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How to find and transfer established business opportunities to new markets

A case study on transferring a US ICT business opportunity to Sweden

Master of Science Thesis in the Management and Economics of Innovation Programme

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CHALMERS UNIVERSITY OF TECHNOLOGY
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Abstract

Economics is driven by a natural selection of firms, which forces the firms to continuously innovate in order to survive. Companies have in all times learned from customers, the markets and the competitors in order to continue to innovate. The definition of an innovation is broad and could for instance be to bring a product into a new setting. The financially successful company Rocket Internet is one among many companies whose business model is to innovate by imitating existing businesses and to transfer them to another market.

The knowledge about finding and evaluating possible business opportunities is very important for the entrepreneur. This knowledge is today somewhat dispersed leaving the entrepreneur without a holistic framework for helping her in this important process. The success of companies such as Rocket Internet might indicate a possibility to build a framework for finding and transferring attractive business opportunities from one market to another by learning from established firms.

The purpose of this dissertation is to develop a framework which could be instrumental for entrepreneurs to use when identifying and evaluating possible business opportunities that is suitable to transfer from one market to another within the information and communications technology industry (ICT industry). The framework also has the objective of mitigating the risk and cost for the entrepreneur when starting a new business.

The dissertation has been divided into two parts in order to meet the aims of the dissertation. The first part examines state-of-the-art knowledge regarding identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture. Further, the first part connects the state-of-the-art knowledge and a theoretical framework is constructed. In the beginning of part two of the dissertation the framework is applied in a qualitative case study in order to unfold the most critical limitations with the framework. The last part of the second section presents suggestions on how to accommodate these limitations.

The result of the dissertation is an instrumental five-step framework for entrepreneurs to use when identifying and evaluating possible business opportunities within the ICT industry that are suitable for transferring from one market to another. The framework also mitigates the risk and cost of starting a new business by applying novel structured processes.

The final framework beginnings with step 1, this step is suggested to start with the identification of business opportunities from a list of recent venture capitalist investments. The outcome of step 2 is suggested to be a short-list of the most suitable opportunities for further evaluation. The most suitable opportunities will be the companies which pass a high-level screening based on four categories; the suitableness for transferring of the opportunity, the attractiveness of the opportunity, the fit with the resources and capabilities of the entrepreneur, and the fit with the interest and passion of the entrepreneur.

Step 3 is suggested to consist of further analysis of the opportunities on the short-list in order to rank the business opportunities according to attractiveness. The attractiveness is based on the fit between the opportunity and four factors; the context, the resources, the capabilities and the opportunity characteristics. Step 4 is suggested to start by learning more about the chosen opportunity by studying the original business model of the chosen company. The entrepreneur should thereafter decide which parts of the business model that are suitable for transferring to the new market and write down all assumptions that the company will be built upon as well as a way to test each assumption. The last step in the framework, step 5, is suggested to be the execution of the assumption testing and the search for a viable business model. If the entrepreneur is unable to successfully finish step 4 or 5 then it is suggested for the entrepreneur to turn back to step 3 in the framework and pick the next company on the short-list.

Keywords: *Business transferring, imitating, finding opportunity, opportunity recognition, opportunity evaluation, new venture creation*

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Ola Hofgren
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1. Introduction

The introduction of this thesis aims to present the purpose, the important research questions and the delimitations as well as to give the reader a background to the subject and present the disposition of the dissertation. The introduction chapter begins with the background and problem identification to the subject, thereafter a presentation of the purpose and the research questions follows. The delimitations are presented before the section ends with a presentation of the disposition of the dissertation.

1.1. Problem identification

Nelson and Winter wrote in their article from 2002 about evolutionary economics, their view of how market develops. They mean that the economy is characterized by natural selection between firms that are active on the market. Companies are driven to make a profit; the ones that fail over time will be forced to leave the market. Companies can make a profit when they appropriate some of the value that that is created for its customers and when they are better than their competitors in serving the customers' wants and needs.

One of the strong forces that drive the economy is the firms' willingness to survive which force the firms that are failing to adapt and change their business in order to meet the customers' wants and needs. Companies learn from customers, competitors and the market and use this information in order to be innovative in their products and services to better fit the customers' wants and needs (Holmén, 2009-10-12).

Nobel Prize winner Jacobs explains how new innovations and new work is built on parts of old work and old innovations (Jacobs, 1969). The companies that are innovating act on knowledge that is appropriated from their customers' and competitors' daily activities on the markets (Jacobs, 1969). For a long time, established firms as well as new ventures have used this logic when starting new businesses. The definition of innovation is broad and is not only about new-to-the-world products and services; innovation could also be the introduction of an established product or service into a new market (Rogers, 1995).

Learning about an innovation in one market to pursue the opportunity on another is what a number of firms in the ICT industry have done. For example, two companies which have been very successfully in generating profit to their founders and investors is the Swedish company Tradera and the German company Alando.de, both these companies was built on the same business model as eBay and sold to the same. The founders of Alando.de, the brothers Samwer has made the copying of existing business a business model of itself and has created the very successful company and incubator Rocket Internet. The habit of Rocket Internet has created an intense debate on however it is right and wrong in starting business based on other companies' innovations and business models. (wired.co.uk, 2012)

Authors have put in a lot of effort in understanding how a new venture is created. One aspect that frequently is identified is "The entrepreneur locates a business opportunity", which is described by Gartner in his literature review from 1985. Stevenson et al. (1985) conclude that identifying and selecting the right business opportunity is one of the most valuable capabilities for an entrepreneur to hold when developing a new business.

Since identifying the right business opportunity is important, one could believe that there should be plenty of frameworks for the entrepreneur to use when identifying and selecting the right business opportunity. However, it seems to be the other way around, with an absence of holistic frameworks for identifying and evaluating the right business opportunity for an entrepreneur. The knowledge in place is somewhat dispersed, each describing different aspects of finding and evaluating opportunities.

Having a holistic framework to turn to in the beginning of starting a venture could help the entrepreneur to take the step to start a new venture as well as decrease the risks and costs of starting a new business. Rocket Internet's, and companies alike, success with a business model of innovating by transferring an established business opportunity to a new market indicate the possibility to find business opportunities among established firms on other markets. Thus, this dissertation will focus on creating a holistic framework for entrepreneurs to use when searching for, and evaluating, business opportunities among established firms in other markets, in order assemble the dispersion of the theory.

1.2. Purpose

This dissertation aims to develop a framework that is instrumental for entrepreneurs to use in order to identify and evaluate business opportunities that are suitable to transfer from one market to another within the ICT industry. The framework should assist entrepreneurs in mitigating the risk and cost of starting a new venture.

The study is divided into two parts, where the first part constructs the framework that should guide entrepreneurs based on an extensive literature review. Part two tests and elaborates the framework by applying it to a sample of business opportunities within the ICT industry in the US.

The following specific research questions are addressed:

Research question 1:	What does the research literature convey concerning state-of-the-art knowledge regarding identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture?
Research question 2:	How should a theoretical framework be constructed, based on state-of-the-art knowledge that could be used to identify and evaluate established business opportunities that are suitable to transfer from one market to another?
Research question 3:	Given a sample of established US business opportunities within the ICT industry, how should these opportunities be prioritized, in terms of attractiveness for transferability, according to the former mentioned framework?
Research question 4:	In the light of the application to US-based opportunities, what are the most important strength and weaknesses of the framework? How should the framework be revised in order to accommodate the most critical limitations?

1.3. Delimitations

The definition of a start-up is wide-ranging and at the one side includes small family business that has the ambition to provide a living for its founders but nothing more. Such start-ups will not be discussed in this master thesis; rather the focus will be on start-ups that have the ambition to provide a significant return to its founders and investors.

The qualitative case study will not test the last part of the framework due to time and resources limitations.

The definition of the ICT industry will not be discussed in the thesis. The specific characteristics of the industry have not been important for the choice of industry and have therefore, most likely, not affected the outcome and the findings of the dissertation. However, as discussed in the discussion chapter, one precondition for the framework to be instrumental is the access of information which the ICT industry and the markets in Sweden and US provide.

1.4. Disposition

The report is divided into two major parts; the first part include the prior research and the construction of the framework, the second part deals with the application of the framework in a case study performed by the author to this dissertation and with accommodations of the practical limitations with the framework.

The first part of the report starts with a review of the prior research that is essential for the creation of the theoretical framework. The prior research discusses state-of-the-art knowledge regarding identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture.

A method section follows after the prior research in order to describe the process of the framework construction and the application of the framework in the qualitative case study. The theoretical framework construction follows in a separate chapter, using the state-of-the-art knowledge presented in the prior research chapter complemented with knowledge necessary for the construction.

The second part of the dissertation starts with the author applying the developed theoretical framework on a sample of established US business opportunities within the ICT industry, in order to prioritize the opportunities in terms of attractiveness for transferability from US to Sweden. The outcome of the application is discussed in the result and discussion section together with a discussion about the strength and weaknesses of the framework. Further, in the result and discussion section a revised framework which accommodates the most critical limitations is presented. The report will end with discussions of the findings and suggestions for future research.

1.5. Summary

This section aimed to help the reader by giving a background to the subject studied, a presentation of the purpose of the dissertation together with important research questions that will be addressed in the report as well as presenting the delimitations and the disposition of the report.

Innovating, imitating and new business creations are important parts of economic development. Entrepreneurs are a central part of all of this and an important capability for them is identification of attractive business opportunities. There is a lack of holistic frameworks for entrepreneur to turn to when they should identify and evaluate business opportunities, why the creation of a framework is of great importance. The purpose of this dissertation is therefore to create and test a framework which should be instrumental for entrepreneurs to use when identifying and evaluating business opportunities, within the ICT industry, that are suitable for transferring to a new market.

2. Prior research

The aim of this section is to answer what the research literature conveys concerning state-of-the-art knowledge regarding identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture.

The section will start out with a literature study on business opportunities and how to spot them. The section will continue with the role of the venture capital firms and what they look for in an investment. Thereafter the section will continue with the theory of business transfer and continue with how to analyze a business from its business model. The chapter will end with a section of how the risk of new business creation could be mitigated by applying a structured process in the beginning of the formation of a firm.

2.1. Business opportunity

Dorf and Byers (2008) define a business opportunity as: "A timely and favorable juncture of circumstances providing a good chance for a successful venture or progress; an auspicious chance of an action occurring at a favorable time."

2.1.1. How business opportunities are identified

Gartner's (1985) literature review "A conceptual framework for describing the phenomenon of new venture creation" identifies the variable "The entrepreneur locates a business opportunity" as one important variable for new venture creation. Stevenson et al. (1985) argues that identifying and selecting the appropriate business opportunity is a very important capability for an entrepreneur to hold.

Plenty of authors have claimed that an entrepreneur actively search for new entrepreneurial opportunities while Austrian economics has challenged this and claim that opportunities are unknown until discovered. Shane (2000) draws on this and state that "People can and will discover entrepreneurial opportunities without actively searching for them." However, he also argues that entrepreneurial opportunities are discovered trough recognition of new information, which he and Eckhardt also writes in their article from 2003; "Information flows are likely to influence the probability of entrepreneurial discovery".

2.1.2. How to tell that the business opportunity is suitable

Dorf and Byers (2008) write about finding the sweet spot for an entrepreneur when selecting the right opportunity to start a business around. The sweet spot is the intersection between an "attractive opportunity", the entrepreneurs "interest, passion and commitment" and the entrepreneurs "capabilities and skills". They mean that not all opportunities are good for everyone since for an opportunity to be good it must fit the individual and the team of entrepreneurs. Haynie et al. (2009) find that entrepreneurs are more attractive to an opportunity when it is related to the existing knowledge, skills, and abilities of the entrepreneur.

All opportunities that Dorf and Byers (2008) argue to be in the sweet spot include "attractive opportunity". This area could be defined since it is not based on individual characteristics; the area has some properties that could be described. An attractive opportunity has, according to Dorf and Byers (2008), the following characteristics:

- Timely – the problem or need of the customers exist today
- Solvable – it is possible to provide a solution to the problem or need in a near future
- Important – the customers perceives the problem or need as of great importance for them
- Profitable – it is possible to appropriate enough of the value that is created for the venture to be profitable
- Context – the industry and the business environment is favorable

Dorf and Byers (2008) suggest five areas that are of importance when an entrepreneur evaluates an opportunity. The capabilities and the resources of the entrepreneurial team is the two of them. The team should evaluate if they have the capabilities to be successful with the venture and if they can attract the necessary resources that is needed. Furthermore, novelty and return are two other areas of importance, there should be an evaluation of whether the opportunity provides any value for the customers and however it is possible to appropriate enough of that value in order to make the venture a financial success. The fifth area to evaluate is the entrepreneurs commitment to the venture, does the entrepreneur get excited and passionate about the new company?

2.1.3. How venture capital firms reason

According to Macmillan et al. (1985) the most important parameter for venture capitalists when making an investment is the entrepreneur and the entrepreneur's capabilities. However, they also investigate the possibility for the product to work, the market to be open for the product with not too much competition and finally that the venture could meet the financial criteria that are necessary. Dorf and Byers (2008) mean that the venture capital firms look for, apart from the entrepreneur's capabilities and behavior, ventures that have the potential to become a leader in a high-growth industry with few competitors. They also look for ventures that have strong competitive advantages and that are able to sustain that position over time. The firms that recognize their competitors and have a solid strategy to beat them together with demonstration of the products design and showing good sales potential will also be attractive investments. The venture capital firms also look for ventures that have a clear exit or harvest strategy as well as a plan for turning the cash flow positive within a few years.

Jeffry Timmons (1994) is more detailed in how to evaluate a business opportunity and present a framework for which he means is a summarized version of what venture capitalists use when deciding to invest in a high-tech start-up. The framework is rendered in Table 1 below.

	Attractiveness	
Criteria	Highest potential	Lowest potential
Industry and market	Changes the way people live and work	Incremental improvements
Market	Market driven; identified; recurring revenue niche, less than one-year payback for customer, high value added with the product	Unfocused, one-time revenue, customers loyal to others, three years payback or more, low value added with the product
Market structure	Imperfect, fragmented competition or emerging in industry	Highly concentrated or mature or declining industry
Market size	$100 million to $1 billion sales potential	Unknown, less than $20 million or multibillion sales
Growth rate	Growth at 30-50% or more	Contracting or less than 10% growth
Market capacity	At or near full capacity	Under capacity
Market share attainable (Year 5)	20% or more, leader	Less than 5%
Cost structure	Low-cost provider, cost advantages	Declining cost
Economics	Less than 2 years to get positive cash flow, high return on investment (> 25%) and high value, low to moderate funding needs	More than 4 years to get positive cash flow, low return on investment (< 15-20%) and low value, very high funding needs
Harvest issues	High strategic value, high valuation multiples (20 * P/E), exit strategy in place, favorable market valuations, realizable liquidity	Low strategic value, low valuation multiples (≤ 5 * P/E), no exit strategy in place, unfavorable market valuations, credit crunch
Competitive advantage issues	Low and strong control of cost, prices and distribution. Barriers of entry can be created and the competitors are slow, contracts and networks are well-developed and accessible. A-team of key people	High and weak control of cost, prices and distribution. Barriers of entry cannot be created, unable to gain competitive edge, contracts and networks are non-existing and the access is limited. B- or C-team of key people
Management team	All-star combination of entrepreneurs with super track-record and good industry and technical experience. Highest standard of integrity and good self-knowledge	Weak or solo entrepreneur without industry and technical experience. With questionable integrity and low self-knowledge

Fatal-flaw issue	Non-existent	One or more
Personal criteria	Getting what she want but adaptive to what she get, takes calculated risks with low risk/reward ratio. High stress tolerance and fit the lifestyle of an entrepreneur. Looking for attainable success/limited risks	She does not get what she wants and does not adapt to what she get, risk adverse or gambler. Cracks under pressure and look only for the big money. Looking for a linear return
Strategic differentiation	The team is best in class, good market timing, groundbreaking technology, the mentality is adaptive and opportunity oriented, pricing near the market leader, distribution channels are accessible and the service concept are superior, the strategy is forgiving	The team is bad and act on bad timing, the technology has many substitutes or competitors, the mentality is inflexible and stubborn with slow movements on opportunities, prices undercut competitors, unknown and inaccessible distribution channels and the service management are perceived as unimportant. The strategy is unforgiving

Table 1 – Jeffrey Timmons framework for evaluating a business opportunity (J. A. Timmons, 1994)

Bob Zider (1998) means that the most important parameter for a venture capitalist firm when deciding to invest is the growth of the industry. Zider (1998) argues that it is much more forgiving to operate in these kinds of industries than in stable or contracting ones, he also means that it is much easier to exit from companies within high growth industries which is of utterly importance for venture capitalists.

2.2. Theory of transferring businesses to new markets

When a firm decides to expand their business into new markets important decisions must be taken regarding how to enter the market. Jones (1999) means that the research regarding how the combinations of activities undertaken when a firm enters a market is yet to be established but nevertheless suggests three key issues which are likely to be of importance. Jones (1999) names the networking ability of the firm and the ability to make good decisions about what business activities that should be expanded internationally and at what point in time, and finally the ability to see that the development fits the firm's long term goal and needs.

Research about international entry mode addresses the issue of the form of operation a company should use when entering a new market. The research addresses whether a firm should enter a market by contracting resources or by expanding the boundaries of the firm and thereby creating subsidiaries in the host country. The research also addressed whether the firm should set up the subsidiaries by themselves or by a joint venture with a local partner. (Brouthers and Hennart, 2007)

Further, Brouthers and Hennart (2007) mean that there are two main views on entry mode research. One view has the stand point that there is a continuum regarding commitment, risk and control between a contractual set-up and a fully owned subsidiary with joint ventures in between. According to Brouthers and Hennart (2007) contractual set-up is the one with lowest risk and commitment while a fully owned subsidiary incurs the highest risk and commitment. The second stand point that Brouthers and Hennart (2007) identify divides the entry mode into two parts; one part with the contractual set-up and one with equity (including both joint ventures and fully owned subsidiaries). The division is based on when the involved actors gets paid in the process. Both joint ventures and fully owned subsidiaries get paid ex post, that is after the product and services have been sold and all expenses have been paid. A partner in a contractual set-up gets paid ex ante, that is before the final product or service has been sold.

According to Brouthers and Hennart (2007) the main findings in the literature are that a joint venture is efficient when it is difficult to define which partner contributes the most and when it is costly to measure what the partners contributed with after the profit has been made. Further, they mean that firms will chose to enter into a joint venture when the partners' inputs are being more efficiently used thanks to the fact that they are paid together instead of one part paying the other

Hennart (2000) discusses when multinational enterprises will set up their own subsidiary, when they will involve in a joint venture and when the local firm will set up their own subsidiary. Hennart (2000) argues that when it is easy to purchase the capabilities that the local firm contributes with; then the multinational firm will set up their own subsidiary. Also the opposite is true, when it is easy to purchase the capabilities that the multinational firm contributes with; then the local firm will set up its own subsidiary. According to Hennart (2000) the local and the multinational firms will engage in a joint venture when both firms' contributions are hard to acquire on the market. Figure 1 below presents a visualization of which entry mode that will be used.

		Inputs contributed by multinational enterprise (MNE)	
		Hard to sell	**Easy to sell**
Inputs contributed by local firms	**Hard to sell**	Joint ventures between MNE and local firm	Wholly owned subsidiaries by local firm (takes license/franchise from MNE)
	Easy to sell	Wholly owned subsidiaries by MNE	

Figure 1 - Hennart's (2000) visualization of entry mode

2.3. The notion of business model

In order to fully understand a business is it necessary to know how the company creates value for its customers from the company's services or technologies and how the owners capture some of that value. The concept of business model is addressing this issue.

Chesbrough and Rosenbloom (2002) describe the concept of business model as it "takes technological characteristics and potentials as inputs, and converts them over customers and markets into economical outputs." Chesbrough and Rosenbloom (2002) do not define business model in a short and precise way, instead they describe what the functions of the business model are used to. The functions have the following keywords: value proposition, market segment, value chain, cost structure and profit potential, value network and competitive strategy.

Chesbrough and Rosenbloom (2002) mean that the process of business modeling starts from articulating the value proposition of the new technology. When the value that is created for the customer is articulated, the market segments should be identified in order to know to whom the technology is for as well as how the revenue should be created. Thereafter the structure of the value chain within the firm should be defined in order to estimate the cost structure and the profit potential in the business. The company will not stand alone, which is why the position within the value network must be described in order to formulate the competitive strategy and to justify the capital needed to reach the proposed business model.

Osterwalder and Pigneur (2009) on the other hand define business model in a short way, they define it as "a business model describes the rationale of how an organization creates, delivers, and captures value." They explain business model as "a blueprint for strategy to be implemented through organizational structures, processes, and systems." Osterwalder and Pigneur (2009) also provide a concept for how to describe a business model based on nine building blocks that covers the four areas of business: customers, offering, infrastructure, and financial viability. The nine building blocks constitute the tool they call "the business model canvas". A schematic figure over the parts of the canvas and the relations between the building blocks is presented in Figure 2 below.

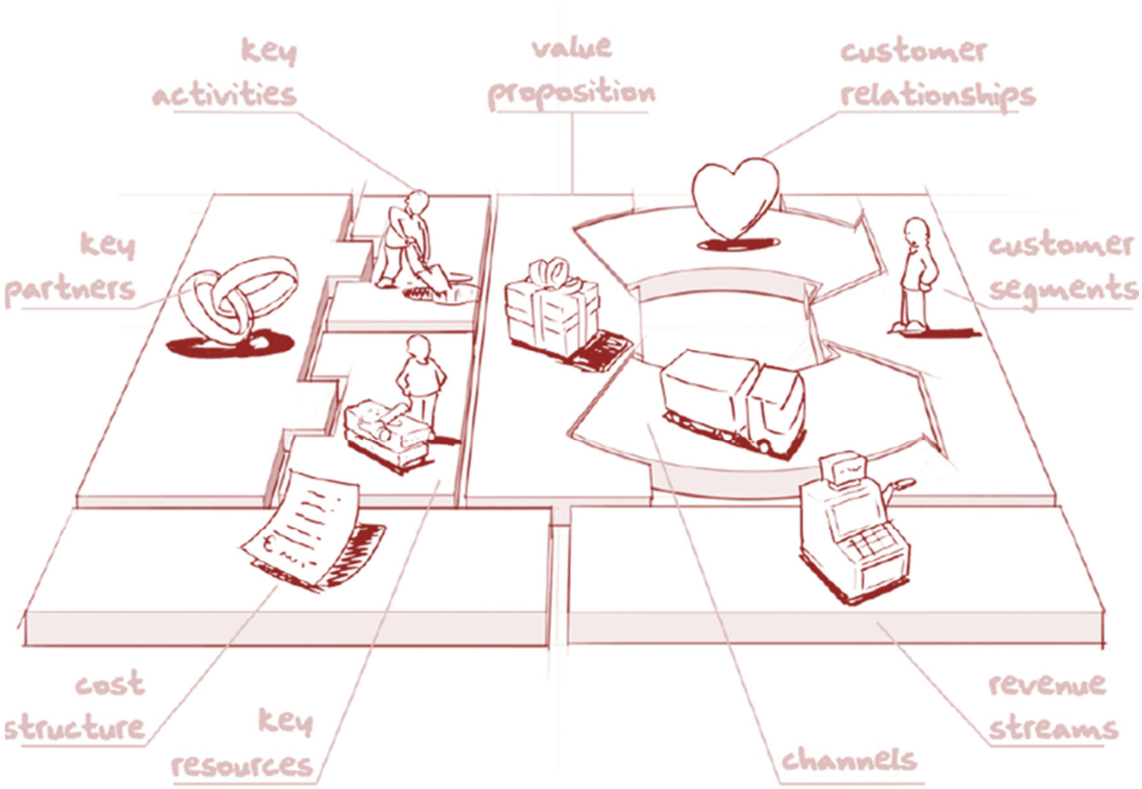

Figure 2 – A schematic figure over Osterwalder and Pigneur concept of business model (Osterwalder and Pigneur, 2009)

Osterwalder and Pigneur's (2009) building blocks take the starting point from the right side of business model canvas, in the customer segment. When the decision of which customer segments to serve and which to ignore is made, then a business model can be designed. There are a number of different segment from niche markets to mass-markets, from segments close to each other to well diversified segments. The reason for dividing the customers is that the company may need to serve them in different ways.

Component two in the framework is the value proposition. This component should answer what value that is created for each customer segment. It could be either be that the product or service solves a customer problem or serves a customer need.

The third building block is channels and it is the interfaces between the company and the customers. It includes communications, distribution and sales with the customer and consists of five phases; these are presented in Figure 3 below.

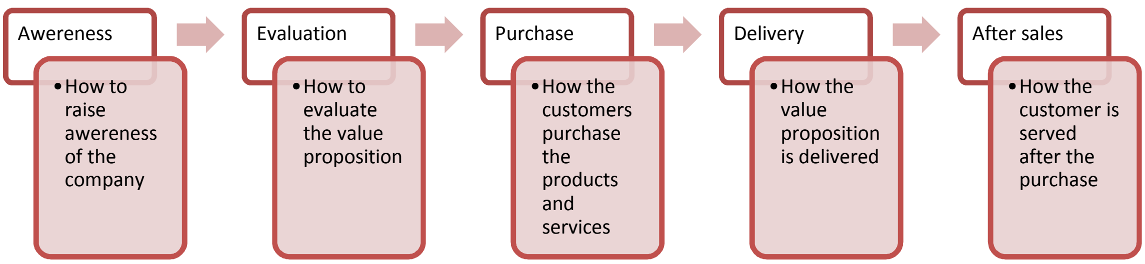

Figure 3 – The five phases of the building block "channels" (Osterwalder and Pigneur, 2009)

The building block "customer relationships" are about the relations that the company builds with the customers. The relationships could be based on personal or automated relationships and they could be altered towards different customer segments. It can also be altered depending on what the objectives are; if it is to acquire or retain the customer or to increase the sale towards a customer segment.

Revenue stream is the last building block on the value side of the model. This block includes all revenue streams from the customers. This block should answer what value and how much the customer segments are prepared to pay for that value. The pricing mechanisms could be of different nature and should be described in this block; it can be revenue from subscription, asset sales, renting, or licensing etcetera.

The left side of the canvas, the efficiency side, starts with the building block “key resources”. This building block describes the key resources that are needed to deliver the business model. The key resources can be physical, intellectual, financing, or human. The resources are not needed to be held by the company; they can also be leased or bought from key partners.

After defining the key resources the business model canvas continues with defining the “key activities”, which describe the most important activities for the business model to work. It takes the starting point from the building blocks; value proposition, distribution channels, customer relationship, and revenue streams and connects these to the activities that are important to make the business model work. The activities could be done in-house or bought from key partners.

The “key partnership” block describes the partnerships that are necessary in order to deliver the business model. The partnerships could be at different levels and for different reasons; it could be to acquire important key resources or activities or it could be between competitors to set an industry standard.

The last building block in the business model canvas is the “cost structure”, which describes all the important costs that are associated with the business model. This block together with the revenue block will determine if it is possible to make a profit on the business model and how large it will be. It is the cost associated with delivering the value side of the canvas. (Osterwalder and Pigneur, 2009)

2.4. Structured processes in order to mitigate risks

Starting a new business includes a lot of different risks which cannot be eliminated. Blank (2006), however, mean that it is possible to mitigate the risks and increase the likelihood of a successful venture by testing the assumptions that the new venture is built upon. Much time and money can be saved by meeting the customers early in the process and test the assumptions on them (Blank, 2006).

Blank (2010) mean that start-ups are different than small versions of big companies why other tools should be used in start-ups than the management tools used in established companies. He means that start-ups are searching for a business model that will work while big companies instead execute a business model. Further, Blank cited in Cooper and Vlaskovits (2010) means that “most start-ups fail because they didn’t develop their market product, not because they didn’t develop their product.” This is the background for why Blank (2006) created a four-step framework which he call Customer Development. The framework gives the entrepreneurs a proper tool to find their customers, which he means is necessary for the nature of a start-ups The Customer Development framework should be parallel with and influence the product development.

McGrath and MacMillan (1995) argue that “new ventures require a new way to plan” but dissimilar to Blank they do not make any difference between customer development and product development. They argue that it is needed to identify and test the assumptions that the venture is built upon before the major commitments of resources are made. They mean that it is possible to address the different uncertainties at a low cost by using a disciplined process which systematically uncover and test the assumptions that the venture is built upon.

Cooper and Vlaskovits (custdev.com, 2010) describe the Customer Development as “a four-step framework for helping start-ups discover and validate their customers, product, and go-to-market strategy.” Blank (2006) has developed the framework in order to find the right customer segment to serve before the business is scaled up. The framework is of a stage-gate structure where the entrepreneur should continue to the next step first when certain objectives have been accomplished.

Blank (2006) describes the stages as iterative processes since they include testing of assumptions and development of new assumptions when many of them will be proven wrong. The four stages of Customer Development are presented in Figure 4 below.

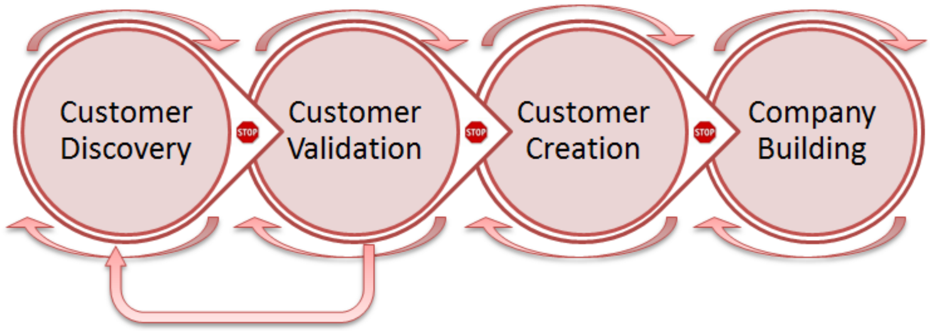

Figure 4 - A schematic figure over Steven Blank's framework Customer Development (Blank, 2010)

Blank (2006) mean that the objective of the Customer Discovery, step one, in the framework is to identify the customers of the product or service and to determine whether the problem that the entrepreneur thinks she solves actually is important to the customer. Blank (2006) mean that in order for the entrepreneur to be successful in the first step she needs to talk to real customers and test the hypothesis that is the foundation for the venture. She needs to evaluate the guesses about the market, the product, and the customer. The customer discovery phase will involve a lot of learning and new hypothesis of the business will be created and these should also be tested until the entrepreneur has identified customers and markets for the vision of the venture.

Step two is Customer Validation and in this step the customers should be validated. In order to validate the customers and the markets repeatable sales from a repeatable sales process must be in place. The first two steps of the Customer Development make sure that the entrepreneur does not scale the business before the foundation of the company is well tested and validated. The market, the economics and the way to reach the customer should be validated and if it cannot be validated then the entrepreneurs should move back to step one and start over with the search for the correct business model. (Blank, 2006)

Step three in the framework is Customer Creation and its objective is to create a demand from the end-users through the sales channels that has been created earlier in the process. The reason for Customer Creation is to prevent the entrepreneur to scale too fast and to spend too much money before the venture has proven to be successful. (Blank, 2006)

Customer Development ends with step four, Company Building, and in this phase the initial success of finding the customers and the markets should be ended and the venture should go to a more formal company (Blank, 2006).

2.5. Summary

The aim of this section was to answer what the research literature conveys concerning state-of-the-art knowledge regarding identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture.

The literature present different views of how opportunities are found and identified but agrees that entrepreneurs are more likely to spot an opportunity where they have previous knowledge and experiences. However the opportunity is good for the entrepreneur or not depends on the attractiveness of the opportunity as such, the match between the needs of the opportunity and the entrepreneur's resources and capabilities, and the entrepreneur's interest and passion. The venture capitalist firms operating in the industry are focusing on a number of parameters before deciding to invest; two important parameters among others are the growth of the industry and the possibility for the company to make a sound profit.

Firms deciding to enter a new market evaluate which entry mode they should choose. However they should enter the market with a fully owned subsidiary, partner-up with a local company, or sell the product or service to a local company. The decision will be based on the need and the importance of local capabilities as well as the easiness of dividing the profit of the venture before or after the product has been sold.

Business model is about explaining and analyzing a business ability to capture value from a technology or service. The framework business model canvas suggests dividing the company into nine different building blocks for separate analysis.

A structured process in the start of building a company could largely decrease the risk and cost of starting a new venture. Adaptions to the business model should quickly be done if the assumptions that are the foundation of the company are proven to be wrong. The most critical assumption is the customer interest and should therefore be addressed first.

3. Methodology

This section aims at presenting the methodology used for achieving the purpose of the dissertation. The section starts with a presentation of the two approaches used; the theoretical framework and the qualitative case study. The section ends with a discussion of the implications for validity and reliability of the thesis.

3.1. Research design

The general objective of the dissertation is to develop an instrumental framework for entrepreneurs to use when searching for and evaluating opportunities that are suitable to transferring from one market to another, within the ICT industry.

The research design is of great importance when conducting research in order to meet the general objectives with the study. The research design provides a framework for collecting and analyzing data (Bryman and Bell, 2007). Thus, the research design will affect the research methods to use and the result of the study. The study in this dissertation is divided into two parts where part one will derive a framework from established theories and knowledge within the area of study. The second part will test the framework in a qualitative case study, performed by the author of this dissertation, in order to assess the applicability of the framework and to learn whether or not the framework is instrumental for the entrepreneur to use when identifying and evaluating business opportunities that are suitable for transferring.

3.1.1. Theoretical framework

A literature review was conducted in the prior research chapter in order to learn more about the subject area studied in the dissertation. State-of-the-art knowledge was presented regarding identification, evaluation and transferring of business opportunities together with the notion of business model and structured processes to mitigate risk and cost of starting a new venture.

The literature search started with search on keywords in electronic databases provided by Chalmers library and Google Scholar, and from references found in previous courses within the educational program of Management and Economics of Innovation. The references and the keywords used in the search were discussed with the supervisors of the master thesis. When the understanding of the subject grew further readings were found through references from the articles and literature found in the initial search.

The knowledge from the prior research chapter was used in an analytic way in the theoretical framework chapter in order to lay out the grounds for the framework. The design of the framework was also affected by the insight from a semi-structured interview with the successful entrepreneur Alexander Hars, who transferred an opportunity from the US market to the Swedish within the ICT industry. Notes were taken during the interview and written out fair afterwards. This was done to make sure that the information was preserved if the information were needed to be used at a later stage in the dissertation.

Bryman and Bell (2007) mean that semi-structured interviews give the interviewer a degree of freedom which can be very helpful in explorative studies. The interviewer can use the information learned during the interview and ask more questions regarding an area of interest. One drawback with semi-structured interviews is that they are difficult to compare. In the interview held with Alexander Hars the main objectives were to explore the area of study and capture his experiences why the drawback with the semi-structured interviews could be overseen.

The reason for choosing one entrepreneur to interview regarding his experiences when transferring a business opportunity to another market was to make use of his experiences as support to the analytic work in the designing of the framework. The interviews were limited to one interview in order to keep the focus on the theoretical approach of the development of the framework.

The theory of the framework was complemented with further theories and knowledge when gaps in the framework were identified. The complemented knowledge was found through references from the literature used in the prior research.

The knowledge and the theories used to create the framework are systematically related and coherent with each other, this vouch for a high quality of the theoretical framework.

3.1.2. Empirical test

The empirical test is the qualitative case study of the application of the theoretical framework developed in the dissertation. The case studied was a test of the framework within the US ICT industry for transferring an opportunity to Sweden performed by the author of this dissertation. One advantage with the fact that the author performed the study himself is that no information got lost between the person performing the test and the person doing the research. However, one drawback is that the author has a good understanding of the purpose of each step in the framework and could therefore read in more knowledge in each step than what actually is presented. The problem with adding more knowledge to the framework is that the experiences for another entrepreneur using the framework might be different.

For each step in the framework the theory suggestion was interpreted to a practical suggestion in order for the developed framework to be testable in a real setting. The practical suggestions were then executed and the process was documented with thick descriptions. After each step a short description of the experiences was presented in order to illuminate these. The limitations discovered were revised both in the empirical section as well as in the result and discussion section.

The information used in the empirical test is to a large extent based on blogs, electronic newspapers and information on the webpages of the companies studied. The approach of using secondary data has made it possible to analyze considerably more companies compared to the use of primary sources. However, one must be aware of the fact that valuable information could be lost between the primary source and the cited sources used in this dissertation. The external websites that has been used are all webpages with many visitors which increases the likelihood that these websites have the resources necessary to do a proper background check before publishing any information.

The sample of the investigated firms was collected from a list derived from the website CrunchBase (techcrunch.com, 2010). CrunchBase describe themselves as “a free directory regarding technology companies, people and investors that anyone can edit.” However, the statement “anyone can edit” comes with the limitation that new information added by a user must be approved by the staff at CrunchBase before it will be published (crunchbase.com, 2012).

The list with information from CrunchBase consisted of all companies in their database which had attracted venture capital during the last two years. The list found was named “3_2010_vc_invest_2010_04_01_.csv” and was converted over to the format .xlsx with Microsoft Excel. A filter in the column “category” was used in order to sort out the investments within the ICT industry, only companies with the label “Consumer Web” and “eCommerce” were kept. The list was shortened further by sorting the list after the size of investment in the column “round_size” and by removing all companies on the list but the 200 companies with the largest investment.

The possibility for CrunchBase to control all facts is likely to be limited why it is a risk that the 200 companies analyzed and evaluated are not exactly the companies with the top 200 investments within the last two years. It could be that companies that should be on the list were missed out and it could be that the sums invested are not exactly what were stated on CrunchBase. However, mistakes in the list will probably have limited effects on the outcome of the dissertation since the sample is large.

A limited number of interviews have been conducted in order to learn more about the opportunity or the companies studied. These interviews have all been semi-structured since they have been of explorative purpose. Notes were taken during the interviews and written out fair when the interviews were done. Contact details were collected from to the persons that were interviewed to make it possible to contact them again.

3.2. Validity and reliability

External validity discusses the applicability of the results in other settings. Yin (2003) mean that the external validity is rarely high during case studies, however that is not of the primarily concern for this study since the applicability for the case study is large enough to help numbers of entrepreneurs. However, the applicability of a result could be wider if the findings could be supported by established theories (Yin, 2003). A discussion about the applicability in other industries and market will be conducted in the discussion chapter since the study could be of interest for entrepreneurs operating in different areas.

High internal validity means that the researcher has good arguments for one or several variables having a causal relationship of another variable or variables (Bryman and Bell, 2007). In order to increase the internal validity of a study it is suggested to make sure that the descriptions made in the empirical chapter is as thick and that the findings and the concepts are coherent and systematically related (Holmén, 2010-03-23). The theories that have been used are systematically related; all discuss business development and the concept of finding business opportunities and as much as possible have been included in the empirical study. Together with coherent findings this gives the study a high internal validity.

The reliability of the study is defined as how well the study could be performed by another researcher and for her to get to the same result and conclusions (Holmén, 2010-03-23). A clear purpose and delimitations have been developed in order for a researcher to be able to replicate the study. Further, which is in line with recommendations from Yin (2003), the empirical process is well documented. However, since the study is highly affected by the researcher's own experiences and resources another researcher would probably not produce the same result regarding the choice of business opportunities to develop further. However, the researcher would probably encounter the same problems during the process and therefore draw the same conclusions regarding the framework as such. The reliability is therefore considered to be high from the perspective of the framework construction but low from the perspective of opportunity selection.

3.3. Summary

This section has presented the methodology used for achieving the purpose of the dissertation. The methodology used in the thesis is two folded; firstly the creation of a theoretical framework, and secondly the application of the developed framework in a qualitative case study performed by the author of this dissertation.

Different methods have been used with care and together they vouch for the findings of the dissertation to have high internal validity and high reliability.

4. Construction of theoretical framework

This section aims to answer how a theoretical framework, based on state-of-the-art-knowledge, should be constructed in order to identify and evaluate established business opportunities that are suitable to transfer from one market to another.

The different theories and concepts that were examined in the prior research section will be formed together into a theoretical framework. The framework consists of five steps from finding and evaluating the opportunity to proceed with to the selection and validation of the opportunity. The theoretical framework will later on be tested in the empirical chapter.

4.1. Introduction to the construction of the theoretical framework

State-of-the-art knowledge has been used in an analytic and structured way in order to meet the purpose of the dissertation, inspiration of what parts to include and in which order has been derived from an interview with serial entrepreneur Alexander Hars (2010-07-06). The framework will be based on the knowledge that were presented in the prior research section and complemented with new knowledge when it is needed.

The framework is divided into two parts where the first part focuses on finding, evaluating and selecting the best business opportunity. The second part of the framework will help the entrepreneur with the planning of the implementation of the business in order to mitigate the risk and cost of starting a new venture and in the meantime validate the chosen opportunity.

The first part of the framework is based on Dorf and Buyers (2008) argumentation that a good opportunity for a specific entrepreneur is found in the "sweet spot" – the intersection between an attractive opportunity, the resources and the capabilities of the entrepreneur, and the interest and passion of the entrepreneur. The sweet spot of Dorf and Buyers (2008) is expanded to also include the knowledge of business transferability by Hennart (2010) and strategy knowledge of Grant (2010) in order to evaluate the suitableness for transferring the business to a new market.

The second part of the framework starts by using the business model framework of Osterwalder and Pigneur (2009) in order to prepare for a structured process of implementing and validating the opportunity by the use of theories from Blank (2010) and McGrath (2009).

4.2. Theoretical framework in brief

The framework consists of five steps, where the first three steps focus on identification and evaluation of the business opportunity with the outcome of an attractive opportunity for the entrepreneur to build a venture around. Step four and five focus on mitigating the risk and cost of starting a new business and on the same time validate the chosen opportunity.

Figure 5 below presents a summary of the different steps in the framework. The background and argumentation for each step will follow after the summary.

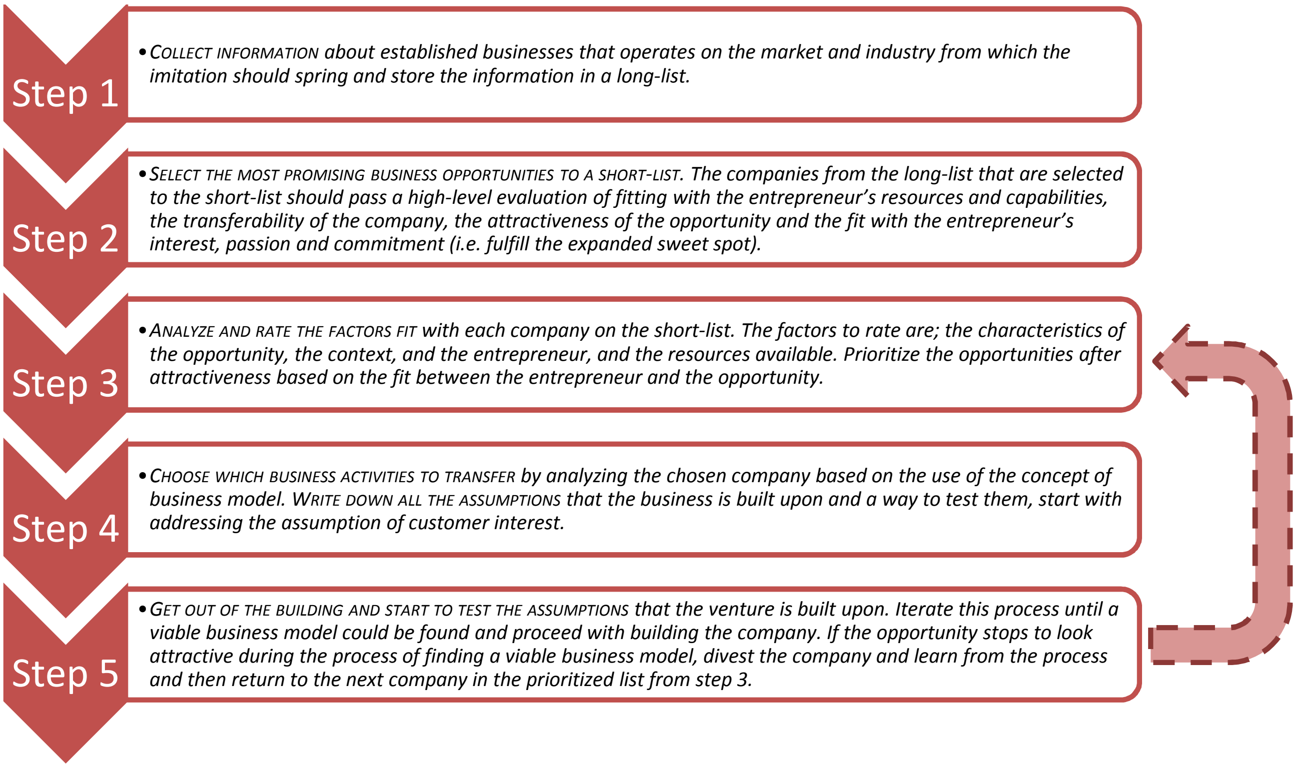

Figure 5 - A summary and overview of the theoretical framework

4.3. Step 1: Collect information about established businesses

According to Drucker (1998) an opportunity is found after a conscious and active search. Shane (2000) on the other hand means that an entrepreneur is not actively searching for an opportunity since they are unknown until discovery. However, Shane (2000) also argue that the possibility for an entrepreneur to discover an opportunity increase when she gets exposed for new information. Kirzner (1997) has a view that is somewhere in between, where he mean that the entrepreneur is constantly scanning and are ready to make discoveries but when the opportunities are found it will be with a feeling of surprise. Alsos and Kaikkonen (2004) argue in the same way regarding the opportunity finding/discovering process, they write: "We argue that these two debates not solely represent different ontological views, but may also be considered as illustrate the heterogeneity of opportunity detection processes. Both elements of search and coincidence, as well as elements of discovery and creation may be included in such processes".

Kirzner (1997) and Alsos and Kaikkonen (2004) view of finding opportunities opens for an active search process but does not remove the individual aspect of discovering opportunities neither do they disqualify any of the research in the area. Together with Drucker's (1998) suggestion about having a starting point in the active search process for finding opportunities and the purpose of this dissertation the following suggestion for step 1 in the framework will be:

Collect information about established businesses that operates on the market and industry from which the imitation should spring and store the information in a long-list.

4.4. Step 2: Select the most promising business opportunities to a short-list

The opportunities on the long-list should be evaluated in order to evaluate however the opportunities are attractive and suitable to transfer from one market to another. Three categorizes are suggested by Dorf and Buyers (2008); an attractive business opportunity is a fit between the entrepreneur's resources and capabilities (a), the entrepreneur's interest, passion and commitment (b), and the attractiveness of the opportunity as such (c). The fourth and last category (d) is based on Hennart (2008) and Grant (2010) and deals with the suitableness for transferring a business to a new market.

Using the argumentation of McGrath and MacMillan (1995) of postponing major commitments, the suggestion for the framework is to make a high-level evaluation of the business. The description of Dorf and Buyers (2008) also suggests that most entrepreneurs first deselect the unpromising opportunities and analyze the promising further.

Thus, the suggestion for step 2 is:

Select the most promising business opportunities to a short-list. The companies from the long-list that are selected to the short-list should pass a high-level evaluation of fitting with the entrepreneur's resources and capabilities, the transferability of the company, the attractiveness of the opportunity and the fit with the entrepreneur's interest, passion and commitment (i.e. fulfill the expanded sweet spot).

The four evaluation categories are described one by one in the following four subchapters; 4.4.1 Step 2a to 4.4.4 Step 2d.

4.4.1. Step 2a: Evaluate the opportunity fit with the entrepreneur's resources and capabilities

According to Dorf and Buyers (2008) a good business opportunity is an opportunity that will match with the entrepreneur's resources and capabilities. Grant (2010) defines resources as "the productive assets owned by the firm" and capabilities as "what the firm can do" and explains that a firm's capabilities are built by its resources. Grant (2010) means that a firm's resources can be classified into three areas, tangible, intangible and human resources. The relationship between the resources and the capabilities is visualized in Figure 6 below together with a description of the different resources.

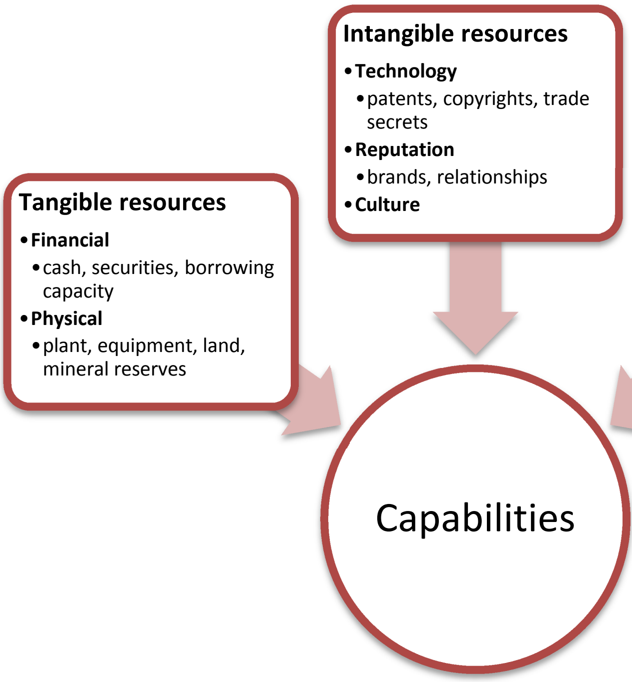

Figure 6 - Grant (2010) visualization of the links between resources and capabilities and a description of the different resources

Grant (2010) argue that the starting point when learning about a firm's resources and capabilities should be the identification of the firm's resources before the capabilities could be understood and defined.

Ardichvili et al. (2003) argue that an entrepreneur is most likely to spot an opportunity where she has experiences and prior knowledge. Knowledge is the awareness of information in an area of expertise (Dorf and Buyers, 2008). From this follows that for an entrepreneurial team to have knowledge about the team's experiences and previous knowledge (as well as the resources and capabilities) the team must be aware of them.

Thus, suggestion for step 2a is:

Learn about the entrepreneurial team's previous experiences and knowledge, which resources they possess and which capabilities the resources constitute to. Use this knowledge to match the business opportunities that are suitable for the entrepreneurs and remove the companies that do not match.

4.4.2. Step 2b: Evaluate the opportunity fit with the entrepreneur's interest and passion

Haynie et al. (2009) mean that the entrepreneur is more attracted to opportunities that the entrepreneur has existing knowledge and capabilities in. Dorf and Buyers (2008) mean that a good opportunity for an entrepreneur is a fit between an attractive opportunity and the specific traits of the entrepreneur. They mean that the entrepreneur must like to do the tasks that are needed, that the entrepreneur must like the challenge and must be committed to execute the things that are necessary to do in order to create a successful new venture.

Thus, suggestion for step 2b is:

Remove the companies in which the entrepreneur has no interest, the companies which need the entrepreneur to execute tasks she does not like and the companies that the entrepreneur could not commit to.

4.4.3. Step 2c: Evaluate the attractiveness of the business opportunity

Dorf and Buyers (2008) argue that a good opportunity has the right timing, that it can solve the problem or need of the customer, that the problem is important, and profitable, and in the right context. A closer description of the characteristics is presented in in Table 2 below.

Timely	A current need or problem
Solvable	A problem that can be solved in the near future with accessible resources
Important	The customer deems the problem or need important
Profitable	The customer will pay for the solution and allow the enterprise to profit
Context	A favorable regulatory and industry situation

Table 2 - Five characteristics of an attractive opportunity (Dorf and Buyers, 2008)

Zider (1998) and Timmons (1994) mean that two important parameters that venture capitalists look for when evaluating a business opportunity are the growth and the size of the market. They mean that the market must be large enough in order to allow the firm to earn sufficient money and that the market should grow at a high pace every year.

Thus, suggestion for step 2c is:

Remove the companies that do not solve a problem (or that solve an unimportant problem) and the businesses that do not seem profitable. Further, remove the companies that act on a small, non-growing market.

4.4.4. Step 2d: Evaluate the transferability of the opportunity

Hennart (2000) argue that a multinational enterprise will start a fully owned subsidiary in the new market if the local capabilities are easy to acquire while the enterprise would engage in a joint venture if the local capabilities are hard to acquire. Further, if the capabilities of the multinational enterprise are easy for a local partner to acquire then the enterprise would be wise staying out of locating the business on the new market on an equity base. Grant (2010) means that the foundation for a successful company is based on a well-built strategy. Grant (2010) shortly explains that the concept of strategy is about being different.

Thus, combining these knowledge leads to the following suggestion for step 2d:

Remove companies from the list that do not require any local capabilities and the companies that compete on a global basis.

4.5. Step 3: Analysis of the potential for the companies and selection

After the high-level analysis in step 2 of the framework a number of companies were selected to a short-list. In order to choose one business opportunity to proceed with, further analyses are needed. Dorf and Buyers (2008) present a diagram that can be used to rank different opportunities' in a structured manner. The diagram helps the entrepreneur to evaluate the fit with the sweet-spot; i.e. the resources and the capabilities of the entrepreneur, the opportunity as such, and the interest and passion of the entrepreneur. The entrepreneur should rank the factors in the diagram from 0 to 100 % fit. The diagram is presented in Figure 7 below.

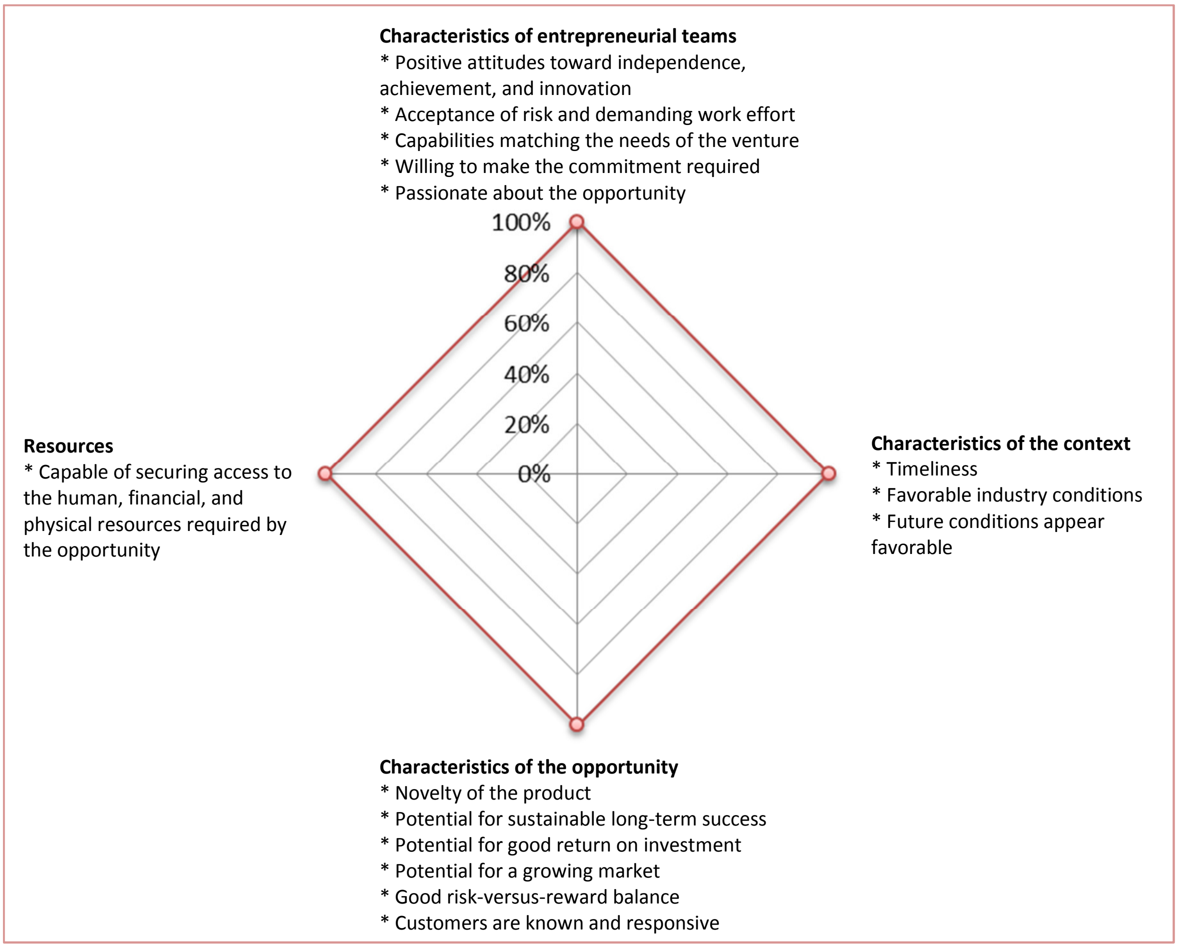

Figure 7 - Diagram for evaluating an opportunity, the factors should be rated between 0 and 100 % (Dorf and Buyers, 2008)

Thus, the suggestion for step 3 is:

Analyze and rate the factors fit with each company on the short-list. The factors to rate are; the characteristics of the opportunity, the context, and the entrepreneur, and the resources available. Prioritize the opportunities after attractiveness based on the fit between the entrepreneur and the opportunity.

4.6. Step 4: Plan the implementation

Joan Magretta (2002) as well as Osterwalder and Pigneur (2009) mean that a business model is a good planning tool to learn about the elements of a business and how the parts of the business fit together. Osterwalder and Pigneur's (2009) framework consists of nine different blocks from customer segments to cost structure, and by describing each block the entrepreneur obtains further knowledge about the company.

Jones (1999) mean that the ability to decide which business activities that should be expanded globally is one competence that is likely to be of importance when companies expand their business to a new market.

Blank (2006) argue that a lot of businesses are built upon untested assumptions about how the market and the customer behave, and how the customers perceive the problem that the venture addresses. Blank (2006) mean that companies and entrepreneurs that make sure to test their assumptions can largely reduce the cost and the risk of the starting a new venture. Gunther McGrath (2009) draws the same conclusions when she argues for a "discovery driven" approach instead of an analytical approach to new businesses.

Gunther McGrath (2009) suggests for the entrepreneur to write down all assumptions and a way to test them. The assumptions can be tested by interviewing potential customers or with experiments. The experiments can be built to test one or several hypotheses. The assumptions should be addressed in an order that limits the risk of the venture, i.e. the most fundamental assumption should be addressed and tested first. (McGrath and MacMillan, 1995)

Blank (2010) mean that the most important assumption is to make sure that there are customers interested in the problem and the solution. He suggests a three step method to verify the assumptions in interviews with potential customers.

a) Describe what the problem is today that the new venture should solve and then ask the respondent to describe how she sees the problem.
b) Describe the hypothesis for how the problem is being solved today and then ask the respondent to give hers view of the solution.
c) Describe how the new venture will address and solve the problem and ask what the interviewer thinks about that and if she has anything else to add.

Thus, suggestion for step 4 is:

Choose which business activities to transfer by analyzing the chosen company based on the use of the concept of business model. Write down all the assumptions that the business is built upon and a way to test them, start with addressing the assumption of customer interest.

4.7. Step 5: Validate and execute the business

Blank's Customer Development framework helps entrepreneurs to discover and validate the product and customers of a venture (custdev.com, 2010). Blank (2010) state that most important activity when building a business is to get out; i.e. to get out of the office to meet customers and perform tests on the assumptions that the company is built upon. Blank (2010) also mean that one of the biggest threats from building a business is to get going and do the important things such as selling and meeting customers.

Step one in the four step framework of Customer Development is about identifying the customers of the product or service and evaluating if the problem that is solved is important for the customer. The entrepreneur should test the assumptions that are the foundation of the company and iterate this process until a viable business model is found or until the opportunity could be written off. (Blank, 2006)

Zider (1998) mean that good plans, people, and businesses succeed, on average, only one out of ten times. Blank (2006) agree on the same proportion of successes when finding out that start-ups as well as established brands succeeds in launching new products into profitable business only one out of ten times. Zider (1998) mean that the best companies might have 80% probability of succeeding with individual events such as having sufficient capital to grow the business or that competitors behave as expected. The individual events bundled together makes the total probability of succeeding much lower.

Zacharakis et al. (1999) mean that venture capitalist firms and entrepreneurs assert why start-ups fails differently. Venture capitalists tend to view external factors as reasons for failure rather than internal factors in their own investment more often than what the entrepreneurs do. Zacharakis et al. (1999)

state that investors and entrepreneurs identify poor management, poor strategy, poor market conditions, and shortages in the capitalization of the firm, as factors for failure.

Dorf and Buyers (2008) argue that knowing when to divest and exit a venture might be equally important as knowing when to start it. They suggest the entrepreneur and investors to use the concept of sunk cost, that is that all previous investments in time and money is already gone and that all decisions should be based on the information that is available at the time. If the decision is to terminate the venture then Dorf and Buyers (2008) suggest the entrepreneur to learn from the venture and to consider proceeding with a new opportunity.

Thus, the suggestion for step 5 is:

Get out of the building and start to test the assumptions that the venture is built upon. Iterate this process until a viable business model could be found and proceed with building the company. If the opportunity stops to look attractive during the process of finding a viable business model, divest the company and learn from the process and then return to the next company in the prioritized list from step 3.

4.8. Summary

This section has presented a theoretical framework, based on state-of-the-art-knowledge, for identifying and evaluating established business opportunities that are suitable to transfer from one market to another.

The different theories and concepts that were examined in the prior research section have in this section been formed together and complemented with new knowledge into a theoretical framework. The framework consists of five steps with two focus areas, step 1 - 3 focus on identification and evaluation of the business opportunity. Step 4 - 5 focus on mitigating the risk and cost of starting a new business and validating the chosen opportunity. Figure 5 in the beginning of this section presents a summary of the framework.

5. Empirical test

This section aims at prioritizing a sample of established US business opportunities within the ICT industry in term of attractiveness for transferability with help from the framework developed in the theoretical framework section.

The following section will present an empirical qualitative case study in order to verify the theoretical framework and investigate if it has any practical applicability. The section also includes the practical obstacles that where found and ways to work around them. The empirical test was done by the author of this master thesis; the case is a study on using the framework for finding and evaluating a business opportunity suitable to be transferred to Sweden.

5.1. Introduction to the empirical test

The empirical test of the theoretical framework takes the starting point from the same. Each step of the framework will be presented and a suggestion for how the framework practically should be applied. A section with the author's experiences of using the framework will then follow.

5.2. Step 1: Collect information about established businesses

Collect information about established businesses that operates on the market and industry from which the imitation should spring and store the information in a long-list.

5.2.1. How to apply the framework

Step 1 in the framework aims at collecting information about existing business in the US ICT industry. The suggestion in order to achieve the goal is to use well-known electronic industry newspapers and blogs which are reporting the latest news about the ICT industry. In order to identify as many opportunities as possible, with reasonable amount of work, only limited information about the customer offers should be collected.

5.2.2. Applying the framework

The empirical test started with data collection from technology blogs and websites such as techcrunch.com and gigaom.com. The data that were collected and stored in the long-list contained information about all companies that were mentioned and discussed on the webpages and what their business idea was. Data were collected from each of the companies own homepages as well as from crunchbase.com. Some companies found in the collection phase were excluded from the list as they are well-established in Sweden, for example Google, Yahoo and Facebook.

Table 3 provides an example of how the first information was collected, with a serial number, the name of the company, the name of the website and a short description of the customer offer.

#	Company	Web-site	Idea
5	Wishabi	www.wishabi.ca	Crowd sourcing the deals that are available in stores and offering them through their web-site
6	Zopa	www.zopa.com	Social Finance Solution - peer to peer lending platform
7	Swipley	www.swipely.com	Social Network where you share the credit card transactions with your friends

Table 3 – Example of a few listed companies in the first collection phase

5.2.3. Experiences

The information collection phase was very time-consuming and it was understood that the information collecting phase could be made more efficiently. One concern raised early was the fact that many companies, for which information was collected, seemed to have an unclear and unattractive business model with little possibility to succeed. Many blogs publish information about companies when the company has performed something that gets the attention of a reporter; however this is not a proof of an attractive business opportunity.

Further concerns raised were also that the collecting phase was somewhat unstructured to the beginning. Starting from today and going backwards reading the latest blog post gave a good view about what companies that are 'on air' today, but not which companies that have attracted attention earlier. One solution to this problem could be to read more blog posts and learn more about the companies but quickly it becomes a cumbersome amount of posts to read which forces the researcher to stop.

5.3. Step 2: Select the most promising business opportunities to a short-list

Select the most promising business opportunities to a short-list. The companies from the long-list that are selected to the short-list should pass a high-level evaluation of fitting with the entrepreneur's resources and capabilities, the transferability of the company, the attractiveness of the opportunity and the fit with the entrepreneur's interest, passion and commitment (i.e. fulfill the expanded sweet spot).

a) Learn about the entrepreneurial team's previous experiences and knowledge, which resources they possess and which capabilities the resources constitute to. Use this knowledge to match the business opportunities that are suitable for the entrepreneurs and remove the companies that do not match.

b) Remove from the list the companies that do not require any local capabilities and the companies that compete on a global basis.

c) Remove the companies that do not solve a problem (or that solve an unimportant problem) and the businesses that do not seem profitable. Further, remove the companies that act on a small, non-growing market.

d) Remove the companies in which the entrepreneur has no interest, the companies which need the entrepreneur to execute tasks she does not like and the companies that the entrepreneur could not commit to.

5.3.1. How to apply the framework

The aim of step 2 in the framework is to select a small number of companies from the long-list and create a short-list of companies that are possible to analyze further. All companies that were collected in step 1 should be evaluated on the attractiveness of the opportunity, the suitableness for transferability, the match with the entrepreneur's resources and capabilities, and the interest and passion of the entrepreneur, all this in order to achieve the goal of the step. Step 2 should start with learning about the resources and the capabilities of the entrepreneur in order to have all information prepared before the screening.

The analyses should be performed on a high-level in order to reduce the amount of work. Each opportunity should be evaluated on all parameters and the companies that in the end are not removed from the list should constitute the short-list. If no companies are left on the list, then the entrepreneur must iterate step 1 in the framework and select more companies to the long-list.

5.3.2. Applying the framework

Step 2 of the framework was started with an examination of the knowledge, capabilities and resources of the entrepreneur. The entrepreneur's experiences, i.e. the author of this dissertation, could be summarized as mainly selling, business development and leadership experience within product sales and consultancy services. The author holds an education in economics and management and has a new venture experience within the ICT industry.

The resources of the author are found within the category of human resources and reflect the experiences that the he holds together with a high motivation of creating a successful venture. The intangible resources consist of a good personal brand for the author and good relationships with academia and other, potential, influential people. The tangible resources that the author and the sponsors possess together were also examined. The conclusion was that there would be limited financial resources in the start-up phase of the venture but that there could be a substantial amount of money available in the form of equity, if the business model and the market could be verified.

The resources of the author constitute to a limited number of capabilities, which means that the existing resources must to be complemented with new resources in order to develop capabilities to capitalize on. The possible capabilities of the entrepreneur are difficult to name since the resources needed for the new venture is unknown. However, the limitations that the resources have on the types of capabilities that can be developed can be defined. Thereby it becomes possible to remove businesses from the list that require capabilities which are hard for the entrepreneur to develop. In this case the financial capabilities are very limited for the entrepreneur why businesses requiring development of advanced technology and companies requiring high investments in inventory becomes out of interest. Further limitations on the companies are that the revenue model must be clear from the beginning since the possibility to experiment over time will be limited. Finally, the customer acquisition cost and the need for a large customer base need to be limited in order for to finance the venture.

When the resources and the capabilities of the entrepreneur were clarified a screening of the possible business opportunities collected in the long-list from in step 1 was started. Each company was evaluated on the information that was collected in step 1 and with complementary information when the information was insufficient to conclude whether it was an interesting business or not. Two problems arose within this process; a lot of work was spent on businesses that had attracted a journalist to write about the concept – long before the business model and the opportunity had been validated. The second problem with the process was that it was very time-consuming to evaluate if the opportunity as such was attractive or not. Too much work was needed in order for the framework to be instrumental when analyzing the size and growth of the market and to evaluate whether the venture actually could solve an important problem that the customer is willing to pay for.

Accommodation of practical limitations

In order to accommodate the practical problem of evaluating the attractiveness of the opportunity a new strategy for the framework was needed. The attractiveness factor was too important to solely remove it but was, as concluded, too time-consuming to evaluate by the entrepreneur. There is thus a need for someone else to perform this analysis. Someone else could be venture capitalists, i.e. professional investors operating in the area of new business creation. The venture capitalists often have high incentives for and the necessary resources to closely investigate the attractiveness of an opportunity when they have the possibility to invest in a company. However, it is not likely that these venture capitalists want to share this information with someone else. One could still be quite confident that a company that has attracted venture capital investments has gone through a close examination during the due diligence process in order for the venture capitalist to be confident that the investment have all characteristics for a big success (Dorf and Buyers, 2008). This leads to the conclusion that companies that have attracted venture capitalists are addressing attractive business opportunities.

A new information collection phase was initiated instead of checking whether each company on the list from step 1 in the framework had attracted venture capital or not. The motive for the new information collection phase was to deal with the problem of too much time spent on unattractive business opportunities and also the fact that only opportunities which had attracted the focus of the journalist close in time were identified. The new information collection phase should take the starting point in investments made by venture capital firms since this will vouch for high quality of the business opportunities and for the easiness of controlling the timeframe for when the businesses have attracted capital.

Applying the framework after the accommodations of the framework

The information collection of step 1 in the framework was started again but with the difference that the companies now were known but not what they were doing. A list from the well-known website CrunchBase that summaries all the investments made in technology start-ups during the last 24-months was used. The CrunchBase list was screened and only companies that operate in consumer web and with e-commerce were considered. The list originally contained 430 companies and was reduced to 200 companies by singling out the companies with the largest investments during the last two years. Thus, 200 companies ended up on the final list for evaluation, enough to make sure that a couple of good business opportunities should be found, but not too many for the entrepreneur to manage. Information about each company was collected and the proposed high-level screening variables were used.

The companies that compete on a global basis or already have competitors with similar business in Sweden were removed from the list, not passing the transferability evaluation. As examples, Facebook was removed because they already have business in Sweden. Groupon was removed from the list since the company has business in Sweden as well as the fact that similar companies operate here. Also, less known companies were removed, such as Lending Club which has a similar business as Loan Land and Trustbuddy.

Further companies were removed from the long-list since they did not match the resources and capabilities of the entrepreneur. Companies that seemed to have complex technology and companies that were dependent on a large user base were removed as it would be too costly to imitate the technology and to acquire the users before any revenue comes. Other companies such as HauteLook, offering limited sales in top brands in women's and men's fashion, jewelry and accessories, was removed since their business did not reflect any experiences that the author have.

Also, a couple of companies were removed due to the lack of attractive opportunities on the Swedish market. Grockit, for example was removed since the customer base in Sweden for helping students to prepare for GMAT and SAT tests is very small.

The forth evaluation factor was based on whether or not the entrepreneur have any interest and passion about the company and its business. CrimeReports, for example, then was removed since their business of crime fighting tools was, in the eyes of the author, in an unattractive area of business.

The companies that were not removed after the screening and attracted most interest to the author were six companies with four distinct different businesses. The six businesses have been chosen based on the opportunity that the entrepreneur sees in them which in turn are based on his knowledge and experiences. Why they were attractive to the author is hard to explain however Table 4 below present possible reasons.

Company	What do they do?	Why do they match?
Bookrenter and Chegg	Textbook rental service, students can rent textbooks for a discounted price	The author was on the board of directors for a textbook reseller and is a student and realizes the potential benefit of the service
kaChing and Covestor	Portfolio sharing service, lets investors follow professional and amateurs investment strategies	The author has worked in a retail bank and with investment products and agrees on the problem with too little transparency in the industry
Plastic Jungle	Gift card marketplace, buys gift cards and resell them.	The author has a number of unused gift cards at home without ever using them and do see the potential business in buying and selling these
Gazelle	Buys used electronics and resell through eBay, Amazon and in other geographical markets	The author has a lot of valuable electronics that he could get rid of but do not want to go through all the hassle with putting them up for sale

Table 4 – Possible explanations for why the author picked the six companies

5.3.3. Experiences

In this case was the awareness about the authors own previous knowledge and experiences the same however it was still helpful for the entrepreneur and the team to discuss the knowledge and experiences in terms of resources and capabilities. The capabilities that the resources constitute to were hard to define, probably because the resources were limited and needed to be complemented with new resources in order to constitute to the capabilities that are needed for building each of the examined companies. However, it was possible to articulate the capabilities that the entrepreneur did not possess which could be used in the process of resource and capabilities evaluation.

The collection of possible business opportunities was redone in order to work around the time-consuming analyses of the attractiveness of the opportunities. This new structure helped the framework to become more time efficient and thereby opened up for the possibility to screen additional companies.

5.4. Step 3: Analysis of the potential for the companies and selection

Analyze the companies on the short-list from step 2 further and use the knowledge from the analysis to rate the factors fit with each company. The factors to rate are: the characteristics of the opportunity, the context, and the entrepreneur, and the resources available. Rank the opportunities on the short-list based on the fit between the entrepreneur and the company.

5.4.1. How to apply the framework

Step 3 in the framework aims at finding the most suitable business opportunity for the entrepreneur to transfer to a new market. This is suggested to be done by analyzing each company on the short-list and use the knowledge to rate the fit between the opportunity and the characteristics of the opportunity, the context, and the entrepreneur as well as the resources available.

The companies should be ranked based on how high their total score is together with a judgment however the fit is too low in one factor for the company to be possible to proceed with at all. The analyses should focus on the information that are unknown under each factor and on the information that need to be validated in order for the entrepreneur to be able to prioritize the companies.

5.4.2. Applying the framework

The short-list from step 2 consists of six different companies with four distinct types of businesses. Each type of business was examined and analyzed further within the area that needed to be complemented in order to rate them according to the identified factors.

Evaluation of Plastic Jungle

Three questions were needed to be analyzed before Plastic Jungle could be rated within the categories; an analysis of the market in Sweden needed to be done and an analysis however the US customers are responsive to the customer offering or not. Finally, one must investigate whether or not the author and his team has enough financial resources for acquiring new customers and building up the inventories.

Is the potential for the opportunity large enough in Sweden?

The venture capitalist firms that have put in 13.4 million dollars by August 2010 probably consider the US market to be large enough for Plastic Jungle in order for them to be profitable. If this holds for Sweden is not known but one way to compare the two markets is to analyze to what degree people in general seem to wish to get rid of their unwanted gift cards. A comparison in the number of unused secondhand gift cards for sale in each country's largest secondhand markets addresses this.

A search for gift cards on the American site eBay returns 16 750 hits, while the same search in Sweden's biggest secondhand market, Blocket, returns 358 cards for sale. With 309 million citizens in the USA and 9 million in Sweden makes the second hand market around 40 % bigger in the US compared to Sweden. (The search was done 2011-01-25)

The US market is also, apart from Sweden, served by a number of companies such as Plastic Jungle why it seems as the second hand market for gift cards in Sweden is much lower than the same in the US. The second hand market for gift cards in Sweden is mostly based on Blocket and Tradera but a firm called presentkortmarknad.se has tried to build a similar business as Plastic Jungle but seems to have failed as there were only four gift cards for sale per the 25th of January 2011.

The differences between the markets could be connected with the fact that gift cards is a very popular gift in the US. Gift cards were in 2007 the most wanted gift among men and the third most wanted among women (consumerreports.org, 2007). No similar statistics could be found for the Swedish market.

Are the customers responsive to the offering and how much capital needs to be tied up in inventories?

The customers of Plastic Jungle seem to respond positively to the buying side of the offering of Plastic Jungle. They have grown to over 12 000 gift cards for sale in January 2011 compared to around 1 000 in August 2010. An estimation of the value of Plastic Jungle's inventories in August 2010 showed a value of $210 000 (Derived from plasticjungle.com, 2010), which gives an inventory value of around $2,3 million if the value per card could be anticipated to be the same as in August 2010.

Are the financial resources enough to acquire new customers?

Plastic Jungle has different margins on the sales depending on the merchant, for example, the firm purchases H&M gift cards for 80 % of the value and sells them for 89 %, which gives a revenue margin of 11.25 % while Wal-Mart pays 90 % and sells for 96 %, which gives Plastic Jungle a 6.67% in revenue margin. Plastic Jungle uses affiliates to acquire new customers, and pay the affiliates two percent of the value of the transaction if the customers sell a gift card to Plastic Jungle and pay four percent if the customer buys a gift card (plasticjungle.com, 2012). That is more or less the whole margin of a transaction with a gift card from Wal-Mart and the return on investment will be positive first after the second time the customer uses Plastic Jungle.

Table 5 presents an evaluation and rating of the different factors.

	Characteristics of entrepreneurial teams	Resources	Characteristics of the context	Characteristics of the opportunity
Evaluation of each factor	The value proposition is interesting and the author feels reasonably passionate about the opportunity. The resources and efforts that will be needed to put in to the venture seem to be manageable. The experience for the entrepreneur in the area is limited.	The human, physical and financial resources could most likely be acquired to create the service. The ability to acquire the financial resources for building up inventory will be challenging, especially since the cost of acquiring new customer will be, roughly, the same as the first income.	The market for e-commerce is mature and there is no reason to expect any regulating problems or similar to occur in the future. The market for gift cards is changing due to the introduction of electronic gift cards which make the market little unsecure but is not likely to affect the business in any higher degree.	There is an attractive value proposition of the venture which the US customers have responded positively to. However, the market per capita in Sweden could not be determined to be as attractive as the US market.
Rating	80%	60%	90%	60%

Table 5 - An evaluation of Plastic Jungle

Evaluation of kaChing and Covestor

Analyses on the characteristics of the opportunity must to be conducted in order to rate kaChing and Covestor in the manner as the framework suggests. The concerns about kaChing and Covestor are about how large the customers perceive the problem and if they are willing to adapt to the solution.

Do the customers respond to the solution?

kaChing has been around since 2007 and by August 2010, according to their website, 11 million USD is under their management. However, it seems that kaChing has exaggerated on their webpage since the information that is reported to the governmental organ U.S. Securities and Exchange Commission for the same period states about 6 million USD (adviserinfo.sec.gov, 2010).

Either way, the money the firm has under management is far from where it needs to be in order to build a profitable company. Their management fee 0.3125 % gives a revenue of only $34 375 or $18 750 depending on how much money kaChing actually has under its management.

Covestor is not more successful than kaChing. The firm reported to U.S. Securities and Exchange Commission that they had 200 000 USD under management for the same time period that kaChing reported 6 million USD (adviserinfo.sec.gov, 2010).

Table 6 presents an evaluation and rating of the different factors for kaChing and Covestor.

	Characteristics of entrepreneurial teams	Resources	Characteristics of the context	Characteristics of the opportunity
Evaluation of each factor	The value proposition is interesting and the author feels reasonably passionate about the opportunity. The resources and efforts that will be needed to put in to the venture seem to be manageable. The experiences of the entrepreneur match the opportunity well.	The human, physical and financial resources could most likely be acquired to create the service. But there are some regulatory demands regarding permits for running the type of business which are costly to apply for and which demands a high level of capital adequacy. This could however be solved through partnerships.	The financial market has the attention of the authorities but the business models of kaChing and Coverstor are probably outside the discussions about increased regulations. The timeliness of the opportunity is good; the discussion about high fees in the industry is current.	The customers have not responded to the business of kaChing and Covestor in any higher degree, it could be an indicator of low interest by the customers. The business requires a high number of investors in order to go breakeven why the risks are high without a proven business model.
Rating	90%	70%	80%	50%

Table 6 – An evaluation of kaChing and Covestor

Evaluation of Chegg and Bookrenter

Bookrenter and Chegg have built their companies on the same idea, offering students textbooks for a discounted price by renting them instead of selling them. They have different approaches of how to get there; Bookrenter with a lot of partnerships in both ends and Chegg with owning more of the value chain. The questions for rating the different factors are not in which way that it is best to carry out the business, rather it is; in the timeliness of the opportunity, however the market in Sweden is big enough, how much capital that is needed to pursue the opportunity, as well as the tax situation for books and services in Sweden.

What is the future for textbooks?

Mehdi Maghsoodnia, CEO, of Bookrenter (vator.tv, 2010) states in an interview that the firm expects the market to transfer over to e-books within 10 to 15 years. He also says that part of the 10 million USD that got invested in June 2010 will go to developing an e-book solution. According to the investment partner Randy Komisar at Kleiner Perkins Caufield & Byers (2010-10-07), investors in Chegg's third round, the book renting service is the first step to attract and build customer relations while the future plan will be to offer e-books.

Chegg's CEO Dan Rosensweig, describe this closer in an interview where he states that "Chegg wants to give students the material when they want it, in the form that they want and for a price that they can afford”. Chegg already has very close connection to the e-reader/tablet company Kno, which was started by one of the founders of Chegg (allthingsd.com, 2010).

Is it possible to pursue the opportunity on the Swedish market?

The business of Chegg and Bookrenter has a lot of competition, the giant Barnes & Noble is moving in and local bookshops are also following the trend. Stanford Bookstore, a bookstore managed by Follett, is one of the local bookshops that have started to rent out textbooks. Manager Christopher Rose (2010-10-05) at Stanford Bookstore describes their approach and it differs from Chegg and Bookrenter’s as they purchase the book to put up for rent first after a professor at the campus has agreed that she will use the same book over four periods. Stanford Bookstore started their business in August 2010 and manager Christopher Rose (2010-10-05) beliefs were that they will increase the number of books that they offer since most students that had the opportunity to buy or to rent the book made the choice to rent the book.

What is the capital needed to pursue the opportunity?

This business builds on buying books and renting them out over a period of time. Bookrenter states on their homepage that a student on average saves 75 % plus shipping on renting compared to buying the book. If that is the case then the book needs to be turned over four times before the same revenue has been made as selling the book. Stanford Bookstore priced its rentals to 50 % compared to the price of purchasing the book; this means that they need to turn it over at least two times to make the same revenue as selling a book. The profit is probably lower thanks to the extra cost for handling and for the tied up capital. The books in Swedish textbook shops are bought for around 80 % of the price out to the customer, which means that the book must be turned around two times before the capital is free again. Both Chegg and Bookrenter are heavily funded and the tied up capital in the large selection of inventories is probably one reason for that.

How does the Swedish tax situation affect the opportunity?

Sweden has different taxes depending on if you sell a book or if you rent it out as a service. The former one is charged with a 6 % VAT and the latter with 25 %. Akademibokhandelsgruppen AB in Sweden offers customers to rent novels under a subscriber form and addresses the problem by bundling the service together with a sale by letting the customers keep the last book that they rent. By letting the customer keep the last book they reduce the total VAT so only 24 % of the value is with 25 % VAT (Lennart Idén, 2010-08-16), making the VAT for their offering 9.1 %.

Table 7 presents an evaluation and rating of the different factors for Chegg and Bookrenter.

	Characteristics of entrepreneurial teams	Resources	Characteristics of the context	Characteristics of the opportunity
Evaluation of each factor	The value proposition is interesting and the author feels reasonably passionate about the opportunity. The resources and efforts that will be needed to put in to the venture seem to be manageable. The experiences of the entrepreneur match the opportunity well.	The human, physical and financial resources could most likely be acquired to create the service. The financial resources need to build the company are very high and the possibility to attract enough capital will be challenging.	The timeliness of the opportunity is questionable; the venture capitalist firms that have invested in the companies’ counts on their ability to also sell e-books. The possibility to solve the VAT issue in Sweden will be challenging.	The large number of customers that the companies have acquired together with the fact that established companies move in and now compete validates the service. The Swedish market for a business is probably servable since also smaller players move in.
Rating	90%	60%	70%	90%

Table 7 - An evaluation of Bookrenter and Chegg

Evaluation of Gazelle

The information that needs to be unfold in order to be able to rate Gazelle is whether the customers have responded to the business model. Further, analyses regarding at what level it is possible to acquire the products must be conducted and how much capital that will get tied up in inventories.

Are the customers responsive to the business idea?

Gazelle states that the firm has helped 100 000 customers, where Gazelle on average has bought electronics from them for about 100 USD (inc.com, 2010a). By growing from 114 000 USD in revenue in 2006 to 8.3 million USD in 2009 gave them place number 24 on Inc. 5000 list of fastest growing companies in the US (inc.com, 2010b).

At what price does Gazelle buy products and at what price are they able to sell them? Is their pricing mechanism working?

Gazelle pays a discounted price compared to what the customers would have earned by selling the items by themselves on sites such as eBay or Amazon. Gazelle's arguments for this is that some people do not want to go through all the hassle with selling online, for instance the customer does not know how much he or she will get paid, the communication takes a lot of time, the risk of paying for listing without selling the product and the risk of fraud.

Table 8 shows how much Gazelle pays respectively sells three example products for.

	What Gazelle pays	Gazelle's price on eBay	Margin
iPhone 3G 8GB	95	280	66%
Xbox (first generation)	22	53	58%
Kindle 1	45	116	61%
		Average	62%

Table 8 – Three examples on how much Gazelle pays and sells products for on eBay. The products are all rated to be in "perfect condition" according to Gazelle. (The search for these products was made 2011-01-25.)

The process of selling a product to Gazelle is built up by typing in the name on the product and then answering a couple of questions regarding the condition of the product, then Gazelle gives the customer an instant offer on the product based on the evaluation of the product. If the customer accepts the offer and send the product to Gazelle, then the firm will examine it and give the customer a new offer or accept the description of the product and pay the customer according to the instant offer. In 85 % of the cases the product description of the condition is accepted and the seller is paid the agreed amount. In 14 % of the cases Gazelle offers the customer a new price which the customer accepts and in only one percent of the cases Gazelle sends back the product to the customer (pcmag.com, 2008).

Is it necessary to tie up a lot of capital?

Gazelle uses established market channels such as eBay and Amazon for selling the purchased products. This means that Gazelle does not need to be dependent on its own capabilities to attract customers to buy a product which can increase the speed of turning around the products. The capital tied up in relation to the value of the products that are for sale is limited, this since Gazelle have high margins.

Table 9 presents an evaluation and rating of the different factors.

	Characteristics of entrepreneurial teams	Resources	Characteristics of the context	Characteristics of the opportunity
Evaluation of each factor	The value proposition is interesting and the entrepreneur feels reasonably passionate about the opportunity. The resources and efforts that will be needed to put in to the venture seem to be manageable. The experience for the entrepreneur in the area is limited.	The human, physical and financial resources could most likely be acquired to create the service. The financial resources need to build up the inventories will probably be manageable under condition that the products could turn around relatively quickly.	The timeliness of the opportunity seems to be good; people tend to buy new products before the product that is replaced is broken. People are getting more used to buy second-hand products thanks to websites such as Blocket and Tradera.	The high growth in revenue that Gazelle shows is a proof that customers are finding Gazelle and that they use their services. The product margins the firm have makes this an opportunity with the potential of high return without the need of too much capital.
Rating	80%	80%	90%	90%

Table 9 - An evaluation of Gazelle

Ranking the opportunities

The fit for each business opportunity is plotted in Figure 8 below.

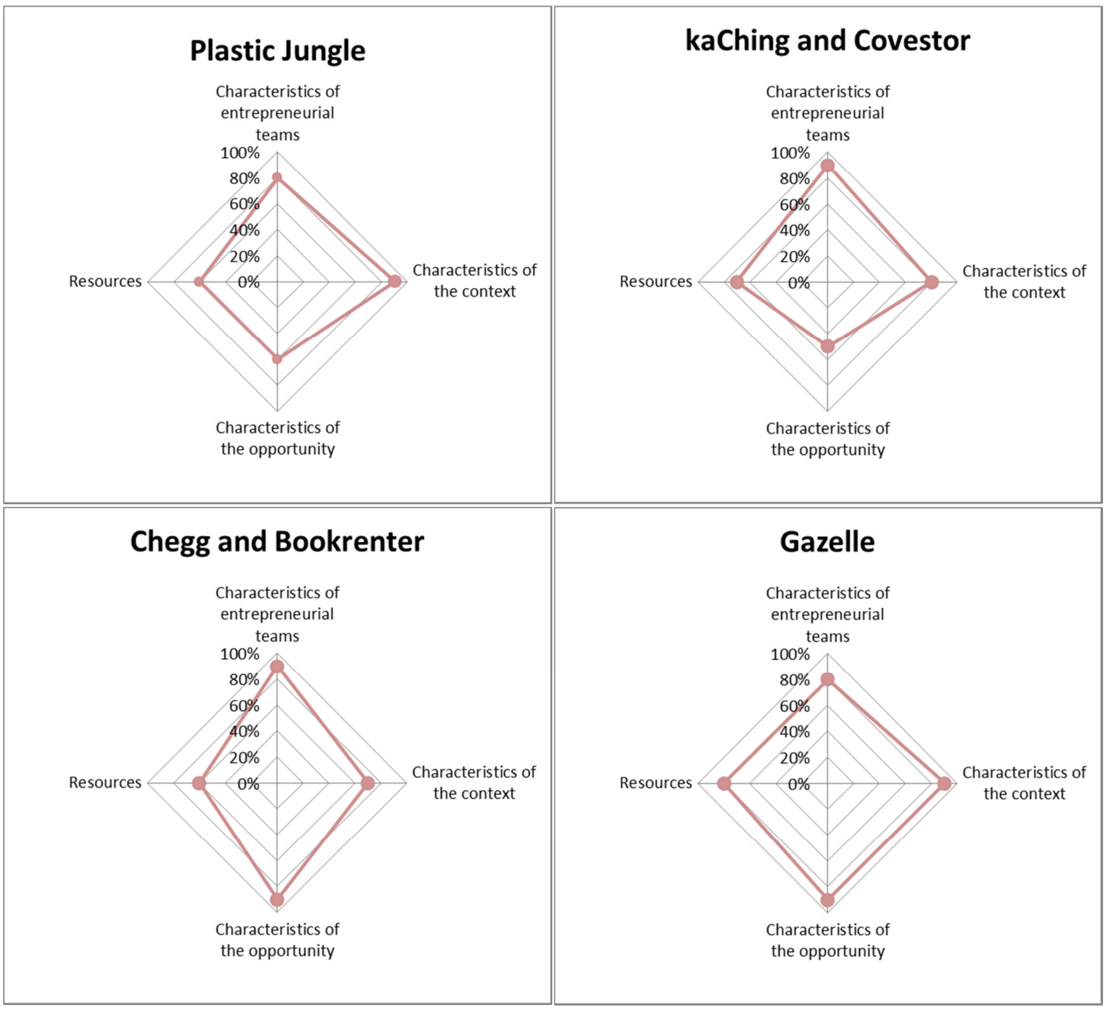

Figure 8 - Plotting the rating of the fit for each business opportunity

Looking at the diagrams it is clear that Gazelle's business is the best fit for the entrepreneur why this business opportunity should be ranked highest. The calculation of the percentage of fits also confirms this. Gazelle covers 71 %, Chegg/Bookrenter 60 % while Plastic Jungle and kaChing/Covestor both have a 51 % fit.

5.4.3. Experiences

It was difficult to assess, in percentage, how high the fit was between the opportunity and the different factors. The process needed to be iterated in order to give all opportunities a fair rating between each other.

5.5. Step 4: Plan the implementation

Choose which business activities to transfer by analyzing the chosen company based on the use of the concept of business model. Write down all the assumptions that the business is built upon and a way to test them, start with addressing the assumption of customer interest.

5.5.1. How to apply the framework

The aim of step 4 in the framework is to learn more about the chosen business in order to decide what to transfer and to understand which assumptions that the company is built upon. The entrepreneur should start to learn about the business by using the concept of business model canvas, articulated by Osterwalder and Pigneur (2009). The knowledge should then be used to decide if any part of the business needs to be removed, added or adapted in order to fit the new market.

The entrepreneur should thereafter articulate all the assumptions that are the foundation of the business. The first assumption that needs to be evaluated is the customer interest, i.e. the hypothesis that there are customers that are interested in the addressed problem and in the solution also on the new market. If the customer interest can be validated then the next thing to test is whether or not the customers will behave in the same way the customers on the original market do. A list of all the assumptions should be written down together with a way to test them. The assumptions should be tested in a dependency order.

5.5.2. Applying the framework

Gazelle's business is to purchase electronics from consumers that do not use the products anymore and to find new owners for these.

Customers segments

Gazelle's customer segments are two folded, they have the mass-market through the consumers that buys products through eBay and Amazon. These customers offer a high price but low volumes and high handling costs. The other customer segment Gazelle has is wholesalers who purchase larger quantities and most likely pay a lower price per item but with lower handlings cost.

The customer segments attract different types of products; the mass-market is interested in functional and modern products while the wholesalers have more interest in cheaper products and even broken – if they can be fixed. The different customer segments pay for different parts of the offer in the sense that wholesalers are interested in the collection of electronics devices while the customers in the mass-market are more interested in the functions that the products can give.

Value proposition

The value proposition for the first customer group, the consumers, is that they can buy used electronics from a partner they trust. The customers can feel safe that Gazelle has controlled the products so that these function, and that the seller will deliver the product as promised after the buyer have transferred the money. Gazelle is offering 30 days return on their expense to further reduce the risk of buying used products. By reducing the risk of buying used products Gazelle lowers the price for the consumers that previously have been too afraid to buy used electronics and therefore been forced to buy new products.

The value proposition for the wholesaler is somewhat different; the biggest value for this segment is to get a bulk of products to resell on other markets. For the wholesaler it is less important with Gazelle's quality control and more important with having the collection made for them in a cost efficient way.

Channels

Gazelle has a lot of different interfaces in which the firm connects to their customers, most are based on Internet but the firm also has a couple of different partnerships to broaden the exposure. The channels and the communication are divided into five categories according to Osterwalder and Pigneur's business model canvas; awareness, evaluation, purchase, delivery and after sales.

Awareness

The consumer will get awareness about Gazelle through web pages such as Facebook, Twitter and their own blog; thus Gazelle tries to be active on these pages. Gazelle also publish press releases in order to get into newspapers and other blogs; the focus is on the environment and the ability to get cash for unused electronics. Little effort is put on the selling side of the offering; however Gazelle builds brand awareness by having their own store at eBay so when customers are looking for products to purchase then they easily will recognize Gazelle.

Gazelle is also partnering with companies such as Wal-Mart and Office Depot where customers can turn in used electronics to the stores or online and in return get a gift card that can be used in the same store. Through these partnerships Gazelle is able to get exposure also outside the web.

How Gazelle connects with the wholesaler is not as transparent as the consumer group's but as it is about business to business is it likely that the firm uses more traditional ways such as telemarketing and networking. This segment will also be aware of Gazelle through press releases and when Gazelle is mentioned in media.

Evaluation

The customers can try the service and the products that they buy through eBay and Amazon by having 30 days of free return. For the wholesales partner the process is not as clear but a guess should be that they have the opportunity to inspect the electronics that they buy before paying, which would reduce the risk significantly.

Gazelle is operating on the second hand market. On this market it is important with a good reputation for both individuals as well as for companies. Gazelle has a policy for encouraging people to grade the company and to leave a review. Gazelle provides a review if the customers leaves one, these reviews help customers to evaluate Gazelle and their business. 99 % of Gazelle's feedbacks are positive and there are over 93 000 positive reviews from the start to January 31, 2011.

Purchase

The channels for purchase are based around the Internet and through well established players. Gazelle has no own channels for selling, instead eBay and Amazon are doing the job of having the contact with the customers. To be able to differentiate from ordinary sellers Gazelle is using an own store at eBay to build brand awareness and enable additional sales. By having this approach, Gazelle can limit the hassle for the customers by reducing the need for learning a new system as most customers are already accustomed to purchasing online. The customer must pay for the product before it is shipped; Gazelle uses PayPal to collect their payments.

Again, very little is known about the wholesaler purchasing channels but what we know is that Gazelle does not use the same channels for these.

Delivery

The customers receive the products with free shipping; the delivery time is 3 to 9 days, two days for Gazelle to prepare the order and the rest for FedEx to deliver it. It is possible to pay for a quicker delivery but the shortest delivery time is three days.

After sale

Gazelle allows the customers to return the purchased product within thirty days and with free shipping. Gazelle promises to answer all emails within two business days. The company also makes sure to reply to all negative critique that is received in the web-shops.

Customer service

Gazelle has published its phone number on the webpage but encourage the customers to send e-mails when they have any inquiries about the service or to make contact on Gazelle's live chat. As a customer you could choose if you want to be contacted by phone to receive the answer on your question. To reduce the number of questions Gazelle has collected a lot of frequently asked questions with answers that all visitors to the site can access.

Gazelle has a Facebook page and a Twitter account where customers can contact the company in public. The customers write to Gazelle on these sites mainly when it seems that Gazelle have failed to deliver the service that they promise.

Revenue stream

Gazelle's revenue streams are generated from the consumers by asset sales. Gazelle sells the right to the product and the customer can do whatever he or she wants to do with it. The pricing mechanism for this is dynamic and changes according to age and popularity of the product. Gazelle states that the firm has a patent pending system to decide the price.

Gazelle sells the right to the products also to their wholesales customers but with a different pricing mechanism. Then the price is most likely based on negotiations and influenced by volume and relationship with the customer.

Key resources

Gazelle's most important resources are the ones that are needed in order to attract customers and organizations to sell their used electronics to Gazelle. The business is built up by purchasing electronics cheaply and selling more expensively by taking care of some of the hassle that comes with selling second hand. To be able to do this it is important to have a well functioned and easy to understand webpage. Another key resource is the communication with the customers through customer relationship, so the experience of being in contact and doing business with Gazelle over weights the reduced priced that Gazelle offers.

Gazelle also has some human resources that are very important; one is connected to the ability to attract used electronics. Gazelle use personnel trust to build trade-in partnerships with retailers why this is an important resource. Other human resources that are important are for the 50 % that is not sold through eBay and Amazon which is the personal selling capabilities. These capabilities are very important in order to make sure that Gazelle get as much as possible for the products when selling to wholesalers.

Key activities

Gazelle has built its business on arbitrage by buying cheaply and selling more expensively and to make sure that the cost is lower than the margin. The firm must therefore be very efficient in its internal handling activities, which consist of collecting the items that are shipped and when these arrive at Gazelle's facilities, inspect and clean the products before they are stored and finally shipped to the customer.

Another key activity that Gazelle does is the marketing towards the sellers, which includes PR activities and marketing. Gazelle writes on Facebook and on Twitter and activities are carried out in order to get attention from media and blogs.

The contact with partners is very important to make sure that Gazelle increases the exposure to consumers outside the web and to be able to ride on their partners' brands in order to build Gazelle's own.

Key partnership

Gazelle have established partnerships with a number of actors such as recycling partners to be sure that the products that are not sold can be recycled in a responsible manner. The recycling partners may not be frequently used but it is still important that they do their job for Gazelle's credibility as an environmental friendly profiled company. Gazelle is dependent on eBay and Amazon, which are the main channels to communicate the products for sale to the customers.

Gazelle also has some partnerships with wholesalers that purchase some of the electronics. Little is known about what quantities or which products that are resold abroad, but a study at Gazelle's eBay store shows that it is, with some exceptions, the least valuable items that are resold through the international wholesalers.

Gazelle has partnerships with large electronics retailers in order to purchase cheap used electronics. Examples of partners are Wal-Mart, Office Depot and Costo Wholesale. The partnerships are structured in some different ways but the main objective for the partners is to offer the customers the possibility to trade in used electronics and in exchange give them gift cards to buy new products in the store. Office Depot focused on an increase in laptop sales and gave the customers the possibility to trade in used laptops in exchange for a discounted price on a new. Wal-Mart offers the customers to sell the same types of electronics as Gazelle offers in exchange for a gift card that is valid for purchase in Wal-Mart stores.

A lot of shipping is needed to handle the products, from the consumer and to the customer. Gazelle uses UPS and FedEx as well as United States Postal Services.

Cost structure

There are, according to Osterwalder and Pigneur (2009) two main approaches when dealing with cost in a business model; either cost-driven or value-driven approach. Gazelle's cost structure falls in-between these two approaches as Gazelle needs to have low cost since they compete on price. However, Gazelle must also make sure that the customers feel that they get some value when they are turning in their products.

Gazelle's largest cost is to acquire products to resell as well as the handling of the products. The cost is concentrated to the purchase price, the cost of shipping and the cost of controlling and cleaning the goods. The cost of shipping has characteristics of economics of scale since where large quantities will help to lower the price per shipping. The purchase price will not be affected by the number of products that are bought but Gazelle will benefit if the consumer sells a number of products instead of only one since the consumer can send two or more products in the same package.

The cost for controlling and cleaning the products are variable costs when there are big fluctuations in capacity. However, this cost will have the characteristic of fixed cost when there are small changes in capacity since one person has a dynamic capacity up to a fixed limit.

Plan the implementation

There is nothing in Gazelle's business model that raises any concerns for the suitableness of Gazelle business in the Swedish market. The basic assumption is that the Swedish customers will behave as the US customers why no suggestion for change and adaption of the business model is considered to be necessary.

Table 10 below presents a first list of assumptions that needs to be tested in order to evaluate however the business will work in Sweden as well.

	What to learn	How to learn
1	Is there any customer interest in the problem and solution?	Test by interviewing people, use Blank (2006) proposed three step method
2	Do people in Sweden have old electronics that they do not sell or throw away?	Test by interviewing people
3	Are people prepared to sell the products cheaper than they can do by themselves?	• Test by interviewing people • Give them an offer and see if they are willing to take it
4	Are people prepared to go into a website to value and sell a product?	Create a website and present it to the ones that have unsold goods at home and ask them to use the site
5	Are people prepared to pack and hand off the product at a post office?	Create a website and present it to the ones that have unsold goods at home and ask them to use the site
6	Do the established sites in Sweden have enough customers that are willing to pay?	Offer a limited number of products for sale and analyze the result
7	Is it possible to quickly get the products sold?	Buy a limited number of products and resell them and analyze the turnaround time
8	Is it possible to transport products cheap enough?	Make a calculation on a number of fictive cases, with the most sold products on Gazelle
9	Is it possible to get through in the media to tell the users of the alternative?	Work with press releases and evaluate the response after the test phase
10	Is it possible to get a company to offer their customers a trade in solution?	Contact possible companies ask if they are positive to do a test drive

Table 10 – A list of hypothesis that needs to be tested in order to evaluate the suitability of Gazelle's business model for the Swedish market

5.5.3. Experiences

The business model canvas is a powerful tool in order to get a good understanding of how the business is constructed. Some information is however still unknown since not everything is presented by the company. The importance of this information could differ and the entrepreneur might need to innovate by herself in order to be able to deliver the service or product.

5.6. Step 5: Validate and execute the business

Get out of the building and start to test the assumptions that the venture is built upon. Iterate this process until a viable business model could be found and proceed with building the company. If the opportunity stops to look attractive during the process of finding a viable business model, divest the company and learn from the process and then return to the next company in the prioritized list from step 3.

5.6.1. How to apply the framework

The aim of step 5 is to start to test the assumptions that the venture is built upon in order to validate whether the chosen company can be a success also in the new market. The entrepreneur should get out of the building and start to test the assumptions that were listed in step 4. The list of assumptions should be dynamic and change according to the outcome of the previous test when more knowledge is reveled.

If all the assumptions could be validated or if the business model could be adjusted to another viable business model, then continue to build the company. If the assumptions fail and a viable business model cannot be developed, then divest from the chosen business opportunity. Learn from the experience and go back to pick the second most attractive business opportunity from step 3.

5.6.2. Applying the framework and experiences

By working through the framework the suggestion is to try to transfer the business of the company Gazelle to the Swedish market. Thus, the next step would be to go out of the building and start to test the assumptions listed in step 4. However, step 5 is outside the scope of the dissertation why no application of this step has been done and no experiences have been collected.

5.7. Summary

This chapter has presented a way of making the theoretical framework practically applicable and has tested the framework on a sample of US ICT businesses in order to prioritize them after attractiveness for transferability. Each step in the theoretical framework has been applied and the experiences have been written down.

The opportunity evaluation was difficult and time-consuming why a way of working around this problem was presented and carried out. In the end 200 companies were evaluated leaving six companies with four distinct types of businesses on the short-list for further analysis.

The company Gazelle had the best fit with the evaluated factors and was suggested for transferring. The second best business opportunity on the prioritized list was to rent out textbooks to students which the companies Bookrenter and Chegg represented. The companies Plastic Jungle and kaChing/Covestor had the same score on the prioritizing diagram leaving them on a shared third place on the prioritized list.

A list of assumptions that needs to be validated before the business model of Gazelle can be started was presented together with a way to test them.

6. Result and discussion

This section aims to give the reader an understanding of the most important strength and weaknesses of the framework. The section will also present a revised framework that accommodates the most critical limitations of the framework.

The section starts with a discussion regarding the experiences of using the framework and presents a revised framework with the proposed accommodations. The section will end with a discussion of the applicability of the result and the framework as well as a discussion regarding the method that was used.

6.1. Observed strengths and weaknesses, limitations and accommodations

The most important limitation with the theoretical framework was the difficulty of evaluating the attractiveness of the opportunity as such. The proposed solution for the theoretical framework was too time-consuming for the framework to be instrumental for entrepreneurs to use when looking for an attractive business opportunity to transfer.

A solution for making the evaluation of the attractiveness of the opportunity more efficient was presented in the empirical test chapter. The proposed revised solution was to take the starting point in the information collection phase from investments that venture capitalist firms have made over the last couple of years. Venture capitalist firms invest a vast amount of money and time in the due diligence process before they invest in a company. One of the most important factors that they evaluate is the attractiveness of the opportunity. If a venture capitalist firm invests in a company one could be confident that the opportunity has been closely studied and that the firm perceives the opportunity as attractive.

Another limitation with the framework that hindered it to be instrumental was found in the information collection phase. Only business opportunities that the media currently wrote about was collected and possible attractive opportunities that previously have attracted the attention of the media was missed. Also this limitation could be accommodated with the proposed solution for the evaluation of the attractiveness of the opportunity. It is easier to get an overview of the investments over time from a list of investments rather than when reading the latest news.

The main experience from step 3 in the framework was the difficulties in rating the different factors of the fit of the opportunity. The factors should be graded in percentage of fit, and no guidance is provided in the literature on how this should be done why entrepreneurs that use the framework will grade the fit differently. However, this will not impact the purpose of the framework to any higher degree since the most important objective with the step is to prioritize the different opportunities between each other; this will be the case as long as it is the same person rating the different opportunities. It will however still affect the possibilities to compare how good the fit is for one entrepreneur compared to another that use the framework.

The experiences from step 4 are also important; the business model canvas framework was a powerful tool for covering all parts of the business. However, not all information of the business will necessarily be discovered when the company is studied by using the canvas. The entrepreneur needs to decide whether the information available is enough and if the blanks can be filled in, before the entrepreneur moves on to the next step in the framework. If not, then the entrepreneur should move back to step 3 and choose the next company on the prioritized list.

The most important strength with the framework is the holistic approach for identifying, evaluating and prioritize possible business opportunities that are suitable to transfer from one market to another.

6.2. The revised and final framework

Accommodations for the most critical limitations of the theoretical framework have been presented in step 2 in chapter Empirical test. The revised framework summarized in Figure 9 below will be instrumental for the entrepreneur when searching for an attractive business opportunity. The first part of the framework becomes a powerful tool in order to find, evaluate and select attractive business opportunities that are suitable to transfer to a new market. The second part of the framework will help the entrepreneur to limit the risk and cost of starting a new venture by using novel structured processes.

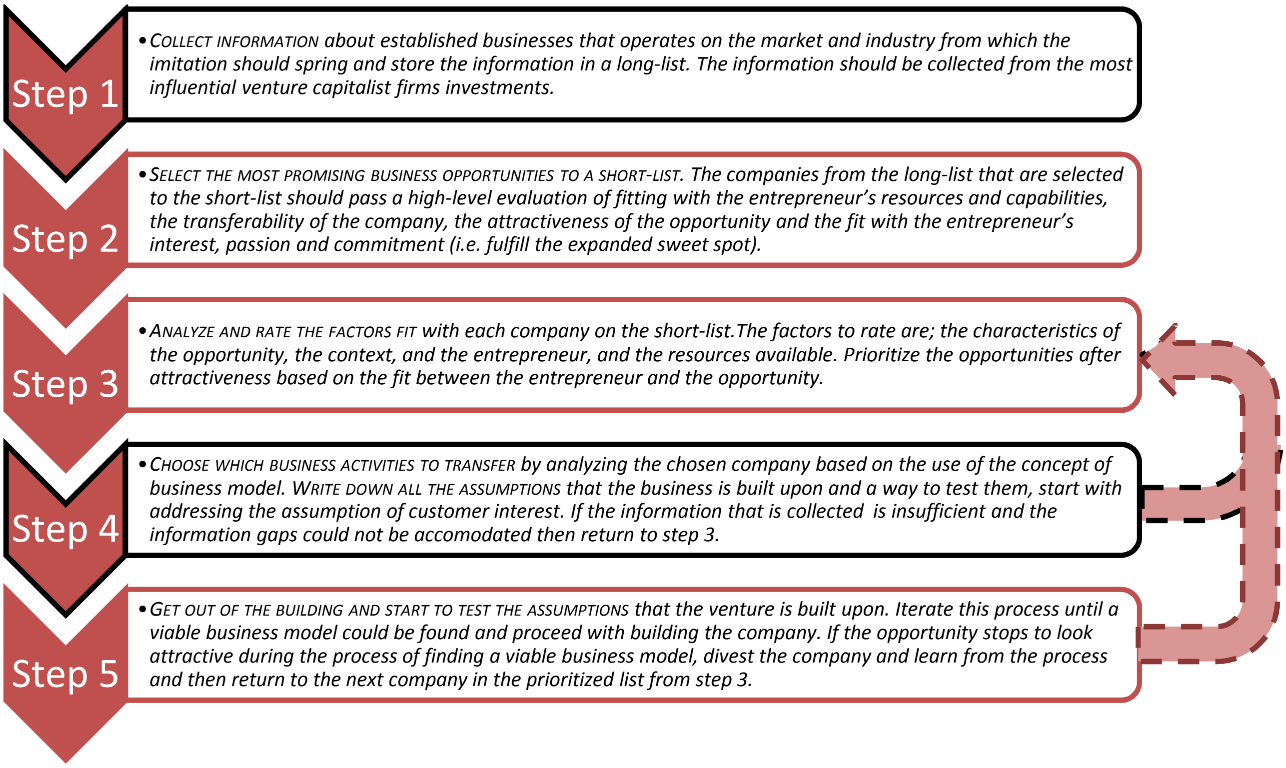

Figure 9 – The revised and final framework for identifying and evaluating attractive business opportunities that are suitable to transfer from one market to another. The steps that are revised are marked with a bold frame (i.e. step 1 and 4)

6.3. The framework

The purpose of this master thesis was to provide entrepreneurs with an instrumental framework to find and evaluate possible business opportunities, within the ICT industry, suitable to transfer from one market to another while reducing the risk and cost of starting a business.

In order to achieve the purpose of the dissertation some learning's were needed. In the prior research section we learned about what the literature conveys regarding state-of-the-art knowledge concerning identification, evaluation and transferring of business opportunities, the notion of business model and novel structured processes to mitigate the risk and cost of starting a new venture. In the theoretical framework section we learned how a theoretical framework should be constructed, based on state-of-the-art knowledge that could be used to identify and evaluate established business opportunities that are suitable to transfer from one market to another.

Further, in the empirical test section we learned how a sample of established US business opportunities within the ICT industry should be prioritized, in terms of attractiveness for transferability, according to the developed theoretical framework. From the empirical test section we learned about the most important strength and weaknesses of the framework and we have seen in this section how the revised framework has accommodated the most critical limitations of the framework.

With this knowledge we could be confident that the developed framework is instrumental for entrepreneurs to use when identifying and evaluating business opportunities that are suitable to transfer from one market to another within the ICT industry. We could also be confident that the framework assists the entrepreneur to mitigate the risk and cost of starting a new venture.

The framework starts from a list of investments made by venture capitalist firms in order to begin the first screening of the attractiveness of the opportunity. This approach has the limitation that the framework might fail to discover potential attractive business opportunities that have a limited need for capital or that are financed by other sources of capital than by venture capitalist firms. One way of mitigating this risk is to use the suggestions from the theoretical framework and make a complete analysis of the opportunity. However, for most entrepreneurs the efficiency of the framework is probably more valuable than the cost of the risk of missing an attractive opportunity is.

6.4. The method

The presented framework in this master thesis has been developed based on existing theories and has been validated by an empirical study. The major accommodation of the framework has been tested since they were suggested during the empirical test. The framework should therefore be considered to have high credibility.

The internal validity is considered to be high since the concepts used for the framework are coherent and systematically related, and that thick descriptions have been used in the empirical test section. The reliability should be considered to be high from the framework perspective, which is based on well-known and coherent theories. The reliability from the perspective of choosing the same companies to investigate further in the case study is very low, and should be, since the choice is heavily dependent on the experiences and resources that the entrepreneur possesses.

The external validity is considered to be high for being a case study. The framework is tested in the ICT industry for transferring a business opportunity from United States to Sweden; however the applicability for the framework would probably be wider since the literature used is not limited to the industry. As long as the entrepreneur masters the languages on the markets that she would like to transfer the business from, then the information collection phase should not be without any problem. What could be difficult, however, is whether or not the market that the entrepreneur wishes to transfer from has enough and updated information about the largest investments in start-ups over the latest periods. The effectiveness of the framework is probably affected by cultural differences between markets. It is likely that large cultural differences between the existing market and the targeted market will affect the number of business opportunities that will pass the evaluation; as the attractiveness of an opportunity is judged differently on different markets.

6.5. Summary

This section aimed to give the reader an understanding of the most important strength and weaknesses of the framework and has presented a revised framework that accommodates the most critical limitations of the framework.

The limitation of the very time-consuming analysis in order to evaluate the attractiveness of an opportunity hampered the framework to be instrumental for entrepreneurs to use. This as well as other limitations were accommodated and a revised framework was presented. The final framework consists of five steps beginning with identifying, evaluating and prioritizing opportunities and ending with selecting and implementing the business. The result is an instrumental framework for finding and evaluating business opportunities that are suitable to transfer from on market to another while the risk and cost of starting a new business are mitigated.

The framework is tested within the ICT industry for transferring an opportunity from the US to the Swedish market, but the applicability of the framework is probably wider since the framework is built on well-known and established theories that are not limited to the industry. The credibility and the reliability are argued to be high.

7. Future research

The aim of this section is to recapture the knowledge before this dissertation, present what is learnt thanks to the dissertation and give suggestions for future research that the academia and practitioners would benefit from.

The knowledge in the field before this study was somewhat dispersed. Knowledge of how business opportunities are found and identified was separated from the evaluation of the opportunities. Novel structured processes in order to mitigate the risk of starting a new venture have been known but these have not directly been connected to the identification of the business opportunity. Furthermore, the entry mode research has been disconnected from a start-up perspective.

Thanks to the dissertation a lot of new knowledge has been acquired and a practical framework has been developed. The developed theoretical framework and the empirical case study have shown that it is possible to connect the different concepts in the area to a coherent framework. Entrepreneurs now have a tool for identifying, evaluating and prioritizing business opportunities that are suitable to transfer to a new market while the risk and cost of starting a new venture is mitigated.

Knowledge has been added to the research on this field thanks to this dissertation but there is still more to learn. A suggestion for future research is to make a study of a number of entrepreneurs using the framework in order to learn how instrumental they find the framework and to learn what limitations they encounter in the framework. Further, it should be beneficial for entrepreneurs to know how widely the findings in this dissertation could be applied. It should also be interesting to learn in what markets and industries the framework is most suitable. Until this can be determined, we are left with version one of a powerful and instrumental framework for finding and evaluating attractive business opportunities, within the ICT industry, that are suitable to transfer to a new market while the risk and cost of starting a new venture is mitigated.

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