

DEVELOPING THE POWA BRAND

A CASE STUDY ON PRODUCT DEVELOPMENT

Master Thesis - Strategic Market Creation

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Abstract

This thesis is an exploratory study that investigates how a new company can launch their first product by using relevant models and theories during the product development process. The thesis aims to analyze the product development process by utilizing an inside-out approach, thereby focusing on the internal capabilities of the case company while taking into account relevant external market factors. The thesis finds that the research question is best answered by utilizing the stage-gate model adjusted for the frontend of the entrepreneurial process as well as other relevant supplementary theories and models. The stage-gate model enabled the analysis to test the model on a real life business case and to thereby make necessary adjustments and improvements to the model, which later can be used to analyze further business cases. The main findings of the thesis are that the stage-gate model adjusted for the frontend of the entrepreneurial process is an effective tool for companies seeking to launch their first product by assuring that all the steps ranging from idea generation to launching the business are conducted in an orderly and analytical manner to mitigate the risk of financial losses and increase the chances of economic success.

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Chapter 1

1. Introduction

1.1 Setting the stage

In order to fully understand the problem to be studied, I must firstly provide a brief background about who I am, and how I decided to cover the topic addressed in my research. During the start of 2018 I started my journey as a self-employed personal trainer. My product offering included personal training, group training as well as nutrition and lifestyle coaching to individuals seeking to change their life through health and fitness. My journey towards becoming self-employed was rather natural. I have been active in the fitness industry since I was 18 and throughout the years have held various coaching positions at different types of gyms. With growing demand in my services and as well as an increase in work experience, it only felt right to take the plunge and attempt to stand on my own two feet by being self employed in the fitness industry.

A year later, I can reflect back upon a year full of new experiences gained by running my own company. Luckily for me, I was quite quickly able to sign my first clients and to start making enough revenue to sustain myself with my new venture, leaving me with a positive connotation in regards to the overall experience. For me, the main take away from this past year of being self employed is that it is not easy and there will be sleepless nights, but the feeling of having created something on my own makes all the hard work and stress worth it. After having made this realization and building upon a newfound confidence in myself, I started to investigate new business opportunities in order to add another business to my already existing training company. After all, I proved to myself that I could not only start and run my own business, but that I can also handle the ups and downs that come along with doing so. It took me 6 months of being self-employed before I slowly started conceptualizing my next venture. The bringing to life of said venture will be covered in greater detail during this thesis.

1.2 Background on the development of the Powa brand

It has long been a dream of mine to create a physical product; both because of the feeling of pride I would like to experience when someone uses my product but also because of the ability to scale a physical product vs. a service product, such as personal training. Furthermore, due to my previous years as a coach and my experience

in the field, I feel like the learning curve has sharply declined. Therefore, I am also seeking to gather new knowledge and experience from developing, marketing and distributing a physical product. Nevertheless, I decided that remaining within the same industry (Health & Fitness), would assure a higher chance of success due to my knowledge of the industry.

It was at my current workplace, a Copenhagen based, upscale functional training gym, where I observed that there was an increasing demand for gym gear and accessories that are both functional but also make the user stand out of the crowd. (In this case, gym gear and accessories are defined as clothing, shoes, all wearable's and smaller equipment pieces such as jump ropes, elastic bands, head bands, bags, towels etc.). Furthermore, I realized that the brands offering the right products that are able to achieve both a certain degree of stylishness and functionality come at a high price. This is largely due to a growing category of gym goers that are hyper aware of what they wear and use at the gym. Everything has to match and everything has to be stylish.

However, this wasn't the first time I made this type of realization concerning consumer willingness to spend top dollar on fitness clothing and accessories. 6 years ago I started working out and later coaching at a Crossfit gym. During this time I was amazed at the amount of money people were willing to spend on the right Crossfit equipment and apparel. It wasn't uncommon to have three different types of shoes, knee wraps, wrist wraps, colored tape, a custom jump rope, headbands etc. and of course, everything had to be color coordinated. It wasn't until I was placed in a different but similar environment that I realized that this willingness to spend on gym gear is a growing trend not unique to Crossfit, providing a growing market opportunity that I decided to attempt to capitalize on.

1.2.1 The growing Fitness accessory market

After having personally discovered the fitness accessory market trends, I decided to investigate the market a bit further. During this I found that throughout the last years the Fitness industry has been growing at a steady rate, driven by a growing portion of the population living healthier life styles and stronger participation in sports and fitness activities. In 2016, the total health and fitness club industry revenue was an estimated \$83.1bn and is projected to keep growing by 2.6% globally (Wellness creative co, 2018). Furthermore, the total revenue of the global sports apparel market was estimated at roughly 174 Billion USD and is also projected to keep growing as seen in *figure 1* (Statista, 2018).

Global Sports Apparel Market

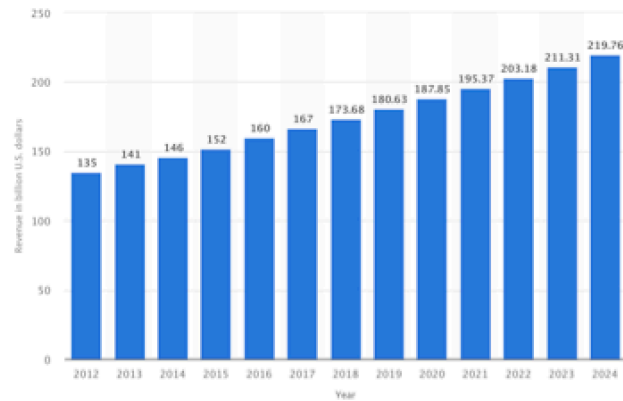


Figure 1
Source: (Statista, 2018)

The growth in both markets is due to an increasing amount of people engaging in physical activities, which positively affects the revenues of related industries such as exercise equipment, fitness apparel and accessories. The global market for Sports and Fitness Clothing is projected to reach about US\$220 billion by 2024 (Market Insider, 2017). Furthermore, the accessories sector of branded athletic apparel experienced “notable growth” that neared 5 percent in some categories (Ibid). Considering the potential within the various product categories that are positively affected by the growth of the fitness industry, both existing players and new entrants can draw a potential benefit. Although the fitness industry does not portray any massive growth spikes, the projection of steady growth in the next years makes the industry and that of related products an attractive industry to enter in to.

1.2.2 The formulization of an Idea

Induced by my new found realization on the trends in the fitness industry and desire to launch a physical product, I decided to pay closer attention to the different product categories gym goers buy and what possible opportunities there could be to enter into the market. Nevertheless, my efforts came to no fruition until August last year, during which I finally figured out where and how to start. During the summer of 2018 I started a boot camp for 10 participants and wanted to offer a custom towel and water bottle as part of a welcome packet. After briefly investigating the possibilities for gym towels, I found that nothing I could find online was quite up to the standards I would like to see out of a gym towel.

I therefore decided to spend some more time investigating the gym towel market and upon doing so I could still not find any products that I deemed suitable. That is when I decided to make my own gym towels. I had recently read about the growing popularity of bamboo rayon, an eco-fiber with unique properties

especially suitable for towels. As shown in *figure 2*, bamboo is a part of the eco-fiber category, which is increasing in popularity for use in apparel. This is in large part due to rising awareness regarding sustainable textile production to meet the environmental and social aspects along with increasing demand for natural fabrics (Grandview Research, 2018). Bamboo fiber's USP is that it is anti-bacterial and highly absorbent, and is therefore now established as an eco-friendly crop with high socio-economic returns (Ibid). In general, organic fibers have numerous advantages over the conventional synthetic cotton such as no use of pesticides or chemicals that save the farmers as well as surroundings from chronic diseases, less resource consumption, more revenues for farmers, improved water utilization, and increased biodiversity (Ibid).

1.2.3 Sustainable product market

Bamboo rayon's sustainable qualities aligned nicely with my own values and interest towards providing a sustainable product. Sustainability is a hot topic nowadays with an increasing amount of consumers demanding more sustainable products and transparency from brands. Furthermore, the sustainable product market continues to gain popularity across the globe. This is largely due to a new age of consumers who have just short of an infinite amount of choices when it comes to their product selection. Therefore, in order to succeed in an increasingly competitive global market, brands must not only stand out by producing top notch desirable products, but also by instilling trust in their customers by promoting transparency. Worldwide consumers are extensively connected to both each other as well as their favorite brands through the Internet and social media. This gives consumers the ability to pay closer attention to any issues they deem to be of relevance. In their 2018 study, The Nielsen Company found that 81% of global respondents feel strongly that companies should help improve the environment (Nielsen, 2018).

Consequently, increased attention and awareness are being paid to sustainability. Consumers are not only basing purchasing decisions on product qualities, but also how companies implement processes and initiatives related to sustainability. Therefore, the degree to which customers perceive a companies sustainability efforts, ultimately



Figure 2
Source: Grandview Research (2018)

effects their purchasing decision. This is resulting in a new era of sustainability in which companies are increasingly required to implement new initiatives in order to remain competitive. Although, implementing new sustainable business practices comes at a cost, the Nielsen Company also found that 66% of consumers around the world said they would be willing to pay more for "sustainable brands" (Nielsen, 2018). All things considered, there is a strong argument that the demand for more sustainable products is here to stay and only going to grow with increasing consumer awareness. Therefore, brands that offer transparency and sustainable alternatives are more likely to benefit in the long run.

1.2.4 Conceptualizing the Powa Brand

After gathering valuable information on both the fitness industry and sustainability trends, I decided to start the process of developing my own bamboo gym towels, which started with looking for a brand name. This process included pitching my idea to friends, colleagues and family members and was eventually concluded on a weekend trip to Barcelona during which I pitched the idea to one of my friends and colleagues, Daniel. Coincidentally, Daniel had also been brainstorming the subject of gym towels and decided that someone should make a gym towel and call it Power Towel, simply because the name would fit well into the fitness environment. Considering bamboo's strength and ability to soak up liquids, we immediately decided that Power Towel was the perfect match.

Furthermore, since Daniel came up with the name and also liked my idea a lot, I asked him if he wanted to join the Powa team as a partner in the company. Daniel was very keen to join and was especially excited to engage in marketing and selling the product once it had been produced. So, while we were strolling around in Barcelona we decided that I would take care of all operations and production, and Daniel would be in charge of most sales activities once the product is ready. Ultimately, this meant that I had carte blanche in regards to everything surrounding strategic decisions.

Once home again, I started to engage in a lot of online research to test the name Power and eventually had to succumb to the fact that the name Power is already heavily utilized in virtually all markets and product categories. Therefore, I settled for a variation and turned the name *Power* into *Powa*. After finding the right name, I hired a designer, utilizing an online freelance work marketplace, to make a logo and draft the first designs of the towels. This step proved to be redundant, as only a few days after I received the first drafts, I was pitching the idea to my friend William at a Halloween party. William works as a graphic designer with apparel

brands and after hearing my idea, subsequently decided to join the team as a partner and to take the creative lead on the Powa brand. So now the Powa brand was a team of three, young and ambitious individuals ready to produce a product for the fitness industry.

While waiting for William to create the first designs of the logo and towels, I conceptualized the brand in greater detail and decided on a few key aspects. Firstly, I decided that while I wanted to start with making Gym towels, I wanted the Powa brand to have the potential to offer more gym related products in the future. This realization is important for us as a team and in terms of all future marketing and branding efforts. Secondly, Powa will create high-end fitness accessories that are positioned as premium products, targeting those style conscious individuals seeking to stand out while engaging in physical activity. Examples of other possible products to be produced in the future include bathrobes, headbands, dry pouches for wet gym clothes, socks etc. Powa aims to help empower consumers carry out their given activity at their maximum potential as well as expressing themselves by using Powa's accessories. This led me to developing the following slogan: "You got the Powa". A slogan that should exemplify the consumer's ability to do and be whatever they want, especially when they buy a Powa product. Powa's mission is to provide fashionable and functional gym accessories that are sustainably sourced and produced.

However, Powa's mission reaches beyond simply helping consumers express themselves at the gym. A large part of Powa's mission is to create products that also empower our planet. By sourcing and using predominantly sustainable materials and processes, Powa seeks to offer products that are not only of superior quality but also leaves consumers with a clear conscience. At the heart of Powa's mission lies the desire to provide a win-win for all players involved in the supply chain. As highlighted earlier, sustainability is becoming an increasingly hot topic, influencing consumer-purchasing decisions, and the gym accessory market is growing at a steady rate. The combination of both trends therefore provides an attractive opportunity for the Powa brand to make an entrance into the market with their first product, a bamboo fiber gym towel.

1.3 Problem Formulation

The Powa brand is at the very beginning of the entrepreneurial process and is therefore required to engage in a structured pre-launch planning process in order to mitigate the risk of failure and financial losses. While the preparation of a business plan is important, it is often an insufficient instrument through which to complete a full analysis of the merits of a new business idea. Therefore, this thesis will investigate what theories can be utilized to assist the entire strategic process of developing a new brand and product. The aim of identifying and utilizing

relevant theories and frameworks during this thesis is to provide a structured path for the development of Powa's first product idea, which thereafter can then be copied and applied to other relevant business cases. More specifically, this thesis will aim to answer the following research question:

How can the Powa Brand bring their first product to market?

The following sub questions will be answered in order to support the main research question:

- 1) What relevant theories, strategies and frameworks can be utilized during the entrepreneurial process to increase the likelihood of a product making it to market?*
- 2) What data is necessary to conduct a proper analysis after each stage and before moving on to the next stage of the entrepreneurial process?*
- 3) How can the user/customer be integrated in the process of developing a product?*
- 4) What are the real life implications of utilizing an organized framework during the entrepreneurial process?*
- 5) How can the process be changed and optimized to better aid the new product Development process?*

1.4 Delimitations

When it comes to strategic approaches, a firm can either focus on market opportunities (outside-in) or on company capabilities (inside-out) (Alexander, 1992). This thesis follows an inside-out approach and takes on a product development perspective from the case companies point of view, therefore placing the main focus of the study on the internal strengths and capabilities of the firm.

Therefore, although there are many other models, frameworks and theories covering innovation, strategy and the entrepreneurial process, this study will not propose to explore any additional theories or models beyond the Stage-Gate developed for the front-end of the entrepreneurial process and the chosen assisting theories. The Stage-gate was deemed the most suitable in answering the research question because the model does not only provide a natural structure for the analysis but also aids the development of internal capabilities of the firm.

Although the Stage-Gate aids the internal analysis of the firm, the model still offers the foundation for enough external analysis of factors such as the industry, market and customer feedback in order to combat what Marcus Alexander (1992) calls the inside-in approach. The inside-in approach is a strategy fallacy during which a company focuses solely on internal factors and capabilities without identifying true rent-generating opportunities (Alexander, 1992). Taking this into consideration, the Stage-gate model adjusted for the front-end of the

Entrepreneurial process was chosen over other frameworks as it was deemed the most suited to conduct the analysis with the available data, while following an inside-out approach. Furthermore, as the main focus of the research is to determine how the case company can launch their first product, the stage-gate framework was chosen, as the main focus of the framework is product/service development.

Although factors concerning business strategy such as the organization of the firm, make up of the management team etc. are of importance to the firm, they are not covered in this thesis due to the main research being focused on how to launch a product. Therefore, factors concerning organizational strategy are not elaborated upon in greater detail, but rather offer a possibility for further research in the future. Additionally, since the focus of this thesis is on a single case company developing their first product, the study will be limited to the development of new companies in a new venture context, seeking to develop products, aimed at the consumer market. Furthermore, as the main theoretical framework used in this thesis is an adjusted stage-gate model developed for assisting the entrepreneurial process for new companies, this thesis will not consider the factors involved in existing companies developing new products but rather focus on new ventures. Lastly, due to the scope of this thesis, the concept of sustainability and what it means to be sustainable will not be investigated beyond its relevance to this thesis.

1.5 Research methodology and strategy

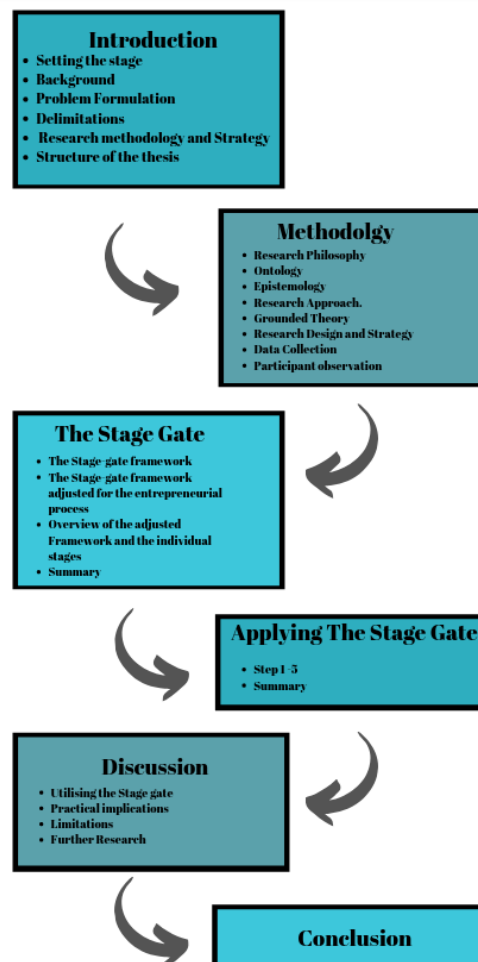
The research required to sufficiently answer the problem statement will be conducted by exploring a real life business case (The Powa brand), as it passes through the different steps of the entrepreneurial process. During the initial literature review and research phase prior to starting this thesis, multiple frameworks and theories covering entrepreneurship and innovation were assessed and considered. After concluding the literature review, the Stage-Gate framework adjusted for the front end of the entrepreneurial process was deemed the most suitable for this thesis. Although many different frameworks could have been utilized, the Stage-Gate framework was chosen because it provides a basis for the inside-out analysis as well as a providing a detailed overview of the entrepreneurial process. Furthermore, the framework provides a natural structure for the creation of new product or service from start to finish. This structure can then be applied to provide an outline on which to frame the analysis section of this thesis.

Nevertheless, due to the possibility of being limited by the sole use of the Stage-Gate framework, relevant models, theories and strategies will be utilized to assist in optimally completing the mission outlined by each step in the framework. Furthermore, during each stage of the new product development process, relevant data,

both quantitative and qualitative, will be gathered using various modes of data collection. As the business case is being conducted in real time, most of the data collection process will be dynamic in order to provide relevant data sets, which are to be analyzed and applied in the relevant steps of the framework. When relevant, potential customers will be involved as much as possible in order to benefit from co-creation and highly relevant market data.

The application of the framework with assisting models, theories and strategies will be used to develop an amended stage-gate framework with the ability to be applied and studied in other similar business cases. The analysis will be conducted by utilizing the stage-gate framework and assisting theories during Powa's business case and is concluded with reflections and possible suggestions on how the process could be improved to better suit the frontend of the entrepreneurial process. Ultimately, the framework will be used to answer the research question, which will include a complete analysis and outline of the benefits of the framework when applied to a real life business case.

1.6 Structure of the Thesis



Chapter 2

2. Methodology

The following chapter will elaborate on the research philosophy, strategy and design as well as highlight the structure and theoretical framework of the thesis. Furthermore, the data collection and application process will be discussed. Lastly, a description of the analysis procedures and the limitations of the conducted research will be described.

2.1 Research Philosophy

The essence of a research philosophy is that it deals with the source, nature and development of knowledge. In other words, the research philosophy outlines how data should be collected, analyzed and used. Therefore, the philosophy chosen in this thesis will effectively have a large impact on the outcome of the research. In research literature, there are four views that are most commonly applied: positivism (also called scientific), interpretivism (anti-positivism), realism and pragmatism (Saunders et al, 2016). For this thesis, the view of pragmatism was deemed to be the most suitable. Nevertheless, in order to appropriately explain the choice of a suitable research philosophy, it is firstly important to evaluate the applicable ontological and epistemological considerations.

2.2 Ontology

Ontological philosophy relates to the way in which the nature of reality is perceived (Saunders et al., 2016). The concept of ontology is important as ontological assumptions shape the way in which we see and study our research objects (Ibid). In general ontology deals with the nature of our reality as we all have our own way of seeing and interpreting facts. Ontology outlines these differences in two differing positions: Objectivism and Subjectivism.

Objectivism “portrays the position that social entities exist in reality external to social actors concerned with their existence” (Saunders et. al., 2016). In other words, in objectivism, facts are facts and cannot be changed by our minds.

Subjectivism on the other hand, perceives that social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence (Bryman, 2012). This means that, essentially the truth and facts lie with the individual and are dependent on how they perceive a phenomenon. This means that in subjectivism, the truth is more dynamic and can change as the individual changes their beliefs.

Ontologically, this study takes on a mixed approach utilizing both objectivism and subjectivism. An objective perspective on the research is used during gathering quantitative data by analyzing relevant market and sales data. The aim of the objective approach is to achieve a certain degree of distance from the case in order to avoid biases during the construction of new knowledge. Nevertheless, the interaction with customers is also contributing to empirical data collection and therefore a subjective approach is being taken to stress the importance of understanding human behavior. From a philosophical standpoint, pragmatism focuses on practical applied research, integrating different perspectives to help interpret the data, thereby enabling a mix of ontological positions.

2.3 Epistemology

Epistemology, which concerns assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge, and how we can communicate knowledge to others (Burrell and Morgan, 1979). Epistemology also refers to the question of what is (or should be) regarded as acceptable knowledge in a discipline (Saunders et. al, 2016). In other words, epistemology focuses on what is known to be true. There are two major epistemological positions a researcher can take: Firstly, one that prefers quantitative research and relies on empirical findings gained through valid and reliable measures. Or secondly, one that prefers qualitative data and accepts personal experiences associated with observation, feelings and senses as a valid source of knowledge. The two major epistemological positions form a spectrum, which correlates with the four epistemological research philosophies: Positivism, Realism, Interpretivism, and Pragmatism.

In the following section a brief outline of each philosophy will be provided in order to highlight the motivation behind the chosen research philosophy utilized in this thesis.

In Positivism, the researchers work with an observable social reality where the results are most often generalizable facts (Saunders et al., 2016). Furthermore, it is believed that only observable phenomena can provide credible data, facts. Therefore, researches focus on collecting data as objectively as possible in order to reduce any biases caused by the individual. Positivists usually prefer highly structured, large sample sizes,

quantitative data such as surveys, structured interviews, and statistics. Data is subsequently used to focus on causality and law-like generalizations, reducing phenomena to simplest elements (Research Methodology, 2018). A positivist approach is therefore most suitable for research areas examining the correlation between two factors or more, with the ability to collect large sets of quantitative data.

Realism focuses on observable phenomena that provide credible data and facts. There are two types of realism: Direct and Critical. Direct realism, in essence depicts that: what you see is what you get (Saunders et al., 2016). As an extension to direct realism, critical realists believe that phenomena create sensations, which are open to misinterpretation (Research Methodology, 2018). The main difference between the two is that a direct realist thinks an object is exactly what it is sensed to be, whereas a critical realist thinks an object can be manipulated and thereby experienced different to what it actually is. Realism is suitable for different types of methods as long as the method used fits the research topic.

Interpretivism takes into account the necessity for a researcher to understand the differences between humans as social actors (Saunders et al., 2016). Furthermore, Interpretivism emphasizes that humans are different from physical phenomena because they create meanings (Ibid).

The belief in the different views of people requires researchers to actively look at their area of research from the perspectives of different groups of people. Furthermore, this requires the emergence of the researcher in the social environment of the subjects to be studied. The complex nature of interpretive research requires an exclusively subjective approach and can therefore result in the researchers own beliefs and biases to contribute to the research. This in turn has the potential to leave the research conducted open for criticism.

The last philosophy to be covered is Pragmatism. While there are large contrasts between positivism and interpretivism, pragmatism offers an alternative in that it argues the research questions to be the omnipoint of the research (Saunders et al., 2016). This means that the research question lies at the heart of the research and that the methodology should provide the necessary support to thoroughly answer the research question. Furthermore, Pragmatism asserts that concepts are only relevant where they support action (Kelemen and Rumens, 2008). This means that Pragmatism allows the research to use the method or methods that enable credible, well-founded, reliable and relevant data to be collected in order to advance the research (Ibid). Since the research question is centered on practical outcomes and Pragmatism allows the researcher to use multiple methods in order to most accurately answer the research question, the Pragmatist approach was deemed to be most suitable.

Therefore, by taking a pragmatic approach, the research can combine both positivism and interpretivism. The qualitative data collected in this thesis by interviewing potential customers and the insights gained by doing so, follows an interpretive approach. Considering that each person is different based on various internal and external factors, the chosen research approach should take this fact into account. The main research of this thesis focuses on launching a new product with the support of a framework and assisting theories. Therefore, during much of the research, the study will utilize empirical data in the form of consumer's feedback and subjective views of the product being developed in order to gain new knowledge and to ultimately bring a desirable product to market. Therefore, the interpretivist view is suitable as the purpose of interpretivist research is to create new, richer understandings and interpretations of social worlds and contexts (Saunders et. al, 2016).

Furthermore, as the thesis partly investigates consumer co-creation during the creation of a new product, the interpretive approach is highly suitable in dealing with the complexities and variances amongst participants. Although the study's main focus is to develop new knowledge on how a company can best move through the entrepreneurial process, a purely interpretive approach could lead to a bias due to the authors own involvement in the case. Therefore, to reduce subjectivity by limiting the study to an interpretivist approach, quantitative data will also be gathered utilizing an objective approach. The study aims to analyze market and sales data of similar products in the industry providing an observable phenomenon. In this case the positivist approach is suitable to look for causal relationships in the data collected to create law-like generalizations (Gill and Johnson, 2010).

The utilization of both approaches is aligned with the axiological implication of the interpretivists approach, which recognizes that the interpretation of research materials and data, is based on the researchers own values and beliefs, and that they play an important role in the research process (Saunders et. al., 2016). Therefore, the utilization of both approaches have suitable applications within the new product development process and serve the purpose to minimize the effect any biases may have on the outcome of the study.

2.4 Research Approach

After taking a philosophical standpoint through epistemological and ontological considerations, it is necessary to decide which reasoning approach to take. This section will discuss the approach chosen to conduct the research. There are three main reasoning approaches a researcher can take to create a relationship between research and theory, namely 1) deduction, 2) induction, and 3) abduction. Since, we are aiming to observe a product going through the entrepreneurial process in order to identify themes and patterns, and to generate new additions or modifications to the process, an abductive approach has been chosen. Instead of moving from theory to data (as

in deduction) or data to theory (as in induction), an abductive approach moves back and forth, in effect combining deduction and induction (Lawrence & Suddaby, 2006).

Applying an abductive approach allows us to base our starting assumptions on pre-existing knowledge and data and to uncover new surprises as the research is conducted. During this case the abductive approach is preferred as it allows room for more creativity and intuitive thinking during the making of logical inferences and constructing theories. The approach is also in line with the pragmatist's research philosophy chosen as it allows the explaining of 'surprising facts' or 'puzzles', by combining both, numerical and cognitive reasoning (Research Methodology, 2018)

2.5 Grounded Theory

According to Saunders et al. (2016, p. 193), grounded theory refers to "theory that is grounded in or developed inductively from a set of data." Since this study follows an abductive research approach, a modified version of grounded theory will be used during this study. Grounded theory enables the researcher to seek out and conceptualize the latent social patterns and structures of their area of interest through the process of constant comparison (Helen, 2009). Grounded theory is suitable for this study, since the study is firstly investigating a framework to then gather data and use relevant theories to explain the data before moving on to further data collection. Therefore, grounded theory is used in this study in a cyclical pattern, which allows for data collection and reference to literature throughout the study. The aim of using grounded theory in this study is that it enables the use of a wide range of qualitative data. This in turn will be used to create new knowledge through the constant revision of data collection and analysis.

2.6 Research Design and Strategy

The function of a research design is to ensure that the evidence obtained enables the researchers to effectively address the research problem logically and as unambiguously as possible. A research design provides the researcher with a framework for the collection and analysis of data (Bryman 2012). The case company to be studied is being newly developed, and therefore no prior data or research exists. Thus, an exploratory design is conducted as it aids the answering of a research problem when there are few or no earlier studies to refer to or rely upon to predict an outcome (Cuthill, 2008). The focus of exploratory research is to gain insights and familiarity for later investigation or when research problems are in a preliminary stage of investigation (Ibid).

Therefore, the overall nature of this study is explorative in order to take into consideration the uniqueness and dynamic nature of the problem being studied.

Furthermore, taking into account the nature of the entrepreneurial process, in order to explore new knowledge and to develop a deeper understanding of the problem to be studied, an action research approach will be applied.

“The essentials of action research design follow a characteristic cycle whereby initially an exploratory stance is adopted, where an understanding of a problem is developed and plans are made for some form of interventionary strategy. Then the intervention is carried out [the "action" in action research] during which time, pertinent observations are collected in various forms.” (USC Library, 2018).

In other words, the essence of Action research is that the researcher attempts to develop results or a solution that is practical and valuable while at the same time developing theoretical knowledge. The nature of the problem to be studied allows for direct intervention while also creating practical outcomes and building upon existing theory.

By conducting the appropriate research during the innovation process, the information collected can provide innovators using the framework with data to examine and understand user behavior thereby discover future areas of innovation. This information can in turn also be used to aid “go or kill” decisions during new product development process in the future.

As previously mentioned, this study looks at a company in the start up phase, namely Powa, and aims to apply a framework and relevant theories in order to launch their first product. As the process outlined by the framework consists of several steps, the product will go through several learning cycles and follow the required actions in order to move on to the next step. Therefore, the action research method was deemed the most feasible as it has the potential to increase the amount researches learn consciously from their experience. (USC Library, 2018). Consequently, if the right actions are taken, the outcome will be that Powa launches their first product in the market.

It should be noted that basing the research solely on a single case does leave the research conducted open for critique. As several researchers argue that one cannot generalize on the basis of an individual case (Flyvbjerg 2006, Schell 1992). Nevertheless, the research conducted during the case of Powa will contribute to laying the foundation for the formulation of future hypothesis, which can be used to further study the problem area. Since action research allows for subjectivity due to the researches own degree of involvement, it also allows for the

gathering of hands-on experience to advance the knowledge in regards to the framework to be studied. Therefore, action research is well suited for and aligned with both the research philosophy and the practical nature of the problem to be studied.

As previously mentioned, the research will be based on both qualitative and quantitative empirical data. However, due to the nature of the study, a large part of the analysis will be based on qualitative data. In terms of launching a new product, qualitative data is well suited as it allows the researcher to gain an understanding of underlying reasons, opinions, and motivations (Bryman 2012). Qualitative data is found to be highly applicable to the study as it enables the gathering of in-depth customer insights and opinions about the product to be developed. Customer insights will be gathered through the form of semi-structured interviews with selected individuals relevant for the study. Further qualitative data will be gathered in the form of supporting theories and frameworks found by consulting credible literary sources. Lastly, quantitative data will also be gathered during the study to aid the theory development process. Quantitative data will be based on data gathered through online research as well marketing data of the product.

2.7 Data Collection

The following section will outline the data collection process and the motivation thereof will be presented. Furthermore, the empirical considerations and how the data is relevant to the research will be discussed. Multiple methods are utilized to collect qualitative data such as semi-structured interviews, articles and academic research papers, as well as participant observation. Theoretical data is used to explain the framework to be studied as well as to explain supporting theories to be applied during the entrepreneurial process. Empirical data is utilized to gather feedback and insights after each step of the process to determine the optimal subsequent steps of action.

According to Bryman (2012), secondary data analysis is the analysis of data that the researcher has not been involved in collecting or analyzing. Therefore, secondary data is information that already exists, that may be helpful in answering the research question. The secondary data sourced and used in this study is mainly derivative from relevant course literature in the form of academic articles, journals and books. The secondary data in the study encompasses the main frameworks to be studied and covers topics of entrepreneurship, business strategy, marketing and branding. The literature is predominantly based on works shared with me by professors during relevant courses as well as a smaller amount from online sources. When selecting relevant literature, I

focused on choosing works from well-known academics and professors in order to heighten the credibility of the works cited.

Furthermore, there is also a large focus placed on collecting external secondary data in order to gain data and market related insights. In this case external sources of data are statistics and reports issued by government, trade associations and other reputable organization (Chisnall, 2005). External secondary data is helpful in that it provides insights into customer purchasing behavior, pricing and marketing trends amongst competitors. This information can in turn be used during the analysis to provide a clearer understanding of the external market factors.

The empirical data gathered during the study is predominantly based on the use of the semi-structured interview technique. During the semi-structured qualitative interviews, the researcher uses a list of questions or themes to be covered. This means that the order of questions may vary and that questions may be added that are not on the list to explore new themes (Saunders et. al, 2016). The semi-structured interviews support the exploratory nature of this study and aid the product development process by allowing a certain degree of co-creation by participants. The interviews are created considering the time sensitivity of participants and ask both open and closed-ended questions. The sampling technique used during the semi-structured interviews is non-probability purposive. According to Bryman (2012, p. 418), purposive sampling is sampling where the researcher chooses to not sample on a random basis, but on purpose, where the goal is to “to sample cases/participants in a strategic way, so that those sampled are relevant to the research question that are being posed.” (Ibid)

The interviews were conducted at various and relevant stages of the product development process to receive feedback and make applicable adjustments to the product. This is particularly important in the prototype stages of the product in order to allow the Powa Brand to create products that potential customers are more likely to buy. All interviews were conducted in person, one on one and in English. Participants were chosen based on the following criteria: Engage in physical activity or go to gym on a weekly basis, aged 21-45, living in Europe or North America. The relatively broad scope of sampling was deliberately chosen in order to begin narrowing down the potential target market and to receive diverse feedback.

Further Empirical data is collected using an online survey conducted via the social media platform Instagram, which has a feature that allows users to easily post a survey question on their profile. This survey question feature offers the possibility to ask questions following a poll format, giving participants the opportunity to answer either a or b. By doing so, users can quickly gather the opinion of their followers by comparing two variables and allowing followers to choose their favorite. In the case of Powa, this type of surveying was chosen

to be conducted because of its efficient way of gathering responses from a sample group of potential customers, which in this case are my followers on Instagram. Considering the diversity of the different followers in terms of demographics and geographic location, an Instagram survey allows for gathering of data from a large sample size, yet utilizing limited resources. The overall aim of the Instagram survey is to determine the popularity of towel designs by comparing the different designs side by side and to allow survey participants to vote on which designs they like the most.

Although, conducting the survey amongst my social media followers could lead to a sampling bias, the data collected is definitely valuable to gauge the popularity of the individual designs of the towels.

2.8 Participant observation

Due to the nature of the research method, I was highly involved in the research process, which allowed for the collection of valuable data in the form of participant observation. Marshall and Rossman (1989) define observation as "the systematic description of events, behaviors, and artifacts in the social setting chosen for study". Participant observation is used to develop a holistic understanding of the phenomena being researched that is as objective and accurate as possible given the limitations of the method (DeWalt et. al 2002.) Utilizing Participant observation as a data collection method allowed me to document my own learning's while utilizing the stage-gate framework, which contributed greatly to the building of new knowledge.

DeWaltt and DeWalt (2002) mention that Participant observation improves the quality of data collection and interpretation and facilitates the development of new research questions or hypotheses. Since the data gathered can often be subject to biases, participant observation is used as a supplementary method of data collection in order to aid the formulation of insights. Nevertheless, Participant observation is deemed to be highly relevant to the study as it allows me to document my own experience of moving a product through the innovation process. The documentation of the data collected will be ongoing and in written format in order to assure the ongoing relevance of the data.

2.9 Validity, reliability and reflexivity

The data sources utilized in this study are deemed to be reliable. Primary data gathered in form of in depth interviews with potential customers reflect their opinion about the product, which provides valuable insights to the study. The interviewee's were all subjected to a specific set of questions in order to encourage the elaboration of their independent views regarding the product. Therefore, the statements of the interviewees are deemed as credible for the purpose of Powa's new product development. The online survey posted on social

media is also seen as credible, considering the simple mission behind the survey. In this case, the online survey was a great tool to test the preliminary popularity and opinions on the different designs amongst a large sample size. Nevertheless, the survey could be deemed more reliable if it was utilized amongst other sample groups as well in order to mitigate any sampling bias. This step was however skipped due to the time allotted for this thesis.

Although the interview and survey answers are deemed reliable they are not necessarily transferable to any other studies. This is due to the uniqueness of the answers collected as well as Powa's business case. In terms of validity, there has been a large amount of focus placed on the transferability of the findings in the case to other cases. Since the research in this study only deals with one company and one industry the obvious question arises whether or not the findings of this study could be transferred to other companies and industries. Therefore, it is important to consider that this study is covering only one case company in a given industry. The findings consequently are seen as a strong foundation to provide the basis for further research. Nevertheless, the study aims to gather learning's and make amendments to a process that should be able to be utilized in many different settings and cases.

Furthermore, secondary data is used to compare the findings in the primary data collection. The theories and data used are from credible and reputable sources in order to build a strong foundation of knowledge and to further increase the reliability and validity of the research.

Lastly, reflexivity is an important tool in the creation of new knowledge meaning that the data gathered is constantly reflected upon in order to maintain a critical view of the research process. The work process to achieve constant reflection means that data is gathered, analyzed and then explained and/or discussed with relevant theories. Since the study utilizes a process consisting of several steps, the process will guide the analysis and relevant theories will be used to aid the analysis and discussion of the findings.

Chapter 3

3. Overview of the Entrepreneurial process and assisting theories

The following chapter will provide an overview of the entrepreneurial process as well as outlining the assisting theories to be used along each step of the process. In order to properly explain the entrepreneurial process, a general overview of the process will be provided utilizing the stage-gate framework. The stage-gate model is a template or model for helping firms manage the product development process (O'Connor, 1994). It sets forth a specific number of steps for a new product idea to accomplish before it goes to market. In order to provide an appropriate overview of the framework, the general framework will firstly be described and subsequently the individual steps will be highlighted in greater detail. Furthermore, during the description of each step, assisting theories and models to be used for assistance will be introduced and outlined. The outcome of this chapter will be a complete overview of the entrepreneurial process utilizing the stage-gate framework and assisting theories as a chronological guide.

3.1 The Stage-gate framework

The stage-gate created by Robert G. Cooper is amongst the most widely recognized and accepted frameworks and provides a template or model to help firms manage the new product development process (O'Connor, 1994). The framework is ideal for new product development because it increases the efficiency of the innovation process, provides for shorter times to market and increases the effectiveness in terms of new product success rates. Cooper breaks down the framework (*shown in figure 3*), into a set of discrete and identifiable stages (e.g. preliminary investigation including concept development and testing, business plan development, product development, testing and validation, full production and market launch stages) with each stage consisting of a set of prescribed activities (Sethi & Iqbal, 2008). Each of these stages is separated from the next by an evaluation of the product upon which a go/kill decision is made (Cooper, 1986). This evaluation is done by what Cooper (1986) calls a gate, which serves the purpose of only letting products that satisfy a certain set of criteria move on to the next stage. If a product idea does not live up to standards at a particular gate, the gate remains closed, and the idea will be either killed or sent back to an earlier stage for reevaluation (Roseneau et al., 1996).

The Stage-Gate Framework

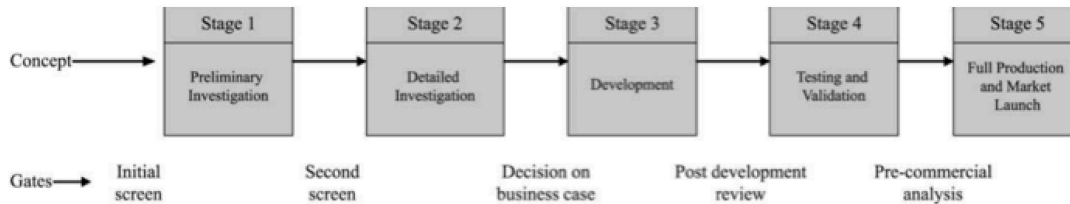


Figure 3

Source: Bruce B. Barringer, Amy R. Gresock, (2008)

3.2 The Stage-gate framework adjusted for the entrepreneurial process

While the stage-gate model is highly valuable to the NPD process of established firms, an altered stage-gate framework to aid the development of new firms has been developed by Bruce B. Barringer & Amy R. Gresock (2008), namely the front-end of the entrepreneurial process. There are many similarities between the stage-gate for new product development and the entrepreneurial process framework. Both processes involve the rolling-out of something new, so to speak, whether it is a new product or service in an existing firm or an entirely new company in a new venture context (Bruce B. Barringer & Amy R. Gresock, 2008). The aim of the model is to aid the pre-launch planning of entrepreneurs by providing an organized and formalized framework, akin to the stage-gate model in new product development. The model, depicted in figure 4, includes five steps (rather than stages).

The Stage-gate framework adjusted for the entrepreneurial process

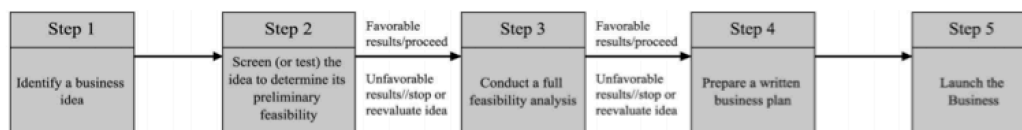


Figure 4

Source: Bruce B. Barringer, Amy R. Gresock, (2008)

3.3 Overview of the adjusted Framework and the individual stages

The stage-gate framework aimed at the frontend entrepreneurial process does not include formal gates, in the vernacular of the original stage-gate model. Rather, each step is positioned as a milestone, which must be accomplished before the next step is undertaken (Bruce B. Barringer & Amy R. Gresock, 2008). Although the

steps are not concluded by gates, the model still advocates for the evaluation of the product after each step in order to ensure that only products with high potential for success make it to launch. In this thesis the stage-gate framework aimed at the frontend entrepreneurial process is adjusted slightly in order to better answer the research question. The steps in the framework are explained in the following section with assisting theories and models highlighted and explained where applicable.

3.3.1 Step 1: Identify a business idea

The new product development process must always start by creatively generating new ideas to provide novel solutions for a relevant problem. Idea generation can be conducted in many different ways such as brainstorming, receiving and analyzing customer feedback and scanning the market for trends and competitors. The step of creating an idea is a great place to develop knowledge about the potential market and also to rule out ideas with a lower probability of success. In this case, Step 1 is included in the model in order to provide a starting place for identifying the merits of a potential business idea (Bruce B. Barringer & Amy R. Gresock, 2008). Step 1 should include a full range of considerations, including management, marketing, finance, and industry considerations etc. in order to evaluate the merits of a potential business idea (Ibid). Ultimately, the outcome of the idea generation phase should be a business idea that aims to be value creating and profitable. Nevertheless, at the beginning of this step, there should be little limitations and enough room for creativity and discussion of potential ideas.

However, as the process of generating an idea can often be quite messy and unstructured, after the initial round of brainstorming to generate preliminary ideas, we can additionally apply Afuah's (2014) VARIM (Value, adaptability, rareness, imitability and monetization) framework (as seen in *figure 5*) in order to provide structure and guidance during the advanced process of idea generation. The VARIM framework is based on the VRIO framework developed by Jay Barney and William Hesterly and both frameworks are rooted in the resource-based view of the firm, however the VARIM also draws on positioning and the dynamic capabilities view

The VARIM model

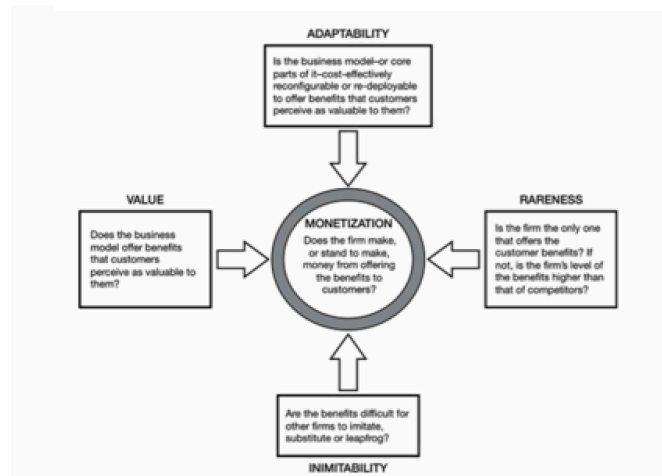


Figure 5
Source: (Afuah, 2014)

(Afuah, 2014). Although the VRIO is a renowned and practical framework, the extended analysis of the VARIM is better suited for the entrepreneurial process to appraise the profitability and potential of a new business or product.

Since idea generation and creativity are most commonly described as the generation or production of ideas that are novel and useful (Amabile, 1988), the VARIM framework is useful as it seeks to efficiently and quickly appraise a business or product idea by answering questions related to value, adaptability, imitability, rareness and monetization. After answering each question, the idea can be assessed based on its novelty and usefulness but also its potential to be value creating and profitable. Furthermore, the VARIM framework can be used to compare different business models and products both internally in the firm and externally amongst competitors in order to rank ideas by priority.

The individual components contributing to the VARIM Framework are described in the following section:

Value: This variable answers the question: Does the business model offer benefit's that customers perceive as valuable to them? The reasoning behind this question is simple; a product has to create value for costumers if you want them to buy your product. In general terms, a product must offer enough value to customers so that they are willing to pay for it.

Example measurements that can be used in order to assess the potential value of a product:

1. Potential benefits offered to customers relative to competitors' offerings
2. Reputation/image as perceived by customers
3. Quality of resources
4. Quality of activities

Adaptability: In an ever-changing world, the business model must adapt to and address changes and in order to meet customer's needs. Therefore, this variable aims to answer if the product is cost-effectively reconfigurable or re-deployable to offer benefits that customers perceive as valuable to them?

Examples to measure adaptability include:

1. Number and diversity of new products
2. Level of potential "improvement" in the benefits that customers perceive
3. Revenues from new products

4. Flexibility of valuable capabilities

Rareness: If a firm's business model offers customers benefits that they find valuable but many other firms offer the same, the firm is not likely to make money (Afuah, 2014). However, if the number of firms that offer the same benefits is small, customers do not have as much of a chance to play the firm against its competitors (Ibid). In order to be considered rare a firm must either offer something that provides a benefit for costumers that they cannot get anywhere else or make the benefit level higher than that of competitors. Thus an important question in analyzing the rareness variable is: "Is the firm the only one that offers the customer benefits? If not, is the firm's level of the benefits higher than that of competitors?"

Example measurements of rareness include:

1. Number of competitors or firms with substitute products
2. Level of the benefits from firm compared to those from competitors

Inimitability: A business model that is valuable and rare, and therefore makes its owner money, will not do so for long if the model is easy to imitate (Afuah, 2014). Therefore the question for this variable is "Are the benefits difficult for other firms to imitate, substitute, or leapfrog?"

Example measurements of imitability include:

1. Number of imitators
2. Inimitability of resources
3. Inimitability of activities

Monetization: The last variable in the framework seeks to answer the following question: Does the firm make, or stand to make, money from offering the benefits to customers? Monetization includes an array of considerations such as what price to charge, the revenue model and cost structure.

Example measurements include:

1. Pricing
2. Number of customers with a high willingness to pay
3. Number and quality of sources of revenues
4. Cost structure
5. Industry attractiveness and firm's positioning in it

3.3.2 Step 2: screen (or test) the idea to determine its preliminary feasibility

Step 2 aims to provide a preliminary screen of the idea in order to further determine the feasibility of the business idea. For entrepreneurs this step is helpful in order to weed out bad or sub-par ideas before they take up valuable time and resources. Nevertheless, during this step it can also prove to be hard for entrepreneurs, who are highly involved with their idea, to take an objective standpoint when screening their idea. Therefore it is important to listen to external sources during the screening process and to be willing to move on or revise the idea should it not pass the initial screening. However, the process should not be made out to be too complex, as too much rigor applied at this early stage will discourage brainstorming and the articulation of multiple ideas (Bruce B. Barringer & Amy R. Gresock, 2008). In order to properly conduct the idea screening, there are several templates or checklists available to facilitate preliminary screening. Bruce B. Barringer & Amy R. Gresock, (2008) recommend the use of the most widely known model, The QuickScreen, which was popularized by Timmons and Spinelli (2004).

The QuickScreen as seen in Appendix 1, is a checklist that can help entrepreneurs efficiently weed out bad ideas. The QuickScreen instructs an entrepreneur to evaluate a business idea as either “higher potential” or “lower potential” on four criteria. The criteria are: market and market related issues; competitive advantages; value creation and realization issues, and overall potential. After completing the QuickScreen, the attractiveness of a potential business idea can be evaluated upon which further steps can be conducted should it seem feasible. Although the VARIM framework introduced in step 1 already provides for a preliminary idea-screening tool, the QuickScreen allows for greater depth and detail when screening for idea feasibility, but therefore it also provides greater limitations and is more time consuming to complete. Nevertheless, according to Timmons and Spinelli (2004), completing the exercise shouldn’t take more than an hour. The goal of any variation of business idea screening is to provide an analysis on whether an idea holds any potential and is only the beginning of a more detailed analysis should the idea move on to the next phase. In this case, only business ideas that pass this initial screening of step 2, should proceed to Step 3 in the front-end of the entrepreneurial process.

3.3.3 Step 3: Conduct a full feasibility analysis

A full feasibility study aims to provide a detailed and in depth analysis on the merits of business idea. Therefore, the analysis conducted in step 3 is much more exhaustive and time consuming and may be conducted over several days or weeks. The aim of step 3 is to fully assess the potential merits of a business idea, and adjust the idea if necessary, before moving on to the business plan stage of the process. According to Bruce B. Barringer & Amy R. Gresock, (2008) a full feasibility analysis typically covers four areas: product/service feasibility,

industry/market feasibility, organizational feasibility and financial feasibility. Omitting any one of these areas will not result in a full and comprehensive analysis. The following section covers each of the four areas of the feasibility analysis and provides suggestions on tools and theories in order to most suitably analyze each area.

3.3.3.1 Product/service feasibility

Product/service feasibility is an assessment of the overall appeal of the product or service being proposed (Barringer & Gresock, 2008). The assessment often involves the completion of a concept test, which involves showing the product or service idea to prospective customers to gauge customer interest (Klink and Athaide, 2006; Dickinson and Wilby, 1997). According to Bruce B. Barringer & Amy R. Gresock, (2008) there are three primary purposes for a concept test: validating the underlying premise of the product or service idea, helping develop the idea and trying to estimate sales. As a means of estimating sales, some type of buying intentions question appears in almost every concept test (Ibid). In order to conduct the first step in the testing of a concept we will follow the ideas rooted in a methodology called the “lean start-up,” which favors experimentation over elaborate planning, customer feedback over intuition, and iterative design over traditional “big design up front” development (Blank, 2013).

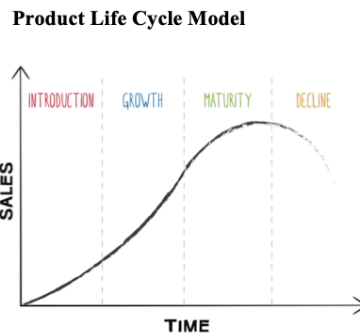
The first step in concept testing of a product is to practice something called “customer development” in order to test a product hypotheses. The aim is to simply go out and ask potential users, purchasers, and partners for feedback on all elements of the business, including product features, pricing, distribution channels, and affordable customer acquisition strategies. In order to conduct the test, a concept statement should first be developed, which is then used to pitch to customers. The emphasis is on nimbleness and speed in order to gain customer feedback quickly and to make adjustments to the product idea based on this feedback and thereafter to repeat the cycle.

After this step is done a prototype should be created, which can be done in various ways such as: producing a sketch of the product, a digitally created mock up or a physical prototype. A prototype is a simplified non-final version of the product and aims to gather further feedback in order to make improvements to the product. Bruce B. Barringer & Amy R. Gresock, (2008) mention that, before creating a prototype, a judgment call should be made on the cost and method to use in producing a prototype. When producing a prototype, considerations about how the product will be produced and delivered should be made. Bruce B. Barringer & Amy R. Gresock, (2008) state that the method of production does not need to be completely nailed down, but the feasibility analysis

should provide sufficient assurance that the product can be produced or the service can be delivered in a reasonable fashion. This consideration is particularly important as new companies often find that the product they have developed cannot be produced in the way that they had imagined and therefore they are faced with new obstacles to overcome.

3.3.3.2 Industry/market feasibility

Industry/market feasibility is an assessment of the overall appeal of the market for the product or service being proposed (Barringer & Gresock, 2008). At this stage, there are three primary issues that a proposed business should consider: industry attractiveness, the identification of a niche market, and the total potential size of the potential market (Ibid). Due to different factors, industries vary considerably in terms of their attractiveness.



Source: (Smart Insights, 2018)

In general, an industry that is growing is more attractive because it is more receptive to new entrants and new product or service introductions (Barringer & Gresock, 2008). There are many drivers that contribute to an industry's growth such as, demographic pattern, growth of sales in complementary products, income level, changing lifestyle of users of products and services, changing customers' taste and preferences, etc. In order to forecast market growth rate David A. Aaker (2017) suggests using previous data and future trend indications. Furthermore, Aaker (2017) suggests the use of the product lifecycle model (*Figure 6*) and Rogers (2002) product diffusion curve (*Figure 7*) in order to the rate of adoption and to predict market maturity.

The Diffusion of Innovation model

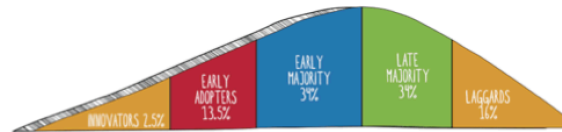


Figure 7

Source: Smart Insights, (2013)

Other factors contributing to the attractiveness of an industry include: the extent to which an industry is important to the customer, the opportunity for higher rather than lower operating margins, and whether an industry lacks competitors or is crowded (Barringer & Gresock, 2008). In order to fully determine the profitability of an industry or market, Michael Porter's (1979) five forces model can be utilized. Porter's five forces (*Figure 8*) is a business analysis model that helps to explain the different levels of profitability in various industries and markets by analyzing five different factors: Competition, Potential of new entrants, Power of suppliers, Power of customers, Threat of substitute products. Applying Porter five forces develops a detailed overview of the potential a new company could have in an industry or market and therefore is well suited to contribute to the market and industry feasibility analysis.

Porter's Five Forces Model



Figure 8

Source: Porter, (1979)

Furthermore, when determining the attractiveness of a market it is also important to consider the possibility of entering into a niche market. A niche market is a place within a larger market segment that represents a narrower group of customers with similar interests (Markides, 2006). Due to the scale of new firms, there is often a restriction on how much of a market they can service, and therefore a niche is a good place to start. According to Bruce B. Barringer & Amy R. Gresock, (2008) servicing a niche market, at least initially, also allows a firm to establish itself within an industry without competing against major participants head-on.

The final consideration in the industry/market portion of a feasibility analysis is to project the size of the potential market (Barringer & Gresock, 2008). David A. Aaker (2017) defines the market size as being calculated on the current volume of sales in the market. Relevant data on size can be found by browsing through the information from various sources such as: Government data, trade associations, financial data from major players in market, Customer surveys. An important consideration when calculating market size is the growth potential of the market, as growing markets are more open to new entrants. Lastly, when determining market size, the market should be defined as narrowly as possible in order to limit the over assumption of market size.

3.3.3.3 Organizational feasibility

Organizational feasibility is conducted to determine whether a proposed new venture has sufficient management prowess, organizational competence, and non-financial resources to successfully launch its business (financial resources are considered later) (Barringer & Gresock, 2008). When it comes to management prowess, considerations should be made about the ability of the management team to lead the organization. Often the management team will include the founders of the company and therefore, their background and skillset should be analyzed and put in to perspective with running the new venture. The main question to be answered is: what are the abilities of the initial management team? In order to answer this question each manager should be analyzed using introspection and an assessment tool (*Appendix 3*) covering areas such as: Passion for the business idea, Relevant industry experiences, Prior entrepreneurial experience, Depth of professional and social network, Creativity, Experience in cash flow management.

Furthermore, sufficient non-financial resources are required in order to move forward to successfully developing a product or service idea. Therefore, questions in regards to the resources available should be answered by filling out a Resource Sufficiency Assessment Tool as seen in (*Appendix 2*). The Resource Sufficiency Assessment Tool covers areas such as: Office space, available labor pool in area, community and government support, lab or manufacturing space, the ability to obtain IP rights. When completed, the organizational feasibility analysis is

well suited to provide an overview of the key resources the firm possesses and in what areas there may be a need for improvement, by for example hiring in skilled labor etc.

3.3.3.4 Financial feasibility

The evaluation of the financial feasibility of a proposed venture is the final stage of the full feasibility analysis. When conducting the financial feasibility all the costs necessary for the business to make its first sale (which include capital investments and operating expenses) should be included. Generally, new firms need money for various purposes, including hiring personnel, developing a prototype, rent for office space, manufacturing, equipment, training, R&D and marketing, etc. For the purpose of the feasibility analysis, the numbers must not be exact as an abbreviated financial analysis is usually sufficient to give an overview of the amount needed to make the first sale. The most important issues to consider at this stage are total start-up cash needed and the overall financial attractiveness of the investment (Barringer & Gresock, 2008).

After the amount to make the first sale is known, a company must decide on how they will gather the finances needed to cover the start-up costs. An important consideration here is that new ventures may often have trouble receiving bank loans or investments due to their lack of a track record. It is important to be able to show how costs will be covered and where the money will come from in order to fully conduct an analysis on the financial attractiveness of the investment.

Typically, the financial attractiveness evaluation is based primarily on a new venture's projected financial rate of return (i.e. return on assets, return on equity, return on sales) (Barringer & Gresock, 2008). At the feasibility analysis stage, the projected return is a judgment call and is based mainly on comparing a proposed venture to similar businesses (Ibid). Sales forecasts and growth over time should also be included in the analysis in order to project future income and expenses. After conducting a preliminary financial feasibility analysis and if the business moves on to the next stage, a more precise financial analysis will be conducted during the business plan phase.

3.3.3.5 Summary of Feasibility Analysis

When the feasibility analysis has been completed, the deliverable should be a thoroughly thought through business idea. The analysis should be supported by customer feedback on the product idea, a careful industry and market analysis, candid introspection and analysis of the passion and competence of the initial management team, and a reasonable estimation of the financial feasibility of the proposed firm. This feasibility analysis can

then be used to make an educated decision on whether or not a product or service idea should move on to the next phase in the model.

3.3.4 Step 4: Prepare a written business plan

Business Model

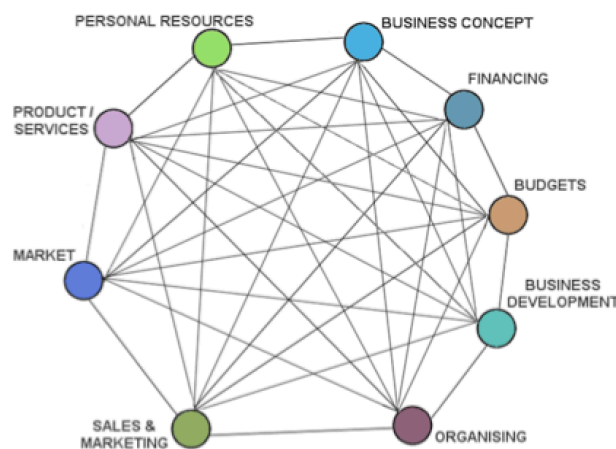


Figure 10

Source: Startupsvar (2019)

The fourth step in the front-end of the entrepreneurial process is to prepare a written business plan. A business plan is a written document that carefully explains every aspect of a new business venture (Honig and Karlsson, 2004). The business plan seeks to answer what a new business intends to accomplish and how it intends to accomplish it. For most new ventures, their business plan serves both an internal and external purpose. Internally, the business plan is utilized to follow and execute the strategies outlined by the plan. Externally, the business plan is used to introduce the business to potential investors and stakeholders. A business plan is especially important when seeking out a bank loan, as most bank require a written business plan before even considering a new business for a loan. According to Barringer & Gresock (2008) the key to preparing an effective business plan is to base the plan on solid data and analysis rather than on speculation and platitudes. The most convincing evidence that a firm can include in its business plan is the results of its own screening and feasibility analysis (Ibid).

When it comes to writing the actual business plan, there are many different methods and theories outlining how to do so. Furthermore, there are many online resources and tools to help new companies write their business plan. Therefore, there is no one right way to write a business plan, nevertheless, all business plans should cover and address the following issues:

1. Personal and Team Resources
2. Your Product or Service
3. The Market Place for Your Product/Service
4. Sales and Marketing
5. Organizing and Legalizing Your Business
6. Plans in the Future
7. Making Budgets
8. Financing - Where to Find the Money
9. Business Concept

Writing an effective business plan becomes easier when proper research and considerations are conducted before starting the process. Many of the issues addressed in the business plan should have already been covered to a certain extent in the feasibility analysis, however the business plan aims to go more in depth during the analysis of each issue. However, before going further in depth, more reliable information about the industry, competitors, product and customers is needed. This information can be gathered by repeating the steps found in the feasibility analysis, yet being more thorough and extensive at each step. Lastly, a business plan may take several weeks or months to write but will serve as a valuable roadmap during the last step of the front-end of the entrepreneurial process.

3.3.5 Step 5: Launching the business

The last step sees a company launching their product or service and implementing all of the information found during the analysis phase. At this point the company will execute on the plans made during the business plan and make adjustments along the way when needed.

3.4 Summary of chapter 3

This chapter outlined the traditional stag-gate framework and the amended version adjusted for the front-end of the entrepreneurial process. Furthermore, the appropriate applications of the model were discussed as well as the motivation behind using an enhanced stage-gate framework for this thesis. Thereafter, the enhanced stage-gate framework to be used in the front-end of the entrepreneurial process was introduced and each step was described in detail. During the introduction of the model, theories from relevant sources of literature were highlighted and utilized in order to assist the production of valuable data during each step of the framework.

Chapter 4

4. Applying the enhanced Stage-gate model

4.1 Introduction

The following chapter will discuss the application of the enhanced stage-gate model during the case of the Powa brand. In order to discuss how the model is applied during the case, each step will be highlighted individually including the method of data collection and the actions taken during each step. Thereafter, a summary of the activities conducted during each step and the subsequent learning's and their implications will be provided. Ultimately, the outcome of the application of the framework will provide the foundation for the subsequent discussion chapter.

The Stage Gate Framework

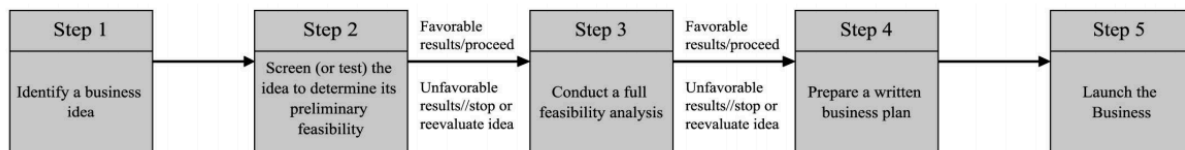


Figure 10

Source: Barringer & Gresock (2008)

4.2 Step 1 – Identify a business idea

As outlined by the model, the first step to starting a new business is to identify a business idea. The process of creating an idea should be as open and unrestricted as possible in order to allow for a free creative thinking and brainstorming process. As previously mentioned, idea generation can be conducted in many different ways. In the case of Powa, the idea for the first product was developed by interacting with potential customers within the gym eco-system and thereby seeing a gap in the market. The initial discovery led to further analysis of the product idea, by firstly scanning the Internet for similar products and mapping out potential competitors. It was during this process that the idea started to take on shape and increase in feasibility, as there were no competitors offering a similar product. However, investigating related and substitute products provided me with further

inspiration to improve upon my product idea and gave me some general insights into the market. This process also resulted in me defining a name and preliminary mission and vision for the Powa brand as well as where I wanted to position the brand on the market in terms of pricing and brand identity.

After the initial idea for the product and brand was developed, I started investigating the different possibilities for getting the product produced in order to gather rough cost estimates. This was done using the website Alibaba.com, which is a large market place with millions of users, connecting manufactures with companies looking to produce a product. I found out during my Alibaba search that my product idea could indeed be produced and that the prices still allowed me to obtain a decent profit margin. After determining that my product idea was feasible considering the current market offerings and also that it could be produced relatively cost effective, I could analyze my idea a bit more closely utilizing the VARIM framework. In order to do so, I briefly answered the questions outlined by the VARIM framework to further gauge the feasibility of my product idea.

Value - Does the business model offer benefits that customers perceive as valuable to them?

Answer: To gauge the value provided by Powa, it is important to assess what Afuah (2014), call the customer value proposition. The value proposition consists of those things that the firm and its products/services can do for customers to solve their problems and/or satisfy their needs better than competitors. In the case of Powa, the product aims to offer a towel that outshines competitors by being produced out of a mix of innovative and sustainable materials that have a high degree of performance. As briefly touched upon, unlike towels solely made out of cotton, bamboo towels possess the ability to be more absorbent and to have anti-bacterial qualities. Furthermore, the designs of the towel should make customers feel like they are not just using the towel but essentially wearing the towel to the gym. Over time, a large degree of the perceived value will be derived by the eventual brand meaning and association of the Powa brand. Lastly, the fact that the products will be sustainably sourced and produced, goes along with the trend of consumers increasingly buying sustainable products.

Adaptability - Is the product cost-effectively reconfigurable or re-deployable to offer benefits that customers perceive as valuable to them?

Answer: The product can cost-effectively be reconfigured in various ways: The designs of the towels can easily be changed in order to offer new products cost effectively. The towels can be resized to fill different product categories such as being beach towels. The bamboo and organic cotton blend and thickness of the towels can be changed to offer a different version of the towel. Therefore, although the product cannot be changed drastically,

it definitely has a certain degree of re-configurability in order to provide continued value to customers. In terms of re-deploy ability, the towels can potentially be sold in different regions and or sub-markets also requiring the use of towels such as sauna clubs.

Rareness - Is the firm the only one that offers the customer benefits? If not, is the firm's level of the benefits higher than that of competitors?

Answer: From my online research I could only find one other company making gym towels from a bamboo and organic cotton blend. However, when entering that companies website the towels seemed to be out of stock and/or no longer being sold. Furthermore, I believe that the designs of the towels offered by that company could be produced with much better designs and quality. The quality claims are derivative from reading the amazon reviews of the product, during which many customers stated that the towel was not produced with the best quality. Nevertheless, there are of course some substitute products customers can buy that offer a similar benefit as the towels produced by Powa. In this case substitute products would simply be towels made out of different materials such as 100% cotton or polyester. Taking the aforementioned into consideration, Powa aims to offer a towel that offers more benefits and more appealing designs to customers.

Imitability - Are the benefits difficult for other firms to imitate, substitute, or leapfrog?

Answer: The benefits of the Powa towel are relatively easy to imitate, as the product is not protected by IP rights or similar. Therefore, there is not much in the way for a competitor copying the product and selling his or her own version of a bamboo towel. Nevertheless, the branding efforts are not easily imitated, as they require a unique set of activities and network actors that cannot be directly duplicated. In terms of substitute products, users have the ability to choose towels made of other materials and from other brands meaning that there is a relatively high degree of substitutability amongst the different gym towel products.

Monetization - Does the firm make, or stand to make money from offering the benefits to customers?

Answer: By selling the towels to customers the Powa brand does have the potential to make money in the long run as customers have already proven their willingness to pay for gym towels, albeit products offered by different brands. Therefore, a new brand servicing the same market with a product offering new benefits should in theory also stand to make money from offering the new benefits to customers.

4.2.1 Summary of Step 1

The idea generation phase can follow many different paths, as there are several ways to arriving at the creation of a new idea. The outcome of Step 1 was the generation of a feasible idea after gathering further knowledge on the market, competitors and manufacturing possibilities. The gathered knowledge was used to refine and shape the initial idea in order to develop a concept statement. During the initial phases, I tried to work as unrestricted as possible in order to allow for creative freedom and effective brainstorming. After the concept was more developed I then briefly tested it for feasibility by answering the questions outlined in the VARIM framework. Ultimately, I came to the conclusion that the product should move on to Step 2, during which a more detailed feasibility analysis will be conducted in order to investigate the merits of my business idea. Overall, the time spent in Step 1 was a valuable learning experience as I quite enjoyed the creative process of conceptualizing a product and gathered new knowledge about the gym accessory market.

4.3 Step 2 – Screen the Idea

As outlined by the framework, the initial idea-screening phase should not be made too rigorous, yet external feedback should be taken into consideration in order to revise the idea. Taking this into consideration I used this step to pitch my concept brief to the people I came across in my everyday life. During this process I pitched the idea to roughly 20 people ranging from friends and family, to strangers I was having small talk with. The outcome of doing so was that I received mostly positive feedback on my concept, which encouraged me to move ahead to engage in the next step of screening my idea. In this case, the next step was to conduct the QuickScreen, which instructs an entrepreneur to evaluate a business idea as either “higher potential” or “lower potential” on four criteria.

The criteria are: market and market related issues; competitive advantages; value creation and realization issues, and overall potential. The QuickScreen and VARIM are completed utilizing educated assumptions and relevant data when available. Nevertheless, detailed data gathering and analysis is not conducted as that is conducted in step 3 of the Stage-Gate model. The QuickScreen allowed me to go into depth with the initial considerations of the VARIM framework and to make a decision on whether or not the idea was ready to move on to step 3. As the QuickScreen dictates rough estimates, the numbers and facts used in the following section are derived from online research and critical assumptions. In depth calculations and further research can then be conducted in Step 3.

The results of the QuickScreen are outlined in the following section:

4.3.1 Margin and Market Related Issues

The Margin and Market related issues section of the QuickScreen (*as seen in Figure 11*) is concerned with 7 different criteria aimed at assessing the attractiveness of the market as well as the estimated size of margins.

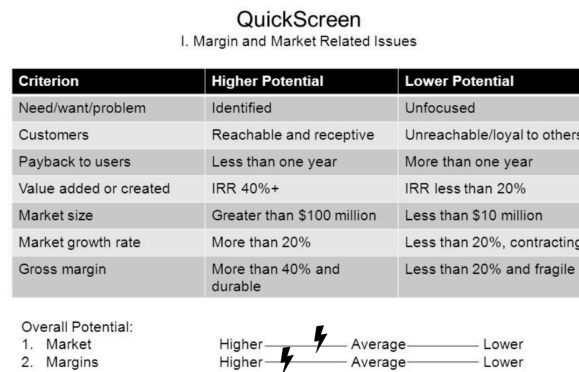


Figure 11

Source: Timmons, J. and Spinelli, S. (2004), QuickScreen completed by author

The 7 criterion were judged as follows:

Need/want/problem: The need to be filled with the Powa Towel product is relatively focused and identified, being that the towel fills the requirement for having a towel to use at the gym. Furthermore, the towel focuses on filling customers needs of buying sustainable and fashionable products. Therefore this criteria is scored as higher potential.

Customers: Most product sales are to be conducted online, thereby making the customer base reachable worldwide and receiving a higher potential score. The receptiveness of the customers is judged to be high to average potential but highly dependable on marketing efforts.

Payback to users: The payback period for users is estimated to be less than one year as the customers are able to reap the benefits for the product immediately after the purchase. Therefore this category was rated as being high potential.

Internal Rate of Return

Time Horizon (Years)	Cash-In	Initial Investment/ Cash-Out	Net Cash Flow
0	0	7000	-7000
1	2990	500	2490
2	5980	500	5480
3	8970	500	8470
4	11960	500	11460
Total	Total Inflow 29900.00	Total Outflow 9000.00	Total Net Flow 20900.00
Result			
Internal Rate of Return (IRR)		64.5618 %	

Figure 12

Source: Authors own creation

Value added or created: During the IRR (Internal rate of return) calculation of the product, the following assumptions were made: The cost per unit was estimated using the manufacturing prices found online as well as estimated shipping and packaging costs and came out to around 100 DKK per unit. The start-up marketing costs were estimated to be around 2000 DKK, with an additional 500 DKK per month of conducting sales activities. Furthermore, the price charged for the towels was preliminarily set at 299 DKK using prices of competitors. The estimations were then used to make a rough IRR calculation as seen in *figure 12*. Ultimately, the IRR was found to be approximately 65%, thereby receiving a high potential rating.

Market Size: Although it was quite difficult to find exact figures on the gym towel market, the general global sports equipment market size seems to be very promising. According to a new report by Grand View Research, Inc. the global sports equipment market is expected to reach USD 89.22 billion by 2025 (Marketwatch, 2018). The sports equipment market includes many different product types such as athletic footwear, exercise equipment, licensed sports merchandise, and athletic apparel. If we consider that gym towels make up a small part of the market, the overall global market size looks to be between 50-100 million USD. Therefore, the market size is rated as being of average potential.

Market Growth rate: Grand View Research also found that the Global sports equipment market is registering a CAGR of 3.5% over the forecast period of the report. Therefore, the market is not rapidly growing, yet it is still

projected to be expanding in size over time. In this case, the market growth rate is rated as being of lower to average potential.

Gross Margin: Considering the COGS estimates and the projected revenue, the gross margin is assumed to be around 50%. Therefore, the gross margin criteria is rated as high potential.

Summary: The overall margin and market related issues are rated to be of just above average to higher potential. Especially high potential is provided by the high IRR as well as the potential gross margins. This is due to the product having relatively low start up costs and a high price tag. A certain degree of uncertainty is provided by the lack of information on the towel market, however the overall sports equipment market is experiencing small but steady growth.

4.3.2 Competitive Advantage

The competitive advantage section of the QuickScreen (*Seen in figure 13*) covers 6 different criteria, which aim to analyze the advantages held by the company in relation to competitors.

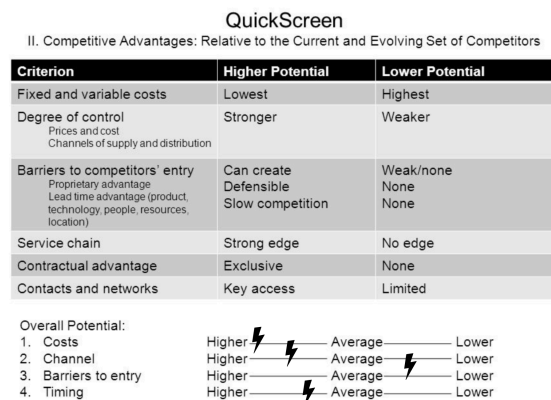


Figure 13

Source: Timmons, J. and Spinelli, S. (2004). QuickScreen completed by Author

Fixed and Variable costs: There are relatively low fixed costs as the company does not pay rent for an office or employs any staff. The most significant costs incurred are prices for stock and marketing efforts. Therefore, fixed and variable costs are rated as providing higher potential.

Degree of control: The company has average control when it comes to manufacturing costs as the manufactory can set their prices as they see fit. Nevertheless, it is always possible to seek out a new manufactory that is willing to offer a lower price. In terms of setting the prices for the product, there is a large degree of control, however, competitors pricing does provide a certain degree of pressure to follow market trends. Powa has full control of the channel of supply and distribution, nevertheless the manufactory producing the product will have a degree of control in regards to the speed and quality of supply. Overall, Powa has a lot of control and therefore this category is rated as being of higher potential.

Barriers to competitor's entry: According to Investopedia (2019), barriers to entry are the economic terms describing the existence of high start-up costs or other obstacles that prevent new competitors from easily entering an industry or area of business. In the case of Powa, there are very little barriers to entry for competitors as any company can produce towels made out of the same material since there are no patents for the product. The only barrier to entry provided is created by branding and marketing efforts, which provide for processes that are harder to mimic. Overall, the barrier to entry for competitor's criteria is rated as having below average potential.

Service chain: With the degree of experience the founders of Powa possess in customer service, the service chain is aimed to be used as a key distinguishing factor in relation to competitors. This will be done by providing above average customer service and going above and beyond at each touch point the firm may have with customers. Therefore, the service chain is rated as providing a strong edge.

Contractual advantage: Currently Powa possesses no contractual advantage. However, in the future, Powa can benefit from exclusive supply and distribution agreements that can provide an edge over competitors. Nevertheless, as it stands currently, this category is rated as being of low potential.

Contacts and Network: The network of the founders is seen to provide a key advantage in the initial phases of launching the product as many potential customers are in the immediate network of the founders. Furthermore, the founder possess a great degree of influencers in the network which can be used to cost effectively aid marketing and branding efforts. Therefore, the contacts and network criteria offers the company with key access and is rated has being of higher potential.

Summary: In general the company possesses quite significant competitive advantages that can contribute to the products success. The biggest obstacle for the company is the low barrier to entry making it easy for other

companies to imitate the product. Therefore, in the future the company is going to have to hedge against that risk through extensive marketing and branding efforts.

4.3.3 Value Creation and Realization Issues

The value creation and realization issues section as seen in *Figure 14*, is based on 7 criterion and is concerned with how much profit the company can create and how much time it will take to do so. Furthermore, it aims to rate how much cash is needed to start the company up and how liquid the investment is.

QuickScreen		
III. Value Creation and Realization Issues		
Criterion	Higher Potential	Lower Potential
Profit after tax	10-15% or more and durable	Less than 5% and fragile
Time to breakeven	Less than 2 years	More than 3 years
Time to positive cash flow	Less than 2 years	More than 3 years
ROI potential	40% - 70%+ and durable	Less than 20% and fragile
Value	High strategic value (i.e. when a company in the value chain you would enter could substantively benefit from the launch of your business)	Low strategic value
Capitalization requirements	Low - moderate; fundable	Very high; difficult to fund
Exit mechanism	IPO, acquisition	Undefined; illiquid investment
Overall Potential:		
1. Timing	Higher	Lower
2. Profit/free cash flow	Higher	Lower
3. Exit/liquidity	Higher	Lower

Figure 14

Source: Timmons, J. and Spinelli, S. (2004). QuickScreen completed by author

Profit after tax

Considering the tax rates in Denmark as well as the gross margins calculated in an earlier section, the profit after tax is estimated to be more than 10-15% and is therefore rated to be higher potential.

Time to breakeven

Depending on the volume of sales in the initial phases the company could break even in only a couple of months. This is also taking into consideration the relatively modest capital investment requirements in order to start the company. Therefore, this section is rated as higher potential.

Time to positive cash flow

Based on the aforementioned assumptions the cash flow is also predicted to be positive in a relatively timely manner i.e. less than 2 years. Therefore, this criteria is also rated as being of higher potential.

ROI potential

The return on investment is assumed to be higher than 40%, based on calculations found in appendix *appendix 5*. Nevertheless, this criteria is again dependent on the actual sales figures, however, when taking a realistic stance, the ROI potential still can be rated of being higher potential.

Value

The value created for strategic partners in the value chain by Powa is relatively small. However, there is some value created for gyms and personal trainers, as they can give Powa products as gifts for their clients. Nevertheless, this criteria is rated as being of low strategic value and therefore as lower potential.

Capitalization requirements

There is relatively little capitalization requirements in order to produce the first products and to make the first sales. Therefore the capital requirements are rated as being low to moderate and fundable providing this criteria with a high potential rating.

Exit mechanism

The exit mechanism is undefined considering the nature of the company. However, the investments of the company are seen as relatively liquefiable considering that they are a physical good. However, if the product turns out as being undesirable by customers, then it will prove to be hard to liquefy the investment. Therefore, the exit mechanism and degree of liquidity are rated as being just above average.

Summary: This section showed that the Powa brand has high value creating and realization potential as there are low start up costs and significant profit margins. The biggest concern of the Powa brand in this section is the degree of liquidity that the products possess and the undefined exit strategy.

4.3.4 Overall Potential

The overall potential of the product or service idea is assessed by making a go, no go or go if, decision based on the analysis of the prior steps in the QuickScreen. During this last step, final considerations can be made, which can be used to make adjustments to the product, service, processes or the team involved in the company. Overall, Powa seems to be able to produce a product of high potential. However, there are certain areas that should be investigated and adjusted for later on in the process. One of the biggest concerns is the uncertainty in regards to the towel market, on which sufficient information was not available without purchasing a report for thousands of dollars.

QuickScreen
IV. Overall Potential

	Go	No Go	Go If...
Margins and markets	⚡		
Competitive advantages	⚡		
Value creation and realization	⚡		
Fit (i.e. opportunity, resources, team)	⚡		
Risk-reward balance	⚡		
Timing	⚡		

Figure 15

Source: Timmons, J. and Spinelli, S. (2004). QuickScreen completed by author.

Furthermore, the imitability and low barriers to entry should be taken into consideration and plan in order to hedge against this risk should be made and executed when launching the company. The largest proponent for moving on to the next step in the launching process is that the fitness equipment market is large and still growing, there are low capital investment requirements and there are significant profit margins should the product prove to be desirable amongst customers.

4.3.5 Summary of Step 2

During Step 2 the QuickScreen analyzed the different aspects of the Powa brand and rated the different criterion necessary for success by higher or lower potential. Completing the QuickScreen put a lot of relevant aspects of the business into realistic perspectives considering the competitive environment and the internal capabilities of the brand. Furthermore, the QuickScreen provides the first initial calculations on IRR and gross margins in order to determine whether the project is feasible and worthwhile from a financial perspective. After completing the QuickScreen, the outcome was that the product provides high potential in most categories and received a go decision after each step. Therefore, the product should move on to step 3 in the stage-gate framework, during which a more detailed feasibility analysis will be conducted and the prototype of the product will be introduced to potential costumers for the first time.

4.4 Step 3 – Conduct a full feasibility analysis

The aim of Step 3 is to conduct a full feasibility analysis, which as previously stated typically covers four areas: product/service feasibility, industry/market feasibility, organizational feasibility and financial feasibility. During

the feasibility analysis of the Powa brand, a large focus was placed on the product feasibility by engaging in potential customer interviews and utilizing these to gather feedback in order to gauge demand, set prices and make improvements on the product. The Industry and organizational feasibility was valuable in mapping out the competitive environment, defining the role of each person involved in the brand and to define a clear competitive advantage and USP. Lastly, as the product requires a small capital investment in order to be produced, a limited amount of weight was placed on the financial feasibility section. Nevertheless, during the financial feasibility analysis, potential suppliers were contacted in order to receive detailed quotations on the cost of getting the product produced.

These figures were then utilized to further define a break-even point and an optimal pricing strategy. During the feasibility analysis, a large focus was placed on following the research philosophy outlined in the methodology. Therefore, the data gathered during the various sections of the feasibility analysis is both qualitative and quantitative. By following the pragmatic approach the data can then be analyzed to both create new, richer understandings and interpretations of social worlds and contexts (Saunders et. al, 2016), and to look for causal relationships in the data to create law-like generalizations (Gill and Johnson, 2010). The following section will outline each of the four areas covered in the feasibility analysis and highlight the processes used to gather sufficient data to conduct the analysis.

4.4.1 Product/service feasibility

4.4.1.1 Testing the Concept Statement

The focus of the product feasibility analysis consisted of multiple aspects, which were utilized to develop the concept and to gather information from the potential customer base. Firstly, we wanted to gauge the overall demand for the product amongst our potential customer base in order to see if it worth moving on to the next step of developing the product. This process was conducted by preparing a concept statement and thereafter pitching the statement to as many potential customers as possible. The concept statement pitched to potential customer was modeled after the following paragraph:

Powa is a brand developing high-end fashionable gym accessories that are produced by utilizing sustainable materials and processes. Our first product is a towel produced out of bamboo and organic cotton. The benefits of using bamboo in the towels is not only that it is a sustainable material but it is also more water absorbent and

has anti-bacterial qualities. Furthermore, our towels will be designed with the mission of being a fashionable statement piece that you don't just use in the gym but something that you wear to the gym.

It should be noted that the key aspect of the methodology of this study is to follow an explorative approach, and therefore during the concept statement pitch, the above paragraph was not pitched verbatim. On the contrary, as pitching the concept statement during the customer development phase is part of a rather informal conversation, the statement was adjusted to fit into the conversation.

However, it is important to mention that the overall message of the concept statement remained the same.

The concept statement enabled me to explore new themes (Saunders et. al, 2016) by allowing for an open conversation in order to receive feedback from the people engaged in the conversation. During this phase, I placed little focus on only pitching to a pre-defined customer base, but rather used various social settings to pitch the idea as often as possible, which was also in line with the non-probability sampling technique used throughout this thesis (Explorable, 2009). Considering the informal nature of pitching the concept statement, this part of the feasibility analysis was not formally documented. Nevertheless, the relatively large amount of people the concept was pitched to, contributed to further developing the idea and also resulted in enough positive feedback to move on to the next phase in feasibility analysis.

Additionally, a Chinese agent specializing in linking western companies with Chinese manufacturers was found as a direct result of pitching the concept to a person in my immediate network. The Chinese agent is a key asset to the organizational activities as they can cost effectively source a manufacturer in China, negotiate deals and practice quality control.

4.4.1.2 Gathering Feedback on the Prototype

The next step in the product feasibility analysis was to develop the first designs of the product and to test them amongst a more defined customer based. As previously mentioned, Powa was able to add a designer to the team as a partner in the company, which resulted in the design process being conducted cost effectively and relatively time efficient. The overall process of testing the designs was helpful in order to both adjust the designs by considering the feedback received and to pick the top 3 designs based on votes by customers. We decided that we only want to produce 2-3 designs in the beginning and therefore wanted to choose the most popular designs based on our customers votes. Furthermore, in order to receive the most valuable feedback, this process was more structured and planned by defining who should be surveyed, the sample size and what questions should be

asked during the survey. In order to gather feedback, the designs were turned into prototypes by producing digital mock-ups and printing the designs on A4 sized paper.

4.4.1.3 Surveying potential customers

As previously mentioned, the sampling technique to be used in the survey was to be non-probability purposive sampling. According to Bryman (2012) the goal of purposive sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions that are being posed. In the case of Powa, while there still was a degree of uncertainty on exactly who the potential customers should be, defining some criteria based on assumption in regards to who our ideal customer could be was helpful in narrowing down who to target for surveying in order to best aid the research. The information gathered during the survey can subsequently be used to build a more precise target persona to outline ideal prospects and customers that Powa can aim to attract with marketing efforts. In terms of location, the gym where I work was deemed a perfect location to find in person survey prospects fitting the outlined criteria. This decision was based on the fact that the gym is a high-end location with many potential customers with diverse background and demographics. Furthermore, when the product moves to the development phase, the gym is planned to be one of the first points of sale. Based on the preliminary assumption about the customer base, the following criteria were chosen to define who to survey.

Sample size: 14 people

Age: 20-40

Gender: Male and Female

Employment status: Employed

Interests: Sports and Fitness, Fashion, sneakers, design

Shopping habits: Spends more money on clothes than the average consumer. Wears designer brands. Goes shopping frequently (1-2 per month).

Gym attire: Conscious about what they wear to the gym, their gym outfits are color coded and match. They often seem to be wearing new gym gear. They have fashionable gym shoes.

4.4.1.4 Developing the Survey

The survey was developed in order to allow for both open and closed questions, thereby following a semi-structured approach. According to Bryman (2012), research methods such as participant observation and semi-

structured interviewing are used so that the researcher can keep more of an open mind about the contours of what he or she needs to know about, so that concepts and theories can emerge out of the data. As highlighted in the methodology section, the aim of the research conducted is to explore and understand the target group's opinion of the product in greater detail in order to make improvements and set prices, therefore, the semi-structured interview approach is well suited at this stage of the product development.

Furthermore, considering that people at the gym may be short on time, the survey was designed to take this fact into account. Therefore, the survey was limited to 5 questions in order to allow for the efficient gathering of data. Additionally, since this was only the first survey in order to develop new customer insights, the questions were chosen to answer the key questions needed during this specific phase of product development. During later stages of the product development, a new or adjusted survey can be employed to gather further data and feedback.

Bryman (2012, p. 471) describes the semi-structured interview as an interview where “the researcher has a list of questions or fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply.” During the survey participants were provided with a concept pitch of the brand and thereafter asked a series of questions in order to determine the willingness to purchase the product, which designs they find the most appealing and how much they would be willing to spend. The amount of leeway allotted when answering the questions was valuable in that it allowed for the gathering of a wide range of feedback. To showcase the product designs, the individual designs were both rendered in to digital mock-ups and printed out on a A4 piece of paper and then compared side by side (*as seen in appendix 5*). Lastly, due to the interviews being conducted in English, the responses may be slightly affected by the existence of a language barrier. Nevertheless, in my subjective opinion, most of the people interviewed had a high level of English, mitigating any adverse affects a language barrier may have.

The questions asked during the interview:

- 1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?*
- 2) What do you like most about this product?*
- 3) Is there anything you would change about the designs?*
- 4) Please rank the designs (based on which ones you like the most) in order from 1-8.*
- 5) Could you see yourself purchasing and using a Powa Towel? If not, why?*
- 6) What would you be willing to pay for a towel that you find both fashionable and functional?*

4.4.1.5 Instagram Poll

After the survey the results were evaluated and the insights were used to make minor adjustments to the designs and to set the first preliminary price. Thereafter, the most popular designs could be determined and tested further. Further testing was conducted by engaging in split testing utilizing a simple poll survey on Instagram. Instagram story polls allow users to place a simple two-option poll on the photo or video shared in stories. Followers can tap on the icon and vote, and you can see the results immediately afterward. Surveying on Instagram is very valuable for brands as the platform has over 800 million monthly users, which gives an opportunity to reach customers in a genuine way (Surveyanyplace, 2018).

Instagram Poll



Figure 16

Source: Authors own creation. Screenshot derived from authors personal instagram account

Instagrammer's are also ready to engage with brands with the engagement rate being 10x higher than Facebook and 84x higher than Twitter (Ibid). As seen in *Figure 16*, the poll asks users which designs they prefer and then offers them to either choose A or B in order to indicate their favorite choice. The benefit of conducting an Instagram survey is that the people surveyed are likely to become potential customers and that the large sample sizes can be achieved effectively in a 24-hour period. Furthermore, users also have the ability to engage with the person posting the survey in order to ask further questions or to voice their feedback.

Results of Instagram Poll

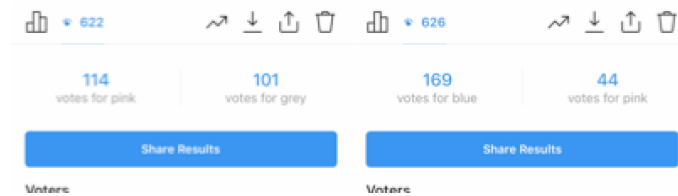


Figure 17

Source: Authors own creation. Figures derived from Authors personal Instagram account.

As seen in *Figure 17*, the results gathered by conducting the Instagram survey were that 215 people voted on the first designs and 213 voted on the second design. This information could then be used to determine the most popular designs.

4.4.1.6 Outcome of the Prototype testing

The initial product feasibility analysis allowed us to gather valuable customer feedback on the first designs of the product in order to make minor changes to the designs and to determine which designs were best received amongst the sample group. This information was effectively gathered utilizing multiple methods, such as semi-structured interview, polling on Instagram and cost efficient prototypes of the towels. The main results of the interviews and the Instagram poll will be outlined in the following section.

4.4.1.7 Outcome of the interviews

As previously stated, 14 people were interviewed and asked 6 questions to begin with but I went into depth and asked follow up question when they mentioned something relevant and/or of interest to the problem studied. This provided for a more open interview forum and allowed participants to enter into a discussion with me, which ultimately brought up some valuable insights into their views of the product. According to Anderson (2010), in order to present the findings of qualitative research, the researcher should select quotes that are poignant and/or most representative of the research findings. Therefore, the outcome of the interview's will be

outlined in the section by providing a summary of the answers to each question. By doing so the most valuable feedback and key insights can be highlighted in an effective manner and their implications can be discussed in a later section. The full answers to the interviews can be found in *Appendix 6*.

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

The answers to this question showed that around every 3rd participant uses a gym towel. Most people using a towel at the gym used a towel that they initially used for something else, such as a hand towel from the bathroom. Only one interviewee, Susi, bought a towel specifically for use in the gym. Generally, there was a pattern amongst those participants answering No to the question of owning and using a gym towel. Most stated that they simply do not see the need for a gym towel as they do not mind the sweat and/or bacteria at the gym or they use a paper towel at the gym to rid themselves of sweat on their face.

2) What do you like most about this product?

The answers to this question were very mixed, which provided for a lot of different feedback. One common theme however, is that most participants answered that they found the fact that the towels were sustainable to be a key value adding factor. Furthermore, the designs stood out to most participants with their unique and vibrant colors. Two participants, Chris and Niclas, mentioned that they really liked the slogan “You got the Powa”. Chris also mentioned that the fact that he knew who was making the towel and where it comes from would drive him to buy it more.

3) Is there anything you would change about the designs?

This question got the most diverse pool of answers with almost every participant adding their own little thing that they would change about the product. Nevertheless, there were a few key points that most participants mentioned about the designs such as that the towel designs were quite masculine and that some of the designs had a bit too much going on. Lastly, it was mentioned a few times that the different designs do not really fit together and that there should be more cohesion between the different designs.

4) Please rank the designs (based on which ones you like the most) in order from 1-8.

This question was very straightforward and produced the outcome that people were able to pick their favorite designs and rank them in order.

5) Could you see yourself purchasing and using a Powa Towel? If not, why?

Although many participants answered that they currently do not own a gym towel and they don't need one, most participants answered yes to this question. The ones who answered no had their own reasons for doing so. Amarora for example stated that she would prefer a bigger towel to use in the gym. Karo said that she could never see herself using a gym towel and therefore wouldn't buy one.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

This question was great to find out more about the minimum and maximum price that people are willing to pay. The lowest answer received was 150DKK whereas the highest answer was 450DKK. Generally most people answered that they would be willing to pay 250-350DKK.

4.4.1.8 Outcome of Instagram Poll

After receiving the highest ranked designs by asking the interview participants to pick their favorite designs, I could make an Instagram poll comparing the designs with each other in order to determine which two designs are the best received amongst the community on Instagram.

The results of the Instagram poll are shown in *figure 17* and show that at least 213 people answered each poll. The poll showed that the designs called Blue Powa dots was substantially more popular than the pink version. The Camo designs titled Powa Camo, were almost equally popular with the Pink Powa Camo being slightly more popular. This information can later be used to bring those products to market that are best received by the sample group in order to increase the chances for success.

4.4.1.9 Summary of product Feasibility analysis

The main question of the product feasibility analysis is whether or not people like the product and if they would be willing to buy it. In this case (Saunders et al., 2016) mentions that the research should use the most suitable methods in order to enable credible, well-founded, reliable and relevant data to be collected in order to advance the research. Therefore, I decided to use a subjective approach by engaging in semi-structured interview and gathering a wide range of feedback. Additionally, I used an objective approach by gathering quantitative data on the different towel designs utilizing an Instagram poll. By mixing both approaches I was not only able to gather a wider array of data but also to combat a potential research bias.

Furthermore, during the feasibility analysis I found that the feedback and data gathered was valuable in further developing the idea and product. The analysis was conducted with a natural flow between the different steps as the various tests conducted during the analysis escalate in their depth and time intensiveness. I also found that it was quite motivating to receive positive feedback, which resulted in me believing even more in the product and wanting to bring the towels to market. The next phase in the product feasibility analysis would now be to commission the production of prototypes of the most popular towel designs in order to thereafter gather further feedback on aspects of the towels such as: Quality, feel and comfort, looks, and functionality. Nevertheless, due to the time allotted for this thesis, the prototypes could not be created in due time and will have to be tested at a later point.

4.4.2 Industry/market feasibility

The main aim of the industry/market section is to assess the opportunities available in a the industry/market. As previously mentioned, there are three primary issues that a proposed business should consider during the analysis: industry attractiveness, the identification of a niche market, and the total potential size of the potential market. In the case of Powa, the analysis was firstly conducted taking into consideration the attractiveness of the gym and fitness accessory and apparel industry as a whole. This was motivated by the aim of the Powa brand to develop further products aimed at the gym accessory market. However, considering that the first product is to be a gym towel, the gym towel market was analyzed and assessed in greater detail. In order to do so firstly, Rogers (2002) product diffusion curve was utilized to assess the current product lifecycle of gym towels. Thereafter, Michael Porter's (1979) five forces model was used to assess the competitive rivalry in the gym towel market and the niche in which Powa's plan to position itself was defined. Lastly, due to the lack of information and data on the overall market size, the market size was predicted based on a bottom up approach where both data and educated assumptions were utilized.

4.4.2.1 The gym accessory and apparel market

The Gym accessory market is growing steadily and projected to continue doing so in the next years. According to a research report published by IHRSA, the global fitness industry revenue in 2016 was 83.1 billion dollars and has been growing on a global average of 2.6% (Wellness creative co, 2018). In Denmark the growth in fitness centers was roughly 22% from 2016-2018 (DFHO, 2017). The reason for the continued growth in the health and fitness industry is increased health awareness, increasing disposable income and a surge in female participation

in sports (Alliedmarketresearch, 2018). All of these factors are also contributing to the growth in the fitness apparel and accessory market as more people visiting the gym also means that there are more customers for the fitness apparel and accessory industry. Overall, the growth in the health and fitness industry seems to be promising for new and incumbent companies to increase their revenue.

4.4.2.2 Placing the Gym towel on the Product Life Cycle curve

Placing the gym towel on the product lifecycle curve allows us to portray the period of time over which an item is developed, brought to market and eventually removed from the market. The cycle is broken into four stages: introduction, growth, maturity and decline. Depending on what stage a product is in, marketing activities and potential revenues vary. In the case of gym towels, the product is deemed to be in the maturity stage as gym towels have been around for many years and there is a large degree of competition on the market with multiple companies offering their own rendition of gym towels. The goal during the maturity stage is therefore to gain and defend market share against competitors. The maturity is probably the most competitive time for most products and therefore it is crucial to invest wisely in any marketing activities. During the maturity stage, a key method to gain a competitive advantage is to differentiate a product from that of competitors by offering better and improved features. In the case of Powa, this has the implication that a large part of the competitive advantage is derivative from unique designs and the blend of sustainable materials, namely bamboo and organic cotton. Furthermore, considering that the gym accessory market continues to grow, the gym towel category is projected to stay in the maturity phase for the time being.

4.4.2.3 Porter's Five Forces in the Gym towel Market

Supplier Power: The manufactories creating the gym towels can easily raise their prices. Nevertheless, considering the amount of alternatives available on the market, it will be relatively easy to switch to a new supplier offering a better price. Furthermore, considering the level of uniqueness of the towels, the cost of switching suppliers is not substantial enough to significantly strengthen the position of suppliers. Therefore, supplier power is rated as being low.

Buyer Power: In the case of gym towels, buyers have a large degree of power as there are many alternate and substitute products available on the market. However, since the towels will be sold to a large group of buyers and not few smaller buyers, the buyer's ability to manipulate prices is limited. Nevertheless, overall the buyer power is rated as being medium to high.

Threat of Substitution: There are not many other ways of wiping sweat off your face than using a towel. Therefore, one of the biggest threats to the product is that users simply refuse to use a towel in the gym or opt to using the paper towels offered in the gym. Taking this into consideration, the overall threat of substitution is rated as being medium.

Threat of New Entry: It takes little capital requirements and effort to enter the towel market and to compete effectively. There are low barriers to entry considering factors such as the lack of IP rights, the existing amount of competition and the low cost of production. Therefore, the overall threat of new entry is rated as being high.

Competitive Rivalry: Generally, there are many athletic apparel companies offering gym towels. However, when scanning the Internet, few of those companies offered towels made out of innovative materials. Therefore, it could be argued that although there are many competitors on the market, their products are not easily comparable to Powa Towels. Nevertheless, the large degree of rivalry means that Powa's marketing campaigns will have to be impactful and memorable in order to be different from competitors.

4.4.2.4 Defining the niche

Generally speaking, the gym towel market is not a niche in itself as the market is saturated with a high degree of competition and a large amount of product offerings. Nevertheless, there is still a possibility of benefiting from entering into a niche market, even with the high degree of saturation in the gym towel market. This niche market can be achieved by engaging in the correct product positioning via branding and pricing. While scanning the market for gym towels, it became apparent that most products are priced from low to medium with varying qualities.



Figure 18
Source: (Deal, 1976)

Therefore, the aim of Powa is to charge a high price for a high quality product. By doing so the brand can be positioned as a premium product (*See figure 18*), a market where there is a lot less competition and can therefore be seen as a niche. In order to do so effectively, quality assurance and branding efforts must be the focus, which will lead to a large marketing budget. This is line with Deal's (1976) notion that firms can choose a relatively high price together with extravagant advertising. Furthermore, according to Deal (1976), high prices are a reasonable financing technique for shouldering the burdens of large advertising budgets, as will be the case for Powa.

4.4.2.5 Market Size

The market size of the Danish towel market is analyzed instead of the global gym towel market, as initial sales efforts will be focused on the Danish market. Firstly, it should be stated that there is a limited amount of data available online depicting the size of the gym towel market. Therefore, the bottom up approach will be utilized to make a prediction of the gym towel market in Denmark. According to the International Finance Corporation, to conduct a bottom up market estimate, a firm must first identify the customer segments it intends to reach, and then make estimates of their size and growth (IFC, 2019). Furthermore, A bottom up analysis evaluates where products can be sold, the sales of comparable products, and the slice of current sales you can carve out (INC, 2019). In order to conduct the bottom up analysis, the amount of active gym members in Denmark was firstly determined by consulting a study conducted by the Danish fitness and health organization. The study found that in 2017 there were between 810,000-950,000 active fitness club members in Denmark (DFHO, 2017). Furthermore, another 250,000 people were added to the active gym member's number to reflect those people participating in sports while not being gym members such as, organized sports and other athletic clubs.

After determining the estimated amount of gym members and potential towel users in Denmark, the assumption was made that at least every third person engaging in athletic activities owns a gym towel. This assumption was based on the results found in the interviews, where 10 out of 25 participants owned a gym towel. Furthermore, the assumption was made that the gym towel needs to be replaced on a yearly basis. The average gym towel price was set at 150DKK by scanning the competitive environment online and estimating the average price. Lastly, considering the rate of growth for the global fitness industry of 2,6% and Denmark's significantly larger growth percentage, a multiplier reflecting the growth of the fitness industry in Denmark of 5% per year was deemed feasible. The before mentioned assumptions leave us with the following calculation in order to estimate the market size of the gym towel market in Denmark:

Market Size of Gym towel market in Denmark

Danish Gym towel market in 2019 in DKK = $(1/3) \times (1,200,000) \times (150DKK) = 60,000,000DKK$

After the estimated market size was found utilizing the formula, the future size of the market in the next 5 years was predicted using the 5% multiplier of fitness industry growth.

<i>Year</i>	<i>Market size in DKK</i>
2019	60.000.000
2020	63.000.000
2021	66.150.000
2022	69.457.500
2023	72.930.375
2024	76.576.894

The results are presented in *Table 1*.

Table 1

Source: Authors own creation

The overall size of the Gym towel market in Denmark looks very promising considering that even capturing a small percentage of market share would still result in a reasonable amount of revenue to start out with. Furthermore, considering that the market is growing, there is increasing potential for new entrants to capture market share. When these same assumptions are applied to the global gym towel market, it could be argued that the gym towel market is a substantial market to enter in to, even for newer firms.

4.4.2.6 Summary of Market Feasibility Analysis

While analyzing the market it was found that overall the gym apparel market is growing as the fitness industry as a whole is experiencing continued growth which is predicted to continue. A larger amount of people engaging in sports also means that there are more customers for gym apparel brands to service. Being a part of the Gym apparel category, gym towels have been on the market for quite some decades and are therefore placed as a mature product on the product life cycle curve. This means that there are already a high degree of companies servicing the market, resulting in a high degree of competition. This notion was also confirmed in the Porters 5 forces analysis, where competitive rivalry was judged as being high. Another key take away from Porters 5 forces was that there are little barriers to entry into the towel market meaning that Powa's products really have to be differentiated through marketing efforts and quality production.

Furthermore, it was determined that the niche market of premium gym towels was the most suited for Powa's products. Lastly, the market size of Gym towels in Denmark was determined by following a bottoms up approach and it was found that the market size is attractive and even a small amount of market share can results in sizeable revenue.

4.4.3 Organizational feasibility

Organizational feasibility is conducted to determine whether a proposed new venture has sufficient management prowess, organizational competence, and non-financial resources to successfully launch its business. As outlined in the introduction, Powa consists of 3 team members, which are to be assessed utilizing the Management prowess assessment tool found in *appendix 3*. In order to adequately assess each of the members of the management team, they will firstly be introduced objectively and their proposed function will be described. Thereafter, they will be assessed using the Management prowess assessment tool. After the members of the management team have been assessed the organizational competence can be described and shortcomings can be addressed by hiring skilled labor. Lastly, non-financial resources will be rated using the resource efficiency assessment tool in order to determine the degree of sufficiency of non-financial resources.

4.4.3.1 The Management team

Daniel – Daniel is a 34-year-old personal trainer and boxing coach working at Sporting health club. Daniel is very passionate about the fitness industry and is running a great personal business with 30-40 clients a week. Before going full time in the fitness industry, Daniel was working with financial analysis and trading stocks. Daniel has always had a fashion for fashion and is an avid sneaker collector with a keen eye for design. Daniels main function for Powa is to drive sales and to handle the finances.

William – William is 26-year-old graphic designer, DJ and artist. William works as a content creator for Guldsmeden hotels in Copenhagen and as a freelance designer for the Copenhagen based fashion brand MUF10. William is also a fashion and sneaker enthusiast with relevant experience in the fashion industry. William's main function for Powa is to design the product and marketing material, serving as a creative driver of the company

Simon – Simon is a 25-year-old personal trainer and boxing coach at sporting health club with a large passion for the fitness industry. Furthermore, Simon is currently finishing his master in Strategic market creation at CBS. Prior to working in the fitness industry Simon has been working in both B2B and B2C sales in the hospitality and retail industry. Simon's main functions at Powa are to take care of operations, strategy and marketing.

4.4.3.2 The Team's overall Prowess

The overall management prowess was assessed by objectively scoring the team's management abilities based on the 7 categories highlighted by the tool in Appendix 3. Each category receives a score from lower to higher potential and the reasoning for the score is then described.

1) Passion for the business idea – High

All members of the team are passionate about the product and the idea behind it.

2) Relevant industry experience – Moderate

Although some of the management team has experience in the retail and fashion industry, nobody on the team has experience in Gym apparel. Furthermore, the team lacks in relevant industry knowledge in regards to getting a product produced and selling it in the market place.

3) Prior entrepreneurial experience – Moderate

All members of the team have their own business as either freelancers or personal companies. This means that the overall management team is well versed in the highs and lows that come with running your own company and the associated risks. However, the score has been kept at moderate as the management team does not have any experience with running larger companies.

4) Depth of professional and social networks – High

One of the key competencies of the management team is their wide ranging social and professional networks, which can be utilized to drive the brand forward. A key part of these networks is a large degree of fashion and fitness influencers that can be used to market the product to a relevant customer base.

5) Creativity among management – Moderate – High

The creativity of the team has been ranked as moderate to high since all members possess a substantial amount of creative problem solving skills, which have been showcased during prior experiences.

6) Experience and Expertise in Cash Flow management – Moderate – High

The Cash flow management is ranked as moderate to high as one of the team members has been working in finance prior to starting as a personal trainer and can therefore apply his relevant expertise to the new company as well.

7) College Graduate – High

All members have completed a degree from university.

4.4.3.3 Summary of the Management team

Overall the management team has a high degree of prowess and relevant knowledge to start the Powa brand. One key aspect in which the team lacks prowess is industry knowledge, especially pertaining to producing a product. Therefore, this knowledge gap was filled by hiring an external agent in charge of finding the right manufactory and helping with the overall production process of the towels. In the future, further shortcomings may be revealed, in which case more skilled labor can be employed to properly execute the job function needed.

4.4.3.4 Non-Financial resources

In order to assess non-financial resources the resource sufficiency assessment tool was utilized and completed. The results of the assessment can be seen in *figure 19*. After the completing the tool, it was assessed that there are sufficient non-financial resources to start the Powa brand. A few sections were left blank as they are not relevant to the Powa brand. Overall, it was found that a few resources might prove to be a challenge in the future, such as the sourcing of office space and the ability to obtain IP rights for the design of the towels. Another key feature is the proximity of suppliers, who are located in China. Therefore, due to the lack of proximity there could be future complications with communication and logistics. Another key finding was that all categories needed to successfully produce the product were ranked with a high score, meaning that there are sufficient resources present for production.

Resource Sufficiency Assessment Tool					
Ratings					Resource Sufficiency
1	2	3	4	5	Office space
1	2	3	4	5	Lab space, manufacturing space, or space to launch a service business
1	2	3	4	5	Contract manufacturers or outsource providers
1	2	3	4	5	Key management employees (now and in the future)
1	2	3	4	5	Key support personnel (now and in the future)
1	2	3	4	5	Key equipment needed to operate the business (computers, machinery, delivery vehicles)
1	2	3	4	5	Ability to obtain intellectual property protection on key aspects of the business
1	2	3	4	5	Support of local and state government if applicable for business launch
1	2	3	4	5	Ability to form favorable business partnerships
Ratings: Strong, Neutral, or Weak					
Neutral					Proximity to similar firms (for the purpose of knowledge sharing)
Neutral					Proximity to suppliers
Strong					Proximity to customers
					Proximity to a major research university (if applicable)

Figure 19

Source: Timmons, J. and Spinelli, S. (2004). Model completed by author.

4.4.3.5 Financial feasibility

In order to determine the financial feasibility of the project, several considerations including start up costs, cost per unit, price per unit and sales, need to be made. As previously mentioned, Powa's first product does not require substantial capital investments to generate the first sales, which is of beneficial in regards to the start up costs. Nevertheless, in order to calculate financial feasibility, the IRR calculations from step 2 were built upon with updated data and new assumptions. A more detailed calculation was conducted by receiving a more precise figure for the price per unit, which was determined after receiving in depth quotes from two different potential suppliers including manufacturing prices as well as shipping and packaging costs. The towels production cost was quoted between 2.5-5.00 USD per unit, Packaging 0.50-2.00 USD per unit and shipping 1.5USD per unit. This converts to 56 DKK and rounded to 60 DKK to adjust for any minor errors encountered in currency conversion or quotation. Furthermore, the start-up marketing costs were estimated to be around 2000 DKK for the first month, with an additional 500 DKK per month of conducting sales activities. This assumption was made using figures and prices found online from sources such as Facebook, Instagram and Google. The price to be charged per towel was based on online price screens of competitors as well as the answers given in the interviews and ranged from 249-349,- DKK.

For the sake of the financial feasibility analysis (as seen in Appendix 5), I decided to assume 5 different scenarios, encompassing varying cost per units, start up costs, monthly marketing, price charged per towel and units sold per month. The different scenarios ranged from a very pessimistic stance to a very optimistic stance, during which the pessimistic stance reflected high costs, low price charged per towel and low figures and the optimistic stance reflecting the contrary. By analyzing different scenarios the break-even point and potential gross profit could be analyzed in order to test and assess for financial feasibility. In the worst case scenario the breakeven point would come after 5 months, meaning that overall the start up risk are judged as being relatively low. In the best case scenario, the breakeven point came after month 1 and thereafter the gross profit reached 20,000 DKK after just 4 months and grew steadily from there.

Overall, the outcome of the financial feasibility analysis was that during all 5 scenarios the product was generating small to medium amounts of gross profits in the first months of sales without large amounts of capital invests and overhead to get the project off the ground. Considering the revenue generated in the last months of the calculation, the project is feasible even in the very pessimistic scenario. However, there might be some hidden costs that have not been factored into the calculation that may change the outcome of the calculations in

the future. Nevertheless, from a financial feasibility standpoint, overall the project should be able to move on to the next step in the entrepreneurial process.

4.5 Step 4 – Prepare a written business plan

Preparing a business plan is essential for a company as it serves a guiding document in regards to all strategic decisions. Generally speaking, the business plan seeks to answer what a new business intends to accomplish and how it intends to accomplish it. As previously mentioned, there are many different ways to write a business plan and individual business plans can vary in their extensiveness. The most important objective of a business plan is that it covers key aspects and answers the most important questions in regards to the business. Considering that the Powa brand is in the start-up phase, which consists of a high degree of uncertainty, several aspects of the business may be adjusted dynamically as the company learns and adapts to internal factors, the competitive environment and customer demands. Therefore, it was decided that at this stage, the most suitable business plan for the Powa brand is the Lean Canvas template, which is designed for startups with components specifically targeted to support the startup process.

The Lean Canvas is a 1-page business plan template created by Ash Maurya that helps entrepreneurs deconstruct their idea into its key assumptions (Leanstack, 2019). Generally, the main objective of the lean canvas is to enable entrepreneurs to validate concept and ideas before moving on to a more extensive business plan. The Lean canvas is an adaptation of The Business Model Canvas, proposed by Alexander Osterwalder based on his earlier book: Business Model Ontology (EQ-engineered, 2019). The Business Model Canvas enables both new and existing businesses to focus on operational as well as strategic management and marketing plans based on a preset outline of activities. Although both canvases' can be utilized by start-ups, the Lean Canvas was chosen due to its simplicity and actionable focuses on problems, solutions, key metrics and competitive advantages.

Following the elaboration of why the lean canvas was chosen over Osterwalder's (2010) business model canvas, there are also several benefits to using the Lean Canvas in contrast to using a more traditional business plan. 1) It is much faster in comparison to writing a traditional business plan, which can take several weeks or months. The Lean Canvas can be used to outline multiple possible business models on a canvas in a time efficient manner. 2) The Lean Canvas is more portable since a single page business plan is much easier to share with others, takes less time to read and can easily be updated. 3) It is more concise, as entrepreneurs are forced to focus on the essence of their product. In terms of investments, being concise is important, as you often only have a short moment to grab the attention of a potential investor or customers. Overall, the Lean Canvas was chosen as it is

more actionable and entrepreneur-focused and deeply focuses on factors prevalent in the startup eco system such as uncertainty and risk. Furthermore, the Lean Canvas is intended to be a dynamic document allowing for continual changes. The lean Canvas created for the Powa brand can be seen in figure 17 and selected key aspects are described in further detail in the section below.

The Lean Canvas

PROBLEM Being active produces sweat on body and face Exercise equipment is used by many people and full of germs and bacteria Gym accessories need to be fashionable Products should be sustainable sourced and produced EXISTING ALTERNATIVES Paper towels Using nothing at all Using a towel that doesn't match consumers taste	SOLUTION Sweat absorbant material Anti-Bacterial qualities Large enough to drape over exercise equipment Fashionably designed Sustainably produced	UNIQUE VALUE PROPOSITION Fashionably wipe your face with a Powa Towel Make a Powaful statement at the gym Powa your workout and your planetet HIGH-LEVEL CONCEPT You don't just use it at the gym, you wear it! The newest must have product for the fashionable fitness enthusiast	UNFAIR ADVANTAGE Network effect Unique endorsement opportunities	CUSTOMER SEGMENTS Fashion conscience Fitness enthusiasts Sports teams Performing artists EARLY ADOPTERS Fashion conscience Fitness enthusiasts at Sporting health club
	KEY METRICS 3 Mil DKK revenue / year after three years of operation (The Revenue figure is derived by taking 5% of the total market size in Denmark.)		CHANNELS Friends Social Media Ad Words Fitness Chains Word of Mouth	
COST STRUCTURE Website costs = 2000 DKK Inventory = 100 * 160 = 16,000 Marketing = 3000 DKK Sourcing agent = 3500 DKK			REVENUE STREAMS 299 DKK per towel Direct Sales Online Sales	

Figure 20

Source: Leanstack, (2019). Canvas filled out by author.

4.5.1 Key Aspects of the Lean Canvas

Problem

The main problem identified was that being active and doing sports produces sweat that needs to be removed one way or another. Furthermore, a lot of equipment at the gym is full of bacteria and you need something to put over it if you want to be more hygienic. Lastly, the current gym towel market may not service to customers tastes and their requirements for sustainably produced products. In order to solve these problems, customers have the alternative to use paper towels offered at the gym or to use a towel, which they are not completely satisfied with.

Solution

The solution to the above-mentioned problems is to produce a towel that is both sweat absorbent and has anti-bacterial qualities. Furthermore, the towel should be sustainably produced and allow customers to not only use it at the gym but to ‘wear’ it at the gym as a fashion statement to go along with their gym outfit.

Unique Value proposition

When considering what makes the Powa Towel unique in comparison to other towels, it was determined that the key UVP is that the towel is premium product, which lets users make a fashion statement with a functional piece of equipment. The fact that the product is sustainably produced with organic fibers further contributes to the uniqueness.

Unfair advantage

The unfair advantage sections seeks to determine what the Powa brand has that other brands do not. One key aspect that provides Powa with an unfair advantage is the competitive network effect derivative from the contacts the management team possesses. Furthermore, this contribute to the ability of the brand to get unique endorsements from industry influencers to assist in branding efforts.

Channels

This section aims to elaborate on how a company will reach their customers. For Powa, a key channel will be presented by the pre-existing network in the Gym (Sporting Health Club). Simultaneously, sales will be driven by social media marketing, where a large focus is placed on influencer marketing. Another key channel will be to engage with other luxury fitness chains in order to drive sales as well as boutiques selling luxury athleisure wear. Furthermore, other online channels such as Google ad words will be used in order to drive online sales for the brand. After consumers have used the product, Powa will rely on word-of-mouth to positively contribute to brand awareness and overall sales.

Customer Segments

For now, the customer segment has been broadly defined as fashion conscious fitness enthusiasts. This specific customer segment may be further developed as market and customer knowledge is gathered. Furthermore, sports teams and athletic clubs have also been identified as possible customer segments. Lastly, performing artists such as musicians also present an opportunity as they often use towels on stage.

Revenue Streams

The initial revenue streams will be heavily reliant on personal selling. This will be done by the management team approaching potential customers and driving product sales. Furthermore, additional revenue is expected to come from online sources to which traffic is driven via online marketing efforts.

Key Metrics

This aspect seeks to define what numbers should be consulted to see how the business is performing. Overall, it was determined that in order to be able to see the company as a success a minimum total revenue of 1 Mil DKK should be achieved after 3 years of being in business. This number was derived from taking 1% off the total market size. When making this estimation, an optimistic stance was taken, as a 3-year projection should reflect a best case scenario (Leanstack, 2019)

4.5.2 Summary of the Lean Canvas

Completing the lean canvas was valuable in that it allowed me to very specifically define my idea by breaking it down into different categories. I was mostly drawn towards using the lean canvas because of its simplicity and dynamic nature. Considering that Powa is a new brand with little experience in the industry, the business plan will likely be adjusted regularly to reflect key learning's and customer feedback. While the Lean Canvas allows for making these dynamic adjustments I also believe that it is important for a new company to develop a clear vision and mission in order to have a guiding light in the business environment. When a vision and mission is defined then the answer to why a company does something also becomes clearer. With the why clearly defined, the method of how the mission and vision is achieved can be adjusted along the way as the company grows and learns. In the case of Powa the mission is simple: To provide fashionable premium gym accessories that are sustainable sourced and produced. The initial Lean Canvas created for Powa, was a great tool to map out the first steps in the strategy as to how Powa's mission can be fulfilled and provides the brand with the first actionable steps towards launching the business, which will be elaborated upon in the last and final step 5.

4.6 Step 5 – Launching the Business

This last and final step in the framework marks the implementation of the results found during the analysis by launching the business. Since the stage-gate framework aims to analyze the merits of a business idea before it is brought to market, theoretically, a positive outcome of the analysis means that the next steps in launching the business should be taking. In the case of Powa, the subsequent outcome of the analysis proved that the brand should take the next applicable steps in bringing the product to market. However, due to the scope of this thesis,

step 5 will not be elaborated upon in detail, but will rather lay the foundation for further research in the case of Powa. Nevertheless, the next key steps that Powa should execute, in order to launch the business, will be elaborated upon briefly in the next section.

1) Sourcing and choosing a manufactory

Firstly, in order to create a high quality product, the right manufactory has to be found. Currently, Powa is working with a sourcing agent in China who has provided a few options and we are now narrowing down the possibilities in order to receive some prototypes. Nevertheless, this step should not be rushed, as it is one of the key functions needed for a solid foundation for the business.

2) Testing Physical Prototypes

After the right manufactory has been found, Powa will need to order samples in order to engage in further prototype testing with the physical product to receive feedback on factors related to features such as quality, feel and design. In order to test the prototypes it was deemed the most appropriate to engage those customers fitting the same customer profile as previously defined in the prototype phase in the product feasibility analysis section. Nevertheless, the interview questions can be amended slightly in order to better answer questions pertaining to the physical aspects of the prototype. However, the same considerations in regards to the survey need to be made, meaning that time sensitivity and effectiveness should be a priority. All people engaged in the prototype interviews should again be briefed with the concept statement in order to lay a basic foundation of knowledge in regards to Powa's mission and vision. The prototype testing is suitable for making further product improvements and to also test the initial collaboration with the manufactory on the basis of communication, price, service etc. before further commitment. The prototypes can also be used to create the first marketing content, which can be used for the online shop and social media marketing activities.

3) Creating an online shop

Initially, the plan is that the towels are exclusively available online on Powa's own website. Therefore, a webshop has to be launched and tested for functionality before opening up the product for online sales. With the online tools available today for creating webshops, this process should not be too complicated or time intensive. Nevertheless, the largest opportunity for early optimization will be in the area of shipping and logistics and whether or not that process can be automated and/or outsourced via drop shipping. In order to launch the

webshop, product photos and descriptions need to be created and written in order to showcase the product in the best possible way.

4) Branding on Instagram and other social medias

Powa is a modern brand and will conduct most of its branding activities by working with influencers and engaging in other social media activities. In order to properly start the branding activities, marketing material needs to be created by taking pictures, making videos and graphically designing content that can then be posted on the different channels. To be able to post content, firstly, social media accounts need to be created with the name of the brand. Powa can also reach out to influencers that match the profile of the brand and ask them about the possibility for collaborations. In order to conduct the social media marketing in the most effective way, a initial marketing plan should firstly be developed in order to have a strategy to follow and execute.

5) Order the first 100-150 units

After the prototype has been tested for quality and deemed to be ready for production, the first supply of towels should be ordered from the manufactory. We decided quite early on in the process that we wanted the first order to be quite small to mitigate capital requirements and to run initial tests in the market to capture new feedback in order to improve the product and processes. Optimally, the revenue generated by selling the first 100 units will be reinvested to order more units and to improve and increase marketing activities.

4.6.1 Summary

The analysis showed that the product has potential in the market and that there are minimal capital requirements involved in launching the business. Although, the analysis offered promising results, the real life implications will show when the product is introduced to the market. At this point, there will surely be a multitude of practical learning points in regards to supply chain, marketing, manufacturing and general operations that will need to be address in order to make improvements to overall business operations. Introducing the product to the market is also the truest way to gauge demand and could result in either positive or negative results, at which point necessary adjustments need to be made to adjust to demand.

Chapter 5

5.1 Discussion

The following chapter will discuss the main findings of the thesis by firstly elaborating upon the implications of utilizing the stage-gate framework in answering the research question. This will be conducted by discussing each step of the framework, presenting the findings of the step and the practical implications experienced by engaging in each step as depicted by the framework during the entrepreneurial process. Furthermore, the implications of utilizing a structured framework for launching a product will be highlighted. Thereafter, the limitations and possible further research directions will be outlined. Lastly, a conclusion will be provided highlighting the overall process of writing the thesis and ensuring the main research question and sub questions are answered in entirety.

5.2 Utilizing the stage-gate model

5.2.1 Intro

The stage-gate model adjusted for the front-end of the entrepreneurship process outlines 5 steps, which gradually escalate in time and resource intensiveness. By doing so, it is possible to continuously check an idea for feasibility before spending too many resources on a bad idea that would most likely not be successful in real life. The stage-gate proved to be very straight forward by providing actionable steps that the idea should go through, as well as offering several different ways to measure the different success criteria for the idea. Nevertheless, while putting the framework into practice I experienced that some steps could benefit from the addition of some other theories/models in order to strengthen the analysis. Therefore, during several steps, I supplemented the framework with relevant theories and models in order to provide for a better basis for analysis by allowing for more efficient gathering of market/industry data and customer feedback. The various steps of the framework will be elaborated upon in the next section.

5.2.2 Step 1

The first step in the framework outlines the generation of an idea by unrestricted brainstorming. There is not much theory added to this step, which is understandable as it is hard to theorize being creative and coming up with a business idea. However, I decided that it would be valuable to add a model that could efficiently provide an initial test of the idea without costing too much time.

Therefore, I added Afuah's (2014) VARIM (Value, adaptability, rareness, imitability and monetization) framework, which allows for a structured method of testing the initial idea based on several perimeters. It is important to note that the VARIM should only be conducted after the initial brainstorming phase has been concluded. This is based on the notion that brainstorming should be conducted as unrestricted as possible in order to allow for a free flow of ideas. For a new business utilizing the stage-gate framework, step 1 is valuable to create the first versions of a potential business idea. By using the VARIM those ideas can then also be reflected upon by using a structured initial assessment. In the case of Powa, the idea had already been created and therefore, there was no need for any brainstorming sessions. Nevertheless, Step 1 provided a good description of the idea creation phase that Powa had initially gone through in order to develop the idea. Furthermore, applying the VARIM to the idea proved that the idea was definitely feasible and should be carried over to the next step in the framework.

5.2.3 Step 2

During Step 2, an initial feasibility analysis is conducted by engaging in Timmons and Spinelli's (2004) QuickScreen. The QuickScreen was chosen as the initial feasibility analysis tool as it is easy to complete in just a few hours and can be used to test multiple ideas to then compare them side-by-side. The QuickScreen tests for feasibility by analyzing the different aspects of the brand and then rating the different criterion necessary for success by higher or lower potential. Completing the QuickScreen puts a lot of relevant aspects of the business into realistic perspectives by considering the competitive environment and the internal capabilities of the firm. Furthermore, the QuickScreen provides the first initial calculations on IRR and gross margins in order to determine whether the project is feasible and worthwhile from a financial perspective. Generally, the QuickScreen is a great tool for entrepreneurs to assess their ideas on various aspects. For Powa it paved the way for several considerations that were not previously thought about, such as the question of where the offices will be located when the company grows or what the first employee's function may be. Overall, the QuickScreen puts a new idea into practical perspectives, which will provide for various discussion topics and leads to a stronger and more thought through idea overall.

5.2.4 Step 3

The full feasibility analysis, as outlined by step 3, was the step that took the most time and effort in this analysis, as the full feasibility analysis aims to go into depth and test the idea thoroughly.

The analysis should be supported by customer feedback on the product idea, a careful industry and market analysis, candid introspection and analysis of the passion and competence of the initial management team, and a reasonable estimation of the financial feasibility of the proposed idea. During the feasibility analysis I decided to add a few theories and models at various sections to help with the analysis. In order to better test the product I drew upon concepts from the lean start-up and their method of concept testing in order to gather customer feedback in a dynamic manner. Furthermore, to test the market I drew upon concepts from David Aaker (2017) who firstly suggests the use of historic data to estimate the size of the market. Additionally, Aaker proposes the use of the product lifecycle model and Rogers (2002) product diffusion curve in order to the rate of adoption and to predict market maturity.

Different ideas might require a different emphasis being placed in regards to the areas tested in the feasibility analysis in order to go into depth in those areas where it is most relevant for the respective firm conducting the analysis. In this case, Powa was concerned with testing the product in the market and receiving customer feedback in order to both improve the designs but also to gauge and test demand. Therefore, the largest bulk of time and effort was spent on testing the product amongst potential customers and gathering feedback through interviews. Since capital requirements were not a large concern in the case of Powa, an extensive financial analysis was not conducted. Nevertheless, other business ideas that may require more upfront investments and involve more costs and complicated pricing structures, may choose to go more into depth with their financial analysis. It is this fact that makes Step 3 so valuable in practical terms, as it can be adjusted to provide the best analysis with specific relevance suiting the needs of the firm conducting the analysis. After conducting the various feasibility test outlined in step 3, the analysis can then be used to make an educated decision on whether or not a product or service idea should move on to the next phase in the entrepreneurial process.

5.2.5 Step 4

Step 4 depicts the creation of a business plan to describe in greater detail how the business will operate to make a profit. As previously mentioned, there are many ways to write a business plan and which method you choose does not really matter as long as it covers the most important key aspects that all business plans should cover such as the product, sales and marketing, budget, the business concept etc. This means that more complicated businesses concepts may require an in depth business plan in order to explain their business model and how

exactly they plan on conducting their business activities. For other business ideas, a one-page business plan may suffice in order to elaborate upon the initial business idea and to provide some clarity over how the business will operate. If at some point, a one page business model does not suffice any longer, a more in depth business plan can always be written by utilizing the knowledge created by writing the one page business plan and engaging in real life business activities. Therefore, it is up to the individual business going through the stage-gate framework to determine which type of business plan best suits their individual needs.

For Powa's business plan, I chose the Lean Canvas as it allowed me to very specifically define my idea by breaking it down into different categories on a one page document. I was mostly drawn towards using the lean canvas because of its simplicity and dynamic nature. Considering that Powa is a new brand with little experience in the industry, the business plan will likely be adjusted regularly to reflect key learning's and customer feedback, yet the lean canvas can be used to quickly and effectively pitch the idea to people of interest.

5.2.6 Summary of stage gate

Utilizing the stage gate during the entrepreneurial process provides a few distinct advantages that entrepreneurs can benefit from. Firstly, the framework provides a systematic way of thinking about and analyzing the merits of a new business venture before the business is launched. This type of analysis should technically allow entrepreneurs to save time and resources. Secondly, the stage-gate provides entrepreneurs with a concrete model that allows for the objective analysis of an idea instead of letting the entire process be lead by subjective opinions. The model breaks up the steps of the entrepreneurial process into distinctive phases, which starts with the investigative phase of evaluating the venture, market screening, feasibility analysis and concludes with planning and strategizing by writing a business plan. Lastly, the model offers several milestones, which must be reached in order for an idea to pass on to the next phase. This does not only allow entrepreneurs to save time and resources in case of a bad idea, but in my opinion also leads to a more thought through and planned business idea before it is ultimately launched and brought to market.

5.3 Practical Implications

By taking the Powa brand and their initial product idea through the stage-gate model, it became evident that the idea is feasible enough to be brought to market and that the next steps in launching the business should be conducted. Nevertheless, during the process of finding manufactories it also became clear that finding a good

manufactory that is trustworthy and able to deliver the product with the right specifications is not an easy task and much more time consuming than previously expected. Therefore, the Powa team needs to determine what changes could be made to the product designs in order to make the sourcing of a manufactory more achievable. Fortunately, no money has been spent on sourcing bad products yet, which is in large part due to cautionary and analytical nature of the stage-gate framework, which also carried over to the sourcing of manufacturers. As soon as a manufactory has been found the brand can move on to the next steps in the process of launching the business and bringing the product to market. As the product feasibility analysis showed, the market seems ready to receive Powa's product and there is plenty of room to grow in the market. Nevertheless, the real implications of the market data findings will first become visible when the product is launched and introduced to the market.

5.4 Limitations

The first limitation of this study is time, as more time would have been needed in order to fully test the business idea and thereby confirm the results found in the analysis of the various steps in the stage-gate model. With a bit more time the business could have actually been launched and the real life implications could have been tested as the product enters in to the market. Obviously this would have been a great way to check the effectiveness of the stage-gate model in screening ideas for their feasibility.

Secondly, as previously stated several researchers argue that one cannot generalize on the basis of an individual case (Flyvbjerg 2006, Schell 1992). Therefore, another limitation is provided by the fact that this thesis only investigates the use of the stage-gate model on one business case. This means that most of the results are not generalizable but rather serve to provide a foundation for future research.

Thirdly, the semi-structured interviews used for empirical data collection provide a further limitation as they were mostly conducted in the same gym, whereas a different setting may have yielded different results by diversifying the sample group.

Lastly, in terms of testing the product, a large limitation was posed by the fact that the product was only tested in the form of digital mock-ups and not physically. This was due to the hardship experienced when attempting to order prototypes and survey results may have had a different outcome with participants being able to feel and actually hold the towels.

5.5 Further Research

The stage-gate framework is very practical and can be utilized in many innovation settings in order to screen new ideas. During this thesis, a few additions were made to the framework resulting in a slightly altered version. Therefore, the framework should be tested on more business cases in order to determine the effectiveness of the framework in an entrepreneurial process focused setting. Furthermore, further research should include the actual launch of Powa's product to the market in order to determine the outcome of the feasibility analysis of the stage-gate framework. This should be conducted by engaging in the activities outlined in step 5 and thereafter conducting an analysis to test the success of the product. In order to assure that the product is successful, the launch of the business should be aided by further relevant theories covering areas such as marketing, strategy and branding. By doing so, a new theoretical framework could be developed, which can be used to further add on to the stage-gate framework.

Chapter 6

6. Conclusion

The purpose of this thesis has been to investigate how a new company can launch their first product by utilizing relevant theories and frameworks to guide the entrepreneurial process. The motivation behind choosing this field of study was based on the practical nature of the study as it allowed for an application of theories to a real life business case. Furthermore, the motivation was also rooted in the fact that the real life case to be studied was a business venture that I have been planning to start since last year and therefore I was highly interested in how I could combine my coursework at CBS with my business idea. As mentioned, the business idea is called Powa and the Powa brand aims at making high-end gym accessory produced in a sustainable manner. Therefore, I derived the following research and sub-research questions for this thesis:

How can the Powa Brand bring their first product to market?

- 1) What relevant theories, strategies and frameworks can be utilized during the entrepreneurial process to increase the likelihood of a product making it to market?*
- 2) What data is necessary to conduct a proper analysis after each stage and before moving on to the next stage of the entrepreneurial process?*
- 3) How can the user/customer be integrated in the process of developing a product?*
- 4) What are the real life implications of utilizing an organized framework during the entrepreneurial process?*
- 5) How can the process be changed and optimized to better aid the new product Development process?*

To begin finding an answer to the research question as well as *sub-research question 1*, I engaged in some initial preliminary research, during which I found a framework deemed to be the most suited in regards to answering the research questions, namely the stage-gate model adjusted for the frontend of the entrepreneurial process. Furthermore, in order to assist the framework in conducting a full analysis, several relevant theories and models were chosen and applied at various steps of the framework such as the VARIM model, Porters 5 forces, the product diffusion curve, etc. After conducting a full analysis based on the stage-gate framework, the thesis revealed that utilizing a structured framework is an effective method to precisely investigate the merits of a

potential business venture prior to launch and lays the foundation to effectively bring a new product to market. Not only does the Framework provide guidance as the product or service moves through the development phases, but it also highlights what data is necessary to conduct a comprehensive analysis during each step. Therefore, the framework provides a straightforward answer to *sub question 2* by outlining what data is necessary to conduct a proper analysis. Furthermore, when applicable, additional data was gathered using the supplementary models and theories to provide for a stronger data foundation for analysis.

The framework utilized during the analysis starts with an investigative approach by scanning the market and testing for product feasibility, during this time there is a high degree of immersion into the market by interviewing potential customers and gathering feedback on the product. This phase of the framework proved to be highly valuable as the gathering of feedback was very cyclical, meaning that when feedback was received, product improvements could be made and thereafter more feedback could be gathered to further improve the concept. This process repeated itself from the very beginning of the investigative stages, leading to many product and concept improvements that may have been overlooked without the use of the steps outlined by the framework. Furthermore, the investigative phase also helped answer the *sub-research question 3*, by allowing potential customers to be integrated in the entrepreneurial process in order to improve the product.

The data gathered during the framework such as the financial feasibility calculations and information on the competitive environment can be utilized as a foundation for price setting, marketing activities and positioning of the product when the time comes to launch the business. Therefore, to answer *sub-question 4*, the research found that the real life implications of utilizing a framework during the entrepreneurial process is that it provides some structure to a process that otherwise could be quite messy and unstructured. By completing several pre-determined steps in succession, the process becomes more oriented at advancing on to the next step and thereby also advancing the business idea forward towards launch. Nevertheless, by following a framework, the entrepreneurial process also becomes more rigid, which may lead to less creativity.

In regards to *sub-question 5*, the research did not definitively show that the process should be changed, nevertheless my intuition tells me that the process can definitely be optimized in order to better aid the new product development process. One way of doing so would be to add further theories and models to the different steps in order to provide even more structure, guidance and tools that new entrepreneurs can use to drive their idea further. Nevertheless, in order to test that notion, the framework needs to be applied to more business cases, with varying business ideas, ranging from different products to services.

Ultimately, the practical implications of this study are predominantly internal to the case company with several key findings that can now be utilized to bring the product to market. To advance the knowledge in the field, future research can take two potential directions, either taking on an internal perspective and further investigating the case company with a new or altered theoretical framework, or taking on an external perspective by further testing the theoretical framework of this thesis on other case companies.

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Appendix 1 – The QuickScreen

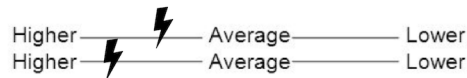
QuickScreen

I. Margin and Market Related Issues

Criterion	Higher Potential	Lower Potential
Need/want/problem	Identified	Unfocused
Customers	Reachable and receptive	Unreachable/loyal to others
Payback to users	Less than one year	More than one year
Value added or created	IRR 40%+	IRR less than 20%
Market size	Greater than \$100 million	Less than \$10 million
Market growth rate	More than 20%	Less than 20%, contracting
Gross margin	More than 40% and durable	Less than 20% and fragile

Overall Potential:

1. Market
2. Margins



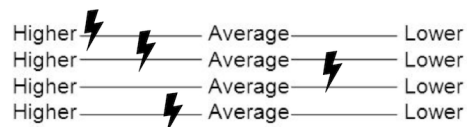
QuickScreen

II. Competitive Advantages: Relative to the Current and Evolving Set of Competitors

Criterion	Higher Potential	Lower Potential
Fixed and variable costs	Lowest	Highest
Degree of control Prices and cost Channels of supply and distribution	Stronger	Weaker
Barriers to competitors' entry Proprietary advantage Lead time advantage (product, technology, people, resources, location)	Can create Defensible Slow competition	Weak/none None None
Service chain	Strong edge	No edge
Contractual advantage	Exclusive	None
Contacts and networks	Key access	Limited

Overall Potential:

1. Costs
2. Channel
3. Barriers to entry
4. Timing



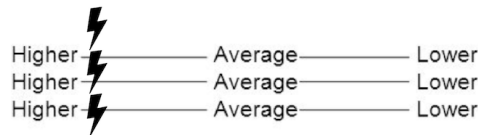
QuickScreen

III. Value Creation and Realization Issues

Criterion	Higher Potential	Lower Potential
Profit after tax	10-15% or more and durable	Less than 5% and fragile
Time to breakeven	Less than 2 years	More than 3 years
Time to positive cash flow	Less than 2 years	More than 3 years
ROI potential	40% - 70%+ and durable	Less than 20% and fragile
Value	High strategic value (i.e. when a company in the value chain you would enter could substantively benefit from the launch of your business)	Low strategic value
Capitalization requirements	Low - moderate; fundable	Very high; difficult to fund
Exit mechanism	IPO, acquisition	Undefined; illiquid investment

Overall Potential:

1. Timing
2. Profit/free cash flow
3. Exit/liquidity



QuickScreen

IV. Overall Potential

	Go	No Go	Go If...
Margins and markets	⚡		
Competitive advantages	⚡		
Value creation and realization	⚡		
Fit (i.e. opportunity, resources, team)	⚡		
Risk-reward balance	⚡		
Timing	⚡		

Appendix 2 – Management Prowess Assessment Tool

Source: Timmons, J. and Spinelli, S. (2004).

Management Prowess Assessment Tool				
		Low Potential	Moderate Potential	High Potential
1.	Passion for the business idea	Low	Moderate	High
2.	Relevant industry experience	None	Moderate	Extensive
3.	Prior entrepreneurial experience	None	Moderate	Extensive
4.	Depth of professional and social networks	Weak	Moderate	Strong
5.	Creativity among management team members	Low	Moderate	High
6.	Experience and expertise in cash flow management	None	Moderate	High
7.	College graduate	No college education	Some college education but not currently in college	Graduated or are currently in college

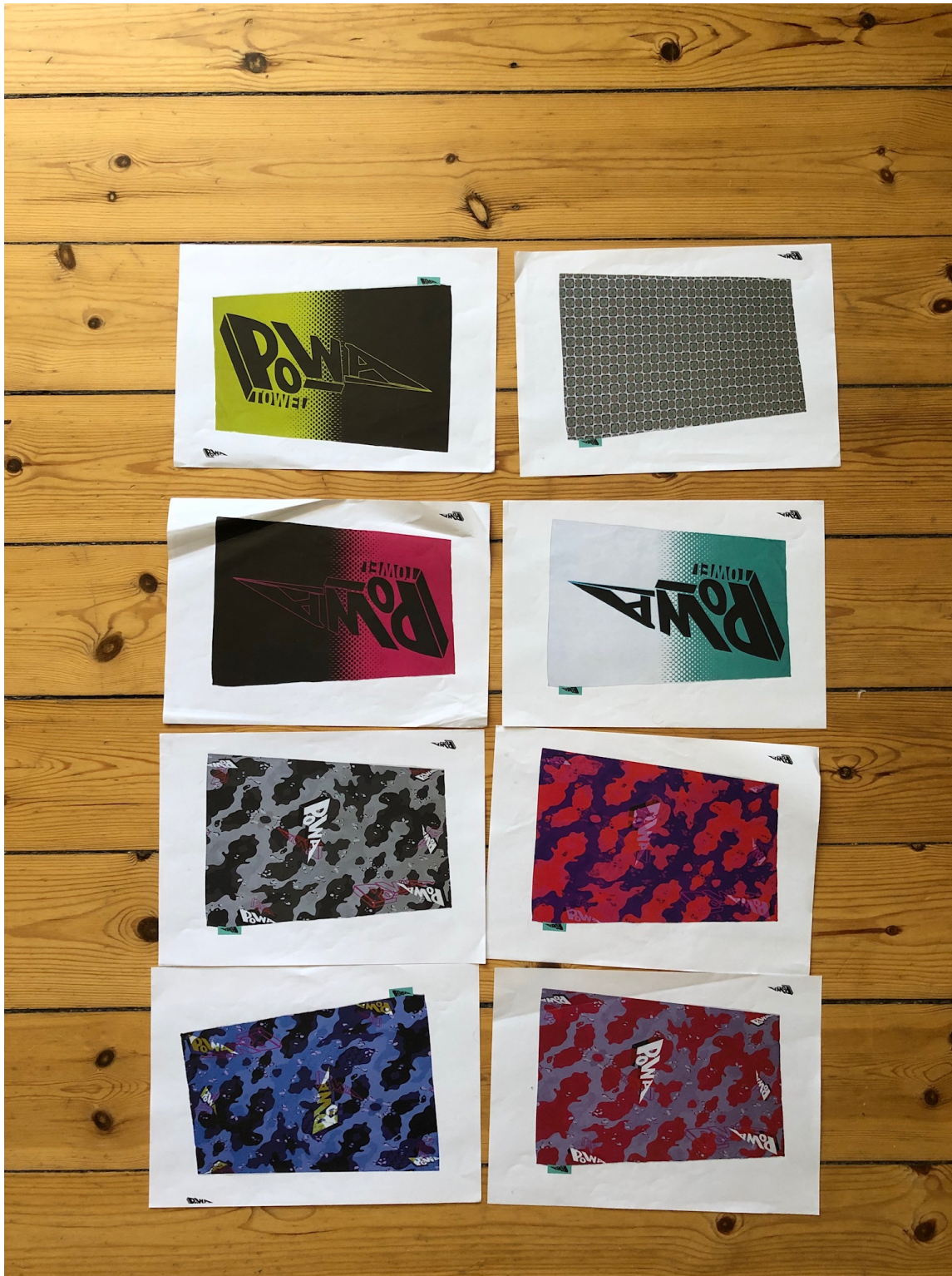
Appendix 3 - The Resource Sufficiency Assessment Tool

Source: Timmons, J. and Spinelli, S. (2004).

Resource Sufficiency Assessment Tool						
Ratings					Resource Sufficiency	
1	2	③	4	5	Office space	
1	2	3	4	5	Lab space, manufacturing space, or space to launch a service business	
1	2	3	4	⑤	Contract manufacturers or outsource providers	
1	2	3	4	⑤	Key management employees (now and in the future)	
1	2	3	4	⑤	Key support personnel (now and in the future)	
1	2	3	4	⑤	Key equipment needed to operate the business (computers, machinery, delivery vehicles)	
1	②	3	4	5	Ability to obtain intellectual property protection on key aspects of the business	
1	2	3	4	5	Support of local and state government if applicable for business launch	
1	2	3	④	5	Ability to form favorable business partnerships	
Ratings: Strong, Neutral, or Weak						
Neutral					Proximity to similar firms (for the purpose of knowledge sharing)	
Neutral					Proximity to suppliers	
Strong					Proximity to customers	
					Proximity to a major research university (if applicable)	

Appendix 4 - Prototypes

Source: Created by author



Appendix 5 – Financial Feasibility Calculation

Source: Authors own creation

Figure Estimates			
Monthly Costs	300 DKK	500 DKK	700 DKK
Sales Price	249 DKK	299 DKK	349 DKK
Units Sold/Month	10	15	20
COGS	6000	8000	10000
Marketing	1500	2000	2500
Total Start up Cost	7500	10000	12500

Sales Projections							
Month		1	2	3	4	5	6
Very Pessimistic	Units Sold	10	10	10	10	10	10
	Sales Price	249	249	249	249	249	249
	Revenue	2490	2490	2490	2490	2490	2490
	Monthly Costs	-300	-300	-300	-300	-300	-300
	Start up Cost	-12500					
	Gross Profit	-10010	-7820	-5630	-3440	-1250	940
Pessimistic	Units Sold	10	10	10	10	10	10
	Sales Price	249	249	249	249	249	249
	Revenue	2490	2490	2490	2490	2490	2490
	Monthly Costs	-300	-300	-300	-300	-300	-300
	Start up Cost	-10000					
	Gross Profit	-7510	-5320	-3130	-940	1250	3440
Neutral	Units Sold	15	15	15	15	15	15
	Sales Price	299	299	299	299	299	299
	Revenue	4485	4485	4485	4485	4485	4485
	Monthly Costs	-300	-300	-300	-300	-300	-300
	Start up Cost	-10000					
	Gross Profit	-5515	-1330	2855	7040	11225	15410

Optimistic							
Units Sold	20	20	20	20	20	20	
Sales Price	299	299	299	299	299	299	
Revenue	5980	5980	5980	5980	5980	5980	
Monthly Costs	-300	-300	-300	-300	-300	-300	
Start up Cost	-10000						
Gross Profit	-4020	1660	7340	13020	18700	24380	
Very Optimistic							
Units Sold	20	20	20	20	20	20	
Sales Price	349	349	349	349	349	349	
Revenue	6980	6980	6980	6980	6980	6980	
Monthly Costs	-300	-300	-300	-300	-300	-300	
Start up Cost	-7500						
Gross Profit	-520	6160	12840	19520	26200	32880	

Appendix 6 - Powa towel survey Template

Name:

Age:

- 1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?
- 2) What do you like most about this product and the brand?
- 3) Is there anything you would change about the designs
- 4) Please rank the designs based on which 2 you like the most
- 5) Could you see yourself purchasing and using a Powa Towel? If not, why ?
- 6) What would you be willing to pay for a towel that you find both fashionable and functional?

Appendix 7 - Powa towel survey answers

Mariam, 37

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

No

2) What do you like most about this product and the brand?

The colours and sustainability factor

3) Is there anything you would change about the designs

Too much going on, male oriented

4) Please rank the designs based on which 2 you like the most

Pink

Grey Camo

Peach and white

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes

6) What would you be willing to pay for a towel that you find both fashionable and functional?

290-350, 399 would be absolute max

Chris, 27

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

Yes

2) What do you like most about this product and the brand?

Cool factor, sustainable, made by someone he knows and is his age. the product is relatable 'because he know who's creating it

3) Is there anything you would change about the designs

A bit to masculine

4) Please rank the designs based on which 2 you like the most

Grey Camo

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes

6) What would you be willing to pay for a towel that you find both fashionable and functional?

250-300

Niclas, 29

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

No, it has Never been a demand. Doesn't mind the bacteria of sweat from other people.

2) What do you like most about this product?

Sustainability is a high criteria

Enjoys the designs

Likes the statement 'you got the powa'

3) Is there anything you would change about the designs

Different Color's on the Big Powa towel. more neutral colours

4) Which 2 designs do you like the most ?

Grey Camo, Pink Camo

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes he can.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

300-400,-

Name: Karo

Age: 26

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

no. has used the paper towels or her shirt

2) What do you like most about this product ?

The Colours of the towels. They stand out.

3) Is there anything you would change about the designs

Powa logo on the camo not all over the camo print. Only one logo on the camo print.

All over print add logo on towel. Beige back.

Tag should be black and white

4) Please rank the designs based on which 2 you like the most

Blue big powa logo

Pink camo

and all over print

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

No, i do not see the need for a towel. Because i do not use towels in the gym.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

200,-

Amarora, 28

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

No, don't need it because of amour of sweat

2) What do you like most about this product and the brand?

Organic, sustainable and durability

3) Is there anything you would change about the designs

More cohesion between designs so it fits together.

Same color pallets

4) Please rank the designs based on which 2 you like the most

Blue powa dots

Pink powa dots

Grey camo

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

No if it is just a gym towel. Bigger version yes.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

200 max

Malthe, 27

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

I used a towel which was originally for regular home use and just always brought that one cause it had my name embroidered on it.

2) What do you like most about this product and the brand?

The organic material and sustainable concept. I like the variance in the designs and that not all of them make it obvious that it's supposed to be used at the gym.

3) Is there anything you would change about the designs

I would add more patterns - like the camouflage in chill colors or the more homey circles

4) Please rank the designs based on which 2 you like the most

1. the many small POWA-circles that form this pattern

2. the camouflage with purple and red

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

I could - most intrigued about the sustainability aspect of it. That is probably what would have to win me over along with the fresh take on design.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

-and sustainable: as much as I would pay for sustainable fashion. So probably 2-3x more than for a run of the mill towel.

Sofie, 25

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

yes, a repurposed towel

2) What do you like most about this product and the brand?

Its nice to have a gym specific towel. Nice that it doesn't smell. Sustainable.

3. Is there anything you would change about the designs

Powa dots logo too big,

Grey camo with black on the back

4) Please rank the designs based on which 2 you like the most

Grey and blue camo

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes

6) What would you be willing to pay for a towel that you find both fashionable and functional?

150-250.-

Name: Susi

Age: 22

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

yes

2) What do you like most about this product and the brand?

the sustainability aspect.

Likes Powa Dots design

3)Is there anything you would change about the designs

she likes more simple and plain

Nature colors

Manly Designs

4) Please rank the designs based on which 2 you like the most

Powa Dots Blue

5) *Could you see yourself purchasing and using a Powa Towel? If not, why ?*

Yes

6) *What would you be willing to pay for a towel that you find both fashionable and functional?*

150 DKK

Sarah Clark

Powa towel feedback

Name: Sarah Clark

Age: 26

1) *Do you currently own or have you ever owned a towel for use at the gym? If not, why?*

No - no

2) *What do you like most about this product?*

Logo is the same and no “in you face colour - Nice colors

Same logo

3) *Is there anything you would change about the designs*

Maybe all White or all Black with opposite color logo

4) *Please rank the designs based on which 2 you like the most*

Flower towel + pink and Black Big logo with fade

5) *Could you see yourself purchasing and using a Powa Towel? If not, why ?*

Yes cause i wanna lift more weights and i dont wanna Lie Down on others Sweat and vice versa

6) *What would you be willing to pay for a towel that you find both fashionable and functional?*

200-300kr

Name: Nicole Clark

Age: 26

1) *Do you currently own or have you ever owned a towel for use at the gym? If not, why?*

No - no

2) *What do you like most about this product?*

Logo is cool & Nice colors

3) Is there anything you would change about the designs

Plain color - Black & White too

4) Please rank the designs based on which 2 you like the most

Flower towel + pink and Black Big logo with fade

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes - cause its Cleaner

6) What would you be willing to pay for a towel that you find both fashionable and functional?

250 -300kr

Name: Caroline

Age: 22

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

No - no never thought about it. But i have one for golf.

2) What do you like most about this product?

Its a good idea.

It looks cool

3)Is there anything you would change about the designs:

Dont know. Maybe different sizes ?

4) Please rank the designs based on which 2 you like the most

pink fade & blue fade

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes! I could use it for my golf training aswell

6) What would you be willing to pay for a towel that you find both fashionable and functional?

200kr

Name: Sara V

Age: 32

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

No - no

2) *What do you like most about this product?*

Colour scheme

3) *Is there anything you would change about the designs*

Dont know.

4) *Please rank the designs based on which 2 you like the most*

Flower towel + pink Big logo

5) *Could you see yourself purchasing and using a Powa Towel? If not, why ?*

Not really.

Like the product but cant see myself using one when there is paper Towels at the gym.

6) *What would you be willing to pay for a towel that you find both fashionable and functional?*

150- 200kr maybe

Name: Sandra

Age: 28

1) *Do you currently own or have you ever owned a towel for use at the gym? If not, why?*

No - no

2) *What do you like most about this product?*

I like the name. It sounds cool.

3) *Is there anything you would change about the designs*

Dont know

4) *Please rank the designs based on which 2 you like the most*

I actually like Them all. They look cool

Line green and pink fade

5) *Could you see yourself purchasing and using a Powa Towel? If not, why ?*

Yes why not.

6) *What would you be willing to pay for a towel that you find both fashionable and functional?*

200-300kr

Name: Vivi

Age: 34

1) Do you currently own or have you ever owned a towel for use at the gym? If not, why?

Yes

2) What do you like most about this product?

Like the idea of sustainability

3) Is there anything you would change about the designs.

No

4) Please rank the designs based on which 2 you like the most

Black and pink and Big logo

5) Could you see yourself purchasing and using a Powa Towel? If not, why ?

Yes. I like that they are sustainable and i already use one cause i sweat a lot when i Work out.

6) What would you be willing to pay for a towel that you find both fashionable and functional?

200-300kr