



LUNDS UNIVERSITET

Ekonomihögskolan

Department of Business Administration

FEKH99

Degree Project in Entrepreneurship & Innovation Management

Fall Semester 2015

Information Asymmetry

Why Ignorance is Gold

Authors

Axel Eriksson

Sofie Molin

Advisor

Caroline Wigren

Lund University School of Economics and Management

“All warfare is based on deception.”

- Sun Tzu, *The Art of War*

Preface

The authors would like to thank a few persons in particular for making the process of writing this thesis possible.

Caroline Wigren - Thank you for your supervision and guidance throughout the process as well as always being available. Your help and assistance has been very much appreciated.

The entrepreneurs - Thank you for participating in this study as well as showing interest and eagerness toward the study.

The customers - Thank you for finding the time and willingness to participate in an assembled focus group.

Jonathan Galovan - Thank you for all your help as well as your genuine interest and support throughout the process.

Furthermore the authors would like to thank all other individuals who have helped to contribute to this thesis as well as all baristas in Lund who has made it possible for us to drink coffee throughout this process.

Sofie Molin

Axel Eriksson

Lund, January 11, 2016

Sammanfattning

Titel: Information Asymmetry - Why Ignorance is Gold

Datum: 11-01-2016

Kurs: FEKH99 Examensarbete i Entreprenörskap & Innovation Management på kandidatnivå, 15 HP

Författare: Axel Eriksson, Sofie Molin

Handledare: Caroline Wigren

Nyckelord: Entreprenörskap , informations asymmetri, venture creation, signaling, screening

Syfte: Syftet med studien är att studera asymmetrisk information i relationen mellan entreprenörer och kunder för undersöka dess påverkan på ett nystartat företag.

Metod: Studien kategoriseras som en kvalitativ flerfaldig fallstudie med en abduktiv ansats. Empiriska datan har hämtats från semi-strukturerade intervjuer med tre entreprenörer samt från fokusgrupper med respektive företags kunder.

Teoretiska Perspektiv: Studien berör asymmetrisk information mellan nystartade företag och deras kunder genom att titta på signaling och screening processen.

Empiri: Empirin redogör vilken information kopplad till produkten som de nystartade företagen signalerar för att sedan jämföra detta med deras kundernas uppfattning av denna information. Detta i sin tur leder till ett ramverk så att författarna kan jämföra fallen med varandra för att sedan hitta mönster inom asymmetrisk information.

Resultat: Informations asymmetri existerar mellan företaget och kunderna, observerat i signalering av produkter samt hur kunderna uppfattar den informationen. Denna asymmetri påverkar de tre områdena trust, emotions och change i venture creation processen.

Abstract

Title: Information Asymmetry - Why Ignorance is Gold

Date: 11-01-2016

Course: FEKH99 Degree Project in Entrepreneurship & Innovation Management, Undergraduate Level, 15 ECTS

Authors: Axel Eriksson, Sofie Molin

Advisor: Caroline Wigren

Keywords: Entrepreneurship, information asymmetry, venture creation, signaling, screening

Purpose: The purpose of this thesis is to study asymmetric information and its role in the relation between entrepreneurs and customers in the venture creation process.

Methodology: This thesis is a qualitative multiple case study with an abductive approach. The data is collected through semi-structured interviews with three entrepreneurs as well as a focus group with each new ventures customers.

Theoretical perspectives: The study addresses information asymmetry in the relation between new ventures and their customers through the signaling and screening process. Additional theories are added to support patterns exposed during the empirical data collection.

Empirical foundation: The empirical material addresses what and how the new ventures utilize information of the product in order to compare this with their customers point of view. Further, this provides a framework for the authors to compare the cases in order to yield patterns of asymmetrical information.

Conclusion: Information asymmetry exists between the venture and customers, observed in the signaling of the product and how customers perceived this information. Furthermore, information asymmetry in this communication affect the three areas of trust, emotions and change in the venture creation process.

List of Tables

Fig. 1 - page 33: Process overview

Table 1 - page 47: Summary of Case 1

Table 2 - page 52: Summary of Case 2

Table 3 - page 57: Summary of Case 3

Table of Contents

| | |
|---|----|
| 1. Introduction | 10 |
| 1.1 Background | 10 |
| 1.2 Earlier Studies | 12 |
| 1.3 Problem Statement | 13 |
| 1.4 Purpose | 14 |
| 1.5 Delimitations | 14 |
| 1.6 Target Audience | 15 |
| 1.7 Terminology | 15 |
| 1.8 Disposition | 16 |
| 2. Methodology | 18 |
| 2.1 Initial Considerations & Perspective | 18 |
| 2.2 Research Method | 19 |
| 2.3 Research Strategy and Design | 20 |
| 2.4 Data Collection | 20 |
| 2.4.1 Semi-structured Interviews | 21 |
| 2.4.2 Focus Groups | 22 |
| 2.4.3 Difficulties with Focus Groups | 23 |
| 2.4.4 Interview Questions | 23 |
| 2.4.5 Transcription | 24 |
| 2.5 Sample Selection | 25 |
| 2.6 Data Analysis Method | 27 |
| 2.7 Process | 27 |
| 2.7.1 Theories | 28 |
| 2.8 Critical Reflection | 28 |
| 2.8.1 Trustworthiness | 29 |
| 2.8.2 Authenticity | 30 |
| 2.8.3 Ethics | 30 |
| 2.9 Limitations and Challenges | 31 |
| 3. Theoretical Framework | 34 |
| 3.1 Theoretical Foundation | 34 |
| 3.2 Information Asymmetry | 36 |
| 3.2.1 New Venture | 37 |

| | |
|---|----|
| 3.2.3 Relation..... | 39 |
| 3.3 Additional Theories..... | 41 |
| 3.3.1 Emotions | 41 |
| 3.3.2 Change..... | 42 |
| 4. Empirical Data..... | 44 |
| 4.1 Case 1: NaturalCycles Nordic AB..... | 44 |
| 4.1.1 Interview | 44 |
| 4.1.2 Focus Group..... | 46 |
| 4.1.3 Table 1 Summary Case 1..... | 47 |
| 4.1.4 Secondary Data | 48 |
| 4.2 Case 2: Six Beverages AB..... | 49 |
| 4.2.1 Interview | 49 |
| 4.2.2 Focus Group..... | 51 |
| 4.2.3 Table 2 - Summary Case 2..... | 52 |
| 4.2.4 Secondary data | 53 |
| 4.3 Case 3: Juica Sverige AB..... | 54 |
| 4.3.1 Interview | 54 |
| 4.3.2 Focus Group..... | 56 |
| 4.3.3 Table 3 - Summary Case 3..... | 57 |
| 4.3.4 Secondary Data | 59 |
| 5. Analysis & Theoretical Explanation | 60 |
| 5.1 Signaling & Screening Process..... | 60 |
| 5.1.1 Signaling | 60 |
| 5.1.2 Screening..... | 61 |
| 5.2 Patterns..... | 62 |
| 5.2.1 Trust | 62 |
| 5.2.2 Change..... | 64 |
| 5.2.3 Emotions | 65 |
| 6. Discussion & Conclusion | 67 |
| 6.1 Concluding Discussion | 67 |
| 6.2 Advice to Entrepreneurs | 69 |
| 6.3 Further Research..... | 69 |

| | |
|---|----|
| 7. Reflection | 70 |
| 7.1 Trustworthiness | 70 |
| 7.2 Authenticity | 71 |
| 7.3 Work Process | 71 |
| 7.4 Evaluation of Theories | 72 |
| 7.5 Generalizability | 73 |
| References | 74 |
| Appendices | 81 |
| Appendix 1 - Interview Guide with New Ventures | 81 |
| Appendix 2 Focus Group Guide Customers | 83 |

1. Introduction

This chapter will introduce the reader to the venture creation process, as well as the role of information asymmetry in entrepreneurship. Furthermore, the reader will be introduced to the problem as well as earlier studies made within the area, which together have formed the purpose of this thesis.

1.1 Background

Entrepreneurship is a transdisciplinary field by nature, embracing elements from multiple other fields of study such as marketing, management and psychology. As such, in the process of venture creation, an entrepreneur has access to a large assortment of various tools, from these other fields, to drive the business towards success.

However, the road to success is not easy, and Stinchcombe (1965) argues that newly created organizations are especially disposed to fail due to 'liabilities of newness'. He argues that these liabilities occur because new ventures have to learn new roles, coordinate these new roles, deal with problems of mutual socialization and because of their inability to compete effectively with a low level of legitimacy (Stinchcombe, 1965). Due to these factors there is a need to understand how an organization is evolving, to explore the process in which a venture goes from nothing to being something on the market.

The general goal associated with for-profit-making entrepreneurship is to create an economically sustainable venture, that will result in profits for the entrepreneur and bring a positive return on investment for investors (Amit et al, 1993). The speed in which a new venture first introduces its product to the market is an essential part for the survival of the new venture (Schoonhoven et al, 1990). To get products to the market is important because, according to Schoonhoven et al (1990), it helps the new venture and the entrepreneur to; create legitimacy, gain early market shares, gain a cash flow for greater financial independence and to increase the likelihood of survival. It is not easy to survive for a new venture in today's society and according to a research made by Shikhar Ghosh (Harvard Business School, 2011) 70-80 % of all startups fail. At least according to Schoonhoven et al (1990), the faster a new venture gets the product out to its first customers, the faster it will get on the path that leads to financial independence and therefore also get closer to success.

To get to the point where a new venture has its product out on the market, the entrepreneur has traditionally gone through a long process of steps. These steps are included in the traditional way of creating a venture and described by Blank (2013) as writing a business plan, pitching it to investors, assembling a team, introducing a product and to start selling the product. Blank (2013) is also describing a new and less risky process of starting a company, a relatively new method, referred to as the 'lean start-up', this new method's principles state that if you are going to fail you will do so as fast and cheap as possible while continuously learning throughout the process. The 'lean startup' favours experimentation and new ventures following this method are continuously testing their hypotheses through their minimum viable product toward potential customers to get feedback (Blank, 2013). This shows that a lot of emphasis is on speed and to get the product out to the market in the 'lean startup' approach, which goes in line with this being an essential part of new business survival according to Schoonhoven et al (1990).

To get the product out on the market is a great milestone for a new venture, but it is merely the first steps on the road to success. To become successful and generate a positive cash flow the entrepreneur has to realize the importance of sales and salesmanship for the new venture (Onyemah et al, 2013). But as a new venture it can be hard to generate sales due to the 'liabilities of newness', as shown earlier, one way to minimize this is to get the product to the market fast (Schoonhoven et al, 1990), another way is to create legitimacy through networking (Johannisson, 1988) and storytelling (Lounsbury & Glynn, 2012). Storytelling is a tool that entrepreneurs can use to legitimate themselves and their new ventures and according to Lounsbury & Glynn (2012) it is crucial to use storytelling from the beginning in order to get enterprise identification early on the market.

For entrepreneurs, the road to success is a complicated one with many sections that need to be crossed in order to reach the goal. Preceding the process of getting a product out on the market, at least for some entrepreneurs, is the process of generating financial capital from investors. In this process, information asymmetry, is generally known to be an important factor, within the field of entrepreneurship. Information asymmetry is when one party has more information than the other party in a transaction and because of this, the party with the most information achieves an advantageous position.

1.2 Earlier Studies

In regard to the field of entrepreneurship, asymmetric information has mostly been studied and researched in the relations between entrepreneurs and financial investors. Information asymmetry occurs in this relationship due to entrepreneurs having more knowledge about their enterprises than the investors (Landström & Löwegren, 2009), as well as entrepreneurs seldom having the resources to self-finance their enterprises, making it more likely for external investors to control key resources. In these cases, information asymmetry is a result from investors having to interpret signals from entrepreneurs projects and research and development investments (Ye, 2015). The investors tend to apply a higher rate of risk premium in these situations due to differing knowledge bases and information scarcity (Douglas et al, 2014).

It is vital to acknowledge the presence of information asymmetry in this relation in order to tackle a likely rising moral hazard problem (Ye, 2015). Moral hazard is a widely used term in economics emphasizing the risks of information. It alarms the outcome of two parties having a conflict in interest, describing how a party may act in self-interest, ignoring the consequences of the others parties involved in a transaction (Elitzur & Gavious, 2003). If information were perfect the contract between parties would be optimal. Therefore imperfect information is extensively used to alleviate the moral hazard problem (Holmstrom, 1979). By observing enterprises associated with great uncertainty on their revenues, both investors and entrepreneurs can learn to act upon information asymmetry and minimize moral hazard aspects. Despite a division in entrepreneurs and investors perceptions, discussing and hearing each other out will reduce information asymmetry, build mutual trust and create a mutually beneficial situation for the investor and entrepreneur (Douglas et al, 2014).

As described above, it is easy to see that asymmetric information plays a key role in understanding the process of generating capital as well as the relation to investors for the entrepreneur. As mentioned earlier, this is one section to be crossed, for an entrepreneur, on the long road to success. However, less research has been done on the other side of the spectrum, with the entrepreneur and the customers in focus. Therefore the authors of this thesis have chosen to focus on this, assuming information asymmetry can be interpreted in the relation between the venture and its customers, related to information regarding the products or service offered by the venture.

1.3 Problem Statement

In order to investigate asymmetric information between customers and new ventures the product is chosen as the tool to utilize this procedure. The product will work as the bond between the entrepreneur and the new ventures customers, making it possible to investigate and compare information in an easier and more comprehensible way.

In the sale of every product or service, there is a level of information asymmetry between the buyer and the seller. If looking at it from the customer's side, information asymmetry makes it costly and problematic to determine the quality of a product (Nayyar, 1990). Known by the customer or not, the seller can utilize this information asymmetry to some extent in their marketing and sales strategy.

The lack of information for the customer may arise because of different reasons, the seller might have the intention to deceive its customers, it might be an unfortunate miss somewhere in the line of communication or maybe because the consumer simply lacks the interest to collect the relevant information even when it is available.

An example of information asymmetry, later classified as false advertisement, was when the American wireless carrier AT&T failed to inform its customers that their 4G LTE service might reach speeds slower than advertised, in this case it resulted in a \$100M fine for AT&T (CNET, 2015). Another example of information asymmetry is when Allstar was selling their product the Snuggie in a 'two for ' one campaign, where the customers thought they were buying two Snuggies for "just \$19.95", Allstar neglected to mention to its customers that they had a processing fee per product of \$7.95, therefore the end price ended up being about 80 percent higher than originally advertised, the end result in this case was thousands of customers having their payments returned (Washington Post, 2015).

It might also be that customers lack information about a product because they, intentionally or not, do not take part of all information available. In a recent lawsuit against Apple Inc. for allegedly deceiving customers regarding the storage space of iPhones and iPads, an example of customers lacking information can be seen. The lawsuit claims the difference in available capacity on devices using iOS 8 is beyond reasonable expectations because the operating system takes up around 20% of the storage capacity and that Apple fails to disclose this in the

communication with its customers (Headlines & Global News, 2015). On the other hand, it has become common practice for phone and tablet manufacturers around the world to advertise a larger storage space on the box than available and Apples' phones do not perform worse than other brands (Dailymail, 2015), this questions if the lawsuit is righteous.

These are examples of larger companies experiencing the effects of asymmetric information. Whether or not this was part of the company's strategy or if they were even aware of the fact that an asymmetry in information was arising is hard to say. In these examples information asymmetry is assumingly seen as something negative, but the authors argue information asymmetry does not necessarily have to be something negative.

1.4 Purpose

The purpose of this thesis is to study asymmetric information and it's role in the relation between entrepreneurs and customers in the venture creation process. From this the authors aim to give advice for entrepreneurs on what to think about in regard of information asymmetry.

The is achieved by researching the knowledge customers have of the products and comparing this with the information provided by the entrepreneurs and their enterprises. The aim of the study is to draw broad conclusions regarding the role of information asymmetry in the venture creation process for entrepreneurs and be able to give advice on what to think about in regard of information asymmetry as well as make suggestions for what might be further researched.

1.5 Delimitations

The study is conducted in Sweden with entrepreneurs selling products related to the health trend. Motivation to these delimitations are described below;

First, the authors focus on products related to the health trend. With health trend the authors mean products in society which are associated with the ongoing trend of feeling healthy and the urge to take care of our bodies. This choice is mainly due to the fact that health products are increasing in popularity, in combination with own interest. The consumer health industry is one of the most lucrative sectors (Fortune, 2014) and predicted to be a top trend in 2015 by

PricewaterhouseCoopers (Forbes, 2015). Additionally, entrepreneurs have a rumour of being industry experts according to an article in Forbes (2015) and Bobo Af Ekenstam, CEO of the analyst company Doceres, mean that entrepreneurs who aim and choose to solve problems within the health segment have the largest opportunities to succeed in astonishing the world (Starta & Driva Foretag, 2015). The consumer health industry consists of a high level of uncertainty making it extremely difficult for consumers to evaluate the quality and fully understand the effect of products (Arrow, 1963). Due to these aspects, health trend products is an interesting entrepreneurial research area to aim the focus towards in this study.

Secondly the authors focus on health products in Sweden mainly due to concerns regarding practicality and time. Considering the national public health policy bill in Sweden is one of the few in the world based on 11 objective domains with a goal of providing long and healthy lives for its citizens, this clearly indicates on how the population is keen in taking care of themselves (Folkhalsomyndigheten, 2011). This, in combination with the yearly market report of Livsmedelsverket, a Swedish authority for companies within the food industry, which claims that the most prominent consumer trends continues to be ecological and healthier alternatives, (Livsmedelsverket, 2014) makes consumers health in Sweden a interesting entrepreneurial area to investigate.

1.6 Target Audience

This thesis is conducted and written with the goal of being read by a broad audience. While still being for academic purposes, it also aims to be readable and usable by practicing entrepreneurs. As such, the authors hope to appeal to both fellow students and people outside of the academics.

1.7 Terminology

The terminology works as a basis for the readers to understand and be familiar with words which are of high relevance and frequently used in the thesis.

Information asymmetry / asymmetrical information: The case of two parties having different levels of information, which indicates that one party has an advantage over the other.

Venture creation process: This concerns the process from a new venture being formed to becoming fully established on the market.

Health trend: This refers to the on-going trend in society that is linked to health-related products, in other words, products linked to health and wellness.

Information Economics: A microeconomic theory studying information and the effect it can have on economic decisions.

1.8 Disposition

CHAPTER 1 - Introduction

This chapter introduces the reader to the background of the problem, earlier studies made within the area and a discussion which leads to the purpose and the scope of the study.

CHAPTER 2 - Methodology

This chapter motivates the methodological choice and approach, in other words, how the thesis is conducted, as well as critically evaluates the choices of method.

CHAPTER 3 - Theoretical Framework

This chapter begins with describing the role of information asymmetry in the market place in a microeconomic context. Thereafter the selected theories for collecting and evaluating empirical data are presented.

CHAPTER 4 - Empirical Data

In this chapter the findings from the collected data is presented. Each case is presented at a time, starting with the interview with the entrepreneur, followed by data from the focus group and ending with an examination of the new ventures website.

CHAPTER 5 - Analysis & Theoretical Explanations

In this chapter the authors compare and draw parallels between the selected theories and the empirical data in order to make sense of the asymmetric information as well as the identified patterns within the cases.

CHAPTER 6 - Discussion & Conclusion

This chapter presents the concluding findings in order to answer the purpose of the thesis as well as suggestions for entrepreneurs in regards of information asymmetry in the venture creation process. Thereafter recommendations for further research is suggested.

CHAPTER 7 - Reflection

The last chapter consists of a discussion and reflection upon the strengths and weaknesses of the thesis.

2. Methodology

This chapter will present and motivate the choice of method and the formation of the research strategy. The chapter begins with describing considerations and factors that have played a part in the perspective of the study and the reasoning of the conclusions. The choices of method are thereafter motivated and described together with other common practices within business research.

2.1 Initial Considerations & Perspective

Since the objective of this study is to study information asymmetry and its role in the relation between entrepreneurs and customers and ultimately seek its practical applications in the form of advice for entrepreneurs on what to think about in the venture creation process, the methodical approach is chosen in order to be open minded and not bound strictly by scientific theories.

When choosing method, the understanding within the social contexts that also take people's motives and opinions into consideration is important, since measuring what information people have is complex. Landström & Löwegren (2008, p. 318) writes that “entrepreneurship research should be developed in close connection with society and the development of the knowledge economy” to yield strong results in this context. The method of the study is designed as such with both theory and practice in mind, which also reflects the kind of knowledge production described by Gibbons et al. (1994) as ‘mode 2’ research, which leads to new knowledge that is transdisciplinary in nature, as the field of entrepreneurship is.

The points made above led to the study being formed in line with the view of interpretivism that states the requirement of considering the different nature of people where social action is involved (Bryman & Bell, 2007) and the social interaction that takes place. In line with requiring a search for deeper understanding of how entrepreneurs work with information asymmetry in their new ventures, with the asymmetrical information being immeasurable, the research within this study is categorized as qualitative.

Furthermore, in order to avoid having too strict constraints from the initial theories of information asymmetry on the market, while still using these as a starting point for the research process, the study adopts the abductive line of reasoning in order to reach conclusions with practical applications.

2.2 Research Method

The qualitative research method is suited for this kind of research because its ability to derive meanings from the social context in which entrepreneurship takes place. The qualitative method is chosen over the quantitative method as it lacks the ability to draw meanings from such contexts. Instead, quantitative methods are used to analyse data that is measurable and often numerical, with large samples collected to draw conclusions from statistics. A quantitative method can be used very well to test hypotheses in a deductive manner, with previous theories leading the research (Bryman & Bell, 2007). The aim in this study is not to test chosen theories, which excludes the use of an entirely deductive approach.

Qualitative methods, however, denote having a contextual focus with smaller, more individual samples from which data is collected. The data is non numerical and immeasurable, relying instead on words and meanings through the process of coding (Bryman & Bell, 2007). The meanings can be used in inductive research approaches to derive theory from the findings, in which data is collected and findings are analyzed to conduct research from different views of a certain phenomena (Peirce et al, 1931). Observing and finding alternative explanations without having any previous knowledge is then possible (Bryman & Bell, 2007). Since the research topic is chosen first after conducting a literature research, therefore the part of having no previous knowledge, excludes the use of an entirely inductive approach in this thesis.

Neither the properties of the research types nor the generalizations of epistemological orientations are absolute, and it is possible to combine aspects in the forms of *mixed methods* (Schwartz-Shea & Yanow, 2012). Similarly, the deductive and inductive reasoning approaches can be combined into the *abductive* approach that is both starting with an initial theory and then spiraling away to seek further understanding and theories (Schwartz-Shea & Yanow, 2012). The study in this thesis is done after reviewing the literature on information economics and aims to build upon the existing theories, and therefore follows the abductive approach.

2.3 Research Strategy and Design

A research strategy and design is matched with the method in order to guide and ease the process. In information asymmetry, as previously stated, there are always at least two parties involved, therefore a research strategy involving both the entrepreneurs and their customers is constructed.

A comparative design is implied to study the logic of comparison. This design entails using more or less identical methods of two or more contrasting cases (Bryman & Bell, 2011). In this study three cases are examined, whereas one case refers to investigating asymmetrical information between a new venture and its customers in regards of information of the product. By using this design, patterns in and between cases are sought, related to asymmetric information. The study thereby takes form as a multiple case study and the data is collected within a comparative case study design format. The latter is designed through semi-structured interviews and focus groups, and since the number of cases examined is more than one it also increases to the potential of generating new theoretical ideas according to Bryman & Bell (2011). By comparing information through a comparative snapshot in three cases, the authors aim to gain a deeper understanding of patterns of information in an entrepreneurial context. This is done by conducting semi-structured interviews with the new ventures and focus groups with their customers, to examine each individual case and then compare them with each other.

2.4 Data Collection

According to Lundahl & Skäravad (1999) data is collected through either primary or secondary sources. Primary sources refers to the information the authors have collected themselves whilst secondary sources is collected by other scholars.

The primary data is collected from semi-structured interviews with the companies as well as focus groups with customers. Due to the chosen scientific approach and analytic tools, this study, as stated above, uses a qualitative data collection method to match the purpose of the study. This data is collected in the aim of finding and understanding out the participants' feelings, views and opinions regarding the ventures and the information they provide. By using primary data the authors are able to customize and steer the questions and discussion toward the specific research topic and thereby gain larger control of the data quality. (Bryman & Bell, 2011).

The key source for the secondary data consists of collecting data from texts about the products online where the authors look at what information is commonly supplied to customers and what information companies choose to distribute. This information is gathered for further support in the comparison of the entrepreneur's and customers view on information in order to find patterns. The fact that websites frequently change and disappear can create problems when gathering data from websites (Bryman & Bell, 2007) . However, by looking at websites, the authors aim to gain a larger understanding of the information that reaches the customers. A huge benefit of using secondary data is the aspect of time (Bryman & Bell, 2011). Instead of solely collecting own data, the authors are through this data collection method given more time to analyze and discuss information from other platforms.

2.4.1 Semi-structured Interviews

By conducting qualitative semi-structured interviews with each enterprise the authors aim to acquire a mutual comprehension of each entrepreneur, as well as what information, according to the them, is shared with and understood by the customers. Semi-structured interviews are more general in their scope than in structured interviews, giving the interviewee more freedom in how to reply (Bryman & Bell, 2011) and the possibility to express their subjective standpoints without feeling constrained. This way the entrepreneurs may ‘ramble’ and reveal insights about their companies, in contrast to quantitative research where this behavior is disregarded (Bryman & Bell, 2011).

All the semi-structured interviews are conducted via Skype with the same interviewer conducting all interviews. Advantages of interviewing through Skype or telephone is the efficiency in time, the interviewer does not need to spend time to travel to the respondents as well as the respondents’ replies can not be affected by personal characteristics of the interviewer. It may also be easier to ask sensitive questions since the respondent may be less distressed since the interviewer is not physically present (Bryman & Bell, 2011). A flaw with Skype interviewing is the risk of technical difficulties that can arise, such as disconnections. This is taken into account by having alternative solutions easily accessible if something would go wrong during the interview. Another disadvantage of conducting interviews by telephone is also how the interviewer may not discern discomfort, puzzlement or confusion through body language (Bryman & Bell, 2013). However by using a single interviewer in the interviews the respondents hopefully do not feel intimidated nor find it difficult who to talk to, as it may be if multiple interviewers are used (Bryman & Bell, 2013).

2.4.2 Focus Groups

The customers of the new ventures are targeted by conducting focus group interviews. Through this, the customer's' perspective of information of the product may be discovered. Focus groups can be explained as an unstructured situation to gain opinions and values, for example a group of people who unite to discuss their reactions to a new product or service (Bryman & Bell, 2013). By conducting focus groups with people who have a certain experience in common, they can together easier make sense of a phenomena (Bryman & Bell, 2011), linked to this thesis in how information of a product is interpreted from a new venture. The aim of focus groups is to end up with a more general result on what people think and create an engaging discussion (Bryman & Bell, 2013).

The above method is of value in order to gain a more unified understanding of the customer's' point of view to more likely make a fair and honest analysis. A focus group usually involves three to five people, but varies depending on the purpose of the study (Bryman & Bell, 2011). In this study three participants are in each focus group except in one where there is only two participants since one participant dropped out on the day of the interview. A committed discussion is easier to establish by having smaller focus groups because it is easier for each member to be heard and to share their thoughts (Bryman & Bell, 2011). Larger groups can create a a difficulty in stimulating discussion, especially if participants have little experience of the topic, making it more sufficient to choose few participants who are more informed (Bryman & Bell, 2011). This, in combination with time constraints and the difficulty in targeting customers in newly started ventures, who had both time and willingness to participate, explain the smaller size of focus groups.

Online focus groups refer to focus groups that take place through the various means on the Internet. In this study focus groups are performed through a written dialogue on Skype. A moderator is chosen to lead the conversation and not to confuse the participants with too many interviewers. All the authors are thus present to help the moderator during the interview, as well as ease the process in building a joint understanding of its implementation for the data analysis. Bryman & Bell (2013) recommend using focus groups online in order to avoid problems with the traditional approach. First of all, the interviewers do not have to travel to the respondents, this is both time efficient and comfortable. By conducting focus groups online the respondents can also be anonymous since the interviewer can neither see

nor hear the voice of the participants. Through this way the more quiet people may feel more comfortable in speaking up and the respondents or interviewers age or gender cannot affect the discussion as it may in the traditional focus group. (Bryman & Bell, 2013). The respondents have more time to elaborate and reflect on their answers. This is clearly observed in all three focus groups since the chat on Skype makes it possible for the authors to observe how a respondent can start writing to later erase and change the answer before sending, indicating on a more carefully considered answer.

2.4.3 Difficulties with Focus Groups

A negative aspect of using focus groups is how too many respondents may result in a fast paced conversation, excluding other participants having the time to answer (Bryman & Bell, 2013). This in combination of how the atmosphere is difficult to determine online and the moderator has to constantly steer the discussion in the right way. This is taken into consideration when conducting the interviews and the moderator tries to encourage and leave time to all the participants involved to have the choice to elaborate on each question asked. Another challenge is to interpret not just what the participants say but how they say it, the particular language and nuance in their expressions (Bryman & Bell, 2013). In order to avoid this type of misunderstanding, the moderator in the interviews asks the participants to elaborate on expressions which are hard to define the true essence of.

2.4.4 Interview Questions

The interview questions to both the entrepreneurs and customers are carefully designed. A common data collection error is a consequence of poor question wording and poor interviewing techniques (Bryman & Bell, 2011). To avoid this, a lot of effort and time is spent on formulating the questions and discussion areas.

The choice of semi structured interviews as well as focus group interviews also increases the possibility to add additional questions and steer the discussion in the right direction during the time of the interviews.

The semi-structured questions to the companies are more general and built to give the moderator the option of asking further questions in response to what the replies are (Bryman & Bell, 2011). The questions to lead the interviews with the entrepreneurs are found in

Appendix 1. The focus group questions are constructed as open questions to give the participants the possibility to discuss their own thoughts and opinions. (Bryman & Bell, 2011). A set of areas are constructed to discuss, in order for participants to be encouraged to talk freely but at the same time be inspired from other participants knowledge. The focus group questions can be found in Appendix 2.

Both the questions toward the new ventures and the focus groups are structured with regard to the essential theories collected before the data collection. There is a short theoretical motivation before every category of questions found in both Appendix 1 and 2. The guiding questions are designed with the principles of interpretivism in mind, and have been carefully considered since direct questions about information asymmetry is deemed to be too sensitive. In the focus group guides the questions are inspired from the theory of screening by Stiglitz (1975), and on the other hand the interview guide for the entrepreneurs is inspired by the signaling theory by Spence (1973). This means that the customers and entrepreneurs questions contrast each other, as the signaling and screening theories do, and be used comparatively to yield patterns.

2.4.5 Transcription

All three interviews with the entrepreneurs are thoroughly transcribed. Even though the process is time intensive and sometimes requires more equipment than pen and paper to be able to record the authors found it of high importance. By transcribing the interviews allows a more thorough examination of the data and what people say as well as it helps correct the natural limitations of the researchers memories and the biased glossary of what the participants say in the interview (Bryman & Bell, 2013). When conducting focus groups online removes the need for transcribing the conversations. There is no risk of not hearing what the respondents say since the text is written down automatically (Bryman & Bell, 2013). Having a precise transcription from both the interviews and the focus groups eases the process to make a more honest and fair analysis later in the study.

2.5 Sample Selection

The selection process decides which new ventures and customers are selected for the study. By constructing criteria, companies are pinpointed to match and contribute to the discussion on behalf of the purpose of study. The companies are chosen after convenience sampling which refers to people who are easy to reach (Bryman & Bell, 2013). The 6 criteria that the possible candidates need to fulfill are explained below:

- New venture on the market (been established for maximum 5 years)

This criterion is set to submit focus in the entrepreneurial field of study. The new ventures are according to the authors in the middle of their venture creation process due to the fact that they have not yet been fully established on the market but still succeeded in getting their product to the market. The latter makes these new ventures relevant in order to study asymmetric information in a venture creation process.

- Reachable customers

This criterion is set to be able to get in contact with the new ventures customers since information derives from two sides, which makes this criterion a vital necessity in order to fulfill the purpose of the study.

- Using a differentiation strategy

Ventures are divided based on their competitive strategy with either the strategy types: cost leadership or differentiation (Porter, 1980). A cost leadership strategy follows the success of another, proven, type of product whereas differentiation strategy refers to making the product different from others. Stake (1995, p. 4) presents case selection guidelines where “the first criterion should be to maximize what we can learn”, and since new ventures that are based upon cost leadership strategies are not expected to contribute as much original thought and insight to the study, these are disregarded.

- Products related to the health trend

This criterion is set to be in line with the empirical focus of the study but also because it is an entrepreneurial field of high interest.

- Established in Sweden

This criterion is purely based on geographical limitations.

Due to the design of the above criteria the authors argue the selection of ventures is not randomly selected. Primarily this results in identification of a bunch of new ventures in Sweden which the authors find applicable and matching the stated requirements. Out of these, three are chosen due to accessibility and further investigated and contacted through mail to see if the entrepreneurs are interested in participating in the study. Two of the three ventures in this study were found through Veckans Affärer (Veckans Affärer, 2015), by looking at the hottest new startups in Sweden. The third venture was found through a recommendation to a friend of the authors.

Further, since the authors are interested in studying customers' information regardless of the customers' gender, age or class, they do not find it necessary to have a selection process toward the focus groups. The only criterion of relevance is that the respondents are consumers of the product or service of the chosen companies, and that they should have interests and lifestyles that align with the idea of the interviewed venture. The customers participating in this study are found and contacted through a time-consuming search process in the new ventures' social media platforms, through Facebook pages and Instagram accounts. The authors have utilized convenience sampling due to the difficulty of finding customers. Hence the authors do not have any further relation to the participants as well as the majority of the participants do not have any earlier connection with each other either.

2.6 Data Analysis Method

The collected data is evaluated and thereafter categorized, in order to yield patterns, in form of an ethnographic content analysis. Bryman & Bell (2004) state how a qualitative content analysis is "probably the most prevalent approach to the qualitative analysis of documents" and that it "comprises a searching-out of underlying themes in the materials being analyzed" (p.392) and therefore the authors found the method relevant for a case study research analysis. A content analysis does not predefine categories of the data as a quantitative content analysis suggests, but instead loose categorisations enables the authors to make adjustments throughout the research (Bryman & Bell, 2011), this also indicates further motivation for this approach.

The first step of the analysis was to transcribe the collected data. Following the transcribing of the qualitative data, the process of open coding began, which is described by Bryman & Bell (2007, p. 593) as "the starting point for most forms of qualitative data analysis". The process of coding allows for easier interpretation and allows for categorical aggregation within each individual case (Stake, 1995). Once the data of each case is coded, the cases are compared with each other, in order to find similarities and differences between them. This allows for categories representing the identified facts to become clear in all the cases together as a whole. From this, tables with categories are constructed with a summary of the data collected from each case. This makes it easier to study the data and compare similarities and differences within and between the cases. At last, the authors found patterns in these categories which are further analyzed together with selected theories to thereafter draw conclusions.

2.7 Process

First, the authors chose the thesis area to investigate and matched this with a relevant choice of method. The method of research is designed to be conducted with analysis occurring continuously between theory and collected empirical data, starting with initial theories and patterns the authors found relevant before the data collection from focus groups of customers and interviews with the respective companies were conducted. Throughout the process the related cases are studied comparatively, as described by Bryman & Bell (2007) as a method of gaining awareness of the similarities and differences between them.

In the later stages through coding the empirical data, categories are sought between the different ventures and their respective customer groups, in order to seek generalizable patterns. From this additional patterns are derived and explained with additional theories. The patterns are thereafter analyzed together with all the theoretical explanations in order for the authors to later draw own conclusions.

2.7.1 Theories

The search for relevant literature occurs gradually throughout the process. The most essential/basic theories will be added to the theoretical framework before the empirical data is collected in order to easier comprehend the data. The signaling and screening theories are derived in order to study information asymmetry between the new ventures and customers. Additionally the authors predicted an essential pattern linked to information asymmetry, trust, to be of high relevance for the thesis. To clarify, these theories are used as the basis of the analysis. The second part of the theoretical framework will be searched for and added to the chapter as the empirical data is being analyzed and if additional patterns are derived.

The literature search is conducted primarily via databases connected to Lunds University such as LUB search, Google Scholar, Researchgate. Additionally books are derived from the LOVISA search engine and collected at Lund university's different libraries.

2.8 Critical Reflection

The critical reflection begins with reflecting upon two of the most noticeable criteria for business and management research: reliability and validity (Bryman & Bell, 2011). Reliability refers to the study's replication, in other words how much a study is repeatable. This is a strong asset in quantitative studies to test if measures are stable or not (Bryman & Bell, 2011). Reliability refers to the readers' assurance in consistency. Validity on the other hand is according to Bryman & Bell (2011) the most important criterion and refers to if researchers are measuring what they initially planned in combination with the truthfulness in their conclusions. Validity brings up the question if there might be other pointers better for conveying key concepts (Schwartz-Shea & Yanow, 2012).

Internal validity refers to a suitable match between theoretical ideas and observations. Lecompte & Goetz (1982, cited in Bryman & Bell, 2011) argue internal validity is an asset of qualitative research since participation in social life will ensure a high level of similarity between researchers observations. Ecological validity refers to whether social findings are applicable in people's everyday settings by looking at the instruments used to capture daily values and opinions and applies well to interviews in qualitative studies (Bryman & Bell, 2011). By using semi structured interviews and observing focus groups both internal and ecological validity are taken into consideration in the study.

However, both validity and reliability are argued to be more relevant in quantitative research and more correlated to measurements. Therefore Lincoln and Guba (1990, cited in Bryman & Bell, 2011) propose trustworthiness and authenticity as criteria appropriate for qualitative studies.

2.8.1 Trustworthiness

Credibility refers to how convincing the findings are. This relates to how confident the readers feel to the discoveries (Bryman & Bell, 2011). To establish credibility in this thesis the authors use persistent observation in the study, both when conducting the primary but also secondary data. Through this the authors can identify the features and fundamentals considered to be the most relevant for the situation.

Transferability refers to if the discoveries are applicable in other contexts (Bryman & Bell, 2011). This is perceived through using thick descriptions of patterns, field experiences and observations throughout the process.

Confirmability refers to if the discoveries are biased and intruded by the researcher's values (Bryman & Bell, 2011). All personal values are thereby excluded from this study.

Dependability refers to if the discoveries are consistent and therefore likely to apply at other times (Bryman & Bell, 2011). By having an external audit, a submitter, throughout the process, the research study is discussed and examined together with a professional researcher throughout the journey who has evaluated the accuracy and interpretations of conclusions supported by relevant data.

2.8.2 Authenticity

Authenticity mainly refers to if the evidence is trustworthy and gathered from flawless sources. A study's authenticity is decided by looking at different perspectives of the research objectives and the social setting which they are coined (Bryman & Bell, 2013). Therefore by looking at different perspectives eases participants to understand their social setting better. By asking open questions in the interviews and focus groups, no attempt in leading the participants in a certain direction is made. The different subjects of the interviews are also clearly stated in the interview guide in order to establish authenticity and enhancing a more clear understanding of the information gap between customers and new ventures. According to Platt (1981) documents need to be scanned to establish authenticity. Details may otherwise arise that show error from copying, reproduction or other approaches of transmission. Such details include for example: (i) The document does not make sense or has clear errors; (ii) When there are internal inconsistencies in terms of style; (iii) When there are different versions of the same document; (iv) When the version available is derived from a dubious, suspicious or unreliable secondary source (Platt, 1981). Since a qualitative study makes complete copying and reproducing of primary sources impossible more effort is thereby put in carefully examining all secondary sources, theories and ideas by observing their academically recognition and how accepted they are by previous scholars before using them in this thesis.

To conclude, trustworthiness and authenticity criteria are encouraged in this thesis instead of validity and reliability, since they are more applicable for this qualitative study considering complete duplication is impossible.

2.8.3 Ethics

The ethical guideline in this thesis is determined mainly by the research and individual requirement. The research requirement refers to how the study contributes to some extent to public welfare whilst the individual requirement refers to how participants should feel respected and not under any circumstances violated during their participation. In the interviews the information, approval, confidential and utilization requirements are taken into consideration. These four requirements are the basis and form the individual requirement (Langemar, 2008). These are obtained in this study through following procedures; 1) all participants are informed of the purpose of the study 2) No participants are forced to answer questions if they wish not to 3) Every participant is asked the choice of being anonymous

and 4) The evidence found in the analysis is only used for this thesis. The lack of informed consent and anonymity also emphasizes not only ethical but legal considerations (Bryman & Bell, 2013). By letting the participants know about the purpose of this study and the choice of being anonymous, issues regarding privacy and confidentiality, have been applied.

2.9 Limitations and Challenges

The authors acknowledge that there exists limitations and challenges in the choice of methods.

For example one risk of having an interpretive perspective is that the authors may claim to already consume knowledge on the research topic since they are interacting with people who experience it in their personal lives (Schwartz-Shea & Yanow, 2012). This may lead to a biased study and a difficulty for the researchers to look beyond their predictions when interpreting the empirical material.

An interpretivist research is linked to an abductive approach. This marks a constant puzzling over empirical materials and theoretical literature. In contrast an inductive and deductive approach may have been more easily to follow being more linear in their process (Bryman & Bell, 2011). An abductive approach may therefore take more time and be difficult to grasp since it requires the researchers to take into consideration multiple pieces at once.

A qualitative study may further be criticized of being too subjective and impressionistic. When using a quantitative measurement finer distinctions are much more easy to distinguish and give a consistent device (Bryman & Bell, 2011). This approach can give a more accurate depiction of what large numbers of people's opinions when drawing conclusions.

Replicability is also seen as an important ingredient in quantitative research (Bryman & Bell, 2011). By working with the aim of being replicable, every step in the process is carefully shaped. If a study is replicable, international comparisons may also be easier in order to test the results of the study (Bryman & Bell, 2011). A qualitative method is on the other hand difficult to replicate since a qualitative study consists of many variables which are impossible to 'freeze' in a social setting.

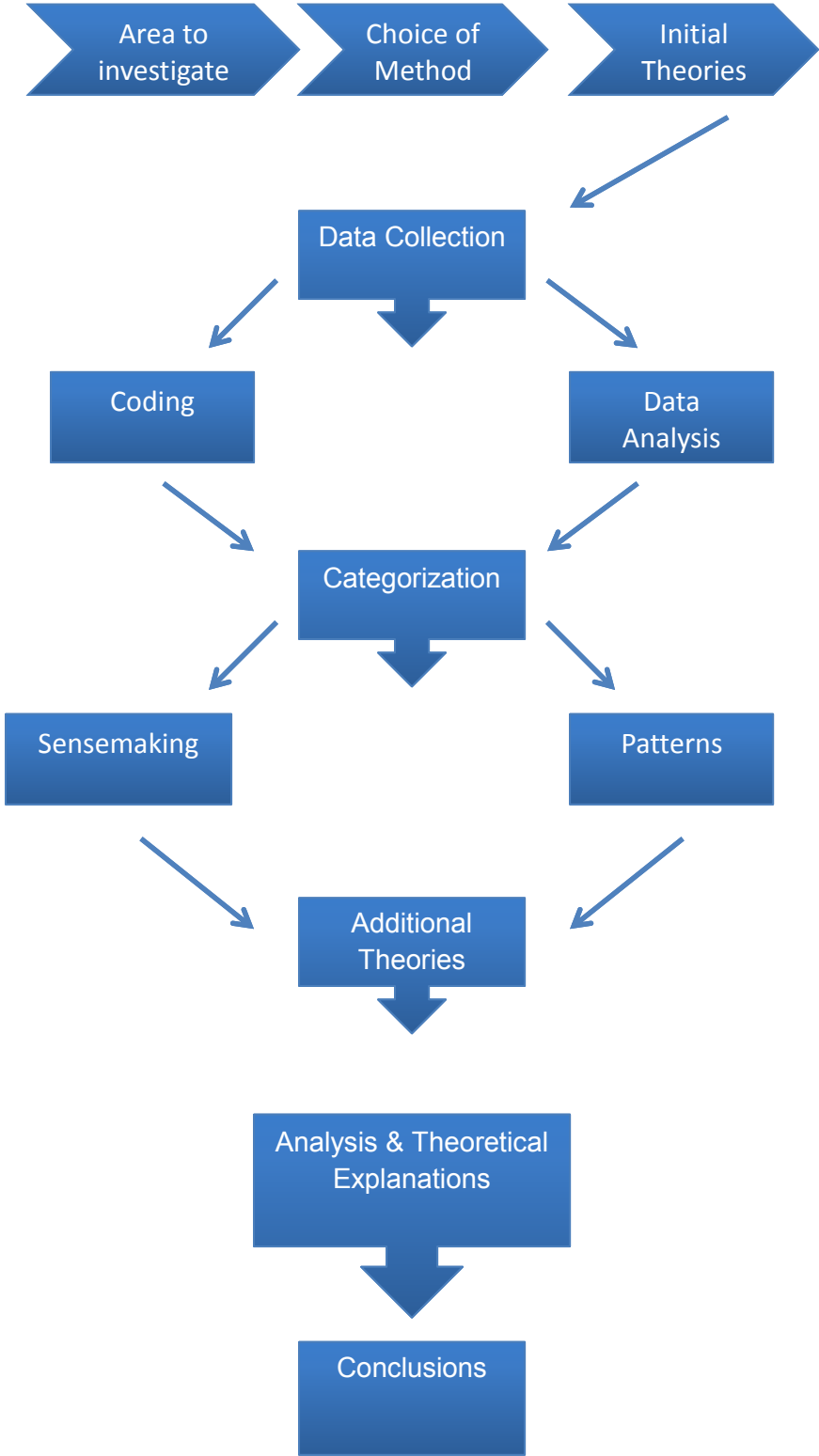
A multiple case study is difficult to conduct in many ways.

First, the selection of relevant empirical data for the analysis is puzzling for the authors, this due to the load of information conceived from both parties involved. Additionally the comparison leads to less individual narrative and generalization from the cases.

When executing semi-structured interviews, the companies may be biased in their answers making it difficult for the authors to conclude how much alternative information is not being distributed. Also by only asking one person the opinions and experiences of the whole organization may not have been reflected in their answers. In the focus groups the authors are aware of how other participants with different background and experience may have utilized a different result. This limitates us to only draw conclusions based of the participants opinions who are involved in this study. By conducting focus groups it is also easy for the participants to ‘take over’ the procedure and there endures a careful balance on how involved, the interviewer should be in the debate. Also focus groups are time demanding and difficult to organize. It is therefore acknowledged how time could have been saved by choosing an alternative method.

Additionally,by looking at more cases not only from Sweden the analysis most likely would have yielded a different result. The choices of the method process is however valid for the readers to evaluate after stating the research method and motivating the line of action above.

Process Overview



(Fig. 1)

3. Theoretical Framework

The purpose of this chapter is to provide the foundation for understanding information asymmetry in the micro-economic context as well as information asymmetry between the new venture and the customers and its role in this relation. This chapter begins by presenting theories that both define and explain information asymmetry and its effects on the market in a micro-economic context. Thereafter, the theories used for creating the interview guides along with evaluating and analyzing the collected empirical data are introduced.

For a more logical and easier overview the chapter is divided into three sections:

- Section one introduces and explains the theoretical foundation that this thesis is built upon, information asymmetry in a micro-economic context.
- Section two introduces the essential theories needed to understand information asymmetry and the role it plays in the relation between entrepreneurs and customers in the venture creation process. These theories will be the base for collecting empirical data as well as for theoretically explaining the analysis.
- Section three consists of additional theories to explain the analysis with. The theories in this section will be searched for and added to this section in parallel with the empirical data being analyzed, as patterns not related to the already described theories arises.

3.1 Theoretical Foundation

What is being researched takes place in a microeconomic context; many prominent researchers studying information asymmetry are Austrian. This is of importance because of the fact that these researchers and 'The Austrian approach' has some differences with what today is mainstream in microeconomics, neoclassical economics and equilibrium models. The authors found that the Austrian approach manages to explain the role of information asymmetry in the marketplace in a more complex, and what the authors argue, a more correct way. This does neither say or make the neoclassical approach and elements therein wrong, nor does it rule out the use of other theories and models, as long as they are not fully contradictory with what the Austrian approach claims. Theories and models from the neoclassical economics might still be of use due to the similarities and origin of both approaches.

Much work in the field of microeconomics today do take imperfect information into account even though it is limited to introducing it as a cost, of producing and searching for missing information. In the neoclassical approach, price and quality are presented as an external fact of nature for every decision maker, decision makers also know what they are ignorant about, hence there is no room for the human element of surprise (Kirzner, 1995). This leaves no room for imagination, boldness or surprise to influence potential outcomes, and this is for Austrians according to Kirzner (1997) to “denature human choice entirely”. Also, in the neoclassical equilibrium microeconomics, according to Baumol (1969, cited in Kirzner, 1995), there is no room for entrepreneurial activity because of its inconsistency with the fulfilled conditions of the equilibrium state. (Kirzner, 1995)

Since there is no room for entrepreneurial activity in the neoclassical approach and the equilibrium models; imperfect information is only introduced as a cost of producing and searching information; the lack of room for the human elements surprise and imagination, the neoclassical economics and the equilibrium models are deemed unsatisfactory for this thesis.

In the Austrian approach, on the other hand, information plays a more complex role. Information can except of imperfect be unknown, by Kirzner (1995) commonly referred to as “sheer” ignorance. This unknown information is not only not knowing a piece of information, but also not knowing that one does not know this piece of information. In this sheer ignorance there are profitable opportunities, these opportunities are discovered by entrepreneurs, whom without knowing what to look for constantly are scanning the horizon. When a discovery is being made, it is accompanied by the element of surprise, because of the sudden realization that something that was readily available had previously been overlooked (Kirzner, 1995).

In this process, information that was unknown will become more available for other market participants and therefore mutual awareness will increase while the boundaries of sheer ignorance is decreasing. In the Austrian approach the entrepreneur is operating to change price and output data, by recognizing available profit opportunities where shortages have existed, through arbitrage or by expanding supply through production, hence the price and output data will change. Thus, it is the entrepreneurial activity that is the driving force in the process of the market. (Kirzner 1995)

Entrepreneurial discovery and the market process as described, increases mutual awareness and changes price and output data towards equilibrium and is therefore an equilibrative process. But since sheer ignorance is in the equation, and because entrepreneurial error exists, the market will never attain equilibrium. These entrepreneurial errors might arise because the market has been misread, and as an effect prices and output data might be pushed in a non equilibrative direction. Through this entrepreneurial error, other opportunities arise to be discovered by other entrepreneurs since the previous entrepreneurial error has provided new information to actors on the market, allowing for better decisions. In discovering and grasping opportunities, entrepreneurs are competing with other entrepreneurs. (Kirzner, 1995)

As stated above, information and its role in the market process is much more complex in the Austrian approach. Entrepreneurial activity and discovery is what drives the market process. The entrepreneurial market process has an equilibrative tendency, but it is still possible that actions with a non-equilibrative direction is taken. This assumption is for this thesis not only deemed relevant but also a condition for the focus of what it aims to study to exist.

3.2 Information Asymmetry

Since the purpose of this thesis is to study asymmetric information and its role in the relation between entrepreneurs and customers in the venture creation process, and because the authors chose the product as the tool to investigate information asymmetry in this relation, theories related to this transaction, from both perspectives, as well as theories related to the relationship between the venture and the customers were chosen.

The theories in this section form the base of understanding information asymmetry and the role it plays in the relation between entrepreneurs and customers in the venture creation process. The theories in this section will be central for how the empirical data is collected and also form part of the theoretical base for the analysis.

3.2.1 New Venture

The theories presented here relate to, and is within the new ventures perspective, on how information is distributed towards customers.

Selection problem & Signaling

Stiglitz (2000) brings up the selection problem in his essay “The Contributions of the Economics of Information to Twentieth Century Economics”. The selection problem refers to the process regarding a selection being made, there are two sides in this process, one being the informed party who signals information whereas the other party is seen as uninformed and who screens this signaled information (Stiglitz, 2000).

Michael Spence (1973) initially introduced the signaling model and applied it on the job-market, where signals occur between the employer and potential employees. The employee can signal certain qualities, such as a certain education for example, it is then up to the employer to interpret these signals (Spence, 1973). Since the the employer can not determine the employees productivity, then salary, fees and additional costs will be ‘risky’ in the case of employment (Spence, 1973). Stiglitz (2000) explains how signaling is observed in other cases, banks signaling trustworthiness and firms using guarantees signaling confidence in the quality of its products, owner-managers signaling how their firms are not overvalued by limiting the sales number of their own stocks.

Stiglitz (2000,p.14) states that "One of the key issues that firms today think about is how a particular action will be interpreted". In this thesis, in order to study the information asymmetry, the signaling model is applied on the new ventures, who acts as the informed party signaling information towards the customers.

3.2.2 Customer

The theories presented here relates to, and is within the customers’ perspective, on how information is being received and interpreted by the customers.

Selection problem & Screening

In contrast to signaling, screening refers to the uninformed party trying to gain as much knowledge possible from what is being signaled (Stiglitz, 1975). Screening occurs because we know differences in quality exists and the identification of these qualities is called

screening (Stiglitz, 1975). Continuing with the job-market example, the employer screens the employees who might have attributes which cannot be seen, these qualities may affect the value of the employee. The actual relationship between the anticipated productivity and education is in this case solitary based on what can be observed (Stiglitz, 2000).

Additionally Stiglitz (2000) and Spence (1973) brings up time as a contributing factor to both the signal and screening process. Emphasis is put on how time is in short supply and therefore the number of places people choose to look at this is from the beginning limited.

Stiglitz (2000, p.15) claims that "firms know that it is costly for customers to search, and will exploit that". In this thesis the screening theory is applied on customers who screen the signaled information from the ventures in order to study information asymmetry. Naturally this is connected with the AIDA model, which explains customers purchase process, to better understand the customers.

AIDA

The model is one of many models explaining customers journey from unawareness to making a purchase. AIDA stands for Attention, Interest, Desire and Action, according to Rawal, P (2013) it is perhaps the most powerful model when it comes to marketing strategies. Kojima et al (2010) argues this model is very applicable to examine every step of the psychological transformation, starting with giving the product attention to actually making the purchase decision. By looking at the AIDA model in this thesis, from an information perspective, it will provide a better understanding for both the ventures and the customers behaviors.

Attention: is the first step and refers to catching the viewer's attention. It is vital to create an appealing image and promote awareness of the brand. Firms have to consider which tools and platforms to use in order to retrieve attention.

Interest: After gaining attention, the product has to create an interest. How can the viewer be convinced this purchase is the right decision? What will happen if the viewer chooses not to purchase? This step aims to encourage the potential customer to do future research on the product.

Desire: This step highlights the process to convert the interest into a strong desire of the product, involving creation of ‘emotional connection’ and showing brand personality.

Action: The last step consists of convincing the viewer to make a final buying decision.

(Kojima et al, 2010)

3.2.3 Relation

The theories presented here are related to the relation between new ventures and customers. This relation is affected by how information is being treated and affect decisions by the two parties and are therefore of relevance for this thesis.

Trust plays a large part in all social interaction, as it influences the way people behave towards each other. It is an especially central part in the field of entrepreneurship, it plays the role of reducing risk and uncertainty for the parties involved (Höhmnn & Malieva, 2005). In entrepreneurship, lack of trust and the uncertainty that lack of trust brings leads to what is referred to as liabilities of newness (Stinchcombe, 1965), and in broader business research trust is viewed as a significant factor in driving down the transaction costs between parties. Most of the entrepreneurship research relating to trust has been conducted with the focus on the context of networking and the acquisition of resources through social networks for business growth (Welter & Smallbone, 2006).

Aldrich (2000) describes trustworthiness as being a significant key factor for entrepreneurs bringing new types of products or services, with the activities of the entrepreneur and how market participants perceive them as being potentially trust building. Ali & Birley (1998) identify and list different types of activities that entrepreneurs conduct in order to build trust, “which they can then use to mitigate customers’ perception of risk”(p.749). They list building trust through methods such as displaying enthusiasm, association with organizations who already have established legitimacy, and by having a shared vision of the future; finally, they add that in situations where the trust is compromised the customers may be willing to forgive the entrepreneur.

Adverse selection

Adverse selection is another theory also related to trust and brings up how market participants may choose bad quality before high-quality products.

In the Market for Lemons, Akerlof (1970) brings up quality and uncertainty in relation to each other. Akerlof tries to explain how the quality of products in a market can be damaged because of information asymmetry between buyers and sellers. He exemplifies this with the car market and uses the slang 'lemon', a term for when a customer first after a car-purchase realizes how the car is not functional. Buyers can not, according to Akerlof (1970), distinguish a 'peach' from a 'lemon'. Therefore they cannot receive the true value nor retain the expected value in a purchase. This results in how people only are willing to pay a price for a car that averages the value of a peach and lemon together. This favors 'lemon' sellers since they have the information on which cars are 'lemons' and 'peaches' and will only sell when buyers are holding a lemon and leave the market when they are holding peaches. An average price will also be a higher price than if the buyer knew before hand it was a lemon. This puts the seller of high-quality cars in a disadvantage since an average price is lower than the price the car should have had. The buyer's *un-knowledge* of the price creates adverse selection and may drive out the true high-quality cars because they sell at the same price as lemons. This leaves according to Akerlof, only lemons left on the market.

Following Akerlof's work on adverse selection, Genesove (1993) brings up underlying intentions in dealer's' actions. He argues dealers only care about quality if consumers can: 1) in any way determine the quality at an auction or 2) if they want to achieve a long-term relationship with the buyers. Thereby dealer's only care about the quality to the extent consumers can recognize it or if they see a benefit in starting a relation with the buyer. This can be proved since if buyers couldn't determine quality at all dealers would set the same price for good and bad cars. All the good and bad cars would then be valued equally. In the same way bad cars drive out good cars dishonest dealings may drive out honest dealings, since buyers are willing to pay less because of the uncertainty that is brought on by dishonesty and honest sellers will only sell at a higher price. Goods can be sold honestly or dishonestly due to how quality can be represented or misrepresented. This forces the purchasers to identify and determine the quality by themselves. Considering there exist people who wish to market bad goods as good ones will drive out businesses who are truly legitimate. The cost of dishonesty lies not only in the amount of the buyers being deceived but also the cost of driving out genuine businesses (Akerlof, 1970).

3.3 Additional Theories

In this section additional theories which the empirical data is to be analyzed and explained with is presented. These theories were searched for and selected as the authors found patterns, after the empirical data was collected, that was in need to be explained by additional theories.

3.3.1 Emotions

The theories presented here are related to the pattern of emotions identified in the empirical data. These theories are used to analyze and theoretically explain emotions and how the authors relate emotions to asymmetrical information.

Frijda (1986) describes in her book *The Emotions* how stimuli provokes emotional phenomena due to individuals concerns. Concern refers to the characteristic that motivates and prompts an individual to go and search for given satisfaction, in other words, an individual that initiates activity in spending the time, effort or money to find an emotional reaction. A study made by Pentus et al (2014) on how product package design affects emotions, means understanding emotions is of great importance, since they affect and increases the difficulty when choosing between products in buying situations. In their study the results show how purely adjusting the verbals on a product package will have a strong impact on consumers emotions. Emotions are caused by specific stimuli or groups of stimuli and therefore relevant to the concerns satisfaction. Individual concerns are closely correlated to expressive behavior that is conjured by events that an individual sees as desirable or exciting (Frijda, 1986).

Emotions play a huge role in developing and committing to shared values, this has been studied both in classical theories as well as cognitive scientists (Gorbatai & Dioun, 2015). In Coser (1997) two concepts linked to emotions are described. First collective effervescence is brought up, as an emotion shared and experienced together as a group. This leads to the emotionally effervescent, which is referred to as a joint mental impression of society. From this, the authors mean how joint gatherings that bring out feelings and emotions of dignity will create value-alignment within a group. This, according to Gorbatai & Dioun (2015) leads to how we should expect to find how gathered events will reinforce a field's value rationality and how this outcome is driven, in part, by emotions. (Gorbatai & Dioun, 2015).

3.3.2 Change

The theories presented here are related to the pattern of change identified in the empirical data. These theories are used to analyze and theoretically explain how the authors relate asymmetrical information to change in the venture creation process.

A few years ago a new method arrived for entrepreneurs called the lean-startup, focusing on experimenting, planning, customer feedback and iterative design (Blank, 2013). Usually a business model takes years of development and entrepreneurs have to learn the hard way if their products are requested or not but the lean startup methodology shows how new ventures can reduce this risk. Richardson (2008) argues the importance of a business model but still indicates how "the firms theory of how to compete is a simplified abstraction from the complexity of any real business situation"(p.134), emphasizing the difficulty to establish a good theory for a business model. Blank (2013) describes how the lean-startup methodology has 3 key principles. First entrepreneurs should make a business model canvas, instead of a full scale business model. Even though a business model provides a framework to provide a good theory, which can lead to competitive advantage and superior performance (Richardson, 2008) this method encourages entrepreneurs to make a business model canvas instead. The difference is how a business model canvas summarizes hypotheses instead of complete calculations. Second, the entrepreneurs should go out in the market to test these hypotheses in order to get customer feedback. In this step the entrepreneur gets feedback in order to adjust assumptions and make iterations to ideas not working. At last, the method uses something called agile development which refers to an incremental development of the product, this is done through building prototypes and testing them to make further adjustments to the products design (Blank, 2013).

Advantages of newness

Advantage of newness is related to change and brings up theories related to being new on the market and how this might be an advantage.

Stinchcombe (1965) is one of many who examined how artifacts make it difficult for new ventures to succeed. In his essay Social Structure and Organisation he looks at how external and social factors initiate creation of new organizations. He argues 'liability of newness' is a major concern for new entrants, which occur since new ventures have to learn new roles,

coordinate new roles, deal with problems of mutual socialization and because their inability to compete effectively with a low level of legitimacy. On the other hand Steffens et al (2009) investigate firm's age and performance and 'liability of newness' is replaced with 'advantages of newness'. Steffen et al (2009) emphasize how a firm's newness may be a competitive advantage, since they are capable of innovating and introducing products that tend to unsettle the present market. Entrants have the ability to redirect the market whilst as a firm grows the internal structure can make it hard to innovate and come up with new ideas. Therefore, newness is not necessarily a liability but can be seen as an advantage for startups (Steffens et al, 2009).

New ventures have the ability to acknowledge existing information on the market in combination with gaining new learning's. Posen & Chen (2013) discuss how new ventures can learn from external knowledge if they lack prior related knowledge that form the basis of absorptive capacity. Many previous studies have focused on one type of learning, hence Posen & Chen (2013) argue that new ventures can achieve 'advantage of newness' by learning not only vicariously but also through the process of experiential learning. The ability to learn vicariously is achieved through composed experience. Vicariously organizations learn from their own experiences and knowledge gained from other firms. The process of experiential learning on the other hand is related to problem solving, and thus more important according to Posen & Chen (2013), since learning from other firms' mistakes stimulates many solutions. New ventures are more likely to profit from external knowledge if confronted with a problem in the experiential process since they lack organization embedded knowledge. To conclude absorptive capacity is not always necessary to achieve an advantage. Vicariously but more importantly the process of experiential learning contributes to the 'advantage of newness' on the market (Posen & Chen, 2013). (Singh et al, 1986) supports this view, meaning how the acquisition of external legitimacy is a significant fact to reduce death rates of new organizations.

4. Empirical Data

This chapter serves to present the collected empirical data from: interviews with the founders of the selected new ventures, focus groups with customers of the selected ventures as well as secondary data from the new ventures websites. The chapter is structured to give the reader a comprehensive view of each venture and the relevant data. One venture is introduced at a time, starting with the interview with the founder of the venture and then the interview with the focus group of the same venture, this information is then compiled for easier overview and comparison. After the primary data additional secondary data from each ventures website will be presented.

4.1 Case 1: NaturalCycles Nordic AB

NaturalCycles is an online fertility monitor designed to provide the user with fertility awareness information. The company was founded by Raoul William together with his wife Elina Berglund Scherwitzl in 2013.

4.1.1 Interview

The interview was conducted with NaturalCycles Co-founder Raol William, 28 years old. The interview was conducted through Skype and the duration was 22 minutes. There was some problems with the service, other than that the atmosphere was good. The respondent seemed sure about his long and detailed answers.

Before starting NaturalCycles Raoul was a researcher in physics, with focus in nano physics, studying how materials and devices behaved in different situations. Raoul always wanted to have his own business and started with physics in order to find an opportunity to come up with a business idea. Together with his wife, Elina Berglund Scherwitzl, they stumbled into a field where they saw something missing on the market.

”We started NaturalCycles because there was no alternative, we saw something we could make better. Every woman is different and they need choice”.

Raol meant the medical parts were already in place but together they could add the ‘mathematical magic’ and combine it with modern technique to come up with a good way to

analyze data. It was a way of coming up with a solution to something people did not want anymore. Raol emphasizes that through NaturalCycles every woman can get to know her own body, in order to make the best possible choices for themselves. The business part was simply a question of getting started according to Raoul.

“You just need to do it”.

Raol describes the company's' goal is to create a world where every pregnancy and child is wanted, hence the value of the app is enormous considering the value a child creates in life. Raol says in the interview that there is nothing worse than abortion. NaturalCycles and other contraceptive methods will create a better world according to Raol.

Raol means the most important information to spread about NaturalCycles is how to use the product, make sure the customers like it and that they keep on using it. Today NaturalCycles has created a whole system for current consumers to receive information which is based on data personalized messages. Every woman is informed with what it means with fertility for example or to have long and short cycles and if they are irregular etc. They also get more educated the longer they stay with the company. If customers have any questions, Raol says there are studies available online and in media.

Raoul describes how NaturalCycles spend a lot of time and energy to build trust with their customers. They are doing more studies to find better ways, even though the product is now very well conducted. The challenge is getting the word out and get the doctors involved to show the world the real value of the product. By getting more approvals and clinical studies that prove the product is properly done, NaturalCycles hope to gain trust from the general population. Raoul means the future market will benefit from the product as a result of increased education on pregnancy and also increasing people's choices. More people using Natural Cycles will result in a positive impact on the market. When asked if everyone should use NaturalCycles, Raoul hesitates, and means basically any woman can use it but it is especially good for those who do not want to take hormones and get side-effects which may increase the risk of cancer.

“There is today a mix of solutions for woman and in line of health-associated reasons NaturalCycles should be one of them”.

4.1.2 Focus Group

The interview with the focus group was conducted online via Skype during 46 minutes. Three female respondents, 22, 23 and 25 years old. The respondents are all students at Lunds University, two of the respondents knew each other prior to the interview.

The respondents discovered NaturalCycles mainly through blogs. Respondent 1 mean Natural Cycles have marketed themselves a lot in social media, for example through blogs, podcasts and instagram.

Otherwise the respondents seem content with the product as it teaches women about their bodies and makes it possible to keep better track of their ovulation cycles. They all feel it is a good solution that feels good for the body and doesn't consist of hormones. This is also one of the reasons they started with the product in the first place. All respondents used alternative contraceptives for many years. Respondent 2 and 3 did not have any major problems but wanted to try something that might feel better for the body whilst Respondent 1 did not like how she was negatively affected by her earlier method.

The respondents did a lot of research through blogs and by studying the website before purchasing the product but they all agreed on that they did not learn any additional scientific information after starting using the product, except of how their own cycles look like. They would additionally like to know more exactly what the temperature measures and how it works scientifically.

“I think my temperature varies day to day and in my graphs I don't see any real trends” - Respondent 1

Respondent 2 agrees with this and believes the app is a good start but thinks that after a while one can figure out their own cycle through purely filling out individual menstruation information.

All participants conclude they trust the app with the information it provides. Every month they usually receive approximately the same red and green days as the month before, in other words, their cycles look almost precisely the same. The product is however more appropriate for consumers with regular life habits Respondent 2 means. Additionally the participants do not feel concerned about the price since they believe it is worth the money for someone else

to keep track of their cycles, this because of the special one year offer. Respondent 2 adds that if there is any information one would like to know it is probably not difficult to find.

“It feels like most of the information we want to know is just one google click away”

-Respondent 2

Respondent 3 believes NaturalCycles will inspire more companies in the future to come up with new solutions with lower prices. Hence this may create a danger in new ventures marketing strategies, where companies start battling with as many safe days as possible, where safe days refers to non-fertile days. Respondent 1 believes it will change the future market enormously since people want more natural products. Respondent 2 adds it will give women more options in what fits their bodies the best. To conclude, the participants enjoy using the product and believes it is good and more natural alternative which does not involve hormones.

4.1.3 Table 1 Summary Case 1

This chart presents the categories derived from the coding and gives an easier view for the reader to understand the comparison of the new venture and the customers’ view of information of the product in Case 1.

| Categories | Natural Cycles | Customers |
|--|--|---|
| Primary Data | | |
| Discovery of the product and opportunity | ‘Lack on the market’, own experience → need for an alternative choice for the body | Podcasts, blogs, an alternative choice that felt better for the body |
| Availability of information of the product <i>Where to find current information of the product</i> | Website, media, personalized data messages | No need, uses the app to keep track of own cycles |
| Communication of information after purchase <i>What information is gained after purchase</i> | ‘Data personalized messages’ to further educate, increased critical studies & clinical approvals | Information is the same thus the product is more adjusted for regular life habits |

| | | |
|--|--|--|
| Missing information <i>If there is any additional information the customers would like to know</i> | Can be found online | Scientific meaning of temperature measurements, more critical information, a presentation of the costs |
| Properties of competing substitutes | Has no education purpose, not natural | Has hormones, not natural, riskful future aspects for the body |
| Trend Awareness <i>How aware the parties are of ongoing trends and how they think the product is related</i> | People want choices, the natural aspect | Inspiration from current blogs & podcasts, seen everywhere |
| Customer Relations <i>Relating to the process of building trust between the venture and the customers</i> | 'Personalized data messages', work toward more studies and approvals | Not 100 % convinced of the temperature effect but otherwise trusts the information provided |
| Focus <i>→: refers to a change of focus View of the venture's long term goal</i> | Create a business so women have more choices → educating women about fertility | Create an additional choice for women |
| Future Vision <i>Perception of the future of the market</i> | There is a need of choices on the market, reduce abortion, every child is wanted | There is a need of choices and no hormones on the market, need for lower price alternatives |

4.1.4 Secondary Data

Natural Cycles has its own easily accessible website. On the website information is provided under different tabs explaining 1) How the product works 2) Customer support 3) The web shop and 4) The company's blog. The relevant page to investigate is the one on how the product works to see if there is any additional information regarding the product to evaluate which was not stated in the interview. The first information the tab provides is a short explanation on how a woman is fertile up to 6 days a cycle and NaturalCycles can help women track their ovulation day and fertility with help from their body temperature. This is followed by information on what the products offer is, the accuracy of using the app combined with additional questions and resolutions regarding the relevancy for woman to use

the product. All the information is very brusquely explained and if you want to see clinical studies or be further educated you have to go into the customer support tab or click into other pages. Therefore the information provided on the first page is very general to the public in order to give the visitor an overview on the product. (NaturalCycles, 2015)

4.2 Case 2: Six Beverages AB

Akuo is a Stockholm based startup who are selling a slightly carbonated “green tea based focus drink with natural ingredients” (Akuo, 2015). The company was founded in 2014 by four international students at Stockholm School of Economics.

4.2.1 Interview

An interview was conducted with AKUO's Co-founder Fritz, 28 years old. The interview was conducted through Skype and the duration was 18 minutes. The atmosphere was good, through the answers it was quite obvious that the respondent was a business student.

Fritz used to live with shao-lin monks in China where he did more physical work and drank a lot of macha tea as well as meditated to stay sharp and focused. Later, at Handelshögskolan in Stockholm, Fritz and his fellow students spent many and long hours studying and during this time they were consuming a lot of energy drinks full of sugar. That is when Fritz shared his experience from China, and from that, the idea to create an alternative for energy drinks arises.

Fritz claims that they did not do any complex market analysis, instead they identified the opportunity through their own desire for such a product.

"If I want this I'm sure other people will want it."

Akuo wants to create something genuinely good instead of going for volume and large scale production.

The product is something they believe is unique, presented in a handcrafted glass bottle and only using the best green tea extracts. When describing the best things with the product Fritz says there are two things and starts to compare it with 'old' energy drinks with a high sugar

content that can give a 'crash and burn' effect and claims that this is not good for the mental health or productivity in the long run. The second benefit, he says is pure health reasons.

"Do you want to drink something artificial and bad for you and full of sugar or something from botanical extracts with no artificials in it?"

For the future of the company Fritz sees Akuo being active in 15-20 markets in 5 years. He also hopes that they are inspiring other people to live a healthier, more mindful life.

The Akuo customer is described as someone who wants to do great work and change the world but also needs support to do it. Someone who is working hard but at the same time is sitting in the office dreaming of doing yoga or of beaches is an ideal Akuo customer. When it comes to reaching customers they prefer to 'scale it down' and focus on an identified narrow target group. For example they do meditation and yoga workshops at offices which costs a lot more money and time, through this they reach the 'right' customers. Fritz means by doing this the customers get an emotional experience to tie to the product and this is something very essential. He also believes that they need to deliver information, not make it available for people who are looking. In the beginning they had scientific facts supported by a whole body of research presented on the website as of why Akuo is better than caffeine and sugar but in the end he indicates the opposite.

"People don't want science, they want emotions."

Authenticity and distribution is believed to be important factors for success of the company. He talks about building something honest and as a result the product will have soul and character. He brings up the example of Vitamin Well who with its distribution channel won over Coca-Cola, and that is the reason for why Vitaminwater has no presence in Sweden.

Fritz thinks that trends are hard to predict and that they come and go but he is sure there are more and less favourable market situations. The main message here is that he does not want Akuos marketing to be driven by trends and goes by the simple philosophy of :

"If we show something for consumers and they like it, then I don't care about trend."

4.2.2 Focus Group

The interview with the focus group was conducted online via Skype, during 31 minutes. One female respondent, 20 years old. Two male respondents, both 22 years old. The interviewees are all students at Stockholm School of Economics but the respondents did not know each other prior to the interview. Due to all the participants studying at Stockholms School of Economics they all came in contact with Akuo through the school's business lab and the drink is constantly exposed around the school area.

Respondent 1 started drinking Akuo to reduce coffee consumption and due to health aspects. Respondent 3 believes Akuo is refreshing and gives a better energy kick compared to other energy drinks. Respondent 2 drinks Akuo purely due to health associated reasons.

“I don't think it tastes good! But at least it feels healthy.”- Respondent 2

The respondents all agree that the purpose of drinking Akuo is purely related to health aspects. Respondent 1 means it is consumed to gain focus and take away the 'dip' coffee can produce. Respondent 3 feels it is more natural and healthier for the body whilst Respondent 1 adds that it only consists of natural ingredients and also the glass bottle with no BPA, makes it more appealing. The respondents all agree on the price being bit too high in order to consume it every week considering it does not have the same energy effect as for example coffee. The reason to buy Akuo is to avoid headache and gain a longer lasting energy kick according to Respondent 3.

When it comes to information regarding the content the respondents hesitate. Respondent 3 received a presentation when Akuo came to their school but can not remember much except the fact that it is more nutritious than other 'focus' drinks. Respondent 1 only knows something about an expensive ingredient from Japan whilst Respondent 2 means if any information is wanted it is very easy to get access to online.

“The most important information is it consists of natural stuff”-Respondent 2

Additional information the participants would like to know about regarding the product is how long the effect lasts as well as how it affects the blood sugar. Otherwise Respondent 3 and respondent 1 feel they trust the information provided. Respondent 2 on the other hand believes a lot of the information feels fictional and exaggerated to lure in customers.

Another thing the respondents conclude is how the drink is associated to the health trend and the willingness people have to know products origin. Otherwise the participants do not believe the product will have any major future effect on the market.

4.2.3 Table 2 - Summary Case 2

This table presents the categories derived from the coding and gives an easier view for the reader to understand the comparison of the new venture and the customers' view of information of the product in Case 2.

| Categories | Akuo | Customers |
|--|---|--|
| Primary data | | |
| Discovery of the product and opportunity | Own experience and inspiration from China→ wanted something containing no sugar | Healthier alternative to gain focus, mainly discovered through school events |
| Availability of information of the product <i>Where to find current information of the product</i> | “People don’t want science , they want emotions”→scale it down and deliver information instead of making it available | The website and through sponsoring events |
| Communication of information after purchase <i>What information is gained after purchase</i> | No crash & burn effect, used for pure health reasons | Very vague→ something about an expensive ingredient & how it should be healthier in some way |
| Missing information <i>If there is any additional information the customers would like to know</i> | “People don’t want science, they want emotions” | The actual effect of the ingredient and how long it lasts, also the effect on blood sugar |

| | | |
|--|---|--|
| Properties of competing substitutes | High sugar, artificial ingredients→ low productivity | Un-healthier, headache BUT better effect and cheaper |
| Trend Awareness <i>How aware the parties are of ongoing trends and how they think the product is related</i> | Hand crafted glass bottle, create something good & natural instead of volume BUT entrepreneur claims “ I don’t care about trends” | Glass bottle (with no BPA), natural ingredients, strong effect from the health trend |
| Customer relations <i>Relating to the process of building trust between the venture and the customers</i> | ‘Emotional experience’ | Expensive, Not 100 % convinced |
| Focus <i>→: refers to a change of focus View of the venture’s long term goal</i> | Scientific→ Experience | A lot of ‘sales talk’ |
| Future Vision <i>Perception of the future of the market</i> | Reach 15-20 markets in 5 years, want people to live more healthier lives | No effect on the market |

4.2.4 Secondary data

Akuo has a very plain website. The first information provided about the product appears first after scrolling down; presenting the ingredients the product consists of. The three main ingredients: green tea, guarana, ginseng are thereafter shortly described and expressed in positive terms. The website is found to more likely be used as a marketing channel to attract potential customers with fetching words and images, rather than a source of informative about the product. Except for the ingredients the only additional information found is a very short description of ‘the philosophy of focus’, where to find Akuo products and also a blog is accessible in a separate tab. (Akuo, 2015)

4.3 Case 3: Juica Sverige AB

Juica produces fresh, cold-pressed and unpasteurized vegetable juices for both juice cleanses and everyday consumption. Juica was founded by the two friends Patrik and Gergö in 2013.

4.3.1 Interview

The interview was conducted with Patrik Bruhl who founded Juica, 39 years old. The interview was conducted through Skype, the duration was 36 minutes and the respondent was seated indoors. The atmosphere was good, the interviewee seemed happy but a little stressed in the beginning. The answers were long and sometimes repetitive, probably due to the respondents uncertainty regarding if the answers were satisfying or not.

Patrik opened his first restaurant in Stockholm when he was 19 years old and has since then worked either within the restaurant industry or with advertisement and he believes that all he has done is somewhat entrepreneur related.

The idea for the business originates from when Patrik received a juice press as a christmas gift from his parents in 2012, after having tried a five day long juice fasting he was convinced that everyone must feel this good. The discovery of the business opportunity came later, in 2013 when Patrik and Gregö together bought a cold-press and realized that people want to drink these juices but does not have the time or the will to put in the effort needed.

When they started cold-pressing juices in 2013, the thought was to only provide family and friends but additional demand grew strong fast.

"After three weeks we had so many orders that I had to resign from my previous job to fully dedicate myself to the business".

When asked about the most positive values that the product and concept brings the customer he answers that "There is nothing healthier on the planet that you can put in your body than ecological vegetable juices". Patrik also indicates that people drink Juica products for different reasons and that is up to each and everyone to decide why they drink it. Patrik then describes how it is not a thirst quencher, but rather a functional drink with one kilogram of vegetables in liquid form and claims that a person normally never gets this amount of

vitamins, minerals, antioxidants and enzymes in just one bottle. Patrik tells us there are people who think it is possible to cure diseases this way and that some people believe or think you can use this to lose weight whilst other people drink the juices as a nutritional complement. He does not want to decide for people how to use the products of Juica.

Juica wants to produce the best juice in the world and spread health in society. Patrik says that Juica can become so much more than cold pressed juices and how there might be juice bars in the future that serves raw food and similar foods and beverages. Still the market isn't quite there yet and right now Juica is aiming on making vegetable juices become a part of the everyday life according to Patrik.

Patrik thinks that a typical Juica customer is someone who lives a busy city life and who consumes the product either because of the fit in lifestyle or as a complement to the usual diet. He adds that some people use their products to lose weight but points out this is not what they wish to sell.

Patrik says that in the beginning they were communicating the fasting/cleanse image of the juices but that now they concentrate on communicating the concept of drinking vegetable juice as a part of the everyday routine.

After 15 years working with communication Patrik realized the value of the product. "Product is king, you should put all your energy in the product to make sure it is good, and that there is passion and soul behind it. Then it is going to sell itself."

As a new venture without a lot of money they used social media as their main communication channel and after a couple of weeks got in contact with a famous swedish person who blogged about Juica. Essentially, this led to a trend to drink Juica within the 'Stockholm elite' which led to more 'free marketing spread' on social media.

The most important information to reach new customers, is according to Patrik, why they should drink it .

"Because you feel good and it is optimal for the body".

Patrik also says that they only use 100% ecological products and they press new and fresh juice every morning without any additives.

When asked if customers contact them for additional information he says that the customer service phone is constantly ringing and that is one of the reasons for why they decided to deliver the products to the consumer themselves. He says that people ask what kind of effect they can expect and similar but that these questions are easy to answer since everyone at Juica is a juice-nerd.

Patrik thinks it is the combination of their marketing, the health trend in society together with a product that fits well in time and with a lot of passion behind it that is the reason for their success.

When asked about how trust has been built up with customers Patrik once again says that "Product is king", and that their juice "...is not apple juice with a little vegetables on top but a lot of everything", compared to other juices. The packaging is also thoroughly planned according to Patrik, they designed the bottle so it would be able to lie still in the fridge and be easier to package. This together with Juica's customer service is what Patrik believes has created their high customer retention rate of 85%.

Patrik says that Juica aims to spread health awareness in society and that they are thinking of the environmental aspect within all areas of the company. Patrik hopes that this can be a source of inspiration for other companies.

4.3.2 Focus Group

The interview with the focus group was conducted online through Skype during 30 minutes. One male and one female respondent, both 23 years old. Both came in contact with Juica through their respective work, the respondents did not know each other prior to the interview.

Respondent 1 enjoys the flavors and drinks the product when it is available at work. Respondent 2 works at a gym who sells their products. Neither one of the respondents use Juica products to cleanse. Respondent 2 means that each Juice has a different purpose, so he

doesn't drink it only for the good taste. Respondent 2 says that for example beetroot juice increases the blood oxygen level, which is better for training purposes.

The respondents agree that this juice has a tempting packaging and even though it is a bit expensive, you really get what you pay for. Respondent 1 says it is 100% ecological and that you get a lot of vegetables in just one bottle. Additionally it helps that the staff working at Juica is amazing.

“I trust customer support and the staff 100%”-Respondent 1

Respondent 2 agrees and means the information of the product is very easy accessible since you can basically read everything on the bottle where it for example says there is no additives added.

Both the respondents believe the product is right in time and fits with the ongoing health trend in Sweden. Respondent 1 thinks people are willing to pay much for the juice to gain a status symbol, and in the future it will become more popular to cleanse as well as to grab a juice instead of lunch. Respondent 2 hesitates and sees how the product goes hand in hand with the health trend and this is what will determine Juicas future on the market.

4.3.3 Table 3 - Summary Case 3

This chart presents the categories derived from the coding and gives an easier view for the reader to understand the comparison of the new venture and the customer's view of information of the product in Case 3.

| Categories | Juica | Customers |
|--|---|---------------------------|
| Primary data | | |
| Discovery of the product and opportunity | Entrepreneurial background, worked in restaurant industry and loved cooking→ wanted to share interest in health | Through work, tasted good |
| Availability of information of the product <i>Where to find current information of the product</i> | Social media,blogs, through ‘tv-profiles’ and celebrities, word-of-mouth | At work, on the bottle |

| | | |
|---|---|--|
| <p>Communication of information after purchase</p> <p><i>What information is gained after purchase</i></p> | <p>Different choices for each customer, a cleanse not a detox, dependent on season, a boost that makes you feel better</p> | <p>100 % ecological, how the different products taste and their purpose</p> |
| <p>Missing information</p> <p><i>If there is any additional information the customers would like to know</i></p> | <p>The effects, how it may cause headache and hunger if used for cleanse</p> | <p>No</p> |
| <p>Properties of competing substitutes</p> | <p>Contains additives and sweetening, no certification, not as many vegetables in one bottle</p> | <p>No 'status symbol', not 100% ecological</p> |
| <p>Trend Awareness</p> <p><i>How aware the parties are of ongoing trends and how they think the product is related</i></p> | <p>Want to create a lifestyle, 'product is king', attractive design, 'right in time', take after USA and the juicebar trend, natural raw material, locally produced</p> | <p>Tempting packaging, natural ingredients, 'right in time', effect from health trend</p> |
| <p>Customer relations</p> <p><i>Relating to the process of building trust between the venture and the customers</i></p> | <p>85 % of customers return, hard work, passionate customer support, put soul in the product, each customer can choose purpose of consuming the product</p> | <p>You really get what you pay for, fantastic employees, easy access to information, trust the staff 100 %</p> |
| <p>Focus</p> <p><i>→: refers to a change of focus</i></p> <p><i>View of the venture's long term goal</i></p> | <p>Initially for family & friends→ Cleanse→ world's best juice→spread health</p> | <p>Tastes good, a good cleanse</p> |
| <p>Future Vision</p> <p><i>Perception of the future of the market</i></p> | <p>Juicebars will sell the products, a trend which will not disappear, goal is to spread health and genuine products in society</p> | <p>Becomes more popular to detox so if the health trend keeps growing→ huge potential</p> |

4.3.4 Secondary Data

Juica has a very informative website. There are several tabs where you can read what Juica is, how it works, what the customers think and why one should start consuming Juica products. The first page consists of a well elaborated text on the concept and also introduces its different offers on how to use Juica in different offerings. Every tab on the website is well elaborated with information regarding the specific area and if desirable it is possible to click on each Juica product to read specific and additional information on the ingredients and the way each product contributes to the health of the consumer. The website emphasizes words like ecological and ECO-certified and is very alert in putting calories and vitamins in association with their juices. It is also clear how to take contact with the company for additional concerns and questions as well as on how to buy products online. (Juica, 2015)

5. Analysis & Theoretical Explanation

In this chapter the authors present the analysis of the empirical data. The chapter begins with explaining and analyzing, together with relevant theories, the signaling and screening process in the three cases, as to make more sense of information asymmetry in the venture creation process. Thereafter patterns derived from the categorisation in the empirical data collection are presented in order to study the role of information asymmetry. After every pattern the authors seek to, with a theoretical basis, explain the patterns observed.

5.1 Signaling & Screening Process

As described earlier, this process refers to how information is being signaled by the ventures and how this information is being interpreted and perceived by the customers.

The authors observed information asymmetry within all three cases. The new ventures signaling process, in regards of information of the product does not seem to reach the customers entirely. Additionally, the customers screen the signaled information poorly resulting in the customers only having a partially correct image of the products. However, the customers in all three cases are not actively searching for this additional or missing information and indicate how they do not see the point in searching for it.

5.1.1 Signaling

Micheal Spence (1973) applied the signaling concept in a job-market model, where the employee signal certain qualities to attain a job. The authors instead look at what information an entrepreneur chooses to signal of a product, in order to succeed in the marketplace. Stiglitz (2000) brings up the potential consequence of a selection-problem which raises the question of how much and what information ventures should aim to signal. This plays an important role in investigating information asymmetry since the information being signaled can further be compared to the customer's screening process of this information.

The authors imply how information of the product in Case 1 is mostly found through podcasts and on famous blogs whilst the website provides a more general overview of facts regarding the product. The new venture in Case 3 also signal toward the customers through the usage of social media by public figures. The website in Case 3 shows a lot of information

regarding the product and the alleged effects of the ingredients. The entrepreneur in Case 3 means “Product is king and if you put soul behind the product, it will sell itself”. In Case 2 the website is not informative at all and the authors argue how the website uses captive pictures and texts to attract customers. The entrepreneur in Case 2 means the focus is on creating an emotion instead of providing facts.

Despite the differences in the amount of information distributed, all the new ventures signal a healthy life-style of 'genuine' and 'natural products'. The authors thereby indicate how all the new ventures are part of the health trend and also aware of it in their signaling process, this is in line with Stiglitz (2000, p.14) who says that “One of the key issues that firms today think about is how a particular action will be interpreted”. By comparing what substitutes have provided the new ventures can enter a new market and signal a better solution and from this, being new on the market becomes an advantage in line with Posen & Chen (2013) theory on how new ventures can learn from other previous firms mistakes and signal better solutions. It is shown in this study how the new ventures in all three cases reflect upon how they are interpreted, but also compared to, by others on the market.

5.1.2 Screening

The screening process is linked to the signaling process and refers to how the signaled information is interpreted and screened by the customers. It is most relevant to look at both parties view of information when studying and investigating the role of information asymmetry, therefore the screening process cannot be disregarded.

The entrepreneur in Case 1 indicates that all information is easy to find online, but when the authors investigate the website a more thorough search has to be proceeded in order to find in-depth knowledge and clarified scientific facts regarding the product. In line with this, the customers in Case 1 seem to miss certain information of the product but are at the same time not actively searching for it. In Case 2 the customers do not seem to be entirely convinced of the contents effect, which the new venture signals on the website. One respondent claims how; “It doesn’t taste good but it *feels* healthy”. Despite this, the customers don’t find it necessary to screen for more information since they think it will not change the feeling they already have towards the product. The customers in Case 3 mean the product is right in time and in combination with a tempting packaging and enthusiastic staff this seems to discourage

the customers to seek additional information. One of the respondents mean the only information that is needed is written on the bottle.

A pattern derived here is how the customers within all three cases, seem to screen information very poorly. A reason for this could be how the entrepreneur is the only one who really has the true information and knowledge about the product. In Akerlofs (1970) Market for Lemons he distinguishes how buyers can't determine a 'peach' from a 'lemon' and how adverse selection may in this way drive out honest dealings, as the example of good and bad cars described in the theory chapter. This creates an even larger puzzlement for the customer to know if the information they are screening is correct. According to Akerlof (1970) quality may therefore be misrepresented and the customers will thereby find it difficult to screen. This makes it difficult for the customer to determine the true quality and value based purely on what can be observed. This is applied with Spence (1973) reasoning on how the customer is left to make a choice of purchasing upon solely his or her own thoughts and views of the product.

By being part of the already established health trend, the first two steps in the AIDA model are achieved with little effort since it makes the product desirable and exciting from the beginning. According to the authors, this elicits expressive behavior and encourages the customers to jump to the third step of the AIDA model which refers to creating a desire toward the product. Spence (1973) means time is in short of supply and therefore people only look for products at limited places. This in combination with being new on the market limits the screening and comparison of information for the customers.

5.2 Patterns

The three patterns derived from the empirical data categories within the three cases is shown in this study to have a great effect in the venture creation process. They are described below with a theoretical base to support the analysis.

5.2.1 Trust

The trust pattern is observed in how much the customers seem to trust the signaled information, despite the customers poorly screening of the products. Information asymmetry is observed especially in Case 1 and Case 3 where the entrepreneurs believe it is important to

provide the customers with information of the product whilst the customers seem to instead rely on emotions and feelings toward the product.

In Case 1 the entrepreneur means the new venture is working hard to gain more clinical approvals in order to get higher acceptance. Thus, the current information seems to be enough for the customers to keep using the product. In Case 3 the new venture provides a very informative website for their customers in order to understand the different functions of the product. However when talking to the customers they do not find it necessary to seek more information than simply what is provided on the bottle. The fact that the staff is considered fantastic creates an emotion, which is enough for the customers to keep using the product. In Case 2 the new venture aims to create a healthier alternative to energize on the market, but the customers mean the information feels too exaggerated to be entirely convinced. They indicate how alternatives have a better effect, but in line with the other two cases, they consume the product because of an emotion they experience.

The role information asymmetry plays within the trust pattern is connected to emotions and how the customer feels towards the product and the venture. It was observed in the three cases how the customers, because of a created emotion, continue to use the products. This is in line with Frijda (1986) argument on how an emotion has the effect to fulfill an individual's concerns regarding the product. This is further associated with Ali & Birleys (1998) discussion on if emotions are created, the entrepreneurs can be forgiven. This applies in this study, as the customers seem to be missing information but still keep using the products. Additionally Ali & Birleys (1998) argument on how trust can be created by emotions that are associated with organizations that have already established legitimacy is shown through the health-trend, as the customers and the ventures share the same vision on health, which creates emotions toward health related products. By being a part of a shared vision consecutively creates emotions that will reduce the risk and uncertainty for both parties involved according to Höhmann and Malieva (2005). Stinchcombes (1965) liabilities of newness do therefore not apply since new ventures have the ability to make adjustments based on the customers' emotions, in line with the lean startup methodology (Blank, 2013) and from emotions and customer feedback they can easier satisfy the present market (Steffens et al, 2009) and create trust.

5.2.2 Change

The pattern of change is of importance since it investigates how the new ventures have consciously changed their communication strategy in their venture creation process.

Information asymmetry is observed to affect the new ventures signaling process.

The new venture in Case 1 communicates the the idea of creating a choice for women by being a natural alternative of contraceptives. Today the new ventures communication is focused on how to educate women about their bodies in order to create the best possible choices for themselves. In Case 2 the new venture has changed their website, whereas they before used scientific facts and a whole body of research to support their product, but today they try to promote an emotional experience instead. This clearly indicates on a change in strategic direction regarding communication. In Case 3 the new venture has also changed their communication regarding their offering, from the beginning the aim of the business was to provide a tool for healthy cleanses. Today the new venture does not want to decide why or how people use their product, instead this is up to every individual.

The role information asymmetry plays within the pattern of change is connected to their communication strategy. All three ventures have adapted and changed their communication to some extent after some time on the market. The advantage of being new on the market according to Steffens et al (2009) can be applied on at least one of the ventures since it is observed how the entrepreneurs have the ability to learn from external legitimacy and through using experiential learning. This is in line with Posen & Chen (2013) who mean entrepreneurs have the benefit to possibly profit from a confronted problem, due to lack of organizational embedded knowledge. The authors believe this is because it's easier for new ventures to adjust and adapt their strategy compared to already established firms. This can be associated, especially in Case 2, with the second key principle in the lean startup methodology where Blank (2013) emphasizes on how important it is with customer feedback. The new ventures ability to adjust their strategy from the customers' point of view enables the entrepreneur to reduce the risks of failing on the market. The agile development of products, which the lean startup methodology proposes, encourages entrepreneurs to go out

and test the products in order to revise requested adjustments later. By listening to customer's inputs, new ventures can redesign and make iterations, or in other words, smaller adjustments to problems that are not working (Blank, 2013). This is clearly seen in the investigated ventures in how they have all changed their communication through iterations in order to match the demand on the market place.

5.2.3 Emotions

This is the last pattern the authors observed in regard of information asymmetry and relates to how emotions play a crucial part in the relation between entrepreneurs and customers. The pattern is observed in how customers feel how it is more important to receive an emotion toward the product than being fully informed with facts.

The customers in Case 1 discovered the product through popular platforms and they chose the product due to natural aspects for their bodies. The customers are missing information but mean they will keep using the product because it is the alternative that feels best. This indicates to a certain extent how the customers in Case 1 have chosen a feeling consistent with health instead of a product they know for certain is completely scientifically accurate. In Case 2 on the other hand, has changed their business so the customers get a feeling, and because of this, the authors argue how the customers do not seek additional information since the experience they feel is enough. The customers in Case 3 do not consume the product as a cleansing method but due to the emotions felt towards the product and the staff. One respondent expressed how he feels that the venture is strongly connected to the feeling of a status symbol because of how people keep buying the product even though they consider it to be a bit expensive.

The role information asymmetry plays within the emotions pattern is connected to how created emotions affect the customer's behaviour. The pattern is clear in on how emotions created by the communication of the product is more important than scientific facts when attracting customers.

Pentus et al (2014) show in their study of how solely verbals on a product can affect consumers emotions and affect the customer's attention and interest, which are the first two steps to attract customers in the AIDA model. This is shown within all three cases due to the customers' request for additional information or how they are missing the correct explanation but they all tend to forgive the entrepreneur because, as Ali & Birley (1988) implies, the emotion that has been created is stronger. Another explanation to why this concept is elicited is how all the products in this study are connected to the health-trend. Additionally the authors argue how social media as well as captive pictures is used as a communication tool which creates an emotion of common acceptance of the products. This is in line with collective effervescence, as described by Coser (1997). This the authors argue is also in consonance with Gorbatai & Diouns (2015) argument on how a shared emotion experienced by a group may lead to rational decisions. The rationality makes the customers in these cases ignore some of the information of the product and make their decisions mostly based on the experienced emotions.

6. Discussion & Conclusion

In this chapter, first the purpose of this thesis will be given account for. Thereafter advice for entrepreneurs, based on the authors conclusions, will be presented. The chapter ends with suggestions for further research.

6.1 Concluding Discussion

The purpose of this thesis was to study asymmetric information and it's role in the relation between entrepreneurs and customers in the venture creation process.

In order to answer the purpose of this thesis the authors will start by presenting conclusions of observed information asymmetry in all three cases by concluding the new ventures signaling behaviour and comparing it to the customer's screening behaviour. Furthermore, the asymmetrical informations role in the venture creation process will be concluded based on the patterns derived in the analysis.

New ventures signaling behaviour:

- Ventures are aware of that what they are signaling is related to the health trend
- Ventures learn from other actors previous mistakes on the market
- Information is rather signaled through pictures, social media and public figures than through scientific information
- A change in their communication strategy

Customers screening behaviour:

- Customers are missing information due to their limited screening
- Customers believe it is easy to find the information they miss and desire

Patterns influenced by information asymmetry:

- Trust
- Change
- Emotions

Asymmetry in information is the difference between what is being signaled and what is being seen, and is clearly observed between both parties. This asymmetry is mainly regarding scientific information and information of more specific nature. The authors argue that this

asymmetry arise due to the customers poorly screening behavior in combination with this information not being signaled clearly by the ventures. However, even though additional information is desired and believed to be easy to find by the customers, this information is not searched for whilst the products are continued to be used by the customers. According to the authors, this indicates that something is more important for attracting customers than matching signaled information to desired information.

In all three cases, a change in communication strategy and behaviour is observed. This, according to the authors, indicates how the new ventures seems to be aware of their signaling behavior, knowing that there is a need for change in communication to signal a solution that better fits the market.

The absence of symmetric information between customers and new ventures is observed to impact certain areas within the business, i.e. information asymmetries' role in the venture creation process. Assuming symmetrical information normally creates trust towards the product, it is seen that in the absence of this symmetry how other factors are more important for establishing trust, such as how the business is perceived by its customers as a whole. It is also seen in how a connection is established to the product through being a part of a social trend as well as through the communication of the venture with captive pictures and the use of public figures in social media marketing to create the feeling of the product being colloquial accepted. This shows that, when it comes to attracting customers in the venture creation process, creating an emotion and a feeling of collective effervescence is more important than matching signaled information to desired information. Additionally, this is connected to the change in communication of the ventures since when these kind of emotions are created the entrepreneur is easier forgiven for other mistakes, such as not signaling information customers desire. The authors argue that this change in communication is further connected to the ventures being relatively new on the market, either not having had the time or ability to fully screen and understand its potential customers or learn from previous mistakes made by other actors.

Through these observations, the authors conclude that: the role of asymmetrical information is of high importance in the venture creation process due to its effect on how ventures in this stage ought to attract and establish a relation with customers.

6.2 Advice to Entrepreneurs

From the concluding discussion the aim is to give advice for entrepreneurs on what to think about in regard of information asymmetry in the venture creation process, especially regarding how to attract and build relations with customers.

- Perceived emotions > Signaling of desired information
- The importance of customer feedback
- Create a feeling of collective effervescence
- Change direction of communication while you are still new on the market

While still figuring out how to match the customers' screening behavior with what is being signaled by the venture it is of importance to make sure that a connection and emotion towards the product is created. This is of importance when customers perceive the scientific information as uncertain since a successfully communicated feeling of collective effervescence will create a desire for the customer to purchase the product.

In line with the 'lean startup', the authors believe that customer feedback is of great importance when changing and adapting a new ventures communication strategy because there is no better way to learn how customers perceive a product and through that understand their screening behavior. Further, the authors argue the importance of changing and adapting the ventures communication strategy when still new on the market as the authors believe that the customers indulgence decreases along with the venture growing stronger.

6.3 Further Research

This thesis argue how the ventures signaling does not fully match with the customers screening of products. Hence, the authors argue how it would be interesting to investigate the ventures screening process of potential customers in order to make the signaling process towards customers more accurate and effective.

The products connection with an already established social trend helped in creating an emotion and feeling of collective effervescence, the authors thereby argue that it would be of value to conduct a similar study with ventures which products are not connected to a trend as well as with a wider choice of participating ventures.

7. Reflection

7.1 Trustworthiness

The authors of this thesis consider the content to have high trustworthiness as well as a relevant data collection supporting the purpose of the study. Additionally, the authors argue how the findings are of high relevance for this study. Both the entrepreneurs and participants in the focus groups have been encouraging toward the study, indicating the information provided is of accuracy and interest to help the authors reach an interesting and honest conclusion.

The authors are aware of how all the participants in the study may have had biased opinions. This is thus taken into consideration in the analysis where the authors have chosen to carefully analyze and interpret patterns with support from both the interviews of the two parties but also secondary sources to yield a fair pattern. The authors are also aware of how complete unbiased information is inevitable since participants are aware of how information in the wrong hands may lead to unprofitable affairs for themselves. However, the authors mean the empirical data collected and analyzed from both primary and secondary sources is relevant and consistent for the study.

In the matter of credibility, transferability, dependability and confirmability, concrete principles determining the trustworthiness, are accomplished and described earlier in the methodology chapter. The authors have followed these principles but there are some pointers to add after the study. First, in regard of credibility, the authors made sure all participants fully understood and asked frequently to clarify their answers in order to make a fair judgment of said answers. In consideration of transferability, a descriptive background of information asymmetry is conducted so the readers are aware of the situation being researched. The dependability was difficult in terms of how the data collection and frequently new theories arising challenged the authors in which direction to take and how to structure the paper. However, after the long process of puzzling and deciding the angle of the thesis, the authors feel they have an enhanced and in-depth understanding toward information asymmetry in the relationship between entrepreneurs and their customers.

7.2 Authenticity

The authors believe the authenticity to be high in this thesis, even though in a thesis of this extent, it is difficult to take all perspectives into consideration. Conducting semi-structured interviews with open questions has let the participants to answer in an unbiased and fair way. Furthermore, authenticity is achieved by thoroughly scanning all secondary sources, and if useable information is found, this is carefully considered when applying to this thesis in order avoid copying and other transmissions. The authors hope this thesis will to some extent help existing and future entrepreneurs to gain a better understanding of information asymmetry.

7.3 Work Process

The authors decided early on information asymmetry as the research area to be investigated. After a broad literature review they chose to study it in the relation between new ventures and their customers, as in the venture creation process. This was due to the lack of research conducted on this in the field of entrepreneurship.

The authors struggled a long time in order to find the right method to answer the purpose in a comprehensible way and additionally after the method was chosen it took a even longer time to find an appropriate way in how to structure the thesis, especially in regards of how to analyze and make sense of the collected data. There were a lot of theories of the area and the authors also struggled for a while in order to understand them and find the most appropriate theories to apply in order to fully understand asymmetrical information on the market.

When the essential theories were found and understood, the data collection began. The new ventures were easy to contact as well as interested and enthusiastic in participating in the study. However, the customers were much more difficult to find and also conduct into focus groups, finding a time matching all the participants. This led to a very time-consuming

process and a lot of effort was put in this part of the data collection. The websites were easy to examine but more difficult in choosing the relevant information to use in the thesis.

Thus after the empirical data was collected, and the coding turned into categories, the additional theories needed for the study were easy to find. Since the authors had made a thorough literature review in the beginning of the process, this step was easier to accomplish.

To conclude, the work process was very educational as well as a constant challenge to make sense and connect all the parts of the thesis. A lot of time was put into structuring and interacting internally within the group to reach the best possible solution. As a result, the path was challenging and time-consuming but led to a thesis the authors are proud of.

7.4 Evaluation of Theories

The authors believe the chosen theories were relevant and contributed to answering the purpose of this thesis by looking at many different perspectives of information asymmetry.

First the Austrian approach gives the readers a deeper understanding of the existence of information asymmetry in the micro-economic context. This theory worked as a meaningful introduction for both the readers as well as the authors to better understand information asymmetry on the market and its relation in an entrepreneurial context.

Spencer (1973) and Stiglitz (2000) theories on the signaling and screening process worked as tools and set the theoretical basis in order to understand information asymmetry and the selection-problem of a product. Through these theories the new ventures and customers' relation toward a product could be applied in a comprehensible and easy way to analyze asymmetrical information. To support the screening process the AIDA model was applied to make the customers view more evident. Theories of trust and Akerlofs (1970) theory on

adverse selection were used to connect the signaling and screening process to easier understand the relation of asymmetrical information within the cases.

The theories above led to additional theories in order to explain the empirical data with. Frijda (1986) together with Gorbatai and Dioun (2015) , explained theories of emotions, which was of major importance of the study.

Further, this led to theories on change where Blank (2013) , Stinchcombe (1965) and Steffens et al (2009) support the advantages of being new on the market for a new venture. These were used to get a deeper understanding of how the venture creation process could be affected positively by asymmetrical information in the relation between new ventures and their customers.

To summit, the chosen theories were all used and of high relevance for the study. However, many of the theories were very complicated and difficult to grasp. Thereby the authors indicate on how it was impossible to get all the relevant information of each theory written in the thesis. Also the fact in how some of the theories were old and questionable arised, but since they were still used in other research in information economics, the authors chose to apply them. The decision in what was of most importance to be used and applied to in this study was also difficult for the authors to determine. Hopefully the variety and width of theories used in this thesis supports and brings depth to the analysis and conclusions made.

7.5 Generalizability

Considering this study being qualitative and with a limited amount of cases, the authors do not claim the findings to be very generalizable because new ventures differ a lot and this makes it difficult to draw generalizable conclusions. However, the authors still believe they could draw relatively clear conclusions based on the empirical data collected in this study. The authors believe it is important to be critical in regards of conclusions, especially considering the limited amount of empirical data as well as the time-constraint for this thesis.

References

Akerlof, GA .(1970). 'THE MARKET FOR "LEMONS": QUALITY UNCERTAINTY AND THE MARKET MECHANISM',*Quarterly Journal Of Economics*,vol. 84, no. 3, pp. 488-500. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 8 December 2015]

Aldrich, H. & Renzulli, Linda A. (2000).Family matters: Gender, Networks, and Entrepreneurial Outcomes Social Forces. *OXFORD JOURNALS*. vol. 79,no. 2, pp. 523-546

Ali, H, & Birley, S (1998), 'The Role of Trust in the Marketing Activities of Entrepreneurs Establishing New Ventures', *Journal Of Marketing Management*, vol.14,no. 7, pp. 749-763.

Amit, R, Glosten, L, & Muller, E .(1993). 'CHALLENGES TO THEORY DEVELOPMENT IN ENTREPRENEURSHIP RESEARCH', *Journal Of Management Studies*,vol. 30,no. 5, pp. 815-834.

Arrow, KJ .(1963). 'UNCERTAINTY AND THE WELFARE ECONOMICS OF MEDICAL CARE', *American Economic Review*, vol. 53,no. 5, p. 941. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 12 November 2015]

Blank, S .(2013). 'Why the Lean Start-Up Changes Everything', *Harvard Business Review*, vol. 91,no. 5, pp. 63-72. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 19 December 2015]

Bryman, A.(2004, revised edition) *Social Research Methods*, Oxford: Oxford University Press.

Bryman, A. & Bell, E. (2007). *Business Research Methods*. Oxford: Oxford University Press.

Bryman, A. & Bell, E. (2011, 3rd.edn). *Business Research Methods*. Oxford: Oxford University Press.

Bryman, A. & Bell, E. (2013). *Företagsekonomiska forskningsmetoder*. Lund: Liber

CNET.(2015). *FCC to fine AT&T \$100M for deceiving customers over unlimited data plan - CNET*. Available online: <http://www.cnet.com/news/fcc-to-fine-at-t-for-deceiving-customers-over-unlimited-data-plan/> (Accessed: 8 November 2015).

Coser, Lewis (1997). Introduction to *The Division of Labor in Society*, by Emile Durkheim. New York: Simon and Schuster.

Daily Mail (2015). Apple sued for 'deceiving' people about iPhone storage: Lawsuit blames iOS 8 for hogging more than a FIFTH of space. Available Online: <http://www.dailymail.co.uk/sciencetech/article-2894228/Apple-sued-deceiving-people-iPhone-storage-Lawsuit-blames-iOS-8-files-hogging-FIFTH-space.html> [Accessed 8 November 2015]

Douglas, E, Carlsson-Wall, M, & Hjelstrom, T .(2014). 'Negotiating Equity Share and Management Control of the Entrepreneurial New Venture', *Venture Capital*, vol.16,no. 4, pp. 287-307. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 22 November 2015]

Elitzur, R, & Gavious, A .(2003). 'Contracting, signaling, and moral hazard: a model of entrepreneurs, 'angels', and venture capitalists', *Journal of Business Venturing*, vol. 18,no. 6, pp. 709-725. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 25 November 2015].

Folkhälsomyndigheten (2011). Public health priorities in Sweden. Available Online: <http://www.folkhalsomyndigheten.se/pagefiles/12674/Public-health-priorities-Sweden-webb2.pdf> [Accessed 8 November 2015]

Forbes (2015). How Technology has Empowered a New Wave of Health Industry Entrepreneurs. Available Online: <http://www.forbes.com/sites/groupthink/2015/11/04/how-technology-has-empowered-a-new-wave-of-health-industry-entrepreneurs-2/> [Accessed 10 November 2015]

Fortune (2014). The 15 most profitable business sectors. Available Online: <http://fortune.com/2014/08/06/15-most-profitable-business-sectors/> [Accessed 9 November 2015]

Frijda, N. H. (1986). *The emotions: Studies in emotion and social interaction*. Paris: Maison de Sciences de l'Homme.

Genesove, D. (1993). 'Adverse Selection in the Wholesale Used Car Market', *Journal of Political Economy*, vol. 4, p. 644. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 10 December 2015]

Gibbons, M., Limoges, C., Nowotny, H., Schwartzman, S., Scott, P., & Trow, M. (1994). *The new production of knowledge: The dynamics of science and research in contemporary societies*. London: Sage.

Gorbatai, A., & Dioun, C. (2015). 'Enchanting Fields: Collective Events and Emotion as Value-Amplifiers During Field Emergence and Institutionalization', *Conference Papers -- American Sociological Association*, pp. 1-50. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 22 December 2015]

Harvard Business School (2011). *Why Companies Fail-and How Their Founders Can Bounce Back*, Available online: <http://hbswk.hbs.edu/item/why-companies-failand-how-their-founders-can-bounce-back> [Accessed 04 November 2015]

Headlines & Global News, (2015). *Apple Sued for Deceiving Customers on iPhone, iPad Storage*. Available online: <http://www.hngn.com/articles/56416/20150101/apple-sued-for-deceiving-customers-on-iphone-ipad-storage.htm> [Accessed 8 November 2015]

Holmstrom, B. (1979). 'Moral hazard and observability', *Bell Journal Of Economics*, vol. 10, no. 1, pp. 74-91. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 12 November 2015].

Höhmann, Hans H., Malieva, E. (2005). *The concept of trust: Some notes on definitions, forms and sources* in Welter, F. (ed.) *Trust & Entrepreneurship*, pp. 7-23.

Johannisson, B., Johnsson, T. (1988). *New venture network strategies: the case of extrapreneurs*. Växjö: Högsk.

Juica Sverige AB (2015) *Juica*. Available Online: <http://www.Juica.se> [Accessed 15 December 2015]

Kirzner, I. . (1995).The subjectivism of Austrian economics .M. Meijer,G. (ed) in *New perspectives on Austrian economics*. pp. 11-25.

Kirzner,I.M. (1997). Entrepreneurial discovery and the competitive market process: An austrian approach. *Journal of economic Literature*.vol. 35, pp. 60-85

Kojima, T., Kimura, T., Yamaji, M., & Amasaka, K. (2010). Proposal and development of the direct mail method “PMCI-DM” for effectively attracting customers. *International Journal of Management & Information Systems*. vol. 14, no.5.pp.15-20.

Landström, H., & Löwegren, M. (2009). *Entreprenörskap och företagsetablering*. Lund: Studentlitteratur

Langemar, P (2008), *Kvalitativ Forskningsmetod I Psykologi : Att Låta En Värld Öppna Sig*. Stockholm : Liber

Livsmedelsverket (2014). Årsredovisning 2014 [pdf] Available at:
<http://www.livsmedelsverket.se/globalassets/rapporter/2015/livsmedelsverket-arsredovisning-2014.pdf> [Accessed 3 November 2015]

Lounsbury, M, & Glynn, M .(2001). 'Cultural Entrepreneurship: Stories, Legitimacy, and the Acquisition of Resources', *Strategic Management Journal*, vol.6, no. 7, p. 545. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 14 November 2015]

Lundahl, U. & Skärvad, P. (1999). *Utredningsmetodik för samhällsvetare och ekonomer*, Lund: Studentlitteratur AB.

NaturalCycles Nordic AB (2015) NaturalCycles. Available Online:
<http://www.naturalcycles.com> [Accessed 15 December 2015]

Nayar, PR .(1990). 'INFORMATION ASYMMETRIES: A SOURCE OF COMPETITIVE ADVANTAGE FOR DIVERSIFIED SERVICE FIRMS', *Strategic Management Journal*, vol.11,no. 7, pp. 513-519. Available through: LUBsearch
<http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 9 November 2015]

Onyemah, V, Rivera Pesquera, M, Ali, A, & Daigle, P .(2013). 'What Entrepreneurs Get Wrong: Interaction', *Harvard Business Review*, 91, vol.7, no.8 pp. 14-15. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 13 November 2015]

Peirce, CS, Hartshorne, C, & Weiss, (1931), Collected papers of Charles Sanders Peirce, Cambridge, Mass.

Pentus, K, Mehine, T, & Kuusik, A.(2014). 'Considering Emotions in Product Package Design through Combining Conjoint Analysis with Psycho Physiological Measurements', *Procedia - Social And Behavioral Sciences*, 148, *2nd International Conference on Strategic Innovative Marketing*, pp. 280-290. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 20 December 2015]

Platt, J .(1981). 'EVIDENCE AND PROOF IN DOCUMENTARY RESEARCH: 1', *Sociological Review*, vol.29,no. 1, pp. 31-52. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 7 December 2015]

Porter, M. E. (1980). *Competitive strategy : techniques for analyzing industries and competitors*. New York: Free Press.

Posen, H, & Chen, J n.d. (2013). 'An Advantage of Newness: Vicarious Learning Despite Limited Absorptive Capacity', *Organization Science*, vol. 24,no. 6, pp. 1701-1716. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 18 December 2015]

Rawal, P. (2013). AIDA Marketing Communication Model: Stimulating a purchase decision in the minds of the consumers through a linear progression of steps. *IRC INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SOCIAL & MANAGEMENT SCIENCES*. Vol. 1., no.1. pp 37-42.

Richardson, J .(2008). 'The business model: an integrative framework for strategy execution', *Strategic Change*,vol. 17, pp. 133-144. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 29 November 2015]

Schoonhoven, C, Eisenhardt, K, & Lyman, K .(1990). 'Speeding Products to Market: Waiting Time to First Product Introduction in New Firms', *Administrative Science Quarterly*, vol.

35,no. 1, pp. 177-207.Available through: LUBsearch
<http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 16 November 2015]

Schwartz-Shea, P, & Yanow, D (2012), *Interpretive research design: concepts and processes*, New York; London: Routledge.

Singh, J, Tucker, D, & House, R .(1986). 'Organizational Legitimacy and the Liability of Newness', *Administrative Science Quarterly*, vol.31,no. 2, pp. 171-193. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 17 December 2015]

Six Beverages AB (2015) Akuo. Available Online: <http://www.akuo.se> [Accessed 15 December 2015]

Spence, M .(1973). 'Job Market Signaling', *The Quarterly Journal of Economics*, vol. 3, p. 355. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 8 December 2015]

Stake, Robert E. (1995) *The art of case study research*, Thousand Oaks, Calif. London : Sage.

Starta & Driva Företag (2015). *Det varas för hälsoentreprenören*. Available Online: <http://startaochdriva.se/det-varas-for-halsoentreprenoren/1357> [Accessed 4 November 2015]

Steffens, P, Davidsson, P, & Fitzsimmons, J .(2009). 'Performance Configurations Over Time: Implications for Growth- and Profit-Oriented Strategies', *Entrepreneurship: Theory & Practice*, vol.33,no. 1, pp. 125-148.Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 20 December 2015]

Stiglitz, JE .(1975). 'The Theory of 'Screening,' Education, and the Distribution of Income', *The American Economic Review*, vol.3, p. 283. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 10 December 2015]

Stiglitz, JE .(2000). 'The Contributions of the Economics of Information to Twentieth Century Economics', *The Quarterly Journal of Economics*, vol.4, p. 1441.Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 11 December 2015]

Stinchcombe, Arthur L. (1965). "Social structure and organizations", *Handbook of Organizations*. vol.17, pp. 153-93

Veckans Affärer (2015). 71 heta svenska startups som kan bli sveriges nästa stora succébolag. Available Online: <http://www.va.se/nyheter/2015/05/29/71-heta-svenska-startups/> [Accessed 3 December 2015]

Washington Post (2015). *How the Snuggie maker deceived its customers*. Available online: <https://www.washingtonpost.com/news/morning-mix/wp/2015/03/06/how-the-snuggie-maker-deceived-its-customers/> (Accessed: 8 November 2015).

Welter, F, & Smallbone, D. (2006). 'Exploring the Role of Trust in Entrepreneurial Activity', *Entrepreneurship: Theory & Practice*, vol. 30, no. 4, pp. 465-475. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 15 December 2015]

Ye (George), J. (2015). 'Financing High-tech Start-ups: Moral Hazard, Information Asymmetry and the Reallocation of Control Rights', *B.E. Journal Of Economic Analysis & Policy*, vol. 15, no. 2, pp. 685-708. Available through: LUBsearch <http://www.lub.lu.se/soeka/lubsearch.html> [Accessed 10 November 2015]

Appendices

Appendix 1 - Interview Guide with New Ventures

The questions are divided into the under-lined categories:

General Questions

- Recording, if anonymity is preferred or not,
- Personal information with age, position in company, previous experiences,

Story behind the idea/entrepreneur

These questions above serve as introductory questions and to gain an improved understanding of the startup company and the opportunity it arose from.

- How the idea for the business started
- How the entrepreneur found the opportunity for the idea
- When the entrepreneur first came in contact with the field/industry
- Background story of how the entrepreneurs reached the idea, inspiration and thoughts behind it
 - *How the idea led to the formation of the company, if anything changed during the process*

Presentation of the new ventures offer and its values

These questions serve to describe the product that the entrepreneurs sell and how they perceive the relations with customers

- Name some of the most positive values the product and concept brings to the customers
- The positive effects and goals of the product for the customers' lives, and on society
- Compare them to the products and concepts the competitions offer
- The respondent's personal opinion of the product
- Describe a typical customer

Information Related Questions

These questions are motivated by the theory of signaling, as well as aim to describe the entrepreneur's' view on what information the customers may have.

- How information reaches new customers
- What the most important information that should reach new customers is, what they need to be informed about
- How existing customers are supplied with new information and further educated about the product
- How easily accessible information regarding the product and trend is
- How often customers contact customer support requesting additional information about something (such as using the product)
- How much scientific facts the customers are believed to have and want

New ventures Information

These are questions asked in order to study the vision of the entrepreneur, the role of information in the market competition and the potential uncertainty of customers.

- Most important factor for the success of the company
- How much is related to ongoing trends
- How much is related to the marketing of the product
- How much in-depth information the customers seek
- If more, or all, potential customers should use the product or technology
- How the product and the venture will affect the future of the market and the world

Appendix 2 Focus Group Guide Customers

The discussions are divided into the under-lined themes:

General questions

Facesheet, information about: if anonymity is preferred or not, age, how long they have consumed the product

Presentation of the product and its values

These questions relates to how the customer perceives the product and how they perceive alternatives on the market

- Name some of the most positive values the product and trend brings
- Compare them to the products competition offers
- The positive effects and goals of the product for the customers' lives, and on society

Marketing Channels

These areas are discussed to evaluate customers screening process as well as investigate the stages of the Attention - Interest - Desire - Action theory

- Discovery of the product and the company
- What the process of purchasing the product is like

Information related to the product

These questions relate to the screening process and the uncertainty the customers perceive

- What information the customers had before purchasing the product the first time
- What information they gained after purchasing, and how
- What information they feel they lack
- And if they look for it
- How the product is going to affect the future

Relation to the company

- How much trust they feel toward the brand and product, and the information supplied by the company
- How much the firms newness affected their choice of the product

These areas are discussed to evaluate the level of trust the entrepreneurs and their ventures have from the customers, if they feel any uncertainty about the information and its role

Combined, the topics describe different aspects leading to adverse selection, market failures, awareness of these; and the consequences that these aspects lead to.