

ALFRED NOBEL UNIVERSITY  
DEPARTMENT OF GLOBAL ECONOMICS

Bachelor's Thesis

Development & Implementation of the Investment project of a Convenience Store  
Opening in Denmark

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## The Bachelor's Thesis Assignment

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3. Deadline for submission \_\_\_\_\_

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7. Thesis schedule

no	Stages	The deadline for submission	
		Schedule date	Actual date
1	Chapter 1		
2	Chapter 2		
3	Chapter 3		
4	The whole paper		

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## ABSTRACT

*Рузвідзо Вонгаїше Недді. Розробка та шляхи реалізації міжнародного інвестиційного проекту «Відкриття Магазину біля дому у Данії».*

У дипломній роботі показано інвестиційний процес у Данії, який передбачає відкриття зручного магазину біля дому. З відкриттям бізнесу йому знадобляться капіталовкладення, купівля активів для використання та наймання потрібних працівників для спілкування з клієнтами. Завданнями проекту є з'ясування інвестиційного клімату в Данії та того, які фактори слід враховувати при відкритті бізнесу в Албурі, Данія. Поставлені цілі полягали в тому, щоб краще зрозуміти, як відкрити магазин такого типу. Усі цілі були досягнуті за допомогою аналізу економіки Данії та розрахунків, зроблених для оцінки інвестиційного проекту.

Крім того, в роботі було проаналізовано інвестиційні аспекти з урахуванням інфляції та інших факторів. Доцільність реалізації проекту з погляду його ефективності було оцінено за допомогою чистої приведеної вартості, індексу прибутковості та періоду окупності.

**Ключові слова:** інвестиції, інвестиційний клімат, інвестиційний проект, економіка Данії.

## SUMMARY

*Vongaishe Neddy Ruzvidzo. Development & implementation of the investment project of a convenience store opening in Denmark*

The thesis shows the investment process undergone in Denmark where it involves the opening of a Convenient store. With the opening of the business it will need investments of capital , buying assets to be used and hiring the right employees to communicate with the customers. The projects objectives is to find out the investment climate in Denmark and what factors are to be considered when starting up a business in Albourg, Denmark. The aims set up was to better understand how to open the Convenient store. All the aims were achieved through calculations made up for the investment. As for the economy it was made clear by looking at the economy.

Furthermore another objective was to analyze the investment aspects considering the inflation and other factors. The feasibility of the project in terms of its effectiveness was assessed using the net present value, profitability index and payback period.

**Key words:** investments, investment climate, investment project, Denmark's economy.

## INTRODUCTION

This project is going to be focused on the investment climate of Denmark and how a business can be made up in such an environment. There will be more information on how the economy operates from the percentage's such as inflation rate to the interest rate. To what investors should expect when getting into such an economy, and if the country has any rules put in place protecting foreign investors.

Denmark is a country located in Europe and is also integrated into the European union, it has very high standards of living, as well as high level of government services. It holds one of the highest per capita GNP in the world, the economy of Denmark is based on the trade and services industry. Which makes Denmark one of the best places to invest in since there is a big market, as well as greater returns because it has such a good economy. The country holds a big number in portfolio investments, and it was nominated for having one of the best economic climates to invest in.

Denmark is one of the Nordic countries which have been associated with the Nordic model which encompasses the social welfare and the economic systems. The Nordic model emphasizes the society wide risk sharing in the use of social safety net that help families with the changes in the economy. This has made them to benefit from cultural homogeneity and enjoy low levels of corruption. The reason for the Nordic countries having good economies is due to high tax revenues as a percentage of GDP from the personal tax in the year 2017 these percentages were very high. The individual tax to GDP percentage was 25% in Denmark which was the highest amongst the other Nordic countries.

On the investment made the money invested is going to amount up to \$72 260.21 US dollars the initial investments are going to be made in the Danish krone. However in this project the numbers are going to be presented in dollars since it is a global currency, it will help with more clarity with the numbers presented. All the requirements that are associated with the calculations like the payback period, Net present value, profitability index will be met when the calculations are done and will show if the investment in Denmark is worth it or it will bring loss.

The purpose of this project is to showcase the position of Denmark in the global economy the objectives to be analyzed are as follows:

- The main attributes of Denmark's economy
- International indicators showing where Denmark stands
- GDP Composition
- The labor system
- The FDI inflows over the past years
- The investment.

The focus of the business to be started is a convenient store, that will be selling dairy products produced by the local producers and other major suppliers of dairy products. Another product to be sold are lactose free products. Calculations of the store are going to be made whether investment in such an investment climate will benefit the investing party in any way in an estimate of 3 years.

The project better showcases how the economy is affected by the factors around it regardless of how good the economy or its attractiveness. Factors to be evaluated include the imports and exports of the country, which show better the trading partners and the goods, products imported and exported. This will also show where the country has more strength in exporting and where it does not. The research method used in this project is secondary research, which is also known as desk research. Secondary research includes existing data on the internet and published research material.

There will be more detail on the market will be able to reach and the spaces where they can also sell their market in order to make profit. The project will also showcase how the future market analysis will look like in both calculations and explanations, which will help make clear whether the market is good for investing. There will more details on the person investing and how that will affect the investor investment in a good or bad way. This will also help clarify on what rules and regulations apply to them and what benefits they get being an investor coming from where they come.

There is more information provided about the international organizations that measure the attractiveness of nations, which will display if Denmark is one the best places to invest in. These international organizations will not have the same way of measuring if an economy is good since they combine different aspects in measuring of an economy. With each Organization different things will be considered to better understand the economies. There will more information on how the economy operates, alongside with the drawbacks that might cause the investors to be less attracted to the market of Denmark.

The aim of the this project is to better understand the economy of Denmark, that includes how it works and the things that are to be considered when starting the business. In order to be able to achieve the aims there is going to be an analysis if the economy that includes factors like inflation over the past years, the tax rate, the labor market and the gross domestic product and gross national product. As for the main of the business that will be achieved by considering what factors are used to to make a business as well as the calculations that will make up the company.

The project compiled was made up of work made by domestic as well as international websites and organizations such as the Danish Agency for labor market and recruitment, the transfer wise and Danish business authority. The work of different economist were included such as D, Barr (2020). I, Dimireve (2010).W, Skydsgaard (2019). T klingermann (2013). A Lubbe(2018)



## CHAPTER 1. DENMARK ECONOMY

### 1.1 Analysis of investment climate in Denmark

All of the Danish regulations and legislation conform to European Union standards, linked with the Danish krone is the Euro which has a fixed exchange rate policy. Denmark's location is very convenient for trade since it is linked with Nordic as well as Baltic countries, also the communication and transportation of Denmark are very fast and efficient (Peers, 2019).

Most of the investments made are more directed towards the insurance, finance, wholesale, retail trade. The foreign direct investment stock is owned by Sweden, France and Luxembourg, a high number of the investments made usually pass by Sweden in transit. The highest holder of investment made in Denmark is the United States that holds up to 30% of the total foreign direct investments .GDP for Denmark has 55% representing exports which shows how Denmark is very dependent on international trade with other countries (Franko, 2019).

One of the main reason to invest in the economy of Denmark is that it is easy to set up business which is one of the things that can be challenging for a foreign investor's , since they don't know the market it may be hard to invest. When setting up businesses Denmark welcomes foreign direct investments they are usually no additional permits required if the investor is a EU National and comes from a Nordic country. A Non EU member should have a residence permit and a work permit (Madsen, 2020).

A foreign company in Denmark is able to establish a company, the requirements for capital when establishing a cooperation or a limited partnership is Dkk 400,000 approximately USD 53,532. For a private limited company Dkk 40,000 approximately USD 5,353. The best company to open for a foreign investor is a private limited company which requires only one shareholder with up to Dkk 80 000 capital minimum, with shares that are not negotiable or transferable (Conway, 2017).

Another aspect in Denmark's economy is that when it comes to the income it has low income inequality alongside with having low inequality rates, showing that the wealth of the nation is distributed equally. Which can be different in other nations where the economy is doing well and factors like the Gross domestic product of country is high with an economy with the wealthy unequally distributed. The equality in Denmark is made possible by the high taxes charged to the high earners. This also applies to the high salaries for the skilled and unskilled labor, with this all the citizens are able to encounter better standards of living due to low inequality.

The internal market of Denmark is vulnerable to external threats since it depended on the EU's regulations which is related to different international fluctuations, most of the labor force has a high dependence on the public sector. This can cause problems within the economy environment since it is more so dependent. Which can further affect factors that directly affect the economy such as inflation, interest rates.

The GDP composition shows the production percentages in each sector of the economy which are allocated with industry, agriculture, services to total gdp all summing up to a 100%. This helps to better show what the economy is more focused on, in other words what that country produces more than the other (Table 1.1).

Table 1.1

## GDP Sector composition

YEARS	AGRICULTURE	INDUSTRY	SERVICES
2018	1.02%	21.16%	64.57%
2017	1.43%	20.47%	64.98%
2016	0.96%	20.67%	65.15%
2015	0.96%	19.99%	65.83%
2014	1.38%	19.79%	65.6%
2013	1.3%	20.06%	65.15%
2012	1.65%	20.4%	64.28%
2011	1.31%	20.25%	64.73%
2010	1.2%	19.7%	65.39%
2009	0.83%	19.95%	65.44%
2008	0.86%	22.59%	62.34%

Source; Statistics Denmark

The table 1.1 above shows the GDP sector composition of Denmark for over 10 years and it shows that the economic environment is more focused on the services sector, which does not necessarily mean the other sectors are less important. It just shows that more companies or activities in the Denmark environment are more service oriented than Agriculture and industry. Information like this can help investors have an insight on how the economy in Denmark maneuvers. However with such high percentages in services it makes other areas to get overpowered. With such a small agriculture size it can lower the economic progress.

### 1.2 Global indicators measuring economy attractiveness

When investors are looking to invest into a country one of the factors that plays a big role is the international indicators that showcase how that country is doing compared to other countries. These Organizations help to show how that country is doing through indexes, percentages and sometimes they give more information on how that country forms businesses with foreigners or the locals. The world banks governance indicators shows the quality of governance within a country it uncovers the traditions by which authority in a country can be exercised. This covers six different areas.

Another international indicator is the transparency international's corruption perception index, that shows from the lowest to highest country's that have corruption in the world. For Denmark it has been able to rank number one on the country with higher marks than other countries (Table 1.2).

Table 1.2

Corruption perception index			
RANK	COUNTRY	2018	2017
1	DENMARK	88	88
2	NEW ZEALAND	87	89
3	FINLAND	85	85
4	SINGAPORE	85	84
5	SWEDEN	85	84
6	SWITZERLAND	85	85

Source: International transparency index (Constance, 2015)

The table 1.2 shows the Denmark ranking at number 1 from 2017 to 2018 the higher the marks the lower the corruption rate is. The closer the country's number is to hundred it shows the corruption rate in that country is good. In 2019 Denmark was again ranked number on the index which shows how consistently good the corruption rate is in Denmark. The international transparency index has ratings for Denmark very high due to the economy not having much corruption which shows how favorable the climate for investment is since less corruption gives investors much more reason to invest.

In appendix A there is a international transparency index chart showing all the countries that are measured for the index, with the scores that they have been given due to the level of corruption that is faced within the country. Looking at the different countries will better showcases the position that Denmark holds comparing to the other economies.

Table 1.3

## Ease of doing business

Country's	Ranking in 2020 report	Ranking in 2019 report	Score in 2020	Score in 2019
New Zealand	1	1	86.8	87
Singapore	2	2	86.2	85.8
Hong Kong	3	4	85.3	85.1
Denmark	4	3	85.3	85.2
South Korea	5	5	84	84
US	6	8	84	83.6
Georgia	7	6	83.7	83.5
UK	8	9	83.5	83.6
Norway	9	7	82.6	82.9
Sweden	10	12	82	82
Thailand	21	27	80.1	79.5

Source: world bank (Kox, 2019)

Doing business is a platform that shows the measures of the business regulations for local firms. This helps the foreign investors looking to start a business to better know the country before proceeding forward with anything. The ease to doing business rankings shows from the highest to lowest, Denmark has an economic climate that is easy to ease in to doing business. Table 1.3 above shows the ranking from 2019 to 2020 as well as the score, it is ever increasing.

Foreign direct investment potential index shows the factors that are expected to affect the attractiveness of an economy. Figure 1.1 shows the index levels in different countries they are rated from grade A up to D, A being the best. Denmark is at ranked at B showing that it has great potential index and it is a good place to set investments in due the potential being very high. A score such as a B in this criteria shows promise for more foreign investment into the country.

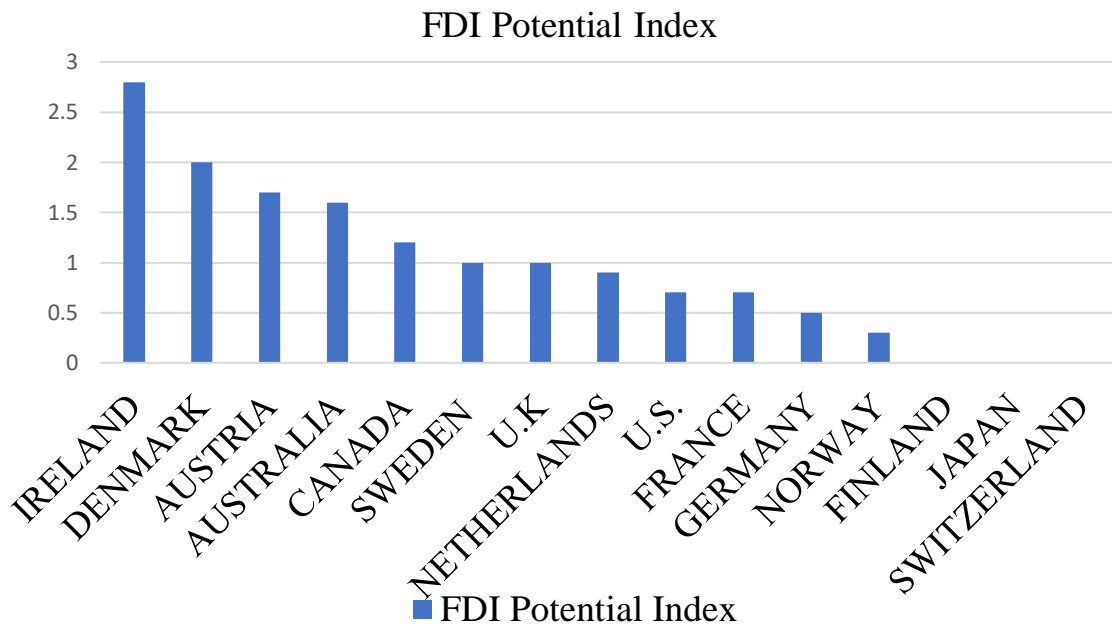


Fig 1.1 foreign direct investment potential index

Source: world bank (Lavine, 2018)

The FDI Regulatory Restrictive Index measures the restrictions that is on foreign direct in countries, which are done across 22 different economies. It measures the restrictions on a country's FDI which focuses on four main aspects which are foreign equity limitations, Discriminatory screening, Restrictions on the employment of foreigners as key personnel and other operational restrictions. For each country to be seen as attractive to invest in restrictions on FDI in that country should be less and not too complicated for the foreign investors. The higher the number, the more the restrictions are in the country based on figure 1.2 above which reaches up to 0,25. For Denmark it reaches close to 0,05 which makes the restrictions in Denmark better to handle than in most countries.

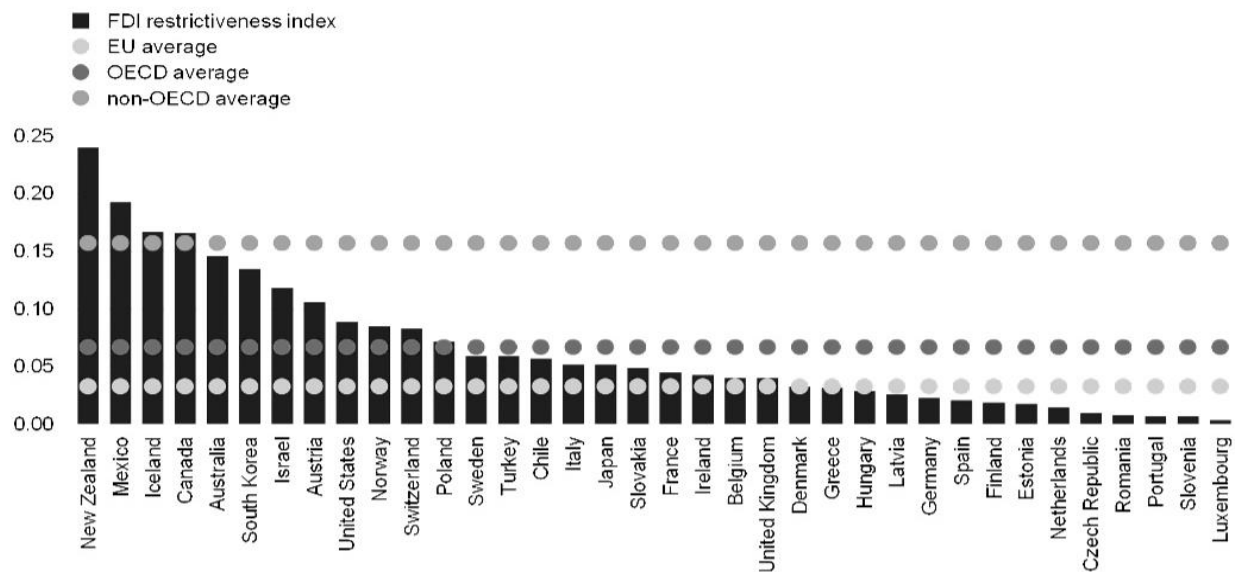


Fig 1.2 Foreign direct investment Restrictiveness index

Source: OECD FDI Regulatory Restrictiveness index (pavlova, 2019)

The global competitive index is report published by the world economic forum , so the global competitive index measures, the competitiveness of countries economy and the factors that set the sustainable current and medium term levels of the economic prosperity and the table 1. 4 above shows the top ten list of economies along side with the scores. Denmark is at number 10 making it less competitive than the countries ahead of it, still being a very competitive market.

Table 1.4

#### Global competitive index

ECONOMY	SCORE
SINGAPORE	84.8
UNITED STATES	83.7
HONG KONG SAR	83.1
NETHERLANDS	82.4
SWITZERLAND	82.3
JAPAN	82.3
GERMANY	81.8
SWEDEN	81.2
UNITED KINGDOM	81.2
DENMARK	81.2

Source: Competitiveness statistics (Crotti, 2019)

In appendix B there is diagram about the human development index which is a tool, used to measure the country's overall achievements on economic and social dimension. This encompasses the health, level of education attainment and the standards of living. The diagram shows how different it is in every country, although it is not an international indicator it is still a way that can be used to know the countries attractiveness to be able to know how the economy operates. The diagram showed the different economies and their levels of human development index showcasing how developed other nations are.

### 1.3 Tax and labor market

When it comes to the residency of the directors, or manager no restrictions apply to them. When registering the company in Denmark it is not challenging, it only requires Memorandum of association, Articles of association. This can all be done in English with just a fee of €100. However if it is the opening of a company that provides legal, accounting, auditing and medical services, the foreign investor should have a Danish certificate or local Danish experience in order to have that business. Entrepreneurial companies were banned due to too many cases of fraud since the process of opening such a business was very simple (Phillips, 2020).

Regarding the taxation in Denmark in December 2012 the Ministry of taxation made the matter of all companies tax public, in order to encourage more transparency for the foreign investor's. They are able to have limited tax liability which can be through the permanent, establishing or by withholding taxes. The Cooperate tax rate that is in Denmark is 22% for businesses. When it comes to the individual income tax it is very high with an average annual income of 39,000 euros the total amount of income taxes is 45%. To add on to that if an individual makes more than 61,500 euros 7% is added to the existing 45% (wiking, 2016).

Tax is a sum of money that is also known as a percentage that an individual or cooperation is supposed to pay in accordance, with the profit they make or from the salary they receive. The higher the salary or profits are the higher the tax percentage to be taken from the amount. Table 1.5 shows the comparison of tax rates in different countries. In each country the tax paid is different due to different rules or implementations put in place. As it shows on table 1.5 the tax percentage in Denmark is very high in comparison with the other countries, in the world it is also known to have one of the highest tax rate. Which can be a drawback when it comes to investing in a business or doing business in the country, since profits will have high taxes charged. For companies that are not franchises they can crumble under such an economy for them to make profits in the beginning stages can be hard (Table 1.5).

Table 1.5

## Tax rate comparisons

COUNTRIES	TAX RATES %
INDIA	10-30
BRAZIL	7.5-27.5
CHINA	3-45
DENMARK	38-65
JAPAN	5-50
NETHERLANDS	5.85-52
RUSSIA	13
UK	0-45
USA	0-39.6

Source: world wide tax.com

The Danish flexicurity model describes how the labor market in Denmark works, so it combines the high mobility between the jobs with high comprehensive income safety and the unemployed and active labor market policy. The flexible labor market allows flexibility towards employers and enables them to be able to adapt, to changes made in the market. Then for the high compensation for unemployed also known as income security, it is a system made up to help out workers who are unemployed who have a high compensation rate. They are able to receive compensations for up to 2



years. The benefits also apply to low income groups who receive reaching up to 90% of previous income. The active labor market maintains how the labor market works which is maintained by measuring the unemployed and employed workers who are looking for work or gaining more training (Olsen, 2019).

Private as well as public limited companies are required to make financial statements according the standard accepted in Denmark, by the accounting class and each company is required to follow the rules put in place. According to the size of the company.

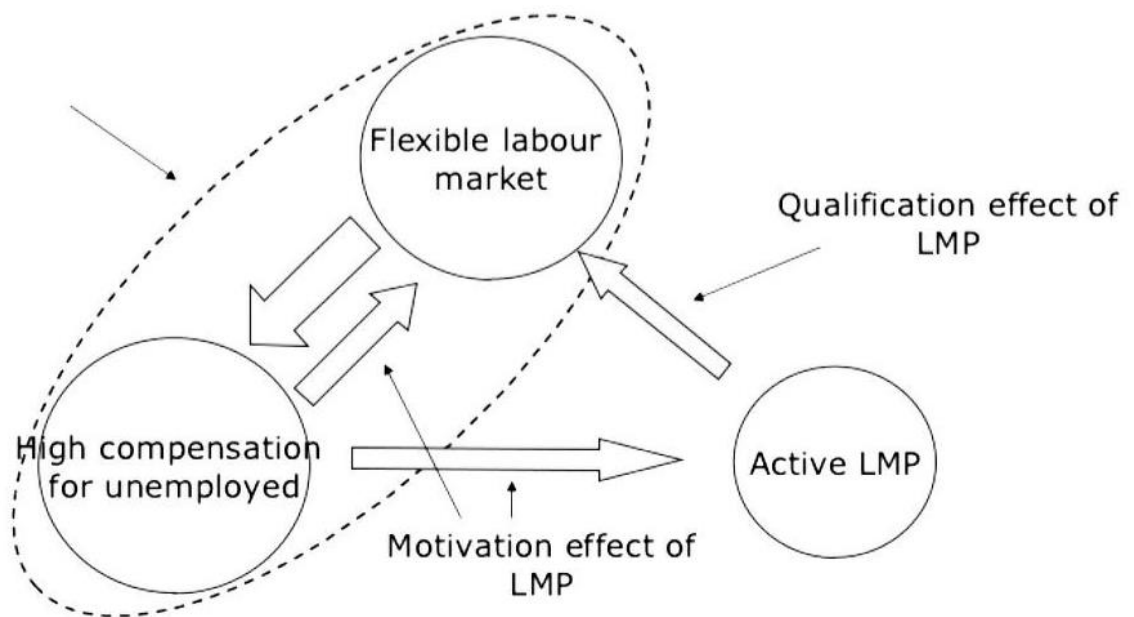


Fig. 1.3 Danish flexicurity model

Source: Denmark Labor market (Eirebon, 2020)

The business to open up would be a private limited company that sells Danish Dairy products, since the Dairy product already account for more than 20% of the Danish agricultural exports this would be a good business to start. More so there will also be an opportunity to both export and sell to the local market. Denmark has little to no restrictions when it comes to converting money that is to be used in an investment, such policies were put in place to help foreign direct investors to have free flow of capital (Heering, 2015).

More so, the world bank mentioned Denmark's market to be one of the most uncomplicated markets to venture into since it has high pliability, and is secure at making up a business with low costs. With Denmark being in the European union it

creates even a bigger customer base, to cater to so investing into the country will not only bring customers from Denmark but from all over Europe. With were Denmark is located it is able to connect with other nations (workman, 2020).

There are also some very flexible labor market conditions with both the existence of security and flexibility for the labor market of Denmark. Which makes investment climate better which is also known under flexicurity which is the labor market model, that permits companies to be able to lower or increase their number of workers with accordance to the demand of the market which also ensures that the workers can be immediately retained and will be employed before long. The economy's labor force is effective and very educated workforce in Europe (Andersen, 2018).

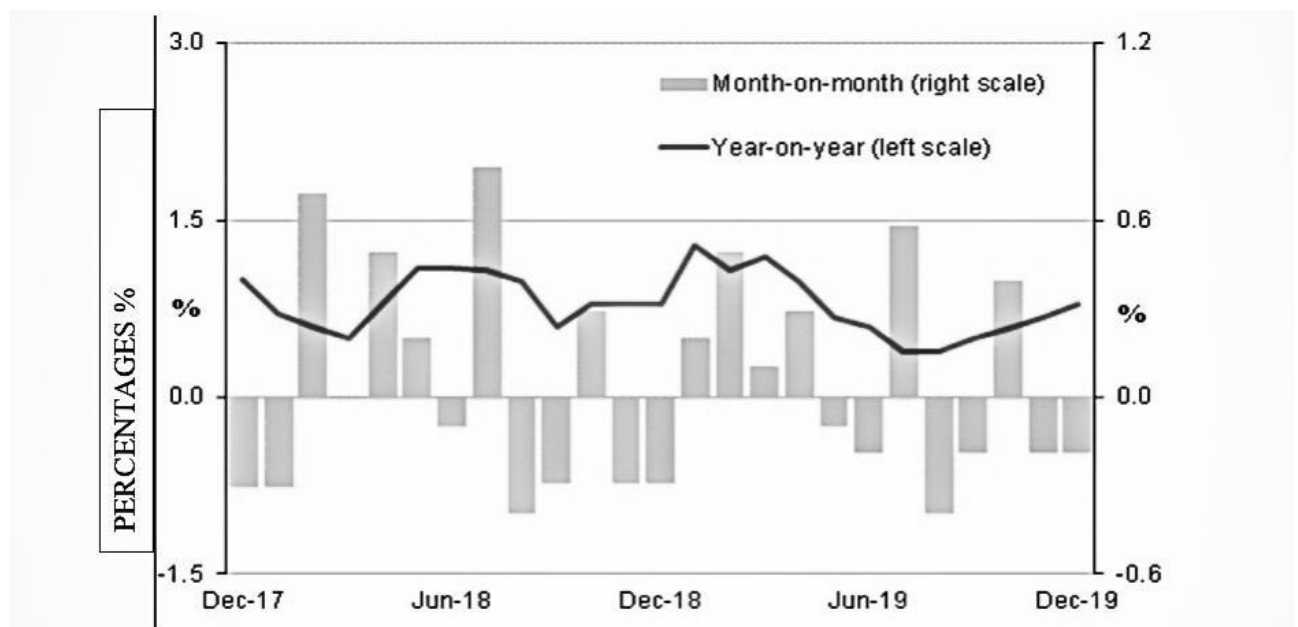


Fig 1.4 Denmark Inflation Chart (Saviyen, 2019).

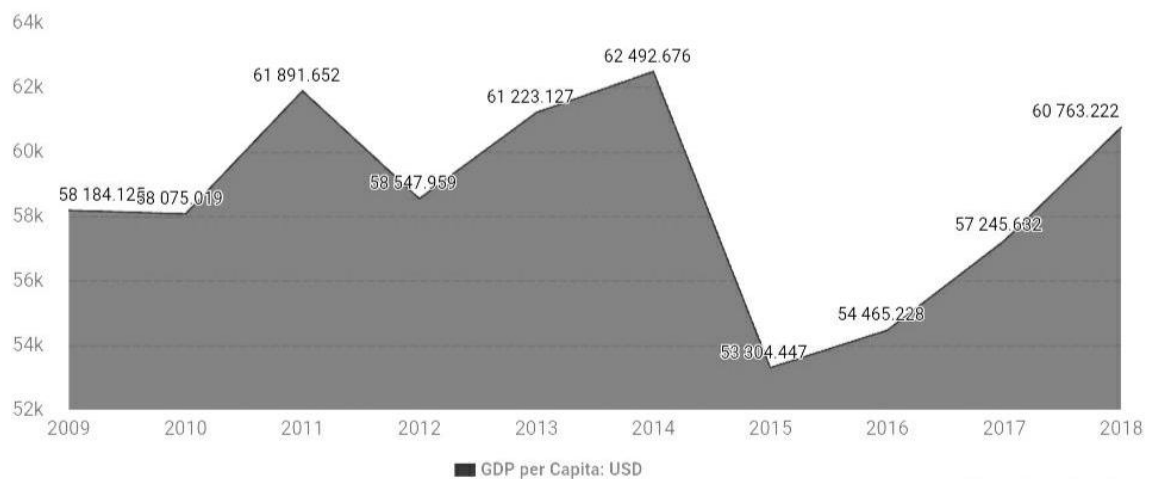
Source; Statistics Denmark (DST)

The diagram above (fig.1.4) shows the inflation rate in Denmark and it shows from the ending of 2019 it increased the consumer prices fell 0.2% which was driven by the fall in beverage s and food. Which made the inflation to go up to 0.8% rising by 0.1% from November which made the average annual inflation not change, with 2020 there is to be an increase in inflationary pressure (Burke, 2020).

The gross domestic product per capita measures the total economic output divided by the country's population which shows a representation of how much the

citizens of a country benefit from the country. The gdp per capita is another way of showing the standards of living within a country. The Fig 1. 5 above shows the trends of the gdp per capita over ten years, the trends show how at some point it was higher and in some cases it was lower this is due to the Gross domestic product changing which directly affects the GDP per capita. Which is used when calculating its number.

Fig 1.5 Denmark Gross domestic product per capita



Source: ceicdata.com

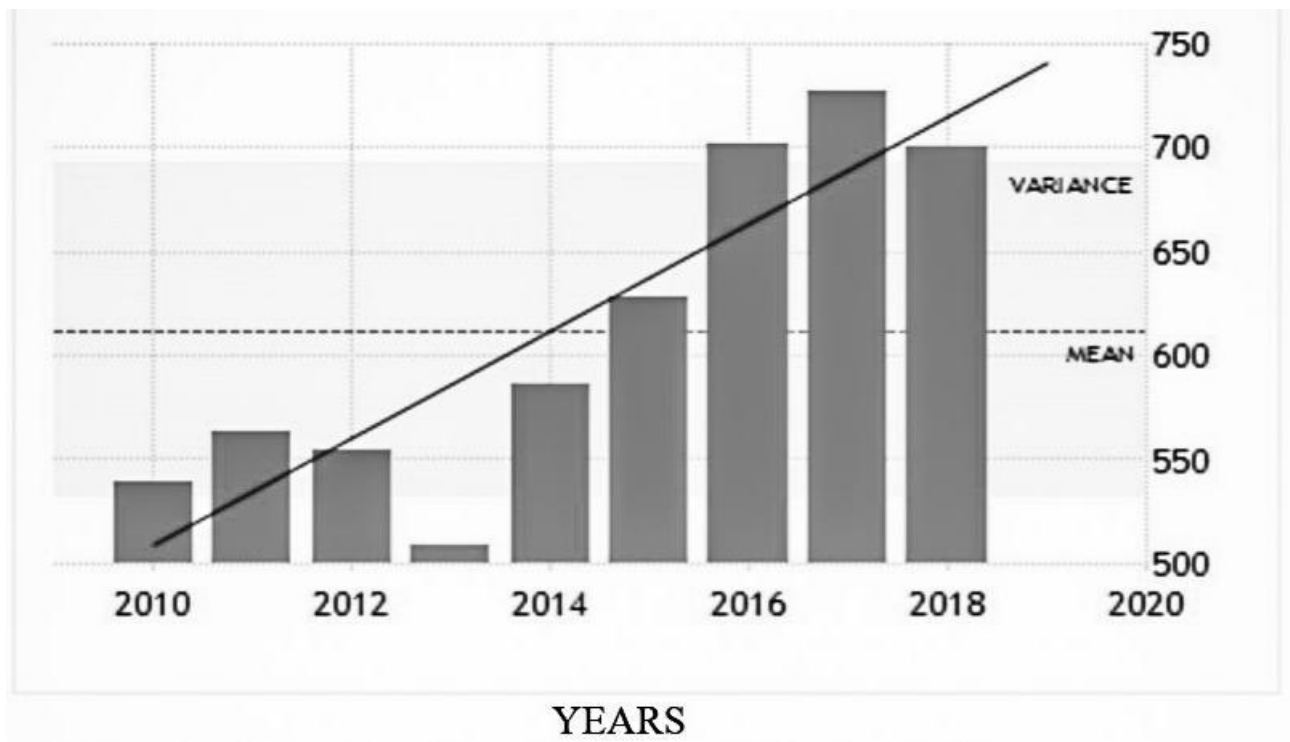


Fig.1.6 Foreign Direct investment in Denmark\_(Yuniko, 2020)

Source; Denmark's national bank

The diagram above fig 1.6 shows the figures of the foreign direct investment in Denmark from 2010 to 2018 and it shows that Denmark averaged 570.20 Dkk billion from 2010-2018 reaching a very high spot of 726,30 Dkk billion in 2017. Which in turn shows how much of a favourable investment climate Denmark has since over the years it has been to keep attracting more and more investors into its country. Even in 2018 it managed to increase by 699,80 Dkk billion (Sammington,2016).

Table 1.6

## Foreign Direct investment inflows and outflows

FDI Inward flow (million USD)	38	3,447	1,789
FDI stock (million USD)	97,766	118,462	114,532
Number of Greenfield investments	90	130	93
FDI Inward (in % of GFCF)	1.6	n/a	n/a
FDI stock (in % of GDP)	31.9	n/a	n/a

Source; UNCTAD ( Farow, 2020)

The diagram above (table 1.6)shows the changes in the inflow of the foreign investment into the country and how it went low on FDI inward flow from 2017 to 2018. However on FDI stock it only slightly changed. For the FDI inward flow changing drastically it was not good for the investors climate since there was change in the inflow of investment (Ferguson, 2018).

Short term interest rate are rates that short term borrowing are affected between the financial institutions or rate at which it is between financial institution or a rate were short term government paper is issued or traded in the market, they are based on three month market rates. The fig 1.7 shows the short term interest rate for Denmark for 9 years from 2010 until 2019, at the beginning of 2010 the interest rate was very high very close to 1,5. Which has since dropped from 2015 till 2019 to becoming -0,5. The short interest rate dropped from positive to negative and when economies do this the central bank aim is to encourage borrowing in the economy as well as spending rather than when its positive.



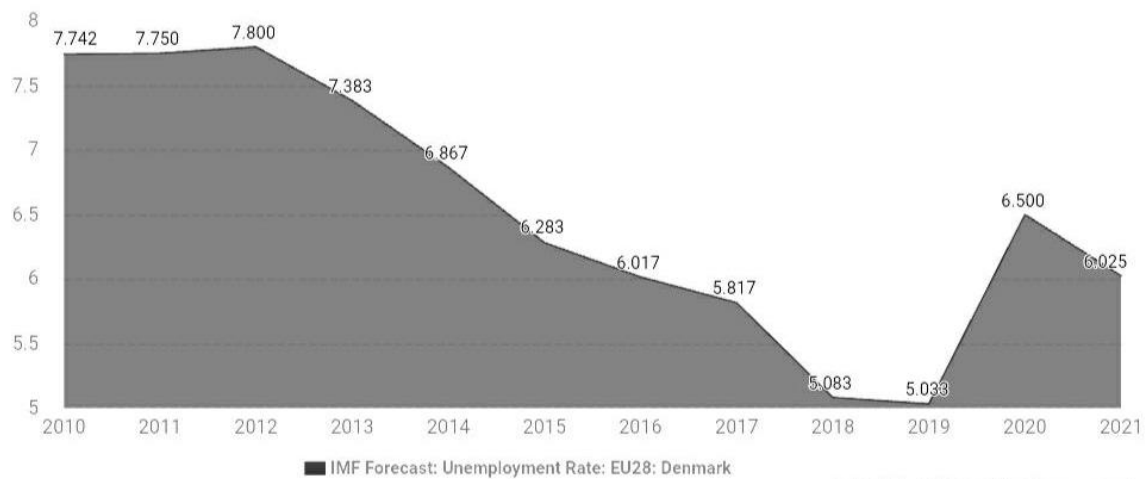


Fig 1.9 Unemployment Rate In Denmark

Source: World economic outlook

Unemployment rate shows the percentage of the rate of people unemployed in a country. Fig 1.9 shows the numbers from 2010 to 2020 with forecast of 2021, from 2010 up to the numbers of the unemployed percentage have been very high. However the rate dropped until 2019 where it was very low which was very good for the economy it went up again in 2020. Then for the forecast for 2021 it was not too high too. With this the unemployment rate is at 3.7 percent since the beginning of 2019.

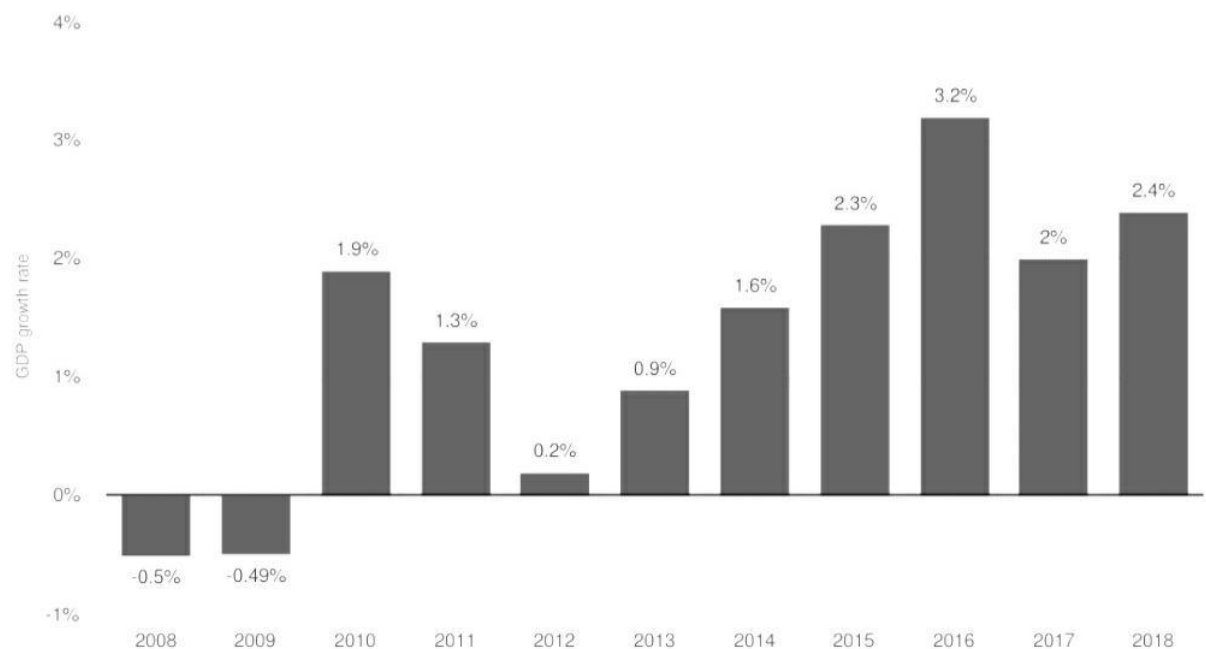


Fig 1.10 Gross domestic product

Source: Statistics Denmark

The diagram below fig 1.10 shows the gross domestic product of Denmark for 10 years 2008 till 2018 , the gross product of a country shows the final value of goods and services produced in a country over a year . From 2008 the gross domestic product of Denmark has changed from negative to positive , when the GDP is negative it only shows the country had a decline in growth. In other terms the sales and earnings made were not good enough for a positive outcome for the country. Over the years the GDP has decreased and increased comparing 2008 and 2018 the country has been able to recover and make more profits since it was able to change from negative to positive. In the past 3 years the GDP growth of Denmark has averaged 2.0 percent higher than the year before and the Danish Government predicts it will keep going higher.

The diagram below fig 1.11 shows the gross national product of Denmark over the past 5 years from 2015 up until 2019. The gross national product of country entails the total domestic and foreign output claimed by residents of a country. The diagram shows how the numbers have fluctuated over the years which is good since it measures the monetary flow into a country so the higher the better.

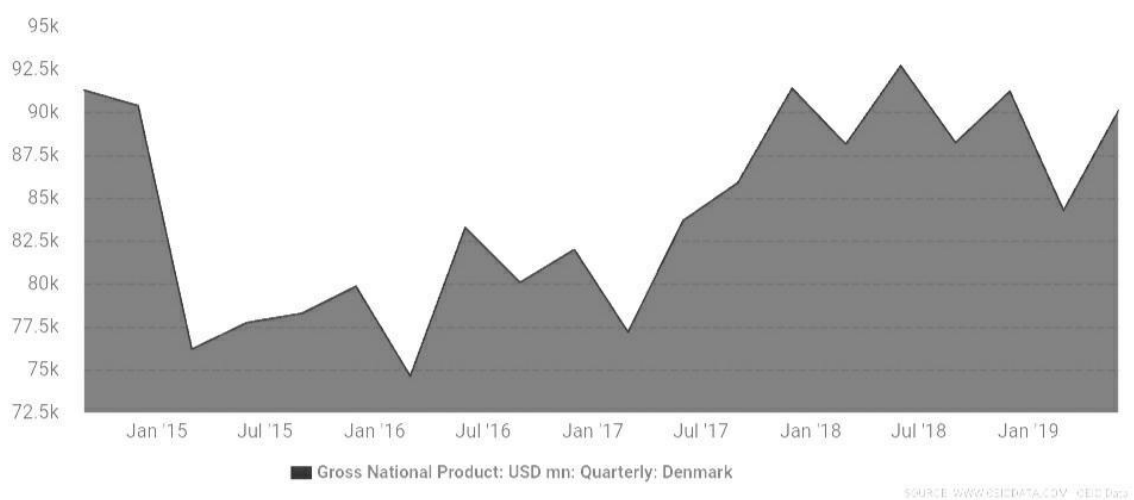


Fig 1.11 Gross National Product

Source:ceidata.com

The capital sector as well as the portfolio investment, foreign exchange for Denmark for direct and portfolio investment are free, the credit is available and allocated on the market terms. Also the Denmark stock market works in the most efficient way. Even the business environment of the economy of Denmark is very

developed it managed to be ranked at number 4 out of 190 countries by world bank in the 2020 Doing business ranking which shows how good the environment for investors to investors is (Steenberg, 2019).

The expropriation and compensation when the law mentions private property it states that it can only be used when it's the use of public purposes in a way that is non discriminatory. It also involves some compensation and following the laws that come with the international law with this there are no changes, to this by Denmark towards the foreign investors and it does not seem like they have any future plans of changing it. Which can be in favour of foreign investors in the investment climate (Vrang, 2020).

Denmark has one of the highest transparency in the regulatory system, since its laws and policies are aimed at giving a national treatments to the FDI are made to encourage increased FDI. It contains very high standards for its environment and health, but the policies put into place, are not targeted at discouraging investors to come but they apply to everyone.

The efficient capital market and portfolio investment shows how Denmark is pro foreign exchange flows with those that also apply to the portfolio and direct investment, with that the credit is freely available. The banking system of Denmark is also under the financial supervisory Authority. Back in 2008 the banking systems had some problems when two of its banks stopped working some other banks ended merging. These problems were solved ever since then the problem association were not there anymore (Giesiev, 2017).

### The Copenhagen free port

The only free port in Denmark is the Copenhagen Free Port, which is operated by the Port of Copenhagen. The Port of Copenhagen and the Port of Malmo (Sweden) in 2001 merged their commercial operations, including the free port activities, in a joint company named CMP. The facilities in the free port are mostly used for tax-free warehousing of goods imported, for exports, in transit trade and for distribution.



Tax and duties are not payable until cargo leaves the Free Port. Also, the processing of cargo, for example, and the preparation and finishing of imported automobiles for sale, can freely be set up in the Free Port. Manufacturing operations can be established with the permission of the customs authorities, which is granted if special reasons exist for having the facility in the Free Port area. The Copenhagen Free Port welcomes foreign companies establishing warehouse and storage facilities (Salisbury, 2020).

However the economy of Denmark comes with some uncertainty relating to the Brexit issue since Britain has been one of greatest trade partners sharing Denmark many policy goals within the European Union. Although Denmark has made it clear it has plans for getting out the EU things could change in the future and the existing benefits that come with Denmark's existence in the EU may not exist anymore (Smith, 2020).

Also after the crisis that happened in Eurozone there was a drop in some the investments so afterwards it was unable to get the same numbers pre-crisis, although they fluctuated in the slightest in 2018, foreign direct investment inflows went down by 48%, FDI stocks also decreased by 3%. Which summed it up to about 114 billion which was around 32.6 % of the country's gdp. Such a decline came about due to an output slowdown, weak competition and investment that was targeted to insurance and finance. The drawbacks that come with economy when its vulnerable is that the negative outlook will negatively affect the investors climate (Mroziewicz, 2019).

## CHAPTER 2.TTHE DAIRY MARKET IN DENMARK & DENMARK'S IMPORTS/EXPORTS

### 2.1 Description of the main investment plan

The Danish dairy farmers are amongst one of the most modern and they possess the largest market in Europe. This is due to the domestic producers that largely provide for the market with imports from other countries amounting a very high number with products like cheese and yogurt. About 4100 dairy farmers have at least an average of 127 cows with milk that reaches up to 1,142 tones. Although when looking at the gdp sector composition of Denmark there seems to be less of the Agricultural sector it has been great factor in the market. Since the dairy market has contributed heavily to the development of the Agriculture sector.

More so the dairy market in Denmark accounts for up to 20% of exports, the suppliers of the dairy products is Arla foods which is owned cooperatively by Danish and Swedish milk producers, this company is located also in different areas out of Denmark. The dairy market is also distributed among other 30 companies together with Arla foods they make up to 4,7 billion kg's of milk, that come from 61 production plants in Denmark. With the exports rates coming from the dairy products most of the products are exported.

Although Denmark is known in Europe for providing in the Dairy market it has imports of such as cheese and yogurt that is approximately 25% , 5% more than the exports it makes. When it comes to the convenient stores that supply dairy markets together with lactose free products are a, few to non competition since most prefer to specialize in milk or supply a variety of the dairy products not including the lactose free products.

One of the best businesses to open up would be a private limited company that sells Danish Dairy products. Which is what will be invested in ,since the Dairy product market account for more than 20% of the Danish agricultural exports. This would be a good business to start, there will also be an opportunity to both export in other areas out

of the EU and sell to the local market and reaching markets within the European union. Denmark allows no restrictions when it comes to converting money that is to be used in an investment, such policies were put in place to help foreign direct investors to have free flow of capital. Which makes an investment in place like this of great profit.

The company will be a small convenient shop solemnly focused on the selling of dairy products produced/made by the local producers and other major brands that sell dairy products. The products will be ranging from different types of cheese, milk, butter, ice cream, lactose free dairy and many other dairy products. The biggest supplier of dairy products in Denmark is "Dairy Food" and they are in cooperation with different cooperation's in supplying these products such as Nestlé, Brookside Dairy, National Dairy, Dairibord and many other companies. Our target market ranges from young to old people since our products are used on a daily basis by most of the market. The other products which are lactose free are targeted to the market with lactose intolerance issues as well as consumers that are looking to go for a more healthier route and make healthier decisions without having to give the products they like.

Another product that is going to be sold is lactose free dairy a larger percentage of customers who are lactose intolerant will be drawn to our market which is good since the market which is estimated to double in market share in the coming years. The shop will be in the town of Alborg in the northern jutland area where the competition for convenient stores solemnly focused on dairy products are not available. The prices in Alborg is different from other major cities in Denmark, since it does not match a major city it has prices that are lower. The lower prices also apply to this town from the producers that supply.

## 2.2 Future market analysis

Denmark's dairy product market is an ever growing market and each year it shows how much it grows through the ever growing number shown every year. The lactose free dairy market also shows how ever growing it is in fig.1 it shows how from 2017 to 2020 it been growing and it is estimated that it will keep growing in the years to

come. The estimated numbers reach up to 9 million turnover when we are in 2022. With western Europe being the biggest and fastest growing market for lactose free market it makes the future market a positive and profitable future.

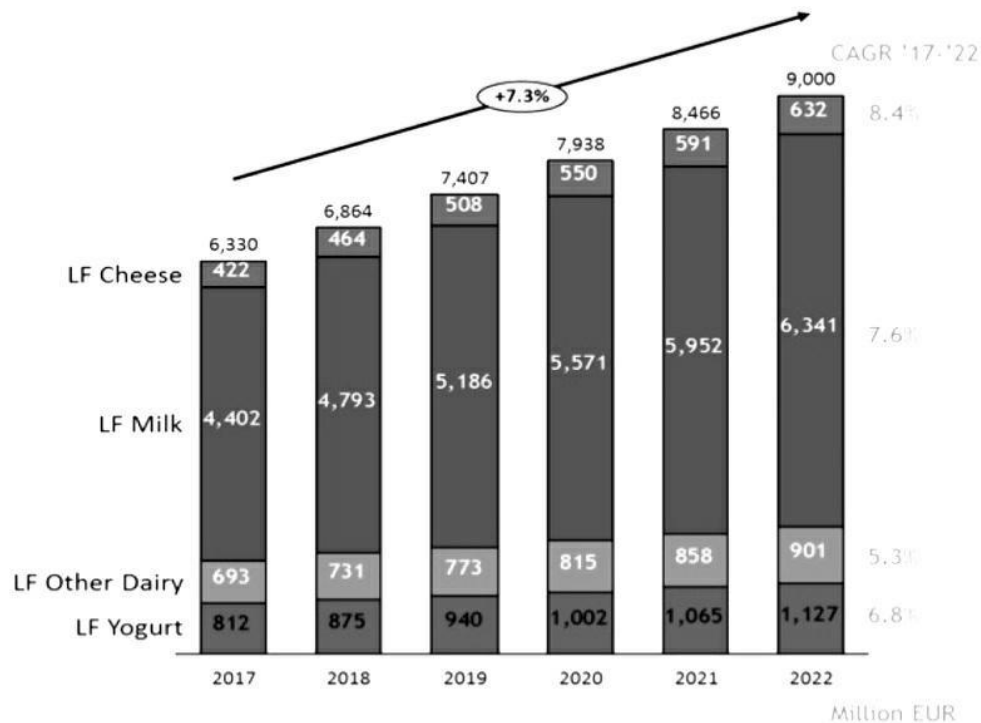


Fig 2.1 Market analysis for lactose free products and future analysis

Source: Euro monitor analysis

The main international companies in Denmark's dairy product markets consist of Arla foods and 30 smaller companies which account for up to 4.7 billion kg's of milk. With Arla foods being a Danish and Sweden owned company and the biggest producer in Europe of dairy products the other 30 smaller dairy distributors specialize in different areas like cheese, butter and milk, it makes to the small retail company to be invested in one of the few outlets that sells a variety of goods that will draw in a diverse group of customers (Graham, 2013).

With the location the shop is in competition is few to non products since most of the big companies are located in major cities.

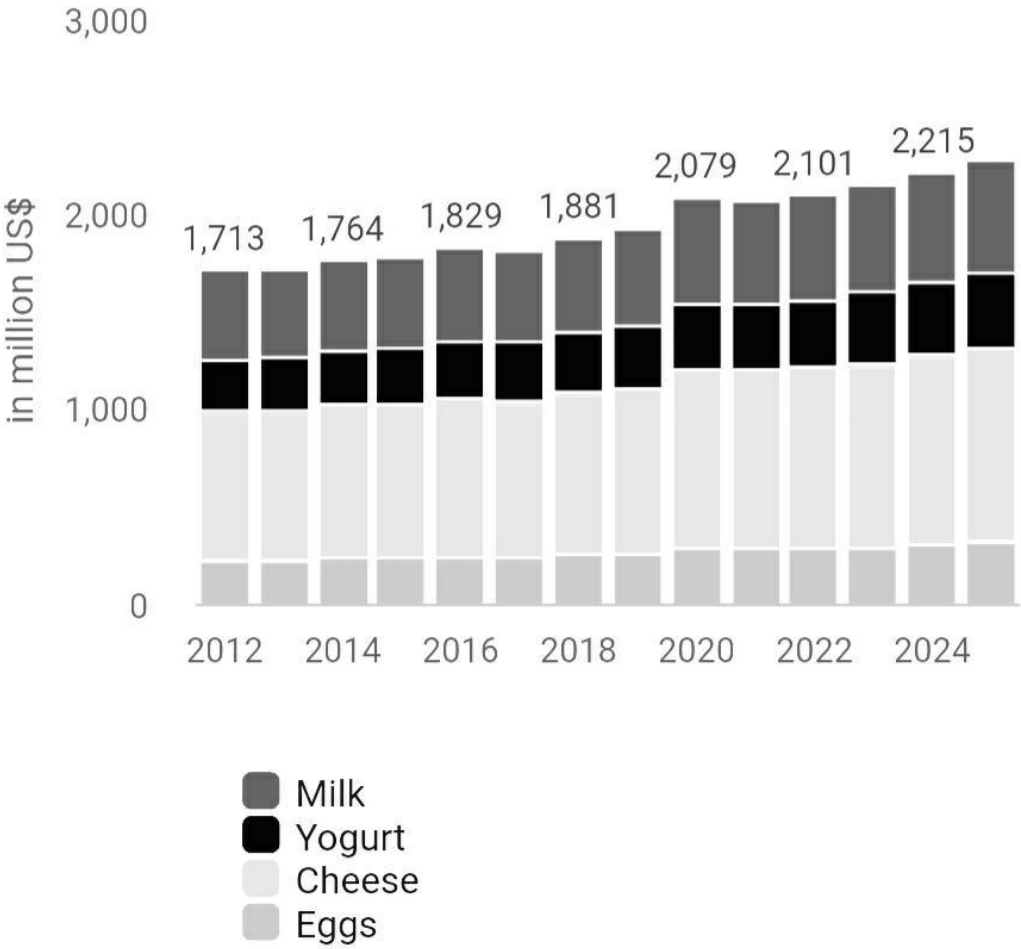


Fig 2.1. Past and future estimates of Dairy Market Revenue In Denmark  
Source: Statista

The graph above shows the market revenues produced by the dairy market with protected years to come from 2020 till 2024, showing how the Dairy market is going also considering the pandemic. The numbers shown show how the Dairy market is flourishing and will keep growing since it is an ever growing market that the consumers will not stop wanting more of it. Products shown on the graph are some of the products do be sold in the store this shows that the market for dairy products is capable of growing.

## 2.3 Exports and imports

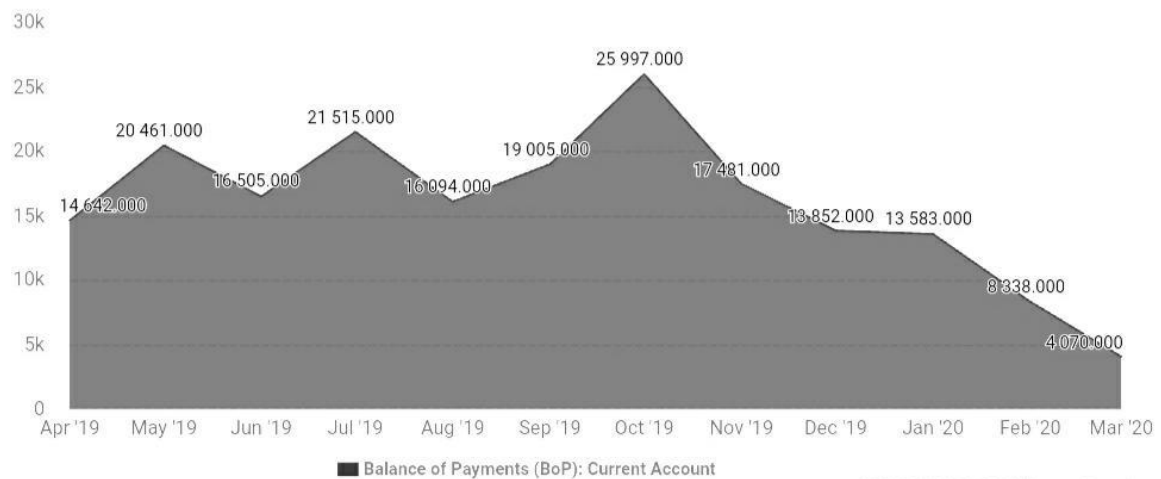


Fig 2.2 Balance of Payment Of Denmark

Source: Statistics Denmark

The figure above fig 2.2 shows numbers of the balance of payment of Denmark over the past months from April 2019 up until March 2020 where the BoP has drastically reduced due to the pandemic which has severely affected other economies in the world. All things considered the BoP of Denmark would have been still rising or staying constant with last year without the events of this year since in the past years had been an example of a country with an economy that keeps growing. Also the BoP is still positive which still makes Denmark one of the best places to invest in.

The graph below fig 2.3 shows the actual exports of Denmark from 2015 to 2018 and then the forecast from 2020 to 2021. The exports of Denmark are machinery, pharmaceuticals, machinery, Dairy products and many other products.

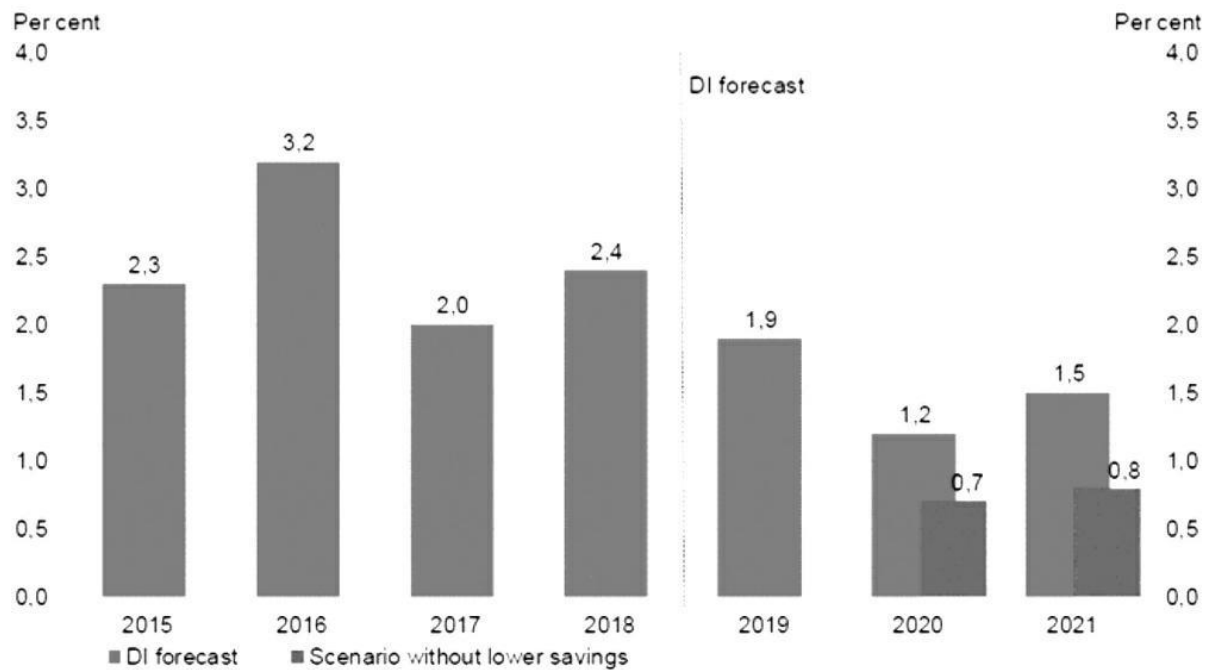


Fig 2.3 Present and future estimates of Exports in Denmark

Source: statistics Denmark and DI

Imports are the amount of goods or products that a country buys from other countries, the number of imports should not exceed that of the exports since the country should maintain a positive balance of payment which shows the difference between imports and exports. Fig 2.4 shows the imports that Denmark has encountered within 5 years from 2016 till 2020. With the trends showing the years it shows that the imports keep increasing , Denmark's imports consists of cars , refined petroleum, crude petroleum, computers. The major import partners are Germany, Sweden, Netherlands, China, Norway and the United states.

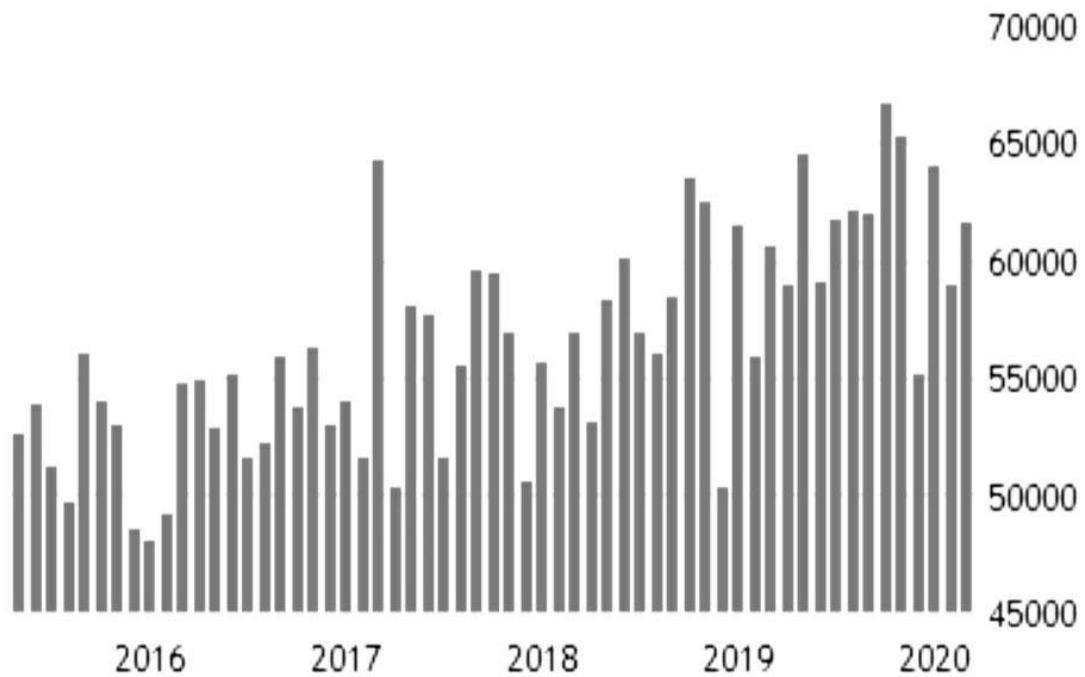


Fig 2.4 Denmark's Imports

Source: Trade Economics

#### About the investor

The investments made into the convenient store is made by a Norwegian man who is looking to invest in a country that is part of the Nordic countries. This is of great advantage to the Norwegian man since Denmark and Norway have in common high standards of living, low income disparity and since they are both part of what is called the Nordic model, economists and scholars have called them "Role models for economic opportunity and equality".

Making an investment in an economy like Denmark's with that contains such high value is one of the reasons for the Norwegian man since there is less risk associated with such an economy, as well as Denmark being such a close neighbor. Also both countries exist in the European Union. Coming from a Nordic country like Norway makes the investment process less challenging, even the documents needed to set up the business are less.

#### Denmark's currency risk

Although Denmark is in the European Union it is not in the Eurozone, therefore it uses the Danish krone and this comes with challenges. The Danish krone has a fixed



exchange rate with European union's euro. All decisions made by the EU on the euro are the same that apply to the krone , whatever the decision may be. Which makes it less flexible since the mandate made on final decisions is made without any input from the central bank of Denmark. Which is why most Economists consider it much better for them to joined the Eurozone or to follow their own policy's (James,2015).

The main challenge is the fluctuation the agreement with the European exchange rate mechanism the currency peg has been existing for 15 years. However this cannot keep happening since the Danish krone will fall to the pressure of the European central bank and will need to end up using the Euro. This will affects investments as well as future investors, this is because one of the things that contribute to a countries investment is its currency. More so another factor that can be a risk that exists in any investment partnership when the investor is foreign is not understanding how a currency is used, this problem can be solved by having a partner who is familiar with the market.

## CHAPTER 3. OVERAL CALCULATIONS

### 3.1. Calculation requirements for investment on a convinient store

The diagrams in this section will show calculations using the present numbers and the predicted numbers in order to know whether the investment to be made will be able to make any profits to the investor or not. The calculations made with determine if the investors should continue investing or should stop, if there are to be profits the investment should stop immediately. However if there are profits the investment will be able to continue.

Table 3.1

Number	Items	Cost(US\$)
1	Cash Register	\$77
2	Shelves *3 (150)	450
3	Credit card processing machine	612
4	Alarms	\$150
5	Coolers*2 (1,350)	2700
6	POS system	\$499
7	Advertising expenses	295
8	Registration of the company	97,23
1	Small refrigerator	163
2	Microwave	97,23
3	Coffee machine	32,00
4	Chairs*5 (46,15)	230,75
5	Stationary	29,00
6	Table*3(55,00)	165
7	Cutlery	29,00
8	Lamps*3(48,00)	144
9	Rent (1 month)	2,000
10	Pay for repairs of the room	4,000
11	Salary of managers (1 month)	990
12	Purchase of goods	60,000
13	Total cost	72,760.21
14		

The calculations above on table 3.1 shows the calculations that are needed by the investor to invest into the store, such as the registration fee, repairs for the room, salary for the managers for the first month. Equipment like the shelves coolers will contain the products to be sold In order to bring the profits. The alarms are for the safety of the goods, store and the workers, the cash register , POS system will help in the running of business. The requirements also constitutes of others supplies that the workers will require to the standards needed, this all amounts to 72,760.21dollars in the investments to be done into the investment. For the company to enjoy profits the profits should exceed the costs associated with the making of the company otherwise it becomes a loss.

### 3.1 Expenditures

Table 3.2

	Job Position	Number of people	Wage/US\$ Per Month	Total, US\$ month
1	Cashier	2	500	1,000
2	Manager	1	990	990
3	Stock clerk	1	800	800
4	Bookkeeping clerk	1	1250	1,250
5	Accounting clerk	1	1350	1,350
6	Cleaner	2	140	280
	Total payroll	8		5,670

### Expenditures monthly

Table 3.3

No's	Name	Amount US\$	Date
1	Salary	6,000	Monthly
2	Rent	2,000	Monthly
3	Dairy Products	2,500	Monthly
4	Other costs	299	Monthly
5	Auditing outsourcing	500	Monthly
6	Other products	129	Monthly
	Total cost	11,428	Monthly
	11,428*12	137 136	Yearly

## Expenditures over 3 years

Table 3.4

Expenditure US\$	Years		
	1	2	3
Salary	72 000	73 296	74 761
Rent	24 000	24 432	24 920
Dairy products	30 000	30 540	31 150
Other costs	3 588	3 652	3 725
Auditing outsourcing	6 000	6 108	6 230
Other products	1 548	1 575	1 606
Total costs	137 136	139 603	142 392

The tables above contain the tables of the expenditure for the future business/ investment to be made the first table shows the wages that are paid to the future workers based on the estimates provided on real jobs in Denmark the shop will need cashiers manager to manage the day to day activities, stock clock to keep the goods updated book keeping and accounting clerk to manage the money to be made and money invested. The second table shows charges of other expenditure needed for the company to operate such as the products to be sold the salary and the rent for the shop to be operated in. The last table of expenditures shows the total for the first year and estimates for year 2 and 3 after considering everything that affects the economy.

## 3.2 Estimated revenue monthly

Table 3.5

No's	Goods/Products US\$	Price US\$	Total per month	Total per year
1.	Milk		7 960	95 520
2.	Cheese		5 230	62 760
3.	Ice cream		3 530	42 360
4.	Butter		3 190	38 280
5.	Cream cheese		4 980	59 760
6.	Lactose free		3 980	47 760
	Total			346 440

## Estimated revenue over 3 years

Table 3.6

Revenue of sales US\$	Years		
	1	2	3
Milk	95 520	97 239	99 183
Cheese	62 760	63 889	65 166
Ice cream	42 360	43 122	43 984
Butter	38 280	38 969	39 748
Cream cheese	59 760	60 835	62 051
Lactose free	47 760	48 619	49 591
Total	346 440	352 673	359 723

The tables 3.5 and 3.6 are for estimates for table 5 shoes the estimates of all the goods to be sold in the shop from to a year . Table 6 shows the total revenue of sales if the goods to sold on the estimated years from year one to 3 after consideration of every aspect that might affect it based on the estimates of future numbers can be able to affect the investment.

## 3.3 Investment effectiveness

Table 3.7

INDICATORS	Years			
	0	1	2	3
Investment	72,760.21			
Revenue of sale (US\$)		346 440	352 673	359 723
VAT 25%		86610	88168	89930
Expenditure(US\$)		137 136	139 603	142 392
Profit before tax		122694	124902	127401
Tax(55%)		67481.7	68696.1	70070.55
Net profit (US\$)		55212.3	56205.9	57330.45

Inflation rate in Denmark in 2020=1,5%

Predicted inflation rate 2021=1,8% and in 2022=2%

Interest rate=1,2%

$$i_{2020}=(1+0,015)\times(1+(-0,60))\times(1+0,012)=1,015\times1,0060\times1,012-1=0,0333$$

$$i_{2021}=(1+0,018)\times(1+(-60))\times(1+0,012)=1,018\times1,0060\times1,012-1=0,0363$$

$$i_{2022}=(1+0,02)\times(1+(-60))\times(1+0,012)=1,018\times1,0060\times1,012-1=0,0384$$

$$1 \text{ year} = 1 / (1 + 0,0333) = 0,9677$$

$$2 \text{ year} = 1 / ((1 + 0,0333) \times (1 + 0,0363)) = 0,9338$$

$$3 \text{ Year} = 1 / ((1 + 0,0333) \times (1 + 0,0363) \times (1 + 0,0384)) = 0,8993$$

Above are the calculations made for the rate for 2020 and the rest of the predicted years which are 2021 and 2022.

#### Final calculations

Table 3.8

Years	Investments	Net(US\$) profit	Amortization	Cash flows	Discount rate	Investments	Cash flows (discounted)
0	72,760.21					72,760.21	
1		55 212.3	4 588.50	59 870.68	0,9677		57 936.85
2		56 205.9	4 574.52	60 864.28	0,9338		56 835.06
3		57 330.45	4 565.21	61 988.83	0,8993		55 746.55
Total	72,760.21	168 748.65				72,760.21	170 518,46

#### Calculations on Cash flow and Amortization

Depreciation needs to be calculated first which is done by calculating the Fixed assets Building 2%, Equipment 10% , Computer 25%

Since the fixed assets on the company only include the equipment the computation is calculated as follows :

$$77+612+150+2700+499+163+97,23+32+450+165+230,75 = 5175,98$$

Using depreciation on 5175,98 for equipment which is 10%

The depreciation becomes 4 658,382

Calculating the cash flow = Net profit + Depreciation

$$\text{Year 1. } 55\,212,3 + 4\,658,38 = 59\,870,68$$

$$\text{Year 2. } 56\,205,9 + 4\,658,38 = 60\,864,28$$

$$\text{Year 3. } 57\,330,45 + 4\,658,38 = 61\,988,83$$

Calculating the Amortization = Cash flow – Net profit

$$\text{Year 1. } 59\,870,68 - 55\,212,3 = 4\,588,50$$

$$\text{Year 2. } 60\,864,28 - 56\,205,9 = 4\,574,52$$

$$\text{Year 3. } 61\,988,83 - 57\,330,45 = 4\,565,21$$

The net profit shows that after all the value added tax and tax the store was still able to make profits, even for the predicted years and the profits will keep rising. As for the Net present value which is calculated as the difference between the investment and the discounted cash flow, that focuses on the estimated future cash flows. The profitability index that is calculated by dividing the discounted cash flow with the investment, were by the index calculated should be above one . For the company the re should be profits in each of these ,which will show if the company will have losses or profits in each year for 3 years. Lastly the Pay back period which is calculated driving the investment with the discounted cash flow divided by the number of years is supposed to be below one in order to be considered a good investment. Showing the calculations made in each part below it will show profit or loss.

### CALCULATIONS

NPV= Discounted cash flow – investment

$$170\,518,46 - 72,760.21 = \underline{97,758,25}$$

Profitability index= Discounted cash flows /Investment

$$170,518.46/72,760.21 = \underline{2,34}$$

Payback period= Investments /(discounted cash flow /years invested)

$$72,760.21/(170,518.46/3) = \underline{1,28}$$

With the calculations made above it shows the NPV is above zero and the profitability index is above 1. However the payback period that should be below 1 is exceeding 1 which makes this type of investment a loss for the company, this project should not proceed any further.

The investment climate in Denmark is a competitive one since it ranks very high on being one of the best place to invest, for a business like the convenient store profits are possible however in the long run. Although there was less competition in the field the store was in the other factors that make the investment climate in Denmark less volatile for such businesses or any business is how high costs associated with investing are. Starting from the business process the capital needed is very high and the business is based on the assumption that profits will be made because of the reputation the market Carrie's. Tax paid from the salary is also very high it reaches an average of 42% which can be very high in comparison to other countries.

## CONCLUSION

In conclusion the analysis of investment climate was able to show that when it comes to the legislation and the regulations, the rules they follow according to the European union can become of great disadvantage when doing business. Depending on where the investment is coming from the costs associated with maintaining the business such as the taxes can be very high comparing with other countries.

More so Denmark has one of the best economies to invest in as it shows on the international indicators that measure the attractiveness of a country for investment, it scores very high and shows that it has an environment that is very capable of bringing in business. The indicators also show the restiveness in Denmark towards investment and the regulations put in place for investment are very open to investment. They are rules that also protect the investors which attracts them more to come to a place where not only their investment is protected.

The process to register a business is straightforward however costs associated with the registration of a company if the investor does not come from one of the EU countries can be very tedious, the costs associated with opening a company such like the capital can be very high. Investors who are at a great advantage are investors who come from the other Nordic countries. The location of Denmark is very convenient it is accessed and accessible to different markets when the business created within the country decides to export.

However there is very high personal tax burden depending on the income received it can be 45% or 52%, this on the other hand can be challenging to the investor since the tax burden is very high. This can directly affect the business and its profits since they are so high. Denmark's labor market shows that the economy has a highly skilled labor market with an average salary that is very high. On the downside when opening business looking to hire cheap labor in Denmark it is not possible.

The indicators that make up the economy have been doing better well with the unemployment rate dropping low showing that the country is able to provide jobs for its citizens, short term interest rates below zero making it possible for people looking to



borrow to be able to. The gross domestic product for the country has been also able to rise as well as the GDP per capita. However the Denmark economy is not perfect over the period of 2 years from 2016 and 2017 the net portfolio investments have been very high, which is not the best for an economy to have too many portfolio investments.

In chapter 2 there was the main description of the investing plan which aimed at showing the how the investment will operate, what the targeted market will consist of and what organizations are involved in Denmark dairy market. Which was essential since it showed what kind of market will be operated in.

The Convenient store to be invested in shows great profits for the estimated two year which are 2021 and 2022. Investing in this business needs a lot of capital however the returns of greater profits will be enjoyed. Although the high taxation rate and minimum should be taken into account before investing, the market to catered to is going to be very big. Overall the calculations show that it is very possible to invest and get profits after the value added tax. More so with the individual investing into the market profits are more attainable.

To sum it up doing business in Denmark making profits is very possible in the case of the convenient store profits can be achieved coming from a different angle, also if it had a longer period. The economy is in a very good state which makes a lot costs associated with investing very high.

## APPENDIX A



# CORRUPTION PERCEPTIONS INDEX 2019

The perceived levels of public sector corruption in 180 countries/territories around the world.



## SCORE COUNTRY/TERRITORY RANK

87	Denmark	1	67	Chile	26	53	Italy	51	42	Solomon Islands	77	36	Thailand	101	29	Maldives	130	25	Uzbekistan	153
87	New Zealand	1	66	Seychelles	27	53	Malaysia	51	41	Benin	80	35	Albania	106	29	Mali	130	24	Madagascar	158
86	Finland	3	65	Taiwan	28	53	Rwanda	51	41	China	80	35	Algeria	106	29	Mexico	130	24	Zimbabwe	158
			64	Bahamas	29	53	Saudi Arabia	51	41	Ghana	80	35	Brazil	106	29	Myanmar	130	23	Eritrea	160
85	Singapore	4	62	Barbados	30	52	Mauritius	56	41	India	80	35	Cote d'Ivoire	106	29	Togo	130	22	Nicaragua	161
85	Sweden	4	62	Portugal	30	52	Namibia	56	41	Morocco	80	35	Egypt	106	28	Dominican Republic	137	20	Cambodia	162
85	Switzerland	4	62	Qatar	30	52	Oman	56	40	Burkina Faso	85	35	North Macedonia	106	28	Kenya	137	20	Iraq	162
84	Norway	7	62	Spain	30	50	Slovakia	59	40	Guyana	85	35	Mongolia	106	28	Liberia	137	19	Burundi	165
82	Netherlands	8	61	Botswana	34	48	Cuba	60	40	Indonesia	85	34	El Salvador	113	28	Lebanon	137	19	Congo	165
80	Germany	9	60	Brunei Darussalam	35	48	Greece	60	40	Kuwait	85	34	Kazakhstan	113	28	Mauritania	137	19	Turkmenistan	165
80	Luxembourg	9	60	Israel	35	47	Croatia	60	40	Lesotho	85	34	Nepal	113	28	Papua New Guinea	137	18	Democratic Republic of the Congo	168
78	Iceland	11	60	Lithuania	35	46	Sao Tome and Principe	64	39	Trinidad and Tobago	91	34	Philippines	113	28	Paraguay	137			
77	Australia	12	60	Slovenia	35	46	Vanuatu	64	39	Turkey	91	34	Eswatini	113	28	Russia	137	18	Guinea Bissau	168
77	Austria	12	60	Korea, South	39	46	Argentina	66	38	Ecuador	93	33	Zambia	119	28	Uganda	137	18	Haiti	168
77	Canada	12	59	Saint Vincent and the Grenadines	39	45	Belarus	66	38	Sri Lanka	93	32	Moldova	120	26	Angola	146	18	Libya	168
77	United Kingdom	12	59	Cabo Verde	41	45	Montenegro	66	38	Timor-Leste	93	32	Niger	120	26	Bangladesh	146	17	Korea, North	172
76	Hong Kong	16	58	Cyprus	41	45	Senegal	66	37	Colombia	96	31	Pakistan	120	26	Guatemala	146	16	Afghanistan	173
75	Belgium	17	58	Poland	41	44	Hungary	70	37	Ethiopia	96	31	Bolivia	123	26	Honduras	146	16	Equatorial Guinea	173
74	Estonia	18	58	Costa Rica	44	44	Romania	70	37	Gambia	96	31	Gabon	123	26	Iran	146	16	Sudan	173
74	Ireland	18	56	Czech Republic	44	44	South Africa	70	37	Tanzania	96	31	Malawi	123	26	Mozambique	146	16	Venezuela	173
73	Japan	20	56	Georgia	44	44	Suriname	70	37	Vietnam	96	30	Azerbaijan	126	26	Nigeria	146	15	Yemen	177
71	United Arab Emirates	21	56	Latvia	44	43	Bulgaria	74	36	Bosnia and Herzegovina	101	30	Djibouti	126	25	Cameroon	153	13	Syria	178
71	Uruguay	21	56	Dominica	48	43	Jamaica	74	36	Kosovo	101	30	Kyrgyzstan	126	25	Central African Republic	153	12	South Sudan	179
69	France	23	55	Saint Lucia	48	43	Tunisia	74	36	Panama	101	29	Guinea	130	25	Comoros	153	9	Somalia	180
69	United States of America	23	54	Malta	50	42	Armenia	77	36	Peru	101	29	Laos	130	25	Tajikistan	153			
68	Bhutan	25	53	Grenada	51	42	Bahrain	77	36											



#cpi2019

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## Corruption perception index

## APPENDIX B

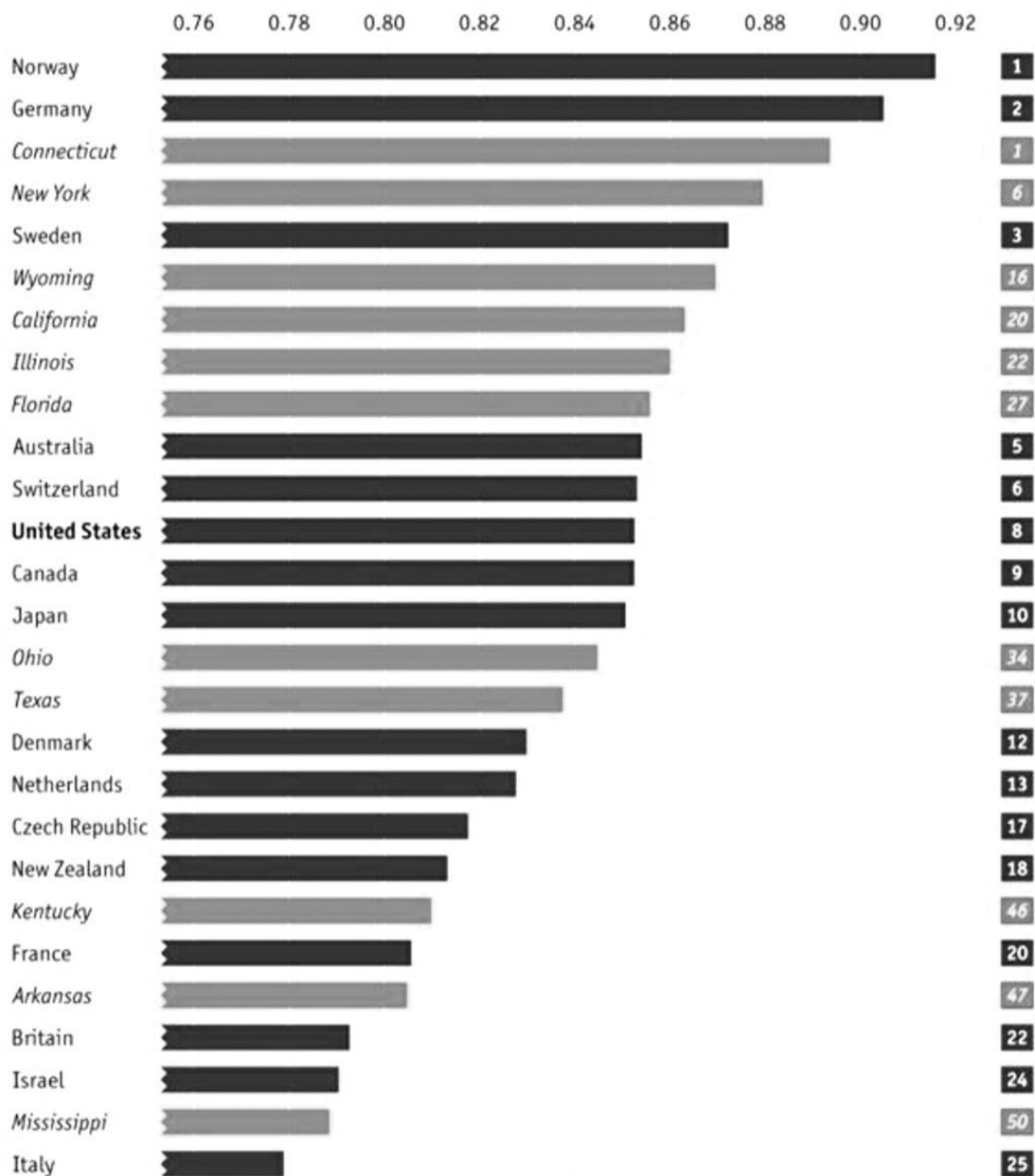
**Human development index**

Index of life expectancy, education and GDP per person  
2010 score, 1=best

Rank by:

1 country (out of 122)

1 state (out of 50)



Sources: *The Economist*; UNDP; American Human Development Project; national statistics

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