

Developing a business plan for a company in Finland owned by foreigners. Case: Prime Sails Ltd

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To establish a new company is challenging for any businessman or businesswomen. Starting up a company in a foreign country is twice as hard. The purpose of the thesis is to examine the factors that affect the success of a company newly-established by immigrants. These include such areas as good business plan, market research, cultural knowledge and awareness of the legislative environment.

The case study focuses on the company Prime Sails Ltd, which is a supplier of sails. The main objective is to study the difficulties expected when establishing a company in Finland by shareholders with a foreign background. The thesis also provides guidelines on how to make a business plan and establish a company. In addition there is information on the company history, a product and services description, a market analysis, a description of the partners and cooperation with other companies, the management structure, financial plan and also a SWOT analysis. The project investigated the marketing strategy, pricing, cultural issues, franchising company, competitor analysis, product description, brand building and contains an interview with one of the shareholders. A qualitative research method was chosen for this thesis. At the end there are recommendations for the company and conclusion.

Prime Sails is a franchise of the company Ullman Sails and therefore the thesis will concentrate on both companies. As Prime Sails implements the business methods and values of the franchisor, competitor analysis, product description and brand building description is presented for Ullman Sails. Ullman Sails represent an important area of focus in this thesis and more is explained in the empirical section of the study. At the request of the shareholders no financial statements are included in the thesis and a complete list of the company's product range is given in the text and appendices of the thesis. The thesis focuses on the company's growth, consistency, development and difficulties.

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1 Introduction

It is difficult to start a business, especially for a person of foreign origin. Therefore there is a need to make a good business plan. There are many other aspects that must be considered, so that a company would have a chance to survive in the industry. One of these aspects is cultural challenges.

The case company Prime Sails has experienced these difficulties and made mistakes at the start of their activity. The objective of this case study is to demonstrate how to write a business plan and why it is needed. Second main objective is to inform about the cultural issues that are expecting every foreign businessman.

Prime Sails Ltd started operations in Finland at the same time that this research began. Thesis was attending during company's changes and growth. In this document there are sections on the business plan, culture, franchising, brand building, price setting, SWOT analysis, product description, market analysis, competitor analysis, history and values of Prime Sails. At the end of the thesis a conclusion and recommendation from the author are presented.

1.1 Purpose of the thesis

The purpose of this study is to demonstrate how to create a business plan and face cultural issues. These issues are only a beginning of complications in the entrepreneur's life. It is important to know if the company is worth the time and effort putted in it. To know that it is essential to write a business plan before starting up a company. To establish a new company there are many issues to solve, like brand building, marketing, law, customers and so on. The thesis will present two companies, Prime Sails Ltd and Ullman Sails. The reason why Ullman Sails have a large area written about it in this study is, because Ullman Sails is a franchisor of Prime Sails and using the principles and work ethics of this company.

1.2 Research problem

The research problem is to learn how to make a business plan and the reason is needed. The main objective of this research is to study the methods of making a business plan, investigate cultural problems and issues of the establishing a company by the foreigners in Finland. Also it is important to understand what other problems can affect the company's success. In this research author will concentrate on other issue of cultural challenges.

1.3 Research method

The research method chosen for this thesis is qualitative research, because it is the most suitable for this research problem. The research process includes areas such as: collecting the information or data, analyzing and reporting that information. For the research, information is collected from books, internet web sites and cooperation with shareholders from the case study company. The company provided information and documents of how it is operating. Other qualitative research that was complete is the face-to-face interview with one of the shareholders. The data from the interview was collected and analyzed with a support of a theories and information collected from the books and web sites.

1.4 Theoretical approach

The theoretical framework of the thesis includes statement of a business plan, SWOT analysis and cultural issues. These theories show the possibilities of how to establish business and make it successful.

It is advisable for every company to write a business plan before operating in a new market. There are different examples of how to write a business plan and active companies or people writing business plans for money. These business plans have features that are similar to each other. The result of how wide the business plan is, depending on company's nature and size. This thesis will present the business plan version of the Miller, Vandome and McBrewster.

The content of the business plan include:

- Executive summary
- Organizational background
- Marketing plan
- Operational plan
- Financial plan
- Risk analysis
- Decision making criteria

(Miller, Vandome, & McBrewster 2009, 29)

The executive summary includes the main points of the business plan. Organizational background part provides information about the company, its current status, history and management. The marketing plan contains information about pricing, demand management, distribution, promotion and brand development. In this study the demand management will not be included, because this information is needed in companies similar to social security or welfare services. Operational plan includes manufacturing or development plan, information and communication technology plan, staffing plan, asset development plan and cost allocation

model. Asset development plan and cost allocation plan is not relevant for this research. Financial plan includes current financing, funding plan and financial forecasts. Funding plan is used for banks and financial statement of the thesis is breath, as requested the shareholders. Risk analysis area contains risk evaluation and risk management plan. Decision making criteria is not included, because of its irrelevance.

1.5 Structure of the thesis

There are five main areas in the research: introduction, theoretical background, research approach, empirical study, conclusion and recommendations.

Culture is an issue in establishing a company in a foreign country. Shareholders of Prime Sail Ltd are Russian origin, so difficulties occur for them that are unfamiliar for Finnish origin businessmen. Even though two of shareholders are permanently living in Finland they will remain foreigners in Finland for the rest of their lives. Cultural issues are analysed closely in the area of the empirical study of the research.

The reason of the Prime Sails undertaking another company's name and product is difficulties to find new customers. Franchising for Ullman Sails is explained and analyzed in the empirical study area. Important part of empirical study is the SWOT analysis. At the end of the research author have some recommendations and opinions about what Prime Sails could have done better and the conclusion.

Due to close cooperation with shareholders the author is able to provide the information about the company that cannot be found in any web sites, books or magazines.

2 Theoretical background

2.1 Creating a business plan

First it is important to know why the plan is needed and the audience for what the business plan is made for. It is good to list the description audience and what reaction is wanted from them. The reasons may be different: to get an investors, to sell the business, to start joint venture, to make a contract with other company, to get a grant or a regulatory approval, to operate own business. (Finch 2010, 2)

In this case the reason is to operate own business. It is important to write a business plan before establishing the business. It is important to start something new that will affect on the many aspects of the entrepreneur's or shareholder's lives. Business plan needed to be con-

ducted before the beginning of operating the company, so that the owner will know what to expect and evaluate if this business idea will worth in future. The start-up capital and time invested in the company are the aspects that should be planned in advance. Every business has its advantages and disadvantages, so it is essential to know about them from the start, before the company establishing functions are initiated. Writing the business plan takes time and effort, but it will lower the failure possibility. Many companies, in particular small companies, are neglecting on writing an accurate business plan, because having the opinion that it is a waste of time. The business plan is testing if a person is serious and determent to establish a company.

Business plan is consisting from facts and evidence from where the data was collected. It gives credibility to the business plan and aims of the writer of that business plan. The data can be collected from many resources like government statistics, market research reports, university departments, trade associations, trade press, press cuttings, brochures of competitors, interviews or comments from suppliers, customers and competitors and also from web sites. (Finch 2010, 12)

For example, the geographical location of the company is essential in the success of the company. The business plan includes the data about the location that is in favour of the company and the reason why it is good location for the operating a business.

There is a business plan presented by Finch. In this plan there has to be a summary, an introduction, a business background, a product, a market, operations, a management, a proposal, a financial background, risks, a conclusion and appendices. There is another typical business plan that includes similar areas than the above, but is simpler. This plan includes: cover page, table of content, executive summary, business description, business environment analysis, industry background, competitive analysis, market analysis, marketing plan, operations plan, management summary, financial plan, attachments and milestones. (Miller & et al 2009, 3)

The business plan has to be interesting for the reader from the beginning. The competitive analysis has to describe shortly about of the business plan content. Next, is the description about the intentions of the company and the industry in that its operating. Then, the analysis of the environment the company will operate in and how it will function. It is important to know about the competitors and analyze their strengths and weaknesses. Also it is good to know who the customers are and what are their needs and desires. After researching all the things mentioned previously, it is essential to choose the right method of marketing. At the end of the research there have to be management summery about the how owner will operate the company. Finally, it is recommended to plan a financial statement, but thorough plan is not always possible.

2.1.1 Cultural challenges

Hofstede describes culture as “the collective mental programming of the people in an environment. Culture is not a characteristic of individuals; it encompasses a number of people who were conditioned by the same education and life experience.” (De Mooij 2011, 33)



Graph 1 Described by Harris and Moran (De Mooij 2011, 40)

2.1.2 Cultural dimensions

According to Hofstede there are five dimensions of national culture. These are: power distance (PDI), individualism/collectivism (IDV), masculinity/femininity (MAS), uncertainty avoidance (UAI) and long-/short-term orientation (LTO). (De Mooij 2011, 46) The power distance is explaining the relationship between powerful and not so much society members. The values are different in different cultures and PDI is according to it. PDI is measured by power

distance index and it is easier to see the difference between the cultures values. Country similar to Japan scoring high on the power distance index and country similar to United States of America is on the other hand low. Individualism/collectivism is describing the relationship with itself and with a community. The individualists are concentrating in self-actualization and own opinion is extremely important. The collectivists are interested in a harmony of the group to which they are belonging. For collectivists it is more “we” than “I”. The majority of population belong to collectivism. Society can be more masculine or feminine. The difference between these societies is that masculine society is concentrating more on the competition and winning. Performance and achievement is what counts in the masculine society. The feminine society is caring about the quality of life and considers that small is beautiful. Uncertainty avoidance is when people in the society are threatened by uncertainty or they are confident about their future. Cultures with strong uncertainty avoidance are more aggressive and emotional. And in weak uncertainty avoidance society people do not need many rules and concentrating on the result than process. Long-term and short-term orientation dimension is dividing societies how they are using their time and their habits towards the future. Main characters of the people behaviour are shown in the table 1.

Long-term orientation	Thrift	Perseverance	Pragmatism	Talent for applied, concrete sciences		
Short-term orientation	Values of National pride	tradition	Low thrift	Self-enhancement	Appeal of folk wisdom and witchcraft	talent for theoretical, abstract science

Table 1: Hofstede Long-/short-term orientation dimension (De Mooij 2011, 49)

Culture is one of the important things that have to be acknowledged before operating in foreign country or collaborating with a foreign company. There might be some issues if the owners establish a company in a foreign country or the owners being foreigners establish a company in the country without studying a culture of that country. In the past and still in the present day business men make mistakes and their company fails, because they were thinking that culture is not that important.

2.1.3 Cultural shock

When people come or move to another country, the cultural shock is impossible to avoid. Cultural shock is a trauma of the differences between own country and culture from the new

country that a person moved to. Cultural shock includes communication problems, similar incomprehension of the verbal and non-verbal communication of the culture, values systems and customs. (Chaney & Martin 2011, 72)

There are five stages in cultural shock:

- excitement or initial euphoria shock
- crisis or disenchantment shock
- adjustment shock
- acceptance shock
- re-entry shock

The first stage is excitement or initial euphoria about everything new, for example food or people. Fascination of different culture makes to overlook at the small troubles. But at the next stage of crisis or dissatisfaction the differences between the cultures are becoming more obvious. Many differences are causing serious stress, things like foreign language or homesickness may cause a depression. The third stage is adjustment, the new things are starting to look better and after changing an attitude towards new culture it will make living in new country more satisfying. After adjustment follow acceptance, a person is ready to participate in the activities of the culture and feel happy in doing so. Learning the language is important of accepting this country for person's home. The last stage re-entry means that after staying abroad through all the above stages it is difficult to return to its own country. The shock of the feelings and emotions towards its own culture can traumatize. All the stages above will be experienced once again. (Chaney & Martin, 75)

According to book "Cross-cultural business behaviour" written by Gesteland, Finnish people belong to the group G and Russian people to the group D. Group G is deal-focused, moderately formal monochromic and reserved. Group D is relationship-focused, formal, polychromic and variably expressive. Finnish are well educated nation and languages like English and Swedish will know almost every Finn. Finnish business men are deal-focused, they do not attend to get to know the business associates on a personal level. Strictly business for Finns, the premiere goal is that the job has to be done. Finns are low-context verbal communication nation, if something bothering them they will tell directly, for many other cultures it will interpreted as rudeness. (Gesteland 2012, 345) Being on time for the meeting is important for the Finns, it means that Finnish nation is monochromic.

Russian people are tending to establish a relationship first and business after. The relationship have to be maintained at all times, even if it possible only through phone or e-mails. The Russians are polychromic, they are trying to be on time for the meeting, but usually it rarely happens. Russians are also direct nation and have a low-context communication. According to

Gesteland, Russians will say what they mean and meaning what they say. Emotionally Russians are either more reserved or more open. At first they are distant and serious, but later they are expressing their feelings more and more emotional. (Gesteland 2012, 260) This thesis will analyze both Russian and Finnish culture according to the case company.

3 Research approach

According to the Tyson (2009, 59) there are three research methods:

1. Archival research
2. Qualitative research
3. Quantitative research

Two research methods were used in this study, archival and qualitative research methods. Archival research method includes literature review and review of project records. This method is helping to define issues and establish strengths and weaknesses that may occur for the company. There existing three types of qualitative research method: interviews in unstructured setting, focus groups and interviews in structured setting. The unstructured setting means that the questions are being asked from the person and the influence on the answers are minimized. The purpose is to acquire the information in a short period of time and obtain the useful information of issues. Focus groups research type is interviews made to find and define relevant issues in small groups of people. There can be a group that answers the questions that are reflecting on opinion of particular target population or a group that start to discuss about specific topic and proceed commenting deeper into a problem.(Tyson 2009, 65) Interviews in a structured setting is reminding of focus group and unstructured setting methods together. The number of people questioned is significantly larger, it is important that the people are selected randomly and at a different time and place. The interviews can be performed by phone, face-to-face or intercepting. A large quantity of interviewers is needed to conduct this kind of research. (Tyson 2009, 68)

Research method chosen for this case study is qualitative research, because quantitative research is irrelevant here.

3.1 Methodology

The companies that are making and selling sails are very secretive, because of the high competition. Author and Prime Sails shareholders had an agreement to assist each other and share information. That assisted to obtain all the required information for the thesis. Also, author had an opportunity to involve in the company's activities and participated at the Boat exhibition that took place at the Helsinki in a year 2011.

4 Empirical study

4.1 Prime Sails Ltd Business Plan

4.1.1 Summary

In this section included the history of establishment of the Prime Sails Ltd, information about its members and company's operating methods. Prime Sails Ltd was established without a business plan, which is essential for the company, that starting operate in a new market. Second issue is the culture. These two matters are thoroughly investigated in this research. There is information about its products and services, marketing, competition and potential clients.

4.1.2 Organizational background

4.1.2.1 *Company history*

Prime Sails Ltd was founded in a year 2010. There are three shareholders in this organization, Yuri Kostarev, Andrei Kulagin and Aleksandr Kulagin. Two of them are living permanently in Finland and third shareholder, Yuri Kostarev, is leaving in Russia. Shareholders were born in USSR. Yuri owning the company in Russian Federation named K-Sails Ltd that makes sails. It is one of the largest companies in Russia and has a good reputation. Yuri Kostarev was interested to sell sails abroad and he contacted Andrei Kulagin, from that moment they decided to establish a whole new retail company together. Yuri and Andrei needed one more person that would speak fluent Finnish, could have a contact with the customers and have IT-knowledge to support their system on the web. That person was Aleksandr Kulagin.

The next step was to contact and consult with legal forces, and prepare required papers to legally establish the company. The star-up budget is 8000 Euros and at least one Finnish citizen shareholder is necessary in a company. After signing the contract they acquired an account at the Nordea Bank. At the same time Aleksandr was working on the making a presentable website for the company.

4.1.2.2 *Management*

Prime Sails is engaging in the boating industry products and other manufacturing products, the import and export, marketing, mediation, network, wholesale and retail trade and commission trade. Company's

line of business is to produce and provide domestic and international transportation, freight forwarding, logistics and warehousing services, and engage in other investments.

As it was mentioned before, there are three shareholders, Andrei Kulagin, Aleksandr Kulagin and Yuri Kostarev. Andrei Kulagin was chosen to be chairman and Yuri Kostarev and Aleksandr Kulagin are board members. Other responsibility that Andrei Kulagin has is representing the company, find new possible customers and partners, develop marketing strategy, controlling bank account and selling the sails. Aleksandr Kulagin is responsible for IT-Support, selling the sails, contacting partners and clients, distributing advertisements via internet, personally or on the phone. Yuri Kostarev is representing the company and responsible for the marketing in Russian Federation and he is the owner of the sewing company K-Sails that Prime Sails is co-operating with.

4.1.3 Marketing plan

4.1.3.1 *Products and services*

The service Prime Sails providing is retailing the sails for the yachts from companies that sew sails in other countries at the affordable price for the customer. The main products are sails for the H-boats and 2.4mR boats. If the customer wants it is possible to make sail individually for his boat, the only thing the customer has to do is to give the parameters of the present sail he has and K-Sails Company will make a better new one. The next change inside the Prime Sails has made also possible to order Ullman Sails with their unique technique of sewing. (www.primesail.fi)

Shareholders aimed to establish a company Prime Sails to sell sails that K-Sails making. But the business did not had a good start, there was no demand for the sails that were made in Russia. K-Sail is known in a Russian sails industry, but unfamiliar in Finland. After signing the contract with Ullman Sails new customers started to appear. Sails are delivered from the factories that are cooperating with Ullman Sails Company. The main factories that used by Prime Sails are CFS (China Sails Factory) and Factory in England. Many of the sails are made in America, sail making factory depends on the type of the sail ordered. Ullman sails have partners that making sails by Ullman Sails technology around the world. If franchising companies order a sail, they will look for more suitable factory from the Ullman Sails list of partners.

4.1.3.2 *Price setting*

Shareholders studied prices of competitors as much as possible and compared the expanse of making sails. They decided that Prime Sails sell sails with small profit in the aim to acquire customers to make and sell more sails in the future. That is the way that the prices are formed at a Prime Sails. Even though the sails were much cheaper it was important that sail's quality was at excellent level.

It is essential to set the right price at the beginning. By the price customers conclude a perception about the quality of the product. The lower is the price the better is the sell, is not necessarily true. There are different ways to set the price, one way is to study the prices of the competitors and investigate what customers feel about these prices. Value-based pricing is the most common one. Another way is everyday-low-pricing, meaning price discounts and promotions over time. This way of pricing adapted more recently. (Keller 2008, 220)

In the sails industry it is difficult to set solid price for the sails, because many factors are influencing on the value of the sails. There are no prices on the web-sites of the sail making companies, the only way to get a price is to enquire an offer from a sail making company to an exact sail. That is the reason why it is difficult for Prime Sails to investigate the price of the competitors and to assign their own prices. In the meeting, shareholders decided that the price will be calculated from sails making, delivery, taxes, and profit 30 percent.

Setting the right price is determine how well the product will sell in the future. Figure the most advantageous price by finding out the minimum price that you can afford, than define heart of the brand, after compare the prices of the competitors. Set a price, but do not think that it will be the end price. Test it, if something does not add up, there is still a chance to change it in the near future. (Strauss 2008, 99)

The price of the Prime Sails was much lower than the competitors. The profit margin was informed to Ullman Sails and they confirmed the price to be acceptable. When a new company start to operate it is important to set the right price, because if the price is too high or low it will scare the customers and it will be difficult to correct that mistake later. Without the clear pricing list of the competitors it is difficult to know if the price is right for the customer. For example, setting the price in the new store of electronics is easier, because almost every store have its web-site with same products and the price is in sight. With sails the cloth, size and personal preferences are influencing the price.

The company have an income, but most of the money spent on advertisement. The shareholders decided that it is more important that there is always some amount of money at the company's bank account, that is why shareholders do not have salaries from the selling's. After paying bills and for the advertisement the rest of the money is remaining within the com-

pany. Shareholders are continuously contacting through e-mail, phone and Skype, so there are no difficulties in communicating.

4.1.3.3 *Promoting the Prime Sails Ltd*

Advertising and promoting are the ways to get company's product or service known to the customers. Which way to advertise the company is chosen after finding out what is the target market. To contact large group of people is better though internet, television, radio, billboards, magazines and newspapers. Studies showed that it is extremely effective to present the product to the public. (Keller 2008, 235)

Advertisement is the key element in establishing a new company, it has to be effective. Since none of the shareholders have any experience with advertisement it is difficult to know what would be the best way to advertise a new company. The first action is to make a web site of the company.

Creating the web site is important action in starting up a business. Through internet can be implemented advertising, communicating with customers, and do the actual business fast and effectively. People assume that making a web site is expensive and too time consuming, but they could not be more wrong. The work will pay off later. In twenty first century a company will have a small credibility in the eyes of customers. Nowadays internet take a big part in almost every persons live. It is making people's lives easier. The same comes to the companies, after the internet became popular, it is much easier for companies do business not only in their own countries, but worldwide. Companies have a bigger chance to succeed and grow than before. (Strauss 2008, 371)

Aleksandr have an education for that, so he is responsible for creating a web-site for the Prime Sails. The web-site is continuously changing and improving, new information and offers appearing. Than shareholders decided to put an advertisement to the most popular boat magazine in Finland named "Vene". The next step was to find new customers personally, by calling to the yacht clubs and to offer them a good business proposal.

Promotion is another way to launch a new product to the market. That means selling product or service for cheap price for a short period of time. It is really effective to make as much people as possible to try the product. This kind of promotion is not suitable for products that are big or expensive. Personal selling is the most expensive way to launch the product to the market. Personnel have to be trained and motivated to sell the product, directly to the customer. Face-to-Face interaction with a customer is effective to get to know the customer's needs and satisfaction with the product. (Keller 2008, 266)

Aleksandr sent a request by e-mail to Google and had Prime Sail's web-site to come up at the first page of searching. There was no any clear marketing strategy. Shareholders were sure that they did not want to be too aggressive in advertising and promoting. The important goal was to earn trust from potential customers and yacht clubs in Finland. It is difficult for Russian business man to gain a trust from Finnish people, especially when prices are significantly smaller than their competitor's.

In a year 2011 a company participated for the first time in the biggest boat exhibition that is arranged in Finland every year. Prime Sails participated in a boat exhibition also in a year 2012. It was too early for the Prime Sails to participate in exhibition at the same year when the company was established, but in a year 2011 all members of the Prime Sails were ready to present their company. Boat exhibition is the main event in sail industry in Finland, every company that needs advertising advised to participate in this exhibition. This exhibition is one week long and is open every day from morning to evening. People pay money to see boats every size and type and to observe innovations of the sail industry. It is a good place for the customers to get information about companies and personally talk to the staff of the company that interests them. For the companies it is an excellent opportunity to make a good offer to the customers and give a good impression. Prime Sails was given a good stand location at the exhibition and even if it is small, most of the people were walking by their place and asking for an offer. The most crowded period were weekends and evenings. At the first year shareholders took vacations from their main jobs and were present at the exhibition all open hours. In the year 2012 during the mornings there were only one shareholder and on the evenings two members of the company were present. During these exhibitions Prime Sails received many offer requests and as a result acquired new customers.

4.1.3.4 *Cultural challenges*

When a company established by the foreigners local people are suspicious and it takes some time for the potential customers to start buying products and trust the company. Culture is a big part of how a customer will behave and how easily the trust will be obtained. Vital element of the culture is the way people make their living and do their business. A big part of that is consisting from the environment and natural resources. Economic mindsets are built from geography and communication skills and these parts are linked to each other. (Gore 2007, 59)

Russian and Finnish have a long history between them. History is still affecting the relationship between Russians and Finnish people. Finnish people are individualists, but it does not mean that it is okay to break a law, twist with the facts or say one thing and mean the other.

They are also punctual and expecting the same from the others. Finns are private people, some may call them slow to react, but they are hard working and pay a high tax, which guarantees the stability in the country. Freedom and freedom of speech are essential to them, but it is contradicting with the laws like closing shops early and selling alcohol until nine. Perhaps it is because Finns attend to drink too much. There are other contradicts such are: they like companionship, but prefer to spend time alone, individuality is the most important thing, but often follow the crowd. (Lewis 2005, 57)

For Yuri Kostarev it is essential to have partners that understand well the Finnish culture and language. If he would established the company without Aleksandr and Andrei Kulagin, the company would be destined to fail. The company Prime Sails is in advantaged position. The three shareholders are Russians, but Aleksandr and Andrei are living permanently in Finland and only Yuri is born and all his live lived only in Russian Federation. Even though two shareholders are living in Finland for the last seventeen years they are still Russians for the Finnish people and always remain foreigners in Finland. However, in Russia they are more Finnish than Russians.

People travel and live in different countries during their life time, so after certain period of time they become multiracial. These people find themselves between cultures, and it is difficult to say what culture present is the stronger one. Multiracial people are lack of the feeling of belonging, so they basically “stuck in between”. (Gore 2007, 51) Like in this case with Aleksandr and Andrei. They are experts on Finnish and Russian cultures. In addition there are people that leaved in many different countries during their lives, so it is possible to be an expert on several cultures. These multicultural people are valuable assets for the international companies like Ullman Sails.

People that are born in one country and living in another are having their own subculture. They are raised in own cultural ethics and morals, but surrounding society is having a huge impact on their personality. The result is multicultural expert on two or more cultures that will be a good businessman. For Prime Sails Company it is an advantage and gives more opportunities for the company. The identity of the culture is how people see themselves, their self-esteem and confidence. It is very important for companies to understand customer's identity before interacting the business in the country. Nowadays it is much more complicated, because markets are becoming more multicultural as the time pass by. (Gore, 43)

Russia and Finland countries are neighbours and had their good and bad moments with each other. Russia is a big country so there are many different cultures present in one country. Andrei and Aleksandr are from Petrozavodsk, which is near to the Finnish border. This border changed its place several times and it affected Karelia. Finnish culture had an influence on

the citizens and language of Karelia, and of course affected Andrei and Aleksandr. When they were moving to Finland it was not a complete turnaround. Even names of the places and towns were very much similar to Finnish. History makes us what we are today, so it is important to know the history, to make sense of who we are and make presumption of who the others are. (Gore 2007, 55)

Location in which Finnish people living is affecting their identity more than anybody could ever think. Environment is strongly affecting on their behavior and on lifestyle. In Finland the cold winters and seventeen persons per square kilometre is affecting on the communication skills. It is difficult for people from south countries to understand people from north countries, because they have different lifestyles and values, affected by environment. (Gore 2007, 57)

Aleksandr and Andrei can relate to the Finnish people in that. Population in Karelia is 643 548, and area is 172 400 km². There is not much sun and winters are cold, so there is similar environment with Finnish. (www.wikipedia.org)

Here are some facts about Finns and their culture:

- Finns need more space, physically and mentally. They do not like crowded situations and the personal territory of 1, 2 meters is what comfortable to them. Forcing the opinion on them would be a mistake and giving an advice on how to do something will be welcomed. (Lewis 2005, 151)
- Finnish concept of time is monochromic, everything has to be planned in advance and one thing is done at a time. That is how the task will be done well and in time. Finns are future-oriented people, though present is also very important. Punctuality is essential to them, Finns are always on time for the meetings and expect for other to be punctual as well. (Lewis 2005, 155)
- Finns have reactive mindset which means that they prefer first to listen and after thinking it through say what they have to say. Interrupting is acceptable rarely, if at all. It is very similar to Asian cultures. (Lewis 2005, 71)
- Finnish basic values are sense of separateness, they are not like others and very unique. “Sisu” means “guts”, Finns are very proud of their courage, stubbornness and so on; this character saved them their freedom.
- Honesty is very important to Finns, the same like to the Japanese or Germans.
- Hate of taking the debt affected by the history, Finns also paying bills and taxes in time.
- Reliability is essential, especially in business, a promise will be executed.
- Shyness and modesty are the features that Finns are known for.
- Taciturnity means that a person should talk only if there is something important to say.

- Directness is another feature of Finnish culture and it may be too much for some other cultures.
- Finnish are very realistic and some may say even pessimistic.
- And finally common sense is the last character of Finnish culture.

(Lewis 2005, 58)

4.1.3.5 Religion

Religion is a component of the intangible side of the culture. It is important to know the religious beliefs of the culture to understand people in this society. It is essential for the business to understand that religion and culture are inseparable. (Gore 2007, 53)

Finland and Russian Federation are neighbour countries; this means that they are also neighbours in religious manner. Orthodox and Lutheran have slight differences in the bible and churches. But altogether they believe in God. For the shareholders this particular element did not make any confusion.

Culture affects purpose of business, makes plans, manipulates network, develops working tools and has an influence on the results. Culture guides business people how to build strategy and what principals are accepted. From that knowledge a company can plan the way of how the business have to be done. Culture affects the management style and work environment, and also affects people that are working for or with the company. When working in different environment that is multicultural workers develop new skills and knowledge of how the business should be done in order to maintain a good relationship and future business. A good relationship and future business is the result that is affected by culture. A needed product or service is delivered, stakeholders and clients are satisfied and social responsibility is completed. (Gore 2007, 27)

4.1.4 Negotiations

Before going to negotiate with Finns there are some things to know about their negotiating ways. It is common to use the first name very quickly, because everyone is equal. It is important to watch what is said and not pay too much attention to how has said it. There will not be too much small talk, wasting time will be avoided, but communication style is polite and friendly. It is important to say directly, without playing the words and interrupting considered being rude. If a Finn disagree he will let you know openly and will be expected the same from the person. Personality and realism, even pessimism is what expected. Claims are normally humble and wondering about different scenarios is a common thing. Finns do not

like when something is force selling to them. The negotiations will take as much time as it will take, it will not be done in a hurry, but again waste of time tried to be avoided. Humour is present during the negotiation, mutual agreements performed and payments have to be paid on time. (Lewis 2005, 139)

Two of shareholders are multicultural and in the past were working in Finnish companies for a long time, it provided the opportunity to study the way Finns like to do business. They are familiar with Finnish business etiquette and are used to do business in the same way. Many aspects of doing business with Finnish people are unknown to Yuri. That is one of the reasons he wanted to establish the company with Aleksandr and Andrei. Also that is the reason they decided not to be aggressive in promoting and selling sails to the new customers. Force selling would only cause distrust from the Finnish customers.

There are some clues how to approach Finns better. Look solid and talk about achievements of your culture, but arrogance is always a bad idea. Say what you mean and give them time to think about. Silence does not mean anything bad and feedback is not an obligation. Finnish people try to do their job well, so when they are done they will bring to you the end result. Close supervision will not be appreciated. Showing interest in Finnish culture will help to win their affection. Finally, reliability, accuracy, respect and recognition are the key words when approaching Finns. (Lewis 2005, 191)

Some Finnish people dislike Russian people because of the mutual long history of both countries. That is why Aleksandr and Andrei know that it is better not to advertise that they are Russians, even if their names already showing that. There were even some negative comments from the possible customers in the independent web site chatting area, that the grammar in the offer they got from Prime Sails was grammatically incorrect and written by a foreigner. Still, despite negative feedback in the beginning, later satisfied customer became a good friend with shareholders and agreed to help with language issues and in a reward Prime Sails is making sails for his boat for free. At the end customer satisfaction is what making a profit for the company.

A Finn describing himself: "The typical Finn is quiet, silent, shy, uncommunicative, reserved, introverted, a bit cold and stiff, distrustful, suspicious, hard to convince, stubborn, not very outgoing and self-centered." (Lewis 2005, 102) Maybe these characters are correct, but even this kind of customer is possible to please.

There are some factors how to succeed in business (Graph 1). Good business decisions, business culture, company strength, entrepreneurial character and at the end many is depending on luck. The shareholders have to do everything for their company, sacrifice time, smile to a

critic of the customers and try to fix the problem, try to do business as a Finnish customer is used to, and maybe than the company will make profit. The shareholders have to be lucky so that every important aspect will be successful.

The ingredients of success:



Graph 2 : Burns 2007,249

4.1.5 Operational plan

4.1.5.1 Aleksandr Kulagin shareholder interview (see Appendix 1)

Aleksandr Kulagin was born 14th of February in a small town Petrozavodsk, Karelia, USSR. He was active and curious boy and as his teachers said that he is “natural born leader”.

Aleksandr’s mother and father had him when they both were young, at age 19. Aleksandr was growing up in Karelia for 12 years. The father, Andrei, was sailing for a hobby and he took his son with him. Aleksandr was participating at the regattas kept in Russia and in Europe. He also won first place in junior league more than once. Sailing was his hobby until family moved to Finland.

In a year 1993 Aleksandr, his parents and his younger brother moved to Finland. It was hard for the family to start over in new country, especially when they did not spoke on Finnish language. But after some time they learned Finnish language and culture. Boys were studying

Finnish school. After a year Andrei got a job at University, while mother was continuing to study Finnish language. When family's financial life stabilized they bought a small yacht and continued sailing hobby in Finland.

In Finland Aleksandr acquire his education in elementary school. In a year 1997 he proceeded studying at HELTECH (Helsinki City College of Technology) to become an electrician. During his last year of studies in a year 2001 Aleksandr has got a job as an electrician. In a period of time between year 2000 and 2005 Aleksandr was working on two jobs. On the second job he was working in the company Esko Otava Oy. He was responsible for the computers and machinery that were making credit cards. The reason he went to study to become an electrician, because he was not sure what profession he is ready to do for the rest of his life. After working in that industry he was sure that this profession was not for him and decided to study something that he likes to do in free time.

Computer was his second hobby for a long time, but only few years later he decided to study to become a professional. He got in to SLK (Suomen Liikemiesten Kauppaopisto) in a year 2004. He was studying and working at the same time in a company named Was Ste Oy. After studies he was trying to find the job according to his education, but without any result. Apparently in this industry there was strong competition due to amount of people that had similar education. In order to get any job in that industry the people had to be over qualified and most of them got the job in that industry through friends and relatives.

In a year 2006 he met his future wife and a year later they got married. In a year 2008 they had their first son. When he understood that there is no chance for the career growing in Was Ste Oy, he decided to resign from the company. In a year 2008 Aleksandr changed his job and joined building industry in hope that this job will bring more satisfaction to him. For the over a year Aleksandr was working in a company Arion Rakennus Oy. It is a small company of four people. The main employer of Arion Rakennus Oy is a big construction company Skanska Oy. The foreman saw that Aleksandr is a good worker and offered him a job. Aleksandr saw the potential of career growth and took the opportunity. He started working at Skanska Oy in a year 2010. In the same year second son was born. In a year 2011 he has got his opportunity and was offered a new traineeship contract. Traineeship provides education to become a supervisor. Aleksandr started working in a job that satisfied him professionally.

In a year 2010 Yuri Kostarev contacted Andrei Kulagin with a proposal to form a company together to sell sails in Finland. Yuri could not do it along, because he is Russian with no knowledge of Finnish language and for him it would be impossible to operate a company in Finland. Later Andrei contacted Aleksandr with this proposal. The reason Aleksandr participated in establishing a company was the opportunity to sell sails at a reasonable price in Fin-

land and still make a profit. Sails are expensive in Finland, so it would be a good idea to establish this kind of company. Establishing a new company is difficult, because nobody knows its products and there are trust issues from customers. Shareholders decided to franchise for the company named Ullman Sails. The company is well known worldwide, with acceptable prices and has a good reputation. Prime Sail's goal is to open a shop that sells everything for the sailing. Aleksandr hope that there will be a chance to extend, but before that the main goal is for the company Prime Sails Ltd to become one of the leading companies in Finland's sailing industry.

Establishing a company and making a profit is difficult, it is not enough wanting to sell sails. There have to be a bank account, accountant and paper work done. Difficult was to choose the most effective way to advertise the new company, trying to win a potential customer's trust. It takes time, money and energy to start up a company and keep it active. Aleksandr have not done it before and it was new for him. It helped him to grow as entrepreneur and personally. After establishing the company there are many aspects have to be covered so that a company will have an income. It is common that a company does not have any income at first or even two years. It is important to have income from elsewhere. That is why Aleksandr continued working at his present job. There have to be enough energy and time to get the company to the next level, it tested Aleksandr's patients. Full time job, family and a new company left no time for anything else.

4.1.5.2 *The CRM agents in Prime Sails Ltd*

Cultural relationship management is giving the information needed about intercultural communications. The considered parts of the CRM (Cultural Relationship Manager) are: defining the culture, identity, religion, history, geography and "economic mindsets". There are two different ways to see the culture, objective and subjective culture. Objective demonstrate us the material side of the culture, what people wear, eat, what language they speak, basically information that tourists have about the country before coming there. The other way is intangible side, the attitude, values and beliefs present in that culture. These both aspects are strongly connected with each other and passed from one generation to another. (Gore 2007, 38)

Aleksandr and Andrei are both CRM agents of the company. Both of them leaved long enough in the country to learn about the tangible and intangible sides of the Finnish culture. Sometimes it is not enough to study the culture, but a person has to leave in the country by its rules and values. That is why shareholders have an advantage before other foreign companies that are operating in Finland. Another advantage they have is that Aleksandr and Andrei are related to each other. Advantages of having a company with family members are: commit-

ment, flexibility in time, work and money, long range planning, a stable culture, speedy decision-making and reliability and pride. (Burns 2007, 412) There are trust and respect between the shareholders, but communication is easier between family related shareholder members.

4.1.6 Risk analysis

4.1.6.1 *SWOT analysis*

<u>Strengths</u> Multicultural shareholders Brand of the well known franchisor Advanced technology of a sailmaking Personal interest of the sailing sport One of the shareholders personal experience in owning a sails company and making sails Company's loft situated near the sea	<u>Weaknesses</u> Foreign shareholders Too low prices No business plan Young company
<u>Opportunities</u> Open a store Sell boats Extend Hire sales assistant to increase sales	<u>Threats</u> Lack of trust from Finnish customers Competitors Unstable economy Franchisors brand damaging

Table 2: SWOT Analysis

4.1.6.2 *Strengths*

There are seven strengths in the company. The fact that the shareholders are multicultural is working in their favour, because for them it is easier to understand and work with different customers and companies. They are open-minded, which is making for customers easier to approach them. One of shareholders owned a sails company for a long time, so there is always a professional to help and ask for advice from. One aspect is extremely useful for the company, all the members have an experience with sailing industry, especially when other two shareholders were sailing for many years. Even at present days shareholders try to sail at any chance they obtain, it is possible for them because the loft is situated near the sea. That is

one of the strengths of the company, launching sailing business near the water. After having some difficulties at the beginning with winning the trust of the customers, company decided to franchise for the Ullman Sails. It became strength of the company, because the brand knowledge is already established and the technology of making sails is advanced and well known.

4.1.6.3 Weaknesses

There are fewer weaknesses in the company than strengths, but still they may damage the company. The shareholders are Russians and in the business in Finland that can affect on the amount of the customer and their trust, especially when the company is young. The first mistake of shareholders they did not write a business plan before establishing the company.

4.1.6.4 Opportunities

The things that might help to obtain more customers are to hire an assistant, preferably Finnish native, to increase sales. The latest update of the company is that they started to sell small yachts. To do that company will have to open a store. From that moment company can realize their ambitions to extend.

4.1.6.5 Threats

Because Prime Sails is new in the industry and owners are Russians, the biggest threat is lack of trust from the Finnish customers. Finnish sailors are used to buy sails from Finnish companies and it is not easy to persuade them to buy something new. When the economy is unstable, people afraid to invest money into unfamiliar company and buy its products. Another threat is that franchisor may unintentionally damage the brand, which will affect all the franchising companies of Ullman Sails.

4.1.7 Trends affecting the company

There are seven trends that are affecting the industry and company that operate in it. These are demographic, economic, political/legal, socio-cultural, technological, global and physical trends. Demographic trend consist of population size and age structure, geographic distribution, cultural mix and income distribution.

Economic trend concern the state of the economy in the country in which the company choosing to participate. It is including interest and inflation rates, income growth, saving rates,

gross national product and currency exchange rates. These are the things that help understand what is happening inside the country.

Political/legal trend is essential part. Most of the companies are study carefully the laws and policies of the country in which they want to operate. WTO (World Trade Organization) have laws for the companies worldwide, this organization is looking after that companies obey the laws and policies. But furthermore, every country has its one law and rules. The new coming companies have to respect and obey them as well. It is in government's power to stop the company from coming into their market and operate in the industry in this particular country. Socio-cultural trend include changing in cultural values and attitude towards society. It is especially important when the world is becoming extremely multicultural. Also, attitude towards women and people of certain age in labor life is changing.

Technological trend include creating and processing the new information. Internet became a part of people's lives in the past decade. Through internet companies had an opportunity to grow bigger and better than before. Information exchange became easier and competition is increased.

Global trend concern changes in global market, such as cultural and basic characteristics and political events. Basically, everything the companies need to know, if they are going to do business outside their country. It is essential to know the threats, similar to competition and opportunities, or potential new customers, before entering a new market.

Physical trend means environmental changes. The global warming is the biggest issue nowadays. Many companies were bankrupted, if they were harming the environment. The attitude towards the environment can affect the company's future in positive or negative ways. (Hoskinsson, Hitt & Irenland 2007, 45)

Prime Sails was founded in the year 2010. The economy at that time was still in a recession, the GDP (Gross Domestic Product) of the Finland fell 0, 8 percent comparing on a year before. (www.swedishwire.com) Inflation rate from 2001 until 2010 was 1.52 percent, but it was on the highest on the year 2008 and lowest in 2009. (www.tradingeconomics.com) Population is ageing faster than new working generation is growing. It is a big issue in Finland and the government is trying to keep working people in work life. One example is raising the pension age. People were very cautious in the year 2010, but started to believe that economy will soon stabilize. It was risky for Prime Sails to enter the sail industry at that time. There were another issue about shareholder's nationalities. Culture is one of the main challenges that Prime Sails had to conflict. Finland and Russian Federation have a long and rich history together and that, had made a difficult life for some immigrants that came to live in Finland in the

nineteen's. It took a long time for the Finnish people to except changes. Especially, when Finnish people are known for their shyness, also they are antisocial and private people. (Gore 2007, 57) The situation has become better in the 21st century, but still most of the Finnish customers are careful with the foreign products and companies.

Technology is the best way to stay in business nowadays. Through the internet it is easier to find clients, acquire the information and contact with other companies and partners worldwide. The internet is essential for Prime Sails, since one of the shareholders live in another country. It is easier and faster to deal with each other through internet and of course operate money inside and outside of the company. For Prime Sails internet and the web site of the company is important so that it is easier to get the Finnish client to look at their offers. Finnish people are shy with other people, especially when other people are foreigners.

Every trend is affecting when starting up a company, but some of them more than the others. Boat exhibition 2012 was bigger comparing to the latest years. It was pointed out in the Finnish news about the boat exhibition 2012, it seems like the crises does not concern reach people that are buying boats. From the one point of view the economy probably did not had a huge impact on the growth of the Prime Sails. On the other hand people were very cautious to buy new sails when the economy is not that stable and there were rumours about the second wave of the recession. That could force people to spend less money, especially from a new company owned by Russians.

The companies that already existed in Finnish market had established their company to be trustworthy for the Finnish customers. The advantaged position has Finnish companies that has a Finnish owner and existed for many years. One problem is that Finnish labor cost more than labor in some other countries. That is the reason that many Finnish customers preferred products that are produced elsewhere and are cheaper. Competition for Prime Sails is hard because of the cultural issues and economy instability.

Competitive advantage means that company is using its resources, potential and capability to outstand the competitor in delivering to the customer something better, does not matter if it is product or service. Company has to improve its product or service all the time, because competitive advantage does not last for a long period of time and especially does not last forever. The competitors will eventually realize how to benefit and develop the product in their own favour. (Hoskinsson et al. 2007, 73)

Ullman Sails has its unique way to make the sails faster and stronger. The competitors can see how these sails are sewed, by buying them and examine carefully, so it is impossible to hide the technique from them. Another way that to protect the product is to patent the technique of sewing these sails. That what Ullman Sails did. It is not enough, because competitors will

get the idea and try to improve the sails that Ullman Sails makes. That is why Ullman Sails did not stop to improve and seek for new ways to develop their sails and make them even better and maybe less expensive for the customers. By constantly improving and investing into innovation area of the company Ullman Sails creating value for the customers and stakeholders. Which increase their share value in the global market and sailing industry.

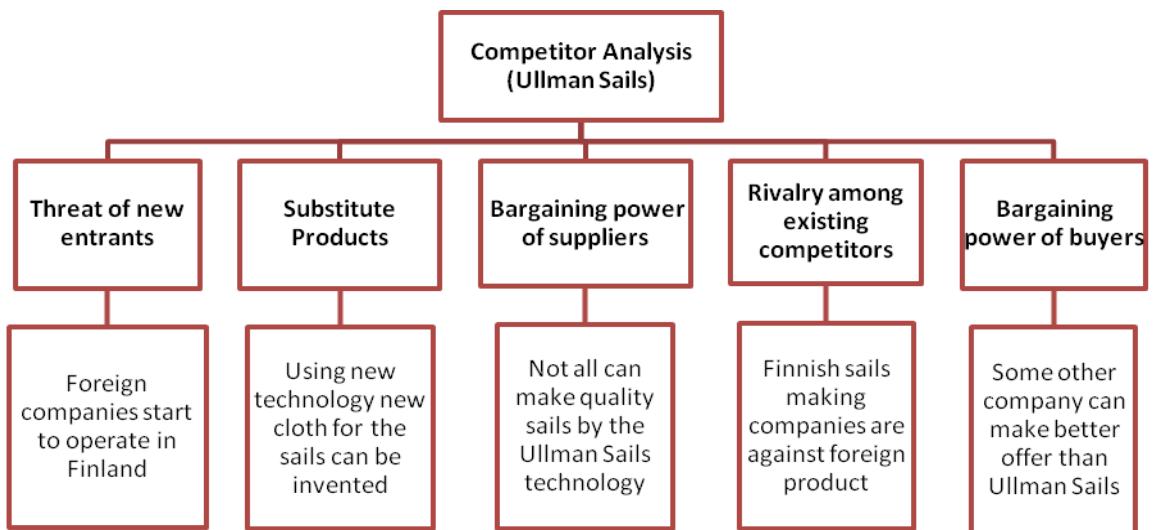


Table 3 : Porter's competitive analysis

4.1.8 Market research

It is advisable to perform a market research before starting own business. First it is important to find out if there is a need for the product. There are different ways to conduct the market research; such are trade associations and shows, magazines, libraries, web sites, direct mail, interviews, telemarketing, phone and experiential research. There are many other ways to find out who the potential customers are. (Strauss 2008, 30)

Yuri Kostarev was in the sail business for a long time, but his geographical area of business was Russia. He made a research of Finnish sail market and noticed an opportunity to sell sails in Finland. The one problem to his aim was establishing a company in Finland. It was near to impossible to do that without Finnish partners. So Yuri contacted Andrei and Aleksandr, that is how they met.

Next step is to write a business plan. Business plan must include information like what have to be done before establishing the business and how to manage the company, it is a big work

writing a business plan. In business plan have to include business and industry description, information about management, who are the competitors, marketing strategy, sales forecast and financial analysis. Business plan will help to understand business better and also help to realize what to expect. (Strauss 2008, 44)

4.1.9 Market analysis

Yachting is a popular activity in countries near water and Finland is not an exception. There are dozens of yachting clubs in Finland that were established almost 100 years ago. Every year there are numerous competitions are arranged in yachting area, not all of them take place in Finland or Europe. Many regattas are conducted in Russian cities, such are Petrozavodsk or Saint Petersburg. Biggest competitions arranged in other places, akin to Western Europe or even other continents, for example in Australia.

Sails have to be in perfect condition for the contestants, but it is also important for the people that sailing as a hobby. Sails have to be changed almost every second year, but it depends of the purpose of the sail. Some of the sails are made in Finland, but most of them are coming from abroad. Customers have to order them from other countries, because sails that are made in Finland are very expensive and not always a good quality. Many of the customers are ready to use their time and travel to other countries to get the sail they need or pay extra money so that sails would be delivered to them.

The best way to reach the potential customers is to place an advertisement in the biggest magazine in the Finland “Vene”. Almost every person that professionally interested in boats or even has it as a hobby is reading this magazine. Prime Sails did put an advertisement to the magazine, so that potential clients would know that a new company is established in industry. Prime Sails Company’s add was published in several magazine issues. Another way to contact new customers is to distribute flyers to the yacht clubs, and try to offer trial sails with a good discount or even for free.

Prime Sail Ltd is aiming on long term relationship with customers, so the executives had invested energy and time to earn potential customer’s trust, even by socializing with them during shareholder’s personal time. It is one of the best ways to advertise, when a customer is putting a good word about a company, product or a service he/she got from the company to the other people.

Another good way to obtain new customers and to advertise the company is to participate in exhibitions that are kept in several cities across Finland. The biggest yacht exhibition of the year is organized once a year in Helsinki. Unfortunately, in a year 2010 Prime Sails Ltd missed

the event, because the company was at too early stage of establishment to be presented. The first time the company was presented in Lahti boat exhibition and the members of the company got some experience of how present its product next year in Helsinki boat exhibition.

4.1.10 Partners and cooperation

There are two companies that Prime Sails Ltd is cooperating with. The first one was a partner from the start of the establishment of the company, K-Sails Ltd. This company is owned by Yuri Kostarev. K-Sails is a sewing company that situated in Saint Petersburg. It is one of the biggest companies in Russia, although there are not much competition in Russian sails industry. The production is meeting the demand; in Russia sailing is not that popular like in other countries. There are about forty large sail sewing companies in Russia that are competing with each other. Eleven of them are situated in Saint Petersburg. Saint Petersburg is a main town of marine industry in Russia. (www.yachtsworld.ru)

Competition is hard in Saint Petersburg and Yuri Kostarev decided to explore his business to neighbour country, Finland. It is difficult to start operate business in foreign country, without knowing the language, culture knowledge, connections and furthermore it is almost impossible to manage a company from another country. In addition, the bureaucracy is a problem for a foreigner to establish a unit of own company abroad. It was easier to find a partner for starting up a new Finnish sailing company. After starting up a company in Finland with other two partners, K-Sails is now able to sell its services abroad.

Another recent partner is Ullman Sails. This company is known worldwide for its unique sewing technique of the sails. After negotiations Prime Sails and Ullman sail had signed the contract of the partnership. From that moment Prime Sails is the only company that can represent Ullman Sail and sell its sails in Finland.

4.1.11 Financial Plan

After establishing the company it is obligatory to select an accountancy firm to keep track of the cash flow in the company. It is legally required to maintain records about the amounts of money were used inside the company and for what purpose. There are two ways of keeping accounts, single-entry and double-entry accounts. Prime Sails has chosen single-entry account. An accounting period is usually twelve months; first period can be longer, but no more than eighteen months. Prime Sails has obtained its first financial statement in a year 2011. It includes balance sheet, profit and loss account, the financial statement and the list used in accounting books. (www.ec.europa.eu)

4.11.1 Finance

The main idea of the company is the profit, without it there is no future for the company. There are four elements in profit: gross profit, net profit, profit margin and markup. The gross profit is sum that a company gets after selling its product and subtracting the cost of goods sold. Net profit is company's gross profit minus taxes and interest. Profit margin is shown in percentages. To calculate it you have to gross profit divided by sales equal's gross profit margin. To understand company's profitability there is a need to know your markup, it is also shown in percentages. (Strauss 2008, 200)

Prime Sails Ltd decided to keep most of their financial documents private. Balance sheet explains that the first year of their operating in sail industry was not successful. The company has loss in the end of the 2011 accounting year. (Prime Sails Ltd Balance Sheet)

4.11.2 Prime Sails Ltd financial statement

The first financial statement was 16 months long and ended on 31st of august 2011. It includes balance sheet, income statement, notes, a list of common accounting books and the Financial Statements. The exchange of property was the amount of 9993, 20 euro. The total current of assets at the end of the accounting year was 12066, 65 euro. The total equity of the company was 519, 77 euro, from which share capital is 2500 euro. That means that the company made a loss of 1980, 23 euro in the first year of operating. The liabilities of the Prime Sails from the first year are 12066, 65 euro from which purchase debt is 37, 27 euro and short-term debt is 11546, 88 euro. By the Profit and loss account it seems that the turnover of the company is 26285, 39 euro, which is good for the first year for a small company. At the end of account year the company made loss of 1980, 23 euro. The company spend more money than they should, it is critical for the new company to have a bigger opening capital than Prime Sails had. The first year in business for the new company is usually difficult, because more money is spent than earned. The advertisement, accounting, purchasing assets and starting up capital are the things that need money from the start. It is essential to make business plan to know what to expect in the future. (Prime Sails Ltd Balance Sheet)

4.2 Prime Sails partner companies

4.2.1 Ullman Sails franchising

There is no need to start your business from zero capital. There is always a choice of franchising. That means that a company had already done everything necessary to get their brand known and made mistakes that all the beginners do and new company paying to them so that

company can use franchisors name and business system. Franchisor will help at the beginning with advertising. It is a big benefit, if comparing starting up the company on its own. Before signing the contract ask all important questions such as how much the franchisors company will be involved in your company's activities, is there going to be a training, is financing an option. It is vital to find out what the fees are for the partnering, because franchising can be very expensive. (Strauss 2008, 107)

Prime Sails started operating in a year 2010, but it was not a successful start. It was difficult to find clients, since nobody knew about this company. Finnish people do not trust newcomers, especially when they are foreigners. In sails industry it is important to earn trust, sailors used to buy sails from the companies that had been in the business for many years and do not buy sails from other company even if the price is cheaper. That is why after careful thinking shareholders decided that they need help to get clients. After studying a sail industry shareholders stopped their choice on the Ullman Sails. The company was well known and had a good reputation. After contacting Ullman Sails shareholders read the rules and rights in the contract and signed it. There is no training, starting up capital or ready business plan from the Ullman Sails. Ullman Sails provided the brand and partnership for the companies that are making sails by the technology of Ullman Sails. Prime Sails decided to use the franchising option and started representing Ullman Sails in Finland as it introduces in the table 6, for franchisee it is an advantage when national brand is helping with sales. Prime Sails has become Ullman Sails in the eyes of the Finnish customers. The details of the contract are confidential, but rules are the same for every franchising contract. The franchising company will have to maintain the quality and good reputation that the franchisor company was earning for a long period of time. For Prime Sails it was a right decision to find a franchisor, because there are more chances that the Prime Sails will succeed in the future and make profit.

4.2.2 Advantages and disadvantages of franchising (Table 2)

Prime Sails did not get any start up money for their company, but at the same time they did not pay to Ullman Sails for starting franchising either. One obligation is that Prime Sails have to pay a per cent of the sold sails. In the table 6 there are advantages that both companies had when they started business together. For example, there is no other representative company for Ullman Sails in Finland. Prime Sails is highly motivated to sell more sails and get more customers, which is a good marketing for Ullman Sails. For Prime Sails advantage is the technique of how Ullman Sails product is made and the cloth that Ullman Sails is using to make sails. The technique of making Ullman sails is patented and the only place where the Finnish customers can buy these kinds of sails is Prime Sails. That is an advantage that the Prime Sails got when started franchising. The disadvantages for the franchisee are, if some big decisions are needed to be made that can affect the company Ullman Sails they have to

inform the Ullman Sails. The other disadvantage that is mentioned in table 6 is concerning both sides, it is damaging the brand. Any company that has done something wrong can damage the brand and lose the trust or respect of the customers. This will affect both companies.

	Franchisee	Franchisor
Advantages	Business format proved. Less risk of failure Easier to obtain finance than own start-up Established format Training and support available from franchisor National branding should help sales Economies of scale may apply	Way of expanding business quickly Financing costs shared with franchisees Franchisees usually highly motivated
Disadvantages	Not really your own idea and creation Lack of real independence Buying into franchise can be expensive Royalties can be high Goodwill you build up dependent upon continuing franchise agreement Franchisor can damage the brand	Loss of some control to franchisee Franchisees can influence the business Failure of franchisee can reflect on franchise May be obligations to franchisee in the franchise agreement

Table 4 : Advantages and disadvantages of franchising (Burns 2007, 158)

4.2.3 Ullman Sails history

Ullman Sails was found in 1968 by David Ullman. He was a competitive sailor that won a 470 World's Championship, Melges 24 World Championship, Lipton Championship, National Championship and National Championship in the Snipe, Thistle, Sabot and Coronado racing classes. David Ullman is till this day an active member of Ullman Sails International. He is a President of the company and also directing an Ullman Design team. (www.ullmansails.com)

Ullman has been making high quality sails for over 35 years and had grown to be international company. Ullman Sails operate in 24 countries around the world that includes Scandinavia and

Russia. It has good reputation that is known also in Scandinavia. Ullman Sails already has two representatives in Sweden and Norway. In Sweden representative is Niels Flohr and in Norway the representative is Peter Høeg. (www.ullmansails.com)

Ullman Sails companies make sails that are the fastest sails in the world, because of the best designers that are working there. Three things are important to Ullman sails in making sails: best design, perfect shape and exact finishing.

There are four different sail types are made by Ullman Sails Company: One design, Cruising, Club Racing and Grand Prix Racing. The sails are made with a FiberPath Technology, which makes Ullman Sails company's sails stronger and faster.

4.3 Product description (See Appendix 2)

The sails that Prime Sails is selling are made by Ullman Sails. All the sails that Ullman Sails make are custom made. The Company had developed the unique technology to make sails and its reputation is known worldwide. In product description part of the study there is information about what sails Prime Sails sell and how are they made. If more information is needed see the Appendix 2.

4.3.1 FiberPath Technology

FiberPath technology (Figure 1) makes sails stronger for its weight, because the wind is in the exact place it needed to be. Usually tri-radial sails are made from fiber that takes only the primary load, strongest wind, but the FiberPath technology enables to use primary loads and also secondary loads. That is why Ullman Sails making sails that are strong and fast.

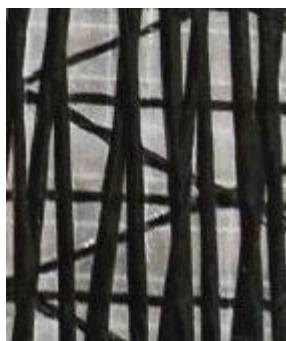


Figure 1 : FiberPath Technology (www.ullmansails.se)

FiberPath sails can be made with free different combination, which are Carbon, Kevlar and Technora Fibers. The strongest and recommended is Technora Fiber. UV-lights do not damage

the Fiber, that is why sails stay stronger for the longer time. FiberPath Technology enables to attach fibers in any directions at any angles. One problem may occur and fiber can peel off, not attaching too many fibers in one place will help to avoid this problem. All the FiberPath sails are made under the high pressure, heat and double-side lamination. Ullman sail's Carbon FiberPath sails are different from the usual laminate carbon fiber sails that other companies use. To make strong sails with laminate carbon fibers, usually they have to use big amount of carbon, so that sails will not be fragile. Ullman sails technology allows making sails with a same weight and bulk, but with more strength.

4.3.2 FiberPath Cruise Enduro sails (Figure 2)

This sail is designed and made like a racing sail, it made with increased strength and perfect for the performance-minded offshore cruisers. The fiber that is used on this sail is Technora and technology use film-on-film and double taffeta, which make this sail extra strong. These sails are custom made and may be use on pocket cruisers up to super yachts. FiberPath Cruisers Enduro sails are suitable for performance day sailing and also for offshore sailing. Because of the FiberPath mapping the wind is in the right place changing into strong, low-stretch sail that performs a wide range of wind conditions. The reason that the Cruise Enduro sails are made from the Technora and woven taffeta is because Technora is low-stretch, fatigue resistance and UV light does not damage it easily. Woven taffeta is protecting the sail from both sides, so that nothing else could damage the sail. The FiberPath Cruise Enduro sails are made for maximum performance and efficiency, also it is easier to trim and manage the boat.

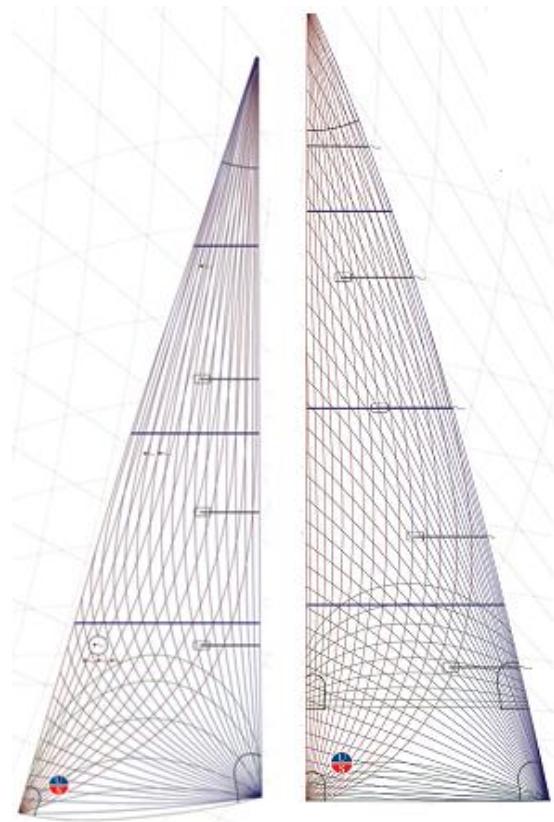


Figure 2 : FiberPath Enduro sails

4.3.3 Red Line Symmetrical Series sails (Figures 11 and 12)



Figure 3 : Red Line Symmetrical Series sails Figure 4 : Red Line Symmetrical Series sails

These sails are custom racing spinnakers made and designed by Ullman Sails. Red Line Symmetrical Series sails are taking full advantage of expected area of sea area, so that the racer will gain more speed and excellent performance. Ullman Sails product and service guarantees best performance, because like all other sails these are custom made sails. Red Line Symmetrical Series complete range of racing sails are covering all weather conditions and obvious wind angles. When designing sails sailmakers are using codes to select the right spinnaker, the wind range and expected wind angle (Figure 14). Since there are five different coded sails to choose from to make Red Line Symmetrical Series sail, there are professionals that will help choose the most suitable one, after finding out what the requires of the customer are.

These codes are (Figure 14):

- Code 1S (Light VMG Reacher) 55-110 AWA
- Code 2S (Medium Runner) 110-180 AWA
- Code 3S (Medium All Purpose Reacher) 75-110 AWA
- Code 4S (Heavy Runner) 110-180 AWA
- Code 5S (Heavy Reacher) 100-155 AWA

AWA means Apparent Wind Angle and AWS means Apparent Wind Speed. The cloth that is used on Red Line Symmetrical Series is nylon spinnaker fabric, which is high quality and performance fabric. It is also possible to customize sails for handicap ratings and cup rules. Ullman Sails has worked on projects from Olympic Campaigns and Grand Prix one design to top handicap racing boats and the America's Cup.

4.3.3.1 *Standard specifications and other options*

There are some specifications that are always included in the Red Line Symmetrical Series sail: Radial Construction, Strip Patches, Low-Stretch Dacron Leech Tape, Spectra Leech, Luff and Foot Cords, Stainless Steel Rings, Sail Numbers and Spinnaker Turtle. There are extra four options can be added to the sail: IMS Measurement, Luff Chevrons, Custom Graphics and Retriever Patch.

4.3.4 Red Line Asymmetrical Series sails (Figure 13)

These sails made to be faster, more stable and easier racing. The asymmetrical spinnakers are maximized for smoother and more aerodynamic flow that creates power and performance, so that the boat would be faster for the racing. Sails are also coded, but here there 6 codes in this series. Code 0 (zero) 45-100 AWA is the most popular one, because of it design of the mid-girth that is more 75% of the foot length. This spinnaker is reminding of a Genoa and is used for an up wind and close-rich sailing. Also there are other codes (Figure 14):

- Code 1A (VMG) 55-90 AWA

- Code 2A (Light Runner) 80-140 AWA
- Code 3A (Reacher) 75-130 AWA
- Code 4A (Heavy Runner) 130-170 AWA
- Code 5A (Heavy Reacher) 100-130 AWA

The cloth that is used to make Red Line Asymmetrical Series sail will be made of high quality and performance spinnaker fabric. Professionals of Ullman Sails Company will advise which cloth and weight is needed for a particular sail. The Ullman Sails Company is the best at the making asymmetrical sails and leader at the development in that area.

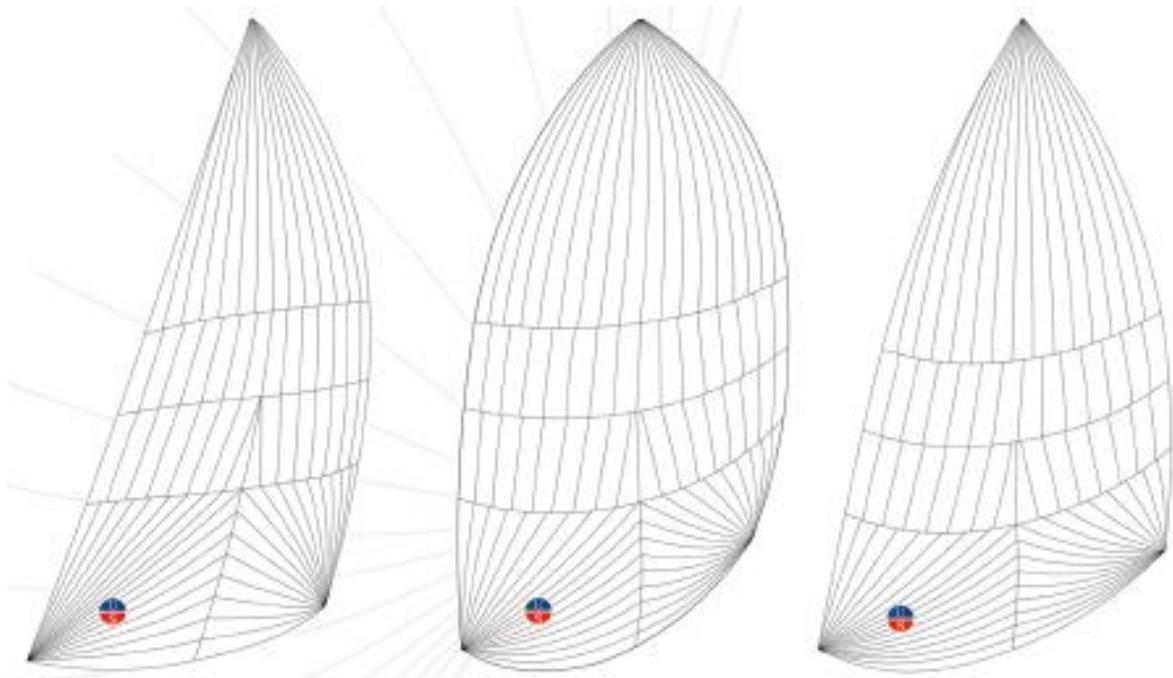


Figure 5 : Red Line Asymmetrical Series sails

4.3.4.1 *Standard specifications and other options*

Like in the other sails there are some features that appear to all Red Line Asymmetrical Series sails: Radial Constructions, Strip Patches, Low stretch Dacron Leech Tape, Spectra Leech and Foot Cords, Luff Cords (Aramid), Stainless Steel Rings, Sails Numbers and Spinnaker Turtle. Four more options are available as extra options: IMS Measurement, Luffs Chevrons, Custom Graphics and Retriever Patch.

In addition to all sails that are made under the name of the Ullman Sails it is possible to order covers for the sails and many other things that are needed to sail and maintain the boat. In almost every country there is a representative company that are making and /or selling sailors goods, some are specializing in particular things and some companies can provide with any product and service that is needed.

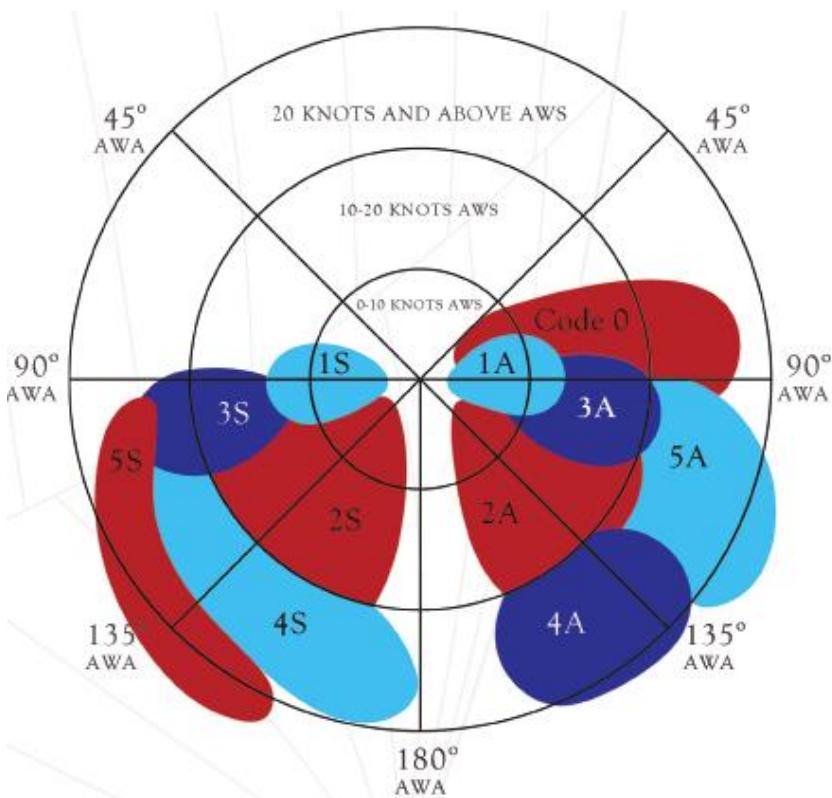


Figure 6 : Sails codes

4.4 Brand building

One more reason why some companies are more successful than the others is brand image. The company have to have strong brand, so that it will be recognized and associated with positive feeling in the customer.

There are ten things that create a strong brand. First is understanding of the brand meaning and market. Then it is vital to place the brand correctly into the industry, first impression is essential. Third, present product's benefits to the customers. Next, complete all six brand elements and marketing activities. Fifth step is establishing a good communication with customers and partners. The next step is setting the right price. By creating appropriate personality of the brand company is earning the trust of the partners and customers. Eighth step is to maintain the brand according to the time and preferences of the customers. Then design and realize brand hierarchy. And the last step is ensuring that the customers are seeing the company as it wanted to be seen. (Keller 2008, 642)

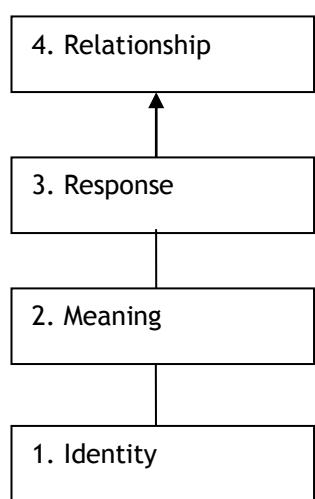
Ullman Sails has created a strong brand. First of all the colours on the logo are blue, red and white, the colours of the flag of the United States of America. The letters on the logo are US,

which are really mean Ullman Sails, but interpreted by many as United States. David Ullman is an American and started up his company in United States of America and wanted to show his patriotism and at the same time call people to support their American fellow. It is very fortunate to have a family name Ullman, and to come up to a perfect logo for the company. No one will doubt where and by whom the company was founded. That is a strong logo that tells a story.

Brand is a logo, symbol or name for the product. When a company starts to develop the product, it is creating a brand, so that the company will be recognized among others. Brand is carrying out with its reputation, awareness and importance in the market. (Keller 2008, 2) Brand building is vital part of the entering of the new company into the industry. Brand building is consisting of the four steps that are included in CBBE (Customer-Based Brand Equity) model that is shown in the table 3.

It is important to find the right questions at the beginning of the brand building. Brand personality has to be clear to the customers. Here are some questions that are suggested by Kotler and Pfoertsch: Identity, what is important to the company, what does company stand for, what is important to the company's customers, what distinguishes one company from other companies, where and what does company wants to be in the future. (Kotler & Pfoertsch 2006, 164)

CBBE Model



Prime Sails Company CBBE Model

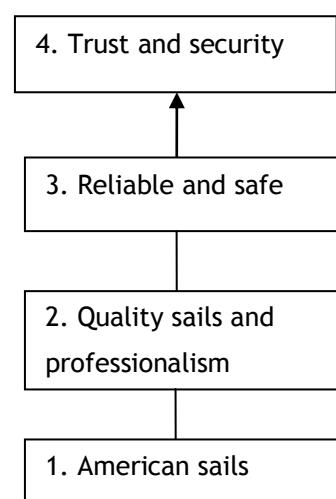


Table 5: CBBE model (Keller 2008, 60)

The colours and letters are informing about the identity of the Ullman Sails, this made people to believe that it can be trusted. The company was founded in America and American customers trusted that the quality is good. America is famous for making fast and strong sails,

because best sails are designed there. By the time Ullman Sails started operate in Finland the brand and excellent reputation was known worldwide. That had a positive effect on the Finnish customers. Because sails are developed in America it means that they are a good quality and big amount of money was spent so that professionals could develop the best product in the market. European companies are doing business with American companies, therefore from the experience Finnish know that they can trust to buy sails from American makers. If Ullman sails are advertised as fast, strong and reliable, than it must be so.

4.4.1 Brand knowledge

Brand knowledge is what customers know, heard, saw, felt or experienced about the brand. That naturally affects their behavior and preferences in the future. Keller's CBBE (Customer Based Brand Equity) helps to evaluate these things, as Table 3 demonstrate. Company that achieved Brand resonance will win customers loyalty and this is essential to brand value.

1. Deep Broad Brand Awareness- establishing a proper Identity and awareness for the brand
2. Establishment of Points of Difference- creating the appropriate brand meaning through strong, favourable and unique brand associations
3. Positive Accessible Reactions- eliciting positive, accessible brand responses
4. Forging Brand Relationships- building relationships with customers characterized by intense, active loyalty

(Kotler & Pfoertsch 2006, 167)

Ullman Sails succeed in building a strong brand core (Figure 16). The example seen in figure 15 include main issues that concerning brand core of the company. Ullman Sails have good brand associations from the public. It has lofts worldwide and after operating in the sail industry for 35 years Ullman Sails have earned trust and recognition from the customers. By investing money and time into innovation Ullman Sails members improved their position in the sail industry. The uniqueness of the brand is one of the strongest associations of the company. Brand knowledge is creating brand equity, which is essential. Brand knowledge exists in the consumer's memory and is consisting from two parts, brand awareness and brand image. Both are essential for the relationship between the customer and the company. Brand awareness means that a customer recognizing the brand in different situations. Then brand image is the second element, when a customer recognized the brand and the associations that come with it. (Keller 2008, 51) Sailors from worldwide recognize the brand of Ullman Sails, whether it is in advertisement in a magazine or ribbon on the sails. Ullman Sails has approved effectively its brand awareness in the sail industry. After recognizing the brand comes an association about

the company. Ullman Sails have a good reputation and is respected by sailors and other sail companies around the world.

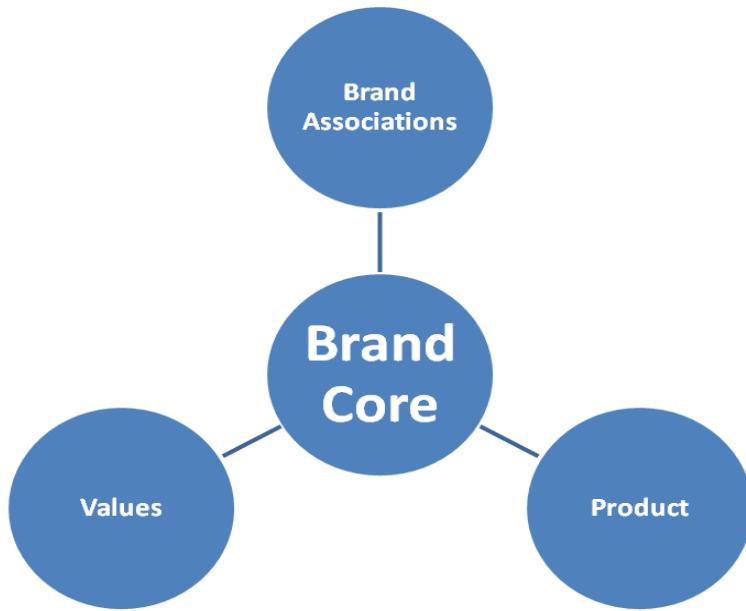


Figure 7 : Brand core model Kotler & Pfoertsch 2006

The values of the company are quality, price and approachability (Figure 16). The value of the brand is one of the most important factors that have to be created at the beginning of the company. It is easy for the company with a large budget to hire professionals, but a small sized company have to rely on itself. If the company wants to maximize the profit it is short-term planning. It is untrustworthy, because it is easy to influence. More reliable in this case is cash flow. But the right thing is to concentrate on brand building; it is a long term planning and is a real value of the company. The assets that include balance sheet are the assets that are the real value of the firm. These assets are brand, market knowledge, company property, relationship with the customers and partners, distribution handling. (Kotler &Pfoertsch 2006, 157-158)

The Balance sheet is confidential in Ullman Sails. The company assets are brand, technology by what sails are made and design of the sails, professionalism earned by many years operating in the sail industry, factories that are making and developing sails, franchising lofts worldwide and long term customers.



Figure 8 : Ullman Sails Brand core model

Brand mantra is the “heart and soul” of the brand, so it is important that company is represented to the customers accordingly to the mantra. Employees and partners play a big part in it. (Keller 2008, 123) The brand is introducing a good quality, loyalty, trust and stability. Company maintained brand mantra for over 30 years and took a big risk being a franchisor of many companies around the world. Ullman Sails have re-presenters worldwide. This is the reason why Ullman Sails have to protect its brand mantra. Every company that wants to present and sell Ullman Sails product in their country have to sign the contract that is obligate them to follow the rules and protect brand mantra.

Brand positioning is the first step and the core of the marketing strategy, in other words what customers feel and know about the product and what place does it have in their mind. Company have the power to guide people’s perception about the product or service to the right direction. The method to do that, company find a target market, study the competitors, similarities and differences to the competitor’s products. (Keller 2008, 98)

Since Ullman Sails was established in America, the primary target market were American sailors. By putting the blue, red and white colours on the brand David Ullman call upon people’s

patriotism. That placed brand positioning to the right direction. American sailors trusted and accepted the brand. Later when the company grew worldwide the brand still delivers the right message and brand mantra. Even if a person is not familiar with the sail industry the brand still give an important information, that it is American and trustworthy. The one thing that could be done better for the logo is some kind of information what the company produces. Person that does not sail probably will not guess that the company makes sails.

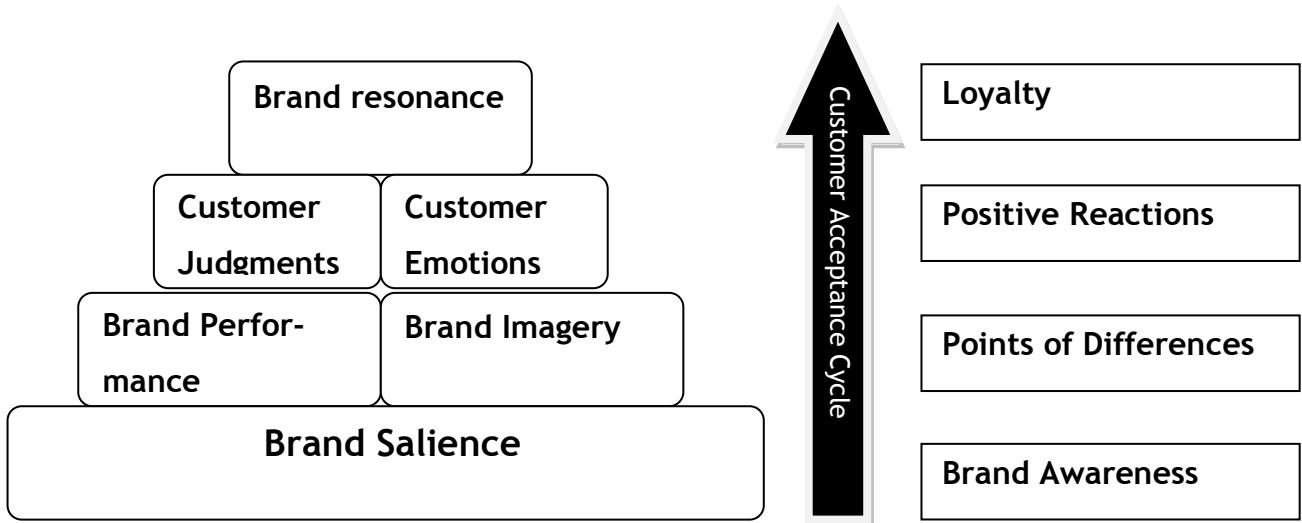


Figure 9 : Brand Strategy Model by Leslie Butterfield, 170

4.4.2 Brand Strategy

The model of Leslie Butterfield explained the cycle of customer acceptance (Figure 17). Brand awareness means that American customers noticed a new company is entered the market and had their attention. The next step for the Ullman Sails was to demonstrate how different and better from the competitors their sails are. To do that boats with company's sails were participating in racing and won some of them. That sends the message to the customers that the sails are fast and strong as promised. Only than customers started to trust and became loyal to the brand. The last action is brand resonance, after working hard to get the acceptance of the customers from the target market the brand earned its place in a sail industry.

The sails are the highest quality and they are known to be fast and strong, because of the cloth that is used to make sail. This cloth is high quality and developed by professionals. Company invested a big amount of money so or the sails to keep shape and serve for a long time. At the same time the price is much lower than at competitive companies. Ullman Sails is determinant that their sails are affordable for every customer and have an excellent quality

product. In addition it is easy for a customer to approach and get a good service and help from the staff they are buying their sails from. Ullman Sails Company is aiming to the every customer satisfaction with the product and service (Figure 16).

There six brand elements so that a company could build brand equity. These elements are memorability, meaningfulness, likability, transferability, adaptability and protectability. Memorability means that brand have to be easily recognized and brought back to memory for the customers, which Ullman Sails accomplished. Meaningfulness means that a brand is giving the information about the product category and what are the benefits of the brand. In meaningfulness Ullman Sails established well understanding from the customers about quality product and that the company in trustworthy. Likability naturally means that the brand have to be liked, or create positive feeling for the customer. The Ullman Sails is earned respect and furthermore by participating and winning the racings and competitions likability of the company increased. With help from transferability brand can be extended. For example, Ullman Sails designing and produce the sails, but company can make and sell also something else that is needed in sailing. Adaptability is implying that a brand is changing with the customers during the time. And the last element, protectability is indicate that a brand have to be protected legally and competitively from competitors. (Keller 2008, 141) Ullman Sails protected their brand by patenting its technology in making sails, so that no other company can make the same product.

4.5 Competitors in Finnish sails industry

The Finnish sails industry is extremely competitive. The main competitors are Finnish sails companies such are WB-Sails and Neb-Sails. Finnish customers trust the most to domestic companies. However, if Finnish sailors want to buy sails that are fast and strong and made for the race primary competitor of the Ullman Sails is North Sails. Another big sail making competitor is Doyle Sails Company.

4.5.1 WB-Sails Company

WB-Sails Company has 20 lofts in 18 different countries around the world. Helsinki-based was founded 30 years ago, at that time company was making sails for the Olympic classes and small racing boats. To make fast and good quality sails, founders were studying aerodynamics and by method trial and error. Starting in the year 1979 WB-Sails company were using computer to design sails and from the year 1988 company purchased Armstrong Taurus-cutter, that laser-cutter was used to cut their own sails. Later they started collaborate with University of Technology to develop new programs that will predict sail flow and strain under aerodynamic loading. Cooperation with University was productive programs like VPP, MacSail, Mast-

Cam- Shape-Plot and other programs are now using to make sails faster and better. Company invested big amount of money in Research and Development department. WB-Sails company make sails all sizes and difficulties. Many of their sails were used in competitions and regatas. (www.wb-sails.fi)

It is important for the company that their design is different from the other sails. To make sails they using their expert system BoatBase that have performance data from the 7000 boats. First salesman at WB-Sails starts their work from BoatBase. This system influenced by headstay tension, mast bend, sail corner loads, fabric stretch, apparent wind angle & speed, righting moment, rig fractional ratio, and so on. BoatBase will make sailplan when it has been given information about the boat like character and performance.

The designer starts making the sail by looking at the 3D-model similar to a customer's boat. After that changes are made, because the boat may have unique features. When the sail design is complete the designer make the specifications for the sail, which includes fittings, measurement details, materials and descriptions of the production stages. All design decisions are made before the cutting the sails, so that the sailmaker will have to follow the instructions. The company's slogan is "Quality starts with design". (www.wb-sails.fi)

4.5.2 Neb-sails Company

Neb-sails Company have been making sails for over 30 years. They also sell any kinds rigs for sailing yachts, but some of them produced in France. (www.nebsails.fi) There is not much information on the company's web-site, which means that the company do not invest into marketing. Perhaps Neb-Sails Company has enough customers and do not want to extend its company.

4.5.3 North Sails Company

North Sails is a company that has 69 lofts in North America, Europe, Asia, Caribbean, South America and Oceania, in total 29 countries. North Sails have tens of lofts in Europe, including Finland and Russia. So far it is the biggest international competitor of the Ullman Sails. The company is owned by Berkeley-trained engineer Lowell North. The company was founded in the year 1957 in the state of California, United States of America. The reason the company is successful is commitment to technical leadership and service-oriented philosophy. North Sails is one of the leaders to make sails for one-design and Olympic classes, but also making cruising sails. Sailors were using North sails for many racings like America's cups, Volvo Ocean Race and Whitbread race. The North Sails company was the first:

- to test stretch and fatigue in sailcloth
- analyze sail shapes using computer flow codes
- having computer-driven cloth cutting
- use laminated sailcloth including its patented Gatorback construction
- designing warp-oriented cloth styles in tri-radial panel layouts
- to develop accurate computer air flow simulation for downwind sails at 100% scale
- in building sails on a full size adjustable convex mold.

The process above called 3DL. 3DL molded sails are made in Nevada and recognized as the biggest production facility in sail making business. The founder of the company believes that a good sailboat racer will be successful in the making quality sails and will be a good businessman. Lowell North has won medal in sail racing.

The North Cloth division making its own cloth for the sails and is the biggest manufacturer of cruising sails in the world. The cloths that are used to make North sails are Premium Woven Polyester, Aramid and Spectra/Dyneema Fabrics. North Sails bought the company Cuben Fiber that is now also making their cloth for the sails.

The company has been renowned by the man named Terry Kohler and the CEO (Chief Executive Officer) of the company is Tom Whidden, who was the co-author of two books that include information about sailing. In addition the North Sails company is organizing sailing seminars, has produced educating video about sail trim for racers and performance cruisers, and is active sponsor in different regattas and supplier to the Special Olympics.
[\(www.na.northsails.com\)](http://www.na.northsails.com)

4.5.3.1 3D molded sails (Figure 18)

This technology is patented by North Sails and companies that tried to make similar sails, failed. Sails are made from a unitary membrane on full-sized 3-dimensional molds. 3D sails are light so they are less stretching, hold better wider wind range and keep shape longer than other sails. There are two more 3D types of sails, 3DL and 3Di. 3DL is a laminate of Mylar film and on the load paths applied structural yarn. 3Di sails have no film in them and is opposite to the laminate, it consisting of composite structure of interleaved spread filament tapes.
[\(www.na.northsails.com\)](http://www.na.northsails.com)

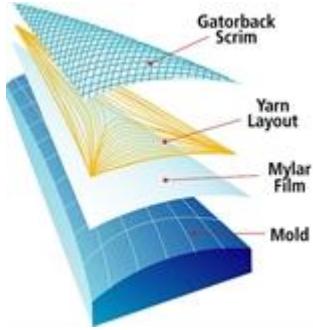


Figure 10 (www.na.northsails.com)

4.5.4 Doyle Sails Company

The Doyle Sails company was founded in the state of Massachusetts in 1982 by Robbie Doyle. There are 70 lofts in 30 countries. The main objective of the company is customer satisfaction, of course high degree of innovation, technology and value are also essential. That is why the lofts are not big and customers get close attention and help. The sails are made by the latest Doyle technology such as computerized sail design, laser-cut panels and Doyle-developed woven and laminate cloth. Robbie Doyle studied physics in Harvard University and participated in sail racings. Doyle sailmakers were first of the applying the principal of Elliptical Aerodynamic Loading to sails shapes, which made their sails faster and more efficient. For racing sails there were developed Code Zero asymmetric spinnakers, the Doyle D4-fiber membrane manufacturing process and laid-fiber sails, Stratis. Doyle's innovation took cruising sails to a high level. (www.doylesails.com)

Doyle sails designed by the professionals, sailors and engineers that are using CAD program and in-house analysis. Doyle CFD is cooperation of Doyle Sailmaker's engineering division and computational fluid dynamist Tyler Doyle. They created a simulation of environment that is similar to the real world to study the high-definition RANS of turbulent flow.

(www.doylesails.com)

Cloth that Doyle Sails is using to make sails are woven, laminate and specialty cloth Cuben Fiber laminate. Woven and laminate are used to make sails by other companies. Cuben Fiber laminate is unidirectional prepreg tapes of in-line plasma treated Allies Signal's Spectra 2000 fiber spread to mono-filament level films. In the result the sail is lighter and thinner and holding shape very well. The problem is that this fabric is shrinking significantly and it is expensive to continue to develop this fiber. (www.doylesails.com)

4.5.5 Competition market analysis

Through innovations Ullman Sails improved its position in the sail industry and earned trust of the customers around the world. In North Sails Company a big amount of money was invested in marketing department, organizing seminars for the sailing enthusiasts, writing educational books, workers and the owner of the company is taking part in sailings racings. This kind of dedication for this sport awakens respect and admiration of the customers and competitors. Ullman Sails Company is approximately the same size as North Sails, but put more money in innovation and quality of the product.

Ullman Sails Company's strength is that the sails have excellent quality and are made in short period of time. These two companies are very similar they both were established at the same time, the founders of these companies are professional sailors and were taking part in many racings and competitions. Even the cloth that companies use to make sails, have similarities. The Doyle Sails company also has the same features in business and sail making, like North Sails and Ullman Sails it was founded in North America. The owners are professional sailors that participated in racings and spend money on the innovations.

Attributes	Weight (100%)	Sca- le=		1-Poor	5-Excellent	
		Ullman Sails	WB-Sails	Neb Sails	Doyle Sails	North Sails
Customer Awareness	25%	5	5	5	1	5
Product Price	25%	5	3	4	x	4
Product Delivery Time	20%	5	4	3	x	5
Technical Assistance	15%	4	5	5	1	3
Sale Assistance	15%	5	5	4	1	5
Total	100%					
Score(Average)		4.8	4.4	4.2	1	4.4

Table 6 : Competitor analysis in Finnish sail industry

It is essential to learn about competitors before entering the new market. Competitor analysis will help to evaluate their goals, strategy, how they operate and also strengths and weaknesses of the company. (Hoskinsson & et al. 2007, 57)

All of mentioned companies in this study are aiming to develop their sails to be faster, stronger and better. The North Sails and Ullman sails are two companies that are recognized in Finland, the only difference is that North Sails has its loft in Finland for longer period of time in Finland, so they are already established trust relationship with Finnish customers. Doyle Sails Company is known worldwide, but inferior in the Finnish sail industry. Even though there are 70 lofts around the world and one is Finland, the company is not familiar as any of the companies that are presented in this thesis.

WB-Sails and Neb-Sails are Finnish companies. The sails are developed and produced in Finland. They have a strong position in Finnish sail industry, in some cases even stronger than other three companies. The fact that they are Finnish, making Finnish quality sail is already winning over the customers. The prices are higher than the price of the company that making sails abroad. Finnish labor is more expensive than in many other countries and Finns expecting the quality would be better too. But in some cases it is not the truth. In this case it is a matter of the preferences, but faster and stronger sails are still made by Americans. Many of the Finnish customers are ready to pay more for the same product, but feel safe and confident.

To make the competitor analysis (Table 4) the companies received an e-mail from a potential customer, asking for an offer of Inferno29 sails. After receiving the respond it was easy to compare the customer awareness, prices, delivery time of the sails, is it possible to fix the sails in the future and selling assistance. In the average companies receive almost the same result. Except for big difference from the one company, Doyle Sails. Company that is supposed to concentrate on customer satisfaction is failed to reply to a potential customer that wanted to buy an expensive sail. The best rating number five got the company that had the smallest price, was the first to reply, the first to deliver the sail, helped the customer with choosing the best alternative and answered if the sail is possible to repair with the help of their company. The delivery time of the sails was almost the same at the companies that make sails in Finland and at the companies that order them from abroad.

5 Conclusions and suggestions

5.1 Suggestions

It would be better for the Prime Sails to reconstruct their prices on the sails. Prime Sails is selling a high quality sails for a cheap price, that is arousing suspicion in Finnish customers. The next suggestion would be to try to contract a customer similar to a yachting club or a school. Sailors talk to each other and a recommendation from one sailor to another is a good advertisement. Finns need more time to start trusting the newcomers, many of them may think that if the company did not had a bankrupt than maybe the sails are worth a try. Another suggestion is to open a workshop in Finland so that customers will have a chance to come and see the presenters of the Ullman Sails and maybe look at the cloth samples for the sails.

5.2 Conclusion

Prime Sails Ltd is a well functioned company that have much strength and some weaknesses. Shareholders are doing a good job considering the hard competition in sail industry. Shareholder's background does not work in their favour, but they try to do their best. It was a wise decision to start franchising so that the company would succeed in a sailing industry. The lack of knowledge and experience of how to start and operate a company was not working in their favour. Business plan was not made and shareholders do not have any marketing education or knowledge. All that factors are have a direct impact on difficulties at that beginning of their business. But it is good that they started to correct mistakes. It was wise for them to keep doing their jobs and concentrating on the company on free time. They are lucky to have a support from their families and franchisor company Ullman Sails.

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Appendix 1

Interview with Aleksandr Kulagin (Interview date 01.07.2010)

1. When and where you were born?
2. Tell me about your growing up.
3. What education and work experience do you have?
4. How long have you been living in Finland?
5. How old were you when you started sailing?
6. Have you ever participated in sailing competitions?
7. Have you won any prizes?
8. What motive made you to start up a company that sells sails?
9. Why did you decide to franchise for the Ullman Sails?
10. What are the plans for the future of the company?
11. What are your hopes for the company's future?
12. How a company did helped you grow up as entrepreneur?
13. What effect of starting up a company had on you personally?
14. Have you any plans to extend your business?
15. What was the most difficult part in opening a company?
16. And what is the most difficult part in keeping it?
17. How do you get your clients?
18. What kind advertisement did you used?
19. What is your marketing strategy?
20. Your prices are significantly smaller than your competitor's. How did you formed your prices?
21. Who made the web site?
22. Was the design of the web site clear from the start?
23. How do the share partners communicate?

24. Is it difficult when one of the partners lives in other country?
25. Does the company have an income?

Appendix 2

5.2.1 Cruising Sails

Cruising sails are custom made and at affordable price. A client does not have to be an expert on boats to buy sails. At Ullman sails there is a professional that will make perfect sail for the specific boat, after getting to know all the specifications of the boat. There are two types of the cruising, blue water and coastal.

5.2.2 Blue water

Blue water cruising sails are for the people that prefer adventure like cruising all over the world. There are several services that are provided for the customers. First service is choosing sails that will be a perfect match for the specific boat and also making sail plan with a professional. Second, no matter what are the conditions of the sailing, Ullman Sails offer sails that are made to perform on long-distance. Third, there are 24 lofts located worldwide, and if there is any problem client always can ask for the repair from the nearest Ullman Sails company. Ullman Sails use high-specification fabrics that increase strength, UV protection and longevity of the sails. Sails that are made for blue water cruising have extra-tough features that guarantee longer life and more miles to the sails. To make these sails are used hardware and materials that are highest quality.

5.2.3 Costal cruising

Costal cruising sails are for the people that want relax and sail down or up to the coast. Ullman sails make sails that are within budget and fitting to the boat. There is no need to buy a new sail if the current is possible to repair. In addition it is possible to change sails that a customer already have and make some adjustments, so that the sails will be easier to use. Designers of Ullman Sails are made asymmetrical cruising spinnakers faster and easier to use. There are two cloth choices for these sails, woven fabric or cruising laminate, from these two clothes professionals will help to choose more suitable for the client.

5.2.4 Club Racing sails

Club Racing sails are for the keelboats and multihulls between 25 and 40 feet that are competing in local fleet racing. Ullman Sails undertakes to make boat faster that is the reason why they use advanced technology called FiberPath Technology. Boats that have Ullman Sails company's sails will get more speed regardless of is it handicap racing or one design keelboat racing. CAD design software is where top designers and sailmakers develop sails to be faster and have better performance. To verify that a future customer will have the fastest sail in a competition, they will make speed-testing and sail development methods by using one design programmes. Sailmakers are available for questing how to use better the sails they had made and may suggest other solution if the price is an issue. In additional service experts are ready to spend some time with a customer on water to make sure that sail is used correctly and to its full potential.

5.2.5 One Design Sails

One design sails are for the small keelboats, dinghies and multihulls that are racing in one design fleets following specific class rules. That is the type of sails that Ullman sails in Finland specializing in.

5.2.6 Grand Prix Racing Sails

Grand Prix sails are high performing sails for the big boats 40 feet or longer. These sails are made for the racing boat that are participating in ORC (Offshore Racing Congress), IRC (Independent Race Classes) or other handicap racing and also one design racing. Experts of Ullman Sails will help to evaluate and determine what is needed to be done to win the competition. After selling the sails to the customer experts are ready to advise how to improve customer's sailing programme and test it on water.

5.2.7 FiberPath Enduro sails (Figure 2)

FiberPath Enduro sail is stronger sail, double-sided taffeta reinforcement to a grand prix laminate that is made for the racings. The woven Taffeta is lighter meaning that it will be faster, but a little sacrifice is made in performance. The sails are made and tested under close supervision of an Ullman Sails President Dave Ullman, so that sails are the highest quality and performance.

5.2.8 FiberPath GP Race sails (Figure 2)

FiberPath GP Race is a premiere racing product, which can be made for small boats like modern skiffs up to the big boats maxi racer. The sails are designed for the ultimate lightweight strength in a racing sail. The customer can choose the fiber for the sail, it can be all Technora or Carbon, or half Technora and half Carbon. The personnel will help the customer with a right choice. Every sail that is made for the racing is custom-made. The design team supervised by Dave Ullman not only design, but also working for many years on two-boat testing. Team members including Dave Ullman had won several prizes and racings. The lamination on all FiberPath sails is made under high pressure and heat. The Fiber is also pre-heated so that the bond is the best as it could be. That assures the best performance and longevity.

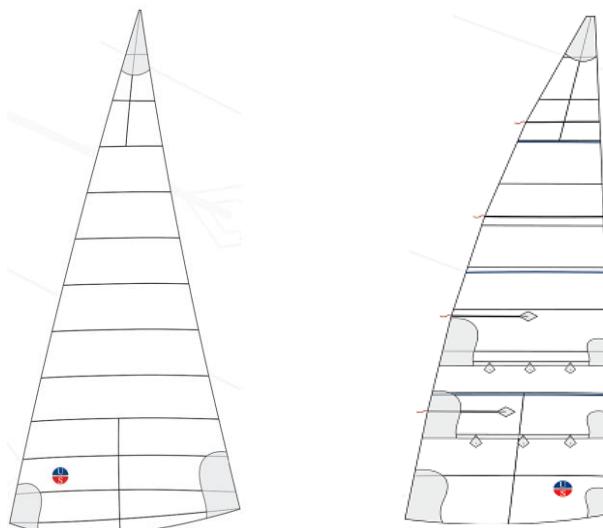


Figure 11 : Custom Axis Laminate sails

5.2.9 Custom Axis Laminate sails (CAL) (Figure 3)

CAL sails are high quality sails that are made for cruising sail. Sails are durable and low stretch, that allows for the sails to maintain long-lasting shape and performance, which is very valued by sailors. The laminate of the CAL sails have seven layers (Figure 4), that includes woven polyester Taffeta, 100% UV block film and to increase longevity of the sails and load-bearing fibers is used mold protectant. The layers and laminated sections are made so that specific loads addressed to a particular area of the sail. CAL sails are custom made, in this case that means that sails are based on the specifics of the boat, so the additional fibers are placed where the loads are higher.

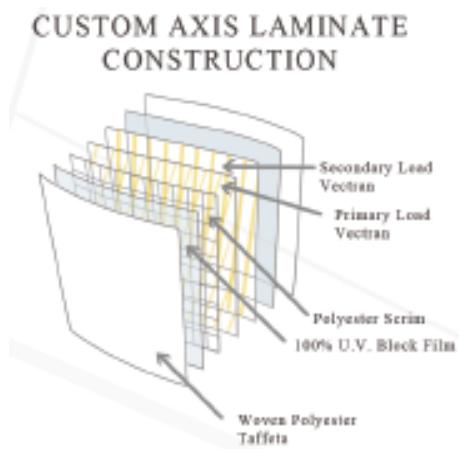


Figure 12 : Custom Axis Laminate Construction

5.2.9.1 *Performance and longevity*

Low stretching sails means fewer heel and less weather helm, for safer cruising. CAL sails are same weight, but stronger than Dacron sails, high quality sails. The storage is very convenient, because sails are designed to be roller furled. The main qualities of the CAL sails are laminate efficiency, power and pointing ability. The custom Vectran thread lines in each section are the reason why the sail is keeping the shape and more efficient.

The standard specifications for the headsails (Figure 3, left) are: foam luff, stainless rings, UV cover, telltales and draft stripes. Available options are hanks and sail numbers. The standard specifications for the mainsails (Figure 3, right) are: two reefs and full battens, depending on the size of the sail from two to four tapered battens, headboard, bolt rope or standard slides, semicircle reinforcements at all slide locations, luffs box for all full battens, stainless still rings, leech line, foot line, Cunningham, clew blocks and UV covers for furling mainsails, telltales and draft stripes. Also available options for mainsails: third reef, full battens, single-line reefing blocks, sail numbers and grey Taffeta.

5.2.10 Endurance sails (Figure 5)

Endurance sails are made for off-shore and passage-making cruising. These sails are long lasting sails that are made for long distance sailing; these sails are strong and dependable. Endurance sails are made from materials like woven Dacron or Taffeta-coated cruise laminate.

Woven Dacron is high quality sails that will last for a long time, because it withstands exposure to the elements and high-wind flogging, which is better comparing to laminate. Taffeta-coated cruise laminates has a better performance and still is lasting long. It has less stretch and better load than woven Dacron, which means it will keep the shape longer. Like most of the sails that Ullman Sails made endurance sails are custom made. The sails can be made with radial cut (Figure 5, left) and tri-radial cut (Figure 5 right), also both can be whether with woven Dacron or Taffeta. The main sail (Figure 5) is reinforced for high-load areas that are made to prolong sail longevity. Furthermore when sails are made with extra reinforcement it will prevent sails from damaging.

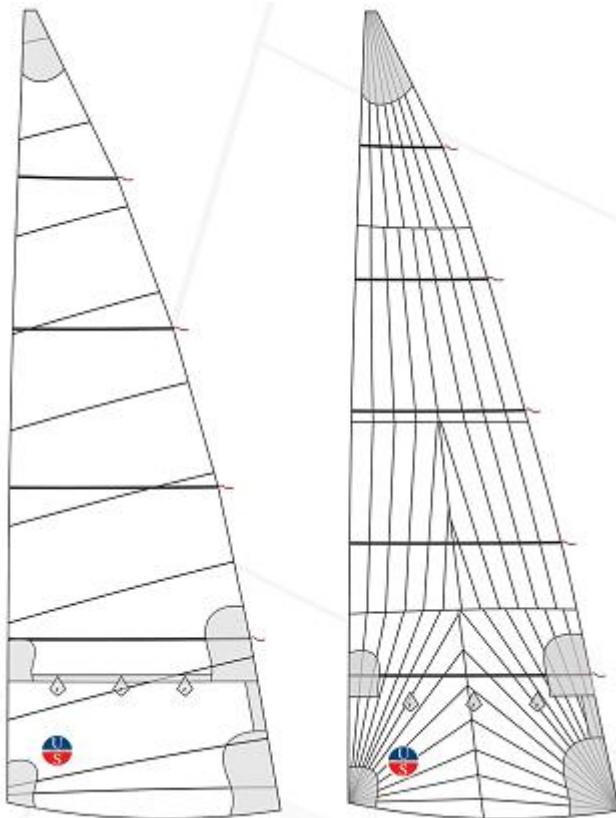


Figure 13 : Endurance sails

5.2.10.1 *Endurance sails details*

Every endurance sail have important details like multiple rows of triple-step stitching on every seam, over sized patching at every corner and reef, UV-resistance, double leech tapes, additional reinforcement on both sides, flutter patches at leech of every seam, heavier and stronger slides at battens and reef points, stainless steel rings with webbing load straps and sunbrella UV-covers for roller furling sails. There are additional details can be made for the sails: furling systems and installation, ATN-products (spinnaker sleeve, tacker and gale sail), Ullman sails U-stack, custom lazy-jacks and strong track mainsail luff system. Also another detail that can be made is CAL, Custome Axis Laminate.

5.2.11 Voyager Series sails (Figure 6)

Premiere upwind cruising sails (Figure 6) are made for big boats and performance cruisers. These are the high class sails that are made of the last cloth technology, but also using the

old and proven methods. The cloth is made from high-tech laminate, which has low stretch and durability. That means that these sails will undertake bad weather conditions and will hold shape longer. There are three types of cloth that can be used for making the premiere upwind cruising sails: carbon laminate with taffeta, dyneema laminate with taffeta and hydra net radial.

5.2.11.1 *Carbon laminate with taffeta sails*

These sails are made from state-of-the-art Grand Pre Race cloth, which have carbon laminate base with large and wide carbon yarns covered with woven taffeta. That cloth has great UV resistance and makes sails durable and great performance for cruising boats.

5.2.11.2 *Dyneema laminates with taffeta sails*

The dyneema fiber is extremely low stretch and is extremely strong, but it comes after carbon to UV resistance. Dyneema laminates with taffeta cloth is suitable for highly durable furling sail and have low stretchability. Dyneema sails are built to high performance even on roller reefing and when folding.

5.2.11.3 *Hydra net radial sails*

These sails are made for tri-radial panel system. Hydra net radial sails combine woven polyester base with a ripstop wave of spectra or dyneema. That means that sails are stronger and long lasting. With a woven part makes sails breath, so that lowers the possibility of mildew growth.

5.2.11.4 *Construction*

The voyager panel sails are made to be long lasting and more durable, that is why Ullman use the tri-radial construction method to make these sails. Using this method sail is able to be reefed for longer periods of time without damaging the sail, which is why there are extra reinforcements around reef points. The front sail, Genoa (Figure 6, left), is also made with reinforcement at the high loads areas, so that the sail will not be damaged or destroyed. There are also some additions can be made to the sails like: furling systems and installation, ATN products (spinnaker sleeve, tacker and gale sail), Ullman sails U-Stack and custom Lazy-Jacks.

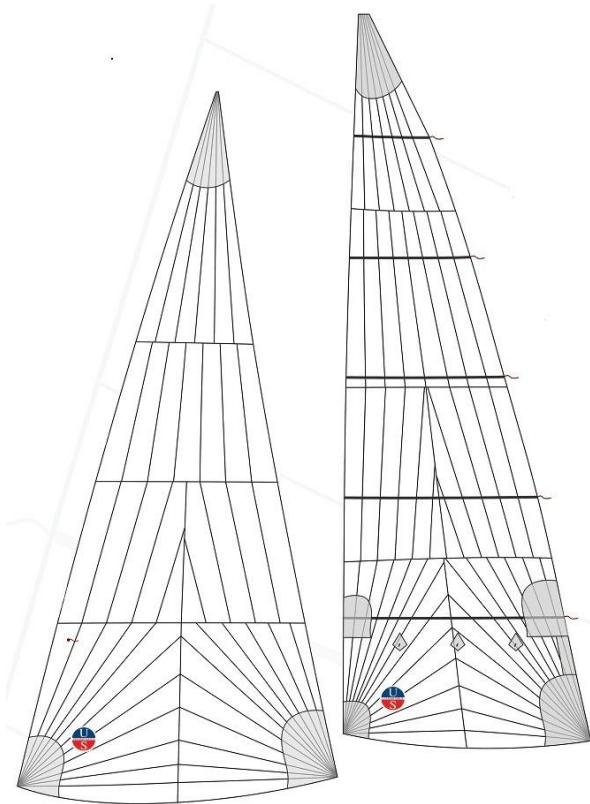


Figure 14 : Voyager Series sails

5.2.12 Race Series sails (Figure 7 and 8)

The race series sails are made specifically for racing, where sail speed and performance are maximizing giving the best result. It is important to choose the right cloth for the sail, it is always custom made and will fit the boat perfectly. There are three cloth choices: Woven Dacron, Kevlar laminate and Pentex laminate. Woven Dacron is high quality cloth. The founder of the company David Ullman is four time World champion and sails are made under close supervision. That, and 3-D Software, computer analytics two boat testing will make the perfect sail for every boat with best result on racecourses worldwide. Company trying to help with racing needs, by providing consultation and services like: Sail inventory management, Rating optimization for handicap racing, tuning and trim advice for better performing on water, and Service and repairs.

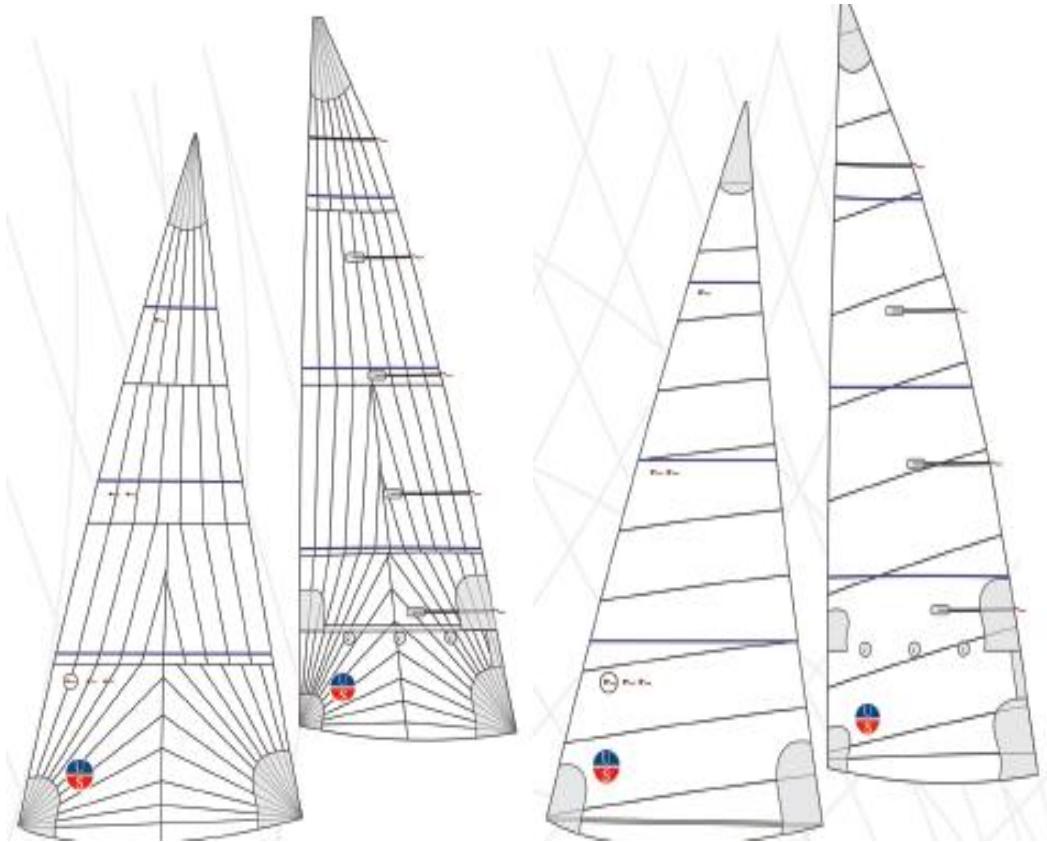


Figure 15 : Race Series sails

Figure 16 : Race Series sails

5.2.12.1 Standard specifications

Even though the cloth is very important for the performance every racing sail is made to Grand Prix standard. The sails can be made by two different cuts, radial cut (Figure 8) or tri-radial cut (Figure 7). Exists ten features that always included to racing sails: Alloy headboard, Upper full batten and partial lower battens, Aramid leech lines, Bolt rope and standard slides, stainless steel rings in reefs, clew and tack, spectra webbing reinforcements, One reef, Cunningham and Draft stripes, sail numbers and telltails.

5.2.13 Navigator series sails (Figures 9 and 10)

These sails are made for day sailing and cruising sailing. Usually sailmakers are selling these kind of stock line sails that are not expensive. But as it was mentioned before all Ullman sails are custom made and that includes navigator series sails. These are also at affordable price and good quality. All the navigator series sails are made from woven Dacron, this means that the sails will last longer, since woven Dacron endures to the exposure of the elements UV resistant and also high-wind flogger is better than laminates.

5.2.13.1 Performance and handling

Efficient shape of the sail is making it handle and trim even through tough conditions. The Dacron that is used to make this sail is medium-finished, so the sail is softer and much easier to store and handle. Professionals will make sure that the sails are perfect for the boat it was made for.

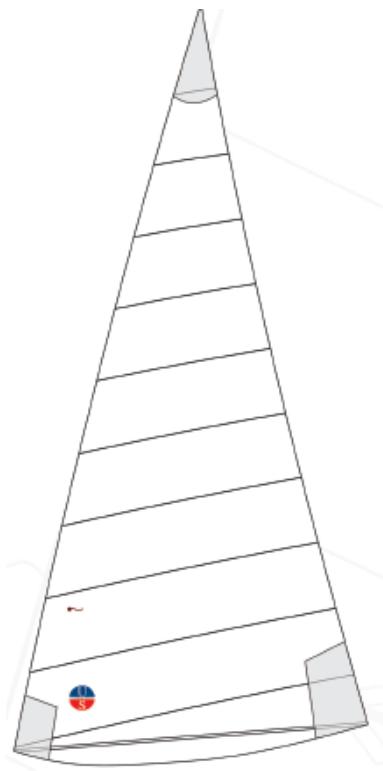


Figure 17 : Navigator series sails

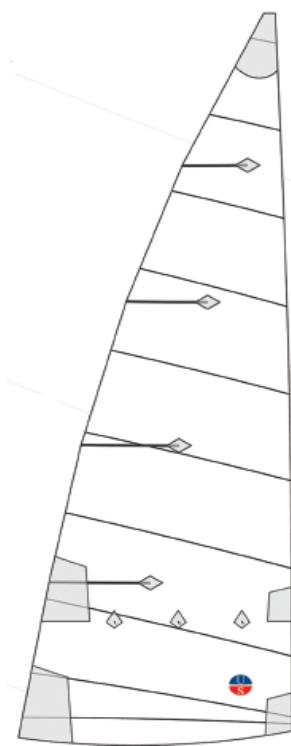


Figure 18 : Navigator series sails

5.2.13.2 *Standard specifications and available options*

There are eight specifications that are made for the navigator series sails: triple step stitching on every seam, stainless steel rings, aluminum headboards for main sails, standard battened mainsails, fiberglass battens, reinforced batten pockets, hanks or slides and telltales on headsails. There are some changes and additions can be made to the sails: added reef for mainsail (Figure 10), roller reef patch, foam luff for headsails (Figure 9), U.V. covers, sails numbers and draft stripes and full battens. Also there are available five sail accessories and things to handle sail more easily like: furling system and installation, ATN products, Ullman sails U-stack Custom Lazy-Jacks and strong track mainsail luff system.

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