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An Entrepreneurial Journey:

Resource Acquisition and Team Formation
Processes in the face of Mass Customization

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Abstract

Organizational resource acquisition including finance and people in a dynamic environment affects the venture's business activities and even its establishment. This paper aims to examine the concept mass customization and the process of obtaining resource commitments for the creation of a new venture called D.B.M. in the face of liabilities of newness. To this end, a case study based on the first-hand experiences of the researcher as the entrepreneur of D.B.M is designed in the form of analytical autoethnography and analysed in a qualitative manner by using a simple game-theoric model. The questions raised in this paper are "How do the team formation and resource acquisition process during new venture creation look like in the face of liabilities of newness? To what extent does mass customization as a business model influence this process?" This paper argues that organizational resource acquisition including finance and people becomes harder for new ventures in the face of liabilities of newness, which also constitute a challenge for mass customization and unless there is a competent team and access to required resources, the business execution cannot be easily realized. The efficient combination of resources becomes even less likely to be reached when the owners delay commitment of their resources to venture creation for a long time. To this end, this paper suggests that individual wealth of the entrepreneur is valuable during seed-stage to establish the business concept fully while at the same time generating better credibility, which eventually attract partners (including team members or investors) to the venture.

Key Words: Resource acquisition, team formation, mass-customization, venture creation, nascent entrepreneurs, e-ventures

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1. Introduction

Entrepreneurship is an innovative process and entrepreneurs are expected to create innovative products and services. Innovation is an uncertain journey as stated by Cha, Min-Seok & Bae, Zong-Tae (2008). As well as success, failure can happen in the journey of new venture creation. Various problems and obstacles come up against entrepreneurs. Even though most common problems such as “new product development and commercialization” are not difficult to predict, entrepreneurs strive to solve other various diverse problems throughout the new venture creation which is called “entrepreneurial journey”.

The hallmark for new venture creation is stated to be a commitment “to reinforce success as quickly as possible”. Some businesses necessitate substantial resources whereas others require little for their realization. However, a minimum level of entry is common for any business idea and it is critical to assess this “minimum efficient level of entry” with the resources needed as entry requirements for entrepreneurs. As such, firstly, every business has to hold key competencies in order to meet the particular needs of the customers. Secondly, access to finance among others is a very significant criterion that affects the success of start-up and its subsequent development (Beaver, 2002:18, 21).

Against this backdrop, it is often the case regarding most start-up firms that the lack of credibility constitutes a challenge for the founding entrepreneur while dealing with the business stakeholder community. Especially obtaining external funds becomes an extremely hard task in the face of liabilities of newness for nascent entrepreneurs. This leads to a somewhat complicated situation where on the one hand the start-up firm is in need of the credibility to get the commitment of a partner but on the other hand, it needs commitments from such partners to have that kind of credibility.

The interest of this paper is twofold: Firstly, the concept and implications for implementation of mass customization is looked into in line with the case study of the start-up firm D.B.M. Secondly, the process of obtaining resource commitments and how it affects resource choices of D.B.M. in the face of liabilities of newness is examined. To this end, this paper utilized a simple game-theoretic model which analyzes the process of obtaining resource by bargaining with multiple parties at D.B.M. and is akin to the studies by Thomas Hellmann (2000; 2007). This paper provides qualitative interpretation of the game-theoretic model by presenting analysis and findings concerning the case D.B.M in non-mathematical terms.

The questions raised in this paper are “How do the team formation and resource

acquisition process during new venture creation look like in the face of liabilities of newness? To what extent does mass customization as a business model influence this process?” This paper argues that organizational resource acquisition including finance and people becomes harder for new ventures in the face of liabilities of newness, which also constitute a challenge for mass customization and unless there is a competent team and access to required resources, the business execution cannot be easily realized. The efficient combination of resources becomes even less likely to be reached when the owners delay commitment of their resources to venture creation for a long time. To this end, this paper suggests that individual wealth of the entrepreneur is valuable during seed-stage to establish the business concept fully while at the same time generating better credibility, which eventually attract partners (including team members or investors) to the venture.

In relation to the effects of mass-customization on the process of resource acquisition, the findings of this paper note that mass customization as a business model constitutes a double-edge sword for obtaining resource commitment for the case start-up D.B.M. By creating innovative services and thus competitive advantage over competitors, mass customization model attracts partners such as team members and external investors but on the other hand, the complexity of the business model –i.e. small number of batches sent to the customer; a somewhat loss of control due to the customer involvement in the production process- discourages such potential partners of D.B.M. to commit their resources in the venture creation. The findings based on theoretical analysis suggest that the entrepreneur prefers to make a deal with the “highest value-added” partner first. However, when the entrepreneur has lower credibility and scarce available alternatives, shuttling between partners who postpone their resource commitment becomes most likely. This is where the business execution stage of D.B.M and the entrepreneur has been challenged. It is observed that against such a situation of shuttling, the entrepreneur may then intentionally choose a resource owner who is not efficient but protects her against any hold-up in the process of obtaining assets to the firm.

1.1. The importance of Resource Acquisition for New Venture

The “availability of capital” is argued to be positively linked to new venture creation and growth. Moreover, strategic options for the venture as well as the ability to take risks and pro-activeness are greater when resources exist. Hence, it can be said that resource acquisition in a “dynamic environment” affects the venture’s business activities and even its establishment

especially that of start-up firms (Hongjia & Baobao, 2009) However “access to finance” is a significant challenge for most new ventures. (Basu & Parker 2001; Wetter & Wennerberg 2009) since “debt” and “equity” are particularly difficult to acquire for nascent entrepreneurs who lack not only a “track record” but also the security for loans (Cassar 2004). Finally, individual savings, finance from family and friends constitute respectively the main sources of finance for most nascent entrepreneurs (Mason and Harrison 1999; Jonas & Jayawarna, 2010).

1.2. Why does Team Matter?

People take an essential part in determining the success of start-up firms (Forbes et al., 2006) The strategic performance of a venture is rather a collective task than an individual one just like the term entrepreneurship as an activity itself (Chen, 2007). As such, even though the role of the *individuals* who form ventures has been praised for a long time (Forbes et al., 2006), the selection and implementation of a strategy and the performance of a venture depends on the sum of the experiences, social network and characteristics of the core team rather than the founder alone and on their ability to cooperate (Chen, 2007). Therefore, the entrepreneurial team comes to the fore among these arguments (Yujian et al., 2006).

1.3. Liabilities of newness as a challenge

Across several studies, new organizations are argued to suffer from a disadvantage of “liability of newness” (Delmar & Shane, 2006; Witt 2004; Jonas & Jayawarna, 2010; Cha & Bae, 2008), in the sense that most start-up firms does not own the resources available to large organizations (Clay et al., 2009) and that they are disadvantaged with some initial features related to legitimacy, network, capabilities and assets (Cha & Bae, 2008). More specifically, as argued by Delmar & Shane (2006) newly established firms are deprived of routines “for coordinating the activity of organization members” besides routines for production and service delivery. In addition, lack of social ties to crucial stakeholders adds up to the hardships facing new ventures.

It is argued that being recognized and appreciated is easier after you have done what you are supposed to do. While a “track record” acts as a substantial source of “reassurance”, it becomes a crucial hindrance in case of lack of one. As pointed out within the framework of “the credibility merry-go-round” by Birley, in (Beaver 2002:15) the inter-relatedness of such factors as resources and stakeholders leads to a situation where the start-up firm is not only in

need of the credibility to get the commitment of a partner, but it also needs commitments from partners to have credibility (Thomas Hellmann, 2007). More specifically, these partners have a tendency to “hold off” a commitment until “others” commit. In such a situation employees are not willing to commit to a job unless the financing is available and investors are reluctant to provide any resources until customers have started to buy. Bhide and Stevenson (1999, as cited in Hellmann, 2007) summarized this situation as a “lack of attention” facing the entrepreneur which constitute the central problem analysed in this paper.

1.4. Research Design

1.4.1. The Focus of the Paper

The lack of credibility constitutes a challenge for nascent entrepreneur who strive to solve the problems throughout their entrepreneurial journey. This paper focuses on the entrepreneurial journey of mine as the entrepreneur of D.B.M in relation to how a new venture is created by bringing the required resources (i.e. people and funding) together. Organizational resource acquisition including finance and people in a “dynamic environment” affects the venture’s business activities and even its establishment especially that of start-up firms. Therefore, this paper aims to put a light on the process of obtaining resource commitments and how it affects resource choices of D.B.M. in the face of liabilities of newness by utilizing a simple game-theoretic model which analyzes the process of obtaining resource by bargaining with multiple parties at D.B.M. and is akin to the studies by Thomas Hellmann (2000; 2007). At the same time, the concept and implications for implementation of mass customization is looked into in line with the start-up firm D.B.M.

1.4.2. Research Questions

The questions raised in this paper are:

- How do the team formation and resource acquisition process during new venture creation look like in the face of liabilities of newness?
- To what extent does mass customization as a business model influence this process?

1.4.3. Research Methods

The purpose of this study is to examine the concept mass customization and the process of

obtaining resource commitments for the creation of a new venture called D.B.M. in the face of liabilities of newness. To this end, the qualitative research genre of autoethnography is used in this paper. More specifically, a case study based on the first-hand experiences of the researcher as the entrepreneur of D.B.M is designed and analysed in a qualitative manner by using a simple game-theoretic model (Bryman, 2008: 60). The theoretical and conceptual framework of this study constitute analytical framework to be applied to the autoethnographic data. Therefore deductive analysis is seen in this research (Seale, 1999:109). However, our strategy is qualitative rather than quantitative and this makes our approach inductive (Bryman, 2008: 55) with an aim to provide insight to the entrepreneurial process in relation the case D.B.M. rather than means of generating data.

Autoethnography makes up genres that have both “possibilities” and “potential dangers”. Examining the “Self” or our actions provides us with access into how a culture is “concretely realized”. On the other hand, being too close to ourselves has potentials that we might not get the distance necessary to “critically interrogate our own sense making” (Roth, 2005:19). As autoethnographic descriptions concern “the explication of practices, self-perceptions and assessment that remain the background” (Roth, 2005:110), the described phenomena of this paper comes from my experience as the entrepreneur and the researcher including observations, activity throughout the Entrepreneurship Master’s Programme and weekly logbooks written within the framework of the programme. This requires self-awareness and viewing “the Self virtually from outside the outside by a process of decentralization” (Roth, 2005:110).

Regarding the quality of this autoethnographic study, key issues such as study boundaries, instrumental utility, construct validity, external validity and scholarship are needed to be addressed (Duncan, 2004). First of all, in relation to the study boundaries, a significant 8 months period is covered by the study during which numerous interactions with the potential investors and team mates are established through the network of LU Entrepreneurship Master’s Programme such as “Dragons at the University” “Collaboration with LU Informatics Students” “Copenhagen Start-up Weekend” besides the private network of mine as the entrepreneur. The study was located in the School of Economics and Management at a major university in Sweden and was observed from the entrepreneur’s point of view to provide a description of quality. Therefore, only those who actively involved in working with venture creation inside an academic context could reflect on the implications of this study (Duncan, 2004).

Secondly, the instrumental utility or usefulness of an autoethnographic case study is

related to the provision of groundwork for others with similar concerns. In this context, this study helps readers to comprehend resource obtaining process for a new venture whose business model is based on mass-customization which is an “enigmatic” situation in need of clarification. Thirdly, concerning construct validity, according to Yin (1989:41) the requirements of construct validity for qualitative case studies are correct measures to study related concepts. Even though, first-hand account of the researcher constitutes the primary source, this data was substantiated in various ways. For example, multiple source of evidence was utilized alongside the researcher’s observations including e-mails, phone conversations and log book. The log book was reviewed by the programme administrator weekly and by the mentors of the researcher from time to time, which contributes to the interpretation of the events. Fourthly, regarding external validity, the uniqueness of this case study together with its autoethnographic character is not expected to constitute a representative example. External validity concerns can be addressed by the theoretical and practical implications of this particular case and the way they can be applied to other situations (Yin, 1989).

Finally, autoethnographic studies may rely too much on a personal writing style “to evoke direct emotional responses in readers” without offering deeper levels of analytical reflection” and failure to see “the relationship between personal experience and broader theoretical concepts” (Parks, 1997 *as cited in* Duncan, 2004). However, this study employs an analytical autoethnographic approach that highlighted relationship to broader theories or themes which helps to establish a rather scholarly study than an emotional account. In other words, the empirical data used in this study helps to provide insight into a wider range of social phenomena than those presented by the data itself and constitute an extension of theoretical understanding (Anderson, 2006). To this end, this paper also uses first-person perspectives with third person perspective and combines personal experiences with a game-theoretic model and concepts as analytical tools, which argued to be “the most acceptable” form to “most journals of social science research (Roth, 2005:306-307). In addition, with regards to ethical considerations, due to the concerns of confidentiality, the names of partners approached including team members and investors not revealed when referred to their opinions and as examples (Patton, 2002: 408).

1.4.4. Disposition

Having presented an overview of the scope of the research and the research design, the conceptual framework including issues related to the implementation of mass customization

and other issues important for venture creation is presented in the next section. Likewise, theoretical framework as including a simple game-theoretic model which analyzes the process of obtaining resource by bargaining with multiple parties at D.B.M is presented in the next section. Then, empirical data regarding our case of the start-up firm-D.B.M- is presented. In the subsequent section, a qualitative interpretation of the game-theoretic model by presenting analysis and findings concerning the case D.B.M. in non-mathematical terms is provided. In order to provide a better insight for the case study, the discussion section of this paper further problematizes the issue of obtaining commitments from resource-providers to include the effect of the business model -mass customization- on decision-making process of potential partners, which could not be problematized through the theoretical model. Finally, I conclude with implications for new venture creation.

2. Theoretical and Conceptual Framework

2.1. Conceptual Issues

2.1.1. Mass customization

The specific industry that the current case study is related can be broadly defined as consumer products industry. In recent years, the industry has gone through severe economic problems fuelled by lower-priced imported products from countries with low labour costs. Such challenges required European manufacturers to give careful consideration to their business and production activities in order to meet rapidly changing customer demands while reducing costs. Mass customization, which cannot be offered by low cost mass production oriented businesses, is considered to gain market share loss again (Barnett et al., 2004). Likewise, increasing customer demands and changes in their preferences have been forcing firms to adapt to the market changes timely and constantly (Dietrich, et al., 2007).

Mass customization has been studied across several studies (Radder & Louw, 1999; Kumar, 2007; Comstock et al., 2004; Zhou et al., 2008; Kissimoto & Laurindo, 2010; Liu, et al., 2009; Xiong, et al., 2010; Barnett et al., 2004). For some (Pine et al., 1995) while customization means “manufacturing a product or delivering a service in response to a particular customer’s needs” mass customization implies the cost-efficient way of doing it (Kollmann & Häsel, 2008). According to Pine (1993) mass-customization can be defined as “the use of technology and management methods to offer product variety and customization through flexibility and quick responsiveness”. For some others (Kotha, 1995; Liu, et al.,

2009; Dietrich et al., 2007) mass customization is considered as the next manufacturing paradigm to bring success and to attain sustainable competitive advantage as the needs of diversified markets could be supplied, which leads to a higher value in the service.

2.1.2. E-Ventures/ Internet Technologies

The rapidly growing Internet technologies necessitated a structural change in not only social but also economic areas. New combinations emerged concerning how firms create value. More specifically, value offering of a venture is not limited to the physical activities but can be extended to an electronic level (Kollmann & Häsel, 2008). Together with these developments a new business dimension called “the Net Economy” has emerged. E-ventures based on internet and operating at this level of electronic trade generate revenue without dependence on a physical value chain as they embody “innovative online business models” (Kollmann, 2006). On the other hand, traditional firms existent on physical trade level are categorized under the Real Economy have highly integrated internet technologies to improve their business activities in order for reaching new customers. Therefore, it can be argued that the boundaries between Real and Net Economy are blurring and businesses on both sides need to approach each other (Levin, et al., 2003). It is further argued that “a collaborative inter-firm integration of online¹ and offline business models” may serve to sustain competitive advantage. Such an online cooperation is beneficial for especially e-ventures in the start-up phase since it offers a basis for more effective and efficient communication and distribution of products (Kollmann & Häsel, 2008; Volkmann & Tokarski, 2006).

Against this backdrop, Ashok Kumar (2007) provides valuable insights as they divide the entire supply chain into two including the soft and hard parts: while the soft part deals with the activities electronically, the hard part handles the actual production process. Even though the soft part has significant contributions to the mass customization field with all companies owning a web presence, for manufacturers, the movement towards customization is not complete yet. Apart from the speed and flexibility of the manufacturing systems, the soft infrastructure required for mass customization is “much headway to be made”.

2.1.3 Self-efficacy and bootstrapping strategy

¹ The value of the Internet as “wide, open and cost-effective infrastructure” lies in the fact that it enables a simple and fast way of data exchange besides a synchronization of activities over distances.

New ventures are suggested to focus on “key resources” for their development. The perception of resource availability is related to entrepreneur’s self-efficacy which is their self-belief that they can obtain the resources (Hongjia & Baobao, 2009). Companies sustain their competitive advantage based on a bundle of resources they possess as argued by the resource-based view (Penrose 1959; Barney 1991). Barney (1991) states that resources can be categorized as human, financial, physical and organizational. As such, “identifying” and “acquiring” those resources are essential if new ventures want to be successful or even survive (Jonas & Jayawarna, 2010).

According to some studies (Levenson & Willard, 2000), most newly established businesses are limited by the attempts of the entrepreneur to generate external finance. In other words, as stated before, obtaining external funds is a very hard task for inexperienced entrepreneurs as they do not have any “track record” and do not generally have “security for loans” (Cassar 2004). A way to address the problem of lacking resources is through “bootstrapping” technique (Winborg, 2009) which includes two forms: 1) raising finance “without using banks or equity” such as personal credit card, loans from family and friends and 2) obtaining resources “without the need for finance” such as obtaining necessary skills or equipment from friends and hiring temporary employees (Harrison, Mason & Girling, 2004:308; Winborg and Landström 2001).

2.1.4. Competency Approach to the entrepreneurial team

As noted earlier, building a great team is a difficult task since entrepreneurial teams are not easy to gather and keep together. The issue of entrepreneurial teams is “multi-faceted”. Yujian et al. (2006) explores key successful factors of entrepreneurial team based on a competency approach in relation to new venture performance. Accordingly, team competencies comprised of “(1) the requisite knowledge, principles, and concept underlying the team’s effective task performance; (2) the repertoire of required skills and behaviour necessary to perform the team task effectively; and (3) the appropriate attitudes on the part of team members that foster effective team performance”.

In line with competency approach Reich (1987) noted that collective entrepreneurship where competencies and energy are blended in a team brings about economic growth and hence the capacity to innovate gets larger than the sum of individual contributions (Yujian et al., 2006). In other words, team formation process can be shaped to increase the firms’ chance for success (Forbes, et al., 2006). At this point, the lead entrepreneur is suggested to

be central to the team with the ability to create visionary scenarios and attract other key management partners to build up the team (Rickards & Moger, 2006; Chen, 2007).

2.2. Research Field

The theory of firm has been approached from various aspects across several studies including the resource-based view (Wernerfelt, 1984, Penrose, 1959) and contracts (Baker, Gibbons and Murphy, 1997; Holmstroms and Roberts, 1998) among others. More recently, Hongjia and Baobao (2009) explored the role of resource acquisition self-efficacy and start-up success in new venture creation and presents findings around the likelihood of successful venture creation. Hamilton (2001) looked into the impact of various funding means on the new venture performance. Hisrich (1988) analyzed new venture creation from the perspectives of technology development and presents a method to link the alternative resources necessary. However, these studies do not provide insight on “how” the firm with its resources are brought together initially. Racine (2010) puts a light on the initial struggles regarding new venture creation of environmental entrepreneurs but with a narrow focus on the entrepreneurs who have experienced a transition from businessperson and employee to entrepreneur. Therefore, this paper focuses on the entrepreneurial journey of how a new venture is created by bringing the required resources (i.e. people and funding) together.

The theoretical framework and analysis of this study is based on a simple game-theoric model by Thomass Hellmann (2000). Hellmann (2010) looks into the process of how an entrepreneur bargains and gets commitments from various resource providers -each of whom has a monopoly over its resources and generates hold-up power- in order to create a new venture. The study provides insight on the entrepreneurial process of how the resources of a venture differ from the “first-best combination”.

Regarding the literature on bargaining, Rubinstein (1982) as the pioneer explored “non-cooperative sequential games”. Some other studies analyzed bargaining games with incomplete information in which the information held by one player is private and unknown. According to those studies such unknown information causes a delay in reaching an agreement. For example, Gul, Sonnenschein and Wilson (1986) displayed that such delay goes away the smaller the time between offers gets. Admati and Perry (1987) examine a bargaining game with incomplete information and their findings suggest that there is some delay between offers and it does not disappear even if the minimal time between offers gets small. More recently, Cai (2000) analyzes the influence of a large number of players on the

bargaining result by using a multiple-person bargaining model with infinite-horizon and complete information. Accordingly, if the players are patient, some delay in making agreements can arise. The higher the number of people involved, the longer the delay gets.

Another study is by Rajeev and Iftekhar (2004) who looks into how new ventures having some potential investors may “effectively raise funds” based on unproven business models in the initial stages of venture creation. The study uses a model for contract auctions to look into negotiation process of the new firms with investors. Finally, Hellmann (2007) has a recent research about the process of the way entrepreneurs gather resources. The problem of entrepreneur in getting attention as well as the incentive of each potential partner to wait remains the same in this study compared to the previous research (Hellmann, 2000) of the author. However, the model selected provides a different approach and focuses on optimal solicitation strategies. The findings state that “knocking every door is optimal if partners like to be solicited, and pestering is optimal if partners prefer that others are solicited”.

These recent studies use a somewhat related bargaining model to analyze various diverse aspects of new venture creation. The scope of the current study is most related to the aforementioned study by Hellmann (2000). However, in this paper, I aim to expand the struggles of the entrepreneur during the early stages of new venture creation beyond the game-theoretic model. In order to provide a better insight for the current case study, the discussion section of this paper further problematizes the issue of obtaining commitments from resource-providers to include the effect of the business model-namely mass customization-on decision-making process of potential partners.

2.3. Theoretical Framework

The theoretical framework of this paper is akin to the studies by Thomas Hellmann (2000; 2007) based on a simple game-theoretic model through which the entrepreneurial process of the start-up case D.B.M is approached. This paper presents analysis and findings in non-mathematical terms.

The model consists of three agents including the entrepreneur and two partners. The entrepreneur has the goal of pursuing an opportunity which necessitates the cooperation of the other two partners. These partners act as resource providers to the entrepreneur (Hellmann, 2000). In this model, the resources are defined as commitments such as “supply contracts, employment contracts, financing commitments, cooperative agreements, or other types of contracts”. Partners are defined as “employees, financiers, suppliers, customers,

alliance partners or others” (Hellmann, 2007). The entrepreneur is argued to be “indispensable” to the new venture (Hellmann, 2000). It is assumed that the entrepreneur always has a desire to undertake the venture, even at times when there is not any monetary return (Hellmann, 2007). The challenge for the entrepreneur is to obtain a “commitment of resources from the partners” without giving away too much of shares. Accordingly, the entrepreneur is a “wealth constraint” in the sense that she can only give away a stake in the generated surplus of the new venture.

Partners need to evaluate the opportunity prior to contracting². At this point, evaluation creates a signal that is seen by the evaluating partner which means that if a partner observes a low signal; the other partner would not wish to commit resources anymore. On the contrary, the entrepreneur would still pursue the opportunity despite a bad signal as she has an entrepreneurial spirit. The game results in two outcomes, one of which is that both sides find an agreement. The other outcome is the emergence of a breakdown.

The game follows the following form: The entrepreneur first chooses to approach one partner and this partner may choose either to evaluate the project -after which he may not bargain with the entrepreneur- or not to evaluate which puts an end to the game and is called “postponement”. If the game results with an agreement, both the entrepreneur and the first partner continue the game by approaching the second partner. Otherwise, the entrepreneur continues on her own to approach the second partner. After such an approach, the entrepreneur might come back and forth to the first partner. In order to implement the project, the entrepreneur needs a commitment from at least one partner. The value of the venture and the rewards for each party is “subsequently” and “contractually” specified. It is assumed that the project is attractive enough to receive participation of all partners. Before applying the model to the case “D.B.M”, the empirical data regarding the case is presented:

2.3.1. The Case (D.B.M) & Auto-ethnographic Data

D.B.M as an online retail store is a start-up founded by three young entrepreneurs including me as the lead entrepreneur. The fundamental service is based on a customisation strategy whereby customers are given the opportunity to design their own products according to their own tastes prior purchase by using a user-friendly interface on the official website. The customization is not confined to selecting fabric and colour only but it also includes

² A contract consists of a “resource commitment” in line with a rule for the division of the generated surplus. In addition, a contingent commitment, whereby a partner provides the resource on the condition that the other partner makes a commitment as well, can also be included (Hellmann, 2000).

dimensional modifications by the customers. In this business model, through the offering of mass customization, customer value is to be maximized as customers are integrated in the value creating process and hold influence on it (Cha & Bae, 2008). Moreover, thanks to the increasing relevance of internet technologies, innovative mass customization strategies are made accessible. A “trilateral collaboration” between offline partner, online partner and customer has been strived towards a “permanent, customer-individual” problem solution. In such collaboration, the customer provides information needed to determine and solve problems; online partner (e-venture-D.B.M) provides customer with the technology to realize configuration of the physical product efficiently; offline partner (real economy partner-product supplier) produces and delivers the product (Kollmann & Häsel, 2006).

2.3.1.1 Supply Chain Management

My entrepreneurial journey concerning D.B.M commenced with establishing the supply chain which took quite some time. China and Turkey were the focus of the initial research regarding production. China offered diversity in product design, relatively cheaper costs compared to Europe or Turkey but also possible communication problems, difficulty in quality checking due to long-distance and concerns about long-term commitment and flexibility from the suppliers contacted to the new start-up. Thereafter owing to my background and native language the focus shifted to Turkey with the idea that the communication would be easier and the business culture would be more familiar leading to a more solid the business deal. However, the prices received from many manufacturers who agreed on delivering customized products were above the expectation level. I understood that it was not the best strategy to call these places from overseas. In order to find the right supplier and make a good deal, in some cultures like Turkey, I believe it is importance to make a physical visit. I had a chance to discuss the business in simple terms with an expert from Istanbul. Having being a bit discouraged from the odds of the whole process of import/export between Turkey and EU countries including the small batches of shipment arising from the business model, I realized that I was being too focused on a single country and thus was being incapable of developing new perspective or alternative solutions.

Together with the concerns of EU regulations and customs fee, I again shifted her focus towards European countries such as Hungary, Poland and then Italy which, to my belief, offered a competitive advantage over existing competitors based on a high quality image. After contacting with a few suppliers I could eventually find a good supplier who

understood the business concept well and agreed to commit to a long-term partnership with a modest price range and flexible approach. I could check the product quality only through pictures before ordering any prototype. I stayed in touch with the supplier continuously during the whole semester only via phone calls and e-mails. The next step was to establish logistics and I started to make inquiries about possible means and shipping costs. The supplier had already involved in international trade through exports, he has already had established logistics channels, which I decided to use initially.

2.3.1.2 Financial Resources

Particularly, for the development of the software, initially an informal investor from Istanbul who was interested in the project was found. However, this option was not timely as it was too early for me to give out equity and control without properly establishing the business concept. Besides, I also felt that I did not have enough bargaining power against such an investor at that early stage of the start-up. Therefore, setting out from the idea that the business model of an online retail store based on a pull model could be executed on a small bank loan, I explored bank financing process both in Sweden and in Turkey. However, I realized that bank financing is a rather difficult option to choose for a start-up as the banks require past operations and financial performance history of the venture.

The project came to a two-edged point which posed hardship for me. More specifically, in order to increase the chance against the supplier, investors or any future team workers, I believed that some development with the software was needed. On the other hand, to be able to develop the software, a small amount of external finance was needed. Therefore, I wanted to pitch the business idea to the investors at the “Dragons at the University Event” but the project could not go through the finals. The experience was valuable and after all the business model of D.B.M did not really require a large investment from any outsider thanks to its pull model.

2.3.1.3 Bootstrapping Strategies

Regarding software development, I had the opportunity to benefit from the network of Lund University Entrepreneurship Master’s Program. The master programme offered support to some projects concerning the technical challenges faced in these start-ups by collaborating with i.e. students from Informatics department at Lund University. The dependence on this cooperation prevented the commitment of any finances to outsourcing the software

development quite a bit as the input of such cooperation to the project was valuable and free. I had also attempts to get students from Lund University to collaborate with me in software development as part of their thesis works. I established contacts with some students from Industrial Design Programme at Lund University but almost all of them had negative results except for one contact which offered promising partnership only for future terms.

The collaboration with students from Informatics programme took almost more or less two months' period. At this point, it is important to state that "speed" (as well as direction) is very crucial for entrepreneurs as also noted by my mentors who are assigned by the Entrepreneurship master's programme and some other guest lecturers within the programme. As I did not have any financial savings to invest in the business at that time, I was motivated to use "the resources at hand" (i.e. the products from Italy) and "making do" (Baker & Nelson, 2005) in order to raise some small amount of start-up capital to be invested in the software development in the near future. The idea was to sell mass produced products of the Italian supplier by using the official website for sales as well as other online sales channel and by using social media for marketing the brand name. A different brand name (like Brand A) than the name for customized products (like Brand B) was supposed to be used to be on the safe side.

However, after discussing with the Italian supplier about the strategy of only selling his standard products, I came to the idea that selling only standard products without having the complete software would be highly costly even though ideally this experience would be a small step into the actual project. However, without offering any added value (i.e. "customization" which is the differentiator for D.B.M from other online and offline retail stores in Sweden) or innovative product to our customers and without holding any brand name to make these customers attracted into our products, it was somewhat over-optimism to believe that one could sell these consumer products to compete with other large corporations. As my mentor states "money loves speed" and with the ambition for doing business on a small-scale and generating working capital for D.B.M, I started to engage in international trade where I imported various goods including both electronic and non-electronic products from China and sold them in Sweden through online sales channels. I understood that electronic devices are not the best ones to import without ensuring the quality first based on my unfortunate experience. However, ordering non-electronic products which carried less risk concerning the quality and this experience of mine has generated relatively successful results in profit-making.

2.3.1.4 Team Formation

I approached a few potential team members at the very beginning venture creation. The essential condition in successfully executing ideas was the core team who were supposed to have complementary skills each of which should be crucial for the business. I got quite positive feedback and interest from those fellows. However, they were either committed to more than one project or were also too focused in their area of interest. In other cases, the people who were keen on working with me did not have the right skills. Therefore I worked alone until I could develop the concept a bit more.

After a while, I felt that it was time to team up with others in order to speed the process, to get different perspectives and enhance the business concept besides benefiting from other team member's social networks, the importance of which was continuously highlighted throughout the master's programme by i.e. by experienced entrepreneurs. First of all, I teamed up with a local Swedish friend who was a teacher in Lund and had a start-up experience before in Sweden. This new member was responsible for marketing in Swedish language, accounting and logistics. After a few weeks, another member joined in the team who is a Cyprus citizen and lived in Turkey. Therefore, this new member spoke the same native language with me. However, rather than language, the background and enthusiasm of him convinced me for this member addition. He was responsible for IT and online marketing. I took the lead role in venture creation process. Therefore, I made sure that all the team mates shared the same vision. Sometimes, I sensed some problems concerning communication, taking initiative and responsibility at some team members. At those times, I strived to ensure that the presence of every member is felt by making the problems and expectations very clear and demanding more contribution repeatedly. The task division was revised at such times.

After a month, the entrepreneur participated in the event "Start-up Weekend in Copenhagen" which is - a 54-hour event where developers, coders, designers, marketers and start-up enthusiasts come together to share ideas, form teams, build products, and create start-ups. I hoped to meet with a potential partner since half of the participants had technical backgrounds. Unfortunately, even though I met several interesting people who could be valuable as partners in the future, the production (offline) side of the project was somewhat discouraging for these IT experts.

2.3.1.5 Software Development

When it comes to software development, it has constituted the most challenging step before

venture creation partly because the team lacked the regarding skill and also the finances to allocate for outsourcing to a third party due to the tight student budget. Besides the aforementioned bootstrapping methods such as collaboration with LU Informatics program, I registered for two distant courses, namely “Programming Using C# - Basic Course” and “Programming Using Visual Basic .NET” in order to build competencies at the same time while still being a student. I felt somewhat restricted with my computer skills during the whole project partly because I experienced lack of commitment to the project by some IT experts who had the right programming skills for the project. However, I felt enthusiastic about upgrading my own skills to gain more autonomy later in the entrepreneurial journey.

3. Application of the model to the case D.B.M.

3.1 Which partners to approach first?

I needed to decide on the order to approach the partners. It is assumed that initially all partners prefer to “evaluate the opportunity rather than to postpone it” (Hellmann, 2000). This was the case for D.B.M. when I approached potential team mates from the master’s program before approaching any external investors.

Consider that the entrepreneur decided to approach partner A first. If partner A sees a high signal, then a contract is agreed on between both sides. In case partner A receives a low signal, he would not agree to commit to the project. Thereafter, the entrepreneur would approach partner B which may end up in rejection since partner B can perceive that the first approached partner (A) must have received a low signal or vice versa (Hellmann, 2000). During the initial stages of the team formation process of D.B.M, different team members were approached at the same time or at different times. As stated, I got quite positive feedback and interest from those fellows however; these partners were interested in other projects as well. In one way, I felt the need to have the commitment of a partner in order to receive further commitment or attention from the other partners. Therefore, as I did not possess outside options, I agreed “to split the surplus equally”. At this point, it is argued that if a partner is uncertain about whether or not she is the first to be approached, she asks for a conditional commitment. The first partners approached by the entrepreneur of D.B.M were quite uncertain about the very same issue and they wanted to have a conditional commitment. More specifically, those people were either committed to more than one project or they were

too focused in their own area of interest. Therefore, they wanted to have the opportunity to participate in the project at a later stage, which was when I obtained enough resource to commercialize the business idea as well as when the supply chain was established and the target market was decided.

In relation to “adding more value in the presence of the other partner”, it is argued that if partner A is more valuable to the implementation of the project compared to partner B, the entrepreneur approaches the more valuable partner first. Such an argument is based on a reasoning that the entrepreneur wishes to utilize “the threat of going off” with a partner against the other (Hellmann, 2000). In line with this proposition, as the entrepreneur of D.B.M, I approached potential team mates who have computer programming skills as I do not have this capability and I believe the core team should have complementary skills each of which is crucial for the implementation of the business idea.

Initially, the entrepreneur does not hold any credible threats since without the first partner’s commitment she has no credibility before the second partner. On the other hand, once the first partner agrees to become an insider to the project, the entrepreneur’s threat to the subsequent partners becomes effective. Theoretically, sequencing depends on the “relative bargaining weight” of each partner since in this game each party has “individual bargaining weight” (Hellmann, 2000). It is argued that the entrepreneur chooses to bargain first with the partner who has a lower bargaining weight as this partner is expected to take out a lower amount of surplus compared to outside options. Therefore, I preferred to approach potential team members rather than external investors partly because I did not want to give out high amount of surplus to any third party. Attracting venture capital holds implications for the new venture since the venture capitalist takes a seat on the board of directors and often interferes in the business strategies, which leads to the loss of control on the entrepreneur’s side (Vanaelst et al., 2006). In other words, it was too early for me to give out equity and control without properly establishing the business concept. Besides, I did not have enough bargaining power against such an investor at that infancy stage of the start-up.

3.2 The issue of credibility

Credibility which is critical for new venture can be obtained in different ways. For example, in case the entrepreneur does not have the “entrepreneurial spirit” in the sense of “private benefits of pursuing a bad venture”, she can be more credible (Hellmann, 2000). This is not a valid proposition for D.B.M., since I was studying at the Entrepreneurship Master’s program

and was expected to have entrepreneurial spirit. The potential partners around me were also in the same conditions and this having an entrepreneurial spirit was, on the contrary, valued in this environment. As another example for credibility, if the entrepreneur has an independent wealth/cash, her willingness to use this wealth for the project can make up for credibility (Hellmann, 2000). This is where D.B.M was challenged the most since I did not have any financial savings to invest in the business at that time. More specifically, software development constituted the most challenging step in the commercialization process for D.B.M partly because the team lacked the regarding skill and also the finances to allocate for the outsourcing to a third party due to the tight budget. As such, I believed in using “the resources at hand” and “making do” (Baker & Nelson, 2005) in order to raise some small amount of start-up capital to be invested in the software development in the near future. Among others strategies presented (see section 2.3.1.3 Bootstrapping Strategies), I started to engage in international trade where I imported goods from China and sold them in Sweden through online sales channels. However, those online sales were developing quite slowly. Therefore, generating working capital from these bootstrapping strategies were not helpful as desired to be granted for software development due to slow pace in the sales.

Furthermore, if the entrepreneur does not own credibility, then she approaches the more valuable partner. Once the first partner is on board, the entrepreneur can use his credibility “to optimally sequencing the remaining partners” (Hellmann, 2000). As explained before, D.B.M. did not have enough credibility to obtain commitments of the other partners. Therefore, initially, I tried to get the more valuable partners who had the right computer programming skills and were two class-mates from the master’s program, which eventually ended in rejection. On the other hand, people who were enthusiastic about the committing to D.B.M. lacked the necessary technical skills. Therefore, until I developed the business concept further, she decided to work alone instead of recruiting those enthusiastic people who did not have the right skills for D.B.M. When I could find and made a deal with a supplier for the production, I developed some credibility in the eyes of the partners. At this point, it is argued that if the entrepreneur owns credibility, then she prefers to approach the partner who is less valuable first due to the fact that in the early stages of the project, the stakes to be shared with the partners are larger (Hellmann, 2000). As one and only person working on commercializing this project which required other complementary skills, I felt that it was time to team up with others in order to speed the process and to benefit from other team member’s social networks (Jonas & Jayawarna, 2010). Therefore, I teamed up with a local Swedish friend. We decided to outsource the software development to a freelance

programmer. So the issue of software was postponed to be dealt with later.

3.3. In case partners do not want to commit first

In a different situation, the first partner approached declines making a deal with the entrepreneur and sends her to the other partner in the hope that the entrepreneur returns with a commitment from this partner. The problem occurs when the second partner does the same thing, which results in a situation that the entrepreneur may need to “shuttle back and forth” between the partners who postpone their commitment (Hellmann, 2000). This is a similar situation where D.B.M came to a two-edged point which posed hardship for me. As mentioned, I participated in the event “Start-up Weekend” and through this experience, I hoped to meet a potential partner who could take care of software development. Unfortunately, the production (offline) side of the project was somewhat discouraging for the partners I met. However, I believe that an efficient integration of online and offline business can bring about a successful venture (Kollmann & Häsel, 2008). In order to realize that D.B.M was still in need of finding a solution to the online side of such a collaboration and stick to the idea of customization.

The idea of outsourcing the software development arose again. However, in order to realize this, I needed financial resource. Therefore, external investor option was revisited at that time. I contacted with the investor from Turkey who once was interested in the D.B.M. project a couple months before as he was also from the same industry in Turkey. The investor was still interested in D.B.M. but he wanted to see the complete software first. He added that he would more be interested in making the production in Turkey and in this case having larger volumes of items produced and sent from Turkey at one time rather than sending small volumes to each customer was desirable. He wanted to go into mass-customization but at the same time he was concerned about the increase in the costs and giving more control to the customer. Briefly, he wanted to get an elaborate presentation about the business idea and the technology behind the software. He wanted to make sure that the business is feasible and added that it would have been more desirable for him if I started the business in Sweden and then growing by going into Turkey with the same concept and brand but making the production in Turkey for this particular market.

The above mentioned situation is in line with the statement of Thomas Hellmann (2007) when he focuses on a so-called “chicken and egg” problem, where the entrepreneur needs to have credibility to get a partner’s commitment, but also needs to have commitments

from partners to have that credibility. More specifically, D.B.M needs to have a core team who has the right computer programming skills to obtain financial resource from the investors since some development with the software was needed in the eyes of the investors. On the other hand, to be able to develop the software, a small amount of external finance was needed, which would at the same time help to attract necessary team member commitment. Against such a situation when the urgency to move is low, it is argued to be most likely that the venture does not get started. As such, the first-mover disadvantage is delayed. As a consequence, the order in which the partners are approached loses irrelevance.

3.4. The kind of partners: Choosing inefficient ones

In a different situation in which all partners want to move first, the entrepreneur may prefer an efficient partner to maintain a larger amount of the equity. More specifically, instead of choosing the most valuable partners, the entrepreneur is willing to deal with a “less efficient resource provider” in order to both maximize her equity share and protect herself against any “hold-up” (Hellmann, 2000). We can think of these partners as employees or suppliers in the case of D.B.M. In order to better retain stakes, the structure of the venture can be arranged differently from the first best combination planned. It is noteworthy that the entrepreneur is not only concerned about “the efficiency of resources” but also about “the willingness of resource providers to cooperate” (Hellmann, 2000). When the partners are reluctant to make a commitment first, this situation makes the entrepreneur “shuttle between partners” for a long while, which might even result in the evaporation of the opportunity before any commitments made. The situation regarding team formation at D.B.M has resemblance to the arguments by Thomas Hellmann (2000) that even though the entrepreneur prefers partners that offers the highest value to the venture, she may also choose partners that do not provide such value, if these partners provide her better protection against hold-up in bargaining process, or if they show a greater willingness to commit first. As for D.B.M “the efficient combination of assets” has not reached yet. I deliberately chose somewhat inefficient asset providers since I believed that this would allow me to better protect myself against any “hold-up in the process of assembling resources” for the venture.

Theoretically the entrepreneur approaches partners in an increasing order of value-added. Once the entrepreneur has the first partner on board, it becomes relatively easier to use his “credibility to optimally sequencing the remaining partners”. After a point, the entrepreneur stops being insistent on the efficiency of resources granted, and starts to care

about “the willingness” of the resource providers to cooperate in the process of combining further resources to the venture (Hellmann, 2000). However, by agreeing with Hellmann (2000) the inefficient partners are to be replaced in future bargaining rounds with more efficient team mates. For example, I met a BA student from Informatics Programme at Lund University, who is interested in D.B.M. He is scheduled to finish his studies by 2012. Even though he cannot contribute currently to D.B.M, he can still be an asset in the long-run.

4. Discussion

Based on the analysis, it should be noted that the “sequencing of resource commitments” rather than the “sequencing of actual resource deployments” comes to the fore as the strategic unit of analysis in this study. The findings suggest that the entrepreneur prefers to make a deal with the “highest value-added” partner first if she has “low credibility, little wealth, or high benefits” in new venture creation. Another finding is regarding the “shuttling” between partners or delay in partner’s commitment. It is empirically observed that when the entrepreneur has lower credibility and scarce available alternatives, shuttling or delay becomes more likely. Against such a situation of shuttling, the entrepreneur may then intentionally choose a resource owner who is not efficient but protects her against any hold-up in the process of obtaining assets to the firm. This model further illustrates that such a situation of “hold-up” makes the entrepreneurial process of obtaining resources for new venture creation complicated. At this point, the theory argues that “the efficient combination of assets” becomes less likely to be reached especially when the owners of resources hold up the opportunity for a long time. In this section, this paper further provides some implications and suggestions based on my first-hand experience in relation to D.B.M which could not be problematized through the theoretical model of this study.

Possessing all the resources necessary to survive and compete against competitors is not very often possible young firms (Forbes, et al., 2006). At this point, resource availability perception may be questioned by many in relation to the extent to which entrepreneurs believe that they can obtain these resources which is termed as “self-efficacy”³. It is argued that this belief-in-self should be significant to the entrepreneurial activity of the ventures particularly when resources are crucial to the survival and growth of the venture. Accordingly, entrepreneur’s “resource acquisition self-efficacy” affects new venture creation,

³ “The extent to which one belief in herself to achieve a specific task” (Hongjia & Baobao, 2009)

which in turn influences the success of the firm (Hongjia & Baobao, 2009) and brings the discussion to bootstrapping methods.

Based on the limited experiences of mine as the entrepreneur of D.B.M presented in this study, it can be said that the attempts to find out new opportunities makes entrepreneurs sometimes use scarce knowledge and unrelated resources and maximize their resources and means. Likewise, the entrepreneurial journey of new venture creation includes bootstrapping which requires the entrepreneur use their available resources “maximally” but “economically” by focusing these resources on the venture creation (Cha & Bae, 2008). Accordingly, bootstrapping offers several advantages to small ventures such as “efficient use of resources” and puts entrepreneurs who utilize such methods in a better position to grow their firms. However, even though appropriate bootstrapping skills are significant in enhancing the chances of “survival” and “growth”, the relationship between “bootstrap techniques and business outcomes” have not been quantified yet (Jonas & Jayawarna, 2010). The phenomenon of bootstrapping is complex (Ebben, 2009). In addition, it should be noted that the effect of bootstrapping varies depending on “the technique adopted” and “the firm’s stage of development” (Ebben and Johnson 2006; Jonas & Jayawarna, 2010). According to my experience, the utilization of such bootstrapping methods surely helps generating resources but not eradicate the problem of resource availability by itself especially at a very early start-up stage of the firm. This point leads the discussion of resource availability to the importance of individual wealth.

It is noteworthy that the ability of attracting other management team members and forming the team is regarded as one of the most valued capabilities of “lead entrepreneur” who is the one to create a vision for potential partners to achieve strategic value creation. However, besides the essential role of the lead entrepreneur, the “quality of the team” has a strong impact on the performance of a new venture (Chen, 2007). At this point, another way of financing is about investing own money in the start-up firm during the seed-stage. According to Kim, Aldrich & Keister (2006) there is a positive link between family assets and “transitions to self-employment”. Liquidity constraints arguments in this study propose a direct positive link between “wealth” and “starting a business” In a similar fashion, as it is illustrated in the theoretical base that the wealth has influence on attracting team members.

Likewise, social ties are significant “lubricant of economic activity” (Delmar & Shane, 2006). Previous studies have displayed the importance of networks when exploiting business opportunities, i.e. including access to finance (Jonas & Jayawarna, 2010) in the start-up process of new venture (Davidsson and Honig 2003). The initial lack of such

networks hinders new firms (relatively) from exploiting many opportunities. As the outcome of social interactions, social capital⁴ is developed which assists the entrepreneur to “get through the door”. However, the social competence of the entrepreneur shapes the result of this interaction (Delmar & Shane, 2006). The issue of entrepreneurs with an international background or immigrant entrepreneurs is a different issue that cannot be given space in this very limited research but based on my experiences, it can be said that in a foreign country such as Sweden when the entrepreneur is from Turkey and does not speak the local language, social ties become somewhat restricted, which has affected the entrepreneurial journey in a negative way.

Social competence of the entrepreneur could not be evaluated without a closer look at the attractiveness of the business model namely mass customization to the partners approached in our start-up case D.B.M. Mass customization undeniably offers various advantages to producers and customers and therefore is considered as competitive advantage by most. However, this strategy should not be followed without careful consideration. Several organizations have gone through problems while moving towards mass customization. For some (especially the informal investors in our case of D.B.M), mass production, despite being considered as outmoded, is still the most viable strategy in many instances. Therefore, it is crucial that entrepreneurs ensure that they have access to the “processors, procedures and capabilities” before making such a move besides ensuring the customer demand (Radder & Louw, 1999).

More specifically, regarding the challenges mass customization poses according to some external potential investors for D.B.M, the processing of individual orders and a high number of small batches make the coordination of planning and production tasks even more complex as also noted by (Pancucci 2001). This is in contrast with the comfort offered by “make-to-stock” policy in the sense that when the stock buffer is removed, companies are considered as “more vulnerable” to changing consumer demands (Radder and Louw 1999; Barnett et al., 2004). Customers are also added to the order process which altered the traditional supply chain. Together with this paradigm, “a greater degree of synchronization” of the whole supply chain and inventory systems is needed, which subsequently requires “greater coordination” and improved communication between supply chain members (Dietrich et al., 2007). Also, firms adopting mass customization strategy needs to be highly reactive with a “make-to-order policy” to production as argued by Barnett et al. (2004). The

⁴ The amount of resources that an entrepreneur might have access to via the members of their network.

current existing systems of production planning and control do not provide the “flexibility” and “agility” necessary in mass customization manufacture which is viewed as risky by some potential external informal investors of D.B.M.

Likewise, the integration of production (offline) with internet technologies (online) as an the most essential part of the co-production process was discouraging for some potential partners or team-mates of our case D.B.M. who have the right programming skills to commercialize the business idea. This interesting point cannot be given space in this very limited study but is important to be explored for future research. However, a related argument comes from Kumar (2007) who notes that the extent to which firms have adopted customization depends again on the extent to which their operations are “electronic” or “soft”. Furthermore, manufacturing companies are argued to be the farthest, e-retailers are a bit more closer whereas service companies are noted to be the closest to “perfect” mass customization (Kumar, 2007). Most computer programmers I encountered were engaged in pure service industry rather than in e-retailers.

To wrap up, regarding the applicability of mass customization as a business model, two suggestions can be made: Firstly, advanced IT competence is “pre-requisite” for the implementation of mass customization. According to Linda Peters & Hasannudin Saidin (2000), one implication for ventures that want to implement mass customization is that the costs of the technology needed to work out “individually addressable customer focused activities” is susceptible to achieving economies of scope rather than economies of scale. Secondly, regarding organizational capabilities, particularly concerning “acquisition, retention and development of the right people and skills” constitutes a constraint to mass customization. Therefore, it is important to ensure that the venture owns the necessary organizational skills (Peters & Saidin, 2000). Otherwise, the individual wealth of the entrepreneur is valuable during seed-stage of the venture to establish the business concept fully and thereafter attract partners (including team members or investors) to the venture.

5. Conclusion

Various problems and obstacles come up against entrepreneurs. Particularly, the lack of credibility constitutes a challenge for nascent entrepreneur who strive to solve the problems throughout their entrepreneurial journey. Organizational resource acquisition including

finance and people in a “dynamic environment” affects the venture’s business activities and even its establishment especially that of start-up firms. This paper looked into the process of obtaining resource commitments and how it affects resource choices of D.B.M. in the face of liabilities of newness. At the same time, the concept and implications for implementation of mass customization is looked into in line with the start-up firm D.B.M.

This paper argues that organizational resource acquisition including finance and people becomes harder for new ventures in the face of liabilities of newness, which also constitute a challenge for mass customization and unless there is a competent team and access to required resources, the business execution cannot be easily realized. The efficient combination of resources becomes even less likely to be reached when the owners delay commitment of their resources to venture creation for a long time. To this end, this paper suggests that individual wealth of the entrepreneur is valuable during seed-stage to establish the business concept fully while at the same time generating better credibility, which eventually attract partners (including team members or investors) to the venture.

In an attempt to answer the question “How do the team formation and resource acquisition process during new venture creation look like in the face of liabilities of newness?”, this paper utilized a simple game-theoretic model that analyzes the process by bargaining with multiple parties at D.B.M. Likewise, the conceptual framework helped to analyze the process deeper. The findings based on theoretical analysis suggest that the entrepreneur prefers to make a deal with the “highest value-added” partner first. However, when the entrepreneur has lower credibility and scarce available alternatives, shuttling between partners who postpone their resource commitment becomes most likely. This is where the business execution stage of D.B.M and the entrepreneur has been challenged. It is observed that against such a situation of shuttling, the entrepreneur may then intentionally choose a resource owner who is not efficient but protects her against any hold-up in the process of obtaining assets to the firm.

The effect of the business model of D.B.M on resource acquisition process is examined with the question “To what extent does mass customization as a business model influence this process?” The findings of this paper suggest advanced IT competence is “pre-requisite” for the implementation of mass customization. It is also observed that mass customization as a business model constitutes a double-edge sword for obtaining resource commitment for the case start-up D.B.M. By creating innovative services and thus competitive advantage over competitors, mass customization model attracts partners such as team members and external investors but on the other hand, the complexity of the business

model -i.e. small number of batches sent to the customer; a somewhat loss of control due to the customer involvement in the production process- discourages such potential partners of D.B.M. to commit their resources in the venture creation.

All in all, an entrepreneur can find an opportunity to deliver superior value by creative combination of resources but unless there is a competent team and access to required resources, the business execution cannot be easily realized. More specifically, innovative idea is not enough by itself to obtain external resources in the absence of a competent and committed team for new ventures. Similarly, individual wealth of the entrepreneur makes the process easier and faster to attract other core team members and thus to provide seed-funding to the venture particularly until the business concept is fully established.

6. References

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DESIGNED BY ME

CUSTOM-MADE FEMALE SHOES

You Are The Designer!

Lund University MSc Entrepreneurship Programme-BUSP01

Submitted by:

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Glen Törnkvist

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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

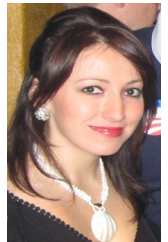
Outsourcing is cost effective and reliable way to businesses to grow. Because companies do not have to invest much capital, financial risks are relatively low (Varadarajan, 2009). On the functional side it is reasonable to give the operation to the experts than handle it by ourselves. Outsourcing is 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.

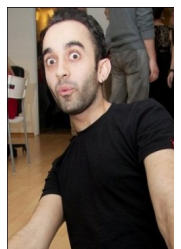
5. ORGANIZATION

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.

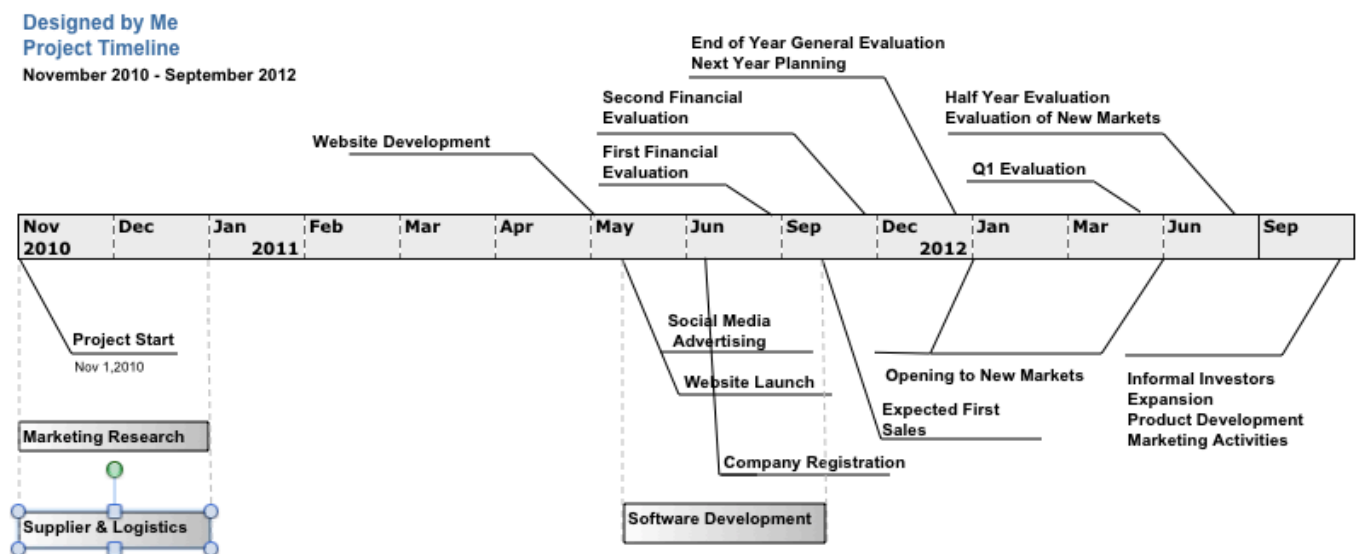
5.2.1 Vision

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: $(3966 \times 1.5 = 5949 \text{ pairs of shoes expected total})$. 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*:

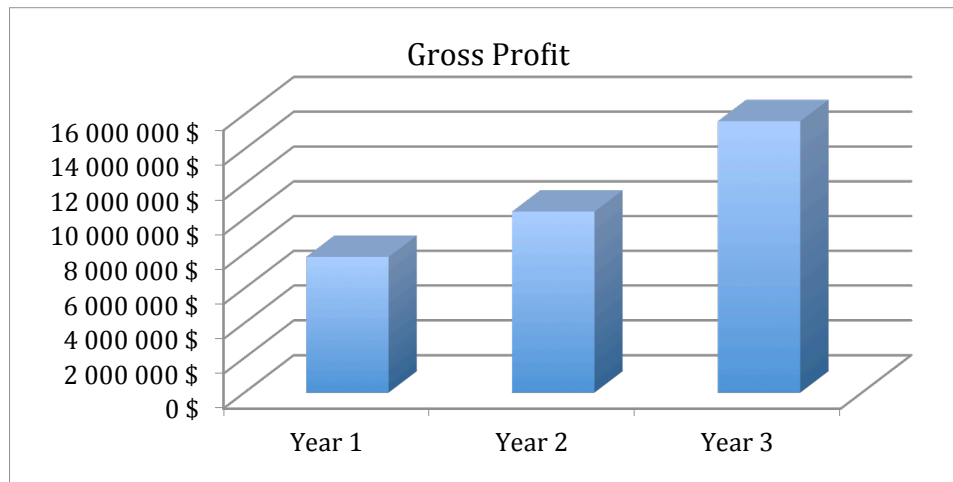
Formula: Gross profit = (number of merchandise sold x average price per unit) - (merchandise cost + shipping cost)

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

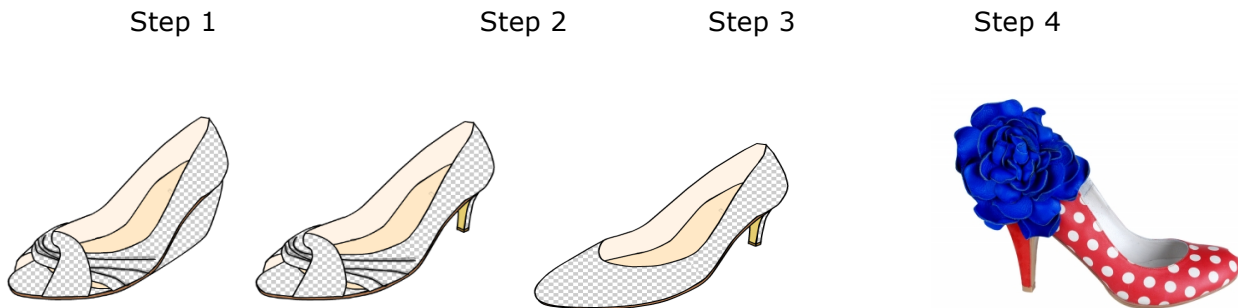
The footwear market consists of myriad of different segments with a complex web of competition and companies. Even though the competition is high, the fierce rivalry is among large multinational retail corporations. *However, thanks to our niche we can avoid full-scale competition with these large corporations.* 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.

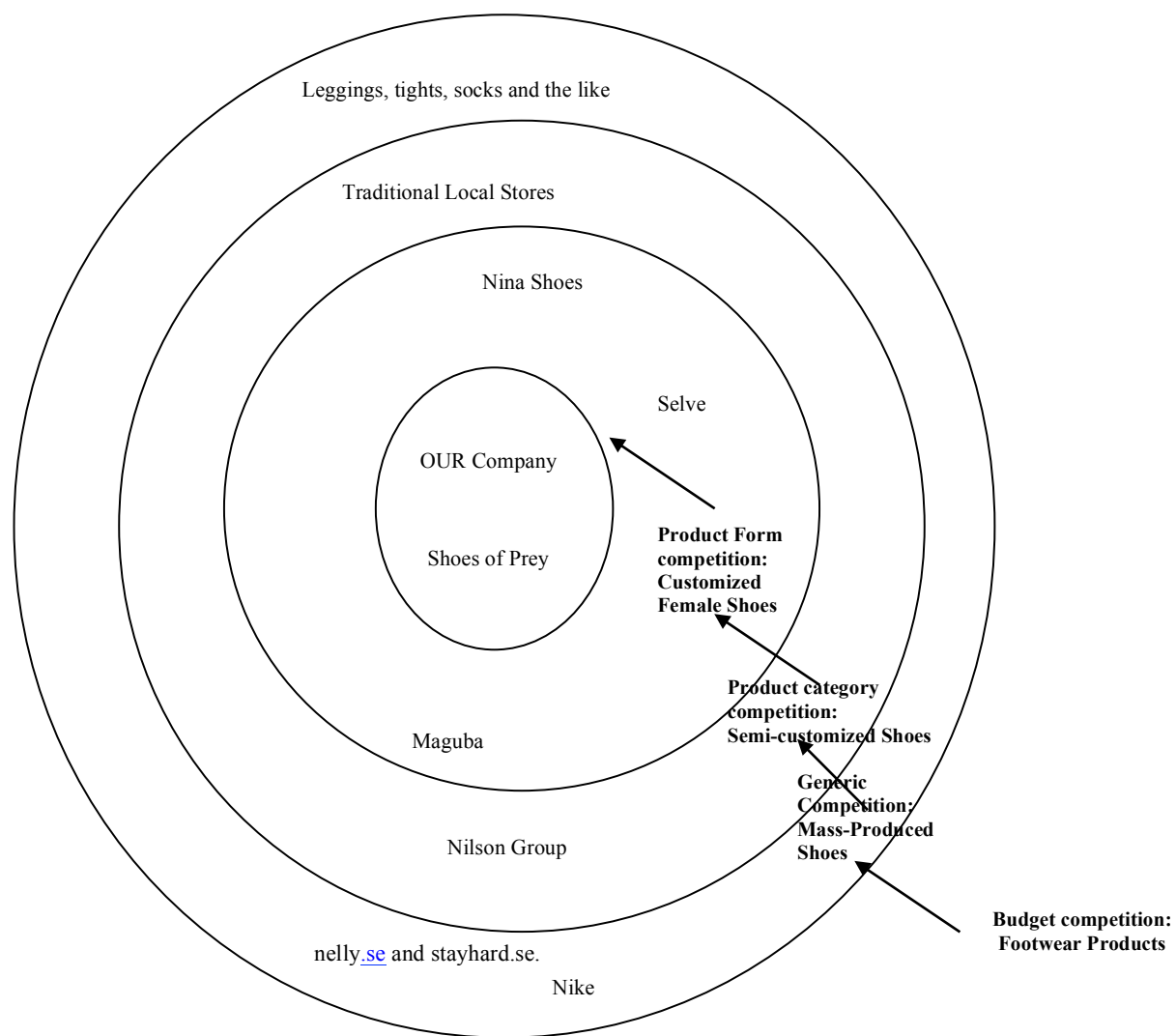
What kind of potential challenges do you see around buying custom-made shoes online? I think I would worry about if the shoes will be comfortable and fit, since I cannot try on before buying. However, I do buy shoes online, and if they don't fit or I don't like them I can always return them to the company 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