

**TUVE TRADING AB; IMPORTING CASHEW NUTS
FROM THAILAND TO SWEDEN**



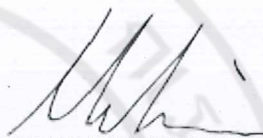
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**A THEMATIC PAPER SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION
(BUSINESS MODELING AND DEVELOPMENT)
FACULTY OF GRADUATE STUDIES
MAHIDOL UNIVERSITY**

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Thematic Paper
entitled
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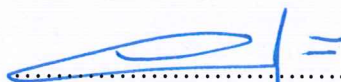
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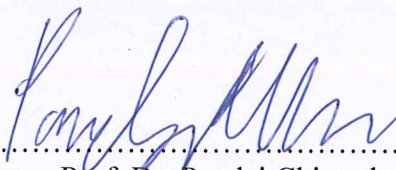
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TUVE TRADING AB; IMPORTING CASHEW NUTS FROM THAILAND TO SWEDEN

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ABSTRACT

The objectives of this study are to get a better understanding of how small stores operate and end-customers demand on these stores. Structured interviews were conducted with 30 participants. The population are small stores operating in the city of Gothenburg and the vicinity. The sample was selected using the selective sampling method. The instruments used were interviews. Data were collected and analyzed using thematic analysis approach. The study suggests that small stores be sensitive to price and product scarcity. It is recommended that the proposed business is asset light with a focus on cost. The initial investment for the first six months of operation would amount 186 825 SEK. The business is expected to have a positive cash flow in year three with a payback period of 3.7 years when discounted by 8%. Both the NPV and IRR for the business are positive at 440 662 SEK and 34.24% respectively.

KEY WORDS: BUSINESS PLAN / IMPORT/ CASHEW NUTS / THAILAND
/ SWEDEN

45 pages

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CHAPTER I INTRODUCTION

1.1 Origination of business idea

Being a business owner has always been a life goal of mine. Being a business owner is demanding and a lot of work and time needs to be invested. However, the freedom from being your own employer together with the excitement of adding value at the same time is what really drives to become a business owner. But, finding out what to do has been more of an obstacle. Being native to Sweden and well-integrated into the Thai society I wanted a business that could utilize my knowledge in both of the countries. There are various businesses that could fit the description to mold the two countries into a business such as a restaurant. But, after much consideration on the different business options that would allow the business to utilize the experience of both countries, the best choice based on my background is trading. Intercontinental trading between Sweden and Thailand would allow for the knowledge to be integrated into the business. There are many different products that could be traded. The initial goal has been to find a product that can be traded which adds value to the end customer. Sweden being located in the north hemisphere, has rough conditions and is far from continental Europe. Sweden is not suitable for growing a lot of fruits and nuts. Trading fruits from Thailand would have been an option if it wasn't for the short shelf life time that they have. Fruits are also widely available in Sweden already so there is not much value that could be added. Automobiles and spare parts would be interesting because of the big automobile industry in both countries. However, the capital investment however would be in excess as to what is achievable. Another option is nuts. Nuts are interesting due to having a better longevity than fruits before it gets spoiled. There are plenty of different types of nuts cultivated in Thailand such as peanuts and macadamia. However, these nuts are widely available in Sweden with fierce competition. Cashew nuts on the other hand is available with limited competition. A huge amount of the cashew nuts imported to Sweden come from the Netherlands where they are re-exported. This is causing the price for the end consumer

to be high. Eliminating the middle hand in the Netherlands creates space to create value for both the business and the consumers.

1.2 Business description and value proposition

The intended business is a trading company that is trading cashew nuts between Thailand and Sweden. The goal is to distribute cashew nuts to processing plants and small stores in the city of Gothenburg and the vicinity. Gothenburg is the second largest city in Sweden and also the port into Sweden. This gives short transportation distances in a populous area to our potential customers. Potential customers we are looking to supply are businesses that process and refine the cashew nuts further such as roasting and salting. We are also looking at small stores with less than 10 employees that are not affiliated with the big four store chains in Sweden as potential customers to distribute to.

Cashew nuts are not grown in Europe but are instead imported from Africa and Asia. Germany and the Netherlands are the biggest importers standing for more than 50% of the European imports (CBI, 2019). The Netherlands is also Europe's biggest cashew nut re-exporter and supplies Sweden with 30% of the Swedish cashew nut imports. Sweden imports 50% of its cashew nuts from other European countries. The rest is coming from Africa or Asia. Vietnam is the biggest non-European cashew nut partner providing 45% of the imports.

Top Import Sources From Sweden

Partner	Share in Import from Sweden %	Import Value of Sweden USD
Global		29.61M
Vietnam	44.9%	13.30M
Netherlands	28.8%	8.54M
Germany	5.6%	1.66M
Belgium	4.9%	1.45M
Tanzania	3.2%	962.00K
United Kingdom	2.3%	692.13K
Denmark	2.3%	688.33K
Mozambique	1.7%	514.78K
Italy	1.2%	358.95K
India	1.1%	330.18K

Figure 1.1 Top 10 import sources of cashew nuts to Sweden.

The business value in importing and distributing cashew nuts to Sweden is created by cutting out the middleman. By cutting out the middleman in the Netherlands we will contract the supply chain creating value. The business is able to profit and the final price to the customers can be lowered.

1.3 Objectives of the business plan

The objective of this business plan is to act as a guide to prepare to start an import business between Sweden and Thailand trading cashew nuts. The business plan will look to better understand potential customers' decision making when considering to use a new and untested supplier. And, what are the criterias for a potential customer to switch suppliers. Furthermore, factors that affect operation and process will be outlined such as steps to import, lead times and quality control.

CHAPTER II LITERATURE REVIEW

2.1 Industry Overview

The business is in importing cashew nuts from Thailand into Sweden. The industry of interest is the cashew nut market in Sweden. Cashew nuts on the Swedish market recently got developed. In the year 2000 Sweden imported cashew nuts for \$420 thousand compared to \$25,7 million 18 years later. The cashew nut market in Sweden has seen exceptional growth. This chapter will continue to analyze the industry for a better overview on the attractiveness of the market.

2.2 Market description, trends and growth

Tuve Trading AB is an import business looking to directly import cashew nuts to Sweden from Thailand. Sweden is reliant on imports to satisfy the national demand (CBI, 2019). Sweden imports half of its cashew nut imports from other European countries while the rest comes from African and Asia. The imports of dried and fresh nuts into Sweden in 2018 amounted to \$950 million (Ridder, 2019a). Cashew nuts stood for \$25,7 million of the imports in the dried and fresh nuts segment into Sweden. The cashew nut imports into Sweden have risen with more than 100% from around \$12,3 million in 2013 to \$25,7 million in 2018 (Ridder, 2019b). Germany, France, Netherlands and the United Kingdom are the main importers of cashew nuts into Europe. The Netherlands is the biggest re-exporter of cashew nuts in Europe. Sweden imports almost 30% of the country's cashew nuts from the Netherlands. The future European demand for cashew nuts is forecasted to grow by 3-4% annually (Mordor Intelligence, 2019). The cashew nut imports into Europe has increased by more than 250% from 534 million Euro in 2013 to 1.34 billion Euro in 2018 (CBI, 2019). Sweden is listed as a major consumer of cashew nuts with 2.74 thousand tones by the Center for the Promotion of Imports. The consumption of cashew nuts is expected to

show a stable growth with the highest growth rate in eastern Europe. This growth is driven by consumer awareness of the nutritional value of the cashew nuts (CBI, 2019)

The increase in cashew nuts imports into Sweden is a new trend with the younger generation becoming more aware of healthy products (Bioecoactual, 2017). There is also a trend of consuming less animal products where up to 30% of the younger population have shifted to a more plant-based diet (Chiorando, 2018). Another factor that impacts the increase in imports is the population growth to Sweden which has been mainly fueled by immigration. Between 2007 and 2017 the population in Sweden grew by 9.7% (Jamholt, 2018). The largest groups that immigrated to Sweden included nationals from Syria, Afghanistan and India (Jürgensen, 2020). These trends in Swedish society are factors that fuels and pushes the cashew nut consumption in Sweden.

2.3 Market demographics

The business is looking to distribute cashew nuts to other businesses in the city of Gothenburg and the vicinity. The target group are processing plants and stores. The processing plants are businesses that refine the cashew nuts further such as roasting and season. The targeted stores are small and medium stores with less than 10 employees.

2.4 Industry analysis

The following part will use secondary research and key figures to gain better insight into the industry. The industry analysis tools PEST and Porter's five will also be used together with a customer and competitor analysis.

2.4.1 PEST analysis

The PEST analysis will be used to determine the external political, economic, social and technological forces affecting the business.

Political and Legal Environment

The Swedish government is pushing for the consumption of less meat and more vegetarian based diets. The government is giving dietary advice on healthy eating and is promoting “super food” which includes cashew nuts (Livsmedelsverket, 2019). The Swedish government understands the issue of having to import products to satisfy demand and does not collect any import tax on cashew nuts (Jordbruksverket, 2018). There is a risk of changes to tariffs, tax policies, employment laws and other regulations. However, this risk for these to become higher are low considering they are the highest in the world already. In 2020 the austerity tax from the 1990s will be revoked (Carlgren, 2020). On the 16th of April 2018 the Swedish communicated that Sweden were to become a fossil free economy by 2045. However, with the increased zealously to become a fossil free economy by 2045 (Regeringskansliet, 2018). There are huge risks with this statement as it will directly affect the ease and cost to import products and services to Sweden. Sweden does not adopt a minimum wage policy instead the wage is negotiated between the labor unions and the employer’s association. This has caused the labor prices in Sweden to be stable with predictable changes. A huge issue in Sweden with the wage set by labor unions is that it does not differentiate between experience which would be possible if personal wage determination was practiced. The cost associated with hiring employees can be the influence for not going through with a new hire hurting the business due to being understaffed. Sweden being a welfare state also puts a lot of additional costs directly tied to labor such as insurance and pension savings. The social welfare fee not to be confused with income tax is calculated from your gross salary and is in 2019 set to be 31.42% (Skatteverket, 2020). The European Union has pushed a ban on single-use plastic cutlery, cotton buds and straws (BBC News, 2018). Sweden has taken this further by increasing tax on various plastic containers and bags. Recently the increase in plastic bags being sold where the tax will be 50% of the final price (SVT, 2020).

Economic Environment

Sweden as a nation has overall been a nation of economic stability. The average yearly GDP growth in Sweden between 2008-2018 was 1,77% (The World Bank, 2019). The Swedish economy has been fluctuating and has since 2015 seen a declining number in growth. Sweden has not adopted the Euro but instead opted to remain with the legacy currency which is the Swedish Krona with the abbreviation SEK. The Swedish economy is despite its relative size rated as a safe haven currency. This is because of the conditions within the country with an overall well educated and tech savvy workforce combined with the home of many multinational corporations (Chen, 2019). The Swedish Krona has in recent years been depreciated against many major and minor currencies which has reduced the purchasing power of Swedes in the world. A currency depreciation is directly hitting against an import business and can be the reason for bankruptcy. This has increased the overall pricing level in Sweden. Between 2015 and 2019 the CPI in Sweden has increased with 20,9 units (Source). The Swedish central bank has since 1992 let the Swedish Krona float against other currencies only intervening to stabilize the krona and is trying to make the Swedish central banks actions more predictable (Source).

Social

With trends in Sweden shifting towards a healthier lifestyle for many younger Swedes the demands for other diets are on the rise. A lot of these diets include vegetarian cuisine which has traditionally been made from grains, fruits, vegetables and nuts. Asian cuisine is getting more popular in Sweden such as the Indian, Thai and Vietnamese kitchen. Many of these cuisines use nuts such as cashew nuts. Sweden is a country with a big passion for pastries. Baking in Sweden is becoming more popular and so is ICA's recipe zone which currently has 11 different recipes with cashew nuts (ICA, 2020)

Technological

Technology is becoming more advanced and can in some cases already replace a physical store. In order to take advantage of this there is a need to keep up with technological successes. Deciding on a common framework with

supplier and customer will help in communicating and could help in areas such as lead times.

2.4.2 Porter's five forces

Porter's five forces will be used to identify the different levels of powers in the market caused by the competitive situation to understand the market strength and weaknesses.

Competition in the Industry:

Tuve stands under intense competition from both Dutch and Swedish importers such as ICA, Axfood and smaller players. ICA and Axfood have considerably larger resources to draw from and have positioned themselves as the market leaders with integrated supply chains. Tuve is asset light and could easily be copied in the future by competitors.

Bargaining Power of Suppliers:

Tuve only sources the cashew nuts from Thailand. The products will be ordered from different regions in Thailand. The world demand of cashew nuts exceeds the world supply of cashew nuts (NATIONTHAILAND, 2018). This puts Tuve in a disadvantage when leading negotiations.

Bargaining Power of Customer:

Tuve's customers consist of processing plants and small stores. Processing plants will hold a high amount of bargaining power due to higher quantity orders and substituting with a competitor of Tuve. Small stores have a degree of bargaining power but less than processing plants. The orders are smaller in nature but they can substitute the product and use a competitor instead

Threat of New Entrants:

Unbranded products with lax government regulations for ease of importing is outweighed by the difficulties the lack of access to suppliers and distribution channels and cost advantages has which limits the amount of new

endeavors to the market. However, with increasing ease to connect using the internet in worldwide trade new players could try and enter the cashew nut market in the future.

Threat of Substitute Products:

The threat of customers substituting cashew nuts is high. There is little differentiation that can be done with the cashew nuts. The quality of cashew nuts all follow the same international standard to ensure the quality of the cashew nuts so they are of similar quality. The cost for consumers to switch and use a competitor is non-existent.

2.5 Consumer analysis

The potential consumers looked at are businesses that are operating in the city of Gothenburg and the vicinity. The customer businesses are operating processing plants and small stores. The processing plants are businesses that refine the cashew nuts further before making it available for sales either directly to end-customers or at stores. Small stores are providing the local community with groceries and have around 10 employees and are not affiliated with the big 4 store chains. The big four store chains have around 80% of the market in Sweden with ICA being the leader with over 50% of the market (Ridder, 2019c). The targeted small stores are small stand-alone stores not affiliated with any groups and have limited bargaining power on the market due to their size.

The benefits of a customer can be divided into functional and psychological benefits. The potential customers are other businesses making only functional benefit relevant in this case. The functional benefit for our customers is money. The aim as stated in the introduction is to cut out the middleman in the Netherlands and reduce the supply chain and customer costs. This will allow the customers to receive the same products but at a lower price.

While distributing to processing plants package the cashew nuts in 10 kilo air-vacuum bags is beneficial to reduce risk of the cashew nuts to spoil or get contaminated. However, the end user consuming the cashew nuts is looking to

purchase bags by the kilogram or less. While supplying the processing plants with the 10 kilo bags is fine as the cashew nuts will be refined further the small stores are looking to have the packaged size of cashew nut reduced to fit the end consumers better. By taking the end user into account we can benefit both the user and purchasing customer.

Understanding the customer and their purchasing process is a huge part for a successful business. Our customers are other businesses where executive staff usually are the ones that approve of purchases. In many cases this involves going through several hierarchical levels before sales can be done. For the processing plants the hierarchical level will be more of an issue to make successful sales than the smaller store that employs a flatter hierarchy. The characteristics of purchases between processing plants and smaller stores will greatly differ where processing plants are assumed to make larger bulk orders to ensure they always have materials to refine. Small stores will put orders more frequently due to it being a smaller store and the cost of selling goods not increasing significantly even with smaller quantities purchased. The payment between the two businesses will also differ where the processing plants will most likely look to have delayed payment to decrease the upfront cost before being able to refine and distribute the product further. The small stores are more likely to accept regular billing paying before the due date as the quantity purchased is a lot lower.

The potential customers that will be approached all reside in the city of Gothenburg or the vicinity in Sweden. Using online resources available we get 269 small stores that fit the criteria of potential customers. However, we estimate 75-85% of the stores are affiliated with the big 4 store chains based on the big 4's market share. This leaves us with around 56-60 stores that are in our customer segment. For processing plants there are two listed in the city of Gothenburg and vicinity. To reach potential customers we will avoid advertisements as the segment group is clear and known to us. Instead approaching the potential customers directly.

2.6 Competitor Analysis

The competition in the cashew market is complex and difficult to assess. But, by dividing the competition into primary and secondary competition it becomes much more manageable.

The primary competition in this market are other businesses that are into importing cashew nuts into Sweden. There are plenty of importers importing cashew nuts into Sweden. However, the majority of these importers are importing already refined cashew nuts. Turkfood AB is one such business that is importing already processed cashew nuts. The main primary competition comes from businesses such as Medelhavet Gross AB in Sweden and Dutch importers such as Jas Trading B.V that re-export raw cashew nuts to Sweden. Dutch importers that re-export the nuts into Sweden are trading within the European Union which by law makes them operate on the same regulations as local Swedish businesses. The Dutch traders differ from the Swedish trader in that they trade in much larger quantities. This can be seen by the company's website and social media presentations. Jas Trading B.V is using a general website with the address <https://www.jastrading.com/> suitable for larger quantity trading. Medelhavet Gross AB offers a wider range of products compared to Jas Trading B.V and has set up social media to promote a two-way communication with their customers. The wider range of products that can be seen on Medelhavet's website at <http://medelhavetgross.se/> is more personally optimized for lower quantities (Medelhavet, 2020). Jas Trading is offering products at wholesale prices pushing the price down. Jas Trading does not sell a few quantities but in bulk. The price model of Medelhavet is a mixed one offering small quantity purchases to customers as well as larger orders. Medelhavet ships smaller quantity orders to customers from the information gathered.

Comparing the two businesses with the intended business that Tuve Trading AB is to be, there are more similarities with Jas Trading B.V than with Medelhavet Gross AB. Jas Trading B.V is solely working for B2B trades which is the type of customers that we would like to approach. Jas Trading is looking to distribute in bulk while Medelhavet offers smaller quantities to be purchased. Tuve Trading focusing on small stores needs to be flexible with the quantities while distributing. Having

different approaches to how to distribute the cashew nuts to the market there are a lot of similarities by the companies. Larger quantities distributed means less activity on social media. This is something that Tuve Trading can use as many of the customers are expected to be small stores.



CHAPTER III RESEARCH METHODOLOGY

3.1 Research objective

The research objective is to get a better understanding of the behavior and processes of small stores and processing plants. This is to better understand how to approach and offer to do business by understanding their operations. I want to unveil how customers want to be approached, how they store the products and the size and frequency of purchases. Furthermore, by understanding the demands set by end-customers on the stores and plants we are in a better position to accommodate their needs. Here we want to understand the packaging needs set by the end-customers as well as other preferences they might have on the product.

3.2 Methodological approach

This research will be conducted to help and get a deeper understanding on how to start an import business in Sweden importing cashew nuts from Thailand. The objective of the business is to create value by cutting out middle hands in the Netherlands and create profit for the business and a lower price for the customers. In order to be able to achieve this first-hand data from potential consumers needs to be collected. This research will use the interview method to try and answer the following questions:

- What are the factors deciding when considering a new supplier?
- What are the factors deciding when considering to switch to a new supplier?
- What is the customer's buying process?
- Who is making the decision to make purchases?
- What are triggers that lead to purchases?
- How is the purchase concluded?
- How is the purchase being paid for? (payment and credibility?)

- What are the customers packaging needs?
- What are the customers' lead times?
- What is the purchasing volume?
- How long have you been in the business?

3.3 Methods of data collection

The research method chosen is interviews. The interviewees will be chosen based on geolocation. All interviews conducted will be in the city of Gothenburg and its vicinity. The interviews will be conducted at the interviewee's location following a structured format. The whole interview is estimated to be between 20 and 60 minutes depending on the interviewee's exposition. All interviews will have their audio recorded if consent is given.

3.4 Method of analysis

The data collected will be examined, transcribed and compared using a thematic analysis approach. The interview will be coded into key themes. Each theme will then be reviewed to gain an understanding of the interviewee's notion and motivation on the different themes.

3.5 Methodological choice

Deciding to use the qualitative method instead of the quantitative method is because of the limitation the quantitative method has when trying to gain in-depth insight. The qualitative method does not have these limitations which are needed when trying to answer the questions outlined in 3.1 Methodological Approach. By allowing the interviewees to answer instead of using predetermined answers, allows for a deeper understanding of the interviewees stance and needs in the different questions.

3.6 Sample size

In the area of Gothenburg there are 269 small stores listed that fit the criteria of potential customer stores. In the city of Gothenburg there are two processing plants listed adding the sample size to 271. The sample size for in-depth interviews will vary greatly depending on the expert. Dworkin (2012) published an article on the subject on Springer Science Business Media, LLC 2012 for Archives of Sexual Behavior to offer practical guidance for future research. Experts in the qualitative research department are not agreed upon the sample size. It ranges anywhere between 5 to 50 participants. One recurring word in the debate is “it depends”. This shows that there are many different factors that decide a suitable sample size. Dworkin (2012) further notes that after taking these opinions into account of the experts, recommendations from the Archives of Sexual Behavior adhere to a sample size of a minimum of 25-30 participants. This is to reach saturation in in-depth interviews. The article should be used as a guidance to a consistent standard for in-depth interview research (Dworkin, 2012). This research will use in-depth interviews. But, will apply a thematic analysis approach to find themes in the interviewees responses to understand their notion and motivation. The research will follow Archives of Sexual Behaviors recommendation on sample size. The research will use 30 participants to make up the sample group.

CHAPTER IV RESEARCH RESULTS

The findings from the interviews will be discussed in this chapter. The data that was obtained comes from interviews that have been held with business owners operating small stores in the city of Gothenburg, Sweden. In total 30 interviews have been completed reflecting the owner's experiences and views in the market. The interviews conducted have been divided into three different parts and will be discussed as such when presenting the findings. The three different sections are: General Information, Business Operations and End-Customer Insight.

4.1 Access and sample

To gain access, an initial phone call was made to schedule the interview. The first 16 interviews were conducted at the store of the interviewee. The remaining 14 interviews were conducted over the phone. This was due to the new guidelines and regulations set by the Swedish government to combat the Covid-19 outbreak which made it difficult to set up and organize the interviews. The interviews were held in the months of June and July. All the interviews were held in Swedish.

4.2 Empirical findings

The findings have been categorized into three different groups. These groups have been further divided into subcategories to highlight and elaborate on certain findings. The three categories are: General Information, Business Operations and End-Customer Insight.

The general information part covers general information of each store. This will serve as an identifier on the sheer size of the stores, their capabilities and describing the group. The business operations will create an understanding and basis of how these stores operate and make decisions revolving new products and purchases. The end-customer insight creates another layer of understanding of end-customer

needs and concerns as perceived by the stores. The empirical data collected will be outlined and used to answer the research questions of how stores operate and want to be approached. But, also how end-customer demand influences the stores and drives for certain types of packaging.

4.2.1 General information

Life-length on businesses

The difference between the store that has operated the longest and the one who recently started differs by more than two decades with the majority of stores having opened in the last five years. The data is heavily skewed towards recently being opened. Many owners have added that they received help from the National Labor Office when they started their shops.

Business size

A majority of stores found the question to describe their sales to be uncomfortable where one owner said that:

“It is not in our culture to openly talk about things such as wealth and there really should not be a problem considering all the information is made public by the Swedish government. But it still is”.

All the stores had a low employee count and the owners mentioned it was difficult to properly use and allocate resources correctly. Several owners mentioned the rigid labor laws in Sweden which makes it difficult and expensive to have employees.

All the stores interviewed either rented the building they used or the land where they operated so the size available in the store is limited.

4.2.2 Business operations

Process for new products

The process when deciding to take in a new product greatly varied between the stores. The larger stores tended to have a more elaborated process that is defined when taking in new products. They actively looked to partner with suppliers that had history to reduce risks. They are more prone to ask for product samples, product information and proof that you can supply them with

the products. The smaller stores had a simple process and are less picky. They are more reliant on local resellers to supply them with their goods. One owner of a small said that:

“Being both small and new in the market is difficult. Luckily for many of us the government provides the communication channels that we would otherwise lack which enables us to be competitive”.

The store owners were concordant in that the decision to start the process to take in new products did not lie with themselves rather the customer base. One of the owners brought up an example and said:

“We have been selling meat without any distinction except on quality. But with the increase of Muslims in the local population there has been increasing demand for halal certified meat”.

Other store owners have brought up similar causes where there have been new local trends that have forced them to adapt their assortment in the store.

Product sourcing and requests

None of the companies are sourcing their products themselves. They are all posting requests for new products. The process and procedure after they have reached out and requested new products differs between the stores. The main difference between the stores is how much control in the process they have. The larger stores have a fleshed-out idea of their process and what they would like. One of the store owners says:

“If we want to advance and evolve the business, we need to control all core aspects of the business. One of the core aspects in running a store is to ensure that the products that are sold on the shelves are of top quality. This is not possible unless we, the stores take that extra step. This will later resonate with the customer”.

The smaller stores are relying on local resellers to supply them with products. Much of the assortment in the smaller stores are the same that gets sent to bigger stores and even the supermarket chains. One owner says:

“We are two persons running the store here. We do not have the resources to start to source for products or being picky. For us it is cheaper and

easier to copy large parts of the assortments that the big supermarket chain has and supplement it with customer requests”.

Evaluating new suppliers

None of the stores are really differentiating when they are evaluating new suppliers. Over the board the suppliers are looking for consistency. A store owner says that:

“Consistency is the most important part when running a modern store. We do not have large quantities of stock so it is important that the supplier is precise and consistent and supplies us at the right time. If the supplier is not consistent then the price of the product does not matter”.

Price was also highly ranked when stores were to determine typical factors when evaluating suppliers. An owner of a smaller stores said:

“When we evaluate suppliers, we are checking the price. Because we are using the government channel to reach out to suppliers we already know before we get a reply that they are reputable and as such we only care about the price”.

Reputable was also a factor that was often spoken by store owners. However, while hearing the explanation the word became interchangeable with consistency that was another factor that was typically considered by stores when evaluating new suppliers.

Switching supplier

The stores are very unanimous in their factors when considering a new supplier. The store owners are using different words but are describing the same phenomena. They are all bringing up that to even consider to switch to a new supplier there has to be value to be gained. One of the store owners said:

“There are not several factors to be considered when considering switching suppliers. There is just one. Are there any benefits switching? If not then it is off the table”.

Another store owner had this to say:

“If I cannot benefit from switching to a new supplier then why should I consider switching? So, it is important for the supplier to put up good cards or it will end right away”.

Responsibilities in the purchasing process

The owners in each store made the decision to purchase or switch products. There were four stores that did allow employees to send purchasing orders to restock their assortment. One of the owners said:

“I am making the decisions to bring in and restock our products. There is also Henrik, an employee who helps to overview the supplies and order restocks. It helps out tremendously that I can put faith into my employees”.

The most common reason why the owners were doing it themselves was because they did not have the resources to get personnel to do it. One owner said:

“I would love to have more employees to ease the workload. But it is too expensive so I end up doing it myself”.

Triggers that cause a purchase

The stores agree that the most common trigger that causes a purchase is to restock their assortment. One store owner said:

“The most common trigger you will have in a store for a purchase is when we run low on stock. This triggers a purchase or we will have nothing to sell to our customers”.

Some of the stores are taking in products that are on sale or discounted. One of the store owners said:

“If a supplier has a discounted item that we usually have in our assortment it can be a triggering cause for a purchase. We get a higher margin and the risk is low”.

Concluding purchases

Stores within the European Union and especially Sweden can conclude purchases with ease. The process is very streamlined and is completed in a timely manner. One of the store owners said:

“Wrapping up a purchase is very easy for me as an owner. After the purchasing order to the supplier has been sent and prices are agreed upon, we receive the goods a couple of days later together with an invoice”.

While it is easy to conclude the purchase, all the store owners are not delighted about it being electronical. The owner said the following:

“To finish a purchase is easy, almost too easy. I find it difficult sometimes to keep track of my accounts because of this”.

Purchasing terms

The terms set between stores and suppliers do not differentiate at all between the stores. All the store owners were referring to the purchasing terms as “Faktura” which is the Swedish word for invoice. The invoices issued are following the standard Net 30 where the outstanding amount needs to be paid to the supplier within 30 days.

Stores experience on sold cashew nut volume

This section was difficult for all the stores to answer. It was even difficult for many to estimate how much they had sold in the last month. One store owner said this why it was difficult:

“It is difficult for me to estimate how much cashew nuts that we sell. The reason is because cashew nuts fall into the candy category. We sell more chocolate, chips and sweets. This makes it difficult to estimate”.

While it seems difficult for many stores to estimate the volume, they are all giving answers that are in the same range. The sold quantity is between 1 kilogram to 5 kilograms on a weekly basis. One store owner said this about selling cashew nuts:

“Cashew nuts, well, all nuts are selling well. We do not see a super demand for it as with the pick it yourself candy. It sells in a more consistent quantity”.

The lead times from purchase to receiving the products

When it comes to the lead times and how fast the stores need their products it is considered an essential part in running a successful store. The store owners are giving different reasons why it is important for them. Their answers boiled down to money and space. One store owner that brought up money said this:

“Receiving the products fast after ordering is essential for us to be able to continue and sell. Our cash flow is not big enough for us to buy up a larger amount of stocks so we are always balancing on a thread line”.

Another owner brought up space being an issue and why high lead times would affect his store negatively said this:

“The time from purchase to receiving the products needs to be as fast as possible. I do not have the space to hold any larger quantities as you can see in my shop. So, if the lead time is high, I will run out of products to sell”.

4.2.3 End-Customers

The end-customer demand

Store owners when asked about the demand of end-customers gave hesitant answers. This is because it is not a staple product in the store. Staple products are bread, dairy products, potatoes and different types of meats. So when asked they came to a standstill. One of the store owners said:

“This is similar to the question earlier. It is difficult to answer due to the fact it is not a high demand product such as the candy picks. I know we are selling cashew nuts and they do sell pretty well. So there is a demand for it here, but I believe customers that focus on being healthy are using other stores for their purchases such as rawfoodshop that sell online”.

End-customer concern

In Sweden it is custom for customers to directly contact the producer or importer with concerns. These types of concerns are not raised with stores at all. Instead the contact information needs to be available on each product so the customers know with whom they need to contact with product concerns.

Store experience on suitable packaging sizes for end-customer

Store owners do not put a lot of thought into the packaging. When asked many stores replied that they think the packaging is good. One store owner said:

“I haven’t given it much thought to be honest, and I don’t really know. However, I do believe that the producers have already optimized the cashew nut packages to suit the market. So, I think they are fine”.

There was one store owner whose idea stood out from the rest and said:

“I haven’t given it much thought about the packaging. That is something the producers have to consider. But I have considered a weigh it

yourself package where you have the customer fill their bag and weigh it. Similar to how they pick their own potatoes and then weigh it at the scale”.

4.2.4 Others

Store owners have the word

The majority of store owners rapidly wrapped up the interview and had no additions to make. A handful of store owners did make additions. One store owner advised of other markets and said:

“Have you considered approaching restaurants? There are plenty of Chinese, Indian and Thai restaurants around and they are using cashew nuts as ingredients in their cooking. It wouldn’t surprise me if they use more cashew nuts than what we are selling in the store”.

Another store owner raised the idea to supply web shops and said:

“A lot of web shops with an orientation towards being healthy and bodybuilding sell a lot of products including cashew nuts. Maybe it would be an idea to contact them and see if they are interested in purchasing. Then you do not need to consider packaging as they will package it into their own brand”.

CHAPTER V RECOMMENDATIONS AND CONCLUSION

5.1 Business model and strategy

5.1.1 Business model

The business model adopted is disintermediation as defined by Harvard Business Review (2015) and tries to cut out middlemen from the process and decrease the amount of transactions from supplier to customer. The business model used by Tuve Trading involves the farmers, packaging factory, logistic company, Tuve Trading and the customer stores. The relationship between these entities is shown in figure 2.

The process starts with the farmers who cultivate and reap the cashew nut plants and prepare the nuts and briefly steam them to get rid of all the toxicity. The cashew nuts are then in bulk sent to a packager. The farmers and packagers are agreeing on payment of service and it does not involve Tuve Trading. After that the cashew nuts are packaged into bags they are prepared to be shipped abroad. The packed cashew nuts are then handed over to the logistic company that will transport the cashew nuts to the warehouse of Tuve Trading which is a garage adjacent to the owner's house. The cashew nuts are then supplied to the customers from Tuve Trading's warehouse. The distribution of cashew nuts to the customers will be done by Tuve Trading except in the case there is a huge order where it is impossible to load the cargo in the car. Then PostNord will be used to make the delivery. The reason why Tuve Trading will do the deliveries is to reduce the cost and to receive synergy effects with our personal selling doctrine.

The inventory stock of Tuve Trading always needs to be on hand. This is due to the fact that the logistic time to send the cashew nuts from Thailand to Sweden takes between 30 and 40 days. So in order not to get a supply shortage the stock needs to be in excess of the demand. In order for the inventory not to spoil a first in first out policy is followed.

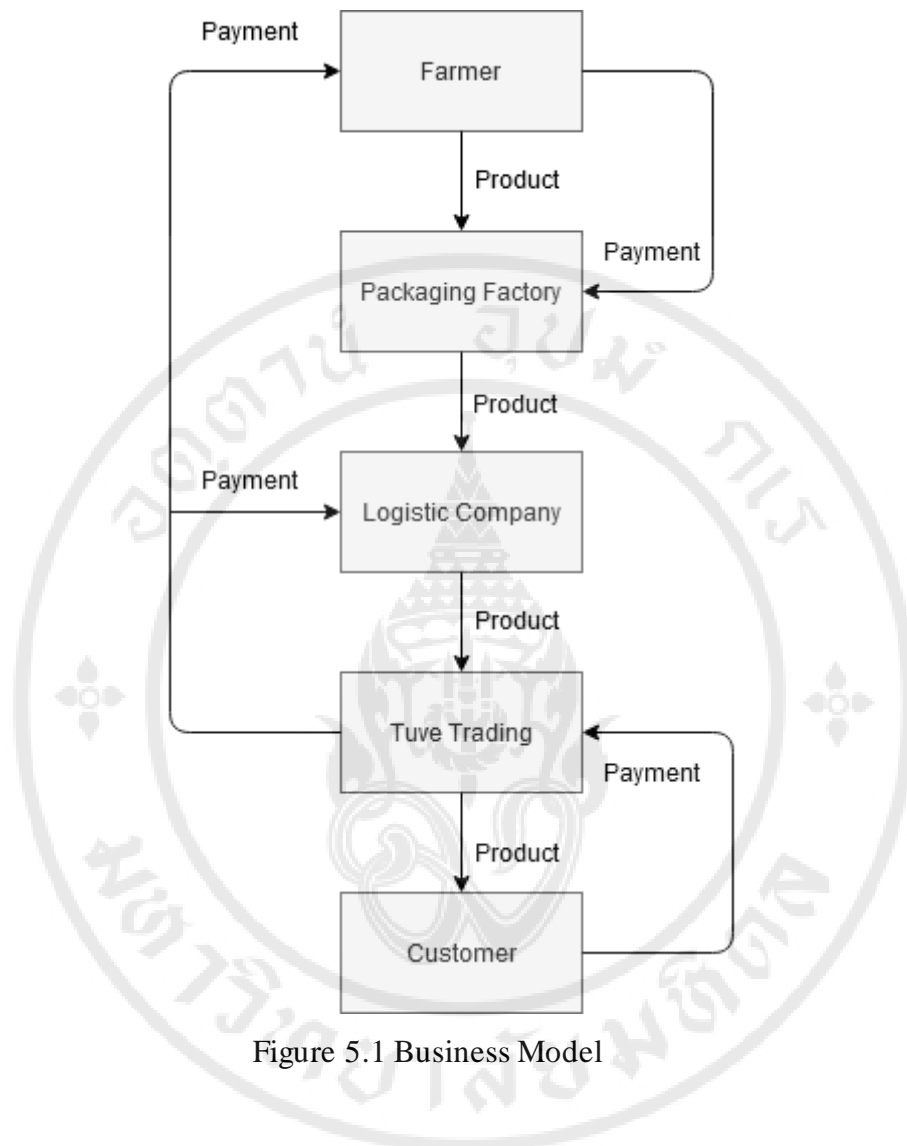


Figure 5.1 Business Model

5.1.2 Business strategy

5.1.2.1 Vision and business objectives

Vision statement

A successful low-cost import business.

Mission statement

To provide the local market of Gothenburg with low cost imports.

5.1.2.2 Core values

- Business practice focuses on respecting and protecting the environment.
- Adapt to the changing needs of customers.
- High ethical standards.
- Practice minimalism to minimize impact on cost and the environment.

5.1.2.3 Strategies, goals, objectives and action plan strategy

Strategy

- Capture a larger market share.
- Expand the products to 3.
- Increase the profit margin.

Goal

- Increase the market share by onboarding more customers.
- Source for products to import.
- Increase the profit margin by reducing costs.

Objectives

- Increase the customer base to at least 50 customers by the end of the first year.
- Identify two potential products to introduce to the market by the end of the first year.
- Reduce the logistic cost by 10% over a 12-month period.

Action Plan

- Create and implement a plan to onboard customers in the vicinity of the city of Gothenburg.
- Conduct a market scan to identify potential market opportunities.
- Contact logistics companies and negotiate discounts based on volumes.

5.2 Target customer profile

The target market are the small stores unaffiliated with the big four grocery chains in the city of Gothenburg and the vicinity. There are currently 269 stores fitting the description. Out of these around 20%-30% or 50-60 stores are not franchising with the big four stores. The targets in these stores are the owners or a purchasing person if they are available. It is expected that they will sell at least 2.5 kilograms of cashew nuts a week or 10 kilograms a month.

5.3 Marketing strategy and plan

5.3.1 Marketing plan

To get in touch with potential customers we will use the old-fashioned door to door method. As we are looking to supply our customers with cashew nuts, we only need a channel of communication with the owner or the purchaser. Personal selling is an effective approach to selling a product when you know what you want to sell and to who. Personal selling is an effective way to serve a small market and it can also be used successfully when used as an indirect channel when dealing with agents (Writuparna, 2010). Personal selling is effective at creating a relationship between the business and its customer.

Personal selling as the chosen approach in the limited area chosen where the customers are more beneficial and cost effective. Initial contact will be taken on the phone and in person. Because the person targeted in each store is specific there is no use in using expensive non-personal marketing. Writuparna (2010) argues that personal selling can be the best marketing method if the business is not in a suitable position to use non-personal marketing.

Adopting the personal selling approach as the marketing strategy will differentiate ourselves from our competitors and give an edge in a forgotten market segment. Sweden is becoming a top destination for online marketing specialists and the online market has increased by 45% between 2013 and 2017 (MichaelPage, 2018). Digital marketing saw an increase in spending and

reached an all-time high of \$4.08 Billion dollars in 2016. This shows that more traditional channels of marketing are set on the sideline while digital marketing is growing. This is where using the direct approach is giving a market edge. Personal selling allows the seller to tailor the content towards each specific customer.

5.3.2 Marketing mix

5.3.2.1 Product

The product sold is cashew nuts packaged in a bag. There are limited things to do to differentiate cashew nuts. Different types of flavors can be introduced or the package can be altered. Tuve Trading will solely focus on natural cashew nuts without any added flavors. From the interview the stores were of the opinion that the packages for the cashew nuts were fine and already optimized in terms of size. Tuve Trading's position is to minimize the cost of the goods sold to the customers and will look into simple packages which resonate well with the price we are looking to set on the product. Simple packaging also saves material and the associated cost as well as it is more environmentally sustainable (Nidhi 2019).

5.3.2.2 Price

Cashew nuts in the Swedish market are available in the range of 145-300SEK per kilogram. There is a huge difference between the cheapest brand and the most exclusive one. The more expensive have been refined further and have added tastes compared to the cheaper counterparts. As a supplier of cashew nuts, we are not looking to add any flavors but supply the cashew nuts raw. As such the price we are looking at is in the lower range of 145SEK per kilogram. On this price you have a value added tax of 25% that needs to be subtracted together with the store's margin markup which should be around 30%. This gives an estimated purchasing price of the stores for roughly 90SEK per kilogram for the stores. The cashew nuts provided by the farmers in Thailand are sold for a price of 135 Baht per

kilogram. This equates to roughly 37SEK at today's exchange rate. These nuts are ready to be sold. No further processing is needed.

The freight from Thailand to Sweden is difficult to calculate as there are no direct routes. According to Freightos who specialize in freight between Thailand and the UK the prices do not differ a lot and by adding 25% to the price available on the website should give a good estimate of the transportation. This information was given through their chat function. As can be seen in figure 3 the shipping cost is \$728. That is in today's exchange rate 6385SEK. Adjusted for the port of Sweden the total is 7980SEK. This is for door to door shipping. This gives a freight cost per kilogram of 8SEK. Since there are no additional fees to bring in cashew nuts into Sweden such as taxes. This gives the total cost of the imported cashew nuts of 45SEK per kilogram.

Ocean/Sea Freight LCL

Shipping Rates from Thailand to the UK: LCL

	Shipping from Bangkok	Shipping from Laem Chabang
Shipping to Southampton	\$695	\$728
Shipping to Felixstowe	\$706	\$728
Shipping to London	\$690	\$728

These rates are door-to-door shipping averages for a load of 200 kg/1 cbm

Figure 5.2 Sea Freight LCL rates between Thailand and the UK

The pricing will follow the cost-focus described in the competitive advantage and be set to bring out a competitive price irresistible for stores to resist. Data from the interview collected found out that price is something looked after when being approached with a product. Stores want to get benefits changing from one supplier to another. Price plays a huge part when we look at cashew nuts as a product due to the limited options to differentiate the product apart from price. This is why it is important that

the price is on the lower edge in order to be attractive. The calculations above show that even with the lower price range the margin is high. So, having a benefit driving pricing strategy is essential for the business success.

The initial price offered to customers will be higher than the estimated purchasing price of 90SEK of the stores. The reason is that it is possible that they have a smaller margin than the calculated one and then the proposed price is already lower than the price of the products they are currently buying. It also gives a favorable position to negotiate as there is room to lower the initially proposed purchasing price.

5.3.2.3 Place

The place where the product is sold from is the warehouse. Because this is a B2B transaction the products are delivered to the customers stores directly after the order has been placed. To create a presence in the market and make the customers aware of our existence. This will be done by directly approaching the customers and making their location the place of sales.

5.3.2.4 Promotion and discount

Promotion and discounts on the cashew nuts can increase the number of nuts sold. Cashew nuts are organic and cannot be held for a long time. Discounts will therefore be held regularly to sell off cashew nuts so they are not being spoiled. No promotions will be held instead the promotional step will be included in the personal selling.

5.3.2.5 Advertising

As discussed in the marketing plan section focus will be on personal selling. This is because the person targeted is specific. There is no need for Tuve Trading to advertise in social media or newspapers. Instead focus will be on door to door marketing and personal advertisement.

5.4 Operational plan

5.4.1 Organization and management

The initial organization will be small. The organization model used will be that of a flat organization. The CEO will instead act as a middle manager as there are not enough employees to justify such a position. The CEO will do additional operational duties in the beginning such as accounting, sales and warehousing. This will keep the organization small and minimize the initial salaries. As more contracts are signed and additional work is created the extra workload will be covered up by consultants. This is because of the cost associated with employing in Sweden. This was also brought up by the store owners during the interview. The proposed organizational chart can be seen below in figure 4.

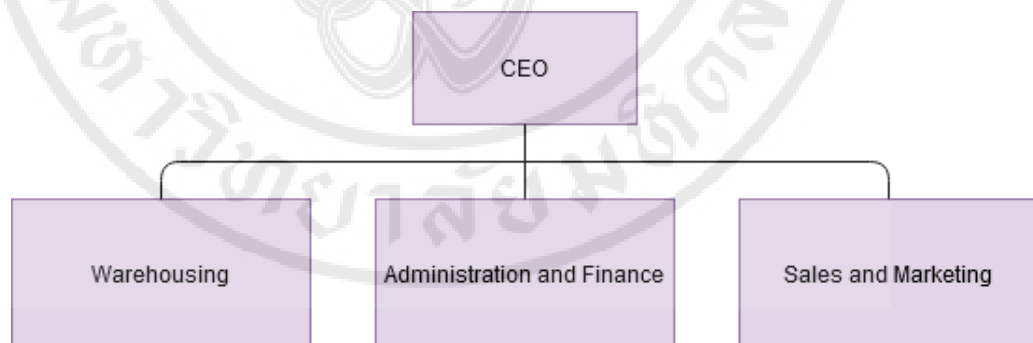


Figure 5.3 Organizational chart

5.4.2 Facilities, staff and equipment

The business will operate from Åbranten 2A where the warehouse also resides. This space is owned by the CEO. There is 40 square meters available to be used for office space and the garage that will be used as a warehouse is approximately 35 square meters. The warehouse is insulated and electrified making it suitable to store cashew nuts.

Initially there will be no staff instead the founder will undertake all the work. If the workload gets too high consultants will be hired in. There will be no employees hired until it is guaranteed there is enough work to support the role. This is because of how expensive it is to employ in Sweden. Apart from the salary paid to an employee another 31% on the salary needs to be paid in social security fees for that employee and it is not possible to get rid of an employee overnight.

In order to successfully run the business a printer needs to be procured. An all in one printer in Sweden is approximately 4000SEK. Other important equipment that needs to be used is scissors, pens and markers. Because the products already come complete all that needs to be done is separate them so they can easily be transported to the customer's store.

5.4.3 Operating expenses

The expenses to operate the business can be divided into two categories. One is the fixed costs that include all posts that are not directly involved with the product such as rent and salaries. The expenses in variable costs vary depending on the output.

5.4.3.1 Fixed operating expenses

The fixed costs associated with the business are shown in table 1 below.

The salary is for the CEO. The salary is set to 15 000SEK and with all the social costs involved it is 20 804SEK. The rent is to pay for the office and warehouse usage. The internet and mobile are essential expenses as they are the foundation for business's communication. There are no office supplies listed as everything in Sweden today is done electronically. So, there is no need to store office supplies.

Fixed costs	
List	Amount in SEK
Salary (15,000)	20 804.00 kr
Rent	1 500.00 kr
Utilities	400.00 kr
Internet Bahnhof	299.00 kr
Mobile (Telia)	99.00 kr
Total amount	23 102.00 kr

Table 5.1 Fixed costs

The fixed cost 23 102SEK is per month. The annual fixed cost is 277 224SEK.

5.4.3.2 Variable expenses

The variable costs associated with the business are shown in table 2 below.

The list below is the cost associated with bringing in one kilogram of cashew nuts from Thailand to Sweden. The delivery charge is the calculated cost to deliver the products from the warehouse to the customer's store. These prices are if the products are delivered with PostNord. Initially the deliveries will be done by Tuve Trading and the expenses will be lowered.

Variable Cost	
List	Amount in SEK
Cashew nuts (kg)	37.00 kr
Transportation for cashew nuts from Thailand to Sweden per KG	8.00 kr
Sales cost	5.00 kr
Delivery	10.00 kr
Total amount	60.00 kr

Table 5.2 Variable Cost

The goal is to deliver cashew nuts to between 50 and 60 stores in the city of Gothenburg and the vicinity. It is expected based on the

interviews that the stores will sell at least 2.5 kilograms of cashew nuts a week. This gives a monthly demand per store of 10 kilograms. This gives a variable cost of at least $10 \cdot 60 = 600$ SEK per store a month. With an expected customer base of at least 50 stores this gives a variable cost of $600 \text{ SEK} \cdot 50 = 30\,000$ SEK each month.

5.5 Financial plan

The financial plan and statements are in this section. In order to make financial plans and forecasts there have been made assumptions. Each assumption made at any given section will be outlined.

5.5.1 Business expenses

The business expenses of the company will be divided into two different cost categories. The start-up and the operating expenses. The operating expenses have already been outlined in the operating expenses and will therefore only be referred to in this section.

The start-up expenses is the business registration fee, starting inventory and the down payments on the equipment needed. In order to register a company in Sweden it needs to be registered with Bolagsverket. There are two different types of businesses that can be registered. A sole proprietorship or a limited company. In Sweden there are a lot of benefits for a newly started business to be a registered sole proprietorship. This mainly involves accounting which is a lot laxer. The registration fee for a sole proprietorship in Sweden is 1 100 SEK. Since there is no need to invest any capital this is the only cost related to the registration fee. Importing cashew nuts does not involve getting any licenses or permits due to cashew nuts being omitted to this regulation. The equipment needed is an all in one printer. An all in one printer at El-Giganten in Sweden is 4000 SEK.

The estimated start-up cost for running the business the first 6 months is 186 825 SEK. The initial stage of setting up the company does not have much cost attached. Instead to cope with unseen changes or additional

equipment that needs to be purchased a cash reserve has been relocated that is 30% of the other items in the start-up cost list. This does not include cost to import the cashew nuts.

#	Description	Amount in SEK
1	Business registration	1 100.00 kr
2	Equipment	4 000.00 kr
3	Salary (15,000)	124 824.00 kr
4	Rent	9 000.00 kr
5	Utilities	2 400.00 kr
6	Internet Bahnhof	1 794.00 kr
7	Mobile (Telia)	594.00 kr
8	Cash reserves 30%	43 113.60 kr
Total amount		186 825.60 kr

Table 5.3 Start-up expenses

5.5.2 Financial statements

5.5.2.1 Sales forecast

In the sales forecast it is assumed that 10% will onboard each month until the 50 stores are reached in November. In the forecast each customer orders 10 kilograms of cashew nuts which are sold at the price of 90SEK per kilogram.

Sales Forecast	January	February	March	April	May	June	July	August	September	October	November	December	Total
Units sold													
Cashew nuts	-	50	100	150	200	250	300	350	400	450	500	500	3 250
Unit price													
Cashew nuts	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	
Sales													
Cashew nuts	- kr	4 500.00 kr	9 000.00 kr	13 500.00 kr	18 000.00 kr	22 500.00 kr	27 000.00 kr	31 500.00 kr	36 000.00 kr	40 500.00 kr	45 000.00 kr	45 000.00 kr	292 500.00 kr
Unit cost													
Cashew nuts	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	
Total cost													
Cashew nuts	- kr	3 000.00 kr	6 000.00 kr	9 000.00 kr	12 000.00 kr	15 000.00 kr	18 000.00 kr	21 000.00 kr	24 000.00 kr	27 000.00 kr	30 000.00 kr	30 000.00 kr	195 000.00 kr
Profit													
Cashew nuts	- kr	1 500.00 kr	3 000.00 kr	4 500.00 kr	6 000.00 kr	7 500.00 kr	9 000.00 kr	10 500.00 kr	12 000.00 kr	13 500.00 kr	15 000.00 kr	15 000.00 kr	97 500.00 kr

Table 5.4 Sales forecast 50 stores

If the number of stores that get onboard increases from 50 to 60 the gross profit for the full year increases from 146 250SEK to 175 500SEK.

Sales Forecast	January	February	March	April	May	June	July	August	September	October	November	December	Total
Units sold													
Cashew nuts	-	60	120	180	240	300	360	420	480	540	600	600	3 900
Unit price													
Cashew nuts	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	
Sales													
Cashew nuts	- kr	5 400.00 kr	10 800.00 kr	16 200.00 kr	21 600.00 kr	27 000.00 kr	32 400.00 kr	37 800.00 kr	43 200.00 kr	48 600.00 kr	54 000.00 kr	54 000.00 kr	351 000.00 kr
Unit cost													
Cashew nuts	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	60.00 kr	
Total cost													
Cashew nuts	- kr	3 600.00 kr	7 200.00 kr	10 800.00 kr	14 400.00 kr	18 000.00 kr	21 600.00 kr	25 200.00 kr	28 800.00 kr	32 400.00 kr	36 000.00 kr	36 000.00 kr	234 000.00 kr
Profit													
Cashew nuts	- kr	1 800.00 kr	3 600.00 kr	5 400.00 kr	7 200.00 kr	9 000.00 kr	10 800.00 kr	12 600.00 kr	14 400.00 kr	16 200.00 kr	18 000.00 kr	18 000.00 kr	117 000.00 kr

Table 5.5 Sales forecast 60 stores

The sales forecast for year 5 assumes that the business has gone through and expanded with 2 additional product lines. These are launched in year 2 respectively year 3. The margin on these products are set at 30% which is in line with the cashew nuts of 33%. The forecasts are using a 3% increase in demand per year. The main increase in sales is from an increased customer base from expanding into more areas such as restaurants and web shops that focus on healthy and nutritious goods.

Sales Forecast	January	February	March	April	May	June	July	August	September	October	November	December	Total
Units sold													
Cashew nuts	1 450	1 462	1 474	1 486	1 498	1 510	1 522	1 534	1 546	1 558	1 570	1 570	18 180
Product 2	1120	1132	1144	1156	1168	1180	1192	1204	1216	1228	1240	1252	14 232
Product 3	665	677	689	701	713	725	737	749	761	773	785	797	8 772
Unit price													
Cashew nuts	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	90.00 kr	
Product 2	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	
Product 3	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	100.00 kr	
Sales													
Cashew nuts	130 500.00 kr	131 580.00 kr	132 660.00 kr	133 740.00 kr	134 820.00 kr	135 900.00 kr	136 980.00 kr	138 060.00 kr	139 140.00 kr	140 220.00 kr	141 300.00 kr	141 300.00 kr	1 636 200.00 kr
Product 2	112 000.00 kr	113 200.00 kr	114 400.00 kr	115 600.00 kr	116 800.00 kr	118 000.00 kr	119 200.00 kr	120 400.00 kr	121 600.00 kr	122 800.00 kr	124 000.00 kr	125 200.00 kr	1 423 200.00 kr
Product 3	66 500.00 kr	67 700.00 kr	68 900.00 kr	70 100.00 kr	71 300.00 kr	72 500.00 kr	73 700.00 kr	74 900.00 kr	76 100.00 kr	77 300.00 kr	78 500.00 kr	79 700.00 kr	877 200.00 kr
Unit cost													
Cashew nuts	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	45.00 kr	
Transportation	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	8.00 kr	
Sales expense	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	5.00 kr	
Product 2	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	
Product 3	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	65.00 kr	
Total cost													
Cashew nuts	65 250.00 kr	65 790.00 kr	66 330.00 kr	66 870.00 kr	67 410.00 kr	67 950.00 kr	68 490.00 kr	69 030.00 kr	69 570.00 kr	70 110.00 kr	70 650.00 kr	70 650.00 kr	818 100.00 kr
Transportation	11 600.00 kr	11 696.00 kr	11 792.00 kr	11 888.00 kr	11 984.00 kr	12 080.00 kr	12 176.00 kr	12 272.00 kr	12 368.00 kr	12 464.00 kr	12 560.00 kr	12 560.00 kr	145 440.00 kr
Sales expense	7 250.00 kr	7 310.00 kr	7 370.00 kr	7 430.00 kr	7 490.00 kr	7 550.00 kr	7 610.00 kr	7 670.00 kr	7 730.00 kr	7 790.00 kr	7 850.00 kr	7 850.00 kr	90 900.00 kr
Product 2	72 800.00 kr	73 580.00 kr	74 360.00 kr	75 140.00 kr	75 920.00 kr	76 700.00 kr	77 480.00 kr	78 260.00 kr	79 040.00 kr	79 820.00 kr	80 600.00 kr	81 380.00 kr	925 080.00 kr
Product 3	43 225.00 kr	44 005.00 kr	44 785.00 kr	45 565.00 kr	46 345.00 kr	47 125.00 kr	47 905.00 kr	48 685.00 kr	49 465.00 kr	50 245.00 kr	51 025.00 kr	51 805.00 kr	570 100.00 kr
Profit													
Cashew nuts	65 250.00 kr	65 790.00 kr	66 330.00 kr	66 870.00 kr	67 410.00 kr	67 950.00 kr	68 490.00 kr	69 030.00 kr	69 570.00 kr	70 110.00 kr	70 650.00 kr	70 650.00 kr	818 100.00 kr
Product 2	39 200.00 kr	39 620.00 kr	40 040.00 kr	40 460.00 kr	40 880.00 kr	41 300.00 kr	41 720.00 kr	42 140.00 kr	42 560.00 kr	42 980.00 kr	43 400.00 kr	43 820.00 kr	498 120.00 kr
Product 3	23 275.00 kr	23 695.00 kr	24 115.00 kr	24 535.00 kr	24 955.00 kr	25 375.00 kr	25 795.00 kr	26 215.00 kr	26 635.00 kr	27 055.00 kr	27 475.00 kr	27 895.00 kr	307 020.00 kr

Table 5.6. Sales forecast year 5

5.5.2.2 Income statement

The income statement is using the sales forecasted numbers from the section above as well as the operative expense numbers from the operating expense section. For the first year the business is expected to be losing money. After twelve months the business is expected to have lost 184 824SEK.

Income statement													
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Revenue	- kr	4 500.00 kr	9 000.00 kr	13 500.00 kr	18 000.00 kr	22 500.00 kr	27 000.00 kr	31 500.00 kr	36 000.00 kr	40 500.00 kr	45 000.00 kr	45 000.00 kr	292 500.00 kr
Total revenue	- kr	4 500.00 kr	9 000.00 kr	13 500.00 kr	18 000.00 kr	22 500.00 kr	27 000.00 kr	31 500.00 kr	36 000.00 kr	40 500.00 kr	45 000.00 kr	45 000.00 kr	292 500.00 kr
Operating expense													
Rent	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	1 500.00 kr	18 000.00 kr
Utilities	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	400.00 kr	4 800.00 kr
Internet Bahnhof	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	299.00 kr	3 588.00 kr
Mobile (Telia)	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	99.00 kr	1 188.00 kr
Salary	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	20 804.00 kr	249 648.00 kr
Depreciation	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr
Total operating expense	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	23 102.00 kr	277 224.00 kr
Variable cost													
COGS	- kr	2 250.00 kr	4 500.00 kr	6 750.00 kr	9 000.00 kr	11 250.00 kr	13 500.00 kr	15 750.00 kr	18 000.00 kr	20 250.00 kr	22 500.00 kr	22 500.00 kr	146 250.00 kr
Transportation	- kr	500.00 kr	1 000.00 kr	1 500.00 kr	2 000.00 kr	2 500.00 kr	3 000.00 kr	3 500.00 kr	4 000.00 kr	4 500.00 kr	5 000.00 kr	5 000.00 kr	32 500.00 kr
Sales expense	- kr	250.00 kr	500.00 kr	750.00 kr	1 000.00 kr	1 250.00 kr	1 500.00 kr	1 750.00 kr	2 000.00 kr	2 250.00 kr	2 500.00 kr	2 500.00 kr	16 250.00 kr
Total variable cost	- kr	3 000.00 kr	6 000.00 kr	9 000.00 kr	12 000.00 kr	15 000.00 kr	18 000.00 kr	21 000.00 kr	24 000.00 kr	27 000.00 kr	30 000.00 kr	30 000.00 kr	195 000.00 kr
Other expenses													
Registration fee	1 100.00 kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	1 100.00 kr
Equipment	4 000.00 kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	4 000.00 kr
Gross Profit	- kr	2 250.00 kr	4 500.00 kr	6 750.00 kr	9 000.00 kr	11 250.00 kr	13 500.00 kr	15 750.00 kr	18 000.00 kr	20 250.00 kr	22 500.00 kr	22 500.00 kr	146 250.00 kr
EBIT	-28 202.00 kr	-21 602.00 kr	-20 102.00 kr	-18 602.00 kr	-17 102.00 kr	-15 602.00 kr	-14 102.00 kr	-12 602.00 kr	-11 102.00 kr	-9 602.00 kr	-8 102.00 kr	-8 102.00 kr	-184 824.00 kr
Tax	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr	- kr
Net profit	-28 202.00 kr	-21 602.00 kr	-20 102.00 kr	-18 602.00 kr	-17 102.00 kr	-15 602.00 kr	-14 102.00 kr	-12 602.00 kr	-11 102.00 kr	-9 602.00 kr	-8 102.00 kr	-8 102.00 kr	-184 824.00 kr

Table 5.7. Income statement year 1

For the 5-year forecast it is assumed that the business will deliver on its strategy plan and expand the product line. This will help to increase the rate at which the profit is increasing. It is assumed that product 2 and product 3 that are launched in year 2 respectively year 3 have a margin of 30% which is in line with the margin on cashew nuts of 33%. The employee count after year 1 will remain 1. Instead the use of consults and outsourcing for transportation will be used to minimize the salaries. The business is expected to be profitable between year 2 and year 3. The business is not paying any corporate tax until year 4 due to having tax credits from the losses accumulated in year 1 and 2. During the second- and third-year additional equipment will be bought to run the operation.

Income statement forecast					
Year	2021	2022	2023	2024	2025
Revenue	292 500 kr	914 000 kr	1 908 500 kr	3 089 250 kr	3 936 600 kr
Total revenue	292 500 kr	914 000 kr	1 908 500 kr	3 089 250 kr	3 936 600 kr
Operating expense					
Rent	18 000 kr	18 000 kr	18 000 kr	18 000 kr	18 000 kr
Utilities	4 800 kr	4 800 kr	4 800 kr	4 800 kr	5 000 kr
Internet Bahnhof	3 588 kr	3 588 kr	3 650 kr	3 650 kr	3 650 kr
Mobile (Telia)	1 188 kr	1 188 kr	1 200 kr	1 200 kr	1 200 kr
Salary	249 648 kr	324 542 kr	421 905 kr	548 477 kr	603 324 kr
Depreciation	- kr	1 000 kr	1 500 kr	1 500 kr	1 500 kr
Total operating expense	277 224 kr	353 118 kr	451 055 kr	577 627 kr	632 674 kr
Variable cost					
COGS	146 250 kr	478 000 kr	1 068 400 kr	1 791 675 kr	2 313 360 kr
Transportation	32 500 kr	77 400 kr	114 750 kr	128 200 kr	145 440 kr
Sales expense	16 250 kr	43 000 kr	63 750 kr	80 125 kr	90 900 kr
Total variable cost	195 000 kr	598 400 kr	1 246 900 kr	2 000 000 kr	2 549 700 kr
Other expenses					
Registration fee	1 100 kr	- kr	- kr	- kr	- kr
Equipment	4 000 kr	4 000 kr	4 000 kr	- kr	- kr
Gross Profit	146 250 kr	436 000 kr	840 100 kr	1 297 575 kr	1 623 240 kr
EBIT	- 184 824 kr	- 41 518 kr	206 545 kr	511 623 kr	754 226 kr
Tax (20.6%)	- kr	- kr	- kr	106 284 kr	155 370 kr
Net profit	- 184 824 kr	- 41 518 kr	206 545 kr	405 339 kr	598 855 kr

Table 5.8. Income statement forecast

5.5.3 Business evaluation

In order to evaluate the business plan from an investing point of view the Net Present Value (NPV) and the Internal Rate of Return (IRR) will be used. The discount rate used when evaluating this project is set to 8%. This is the annual growth of the Swedish stock market the last 25 years. The NPV for this project comes out at 440 662 SEK. The IRR is positive at 34.24%. This is a profitable project as can be seen by the positive cashflow for the year 3 and onwards.

Year	0	1	2	3	4	5
Profit	- 186 825 kr	- 184 824 kr	- 41 518 kr	206 545 kr	405 339 kr	598 855 kr

NPV	440 662.49 kr	Return	8%
IRR	34.24%		

Table 9. NPV and IRR

The payback period for this project is 3.51 years. With the discounted 8% the payback period is 3.771 years.

	Payback analysis			
	Cash flow	Acc amount	Cash flow 8%	Acc amount 8%
Year 0	- 186 825.00 kr	- 186 825.00 kr	- 186 825.00 kr	- 186 825.00 kr
Year 1	- 184 824.00 kr	- 371 649.00 kr	- 171 133.00 kr	- 357 958.00 kr
Year 2	- 41 518.00 kr	- 413 167.00 kr	- 35 594.00 kr	- 393 553.00 kr
Year 3	206 545.00 kr	- 206 622.00 kr	163 962.00 kr	- 229 591.00 kr
Year 4	405 339.00 kr	198 717.00 kr	297 936.00 kr	68 345.00 kr
Year 5	598 855.00 kr	797 572.00 kr	407 570.00 kr	475 915.00 kr

Table 5.10. Payback analysis

5.6 Risk management plan

The risk management plan is used to be proactive to risks, estimate impacts and have a response when the risk occurs. The risk management plan used by Tuve Trading can be seen in table 11 below.

Risk Management Plan		
Risk Type	Risk Description	Action
Financial	Bankruptcy	Be in regular contact with banks to ensure loans
	Exchange rate	Negotiate and hedge the price
Operational	Large order	Change logistic route and fly the products
	Large order	Increase inventory on hand
	Damaged inventory	Look over and adjust work moments
Physical	Damaged inventory	Insure the inventory stocked in the warehouse
Regulatory	New directives	Keep up to date on government actions

Table 5.11. Risk management plan

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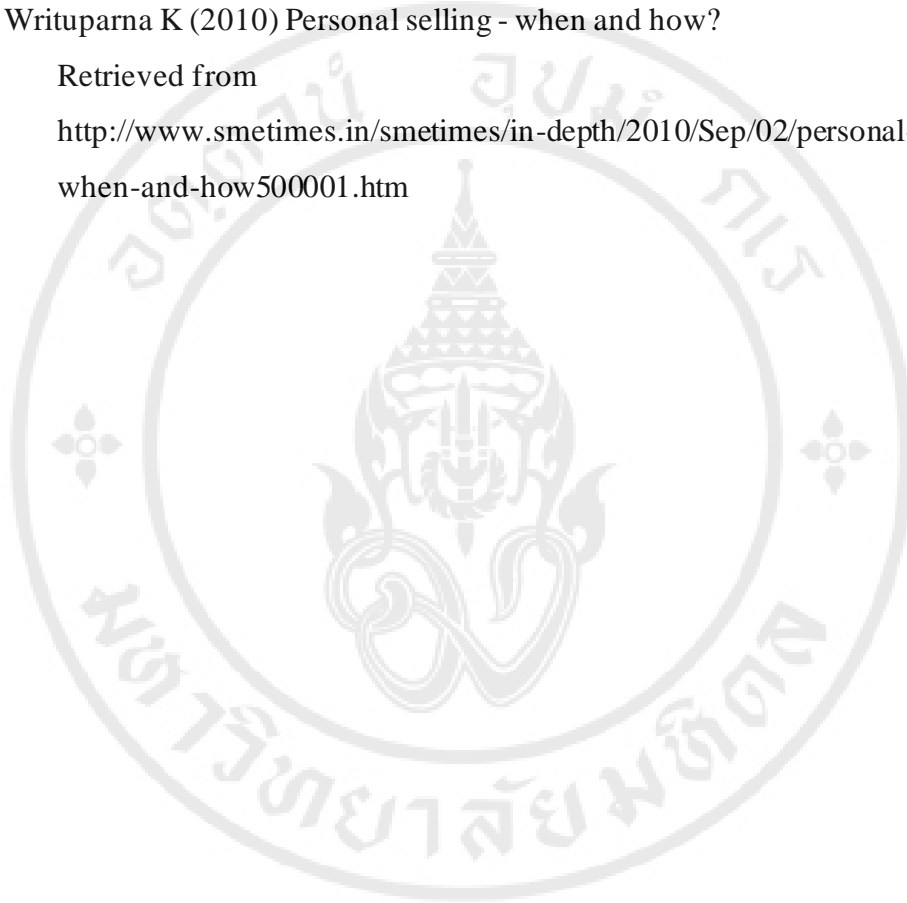
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APPENDIX

Tuve Trading AB; Importing Cashew Nuts From Thailand To Sweden

Interview questions

Greet the participant, explain the procedure and get the participants consent for the interview.

General questions

1. How long has the store/plant been in business?
2. Please tell me briefly of the store/plant Employees, Size, Sales etc.

Business Operations

1. How does the process work when you decide to take in a new product?
2. Do you post a request for a product? Source it yourself? Or have suppliers contact you?
3. What are typical factors when you evaluate new suppliers?
4. What are factors when considering to switch to a new supplier?
5. Can you please explain the purchasing process?
 - a. Who is responsible for the decision to make the purchase/switch?
 - b. What are common triggers that cause a purchase?
 - c. How is the purchase concluded?
 - d. When the purchase is paid what are the usual terms?
6. Based on your experience what is the volume purchased for this segment of goods?
7. What is the usual lead time of the store/plant from making the purchasing order to the need to receive the goods?

End-customer needs and packaging

1. How strong is the end-customer demand for these types of products here?
2. What is usual end-customer concerns directed to the store/plant?
3. Based on your experience what are suitable packages sizes?

Other questions

1. Is there anything you would like to add that could be useful?

Thank the participant for their time and finish the interview.

BIOGRAPHY

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