Appinio: Growth strategies and limitations in economic uncertainty

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Dissertation submitted in partial fulfilment of requirements for the MSc in Master of Science in Management with Specialization in Strategy, Entrepreneurship & Impact, at the Universidade Católica Portuguesa, 2023.

Abstract

Title: Appinio: Growth strategies and limitations in economic uncertainty

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This dissertation focuses on Appinio, a German start-up, dedicated to the provision of digital market research solutions for decision-makers.

Appinio has been generating high growth figures and became a profitable business in its main market Germany, based on financial bootstrapping.

The focus of this case in September 2022, is the evaluation of Appinio's growth strategies, especially its efforts in internationalization and its financing strategy with the background of the economic uncertainties.

Due to the competitive landscape of the international markets, the limited financial resources and the economic uncertainties, the company faces a new situation. Appinio needs to evaluate different strategic and financial options for further growth. The dilemma of the case is the conflict of objectives in the market research industry during the economic uncertainty. The need of information for the corporate customers of Appinio increases due to changing trends and consumer behaviors, but in parallel the budgets for market research decrease.

The dissertation includes a literature review of the impact of economic uncertainties on the business environment and the market research industry, growth strategies of start-ups in economic uncertainties and an evaluation of financial bootstrapping. It also offers an analysis of the key issues of the case in the Teaching Notes section to help instructors to prepare the in-class discussion.

Key words: Internationalization, economic uncertainty, growth, market research, financial bootstrapping

Resumo

Título: Appinio: Estratégias de crescimento e limitações na incerteza económica

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Esta dissertação centra-se no Appinio, um start-up alemão, dedicado ao fornecimento de soluções de pesquisa de mercado digital para decisores.

A Appinio tem vindo a gerar elevados números de crescimento e tornou-se um negócio rentável no seu principal mercado, a Alemanha, com base em bootstrapping financeiro.

O foco deste caso em setembro de 2022, é a avaliação das estratégias de crescimento da Appinios, especialmente os seus esforços na internacionalização e a sua estratégia de financiamento com o pano de fundo das incertezas económicas.

Devido à paisagem competitiva dos mercados internacionais, aos limitados recursos financeiros e às incertezas económicas, a empresa enfrenta uma nova situação. Appinio precisa de avaliar diferentes opções estratégicas e financeiras para um maior crescimento. O dilema do caso é o conflito de objectivos na indústria dos estudos de mercado durante a incerteza económica. A necessidade de informação para as empresas clientes da Appinio aumenta devido à mudança de tendências e comportamentos de consumo, mas em paralelo os orçamentos para os estudos de mercado diminuem.

A dissertação inclui uma revisão da literatura sobre o impacto das incertezas económicas no ambiente empresarial e na indústria de estudos de mercado, estratégias de crescimento de start-ups em incertezas económicas e avaliação de bootstrapping financeiro. Oferece também uma análise das questões-chave do caso na secção de Notas Didácticas para ajudar os instrutores a preparar a discussão na aula.

Palavras-chave: Internacionalização, incerteza económica, crescimento, pesquisa de mercado, bootstrapping financeiro

Acknowledgements

Firstly, I would like to thank Tizian Bonus, the Chief Revenue Officer of Appinio, for his guidance, availability, and suggestions. Without his assistance and availability for interviews I could have never got so much information for the case. I got an even more detailed view on the company's strategy, where I also worked next to my studies. It is a sensitive topic, and I am very grateful to have occupied myself with it and for the opportunity to try to find solutions for it.

Furthermore, I would like to express my very high gratitude towards my dissertation advisor, Nuno Magalhães Guedes. I got a lot of support and assistance, and Nuno was always available for meetings and valuable feedback. Without his advice and dedication, I would not have been able to develop my dissertation.

On a personal note, I would also like to thank my family and especially my parents for their continuous support during my academic and professional life. Without their strength, endless support, ambition and understanding, I would have never gone out of my comfort zones in life or tried something new. They are a big part of my process of development and of growing up.

Lastly, I would like to thank my friends and especially my girlfriend. For being a strong partner on my side during months of stress due to the work on the dissertation and work for Appinio. I would also like to thank you and I am super grateful for your endless support and advice for my thesis.

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1. Case

*“When Jonathan Kurfess presents his employer a concept for better market research, the employer is not interested. So, he sets up his own company - with success. What a rollercoaster ride! As a 23-year-old, Jonathan Kurfess stood in the queue at the job center, six years later the business magazine "Forbes" named him one of the most successful young European entrepreneurs in its "30 under 30" best-of list. Kurfess is the founder of the digital market research company Appinio. With his business idea of enabling companies to conduct representative surveys of their target groups in just a few minutes, the shooting star has shaken up the industry.” (*Businessinsider.de, “As an unemployed man, this Hamburg man put his million-dollar idea into practice”, 2021)

By September 2022, Appinio, a Hamburg-based German market research Software as a Service (SaaS) start-up, founded in 2014 by Jonathan Kurfess, had grown exponentially, especially in the previous two years, due to the trend of data-driven decision-making. In 2020 its revenues were 3.597.000 Euro.

The purpose of Appinio was to help companies with gaining fast and high qualitative consumer insights. The strategy of Appinio had been focused on rapid growth through market penetration in its main markets, Germany, Austria and Switzerland. In 2020, Appinio expanded its business to Spain, France and the UK, and very recently to the US.

Tizian Bonus, the Chief Revenue Officer of Appinio, was analyzing the disappointing performance of the first efforts of the company in the huge US market. Was Appinio able to break through the US market with organic growth and financial bootstrapping in a global uncertain situation?

The world slid into a recession once again, at a time it was just recovering from the pandemic–related crisis. The purchasing power of households was declining and leaded to a cut in private consumer spending due to inflation and price jumps for electricity and gas. This affected not directly the SaaS Market Research product of Appinio, but the budget for consumer insights of Appinios corporate customers. Also, the crisis made it harder to access external capital, but bootstrapping could limit the investments in growth. How were the start-ups going to generate growth with economic uncertainty and limited access of financial resources?

Tizian was wondering how the market research industry would develop. What impact would the economic uncertainty have on Appinio? Was this an opportunity or a threat for its growth?

Was growth through internationalization and bootstrap financing still the right answer to the current economic trends?

1.1. Market Research Industry

"The global revenue of the market research industry exceeded 76.4 billion U.S. dollars in 2021, growing more than twofold since 2008. In 2020, North America generated the largest share of market research revenue, representing 54 percent of the total, followed by Europe with 23 percent."[1] The UK, Germany, and France were the countries in Europe with the biggest revenue.

Tizian described that one of the biggest success factors of Appinio is, that its main market was Germany. In Germany, the market research market was characterized by some huge players that were dominating the market for years and some smaller companies that tried to prove their business model inside this market. He stated that Germany was still not as competitive as other markets. On the other hand, German market researchers had high requirements for data quality, statistical methods, and speed. Everything needed to be very accurate. In Tizians own words "If you can prove your product and services in Germany, you will be recognized as a highly qualitative player."

However, Appinio was competing with big players in Germany like Gfk. Tizian said that those legacy players provided almost the same products and services for 20 years and therefore were considered inflexible and slow and the quality of data is not optimal. Their success was based on their historical position. Also, the products and services offered by the legacy players were more likely to be addressed to a professional insight manager or research specialist. They were not primary targeted for every position that needed insights in their daily business.

The smaller competitors of Appinio concentrated mainly on the big consumer goods companies in Germany. For this sector, the competition was very strong. Those were the customers with the highest market research spending, but also with very long sales cycles and strong relationships that developed over the past years. Most of the smaller competitors also didn't work with their own panels. They worked with external and online panels with no direct control over their data quality.

Tizian stated that the main elements to characterize the industry and to identify factors for differentiation in the competitive landscape, were international reachability, solutions offered,

[1] Statista, Market Research Industry – statistics & facts, 2022

panel method, statistical methods, audience, field time, support, and pricing.

- **International reachability**: defines in how many countries the company could recruit panelists. Some providers focused on core markets; other providers reached a broad range of countries. In some continents it was more difficult to have a significant number of responses due to political or legal limitations. Some corporate customers were highly interested in multi-country surveys to test and validate differences between cultures.
- **Solutions offering**: quantitative and qualitative. Quantitative research "refers to a set of strategies, techniques and assumptions used to study psychological, social and economic processes through the exploration of numeric patterns".[2] Qualitative research was defined by measuring and analyzing non-numeric data, for example emotions, feedback, and impressions.
- **Panel Method**: traditional ones were for example telephone calls or surveys in letter forms. Since further digitalization new models arose. Online panels for example questioned panelists through different internet websites. River sampling was another method where the persons got asked questions while doing another activity for example browsing on the internet. Other providers developed their own survey app to recruit panelists. Depending on which method was used, the panelists were awarded by intrinsic or extrinsic motivation which could affect the quality of answers.
- **Statistical methods**: differences between statistical methods and how they could have been adapted to the different client needs. Some providers used standardized long time proven solutions like brand tracking that ensure the providers success. On the other hand, this related to inflexibility because customers had different needs and requirements. Other providers used adaptable templates and solutions but didn't provide deep statistical analysis with different methods.
- **Audience:** on the panel side, providers concentrated on B2B, B2C or B2B and B2C focus. To recruit B2B panelists like decision makers that answer surveys were often more cost intensive and therefore the price for the corporate customers increased. On the target audience for the platform, Appinio focused for example on a broad range of decision makers to validate their ideas and decisions and other providers specialized on specific target personas like insight managers or on very specific industries like consumer goods.
- **Field time:** average time that the surveys needed to be finished. This depended on the

[2] Source: https://libguides.uta.edu/quantitative_and_qualitative_research/quant

number of questions, the amount of people that were asked and how difficult it was to reach the target group (incidence). Some providers focused on the speed of data because their target audience needed information and data fast to validate decisions. However, other providers focused on a more detailed statistical analysis and quality of responses which took more time. Another group of providers tried to connect both.

- **Support:** the difference was between full-service providers and providers that just supported on specific stages. Also, the availability and channels of support were important.
- **Pricing:** standardized vs project based. Some providers didn't offer project-based pricing. They had standardized packages or even standard prices for different products (tracking, target audience analysis, …).

In comparison to the main market of Appinio, the UK, US, and French markets were highly competitive. There were a lot of players with high financial funding. Companies in those markets had different providers for different kinds of use cases. It was harder for Appinio to convince them about the product because competitors like Quantilope were more specialized. Therefore, in these markets, the companies would be likely to end up in price wars.

1.2. Product Market Fit

Appinios foundation was based on two insights within the market research industry. The first one was regarding the B2B side of the business. The general perception from corporate customers about market research providers was that they were needed to generate valuable insights for their ideas and decision-making processes. But in parallel, the negative stigma about the market was that those solutions were slow, expensive, demanding and the data quality didn't have the highest standards. Additionally, decision makers missed the support of established firms during the projects. Sometimes decisions needed to be validated fast, based on profound data, even though the required knowledge was not available, so managers outsourced the service to external market research providers.

Appinios reaction to that negative stigma was to create a platform with the best possible user experience.[3] "Market research should be fun and available for everyone", stated Tizian. Marketeers who normally needed to contact their market research department for these projects, should now be able to do it for themselves. They were the ones making the decision but didn't have the time and know-how for market research on their own. Every idea and decision,

[3] Case Exhibit A.1 and A.2

whether creative or business related should be validated in minutes with real-time consumer data. The use cases should be as easy and intuitive as possible.[4] This separated Appinio from the competition because it concentrated directly on the decision-makers from all business sectors.

Appinio could create a customer base with companies of all business sectors. The personas that the platform targeted were especially inside the departments of insights and research, market and brand management, product management and innovation. The most common use cases were marketing and brand trackings, design and creative tests, business model and product feature validation, trend and target audience research and pricing analysis. The corporate customers liked especially about the platform that it was intuitive and the speed of generating the data was incredibly fast. The client facing positions such as business development, sales and research consulting tried to answer every new request in less than 5 minutes. Depending on how many questions the corporate customers wanted to ask, how many people they wanted to reach and how difficult it was to reach the target audience, the average field time of a survey was one to two days. Appinio also had around 50 research consultants with specific business sector expertise, supporting its clients along the whole research process, from initiation to analysis and presentation. In 2022 the net promoter score[5] of Appinio was 9.1.

The second insight was about the panelists. Most people answering research surveys were motivated by extrinsic motivation. They earned money for taking part in these surveys. This caused a bias in the data. As an example, "survey professionals" could get through a screening by saying that they were a smoker even though they weren't and could then take part in the survey for smoking habits.

The answer of Appnio to this problem was the Appinio App.[6] The app included an opinion social media and gamification approaches with fun questions in the beginning and level system. People liked to share their opinions on social media and Appinio integrated this observation into an app which everyone could download. It was possible to level up inside the app and get new features. Appinio saved the socio-demographic data of the Panelists in the background. When reaching a certain level and fitting in the target group, the user could take part in a company survey. This reduced the extrinsic motivation and strengthened the intrinsic

[4] Case Exhibit A.3
[5] Net Promoter Score: Measure to assess customer loyalty and satisfaction
[6] Case Exhibit A.4

motivation of the panelist.

The combination of both insights and Appinio’s answers with the platform and application (panel) was the basis of its success. Over 1200 customers from every business sector were working together with Appinio. By 2022, the app had over 6 million downloads and over 250k active users in Germany.

1.3. Customer relationship management

Appinio’s target was to keep a long-term relationship with its customers. In the market research sector, this was more difficult than in other business sectors, because market research was project based. Therefore, Appinio tried to deliver the best customer experience possible to stay involved as a provider for its customers research projects.

To get in contact with customers Appinio had an inbound and outbound process. Customers could connect Appinio over its webpage, content presented on Linkedin or over referrals by direct contact. A direct referral strategy was not implemented, but Appinio used its own data panel to build up own reports for content marketing purposes. These opportunities were inbound leads. Business Development Representatives (BDR) would then get in contact with the leads, qualify them and then handover to sales. Afterwards, sales was responsible for the contract and project initiation together with the research consultant, who supported the client along the research process. If the customer decided for one of the packages, customer success specialists would be the direct contact person for the client.

For the outbound process, BDR’s were reaching out to prospects with LinkedIn, mail, and phone. They were trying to find out the most important target persons and how they could be approached with specific use cases and stories. If the BDR got a meeting with the prospects, they qualified them and if they generated an opportunity, they directly handed over to sales and research consulting for contract and project initiation purposes.

Appinio delivered value to its customers by being a full-service provider. If the corporate customer wanted to just realize one project with Appinio, sales made an individual offer with individual pricing and service offering for the client. Internally it was called “Research as you go” and the pricing was based on 4 elements. First, how many questions the clients would like to ask. Second, how many people from the target audience should be questioned. Third, how difficult the target audience was to reach (incidence) and fourth, which service offering the client would like to have. The service offering included every service the research consultants could realize, often related to translation services for multi-country surveys, presentations, and data cleansing. Data cleansing was always offered to ensure high data quality. Also, the research consultants tried the help with different statistical models that could be provided for the specific use cases

To come up with a price, Appinio used a credit-based system. A simple example:

- 2 basic credits (incl. 10 questions + country)
- + 1 credits age groups/gender quota (e.g. nationally representative according to census)
- = 3 credits per participant x 500 participants = 1500 credits → 2250 € - 1305 € (depending on the package)

The credit price started at €1.50 for individual projects and went down to 87 cents for the corresponding annual volume. That is the reason for the range from 1.305€ to 2.250€ in the example above. The strategy of Appinio with research as you go (RAYG) pricing was to make an individual and attractive price for the corporate customers so they could repeat their projects together with Appinio.[7]

The strategy of the second pricing method of Appinio was to transform RAYG customers into packages to build up long term relationships and planning. Customers could decide for different packages and for each package the price per credit dropped on a volume discount system. Inside this package, the corporate clients could then realize different market research projects, still depending on the 4 elements, but with reduced price per credit. After the package was consumed by the corporate clients, Appinio's customer success team tried to extend the contract with a new package.

1.4. Growth Strategies

Since 2014 Appinio's main strategy was market penetration in Germany, Austria, and Switzerland. Appinio built up a strong business development and sales team to get in touch with the most important target companies and their decision-makers in each sector.

In the first years Appinio was growing due to the Jonathan's business relationships. It was the classical founder led growth, Jonathan being the public face of the company. Jonathan's public persona as a founder was used to drive sales through social media, attending podcasts and presentations on conferences. Furthermore, the OMR (Online Marketing Rockstars), which is probably the biggest Marketing Agency in Germany, is a shareholder of Appinio. Due to its

[7] Case Exhibit A.5

business podcasts, the advertisement for Appinio and its reputation, Appinio could get corporate customers at a fast pace. Building up use cases for different sectors and experiencing referral due to successful projects, Appinio could then proceed with its outreach.

Another strategy for the success of Appinio was content marketing. As a market research company, collecting, analyzing, and presenting insights was the core business model. Appinio used this to generate interesting and valuable content, presented in a way everyone could understand for the most trending topics. In its Hypetrain series, Appinio asked experts from different industries about current trends in their field and the expert's opinion on those and created reports with fast available information for everyone.

In 2019 Appinio reached a cash flow break even and was since then profitable in its main market. The customer journey as a full-service provider made it simple to stay in contact with the customers within the whole project. Furthermore, Appinio was able to hire high-potential talents already in the very first stages. Tizian said that a lot of talent with an entrepreneurial mindset started to work at Appinio, because they could gain hands-on experience at Appinio and might found a company for themselves in the future.

While growing and starting to be profitable in 2019, Appinio also invested incrementally in its platform and panel, increased the user experience, and improved the app to gain more users, with low marketing spending.

In Q4 of 2020 Appinio hired its first country manager, for the Spanish market. It was the start of the Internationalization strategy for Appinio. A few weeks later Appinio also hired a country manager for France and UK. They leveraged the business relationships with current customers of the main market and got referrals for the specific country teams of those customers. Appinio also started with a small country team, hiring one or two business developers and one account manager, and one marketing specialist for each country manager. After two years, Appinio expected the country-specific businesses to break even and become profitable. This was the investment they could expect from the headquarter, stated Tizian.

Another challenge was the expansion to the US. The US was by far the largest market, generating 18.75 billion USD in revenue in 2020. In comparison, the second largest market UK generated 2.95 billion USD. Appinio decided in 2021 to expand its business to the US with the same approach for the team as the other countries and no marketing expenses. Grounded on a position of success in its main markets, Appinio decided that the next natural step was to go to the US.

1.5. Bootstrapping and organic growth

Appinio’s growth strategies were based on its philosophy regarding business financing and achieving sustainable growth. The board believed in the power of real entrepreneurship. They wanted to create value that was generated sustainably and based on the customer's satisfaction.

Creating a digital market research platform and the panel app at the same time was cost-intensive and could have not been materialized without the investment of a few business angels that believed in the business model and product. The power of strategic decision-making, stated Tizian, should be in the board of Appinio and not in external hands.

Appinios growth was funded by the positive cash flow it was generating in its main market. The decisions for investment were taken carefully, which allowed Appinio to achieve an early cash flow break even. The management perspectives on growth and investment were based on its financing method. The customers decided how fast Appinio was growing.

In 2020 Appinio was placed 136 on the Financial Times 1000 Europe’s fastest growing companies, having a four-year growth rate of almost 1000% and generating 3.597.000 Euro revenue in 2020 (in 2017 337.525 Euro). Its employees grew from five in 2017 to 44 in 2020 and around 200 in 2022.[8]

1.6. Covid Pandemic:

The Covid pandemic was the first economic uncertainty that Appinio needed to deal with. The global market research market revenues decreased in 2020. For every company, the pandemic crisis was something unusual after a long phase of economic growth. The managers were more careful with their investment decisions and spending because of the uncertainty about how the pandemic would develop. After the shock, at the beginning of the fourth quarter in 2020 the situation calmed down and Appinio saw a rapid increase in its revenues. Furthermore, in 2021, the global revenues in the industry reached their historical peak of 76.42 billion USD.

Appinio created a Covid tracker and asked the German population about their feelings and behavior with the pandemic every week. The tracker became popular and not only companies but also the government was interested in the data. Tizian stated that the idea of the tracker with the combination of price discounts of 50% for all Covid studies that the companies wanted to

[8] Case Exhibit A.6

do, was the basis for its rapid growth at the end of 2020. Also, at the end of 2020, a lot of companies had still a budget to spend. Tizian stated that Appinio was exactly in the right position because companies needed information on the changed preferences of their target consumers and still had budget. The rapid growth in the fourth quarter of 2020, was the starting point for the internationalization. Appinio always wanted to expand its business to other countries but saw then the perfect opportunity to start.

1.7. Growth strategy decisions in economic uncertainty

Coming out of economic uncertainty due to the worldwide Covid pandemic, companies thought that the situation calmed down and they could go back to normal. The forecast of the global market research market was expected in 2022 to reach 82.62 billion USD.

At the beginning of 2022, the next exogenous shock changed this perception and forecast. Russia invaded Ukraine. The electricity and gas prices were increasing heavily. In parallel high inflation rates impacted almost all countries in Europe, driving the next economic uncertainty.

The forecast of the world economic outlook stated: “Global growth is forecasted to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the Covid pandemic. Global inflation is forecasted to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024” (World Economic Outlook, 2022).

Right after the Covid pandemic, companies needed to deal with economic uncertainty again. Startups that were founded after the financial crisis experienced a boom in the global economy and economic growth. Some of the start-ups experienced hyper growth in the last years. Access to external capital was never less constrained. A lot of venture capital companies, while believing in the team of founders, invested in start-ups that perhaps did not have the most solid business models and products. In 2022 start-ups experienced a change in access to financial capital. Since April over 20.000 employees of startups were laid off and the crisis made it harder to access capital. Venture Capital firms were more cautious about their investments because their access to the financial markets also became more difficult.

For Appinio the most crucial development was the increased need for information of corporate customers due to the changing consumer preferences and decreasing purchasing power of the population. In parallel, budgets for market research spending of corporations decreased.

Customers were crucial for Appinio's growth due to its financing method. This had a direct impact on the German market. Being profitable since 2019, Appinio's main market felt pressure. Due to financial bootstrapping, Appinio grew out of its positive cash flow in Germany. The decisions for going international were based on profitability. The growth of the international business was dependent on the performance of the German market. Germany was also facing the conflict of objectives in the market research industry. If Germany did not grow and without external financing, like assessing financial capital through venture capital, the investment for going international would be more constrained.

At the same time Tizian was analyzing the performance of Appinio's internationalization strategy. UK, France and Spain were not yet at cash-flow break even after two years of investment. The requirements for the country managers were strict. Tizian expected them to break even after two years to be a cash contributor to the investment for the US. After every country reached break even, all the investment would go to the market with the biggest volume. In the US, Appinio already tried different approaches, hiring a Go-to-market (G2M) advisor for the US team to generate deals and increase revenues. But the competitive landscape and the big players in the market made it difficult to reach a breakthrough. The Business Development team didn't reach the goals for growth and the revenues were also under the target. It was difficult to reach a market breakthrough with three BDR's, one account executive and basically no marketing efforts. The just hired G2M Manager and the Business Development team were fired.

Tizian thought about different paths for Appinio's strategy in uncertain times, facing the question of how Appinio could navigate customers in these conditions and find its position within the conflict of objectives impacting the market research industry. If the recession was an opportunity for Appinio, should Appinio go all in and see the US market as an opportunity, even though the international markets were not yet cash contributors for the market entry? If so, should Appinio still finance it through the profitability of the German market, even though the pressure on this market also increased? Or should Appinio raise external capital for the market entry strategy despite limited financial resources?

On the other hand, the uncertainty could also pose a threat to Appinio. If the pressure on Germany would increase, could bootstrapping and the profitability of the German market still be the basis for the internationalization strategy? What could Appinio do in the German market to navigate through uncertainty and stabilize the situation? Should the US market entry wait until the other international businesses broke even? Did Appinio need external capital to finance the other international businesses if the pressure on Germany increased?

Reflecting the global uncertainty, especially for start-ups, Tizian asked himself, if the developments were a threat or an opportunity for Appinio's business. The goal of Appinio was to stay in the game and survive. What was the path that Appinio needed to take?

2. Literature Review

The literature review will be conducted to create the theoretical basis for the analysis of the Case. It will address the impact of economic uncertainty on start-ups and the market research industry, startup growth in economic uncertainty and start-up growth through financial bootstrapping, since all these topics can be related to issues raised in the case.

2.1. Impact of economic uncertainty on the business environment

Based on the last economic uncertainties and downturns the impact on start-ups will be analyzed. A situation when future prognosis for the economy is unpredictable, is called economic uncertainty (Selman Çolak et al., 2020). How the economy will develop during the Covid pandemic was difficult to forecast, which is an example for economic uncertainty.

As prominent economists like Cantillon, Mangoldt, Knight, and Keynes have underlined, uncertainty is a concept that is fundamental to entrepreneurship. One could argue that entrepreneurship wouldn't be necessary without uncertainty, generating arbitrage, risk taking and innovation (Gelderen, 2000), but also has a direct impact on a range of strategic decisions (Madanoglu & Ozdemir, 2019) as well as firm level outcomes (Amore &Minichilli, 2018).

When deciding whether to launch a firm after evaluating the business potential, uncertainties are crucial to analyze. Therefore, it is important to comprehend, evaluate, and consider options to address uncertainties before beginning to take advantage of a new opportunity (Thanh et al., 2021), and this is where strategy plays an important role. Entrepreneurs can boost the success of their start-ups by evaluating opportunities while considering the risks (Frese, Geiger, & Dost, 2020). Almost all phases of a start-up are impacted by uncertainty. How entrepreneurs handle the uncertainty of turning company opportunities into implementation determines whether their business succeeds or fails (Butler et al., 2010).

Economic uncertainty also has an impact on business investment decisions. Businesses that want to invest now may need to postpone their decision if economic uncertainty increases, because they become unsure of whether their future cash flows will be sufficient to pay for the investment (Selman Çolak et al., 2020). They often hesitate during periods of high perceived economic uncertainty to avoid making costly mistakes (Bernanke, 1983, Dixit, & Pindyck, 1994).

Both businesses and consumers are impacted by uncertain times. While businesses delay any irreversible and expensive tactics like recruiting new staff and making investments, consumers boost their savings accounts by reducing their expenditure (Čižmešija et al., 2017). As an example, strategic decisions that don't have a direct value impact for customers are reduced and consumer preferences change due to higher inflation rates and lower purchasing power.

2.2. Customer preferences and purchasing power in economic uncertainty

The uncertain business environment becomes even more erratic in an economic recession (Mandal, 2020). Since the beginning of 2022, the risk of a global recession has been discussed —a decline in global per capita GDP—caused by the rapid worsening of growth prospects, increasing inflation, and tightening financial conditions (Guénette et al., 2022). The experience of previous global recessions suggests that the necessary additional tightening could result in significant financial stress and cause a global recession in 2023, if the level of global monetary policy tightening currently anticipated by markets is insufficient to lower inflation to targets (Guénette et al., 2022). If the current economic recession leads to a global recession in 2023, the impact on consumer preferences and behavior needs to be analyzed, because of the changing economic environment where the companies interact with consumers.

Crises may directly and visibly affect the financial resources that consumers can use to make daily purchasing decisions. However, crises can also have a substantial impact on consumers' everyday lives, concerns, moods, and perspectives on the future (Sarmento et al., 2019). In the 2009 recession consumers switched from premium and expensive products to lower priced brands. Consumers that switched to better products also experienced that they performed better than expected. Behavior changes are influenced by shifts in the connection between consumers' willingness to pay and their assessment of the value they are obtaining. (Bohlen et al., 2009)

Furthermore, consumers become more concerned with their financial stability and cost-conscious during recessions (Sarmento et al., 2019). They typically make more frequent, but smaller purchases during recessions. They also look up more information and carefully consider their options (Ang et al., 2000). Additionally, consumers who are struggling with the recession are making less purchases, hunting for discounts, or changing to new brands, product categories, or retailers. Some people are even altering their previously held views on consumption. The level of uncertainty in the commercial and consumer markets has increased as a result (Quelch, 2009).

2.3. Market Research Definition

The process of evaluating the viability of a new service or product through study done directly with potential customers is known as market research, often known as "marketing research”

(Twin, 2022). Market research enables a business to identify the target market and obtain consumer comments and other input regarding their interest in the good or service. According to the definition of Kolb (2008): “Marketing research is the function which links the consumer, customer, and public to the marketeer through information – information used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve our understanding of marketing as a process.” It also identifies marketing opportunities and issues analyzing the external environment as well as exploring the consumers’ needs and preferences (Kolb, 2008).

2.4. Challenges and opportunities for market research in economic uncertainty

Market research can help companies analyze the external environment and the preferences of their target groups to fill the gap between the companies’ products and services and the changing consumer behavior in economic uncertainties. Companies must constantly advance their marketing strategies, develop new goods and services, stay abreast of consumer demands, and look for new advantages rather than relying on their prior advantages. This principle is even more valuable in economic uncertainty (Mandal, 2020). Also, the research of O’Malley et al. confirms that a recession might make marketing substantially more crucial to the company than in any other time (2011).

However, the budgets for marketing and the funding for marketing programs in recessions decrease and the pressure for reasoning these spendings increase (Lay et al., 2009). Reasons for the cut of marketing budgets are short term focus of the top management and the lack of focus on the market. As a result, businesses that reduce their marketing spending risk future sales and profitability. In the end, a recession presents a unique chance for forward-thinking businesses to strengthen their comparative advantage through increased marketing efforts, if these are carefully planned and executed. (O’Malley et al., 2011). In economic uncertainties, marketing research can help Marketeers to execute this with data-based decision making regarding their target groups and consumers preferences.

2.5. Start-up strategies in economic uncertainty

Economic downturns are characterized by a sharp decline in environmental generosity, which puts all businesses' survival at jeopardy. This is particularly true for smaller, start-up businesses, which have been shown to fail at a rate that is far higher than that of their larger, more established competitors (Latham, 2009). Companies must adapt their strategy to the environmental issues during an economic crisis to achieve a competitive advantage and survive

(Fuertes-Callén & Cuellar-Fernández, 2019).

Pearce and Michael (1997), concentrating on smaller businesses, claim that improved performance during the recession can be attributed to investments in sales and marketing made during the economic cycle. On the other hand, some companies try to take the recession as an opportunity for change and to make big strategic investments, get new talent and acquire businesses. Organizations that only prioritize promotion cultivate an optimistic culture that makes them long to acknowledge the seriousness of a crisis. They persist in their conviction that as long as they innovate, their sales and earnings will continue to increase despite ignoring early warning signs like consumers' budget cuts (Gulati et al., 2010).

Entrepreneurial businesses can stave off recessionary pressures by consistently increasing their investments rather than cutting back in advance of or during a recession (Latham, 2009). However, the competitive risk of not investing, which extant research has shown has significant implications for competitiveness and long-term viability, must be weighed by managers against the financial risk of investing (Ghemawat, 1986). Furthermore, smaller businesses that did well throughout the recession all had long-term capital structures, were close to their clients, and had a proactive approach to strategy (Beaver & Ross, 2000). Cutting functions, positions or projects in the wrong place can leave the company in a worse position in the next economic upturn (Latham, 2009). Additionally, Gulati et al. proved that in their research: “companies that master the delicate balance between cutting costs to survive today and investing to grow tomorrow, do well after a recession” (2010). These businesses focus more on operational efficiency than their competitors do, which allows them to carefully cut expenses while still making relatively significant investments in the future through spending on marketing, research and development, and new assets (Gulati et al., 2010).

Furthermore, start-ups should spend money only to improve their product or service or to promote new sales. They should reduce the number of new efforts and concentrate exclusively on those with a good probability of succeeding soon (Shipley, 2022). Focusing on the best and high potential existing customers will allow the start up to grow even in economic uncertainty. They are also threatened by economic uncertainty or recession, and it is a good opportunity to build a long-term relationship. The cost for acquiring new customers is higher than selling to already existing customers, especially when expenses and budgets are under inspection (Shipley, 2022).

Unfortunately, to effectively handle a crisis, being well-prepared is crucial to handling a crisis well. However, preparation for exogenous shocks or economic uncertainties is difficult, which start-ups experienced for example in thme Covid pandemic. Innovative startups are enabled to achieve better preparation for uncertainties (Kuckertz et al., 2020). Being innovative is a prerequisite for being resilient, as innovative organizations have a propensity to constantly foresee and respond to a variety of situations (Hamel & Valikangas, 2003).

Companies which identify the challenge of balancing important cost cutting measures and essential growth investments, will come out as leaders after the recession (Gulati et al., 2010).

		PROMOTION-FOCUSED MOVES		
		MARKET DEVELOPMENT	ASSET INVESTMENT	BOTH
PREVENTION-FOCUSED MOVES	EMPLOYEE REDUCTION	GOOD SALES 4.6% EBITDA 6.6%	BAD SALES 3.9% EBITDA 3.3%	WORST SALES 3.3% EBITDA -5.2%
	OPERATIONAL EFFICIENCY	GOOD SALES 7.1% EBITDA 4.2%	GOOD SALES 8.4% EBITDA 8.4%	BEST SALES 13.0% EBITDA 12.2%
	BOTH	BAD SALES 5.2% EBITDA 2.1%	BAD SALES 5.2% EBITDA -0.5%	GOOD SALES 9.2% EBITDA 4.6%

Figure 1: Gulati, Nohria, & Wohlgezogen. (2010, March). *Roaring Out of Recession*.

According to this figure, the best outcomes after the recession were achieved by companies which increased operational efficiency and invested in assets and developed their markets. Compared to peers, they generally reduced expenses by increasing operational efficiency rather than by reducing the number of staff. By investing much more than their competitors in R&D and marketing, as well as in assets like plants and machines, they create new business opportunities (Gulati et al., 2010).

2.6. Growth and profitability

Undoubtedly, when entrepreneurs are threatened by an economic downturn, maintaining their businesses becomes a more serious task (Quintillán & Peña-Legazkue, 2019). Growth has historically been used as an indicator for company performance since it is thought to be a sign of sustainable competitive advantage and profitability (Fitzsimmons et al., 2005). However, growth without profitability does not appear to be sustainable in the long-term. Businesses that expand at the price of their profits are obliged to look for external funding, which may put them in risky financial positions (Fuertes-Callén & Cuellar-Fernández, 2019).

In economic uncertainty and recession for instance, the effects of growth drivers tend to alter, and the relationship between profitability and growth might change depending on the economic climate impacting the organization is in (Federico & Capelleras, 2014). In a setting that promotes investment and growth, profit is likely to have a beneficial impact on growth. The relationship between profit and growth thus becomes weak if the company environment is not conducive to investment (Lee, 2018). Additionally, prior profits are not necessary to produce sales growth during economic crises, but sales growth does lead to profits. Business growth is dependent on how the firm responds to this challenging condition. This specifically depends on whether the businesses choose to implement suitable tactics that provide the ability to deal with an unpredictable market (Federico & Capelleras, 2014).

Internationalization and innovation are thought to be crucial to growing and performing better during times of crisis. It is widely believed that businesses should engage in worldwide transactions through exporting, foreign direct investment and international mergers and acquisitions to improve performance (Kim et al., 2020). A company's sales, profits, stock value, return on equity, and return on assets can all rise as it starts conducting business abroad (Kim et al., 2020). The empirical evidence emphasizes the beneficial effects of exports on firm growth, including their direct impact on sales as well as their indirect effects due to income diversification, the development of new capabilities by the firm, the ability to perform economies of scale in businesses with a small local market, and the expansion of their scope and experience (Fuertes-Callén & Cuellar-Fernández, 2019). However, the state of the global economy has an impact on doing business globally. In a downturn in the economy, businesses would hesitate to conduct overseas business. The literature has offered a variety of theoretical justifications for the nature of the relationship between internationalization and performance, including positive, negative, U-shaped, and inverted U-shaped (KIM et al., 2020).

Together with the internationalization strategy, innovation is another critical strategy. Although descriptive and theoretical studies appear to concur that innovation affects a firm's performance and survival (Cho & Pucik, 2005), some other studies have inconsistent results. Growth and business performance are positively correlated, according to studies by Coad and Rao (2008), while other studies have found no correlation or even a negative effect (Lööf & Heshmati, 2006). The relationship between innovation and business growth is far from straightforward and is highly dependent on a variety of firm-specific factors (Fuertes-Callén & Cuellar-Fernández, 2019).

2.7. Start-up growth through financial bootstrapping

The literature on entrepreneurial finance is slanted toward researching the process of raising significant sums of money from outside investors like venture capitalists, business angels, and other financial institutions (Winborg & Landström, 2001). However, due to market flaws including knowledge asymmetries and high transaction costs, emerging businesses frequently have trouble accessing outside funding (Cosh et al., 2009). Additionally, some business owners are hesitant to obtain outside funding because they worry about losing control of their enterprises (Sapienza et al., 2003).

Startups may be able to seek new prospects through financial bootstrapping without needing to raise outside capital or control a sizable resource base (Vanacker et al., 2011). There are two different directions for financial bootstrapping. First, it includes strategies that minimize the need for cash by securing resources at little or no cost. Entrepreneurs may, for instance, rely on their social contacts to obtain free access to specific resources (Vanacker et al., 2011). Second, it includes strategies to acquire resources without using bank finance or outside equity finance. Entrepreneurs may, for instance, rely on subsidy finance or use personal sources of finance (Vanacker et al., 2011). When access to external financing is more challenging or unattainable, bootstrap finance is sometimes viewed as a second-best plan (Ebben & Johnson, 2006). This is for example the case in economic uncertainty.

Firms can succeed in a setting where resources are scarce by combining existing resources and by utilizing physical, social, and institutional inputs that other companies reject or ignore (Baker & Nelson, 2005). For example, business owners may rely on government programs that other companies disregard, or they may utilize their network connections to access resources that would otherwise be inaccessible (Vanacker et al., 2011). A lack of traditional financial resources may lead to the development of cash management abilities in business owners (Smith & Smith, 2019) as well as a desire to pursue more creative growth strategies than those offered by externally supported firms (Baker and Nelson, 2005). Furthermore, the discipline of bootstrapping may compel businesses to confront issues that might otherwise go unnoticed and unresolved if they automatically responded to high capital burn rates by requesting more external funding (Bhidé, 1992). By fostering a culture where everyone within the venture makes the best use of the scarce resources that are available, bootstrap financing may help new businesses gain a competitive advantage (Timmons, 2022). Resource limitations may eventually improve performance. Therefore, businesses with limited resources may be more effective and discover ways to leverage and extend their limited resources (Vanacker et al., 2011).

A way creative businesspeople respond to resource limitations is to bootstrap their limited resources more effectively and, as a result, achieve comparable or even better results than ventures that raise more money from more conventional sources (George, 2005). Self-funding business owners, especially those who bootstrap, may do so because they are optimistic about their chances of success and wish to totally control the company. Therefore, it is reasonable to assume that business owners in the most promising companies will put a greater emphasis on financial bootstrapping and avoid using outside sources of funding (Vanacker et al., 2011). Business owners that rely more heavily on bootstrap financing at the beginning may modify the strategic course of their companies more easily as needed (Bhide, 1992). For example, in economic uncertainty or recession, this could be crucial for the survival and growth of a start-up.

However, financial limitations in bootstrapping companies are anticipated to limit further venture growth and impede future investments (Cassar, 2004). Additionally, financial resources obtained by bootstrapping could be insufficient to finance expansion, particularly in private startups that already frequently have insufficient capital (Holtz-Eakin et al., 1994). By using bootstrap tactics, new companies may be prevented from expanding as quickly as they might otherwise if they were able to obtain significant sums of outside funding (Harrison et al., 2004). A study of Vanacker et al. proves “the existence of a negative relationship between financial bootstrapping and growth in entrepreneurial ventures” (2011). By using bootstrap financing, it is possible to start new businesses without the need for outside funding, but this could lead to the creation of businesses with little room for expansion and little chance of surviving (Vanacker et al., 2011). When compared to more conventional means of funding, the hidden cost of bootstrap financing may be higher. Entrepreneurs that actively rely on bootstrap financing may disregard other more important duties in their ventures, such as seeing and seizing new possibilities, in favor of devoting more valuable management time to implementing marginal savings (Baker & Nelson, 2005).

3. Teaching Note

3.1. Statement of learning objectives

1. This case allows the students to analyze a practical strategic dilemma of a start-up that needs to evaluate different growth strategies in its industry during economic uncertain times. Also, the case helps students to analyze the drivers in the market research industry, to explore a proven business model in the main market and the challenges that come along with international expansion.
2. Students should identify different threats and opportunities for the company, explore alternatives for growth and pros and cons for financial bootstrapping and venture capital financing during economic uncertainty.

3.2. Suggested assignment questions

1. What are the main characteristics of Appinio's value proposition and strategy up to the time of the case?
2. How would you describe the market research industry? What are its main characteristics?
3. How could the economic uncertainty affect Appinio's business and financial strategies and the market research industry?
4. What recommendations would you suggest for the future path of Appinio?

3.3. Class Plan

1. How would you characterize Appinio's value proposition?
2. What are the main characteristics of the competitive and economic environment of the industry in which Appinio operates?
3. Which strategies were critical for Appinio's success?
4. What are Appinio's main strengths, weaknesses, threats, and opportunities?
5. What are the main challenges that Appinio faces in its internationalization efforts?
6. What are the alternative strategic options for Appinio?
7. What are your strategic recommendations for Appinio?

3.4. Analysis

3.4.1. How would you characterize Appinio's value proposition?

To analyze Appinio's value proposition, I decided to use the value proposition canvas developed by Dr. Alexander Osterwalder. One major element of a possible start-up's failure is the missing product market fit. By building up a solid value proposition, entrepreneurs can identify market needs and develop solutions for those.

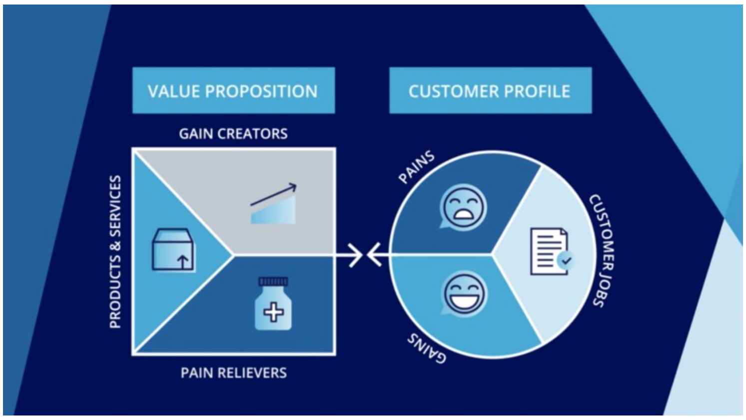


Figure 2: B2B International. (2022, November 14). What is the Value Proposition Canvas?

For Appinio we could analyze the value proposition of the B2B platform and the B2C app. Since the perspective of the corporate customers is more relevant to the case, I will focus mainly on this during the following analysis.

<u>Customer Profile:</u>

The pains, gains and jobs-to-be-done are building the customer profile. By analyzing the three different elements, we can identify which issues and problems decision makers are facing with external insights, which benefits and elements the decision maker needs and requires, and which tasks decision makers are trying to perform.

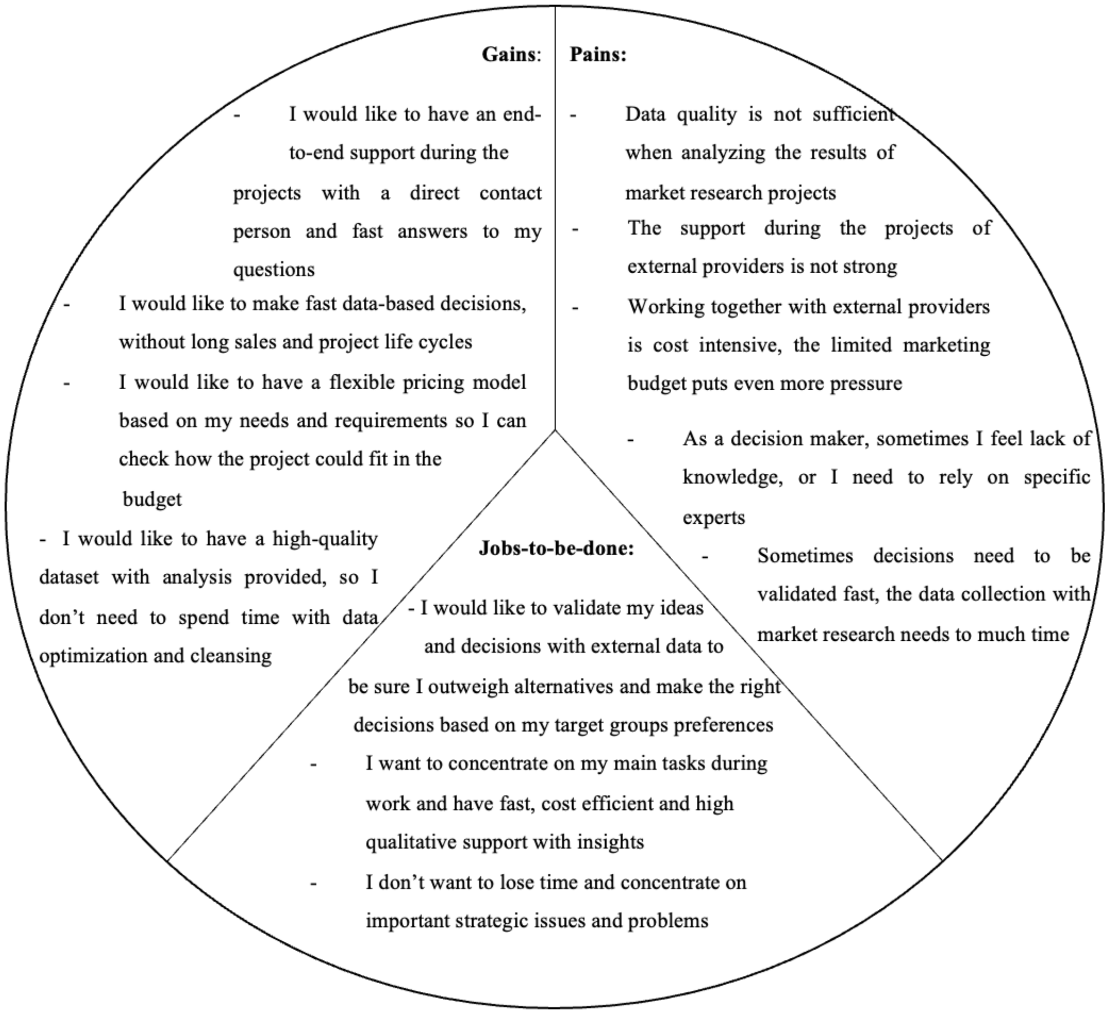


Figure 3: Customer profile Appinio, own figure

Value Proposition:

The value proposition of a start-up should relieve pains, create gains, and offer tailored products and services based on the specific persona's customer profile. With a value proposition, entrepreneurs match the product with the market needs.

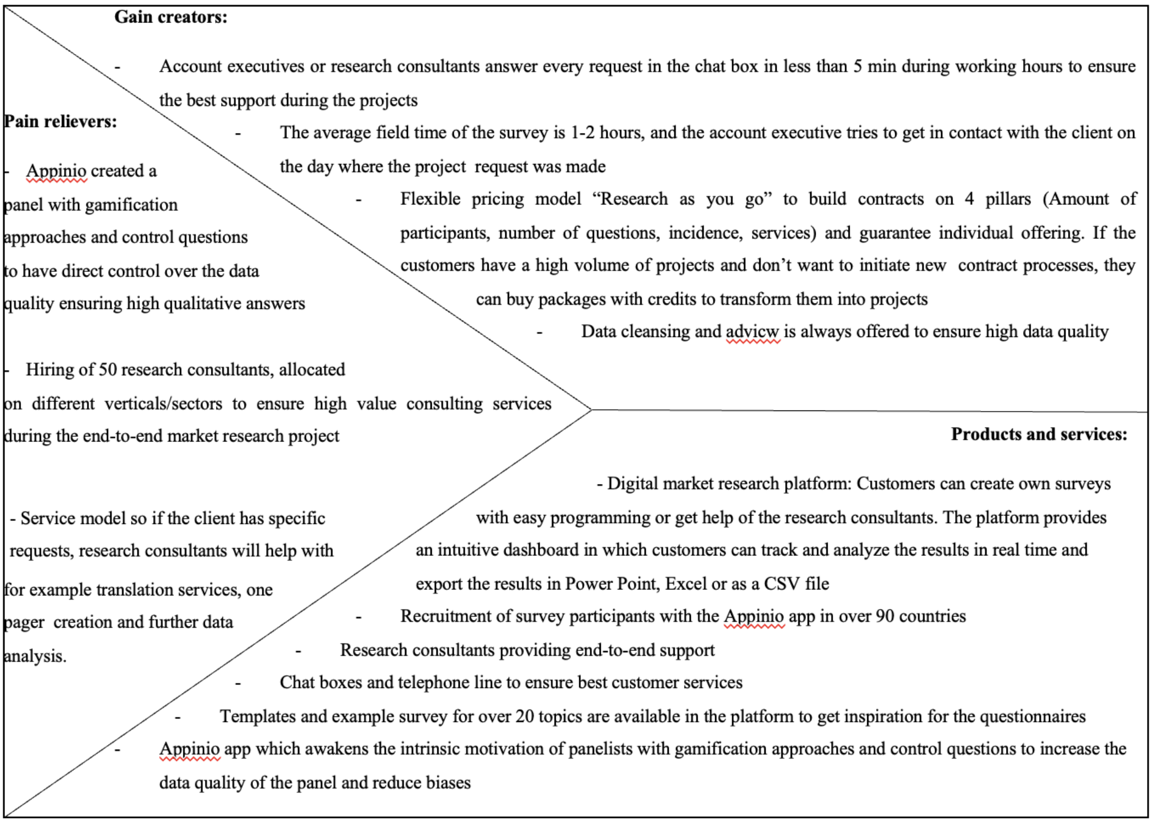


Figure 4: Value Proposition of Appinio, own figure

The value proposition of Appinio is to create quantitative real time market research with ensuring high data quality with deep control of the panel. Appinio built up a platform that tackles not only market research professionals but decision makers. In parallel, Appinio could develop an App, which awakens the intrinsic motivation of the panelists to take part in surveys. The combination of the intuitive platform and the proprietary panel creates the product market fit and makes the value proposition unique.

3.4.2. What are the main characteristics of the competitive and economic environment of the industry in which Appinio operates?

The players in the market research industry collect, analyze, and show marketing and public opinion data. They carry out qualitative and quantitative research to determine the requirements and preferences of target consumer groups or demographics. These data can assist businesses in tailoring their goods, services, and marketing initiatives to the intended target market. One of the biggest drivers of the industry are company growth decisions, which are typically made in economic up-times.

On the other side, the trend of big data and increasingly complex data analysis as well as fast changing trends and consumer preferences are drivers for growth in this industry, also in economic uncertainties. But in parallel, marketing budgets often get frozen or reduced and therefore the amount for market research projects decreases in economic uncertainties. The reasons for that are for example the energy crisis, rising interest rates and inflation, which hamper corporate profit growth and restrain demand.

The main characteristics of the market research industry are international reachability, solutions offered, panel method, statistical methods, audience, field time, support, and pricing, as the case explains in detail. The specific responses of Appinio for each of them are:

- International reachability: Appinio can reach up to 90 different countries and has over 6 million downloads of its B2B application. Therefore, it concentrates on a broad range of international markets and their panelists.
- Solutions offering: Concentration on quantitative market research for decision makers especially with brand tracking, product features and business model tests and target audience analysis. This means it concentrates on a broad range of personas and not on specific personas of specific sectors.
- Panel Method: Appinio uses a mobile approach to develop their survey app to recruit panelists. Depending on which method is used, the panelists are recruited and awarded by intrinsic or extrinsic motivation which can affect the quality of answers. Appinio tries to awaken the intrinsic motivation of panelists with gamification approaches.
- Statistical methods: Appinio tries to implement deeper analysis methods, but more established players can go deeper in analysis for their specific product offering based on long time experiences.
- Audience: regarding the target audience for the platform, Appinio focuses on a broad range of decision makers to validate their ideas and decisions. This strategy of Appinio is unique because other competitors have a more specific audience strategy. Therefore, it can lead to an increase of the volume inside the market and Appinio’s market share.
- Field time: The average field time of Appinio is 1-2 hours, which is faster than the industry standard.
- Support: Appinio tries to implement smooth transactions between the different customer facing positions and react to every request in less than 5 min. Also, the research consultants offer services like data cleansing.
- Pricing: Appinio offers individual project-based pricing based on 4 elements (Number of questions, number of panelists, incidence, and services), but also pricing packages. This makes the strategy flexible and adaptable.

The strategic group analysis will help to find out more about the competitive environment of the industry. A group of businesses in a specific industry that employ a similar business model or set of strategies is referred to as a strategic group. These strategic organizations offer services to a certain industry sector. Based on their operating environment, industry threats, and opportunities, each strategic group is split. As a result, every business that offers services to a certain industry sector is referred to as a member of a single strategic group. Furthermore, a strategic group distinguishes between a company's direct rivals and its indirect rivals. Strategic group members' direct competitors are in the same strategic group, whereas a strategic group's indirect rival is a company that is a participant in the industry but is not a strategic group member (Bhasin, 2020).

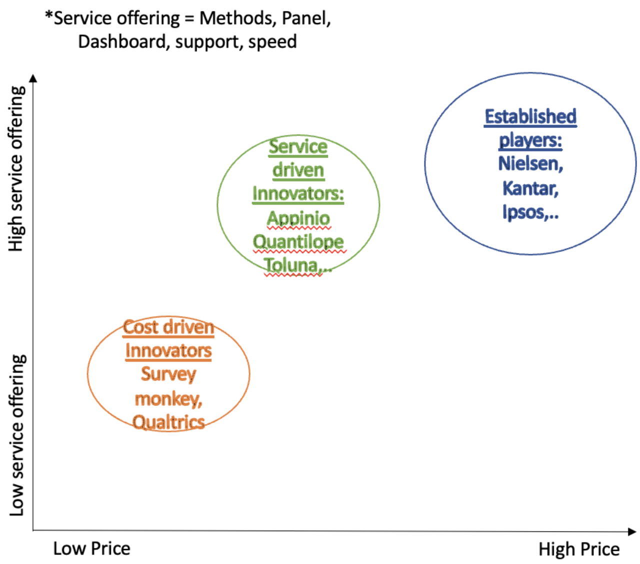


Figure 5: Strategic Group Analysis for the market research industry, Own figure

The strategic group of Appinio is defined by high service offering and middle price. These firms compete for customers who would like to get high quality data and analysis with high service offering. The strategic group of Appinio tries to offer almost the same as the established players but with individual and lower prices. Differentiation inside the strategic group could be related to for example international reachability, panel method or target audience.

The main driver at the point of the case is the economic situation. Some experts speak about economic uncertainties, some experts already about economic recession. Economic uncertainties and recessions can change the competition and drivers within an industry. For some companies, this situation can be an opportunity or a threat. Therefore, the attractiveness of the market research industry needs to be analyzed on a basis of economic uncertainties. A framework to do so is the five forces framework of Porter.

According to Porter, the industry attractiveness is based on 5 forces: industry rivalry, new entry threat, power of buyers and suppliers and threat of substitution.

- **Industry rivalry (medium):** inside the strategic group of Appinio, providers concentrate on different verticals/sectors and on different (sometimes the same) audiences. Appinio has a broad strategy, concentrating on decision makers of all sectors, whereas other providers specialize on consumer goods and insight managers. But there are also overlaps. The companies of Appinio's strategic group also try to get market shares from established players, concentrating on benefits in service while offering a lower price. Customers can switch providers for different use cases and sometimes request proposals to find out the best provider. Customer loyalty is key regarding established players due to long time relationships. But inside the innovator's strategic groups, it is harder to reach customer loyalty, because of the project-based model of market research and different customer needs. Appinio gains customer loyalty based on the quality of the proprietary panel and the speed of data shown in an intuitive dashboard.
- **Threat of new entry (medium):** Appinio disrupted the market research industry since its foundation and created a proprietary panel that offers valuable benefits to customers. However, the industry's volume is large and offers many different drivers. Innovation and disruption are possible for new players. Especially in economic uncertainty, there are new opportunities due to the tradeoff between increasing needs for information of target groups and decreasing budgets for marketing. Those new entries could also get market share from established providers or create new needs and solutions. The biggest opportunity could be, if entrants could create products and services as cheap as the cost driven innovators, with quality levels of service orientated innovators.
- **Buyer's power (high):** In economic uncertainty, marketing budgets get reduced, projects canceled or postponed. Companies in economic uncertainty cut investments, even when the need for external information increases. Market research providers need to create pricing strategies and react flexibly to the needs of their (potential) customers.
- **Power of suppliers (low/medium):** depending on the recruitment method for panelists used, the power of suppliers is either low or middle. Appinio awakens intrinsic motivation due to gamification approaches in the app, making it lower. Competitors use

reward system based on extrinsic motivation, which can be considered as medium.

- **Threat of substitution (low):** market research and external data are needed in economic up- and downtimes. The substitute would be to either make it inhouse without using external providers or just rely on already available studies. For the first option the know-how and time could be not available. For the second option, available studies are not always 100 percent tailored on the needs of the customers.

As a conclusion, the market research industry was for a long time not an attractive industry, because of the market dominance of the established players. Due to the digitalization and innovative trends, the awareness for new solutions, which are solving typical pains and increase gains of decision makers, is increasing. The industry still offers many opportunities to increase market shares with differentiation or cost leadership. On the other hand, the players need to be flexible on reacting on opportunities in the market and create strategies for economic uncertainty due to the conflict of objectives between cutting costs and increased information needs.

3.4.3. Which strategies were critical for Appinio's success?

Appinio's position, especially in its main market Germany, is until the point of the case very successful, being multiple times in Deloitte's fast 50 and under financial times global 1000 fastest growing companies. The strategies for Appinio's success can be identified by founder led growth, content marketing, innovation, growth by financial bootstrapping and internationalization.

Founder led growth:

Founder led growth is defined by a growth model for start-ups where the founder is the public face of the company and is still actively involved as CEO. Companies growing through founder led growth are often more innovative, increase value at a higher rate, get and maintain talent and are willing to make bolder investments. Businesses where the founder was still in charge of the company, have a disproportionate amount of success at long-term profitable growth (Zook, 2016).

The success of Appinio was represented by the young founder Jonathan's who took part in interviews, podcasts, and events to tell the business world the underlying story. Jonathan was able to build up business relationships and to leveraged them for sales. As he is still the public face of the company, he receives prices such as "Forbes 40 under 40". Additionally, he gets a lot of attention through business and social networks.

Content Marketing:

Content marketing is another tactic for Appinio's success. The primary business model for a market research firm is to gather, examine, and present insights. This is how Appinio creates useful information that is both fascinating and accessible for the most popular topics. Appinio interviews experts from many sectors about current trends in their industry and the experts' thoughts on those in its Hypetrain series. Additionally, due to the fast pace of the surveys, Appinio can collect and present statistics about daily trending topics and share these insights on social media or on their website to generate inbound leads. Inbound leads are for Appinio the most successful ones. It is easier to convert them into deals because potential customers have already shown interest in specific topics. This also separates Appinio from other competitors. Due to the speed of data collecting and release of available information, the company is faster than its competitors regarding data usage for content marketing.

Innovation:

Founded in 2014, Appinio could create two products based on two insights of the existing market research industry. The first one was that normally market research projects with external providers are characterized by slow pace, cost intensity, low support, and middle qualitative data. The second insight was based on the panelist. Their participation in surveys was usually extrinsically motivated (money), which can cause biases in the data.

In general, companies can innovate in different scenarios, which are shown below.

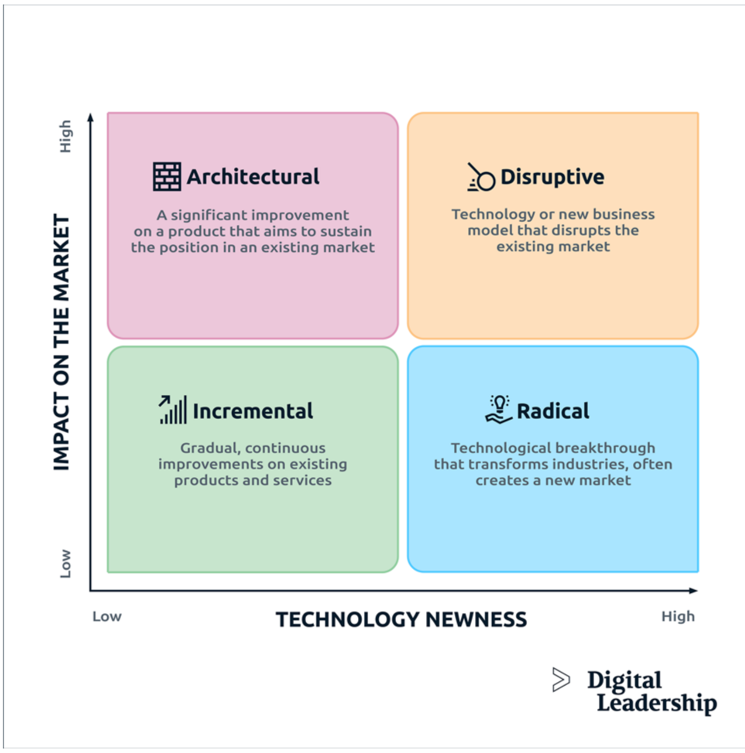


Figure 6: Dieffenbacher, S. (2022, November 3). Different Types of Innovation & How to Choose your Innovation Goal? Digital Leadership. https://digitalleadership.com/blog/types-of-innovation/

Appinio was able to disrupt the existing market research industry in Germany based on the two insights with its digital market research platform and the proprietary panel app. Appinio could increase the speed of data collection, increase the data quality, support and flexibility in pricing, as well as awaken the intrinsic motivation of survey participants. By disrupting the existing market research industry in Germany, Appinio could gain market share and customers for projects and stay flexible as a young and small company for changes in the environment, which showed for example its pricing strategy for the Covid pandemic.

Customer Journey:

Over the years since its foundation, Appinio could hire young talents with different backgrounds and knowledge for the German market. This is the basis for the strong sales and research consulting team supporting the customers from the initiation to the end of the project. The customer journey is focused on a few important touchpoints with fast transitions. The customers know in which stage of the project, and for which tasks, the responsibility changes.

Financial bootstrapping and profitability:

Appinio's strategies for growth were based on its financing method. With financial bootstrapping, investments are considered carefully and prioritized. Appinio could therefore achieve quite an early cash flow break even, considering that some of the most successful start-ups are still not profitable. Appinio took focus on sustainable growth and building up the business healthy. It is not common that a company could achieve early profitability and such growth rates through financial bootstrapping, which is the reason why Appinio can leverage business relationships, based on its indicator of a healthy business. But there are also limitations for further growth, especially for the internationalization efforts, which will be discussed in chapter 3.4.5.

3.4.4. What are Appinio's main strengths, weaknesses, threats, and opportunities?

The SWOT Analysis helps to understand the competitive position of Appinio and to create tailored strategic plans. It can also identify business areas that limit and challenge further growth. For a visual presentation of the findings and analysis, please see teaching note exhibit B1.

Strengths:

Appinio's past success is based on its internal strengths that were built since its disruptive innovation of the market research industry. It achieved a product market fit in Germany for two products, but also built strong internal teams and culture, decided on sustainable growth and profitability as well as stayed flexible for changes in the industry and in the environment. Building up a strong customer support-based organization created strong customer relationships.

Weaknesses:

The weaknesses are its efforts in internationalization, especially in the US. There was no profound Go-To-Market strategy for the US and the advisors and staff that were hired couldn't achieve a breakthrough in the market until now. The question here is if financial bootstrapping and limited financial resources for investments can be the basis for a Go-To-Market strategy in the biggest and most competitive market, the US. Also, the business is still young and never experienced long holding economic uncertainties or even a recession. The knowledge of adaptive strategies may not be available.

Opportunities:

Economic uncertainties can offer a lot of opportunities to entrepreneurs. The change in consumer preferences and buying power increases the need for corporate customers of Appinio to analyze their target groups. Also, proactive, and forward-looking businesses increase their spending in sales and marketing with accurate planning to come up stronger out of the economic uncertainties. A lot of companies need to validate and analyze the risk of not investing vs. investing. Furthermore, internationalization and innovation can boost the performance of companies in economic downturns.

Additionally, financial bootstrapping in economic uncertainty can be an opportunity to achieve a competitive advantage. Entrepreneurs may increase their knowledge in cash management and find more creative and innovative strategies to react to the changes in the environment. Also, financial resources are more limited in economic uncertainties, which may be an opportunity for Appinio to get the market share of competitors which are not as healthy and have struggled with accessing financial resources.

Threats:

On the one side, due to the slower growth in the international markets, Appinio may have lost its first mover advantage because the competitors may have a similar value proposition and solution offering, but more financial resources. Also, external financial resources are more constrained in economic uncertainty so it will be more difficult for Appinio to raise external financials.

On the other side, financial limitations in bootstrapping companies are anticipated to limit further venture growth and impede future investments. Additionally, entrepreneurs that actively rely on bootstrap financing may disregard other more important duties in their ventures, such as seeing and seizing new possibilities, in favor of devoting more valuable management time to implementing marginal savings

Also, corporate customers cut marketing budgets in economic uncertainty and are more cautious about their spending and investments. The conflict of objectives impacts the other markets but also the German market, which increases the pressure to stay profitable for further internationalization. In a downturn in the economy, businesses would also hesitate to conduct overseas business, which can be a threat for Internationalization.

3.4.5. What are the main challenges that Appinio faces in its internationalization efforts?

Appinio decided to build its growth on internationalization after the cash flow break even in the German market in 2019. With its further growth in the middle of the Covid pandemic, Appinio saw opportunities to expand its business to Spain, the United Kingdom and France. The basis for the internationalization process was the Uppsala model developed by Johanson & Vahlnein in 1977.

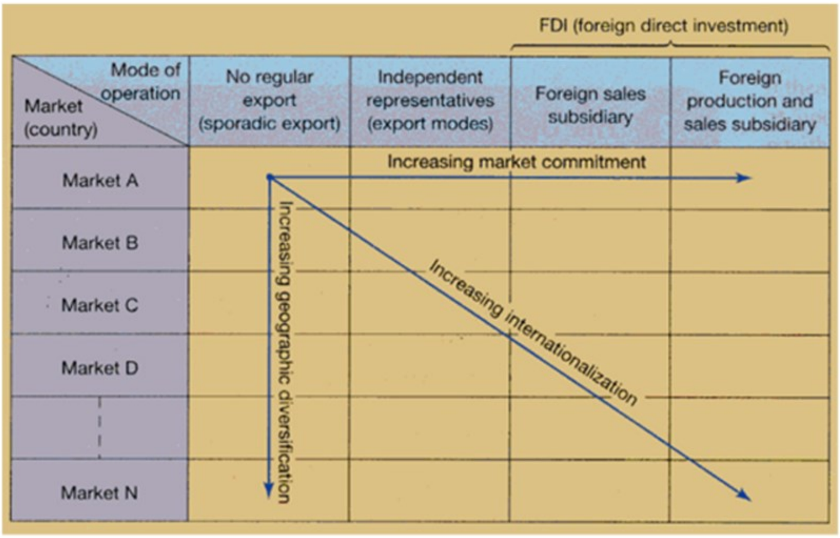


Figure 7: Zohari, T. (2022, July 19). The Uppsala Internationalization Model and its limitation in the new era, Digital Professionals

Appinio expanded its business first to countries which have similar cultures, and which are physically nearby. There they can learn from the new but similar competitive landscapes, enhance their knowledge, and have still control of their resources. After the business becomes more experienced and had more valuable resources available, the next step was to expand to the biggest market, the US. However, the internationalization process of Appinio raised some challenges for its business which can be classified as market knowledge, product market fit and awareness, Go-to-market strategy, talent, and investment.

Market knowledge:

The internationalization process of Appinio started six years after its foundation. Other start-ups are starting to scale and expand globally directly after their foundation, so called born globals. Two years after the start, the company could collect market knowledge but there are also already more established players in these markets that were collecting knowledge for years. The country managers of Appinio were hired two years ago. Collecting knowledge and creating strategies need time.

Product Market Fit:

The product market fit in Germany could be achieved, but in the international markets there exist other players among Appinio in the same strategic group, which have a similar value proposition, but expanded already for a longer time in these markets. Appinio needs to create awareness of the product and service in these markets or try to find new solutions to differentiate from the competition.

Another issue with the product market fit is that Appinio tries to transfer the very successful product and service to other markets. Can a business model that proved to succeed in Germany also work in other international markets without adaption? Another perspective is the question if it is possible to develop a standard pattern for international businesses without adapting the business model and with similar Go-to-market strategies.

Go-to-market strategy:

The Go-to-market strategy of Appinio consists of hiring a country manager and building a team among them with one business developer and one account executive, one marketeer, and one research consultant. This team should then achieve growth by trial and error and based on strategies from the German market.

A solid Go-to-market strategy and positioning for the international markets (Spain, France, and the UK) are missing. Growth is achieved by outbound sales strategies and by leveraging business connections from the German market. Also, the countries may differ in the competitive landscape, so for each market, a deep analysis needs to be made and an individual Go-to-market strategy needs to be built. In Germany, Appinio had a first-mover advantage. In the other international markets, Appinio needs to adopt a mindset from leader to follower, because of the missing first mover advantage.

In the US some strategies didn't work out. The G2M strategist and the business development team were laid off, because of failing growth targets. In the biggest and most competitive market, it is even more important to create a solid G2M strategy to penetrate the market.

Talent:

The international teams started with the earlier described team. Founder led growth through Jonathan was one of the successful strategies for Appinio in the German market. But the public face of Jonathan as the CEO of the company does not work in the international markets, because there, he is unknown. The country managers need to develop similar characteristics to the CEO to create tactics like that, due to the limited amount of team members. They need to build up a strong public personality so they can leverage from personal business contacts. They also need profound market knowledge to identify opportunities and build strategies for growth in their markets.

Investment:

Appinio uses the positive cash flow as investments for the international markets, because of its financing method bootstrapping. Bootstrap financing is an indicator of sustainable growth but also limits venture growth opportunities. For Spain, UK, and France, the expectations to break even after two years, are very ambitious. Additionally, the goal for them is based on the limited financial resources that Appinio can take out of the profitable German market. To increase market knowledge, get the best talent, create and test a solid Go-to-Market strategy and identify opportunities to leverage the product market, fit needs time.

The international markets are still not break even after two years of investment, but Appinio started already to test its business model in the US, which wasn't successful with the efforts that were taken. The German market is the only cash contributor for the internationalization process and for the market entry in the US. The US is the market with the highest volume and the most concentrated competitive landscape. It needs to be questioned if a market penetration in the US with investments out of the German market is sufficient. Also, even if the international markets break even, can a market penetration in the US be achieved out of the cash contributions of those markets? Is internationalization the most promising strategy for growth despite constraints with the market knowledge and financial resources? Why not just concentrate on the very relevant German market?

3.4.6. What are the alternative strategic options for Appinio?

The TOWS Matrix is a framework that helps to create measures and strategies based on Appinio's internal and external profile. For a visual presentation of the findings and analysis, please see TN exhibit B.2.

Based on the TOWS Matrix, the three available business strategic options for Appinio are:

1. **Cutting internationalization strategy:** Strengthen the market positioning in Germany with its already proven and profitable business model and cutting/postponing investments in the international markets, because of limited financial resources and failure of reaching the expected targets. If this would be the selected option, they could use the time to develop a better Go-To-Market strategy and product market fit for each country after the uncertain times.
2. **Re-evaluating and selective Internationalization strategy**: Strengthen the market positioning in Germany with its already proven and profitable business model. In parallel evaluate every international market that they already try to penetrate (UK, France and Spain), perform a competitive analysis for each relevant market and create a solid new Go-To-Market strategy and roadmap for the economic uncertainty. Postponing the US market entry for the next economic growth cycle and learning of the new approaches for the relevant international markets.
3. **All-in internationalization strategy**: Evaluate every international market (UK, France, Spain and US) perform a competitive analysis for each relevant market creating a solid new Go-To-Market strategy and roadmap for the economic uncertainty.

Furthermore, Appinio can put two different options for the financial strategy into perspective, bootstrapping and venture capital.

1. **Bootstrapping**: Support for the business strategy with internal resources and out of the positive cash flow out of the German market of Appinio
2. **Venture capital**: Raising external capital from venture capitalists to support the business strategy

3.4.7. What are your strategic recommendations for Appinio?

Based on the described different strategic business options that Appinio has, each one needs to be evaluated by its potential during economic uncertainty. In parallel, when Appinio decides for one strategy, the financial strategy options must be considered. For a visual presentation of the findings and analysis, please see TN exhibit B.3 and B.4.

The strategy, that I would recommend for Appinio, based on the evaluation of each business and financial strategy options, is the re-evaluating and selective internationalization strategy based on venture capital financing. This recommendation is based on the pros and cons of each market.

Germany: The business model is already proven and profitable. The investments for further product enhancements and innovations can be taken out of the positive cash flow that it generates in Germany. The management can plan and create strategies for the economic uncertainty and explain how Appinio can help corporate customers for each business sector with the conflict of objectives out of a position of a healthy and stable business. In parallel, the management can work on process improvements and cut costs that don't deliver direct value.

UK, Spain, France: The economic uncertain situation offers the opportunity to evaluate the efforts in the international markets by performing a competitive analysis, creating benchmarking mechanisms and deciding where to cut, renew and continue efforts. In each relevant market, the creation of a solid Go-to-market strategy can help to penetrate the markets and identify international growth patterns. Furthermore, raising venture capital can help Appinio, by using the market knowledge of the VC partners and further financial resources to make investments in talent, product improvement, marketing, strategy, and positioning.

US: For a healthy and successful business, as Appinio is, going to the US was the natural step. On the other hand, it has also shown, what kind of challenges the market entry might create in the biggest and most competitive market. A market entry in the US requires a lot of financial resources. Limited investment opportunities out of financial bootstrapping might impede the process. On the other hand, by acquiring a high number of external resources, the control of the management of the venture will decrease and the short-term focus of venture capitalists may compromise the long-term sustainability. Appinio can take the opportunity to learn from other international markets, especially in economic uncertainty and prepare for market entry in the next economic growth cycle.

4. Conclusion

The development of this dissertation offered me valuable insights into the analysis of a proven and profitable business model, the drivers inside the market research industry, the challenges of the international expansion of Appinio, and the evaluation of financial bootstrapping, all in the context of economic uncertainty.

It also allowed me to see different strategic and financial options offered to start-ups to grow. To find out which option fits best, it is necessary to analyze the competitive and economic environment of the company and the industry. Different options can be successful depending on the situation of the market and company.

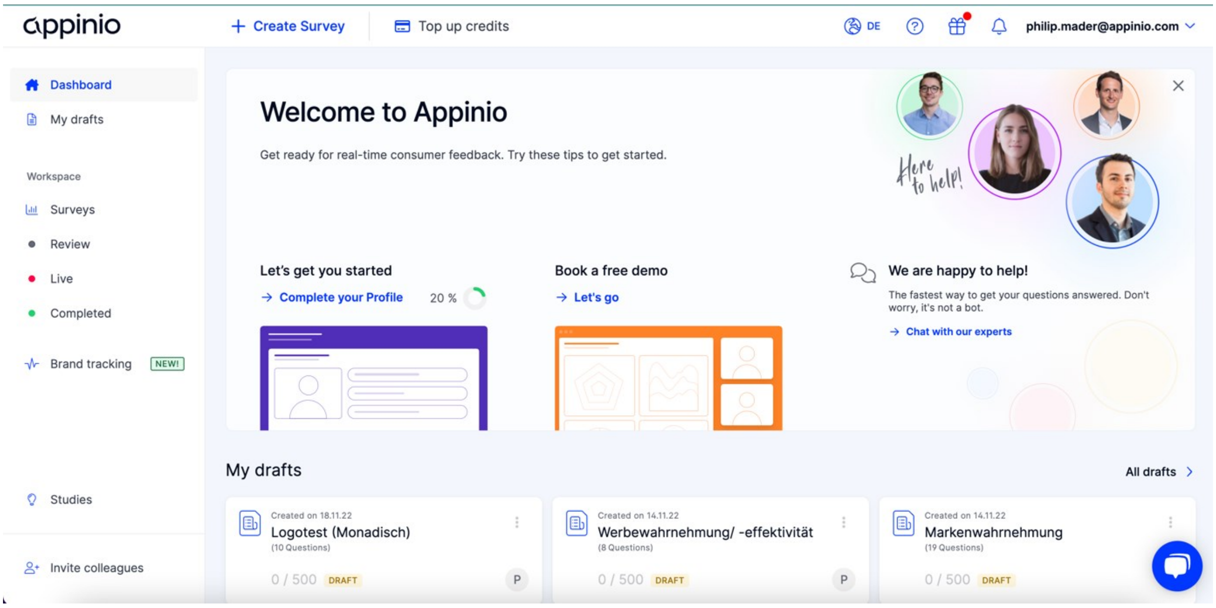
Additionally, internationalization is key for start-ups to grow, scale and expand. But the case also showed the challenge of expanding internationally when a business model is just proven in one market. For each new market, a different go-to-market strategy is needed based on competitive and market analyses.

Lastly, the dissertation taught me, that the financial strategy also depends on the situation of the company and the environment. Bootstrapping and venture capital show both pros and cons. Each company needs to decide based on its situation and goals which financial strategy it chooses.

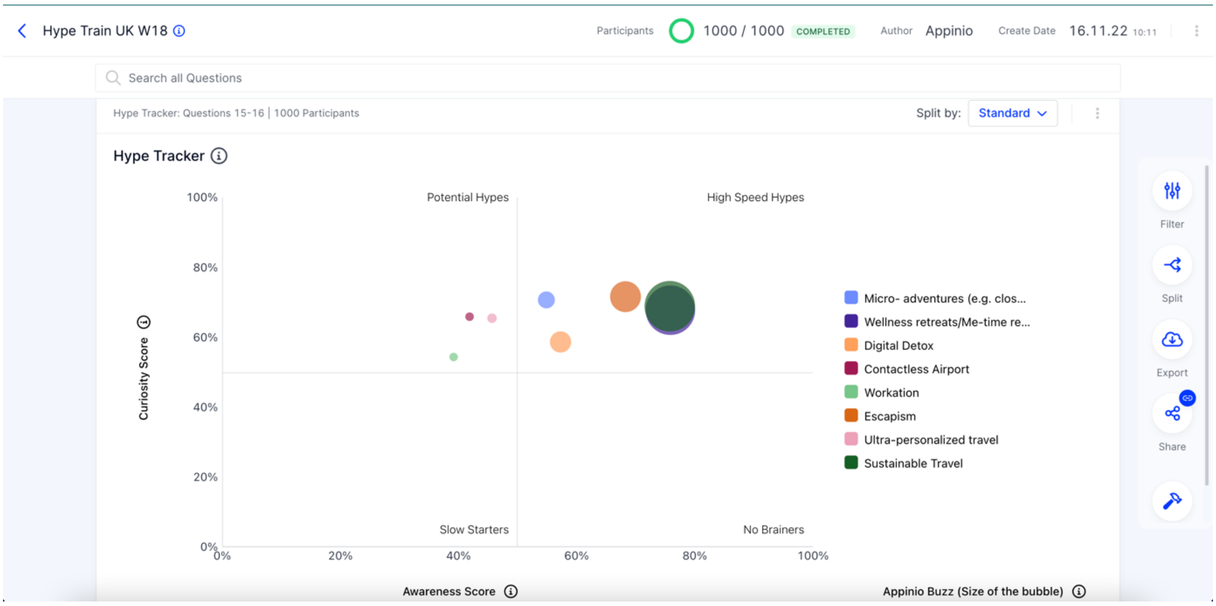
If in the future I would have the opportunity to follow the strategic and financial recommendations addressed in the Case and the analysis, it will be interesting to see which strategic and financial option Appinio will decide, how the implementation will be made and how the economic uncertainty will affect the industry and Appinio in 2023.

5. Appendices

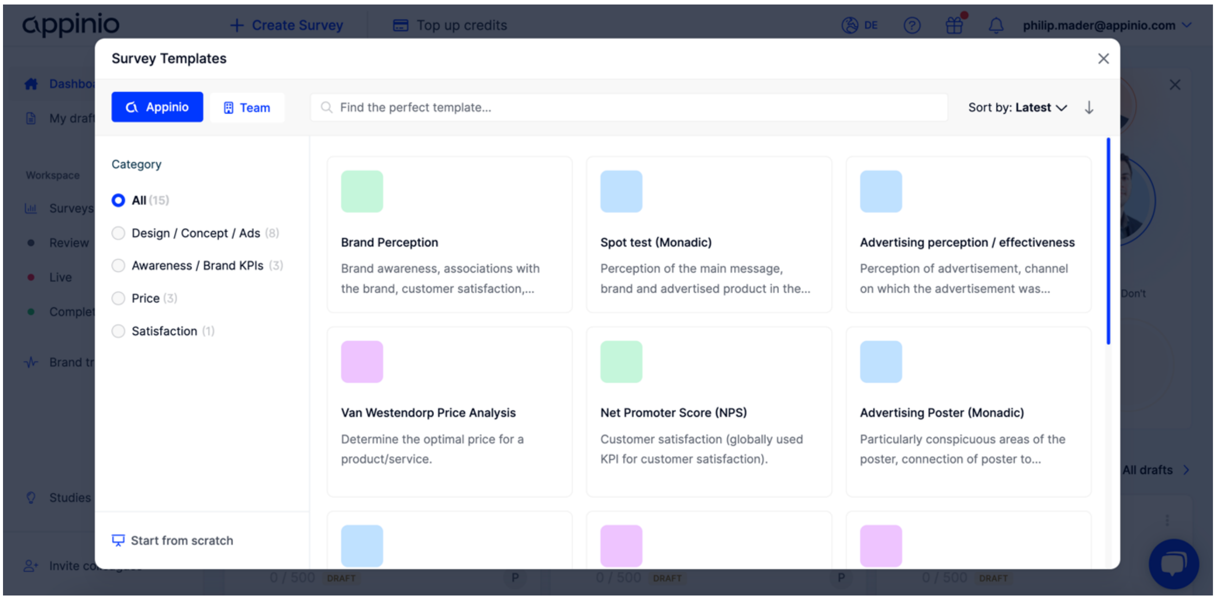
A. Case Exhibits



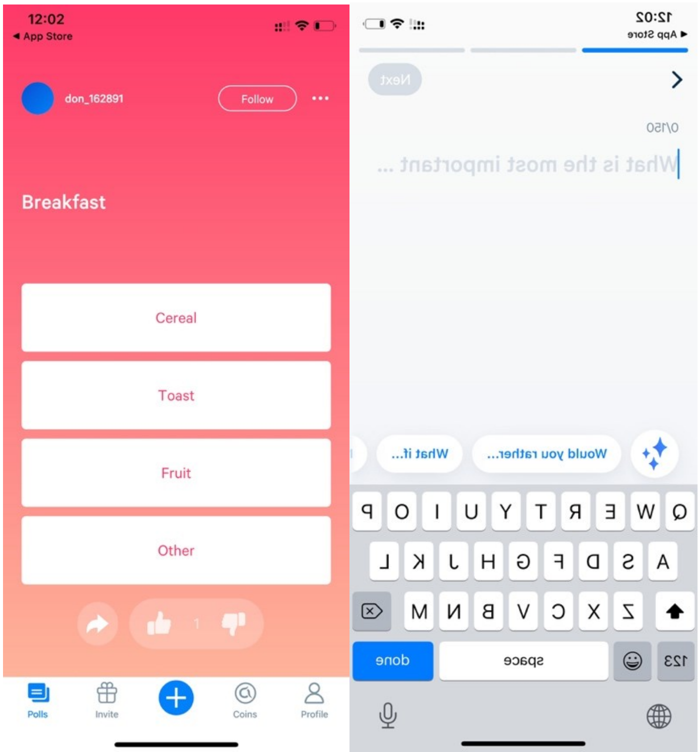
Case Exhibit A.1 – Appinio B2B platform overview



Case Exhibit A.2 – Example of a statistical dashboard in the B2B platform



Case Exhibit A.3 – Appinio templates for use cases



Case Exhibit A.4 – Appinio B2C Smartphone App, Answering and creating polls

	Research as you go	Starter	Team	Business	Enterprise
Starting at	600€	24,980€/year	99,980€/year	239,980€/year	Custom
Price per credit	1.50€	1.25€	1.00€	0.87€	Every enterprise is different – please contact us for your individual quote
Base credits (yearly)	-	SAVE UP TO 17% 20,000	SAVE UP TO 33% 100,000	SAVE UP TO 42% 275,000	
	RAYG also comes with... ✓ Unlimited users ✓ Access to global consumer panels and industry reports	Everything in RAYG, plus... ✓ Dedicated onboarding ✓ Questionnaire quality check / feedback	Everything in Starter, plus... ✓ Customer success expert ✓ Bespoke questionnaire programming	Everything in Team, plus... ✓ Full-service research ✓ Initial maturity & risk assessment	

Case Exhibit A.5 – Prices and packages of Appinio

FT 1000 — Europe's Fastest Growing Companies 2022

Rank	Name	in 2021 ranking	in 2020 ranking	Country	Sector	Absolute Growth Rate %	Compound Annual Growth Rate (CAGR) %	Revenue 2020 (€)	Revenue 2017 (€)	Number of employees 2020	Number of employees 2017	Found Year
136	Appinio	No	No	Germany	Technology	988.35	121.61	3,597,000	330,500	44	5	2014

Case Exhibit A.6 – Financial times' Europe's fastest growing companies 2022

B. Teaching Note Exhibits

Strengths

- Stability: Profitability in the German market, strong customer relationships, bootstrap financing is indicator for a healthy business
- Innovation: The B2B dashboard and the B2C Panel disrupted the market research industry
- Growth: Appinios growth was fast and sustainable
- Talent: Appinio could attract young professionals for the different teams
- Support: The customer support functions in general and for the projects react fast and efficiently
- The Management still has the full control of the venture
- Flexibility: Appinio is still a start up, which means they can react flexibly on changes in the environment without changing long established models and processes (Covid Pandemic)

Weaknesses

- Changing Go-To-Market strategy in the US, until now no success for the strategy in the US
- Growth and investment limitations due to financial bootstrapping, to compete with the high funded competitors in international markets
- Appinio hired managers in the past for strategic positions to leverage from their knowledge and business network, but the results weren't as expected, resulting to lay them off
- The average of employees of Appinio is still very young, there is basically no experience on how to survive economic recessions and building up strategies for uncertainties
- The target of the international markets to become profitable after 2 years is still not achieved (Start 2020)

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Opportunities

- Detecting, analyzing and building up strategies for uncertainties can create business opportunities for Appinio
- Changing consumer preferences and buying power in economic uncertainties may offer opportunities if Appinio makes their (potential) customers believe that market research can help them to build up strategies in economic uncertainty
- Forward-thinking businesses strengthen their advantage through increased marketing efforts, if these are carefully planned and executed in economic uncertainties
- The competitive risk of not investing has significant implications for competitiveness and long-term viability, however it must be weighed by managers of corporate customers against the financial risk of investing
- Internationalization and innovation are thought to be crucial to growing and performing better during times of crisis
- Firms can succeed in a setting where resources are scarce by combining existing resources and by utilizing physical, social, and institutional inputs that other companies reject or ignore
- A lack of traditional financial resources benefits the development of cash management abilities in business owners as well as a desire to pursue more creative growth strategies
- Bootstrapped Businesses may confront issues that might otherwise go unnoticed and unresolved if they automatically responded to high capital burn rates by requesting more external funding, it may create even a competitive advantage

Threats

- First mover advantage might be gone in the international markets due to slower growth and investments based on financial bootstrapping
- External financial resources become more limited in economic uncertainties and recession, in case Appinio decides for outside financing
- Limited budgets for marketing spending of corporate customers: conflict of objectives impacts the other markets but also the German market, which increases the pressure to stay profitable for further internationalization
- Preparation for exogeneous shocks or uncertainties is very difficult
- In a downturn in the economy, businesses would hesitate to conduct overseas business, which can be a threat for Internationalization
- Financial limitations in bootstrapping companies are anticipated to limit further venture growth and impede future investments
- By using bootstrap tactics, new companies may be prevented from expanding as quickly as they might otherwise if they were able to obtain significant outside funding and the chances for survival decreases
- Entrepreneurs that actively rely on bootstrap financing may disregard other more important duties in their ventures, such as seeing and seizing new possibilities, in favor of devoting more valuable management time to implementing marginal savings

TN Exhibit B.1 - Appinio SWOT Analysis. Source: Own Figure

Opportunities - strengths:

- Leverage existing and potential customer relationships by showing with innovative solutions **how to analyze changing customer preferences**
- Creation of a **strong partnership model** to guide customers through economic uncertainties and increase their performances based on data (support and performance improvement) while creating **sector related best practices**
- Appinio can react fast and flexibly on changes in the environment, maybe even by **developing customized solutions** for the potential customers. For example development of **low budget and fast pace survey plans**
- Appinio could **offer free consulting services** from the research consultants to guide customers through the evaluation of investment decisions and for the creation of solutions tackling specific problems and needs that arose because of the economic uncertainty
- Appinio has grown sustainably and is not dependent on external stakeholders, therefore the management can see the economic uncertainty as a chance to **create competitive advantage with further innovation and product enhancements** to increase market shares in its main market. For example by creating a tracker of opinions of consumers and businesses on the economic situation
- Appinio could take the lessons learned of the covid pandemic and analyze strategies that worked well and that weren't successful to create a **plan for the current economic uncertainty**
- Market research becomes even more relevant during economic uncertainty, since it offers a lot of opportunities for customers to evaluate different paths and strategies. It is required to come up with **relevant use cases and prices** so that the customers can not disagree that the usage becomes an instant benefit for the company

Opportunities - weaknesses:

- Appinio can benefit from opportunities in its main markets and could **postpone international investment** decisions (as the internationalization in the very competitive US market) until it can forecast the market developments during the economic uncertainty
- Forward thinking businesses succeed in economic uncertainties, thats why Appinio should analyze its efforts in the international markets, and **strengthen the market position in its main market Germany**
- It can use the economic downtime to create **a solid Go-to-market strategy for the US** and **hire the best fitting talent** to proceed after the economic downtime
- When financial resources are scarce, Appinio can leverage from its healthy business in Germany and has a chance to **convince investors for the internationalization strategy**
- Appinio needs to **evaluate projects** that don't create direct value to its customers and evaluate if current projects are successful or not. It can use the uncertainties as a chance for **process improvements**

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Threats - strengths:

- The management can think about internal strategies to help customers and potential new customers to overcome the economic uncertainty by **analyzing the pains and needs of each business sector**
- **Maintaining bootstrapping** - For the German market financial bootstrapping still makes sense because of limited financial resources in economic uncertainties and its profitability due to an already proven business model
- Appinio proved to react flexibly on changing environments with **adapted pricing mechanisms** during the Covid crisis. The management should think about pricing adaptions for studies during and related to recessions and changing customer preferences to overcome the conflict of objectives between increased information needs and decreased budgets for marketing of corporate customers
- Appinio could create **referral strategies** to leverage German business relationships on an international scale.
- If the first mover advantage in the international markets is already gone, Appinio could **adapt its business model and find niches** that still offer opportunities. If Appinio finds a way to offer a better or new service while cutting prices, it could succeed further, also internationally

Threats - weaknesses:

- The management of Appinio can use the period of economic uncertainty, to **evaluate each efforts in the international markets and the product market fit,** based on new opportunities and threats due to the economic uncertainty, to decide to proceed with investments or divest
- Appinio could raise external **financial resources through venture capital** to have a solid basis for growth investments in the relevant international markets and proceed with further market penetrations and product enhancements
- **Development of a "follower-advantage"** through a **benchmarking strategy** to analyze the competitive landscape in the international markets continuously to create follower strategies based on the decisions of the leading competitors in the international markets
- Work closely with venture capital firms which can help to **recruit a team of talents** and try to leverage the opportunities by **strong marketing and sales strategies**
- Appinio might consider an adapted **market positioning and business model** (outside of German market) based on the needs of each international market

TN Exhibit B.2 - TOWS Matrix. Source: Own figure

	Pros	Cons
1.Cutting internationalization strategy	• Full concentration on market penetration in Germany • Potential to cut costs, improve processes and operational excellence and become a leader in its main market • The management can maintain financial bootstrapping strategies and therefore make investments out of profitability and stay in full control over decisions for the venture • The investments would focus on product improvement, enhancement and innovation which might result in better performance in Germany • The pressure on the German market as the main cash contributor for the internationalization would be gone	• Opportunity of already existing international clients would be gone • No opportunity for scaling existing business relationships internationally • Cutting in the wrong positions will leave the company in a worse position than before the economic uncertainty • A company's ability to expand internationally can help it diversify its revenue streams and lessen the effects of market downturns. • Growth opportunities in international markets might be gone • Learning effects will be gone and maybe missing out future opportunities • Massive effects on people and culture if the international employees would been laid off • Impact on brand imagine and increased reputation costs of folding down international operations
2.Re-evaluating and selective Internationalization strategy with venture capital	• Internationalization and innovation are key drivers for growth in economic uncertainty, also for diversifying the companies growth model to decrease risks • The business model is already proven in Germany and therefore no external capital is needed for investments, the market can grow out of internal resources • The management can use the economic uncertainty to re-think the efforts in the international markets and can perform further analysis to decide where to cut, renew or continue efforts • Venture capitalists offer knowledge in go-to-market strategies and can help the management of Appinio with more market knowledge for each international market • Appinio can extend the learnings in the international markets and can detect further growth opportunities to create an international venture • By pausing the efforts in the US, there are more financial resources available for the other relevant international markets, also decreasing the pressure on Germany • Appinio can still take the advantage to learn out of expanding its business internationally and can make further optimization for the US market entry	• Venture capital can increase risks as the business is reliant on the success of the investors and takes some part of control out of Appinio's internal management • The growth and investment mindset for the international markets needs to be adapted to outside funding which can take time • If there is a first mover advantage in the US, which need to be further analyzed, might be gone • Market research in economic uncertainty offers opportunities also in the US, they might be missed out and the opportunity to get in touch with potential customers might be gone
3.All-in internationalization strategy with venture capital (additional aspects to the 2nd strategy)	• Appinio could retry efforts in the US and learn out of the opportunities that the largest market has to offer • The US market entry can be taken for marketing purposes to leverage relationships in other international markets	• A lot of financial resources are needed to make further investments in talent, organizational knowledge and strategy (these are scarce in economic uncertainty) to retry the efforts in the existing international markets and to go to the US • The economic uncertainty in the market research industry creates a conflict of objective, to go all-in now could create a risk for the survival of the firm • The external stakeholder might have a lot of control over the venture so the decision making control might be spreaded internally and externally

TN Exhibit B.3 - Business strategy options for Appinio. Source: Own figure

	Pros	Cons
Financial Bootstrapping	• When access to external financing is more challenging, bootstrap finance is sometimes viewed as a second-best plan (in economic uncertainties) • Firms can succeed in a setting where resources are scarce by combining existing resources and by utilizing physical, social, and institutional inputs that other companies reject or ignore • By fostering a culture where everyone within the venture makes the best use of the scarce resources that are available, bootstrap financing may help new businesses gain a competitive advantage • Development of cash management abilities of the management • "Entrepreneurial spirit": Mindest of the management and vision for the employees lead to hire best talent • Desire to pursue more creative growth strategies • Optimism about their chances of success and wish to totally control the company • Financial bootstrapping may encourage a focus on efficiency and cost-cutting, which can contribute to long-term sustainability • Financial bootstrapping can give a business the flexibility to pivot and adapt to changing market conditions.	• Limit further venture growth and impede future investments, which can limit the potential for long-term sustainability • Financial resources obtained by bootstrapping could be insufficient to finance expansion • Prevention from expanding as quickly as Appinio might otherwise if it was able to obtain significant sums of outside funding • Entrepreneurs that actively rely on bootstrap financing may disregard other more important duties in their ventures, such as seeing and seizing new possibilities • To compete with the more competitive landscape in the international markets, bootstrapping could limit strategies for competition • Financial bootstrapping may involve a higher level of risk, as the business is not able to access external funding to mitigate risk
Venture Capital	• Financial resources for product improvements and further innovation • Strengthen the international teams, especially for strategy, sales, marketing and research consulting • Receiving market and go-to-market knowledge of venture capitalist for further analysis and roadmap creation • If Appinio can leverage its bootstrapping abilities and use venture capital for the relevant international markets, it is a big chance to scale and achieve high growth possibilities • Investments, that are necessary to make, can be done more easily • Venture capital firms often have a network of industry contacts and resources that a business can tap into	• Venture capital typically involves giving up a portion of equity in the business, which can dilute the ownership and control of the business • Venture capital firms may have a focus on achieving short-term financial results, which can compromise long-term sustainability • Venture capital often involves giving up a certain level of control in exchange for funding, which may not be desirable for some businesses • Mindset Change and Brand Imagine change from a bootstrapped company to a VC financed company

TN Exhibit B.4 - Financial strategy options for Appinio. Source: Own figure

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