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## Integrating a Start-up Company into its Market

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### **Abstract**

Businesses and especially start-ups, face significant problems while integrating into their target market. In this context, market integration definition is the extent to which a company remains profitable and relevant in competition after entering a new business environment. Some globally successful corporations have failed to integrate into their markets due to a lack of a concrete strategy implementation. This study aims to identify methods in which a business can achieve maximum profitability in different stages of market entry.

Based on the review of the market trends and customer behavior analysis, the study indicates that businesses must develop a comprehensive business strategy before entering a new market. The results suggest that developing a sufficient level of market research can help organizations to identify market developments, consumer behavior, and competitor's performance and plan a market strategy accordingly. Further study is required to understand other factors that influence market integration.

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## **List of Terms**

Consumer durables:

It describes the kind of goods that do not wear out with single use and have a long life cycle.

Consumer non-durables:

It describes the goods that wear out within one of few times use.

Consumer surplus:

It is the price difference between what consumers pay and what they are willing to pay for the same product or service.

Landscaping:

It is creating a new market that has not categorized before which may include introducing a new product/service into that market.

Market integration:

It is the extent to which the business retains its profitability and competitiveness in a newly entered market.

Marketing intelligence:

Marketing intelligence includes overall gathering information from different sources about a specific market and analyzing them before taking any actions.

Producer surplus:

It is the price difference between what producers can receive from a sale of product or service and the price they would be willing to sell.

Sandbagging:

It describes a strategy of understating the expectations of a company or an individual's strengths and core competencies to produce relatively greater-than-expected outcomes.

## 1 Introduction and Background

Start-ups and small businesses have long recognized market entry as a challenging part of operating a business. Part of the adversity can stem from the limited knowledge about what do customers truly value. To provide a basis for the research described in this thesis, market integration is the extent to which a business retains its profitability and competitiveness in a newly entered business environment. This research also aims to underline the factors that can affect successful market entry by analyzing five fortune companies that failed to successfully integrate into their market. Target, one of the worlds' biggest general merchandise retailers with \$75.4 billion in total revenue as of 2018, failed to enter Canadian market due to lack of implementing an effective market research (Target, 2020).

The goal of this thesis to broaden understanding of factors that influence market entry for small businesses. Specifically, this thesis focuses on how market entry unfolds for a shoelace start-up (3Ls) based in Helsinki, Finland. Hence, the findings in this research can be biased toward businesses that operate inside Finland or within the boundaries of Finnish market. This research also provides a basic guide for creating a comprehensive business plan prior to launch. The conceptualization and empirical investigation are designed to provide managers with the general key information on how to successfully enter a targeted market.

This thesis proceeds as follows. Firstly, this study provides a theoretical background on the case company and the strategic tools that it uses for further development tasks. The research provides a basic knowledge on each tool (SWOT analysis, SWOT mix analysis and Business Model Canvas). Then, this research applies the tools to the case company for the development of the research goal. Research also analyzes competition within the context of the case company. Furthermore, this study investigates the risks that businesses may encounter during market entry and offers methods by which firms can mitigate the negative effects. Finally, this thesis provides further development ideas for launching plan for the case company.

## 2 Market integration approach extends McAdam's Business cornerstones

The research method used in this thesis takes its roots from McAdam's Five essential business cornerstones which was published in 2013. It can be useful to compare the technique used in this thesis to McAdam's model for a better understanding.

John McAdam's method provide five different cornerstones of which includes following questions: What is the offering? Who does the offer targets? Who are competitors? What is future planning? and How to handle financial management? The graph below shows the link between crucial parts for creating a business plan. The parts are directly and indirectly inter-linked, which demonstrates how each segment of the business plan influences one another. (McAdams, 2013)

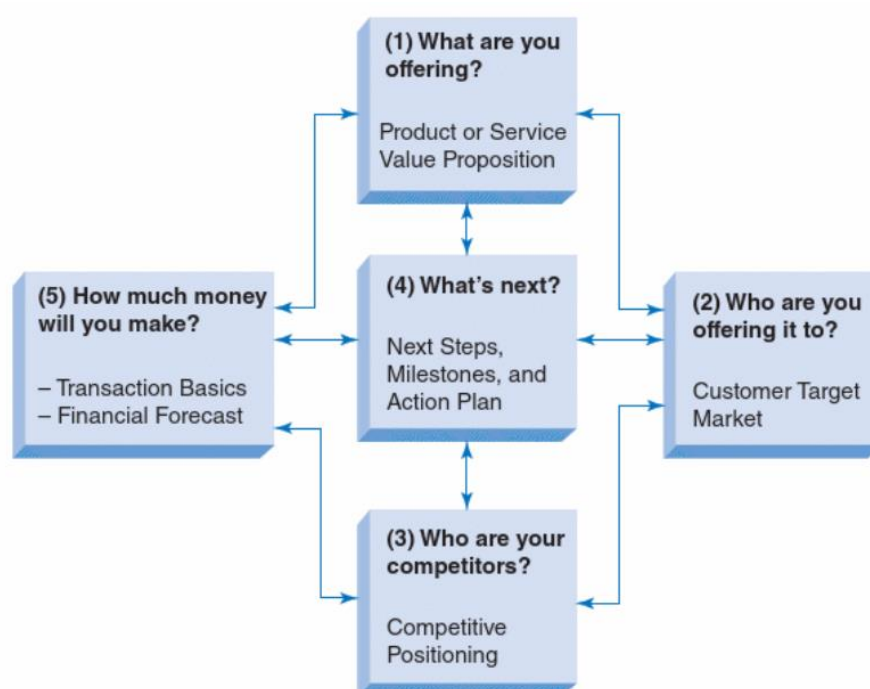


Figure 1. Five essential Business Plan Cornerstones (McAdams, 2013)

Similarly, this thesis uses different tools for the evaluation of company's performance which would eventually leads to creating a business plan. In this study, Business Model Canvas assesses the offering value, target groups and competitors to get more insights on the nature of the offering. Furthermore, this research uses SWOT analysis to evaluate competition in the market, opportunities for future planning and strategy to tackle possible risks that might harm the performance. And finally, the obtained data helps to set out plans and long-term goals. Market research in this study, therefore, focuses on shoe accessories and companies that retail shoelaces for athletics in Finnish and international markets. Because there are no similar companies in Finland that retail shoelaces exclusively designed for skateboarding, sports stores, and skate shops are the case company's main competitors.

#### Business model canvas (BMC)

##### 2.1

The BMC (**B**usiness **M**odel **C**anvas) is used by many companies to visualize, describe, assess, or change business plans. BMC can help to recognize an organization's core values prior to its entry into a market or to evaluate an existing organization's performance in the business environment. The value of an organization appears through the visual representation of several variables in the model. (Mulder 2017)

Business scientist Alexander Osterwalder and management Information System professor Yves Pigneur developed the Business model canvas. They explained nine core categories of BMC which make up building blocks of a business as:

1. Key partners
2. Key activities
3. Key resources
4. Value proposition
5. Customer relationships
6. Channels
7. Customer segment

8. Cost structure
9. Revenue streams

This method of planning helps companies to gain a thorough insight into different aspects of the business, such as target customers, value proposition, and channels through which they communicate to customers. Those attributes may include partners, essential resources, key activities, and channels that companies must consider before taking any steps. The business model canvas helps to extract these critical factors into one table and allows companies to plan accordingly. (Mulder 2017)

For instance, in the table next page, the value proposition includes high quality, durability, cost, packaging, and customization. The added values to the value proposition mean that the company is entering a high-end market and is likely to set a higher price point for its product compared to an identical product in a low-end market. Study shows that setting high prices can be profitable for companies willing to enter a high-end market as consumers associate it to superior quality, prestige, and a certain level of social acceptance. The high price can additionally indicate the extent to which an organization wants to add value to its products or services (Warranties or return policies on products) and ultimately benefit the buyers.



<b>Key Partners</b> <ul style="list-style-type: none"><li>• Local stores</li><li>• Local suppliers</li><li>• Skate stores</li><li>• Sports stores</li></ul>	<b>Key activities</b> <ul style="list-style-type: none"><li>• Advertisement</li><li>• Warranty</li><li>• Manufacturing</li><li>• Delivery</li></ul>	<b>Value proposition</b> <ul style="list-style-type: none"><li>• High quality</li><li>• Durability</li><li>• Cost</li><li>• Packaging</li><li>• Customization</li></ul>	<b>Customer Relationship</b> <ul style="list-style-type: none"><li>• B2C</li><li>• Connections</li><li>• Local stores</li><li>• Feedback</li><li>• Social media (Instagram, Facebook)</li></ul>	<b>Customer segment</b> <ul style="list-style-type: none"><li>• Skateboarders</li><li>• Skate shop owners</li><li>• Athletics</li></ul>
	<b>Key resources</b> <ul style="list-style-type: none"><li>• International and local suppliers</li><li>• Competitors</li></ul>		<b>Channels</b> <ul style="list-style-type: none"><li>• Instagram</li><li>• Facebook</li><li>• Website</li></ul>	
<b>Cost structure</b> <ul style="list-style-type: none"><li>• Fixed costs</li><li>• Variable costs</li></ul>			<b>Revenue stream</b> <ul style="list-style-type: none"><li>• Direct</li><li>• Value-based pricing</li></ul>	

Table 1 Business model canvas represents different aspects of “3Ls” business plans (Business models Inc, 2019)

Although adding values to a product or service can usually enhance customer’s experience and profitability, however, avoiding to add values that consumers do not necessarily require is just as important. According to McAdam (2013, 5), managers must avoid “looking for a problem syndrome,” meaning the requirements that customers do not value. One customer’s need does not necessarily reflect the entire target market. Providing needs that match customers’ values results in saving resources and retaining customers’ loyalty in the long term. Entrepreneurs must, therefore, test and refine their product through customers feedback before producing the final version.

The study suggests that organizations can improve their final product by finding the link between how benefits and features interact with each other. McAdam, John (2013, 33-34) explains the

difference between benefits and features as “feature describes what the service or product does while benefit portrays what the offering does.” The experiences that customers benefit from using a product are their feelings about that product and therefore are intangible. While tangible properties of a product, such as the material used for production, are features. Regarding the case company, features could be leather material used for manufacturing or the ability to customize the length of laces and, eventually, what consumers will be utilizing. On the other hand, the benefits of “3Ls” could be a warranty on products or durability of the product. The study shows that customers value benefits over features. Thus, companies must concentrate on enhancing customer experience or benefits for creating a distinct value proposition for their products.

### SWOT analysis

#### 2.2

SWOT (**S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats) analysis is a useful tool that can help evaluate the company’s position in competition and develop a more comprehensive business plan.

Albert Humphrey created the analysis during the 1960s and 1970s using data from several top organizations. Based on the research gathered by Morrison (2016), the original categories that Humphrey used were **SOFT**, “What is good in present is **S**atisfactory, good in the future is **O**ppportunity, bad in the present is **F**ault and bad in future is a **T**hreat.” The four aspects of this analysis provide insight into internal and external factors as well as providing data for future planning.

The table on the next page is the SWOT analysis for the case company “3Ls” that classifies qualities for different factors. External and internal data extracted from our analysis help to develop strategic plans.

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Communication methods</li> <li>• Adaptable to changes</li> <li>• Open to new ideas</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• None-vegetarian product</li> <li>• High production cost</li> <li>• Delivery</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Expansion internationally</li> <li>• Collaborations</li> <li>• New market entry</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Business environment</li> <li>• Emerge of similar product</li> <li>• Environmental impact</li> </ul>

Table 2 SWOT analysis for 3Ls' business plan. (Grant 2019)

Each factor of this analysis helps managers to get an insight into internal and external issues affecting the performance of the company. Strength demonstrates what the company excels at and how they can use them to distinguish themselves from competitors. Weaknesses are the areas where the organization can improve itself and perform at an optimum level. An organization must also have a clear understanding of its shortcomings so that it would not hinder opportunities. Some organizations miss many opportunities that can help them grow due to being unaware of some flaws they possess. It is also important to note that weaknesses can influence threats and might even maximize them. Opportunities are external factors that be helpful for competitive advantage. They are also qualities that organizations can benefit from in the long term. Threats can help organizations develop their crisis management planning. According to Grant (2019), threats identify factors that harm the organization and must be avoided entirely or be prepared to mitigate the harm. The thesis will elaborate deeper on how the organization could tackle threats in the crisis management section.

<p><b>Strengths-Opportunities:</b> How can an organization make sure that its strengths support its opportunities?</p> <p>It is the area where separates 3Ls from the competition. Higher quality of laces and customizable laces infused with the openness of the company to collaborate with other creators enables 3Ls to stand out as one of a kind in the market.</p>
<p><b>Weaknesses- Opportunities:</b> How can an organization develop or take notice of its weaknesses so that they do not hinder it from reaching opportunities?</p> <p>Opportunities define future planning, but weaknesses can prevent companies from capturing them. None-vegetarian products and high production costs are two main factors that can prevent 3Ls from using its opportunities.</p>
<p><b>Strengths-Threats:</b> How can an organization use its strengths so that the external threats will not materialize?</p> <p>Strengths are what define organizations and separate them from their competitors, and threats hinder them. The business environment is continuously changing, so adaption to it is very crucial from a start-up company's standpoint of view.</p>
<p><b>Weaknesses-Threats:</b> How can an organization minimize the risk of its weaknesses and the external threats which start to fuel each other?</p> <p>Weaknesses and threats are two areas where most organizations can suffer. 3Ls can adapt to changes in business environment with bringing in new ideas while collaborating with artists to prevent a business fallout.</p>

Table 3 SWOT mix (Grant 2019)

SWOT mix shows how each element of the analysis interact with one another. Strength-opportunities can help organizations take better advantage of their strengths to capture opportunities. For example, with the rise of global warming awareness, a well-known restaurant can use its reputation to use more sustainable ingredients that can have a more positive effect on the environment and attract more customers that value sustainability. (Grant 2019)

## The Long-Lasting-Laces (3Ls) company presentation

2.3 The startups are ideal subjects to demonstrate how market research influences market integration. Therefore, the research selected a start-up based in Helsinki, Finland, which retails high-end shoelace for skateboarding and action sports, to illustrate an accurate picture of market integration from a start-up perspective. The start-up company is **3Ls** (Long Lasting Laces), which takes its name from the high durability of laces, targets high-end customers in the shoe accessories industry. Because shoelaces are the most vulnerable part of apparel in skateboarding and they wear out at the earliest stage, 3Ls intends to deliver the highest quality of laces that longer than conventional laces. Also, in Finland, there is a high demand for leather laces since similar products are only available through online retailers, and shipping cost degrades the value for the price that consumers will receive eventually.



Picture 1. Sample 3Ls leather laces (3Ls, 2020)

The product is 100% leather, produces in India and assembled in Finland. While conventional cotton laces last about 1-2 weeks (depending on frequency of usage) and eventually loosen up due to overstretching, 3Ls' leather laces retain the shape of the shoe and guarantees to last twice as long. Pre-cut laces that competitors sell have definite sizes and do not allow customization. 3Ls shoelaces, however, allow customers to cut the laces to their ideal sizes, which also delivers a personalized experience.



Picture 2. Comparison of 3Ls leather laces (left) after a month of skating and conventional cotton laces (right) after a week of skating. (3Ls, 2020)

The 3Ls would be the first company to retail premium leather laces intended for skateboarding in Finland. The free sized length of laces allows users to cut the laces to the ideal length. Moreover, 3Ls thrives to become the most sustainable shoe accessory retailer since 100% of materials come from organic origins.

### 3 Why market entry is challenging?

In the field of market entry, it is common that businesses find it demanding to learn about the customer's needs and their behavior on a new product. This ambiguity in finding what customers value may mislead businesses to investing predominantly on development of their own product rather than enhancing customer experience. The research identifies common reasons for businesses that fail to enter a new market could include but not limited to rapid expansion, lack of long-term goals, and lack of understanding of customers' needs. (Harnish, 2020) While some burdens are part of the natural growth process, with no prior competency on customers and adapting a coherent strategy to enter the market, growth can be negative.

Rapid scaling up is one common mistake that companies make during the start-up phase, which can result in creating an illusion to believe that product fits the market. In line with Harnish (2020), companies must recognize that early buyers do not account for the majority of consumers, and their difference from loyal consumers can be substantial. For instance, Target, one of the worlds' biggest general merchandise retailers with \$75.4 billion in total revenue as of 2018, headquartered in Minnesota U.S., failed to enter its neighboring market similarly (Target, 2020). According to Peterson (2015), Target's plan to expand in Canada was overambitious since the retailer opened 124 stores in its first ten months. Moreover, customers were unsatisfied with higher pricing in Canada since Target was more affordable in the U.S. Therefore, those who lived near the border or purchased online received a fairer value proposition. And finally, locations which target was operating were hard to access for customers. Without prior expertise and strategy to enter the market, rapid expansion does not equal more profitability. (Peterson,2015)

Lack of focus on goals can be another reason that affect start-ups' performance during the early stages of their business. According to Harnish (2020), "one of the main reasons CEOs and executives of fast-growing companies struggle and fail is that they try too many things at the same time." Adapting a coherent long-term planning that outlines goals and visions of the company's future can on the other help companies to concentrate on a given task while delivering a coherent service at the same time. This study will dive deeper into the long-term planning strategies that companies can adapt in the business plan chapter.

Developing a product or service that customers need is challenging due to complexities of what customer's truly value. It is estimated that according to Fojt (2005, 17): "20 percent of customers are responsible for 80 percent of all generated revenues in an organization". Hence, gaining a

deeper knowledge about customers' needs can help organization to develop a successful product for consumers. Research suggests organizations to adapt customer-focused measures into every sector of the company. This means creating a customer-centric approach that is aimed to prioritize improving customer's experience over focusing on general development of the product. Creating a customer-centric approach throughout different subdivisions of organization can help to improve customer experience. Even departments that may not be in a direct interaction with customer must restructure to enhance consistency within the organization. Above all, human resource department plays an essential role in recruiting and training employees that will strengthen the organizations tie to customers. (Fojt 2005, 17)

### Market research of fortune five companies

#### 3.1

According to CNBC's (Consumer News and Business Channel) research, Starbucks, the biggest coffeeshop franchise with 28,000 locations around the globe in 76 markets, had to shut down 2/3 its stores in 2008 because it failed to adapt to Australian coffee culture. Due to opening too many stores rapidly when it entered the Australian market, it was repelled immediately by the locals. It also refused to adapt to Australian taste for different types of coffee than the usual Starbucks menu and failed to opt to locals' standards for coffee. On the other hand, Gloria jeans, Chicago founded coffee brewery that could succeed in Australia due to adaptation to Australian coffee taste and understanding the coffee culture in Australia. (YouTube,2019)

On the other hand, Carrefour, a multinational hypermarket corporation founded in Boulogne-Billancourt France, with \$11.8B market cap Forbes(2020), became the largest foreign retailer in China over the period of ten years. However, this growth was not a result of rapid expansion. The retailer opened its first store in 1995 in and by 1999 it only had seventeen hypermarkets in major cities. Because Carrefour targets low-budget consumers, it supplied its products from local traders to deliver a consistent experience. Although, this created new problems for the firm due to use of different standards and measurements by suppliers in china, Carrefour set up training programs for vendors to ensure the consistency of its service. Carrefour assessed the differences in customer needs across China over time and developed a customer-centered experience for its consumers. (Cambra-Fierro & Ruiz-Benítez 2011, 148-154)

Failure of the globally prominent coffee chain in market entry and success story of Carrefour are the indication that market research is not exclusive for start-ups. Companies that wish to expand



into foreign markets must develop a confident level of understanding of the culture and standards that people value. Start-up companies, therefore, must take into account that international expansion necessitates a certain level of understanding of the culture, industry standards, and values that, if neglected, results in business collapse.

### Market intelligence

3.2 In today's business world, successful organizations base their critical decisions on their understanding of customer behavior and competitors' performance in the market. Marketing intelligence can benefit organizations by providing facts on market trends and developments, consumer behavior, analysis of past and future, and competitor analysis. These useful data can help managers to make appropriate decisions when encountering an obstacle. Nauckhoff (2007) defines marketing intelligence as the following: "The purpose of marketing intelligence is to provide management with facts, information, and insight needed to rapidly make the best, most efficient business decisions." (as cited in Hamersveld & Bont 2007, 3) Marketing intelligence can be useful for-profit or non-profit organizations depending on the organization's goal, whether to focus on profit-making as an overall goal of the organization or improving value proposition as an overall goal.

Naturally, researching the past is more reliant than predicting the future since it provides a more concrete base to support the probe. Similarly, examining people's opinion on a product that they had been using for the past few years would be relatively easier than introducing a new product that they might be using in the future since it presents fewer challenges for respondents to understand the criterion. According to ESOMAR (2019) distribution of total products purchased online in Finland in 2019 has been predominantly of clothing, shoes, and accessories. Online marketing and delivery of goods have become one of the most prevalent means of delivering products to consumers, and it has provided companies a closer connection to their customers. The research clearly illustrates that investing in retailing shoe accessories online, whether through the website or social media, can enhance integrating into the market. Therefore, it is easier now for marketers to demonstrate how people can integrate and operate a product into people's daily lives. Although this does not prevent market researchers from introducing ideas that may not have much potential, modern methods work with excluding worthless ideas and identifying ideas worth testing. (ESOMAR 2019)

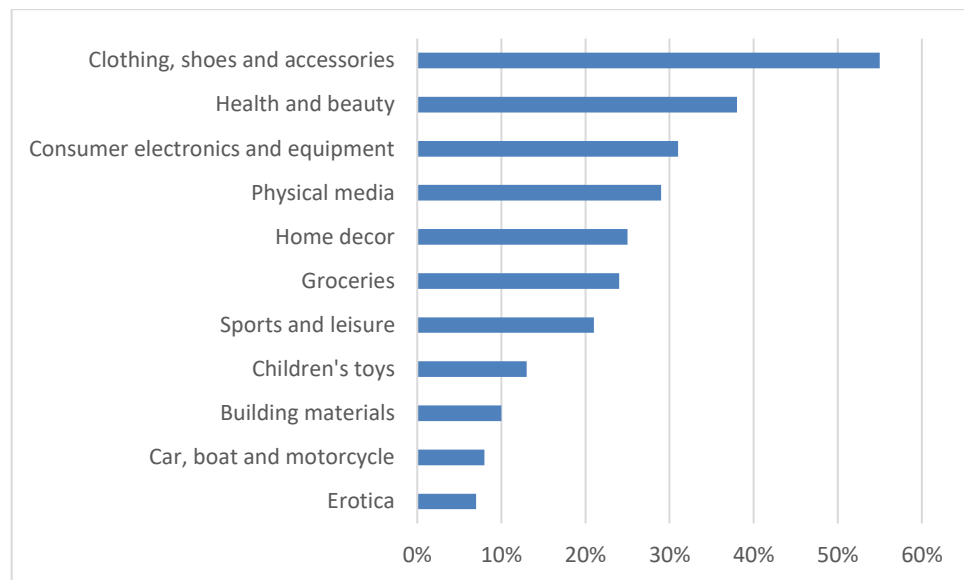


Figure 2 Distribution of products purchased online in Finland in 2019 (ESOMAR 2019)

Research suggests that most of the products purchased online were in clothing and shoe accessories in 2019. Based on the analyzed data, companies that operate in the clothing and shoe and accessories industry have a high potential for investing in online retailing in Finland.

While past evaluations can provide researchers with tangible results, it has also become more accessible for researchers to predict the future. Firstly, researchers have learned to present respondents with questions about the nature of a new concept. For example, it is easy to predict what applications people mostly use on their mobile phones today than ten years ago since phones are more integrated into people's daily lives than what it used to be in the past. Following Smith (2007), the study indicates that presenting users with the information that has been gathered based on past experiences can provide more concrete results. Consequently, it is more effective for marketing an idea. (as cited in Hamersveld & Bont 2007, 5)

Researchers have gotten better at showing ways that customers find a useful product or a service. For instance, Smith (2007, as cited in Hamersveld & Bont 2007, 6) suggests some scholars approach the matter by asking hypothetical questions to find a solution. Questions can include: "How likely are you to use this product in the future?" or "How this service can have an impact on improving your performance?". Analyzing respondents' results can give researchers a clearer insight on users' behavior and hence enabling managers to take appropriate actions in improving their product or service.

#### 4 Corporate strategy

According to Smith (as cited in Hamersveld & Bont 2007, 8-9), “most successful businesses will build a corporate strategy or a plan that summarizes the company’s wishes to achieve in the future.” The American Marketing Association defines Corporate Strategy as “The overall plan that integrates the strategies of all the business within the corporation. It usually describes the overall mission, the financial and human resources strategies, and policies that affect all businesses within the corporation, major initiatives to change the scope of the firm such as acquisitions and divestments” (Loosschilder & Schellekens as quoted in Hamersveld & Bont 2007, 131). Research argues that almost 80% of successful businesses have incorporated a comprehensive corporate strategy in their plans, which only gives a 20% probability of achieving success through conventional planning. Consequently, to effectively execute a corporate strategy, organizations must continuously recognize significant market trends and developments and adjust their corporate plan accordingly. (Hamersveld & Bont 2007, 131)

The study reveals that successful organizations build their strategy upon establishing a vision statement that defines what the business wants to be in the future. It can be a theoretical or hypothetical vision of how events could work out for the future of the firm. From the business perspective, a relevant example is IBM’s vision statement (multinational computer and information technology company) that reads: “to be the world’s most successful and important technology company.” Smith (as cited in Hamersveld & Bont 2007, 8-9) Later on, the tech company became the inventor of today’s voice recognition system that runs on almost every computer platform. (IBM, 2020)

The organization interprets its vision statement into practice by creating a mission statement. In accordance with Smith (as cited in Hamersveld & Bont 2007, 9), “The mission statement is the organization’s vision translated into a precise statement of goals and priorities that will turn this big picture vision into practice.” The research suggests that an organization must establish a mission statement that can reveal its focus in the business, distinctiveness from rivals, and thus inspiring employees to work towards transpiring the vision. Successful organizations enable a bold mission statement that is motivating, customer-centered, and can simply demonstrate the organization’s strategy.

## Market-driven strategy

4.1 According to Leventhal (2005, 3), “a market-driven strategy allows a company for a more effective market integration and customers, which comprise the basis of the market.” The market-driven approach also allows companies to have a clearer understanding of the market and customers and therefore affects profitability and return on investments. The study suggests that companies must recognize their customers as their assets and improve their product or service accordingly. Identifying customers as the company’s primary value allows organizations to focus mainly on enhancing customers’ experience and shift away from investing in sale-driven strategy. On the other hand, organizations must have a concrete understanding of their primary competitors’ performance, their strengths and weaknesses, and their strategy in the market. Companies can then use that data to build a more practical approach to engage their customers successfully. Coordination of marketing efforts within the organization can also help the information to be shared quickly and to have a more consistent overall performance. Above all, to have a market-oriented strategy means an enhanced value to customers and overall performance. (Leventhal 2005)

### TARGET MARKET ATTRACTIVENESS RATING SCALE

CRITERIA	ATTRACTIVENESS				
	LOW			HIGH	
Market Size	1	2	3	4	5
Market Growth Potential	1	2	3	4	5
Client Accessibility	1	2	3	4	5
User Potential	1	2	3	4	5
Payment Capabilities	1	2	3	4	5
Entry/Exit Potential	1	2	3	4	5
Competition	1	2	3	4	5
Referral Potential	1	2	3	4	5
Service/Program Awareness/Recognition	1	2	3	4	5
Service/Program Need	1	2	3	4	5

Figure 3 Target market attractiveness rating scale (Leventhal 2015)

The scale above helps to evaluate various target market criteria (Market size, competition, etc.) and assess overall appeal to consumers and provide more accurate data on the market to entrepreneurs. To calculate the total market attractiveness, “one” showing the lowest possible score and “five” the highest for a criterion, an average of overall points divided by the number of measures will result in the rating of the potential market.

Customer advocacy is a customer-centered approach that allows customers to decide on a product or service on their own based on the information provided to them. These customers are no longer passive recipients but individuals that chose to become advocates for a brand. According to Fojt (2005, 17) that points out: “20 percent of customers are responsible for 80 percent of all generated revenues in an organization”; hence transparency and honesty in this regard can be crucial for the organization. According to Thomas J. Watson, IBM’s founder, “Loyalty is the product of trust, and trust is hard to build but easy to destroy” points out the importance of transparency that leads to loyal clients. (as cited in Fojt 2005, 17) Customer advocacies, on many occasions, could mean recommending competitors’ products or services to customers in

case the organization cannot fulfill the customers 'needs. For example, Apple, listed as the top 5 most profitable companies in the world, according to Forbes (2020), sells Catalyst waterproof cases for their newest earphones since they do not produce a waterproof case. Customer advocacy, although may seem extreme in many instances, it helps to push confinements of conventional business relationships. (Fojt 2005, 18)

The study emphasizes transparency and honesty as two main elements that organizations must consider in customer relationships. On the other hand, focusing on enhancing customer satisfaction by improving the value proposition can consequently increase profitability. Organizations can create a more profitable relationship with their customers by providing accurate figures and data to consumers and ultimately build strong customer loyalty. This thesis suggests applying a customer-centric approach will improve the profitability of the organization. The study, however, recommends additional research on customer relationship management since the data do not reflect on overall profitability. Failing to apply such measures in customer relationship management can result in rendered futile. (Fojt 2005, 17)

An organization can define its success or failure based on the relationship that it creates with its customers. The study suggests there are several reasons why businesses fail due to poor customer relationship management. Some companies fail to gain a clear understanding of the buyer's needs and providing them with excellent, consistent service. Usually, such businesses focus excessively on increasing their sales and not the experience quality that they provide their customers. Some organizations fail to realize that employees service quality can affect their profitability. When system rewards solely based on the sales made or transactions completed, the actual value of customer service from the employees vanishes. Another reason is that managers fail to believe in CRM strategies and mainly focus on the most concentrated group of clients. (Fojt 2005, 17-19)

4.2

### Marketing strategy

Finding the most secure sales process can be challenging, considering the opportunities to meet prospective customers face-to-face continue to diminish due to the rise of popularity of internet marketing. The search can be challenging for companies that offer products or services that require a sophisticated relationship with customers that will ultimately result in gaining customer's trust and loyalty. However, humans naturally need specific interactions for fulfilling

their psychological or physical needs and problems. McAdam (2013, 51) emphasizes these touchpoints as “It takes an average of 5 to 12 contacts, impressions, or exposures collectively to convert a prospective customer to a paying customer”. The conclusion is that if the offering demonstrated qualities that can fulfill customers’ needs or problems, it could naturally build that relationship for customer acquisition (sale) and part of business order. (McAdam 2013, 51)

Followings are different types of sales process that 3Ls uses for engaging their customers and are arranged according to their most importance:

- Web sales: Products are sold directly from the official website (B2C)
- Personal selling: Products sold to wholesalers (B2B)
- Free product or service (Work sample): Product samples given to influencers for test and promotion of brand

Competitive offering	XXL	MFT	3Ls
<b>Value proposition</b>	High product variety	Locally owned, High quality	High durability, High quality, locally owned, Designed for skateboarding
<b>Core products or services</b>	Sport apparel and accessories	Skate apparel, accessories	Leather laces
<b>Value added offering</b>	14-day return/exchange policy	14-day return/exchange policy	30-day return/exchange policy, Environmentally friendly
<b>Geographic territory served</b>	Finland and Nordics	Finland and Europe	Helsinki municipality
<b>Industries served</b>	Sport wear and accessories	Skateboards and apparel	Shoe accessories

<b>Pricing strategy</b>	Range of low to high budget	Medium budget	Premium price
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Table 8. Competitive positioning table (McAdam 2013)

Competitive positioning table helps organizations define their standing point in the competitive market in which they are operating or willing to enter. Value proposition, core products, and value-added offering highlights the strengths of the offering while enabling a business to stand out from the crowd.

Advertising is the most expensive and risky means of customer acquisition B2B prospective customers respond the best to face-to-face selling while B2C potential customers respond the best to advertising. Research recommends testing out ads on a small scale to assess their effectiveness and saving resources. For instance, if the selected advertising method for 3Ls is to run an advert on one of social media platforms, running an image can help identify how many people engage with the ad before running a video, which can be costly. (McAdam 2013)

#### 4.3

##### Data collection method

It is certain that market research plays a key role in improving market integration of an organization. Even though the availability of data has become easier over the past decade due to access to internet, it has also made it more challenging for researchers to find the most relevant data to research. Wildner (as cited in Hamersveld & Bont 2007, 207) points out that "The crucial role of the market research function in an organization is to provide reliable evidence which will help managers to make better decisions."

Researching and testing out the possibilities and analyzing them with legitimate tools before taking any actions is the key to making the right decisions for managers. But why bother planning? According to Butler (2013, 1), "the only way to see if it really works is to monitor its progress at regular intervals, so that you can respond to any potential problems which may arise and then change or modify your business strategy as necessary" Planning is an efficient method of testing out variables and focusing on new ideas before commitment. It can also help with establishing a



parameter that provides a yardstick against process and profitability, and above all, it may open doors to future planning.

Selecting the accurate market research tool for performing the study is another crucial aspect of implementing fundamental research. Explanatory, descriptive, or experimental are different purposes that market research tools can be useful. Moreover, the ability to interpret the findings and integrate them into the organization's core values is an additional pivotal part of market research. Thus, not only the ability to choose the right tool in research is essential, but additionally, the capability to effectively analyze that data is critical for a thorough market research.

Based on the latest study published by ESOMAR (European Society for Opinion and Marketing Research) in 2019, market research turnover in Finland was recorded at US\$93 million, placing 19<sup>th</sup> among 33 countries in Europe and 43<sup>rd</sup> out of 100 countries. Primary type of clients for the research were as listed below:

1. Manufacturing (consumer Non-durables)
2. Manufacturing (consumer durables). *(Research's case company falls in this category)*
3. Wholesale and retail trade (ESOMAR,2019)

Ease of doing business in Finland is (80.2 out of 100) 9<sup>th</sup> among 44 European countries and 20<sup>th</sup> worldwide out of 190 countries. (ESOMAR, 2019)

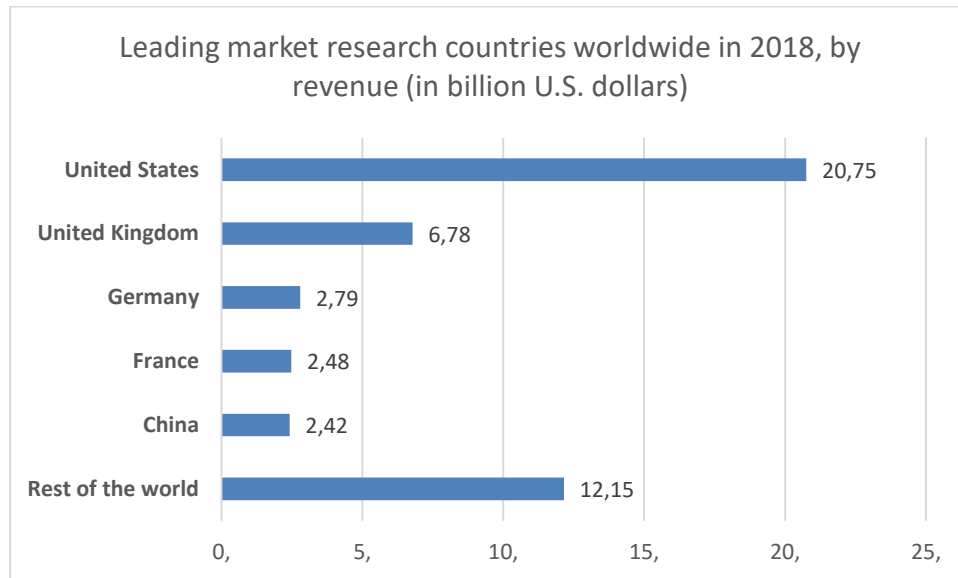


Figure 4 Countries with the most substantial market research revenue worldwide 2018 (ESOMAR, 2019)

The graph above, indicating the United States as the world's leading market research revenue generator, according to a study by ESOMAR (2019).

## 5 Developing a business plan prior to launch

According to McAdam (2013, 20), the broad purpose of a business plan is to “create a stronger enterprise before committing resources and going to market.” Hence, creating a draft business plan where ideas can be tested and analyzed before using the actual resources is recommended for start-ups. A comprehensive business plan is necessary to set out deadlines and objectives, according to Butler (2007, chapter 1) “business plan provides with efficient methods of focusing ideas and testing out the viability of the business proposal. Planning also establishes parameters and specific targets that provide a yardstick against process and profitability, and it can provide future investments.” According to Shotwell (1991, as cited in Gerson 1991), market business analysis provides useful information before writing the business plan. Some of the questions are as follows:

### **What is the mission/nature of the business?**

The mission is to deliver high-quality leather shoelaces for skateboarding and other action sports that require durable and long-lasting laces that supports agility and strength. At the same time, there are similar products in the market (Finland), they do not feature such traits for designated for sports and explicitly skateboarding.

### **What corporate image does the company have?**

“3Ls “represents as a high-end shoelace producer that delivers the most durable shoelaces designed for skateboarding. The leather laces are a proper choice for athletes that wish for a high-performance lace without sacrificing quality and durability.

### **What are the most effective promotional tactics for introducing the product?**

One effective tactic to enter the market is introducing the product through influencers that people trust. Famous athletes and social media producers that engage people daily can be a successful way to enter the market.

### How does the offered service/product is distinguished from competitors?

Currently, in Finland, 3Ls would be the first company that aims to provide high-end durable laces designed for skateboarding. Although similar products exist from overseas via websites, high shipping costs make the purchase too pricey for the value that customers get in return.

### Understanding the nature of Business Cycle

5.1

The study suggests that organizations will eventually experience a business recession that follows up with an expansion as a part of the business cycle, due to economic or political events. Hence planning must be implemented to mitigate its adverse impacts on sales. A standard method used by many firms is liquidating goods of uncertain sales by offering them at lower prices, which keeps the inventory turnover high. Although this results in generating lower profits, however, during a business turndown retaining cashflow's momentum is essential for overall profitability. As the figure below illustrates, during the business cycle's peak (when a business produces most of its GDP), a business must generate sufficient profit that compensates the company's losses during recession and depression. The oil industry can support this argument where almost ninety percent of the business is coping with losses, and only ten percent account for the overall profitability. (Lopez 2014, 89)

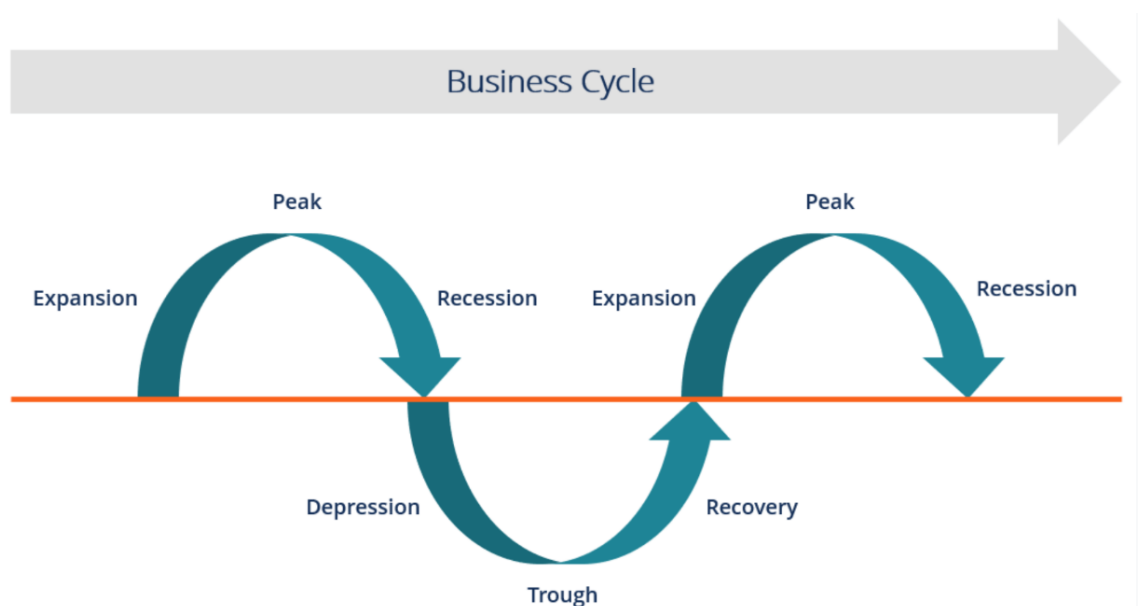


Figure 5. Business cycle from expansion to recession (Corporate finance institute 2020)

Now applying this to the case company, considering an average price for a pair of cotton laces would be around 5€, and the price for higher quality is around 10€. The 3Ls' product pricing policy is dependent on production cost, VAT, and competitors' sale price. Since competitors operate overseas and no local companies are producing a similar product, this will allow them to set the price point also according to consumer surplus. In this case, the production cost is 3€ per pair of shoelaces and 3€ VAT. Since a pair of ordinary shoelaces cost around 5€/pair and competitors sale for 10€/pair, considering 15€/pair of high-quality, durable laces would be a reasonable amount.

### Summary of Business plan

5.2

Business description of 3Ls shoelace company is summarized below:

Case company's name:	Long-lasting laces (3Ls)
Location:	Helsinki, Finland
Market and competition:	Shoe accessories
Target market:	Athletics/ skateboarders
Management expertise	Long-lasting laces designed for skateboarding and other action sports

5.3

### Business definition, goals, and objectives

According to Stevens, Loudon & Nykiel, (2003, 3), "Before developing a strategic business plan, it is essential to take an objective view of your business." While businesses seek to advance new competitive advantages through developing new technologies, products and services, a shift toward market and customer-oriented service can provide companies with a higher stake to

outdo the competition. Developing a bold mission statement provides firm positioning of the company in the market, and it can help to shift the focus for a vision of the future.

Analyzing the core competencies of the firm can give valuable insights to business objectives and therefore develop a broad strategic plan. Defining core competencies of the organization can help to identify what a company excels at and how the new product or service makes a significant contribution to the perceived customers. Marketing, service, and employee sectors each require a separate mission statement that can represent how the company excels in that sector. A quality mission statement encompasses the market, the contribution to the market, and what makes the offering so unique and distinctive.

For the case company 3Ls the mission statements could be as following described:

**Marketing:**

“We are committed to providing the most durable and comfortable shoelaces that are designed exclusively for skateboarders by skateboarders.”

**Customer service:**

“Our job is to bring the most durable and comfortable skate laces that customers always needed!”

**Employees:**

“Bringing the high level of job satisfaction for each employee through training, recognition, and reward for delivering the best possible result for our customers.”

## Long-term planning

5.4

In the business context, milestones are any significant event that an organization prepares for that has a deliverable date, and the event has a measurable description. According to McAdam (2013, 76), setting milestones provides organizations momentum in a business environment since it enables businesses to analyze their activities and plan accordingly for the next stage. Milestones are usually broader than goals and narrower than a mission statement, and their occurrence is generally every 90 days. It is logical to compare milestones to goals since they can have a similar connotation in the business environment. However, milestones are a set of actions and achievements necessary to make progress toward a desired result, and goals are long-term visions of organizations that require a series of completed tasks.

Followings are a few examples of milestones in a business environment:

- Completing the first product for customer testing
- Obtaining the first sales order
- Receiving customer sales payment
- Achieving break-even sales revenue level.

Long-lasting laces (3Ls)						
Product or Service milestone		By Sep 30, 2020	By Nov 31, 2020	By Dec 31, 2020	By Feb 31, 2021	By Apr 31, 2021
1	Complete initial product prototype	X				
	Complete beta customer tests		X			
3	Finalize product offering			X		
Marketing & Sales milestone						
4	Finish e-commerce component of website		X			
5	Obtain first sales order for a new product		X			
6	Hire outside salesperson			X		
7	Begin field-tested marketing campaign			X		
Revenue milestones						
8	First sale from new venture				X	
9	Break-even sales level					X
10	Profitable sales Objective					X

Table 6. 3Ls sample business milestone (McAdam 2013)

Businesses that are reliant on funds through loans or investors must commit to their milestones because the achievement of that milestone can impact the overall process. Investors and banks that offer loans to businesses supervise their progression throughout the process. If an organization fails to reach that milestone, it can result in putting the company in a financial risk. While also setting overly viable milestones cheapens the excitement for investors. (McAdam 2013, 78)

Some businesses use a strategy to understate their strength to deliver a higher than expected results which is called Sandbagging. Although it can have negative connotations in most competitive grounds, in the business context, with the proper level of it built into a milestone, it can reduce uncertainty or numerous business risks. As McAdam (2013, 78) states, "If business funding depends on milestone achievement, then why wouldn't you understate the measurable to the highest degree you can without." Although its use must be regulated, or business might lose credibility when setting business milestones. On the contrary, sandbagging can work like a double-edge sword where if a company sets future milestones that are unachievable, and it fails to meet the needs, it can potentially harm the reputation of that business.

## 5.5

### Financial management

Tracking the overall expenditure that the company makes is essential for its profitability, especially when entering a new market. All business' vital elements such as survival, growth, and profitability depend on having comprehensive financial statements. According to (Gill 2009, 9)," the failure to adequately integrate the company's current economic realities into business decisions frequently plays a vital role in a company's demise." Therefore, companies require an extensive financial analysis to prevent profit margin loss or delayed cash flow.

Fixed costs are permanent regardless of a business' situation, but variable costs do not exist when business is not in session. They may include but are not limited to, rent, interest on loans, or employee salaries, whereas variable costs include cost of goods sold, factory labor, and sales commissions.



A common strategy to boost sales is to reduce prices; however, even if this results in increased sales, it does not translate into increased profit. An increase in volume related to reduced prices usually leads to reduced profit or even net loss. Therefore, organizations must take note of the events that influenced sales during a specific month, whether positively or negatively. If factors that impact sales are unknown, the best strategy is to overbuy inventory to delay loss profits by reducing prices on old items. (Gill, et al. 2009, 75)

A company can have a positive net worth if assets surpass liabilities and equities, and if the other way around occurs, then the company has a negative net worth. A negative net worth can “damage the company’s ability to borrow funds, open new trade credit with suppliers or raise new investment capital,” according to Gill (2009, 12).

<b>Expenditure requirements of 3Ls</b>	<b>EUR</b>
Start-up notification	60
Initial stock purchase	500
Office supplies	200
Computers and software	200
Marketing investment	1200
Cash reserve (shipping supplies; before customers have paid their invoices)	500
<b>Total</b>	<b>2660</b>

Table 4. Expenditure requirement before launching 3Ls (Suomen Uusyrityskeskukset ry 2019)

Analyzing day-to-day expenses allows managers to apply long-term measures to cut down on fixed-term costs. Since organizations can adjust to fixed-term costs, monthly or quarterly reviews can cut down on expenses and therefore increase overall profit. While net profit can define the ultimate profitability of a company, focusing on reducing total expenditure, in the long run, is more effective than applying methods to increase sales. (Gill et al. 2009, 75)

Break-even point formula helps companies with their financial planning, decision making, and expenditure control. It can also help to build a product or service’s price structure.

Following formula:

Break-even		
<b>Fixed costs</b>	<b>+</b>	<b>Variable costs</b>

Figure 6 Breakeven analysis (Gill et al.,2009, 75)

Breakeven analysis can help calculate the impact of business decisions such as changing price strategy, spending patterns, or crucial targets that improve profitability.

Sources of Funding	EUR
<b>Equity</b>	
Share capital	0
Personal cash investment	500
<b>Loan capital</b>	
Bank loans	3000
Other loans	
Total	3500

Table 5. Sources of funding 3Ls (Suomen Uusyrityskeskukset ry 2019)

The potential return to investors and profitability calculations is in the table below. The table demonstrates different combinations of sales volume, sales price, and costs that will lead to target results.

	EUR
Sales price	15
Costs	3
Margin	12
Sales quantity	500
Total sales	7500
Total Purchases	1500
Total margin	6000

Table 6. Total margin of 500 sales (Suomen Uusyrityskeskukset ry 2019)

The table above shows the profit generated by sales of 500 pieces of laces. Production costs and total purchases give a clearer insight into the composition of the overall margin.

Organizations can identify the most important stakeholders and target customers by developing a network map. Investors and customers are the main financial pillars that hold the organization relies upon when business is in session. Investors provide steady financial support to the organization, while investment from customers is dependent on sales. The following figure shows the distribution of financial support from customers and investors.

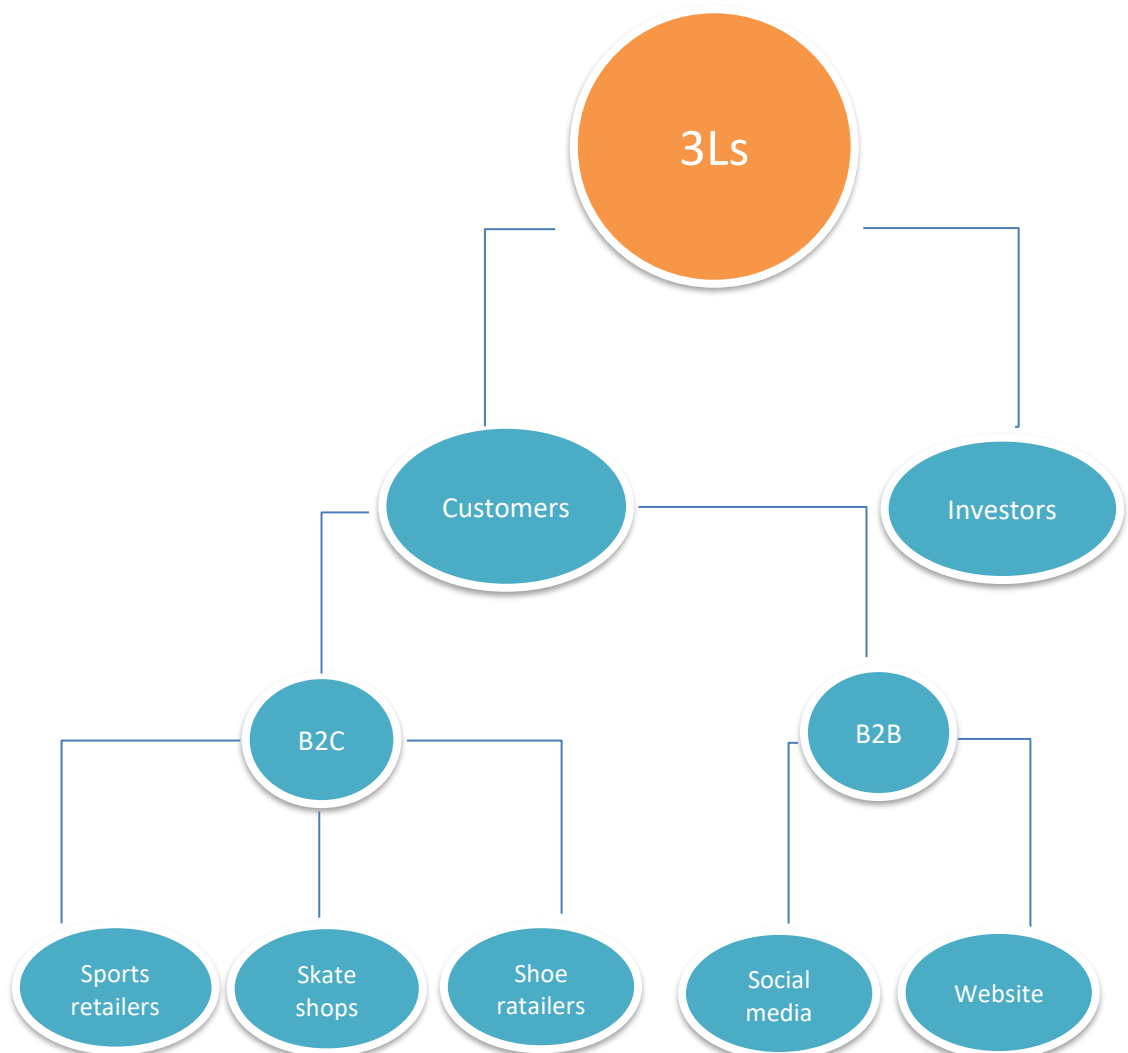


Figure 7. Showing 3Ls ´ main financial pillars

In the figure above, it is evident that since most of the financial support from B2C customers derive from big retailers that sell the product, research suggests investing in finding the shoe or sports retailer that can represent the company and connect with the target customers accurately. Although, because the product targets mainly skateboarders and athletics from the skate industry, skate-shops must be the primary market entry target market. While B2B sales focus on skateboarders and skate enthusiasts, influencers and professional skaters can be the company's advocates to introduce the product to that section of the market.

### Pricing policy

5.6

According to Lopez (2016, 87), there are multiple connotations to price in marketing, as it can signal various factors relating to the business criterion. In some cases, price can signal shortage of supply or high demand, while in other cases, it may signal surplus or low demand. The definition that matches the research's case company defines price as "internal part of positioning and is a signal associated with quality, prestige and status" (Lopez 2016, 87). Customer satisfaction and producing the highest possible profit must be the primary purposes of a set price.

In a high-end market segment, if a product is low-priced, consumers can associate it with low quality or indication of a flaw in the product. On the other hand, if the same product would have a high price, it can be insinuated as a genuine product. There are also instances where price does not necessarily match the target group. A typical example would be student cafes where food is very cheap, but beverages are pricey. Research's case company position itself in a high-end market; therefore, the study suggests setting a higher price compared to standard laces. A set price of a product can reflect on its market positioning, sales volume, and target customers; thus, entrepreneurs must caution choosing the suitable price accordingly. (Lopez 2016, 87)

Price changes can help extend a product's lifecycle if applied appropriately. Lopez (2014, 86-87) argues that, on the one hand, a sharp decrease in price may alert customers that quality has decreased, or the previous price was abusive. If this occurred due to competitors' lower prices, in this case, a negative effect on sales is likely. On the other hand, a sharp increase in price can encourage customers to try alternative products sold by competitors. Therefore, a well-designed plan that helps with gradual changes in price can avoid sending ambiguous signals to consumers.

The benefit to price ratio is particularly a significant component that affects sales of a product. Lopez (2014, 86) argues that an expensive product that does not give equivalent benefits to customers will consequently have low demand in the market. On the contrary, if a product is cheap provided that it has tremendous benefits, then the demand will be high. The analysis suggests to always consider customers' financial resources before setting a price.

Delivering product units according to customers' desires is another element that influences sales. Generally, organizations do not take customers' buying patterns into account and establish a product's unit based on their wishes. Lopez (2014, 87) elaborates that as a result, if the amount delivered on each unit is too high, customers' purchasing frequency decreases. Conversely, in the event that the amount of each unit is too low, consumers have the option to buy more units or increase purchasing frequency. Ultimately, the customers' buying frequency must decide the product unit, but not companies inflicting their products to their consumers.

### **Types of Buyers**

Organizations must consider price as their primary focus for market entry since it can define what kind of consumer their service or product is aiming to attract. According to Lopez (2014, 28), in B2C businesses, there are three kinds of buyers:

1. **Subsistence** buyers look for low-priced products with low quality and expect no warranty. Quality of the product and brand image are of the least matter for consumers. Hence the low-cost structure of the company, high-price elasticity, and gaining profit upon selling large volumes define the company's target market.
2. **Selective** buyers are consumers who seek a high quality of a product even if it comes at a high cost. Depending also on market opportunities, the price of such products can vary while continually moving through its lifecycle.
3. **Sybarite** buyers value luxury products, and a high price can improve customer satisfaction as it can represent the product accurately. Quality, design, and brand must be reflected in product packaging because these types of buyers are likely to share photos on social media. Profitability relies on individual margin than volume sales.

The research's case company, in this case, must target Selective buyers since it retails high-quality laces. The study proposes that organizations targeting such buyers must pay attention to details

(packaging and customer service) since such buyers expect higher value for the extra money spent.

### Competition

5.7

According to Stevens (2003), the relationship between firm and client must be a Win-Win bond while with competitors can be a productive co-existence that both competition and cooperation create significant opportunities for manufacturers, retailers, and customers. When there is a healthy competition among firms in the market, they complement one another, expanding customers options, hence improving the market value.

Competition can define the position in a market for start-ups since it allows them to compare their product or service to that of competitors. A start-up company must have information on how competitors perform in the market and how they can integrate in accordingly. Start-up companies can use competition as an advantage to improve on their performances and even provide extra features that their competitors lack. Competition can be a positive reinforcement for companies with similar products/services since it motivates organizations to offer their best for customers. Social media can be considered as a reliable source to analyze a competitor's performance. Instagram, Facebook, and Twitter are top platforms that companies use to announce new products or services and engage with their customers.

<i>Account</i>	<b>Fans</b>	<b>Likes</b>	<b>% of likes</b>
<b>Mates Brand</b>	13,5k	204	15,1
<b>Immortal laces</b>	9,1k	140	15,4
<b>Lifetime laces</b>	6k	120	20

Table.7 shows the ratio of competitors likes and fans to the percentage of likes (Instagram 2019)

The table above shows competitors' performance on Instagram, a social media platform. Mates Brand, Immortal laces, and Lifetime laces are the top 3 competitors. By analyzing competitors' performance in social media, we can assess their engagement with customers, response rate, and crisis management and use that to improve those in our services.

According to McAdam (2013), there are no such things as “no competition” but competitive substitutes that might not be as close as your offer but are considers solutions for customers' needs or problems. He further points out that a value proposition that has no substitutes is a rarer quality in the business world. Set of advantages that competition offers to customers as their substitution can be listed to distinguish the most critical competitors from others. The following list shows the competitors of 3Ls and their advantages for customers in Finland:

1. Sports store (**XXL, Intersport**): High variety of laces but lack laces designed for skating
2. Skate shops (**Ponkes, MFT**): Available instantly to purchase but they have a low range of laces and absence of retailing leather laces
3. Overseas suppliers (**Immortal, Lifetime**): Provide high-quality cotton laces but too expensive for consumers to purchase in Finland

From the list above, Sports stores are the biggest 3Ls competitors in Finland. Skate shops in Finland retail standard cotton laces and those overseas are costly due to customs charges and shipping expenses that add to the final price of laces.

Although businesses thrive to outdo the competitors and deliver a superior product, the study shows that competitions can also be viewed as a coexistence approach where all parties can profit. Analyzing competitor's performance can provide start-up with data to compare their product or service before executing the final version. Although some businesses consider their business model to be unique, however study recommends in that case finding the closest product substitute. The study indicates that retaining a healthy competition will results in enhancing value proposition quality and therefore increasing profitability.

## Crisis management

5.8 Crisis has always been a widespread phenomenon in businesses, supporting the argument that any organization must develop a robust crisis management. Crisis management is the process of preventing to minimizing the damage that a crisis causes within an organization. Organizations must deliver the required measurement to identify the problem at the early stages to avoid significant losses. Crisis management can help managers to detect the seriousness of a problem and take necessary actions accordingly. Organizations must have a defined crisis management plan that is flexible due to the deceitful nature of crises. The research recommends that the program should be up to date so that actions will be consistent with the rest of the organizations' direction. (Saleh 2016, 33)

Response is the second most crucial part of crisis management. In crisis management, recognition of the occurrence of crisis and collecting essential data is necessary for effective decision making. Especially in social media, where customers can engage the organization publicly merely by leaving a comment on a Facebook or Instagram post, organizations' respond can define their standpoint from customers' perspective. The response mechanism must be quick, accurate, and represent the organization consistently. In any business, the crisis can sometimes be predicted and even avoided if noticed on time; it is what defines companies and separates them from other companies. Many organizations mainly focus on improving their product/service and neglect crisis management and its importance on how it shapes the company's view towards its customers. Taking the point to thesis's start-up company that is willing to enter a new market, prior preparations in case of a crisis is crucial since they are inevitable. It is important to note that an effective response can help to restore organizations' reputation in a dilemma while building trust with stakeholders. (Saleh 2016, 11)



	LISTEN	ASSESS	ENGAGE
<i>Crisis</i>			
<b>Instagram hate comments</b>	Identify the problem and customer	Analyzing the seriousness of the situation	Contacting customer if the situation is legit
<b>YouTube account hacked</b>	Contacting YouTube customers service to retrieve the account	Assessing effects	Informing customers about the incident and apology
<b>Unsatisfied customer with purchased product</b>	Identifying the issue with purchased product	Analyzing the impact on our sales	Contacting the customer privately and offer free/discounted product

Table.8 shows different stages of crisis management in various situations

The table 8 showing different stages of crisis management in various social media platforms. Because consumers can publicly assert their dislike of a product or service, timing plays a crucial role in this case. Identifying the issue on time, assessing the problem, finding the solution, and ultimately the response must each separately be determined. It is vital to record issues that customers faced, assess the severity of the situation, and provide incentives accordingly and improve.

The thesis suggests organizations to develop a thorough crisis management plan to mitigate financial losses. While political and economic disasters are inevitable, creating a strategy to receive, analyze, and, most importantly, confront the crises can considerably reduce the adverse effects.

5.9

### Channels of distribution

Distribution channels are responsible for delivering the products from the producer to their customers. Cundiff and Still (2009), define channels of distribution as “a path traced in the direct or indirect transfer of the title to a product as it moves from a producer to the ultimate consumer or individual users.”(as cited in Chaudhari & Gokhale 2008, 4-2) Intermediaries (distribution-oriented institutions) help to improve the efficiency of the delivery process and effectiveness of the transaction process. They also help in the process of preparing the product before shipment, such as searching for the client and sorting out the products. (Sherlekar & Gordon 2009, 137)

Sherlekar & Gordon (2009, 138) point out the objectives of channels of distribution as listed below:

- Ensuring availability of products at point of sale
- To build channels member's loyalty
- To develop managerial efficiency in channel organization
- To have an efficient and effective distribution system

The channels of distribution ensure the availability of products during the sale process. They also help in building channel members' loyalty as well as the effective and efficient delivery of goods. Selling products directly to consumers lower the costs and allow targeting the right customers during the introduction of the product. (Sherlekar & Gordon 2009, 138). Although producers can profit in many ways from their trade with intermediaries, it also raises the question that do intermediaries affect the producer-consumer relationship?

To understand how retailers, affect the producer-consumer relationship, due to unique nature of merchandises at the retail level, recognizing two main types of goods can help managers make better decisions. Porter (1974, 1976) categorizes goods as Convenience goods those which include products that are more accessible to consumers such as candy, newspaper, or water, and Non-Convenience goods which are more difficult to access such as apparel, rugs, or repair tools. (as cited in Reddy & Pellegrini 2012, 4). Reddy & Pellegrini (2012, 5) point out that "producer's marketing strategy in convenience goods must be defined recognizing the existence of independent and powerful retailers while in non-convenience goods, vertical agreements can be enforced to subject retailers' objective functions to those of producers (franchising, exclusivity royalties, etc.)"

Therefore, since 3Ls' shoelaces fall into non-convenience goods category, the start-up should enable a functional agreement with the retailer to ensure that its objectives transfer to consumers through a decent retailer. While channels of distribution can facilitate transfer of goods to their righteous customers and benefit producers in a short run, the study encourages organizations to select retailers that represent the organization's values accurately or to enable agreements that can guarantees it.

## 6 Conclusion

This research summarizes its findings by illustrating the importance of market research, business plan, and marketing strategy as the main elements influencing integration into a new market as a start-up company.

The study highlights the importance of customer behavior in the light of integration into a market. By analyzing big corporate's performance such as Starbucks failure in Australia, this research concludes that market research can provide marketers with key data to cultural and behavioral pattern of consumers. Therefore, developing a business plan based on the analyzing consumer behavior is essential for a successful market integration.

The thesis points out the significance of corporate strategy or the existence of a framework within which the company operates. The findings show that most successful businesses have integrated a comprehensive plan within which the entire organization works congruously. Valuable tools, including Business Model Canvas, helps to identify core functional elements of a firm, including key partners, value proposition, customer segment, and revenue stream, and build upon them consistently. Furthermore, the thesis recommends SWOT analysis, which examines the strengths, weaknesses, opportunities, and threats of an organization thoroughly. SWOT mix is an extension of the report that helps entrepreneurs understand how each part of the analysis interact with one another. The thesis suggests organizations to enable a market-driven strategy integrated into their framework. Moreover, assigning customers as the company's assets helps organizations to shift their focus away from solely increasing sales toward improving customer experience. The market-oriented strategy can benefit organizations in recognizing their primary competitors and enhance their consumer experience appropriately. Furthermore, the findings show that market research provides data that allows firms to set an optimum price policy, which could result in increased profitability.

The research has shown that a concrete business plan is necessary for organizations to analyze ideas and strategies before committing to them. Creating a draft plan in which an organization can test and evaluate its proposals before executing the final project can save the company's resources. The study also suggests analyzing the core competencies of the organization can help managers recognize their strengths to build upon them and what parts require improvements. Additionally, the report emphasizes setting milestones, important events that organization plans, which can sustain a firm's momentum in the business environment.

While the internet offers entrepreneurs with plenty of information about a market, the thesis suggests that finding the information that would be relevant to the company's circumstances is another aspect to consider. Application of marketing intelligence is prevalent in successful firms, which can help managers identify market trend developments, competitors' performance and customer behavior, etc. and take decisions consequently.

To conclude, small businesses should execute a thorough market research before presenting their final product to the market. The organization hence must develop a clear insight indicating its target customers, market trends, and competitors within which it creates value proposition. Moreover, implementing a comprehensive business plan allows a start-up to deliver a more coherent result within different sectors. To remain relevant and competitive in the market, creating a strong business strategy is vital. Finally, to alleviate financial losses due to inevitable disasters, a crisis management plan must be implemented within the program.

### **Limitations of the thesis**

The research that was conducted in this study was mainly focused on Finnish based start-ups or small businesses that affiliated with Finnish market. Although, part of the research that was conducted in this thesis focused on analyzing the performance of five fortune companies, the aim was to set examples for highlighting the importance of market research. A topic not considered in this research but worthy of further study is the strategic alliances that can facilitate market integration. According to Varadarajan & Cunningham (1995) "Strategic alliances, a manifestation of interorganizational cooperative strategies, entails the pooling of specific resources and skills by the cooperating organizations in order to achieve common goals, as well as goals specific to the individual partners". Gaining access to a collection of data which is combined by different organization to serve common objectives can significantly facilitate market integration. It is safe to say that this thesis is only a collection of recommendations for a start-up to enter a market in different phases of market entry. To better understand the implications of this thesis, further research is needed to determine the factors affecting a start-up from entering a market.

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