



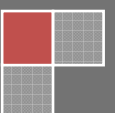
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“The Lady Case”

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Executive Summary

Today's increasing internationalisation breeds a stronger need to be able to analyse and evaluate the possibilities of a new business idea from multiple perspectives to really understand the true risks and potentials of the concept in question. This paper explores the potential to strengthen entrepreneurship by utilizing systematic business plans. More specifically it strives to discover how viable and defendable the Lady Case, a designed casing for sanitary napkins and tampons for women to carry in their purse, is as a business concept and if it is capable to sustain a newly started entrepreneurial company in the long run.

The concept has been analysed employing William A. Sahlman's framework on how to write a business plan¹ supported through empirical findings following both a quantitative and a qualitative investigation of the potential consumers of the product. The positive response from the applied surveys, great global sales and growth potential of the Lady Case in combination with large profit potentials and positive financial projections confirm the viability of the concept. The access to a large customer base, good logistics and the design of the casing has been identified as they key drivers for success.

Due to the high risk of competitor entrance and the poor defendability of the product it can be concluded that even though the viability carries very high potential, the concept holds too much risk to be a sustainable solution in the long run for a start-up venture. Though, since only two of Sahlman's four cornerstones where investigated, the author raises questions if “the people” and “the context” could have altered the outcome of the investigation². Furthermore, Sahlman's framework provides the important questions that need to be answered; however it does not offer all the tools to answer them which are why further research into this area is suggested.

Applying Sahlman, the Lady Case investigation has revealed the importance of truly understanding all the factors, both internal and external, that can impact and alter the results of a new launch and it can perhaps help change the way entrepreneurs perceives their real opportunities.

¹ Sahlman, How to write a great business plan, 1997

² Sahlman, How to write a great business plan, 1997

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Introduction & Focus

This paper explores the potential to strengthen entrepreneurship by utilizing systematic business plans. More specifically the essay strives to discover how viable and defensible the Lady Case is as a business concept and if it is able to sustain a newly started entrepreneurial company in the long run.

As the globalisation process evolves and grows stronger, the increasing internationalisation breeds a higher need to be able to analyse and evaluate the possibilities of a new business idea from multiple perspectives. This is done to really understand the true risks and potentials of the concept in a multidimensional way. Failure to adapt to the dynamically changing environment might create great losses fast, or worse, totally disrupt the business permanently.

The Lady Case is a designed casing for women to carry sanitary napkins and tampons in their handbags. The accessory casing protects against the package deterioration and keeps it discreet in the purse. The Lady Case launch/concept will be analysed employing William A. Sahlman's framework on how to write a business plan³ supported through empirical findings following both a quantitative and qualitative investigation of the potential consumers of the Lady Case. To further support the analysis other frameworks, such as Smith & Smith⁴, Brealey et al⁵ and Kotler⁶ will also be utilized. As Sahlman articulates in his paper; we live in the golden age of entrepreneurship, though in today's economy few ideas are truly proprietary. This is why a plan must demonstrate mastery of the entire process; it is not a way to separate unsuspecting investors from their money but a way to protect not only the investor but also the entrepreneur from making bad decisions⁷. The investigation of the Lady Case concept reveals how vital it is for the entrepreneurs and potential investors to truly understand all the factors impacting the result of a new launch.

Considering the research design of this paper, the first part will clarify the objective of the project, how it was planned, designed and executed and with which limitations this was done. It will shed light on the methods of data gathering employed to support the analysis and

³ Sahlman, How to write a great business plan, 1997

⁴ Smith & Smith, Entrepreneurial finance, 2004

⁵ Brealey et al, Fundamentals of corporate financing, 2004

⁶ Kotler, Marketing Management, 2003

⁷ Sahlman, How to write a great business plan, 1997, P.108

findings. This part will also give an overview over a large part of the literature covering the field of entrepreneurship and business plans. Furthermore, the frameworks used as the theoretical foundation of the study will be outlined to enhance the understanding of the analysis and its conclusions. The second part first takes a helicopter view of the general product idea, the market and the industry situation. This provides a sound foundation before going into the more specific analysis of issues like customer segmentation, product idea in relation to the end-user, feasible product specifications, distribution possibilities, pricing strategy and promotion potential. Furthermore, financial calculations have been produced to supply the investigation with information to be able to evaluate economical issues surrounding the possible production and sales of the Lady Case. In the later part of the second section risk and rewards are assessed to ascertain if it is a feasible product to be able to sell and defend on the market. Finally, based on the findings from the analysis, conclusions have been drawn and further research and considerations have been reflected upon.

Problem Formulation

Employing Sahlman’s framework concerning business plans this paper strives to discover how viable and defendable the Lady Case is as a business concept and if the realised concept is capable to sustain a newly started entrepreneurial company in the long run.



Method

Focus & Summary of Method

This section clarifies how the research was approached, which limitations that applies and how the data collection was planned and executed. Summarizing, both primary sources and secondary sources were employed to collect data for this project. Furthermore, in an effort to gather as much relevant information as possible regarding the product, both a quantitative and

a qualitative survey was made in Copenhagen, where randomness and validity of the questions have been confirmed. Inductive reasoning following Knudsen⁸, and heuristic methods put forth by Polya⁹ has been utilized when approaching the research. Due to the scope of this project “the people” and “the context” were deselected and “the opportunity” and “the risk and reward” sections of Sahlman’s framework thoroughly investigated.

Methodology

The viability and defendability of the Lady Case concept is studied through a business plan, because understanding if it is a concept that is good and unique enough to be able to sustain a newly started entrepreneurial company is sought. This is done in order to help readers understand the multitude of issues influencing and altering the true profit potential of a product launch for an entrepreneur and so that readers can better evaluate the true worth of a new product concept. Defining the research problem in this paper did not follow the same procedure as when forming a research question where the general topic is first found, then the overall literature is scanned to find what is known and not known and a research gap can be identified. Thereafter the research question is created based on this and empirical research that can help answer the bigger picture planned for¹⁰. With this project the research problem was already known when scanning the literature, and it was focused on finding the most appropriate theories to help answer the question posed in a truthful and reliable way. The problem formulation of this paper is not a research question in its purest form referring to only understanding an issue; it is an applied problem formulation where it refers to not only understanding something new but also what can be done with the answer¹¹, e.g. can the product be launched successfully by the entrepreneur. The problem posed in this paper still allows for empirical studies and research that can be applied further than the scope of this project making it a viable problem to investigate.

To collect data for this project both primary sources such as surveys, workshops and telephone interviews, and secondary sources, such as books, articles and the internet, were employed. The theoretical foundation of this paper was created through conducting a literary review of the field of entrepreneurship. The review was performed in different stages, first a

⁸ Knudsen, Økonomisk metodologi, 1991

⁹ Polya G, How to solve it, 1945

¹⁰ Booth et Al, The Craft of Research, 2003

¹¹ Booth et Al, The Craft of Research, 2003

broad scan of the field of entrepreneurship and business plans were made employing the CBS library search engine and the internet. Following this, colleagues and members of the faculty were consulted as how to best locate relevant theories and frameworks buried in the vast supply of information. Since there are no real “superheroes” in this field of research the search of theories was based on reputation and recognition among the faculty staff and origin of support to the frameworks offered; in this context the support of a well-reputed university. Due to its reality oriented perspective, Sahlman’s¹² framework concerning the business plan was chosen as base to attempt to shed light on the problem presented in this paper. Furthermore, the theories of Smith & Smith¹³, Brealey¹⁴ and Kotler¹⁵ were chosen as supplements to be able to delve deeper into the issues involved.

The analysis was built based on analytical research and quantitative and qualitative investigations. Furthermore, a more inductive reasoning, following Knudsen¹⁶, was exercised, supported by the evidence in the case, to attempt to formulate and draw conclusions about the future unknown. The approach of inductive reasoning connote that a sample of empirical evidence can give you a general picture of the situation and a “singular truth” as long as the number of observations are large enough¹⁷. In this project the inductive logic has been employed when analysing the results of the survey and how it relates to the context of the situation. This has helped to understand the wants and needs of the consumers and has been used as base for deducing if the Lady Case opportunity is a viable business concept. However, this method does create a bias since, in reality, not everyone is the same and generalisations made, based on the test group will not be 100% representative since not every woman in Denmark or the world has had their say. Interviewing every woman in the country is obviously not a feasible scenario, which makes the inductive reasoning employed based on the quantitative and qualitative surveys the next best thing. The side effect of a potentially skewed result is an important point to remember. It is also important to note that the observations made in this project are to some degree subjective, though applying theory like that of Czaja & Blair¹⁸ or Blaxter¹⁹ should work to alleviate this problem somewhat.

¹² Sahlman W.A, How to write a great business plan, 1997

¹³ Smith & Smith, Entrepreneurial finance, 2004

¹⁴ Brealey et al, Fundamentals of corporate financing, 2004

¹⁵ Kotler, Marketing Management, 1991

¹⁶ Knudsen, Økonomisk metodologi, 1991

¹⁷ Knudsen, Økonomisk metodologi, 1991

¹⁸ Czaja & Blair, Designing Surveys, 2005

¹⁹ Blaxter L, How to research, 2006

To support the products development and to attempt to create more optimal solutions to the challenges presented in the project, a number of heuristic methods put forth by Polya²⁰ were employed. Heuristic techniques are experience-based and consist of a set of “common sense” rules used to increase the probability of finding a “best-fit” or “optimal” solution to a problem²¹. One of the most utilized heuristic methods in this paper is where a drawing is made of a problem to better understand and solve it. This was done when trying to better comprehend the different possibilities of structure and focus of this project. To visualise it through depicting different scenarios and focal points really helped to put together a clearer more goal oriented frame for this paper. This approach was furthermore used in the workshop to illustrate problems with design and functionality, this facilitate a better explanation of what the women really wanted and liked in a product and conversely what they did not want and like, leading to a more streamlined and correct product offering. When considering possible scenarios for distribution another heuristic method was put to the test, where the solution is assumed and from there on work backwards and find what can and cannot be done. This showed the potential of the Lady Case, but also its weakness. Abstract problems is also commonly seen in projects of this character, and endeavouring to avoid this concern an effort has been made to keep the problems and examples concrete and tangible throughout the paper.

To attempt to ascertain accurate answers in relation to the research question posed in this paper, conclusions were drawn from the analysis, which in itself is based on extensive use of primary sources and up-to-date information. Finally the implications of the results for the project in relation to its future were considered and further points of research looked upon.

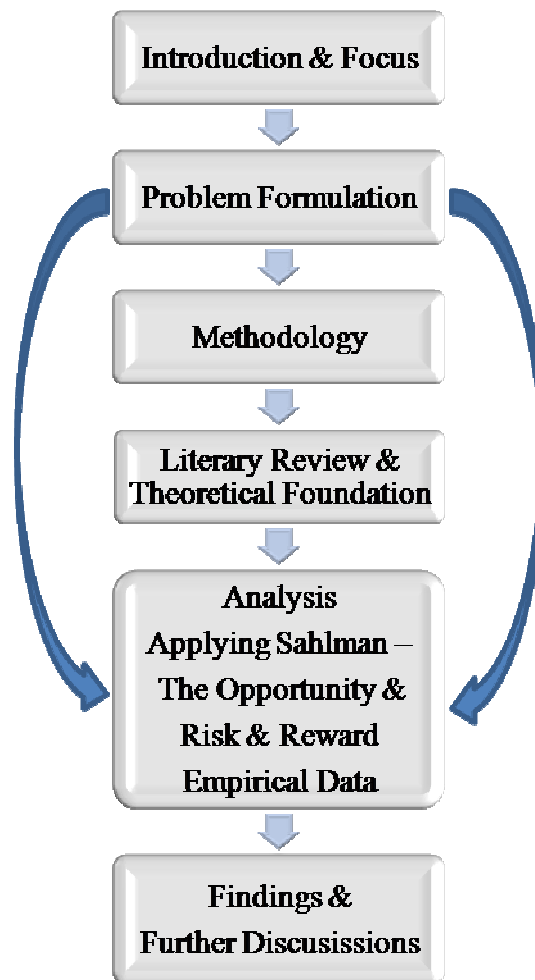
²⁰ Polya G, How to solve it, 1945

²¹ Polya G, How to solve it, 1945

Research Design

The research design can be visualized as follows:

The research design of the paper



The sequential design as illustrated in the text



Delimitations

Focus

Due to the scope of this project only 2 of Sahlman's 4 cornerstones have been investigated in this project. "The people" and "the context" was deselected in favour of "the opportunity" and "the risk and reward" sections since it was deemed more important to first establish if the opportunity in itself was something that could be sustainable in the long run. It was also considered important to truly understand the product, its strengths, weaknesses and overall

potential before being able to answer if it is the right people that are managing the venture or if the context could hinder or help the idea.

Data collection

The data collection in form of the quantitative and qualitative surveys has been based on the Danish market. Furthermore the restraints in terms of time and budget did not allow for larger more in-depth surveys which could have given a broader overview of the preferences of the population. The interviews performed were done in Danish meaning that the surveys were converted from English to Danish. Multiple persons, herein a bi-lingual colleague, were drawn upon to attempt to minimize the potential of translational errors. Summary transcript was used as base for the analysis; this shows the context better but might have distorted the information slightly due to some loss of details.

The workshop was executed later than the quantitative survey and after the launch of a similar product by Libresse (the quantitative survey was done pre-launch). The participants were explained that it was a discussion about the product idea itself and its function, which still would give important information as to the partiality of the women with regard to design and functionality. The fact that some of the participants had seen the product idea before probably facilitated a better understanding and communication of important preferences, but it would also give them a pre-constructed image of what to expect. It is also important to note that for the qualitative workshop investigation the author was in the same acquaintance sphere as the participants which could have affected the outcome either in a negative way, inhibiting disclosure of the true feelings towards the product or in a positive way where the participants felt safer with a known moderator and was more open in their views.

Author partiality

The author of this project is also the carrier of the product idea and this could have affected the outcome and conclusions of the product due to the natural bias created. However, the author has endeavoured to relay the situation in a fair and equal way and has strived to remain as impartial as possible.

Method of Data gathering

When gathering empirical evidence for the case, considerations were made whether to use a more qualitative or quantitative approach. In the end, in an effort to triangulate and gather as much relevant information as possible regarding the product, a mixed approach was chosen.

Endeavouring to assemble a good basic understanding of the customers and their general attitudes towards a product idea like the Lady Case a quantitative survey method was employed. This was done due to its ability to give a generalized result and broader representation when done correctly. Furthermore, a survey can also be repeated in the future for comparison. It is also a method that can be managed by few people with a limited time-frame and a strict budget, as in this case. However it is recognised that a survey relies on breadth rather than depth for validity and matters of accuracy and truthfulness of the respondents, especially when the subject is of a more private nature, are critical issues.²²

With this in mind a survey was created utilising several researchers' findings to attempt to minimize errors and authors biases.

To complement the information gathered from the survey, and to acquire more in-depth knowledge regarding consumer preferences concerning product attributes and sales potential, a small workshop in the form of a test-panel was arranged drawing upon mixed elements of quantitative and qualitative techniques. With this type of study it is harder to generalise the result and is difficult to repeat in exactly the same way for future comparison. With the qualitative method this cannot be done. However this manner should give much more specific and solid information regarding the preferences towards the product itself and give indications as to what the market really wants in relation to design, etc. In addition to this a qualitative interview was conducted to acquire more detailed information regarding patents and product rights which would be very difficult to gather through a quantitative interview. As with the quantitative survey, several researchers' frameworks were investigated and employed in an effort to minimize inaccuracies and errors when employing the qualitative techniques.

²² Blaxter L, How to research, 2006

The Quantitative Survey

According to Czaja & Blairs’ framework for creating surveys there are five stages that need to be pursued.²³ The first stage emphasises the need for preliminary planning and survey design. Here the method of data collection for the survey was decided upon. Considering the costs involved, the subject availability, the facilities at hand and the length of data collection, the method of personal interviewing was selected.²⁴ An outline of the survey questions was also prepared, it consisted of standardised, mostly closed questions to increase consistency and verifiability of the answers received.²⁵ When creating the questions the research problems were used as base as to what needed answering. Furthermore Kotler’s book on Marketing Management²⁶ and Denmark’s Statistics (Danmarks Statistik)²⁷ was consulted to get a general understanding of the information needed to properly segment possible customers in the future. Other surveys were sometime used as templates²⁸ for a number of the questions to attempt to achieve a higher general understanding for the sample group. The number of answers, possible outcomes and symmetry of the questions were also considered when creating the survey. The different needs of information in this survey made symmetry difficult to balance. In the end some questions, where a wider range of information was focal, did not follow the pattern and in some cases the number of choices was curtailed to achieve some symmetry. This could have made it somewhat more difficult for respondents answering the survey. The placement of the personal sensitive questions was also considered thoroughly. Here the fear of influencing the answers too much overruled the worry of getting no answers due to a too early placement in the survey. The questions were not given a “do not know” answer-alternative, the reasoning being that an interviewer would be in place to answer any questions the test-subjects might have and that the survey is dependent on the subjects taking a stand be it positive or negative.

Following this the questions that had been prepared were screened for reliability, validity, and complexity. This screening of questions, McNamara stresses, is of focal importance when designing a viable survey.²⁹ When considering the preliminary sampling frame the aim of the

²³ Czaja & Blair, Designing Surveys, 2005

²⁴ Fowler F, Survey Research Methods, 1988

²⁵ Fowler F, Improving Survey Questions, 1995

²⁶ Kotler, Marketing Management, 2003

²⁷ Danmarks Statistik, E-recourse, 2009

²⁸ Createasurvey & Surveyshare, E-resources, 2009

²⁹ McNamara, Article, E-resource, 2008

survey was taken into account. The target group was defined as consisting of females between the age of 12 and 65 (12-50 most interesting), since this is the time-frame a women is most probable to be fertile and thereby using the protection-products that the Lady-Case would carry.³⁰ The sample frame would be a non-probability sample of consensus data³¹ consisting of the women passing by the stores of Netto (at Amagerbrogade 235, 2300) & Kvickly (Engladsvej 28, 2300) and the women-only Fitnes.dk training-centre in Taastrup (City 2). The sampling was decided to be systematically random, meaning in this case that for every woman surveyed two would be allowed to walk by.³² The time of the tests was planned to be executed between 15.00 and 18.00 during three days in week thirteen. This time frame might twist the representation somewhat since there probably are different groups shopping at different times, e.g. mothers on maternity leave might shop during the day and avoid the rush-hours. However, the time interval chosen should give a maximum of walk-bys and the limited resources of this project did not allow for a longer period of testing. It is further noted that the locations are all within the city limits of greater Copenhagen, which could skew the result of the survey somewhat, since the mindset of the city and the countryside can differ. The rate of product adaption is usually higher in a metro area than compared to the rural regions in a country³³. This is mostly due to more influence from a larger more diverse population in the cities meaning that the amount of exposure to new ideas are much larger which leads to a higher speed of change. Again the different locations were chosen to attempt to reach as large a spectre of the population as possible within the frames of the budget for this assignment.

The second stage of Czaja & Blairs' framework refers to pretesting.³⁴ Here a screening of questions was done through a pilot test using three test subjects to attempt to avoid possible validity and complexity issues in the actual test phase. The test found an inconsistency in the “income-alternatives” and the text in the product description was altered somewhat to enhance understanding. The interviewer (the author) employed self-studying through extensive reading to attempt to limit the biases and interference she might have on the survey. Restricted recourses made it difficult to accomplish more in-depth pre-testing which adds a weakness to the trustworthiness of the result. However, the end results have been tested for validity to enhance reliability. The third and fourth stage in building the survey is the final

³⁰ Netpatient.dk, E-resource, 2009

³¹ Czaja & Blair, Designing Surveys, 2005

³² Fowler F, Survey Research Methods, 1988

³³ Burns, Entrepreneurship & small business, 2001

³⁴ Czaja & Blair, Designing Surveys, 2005

design and planning and data collection process.³⁵ Following this, the survey questions were finalised and the sampling plan developed further.

A sample size of 80 was set as target. The sample frame problems that could arise from the chosen set, among other, is that it is not a large enough sample making the coverage weak or that the settings chosen attracts a specific type of crowd distorting the results. A third problem can be that too many respondents do not fit the relevant segment, e.g. they can be too young, too old, etc. To try and alleviate part of these problems multiple settings were chosen and a new target of 100 was set to be interviewed. To try to ensure truthful answers to sensitive questions, confidentiality for the respondent was stressed in the survey. Please see final survey questionnaire in appendix A. The data was then collected in the given locations, following the sampling and operations plan. However, the original plan did not yield enough results leading to the use of an additional site, the Copenhagen Business School, for one afternoon in week 14.

When conducting the survey, some issues were encountered concerning the precise meaning of the question regarding need; some needed assistance to properly understand the question. It seems that the use of the word “indifferent” and the fact that other buy options were suggested caused some confusion. The question was clarified, explaining that the first alternative should be chosen if other versions/designs of this product or very similar, related products could solve the problems just as well as the original. The second alternative should be chosen if the consumer is indifferent to the design, size and form of the casing. That is if the consumer thought that also unrelated products could solve the problem for them just as satisfying as the products designed for it. And the last alternative should be chosen if the product idea was uninteresting to the consumer. Due to the issues concerning the understanding of this question, its importance in the analysis has been downplayed and the link between irritation and interest has instead been put in to focus.

³⁵ Czaja & Blair, Designing Surveys, 2005

The end result was produced as in the final stage of the Czaja & Blairs' outline³⁶. That is the data was cleaned, reduced, checked for quality and validity. During the cleaning one of the responses was completely deducted due to respondents not corresponding to the sample-frame. When performing the chi-square test, if the number of answers between the two variables were different the survey sheet missing answer to one was also deducted from the other to keep the balance within the table.

Reliability of the Survey

The final number of respondents added up to 93 and the non-respondents, in this case, was 19. The non-respondents age was assessed by the interviewer and the Chi-square “test of independence³⁷” was applied to assess dependence. With 3 degrees of freedom (DgF) the maximum sum for 95% certainty is 7,815 and the respondent/non-respondent sum was found to be 2, 3 meaning that there is no dependence between the variables and the sample is considered random³⁸. It should be noted that the sample size is at times somewhat smaller than the chi-square recommends for its tests, however it was the method found that would give the most accurate representation of the dependence between the variables and was therefore employed in this project. To attempt to verify valid logical fit, questions 11, 12, 14 and 18 investigating irritation, interest, need and possible usage, were compared to check if the answers followed reason. It should follow that if there is a product idea that can solve some irritation there should be some interest and need to resolve it. If a need is discovered there should also be a perceived potential for usage. It was found that question 11 & 12 (DgF: 1, sum: 13, > 3,841 is dependant) was interdependent. The same strong connections was found between questions 11 & 14 (DgF: 2, sum: 30, 9, >5,991 is dependant) and 14 & 18 (1 degree of freedom, sum: 74, 1, >3,841 is dependant). This means that a logical fit was found between these queries when investigating the matter. The chi-square was also employed to help define and test the possible target groups for the Lady Case product as can be seen in the market strategy section.

³⁶ Czaja & Blair, Designing Surveys, 2005

³⁷ Lind et al, Basic statistics for business and economics, 2008

³⁸ Chi Square Statistics, E-resource, 2009

Table 1: Age statistics³⁹

Age	Survey	DK Statistic
12-20	6,5%	15,4%
21-35	52,7%	26%
36-50	36,6%	30,4%
51-65	4,3%	28,1%

Comparing the age data collected with the survey to the statistics of the population spread of Denmark in 2008⁴⁰, as seen in table 1, it is evident that there are some deviations. There are a much larger percentage of females aged 21-35 figuring in the survey than is statistically normal in the real world and reversely the representation of 51-65 and 12-20 are less than could be expected. This abnormality can perhaps be explained somewhat by the locations and times chosen for the survey interviews. The university location probably increased the younger element somewhat in the survey and the time of day may have eliminated some of the groups in society as discussed before. The age groups below 12 and above 65 were excluded in the survey due to the constraints of the target audience. That the 51-65 are underrepresented is not a real issue since they are a borderline group. The main interest of this survey lies with the menstrually active or the ones about to enter this stage. This indicates that an overrepresentation of the younger segment is of benefit since they are more of the intended target audience. However, it would have been beneficial to the survey had the 12-20 been fully represented, and this must also be taken into consideration when regarding the final outcome of this study.

It is important to note that the interviews were done in Danish meaning that the surveys were converted from English to Danish opening for the possibility that something could have been lost in translation. Again multiple persons, herein a bi-lingual colleague, were drawn upon to

³⁹ Danmark Statistik, E-resource, 2009

⁴⁰ Danmark Statistik, E-resource, 2009

attempt to minimize the effects of the translation. Finally the human element in conducting the survey should also be considered further. A test of this size requires a lot of manual data management and entry errors does occur. Endeavouring to minimize similar errors, the information has been entered in small batches, and the data has been double-checked. Inconsistencies and illogical patterns have also been checked for authenticity. Concluding the survey, the results found was drafted into a final report where the main points can be found under “Customer segmentation & findings of quantitative survey” in this paper.

The qualitative telephone-interview

To gather more in-depth information regarding product-idea protection and patents a qualitative interview was performed in the shape of a telephone consultation with an employee⁴¹ at the patent and trademark association. When preparing for this interview different qualitative interviewing techniques were considered. Patton (1987) proposes three approaches ranging from standardisation of questions to informal conversation for how to conduct qualitative interviewing⁴². The guided interview approach was chosen since it is focused but still an open and rather informal way of interviewing. A checklist with questions and information necessary to derive from the interview was prepared. This requires some groundwork to ensure that the questions do not lose focus or detail⁴³. The questions (See Appendix B) were planned as to allow the subject opportunity to elaborate and clarify response. The interview was conducted over the telephone reducing the accuracy and validity of the answers somewhat, mostly due to lesser proximity. It is easier to avoid a question or not answer truthfully when the interviewer cannot be seen.⁴⁴ Directly following the interview a transcript summary was produced (see appendix C) excluding all irrelevant conversation such as recurrences, pleasantries, etc. This was done in order to keep the focus on the key points of the interview. Also here it is important to note that the interview was conducted in Danish so there is a risk of translational errors. To minimize this possibility, as with the other studies, a bi-lingual colleague was consulted when translating.

⁴¹ Klingenberg K, Telephone Interview, 26.03.2009

⁴² Education Online, Dr. Rita S. Y. Berry, E-resource, 2009

⁴³ CNN, Methods of researching, reporting, note-taking and interviewing, E-resource, 2008

⁴⁴ CNN, Methods of researching, reporting, note-taking and interviewing, E-resource, 2008

Focus Group Workshop

Different theories were employed to manage and support the process of planning and execution of this focus group workshop. As base the guidelines deriving from Grover & Vriens⁴⁵ and MSH⁴⁶ have been applied. The first step according to said directive is to establish the needs concerning the participants of the workshop, and then how to locate them. The recommended number of participants in a focus group is between 6 and 12⁴⁷, and for the purpose of this workshop 8 was deemed appropriate, 2 women for each age group organized as in the qualitative survey to keep consistency. Due to constraints concerning time- and budget-frame the sampling group set was a mix between a convenience sample and a judgment sample. This means that the sample group was chosen on grounds of accessibility and prospect for accurate information⁴⁸. The group selected was in the same acquaintances sphere as of the author. However striving for impartiality, effort was made not to involve subjects with too close relations to the author.

In the end, 3 neighbours, 1 mother of a friend, 1 sister of friend, 2 study colleagues and 1 work colleague was invited. The age group division following the same structure as with the quantitative survey is as follows; 12-20: 1 neighbour and a 1 sister of friend, 21-35: 2 study colleagues, 35-50: 1 neighbour and 1 work colleague, 51-65: 1 neighbour and 1 mother of a friend. They were contacted via telephone and asked to partake in a 1, 5 hour long workshop discussing an accessory product geared towards women. No monetary reimbursements for the time spent was offered, however coffee and snacks would be served during the workshop. Continuing to plan for the gathering following the method of Grover & Vriens⁴⁹ a moderator managing the focus group session must be appointed, preferably same gender as the focus group participants. In this case the choice was quite simple since the author writes alone and it was not deemed feasible to find someone better equipped within the frames allowed for this study. However, as Grover & Vriens reminds us, the moderator must remember to adapt to the environment, listen and control her own nonverbal reactions, be friendly, open-minded, and unthreatening as a person. Continuing to elaborate on the biases the moderator needs to be aware of when conducting the sessions, they especially point towards a problem called “leadership-biases” where the group automatically follows a particularly strong or articulate

⁴⁵ Grover & Vriens, The Handbook of Marketing Research, E-resource, 2009

⁴⁶ MSH, Quality Guidelines for Focus Groups, E-resource, 2009

⁴⁷ MSH, Quality Guidelines for Focus Groups, E-resource, 2009

⁴⁸ Kotler, Marketing Management, 2003

⁴⁹ Grover & Vriens, The Handbook of Marketing Research, E-resource, 2009

member of the group without voicing their own opinions⁵⁰. With some discussion control and “fingerspitzgefühl” this can mostly be avoided, however awareness this is of focal importance.

Before the focus group assembled, following the framework of MSH⁵¹, a guideline for the discussion was prepared. The areas of discussion and important points to be debated were found and organized in relation to the objectives of the session. Patton (1987)⁵² was again employed, as discussed in the qualitative interview section, when considering the more open questions and informal interviewing that was to be exercised. Furthermore, to cover the demographical issues and complement quantitative information needed, a number of questions employed in the study were duplicated from the quantitative survey questionnaire, and in addition some new questions were constructed following Czaja & Blairs⁵³ framework discussed earlier in the project. This was done to widen the knowledge base and enhance comparability and comprehensibility of the result of this investigation. Please see Appendix D for pre-session notes.

A few days before the workshop one of the participants (Age group: 21-35) called and canceled due to work obligations, however a replacement in form of an old work colleague was successfully engaged instead. On the day of the workshop a neighbor (Age group: 51-65) called in sick, unfortunately it was not possible to find a replacement for this participant; however it was not deemed to be sufficient grounds to cancel the meeting. The correct list of the 7 participants for the workshop now follows:

Age group: 12-20 - 2 (1 neighbour and a 1 sister of friend)

Age group: 21-35 – 2 (1 study colleague & 1 old work colleague)

Age group: 35-50 – 2 (1 neighbour and 1 work colleague)

Age group: 51-65 – 1 (1 mother of a friend)

In general the workshop followed the structure as according to MSHs’ framework⁵⁴. Firstly a brief introduction was held where contact and communication was established and the mood of the group was set. They were informed of the program of the day and the intentions of the

⁵⁰ Grover & Vriens, The Handbook of Marketing Research, E-resource, 2009

⁵¹ MSH, Quality Guidelines for Focus Groups, E-resource, 2009

⁵² Education Online, Dr. Rita S. Y. Berry, E-resource, 2009

⁵³ Czaja & Blair, Designing Surveys, 2005

⁵⁴ MSH, Quality Guidelines for Focus Groups, E-resource, 2009

survey/workshop. While carefully managed and monitored by the moderator, the group then discussed the topics planned and talked about the issues raised during the session. Furthermore topics extending beyond this study were discussed, though this was done after the Lady Case workshop; this can be read about in the appendix E and the post-project perspective. Two stronger personalities in the group was identified (1 21-35, 1 36-50); however this did not stop the others from joining in or disagreeing. Disagreements were discussed more like two sides of a coin and it was accepted that tastes can differ, but there is no actual right or wrong, keeping the atmosphere relaxed and very positive. It was more of a challenge to stay focused on the subject at hand throughout the session than getting everyone in the group talking, they were all very communicative.

At the end of the focus group the participants were asked to fill in a short survey that had been prepared (this was also clarified in the introduction). Hereafter thanks was given and the meeting was called to an end. The MSH framework suggests that the moderator gives a brief summary of the discussed at the end of the session⁵⁵. This was also the intention of the moderator, however the meeting had gone almost half an hour over time and some had to leave to be able to get home in time. Therefore this was not done, however they were offered the opportunity to receive a summary per e-mail or mail in the days following the workshop which was not taken up on. Subsequent to the meeting a summarized report regarding the open discussion and a statistical analysis based on the survey material was prepared. Please see appendix E for the work-shop discussion summary.

Reliability of the workshop

There were 2 non-respondents, 1 in the age-group 21 to 35 and 1 in the age-group of 51 to 65. Applying the Freeman-Halton extension of the Fisher Exact test (FHF)⁵⁶, allowing for 2x3 and 2x4 table calculations randomness of the sample group has been confirmed (FHF, P= 0, 67, two-tailed). To test the validation of the survey the questions 11 and 16 regarding interest and grades of interest has been tested (FHF, P= 0, 14, two-tailed) and it has shown a 86% probability that there are dependence between the variables which is not enough to statistically validate the significance of the questions, however 6 out of 7 answered that the product was interesting and 6 out of 7 thought the product was interesting or very interesting showing a logical fit of the survey questions.

⁵⁵ MSH, Quality Guidelines for Focus Groups, E-resource, 2009

⁵⁶ Vassar Education, E-.resource, 2009

It should be noted that the participants, as with the quantitative survey, all comes from greater Copenhagen, a metropolitan area, where the population is usually more prone to accept new ideas and ways of life, they are so called early adapters⁵⁷. This can and probably does skew the result, not giving a full representation of the women in the country of Denmark. Another issue is that, due to the limitations in time and resources for this project, the work-shop manager, to some extent, knew the participants of the survey. This can also affect the result somewhat and give an artificial image of the situation regarding the product idea. However, as mentioned before, care was taken to not have participants too personally close to the author and in the role of moderator impartiality and openness was of focal importance. Furthermore, this workshop was done in Danish, increasing the risk of translational errors and yet again a bi-lingual colleague was engaged during translations.



Theoretical Base

Focus & Summary of the Theoretical Base

This section covers the literary field of entrepreneurship in connection with business plans and it explains the theory of Sahlman⁵⁸ employed to support the analysis. This is done in order to supply the reader with the theoretical knowledge base to better understand the structure and process of the analysis.

Summarizing, there is no shortage of templates on how to write a business plan, however many plans are too focused on the idea itself and does not focus enough on, or leaves out completely, important elements like external influences, the human factor and the larger context of potential competition. Sahlman's framework has been chosen due to a more

⁵⁷ Burns, Entrepreneurship & small business, 2001

⁵⁸ Sahlman, Some thoughts on Business plans & How to write a great Business Plan, 1996 & 1997

realistic approach, a wider perspective and because it looks not only at “the what” but also “the why” and through the answer of these questions fatal flaws in the business concept can often be revealed. Sahlman’s framework consists of 4 cornerstones, the opportunity, the people, the context and the risk & reward, where the fit between them is vital for potential success⁵⁹. In addition the structures of Smith & Smith⁶⁰, Brealey et al⁶¹ and Kotler⁶² were applied to further the analysis.

Literary Review

The field of entrepreneurship is extensive, and there is no shortage of templates on how to create a business plan for your business. A search of the CBS library using the key-word “business plan” yielded over 300 relevant hits and a Google-search with the same key-word produced over 67 Million hits. The key-word entrepreneurship gave an even higher number of possible references. This gives a good indication as to how much information there is to be found about this subject. Going through the material there is no doubt that even though there are vast numbers of different approaches most traditional theory centre around the financial aspects of the plan and how to best present this for the venture capitalists. Cohen⁶³ follows this line of thinking in his book on how to write a business plan. The two focus areas of the framework are the financial section where he discusses how to get the loan and the competition part where he looks at how the idea can make profit. This is all relevant but the importance of the people and the organisation of the company is downplayed which presents one of the weaknesses of this framework. Blackwell⁶⁴ follows the traditional path as well, but his “six step business plan” also deals with how to handle conflict between the plan and strategy giving it a somewhat different angle to work from. Adams⁶⁵ integrates the business plan with a software application, creating “a business plan for dummies”. The examples are easy to understand and it is very pedagogically correct, but it seems to be somewhat oversimplified. It does not really discuss what is important, correct (or not correct) and what issues needs to be answered and why. It just tells you to follow step 1 to 10 to create a business plan. Barrow et al⁶⁶, from Cranfield School of Management, has created a business plan with 6

⁵⁹ Sahlman, Some thoughts on Business plans & How to write a great Business Plan, 1996 & 1997

⁶⁰ Smith & Smith, Entrepreneurial finance, 2004

⁶¹ Brealey et al, Fundamentals of corporate financing, 2004

⁶² Kotler, Marketing Management, 2003

⁶³ Cohen, The Business plan approved, 1992

⁶⁴ Blackwell, How to prepare a business plan, 1993

⁶⁵ Adams, Complete Business Plan with Software, 2002

⁶⁶ Barrow et al, The Business plan workbook, 1998

phases which is intuitively logical and easy to follow. It looks deeper into the financial part but the operations plan glosses over the importance of key-people such as employees, managers, suppliers etc. Stutley⁶⁷ focusing on the financials also looks into how to actually present the business plan to get the necessary Venture Capital. Stutley also considers how important knowledge is for success.

Moving away from the path of traditional business plans Seedcapital⁶⁸, an internet-based entrepreneurial resource, gives its views on how to get the best results. It still focuses on the financial elements, but it also gives considerations as to what problems the products solve, i.e. is it a solid idea. It also looks into the technologies involved and how to best utilise it giving it another perspective when developing your idea. Another e-resource, Startvækst.dk⁶⁹, also follows the general steps in a business plan but its focus is more spread, looking at personal resources and goals as well as profit and cash-flow.

The traditional focus of the business plan has in the past years been challenged by authors like Sahlman⁷⁰, Deakins⁷¹ and Shane⁷². Sahlman, writing for Harvard Business School, redirects the focus to the idea behind the plan and the people running it. The framework looks at what issues that need to be addressed, which questions need to be answered and why. However, it does not provide with the solution as to how to answer the questions. Deakins, stresses that a business plan should first be written for yourself, and afterward modified to fit the purpose of need, e.g. a venture capitalist presentation. The 12 step plan makes intuitive sense, but it is important to note that Deakins takes the British market as a point of reference, and might not always be valid in other settings such as e.g. Denmark. Shane supports Deakins views and kills some myths regarding entrepreneurship, start-ups and new business funding in the process. The myth concerning VC funding and entrepreneurship is especially interesting where Shane reminds us that it is a very low percentage of the start-ups that are funded using Venture Capital. He also offers an overarching conceptual framework of the entrepreneurial process focusing on strategic entrepreneurship and not directly on how to develop a business idea. Harryson offers a different view on how to develop a business idea. His concept, Growth Trough Innovation (GTI), focuses on the network effect and innovation within the company.

⁶⁷ Stutley, The definite Business plan, 1999

⁶⁸ Seedcapital, E-resource, 2009

⁶⁹ Startvækst.dk, E-resource, 2009

⁷⁰ Sahlman, Some thoughts on business-plans, article, 1996

⁷¹ Deakins, Entrepreneurship and small firms, 1999

⁷² Shane, The Illusions of Entrepreneurship, 2008

GTI assists an existing company to develop new ideas, and is not really geared to support the development of entrepreneurs existing ideas looking to build a new organisation.

As a general conclusion it can be said that there is a multitude of different business plans, many claiming to be “the ultimate solution”. But most plans forget that the understanding of the need of the information, the “why”, is just as vital as the “what” in a business plan and just because you have a great plan does not necessarily mean you are going to succeed.

Theoretical foundation - Sahlman

This paper employs Sahlman’s⁷³ framework for composing a business plan as base to attempt to unravel the real value of the “Lady-case” opportunity. Sahlman has been chosen due to a more realistic approach, looking not only at “the what” but also “the why” and through the answer of these questions fatal flaws in the business concept can often be revealed. Sahlman stresses that having a great idea or a great business plan does not equal instant success. Many great ideas and plans have failed due to a misfit in or between the four categories in his framework; The Opportunity, The People, The Context and Risk & Reward⁷⁴ (In the 1996 version the Risk & Reward is called The Deal⁷⁵). These categories are the foundation of Sahlman’s business plan structure, which he sees as a possible “snap-shot of the future”⁷⁶. In these categories Sahlman poses a series of questions that need to be answered.⁷⁷ Sahlman’s framework does not only turn to venture capitalists or the like, it is also a good tool for the entrepreneur to understand the business in depth.

➤ The Opportunity

This section needs to describe what is being sold, to whom and how and what the potentials for it are. Sahlman does not put too much faith in detailed financial projections that span more than one year. Firstly, almost all plans are to optimistically forecasted and secondly, it is extremely difficult to project accurately far off in the future. But there are still some very important issues that need to be laid out and explained in this section.

⁷³ Sahlman, Some thoughts on Business plans & How to write a great Business Plan, 1996 & 1997

⁷⁴ Sahlman, How to write a great business plan, 1997

⁷⁵ Sahlman, Some thoughts on business plans, 1996

⁷⁶ Sahlman Some thoughts on business plans, 1996

⁷⁷ Sahlman, How to write a great business plan, 1997

To begin with the business idea is introduced, what are you actually selling and why would people want to buy it. Then considerations should be made regarding the market opportunities, the structure of the industry and the competition the new company may be facing. From here the customers should be better defined and issues offered in the project should be presented with a plan to alleviate the problems

Following Sahlman's framework, the plan should now describe how the product should be acquired and launched into the marketplace. Here sales-channel, price, growth potential, break-even point, gross & net response, retention rate and cash-flow projections, among others, are of interest for the readers of the plan. All in all it strives to establish the viability of the idea.

➤ *The People*

A good plan is important, and the execution even more so. This makes the people involved in the venture key to its success, and is hence one of the focal points in Sahlman's outline. Management, employees, lawyers, accountants, key-suppliers, etc should be considered and described in this section. Sahlman continues to explain that the description should answer who the entrepreneurs really are, and whom and what they know. Key issues like background, school, work-experience, skills, knowledge and reputation should be clarified. The ones reading the report will also consider if the team expectations are realistic, how they would react to setbacks and if they need anyone else on the team. Furthermore the motivations of the team are also put to scrutiny by any seasoned business plan analyst according to Sahlman. He concludes that the fit of the four cornerstones of the framework is vital for the company and management should spend considerable resources on increasing this fit. Sahlman's views on the importance of “the People” is supported by authors like Gimeno⁷⁸, writing about human capital in connection with survival, and Dahl & Reichstein⁷⁹ who has found that industry-specific experience positively effects the start-up survival rate in most cases.

⁷⁸ Gimeno et al, Survival of the Fittest? Entrepreneurial Human Capital and the Persistence of Underperforming Firms, 1997

⁷⁹ Dahl & Reichstein, Are you Experienced? Prior experience and the survival of New Organizations

➤ *The Context*

The context of the venture can also influence the fortunes of the undertaking immensely. In this section Sahlman wants us to consider “the big picture”, what is going on in the country and world around us, how the politics, regulatory environment, interest-rates, exchange-rates, etc, affect the new company.

The vital information that needs to be illustrated here, according to Sahlman, is to show how the context can help or hinder the venture, and demonstrate that you know change will come and that you know how to deal with it. Examples like problems with harvesting, issues with tolls or the possibility to lobby for your cause is mentioned as examples in this case. The importance of the context is reinforced by Stuart & Sorensen, who in their article (Liquidity Events and the Geographic Distribution of Entrepreneurial activity) find, among other, that regional differences affect the funding rate for new bio-tech IPOs and acquisitions in metropolitan areas⁸⁰.

➤ *Risk & Reward*

As the title implies the potential risks and rewards for the venture are considered in this element. In essence it looks at the defendability and possible results of the venture. Here it is asked what in the future can go right and what could go wrong, and what can be done to encourage or discourage these events from taking place? What revenue and rate of return could be expected from this venture and how and when can the investors exit the company without it causing instability or ruin? Another issue to consider is the competitor response; what if they react much quicker than you anticipated, what would this mean for the company? The events of the future are always uncertain but this provides an image of the more plausible scenarios and should prepare the management to be able to react faster and adapt to the ever changing environment.

⁸⁰ Stuart & Sorensen, Liquidity Events and the Geographic Distribution of Entrepreneurial activity, 2003

In his first paper⁸¹, Sahlman reflects upon the different elements of the deal. He discusses the importance of a fair, simple and trusting deal with good incentives for both between buyer and seller. He feels that it is important to consider all the deals that need to be made, like with employees, suppliers or logistical partners and not just focus on raising capital. He also point out that silent funding partners are not always the best. Seasoned venture capitalists are usually not afraid to step in and get their hands dirty if the need arises and they have a lot of knowledge that an entrepreneur really can use at different stages of the venture. But of course this skill is paid for in loss of shares and control. But Sahlman continues to stress: from whom you raise capital is often more important than the terms⁸².

Sahlman's framework provides the important questions that need to be answered but does not offer all the tools to answer them. To accomplish to do this the structures of Smith & Smith⁸³, Brealey et al⁸⁴ and Kotler⁸⁵, among others, was applied.

Smith & Smith, from Claremont Graduate University, and Brealey et al, from London Business School among other, takes a more financial approach towards the business plan and delves deeper into the makings of projections, financial statements, cash-flow analysis and the like⁸⁶. Kotler, a professor from MIT, gives a very thorough overview of the different stages in the marketing process, and provides tools for how to apply the models and frameworks presented⁸⁷. This framework provides a clearer picture on how to execute the customer segmentation, the marketing plan and other more conceptual issues within the business plan.



⁸¹ Sahlman, Some thoughts on business plans, 1996

⁸² Sahlman, How to write a great business plan, 1997

⁸³ Smith & Smith, Entrepreneurial finance, 2004

⁸⁴ Brealey et al, Fundamentals of corporate financing, 2004

⁸⁵ Kotler, Marketing Management, 2003

⁸⁶ Smith & Smith, Entrepreneurial finance, 2004 & Brealey et al, Fundamentals of corporate financing, 2004

⁸⁷ Kotler, Marketing Management, 2003

The Opportunity of the Lady Case concept

Focus & Short summary of the Opportunity analysis

This section, following the theory of Sahlman⁸⁸, describes the general market and industry situation. It specifies the target segment and looks into the 4Ps; Product, Place, Price and Promotion in relation to the Lady Case. This is done to establish the viability of the Lady Case concept.

Based on the findings as seen in table 4, page 56, the Lady Case concept has been found viable with a huge global sales and growth potential and the industry structure is presently quite attractive with no active direct competition and high profit potentials. The access to a large customer base to leverage economies of scale is vital for the success of the product and is identified as the highest barrier of entry in this industry. (Full summary p.56)

The General Market & Industry Structure

The general product idea

The Lady Case is a designed casing for sanitary napkins or tampons for women to carry in their handbag. The accessory casing would firstly protect against the package deterioration and secondly against the discomfort that may arise for a woman in “showing the world” the content of her bag every time she opens it.

The general market

Sahlman teaches us the importance of knowing the market you are about to enter, its size, its growth potential and its dangers⁸⁹. The market for sanitary napkins and tampons, which sales is needed to support the use of the Lady Case, is mostly dominated by conglomerates like Procter & Gamble, who carries Always & Tampax, Johnson & Johnson representing Carefree, Kimberly-Clark producing Kotex and SCA who market Libresse⁹⁰. These multi-national companies generate billions of dollars in turnover on sanitary products alone; the market for these products is vast and generally world-wide.⁹¹ These global products forms a worldwide

⁸⁸ Sahlman, How to write a great business plan, 1997

⁸⁹ Sahlman, How to write a great business plan, 1997

⁹⁰ Market Research World, E-resource, 2009

⁹¹ Procter & Gamble and Johnson & Johnson, E-resource, 2009

base of possible sales of the Lady Case, indicating that the overall market potential for this product is huge and the prospective growth considerable.

The Lady Case priority markets would be the more developed countries where the sales of sanitary napkins and tampons are relatively high, like the US or Europe⁹², and the income per person allows for some spending on non-essential goods like accessories. However, the ongoing modernization of many countries should open up further opportunities in the future, extending the market potential for the Lady Case further. In Scandinavia Always, Libresse and Tampax are the most recognized brands⁹³. This concentration of brands and goods can open up doors for a generic accessory product like the Lady Case. Furthermore, the sanitary products differ somewhat in looks and functionality but the size of the packaging is very similar across the lines, which again supports the usage of the Lady Case.

Competition & Entry barriers

Employing Porters framework of Five Forces⁹⁴, it becomes evident that this universal feature mentioned above can also attract unwanted attention from competitors seeking to enter the market or defend their position within the sanitary care area. The current structure of the market is not overly complex; there are few direct or indirect competitors. The possible direct competitors found that could compete to some degree with the Lady Case was a patent on a wallet-like invention for holding sanitary napkins in the US⁹⁵ and a private person selling a tampon-case on a fashion-site for used items⁹⁶. No evidence was found that the American invention has ever made it to production; furthermore, it does not appear to be very user-friendly due to the construction of the “wallet” probably making it difficult to insert and extract the sanitary napkins without damage. The tampon case sold by the private person would infringe somewhat on the idea of the Lady Case but does not seem to be a possible strong competitor since it was not a suitable size and shape for the purpose. Furthermore, it was a limited deal on a site for used items and it has not been seen since. To conclude there has been found no active direct competitor that would cause a serious threat to the Lady Case launch at this moment.

⁹² Procter & Gamble, E-resource, 2009

⁹³ SCA, E-resource, 2009

⁹⁴ Porter M, Competitive Advantage, 1985

⁹⁵ Freepatents, E-resource, 2008

⁹⁶ Trendsales, E-resource, 2009

An indirect competitor that could take some shares in the sanitary napkin and tampon market is the Diva-cup⁹⁷ which would replace these products completely and render the Lady Case of no use. The strength of this product is that it is reusable; however it is messier to use than the more traditional protection and you need to clean it each time after use which would take some getting used to. Due to these limitations in the product it is unlikely that it will become fashionable within the foreseeable future securing the market potential for the Lady Case for some time to come. It is also improbable that the company that sells the Diva-cup would react adversely to the launch of a product like the Lady Case since it is not in direct competition with its products. Though there has been found no immediate rivalry threats when analyzing the competition for the Lady Case, it does not follow that it could not rapidly come into existence. There are some huge multi-national corporations which operate within the same industry. They have ready access to distribution and they already have a brand identity build up lowering the entry barrier for these players considerably should they want to seek access. Manufacturing products like the Lady Case is not a very costly industry to get into, especially not when comparing with markets like bio-technology or other high-investment industries. Economies of scale play an important role to reach a profitable level of sales, since the product becomes cheaper to produce per item the larger quantities it is produced in. Too few items produced would mean such a high sales price that it would be impossible to sell in the market. To continue, the learning curve in producing a commodity like this should not be too steep, due to the easy access to well-developed technology involved in making the casing. This could leave the doors open for an easier entry of a competitor.

Maurer & Schotchmer⁹⁸, Carlton & Perloff⁹⁹, Vintergaard¹⁰⁰ and many others advocate the use of patents as a way to protect a company's ideas and investments. The patent can be used as a type of barrier to entry, to ensure that no one else can just copy the product and make money from it without having developed it. Other possibilities to make money through patents are to sell it, license the idea or to take royalties and allow for the concept to be used by others¹⁰¹. However, since there is no new method or process-innovation in use when constructing the Lady Case there is no patent protection that can be leveraged for this process. Neither does a patent on the product itself seem possible since it is too generic. This is

⁹⁷ Worldcare, E-resource, 2009

⁹⁸ Maurer S & Schotchmer S, A primer for nonlawyers on intellectual property, 2004

⁹⁹ Carlton & Perloff, Modern Industrial Organization, 2005

¹⁰⁰ Vintergaard, lecture MIB, 2007

¹⁰¹ Carlton & Perloff, Modern Industrial Organization, 2005

confirmed by Kristina Klingenberg from the Danish “Patent & Varemærkestyrelsen” (Patent & Brand protection) during a phone-interview¹⁰². Though, Klingenberg clarifies, a design patent could be applied for if the design is unique enough. However a very similar product with a different pattern would not be infringing on the idea and could not be sued. An extensive search of the “Patent & Varemærkestyrelsen’s” data-bases yields no patent-results; neither does a swift search done by Klingenberg from her station.¹⁰³

Sahlman stresses that “*economically viable access to customers is the key to business*”¹⁰⁴, this case is no different. Of the participants in the survey less than 6% would consider buying it online while almost 95% of the asked would rather buy it in a local supermarket or a more accessory oriented shop like Matas. This indicates that the distribution muscle needed to access the customers must have extensive reach and be well mobilized. Since the product is quite simple to produce, difficult to protect and is somewhat dependant of economies of scale, the distribution channels used and access to the customers are vital for its success. The latter two would be some of the higher barriers to overcome for any entrant. The Lady Case is not a product range with high exit barriers, since the initial investment in specific machinery, know-how, etc is limited. In this case it would be the distribution that would be the costly element to set up making unrelated entrance from companies not in the retail business less likely.

Supplier power

Observing the conditions for the production of the Lady Case, there are plenty of suppliers to choose from. The production technology available for manufacturing a generic casing item like the Lady Case is quite wide-spread. This, and the fact that the cost in terms of time, capital and effort when switching, is low, weakens the power of the suppliers considerably. A contract with the supplier would ensure that the entrepreneur is not side stepped by the producer, and it would secure the order for the supplier. There is always the possibility that the supplier would consider integrating forward, but it seems unlikely unless the supplier would consider it a key-market and they felt they had the competencies to enter into the competition.

¹⁰² Klingenberg, Telephone interview, Patent & Varemærkestyrelsen, 16.01.09

¹⁰³ Klingenberg, Telephone interview, Patent & Varemærkestyrelsen, 16.01.09

¹⁰⁴ Sahlman, Article, How to write a great business-plan, page 102, 1997

Buyer power & Threat of substitutes

Continuing to employ Porters five forces¹⁰⁵, the power of the buyer is taken into account. In this case the possible switching cost for the customer, were there alternative products, would be relatively low. The product type does not lend itself to easy customer retention, since, among other things, it is not a regular repeat-sale nor is it a high volume sale and furthermore the product would not need maintenance. There is some room for product differentiation but it is somewhat limited to the size and design of the casing, since the idea is to keep it discreet. Multiple functions would work against that. According to the survey, less than 4% of the women asked thought brand was important when buying a product like the Lady Case strengthening the situation for this new and yet unknown brand. Since there are no real substitutes or competitors at the market the bargaining leverage of the customers is lowered considerably and a higher profit can be captured. However, the moment a competitor enters the market with a similar product, with easy access to buy, the power balance is changed, giving the customers a higher buyer power, since the switching cost is quite low since e.g. the functions and place of purchase would be similar. The customer can also make an effort to find a substitute for the Lady Case, but the search cost would be somewhat higher since a casing in the right size and the same functionality is not that easily come by. The last power of the supplier to exercise would be not to buy the product at all. As already established this is an accessory and not a vital necessity product, giving more power to the consumer. However, if the customer wishes to alleviate this problem, they have no other choice at the moment than to seek other options since there is no product like the Lady Case on the market.

Considering the chains as the customer their buyer power would be significant since they would have easier to find other suppliers and can press the prices due to bulk-buy. This is also reflected upon in the pricing strategy section.

Customer segmentation & Findings of quantitative survey

Sahlman focuses on the importance of really knowing your customer¹⁰⁶. Thus endeavoring to customize the marketing effort and gain maximum effect from said approach, a customer

¹⁰⁵ Porter M, Competitive Advantage, 1985

¹⁰⁶ Sahlman, How to write a great business plan, 1997

segmentation process based on the outcomes of the quantitative survey, following the framework of Kotler, has been applied¹⁰⁷.

The general need-based customer segment that the Lady Case turns towards is women ranging from early teens to their early fifties. Within this spectrum women are most likely to be in need of tampons and sanitary napkins¹⁰⁸, leading to a possible employment of the Lady Case accessory. The demographical variables chosen to be measured in the survey of said segment are age, marital status, family size, education, status, occupation and income. The area code has been employed as geographical variable to indicate the present origin of the survey participant. The final questions in the survey concern the products the Lady Case carries and the consumers' views on the Lady Case as a product idea. In appendix A, a full overview of the questions asked with answer alternatives can be found.

Utilizing the results of the survey as base, further identifications and clarifications can be made measuring variables set up against each other to define more narrow demographical and geographical segmentations thus formulating a more precise image of the target group to be exploited. There are many ways to segment the market using different variables like gender, income, life-cycle, status, etc. In this analysis age has been used as demographical segmentation divider and main variable to measure against after the first gender generalization. This is done since the product used is firstly for women in their fertile stage of life, and their life-cycle or income does not influence this fact. Furthermore the lifecycle approach is difficult to define and the status variable is hard to narrow down sufficiently to be of use in this segmentation. However, it is known that some general preferences do follow the age curve to some extent and can be used as representative, especially so for more generic, lower cost items such as the Lady Case¹⁰⁹. It should be noted that this segmentation does create a generalization, not everyone in the same age has the same tastes and needs but the purpose of the segmentation is to take a broad view and attempt to find groups with the same general tastes. And in this case age has been deemed to be the best divider of the choices possible. Please see appendix F for excel-graphs over the survey answers calculated upon and overall percentage results.

¹⁰⁷ Kotler, Marketing Management, 2003

¹⁰⁸ Netpatient, E-resource, 2009

¹⁰⁹ Kotler, Marketing Management, 2003

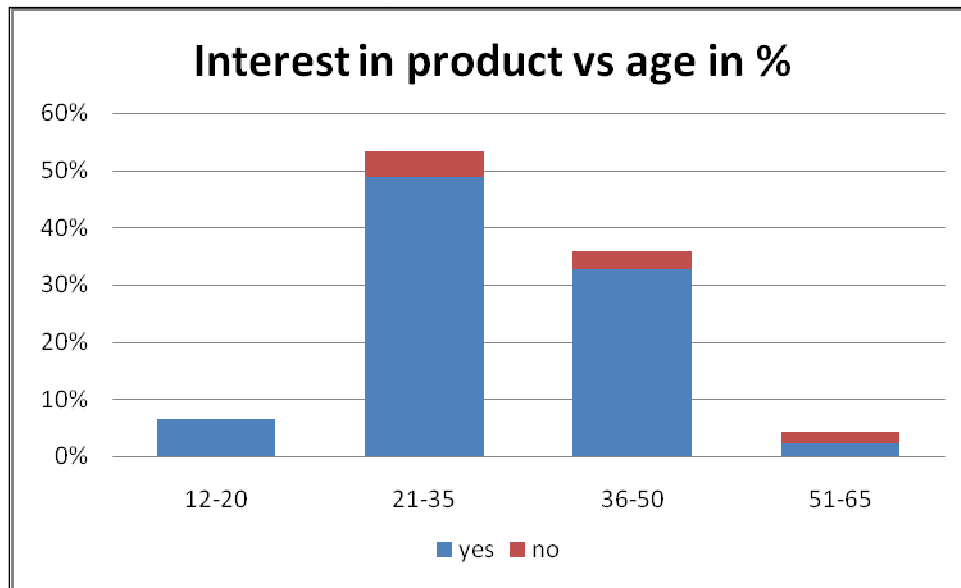
Before moving into the more complex analysis of the customer group and the result of the survey it is important to note that, as discussed in the methodology section, there is an overrepresentation of the age groups 21-35 and 36-50, and conversely the age groups 12-20 (6% of survey participants) and 50-65 (4% of the survey participants) are underrepresented. The underrepresented groups will still be taken into account and considered in the analysis but caution will be applied.

The investigation of the different segments and their preferences opens with considering the issue concerning possible irritations experienced when carrying sanitary napkins or tampons in relation to the age groups. This should give indications to if there is a real need to cover and if there is one or more age groups that are more prone to experience these irritations.

Looking at the survey result it is evident that the younger segments have familiarity with this problem. Of the participants of the total survey 5, 5% (of less than 7%) was grouped between 12 and 20 and had checked the yes box for experiencing irritation while carrying said items. The same goes for 38, 5% which are between 21 and 35, 24, 2% between 36 and 50 and 1% between 51 and 65. Conversely there had been no problems for 1% aged 12 to 20, 15% aged 21 to 35, 12% aged 36 to 50 and 2% aged 51 to 65. Applying the chi-square no interdependence is found between these two variables (DgF: 3, 95%: 7,815, real: 2, 59). However, it still shows that there exist irritations and problems that are experienced by the general segment in this issue.

In an effort to solve the problems arising from carrying the monthly protections the Lady Case was introduced to the surveyed and it is clear that the product idea carried some appeal. This can be said based on the findings of the survey, as illustrated in table 2, where more than 90% of the women participating think the Lady Case is an interesting product, whereof almost 50% are between 21 and 35. This relationship has been statistically confirmed¹¹⁰ (DgF: 3, 95%: 7,815, real: 8, 14).

¹¹⁰ Chi Square Statistics, E-resource, 2009

Table 2: Interest in the Lady Case product versus age in %

The 6,5% represented by the group 12 to 20 all find the product interesting, however this result needs to be considered in view of the number of representatives which in this case is 6. Should a larger group be interviewed it is plausible that someone in the same age group would not find the idea appealing. But it does show a very positive tendency and paints an encouraging picture of possibilities for the future. Continuing on the positive interest it has been confirmed that over 30% of the surveyed, being between 36 and 50 years old thought the product was interesting, however the 51 to 65s are evenly spread out between interest and no interest with 2, 2% for each. Of those that did not find the product idea interesting 4, 3% is between 21 and 35 and 3, 3% between 36 and 50.

Delving deeper into the results of the survey the most positive responses within the groups towards the Lady Case, as is illustrated in appendix F, lies in the age groups 12 to 20, 21 to 35 and 36 to 50, following in that order. This outcome exhibits the same tendencies as the results derived from the query regarding problems experienced with the protection in the hand-bag. Though, as before, the low representation of the 12 to 20s promotes caution and deters the use of the group as a target segment at this moment. However, the two other age groups are thoroughly represented and exhibits very positive views towards the product idea. Testing the statistics of interest versus age against the chi-square¹¹¹ a dependence is found and confirmed,

¹¹¹ Chi Square Statistics, E-resource, 2009

(DgF: 3, 95%: 7,815, real: 8, 14) which means the findings are statistically viable. It should also be noted that the strong interest exhibited in the quantitative survey has also been confirmed in the more qualitative workshop performed where 6 out of 7 participants thought it was a Interesting or Very Interesting idea. The interest seems to come from especially the younger age-groups. However, this has not been statistically confirmed (FHF, P= 0, 14, two-tailed).

Though over 90% finds the Lady Case product interesting this does not necessarily mean that that large a percentage of the women would buy the product when in the market. Examining the different levels of need can perhaps give a more realistic picture of potential buyers in the market. Comparing the different sections, the younger segments exhibit a higher level of need for a product like the Lady Case. Of the surveyed over 5% in the group of 12 to 20s, 36% of the 21 to 35 and 26% of the 36 to 50 indicates what could be called a high need for the product idea. Less than 7% (12-20-0%, 21-35- 3%, 36-50- 2%, 51-65- 3%) of the asked could perceive no need for a product like the Lady Case. In the middle, still experiencing a need for solving the problem but indifferent to the Lady Case feeling there are other ways to resolve this issue, 1% is between 12 and 20, 14% is between 21 and 35, 7% is between 36 and 50 and 1% is between 51 and 65. This statistic must be analysed and applied with care both because no dependence was found (DgF: 6, 95%: 12,592, real: 4, 97), and also due to the uncertainty surrounding how this question truly was understood by the women partaking in the survey. The question was clarified to most of the answering party that the second alternative (being indifferent) should be chosen if they would want to solve the problem using unrelated products and the first alternative should be chosen if the product idea, or something very similar, was something they thought would solve their problems and they would find plausible to purchase. At first glance it may not seem realistic to expect that almost 70% would prefer a product just like or very similar to the Lady Case to other feasible though unrelated, easy to come by, alternatives. However, real alternative like designed casings built for other purposes in the right size and form with adequate functionality is not easily found on the market. Viewed in this light the result is much more plausible to consider. This is furthermore supported by the results of the workshop where 6 out of 7 think they would buy the product if it is easy accessible and within an acceptable price-range. The statistical analysis reveal that there is an 86% possibility that there is not just a random outcome (FHF, P=0, 14, two tailed).

Overall it can be said that the “Need” question indicates that there exists a significant interest for a solution to the issues encountered when carrying monthly protection in the hand-bag. More importantly it demonstrates a positive position towards attaining the product and a belief that it is a feasible way to solve said problem. Looking at the possible sales potential for the Lady Case it implies that between 60 and 70 % of the surveyed, especially within the younger age groups, would consider actually acquiring the product. However, due to the possible ambiguity of the survey question this is seen more as a general trend or guideline than hard fact that can be directly applied. Please see the methodology section for further discussions on this issue.

Please see Appendix G for a detailed analysis of age/income, age/education, age/family members and age/price in this segmentation.

To summarize the group aged between 21 and 35 is showing very positive interest and need responses towards the Lady Case and exhibits a stable and large scale buying potential with a rather consistent price range acceptance between 51 and 75 dkk. This totality with clustered preferences makes them the group most likely to buy at a higher price and designates the 21 to 35 to be the target segment for the Lady Case product. However, this product does not lend itself completely towards an absolute single-segment concentration; it is more of a product specialization turning to all women in fertile age with the same problems. But there are always more profitable segments where the focus of the marketing effort can be set, though not to exclude but to include and create awareness. Based on this the women aged 12 to 20 also exhibits great interest and buying potential though the price sensitivity seems higher. This group is still highly interesting and is seen as a second target segment, though the size of the original test sample is kept in mind.

It is also important to note that there is a geographical constraint to this segmentation, both due to the metropolitic location of the tests but also to reach as many consumers as possible where adaption to new products is faster. It is assumed that people in larger towns have similar behavior and attitudes towards new products and its uses; therefore the geographical constraint is specified as the segmented group needs to be located in a town where the population is greater than > 20.000. Customer loyalty is applied and ranked highly in many customer segmentations. However, with a generic, lower-value, non-essential product like the Lady Case which is not a multiple repeat sale product customer loyalty would be very

difficult to build and even harder to retain. Should the Lady Case be able to be supported by a known fashion brand it could give an edge to the sales situation but it does not seem feasible that the Lady Case on its own will create such a loyalty in the short or medium run.

Market strategy – the 4 Ps

Following Sahlman¹¹² (and Kotler¹¹³) a marketing mix with logistical planning, value proposition and price positioning for the product needs to be produced. Neil Borden and E. Jerome McCarthy (Building on Borden’s work) writing from Harvard Business School in the 1960’s created the concept of a marketing mix and its four P’s; product, place, price and promotion. This model is very useful when marketing consumer products that are not high value items.¹¹⁴

The Product

The product idea in relation to the end user

The problem the Lady Case addresses is that the packaging for sanitary napkins especially, but also some tampon packaging, is not durable when stored in e.g. a handbag. The colour of the sanitary napkin packaging is also usually very, very bright which means it is always the first thing you see when you open your bag. The casing would firstly protect against the package deterioration and secondly against the discomfort that may arise every time a woman has to open her bag having the colourful content on display. 91% of the women asked in the quantitative survey carry extra protection on their person “just in case” and almost 70% of these women have experienced problems and/or irritations with the sanitary napkins or tampons while being carried. The survey also revealed and statistically confirmed that over 90% thought that the Lady Case was an interesting product idea and many expressed a need for this or a similar product as shown. This survey can be said to have revealed an uncovered need and gives a very encouraging image of the possible potential of the Lady Case.

Product specifications & support

Based on the information received from the workshop, size and colour was set. To begin with, the Lady Case would come in one size (L: 12, 2 cm, W: 8, 3 cm, D: 1, 2 cm) fitting two ordinary napkins (from Always or Libresse standard which most follows) or 5 small tampons

¹¹² Sahlman, Some thoughts on Business plans & How to write a great Business Plan, 1996 & 1997

¹¹³ Kotler, Marketing Management, 2003

¹¹⁴ Burns, Entrepreneurship & small business, 2001

and it would be made available in one design; a silver light metal version with inscriptions, with the possibility of more options (black) in size and colour to come. Please see appendix H for a prototype-picture of the product. The Lady Case name is available as a trademark and there is no valid patent agreements found that this product would infringe upon neither in Denmark¹¹⁵ nor in the EU¹¹⁶.

The guarantee given on the product would follow the Danish legislation which according to the law of commerce (“købe-loven”) ensures the consumer a two year period after purchase in which to raise a claim if the product is not meeting manufacturing standards¹¹⁷. The claim would be handled by the end seller and would be compensated accordingly. There is an assumed estimate that 1% of the delivered products will have flaws. The simplicity and price-range of the product does not induce a greater need of warranties or extended guarantees. Initially there would be no grounds for a customer-support hot-line; questions should be able to be handled in-store. However, a support hot-line via e-mail could be managed quite easily by the entrepreneur should any questions regarding the product arise post purchase.

The Place

Following Borden and McCarthy’s outline as according to Burns “the place” refers to locating which channels are used to reach the customers and how the product is distributed accordingly¹¹⁸.

Channel

There are many ways to trade a product like the Lady Case, and looking deeper into the answers of the survey it reveals some essential facts regarding the importance of choice in terms of place and mode of sales. Through the survey it was communicated that the most preferred place of purchase for almost 60% of the consumers would be more accessory oriented. The secondly most preferred place is the local supermarket and only 5% thought the internet would be the most convenient mode of purchase. The survey also confirms that it is especially the younger segments who is partial to the accessory-shop alternative, over 73% of the participants aged between 21 and 35 thinks so and they are closely followed by the 12 to

¹¹⁵ Varemærkestyrelsen, E-resource, 2009

¹¹⁶ Trademark Consultation Services, E-resource, 20099

¹¹⁷ Forbrugerstyrelsen, E-resource, 2009

¹¹⁸ Burns, Entrepreneurship & small business, 2001

20s with 66% (DgF: 6, 95%: 12,592 real: 17,1). Furthermore over 30% of the surveyed thinks that shopping convenience is one of the most important factors for purchase when it is a product like the Lady Case.

The findings from the workshop also underline the importance of place of purchase and shopping convenience. All participants in the target segments indicated that a more accessory oriented shop would be a preferred place of purchase. In addition, they demonstrated a willingness to pay more for a product bought in said accessory oriented shop. They also stressed the importance of access to the product that it would need to be “in their way” as one participant from the workshop put it. This indicates that the convenience of the point of sales is a very important factor for expanding the Lady Case growth potential.

Considering the competitive situation for the Lady Case in entering the market, there are multiple scenarios yielding different earning potential at different risk levels. Concerning the web approach, a homepage will be developed for the Lady Case with information about the product and the option to purchase online. However it is not a high value item and it is not a product that the consumer would spend hours looking for and comparing with other products in the category, as some would do when buying a flat-screen or the like. As the survey has confirmed it is a product that needs to have a very low search cost with easy access for the customer, and the internet can therefore, in this case, be ruled out as main point of sales.

During the workshop a suggestion was put forth to sell the Lady Case through home-based sales such as “Oriflame”, where the products is sold by private persons through their network who then in turn pay the company. It was generally accepted as an interesting idea; however, none of the participants could name anyone selling it or something similar to it. A quick search of the internet gave the answer as to why. Oriflame began with home-sales and home-parties but the Danish market has not accepted this type of sales so they, along with many others, have had to find new ways to survive¹¹⁹. That this mode of sales is ruled out, (as well as the online-only sales approach) is further enforced by the fact that the Lady Case is a product that is dependent on obtaining access to an extensive customer base where mass-sales is possible and economies of scales can be employed. This combination point towards the exploitation of either the accessory oriented shops or supermarkets. Taking point in the target

¹¹⁹ Orriflame, E-resource, 2009

segments the more accessory oriented shops are identified as being the optimal point of sales for this product.

There are several ways to approach this issue; the first option would be to “go it alone” and attempt to sell the product through the company directly or through independent retailers. To build up your own sales machine, not based on the internet, with a product like the Lady Case does not seem feasible, not only due to the large distribution muscle needed but also since the possibility of a high volume sale is imperative and to gain enough market shares the entrepreneur would need to acquire many, many contract of sale with the independent stores. The above implies that the start-up, on its own, does not hold a satisfactory access to its potential consumers. To succeed with this would require an enormous amount of work meaning it would be difficult to hold another job at the same time, and if the sale is too low there is no salary. The risk would be very high and the chance of success equally low.

The second approach would be to attempt to sell the Lady Case through one or many chains of stores. To succeed, this scenario would need to secure a deal with at least one of the larger retail chains to ensure the use of their distribution channels and access to their customer base to attempt to leverage sales of large enough quantities to produce a profit. This mode would require a large quantity of stock binding capital, furthermore if the sales are made directly to the retailer the price and possible earnings would be substantially lower since the chains in general have a higher buyer power. The challenge would of course lie in to be able to actually secure a contract like that, which would be difficult but not impossible with the right connections. In this paper “Matas” will be used as example for the accessory chain of stores since it fits the description and size of what is needed to access the customers. Cooperating with the chain it could be possible to run some tests using a few stores from where to sell the Lady Case. This would reduce risk of misinterpreting demand however it could also open the way for competitors. Other issues with these scenarios are the risk of vertical integration or direct competition from one of the retail chains or conglomerates which could be difficult to contend with for the start-up. Looking at the distribution possibilities if a deal was to be struck between the entrepreneur and a chain of stores, it is standard that they have a central warehouse where all goods come in to be distributed. “Matas” has about 295 stores in

Denmark and a central warehouse in Allerød¹²⁰. This scenario would incur freight costs for the entrepreneur of less than 0, 1 per item according to Danske Fragtmænd¹²¹.

Sahlman puts forth a suggestion to investigate ways to cooperate and form alliances with future potential competitors¹²², this is done to alleviate the risk-taking and attempt to lessen the probability of a stronger player entering the market at a later stage to take over. In this case it could mean working close together with one of the big conglomerates, like Always (Procter & Gamble) or Libresse (SCA) developing the lady Case leveraging their brand to increase awareness and potential sales. An alliance of this sort would ensure some protection against rivals and the use of the much sought after distribution channels and connections lessening the risk of failure considerably. The challenge here would be to create this cooperation without being completely overrun or overtaken by the much bigger partner. As a whole the start-up must show an ability to create value as a company and partner for it to be interesting. Also the entrepreneur must show that the start-up can do something that the conglomerate cannot do easily themselves. Unfortunately, without a patent to protect the idea or any special know-how vital for success the risk of the larger partner just taking over is exceedingly high which makes this an even higher risk alternative.

A fourth scenario would be to sell the entire concept to one of the most likely competitors, one of the conglomerates in this case, and attempt to cash in on the idea without taking the risk involved in starting a new business. If it is a concept for cash deal, this would mean a loss of all possible future profit and giving up the rights to build the concept to something bigger on your own. The risk in relation to investment is reduced significantly, but so is the potential profit since it is a one-time deal. The problem would be, as with much else, to get the deal in the first place, and not just being copied by your potential customer. As said before; having not just an idea but a concept with a patent to sell could have yielded some safeguards towards copy-cats, however this is not the case and the risk of idea theft is overwhelming in this scenario. After all, why should the company pay for something it can get for free?

¹²⁰ Matas, E-resource, 2009

¹²¹ Danske Fragtmænd, Dahl, e-mail, 2009

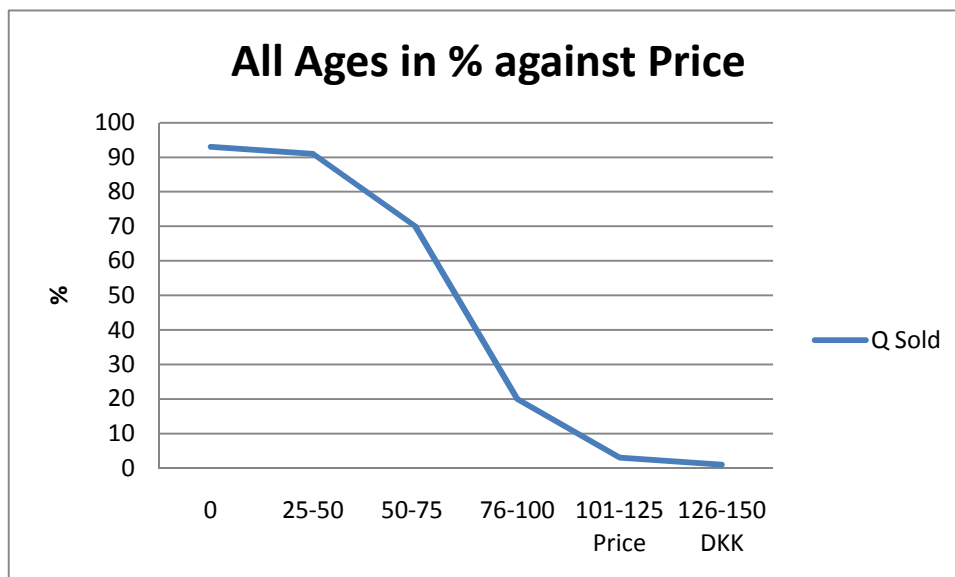
¹²² Sahlman, How to write a great Business Plan, 1997

The Price

According to Sahlman¹²³ it is imperative to know your true costs and to find a good pricing strategy fitting the product-idea. To identify the correct price strategy the 6 step model of Kotler¹²⁴ is employed. Looking at the pricing objectives two opposite sets are identified as being acceptable, it involves either to maximize profit now with prices set as high as possible or to maximize market-shares and sell at a lower price which would be a more long-term plan. The risks of potential entrants are quite high and the competition would probably have a lot of money to put behind its rivaling product, so even though the Lady Case would gain a large market share it would still be threatened. Hence a more current maximization of profit is opted for and a higher price point where a large part of the target segment consumers would still buy it is recommended. The positioning would be called a medium value strategy (bordering on overcharging) where both product quality and price follows each other.

Determining demand in relation to pricing for a new product idea is difficult, in this study both the quantitative and qualitative survey will be used as base to attempt to determine this. Analyzing the results from the quantitative survey, as is illustrated in table 3, it is clear how the more acceptable price-ranges are configured. Furthermore it does give indications as to the price sensitivity of the consumers regarding a product like the Lady Case.

Table 3: Potential price range for purchase of the Lady Case indicated by all ages in %



¹²³ Sahlman, How to write a great business plan, 1997

¹²⁴ Kotler, Marketing Management, 2003

Looking at the market there are no direct substitutes for the Lady Case at the moment and the expenditure is not a big part of the general income of the consumers. This has a positive effect making the consumers less price sensitive. However, it is non-essential goods which makes it easier for the consumer to pass on the offer should the price appear to high. Going back to table 3 giving an overview of the price the consumers would be willing to pay for the Lady Case, less than 25% would not pay more than 50 DKK, while over 50% would pay between 50 and 75 DKK. Hereafter the demand decreases quite rapidly where almost 20 % would pay between 75 and 100 DKK and less than 4% would consider paying more than this.

Focusing on the target segment of the age group 21 to 35 they are more willing to pay for this kind of product: 20% would pay up to 50 DKK, over 55% thinks they would pay up to 75 DKK and again almost 20% would pay between 76 and 100 DKK. 6% would go even higher than this though it is important to note that this relationship has not been statistically confirmed. However, the smaller, more qualitative study made supports these findings where the age group 21 to 35 lies between 50 and 75 DKK, the younger segment is more price-sensitive and the older segments is spread between. These results imply that there is some sensitivity towards the price, but it is not concerning a crown or two but in the tens or twenty crowns difference.

It is also important to note that over 60% of the women asked thought that design was one of the most important factors when purchasing the Lady Case, and over 30% thought the same about value. Furthermore, design has been a focus both in the quantitative and qualitative studies. As the workshop participants all agreed; the price paid depends on the design and “feeling” of the casing. If it feels good, the design is appealing and the functionality is satisfactory a higher price is much more acceptable. To find the “right” design for the Lady Case is through this identified as a critical success factor if this venture is to succeed.

Costs and potential sales

The next step in the pricing decision is to estimate total costs and capital needs to calculate the correct charge. Through the analysis it has been made clear that the entrepreneur would find it extremely difficult and very risky to sell this product through individual deals and independent stores since a high enough volume would be very difficult to achieve. Furthermore, alliance with a larger partner and sale of idea has been ruled out as feasible options. This leaves the alternative for the entrepreneur to negotiate a deal with one of the

bigger accessory-chains, which returns us to Matas as example. Looking at the population of women in Denmark, there are over 2 million between 12 and 65, of who more than 400.000 are between 21 and 35 years old¹²⁵. But of course not all of these women shop in Matas and not everyone shopping in Matas would buy a casing. However, looking at how many customers Matas have gives an idea of the possible range and chance of a sale of the Lady Case. Matas expedites 26 million customers a year, of which most are women; this means that more than 2 million people go through the Matas stores per month¹²⁶. Of course, some of these customers are men, others are repeat customers and since the Lady Case is a product you buy once every few years the repeat customers are not likely to buy more than one casing over a longer period of time. It does not seem unreasonable to assume that out of more than 26 million expeditions per year about 4 million of these should fit the user group of the Lady Case and could go through the Matas stores in Denmark. If every hundredth expedition of these would include a casing this would indicate a potential sale of 40.000 casings throughout the first year. This implies that each store needs to sell almost 136 casings on a yearly basis. This should not be an impossible assumption though this is of course depending on a correct pricing and exposure as well. Expecting a yearly sale of 40.000 units, calculations are made with a partial delivery and payment of 20.000 units twice. Should the idea be unsuccessful, the second order will not be placed and some risk and costs can be avoided. Should the sales increase beyond expectations more could be ordered and delivered within 6 weeks. The unit prices are based on a quotation from the company Titoma who specializes in design for Asian manufacturing¹²⁷.

The entrepreneur will not produce the casing since it would require far too much investment capital and risk attached to do this. The initial cost is 20.000 DKK, which is a one-time cost for tools and moulds for the production which can be re-used at a later stage. At 20.000 units ordered the unit price including freight but excluding toll to Denmark is, according to Titoma, 0, 96 Euros per casing in light metal (aluminum) with some inscription work¹²⁸. Since these prices can change somewhat due to changes in prices in the basic materials and the like, and a reasonable quality is imperative the cost is estimated to be 1 Euro per unit as affixed price,

¹²⁵ Danmarks statistik, E-resource, 2009

¹²⁶ Matas, E-mail, Quote from Lis Sørensen – Customer support, 2009

¹²⁷ Titoma, E-mail, Quote from Olsson M, 2009

¹²⁸ Titoma, E-mail, Quote from Olsson M, 2009

which here is translated into a variable cost of 7, 1 Danish kroner. Taking the Danish told of 6% into account and a 1% damaged goods this adds on 0, 6 DKK to a total of 7, 7 DKK¹²⁹.

These calculations are based on selling business to business chain. Since the chains as discussed in the logistical analysis usually have a central warehouse the cost of distribution within Denmark is kept to a minimum. Using the Matas scenario employing Danske Fragtmænd¹³⁰ as base and adding a small buffer in case there are longer freights or reloading involved, the distribution cost per unit is set at 0, 15 Euros, which in this calculation is translated into a variable delivery cost of 1 DKK per, indicating a unit total production/delivery cost of 8, 7 DKK per unit.

Depending on how much the chains decide to take on the cost of stock can vary. Though all effort will be made to keep the stock to a minimum, there will be need to carry some in order to cater for the chains as the orders comes in. This is of course dependent on the actual sale of the product. Also, since it takes over one month from date of order to receive a shipment it cannot be ordered in real time, too large time lags will occur. To begin with this would not require an entire warehouse full time, but a rental space near the central warehouse where the goods can be held for a short time before deployment. The extra storage is estimated to cost about 2.000 DKK per month with a local supplier like Shurgard¹³¹. This indicates a yearly more or less fixed cost of 24.000 DKK. If the Lady Case becomes a hit, a larger facility can be rented later on.

The marketing budget is set to 100.000 to be used at the launch focusing on Denmark. Should the Lady Case be as successful as hoped more money will be employed for marketing and product development at a later stage. However, these costs will be covered by the profit from the sales through reinvestments and thus carried by the next batch. Cost of external help for contracts and the like has been assessed to be 20.000 DKK, and 10.000 DKK for the use of an accountant. 5.000 DKK is estimated to be used to improve the design of the casing to ensure fit between design and customer expectations. Furthermore 15.000 DKK is put aside for expenses, like the telephone bill, of the entrepreneur and 20.000 DKK are calculated to be

¹²⁹ Told og Skat, E-resource, 2009

¹³⁰ Danske Fragtmænd, Dahl, e-mail, 2009

¹³¹ Shurgard, E-mail – Price inquiry, 2009

used for covering unforeseen expenses for this launch. 50.000 DKK is judged to be needed to invest in IT systems to be able to handle the order processing and the like.

If 20.000 units are in the delivery system at the same time, it implies that 194.000 DKK has been paid to the supplier, and is bound for the time being. At the same time the marketing effort valued to 100.000 dkk is underway and other investments as stated above must be made. Building on Smith & Smith's¹³² approach towards opportunity cost of capital it is calculated on a simple level with a higher interest than the Danish bonds market¹³³ due to the risks involved, in this case it is assumed to be 10% per annum on the 385.000 dkk employed. This leads to a fixed opportunity cost of about 38.500 DKK per annum. Furthermore it is deemed realistic that a loan in some sort or form needs to be taken to cover the expenses incurred during this time. The entrepreneur holds about 175.000 DKK for investment, however about another 210.000 is needed to secure this venture. Since it is not a big enough investment to acquire funds via Venture Capital it stands between a bank and a business angel (BA). A BA can perhaps help with knowledge but also wants a large part of the venture in return. Since “the people” is not analyzed in this section a short term loan of 210.000 DKK, with collateral at an annual effective interest of 10% over 5 years where the first year is without amortization, is assumed. This leads to an average interest expense of 14.700 DKK per annum over 5 years, since interest is still being paid the first year. Spreading the fixed costs over the total yearly expected sales in addition to adding the variable costs per unit yields a final average cost of 17,9 DKK per unit.

The following step in the pricing decisions is to attempt to analyze the competitors' costs, prices and offers¹³⁴. However, since this is a new product idea there are no direct competitors to measure against. Looking at the larger indirect competition one can argue that these companies have a higher bargaining power and can lower the cost of production and shipment due to economies of scale. They have a well-developed network of the supply chain and they should also have a more global reach in the markets. However, it should also follow that they have higher fixed costs, higher marketing costs to protect its brands and less agility in the organization.

¹³² Smith & Smith, Entrepreneurial finance, 2004

¹³³ Jyskebank, E-resource, 2009

¹³⁴ Kotler, Marketing Management, 2003

Continuing to employ the Kotler pricing model¹³⁵ the final steps look at selecting a pricing method and determining the final price. The pricing method applied is the 3C framework which considers the customers demand, the cost function and the competitors' position in the situation¹³⁶. The perceived value of the Lady Case varies across the surveyed women, however at the price level 50 to 75 DKK over 70% of the potential customers are captured. The workshop done confirmed this trend where 4 out of 6 would pay the same amount. Both the survey and the workshop also corroborated that the age-group between 21 and 35 have a very high representation in the 50 to 75 DKK pricing range, though it is important to note that the statistical dependence was not completely corroborated.

This higher level of pricing would give a high profit per sale but it could also tempt the competition to join in the market. Should the price be set at 25 to 50 DKK over 95% of the potential buyers are captured and the lower price and profit margin could work more as a deterrent for any competitor thinking about taking up the trade. However, if the price is set too low the profit potential plummets and it would be difficult to introduce other price-level versions later on in the process. It is also important to remember that the workshop revealed that the younger age groups would pay more for a product like the Lady Case if it was bought in a more accessory oriented shop like “Accessories” or “Matas” than they would in the local supermarket. Almost 40% of the women asked in the survey think value for money is important when buying the product, however over 65% considers the design one of the most important factor for purchase. It has also been mentioned multiple times during both the survey and the workshop that the price is not that important. If the design and “the feeling” of the casing is right it is ok to charge a higher price. The cost to cover pr unit sold is 17, 9 DKK, and it is important to remember that the stores would add between 20 to 30% in mark-up to ensure their own profit margin¹³⁷. High volume stores usually have a mark-up in the lower end and less high-volume, like the accessory stores, usually operate with a higher mark-up percentage. A chain like Matas probably adds on 30% of the purchasing price as mark-up of an item in the same cost group as the Lady Case¹³⁸, but to be certain to capture all the costs 35% will be used in this calculation. Furthermore VAT of 25 % is added to the sales price. Please see appendix I for a discussion regarding potential at price level 50 and 75 DKK.

¹³⁵ Kotler, Marketing Management, 2003

¹³⁶ Kotler, Marketing Management, 2003

¹³⁷ Kotler, Marketing Management, 2003

¹³⁸ Loreal, Egerrup N-Trainee, Phonecall, 2009

To capitalize on the first mover advantages, maximize the potential return when dealing with a chain of stores and give room for another quality of the Lady Case in the future a higher price level is suggested, however to attempt to protect the market and capture as many potential buyers as possible and target the younger segments, a more psychological sales price of 59 or 69 DKK per unit is investigated. The recommended sales price of 59 DKK yields a sales price to the end-sellers of 35 DKK, giving 12, 2 DKK per unit in mark-up and 11, 8 DKK in VAT. After deducting the costs the contribution is 17, 1 DKK. At 69 DKK per unit it implies that the end-seller price is 41 DKK whereof 13, 8 DKK is VAT, 14, 3 DKK is end-seller mark-up and the residue is 23 DKK after costs.

Again considering a sales price of 35 DKK would yield about 680.000 DKK and 41 DKK would yield about 920.000 DKK in profit and reinvestment before tax. At sales of 20.000 units at 35 DKK over 340.000 should be free to buy new material and invest further in expansion. And at the same sales level and a price of 41 DKK 460.000 DKK should be available for procurement and growth initiatives and the like meaning that both scenarios give access to not only buying new stock but also expanding the marketing effort and market reach of the Lady Case.

When negotiating with the retailer in this scenario the entrepreneur should attempt to gain a deal securing the sales price of 41 (end price 69 DKK) implying a possible return and reinvestment of about 920.000 before tax. That would probably be a dream scenario since the chains buyer power is very high and the general competition in the market is very tough. It is perhaps more realistic to assume that a 35 DKK (end price 59 DKK) is accepted, at this level an approximate reinvestment opportunity of about 680.000 DKK before tax at 40.000 units sold is identified. To go down to the 29, 5 mark, a 50 DKK end sales price, would mean a significantly lower profit margin and the plowback rate would probably have to be increased over the following years as well as to expand market shares and potential sales. This would also give a potential reinvestment problem after 20.000 units sold where it would be difficult to other than just buy new stock. To go below this would not be recommended since the future profit potential is low and it would cannibalize the market for future expansion. It is furthermore important to remember that other issues but price can be negotiated into a deal. An example would be giving over the responsibility of the shipment from the harbor to the central warehouse. Other issues could be payment terms or commercial placement or similar.

This is not discussed further in this project due to time and space constraints and also due to difficulties in predicting outcome of negotiations.

For this project it is assumed that the entrepreneur alone can negotiate a price of 35 DKK, which is a final sales price of 59 DKK.

The Promotion

In the promotional view firstmover disadvantages become an issue. Since it is a new product the knowledge of it is nonexistent. The first step following the advice of Kotler is to position the brand in relation to the intended consumers, to create awareness and awaken a need for the product¹³⁹. The Lady Case turns towards women, the target age group is between 21 and 35, lives alone or with a partner in a more populated area, has a bachelor degree or higher, is either still studying or working full time, and has a general income which lies between the lower and middle sections, whereof the majority is located in the 100k-200k and 300k-400k grids. The Lady Case is positioned as a good design and quality casing for a moderate premium price (about 15-20%) which helps keep the sanitary napkin or tampon whole and keeps it discreet. The protective aspect of the casing is the number one benefit of the Lady Case however the discretion feature is also seen as a central benefit and will be promoted as one.

The positioning statement to support the Lady Case is:

“To the modern urban woman on the go who need to be prepared for all situations, the Lady Case is a casing for sanitary napkins and tampons that keeps it safe and discreet in your purse until needed.”

Considering the important factors for purchase of the Lady Case it is clear that design is of outmost importance, closely followed by value for money, shopping convenience and high quality. During the workshop it was also revealed that the Lady Case would not be a strong compelling purchase. They would most likely buy it if it was something they came across in the everyday life. It is not something they would use a great amount of time to find on the internet or in a special store. This implies that the final decision about buying is made in the store, when the Lady Case is within easy access to the consumer. Looking at the important

¹³⁹ Kotler, Marketing Management, 2003

factors for purchase and adding this to the already discussed issues regarding the impact of the sales channels it is not unrealistic to call this a key driver for success. If it is not within easy access to the customer few will come looking for it, hence very low sales and no profit which is equivalent to failure in the long run. The renewal rate of this product would not be very high, since the design is meant to be more classic and discreet meaning it (the style) should hold for many years. As the survey exposed the quality and durability needs to be quite high, meaning it is not something that would break easily, of course depending on how it was handled by the owner. But realistically it could be a renewal rate of about 5 to 7 years though it is a quite speculative statement.

The marketing approach employed, when the channel used is a chain of accessory related stores, needs to be developed in cooperation with the end seller. This is to ensure synchronization so the stores are ready should a commercial be sent out and to ensure both actual fit of in-store advertisement and display alternatives. Please see appendix J for a more detailed plan of the marketing expenditure.

Financial projections

In his paper Sahlman states “*As every seasoned investor knows, financial projections for a new company- especially detailed, month-by-month projections that stretch out for more than a year- are an act of imagination*”¹⁴⁰ This warns about the dangers of attempting to forecast the future fortunes of a new product in too much detail and too far ahead, however a more general forecast should help to indicate how the situation can play out, where the breaking point lies and how the investment is spread. It is a foundation for risk calculation, though it is vital that more realistic common sense and carefulness and less subjectivity and optimism are applied when developing these calculations.

Sahlman stresses the importance of knowing when the entrepreneur must buy the resources, when they need to be paid and what the actual cost of production and delivery is. It is also vital to recognize the break-even point of the venture, its sustainability potential and its cash collection procedure, i.e. how and how long before the customer pays¹⁴¹.

¹⁴⁰ Sahlman, How to write a great business plan, 1997, P. 98

¹⁴¹ Sahlman, How to write a great business plan, 1997

Looking at the acquisition of resources for the first year an overview can be found in appendix K. It is clear that most resource and investment needs lie early in the start-up phase of the business. Of almost 660.000 DKK expected cash to be needed to pay for resources more than half, or about 330.000 DKK, lies within the first two months of business. And this is before the Lady Case has even reached the stores. The largest posts are the procurement of the casings and the marketing expenditure. The casings must be ordered in bulk 2 months before delivery the first time and 1, 5 months ahead post-launch with payment terms 30 days net¹⁴². This time-lag forces the entrepreneur to hold stock which binds capital and increases cash needs, as can be seen in the cash-flow statement appendix L and the income statement appendix M. The first marketing effort is registered as an investment, as can be seen in the balance sheet appendix N, because much of the results is something tangible, such as stands for the casings or the homepage, which will be a resource over time for the entrepreneur.

As discussed in the price section it is assumed feasible that the entrepreneur alone can negotiate a price of 35 DKK-30 days net, which means an end sale-price of 59 DKK including mark-up and VAT. Matas is a big chain with a lot of buyer power and should be good negotiators. To protect their own liquidity they will not pay for a product until after it has been sold from the store¹⁴³. These harsh payment terms are reflected in the overview in appendix K as well as in the different results of the financial statements.

The financial leverage of the Lady Case can be measured in different ways, but in essence it reveals how much the debt influences the return for the equity owners in different times¹⁴⁴. Analysing the long-term debt ratio of the Lady Case shows that in year 1 0, 20 DKK of every Danish crown is in the form of long-term debt. This ratio declines throughout the two following years to 0.06 in the second year and 0.03 in the third year. This is due to the repayment that starts in year 2. Looking at it from a total debt to assets perspective the start-up is financed with 25% debt the first year, 9% the second year and 4% through the third year, meaning also that 75%, 91% and 96% is financed through owners equity in those same years. Should more heavy investment be set in and dividends be paid it is possible that more loans will be taken to finance a larger growth. However, looking at the earnings potential as seen in

¹⁴² Titoma, E-mail, Quote from Olsson M, 2009

¹⁴³ Loreal, Egrrup Nanna – Trainee, Phoecall, 2009

¹⁴⁴ Brealey et al, Fundamentals of corporate finance, 2004

the income statement, appendix M, much can be employed towards generating greater expansion without taking additional loans.

Taking a closer look at the liquidity-potential of the start-up we again return to the balance-sheet in appendix N taking the current liabilities and deducting it from current assets to get the net working capital resulting in about 757.000 DKK for year 1, 1.609.000 DKK for year 2 and 2.608.000 DKK for year 3. Looking at it as a proportion of total assets gives 89% for the first year, 96% for the second year and 98% for the third year. This liquidity may seem unusually high, however the financial statements are held constant on growth through sales via a chain in Denmark, and does not include dividends and further investment calculations. The calculation is done to give an overview over the potential of the Lady Case and it gives an indication of how much capital that can either be reinvested in the company to be used for further growth activities or as dividends for the owner, and the results show substantial possibilities for this. It should also be noted that to extract all earnings as dividends is not considered a feasible course of action to be sustainable in the long-run.

A sales average ratio can be calculated to show how much a crown of assets produce, measuring the efficiency of the assets employed¹⁴⁵. This has been done by taking the yearly sale from the Income statement and dividing it through the average of total assets from year 1 to 3 in the balance sheet. For every crown of asset 0, 56 DKK is produced in the first year, 0, 98 DKK in the second year and 1, 2 DKK is produced in the third year. This indicates that the assets are not being pushed to the limit of capacity, especially not in the first year though this is more due to the start-up faze with low initial sales and high asset investment. But it does leave room for improvement.

Evaluating how much of the start-up investment and total costs of 17, 9 per unit is needed to support 1 DKK of sales the first year it is found that at the sales price of 35 DKK 0,39 DKK of the initial investment and 0,51 DKK of the total cost is employed to carry 1 DKK of sales. This is an acceptable ratio since it indicates a profit potential of 49% per unit sold and a relatively low start-up investment cost per unit. Considering the inventory turnover where cost of goods sold is divided through average inventory yield a 1, 53 turnover in the first year, 2, 66 in the second and 3 times in the third year. The low turnover in the first year is especially

¹⁴⁵ Burns, Entrepreneurship & small business, 2001

due to the first 2 months where no sales were made and the initial inventory investments were high. The turnover in the second year is acceptable and in the third year it is beginning to be very good.

Moving on to the profitability of the venture the net profit margin, which shows what portion of the revenue that finds its way into profit keeps itself around 50%¹⁴⁶. This is a very nice profit margin, but the Lady Case is also a low cost/high priced product which yields a high profit margin. Another way to measure the performance of a company is to look at the return on assets where interest paid is added back to net income from the income statement as seen in appendix M and then divided with average assets from the balance-sheet in appendix N. In this case it yields a 28% return on assets the first year, 52% the second and 60% return after the third year. The two last year's return on assets is quite high and quite correctly it indicates a high pricing of the product, this will continue as long as the Lady Case is alone on the market.

The return on equity in this start-up is also quite high, again especially after the first year of low sales and high investments are over with. The first year the return is calculated to be 30% the second year 56% and the third year the return is 66%. This number is also very high because all earnings have been ploughed back into the company, and none has been taken out as dividends. This is not realistic in the long run. It should also be noted that when capital is taken out of the company a higher tax rate applies; 30% for the company in addition to the personal taxes one can be subjected to¹⁴⁷.

Expansion opportunities

Not investing more in the future and not giving out dividends is as said not realistic, but the retained earnings does show the possibilities of what can be done should the company want to expand and grow even further. The company can expand its market shares, not just in Denmark but also in the world - like discussed in the general market & industry segment. It would probably be best to start with psychologically close countries like Sweden and Norway, perhaps even Germany. There can also be introduced different casings, a cheaper one in black and other designs and sizes at different price-ranges, maybe there is even a market for a

¹⁴⁶ Brealey et al, Fundamentals of corporate finance, 2004

¹⁴⁷ Startvækst.dk, E-resource, 2009

luxury version. The line of products can also be expanded to tampon-tubes, casings for panty-liners and one for birth-control pills. The opportunities are vast and the growth potential great.

The Break-even point

The break-even point defines how much revenue must be made for all the costs to be covered. No profit or loss has been made but opportunity costs of capital have been paid¹⁴⁸. Taking point in the sales price of 35 DKK it gives a contribution of 26, 3 DKK after deducting the variable cost of 8, 7 DKK. The variable cost includes production, toll and delivery costs. The fixed costs identified to be 220.834 DKK before tax including depreciation, interest payments, warehousing etc. More specified cost calculations can be seen in the pricing discussion. Calculating with a tax of profit of 25% the break-even point is found at 8.397 casings and taking the cost of capital of 10 % into consideration as well as the tax increases the break-even point to 9.918 casings. In both scenarios less than half of the first batch needs to be sold to cover the costs incurred. Again applying Matas' 295 stores as an example, it implies a minimum sales of 29 casings per store throughout the year at the lower break-even point and 34 casings a year per store where cost of capital has been included. It is the higher ratio that gives a more correct view of the real break-even point. As long as consumer is made properly aware of the product and it is placed in a visible way, 34 casings per store and year does not seem like an unfeasible scenario. Especially not when taking the very positive reactions and results of the surveys into account. Since the first year consists of only 10 month of actual sales and it is in the start-up phase only 28.000 are expected to be sold, however this would still reach well above the break-even point of 9.918 casings.

Answering the critical issues of Sahlman¹⁴⁹, it is difficult to say how much it would cost precisely to acquire a customer in the start-up phase but making a simple calculation on 40.000 units sold through Matas, seeing the mark-up of 35% that Matas makes as cost to reach the customer then adding the marketing costs would yield a cost of about 15 Danish crowns per unit sold and customer acquired. The time it takes to acquire the same customer is even more complex to compute since the product is new and there is no knowledge of it in the market. However, due to the simplicity and generic component of the product the adaption to it should not be lengthy. The rate of sale will of course be slower in the beginning and then

¹⁴⁸ Smith & Smith, Entrepreneurial finance, 2004

¹⁴⁹ Sahlman, How to write a great business plan, 1997

accelerate as the knowledge increases and the word is spread so to speak. The decision to buy is still pretty much made in-store so visibility is key. The renewal rate is, as discussed before, about once every 5 to 7 years, and as long as there are no real substitutes and the casings quality and design holds as predicted there are few reasons as to why the customer would not come again. However, as soon as a competitive product is on the market customer loyalty will be hard to produce. A better design than the competitor and an equally or close to competitive price is needed to sustain the renewal rate. Keeping a good design, quality, functionality and price would all help to generate brand-loyalty according to Kotler¹⁵⁰.

The Cash-flow statement which tracks the movements of cash in or out of the business gives a good indication of how much cash is generated throughout the year and shows if you have over extended yourself liquidity-wise¹⁵¹. A way to perform a short cash-flow analysis is to compare receivables and payables at the end of each month; a negative answer reveals that a potential cash-flow problem is approaching¹⁵². Taking point in the cash needs generated it would indicate a lack of almost 50.000 DKK cash in the third month after most investments have been executed but no revenue has been generated, however, due to the initial investments of cash there is sufficient funds to cover these expenses. Though, at this point some sales generation becomes imperative to be able to handle liquidity, should no sales be made the start-up would be illiquid within the fifth month after start. Looking at the yearly cash-flow, it is positive throughout the three years shows that there is a good capacity to handle fluctuating cash needs and that the start-up is able to stay liquid over the time.

¹⁵⁰ Kotler, Marketing Management, 2003

¹⁵¹ Smith & Smith, Entrepreneurial finance, 2004

¹⁵² Brealey et al, Fundamentals of corporate finance, 2004

Summary of the Opportunity analysis**Table 4: Key points – The Opportunity**

Aspect	Summary Notes	Opportunity Potential
Market Potential	Large global growth potential	High
Industry structure	Presently reasonably attractive	Medium
Survey response	Very positive product response	High
Product	Generic product, low production cost	High
Place	Through chain - high customer access, low distribution cost	High
Price	Premium price based on demand, costs and competition	High
Promotion	Broad audience, premium position, clear promotional aspects	High
Expansion opportunities	Through scale, scope and diversification	High
Financial projections	Low cost against high sales margins gives good profit potential	High

The market for the Lady Case has been found, as illustrated in table 4, to have huge global sales and growth potential and the industry structure is presently quite attractive with no active direct competitors and high profit potentials. The access to a large customer base to leverage economies of scale is vital for the success of the product and is identified as the highest barrier to entry in this industry.

The overall result of the quantitative survey showed a very positive response towards the Lady Case concept where over 90% thought it was an interesting product. The general sales segment for this product are women between 12 and 50, however the group 21 to 35 have

been identified as the main target segment. This segment exhibited high irritation experience, high interest for the product, and high buyer potential.

The Lady Case as a product is generic and based on the findings from the surveys made it would, to begin with, come in one size and one colour, silver light metal with inscriptions. This product is a low cost item to produce; the variable cost has been found to be 8.7 DKK and the total cost per unit 17.9 DKK. The most attractive place of sales in terms of economies of scale, distribution and customer access and satisfaction, has been identified, as illustrated in table 4, to be through a more accessory oriented chain of stores. This mode would require a large quantity of stock binding capital and yield a lower sales price, however it would be saved in cost reduction, a more certain access to customers and hence less risk. The sales price has been established based on the potential demand, the product costs and the competitive situation of the Lady Case concept. For this project it is assumed that the entrepreneur can negotiate a premium price of 35 DKK, which implies an end sale-price of 59 DKK where over 50% of the potential customers are captured.

In terms of promotion the Lady Case is positioned as a good design and quality casing for a moderate premium price (about 20-25%). Following the findings in table 4, the clear promotional aspects of the casing are the protective feature, which is the number one benefit of the Lady Case, and the discretion feature, which is also seen as a central benefit. The design has been identified as a success criterion for the Lady Case, other important factors for purchase is value for money, shopping convenience and high quality.

Looking at the financial projections the venture has good liquidity, inventory turn and financial leverage but the asset to sales leaves room for improvement. The break-even point including cost of capital is found to be 9.918 casings, which implies a yearly sale of 34 casings per store when employing the Matas example. The cost of acquiring said customer has been assessed to be 15 DKK per consumer, and the renewal rate about once every 5 to 7 years. The expansion opportunities exhibits great potential, the company can expand its market-shares globally, and it can also introduce different casings with other designs, sizes and price-ranges. The line of products can also be expanded to tampon-tubes, casings for panty-liners and for birth-control pills, etc. As depicted in table 4, considering the revenue and cash-flow stream, the net income and potential profits that can be generated from such a low cost/high margin product, the viability of the idea and concept is confirmed.



The Risk & Reward of the Lady Case concept

Focus & Short summary of the Risk & Reward analysis

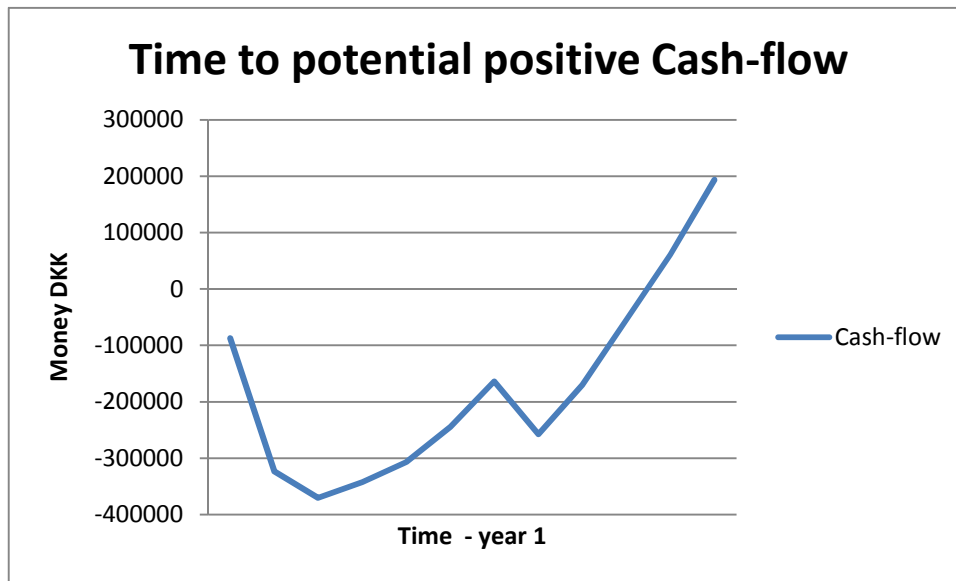
Following Sahlman's framework the Risk & Reward section discusses different feasible futures and the actions and reactions from the players involved with the opportunity in mind¹⁵³. The effect of “the people” and “the context” has been excluded following the delimitations of the paper. It considers the risks and rewards involved from a viability and defendability perspective.

Even though the concept viability has been confirmed, the rate of return, as illustrated in table 6 & 7, page 66 & 67, in the short-run shows a high probability of getting a negative return on the investments, indicating a very high risk to enter. Due to the high risk of entrance, the payment structure and the poor overall defendability of the Lady Case it is most likely not able to sustain an entrepreneurial start-up in the long-run. (Full summary p. 67)

Concept Viability in relation to Risk & Reward

When considering the revenue and cash-flow stream, the net income and potential profits that can be generated from such a low cost/high margin product the viability of the idea and concept is confirmed. This is further supported by looking at the Net Present Value of the first three years in business for the venture where the end year cash-flows from appendix L are computed in relation to the opportunity cost of capital which in this project was found to be 10%, and $NPV = PV - \text{Investment}$ meaning $1.723.859 - 385.000 = 1.338.859$ DKK which is clearly a positive outcome.

¹⁵³ Sahlman, How to write a great Business Plan, 1996 & 1997

Table 5: Time to potential positive cash-flow Intermediate sales – 28.000 units

Excluding the initial investments it can be seen in table 5 that the cash-flow should turn positive around the year end and then from there continue upwards with a few 100.000 DKK the following years. Due to the staged ordering set-up, if the sales for some reason would not go as planned, there is an option to abandon after the first batch of 20.000 is ordered. All in all about 464.000 DKK will be invested at this point, however, further cost of procurement, warehousing and extra expenses would be “saved” in comparison if 40.000 would have been ordered simultaneously, which is about 220.000 DKK for the first year¹⁵⁴. In table 5 the payment of the second batch corresponds to the second downturn of cash-flow in the middle of the year.

A concern with this plan is the issue of subjectivity and of the optimism or scepticism of the entrepreneur who creates the forecasts, especially when it comes to projecting sales. As Sahlman communicated; detailed financial projections for a new company are pretty much an act of imagination¹⁵⁵. If the demand of the Lady Case would be higher than expected the possibility to order more is always available, it is first after a few 100.000 boxes per month that supply as such can become an issue¹⁵⁶. However, a liquidity problem might occur, especially if the extra orders need to be placed early in the first year, though this can perhaps

¹⁵⁴ Smith & Smith, Entrepreneurial finance,

¹⁵⁵ Sahlman, How to write a great business plan, 1997

¹⁵⁶ Titoma, Phone call, Quote from Olsson M, 2009

be solved with a bank loan which would be prudent to discuss with the bank beforehand. If the demand would be too low it would take much longer for the cash-flow to turn positive, if at all. Holding the investments constant there would be sufficient funds to handle a sale of 10.000 units the first year meaning a sale of 34 casings per store; however no orders can be made until end of October if liquidity is to be held. The entrepreneur could choose to inject more money into marketing to create higher awareness of the product and through this increase sale. However, deducting the investments, the cash-flow during the first year would never turn positive, and if sales would not pick up the venture would be out of business by year 2. In the event that there would be essentially no demand for the product it is perhaps generic enough to be sold with other purposes, i.e. it should have some residual value. It can probably be sold at a little less than cost as a make-up or jewellery casing to cover for some of the investments made. But again, leaning on the results from the surveys and considering the channel used to access the customer these low-sale or no-sale scenario on its own does not seem like any larger threats about to come true. Returning to the positive Net Present Value of this venture, *“The NPV rule states that managers increase shareholders wealth by accepting all projects that are worth more than they cost. Therefore they should accept all projects with a positive Net Present Value”*¹⁵⁷. Following this rule the Lady Case concept should be launched.

Risks & Reward - Defendability

The SWOT analysis, which is illustrated in appendix O, revealed opportunities already talked about like world market potential, further product development and product differentiation. However, it has also shown some threats concerning the opportunity that need to be considered more closely in relation to possible product launch. Should the consumers change their protection habits in great volumes and switch to another protection product like “The Diva Cup”, the utility of the Lady Case would be limited. However, as discussed previously, this product is reusable and needs to be washed by the wearer making the appeal less strong, and it does not seem feasible that this product would pose a great threat to neither the tampon nor sanitary napkin markets. Though, if the change occurs it could perhaps be possible to alter the design of the Lady Case to fit “The Diva Cup” to serve the same use. There is also a risk that accessories go out of fashion, however, the Lady Case serves first and foremost a protective purpose and should still be able to market and sell on the functionality. Reversely,

¹⁵⁷ Brealey et al, Fundamentals of corporate financing, 2004, Page 181

should a change in packaging occur that would fix the issues of easy breakage in the bag the Lady Case could be sold on the accessory function that would keep it more discreetly in the bag.

Overall the biggest immediate threat identified for the start-up is the potential competitor entrance in the market. This raises the question of how big this threat really is. In the light of the information retrieved from the analysis, taking point in the Porterian competitor analysis made previously, Baumols concept of Contestable Markets¹⁵⁸ is considered.

Contestable Markets

A market where many firms can enter quickly and easily, without any entrance barriers, if price exceeds costs and can exit rapidly, without high costs or exit barriers, should the price drop below cost is called contestable. In a perfectly contestable market price equals marginal cost and strategic behavior is irrelevant, though there are few known examples of such markets¹⁵⁹. Baumol identifies another 3 criterions, in addition to the rule of no entry or exit barriers, which need to be fulfilled for a market to be contestable¹⁶⁰. First of all the entering competitors can serve the same market demands and use the same production techniques as the incumbent, in this case the entrepreneur, which is true in this situation. Furthermore, the competitor must evaluate profitability on pre-entry prices - even though being aware that prices go down when supply goes up. It would be difficult for the start-up to cover the entire market leaving space for other entrants. The profit margins also leaves room for lowering the prices somewhat and still make money. Finally the customers' perception of the desirability of the product must be the same. Should exactly the same design be sold the desirability would be the same, with two different designs and brands the desirability should also differ.

At first glance the Lady Case market does seem contestable, however it falls with the condition of costless entry and exit of firms in the market. Baumol defines barriers to entry as *“anything that requires expenditure by a new entrant into an industry, but imposes no equivalent cost upon an incumbent”*¹⁶¹, he also sees sunk costs as barriers to entry since it will make it expensive to exit, furthermore a threat of retaliatory action from the incumbent is seen

¹⁵⁸ Baumol, Contestable Markets and the Theory of Industry structure, 1982

¹⁵⁹ Carlton & Perloff, Modern Industrial Organization, 2005

¹⁶⁰ Baumol, Contestable Markets and the Theory of Industry structure, 1982

¹⁶¹ Baumol, Contestable Markets and the Theory of Industry structure, 1982, Page 282

as a barrier which can be in a form of aggressive pricing or getting the competitor involved in legal issues being both expensive and time consuming, or the like. The success of the Lady Case hinges on the access to customers and a possibility of volume sales. This means that the potential entrants must be able to gain access to many sales points and be able to handle the logistical supply either by doing it themselves or by selling the same way as the start-up – through a chain which handles its own logistics. If the entrant cannot secure a deal with a chain, there are after all a limited number of chains and not all products would be allowed to be sold through them, or does not have its own channels build up there would be big investment needs in these areas leading to high potential losses at a rapid exit. Selling through a chain the payment structure where payment is collected after the in-store sale, also makes investment a necessity since inventory must be held. For entrants and the entrepreneur this would indicate that an exit from the market would leave them with a warehouse full of casings which if not sold in a different way would be a lost investment or in another word a sunk cost. Not to mention cost of design, prototypes with moulds, marketing costs paid etc. Taking a big business perspective there is not a lot of money involved in these losses, but for a start-up strapped for cash switching product lines or industry is not something that can be done easily and at no cost which indicates that the market is not completely contestable¹⁶².

However, returning to the competitor analysis earlier in the project, for companies already in the industry with the sales machine and logistical arm already in place or for firms that have the same access opportunities as the entrepreneur the barriers to entry is lowered significantly and are still the biggest threat to the success of the start-up. Since the Lady Case cannot be protected by a patent legal actions cannot be used as deterrent or protection against entry. It is also debatable how effectively the entrepreneur could enforce the patent on a global scale, should there have been one, since legal actions are very complex, takes time and can cost vast amounts of money to follow through on - but on a smaller scale it should be effective. Other protections like process skills or specific know-how needed to launch this product is not very difficult for a firm to absorb and is not a high entry-barrier. Furthermore it would be very difficult for the entrepreneur to threaten with retaliatory actions as protection against entry, especially not against a larger firm, since its size and capital backup is not large enough to create any serious threat. There is no denying that the barriers to entry and exit are quite low, especially for the firms within the industry, and that the profit potential does invite

¹⁶² Baumol, Contestable Markets and the Theory of Industry structure, 1982

competition. Sahlman's thoughts on the perfect business are where you can “buy low, sell high, collect early and pay late”¹⁶³. In this venture it is bought low and sold high but not collected very early or paid very late. This in combination with the knowledge that if competitors would enter the profit potential would be altered significantly in a negative direction since a higher supply generally leads to lower prices indicates a potentially unattractive future market structure which inhibits growth and profit potentials of the Lady Case.

One issue that could present a challenge for the entrants is importance of design; The Lady Case is a concept that needs to be sold in the right way. To simply make some cheap casings and practically throw those against the consumer will take a share of the market but there should still be a significant amount of consumers, as the survey shows, that are willing to pay for good design and quality. This is more difficult to copy, and it takes more time for a company to set up operations and get into the business. The most probable competitors to enter the business would probably be one or several of the conglomerates. Procter & Gamble, Kimberly-Clark or SCA are just examples of a feasible entrant. This is due to their access to customers, the related products they carry and the fact that economies of scale can be employed with enough capital to defend a position. It is not always so, but in this case size does matter. The profit potential for a larger firm is potentially greater than calculated in this project since they should have more buyer-power, a better logistical set-up and more funds to reach a greater market. Intuitively they should also be better negotiators which can perhaps give them better prices, payment terms or the like. In theory the retailer could also get into the market but that would mean taking on all the risk and have capital bound in inventory, it is probably more feasible that they focus on their sales competencies where they have their strength and leave the production and most of the risk to the supplier.

With that said it is not considered realistic that one firm would have a natural monopoly and have complete access to all relevant markets and be able to supply the global amount needed cheaper than all others, where price equals average cost, when thinking about cost of transport, future investments in facilities, etc. But since it is a more or less generic product which profits from economies of scale, does not need a big post-sale support system and with a position that needs a lot of muscles to defend it implies an intermediate level where a few

¹⁶³ Sahlman, Some thoughts on business plans, 1996, Page 9

large firms compete for profits though without having all the properties of a completely competitive market¹⁶⁴.

The analysis has revealed that in the event of a larger entry of competitors there are few things that the start-up can do to protect its concept and market shares. And even though the market has been found not to be completely contestable Baumol¹⁶⁵, as with Porter¹⁶⁶, still makes an important point; as long as there is a feasible potential profit to be captured and the risks involved are manageable, the risk of a competitor entering is high. Due to the high risk of entrance, the long-run sustainability for the entrepreneurial start-up is most likely not a feasible outcome, however in the short run the issue of information-lag comes into play. The information flow in today's society is quick but it is far from instantaneous, which would give the entrepreneur the possibility to reap the profits from the new concept at least in a short term perspective. The question is how long it would take the potential competitors to realize the value of the concept and then to develop the product and finally to bring it to the market.

Kotler affirms that companies, especially the larger ones, sweeps the market is search of potentially good ideas.¹⁶⁷ With this in mind one can speculate that it does not seem unreasonable that it would take less than 3 months, maybe as little as 1, before someone “in the right firm” recognized the potential of the Lady Case after its launch. From this point it would probably take another 2 to 4 months to develop their own product with delivery capabilities and to have it ready for the market, taking project approval, delivery-time, design issues and marketing plans into consideration. This timeline is considered reasonable based on the time needed and used to develop the Lady Case concept and reduced somewhat since the idea can be copied and a larger firm should have more efficient set-ups for such development. This gives an interval of 3 months as worst case scenario, and 6 months as best case scenario where anything in between is a possibility. This indicates that there is room for only one batch order of 20.000 units for the entrepreneur, which would lead to higher cost per unit and a new break-even point at fixed cost after tax of 10.033 casings sold.

¹⁶⁴ Carlton & Perloff, Modern Industrial Organization, 2005

¹⁶⁵ Baumol, Contestable Markets and the Theory of Industry structure, 1982

¹⁶⁶ Porter M, Competitive Advantage, 1985

¹⁶⁷ Kotler, Marketing Management, 2003

Assuming that the costs stay the same throughout the year the span of profit potential before tax is between -215.996 in the sixth month of operations, adding the yearly cost and sales of that month and deducting investments, and 94.951 DKK in the ninth month of operations following the first year of sales as illustrated in appendix K. However, it is far from certain that the competitor would be selling through the same channel and some sales should be expected in the months to come, a sale of half the expected amount for the two following months is not considered unreasonable. This would lead to a potential profit span of -119.746 DKK in month 8 and 226.201 DKK in month 11 and leave the entrepreneur with over 10.000 casings to be sold in the first scenario and 250 casings in the last scenario. It is possible that the 10.250 casings can be sold either more slowly through Matas or to someone else with a different purpose, but in this calculation it is assumed to be a sunk cost. The possibility that either extreme of 3 or 6 months to enter would occur is quite small since it does take time to create not only a product but a concept to sell, but the entering firms which are assumed to be quite large still has a lot of manpower and capital to make things move. Due to this it is considered most feasible that entry will happen between the points of 3 to 6 months.

Another way to attempt to delay entrance would be to lower the prices from the start, lessening the incentives for a potential competitor. However, even if this would probably increase the initial sales they would still be low due to poor customer awareness and the profits from the extra sales would be eaten up by the lower price received per unit which discourages the use of this technique.

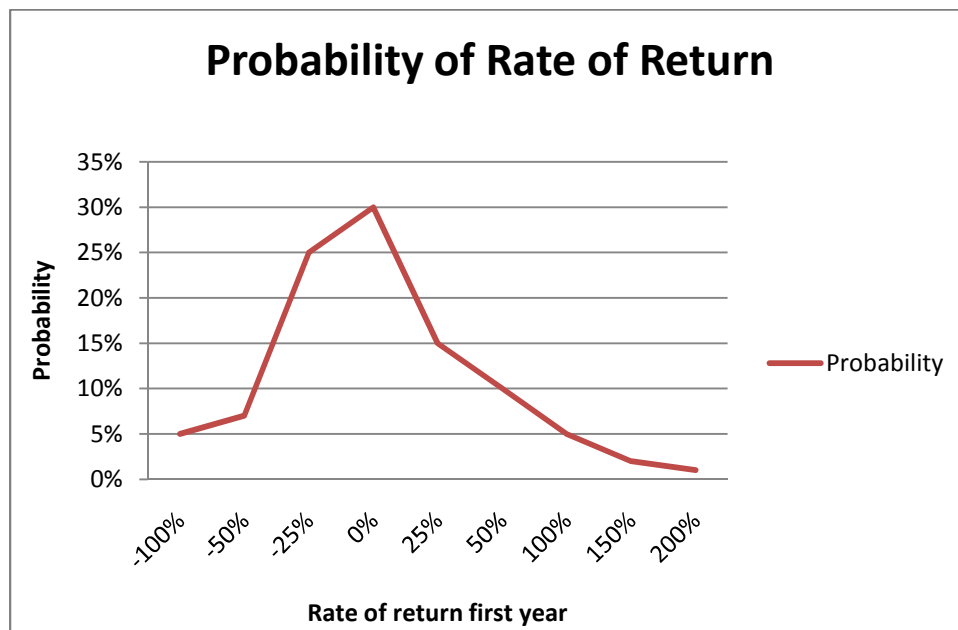
Table 6: Probability of Rate of return

Table 6 illustrates the probability of acquiring a certain level of rate return for the Lady Case start-up through the first year. This shows a high probability, almost 40%, of getting a negative return on the investments and a lower probability, less than 35%, of making any positive return at all. Since the probability of return plummets when looking at the sustainability in the long-run it would be a high risk taking to enter into this venture. And should entry be made there are few exit plans available, the literature suggests options like IPO, selling the company or merge with another¹⁶⁸, which would all be difficult or impossible since the company has no real special know-how or assets that can be of interest post-entrance. One option would be to shut down operations, the other to attempt to sell the shell to another party – perhaps to produce something similar that would need to go through the same sales channels. Then the one thing the venture could offer would be possible contacts to suppliers and sales channels, though it is not very likely a relevant price could be obtained.

¹⁶⁸ Smith & Smith, Entrepreneurial finance

Summary of the Risk & Reward analysis**Table 7: Key points – Risk & Reward**

Aspect	Summary Notes	Risk & Reward Potential
Net Present Value	Positive for first three years of business	High reward
Higher demand than projected	Can deliver up to 200k a month, issues with liquidity can arise early in the year	High reward
Lower demand than projected	Can survive at 10.000 first year, issues of survival year 2	High risk
No demand for product	Possible residual value of product	High risk
Competition	High risk of entrance of large players	High Risk
Protection of product	No patent or special know-how and no threat of retaliation	High Risk
Industry structure	Not attractive, high future risk of low profit	High Risk
Market	Not contestable, strategic behavior relevant	High Risk
Financial projections	Very low long-run profit potential, rate of return shows high short-run risk	Low Reward/ High Risk

As can be seen in table 7, the viability of the concept is supported by the NPV of the venture. Looking at the different scenarios of sale it is found that should the demand be higher than expected there is capacity to handle it though liquidity may become an issue if it is early in the first year. Should the demand be lower than expected, down to 10.000 units would be survivable however if nothing is done and the low sales would continue there would be issues of survival in year 2. If there would be no demand for the product it could perhaps have some residual value and be sold as e.g. a make-up or jewellery casing to cover some losses. In terms of viability the Lady Case formulates a good deal worth going for.

The biggest immediate threat identified for the start-up, as illustrated in table 7, is the potential competitor entrance in the market. Taking point in the Porterian competitor analysis made previously, Baumols concept of Contestable Markets¹⁶⁹ is considered, however the failure to meet criterion of being able to switch markets without cost implies that the market is not completely contestable¹⁷⁰. Though as long as there is a feasible potential profit to be captured and the risks involved are manageable the risk of a competitor entering is high. The most probable competitors to enter the business would be one or several of conglomerates with capital, sales machine and logistical arm already in place.

The analysis has revealed, as depicted in table 7, that in the event of a larger entry of competitors there are few things that the start-up can do to protect its concept and market-shares since patents cannot be applied, no real specific know-how is needed and threat of retaliatory actions would be too small. In this venture it is bought low and sold high but not collected very early or paid very late which is a flaw in the payment structure. Due to the high risk of entrance, the payment structure and the poor overall defendability of the Lady Case the long-run sustainability for the entrepreneurial start-up is not seen as a feasible outcome, however in the short run the issue of information-lag comes into play. This gives an interval of 3 to 6 months where competitor entry is feasible. This indicates a potential profit span of - 119.746 DKK in month 8 and 226.201 DKK in month 11. The rate of return in the short-run shows a high probability, almost 40%, of getting a negative return on the investments and a probability of less than 35%, of making any positive return at all indicating a high risk venture to enter.



¹⁶⁹ Baumol, Contestable Markets and the Theory of Industry structure, 1982

¹⁷⁰ Baumol, Contestable Markets and the Theory of Industry structure, 1982

Findings & Further discussions

Focus & Summary of the Findings & Further discussions

This section will clarify the findings of the analysis and discuss the delimitations applied, it will also look into the impact of the launch of a similar product in relation to the Lady Case and finally further research needs are discussed.

Taking point in the Risk & Reward analysis from an Opportunity perspective, it can be concluded that even though the concept viability carries very high potential the concept holds too much risk due to its poor defendability and is not a sustainable solution in the long run for a start-up venture. The Libresse launch, from an opportunity and risk & reward perspective, raises the barriers to entry and the risk of entry is now even higher than before. However, the results of further analysis surrounding the people and the context of Sahlman's framework could perhaps alter the outcome this analysis and further research is suggested¹⁷¹. Furthermore, a more thorough investigation of the relation between the elements and the best methods for answering the questions posed by Sahlman is suggested. Finally, applying a pragmatic theory like Sahlman's can create new knowledge in regards to the way entrepreneurs perceives their true opportunities.

Findings

The positive attitudes found in the surveys made, in combination with the similarity in packaging, a huge market of the sanitary napkins and tampons and a generic design creates a great global sales and growth potential for the Lady Case. Looking at further expansion opportunities it also exhibits very encouraging potential; the company can introduce different casings and line of products can also be expanded.

The access to a large customer base, good logistics and the design of the casing has been identified as key drivers for success of the concept and the most attractive place of sales in terms of customer access and satisfaction, has been identified to be through a more accessory oriented chain of stores. The payment structure of this venture has a disadvantage; it is bought

¹⁷¹ Sahlman, How to write a great business plan, 1997

low and sold high but not collected very early or paid very late. However, considering the above in combination with the positive revenue and cash-flow stream, the net income, the NPV and potential profits that can be generated from such a low cost/high margin product, the viability of the concept is confirmed.

The biggest immediate threat identified for the start-up is the potential competitor entrance in the market. The analysis has revealed that in the event of entry of a large competitor there are few things that the start-up can do to protect its concept. Due to the high risk of entrance, the long-run sustainability for the entrepreneurial start-up does not seem like a feasible outcome, however in the short run the issue of information lag comes into play. The rate of return in the short-run shows a high probability, almost 40%, of getting a negative return on the investments and a probability of less than 35%, of making any positive return at all indicating a high risk to enter.

Taking point in the Risk & Reward analysis from an Opportunity perspective, it can be concluded that even though the concept viability carries very high potential the concept holds too much risk due to its poor defendability and is not a sustainable solution in the long run for a start-up venture.

Discussion of Delimitations

Focus

Due to the restraints of time and space in this paper two of Sahlman's cornerstones, “the people” and “the context”, were not explored. This leaves many questions unanswered and as examples can be mentioned; could the right people conceivably have secured an alliance with one of the larger companies, or raised enough money to be competitive in the market? Could the right people have found another way to stay competitive in the market? Could those people have been recruited to run the new company? Could the context have given any further protection or posed more dangers to the project in terms of legislation -import/export/antitrust, etc? Could a Business Angel have been a better choice as investor and would that have altered the results? The results of further analysis surrounding these two cornerstones could perhaps alter the outcome of how viable and defendable the Lady Case is as a concept and whether or not it is sustainable in the long run.

Data collection

Basing the data collection on the Danish market means that the tastes and preferences exhibited are local and even though it bears signs of being a potentially global product the results can and probably will vary across nationalities and continents. A larger, more in-depth survey could have given a broader overview of the preferences of not only different populations but also the Danish one which would not be as much limited to the urban setting and place of visit. However, the findings of the survey are still applicable to the Danish market and to some extent to the larger context and do give a good base as to deciding viability of the idea. The use of another language in the survey opens for the possibility that something could have been lost in translation, however multiple persons, herein a bi-lingual colleague, were drawn upon to attempt to minimize the potential of translational errors. The translation issue could distort the outcome of the surveys in both a negative and a positive way. It is also important to note that for the qualitative workshop the author was in the same acquaintance sphere as the participants which could have affected the outcome either in a negative way, inhibiting disclosure of the true feelings towards the product or in a positive way where the participants felt safer with a known moderator and was more open in their views.

Author partiality

Due to a natural bias the author will possibly be more optimistic regarding the potential of the business concept presented, and be more prone to disregard possible threats to prove its viability since it is her own. However, employing the theories, the author has endeavoured to relay the situation in a fair and equal way and has strived to remain as impartial as possible.

Post project perspectives

During the writing of this project Libresse launched a close version of the Lady Case, offering it as an add-on when buying a package of sanitary napkins. This casing fits one normal-sized tampon, cannot be used for tampons, is not of good quality and has very dominant colours with the Libresse logo on one side. It does provide the basic function of protection and is for “free” (you would still need to buy a package of sanitary napkins to get one), however according to the workshop participants, see appendix E for details, it does not appeal in design and the colours and logo does still make it obvious as to what is in the casing in the purse. Furthermore, it is somewhat too small, ideally it should be able to hold 2 normal-sized sanitary napkins or tampons, and the feeling of the casing is very cheap.

This launch verifies that there is potential in the product idea, however it does move in to the Lady Case territory and the question is if there is a possibility to still launch the Lady Case as a “high-end” product where design and quality is what is paid for. Even though the “free” casings exists, 3 out of 7 women from the work-shop, all from the younger segments, felt certain they would rather pay for something “proper” than using the “free” casing from Libresse while 2 were unsure , 1 would stick with the “free” casing and 1 would not use any of the casings. This indicates that there is still a market for a concept like the Lady Case, though it is now much smaller and more in the nature of a niche market. However, there is a possibility that the free add-on is a strategy from Libresse to generate awareness for the product and to attempt to create a need for the consumer. Based on this there could come a casing with a better appeal within the near future. Using this strategy could also help to deter possible competitors to enter since they are signalling interest in the market and the potential profit would probably become very low. Of course it can also be that Libresse only will use it as a way to create more competitive value for their sanitary napkins, however in the long run the intended consumer would need far more sanitary napkins than the number of protective casings that would come along in the purchase. This makes it difficult to believe that it is a long run strategy.

With this in mind it is difficult to see any way that would make the Lady Case concept, from an opportunity and risk & reward perspective, profitable neither in the short run nor the long run without extremely high risk.

Discussion & Further research

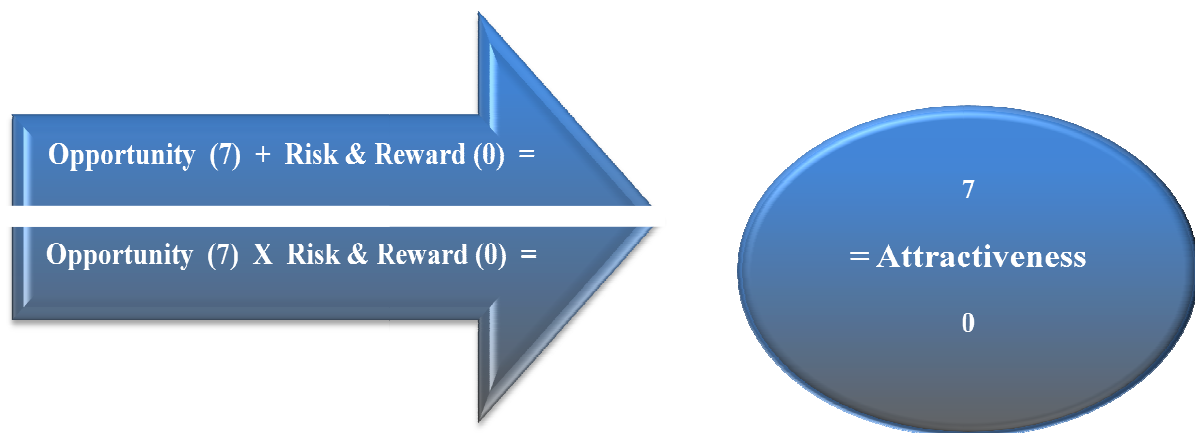
Applying Sahlman’s theory reveals an interesting problem and hence a potential area of future research. Sahlman thoroughly develops the conceptual content of each of the elements of his theory. However, he does not extend the framework to include an in-depth discussion of the relation between the elements and the elements and the final result. He only briefly mentions an existing interdependence, and that the fit between the elements is vital when analyzing a business concept.

Just to illustrate the potential, consider the following example-outline:

This Sahlman based analysis indicates an Opportunity rating of approximately 7 (out of 10) and a corresponding figure of Risk and Reward of close to 0 (also out of 10). The importance

of the relationship between the parameters can be interpreted in two ways as illustrated in table 8.

Table 8: Visualisation of Attractiveness



Depending on how the relationship is viewed, different results have been found. The second result puts much more emphasis on the importance of risk and it provides a very different starting point for evaluating potential entrance than the first result gives. In the situation of the Lady Case the second alternative has been deemed an appropriate approach, however, the judgment of the accumulated attractiveness is still very difficult and further research into this issue is suggested.

Furthermore, considering the results of the analysis of the Lady Case, Sahlman's framework¹⁷² does provide the important questions that need to be answered when considering launching a new concept; however it does not offer all the tools to answer them. This can create a weakness in the system since it does not really specify what is important to consider when applying many of the models needed to generate e.g. market plans, risk evaluation or financial calculations. This is left for the writer to do as best after ability. Further research into the best methods for answering the questions posed is suggested, and an

¹⁷² Sahlman, How to write a great business plan, 1997

extension of the framework should be created to assist in a better analysis and a more structured outcome of the investigation.

However, the questions discussed by Sahlman do give a good indication of where to place importance and he emphasises conservatism and the dangers of being overly optimistic. The graphs of cash-flow potential and probability of rate of return has been put in place to give the reader a fair warning should all common sense have been bereft the entrepreneur. In the end applying a practical-oriented theory like Sahlmans¹⁷³ can create new knowledge in regards to what it actually takes to start and sustain a successful company and change the way entrepreneurs perceives their opportunities.

¹⁷³ Sahlman, How to write a great business plan, 1997

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Appendix A - Quantitative Survey

Survey questions

This survey has been prepared by a student at the Copenhagen Business School, as a step in a master-project, to evaluate customers’ potential interest towards a new intimate accessory product called the Lady Case. Respondents have been chosen randomly for this survey and answers will be treated confidentially.

Demographical questions

Please mark appropriate answer with an X or specify when possible.

1. **Age group:** ☐ 11 and younger ☐ 12-20 ☐ 21-35 ☐ 36-50 ☐ 51-65 ☐ 66 and older
2. **What is your current marital status?**¹⁷⁴ ☐ Unmarried ☐ Married
3. **Family size of your household**¹⁷⁵: ☐ 1 person ☐ 2 people ☐ 3 people ☐ 4 people
or more
4. **What is the area-code of your current address?**
5. **Please indicate the highest level of education you have completed**¹⁷⁶: ☐ Gymnasial
or equivalent ☐ Bachelor graduate ☐ Master graduate
_____ Other (please specify)
6. **Which of the following describes you best**¹⁷⁷? ☐ Student ☐ Employed
☐ Homemaker ☐ Retired ☐ Not Employed
7. **If you are employed please check the appropriate line:** ☐ Farming, fishing
☐ Industrial work ☐ Energy- & Water- supply ☐ Construction ☐ Trade, Hotel &
Restoration ☐ Transport, Postal service & Telecom ☐ Finance & Business service

¹⁷⁴ Createasurvey.com

¹⁷⁵ Surveyshare.com

¹⁷⁶ Createasurvey.com

¹⁷⁷ Createasurvey.com

☐ Public sector _____ Other – please specify¹⁷⁸

8. **What is your annual income¹⁷⁹?** ☐ Under 100.000 dkk ☐ 100.00 to 200.000 dkk
☐ 200.000 to 300.000 dkk ☐ 300.000 to 400.000 ☐ 400.000 to 500.000 dkk ☐
500.000 dkk and above

Background information for product use

9. **What protection do you use during your period?** ☐ Sanitary towels (hygiejnebind)
☐ Tampons ☐ Both _____ Other (please specify)
10. **Do you carry sanitary towels or tampons in you purse for emergencies?**
☐ Yes ☐ No ☐ Do not use either
11. **Have you experienced any problems or irritations with the sanitary towels or tampons while in you purse?** ☐ Yes ☐ No ☐ Do not carry them

The product¹⁸⁰

Please read the following product description and respond to the questions below.

The problem that is addressed is that the packaging for sanitary towels and tampons are not always durable enough when stored in a purse or handbag. It can also be difficult to find or too easy for others to see in the purse.

The product is a designed casing for sanitary towels and tampons to carry in a woman's hand-bag. The casing will protect the packaging of the towels and tampons; it will also make it easier to find in the bag. Furthermore it will make it more difficult for others to see what you are carrying in the purse. The casing will come in different colours and two sizes, small & large (“invisible” & “extra long”) and can room either sanitary towels or tampons.

¹⁷⁸ Danmarks statistik, E-resource

¹⁷⁹ Surveyshare.com

¹⁸⁰ Createasurvey.com

12. Do you find the product interesting? ☐ Yes ☐ No

13. Have you heard of this product or something similar before? ☐ Yes ☐ No

If yes please specify: _____

14. Which of the following best describes your need for a product like the Lady Case?

☐ I need this or a similar product to solve this problem

☐ I am indifferent, other products can solve this problem just as well

☐ I don't see any reason why I should buy this product

15. If you would buy the Lady Case, what would be the most important factors in the choice of product? Please choose up to three alternatives:

☐ Value ☐ Best Performance ☐ Recognized brand name ☐ High Quality ☐ Shopping Convenience ☐ Discount ☐ Design ☐ Other (please specify)

16. If you would buy the Lady Case, how much would you pay for it?

☐ 25 to 50 dkk ☐ 51 to 75 dkk ☐ 76 to 100 dkk ☐ 101 to 125 dkk ☐ 126 to 150 dkk

☐ Other (please specify) _____

17. If you wanted to buy the Lady Case, which purchase place would you most prefer?

☐ Purchasing Online ☐ Purchasing in the local super market ☐ purchasing in a more accessory oriented shop ☐ Other

18. How often could you find a use for the Lady Case? ☐ Every day ☐ Once or twice a week ☐ Two or three times a month ☐ Two or three times a year ☐ Would not use

19. Additional comments regarding the product?

Appendix B – Qualitative interview questions

Outline of questions and information need from telephone interview

Introduction of interviewer and product-idea

- Name, age*, marital status*, location and position of interviewee
- What are the potentials for patenting this product?
- Can you give examples of other possibilities for protection?
- How feasible do you think the idea is?
- What threats do you perceive for this product?
- Would you buy the product and if you would how much would you then pay?*
- (partially closed question)

*Only asked if interviewee appears comfortable with situation

Appendix C – Summary of qualitative interview

Transcript – summary

Klingenborg Kristina, Telephone interview, Patent & Varemærkestyrelsen, 26.03.2009

Name: Klingenborg Kristina

Age (group): 21-35

Marital status: Married- 1 child

Position: Employee in the patent department of the Patent and Trademark association in Copenhagen

After hearing about the product idea and thinking about possible ways to protect it, Kristina rules patent out. The product is not innovative or specific enough for a patent. She continues to elaborate on a Danish concept called a “Brugsmodel” patent, also known as “the small patent”, which could be a possibility. The demands for innovativeness are less stringent, but protection only lasts for 10 years. A “small patent” is not automatically verified but it can be investigated. Either you do it yourself or you pay someone, e.g. the Patent and Trademark association to do it for you. Here the interviewer explains that some groundwork has already

been done; a data-base search at the Patent and Trademark associations' homepage has been conducted using the following key-words: hygiejnebind (sanitary-towel), bind (short for sanitary-towel), tampon, æske (box) and etui (casing). From the top of her head Kristina thinks it sounds like most ground have been covered, but she also suggests that the search is done again with multiple search words. She would like to help more but then it would have to go through as a request at the patent department. Kristina also mentions a design-patent as a way of safeguarding the product (from 5 years unless renewed), or a trademark protection of the name or logo. However, based on what she has understood from the product-idea, none of the mentioned protections would really stop anyone from going into the market with a very similar product, using the same basic idea. And the “Brugsmodel” patent would still need to be more specific than a generic casing.. Continuing on to how feasible the idea is for her, she thinks it is a good idea but that she can only say that as a personal opinion and not a professional. On the question if she would want one herself she answers yea and she would be willing to pay between 50 and 100 dkk depending on design etc. When asked about perceived threats she answers, as said before, that it is a product that is difficult to protect. Anyone can copy the idea. Other than that, she does not know.

Appendix D – Workshop pre-session notes

Workshop 21/8-09 Topics of discussions & survey questions

After introductions of product idea/prototype

Points of interest (Open discussion):

What do you think about the product in terms of:

- General Idea
- Design
- Size
- Colour
- Functionality
- Price
- Place of purchase

Closed Questions for questioner:

1. **Age group:** ☐ 11 and younger ☐ 12-20 ☐ 21-35 ☐ 36-50 ☐ 51-65 ☐ 66 and older
2. **What is your current marital status?**¹⁸¹ ☐ Unmarried ☐ Married
3. **Family size of your household**¹⁸²: ☐ 1 person ☐ 2 people ☐ 3 people ☐ 4 people or more
4. **Please indicate the highest level of education you have completed**¹⁸³: ☐ Gymnasial graduate or equivalent ☐ Bachelor graduate ☐ Master graduate
_____ Other (please specify)
5. **Which of the following describes you best**¹⁸⁴? ☐ Student ☐ Employed
☐ Homemaker ☐ Retired ☐ Not Employed
6. **If you are employed please check the appropriate line:** ☐ Farming, fishing
☐ Industrial work ☐ Energy- & Water- supply ☐ Construction ☐ Trade, Hotel & Restoration ☐ Transport, Postal service & Telecom ☐ Finance & Business service
☐ Public sector _____ Other – please specify¹⁸⁵
7. **What is your annual income**¹⁸⁶? ☐ Under 100.000 dkk ☐ 100.00 to 200.000 dkk
☐ 200.000 to 300.000 dkk ☐ 300.000 to 400.000 ☐ 400.000 to 500.000 dkk ☐ 500.000 dkk and above

Background information for product use

8. **What protection do you use during your period?** ☐ Sanitary towels (hygiejnebind)
☐ Tampons ☐ Both _____ Other (please specify)

¹⁸¹ Createasurvey.com¹⁸² Surveyshare.com¹⁸³ Createasurvey.com¹⁸⁴ Createasurvey.com¹⁸⁵ Danmarks statistik, E-resource¹⁸⁶ Surveyshare.com

9. **Do you carry sanitary towels or tampons in you purse for emergencies?**

☐ Yes ☐ No ☐ Do not use either

10. **Have you experienced any problems or irritations with the sanitary towels or tampons while in you purse?** ☐ Yes ☐ No ☐ Do not carry them

The product¹⁸⁷

11. **Do you find the product interesting?** ☐ Yes ☐ No

12. **If you would buy the Lady Case, what would be the most important factors in the choice of product? Please choose up to three alternatives:**

☐ Value ☐ Best Performance ☐ Recognized brand name ☐ High Quality ☐ Shopping Convenience ☐ Discount ☐ Design ☐ Other (please specify)

13. **If you would buy the Lady Case, how much would you pay for it?**

☐ 25 to 50 dkk ☐ 51 to 75 dkk ☐ 76 to 100 dkk ☐ 101 to 125 dkk ☐ 126 to 150 dkk
☐ Other (please specify) _____

14. **Do you think you would by this product if it was easily available and sold within your indicated price-range?** ☐ Yes ☐ No

15. **If you wanted to buy the Lady Case, which purchase place would you most prefer?**

☐ Purchasing Online ☐ Purchasing in the local super market ☐ Purchasing in a more accessory oriented shop ☐ Other

16. **How interesting do you find this product?** ☐ Very interesting ☐ Interesting ☐ Not interesting

17. **Additional comments regarding the product?**

¹⁸⁷ Createasurvey.com

Appendix E – Summary of workshop discussion

Transcript Summary of the Focus Group Workshop discussion:

21.08.09

The Lady Case received mainly positive responses from the test-panel; all participants except one (51-65) found the idea to be applicable and useful in the every-day life if the design and price is considered acceptable. The design should be elegant and simple, maybe with some inscriptions on it if it is a “hard-back”. It should be big enough to carry at least 2 medium-sized sanitary napkins or 3 tampons also medium in size. However, it should not be so large that it cannot fit into the purse or becomes too heavy to carry. It should be easy to open and close but still not spring open in the hand-bag, this would be a major cause for irritation if it did.

The general consensus regarding colours is that it should not be “too loud”, only one (12-20) though a fire-engine red would be excellent. Mostly the preference was towards silver, black, black velvet, or dark red or blue. The 12 to 20s seemed particularly partial to the black (and red) version of the Lady Case while the 21 to 35s leaning more towards the silver casing with inscriptions. The older groups were split between silver, black and velvet versions of the product. All in all, silver was the most preferred design. The test-panel did not think it should be gold or multi-colored. A suggestion is put forth to place a mirror on the casing to make it look more like a make-up casing. This suggestion is received with mixed attitudes, since some (1 12-20, 1 21-35, 1 36-50) thinks it is a bad idea to blend the two since it can be hard to tell the difference, while others (1 12-20, 1 21-35, 1 36-50, 1 51-65) think it is a great idea.

Discussing the price the group is settled between 20 – 50 and 50-100 dkk approximately, the participants feels it is very difficult to say without seeing the final product they would buy. They all agree it depends on the design and “feeling” of the casing. If it feels good, the design is appealing and the functionality good a much higher price would be paid (between 60-90 dkk) – individual answers were given afterwards regarding price and place of purchase. The place of purchase is split between the supermarket (the older segment) and a more accessory oriented shop (the younger segment). None thinks it is a product they would find and buy on the internet. Everyone agrees that it needs to be easily accessible for them to buy it. It needs to be “in their way, or “in their path” when shopping. The younger age-groups also feels that the price is connected to where you buy it and the older groups agree to some extent. The 12-20s and 21-35s feels they would pay more for a product like the Lady Case in a place like

“Matas” or “Accessories” than in the local supermarket. One of the 21-35s suggested selling the Lady Case in the same way “Tupperware” or “Orriflame” (makeup) does it, through home sales and local gatherings. All participants agreed that that could be an interesting solution, however it should be noted that not one of them had ever bought anything from these methods of sales, and when thinking about it the group (including the moderator) could only give name to one person in the outer acquaintance sphere that sells in this mode - in this case selling “Herbalife”.

Discussing why the women haven’t just bought a box or a casing that could in some way or form fit as a sanitary napkin carrier/protector there were different reasons given. Firstly it is difficult to find something that fits and still looks ok and doesn’t cost a bunch, and secondly it is not such a huge problem that you would spend days searching for a solution.

After finishing the workshop the participants were asked about the Libresse casing that has come out on the market recently. All but one (36-50) had heard of or seen it, one of the 12 to 20s had one in her purse. It was universally agreed that it was too poor quality in the metal, the colour made it look cheap and since the coloring is so bright (and it has LIBRESSE inscripted on one side) it defeats part of the purpose with a part of the product idea. However, it is functional and it is for free. 3 out of 7 of the younger participants still felt sure they would pay for a better design and quality (1 12-20, 1 21-35, 1 36-50), 2 was unsure (1 21- 35, 1 36-50), the 1 between 51 and 65 still did not think she would use it even though it was for free and 1 thought she would stick with the free alternative for sure (12-20).

Appendix F – Result of quantitative survey

Income/Age	12-20	21-35	36-50	51-65	sum		
-1	2	5			7	Dependant Real 95% DgF	27,1 24,996 15
1-2	3	14	2	1	20		
2-3	1	7	9	2	19		
3-4		15	15	1	31		
4-5		5	8		13		
5		1			1		
sum	6	47	34	4	91		

Income/Age	12-20	21-35	36-50	51-65	sum
-1	2,2%	5,5%	0,0%	0,0%	7,7%
1-2	3,3%	15,4%	2,2%	1,1%	22,0%
2-3	1,1%	7,7%	9,9%	2,2%	20,9%
3-4	0,0%	16,5%	16,5%	1,1%	34,1%
4-5	0,0%	5,5%	8,8%	0,0%	14,3%
5	0,0%	1,1%	0,0%	0,0%	1,1%
sum	6,6%	51,6%	37,4%	4,4%	100,0%

Interest/Income	1	1-2	2-3	3-4	4-5	5	sum	Independant %
yes	6	19	16	28	12	1	82	Real: 1,61
no	1	1	3	3	1		9	95%: 11,07
sum	7	20	19	31	13	1	91	DgF:5

Interest/Income	1	1-2	2-3	3-4	4-5	5	sum
yes	6,6%	20,9%	17,6%	30,8%	13,2%	1,1%	90,1%
no	1,1%	1,1%	3,3%	3,3%	1,1%	0,0%	9,9%
sum	7,7%	22,0%	20,9%	34,1%	14,3%	1,1%	100,0%

Educ./Age	12-20	21-35	36-50	51-65	sum		
Gym	4	12	19	3	38	Dependant Real: 33,1 95%: 16,919 DgF: 9	
Bac		25	10	1	36		
Mas		12	5		17		
Oth	1				1		
sum	5	49	34	4	92		

Educ./Age	12-20	21-35	36-50	51-65	sum
Gym	4,3%	13,0%	20,7%	3,3%	41,3%
Bac	0,0%	27,2%	10,9%	1,1%	39,1%
Mas	0,0%	13,0%	5,4%	0,0%	18,5%
Oth	1,1%	0,0%	0,0%	0,0%	1,1%
sum	5,4%	53,3%	37,0%	4,3%	100,0%

Interest/Educ.	gym	bac	mast	oth	sum	Dependant	
yes	32	34	17	0	83	Real	13,3
no	6	2	0	1	9	95%	7,815
sum	38	36	17	1	92	DgF	3

Family/Age	12-20	21-35	36-50	51-65	sum	%	
1	3	18	4	1	26		
2	2	22	5	1	30	Dependant	
3		6	16	2	24	Real	29,8
4	1	3	9	0	13	95%	16,919
sum	6	49	34	4	93	DgF	9

Family/Age	12-20	21-35	36-50	51-65	sum
1	3,2%	19,4%	4,3%	1,1%	28,0%
2	2,2%	23,7%	5,4%	1,1%	32,3%
3	0,0%	6,5%	17,2%	2,2%	25,8%
4	1,1%	3,2%	9,7%	0,0%	14,0%
sum	6,5%	52,7%	36,6%	4,3%	100,0%

Situation/Age	12-20	21-35	36-50	51-65	sum	%	
Student	4	21	1		26		
Employed	1	24	30	2	57		
Homem			2	1	3	Dependant	
Retired				1	1	Real	55,9
Not empl	1	4	1		6	95%	21,026
sum	6	49	34	4	93	DgF	12

Situation/Age	12-20	21-35	36-50	51-65	sum
Student	4,3%	22,6%	1,1%	0,0%	28,0%
Employed	1,1%	25,8%	32,3%	2,2%	61,3%
Homem	0,0%	0,0%	2,2%	1,1%	3,2%
Retired	0,0%	0,0%	0,0%	1,1%	1,1%
Not empl	1,1%	4,3%	1,1%	0,0%	6,5%
sum	6,5%	52,7%	36,6%	4,3%	100,0%

Price/Age	12-20	21-35	36-50	51-65	sum		%
25-50	4	10	8	1	23		
50-75	2	27	18	1	48		
76-100		9	7	1	17		
101-125		1	1		2	Independant	
126-150		1			1	Real	18,8
Other		1		1	2	95%	24,996
sum	6	49	34	4	93	DgF	15

Price/Age	12-20	21-35	36-50	51-65	sum
25-50	4,3%	10,8%	8,6%	1,1%	24,7%
50-75	2,2%	29,0%	19,4%	1,1%	51,6%
76-100	0,0%	9,7%	7,5%	1,1%	18,3%
101-125	0,0%	1,1%	1,1%	0,0%	2,2%
126-150	0,0%	1,1%	0,0%	0,0%	1,1%
Other	0,0%	1,1%	0,0%	1,1%	2,2%
sum	6,5%	52,7%	36,6%	4,3%	100,0%

Irritation/Age	12-20	21-35	36-50	51-65	sum	Independant	%
yes	5	35	22	1	63	Real	2,59
no	1	14	11	2	28	95%	7,815
sum	6	49	33	3	91	DgF	3

Irritation/Age	12-20	21-35	36-50	51-65	sum
yes	5,5%	38,5%	24,2%	1,1%	69,2%
no	1,1%	15,4%	12,1%	2,2%	30,8%
sum	6,6%	53,8%	36,3%	3,3%	100,0%

Interest/Age	12-20	21-35	36-50	51-65	sum	Dependant	%
yes	6	45	30	2	83	Real	8,14
no		4	3	2	9	95%	7,815
sum	6	49	33	4	92	DgF	3

Interest/Age	12-20	21-35	36-50	51-65	sum
yes	6,5%	48,9%	32,6%	2,2%	90,2%
no	0,0%	4,3%	3,3%	2,2%	9,8%
sum	6,5%	53,3%	35,9%	4,3%	100,0%

Need/Age	12-20	21-35	36-50	51-65	sum	Independent Real 95% DgF	4,97 12,592 6
High	5	33	24	1	63		
med	1	13	7	1	22		
no		3	2	1	6		
sum	6	49	33	3	91		

Need/Age	12-20	21-35	36-50	51-65	sum
High	5,5%	36,3%	26,4%	1,1%	69,2%
med	1,1%	14,3%	7,7%	1,1%	24,2%
no	0,0%	3,3%	2,2%	1,1%	6,6%
sum	6,6%	53,8%	36,3%	3,3%	100,0%

Within age – groups

Income/Age	12-20	21-35	36-50	51-65
-1	33,3%	10,6%	0,0%	0,0%
1-2	50,0%	29,8%	5,9%	25,0%
2-3	16,7%	14,9%	26,5%	50,0%
3-4	0,0%	31,9%	44,1%	25,0%
4-5	0,0%	10,6%	23,5%	0,0%
5	0,0%	2,1%	0,0%	0,0%
sum	100,0%	100,0%	100,0%	100,0%

Interest/Income	1	1-2	2-3	3-4	4-5
yes	85,7%	95,0%	84,2%	90,3%	92,3%
no	14,3%	5,0%	15,8%	9,7%	7,7%
sum	100,0%	100,0%	100,0%	100,0%	100,0%

Educ./Age	12-20	21-35	36-50	51-65
Gym	80,0%	24,5%	55,9%	75,0%
Bac	0,0%	51,0%	29,4%	25,0%
Mas	0,0%	24,5%	14,7%	0,0%
Oth	20,0%	0,0%	0,0%	0,0%
sum	100,0%	100,0%	100,0%	100,0%

Interest/Educ.	gym	bac	mast	oth	sum
yes	34,8%	37,0%	18,5%	0,0%	90,2%
No	6,5%	2,2%	0,0%	1,1%	9,8%
sum	41,3%	39,1%	18,5%	1,1%	100,0%

Family	12-20	21-35	36-50	51-65
1	50,0%	36,7%	11,8%	25,0%
2	33,3%	44,9%	14,7%	25,0%
3	0,0%	12,2%	47,1%	50,0%
4	16,7%	6,1%	26,5%	0,0%
sum	100,0%	100,0%	100,0%	100,0%

Situation/Age	12-20	21-35	36-50	51-65
Student	66,7%	42,9%	2,9%	0,0%
Employed	16,7%	49,0%	88,2%	50,0%
Homem	0,0%	0,0%	5,9%	25,0%
Retired	0,0%	0,0%	0,0%	25,0%
Not empl	16,7%	8,2%	2,9%	0,0%
sum	100,0%	100,0%	100,0%	100,0%

Price/Age	12-20	21-35	36-50	51-65
50	66,7%	20,4%	23,5%	25,0%
50-75	33,3%	55,1%	52,9%	25,0%
76-100	0,0%	18,4%	20,6%	25,0%
101-125	0,0%	2,0%	2,9%	0,0%
126-150	0,0%	2,0%	0,0%	0,0%
Other	0,0%	2,0%	0,0%	25,0%
sum	100,0%	100,0%	100,0%	100,0%

Irritation/Age	12-20	21-35	36-50	51-65	sum
yes	83,3%	71,4%	66,7%	33,3%	254,8%
no	16,7%	28,6%	33,3%	66,7%	145,2%
sum	100,0%	100,0%	100,0%	100,0%	400,0%

Interest vs age	12-20	21-35	36-50	51-65
yes	100,0%	91,8%	90,9%	50,0%
no	0,0%	8,2%	9,1%	50,0%

Appendix G – Partial customer segmentation analysis

Investigating the variables age and income closer shows that almost 7% of the asked in the survey is aged between 12 and 20 years old and lies within the three lower income classes (<100k, 1-200k & 2-300k). Considering that most in that age are students this is not deemed abnormal. The age group between 21 and 35 represents more than 50% of the surveyed and the income is spread out over lower and higher middle income levels while the 36-50 which

carries 37% of the total survey keeps mostly in the middle income class. The 51-65 represented by less than 5% in the study is spread between the mid to lower regions of the income chart. Applying chi-square to these variables dependence have been confirmed (DgF: 15, 95%: 24,996, real: 27, 1) so the finding is statistically viable. Though the younger segments are in the lower parts of the income scale does not necessarily make them unattractive segments. The Lady Case is not a high-value item, but it is an accessory and the younger segments are more prone to spending money on fashion-accessories and the like than the older segments¹⁸⁸. Not because they don't care but usually because they have a lot of other expenses to deal with like a house, a car or children before they go shopping for themselves. This indicates that the younger segments are still more attractive as target consumers.

Moving on to age versus education the group 12-20 has mostly completed a gymnasial education, which fits with the age and school system in Denmark. The 21-35 holds mostly bachelors and the remaining 26% is evenly divided between gymnasial and master degrees. Of the surveyed more than 20% is between 36 and 50 and has a gymnasial education, and more than 10% in the same age group holds a bachelor degree. Finally the 51-65s carries a high representation of the gymnasial educated in their age group however overall it is only 3% that fits this criterion in the total survey. Also here the chi-square has confirmed a statistical dependence (DgF: 9, 95%: 16,919 real: 33, 1). It is important to note that this is just a snapshot of the situation at this moment for the surveyed women, many of the participants are still young and still in the educational system so even though they are listed as having completed a gymnasial education does not mean that it is so in two years. However, looking within the age-groups it is evident that many of the 21 to 35 have attended higher education with over 50% holding a bachelor grade (and 24, 5% a master degree) while the same is true for less than 30% of the 36 to 50s and 25% of the 51 to 65s.

Looking at age set up against number of family members it confirms (DgF: 9, 95%: 16,919 real: 29,8) and reveals that just about 3 % of the surveyed are between 12 and 20 and live alone while the other 3% lives with two or four family members. Furthermore almost 20% is between 21 and 35 and lives alone, while more than 23% lives with someone else. About 10% in the same age group lives with 3 or 4 or more people. Almost 20 % of the women asked are between 36 and 50 and lives in a household with 3 people, this is followed by almost 10% living with 4 and the last 10% evenly divided between 1 and 2 people in the household. The

¹⁸⁸ Kotler, Marketing Management, 2003

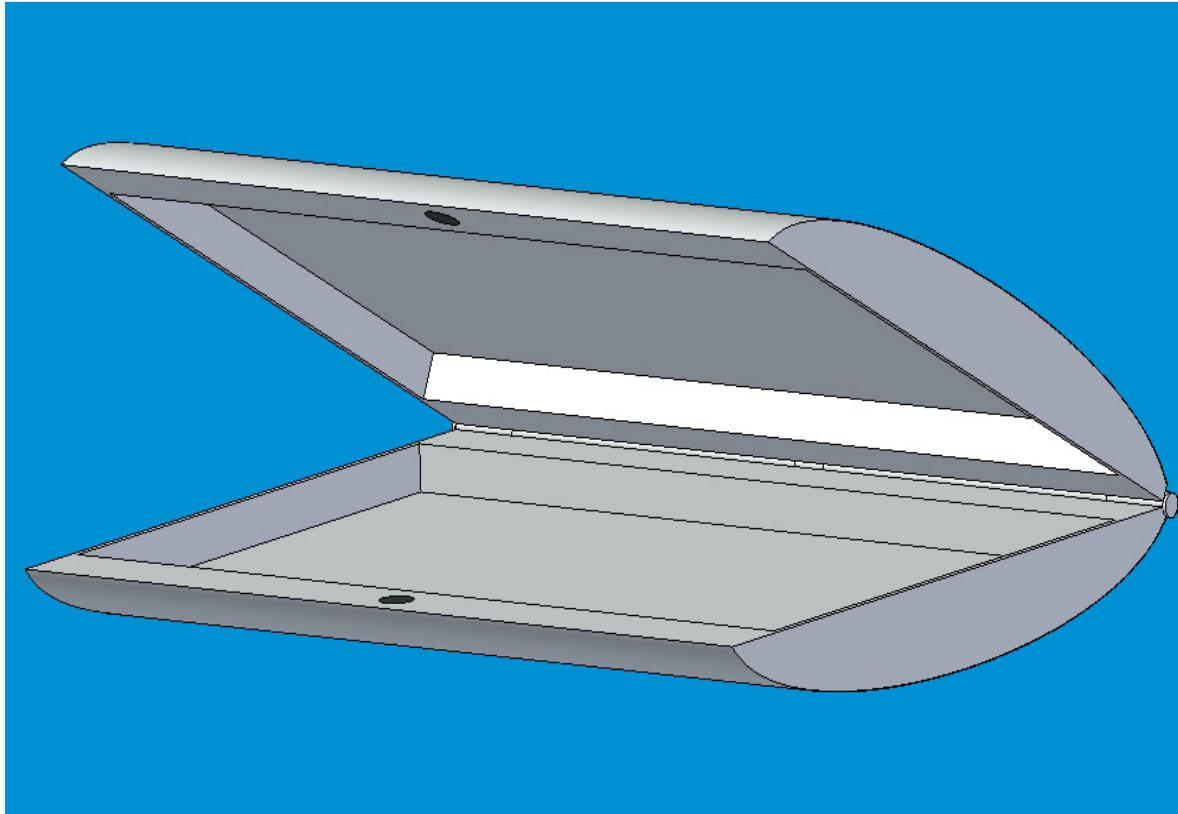
4% represented in the age between 51 and 65 is quite evenly distributed between 1, 2 and 3 people living in the same home. In short this indicates that the younger segments are poled around 1 or 2 people in the household and the older segments consists more of larger households but still have a spread over the single and double family unit.

Examining the correlation between age and situation the survey results confirms that most of the 12-20s are students (DgF: 12, 95%: 21,026, real: 55, 9), and the 21-35 are split pretty evenly between being a student and being employed. In both sections there are a few un-employed members. Looking at the group aged between 36 and 50 it holds about 37% of the surveyed women whereof more than 32% are employed. The answers fitting with the group aged between 51 and 65 are quite evenly spread between employed, homemaker and retired.

Comparing age against price it is obvious that the age group between 12 and 20 is price-sensitive, of the 6% represented in the survey over 4% would pay the lowest alternative given for the product; between 25 and 50 DKK. The last part would pay from 51 to 75 DKK for the Lady Case. In the group of 21-35 29% of the surveyed would consider paying 51 to 75 DKK and the rest is divided between the price groups 25-50 and 76-100 DKK. 19, 4% are between 36 and 50 and also lies in the price range of 51 to 75 DKK and continues to follow the pattern of the younger group. The final 4% in the group aged 51-65 are spread from 25 to 100 DKK. It should be noted that no dependence was found when employing the chi-square test (DgF: 15, 95%: 24,996 real: 18, 8). The findings of the workshop survey supports the price statistics to a large extent where the group 21 to 35 feels 51-75 DKK is an acceptable price for the Lady Case, and the 12 to 20s and actually also the 36 to 50s are more price sensitive and lies spread between 25 and 75 DKK. There is no information regarding the 51 to 65s in this study. According to the measurements the age-group 21 to 35 seems to be prepared to pay a consistently higher price for a product like the Lady Case. However, as with the quantitative survey there are some statistical insecurities with this sample (FHF, $P=0$, 47, two tailed).

Appendix H – Prototype picture

Prototype picture of the Lady Case



Appendix I – Price level 50 & 75 discussion

This means that a recommended sales price of 75 DKK for an end-seller marking up 35% consist of 15 DKK VAT. About 15, 5 DKK belongs to the end-seller, and after the cost of production has been deducted 26, 5 DKK per unit, before tax, is left for the entrepreneur to reinvest and cover for the work done, money invested and risks taken. To reach the end-sales price of 75 DKK a price of 44, 50 DKK per unit would be needed from the end-seller. At a recommended sales price of 50dkk, VAT is 10 dkk, the mark-up is about 10, 5 dkk and after costs are deducted 11, 7 dkk per unit is left to the entrepreneur. At 50 DKK end sales-price a price of 29, 50 per unit is necessary to receive from the end-seller (e.g. Matas). Should all 40.000 units be sold this would yield about 1.060.000 at 44, 50 DKK per unit and about 470.000 at 29, 50 DKK per unit, all before taxes. It is vital to keep in mind that the profit from the Lady Case needs to fund not only the salary and risks-taking of the entrepreneur, but also the continued product procurement, growth of the venture through investments and commitment. The plowback rate of a newly started enterprise needs to be kept high to ensure enough liquidity when expanding both product-lines and market size. In this case, based on the cost of material, it is feasible to assume that 100% needs to be reinvested to be able to sustain operations and growth through the first year. Looking at the reinvestment need it must cover the cost of future procurement and additional cost of capital needs. This indicates that after 20.000 units sold the reinvestment should ideally lie around minimum 300.000 DKK or above if the start-up is to expand. This indicates that the 50 DKK end sales-price at 20.000 would have earned about 235.000 DKK which would be enough to pay for the next batch of products but it would limit the growth potential of the Lady Case since there would be almost no money beyond the payment of new units from the factory to sell.

Appendix J – Marketing budget plan

The marketing budget is set to 100.000 DKK to begin with and has been planned to attempt to generate as much awareness and reach as possible within the frames of the budget with the framework of Kotler in mind¹⁸⁹. Starting with the homepage, it will be allowed and expense of 30.000 DKK, including internet and maintenance related costs. The actual cost for a homepage with maintenance would normally be higher, however the entrepreneur can in this case acquire a newly built professional website through contacts and this keeps the costs down. 10.000 DKK is put aside for improving the packaging of the product itself and 20.000 DKK is employed to craft stands for the Lady Case to make sure it is visible to the consumer in the store; it is assumed this amount will more than well cover the development and manufacturing of these. Again the above must be cleared with the end-seller before executing. The intention of the stand is not only to ensure exposure but also to show how the product is to be used through exhibitions. To give away the product in the first week of launch to increase awareness was considered, however the expenditure in relation to the potential future sales effect was deemed to be too high. Finally, the remaining 40.000 DKK will be used for an add (1 ½ page or 2 smaller) in Eurowoman, which is one of Denmark’s most read fashion magazine for women between 20 and 40 years old with about 170.000 readers monthly¹⁹⁰. This amount would cover both the development of the ad and the advertisement space in the magazine. If possible, the ad would be put close to or joined in with other accessories to create a more solid look of design and fashion.

Appendix K – Cash needs year 1

Cas needs year 1-part two				28000 sold	Receivables end year	DK 157500 K
Asian order	order 20000	Delivery 20000				
Store order	3000	3000	3000	3000		4000
	00	00	00	00	3000	00

¹⁸⁹ Kotler, Marketing Management, 2003

¹⁹⁰ Eurowoman, E-resource, 2009

[illegible]

Cash needs year 1									
Asian order	Ord er	payment	Delivery						
Store order			Deli	50	10	200			
Nr of Q sold			very 16.000	0	00	0			
			100	15	20	250			
			0	00	00	0			
	1	2	3	4	5	6			
	-		-	-	-	-			
500			200 Wareh	20 Wareh	20 Wareh	200 Wareh			
0 Casings			0 ousing	00 ousing	00 ousing	0 ousing			
-			-	-	-	-			
200			210	21	21	210			
00 Contracts			0 Interest	00 Interest	00 Interest	0 Interest			
Marketing		Marke	Marketi	Marketi	Marketi	Marketi			
- -	- ting-	-	- ng Ad +	- ng-	- ng-	- ng-			
300 packaging	200 home	410 comput	10 homep	10 homep	100 homep	100 homep			
00 /stands	00 page	00 er	00 age	00 age	00 age	0 age			
-	- E.	- E.	- E.	- E.	- E.	- E.			
125 E.	125 Expen	125 Expens	12 Expens	12 Expens	12 Expens	125 Expens			
0 Expenses	0 ses	0 es	50 es	50 es	50 es	0 es			
-			-	-	-	-			
- Accounta	Accou	Accoun	83 Accoun	83 Accoun	- Accoun	- Accoun			
833 nt	-833 ntant	-833 tant	3 tant	3 tant	833 tant	833 tant			
-	- IT								
100 Unf.	500 syste								
00 expenses	00 ms								
	Payme								
-	nt for								
	- 20.000								
200	174 casing								
00 Moulds	000 s								
-	-	-	-	-	-	-			
Cash	870	246	471	71	71	718			
need	83	083	83	83	83	3			
				35	52				
				00	50	700			
Sales				0	0	00			
Initial invest ment									
Banklo an		210							
		000							
Equity	175								
	000								

				32	77	
Free	879	518	465	46	78	140
cash	17	34	1	8	5	602

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Appendix L – Cash flow

The Statement of Cash-flow:

Cashflow statement	Year 1	Year 2	Year 3
Cash provided by operations			
Net income	kr. 464.662,50	kr. 884.325,00	kr. 1.031.062,50
Noncash expenses			
Depreciation	kr. 70.000,00	kr. 50.000,00	kr. 50.000,00
(Accounts Recievable)	kr. - 157.500,00	kr. - 140.000,00	kr. - 175.000,00
(Inventory change)	kr. - 143.500,00	kr. - 30.450,00	kr. -
Cash provided by operations	kr. 233.662,50	kr. 763.875,00	kr. 906.062,50
Cashflows from investment			
Property/plant investments	kr. - 20.000,00	kr. -	kr. -
Marketing investment	kr. - 100.000,00	kr. -	kr. -
IT systems	kr. - 50.000,00	kr. -	kr. -
Cash provided by investments	kr. - 170.000,00	kr. -	kr. -
Cash from financing activities			
Owners investment	kr. 175.000,00		
Addition to Long-term debt	kr. 210.000,00	kr. - 52.500,00	kr. - 52.500,00
(Reduction in long-term debt)	kr. -		
Cash provided by financing	kr. - 385.000,00	kr. - 52.500,00	kr. - 52.500,00
Change in cash balance	kr. 448.662,50	kr. 711.375,00	kr. 853.562,50

Appendix M – Income Statement

The Income Statement:

Income statement	End-year 1	End-year 2	End-year 3
Net Sales	kr. 980.000,00	kr. 1.697.500,00	kr. 2.100.000,00
Cost of Goods sold	kr. - 348.000,00	kr. - 452.400,00	kr. - 696.000,00
Inventory correction	kr. 143.550,00	kr. 174.000,00	kr. 174.000,00
Selling & general expenses			
Marketing		kr. - 100.000,00	kr. - 100.000,00
Warehouse	kr. - 20.000,00	kr. - 24.000,00	kr. - 24.000,00
Other expenses	kr. - 15.000,00	kr. - 15.000,00	kr. - 15.000,00
Accountant	kr. - 10.000,00	kr. - 10.000,00	kr. - 10.000,00
Depreciation (Moulds, IT & Marketing)	kr. - 70.000,00	kr. - 50.000,00	kr. - 50.000,00
Unforeseen expenses	kr. - 20.000,00	kr. - 20.000,00	kr. - 20.000,00
Earnings before interest and taxes (EBIT)	kr. 640.550,00	kr. 1.200.100,00	kr. 1.359.000,00
Net interest expense	kr. - 21.000,00	kr. - 21.000,00	kr. - 15.750,00
Taxable income	kr. 619.550,00	kr. 1.179.100,00	kr. 1.374.750,00
Taxes	kr. - 154.887,50	kr. - 294.775,00	kr. - 343.687,50
Net income	kr.	kr.	kr.
& Additions to retained earnings	* 464.662,50	884.325,00	1.031.062,50

Appendix N – Balance Sheet

The Balance sheet year 1 to 3:

Consolidated Balance sheet in DK Kroner			
Assets	Year 1	Year 2	Year 3
Current Assets			
Cash and Equivalents	kr. 388.662,50	kr. 1.287.487,50	kr. 2.311.050,00
Receivables	kr. 157.500,00	kr. 140.000,00	kr. 175.000,00
Inventories	kr. 143.500,00	kr. 174.000,00	kr. 174.000,00
Other current assets-Marketing	kr. 100.000,00	kr. 60.000,00	kr. 30.000,00
Less Depreciation	kr. -40.000,00	kr. -30.000,00	kr. -
Net other current assets	kr. 60.000,00	kr. 30.000,00	kr. 30.000,00
§ Total current assets	kr. 809.662,50	kr. 1.661.487,50	kr. -
Fixed Assets			
Equipment	kr. 20.000,00	kr. 10.000,00	kr. 5.000,00
Less accumulated depreciation	kr. -10.000,00	kr. -5.000,00	kr. -
Net Equipment	kr. 10.000,00	kr. 5.000,00	kr. 5.000,00
Other assets-IT systems	kr. 50.000,00	kr. 30.000,00	No residual value
Less accumulated depreciation	kr. -20.000,00	kr. -15.000,00	kr. 15.000,00
Net Other assets IT-System	kr. 30.000,00	kr. 15.000,00	kr. -
§ Total fixed assets	kr. 40.000,00	kr. 20.000,00	kr. 15.000,00
			No residual value
			kr. -
Total assets	kr. 849.662,50	kr. 1.681.487,50	kr. 2.660.050,00

Consolidated Balance sheet in DK Kroner			
Liabilities and Owners Equity			
	Year 1	Year 2	Year 3
Current Liabilities			
Debt due to payment	kr. 52.500,00	kr. 52.500,00	kr. 52.500,00
Accounts payable	kr. -	kr. -	kr. -
Other current liabilities			
§ Total current liabilities	kr. 52.500,00	kr. 52.500,00	kr. 52.500,00
Longterm debt			
Other long-term liabilities	kr. 157.500,00	kr. 105.000,00	kr. 52.500,00
Total liabilities	kr. 210.000,00	kr. 157.500,00	kr. 105.000,00
Equity			
Owners equity	kr. 175.000,00	kr. 175.000,00	kr. 175.000,00
Paid-in capital			
Retained earnings	kr. 464.662,50	kr. 884.325,00	kr. 1.031.062,50
Total retained earnings	kr. 464.662,50	kr. 1.348.987,50	kr. 2.380.050,00
§ Total owners equity	kr. 639.662,50	kr. 1.523.987,50	kr. 2.555.050,00
Total liabilities and equity	kr. 849.662,50	kr. 1.681.487,50	kr. 2.660.050,00

Appendix O – SWOT

SWOT

Strengths

- Good product idea
- High profit margin possible
- Piggy-backing on existing, popular and necessary products
- Clear concept

Weaknesses

- Difficult to get broad customer access through own distribution
- Capital intensive if stock is held
- No awareness of product

Opportunities

- World market potential
- Further product development
- Product differentiation
- No direct competitors

Threats

- Possible competitors (conglomerates, retail-chains etc)
- Indirect competitors, like “The Diva Cup” increases its market share considerably
- Accessories goes out of fashion, “back to the 60’s”
- Change in packaging of sanitary towels or tampons
- Change in political climate or commerce rules both national and international