Sole political party – Chinese Communist Party
 - Government has control on all activities
- **Stability of Government**
 - Moderate and stable government
 - Effective and non-transparent, complex and inconsistent policies, laws and regulations

ECONOMIC FACTORS

- **Business Freedom**
 - A member of WTO
 - Open and tight, some restrictions on foreign investments
- **Trade Freedom**
 - Loosened trade policy in export and import
- **Tax Policies**
 - Moderate Corporate Tax rate and high Income Tax rate
 - Encouragement to attract MNC and FDI
- **Monitory Freedom**
 - Moderate inflation rate
 - Mixture of free market and controlled market

SOCIAL FACTORS

- Extreme gap between the poor and the rich

TECHNOLOGICAL FACTORS

- Rapid development in science and technology

ENVIRONMENTAL FACTORS

- Regulations and laws in preventing and controlling pollution

LEGAL FACTORS

- Labour regulations hinder overall employment and productivity growth
- Non-salary cost of employment is high

FIGURE 14. PESTEL Analysis of China.

By analyzing China with PESTEL Analysis tool, the authors found out that for political factors, China has a socialist system in political system, it has a sole political party – Chinese Communist Party, and the government has control on all

activities. China has a moderate and stable government, it is effective and non-transparent, and it has complex and inconsistent policies, laws and regulations.

For economic factors, China is a member of WTO, it has open and tight business freedom and it has some restrictions on foreign investments. It has loosened trade policy in export and import, a moderate corporate tax rate, high income tax rate and a moderate inflation rate, it has a mixture of free market and controlled market, and it encourages attracting multinational companies and foreign direct investment.

For social factors, China has an extreme gap between the poor and the rich. For technological factors, China has a rapid development in science and technology. For environmental factors, China has regulations and laws in preventing and controlling pollution. For legal factors, China has labour regulations hinder overall employment and productivity growth, and the non-salary cost of employment is high.

3.1.2 Chinese Fashion Industry Preview

China Textile University (Gu 1999) led a research project that provided the authors with insight into the fashion and apparel industry of China. With the rapid progress in recent years, it has enabled China to have the largest apparel industry in the world. This is mostly due to the fact that China has a large and cheap labor force and an ample supply of raw materials. Therefore, the apparel industry is one of the pillar industries in China. As shown in previous figures and tables, China is the leading exporter especially in the field of fashion and has an important role in the global textile economy (Gu 1999). The reasons for China to be the leading exporter in the field of fashion are due to these facts: low labor cost, massive inflows of foreign investment and technological expertise and a depreciated exchange rate (Biselli 2009).

EU used to limit trade with China by imposing protectionist policies, but the Multi Fibre Agreement expired in 2005 and now China is not subjected to export quota

limitations (Biselli 2009). The rise of new emerging apparel exporting countries and the increase in labor costs in the coastal areas due to the improved living standards are threats to the Chinese apparel industry. These changes caused the apparel industry to be in a transitional phase both in institutional, structural and geographical factors now. The manufacturing in China is dominated by mass-production of basic items, yet with changing consumer demands the industry has had to gradually initiate new technologies for designing, manufacturing and merchandising (Gu 1999). According to Wang, a marketing director of a Chinese textile company, it is quite easy for foreign companies to find and establish a relationship with Chinese subcontractors, since Chinese companies would love to attract foreign investment and perform internationally, and Chinese companies are capable to offer foreign investors what they are looking for. It is beneficial to both Chinese manufactures and foreign investors (Wang 2012).

3.2 Finland

In this section, the authors will focus on the major aspects of Finland. The first important part is to give a clear view of the geographical factors of Finland, as they are important on an import level. The second important part is to take a look at the economy, and for the third part to better understand the Finnish fashion industry.



FIGURE 15. Map of Finland (CIA World Factbook 2012).

Finland is situated in Northern Europe, borders the Baltic Sea and the Gulfs of Bothnia and Finland. Finland shares its border with Russia, Sweden and Norway. Finland is located between Russia and Sweden. (CIA 2012.)

TABLE 4. Important Facts of Finland (modified from CIA 2012).

Full Name	Republic of Finland
Population	5,393,139 (August 2011)
Capital City	Helsinki
Total Area	338,145 km ³
Main Spoken Languages	Finnish, Swedish
Major Religion	Christianity
Internet Users	4,394,000 (2010)
Unemployment Rate	7.7% (2011 est.)
Inflation Rate	3.3% (2011 est.)
GDP – Per Capita (PPP)	€ 29,079 (2011 est.)
GDP – Real Growth Rate	2.7% (2011 est.)
Labor Force	2.676 million
Industrial Production Growth Rate	13% (2011 est.)
Exports	64.8 billion (2011 est.)
Imports	61.33 billion (2011 est.)
Main Exports	Machinery and electronics, paper and paper products, chemicals
Main Imports	Foodstuffs, petroleum and petroleum products, chemicals, transport equipment, iron and steel, machinery, textile yarn and fabrics, grains
Main Import partners	Russia, Germany, Sweden, Netherlands, China
Main Export partners	Sweden, Germany, Russia, US, Netherlands, China, UK

Finland is highly industrialized and it has a largely free-market economy. Finland relies highly on trade as exports account for over one third of the GDP in recent years. Finland has a strong competitive edge in manufacturing especially in the wood, metal, engineering, telecommunications and electronics industries. Finland's strong point in exports is high-tech products such as mobile phones. Not including timber and several minerals, Finland depends on imports of raw materials such as energy and some components for manufactured goods. The climate in Finland limits the agricultural development and therefore, maintaining self-sufficiency is only possible with basic products. The forestry industry is an important export earner but also it provides a secondary occupation for the rural population. (CIA 2012.)

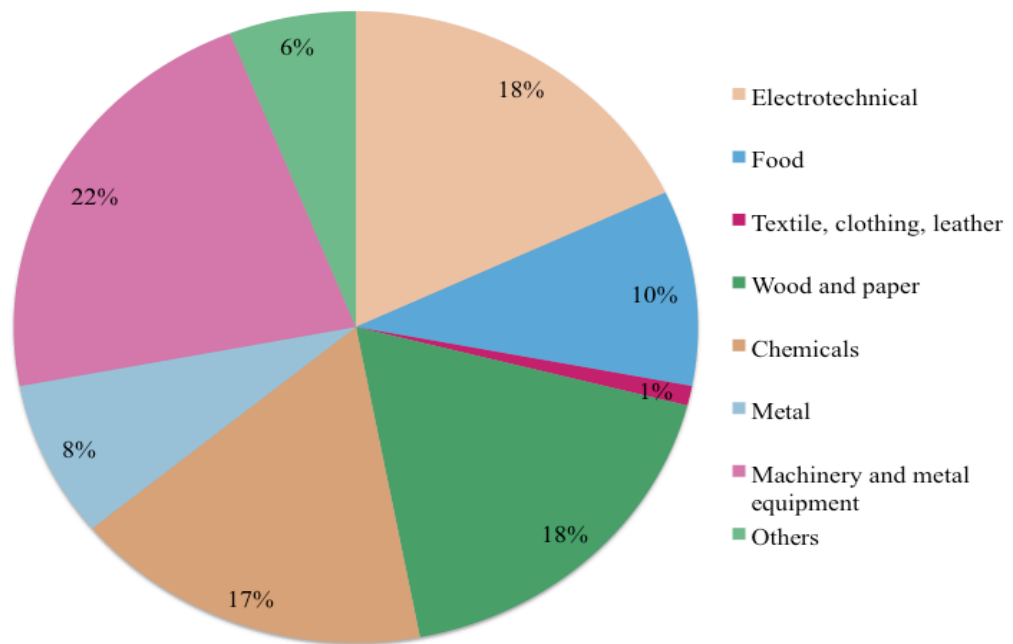


FIGURE 16. Industry production in Finland 2010 (105 mill. €) (modified from Finatex 2011).

Finland had one of the best economies within the EU in recent years and its financial markets avoided the worst of the global financial crisis. Yet as the world suffered from the crisis, it also hit Finland with exports and domestic demand in 2009, with this Finland experienced one of the deepest contractions in the euro zone. Luckily, a recovery of exports, domestic trade and household consumption helped the economic growth in 2010. The recession left a permanent mark on government finances and debt ratio, turning previously strong budget surpluses into deficits that will remain in deficit during the next few years. A great challenge for economic policy will be to moderate a possible recession in 2010. In a longer-term view, Finland will have to address its rapidly aging population and decreasing productivity that will threaten competitiveness and economic growth. (CIA 2012.)

3.2.1 PESTEL Analysis of Finland

The following figure depicts the PESTEL analysis of Finland. It includes factors such as political, economical, social, technological, environmental and legal.

POLITICAL FACTORS

- A member of EU
- Modern, competitive and transparent economy with vibrant information and communication technology sector.

ECONOMIC FACTORS

- Euro as currency
- High level of economic freedom.
- World leader in business freedom, trade freedom, property rights.
- Prudent and sound banking practices
- Open to Foreign Direct Investment
- Moderate tax rates
- High level of overall taxation

SOCIAL FACTORS

- Aging population and shrinking work force

TECHNOLOGICAL FACTORS

- Companies and consumers are early adopters of emerging technologies
- Cutting edge expertise in several high tech clusters
- Specializing in wireless and mobile solutions

ENVIRONMENTAL FACTORS

- Four distinct seasons, cold and snowy winter
- Air pollution from manufacturing and power plants contributing to acid rain
- Water pollution from industrial wastes, agricultural chemicals
- Habitat loss threatens wildlife populations

LEGAL FACTORS

- Efficient and transparent regulatory and legal environment
- Restrictive labor regulations
- Non-salary cost of employment is high
- Dismissing employees are costly
- Restrictions on work hours are rigid
- Property rights are well protected
- Contractual agreements are strictly honoured

FIGURE 17. PESTEL Analysis of Finland.

By analyzing Finland with PESTEL Analysis tool, the authors found out that for political factors, Finland is a member of European Union, and it has a modern, competitive and transparent economy.

For economic factors, Finland has a high level of economic freedom; it is a world leader in business freedom, trade freedom and property rights. It has prudent and sound banking practices, it is open to foreign direct investment, it has a moderate tax rate and it has a high level of overall taxation.

For social factors, Finland has an aging population and shrinking work force. For technological factors, companies and consumers in Finland are early adopters of emerging technologies, Finland has cutting edge expertise in several high tech clusters and it is specializing in wireless and mobile solutions.

For environmental factors, Finland has four distinct seasons, in particular a cold and snowy winter. For legal factors, Finland has efficient and transparent regulations and legal environment, and the contractual agreements are strictly honoured. It has restrictive labour regulations. The non-salary cost of employment in Finland is high, the restrictions on work hours are rigid, and dismissing employees in Finland are costly.

3.2.2 Finnish Fashion Industry Preview

The textile and clothing industry in Finland produces textiles and clothing for consumers as well as supplies for other industries. In the industry, there are a lot of small medium sized companies that employ locally. Among these, there are a lot of family companies that have been creating the success of the Finnish society for many generations and are still continuing their work (Finatex 2012). Large portions of the produced clothing products are exported. The most important export partners are Russia, Germany and Sweden. (CIA 2012.)

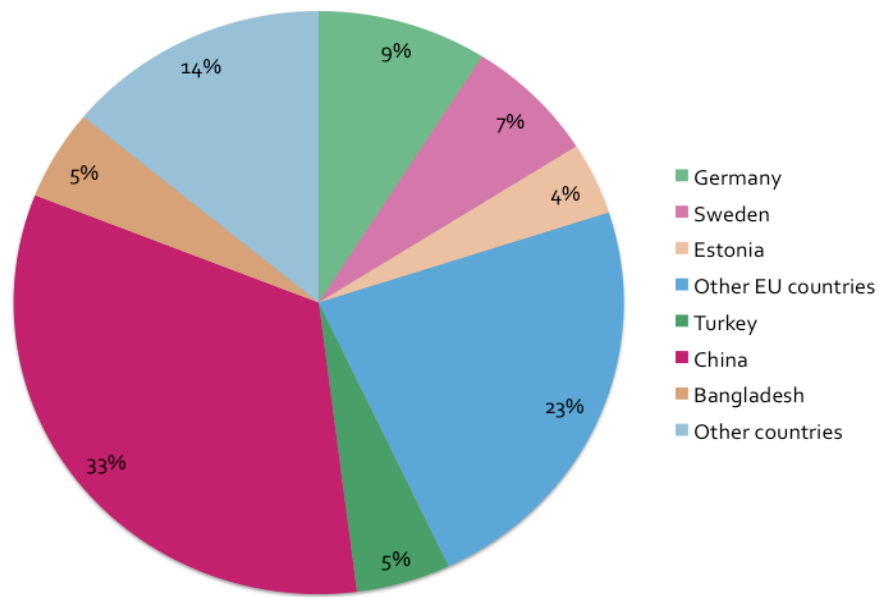


FIGURE 18. Import of Textiles and Clothing from Finland (modified from Finatex 2012).

The Finnish textile and clothing industry produces the following products for consumers: yarns, fabrics, knits, socks and tights, knitwear, household textiles and camping accessories. The clothing industry focuses on making tricot, fabric, leather and fur garments as well as accessories for the consumers. The clothing industry manufactures knit and fabric clothing for everyday and special occasions as well as sports and activity clothing for different activities. Work clothing manufacturers produce professional and protective clothing for the fields of hotel and restaurants, hospital staff as well as fireman and builders. Also high quality leather and fur clothing are produced. (Finatex 2012.)

The products manufactured for companies and institutions covers gauzes, bandages and other hospital and sanitary products. The supplies produced for industry includes nonwoven, wadding, coated fabrics, glass fiber fabrics, press felts for paper machines and other technical textiles. (Finatex 2012.)

Finnish people are very in tune with design. Finns pack up their kitchens with Arabia tableware and Iittala glassware while the textiles of the homes are Marimekko and tables usually are graced with Alvar Aalto vases. Yet Finns do not notice this fact, rather they notice the lack of it. Finnish design as a whole has

a great role in lives and the clothing industry is no different. Like all design industries of Finland, even the clothing industry has raised their international profile. Yet as fashion is an ever-changing field, in many ways Finland, unlike its Nordic neighbors, has tended to beat its own path (Kolehmainen & Veinola 2012). The first to do so was Marimekko (2011) with its bright and colorful designs, which were closely followed by IVANA Helsinki, L-Fashion Group and Halti to name a few (Kolehmainen & Veinola 2012).

One of the challenges facing entrepreneurs in the fashion field is having a unique idea. Consumer demand has gone towards innovative such as recycled fabrics, technological clothing, prolonging clothing life cycle, consumer designing the products and so on. Problems arise in the actual implementation of these ideas. Hot trends of today are crowdsourcing and producerism. (Hautaniemi 2010.)

The authors chose to take a deeper look at the business model of X Group and Chao & Eero Jewel. X Group was chosen, as they design their products in Finland and manufacture them in China. Chao & Eero Jewel was chosen, as they use Internet as a means of sales.

3.2.3 Finnish Fashion Industry Porter's Five Forces Analysis

In the following part, the authors will analyze the Finnish fashion industry using the Porter's five forces analysis. While analyzing the fashion industry with Porter's five forces analysis, the authors came to the conclusions found in the below figure. The authors analyzed the industry with using a basic product as their starting point.

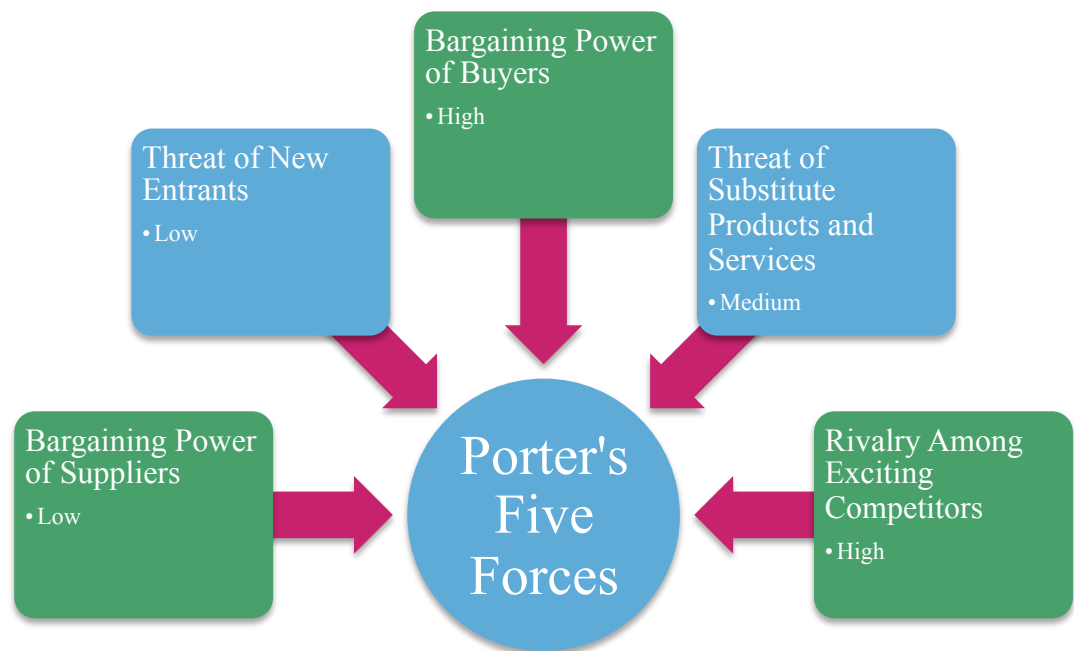


FIGURE 19. Porter's Five Forces Analysis for Finnish Fashion Industry.

The bargaining power of suppliers was found to be low, as it is quite easy to change the supplier and produce products in countries where the production costs are low. Yet if one company wants the products to be manufactured in Finland, then the bargaining power of suppliers is not as low and it will be at medium level.

The threat of new entrants was found to be low, as at least in Finland even though many can study to be a clothing designer, not that many end up selling their clothes in traditional stores. Also as the authors were looking at basic products, not that many designers end up designing basic product but rather specialized clothing. Yet the authors noticed that it is quite easy to establish a company online that sells clothing, as there is a varied selection of online stores from Finland that the authors previously had not known about, though these online stores focus more on importing products from UK and US.

The bargaining power of buyers was found to be high, as when considering basic products, most people would rather buy cheap products. So for them it is easier to

switch to another company. Yet if a company's products are not just basic ones and it can offer something no one else has, then the situation is different unless the product can be easily substituted.

Threat of substitute products and services were found to be medium within the basic products, as currently there are only a few stores that supply consumers with basic products and they all vary in selection in some way. Although with basic products the level is at medium or high, when a company provides products more specialized to the customer, the level still remains at medium, as there are several stores that offer for example gowns designed for the customer.

Rivalry among existing competitors is seen as high, as for basic clothing there are several companies providing these products and their prices are low. When considering product specially designed for a consumer, there is also a high competition level, as it is easy to find a seamstress to make dress or clothing for a certain consumer. Therefore, one could assume that there would be a need for low priced clothing that is designed exactly to meet the consumers' needs.

3.2.4 Business Models of Existing Companies

In this section, the authors will discuss some real life example companies. These companies were selected as they both function in the Finnish fashion industry and possess two different ways of doing business. The main reason the authors chose to interview these two different companies was to broaden their view on the fashion industry and to establish a suitable business model for the case company.

3.2.4.1 X Group Model

The authors interviewed Ms X, a purchasing manager at X Group, and the obtained information is presented as below:

X Group is one of the biggest clothing manufacturers in Scandinavia which makes a turnover of about [REDACTED] million Euros and employs [REDACTED] people. The company was founded in [REDACTED] in [REDACTED], where the company head office is currently located. (X 2012.)

Under X Group, there are several brands, and the most famous brands are [REDACTED]. The main export countries for X Group's products are Germany, Russia, Sweden, Holland and France. (X 2012.)

X Group's products are designed by designers, clothing engineers and patent coordinators in Finland, while manufactured by its subcontractors in China. X Group has its own office and warehouse in Suzhou, China. In the first place, X Group's subcontractors in China receive design sketches from X Group, make sample of the sketches, and then send them to X Group Suzhou office to be checked. Suzhou office will make improvements and send the information back to the subcontractors. Later on the subcontractors will make prototypes and give them to Suzhou office, after which Suzhou office will have prototype meetings with X Group head office in Finland, to make changes and improvements to prototypes. Once the improvements are made, the subcontractors will start to manufacture final samples which X Group's sales representative sell all over the world. (X 2012.)

As soon as X Group gets production orders from its clients, the manufacturing process starts. When production is ready, it goes to X Group's Suzhou warehouse, Suzhou office will collect the clothes in styles according to the orders of the clients, then ship all the products for European clients to X Group's distribution center in [REDACTED], Finland by sea, which will take up to six weeks. Later on the distribution center will forward the products to the European clients in two weeks

by trucks or using express logistics services from DHL or UPS. However, Russian clients will get the products directly from X Group's Suzhou warehouse by train, and urgent orders are shipped by air. From the first picture to get products in the stores, the whole process takes around two years. (X 2012.)

X Group has many kinds of clients, some of which are retail stores, some of which are shopping mall chains, and some of which are supermarkets. However, X Group has no own retail stores in Europe. (X 2012.)

3.2.4.2 Chao & Eero Jewel

The authors interviewed Eero Hintsanen from Chao & Eero Jewel. Chao & Eero Jewel is a Lahti based jewelry brand run by Master smiths Eero Hintsanen and Chao-Hsien Kuo. Their story starts from 1999 when Eero started his own sole proprietorship and then led to the establishment of Chao & Eero Jewel in 2005. It has not been an easy ride for them as they look back on their journey. In the beginning, Eero's only idea was that a goldsmith should have a goldsmith store. Even their pricing strategy was simply that the products selling price would just cover the raw material cost, after which they were surprised by other costs such as insurance, pension and other necessary payments. Everything was a learning process for them. Luckily, they managed to overcome their difficulties and now they are quite successful. (Eero 2012.)

In the beginning, they had their actual store in the center of Lahti in which they performed all the normal things goldsmith stores do, such as fixing broken jewelry and so on. Yet as Eero pointed out, it is like being a plastic surgeon he trained for 10 years to only put bandages on people's cuts. As their knowledge about business planning grew, they realized that having a store just did not match their goals, thus they sold their property and relocated to a studio still within the Lahti city, where they work on their collections. Sales and marketing of their products are now mainly online yet they have the studio where they create their jewelry and meet customers by appointment if so requested. (Eero 2012.)

The evolution of their company showed the unfortunate reality of the Finnish market, it is too marginal. Most of the revenues Chao & Eero Jewel gains are from abroad, which amounts to 90% of the sales, rather than Finland. Besides online sales, their products are also distributed in design shops in Australia, Canada, Finland, Japan, Hong Kong and Switzerland. Currently the company is most successful in its Japanese market, where Finnish design is highly appreciated and demanded. Following their success in Japan, they have now expanded with opening their own retail store in Kyoto, Japan this spring. The company chose to change their name to better suit the Japanese market, as their current name is too demanding for the Japanese customers. (Eero 2012.)

Eero declared quite clearly that the products were created rather than manufactured, as they themselves make every single one of their jewelry. This is one of the important parts of their current strategy and company story. In Finland, to sell products in volume would mean to demote a product to the level of mass stores such as Valintatalo, Sokos and so on, according to Eero. The company owners are quite happy with their situation and size now and state that they will not relocate from Lahti. Lahti for them is logistically well situated, big enough to have all the needed services for companies but small enough to use a bike to get around, and on the other hand, their current studio has a reasonable rent and is large enough. (Eero 2012.)

4 FINLAND AND ENTREPRENEURSHIP

This following chapter is about the business environment and the entrepreneurial environment in Finland. In the business environment part, the authors will present some facts and rankings of doing business in Finland. In the entrepreneurial environment part, the authors will take a look at entrepreneurship in Finland as well as the steps required to start up a company. Last but not least, the authors will list some of the supporting organizations for entrepreneurs in Finland.

4.1 Business Environment

Finland has an advanced industrial economy with a flourishing private sector and a business environment that is highly encouraging for private investment. The government in Finland is friendly towards businesses and the infrastructure is developed, as Finland has a skilled workforce and competitive operating costs (Invest in Finland 2012). Bureaucratic regulations are minimal and Finland is one of the least corrupt countries in the world, and it also shares the 4th place with Sweden on Transparency International (2010) corruption perceptions index. Privately owned companies can benefit from government investment incentives and it is as well said that a company can access to latest research from the cooperation between Finnish universities and the private sector (Invest in Finland 2012).

TABLE 5. Rankings of Finland (modified from World Bank 2012).

Survey	Organization	Year	Ranking	Out Of
Globalization Index	A.T. Kearney/ Foreign Policy Magazine	2007	18	72
Index of Economic Freedom	Heritage Foundation/The Wall Street Journal	2010	17	179
World Competitiveness Yearbook	IMD International	2010	19	58
World's Best Countries	Newsweek	2010	1	100
Corruption Perceptions Index	Transparency International	2010	4	178
Global Competitiveness Index	World Economic Forum	2010-2011	7	139
Starting A Business	The World Bank	2012	39	183
International Logistics Performance Index	The World Bank	2010	12	155
Tax Misery & Reform Index	Forbes	2009	9	66

While looking at countries stability, one often refers to the ratings of such agencies as Fitch Ratings, Moody's and Standard & Poors (Invest in Finland 2012). In July 2011, Fitch along with the two other agencies awarded Finland with the AAA long-term credit rating with the statement of stability (Valtiovarainministeriö 2011). Yet these ratings are tied to bond credit and such financial matters, which do not simply give the whole picture of the market. Help for entrepreneurs are found in several places, from governmentally owned agencies to private organizations. As Invest in Finland (2012) stated: "Finland is a country where everything works".

Finland has a highly educated and skillful workforce, which is evident from the recent years praise of Finnish education. Programme for International Student Assessment (PISA 2012) is an organization that was started in 2000 and every 3 years tests the skills of 15-year old students in most countries of the world. Ever since 2000, Finland has ranked in the top and in 2009 Finland ranked as the 3rd behind Shanghai and Korea and followed by Singapore and Canada. (PISA 2012.)

Finland's location offers the opportunity to expand to the markets of Northern Europe, which is a market of 80 million consumers (Invest in Finland 2012).

Finland shares its railway gauges with Russia, which makes it the great gateway to the Russian market (VR 2012). To access other parts of Europe, avoiding the usage of sea routes is quite impossible because of Finland's geographical location.

4.2 Entrepreneurial Environment

In 2009, there was an estimated 266 000 businesses in Finland. The amount of businesses is seen as the activity of entrepreneurs. During the years 2005-2008, there was a sharp rise in businesses in Finland, but in the end of 2008, the number started to decline due to the economic situation of the world. From the following figure, the amount of new companies registration per year can be seen. It follows in the same direction as the amounts of businesses. (Ministry of Employment and Economy 2010, 9-12.)

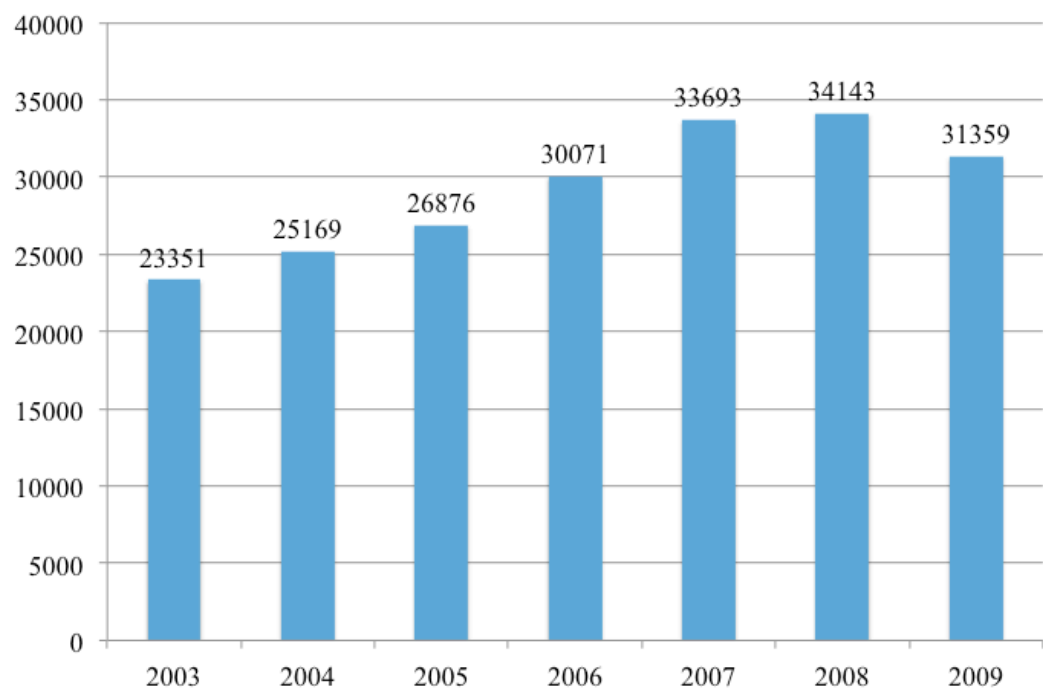


FIGURE 20. New Companies Registration (modified from Ministry of Employment and Economy 2010).

The Global Entrepreneurship Monitor (2010, 18) classifies Finland as an innovation driven economy and lists the ratio of new business ownership and

established business ownerships, in which Finland ranks somewhat highly in its classification. In the following table, the list of Finland's rankings compared with rankings of other countries in the same classification can be seen.

TABLE 6. Innovation Economy Ratios (modified from Global Entrepreneurship Monitor 2010).

Countries	New Business Ownership Ratio	Early Stage Entrepreneurship Activity	Established Business Ownership Ratio	Discontinuation of Businesses
Australia	4.0	7.8	8.5	2.7
Belgium	1.4	3.7	2.7	2.0
Denmark	2.2	3.8	5.6	1.7
Finland	3.4	5.7	9.4	1.8
France	2.3	5.8	2.4	2.5
Germany	1.8	4.2	5.7	1.5
Japan	1.8	3.3	7.4	1.5
Korea	4.8	6.6	11.2	1.6
Norway	3.4	7.7	6.7	2.6
Sweden	2.6	4.9	6.4	2.9
UK	3.3	6.4	6.4	1.8
USA	2.8	7.6	7.7	3.8

Yet according to Hautaniemi (2012), in Finland people are enormously afraid of bankruptcy, while in the United States a person is not considered an entrepreneur if they haven't gone bankrupt five times. This is as well seen in the fact that people will rather wait until they have gathered enough information and experience until they set up their own company. Thus, the age to start up a company is high around 35 to 45. Fear is not only on the individual level but also on the level of organizations supporting entrepreneurs; they too worry about losing their money. People with outrageous ideas are often shut down by even taxation and other factors; it is too hard to start up a company without a concrete idea. (Hautaniemi 2012.)

4.2.1 Steps to Start up a Company

The World Bank ranked Finland in starting a business as 39 out of 183 economies. This rating comes from the fact that starting up a business only requires 3 procedures, that will take up 14 days and will cost 1.1% GNI per capita. (The World Bank 2012.)

TABLE 7. Starting a Company (modified from The World Bank 2012).

Procedure	Time to Complete	Associated Costs
Deposit the paid-in share capital in a bank; pay the registration fee and get a receipt	1 day	No charge
Submit a single start-up notification form to the NBPR (National Board of Patents and Registration) and the Tax Administration.	5 working days to 3 weeks	350 €
File at a private insurer for pension insurance, accident insurance, and medical insurance of employees	1 day	No Charge

According to Uusyrityskeskus (2012, 9), these are the main steps in starting up a company. Many of the steps can and should be done simultaneously. The authors will take a closer look at these steps, but only complete the first two steps.

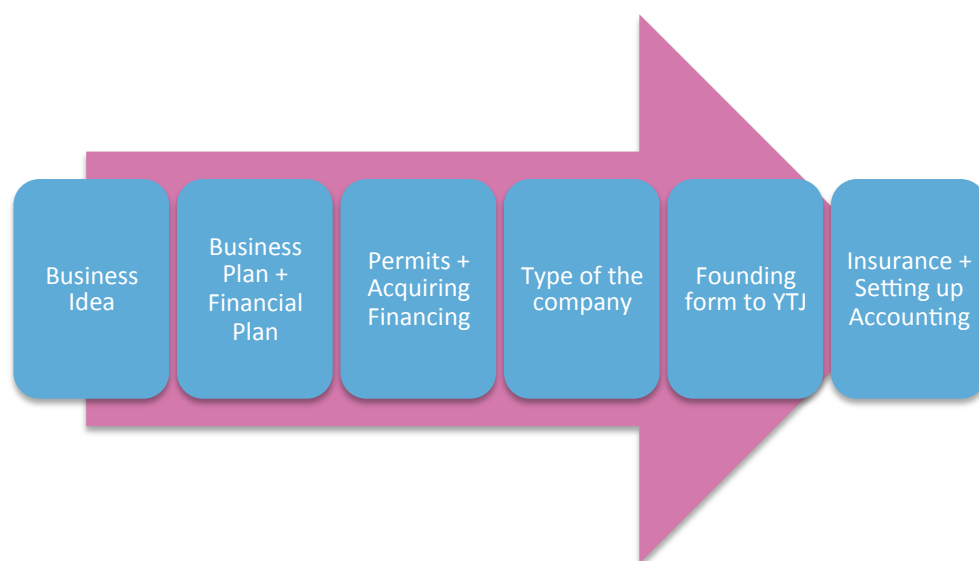


FIGURE 21. Starting up a company (modified from Uusyrityskeskus 2012).

Everything starts up from a business idea, as the authors have earlier discussed. Business planning has also been discussed earlier, so the authors can directly jump to step three. The third step is to find out what kinds of regulations and permits the company needs to take into consideration to do business in their selected field. In this phase, it is as well important to start to acquire financing, especially if the start up company needs financing from outside sources. The next step is to find out which type of business the company will be. In Finland, the business types are:

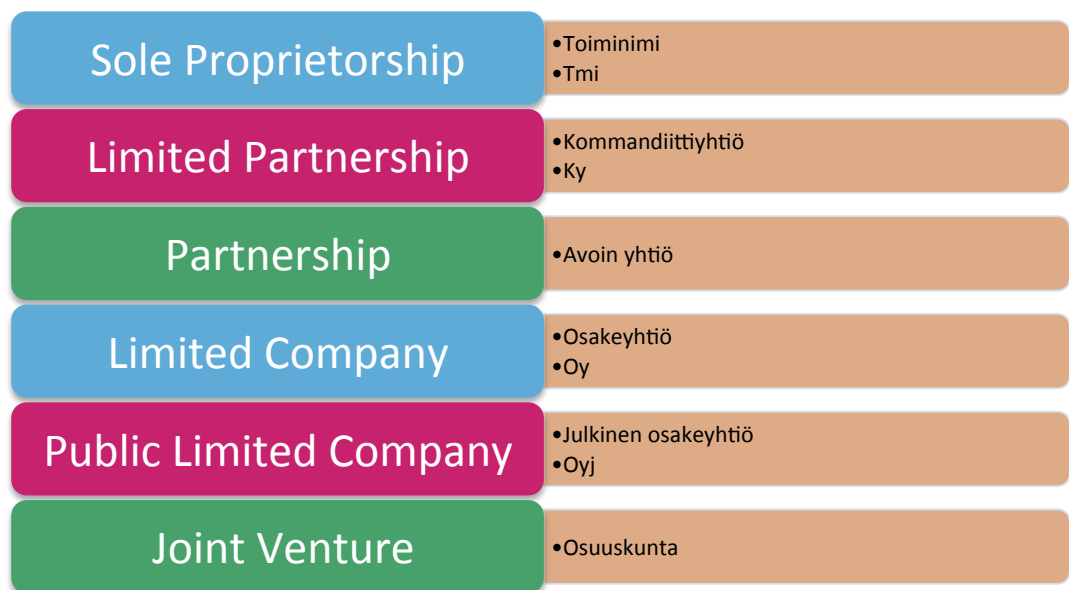


FIGURE 22. Company types in Finland (modified from Uusyrittyskeskus 2012).

Each of the different types of companies has specific details to taxation and policies. After choosing the type of company, the business owners will send the founding registration form to the Business Information System (Yritys- ja yhteistietojärjestelmä) with the same form the registration will go to the Register of Foundations (Kaupparekisteri) and to the Finnish Tax Administration (Verohallinto). Both the Business Information System and Register of Foundations are organizations under National Board of Patents and Registration. Once all the steps of the registration process are done, the company should settle their insurance and set up their accounting, as the law states.

4.2.2 Supporting Organizations for Entrepreneurs

In this part, the authors will take a look at some of the organizations in Finland that support entrepreneurs. The authors will chose the organizations that best suit the need of the case company. It is especially important for the authors to use the help of these organizations, as the authors lack all information needed.

4.2.2.1 Finnvera

Finnvera is an organization that provides financing for the start, growth and internationalization of businesses and offers guarantees against the risks of export. Finnvera helps the competitiveness of Finnish businesses by offering loans, domestic guarantees, venture capital investments, export credit guarantees and other services associated with the financing of exports. Risks with the financing are shared between Finnvera and other providers of financing. Finnvera is a company specialized in financing and owned by the government of Finland, and it is the official Export Credit Agency (ECA) of Finland. (Finnvera 2012.)

Finnvera strives to give comprehensive financing solutions that include Finnvera services as well as other public and private organizations services. One of the main functions of Finnvera is the guarantee against political of commercial risk associated with exports. These risks include risks that occur from the economic or political situation in the country where the Finnish company has customers. Commercial risks are related to either the buyer or to the buyer's bank. (Finnvera 2012.)

Finnvera's operations are guided by the industrial and ownership policy goals laid down by the government of Finland. Some of these goals are as follows: increasing the number of start up companies, enabling financing for changes faced by small medium sized companies, and promotion of growth, internationalization and exports. Within Finnvera's operations, it is expected to obey the principle of economic self-sustainability. (Finnvera 2012.)

TABLE 8. Key Figures of Finnvera (2012).

Outstanding Commitments	Amount
Domestic Financing	€ 3.0 billion
Export Financing	€ 10.4 billion
Customers	29 900
Employees	400

Finnvera obtains its funds needed to granting credit to small medium sized companies from the financial market. The European Investment Bank is a major lender. Finnvera itself cannot obtain funds as stated in a law specified towards Finnvera, and also Finnvera plc has no credit rating of its own. The government of Finland covers some of Finnvera's credit and guarantee losses, because of this Finnvera is able to take higher risks and to share risks with other financiers. (Finnvera 2012.)

One of the products that Finnvera offers that the authors take into consideration is the female entrepreneur loan. This loan is meant for a start up company or already existing company that has either majority of women or a woman in charge. The loan can be given to any type of company and it can be enhanced with startup money given by the Ministry of Employment and the Economy. Another loan type meant for small start up companies that could be considered for the authors' case company is the small company loan. Finnvera also has a service related to business angels that might show an interest in a company and invest in it. (Finnvera 2012.)

4.2.2.2 Finnpartnership

Finnpartnership is an organization helps in matters that concern business operations in developing markets such as India, China, Vietnam and so on. Finnpartnership has a Business Partnership Support Facility and other advisory services meant for companies and organizations seeking help. Basically said, Finnpartnership offers help for those who need it, though only in the form of advice. Finnpartnership's services are free of charge and services are for all sectors planning or improving business activities in developing markets. (Finnpartnership 2012.)

Finnpartnerships website is full of useful information and also useful links. Concerning the authors, the website has links to organizations that support importing products from a developing market. Finnpartners as well provide a useful databank of information related to developing markets. All in all, the website can provide quite helpful information to the case company.

Finnpartnership covers some expenses which have been incurred during preparatory and implementation phases of a project for its registered members, those expenses are as follows (Finnpartnership 2012):

- Traveling expenses of the company's own employees and possible external experts to the target country, also including accommodation, daily allowances and working expenses
- Expenses that have incurred during the short-term stay of the company's employees in the target country. Expenses should be paid and based on the employees' employment contract
- Short-term expenses of external experts can be supported in Finland or in a third country. These include for example consulting of legal matters and market research

4.2.2.3 Uusyrityskeskus

Uusyrityskeskus offers free-of-charge and confidential advice to starting up companies. There are 32 centers in Finland with 83 service points. To support this network, Uusyrityskeskus has partnership with 1300 experts, over 1000 companies and 270 communities. The advice given is certified with an ISO 9001/2008 quality certificate. Uusyrityskeskus offers online material, information events, meetings at the center where the business plan will be evaluated and decided if the company needs expert advice or expert meetings to fulfill missing parts of the business plan which could include financing, marketing or accounting. It is said that Uusyrityskeskus will help a start up company in having an appropriate financial plan for acquiring Finnvera financing.

4.2.2.4 Business Angels

Business angels are private capital investors, who mainly invest their own capital with regulations to promising companies. There are several organizations that help investors find companies, such as Suomen Bisnesenkelit Ry, Business Angels Finland Oy and FiBAN (Finnish Business Angles Network).

According to Suomen Bisnesenkelit Ry, the typical investment is 10, 000-15, 000 euros and the duration is two to four years. With the investment, the business angels also offer their network and knowledge for the promising company. Business Angels strive to help promising companies to reach their potential greatness. (Suomen Bisnesenkelit Ry 2000.)

Business Angels Finland Oy is a company founded by Finnish private persons. The company is totally independent from outside and public sources; in this way, it can be objective towards all projects. The website of the company suggests investors and promising companies to contact them in anything big or small. The company doesn't set income level limit as they find any investment will benefit the receiving company. Yet the company has different membership levels for investors, and companies interested in receiving investment can target their

application to certain levels of members. Membership to the silver level is free-of-charge but gold level requires a one-time payment. (Business Angels Finland 2009.)

FiBAN is a Finnish national private investor organization, which has the goal of furthering the investments made by private persons to unlisted potential companies. The operations of the organization are to contribute in the evolution of Finnish business life and to generate new jobs through promising companies. FiBAN was founded in December 2010 to increase business angel investments and also to develop the system. The purpose of the operations is to grow and develop the business angles profession. This happens through actions such as training and events, networking business angels and by furthering cooperation to find new and quality companies to invest in. FiBAN as well requires a membership fee for investors. (FiBAN 2010.)

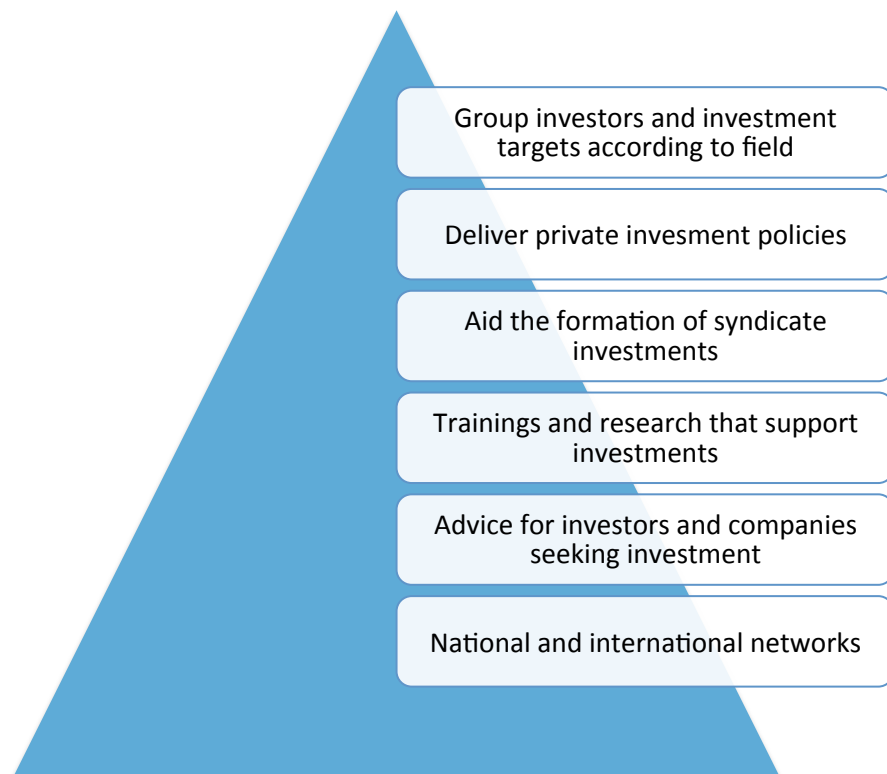


FIGURE 22. Key Activities of FiBAN (modified from FiBAN 2010).

4.2.2.5 Conclusion of Supporting Organizations for Entrepreneurs

Funding for fashion industry is quite non existing in Finland, yet there are some creative business projects in the Helsinki area that are included in the public sector. The best option for funding within the fashion industry is to find a business angle after which for example Finnvera will be more willing to invest in the company. Hautaniemi (2012) stated that Finnvera might see the fashion industry as a dying field and therefore is not willing to fund companies within it. (Hautaniemi 2012.)

4.2.3 Supporting Organization For Design and Fashion Industry

Ornamo was mentioned as the organization that brings together the design and fashion industry professionals and companies. Ornamo has a history of 100 years, being established in 1911, and has an extensive list of members around 1800. Thanks to their extensive list of members that is quite international, they have been able to become the center of all activities (Ornamo 2011). It was mentioned by Eero (2012) as a great way to stay in touch with the design and fashion field and also a source of information. Trade exhibitions are a great opportunity to gather information and to enlarge one's network. Like any organization, it strives to better the benefits of their members. (Ornamo 2011.)

5 CASE: MW OY BUSINESS PLAN

In this chapter, the authors will discuss findings of the Finnish market that apply to the case company MW Oy. After this, the authors will proceed to create a suitable preliminary business plan, with the focus on the business idea, for MW Oy.

5.1 Market Situation and Development

In this section, the authors will discuss some findings of the Finnish market, more specifically the amounts of imports from China to Finland. With the collected information, the authors will proceed to choose their niche market and future product.

Firstly, the authors will demonstrate the top and bottom imports to Finland in general from China, which are in the figures below. From these figures, the authors discovered that ready-made products are most commonly brought to Finland while raw materials such as silk are not.

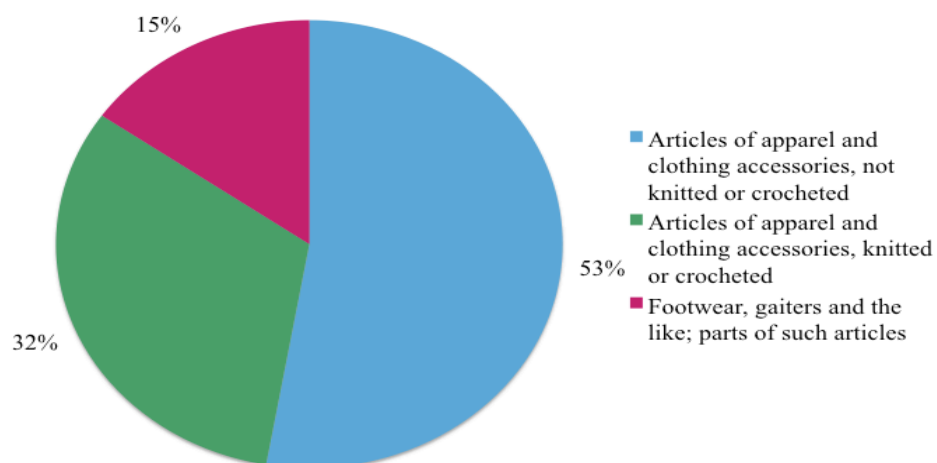


FIGURE 23. Top Fashion Related Imports to Finland (Tulli 2011).

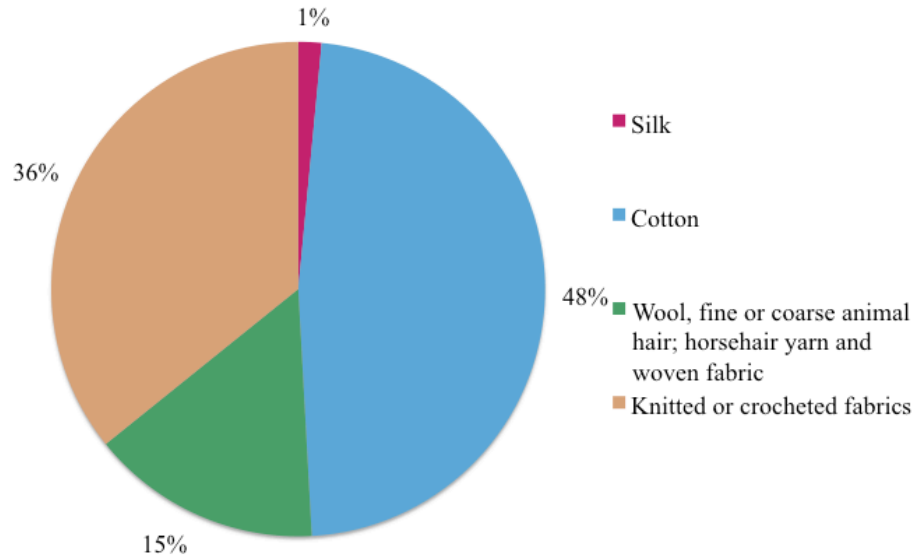


FIGURE 24. Bottom Fashion Related Imports to Finland (Tulli 2011).

The following figures show in more detail what is exactly brought to Finland from China. The difference in products brought for men and women are in general quite balanced, except that women’s suits are brought more than men’s suits. From the first figure, the authors found that there was an opportunity to bring both women’s and men’s coats and shirts. Yet as the second figure shows, even these two categories are better supplied than tracksuits, scarfs and ties. The authors do identify that the need for such products in general is less, but it still arises a possibility.

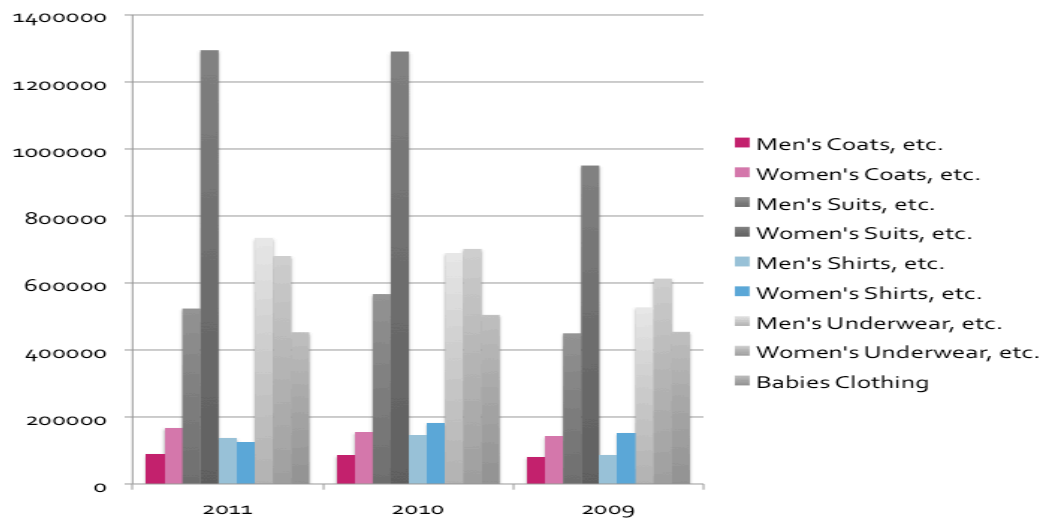


FIGURE 25. Imports to Finland from China by Product Group (Tulli 2011).

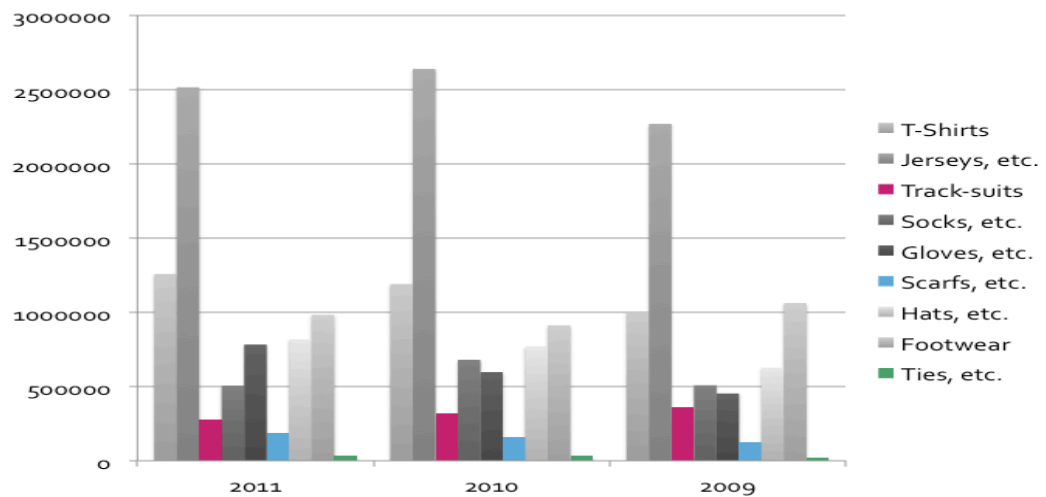


FIGURE 26. Imports to Finland from China by Product Group (Tulli 2011).

The authors came to the conclusion from these two sets of figures that their product would be silk scarves. With this idea, the authors will now move to create their business plan and to perfect their business idea.

Hautaniemi (2012) like Eero (2012) suggested that the form of online business is a good choice, as it does not require investment in property as a store. Also that the Finnish market is too marginal and that going abroad is a smart choice. Both highlighted the importance of networks, as Eero (2012) commented if there is someone doing the same as you but they have more contacts, they are likely to overcome you. Therefore, the authors came to the conclusion that the suitable form of doing business would be through the Internet.

As described in the previous chapter, the authors will now choose an appropriate company type for the case company. Sole proprietorship is immediately eliminated, as there are two owners of the case company. Limited partnership requires having an unlimited partner and a limited partner, this means the unlimited partner is liable for everything while the limited partner is only liable for the investment made to the partnership. The authors eliminate this type due to the fact that both authors will invest in the case company equally.

Partnerships are quite rare in Finland, as they require the both partners to be liable for all possible debts. Partners are not required to inform each other of the actions they take in regard to the company, and if the other partner cannot pay his equal part, the other partner will have to pay in their behalf. Though the authors can rely on each other, they are not willing to be completely liable for all debts with personal capital. Public limited company is eliminated because the case company does not want to enter the stock market at this point. Joint venture requires having at least three partners, as there are only two partners, this type is therefore not possible.

Limited company, though much more complicated than previously mentioned types of companies, is most commonly used in Finland. Basically, the owners are liable for debts in the amount that they had invested in the company. The government has stated that to found a limited company, the owners need to have at least 2,500 euros capital. The authors find this company type to be most suitable because of the size of the case company and it leaves space for possible outside investments.

5.1.1 History and Future Development

Scarfs are products that everyone needs at some point, especially in Finland as the winters are cold, a scarf provides its user with excellent protection from wind and snow/rain. Yet this is not the only usage of a scarf as it can also be a statement piece of an outfit, hence consumers that are trendy and follow fashion are likely to purchase not just one but many scarves.

Compared to many other European countries, Finland seems to have a lack in just scarf and other accessories retailers, for example at the moment, there is only one store located at the Helsinki Vantaa airport (Tie Rack 2012). Most of the times, customers purchase scarves from normal clothing stores, this creates a great opportunity for an online scarf-selling store to enter the market. The authors as well noticed that currently the existing scarf retailer targets its products to men and travelers, as their main product is ties and their stores are usually at airports

and railway stations. It is also noticed that the price of these products is quite high, which provides the authors with an excellent opportunity to enter the market with quality fashion products at affordable prices.

The authors considered what kinds of products consumers would be willing to purchase, if they knew they were manufactured in China. The answer is silk, as the history of silk is highly tied to China and there is the possibility of giving the products some essence of mysticism.

The authors' plan is to introduce an online-based scarf and similar accessories store first to the Finnish market and later to the European, North American and Asian markets. The idea is to provide fashionable and quality design from Finland combined with Chinese manufacturing. The products design or prints will be designed in Finland. Even though the authors desire to create their own brand, they also want to create profit. Therefore, they will not only sell their products directly to the consumers through Internet but also to possible distributors such as Sokos and Stockmann.

5.1.1.1 Requirements of Technology

The simple process of designing products in Finland will require the authors to have appropriate computers and software. The opening of the Online-store will require technical experts, equipment such as computers and servers to maintain the website. Maintaining relations with the manufacturers and marketing actions will require the authors to have appropriate devices such as computers and mobile phones.

5.1.1.2 Internationalization

The authors' plan is to first establish an online store within the Finnish market yet never neglecting Europe, Asia and North America as the company from the founding on will be born global. With the help of the distributors in Finland, the authors believe it will be easy to enter the Russian market. Born global is simply due to the nature of the authors, since the cooperation of the authors is international. The authors realize that the market size in Finland is quite marginal, thus it is crucial for MW Oy not to get stuck in the Finnish market.

5.1.1.3 Legislation

When selling products online, the same principles apply as when selling from an actual store, consumers have the right to cancel their order within 7 working days and should have an appropriate return policy. Also products need to be clearly presented and no false information should be given of them. The most important legal factor will be with the importing procedures and different kinds of forms the authors will need to fill in order to transport their product to Finland.

5.1.1.4 Target Customers

The target customers the authors consider are consumers that might purchase the products from both the online store and the distributors such as Sokos and Stockmann. The authors find that the target group for the product is quite large, as everyone needs scarves, yet as the authors' idea is to have fashionable products the target group is limited to fashionable and trendy consumers. Still the segment is quite large and the authors decided to divide it into smaller and more precise segments as follows:

TABLE 9. Consumer segments .

Age	Occupation	Marketing Channel	Fashion
16	Student	Internet	High
25	Working	Internet & Magazines	High
40	Working	Magazines	Medium

Though the authors mention occupation in the segments, they find it doesn't give huge influence to the consumption of the products since their prices will be as low as possible. They chose the age of 16 as one segment because consumers of this age have already been in the influence of fashion for some time and will be interested in finding something new to wear. Also at this age the influence of fashion is high and the willingness to stay ahead of fashion will be greater than with older women. Teenagers have a tendency to follow mainstream ideas and trends. The best way to reach this segment is through the Internet, especially through social media and word of mouth.

Another segment is the age of 25; women at this age are most likely working or studying and will still be highly connected to fashion. This segment will be reached through the Internet and fashion magazines, as the more a consumer is hooked with fashion the more likely they are to read a fashion magazine. Yet this segment still shares similar tendencies for mainstream trends, thus it is wise to utilize the Internet, especially social medias and word of mouth.

The final segment is women of the age of 40. This segment is still in the work place and hence still in contact with other people and will still have some interest in fashion. The best way to reach this segment is through age appropriate magazines. Within all segments, the most important tool to gain awareness is through word of mouth.

TABLE 10. Estimate of Possible Customers (Tilastokeskus 2011).

Age	All	Women	Men
All	5 401 267	2 748 733	2 652 534
15-19	327 766	160 535	167 231
25-29	345 438	167 897	177 541
40-44	339 160	166 939	172 221

Using information taken from the website Tilastokeskus (2011), which provides accurate information about people in Finland, the authors can come to a rough estimate of possible customers in Finland. Yet as the company is born global, the actual number of consumers is much higher. The authors do remind neither that this is just an amount of people in Finland not necessarily people that are interested in buying, nor that all people in Finland are fashionable and trendy.

5.1.1.5 Consumption

The authors interviewed popular Finnish fashion blogger W (2012) to find out what kinds of consumption habits consumers have, especially within the targeted segment. The authors found that consumers want more trends from abroad, as clothing in Finland is too basic. Fashion trends do come to Finland just often too late in comparison to the rest of the world. It was as well mentioned that clothing should have more detail but not too much. L (2012) mentioned to the authors that speciality stores, that concentrate on one product group, would be needed for Finland with their wide selection. This way different types of consumers would shop in one store. Another important aspect was that clothing should be washable in washing machines. Hand washing is not popular among consumers. W (2012) mentioned that Asian trends should be brought to Finland especially in the form of unisex clothing. It was also pointed out that online shopping would be a preferred method of shopping as long as the price and delivery prices stay in a reasonable range. Some tips W (2012) mentions are that good return policy attracts customers to believe in the brand and that having several options in payment increases customers.

5.1.2 Competition and development

In this section, the authors will look at the Finnish market and the competitors within this market. In the first place, the authors will identify the direct competitors, as companies with a similar business model. After which the indirect competitors will be identified as well.

5.1.2.1 Direct competition

As the MW Oy specializes in scarves and other similar accessories, the company's main competitors are companies whom focus on the same business model. Within Finland, these kinds of companies are in short supply, as the only one identified without research was Tie Rack. Tie Rack only has one store in Finland at Helsinki-Vantaa airport yet they have an online store. While Tie Rack has an online store, it has prices in pounds and seems not to cater for the rest of Europe.

5.1.2.2 Indirect competition

As the main goal is to offer fashionable scarves and other accessories at an affordable price, there are several indirect competitors. With these requirements, the authors determined that the indirect competitors pose a higher threat than the direct one. The authors recognize that most stores selling clothes or accessories also sell scarves. The indirect competitors can be further divided into quality scarf retailers and trendy scarf retailers. The quality scarf providers are department stores and premium priced stores such as Sokos, Stockman, Accessorize, Vila, Zara, Mango and so on. The trendy scarf providers are clothing stores and supermarket chains such as H&M, Lindex, Seppälä, JC, Glitter, Citymarket, Prisma etc.

5.1.2.3 SWOT Analysis

To further understand the situation, the authors will first analyze MW Oy and then the main competitors in general, using the SWOT Analysis tool.



FIGURE 27. SWOT Analysis of MW Oy.

The authors find that one of the great advantages MW Oy has is its international image. As the authors have roots in both Finland and China, the designs of the products will embody aspects of both cultures and also current day trends with a twist. The authors are in tune with what kinds of products there are in the market and with this knowledge can offer unique products. Another thing the authors noticed about products sold in specialized scarf stores was the high price, with the idea of manufacturing in China, the authors are able to offer products with a more affordable price. As scarfs in everyday use often times are quite similar to one another, therefore, the authors desire to offer consumers with several options. This lead to the idea of providing several different kinds of collections or product lines that the consumers could choose from. This way MW Oy could answer the demands of several different tastes.

The first weakness the authors identified was the made in China effect, as consumers share quite different ways of seeing the matter. To avoid this, the authors will research more to what actions bother consumers and adapt the company's actions to have more sustainable corporate actions. The authors fear that the lack in experience and MW Oy starting from scratch to be a great downfall for the start up company. The authors believe with creating enough awareness of the new brand, they can avoid these weaknesses. When products have low prices, people tend to think the quality is also low, thus the authors need to create awareness of the products and the materials used. The lack of having a store might cause losing consumers, yet the authors do not believe this is the case, as the use of computers and online shopping is increasingly popular.

One of the first opportunities the authors identified was the potential of the unfulfilled market of specialty scarves. Proof of this is the fact that there are very few stores like this in Finland. The authors' find that entering the market is easy as starting up a company is easy. Entering the market with an online store makes the procedures even more hassle free.

The major threat of the business idea is that scarfs can be bought from several already existing places such as department stores and clothing stores. Fashion industry is seen to the investors as a dying field, even though clothing is something everyone needs. This leads the authors to have a hard time getting financing for MW Oy. The fashion industry is known for its rapid pace and this would lead MW Oy to work also in a fast tempo to keep of with fashion trends. Yet rather than follow trends, MW Oy wishes to create trends. The last threat identified was rivalry. Rivalry in the fashion industry is fierce no matter what product a company offers.



FIGURE 28. A General SWOT Analysis of Competitors.

While looking at the strengths of the competitors, the authors found that the competing companies already had brand awareness and consumers were used to the products of the competitors. Competitors also offered fashionable designs yet with limited variety. The price range varies from lower prices to high prices, yet when looking at big woolen scarfs, the majority is at the higher price level. Brands within the Finnish market tend to be from outside of Finland, yet there are domestic brands such as Marimekko, Seppälä and so on.

The first weakness identified was the fact that there are no specialized scarf stores and that designs of scarves were similar and plain. There is also high similarity between different brands, which means it is hard to differentiate which scarf belongs to which brand. As scarves are not the main product sold by competitors, there are also no marketing campaigns for scarves.

Opportunities seen for the competitors are expansion to more unique and detailed scarf products. At the moment, very few companies offer this, so the authors see this as a good opportunity for any company to take. If competitors also widen

their selections of products, this would create new rivalry. Online stores are a great opportunity to expand product lines and targeted markets.

One of the major threats is that scarves can be bought in several places and some consumers might just buy a scarf from where they get all their other products as well. The ever-changing nature of fashion is equally threatening for an already established company as for a start up company, because they need to stay in touch with trends. Rivalry is fierce and it is easy to enter the market, especially with a new improved or innovative idea.

From the above figures, the authors come to the conclusion that MW Oy offers something others fail to offer. MW Oy offers unique designs when considering scarfs. MW Oy strives to offer unique products that competitors do not offer. The company's image is one that others in the market fail to have as the company strives to combine Finnish design and traditional Chinese materials and designs as well. The authors also realize that MW Oy will be entering a market that is in fierce competition and that it is hard to compete when lacking brand awareness and experience in the fashion industry.

5.2 Business Idea



FIGURE 29. Business Idea Model of MW Oy.

5.3 Example Collections of MW Oy

Collections for each season of the year: summer, fall, winter and spring. The basic product lines will remain identifiable for consumers yet fabrics, colors, shapes and other aspects will change according to the season and future development. Product lines the company will start off with are: the classic, simply stars, funky animals and inspiration. Below are some figures of the possible product lines:



FIGURE 30. Simply Stars Product Line Example.



FIGURE 31. Funky Animals Product Line Example.



FIGURE 32. The Classic Product Line Example.



FIGURE 33. Inspiration Product Line Example.

Previously seen figures represent the different product lines MW Oy will offer. The classic product line features basic trendy colors, straight shapes and the company's logo. Simply stars product line features trendy color combinations with varying shapes of scarves according to the latest trends. Funky animals product line features unnatural color combinations with untraditional animal figures placed on varying shapes of scarves according to the latest trends. Inspiration product line features phrases from everyday life to inspire consumers;

phrases are placed on basic colors and varying shapes of scarves according to the latest trends.

TABLE 11. Product pricing.

Size of Scarf	Price €	Customs Tax (8%)	VAT(23%)	Total €
Large (thick fabric)				
Medium (thick fabric)				
Medium (light fabric)				
Small (light fabric)				
Small (silk)				

The prices of the different product lines is presented in the above table, the starting price was suggested by Wang (2012). While thinking about the price, the authors have to take into consideration customs tax and VAT. According to Tulli (2011), the customs tax for the products is 8% and VAT is 23%. These preliminary prices help the authors create a preliminary financial plan.

5.4 Company Objectives

Below is the timeline of the development of the case company MW Oy. The authors believe the company will find success in a five-year period. The timeline requires active and fast actions from MW Oy.

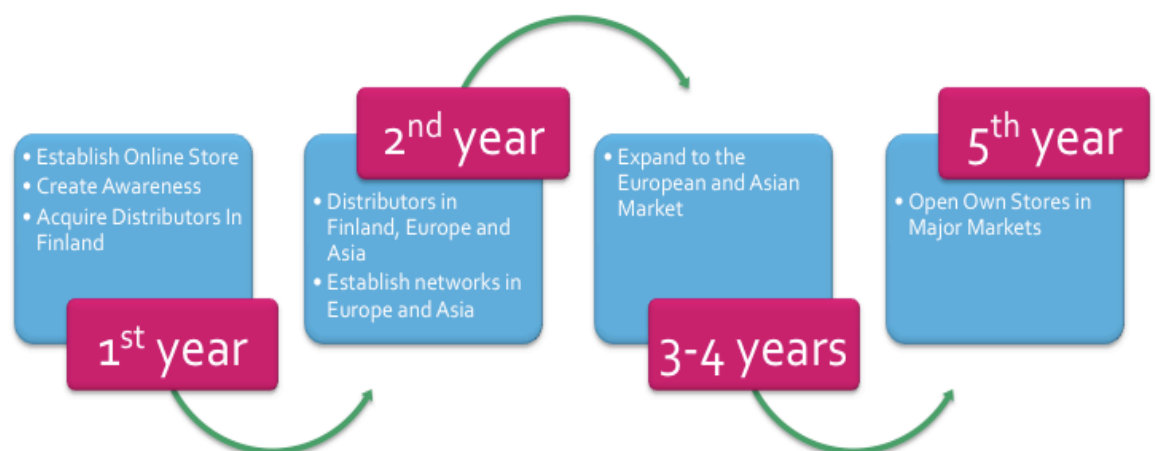


FIGURE 34. Five-year Development of MW Oy.

Before the authors would found their company, they need to acquire enough information of their competitors and other fashion companies within the market. It is also important for the authors to be aware of all the costs related to the start up of the company before actually starting up their company.

In the first year of business, the authors will set up their online store and start intensive marketing. Also within the first year, the authors will find appropriate distributors within the Finnish market to sell the products. In the following year, the authors will start to move to a more broad market by networking. With this, they will hopefully find appropriate distributors still in Finland but also in Europe and Asia. The third and fourth year will move in the same direction and then the company will be established in these countries. For the fifth year, the authors want to establish own stores in the largest market areas.

5.5 Financial Plan

In this section, the authors will take a preliminary look at the financial plan for MW Oy. In the first place, the authors will present calculations for the need of capital and financing. After this, the authors will display the profit and loss account as imagined for the period from January 2013 to December 2013.

As it can be seen from the table below in the beginning, MW Oy will not have any physical investments as the authors plan to use computer and software that the authors already have. Also in the beginning, the inventory will be located in the home of the authors. These actions are taken to reduce costs, which are high in the beginning of starting up a company. The authors took into consideration the fact that because of young age and financial shortage, it is safer not to invest in to an actual store or warehouse location in the beginning.

TABLE 12. Need for Capital and Financing Calculations.

NEED FOR CAPITAL AND FINANCING**NEED FOR CAPITAL****INVESTMENTS****Machinery & equipment**

Computers &
software
Office furniture

Machines total

Other**Investments total****Working Capital****Basic Stock****Cost before starting business**

Registering
Commision fee
Internet connection
Other
Total

Cost during 3 months (no sales)

Rent
Phone, electricity
Internet
Insurance
Marketing
Loans
Salary (social sec)
Total

Needed Cash**Working Capital Total****NEED FOR CAPITAL**

Investment

Working Capital

10%

NEEDED CAPITAL TOTAL**FINANCING**

Own financing

External financing

Subsidies

FINANCING TOTAL

The authors find that in the beginning their basic stock will be at the worth of ■■■ euros, which means ■■■ products. Costs before starting the business were identified as registering fee and commission fee, which are mandatory fees for starting up the company, Internet connection cost and other unidentified costs. The authors realize that there is also the cost of pension payments, which is not

taken into consideration until after the first few months, hence it is not mentioned in the preliminary financial plan. The Internet connection payment was calculated based on a basic Internet connection acquired from Sonera (2012), which is 12 euros per month.

Costs during the first three months were identified as rent, utilities such as phone and electricity, insurance for the products, marketing expenses, paying back the loans and estimated salary. The rent and electricity here refers to the space the inventory will take up from the home of the authors. The authors calculated it, as the apartment size is approximately ■ m² and the space reserved for the inventory as ■ m². Therefore, the authors deducted the ■ m² from their rent and utility payments. Internet costs are as previously stated. Insurance costs are estimated based by the requirements of the Finnish government. Salary was also decided to be as low as possible, as the goal is to make the company profitable at first and pay the necessary payments. Marketing is as well as low as possible and the amount is the minimum needed for the creation of a website. Other marketing activities will just require the time and effort of the authors.

This lead to the total needed capital to be ■ euros, therefore, the needed financing is ■ euros. The authors' own investment would be ■ and the authors would loan money from Finnvera at the amount of ■ euros. The loan type from Finnvera is the female entrepreneur loan which has an interest rate of 2,1%. Here the authors would like to point out that for the first year, Finnvera does not require the loan to be paid back. Therefore, the authors have marked loans as a zero for the first 3 months.

TABLE 13. Profit and Loss Account, Profit Margin Calculations.

**PROFIT AND LOSS ACCOUNT
1.1.2013-31.12.2013**

Sales Revenue			
- VAT	23%		
= Net turnover			
- Variable costs			
= Gross Margin			
- Fixed costs			
= Operating margin			
- Depreciation			
= Operating Profit			
- Interests and other financial costs			
= Profit or loss of the year			
+ Other income (subsidies)			
= Profit or loss of the year			

Gross Margin Target

Target profit			
+ Depreciation			
= Operating profit target			
+ Interest			
= Operating margin target			
+ Fixed costs			
Rent			
Electricity			
Phone			
Internet			
Insurance			
Salary + social sec costs			
Fixed costs total			
= Gross Margin Target			
+ Variable costs			
= Sales Revenue Target			

As seen from the profit and loss account, the authors expect annual sales to be [redacted] euros, which means [redacted] products will be sold. For the first year, MW Oy will experience loss at the amount of [redacted] euros yet the contribution percentage is quite high at [redacted]%, which could be seen as quite good. By calculating the

gross margin target, the authors find sales revenue target at the amount of [REDACTED] euros. The difference between the forecasted sales and sales revenue target is [REDACTED] euros.

5.6 Risks

In this section, the authors will present some of the risks posing MW Oy. The authors will go through economic risks and accident related risks. Risks are important to distinguish for the future development of MW Oy and to forecast some possible threats.

5.6.1 Economic risks

The first risk that the authors identify is the products not achieving enough popularity and the company will not generate any sales. Another possibility is that consumers will view the case company as mundane as there is enough supply in scarfs. Also the competitors have the advantage of being in the market for a longer time and the freshness of MW Oy can turn to be the demise. A solution against this would be to create awareness of the product, so aggressive marketing.

Another economic risk could be that the customers see the products as being priced too low and therefore of bad quality. To avoid this situation, the authors aim to promote the product as a product that combines Finnish design and Chinese exoticism.

Due to the financial situation of Finland and the whole World, on a longer run, the interest of the loan might raise too high. This is something that the authors have to consider early enough, and maybe instead of taking a long-term loan they will take a short-term loan with a bit higher interest. The higher interest might affect the prices of the products, but only temporarily. There is always the risk of losing the manufacturer or distributor.

5.6.2 Accident related risks

As the authors plan to have a studio/warehouse, it could get robbed, burnt or some other situations might happen inside the premises. For cases like these, MW Oy will have an insurance, which will cover all the costs or at least the majority of them. The insurance will cover the costs and possibly also the losses what MW Oy might get if the products get stolen. The authors might have problems with getting the products to the store in time. In case of a failure in delivery, MW Oy will have insurance for the products.

6 FINDINGS AND CONCLUSION

In this chapter, the authors will answer the research questions brought up in the first chapter of the thesis according to the findings. The authors will provide some recommendations for future research in relevant studies, as many important details of starting up a company have not been included in this thesis.

6.1 Findings

The table seen below displays the research questions and shortly answers them based on the findings so far.

TABLE 14. Findings of the Thesis.

Research question	Findings
What is the niche market for the fashion brand?	Scarves and similar accessories.
What is the target group the authors plan to focus on with the niche market?	Fashion oriented consumers aged between 16-40 years.
What kind of products will the fashion brand have?	Scarves from different materials, sizes and product lines. The product lines are as follows: the classic, simply stars, funky animals and inspiration.
How much financing is required to startup the company?	
Where to find help and financing for the new business?	There are several organizations to help entrepreneurs get started like Finnvera, Finnpartnership, Uusyrityskeskus. Sources of financing are Finnvera and Business Angels. Ornamo for information regarding the fashion industry.
What is/are the distribution channels of the company?	Online store and Distributors such as Sokos & Stockmann

The first research question has been answered based on the findings, as statistics of products brought to Finland were carefully analyzed to find the category least utilized for the Finnish market. The results showed that scarves and similar products were brought to Finland at the rate of 185,210 pieces which is a quite low quantity considering the market potential of youngsters is about 670,000 consumers.

Scarfs are products that everyone needs at some point, especially in Finland as the winters are cold a scarf provides its user with excellent protection from wind and snow/rain. Yet this is not the only usage of a scarf as it can also be a statement piece of an outfit, hence consumers that are trendy and follow fashion are likely to purchase not just one but many scarves. With these things in mind, the authors found that the potential target group of the niche market would be fashion-oriented consumers aged between 16-40 years. To define the segment to either male or female would not be useful, as a scarf is a unisex product that can be worn by both genders. The usage of scarves is so versatile that it is impossible to narrow a segment to only young consumers or older consumers.

As displayed in the previous chapter, the authors calculated some preliminary figures for their financial plan. From this, the authors found that they would need to take out a loan from Finnvera at the amount of █████ euros to start up their company. The loan type is Female entrepreneur's loan and the interest rate is tied to euribor 6 months, which makes it about █████%. The estimated sales of MW Oy would be █████ euros, which means █████ products. This would make the contribution percentage █████%, which is quite high and found to be good. Even though the company's first year will gain loss, in the future it will quite quickly be turned into profit.

To answer the fourth question, the authors found several sources of help and financing. In Finland there are several organizations that help entrepreneurs get started or to develop their company. The organizations identified to help in general were Finnvera, Finnpartnership and Uusyrityskeskus. Each organization offers different forms of help, for example Finnpartnership specializes in companies working with third world countries. As the authors plan to manufacture their products in China and this to some extent improves the employment in China, thus Finnpartnership is an organization which can help and financially support the case company. For financing, the authors identified Finnvera and Business Angles. Finnvera gives out a reasonable interest rate on their loans and is a worthwhile choice for the case company. Business Angels give investments to projects they find interesting and the authors do not consider it in their financial

plan. The authors found that the previously mentioned organizations helped entrepreneurs but were not specialized in the fashion industry, hence further research was made and Ornamo was found. As a member of Ornamo, the case company can better network and promote the company with trade fairs and such.

While conducting the interviews, the authors found a consensus of online businesses being a safe choice for a start up company. Especially since with an online store, the case company could target a much larger market than just Finland. The authors considered the fact that with having an actual store, they would have more costs to deal with than what they could handle, while an online store would allow the authors in the beginning to work from home and store the products there as well. The authors also realize that to be able to sell more products in Finland, products should be sold in chain stores. Therefore, the authors plan to attract the attention of distributors to be able to sell the products in these chain stores such as Sokos and Stockmann.

6.2 Go or No Go Decision

The authors believe, according to the research conducted, that the business idea of designing in Finland and manufacturing in China is worth pursuing.

Data collected about the imports from China prove to the authors that there is a niche market with the scarf product group. Scarves are in daily use and the authors believe that consumers would rather spend less on scarves than other products. The authors believe that consumers would not be scared off with the made in China fact, due to the reason that most products are made in China and the products will be designed in Finland. The authors also believe that consumers are willing to buy scarves from a specialty shop as it gives them more variety than buying from chain stores. The main competitive advantages and possible key success factors of MW Oy are in the following figure:



FIGURE 35. Competitive Advantages of MW Oy.

With the findings stated above and with the preliminary business plan, the authors find the business idea to have potential. Thus, the authors encourage MW Oy to continue with the business idea. The thesis provides a strong business idea, but lacks in all other aspects such as production, transport, logistics and more. The thesis also provides useful information about business planning, how to start up a company in Finland and examples of entrepreneurs in the fashion industry. Therefore, a broader business plan should be conducted for MW Oy and for future financiers.

6.3 Suggestions for Future Research

In the process of conducting this bachelor's thesis, the authors gained large quantities of information regarding the practices of starting a business in Finland. The authors found large amounts of problems as well as great opportunities in being an entrepreneur. The figure below shows all the identified suggestions for further studies.

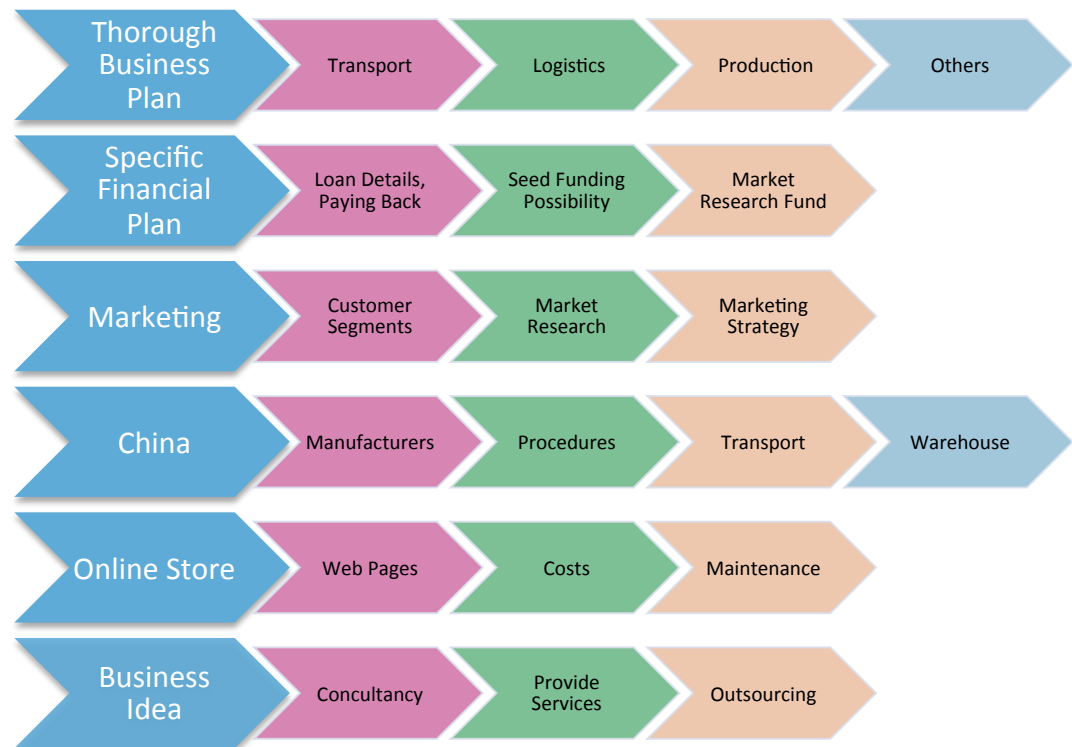


FIGURE 36. Further Studies Topics.

Yet this information is at a basic level and deepening the knowledge would be essential before starting up a company. It is especially important to gather information about specific actions needed to be done as well as acquiring specific information about financing. It is also important to gather more information of how government organizations can help and interview people from the organizations already mentioned in the thesis. As the business plan conducted in the thesis is only concerned with the business idea part, all other parts need to be studied before starting up a company. The authors defined a preliminary customer segment, this should be further studied with a market research. After this, planning the marketing strategies would be essential.

The financial plan should be conducted in a more thorough way, as it is essential to know how a company can pay back their loans. It also came up that the Incubator center could offer several kinds of help for the company both in advice and financially, hence conducting further research on this organization would be beneficial.

As the thesis mainly concentrates on Finland and mentions China briefly, therefore, more research needs to be conducted on aspects of China. These aspects are related to finding manufacturers, procedures within this field, transporting products to Finland and logistical issues of warehouses. It is especially important to figure out the best means of transporting products as it highly influences the prices of the products.

The authors chose to use Internet as their distribution channel, yet not much research was conducted to gather information. Gathering more information about how web pages are done, what costs are involved and how to maintain it should be conducted in the future. It would be beneficial to gather more information about companies working with online stores to find the best procedures.

While conducting the research for the thesis, the authors found that there is a need for professionals in helping with attaining manufacturers for Finnish companies. It was stated that companies that want to manufacture in China usually get their agents from the Netherlands. Therefore, it would be easier for Finnish companies to use a Finnish agency to help with obtaining a manufacturer and other import/export procedures. The authors find another aspect for further research in a new business idea of starting up a consultancy company specialized in the fashion industry and China.

7 SUMMARY

The main objective of this thesis is to thoroughly research the Finnish fashion market and to find an appropriate niche to satisfy an unfulfilled need of Finnish consumers, based on this consumers' need a feasible business idea is generated. A second objective of this thesis is to complete a viable business plan based on the business idea, using the Hoffren business model, and collect indicative information for MW Oy to make a decision: whether or not to create a fashion brand designed in Finland, manufactured in China, marketed and sold globally. To answer this question, the authors studied six vital perspectives accordingly which are highly relevant to the decision-making process for MW Oy: market need, image, product, target group, mode of operations and resources.

The background is introduced as the starting point for the thesis, research questions are also brought up in the first place to guide the whole study and research. Studies and research on business idea and business planning models are the foundation and core of the theoretical framework, while qualitative research methods are chosen to conduct the research and thus data collection methods such as unstructured interviews and observation are applied accordingly. China and Finland are presented and some key facts are highlighted, while at the same time the textile and apparel industry in both countries are studied respectively. In addition, some Finnish fashion companies and their business models are discussed. Moreover, Finland and Finnish business environment as well as entrepreneurial environment are evaluated. The niche market in Finnish fashion industry is found, the business idea is formulated and a business plan for a case start-up company MW Oy is analyzed and presented.

To summarize, this thesis provides theoretical and empirical information on finding a niche market in an industry, generating a business idea according to the findings and developing a business plan for the business idea.

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APPENDICES

Appendix 1

Interview Structure for Popular Fashion Bloggers

1. Mitä tuotteita kaipaisitte Suomen muoti markkinoille? (miesten vaatteita, miesten/naisten kenkiä, ym..)
2. Onko jotain tuotteita joista on pula?
 - a. Haluaisitte jotakin erikoisempaa?
3. Mikä on mielipiteenne silkki tuotteista?
 - a. Millaisia silkkituotteita käyttäisitte?
4. Miten haluaisitte ostaa tuotteenne?
5. Miten haluaisitte saada tiedon uusista tuotteista?

Appendix 2

Interview Structure for Chinese Manufacturer

1. Are Chinese subcontractors able to manufacture the products according to the demands of foreign investors?
2. Is it easy for foreign companies to cooperate with Chinese subcontractors in the fashion industry?
3. What steps should a foreign company take to get contacts with Chinese subcontractors?
4. What are the prices concerning scarves and similar products?
5. What would be the prices of the following products?
 - a. Large size scarves with thick fabric
 - b. Medium size scarves with thick fabric
 - c. Medium size scarves with light fabric
 - d. Small size scarves with light fabric
 - e. Small size scarves made from silk

Appendix 3

Semi-structured interview for Project Manager of Entreaketemia

1. What are your comments on entrepreneurship in Finland?
2. What steps to take to start up a company in Finland?
3. What challenges do entrepreneurs face in the fashion industry?
4. What kind of trends are there emerging in the fashion industry?
5. How is failing as an entrepreneur seen in Finland?
6. What is the average age to start up a company in Finland?
7. What kinds of organizations supporting entrepreneurs are there in the fashion industry?
8. How do organizations supporting entrepreneurs see innovative ideas?
9. What do you think of online sales of a business?

Appendix 4

Semi-structured interview for Purchasing Manager of X Group

1. Introduce X Group briefly.
2. What is the business model of X Group?
3. How is the process of X Group's designing in Finland and manufacturing in China?
 - a. How long does it take?
4. How do the products come to Finland?
 - a. How do the products get to the customers?
 - b. How long does it take?

Appendix 5

Semi-structured interview for Co-founder of Chao & Eero Jewel

1. Introduce Chao & Eero Jewel briefly?
 - a. How did you start up your business?
2. What problems did you face in the process?
 - a. Tips for future entrepreneurs?
3. What is the business model of Chao & Eero Jewel?
4. What are Chao & Eero Jewel's business strategies?
5. What are the plans for the future of Chao & Eero Jewel?