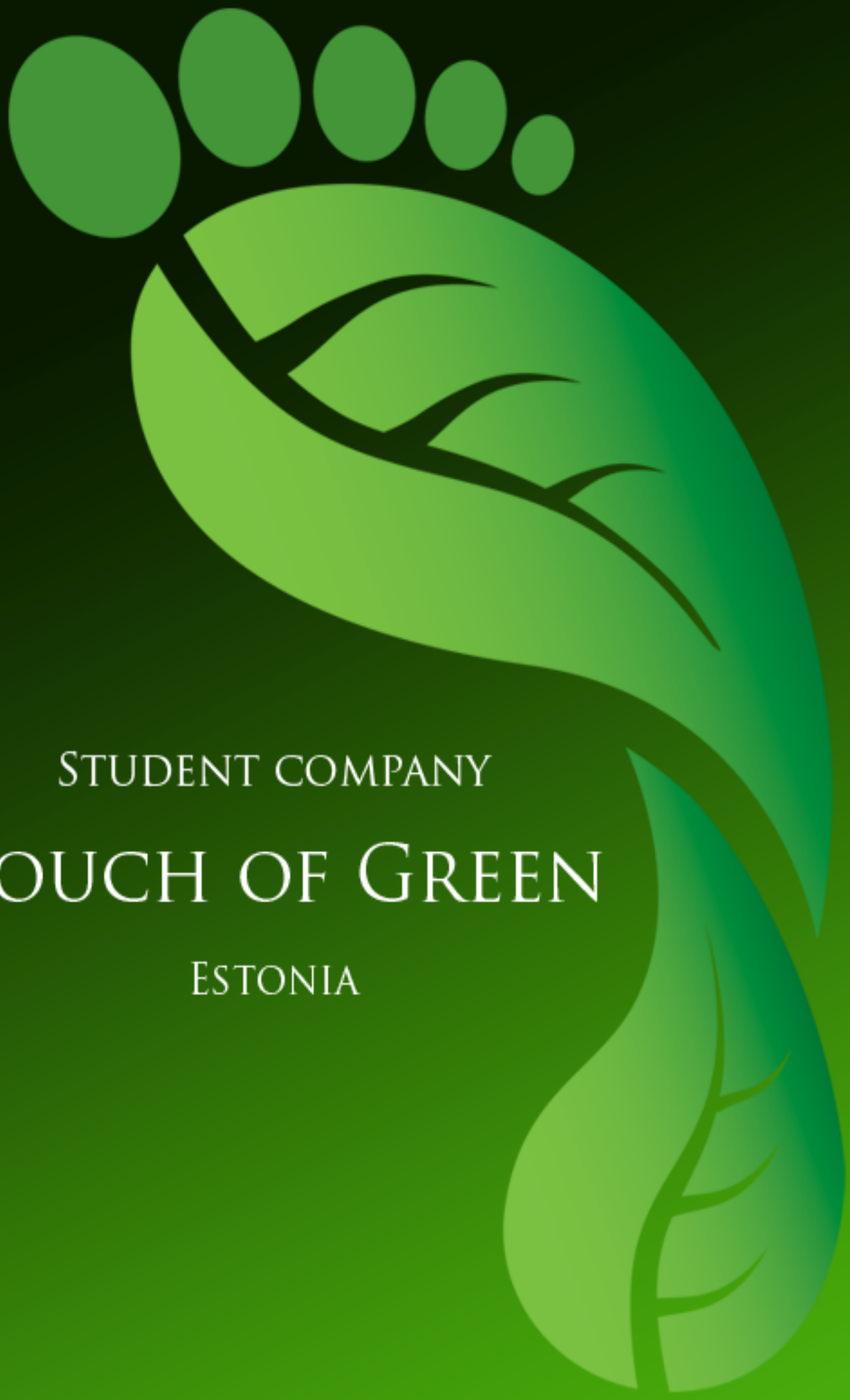

Student company

Touch of Green

Estonia

Consultant: Anne Alamets

2008/2009

Executive Summary

Mission Statement

Our mission is to take real action in creating a healthier and more pleasant environment and encourage people to take responsibility for their choices.

Slogan

Feel the Touch of Green and Let the World to Breathe!

Goals

Our goals when we started the student company were as follows:

1. To take direct action against climate change by planting trees.
2. To promote an environmentally friendly lifestyle in Estonia and in Europe.
3. To put academic knowledge into action.
4. To gain new knowledge, experiences and skills in entrepreneurship, teamwork, communication.
5. To develop as individuals, as a team, as a company.
6. To earn ethical profit to our stockholders.
7. To prove that a green business can be profitable.
8. To create a socially responsible real company.

Our service

We enable people to neutralise their carbon footprint by planting trees for them.

For finding out how many trees need to be planted we have elaborated a carbon dioxide (CO_2) calculator which helps people to understand their impact on the environment.

More information from our website www.rohelinejalg.ee.

Financial results

Turnover .....3056.26 EUR
Costs.....1943.41 EUR
Profit.....1112.85 EUR
Profit margin 36.5%

Summary statement of company performance

Looking back to the goals we set forth in the beginning of the student company we can proudly say that we have achieved all of them. We have planted over 2,500 trees and neutralised about 500 tons of CO_2. There have been more than 64,000 hits on our website with the CO_2 calculator. We have established co-operation with Estonian Forest Management Department and Statoil. We have won several awards on competitions and have been in Estonian media almost regularly this spring. So we have increased media interest towards green values. Last but not least: we have found a real company! This has proven to us that you can make a profit with social and ethical ideas as long as you believe in them.

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How it all began?

It was the spring of 2008 when Margus first calculated his carbon footprint on a foreign website. To his surprise nothing like this was found in Estonia. The logical choice was to offer a similar service in Estonia too. But somehow that did not seem enough. The websites only talked about our environmental impact but offered little direct solutions. It was approximately the same time when he heard from his economics lesson that it was possible to start a student company. On that moment the idea for "Touch of Green" was born.

When he started to talk about his vision he quickly found himself surrounded by three fellow students – Kristina, Sander and Richard – who shared the same attitudes towards eco-friendly lifestyle. Two months and many brainstorming sessions later the abstract idea of reducing people's carbon footprint was developed into a real service.

We decided to start offering a 2-step service. First we calculate one's carbon footprint and the number of trees necessary to neutralise that footprint. This service is free for everybody. Secondly we offer them to plant those necessary trees for them – just over 1€ per tree.

Our activities started with calculating our own footprint. The results shocked us and we decided to neutralise our own footprints first. It did not feel right to offer this service to others before having dealt with our own impact on nature. We ended up with planting over 400 trees.

It took us all summer and most of the autumn to finish all the preparations needed: business plan, market research, CO_2 calculator, web page, structure, job descriptions, etc.

Membership and structure

Student company Touch of Green is founded on a limited liability company principle. The highest institution is the shareholders general assembly. The company everyday work is organized by the management.

Touch of Green has four members. We decided that everyone should have a management experience and therefore each member was assigned a field fitting to their interests and ambitions.

Margus Potisepp as ambitious and goal-oriented person (and the initiator) was chosen to be the CEO. Well-communicative and positive Kristina Õllek was assigned to be personnel manager. Balanced and polite Sander Kaur was determined to be marketing manager. Richard Pikmets was chosen to be as a finance leader, as he is interested in finance.

In addition to their managerial roles all members of the student company were active with planting trees, presentations and sales.

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When we had signed the cooperation agreement with Statoil in April it became apparent that only the four of us could not manage all the workload anymore. To get the best person for the position of campaign manager we held job interviews. After 8 interviews we decided that energetic and social Kelli Kuligina suited our requirements best.

Business plan

At first we drew our business plan which helped to understand the possibility of implementing our service on the Estonian market. We made a market research, SWOT, analysed the business environment, the competition and studied the potential risks. Based on this we made a financial prognosis. We also wrote down our mission statement, vision and goals.

After all this we were confident that our service is worthy of providing, since it seemed actual, urgent, interesting and above all ethical.

Market research

Before starting our actions as a student company we conducted a quantitative oral survey in different shopping centres of Estonia. The results of the survey are as follows:

92% of 140 people being questioned felt that they want to know more about environmental issues and to help solving them. At the same time only 17% of people knew about the existence of CO_2 calculators that measure your carbon footprint.

86% were willing to cover the costs of reducing their carbon footprint.

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These results gave us confidence that there is a lot of potential for our service on the market.

Target group

In order to have the right approach for entering the market we needed to determine our target group.
We focused on two target groups. While our service might be suitable for everyone, our main target group would still be slightly wealthier and more educated urban citizen who have the will and wealth to care about environment that surround them.
We also decided to focus on younger people on an educative purpose. Their habits and attitudes towards the environment can still be influenced and they will have their say in the nearest future.
We do not exclude other groups either but people who are poorer than middle-class do not have often enough money for letting others to plant trees for them. We offer calculating their footprint for free and they can find another solution to reduce their footprint.

Competitors

To be ready for possible setbacks, we tried to foresee our possible competitors.
Our market analysis did not show direct competitors in Estonia – any other company measuring the carbon footprint and then neutralising it.
However, we found some indirect competition.
Couple of months after developing our carbon calculator we found out that a team from the biggest university in Estonia has released their own ecological footprint calculator. Their calculator, however, is more specific and not meant for the general audience rather than for scientific research. They do not offer any service for reducing the impact of people's actions. We were very happy to find out that the university quoted our calculator in the list of other CO_2 calculators they suggested to use. In the future we plan to co-operate with them as well to further improve our calculator.
At first we considered the Estonian State Management Department to be our biggest competition for they plant trees and arrange planting bees. As our company took off they turned out to be our good partners.

We have found companies in other countries offsetting carbon footprint by different means – but still our solutions and services are not the same. We do not view them as competitors rather than potential partners on a way towards a more sustainable future.
Experiences have proved that our main competition lies in sceptical and/or ignorant people who do not acknowledge global climate change.

SWOT analysis

Understanding our businesses pros and cons we conducted a SWOT analysis.
After this we created a strategy how to use our strengths and opportunities and how to compensate or eliminate our weaknesses and threats. The strongest side of our company is the actuality of the idea. The main weaknesses of our company are our busy time schedules and also our inexperience. That's why we decided to do some research about the subject and contacted specialists in the field before starting real business activities. Overcoming our busy time schedule problems, we draw up a fixed timetable. We had composed a negative scenario in case of the economic recession worsening. As our company's expenses are not big, we decided to try in spite of these scenarios. Our small financial risks benefited us.

Strengths:	**Weaknesses:**
* Our service is available to everybody * The actuality of the idea * Diverse and enthusiastic team	* Tight time schedule * Lack of experiences * product is not tangible * Short plantation period
Opportunities:	**Threats:**
* Shift of values in society towards a greener lifestyle * Interest of real businesses towards our service	* Economic decline * Scepticism about environmental problems * Lack of trust towards a student company

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Our service

We offer **neutralisation of carbon footprint by planting trees**.

Carbon footprint is the amount of CO_2 that a person produces with his/her everyday activities. (See boxed text for more information on why it is necessary to reduce your carbon footprint.)

The usual way of using our service is as follows:

Step 1: a person calculates one's carbon footprint on our web page, gets to know how many trees should be planted to neutralise the footprint. This part of the service is free for everybody.

Step 2: the customer neutralises the carbon footprint by letting us plant the necessary amount of trees. Plantation of one tree costs 1.30 EUR which includes the cost of the plant, preparation of the soil, maintenance of the plant after the plantation and the cost of the labour and transport.

After purchasing the plantation service the customer receives a certificate claiming how much CO_2 has been neutralised and the exact coordinates of the planted trees.

Prime Minister of the Republic of Estonia ***Andrus Ansip*** *receiving a certificate from student company Touch of Green*

In cooperation with the Estonian Forest Management Department (EFMD, www.rmk.ee) we have found a piece of land on which we have already planted 2,500 trees this year and planning to plant 100,000 in the next 3 years.

Why is reducing carbon footprint important?

The energy you use for heating your home or driving by car or airplane usually comes from burning fossil fuels such as oil and coal. However when not captured these two emit CO_2 into the atmosphere. The main concern about emissions of CO_2 lies in its ability to trap the heat that returns from the Earth into space. Carbon dioxide will lead to increase in temperature which, if not dealt with quickly, will lead to devastating effects for not only the human race but for the whole biodiversity of the planet.

List of possible effects:

- *Sea level rise*
- *Mass extinction of species*
- *Stronger hurricanes*
- *Increased rainfall increases soil erosion which can lead to crop failure*

There are two possibilities in fighting high CO_2 levels.

First we can reduce burning fossil fuels as much as possible. We are all contributing to climate change, especially the Developed countries, therefore we have the responsibility to neutralise CO_2 emissions. But still we cannot go back into the Stone Age – we need to heat our homes, travel, produce goods, etc.

The other thing we can do is neutralise the CO_2 with the easiest and cheapest way possible – by planting trees. Trees take carbon dioxide from the air and through a process of photosynthesis eventually release oxygen.[1][2][3]

On the 10th of March 2009 we signed a cooperation agreement with EFMD. The aim of the cooperation is to fulfil our mission by planting trees, promoting sustainable lifestyle and increasing people's awareness. For us this cooperation was a big step forward since it added credibility to our cause in the eyes of customers. The fact that a big governmental

[1] Favre, A., Gershunov, A. (2009)
[2] Keller, Charles F. (2009)
[3] Noyes, P.D et al. (2009)

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organisation would trust us also raised our confidence.
EFMD agreed to allocate a piece of land from its properties and ensured that the trees will not be cut down until they are fully grown (70-80 years).

The EFMD is a large, governmental organisation which controls the maintenance and management of state forest in Estonia. Over 45% (around 20,000 km^2) of Estonia's area is covered by forest and about half of it is controlled by them.

Touch of Green is the only organisation in Estonia which is increasing the percentage of forest areas by planting on clearings not restoring the previous lumbering areas.
We have agreed that 10 % revenue from each sold tree goes to fund the environmental projects in the future.

CO_2 calculator

As the CO_2 calculator is an important tool in providing the neutralising service we took great care in creating it. We consulted with experts from Estonian biggest energy provider Estonian Energy and other specialists as well as researched different scientific publications to find the correct calculating formula for Estonia[4]. Our calculator is a simplified for general use – it concentrates on transport and heating, the two major contributors to carbon

Product development

Since our service is trying to ease one of the biggest problems in today's World then there is much space for product development.
The first step in improving our service is better marketing. We need to get the message across that to as many people as possible: climate change is serious and we got to take real action. So far we have achieved this by conducting campaigns in cooperation with Statoil.
We have started cooperation with a nature shop in Estonia. They will be selling our vouchers and certificates. This allows people to buy the service both for themselves as well as for others as gifts.

[4] GGP calculation tools. (2009)

Another project for the future is organising large tree planting bees attracting big companies and celebrities neutralising their carbon footprint and therefore gaining media attention.
We have also thought about developing a new tourism direction – planting tourism. While on a vacation the tourist can neutralise their carbon footprint in that country leaving behind a Touch of Green. This would give additional value to the tourist already visiting Estonia.
In the nearest future we have plans to tie our work to the environmental projects from the European Union. This would allow us to broaden our reach to larger educational programs.

Marketing

The four P`s

While planning and carrying out our marketing strategy, we followed marketing theory "The four P's". In the early 1960s, Professor Neil Borden at Harvard Business School identified a number of company performance actions that can influence the consumer decision to purchase goods or services.[5] The elements of it are product, price, promotion and place.
As we already spoke about product (service), let's go on with price.

Price

First we calculated our cost below which we could not sell our service. Our cost per one tree is 0.51 EUR. Then we carried out the market research where one of the questions concerned the potential price of the service. All this dictated the final price for the customer – 1.30 EUR. On trade fairs and other sales places we based our price on the supply-demand curve. If there was enough demand we sold our service at a higher price. On Valentine's Day we had a special bonus for friends – every client who neutralises the footprint gets an additional 5 trees for a friend.

[5] Ring, L.J. et al. (1989)

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Promotion

In our promotion strategy we opted not to use such regular but wasteful tools as folders, posters and other printed material. Instead we concentrated on using active sales, e-marketing, word of mouth (as Estonia is a small country), new age communication devices (Facebook, blogs, etc.). A cornerstone in our campaign was active communication with media.

Sales strategy

Our sales strategy was based on the AIDA (Attention, Interest, Desire, Action) model. Inviting people to calculate their carbon footprint we drew their attention and raised their interest to keep listening to us. Seeing their results made people often feel remorse for their actions towards the environment. That is why we offered them that we would plant trees for them. We identify the problem and instantaneously offer a solution.
During sales we also used sales arguments we got from implementing Maslow's hierarchy of needs[6] on our service.

Media

There has been a lot of publication in media of our activities. There have been numerous articles about us in the internet, newspapers and journals. We have given several interviews for main television channels in Estonia and also in the radio.
Due to the campaign with Statoil there were banners on the web-pages of Estonian four biggest online news portals for weeks.

Homepage

Already when our service was just an idea, we knew that the main marketing channel will be the internet. That's why we created our homepage www.rohelinejalg.ee.
On our website it is possible to get to know us a little better: who we are and what to we do, and also read materials about environmental problems and sustainable future.
There the CO_2 calculator can be found to measure one's personal carbon footprint. One can also get in touch with us via the web page and put in the order for planting the trees.
For now we have worked out an English version of the calculator, but we are developing a Russian version as well.
Our marketing work has helped traffic on our web page: we have exceeded 64,000 hits. Our highest day has had over 700 visitors.

Place

Our main sales places were trade fairs, personal selling, online selling and via Statoil.

Trade fairs and presentations

Our student company has taken part in different student company trade fairs. The first fair we offered our service was the Baltic Expro 2008 where we were a part of an enterprise workshop. One of our best experiences has been selling our product on the JA-YE European trade fair in Norway, Bodo.
We have also presented our idea in Tallinn International Conference "Crossing Boarders in Thinking and Acting" where seven countries participated.
Although we have made several other presentations and sold at different fairs these have been the most important for us.

E-sale

E-sale has been quite important for us since there has been about the same number of online orders as there has been from direct sales. When a customer uses our service we will send him a certificate by e-mail as a PDF file.

Cooperation with Statoil

On March 2009 we were contacted by Ltd Statoil Estonia to start a campaign "Plant a tree" in every Statoil gas station over Estonia. Statoil, being one of the major fuel retail sellers in the Nordic countries is the sole market leader in Estonia.
After three weeks of hard work we managed to prepare an accurate content and budget of the campaign. Every customer has an opportunity to buy our service from the gas station in order to neutralise their CO_2 emission coming from the gas they just purchased. All in all 1,172 trees were sold in different gas stations of Statoil.

[6] Maslow, A. (1998)

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Financial results

For getting initial capital we sold shares for 64 EUR. All the shares were sold to company's founders. We decided not to sell shares to third parties because that would decrease our share of the profit. The wages would be set based on the working hours. The salary will be paid at the end of company's operation.

For the 4th of June 2009 we had sold 2,391 trees, of those 1,172 were sold during the Statoil campaign. Our sales price was on average 1.30 EUR, cost per one tree was 0.51 EUR in case of personal selling and 0.81 EUR in campaigns. In accordance with the Junior Achievement Estonia rules we do not have to pay taxes. Our turnover was 3056.26€ and profit 1112.85€. This was 544% of our planned profit. Profit margin was 36.5%.

Profit and Loss Statement (EUR)
September 1, 2008 – June 4, 2009

	Actual	Business plan
Income		
1. Turnover	3056.26	511.29
Total income:	**3056.26**	**511.29**
Costs		
1. Web hosting	43.91	51.13
2. Banking fees	4.54	-
3. Trainings and fairs	46.66	-
4. Inventory	12.78	-
5. Web page design	23.01	25.56
6. Communication	25.56	12.78
7. Salary	306.78	89.48
8. Trees	382.03	76.69
9. Planters' labour	153.39	51.13
10. Subcontracting costs	639.12	-
11. Grants to environmental fund	305.63	-
Total costs:	**1943.41**	**306.77**
Profit:	**1112.85**	**204.52**

Final Balance Sheet
June 4, 2009

Assets	EUR	**Liabilities**	EUR
1. Cash	1157.59	1. Loans	0
2. Assets	19.17	2. Share capital	63.91
		3. Profit of the report period	1112.85
Total	**1176.76**	**Total**	**1176.76**

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Experiences

Difficulties and overcoming them

The first and foremost difficulty we had to (and still have to) overcome is the **widespread scepticism** in our society. Many people still do not acknowledge the necessity for an eco-friendly lifestyle. We anticipated this problem from the beginning of our company and have encouraged people to start caring more about the environment.
The cooperation with EFMD and Statoil helped to overcome the distrust in society.

Another major difficulty was concerning **matching time and workloads.** Since we all study in different classes then we had to appoint exact meeting times. We held on to these times as strictly as to our regular school lessons.

The **legal status of student companies** in Estonia makes cooperation with real companies quite difficult. For instance we could not open our own bank account, write invoices and agreements. Companies and customers do not dare to transfer money to our personal accounts. To overcome these problems we launched our own NGO besides the student company.

What did we learn?

Attitudes. By creating and managing student company Touch of Green we have first and foremost learned to be more eco-friendly and acknowledge environmental problems to be more widespread than we believed before.

Experiences and knowledge. We learned to plan our time and organise company activities. We have become bolder in presenting ourselves, our company and ideas. We also understand the importance of teamwork in achieving any goals. We understand that in case of time or resource shortage it is often inevitable to expand your team.

Cooperation. By working together with such big companies as Statoil and EFMD we have understood how real businesses operate. Statoil for instance showed us how important it is to believe in what you sell: there were Statoil service stations where hundreds of vouchers for trees were sold. At the same time there was a station where only four trees were sold in a month. Cooperation with media was also fascinating – the experience of having your banner in four major online news portals for weeks is indispensable.

Starting a business. We have gained invaluable knowledge about starting and operating an organisation in the real business world. To our surprise this proved not to be as complicated as we anticipated.

Results of our actions

Tangible: We planted over 2,500 trees. We neutralised over 500 tons of CO_2. We gave out 956 certificates.
Intangible: Through our own homepage, newspapers and internet portals our message went out to at least one third of Estonian population.
Positive externality: our information inspired people to start reducing their carbon footprints themselves too. For example a small town government organised their planting day after using our calculator.

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Future

Nearest future (1 year)

Our student company has finished its activities. This is not the end for Touch of Green though. We have already registered a NGO by the same name. Our nearest future is packed with activities. Our main challenge is to reach as many potential customers as possible. We are constantly working on new possibilities.
Negotiations with two potential business partners are on their way. A nature shop is already willing to sell vouchers for our service. We are also negotiating with the biggest furnishings shop chain in Estonia to sell our vouchers.
We also have a contract with a private land owner to plant trees on his property with a term that these trees will not be cut down until they are fully grown.
Another challenge is to broaden the image we have created during the student company time. For this summer we have a few PR performances to promote our services.
We are also trying to widen the range of our services by working together with other environmentally friendly organisations and projects.

3 year perspective

We have planted 100,000 trees on 50,000 m^2 and neutralised 20,000 tons of CO_2. We'd like to employ fully 20 and temporarily over 300 people per year.
We will have spread our business activities to neighbouring countries of Finland, Sweden and Latvia.
We hope that partially due to our actions the forestation level of Estonia (currently 44%) is on the rise.

10 year perspective

Green thinking is not met with scepticism any more in Estonia. Forestation level in Estonia has reached 50%. Our business has spread over Europe and we have started plantation in Africa, the Amazon, etc.

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Our great back-up team members **Vahur** and **Kristel** who have helped us with preparations.

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Thank you to first adviser **Anne Alamets** and later advisers **Raul Potisepp** and **Madis Vodja** who took over when she had to leave Estonia.

And last but not least we express our sincere gratitude towards our nearest and dearest who have showed reasonable attitude towards our activity.

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