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Program**

BUSP01

**Business Plan
&
Theoretical Reflections**

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DESIGNED BY ME

CUSTOM-MADE FEMALE SHOES

You Are The Designer!

Lund University MSc Entrepreneurship Programme-BUSP01

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Table of Contents

1. EXECUTIVE SUMMARY	3
2. BUSINESS IDEA.....	3
2.1. THE PROBLEM	3
2.2. BUSINESS IDEA	3
3. MARKETING PLAN.....	5
3.1. MARKET DESCRIPTION	5
3.1.1. <i>Our initial customers and their response to our offer</i>	5
3.1.2. <i>The Potential market and Its Size</i>	5
3.2. INDUSTRY ANALYSIS	6
3.2.1. <i>Situation Analysis - Industry Factors</i>	6
3.2.2. <i>The competitors</i>	7
3.3 MARKET STRATEGY	7
3.3.1 <i>Our Competitive Advantage in relation to the competitors</i>	7
3.3.2 <i>Marketing Mix (The Closest Competitor and Designed by me)</i>	8
3.3.3 <i>Our target market and segment</i>	10
3.3.4 <i>Marketing Positioning</i>	11
3.4 SUSTAINABLE COMPETITIVE ADVANTAGE.....	12
4. THE BUSINESS MODEL	13
4.1. OUTSOURCING AND OUR SUPPLIER.....	14
5. ORGANIZATION.....	14
5.1 MANAGEMENT TEAM AND STAFF.....	14
5.2 VALUES	15
5.2.1 <i>Vision</i>	15
5.2.2 <i>Mission</i>	15
6. IMPLEMENTATION	15
7. PROFITABILITY & FINANCING	16
7.1. AN ESTIMATION OF THE PROFIT POTENTIAL.....	16
7.2 SIMPLE PROFIT & LOSS STATEMENT	17
7.3 SEED FINANCING / SOURCE OF CAPITAL	18
8. RISK ANALYSIS	18
9. CONCLUSION	19
REFERENCES	20
APPENDIX 1- SIMPLE DEMONSTRATION OF THE BUSINESS IDEA	21
APPENDIX 2 - TWO EXAMPLES FROM MARKETING QUESTIONNAIRE OF DESIGNED BY ME	21
APPENDIX 3 - THE LEVEL OF COMPETITION	23
APPENDIX 4 PROFIT & LOSS STATEMENT	24
APPENDIX 5 BALANCE SHEET	25
APPENDIX 6 BASIC EXPENSE REVENUE REPORT	27
APPENDIX 7 FACTS SHEET	27
APPENDIX 8 CASH FLOW STATEMENT	28

1. EXECUTIVE SUMMARY

In respect to the mature footwear market in Sweden, "Designed by me" provides an innovative product by allowing customers to design their own shoes online with any possible combinations to suit their individual desires. Designed by me is a start-up founded by three enthusiastic young entrepreneurs and the fundamental idea of our service is "delivering uncompromised women's shoes by customers' own design". Through the user-friendly interface on our official website (www.shoeezy.com) the imagination is the actual limit. The customers will be able to design their own shoes and footwear according to their own tastes prior purchase by styling the heel, toe, back and embellishments alongside the color and fabric. As such, they will be able to combine "style" with "comfort" rather than having to choose one over the other. This innovative product places the company "Designed by me" in an emerging market segment in the footwear industry. The target market is identified as – females in the age of 25-40, leading an active urban lifestyle with a busy career and with interests in social events and fashion. "Designed by me" embodies exclusivity, self-expression, creativity, and fashion-forward image and positions itself as the *premium online customizable shoes retailer*, the one and only that offers custom made shoes tailored to Swedish preferences in the Swedish language. The customer benefit is comprised of high-end quality, comfortable and personalized female shoes to be delivered in *three weeks* with *Italian craftsmanship and quality*. Finally, Designed by me aims to acquire 1% of the Swedish footwear market in the first year and it our firm belief that this is viable with our high level of quality and excellent customer service to maximize customers' satisfaction and experience. The pull system and outsourcing of the shoe production integrated into our business model of online retail store is believed to prevent excessive inventory and reduce related costs.

2. BUSINESS IDEA

2.1. The Problem

It is not always an easy task to find the right shoes for ourselves in terms of both comfort and style considering that we live in a world of mass-production full of standardized products. At times, especially some women have struggled with high heels, open toes, color, fabric or embellishments of some shoes. These constitute as some of the reasons to give up on these shoes as well as the beginning of a journey requiring time and energy to end up either with satisfaction or disappointment and frustration.

2.2. Business Idea

The essential idea of our service is "delivering uncompromised women's shoes by customers' own design". "Designed by me" provides an innovative product by allowing customers to design their

own shoes online with a wide variety of possible combinations to suit their individual desires. Through a user-friendly interface on our official website, the customers will be able to design their own shoes according to their own tastes prior to purchase by styling the heel, toe, back and embellishments alongside the color and fabric (see Appendix 1). Designed by me positions itself as the premium online customizable shoe retailer, the one and only that offers custom made shoes tailored to Swedish preferences in the Swedish language. The business model is an online retail store and the shoe production will be outsourced to Italy (Napoli). It takes only three weeks for the final product reach the customer which is believed to provide a competitive advantage against our competitors together with the high quality image for our brand in combination with the comfort created in the hands of Italian designers who understand the anatomy of the leg and foot to a great extent (Barlett, 2006). Finally, the customers will be making full payments up-front.

2.3. Customer value and the problem the product solves

This business idea has been born in the midst of a consumer revolution towards a major lifestyle trend in recent years with a strong rise in "individualism" and "personalization" concerning products and services.¹ Such market segment is growing as evidenced by a company named "Shoes of Prey"² who outsource the shoe production to China. Capitalizing on this consumer trend, "Designed by me" offers an innovative, more convenient, simpler and more flexible shopping experience for women with 100% "Made in Italy" quality. First of all, with our new solution, Swedish women will have the opportunity to combine "style" with "comfort" rather than having to choose one over the other. In other words, they do not have to be dependent on and confined to mass-produced shoes but have the opportunity to express their personality through creating their own design. For example, our customers will be offered the chance of their names 'being engraved on their designs "i.e. designed by Nina Johansson". This point is assumed to give. Secondly, the convenience of the online store that allows the customer to shop whenever they want from the comfort and security of their home will constitute an additional customer value, which is particularly suggested for professional women who have great time-concern. Thirdly, a strong differentiation strategy through relationship marketing will create an added value to ensure that customers are aware of such benefit as being empowered to become their own designers.

2.4. Customer Proposition and Customer Benefit

¹ According to Eastwood (2010), globalisation has created a minor but distinct backlash against the "uniformity" of products and services. Consumers have shown a growing preference for items and goods that relate to individualism or which stand out from the crowd.

² This company was established in 2009 in Australia and offers custom-made female shoes. www.shoesofprey.com. No sales numbers are available since it is a private company but the numbers (as of late 2010) that were found are: 1.6 million website visits, 6 million minutes spent designing shoes, about 10 000 emails sent to customers, more than 8 000 Facebook fans, more than 2 000 Twitter followers and their sales (according to themselves) have tangent their quarterly targets (Fox, 2010). Thus one can safely assume that the company is enjoying growth and that the market segment is healthy proving the business idea is clearly filling a gap in the market.

The business idea is deemed viable based on two factors – the shifting consumer trend towards individualism (Schindehutte et.al.,2009) and that customized female shoes is an emerging market segment that is growing (Piller, 2010). More specifically, the customer benefit is comprised of "*high-end quality, comfortable and personalized female shoes to be delivered in three weeks with Italian craftsmanship and quality*". As the target market consists of professional women having time concerns, our business is hoped to address their needs by creating a shopping environment that is personalized, fun and convenient for them.

3. MARKETING PLAN

3.1. Market Description

3.1.1. Our initial customers and their response to our offer

Before the business goes live, *Designed by me* will initiate a rigorous focus group testing to ensure that the quality and the production process coincide with customer expectations. We are planning to get constructive feedback social circles that may participate in our focus group and at the same time become our first customers who are expected to reach about 30 people. *Word of mouth* and *internet marketing* is central in the early stage. Our hope is to reach the target group through a spillover effect. Approaching a few potential customers to get insight about how they would feel towards a business concept of custom-made female shoes gave us encouraging feedback on our services (See Appendix 2 for the marketing questionnaires by two potential customers).

3.1.2. The Potential market and Its Size

The European footwear market is estimated to be \$77.2 Billion. The US footwear market is estimated to be \$62.11 Billion and globally the footwear market is around \$196.3 Billion. These estimations are all according to the reports Datamonitor (2010a, 2010b, 2010c) as of 2009 and accordingly, an annual growth rate of 3% is expected in Sweden from 2010 - 2014. In addition to these numbers, the Swedish footwear market is estimated to be \$1.29 Billion which represents 2% of the European market – 57% of which accounts of female footwear according to the index by Datamonitor (2010b). The untapped potential market we see is to serve individual needs by offering the design-it-yourself shoes which differentiates us from such major companies like Nilson Group existing in Sweden. Swedish population is highly style-conscious and fashion expressive (CBI Market Information Database, 2010a). In addition to this, according to Eurostat (2010), Sweden has one of the highest rates of working woman in Europe, which implies that Swedish women possess significantly high purchasing power and constitutes an attractive market for "*Designed by me*".

3.1.3. The growth potential

“Designed by me” aims to obtain 1% market share from the target market. Based on the population rate in 2009, women aged between 25-40 in big cities of Sweden -Stockholm, Goteborg, and Malmo- totals almost 400,000 (396,665 in exact numbers) (Statistics Sweden,2009). According to a study by gocompare.com (as cited in Donnelly, 2010), women purchase seven pairs of shoes in one year. However, our company expects 1.5 pairs of shoe purchase by target group per year. Hence, our sales in the first year can be forecasted to about 6000 pairs when the customers are expected to buy 1.5 pairs a year (not considering seasonal variations). When our company reaches stability, other markets will be entered with a localized differentiation strategy.

3.2. Industry Analysis

3.2.1. Situation Analysis - Industry Factors

The footwear retail market is a highly fragmented industry with large multinational retail corporations holding a strong position in the market. To examine the attractiveness of the footwear industry in terms of profitability Porter’s five forces model is employed (Lehmann & Winer,2004: 56):

The Bargaining Power of Customers (Buyers): Even though for the intended target market price sensitivity is of little concern since non-price factors and differentiation strategies are of utmost importance (Lehmann & Winer, 2004: 224), we argue that the bargaining power for our customers is medium to low. This can be explained by that in the market segment where Designed by me operates (high-end customized female shoes) there may be price sensitivity due to a low number of direct competitors.

The Bargaining Power of Suppliers: The bargaining power of suppliers for “Designed by me” is medium. Since the company is not going for a mass-produced product but rather the opposite - an individually produced product- a different type of supplier that is not prevalent in the footwear manufacturing industry today is required³. Hence the switching costs might be higher and there may be a lower set of suppliers that can make the product and its functionalities that we desire.

The Threat of Substitutes: The threat of substitutes for “Designed by me” is low. As it is an emerging market, customer acquisition from other companies is not needed. However, the niche is likely to grow and customer bases will be established according to the ladder of loyalty. Other companies might realize the attractiveness of the industry and enter the market. Therefore, an early presence and a distinct differentiation strategy are keys to secure market share.

³ Much of the footwear sold in Sweden is sourced and produced in low-cost locations, mostly concentrated to the East and South East Asia (i.e. Nilson Group, operating in Scandinavia, outsource its production to some supplier in China and Taiwan (Datamonitor, 2010a).

The Threat of New Entrants: The threat of new entrants can be both strong and weak for Designed by me. Strong in the sense that it is relatively easy to purchase footwear from suppliers and set up a store (both online and offline) and start selling to end-customers. However it can also be weak due to the challenges of getting the supply chain, logistics systems and differentiation correct and functioning in the high-end market.

Internal Rivalry: The potential competition of online stores is infinite. Paradoxically, the opportunity for brand building and differentiation is also infinite in the online world which makes it difficult to assess the rivalry in this emerging market. However, as it is an emerging market segment the rivalry is not fierce with only one active direct competitor ("Shoes of Prey" in our market segment). Therefore, the timing is crucial to enter the market and to become one of the likely oligopoly companies that may eventually control the market.

3.2.2. The competitors

"Shoes of Prey" is an Australian based company established in 2009, and is the only competitor found so far that customizes female shoes not only in terms of color and fabric, but also in terms of dimension regarding the heel, toe, back and decorations through its online retail store. Their core strategy is product differentiation based on a customization service offered through their user-friendly interface. At the *product category level*, the competition is based on the products or services that have similar features (see Appendix 3).

So far, three companies were found offering semi-customization through online retail store for female customers, namely "Nina", "Selve" and "Maguba". These companies are located in New York and the UK, respectively. The customers can only select the ready-made-products with different sizes, colours and materials through the configurator on the official website of these three companies. While "Maguba" sells only clogs, "Selve" requires customers to visit the company physically in order to commence the process. At the *generic competition*, the focus is on the products/ services that fulfill the same customer need and the competition is partly with the small-sized stores that offer custom-made shoes in Sweden. Furthermore, Nilsson Group -a footwear business operating in Scandinavia by selling children's, ladies' and men's shoe- alongside online retailers such as nelly.se and stayhard.se. selling cloths and footwear fit into this category.

3.3 Market Strategy

3.3.1 Our Competitive Advantage in relation to the competitors

The main objective of our direct competitor -Shoes of Prey is growth and this is where our company might face the biggest challenge even though their target countries have been initially English-speaking countries. We are planning to overcome this challenge by excelling in the following areas:

- The differentiation of our business and services from other online customizable competitors centers on tailoring a localized strategy to conform to Swedish consumer preferences and weather conditions whereas other online customizable competitors (i.e. Shoes of Prey) target more broadly global market.
- Outsourcing the manufacturing to a country (namely Italy) different than China constitute strong differentiation for Designed by me. Taking some customer concerns regarding both quality and ethics about "made in China" products into consideration, we are willing to pay higher for the service we get. Italy-Napoli would be a very suitable option for our business as we aim to deliver high-end quality.
- Our faster delivery (15 business days as compared to i.e. 30 business days of delivery time of our direct competitor) constitutes our competitiveness.
- Our strategy is to set prices to match or be higher than our direct competitor, because it is an emerging market segment thus no acquisition strategy is needed - leaving enough room for differentiation, brand building and customers without having to compete on price. For quality concerns, we offer high standard of craftsmanship, comfort, and durability with 30 days of return policy. Returned shoes will be then sold again with a small discount on our online store.

In other words our objectives are:

- To achieve 1% market share of total women's footwear market in Sweden.
- To gain high awareness of our brand as the pioneer and leader of custom-made female shoes in the Swedish market within 1 year.
- To enhance the shopping culture by creating a shopping environment that is personalized, fun, and convenient

In order to get a better perspective of our direct competitor, marketing mix is applied comparatively:

3.3.2 Marketing Mix (The Closest Competitor and Designed by me)

Pricing: Our strategy is to set prices to match or be higher than our direct competitor Shoes of Prey who has a lower price compared to other similar companies like "Selve" and "Nina". Since it is an emerging market segment thus no acquisition strategy is needed - leaving enough room for differentiation, brand building and customers without having to compete on price. 1400 SEK for ballet flats; 1750 SEK for 1½ to 3½ inch heels; 2000 SEK for 4 to 4½ inch heels and 2400 SEK for ankle boots. The cost of shipping to the end-customer and the VAT are included in these prices.

Promotion: Shoes of Prey value communication with their customers and integrating them in their business through various social media platforms such as Facebook and Twitter is seen an

integral component. Jodie Fox, one of the founders, takes a very active role in having a dialogue with the customers as a form of relationship marketing.

Being aware of the opportunities (and threats) of social media tools, our company will also make maximum use of social media channels as we value communication with our customers and integrating them in our business. Facebook, Twitter and Tumblr are the three channels we would like to start off the campaign with. Word-of-mouth is a significant promotional strategy of our business. Besides social media channels, our company is also aware of the importance of search engine optimization (SEO) that means getting the highest possible ranking on certain key words or phrases in search engines. In this respect, Google ads is a direct marketing with ads that randomly show up when using Google tools and its search engine to spread the word a little faster.

To create better relationship (/thus value) with (/to) our customers, we will organize competitions for customers to post their own designs on the company's website to be rated by other visitors. Whose design gets the most rating she/he will be awarded with free shoes based on the regarding design or benefits in different kinds (such as free shipping on the next purchase or discounts on one purchase or for an entire month). This strategy will increase the attention of potential customers and help to get them encouraged to create their own designs. This competition could then be repeated every quarter or year since it is a great way to market the company to design and fashion interested people besides creating a buzzword. However, we will not limit such competitions only to online communities but will also extend it to design and fashion schools across Sweden or perhaps across Scandinavia or even large parts of Europe. Below is a short list of schools and education programs focused on fashion and design in Sweden that could be targeted:

- Textil & Modedesign, Skara Lärcentrum.
- Modedesign, Borås högskola
- Artcollege, Modedesignutbildning Göteborgs universitet.
- Modedesignutbildning, Folkuniversitetet.
- Modedesign, Forsbergs skola.
- Mode, Beckmans Designhögskola.
- KY-utbildningar Textil, Mode och Design.
- Mode / Designutbildning, Ålsta Folkhögskola.
- Textil och modeutbildning, Fornby Högskola.
- Tillskärarakademin, Stockholm.
- Textilutbildning, Konstfack Stockholm.
- Konstnärligt kandidatprogram Textil - Kläder - Formgivning, Stenebyskolan.
- Modedesign, Borås.
- Konstnärligt kandidatprogram i Textil och Formgivning, Göteborgs universitet.
- Industriell Design, Lunds universitet.

Finally, we are planning to put the names of the customers -who design their own shoes through our user-friendly software- on the shoes they designed (i.e. designed by *Annette Sevansson*). This will give the feelings of authority and accomplishment to our customer.

Distribution: Our direct competitor does the sales through its online retail shop and uses DHL to ship their products to end-customers directly from the supplier in China. As stated Designed by

me is going for the same strategy and will provide mainly online retail as we believe that it outweighs the potential risks. The shipment will be made directly to the customer from our supplier in Napoli (Italy) via Italian Post Office or TNT (depending on the volume of shoes) by using "Designed by me" shoe boxes. We are dependent on the experiences of our supplier regarding logistic strategies as he is already exporting shoes to some other European countries.

Product/ Service Capabilities: The shoe products offered on our website will also be various in designs (100) ranging from ballet flats, sophisticated high heels, to eye-catching stilettos that suit all aspects of our customer's lifestyle, whether on their working days, weekends, or social gathering events. Wide variety of material are available in different colors such as leather, snake skin, fish skin, silk, suede and vegan-friendly material like cotton, hemp. On special occasions, new designs, materials, and decorated elements will be added to match seasonal needs. Customers can choose the heel's height as they wish. Regarding quality, we will offer high standard of craftsmanship, comfort, and durability with our Italian production. Our software will enable customers to design their shoes within 5 minutes simply by clicking on photos of the design, material, embellishments, heel's height, and size they prefer. The name of customers can also be endorsed to the shoes of their creation.

Likewise, in line with our customer satisfaction concern, we will have a "30 Day Returns" Policy similar to our direct competitor and in case the shoes do not fit, we will offer to remake/repair for free in line with our return policy and resell these return shoes in our online store. We aim to provide outstanding services because it is essential to establish long-term relationship with customers in the niche market with limited customer base. On augmented product level, we will maximize customer's experience through excellent services, our customer support team will promptly respond to all inquiries within one business day. We will guarantee fast delivery within 15 business days, whereas our competitors require 5 weeks or longer in peak season. With online database, our supplier can view the combinations that customers require and start production process immediately after payment. To stimulate customer interaction and involvement, contents about latest trends of shoes, inspiring fashion shows, celebrity styles will be featured as a source of design inspiration for customers. Finally, we will implement a questionnaire on the website for the customers to fill out after completion of designing their shoes in order to know if we hit our intended customer base and if not, what customer base we are in reality catering to. In order to encourage our customers to provide their answers, we can attach an incitement in the form of a small discount for their next order.

3.3.3 Our target market and segment

The primary target market for Designed by me consists of females who are recent university graduates between the ages 25 and 40, leading an active urban and metropolitan lifestyle accompanied by a business or professional career with interests of social events, fashion and

enjoying reading magazines like Vogue and Elle. Their monthly *individual* income amounts to 20.000SEK and above (after tax).

-By targeting this overall group of middleclass women, our company sees the first opportunity of reaching out to a group who spends more on shopping as compared to males⁴. It is noteworthy that women are more prone to pay a higher price for better values especially for clothing and footwear - this provides opportunities for several niche markets such as customization.

-Secondly, Swedish population is highly style-conscious and fashion expressive (CBI Market Information Database, 2010a) Therefore, the alternative of personalized shoes designs to match their exact preferences and desired images is hoped to receive public interest from Swedish market.

-Thirdly, since the design is created by the customers, these people are hoped to establish an emotional bound with the product and its uniqueness. The growing trend towards individualism and uniqueness gives us the advantage in offering customized shoes over other big retail stores and encourages customer loyalty, attachment and participation. As there are no other online customizable shoe retailers catering to Swedish market, being the first mover shall give us a "founder" image as resulting in customer loyalty and raising barriers to imitation.

-Fourthly, based on a survey of working women, footwear is a major concern in women's everyday life. According to the survey 64% rely on shoes to change their looks, 82% expressed that they want to look good in order to please themselves and 34% states that they want to keep up with fashion trends (Dolliver, 2010). Designed by me acknowledges the aforementioned trend identified by Eastwood (2010) and caters to this audience by offering the opportunity to co-create shoes according to their own tastes with our simple web-based design interface.

-Finally, the limited opening hours of shopping malls (or small shops who make customized shoes) gives us the opportunity to exploit the market 24/7 by giving a non-stop service on web-based platforms. The risk of alienating customers by exclusively offer online retailing is outweighed by cost efficiencies, opening hours (24/7) and the growth of online retailing-which is estimated to be \$217.7 billion in Europe by 2014 with an increase of 65.1% since 2009⁵.

3.3.4 Marketing Positioning

As customized shoes is an emerging market segment, it gives an opportunity to position our brand in the very top which can serve as a competitive advantage⁶. A positioning statement for Designed by me is exemplified below based on a model by Brandeo (2009):

"To young urban women with an active social and professional life, Designed by me is the footwear that allows you to be yourself. With Designed by me, you can enjoy the finest quality shoes and at the same time have the shoes of your wildest desires. *You are the designer.*"

⁴ According to Paskin (2010) women spend significantly more money on shoes and clothes than men, which validates our choice of target market. In Sweden, women are highly self-reliant in terms of income due to high employment rate, thus women have high purchasing power (Eurostat, 2010).

⁵ The apparel /accessories /footwear segment accounted for 18.3% of online retail sales in 2009 (Datamonitor 2010d).

⁶ According to Pagan (2009) approximately seven brands are stored and evoked in a customer's memory for each product category.

In relation to the positioning statement, a further business concept can be defined as "Personal, Stylish and Simple". This trinity also constitutes our company's selling incentive that always should be understood in the way the company is presented to the public:

1. *Personal* (customized, one-of-a-kind, the *individuality* appeal): Modern people like to communicate who they are as individuals with their choices in clothes, cars and the like. One way of communicating this individuality is one-of-a-kind shoe. We aim for a group that is interested in design and wants to distinguish themselves from others through what they wear. This is thought to be necessary since the *functional core* of shoes can be accessed quicker and for less money by mass-producing stores. To distinguish ourselves, we emphasize our product's *aesthetic attractions* and *emotional benefits* by branding with focus on one-of-a-kind exclusivity.

2. *Stylish* – in contrast to dull and somewhat ugly standardized shoes, *aesthetically designed*, appealing and stylish shoes: People have always wanted to be surrounded by beautiful things. Style or beauty is surely a matter of subjectivity but by offering the possibility of customization of their own shoes, we can create added value and attract our target groups.

3. *Simple (and convenient)* – Our user-friendly software is far from complicated and accessible 24/7. This will work in favor of our customers' comfort by giving them more flexibility to shop at their available in their busy schedules.

3.3.4.1 Where to be exposed? Media and Online Exposure

The online distribution channel (official web-page) is the main platform to expose our business. Since the market strategy is mainly based on net-working, well-known design blogs and internet forums like *Style by Kling*, *Blogg Aftonbladet* (blogg.aftonbladet.se/2226) *Advanced style*, *the Sartorialist*, *the Cherry Blossom Girl* are significant to expose our business. Exposure in local newspapers, magazines which target women like Vogue, Elle, i-D, Bon is also valuable. Even though we are not planning to pay for traditional advertising, we will contact local media to cover the venture since it is one-of-a-kind in the region as an alternative to mass-production. This is an angle that might suit local media to cover when the news flow is thin. To get attention from media and blogs, leading to exposure, *Designed by me* sends emails to key individuals with a presentation and link to the web page. Finally, a fan page on Facebook is an important way of communicating our existence to the potential customers.

3.4 Sustainable Competitive Advantage

The sustainability of our target group is considered to be rather stable, since neither individuality nor ecological considerations seem to be transient trends. People feel the need to have one-of-a-kind, sustainably produced shoes in a mass-producing, mass-polluting modern world. In terms of the rights, the (real name) of *Designed by me* does not exist as a registered company at

Bolagsverket and there seems to be no other companies online with that name in Sweden or abroad. Furthermore, we guarantee security and trustworthiness of our website with our SSL certificate. In other words, Designed by me maintains its trademark and make use of “lead time” as its own advantage. Regarding social responsibility, our products will be created using ethically sourced leather and materials with great concern for human rights as we outsource production to Italy instead of other developing countries who offer low-cost production.

4. THE BUSINESS MODEL

Designed by me is focused on retail and online marketing regarding customizable women dress shoes. It collaborates with an Italian supplier to carry out the shoe production. Other partners who are students from Lund University Informatics department provided technical advises for the development of the user-friendly software. Likewise, the software development is outsourced to a freelancer in Turkey. Once the technological feasibility is established in line with the materials and design capabilities of the shoe supplier, Designed by me will generate the following revenue forms:

First of all, one revenue stream is identified as the actual custom-made shoe purchases through our online retail store. The “pull” model is utilized, where we do not hold any stocks or inventory but rather the shoes are produced upon the customers’ purchase and shipped directly from the supplier to the customer (Bonney, et.al.,1999). Secondly, our already established designs will be sold online as our suggestions to customers who do not wish to design shoes by themselves. Thirdly, the returned shoes from customers (i.e. due to getting the size wrong) will be resold via our online store.

Thanks to the outsourcing and pull-model, Designed by me does not need high amounts of initial investment and prefer to exclude any outsider investors especially during the seed financing stage of the business. However, after a few years of business operation once the business concept and the model are fully established, the current team of three people will be strengthened with marketing experts, an accountant and investors who could speed up the growth of the company.

Business System of Designed by me (which is in its initial phase for the time being):

Research &Development	Production	Marketing &Sales	Distribution	Customer Service
In-house	Shoes-outsourced to Italy (Napoli)	In-house	In partnership with Italian supplier	In-house
	Software development (partnership with LU Informatics student and outsourced to Turkey)	Social-media platforms & Bloggers	TNT & Italian Post-Office	

4.1. Outsourcing and Our Supplier

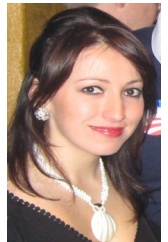
Outsourcing is cost effective and reliable way to businesses to grow. Because companies do not have to invest much capital, financial risks are relatively low (Varadarajan, 2009). On the functional side it is reasonable to give the operation to the experts than handle it by ourselves. Outsourcing is effective option to move the required financial and human resources outside company. We understand that giving such a vital part as i.e. production to an outsider embodies some operational risk for our company. For instance, since Designed by me is not responsible for the whole shoe production process, it becomes a hard task to secure the quality of the shoes when it reaches to the end-consumer. We can decrease the uncertainty involved with outsourcing of the shoe production by good communication with our Italian supplier.

Our goal has always been to form partnership with reliable and trusted businesses. It is our firm belief that after an intense evaluation of various partner options, "its effective communication" and "full grasp of our business concept" has made the Italian supplier a potential long-term partner for "Designed by me". Moreover, flexibility is a significant concept in running our business model effectively which therefore has constituted a crucial criterion in selecting our partner Italian supplier who is ready to develop together with us the best way to serve our customers.

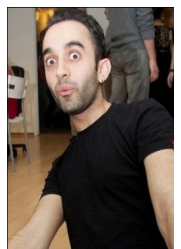
5. ORGANIZATION

5.1 Management Team and Staff

Arzu Balkan is a current student at LU Entrepreneurship Master's Programme. Her major contribution to "Design by me" is around managing buying (supply-chain communication), business operation and design. Arzu speaks English, Japanese and Turkish. She has a solid knowledge regarding organizations and has been engaged in social entrepreneurship both academically and practically (as a co-founder and executive board member). She holds an MSc in Asian Studies from Lund University. Her previous researches are about "web-based CSR marketing communications" and "labor market development". She also gained solid knowledge in the fields of advertising, integrated marketing communications and business communications through her bachelor level studies in Japan and in Turkey.



Cihan Keskin is a Cypriot national and currently studying at LU Entrepreneurship Master's Programme and LU Society, Science & Technology Programme. His major contribution to Designed by me is regarding online marketing, basis admin and time management. Cihan has a BS degree in Management Information Systems and his previous work focused mostly on online marketing. He also created two successful start-ups (ESN House Istanbul and ESN Bar Istanbul) in Istanbul for exchange students in this city.





Glen Tornkvist is a Swedish citizen and is currently working as a teacher in Lund. He has background in import & export business which was his own start-up located in Sweden. Also, he has accounting work experience for Carnival Cruise Line casino department. His major contribution to Designed by me is related to accounting, marketing in Swedish language and logistics.

5.2 Values

Designed by me is to be established in the form of a start-up limited partnership and its objective is not to become the entrepreneurs' living bread but to achieve presence first in the Swedish market and then in the international footwear market.

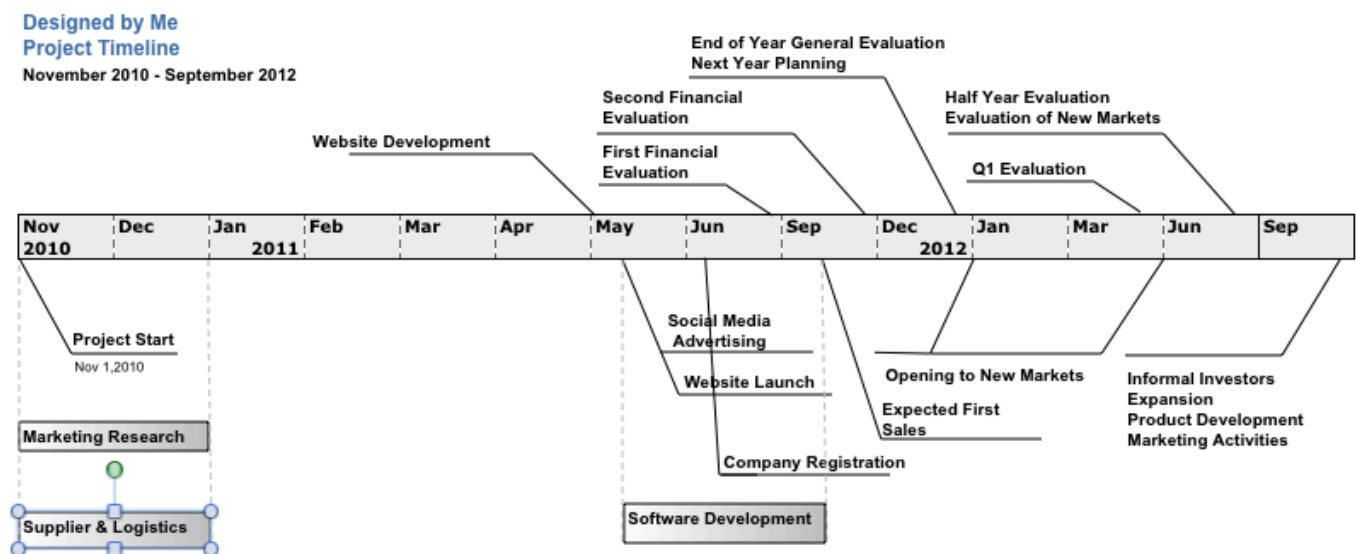
5.2.1 Vision

The vision of Designed by me is to empower women by creating the opportunity to design their own "one-of-a-kind" shoes and not to be dependent on mass-production.

5.2.2 Mission

Designed by me aims to create an added value by developing a convenient, easy and safe online shopping environment for Swedish women where they can design and purchase their own shoes of the best quality. Our goal is to create a long-lasting relationship with our customers and track their preferences to be able to offer the best products for them. In order achieve this, it is important to develop a flexible business organization in collaboration with our Italian partner supplier.

6. IMPLEMENTATION



As can be seen above, we will follow a sequential approach to visual version of the implementation plan. So far, regarding our scheduling, we completed some important parts of our implementation plan. Marketing research and finding a supplier that is capable to meet our needs and solving logistics issues were important and time-consuming parts of our project timeline. We are already done with our marketing research and we reached a partnership agreement with a supplier in Italy that provides us the quality and the flexibility we require. We also solved our logistics problem as part of our deal with our supplier. We are currently focusing on the implementation of the following issues:

Most important and challenging part of our business plan is the software development to create web interface to design shoes and build a website which is user friendly and appealing. Our subsequent steps such as initial sales are connected with technical solutions. On the other hand, we have already developed insights on the features of the desired software in collaboration with students from LU Informatics program. We are currently in search of capable developers who can develop our shoe design software. To this end, we have already established contacts and engaged in negotiations with some freelancers in Istanbul, Turkey. Once we launch our website and start advertising in social media our customers will be able to order their custom made shoes. After half year in the market, we are at the same time planning to open to foreign markets by following our project timeline after our first year evaluation.

7. PROFITABILITY & FINANCING

7.1. An Estimation of the Profit Potential

“Designed by me” aims to obtain 1% of the overall Swedish footwear market in its first year. As presented under the heading “3.1.3. The growth potential” before, we calculated our sales in the first year to reach about 6000 pairs (not considering seasonal variations) when we expect our target group to buy 1.5 pairs of shoes in the first year: $(3966 \times 1.5 = 5949$ pairs of shoes expected total). Our profit potential for the next 3 years is calculated as follows where average price of our shoes is determined as 2000SEK *including the VAT and the cost of the shipping to the end customer*:

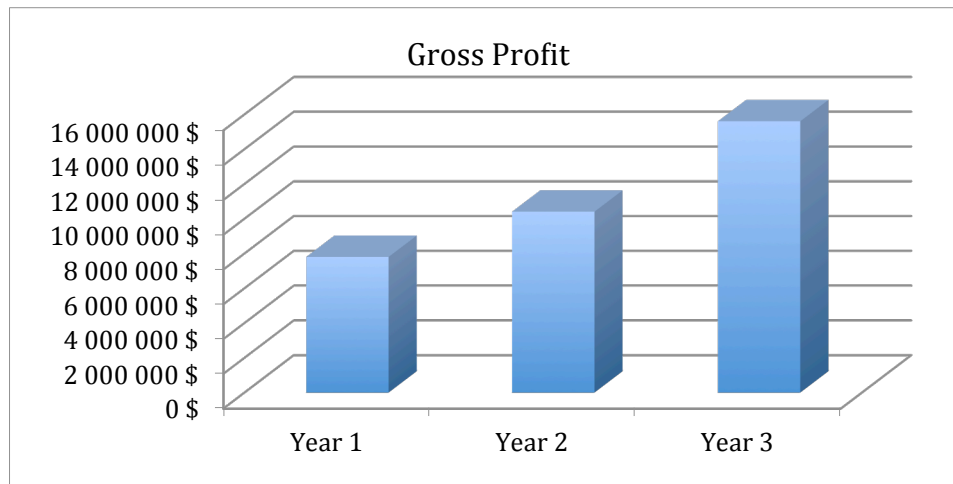
Formula: Gross profit = (number of merchandise sold x average price per unit) - (merchandise cost + shipping cost)

Year 1: (1,5 pairs per customer) **7.800.000** = $(6000 \times 2000) - (2.280.000 + 1.920000)$

Year 2: (2 pairs per customer): **10.400.000 SEK** = $(8000 \times 2000) - (3.040.000 + 2.560.000)$

Year 3: (3 pairs per customer) **15.600.000 SEK** = $(12000 \times 2000) - (4.560.000 + 3.840.000)$

We will be paying 700 SEK averagely per pair to our supplier. This amount includes shipping to final consumer. Our supplier will be taking the cost of returns in case of low quality and defected production. We will take the cost of the returned shoes due to low satisfaction.



7.2 Simple Profit & Loss Statement

Below is our profit & loss statement. All numbers are in SEK (see Appendix 4 for details).

	Year1	Years2	Year3
Sales	12 000 000	16 000 000	24 000 000
Other operating income	0	0	0
<i>Operating revenues</i>	12 000 000	16 000 000	24 000 000
Merchandise Cost	2 280 000	3 040 000	4 560 000
Other external costs(1)	1 920 000	2 560 000	3 840 000
Staff costs	434 880	434 880	434 880
Depreciation	0	0	0
Other operating expenses(2)	2 534 880	3 297 300	4 910 700
<i>Operating Costs</i>	7 169 760	9 332 180	13 745 580
Operating profit	4 830 240	6 667 820	10 254 420
<i>Financial income</i>	0	0	0
<i>Financial expenses</i>	0	0	0
Income after financial posts	4 830 240	6 667 820	10 254 420
<i>Appropriations</i>	0	0	0
Profit before tax	4 830 240	6 667 820	10 254 420
<i>Income tax</i>	1 352 467	1 866 990	2 871 238
Results	3 477 773	4 800 830	7 383 182

As it can be seen above, our revenues are expected to increase with the average of 42% in first three years. Our revenues are predicted to increase 33% in the second and 50% in the third year compared to previous year. Our fixed costs are not expected to rise during the second and third

year. We do not need to employ more than three people who are already working in the project. Therefore, employee costs stay the same for the first three years. Merchandise cost and other external costs are rising along with the sales numbers. This is natural since our business model is based on not keeping any stocks but paying to our supplier whenever we file a new order. Other external costs refer to shipping costs. Therefore, these costs rise as our sales numbers increase. It is noteworthy that a slightly lower profit in the first year (especially in the Q1) compared to second and third year can also be noticed. This is simply because of the cost of design software and credit card payment system. These costs are paid once and we do not foresee any changes neither to design software nor to credit card payment system in first three years. For more detailed information please refer to Appendix 4 and Appendix 6.

7.3 Seed financing / Source of capital

The seed financing of Designed by me will come from the owners as a sum of 180.000 SEK. Certain expenses required for business operation for the first quarter sums up to 69.180 SEK (see Appendix 7). The remaining capital to be invested in running the company is then calculated to be around 110.000 SEK (see Appendix 4 & 6). After second year evaluation if company chooses to expand or bring in external investors other financial options will be also evaluated.

8. RISK ANALYSIS

There are several risk factors "Designed by me" might face. Most of these factors can be dealt with easy solutions but some might require additional workload for the executive team:

Possible problems with the supplier: As mentioned the shoe production is outsourced to Italy. While this gives us high flexibility, it also reduces our chances for quality control. In case of low quality production or any delay in meeting the production deadlines, we consider changing the supplier. In such a case, since we have communicated with several other suppliers before and change process will take around one week.

Possible problems with logistics: Logistics is essential in our business. We guarantee to our customers that they will receive their orders within fifteen working days. Currently we have two options for logistics: 1) Directly shipping the products from supplier in our boxes; 2) Shipping the products to Sweden and re-ship them to final consumer. We are planning to work with TNT logistics since our Italian supplier has already been cooperating with them in his exports to other European countries but Sweden (which should also help us to reach a financially better deal with TNT). However, in case of unsatisfactory logistics service we can easily switch to another company.

Possible problems with the website: Websites might receive attacks and crash which is a very undesirable situation for us. We will address this challenge by taking automatic backups of our files every hour both in the same server and in another computer physically away from the main

server. In case of a crash we will not lose our data and will be able to return in couple of hours. Also our provider (GoDaddy) guarantees to be up 99,9% of the time.

Possible problems with advertising: We are planning to use free social media channels. If we need additional advertising measures we will use paid online marketing services first and later go for visual and published media to support our advertising activities.

Possible problems with new entrants: We hope to use our lead time in the best way we can. We will try to establish a strong brand name and high customer satisfaction. If the level of rivalry rises to a level that causes a significant market share loss, we will work specially to raise the customer satisfaction and stay on the market.

Possible problems with financing: We need to sell around 160 pairs every month to reach breakeven point. Our yearly sales must be at least 2000 pairs so we can continue the business (see Appendix 4 & 6). If we are unable to generate the desired income through the planned sales we will expand to other markets regarding geographical areas or other groups on the market like "men". Since we have a web-based presence, it will not be difficult for us to open to new markets such as other neighboring countries and Turkey. Then, we will look for potential partnerships but if we cannot generate the desired income, then we might consider selling or shutting down the company.

9. CONCLUSION

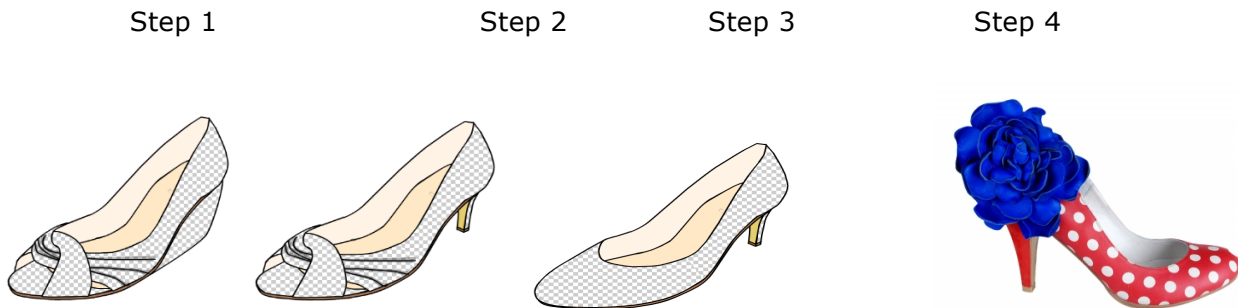
The footwear market consists of myriad of different segments with a complex web of competition and companies. Even though the competition is high, the fierce rivalry is among large multinational retail corporations. *However, thanks to our niche we can avoid full-scale competition with these large corporations.* The growing interest in products that relate to individualism and uniqueness offer the potential to customize or personalize female shoes for our company. We believe that our business model based on "customization", "pull system" and "e-commerce" will generate cash flow for our business operations and benefit us in sustaining our business in the long run as excessive inventory is avoided and related costs are reduced. Furthermore, by targeting the Swedish market which is highly style-conscious, fashion expressive and has the highest rates of working women (hence purchasing power) poses a near perfect match with our product which is associated with uniqueness, exclusivity and the image of a trendsetter. The aforementioned untapped market gap serves individual needs by offering the design-it-yourself shoes differentiates us from the competition in Sweden and hopefully assists "Designed by me" gaining market leadership in the years to come. However, before other companies realize the attractiveness of the industry, an early presence is crucial to secure market share for our company. In conclusion it is argued Designed by me has identified an immaculate business opportunity.

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APPENDICES

Appendix 1- Simple Demonstration of the Business Idea



The prototypes-except for the last actual design- picture are retrieved from www.shoesofprey.com on the 31th October, 2010 only for the purpose of idea demonstration. Our company values originality in business and has no intention of copying other companies' design. From the first picture, the customers can create the third picture by clicking on the toe, and heels. Thereafter, the shoe should be colored alongside selecting the fabric offered for the each product.

Appendix 2 - Two Examples from Marketing Questionnaire of Designed by me

Name/Surname: Rita Wikander Age: 34
Profession (Occupation): Program Officer / Scholarship Unit at Swedish Institute

What are some of the reasons for you to buy shoes? Need for shoes in general or for a specific occasion, or simply because I find a pair of gorgeous shoes that I cannot keep from buying.

How many pair(s) of shoes do you buy annually? 5-10

How easy/difficult to find the shoes that you like? Not too easy. I often have a picture in my head of the shoes I like to have and it doesn't always match the supply in the shoe stores.

Have you ever felt restricted by the standard designed, mass-produced shoes? In other words, have you ever had to give up on any shoes that you liked because (i.e.) the heel was not comfortable enough in terms of thickness/length or the like? How so? Yes. In order to be comfortable I feel that the heels cannot be too high or too thin. If they are, I would have to change shoes during the day and the point of having nice shoes is that you wanna show them off and use them all day long.

How would you feel about an online retail store which allows you design your own shoes (styling the toe, heel, back and embellishments besides color and fabric) via user-friendly software? Have you seen such an existing business? I would love it if a site like that would exist but as far as I know it doesn't.

What kind of benefits do you think does this sort of custom-made shoe store can offer for you? I would be able to get unique shoes, also being able to make perfect pairs matching dresses for special occasions like weddings, parties or just for work.

What kind of potential challenges do you see around buying custom-made shoes online? Higher prices, maybe, than shoes made for regular stores. I would however be comfortable paying a higher price for my dream shoes.

Is social media platforms such as Facebook / Twitter/My Space and the like are useful for you to get to know about a new product/service? Absolutely, although one might miss a lot of advertisements in those forums since there sometimes are too much adds there. I believe that direct advertising might be a better idea.

Can you name some of the magazines or fashion blogs that you follow? (if applicable)
stylebykling.tv4.se, blogg.aftonbladet.se/2226

Name/Surname: Emma Samsioe

Age: 26

Profession(Occupation): Project assistant/ secretary

What are some of the reasons for you to buy shoes? Always the same reason: fashion! Fashion changes so I usually want what is fashionable at the time or what I know will become fashionable in the future!

How many pair(s) of shoes do you buy annually? Around 10, maybe more, especially during summer.

How easy/difficult to find the shoes that you like? It depends on the fashion and the trend, sometimes it is very difficult to find something if the fashion only is high heels and nothing else, then if I want flats it can be hard to find. But also the other way around, when I look for high heels for New Years then it is sometimes very hard to find beautiful shoes.

Have you ever felt restricted by the standard designed, mass-produced shoes? In other words, have you ever had to give up on any shoes that you liked because (i.e.) the heel was not comfortable enough in terms of thickness/length or the like? How so? Yes, sometimes because the stores usually has a very limited collection of shoes and sometimes only one type of shoe. For example only black shoes in a specific model or there are shoes which are in many different colors, but the then heel is either not comfortable because it is too thin or it is too thick, and the shoe becomes not so stylish!

How would you feel about an online retail store which allows you design your own shoes (styling the toe, heel, back and embellishments besides color and fabric) via user-friendly software? Have you seen such an existing business? I would be very positive to such an idea, I like the chance of being your own designer and the possibility to design both good looking and comfortable shoes. And something that no one else has. No, I have not seen this kind of business anywhere.

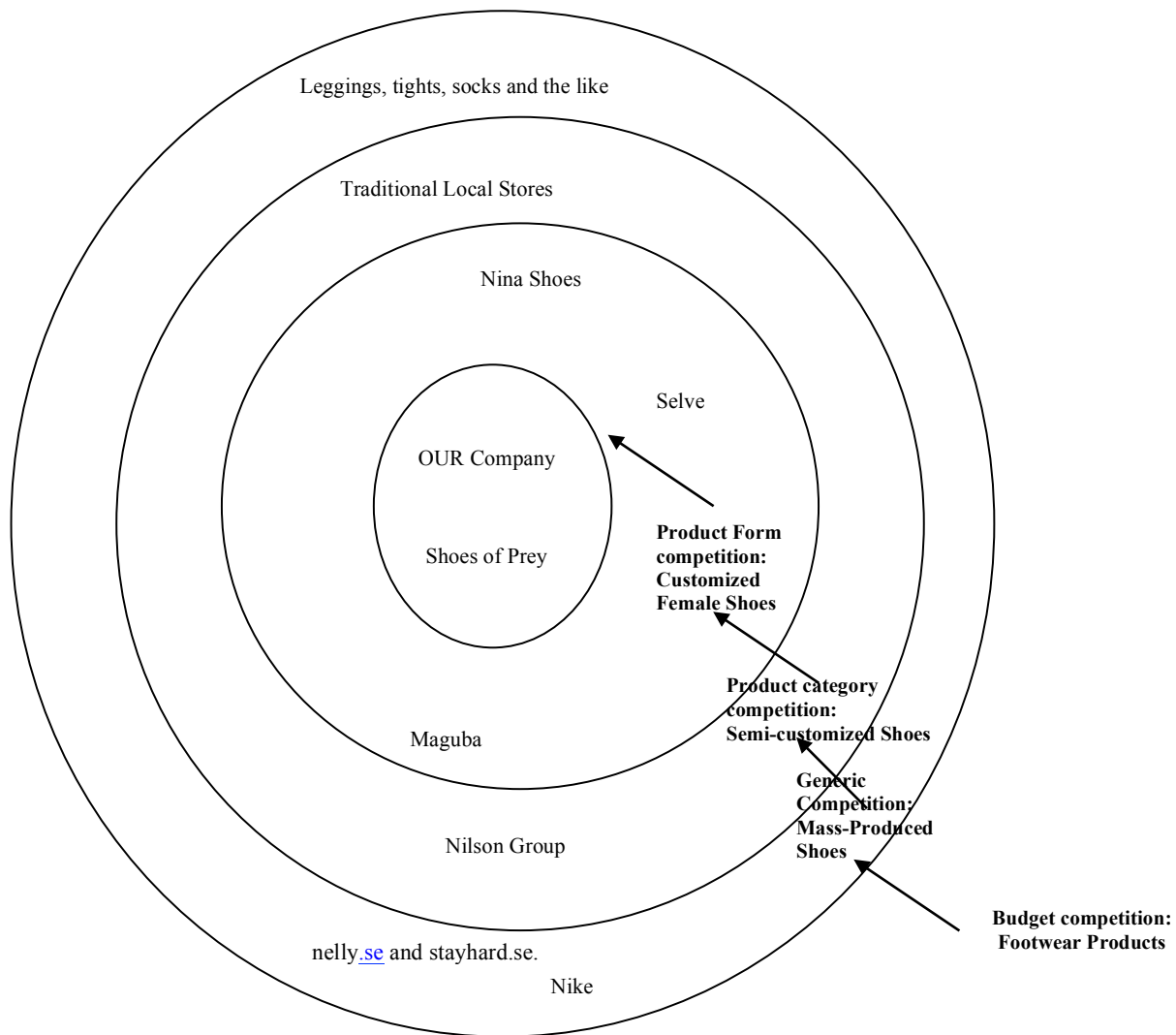
What kind of benefits do you think does this sort of custom-made shoe store can offer for you?
I think there are many benefits to buy custom-made shoes. The possibility to chose color, design, fabric, toe and heal. It could offer me something unique that I cannot find elsewhere, and it is fun to have something that is latest fashion but that do not look exactly the same as the mass-produced shoes. I also think it is the new thing in fashion, I think people are getting tired of buying new mass-produced shoes. Me and a lot of my friends rather buy second hand shoes and give them to the shoemaker to repair or change the color. So this custom-made shoes would definitely be an alternative when I look for something original.

What kind of potential challenges do you see around buying custom-made shoes online? I think I would worry about if the shoes will be comfortable and fit, since I cannot try on before buying. However, I do buy shoes online, and if they don't fit or I don't like them I can always return them to the company from whom I bought it. So maybe no real challenges.

Is social media platforms such as Facebook / Twitter/My Space and the like are useful for you to get to know about a new product/service? Yes, very important, when I have time to spend on facebook I usually look at new products or if someone of my friends liked or posted something interesting.

Can you name some of the magazines or fashion blogs that you follow? (if applicable)Magazines:
Vogue, Elle, i-D, Bon (Swedish magazine) Blogs: Advanced style, the Sartorialist, the cherry blossom girl

Appendix 3 - The Level of Competition



APPENDIX 4

(1) Includes: Shipping cost of merchandise

(2) Includes: 20% returned merchandise and other operating costs (See Appendix 7)

Profit and Loss

NOTE - All values are set as absolute amounts, except for appropriations

	Year 1				Year 2				Year1	Years2	Year3
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Sales	3 000 000	3 000 000	3 000 000	3 000 000	4 000 000	4 000 000	4 000 000	4 000 000	12 000 000	16 000 000	24 000 000
Other operating income	0	0	0	0	0	0	0	0	0	0	0
Operating revenues	3 000 000	3 000 000	3 000 000	3 000 000	4 000 000	4 000 000	4 000 000	4 000 000	12 000 000	16 000 000	24 000 000
Merchandise Cost	570 000	570 000	570 000	570 000	760 000	760 000	760 000	760 000	2 280 000	3 040 000	4 560 000
Other external costs(1)	480 000	480 000	480 000	480 000	640 000	640 000	640 000	640 000	1 920 000	2 560 000	3 840 000
Staff costs	108 720	108 720	108 720	108 720	108 720	108 720	108 720	108 720	434 880	434 880	434 880
Depreciation	0	0	0	0	0	0	0	0	0	0	0
Other operating expenses(2)	648 055	642 275	622 275	622 275	824 325	824 325	824 325	824 325	2 534 880	3 297 300	4 910 700
Operating Costs	1 806 775	1 800 995	1 780 995	1 780 995	2 333 045	2 333 045	2 333 045	2 333 045	7 169 760	9 332 180	13 745 580
Operating profit	1 193 225	1 199 005	1 219 005	1 219 005	1 666 955	1 666 955	1 666 955	1 666 955	4 830 240	6 667 820	10 254 420
Financial income	0	0	0	0	0	0	0	0	0	0	0
Financial expenses	0	0	0	0	0	0	0	0	0	0	0
Income after financial posts	1 193 225	1 199 005	1 219 005	1 219 005	1 666 955	1 666 955	1 666 955	1 666 955	4 830 240	6 667 820	10 254 420
Appropriations	0	0	0	0	0	0	0	0	0	0	0
Profit before tax	1 193 225	1 199 005	1 219 005	1 219 005	1 666 955	1 666 955	1 666 955	1 666 955	4 830 240	6 667 820	10 254 420
Income tax	334 103	335 721	341 321	341 321	466 747	466 747	466 747	466 747	1 352 467	1 866 990	2 871 238
Results	859 122	863 284	877 684	877 684	1 200 208	1 200 208	1 200 208	1 200 208	3 477 773	4 800 830	7 383 182

Depositions	0	0	0	0	0	0	0	0	0	0	0	0
Debts												
Overdraft facility	0	0	0	0	0	0	0	0	0	0	0	0
Bank Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other long term debts	0	0	0	0	0	0	0	0	0	0	0	0
<i>Long-term debts</i>	0	0	0	0	0	0	0	0	0	0	0	0
Supplier Debts	0	0	0	0	0	0	0	0	0	0	0	0
Tax liabilities	0	334 103	335 721	341 321	341 321	466 747	466 747	466 747	466 747	341 321	466 747	695 330
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0	0
<i>Current liabilities</i>	0	334 103	335 721	341 321	341 321	466 747	466 747	466 747	466 747	341 321	466 747	695 330
Total liabilities	0	334 103	335 721	341 321	341 321	466 747	466 747	466 747	466 747	341 321	466 747	695 330
Total liabilities and shareholders' equ	224 580	1 417 805	2 282 707	3 165 990	4 043 674	5 369 307	6 569 515	7 769 723	8 969 930	4 043 674	8 969 930	16 581 696
Differences in the Balance Difference occurs because of omitted two digits												
Balance Difference	0	0	0	1	1	2	2	2	3	1	3	0

APPENDIX 6 - BASIC EXPENSE-REVENUE REPORT

EXPENSES	2010	2011	2012
Rent	60 000 kr	60 000 kr	60 000 kr
Office Expenses	12 000 kr	15 000 kr	18 000 kr
Design Software	40 000 kr	0 kr	0 kr
Web Expenses	600 kr	500 kr	500 kr
Utility Expenses	1 000 kr	1 000 kr	1 000 kr
Unexpected Costs	2 400 000 kr	3 200 000 kr	4 800 000 kr
Company Registration	1 200 kr	0 kr	0 kr
Credit Card Payment System	4 480 kr	0 kr	0 kr
Credit Card Commission	15 600 kr	20 800 kr	31 200 kr
Merchandise Cost	2 280 000 kr	3 040 000 kr	4 560 000 kr
Shipping Cost	1 920 000 kr	2 560 000 kr	3 840 000 kr
Salary Expense	434 880 kr	434 880 kr	434 880 kr
TOTAL	7 169 760 kr	9 332 180 kr	13 745 580 kr
REVENUES			
Sales Revenue	12 000 000 kr	16 000 000 kr	24 000 000 kr
Gross Income Before Tax	4 830 240 kr	6 667 820 kr	10 254 420 kr

APPENDIX 7 - FACTS SHEET

Facts

Per Unit Cost	380,00 kr	SEK
Per Unit Shipping Cost	320,00 kr	SEK
Credit Card Commission Per Transaction(1)	2,75 kr	SEK
What We Charge Per Unit	2 000,00 kr	SEK
Revenue From Per Unit Sold	1 797,25 kr	SEK
Expected First Year Sales	6000	Units
Expected Second Year Sales	8000	Units
Expected Third Year Sales	12000	Units
Per Uni Cost (Returned Shoe)	2 000,00 kr	SEK

Detailed First Quarter Costs

Hosting	600,00 kr	SEK
Office Material	1 000,00 kr	SEK
Utility Cost	1 000,00 kr	SEK
Business Registration	1 200,00 kr	SEK
Software Design	40 000,00 kr	SEK
Credit Card Payments	4 480,00 kr	SEK
Name Protection	900,00 kr	SEK

APPENDIX 8 - CASH FLOW STATEMENT

	Year 1				Year 2				Year 1	Year 2	Year 3
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4			
Cash Flow											
Operating profit	1 193 225	1 199 005	1 219 005	1 219 005	1 666 955	1 666 955	1 666 955	1 666 955	4 830 240	6 667 820	10 254 420
Depreciation	0	0	0	0	0	0	0	0	0	0	0
Stock appreciation	0	0	0	0	0	0	0	0	0	0	0
Increase in trade payables	0	0	0	0	0	0	0	0	0	0	0
Increase in receivables	0	0	0	0	0	0	0	0	0	0	0
investment/divestment real estate and machinery	0	0	0	0	0	0	0	0	0	0	0
Operating cash flow	1 193 225	1 199 005	1 219 005	1 219 005	1 666 955	1 666 955	1 666 955	1 666 955	4 830 240	6 667 820	10 254 420
Interest Income	0	0	0	0	0	0	0	0	0	0	0
Interest expenses	0	0	0	0	0	0	0	0	0	0	0
Income tax	-334 103	-335 721	-341 321	-341 321	-466 747	-466 747	-466 747	-466 747	-1 352 467	-1 866 990	-2 871 238
Net Cash Flow	859 122	863 284	877 684	877 684	1 200 208	1 200 208	1 200 208	1 200 208	3 477 773	4 800 830	7 383 182

Lund University

Faculty of Economics and Business Administration

MSc. Entrepreneurship Program

Theoretical Reflections

Being an Immigrant Entrepreneur in Sweden

Cihan Keskin

Table of Content

Abstract	2
Introduction.....	3
Immigrant Entrepreneur	3
Entrepreneur vs. Employed	5
Language.....	8
Culture.....	11
Trust & Legitimacy	13
Other problems and limiting factors an immigrant entrepreneur might face	15
Suggestions for future research	17
Conclusion	17
References	19

Abstract

This paper is an auto-ethnography of Cihan Keskin's experiences as an immigrant entrepreneur in Sweden. Paper talks about possible problems an immigrant entrepreneur faces during venture creation phase in Sweden and gives solutions and examples based on personal experiences. Paper uses other research and scientific data to show the common problems immigrant entrepreneurs face. Solutions to these problems are mostly theoretical and might not match the reality in some cases.

Introduction

I moved to Sweden two years ago and started my Entrepreneurship education roughly nine months ago. My entrepreneurial adventure started shortly after I started my master's in entrepreneurship. I learnt a lot during this time. Among all those things I learnt probably the most important learning outcome was how to survive as an immigrant who is trying to start-up a small business in Sweden.

There are many factors influencing decision making process of an entrepreneur but for an immigrant entrepreneur these factors are much more and some of them are really different. Factors like; language, culture and legitimacy becomes much more important for an immigrant entrepreneur compared to a native entrepreneur. Even if an immigrant entrepreneur manages to overcome the negativities of these factors still needs to learn to deal with regulations and general clichés in people's minds. Therefore, I decided to do some research in immigrant entrepreneurship field to compare immigrant entrepreneurs general status in Sweden, neighboring Norway and countries like the US, the UK and Australia. In this paper I try to analyze results of several papers published about immigrant entrepreneurship and compare theories and situations with my own experiences.

Immigrant Entrepreneur

If I need to describe what an immigrant entrepreneur is, I would say; A person who relocated to another country other than their own and started a business venture in this country. Why would a person want to start a new business in a new country? Some do it for financial exploitations while others feel a need to innovate. Of course the reasons for starting a new business differs but in the end they all have similar processes.

Immigrant entrepreneurs are an important part of the economic activity in the western economies. There is a rapid growth in immigrant ventures in the US. While the immigrant ventures' share in the US businesses was around 6.8 percent in 1982, it was 15.8 percent in 2002 (Hisrich et al. 2010, pp.44-45). It is roughly 230 percent growth in 20 years and I think this is a tremendous amount. In Hammarstedt (2001) it is mentioned in some immigrant groups in the US more than 15 percent of the group members are entrepreneurs and entrepreneurship rates of some group members are actually higher than Americans.

The numbers are actually more impressive in Sweden. The numbers of immigrant entrepreneurs reach 39,344 while numbers of native Swedish entrepreneurs only reach 14,105 (Hammarstedt 2001). This basically means nearly 74 percent of all entrepreneurs in Sweden are actually immigrants. In 1999 one out of every five company started by an immigrant entrepreneur in Sweden (Hjerm 2004). I would not really go against these numbers. In fact I am surprised how come the number of Swedish entrepreneurs is not lower than these statistics. Since I moved to Sweden I realized the need of security among Swedish people. I am sure everybody needs feeling of security to some extends but this need is getting really high for the Swedish population. Therefore, Swedish people are not likely to take risks and become entrepreneurs. If we just read Belinda Guadarrama¹ case study we can clearly see she risked all her future and invested all her wealth to start her business venture (Hisrich et al. 2010, pp.187-188). I neither saw nor heard about a Swedish entrepreneur who risked losing everything they had to start a business venture. We will talk more in detail about the need for security in the following parts of this paper.

¹ Belinda Guadarrama is a Hispanic entrepreneur and CEO of GC Micro Corporation in the US. Her company is a computer hardware and software supplier for Fortune 1000 companies. Her company currently employs 30 people and had \$35 million sales revenue.(Hisrich et al. 2010)

With this high numbers of immigrant entrepreneurship Sweden is in fact a country where immigrant choose to be self-employed more than local population. The real question here is: Why? Why immigrants in Sweden want to be self-employed? Is it financially more rewarding? Let's look in the reasons lying behind the need for self-employment.

Entrepreneur vs. Employed

Sweden has been receiving many immigrants during last 50 years. The number of non Swedish born people were only about 1 percent in 1940 while this number reaches around 11 percent lately (Hammarstedt 2001). While most of these immigrants were foreign work force till mid 70s, the number of refugees and asylum seekers skyrocketed after mid 70s (Hammarstedt 2001). I believe politic instabilities rising since 70s around the world had a big impact in this. Military coups in South America, Greece and Turkey; Armed conflicts in Africa; Dissolution of Yugoslav Socialist Republic and finally secession of Kosovo resulted with many refugees seeking asylum in Sweden. Swedish government did not intend to integrate immigrants in the beginning. Immigrants were supposed to return back to their home countries when their work agreements are over or when the conflict in their home countries are solved and it is safe for them to return (Hjerm 2004). Since Sweden is a social welfare state the effects of people staying is different than the US. The welfare state model clearly states that right to use the benefits of the welfare state applies to everyone living in the country –Swedish citizen or not– and it is not possible to exclude immigrants from Swedish welfare system (Hjerm 2004). It is expected these people could have problems accessing labor market but social welfare model reduces the negativities of accession problems (Hjerm 2004). Many refugees joined the Swedish labor force with the hope of earning a living but even though welfare state protect them from complete economic devastation, conditions of Swedish labor market made them choose between being employed and self-employed. As

problems in the labor market raise more immigrants choose being self-employed (Hjerm 2004; Hammarstedt 2001).

Most notable theories in entrepreneurship suggest two possible reasons to be an entrepreneur. A) Some people can access information more than others or have experience & knowledge greater than the others and want to exploit this situation to their advantage (Kirzner 1978). B) Human kind needed to innovate and create something new or better than competitors (Schumpeter 1982). In my situation I would say I am an Schumpeterian entrepreneur but unfortunately it doesn't apply to all immigrant entrepreneurs in Sweden.

Economic theories require a future entrepreneur to calculate the opportunity cost (what they could earn in free labor market if they were not self-employed) of self-employment before starting a business venture (Hammarstedt 2001). If the possible profit is not higher than the opportunity cost of being self-employed my logic tells me that there is no point of choosing self-employment. On the other hand being employed is not guaranteed in the Swedish free labor market. Therefore choice of becoming an entrepreneur can be shaped a by demand pull (Hammarstedt 2001) –As we explained above as part of the economic theory where opportunity cost is lower than possible income- or by an unemployment push (Hammarstedt 2001) which results immigrant not having any other income than state welfare help or really low income.

According to the results of Hjerm (2004)'s research annual average income of an employed immigrant was roughly 131,400 SEK while the annual average income of an immigrant entrepreneur was roughly 87,100 SEK in 1992 and average annual income of an employed immigrant was roughly 153,600 SEK while the annual average income of an immigrant entrepreneur was roughly 100,400 SEK in 1998. Numbers are clear and there is roughly an income difference of 50,000 SEK per annum between employed immigrants and immigrant entrepreneurs. Therefore we cannot talk about a demand push since

giving up 50 percent of your possible annual income cannot be found logical by any economic theory. I believe in this case most immigrant entrepreneurs in Sweden start their businesses due to unemployment push. Even though Sweden is an equal opportunity welfare state I personally faced this unemployment push couple of times. I think secret discrimination based on race still exists in Swedish society. After two start-up trials and dealing with Swedish institutions I realized this much better. Even though people are usually really nice in the social life they tend to be more reserved about working with foreigners. This is the reason we feel forced to be entrepreneurs. I got a job offer from a Swedish firm (Offer was made due to my ethnic Turkish background and they were specifically looking for people who lived in Istanbul for a long term.) in the beginning of August 2010. I had to refuse this offer due to my education and innovative feeling forcing me to be an entrepreneur but only after nine months I am questioning my decision since I do not have a formed firm and opportunity cost of being an entrepreneur is much higher than I expected. In my current situation I can choose to continue my entrepreneurial career or quit my entrepreneurial career to go back to being employed. Under today's circumstances I can understand that the opportunity cost of being an entrepreneur is too high compared to being employed. When I check projected sales numbers of my possible business venture and my possible income as an entrepreneur it is much lower than my possible income as an employee unless a miracle happen and people all around Sweden decide to buy my products. The income difference between being an employee and an entrepreneur is more than double. So, I am supposed to go back to being employed. As an employee I can earn more money and I can have more personal time. Therefore the demand push does not apply to me. On the other hand projected employment salary is lower than I could expect due to my immigrant attributes and this creates a push in my decision. When we reach this level we start thinking about a third option: Going back to the country of origin. If this happens we can no longer talk about immigrant entrepreneurship since I will

not be an immigrant anymore. Therefore, we will focus on other factors affecting immigrant entrepreneurs in the following parts of this paper.

Language

Language is one of the important factors regarding the success of immigrant entrepreneur. People need to communicate in order to continue making business and problems with verbal and non-verbal language are great risk for any business venture. Therefore an entrepreneur need to know the language of the host country or have a person in the team who knows both verbal and non-verbal language of the host country very well (Hisrich et al. 2010, p.138). Using translation services can be problematic. Even the greatest companies and business plans can fail with a wrong translation (Hisrich et al. 2010, p.137). If we need to give couple of examples to this;

- Parker Pen Co. English: “Avoid embarrassment.” -> Spanish: “Avoid pregnancy.” (Hisrich et al. 2010, p.137)
- Kentucky Fried Chicken English: “Finger lickin’ good.” -> Chinese: “Eat your fingers off.” (Hisrich et al. 2010, p.137)

During the first project² I have been working on I had similar translation problems due to online translators. Therefore an entrepreneur should never rely on these online translation tools.

I personally experienced the importance of knowing the local language. During my stay in Sweden I met many investors, mentors and entrepreneurs. They all told me one thing “If you want to do business in Sweden, better learn Swedish language.” I somewhat resisted learning Swedish but I accept the importance of learning the host country’s language now. Even though most

² It was a project based on commercialization of scientific (biochemistry) research. Project was a partnership with Lund University Innovation.

people speak fluent English in Sweden there is still something missing when you communicate in English.

Evans (1989) argues that if an immigrant entrepreneur is fluent in host country's language it is much easier for this entrepreneur to exist in the market because this entrepreneur will have easier communication with the suppliers, customers, financial organizations and government officials. As I mentioned above I truly believe the importance of knowing the language. I never had any problem with communicating with the suppliers since I didn't need to contact any Swedish firm as a supplier but I can give couple examples for the other situations; When I was working on options to finance our start-up it took me so long and it was so hard to get an appointment from a bank, while my Swedish colleagues got it for the same week. This caused me a delay in finding information about bank loans. I also think if I was really looking for a loan it could cause legitimacy issues. –I will talk more in detail about the legitimacy issues in the following parts. – Every time I contacted a Swedish person for an interview or a meeting I sensed that they were somewhat disturbed by that I didn't talk Swedish with them. Also my Swedish colleagues had the advantage of reaching information much faster and easier, especially when the information needed was about rules and regulations. While my Swedish colleagues could easily search through the documents to find the rules and regulations they need to follow, I had to use online translation tools and spend hours with their complicated and illogical translations. There was also couple of times I had to wait for a good English speaking person in Skatteverket³ to ask really simple questions about company types in Sweden.

These were generally the problems I faced with language in Sweden. On the other hand if the number of speakers of host country's language is low but the size of the immigrant community is big this can be an advantage for

³ Swedish Tax Agency

immigrant entrepreneurs who are aiming an ethnic market. As an example the Spanish-speaking business community of Cuban immigrants in Miami is a really big market and many ethnic entrepreneurs have businesses here (Evans 1989). Most of these entrepreneurs are giving services in Spanish and profiting from the language barriers other Latin American immigrants in Miami facing. Language is one of the things keeping ethnic groups together (Evans 1989) and can be used as a tool by a clever entrepreneur since customers who do not have the necessary language knowledge of the host country are more likely to stay and shop in their own language speaking communities. Entrepreneurs using the language barriers as a tool for marketing are not only profiting from ethnic community as customers but they are also using the human capital of the people who are not fluent in host country's language. As the immigrant group grows it becomes more profitable and easier for the entrepreneur to continue his/her business (Evans 1989).

Sweden is a country where government is trying really hard to integrate immigrants. Part of this is free SFI⁴ Swedish courses. In one hand it is a good move to integrate immigrants to Sweden and Swedish economy. On the other hand it is something negative for entrepreneurs who want to have a business based on immigrant customers. I believe as more people speak Swedish they will be more outside their ethnic group. In long run this might affect some immigrant businesses. Of course for the good of Sweden and immigrants themselves it is better if more immigrants speak Swedish. To conclude this part I need to say that the language barriers are really hard to cross if you do not know the host country's language. Therefore, all immigrant entrepreneurs should do their best to learn the language of the host country.

⁴ Svenskundervisning för invandrare is the free Swedish language course for immigrants. SFI is completely funded by Swedish government.

Culture

Culture is simply the most important factor for the success of an entrepreneur. Many different things are included in the concept of culture like language, education, manners & customs, religion, political philosophy and economic philosophy (Hisrich et al. 2010, p.138). Culture is embedded in people's minds and thinking styles as they grow old with it. Since language is the single most important aspect of culture we talked about it separately in this paper. Now we will focus on other factors of culture.

Social structure of the society defines most of the business engagements. It is not only important because they are part of the culture but they are signs telling you what to do and how. Different countries have different power distance patterns (Hisrich et al. 2010, p.140) and an entrepreneur should be familiar with them. If an entrepreneur fails to follow the customs born from power distance they might have difficulties in engaging business agreements (Vinogradov & Kolvereid 2007).

Manners and customs must be well understood by the entrepreneur to engage in a successful business negotiation (Hisrich, Peters, et al. 2010, p.141). I think it is expected for an immigrant entrepreneur to be a stranger to local customs and traditions but these entrepreneurs need to learn these customs immediately. I had this problem couple of times as an immigrant entrepreneur especially when it comes to greeting customs. In some countries people just shake hands, in some countries people hug each other and in some countries people kiss. Especially kissing is problematic because different countries have different customs in kissing as well. An entrepreneur must know if he/she needs to kiss the business associate once, twice or three times. While closeness is something expected by Middle Eastern societies, most western European societies are reserved and they expect some sort of distance. It is a challenge for an immigrant entrepreneur to learn all these customs and execute them correctly. It is hard as we said but indeed rewarding. Learning the local customs and

manners can save a lot of time and money to an entrepreneur. I did not have too much problem with learning Swedish customs since everything is quite simple and straightforward but I need to say as a southerner it took me quite a while to get used to Swedish punctuality.

Immigrants coming from countries with higher level of self-employment are likely to be entrepreneurs since they have more chance to be experienced in the field and it is an accepted part of their culture (Hammarstedt 2001; Vinogradov & Kolvereid 2007). Hammarstedt (2001) showed in his study that people with embedded entrepreneurship culture are more likely to be entrepreneurs in Sweden. I strongly agree since when I look around in Sweden I see many businesses run by Middle Eastern people where entrepreneurship is a part of culture and people find it rewarding and respectable. I didn't see many eastern and northern Europeans opening businesses in Sweden while southern Europeans are all around. As a person coming from south I can say entrepreneurship is also coded in my culture and I come up with the idea of a missing product/service in Sweden every couple of days. Of course my education help me stop and think carefully before trying to execute any of these ideas.

Education is another important factor in culture. Traditionally some cultures emphasis more attention to education while others are not really strict in education. One can argue educated people are more likely to be entrepreneurs while others are against it. It sounds logical when level of education is positively correlated with likeliness for becoming an entrepreneur. You can think people with low-level education will have difficulties in a postindustrial society while starting up a business (Vinogradov & Kolvereid 2007). I agree this opinion since a person with low-level education will have difficulties understanding the legal and social system of a new country. Reading and understanding hundreds of pages of rules and regulations will not be easy. Besides all these education gives better understanding of life and business is a part of life. Therefore better-educated people can be more likely to be expected to be entrepreneurs.

On the other hand studies shown that people with low education are more likely to become entrepreneurs (Hammarstedt 2001; Evans 1989). I believe this is caused mainly by the unemployment push but thinking style is another factor. I witnessed the fearless actions of a low-educated person many times. I believe there is a negative correlation between education and need for safety. As people get more educated they think more in detail and they plan further. Therefore they need greater need for safety and this need for safety push them away from entrepreneurship. A low-educated person thinks simpler and in less detail therefore has fewer things to be afraid of. This low need for safety is really useful for a person to make bold moves and start a business venture fearlessly.

Trust & Legitimacy

When an entrepreneur starts a new business venture that entrepreneur need to acquire the necessary resources. Legitimacy is a resource and it is crucial to acquire other resources necessary for business to grow. Legitimacy is especially important in the beginning years of the venture since this years shape the future of the venture (Zimmerman & Zeitz 2002). Legitimacy helps acquiring other necessary resources. Many firms do not have too much guarantee to show for the future of the business. If an entrepreneur can build the necessary trust and legitimacy later this company can reach all other necessary resources easier (Zimmerman & Zeitz 2002).

Building trust and legitimacy is much more important for immigrant entrepreneurs compared to natives. As we mentioned above trust and legitimacy can be used to acquire necessary resources. Banks and other financial institutions might have discriminatory acts against immigrant entrepreneurs (Hammarstedt 2001). It is when building legitimacy and trust becomes more important. As I mentioned before it was really hard for me to even get an interview date from a bank. I cannot even imagine how hard getting a loan could be. The personal attributes become really important in this sense. If you had a good education it is a plus. If you are well proficient in the host country's

language I believe it is another plus point since you can communicate easier and trying to talk to people in their native language builds some sort of trust. I am unfortunately unable to speak Swedish and therefore my trustworthiness is easily questionable. In this case I would suggest immigrant entrepreneurs in Sweden to find a native business partner. Having a Swede in the team can help you acquire legitimacy and build trust much easier. In my first project in which we were working on commercialization of Lund University research I was really happy to have a Swedish person in the team since this was making building trust easier. Unfortunately she left the team but surprisingly we never had the problem of legitimacy. The reason for this was the effect of working together with Lund University and the trust the university name created. It is always easier to establish connections with an institution, which already has good name in the field (Zimmerman & Zeitz 2002). Besides that, our community, Lund, is a small community and necessary networking is much easier than big communities. I believe if an immigrant entrepreneur works on building the necessary trust and legitimacy he/she is more likely to be successful.

Ethnicity can be used to build legitimacy in some cases. Especially using ethnic stereotypes can be a way to reach financial resources for an ethnic entrepreneur. As an example: If you are a native born Italian pizza chef and want to open a pizzeria financial institutions can be more likely to invest money in your new venture. On the other hand if you apply for a loan to start a Chinese take-away as an ethnic Italian building necessary legitimacy might be much harder.

To conclude this part, an immigrant entrepreneur must work on building trust and legitimacy much more and stronger than his/her competitors. If you are providing an ethnic product or if you have a native partner or supporting organization it is easier for you to build legitimacy.

Other problems and limiting factors an immigrant entrepreneur might face

Hammarstedt (2011) argues that the marriage is supposed to bring order to one's life. When a person settles and has order in his/her life, it is easier for that person to be an entrepreneur. Despite having order in his life an entrepreneur can work together with his/her partner together. This possibly makes it easier for them since they can have similar working hours and they both aim to maximize the family profit. Also an entrepreneur couple can allocate more family savings in a business venture. Therefore, married people are more likely to be entrepreneurs (Hammarstedt 2001).

I think Hammarstedt forgot couple things when he was working on this theory. My father always told me one thing about entrepreneurship: "In an entrepreneur's life there are two eras to start a business. First, when the entrepreneur is young, single and do not have any kids. Second, when the entrepreneur is old and his/her kids are already grown up." I truly believe in this statement especially for immigrant entrepreneurs as long as they are not affected by the unemployment push. Soon I will be a fresh graduate and life is full of opportunities for me. I can choose an entrepreneurial career as well as being employed. I am free in this decision because I am not forced by the financial burden of a marriage or children. I do not have a wife to question me if I am working long hours and most importantly I do not have any bond to move any place to start a business venture. When people are married they immediately start worrying about their future. They try to find a steady job because the need for safety is much higher when you have other people to worry about. In the end you possibly work till you are old and your children are all grownup. By the time your kids are grownup you probably had enough savings to guarantee your old age and therefore can take the risk of starting a new business venture, of course if you are not too old for it anymore.

Duration of stay in Sweden is another important factor. Immigrants with longer residence terms are more likely to start their own businesses in Sweden (Hjerm 2004; Hammarstedt 2001). We also see similar results in Norway. Immigrants arriving in earlier and better economic years are more likely to be self-employed (Vinogradov & Kolvereid 2007). I believe this can be easily explained with culture, education and experience. An immigrant entrepreneur is more likely to build the necessary language skills & experience and learn the local culture and customs. If an immigrant stays in the same country for longer years he/she has a better understanding of people's needs. I believe this can significantly drop the risk of failure. Some entrepreneur learns the local language in time and this will allow him to establish better connections with suppliers and learn more about rules and regulations of the host country. Of course these do not mean that this person was not carrying an entrepreneurial spirit before moving to this new country but living in the host country for a longer time showed him/her where and how to exploit opportunities for financial gain.

Despite all these facts about time spent in host country, immigrants who had longer work experience in their home countries prior to immigration have worse social and economic status in the host country (Evans 1989). I believe this is also directly connected with getting used to business culture and working style different than your own. People have difficulty forgetting things they know. It is almost always easier to learn something new than to forget something old.

Size of the ethnic group is another factor in immigrant entrepreneurship. As the size of the group get larger, members of the group are more likely to become entrepreneurs (Evans 1989). I believe this applies mostly to entrepreneurs who are targeting the ethnic market. If you go to Berlin you can see many Turkish and Russian supermarkets. This is basically a reflection of ethnic population living in this city. I believe Sweden is particularly a good market for Middle Eastern ethnic market.

Suggestions for future research

This research was mainly limited to results of previous papers and personal experiences. I think a more detailed qualitative research should be made among immigrant entrepreneurs in Sweden to find out more about their reasons for choosing self-employment.

Vinogradov and Kolvereid's (2010) research shows the correlation between national IQ levels of immigrant entrepreneurs and their likeliness to become entrepreneurs. Having a similar analysis for immigrant entrepreneurs in Sweden could show us interesting results as well.

Conclusion

Starting a new venture is full of challenges for an entrepreneur regardless the type and location of the venture. All entrepreneurs face and need to overcome several problems during the start-up and following several years of the venture. Immigrant entrepreneurs might face all the problems native entrepreneurs are facing as well as problems specific to their immigrant status.

I believe it doesn't matter if there is a push or pull factor for the immigrant entrepreneur as long as he/she is determined to create the venture. An entrepreneur can overcome all the problems if he/she works hard enough and chooses the business venture wisely.

Choosing the market is really important. Decision of choosing an ethnic or non-ethnic market or trying to aim ethnic or non-ethnic customer groups should be made carefully. A wrong market choice can result with the failure of the new business venture.

Immigrant entrepreneurs must learn the language and the culture of the host country in order to survive and continue their business. Missing language skills can result with many problematic situations for the immigrant entrepreneur.

Finally, but most importantly, an immigrant entrepreneur must build the necessary trust and legitimacy. Without legitimacy immigrant entrepreneur will fail in a foreign business environment. I personally suggest partnerships with Swedish individuals and institutions to overcome this problem.

Immigrant entrepreneurs are forming an important part of the Swedish economy. Even though most of them are entrepreneurs due to unemployment push, the ethnic markets they create provide job opportunities for other immigrants. I think Swedish government can fight discrimination by supporting immigrant entrepreneurs. If there are enough jobs in the ethnic job market, other businesses will be forced to stop discriminatory actions in order to have employees and keep their businesses going. The unemployment push over the immigrant can be turned into a reverse push factor on other businesses in Sweden by this way.

Even if the unemployment push is removed from immigrants, I still suggest all future immigrant entrepreneurs to think twice before starting up a business in Sweden. As long as opportunity cost of being an entrepreneur is this high, any logical entrepreneur needs to think twice.

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