To Be Lean or Not To Be Lean: Developing a Strategic Plan for a Nutraceutical Startup in Sweden

A Case Study at TSL

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ABSTRACT

Time to market can be a decisive factor when bringing a new product or a new company to the market. Sometimes, for not defining strategic plans during the new product development phase, companies fail. According to the Lean Start Up Methodology (LSM), testing market-fit as early as possible and customer focused product development are important to increase the chances of a successful commercialization. The definition of a value proposition based on the market needs is seen as a central point to orchestrate key activities such as teamwork, efficient product development and marketing and finally the commercialization. In Sweden, the nutraceutical industry today represents a dynamic sector that offers novel opportunities to converge scientific discovery with growing consumer interest in health-improving foods.

This study discourses on functional food segment, with a focus on probiotic, prebiotic and symbiotic-based products. It included a case study in a new company active in the nutraceutical sector in Sweden (TSL). Their actual strategy for commercializing a symbiotic-based weight loss program will be evaluated, and a new strategy built inspired on LSM Methodology is proposed, with a special focus on value proposition design.

Keywords: startup, strategic planning, value proposition design, SWOT, nutraceuticals, symbiotic product.
Dedication

To my parents, Alzidea and Jorge.

Pela infinita inspiração, amor e apoio durante a minha longa jornada acadêmica.

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“Let food be thy medicine and medicine be thy food”

Hippocrates (460 – 377 BC)
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Chapter 1

Terms and Abbreviations

1.1 Terms

**Alimentary** – Subject related to nourishment or nutrition.

**Functional foods** – Foods that have a potentially positive effect on health beyond basic nutrition, stimulating optimal health and reducing the risk of disease. It is a segment of the called nutraceuticals.

**Lean** – Systematic method initially applied in manufacturing systems focused on the elimination of waste and, in the current study, related to the Lean Startup Methodology.

**Lean Startup Methodology** – Methodology created to make the process of starting a company less risky by focusing on the minimization of uncertainty and slack in the product development process.

**Nutraceuticals** – Alimentary products and supplements that display a medicinal benefit.

**Probiotics** – Beneficial microorganisms used as food supplements.

**Prebiotics** – Compounds that support the growth of beneficial microorganisms which are delivered as alimentary supplements.

**Startup** – Newly established business working to solve a problem in which the solution is not evident and the success is not assured.

**Strategy** – The art and the science of planning and coordinating resources aiming to achieve goals or solve a problem efficiently.

**Synbiotics** – Combinations of microorganisms and compounds that aid its growth in the host which are delivered as food supplements.

**Time to market** – Amount of time from the conception of a product or service until it is available on the market for sale.

**Value Proposition** – The definition of specific benefits that customers can expect from given products or services.
1.2 Abbreviations

**Lean Start Up Methodology** - LSM

**SEK** - Swedish krona
Chapter 2

Introduction

Current trends related to the increase of the market consumption and acceptance of Nutraceuticals as preventive health care has been propelling the development of new companies commercializing symbiotic products in the Swedish market and worldwide. Despite the current popularity of the Lean Startup Methodology (LSM), there are still few studies focusing on the applications of this methodology in the nutraceutical industry. Therefore, this thesis describes the use of LSM tools to aid in the development of a strategic plan to support the introduction of a symbiotic-based weight management product in the Swedish market.

2.1 Background

In today’s fast-changing marketplace, defining strategic plans can still be perceived as a slow process that a considerable number of new companies bypass. In order to speed up the launching of new products or services to the market, founders and managers shortcut the process underestimating the importance of preparing such plans. However, by not following the new product development steps adequately nor defining the necessary strategies and plans a business can potentially limit its growth and long-term success in the market. Wong and Saunders (1993) argued that some of the best performing companies are able to plan, maintaining their intrinsic entrepreneurial style. By stimulating systematic thinking, defining milestones, goals and timeframes, it is possible to set the stage for a further successful new product development process (including marketing and commercialization).

In principle, strategic plans are prepared before starting the new product development process. It is performed in four consecutive stages (i.e. strategic analysis, formulation of the strategy, strategy implementation and feedback, ex-post evaluation and correction (Skokan, Pawliczek, Piszczur, 2013). The strategic plan includes the definition of a “mission” (i.e. mission statement) and the analysis of the internal (e.g. auditing the company internal resources and value chain) and external environment (e.g. competition and market) (Mingmo, 2013). It can include documents such as business plans, which give a general overview of relevant aspects of the business operations and general business environment. The SWOT analysis is a preliminary decision-making tool used in
strategic planning which examines an organization’s internal strengths and weaknesses as well its opportunity for growth, improves and potential external threats (Harrisson, 2010).

In smaller companies such as startups, which pursues limited resources such as time and capital, it is extra important to define accurate strategic plans in order to minimize the risk of failure and increase its competitive edge. Before the introduction of a product or service in the market and the acquisition of a substantial response from customers, the data generated regarding the commercialization is mostly based on assumptions. Business plans, for instance, are built based on assumptions supported by limited data. Therefore, nowadays, many authors that support the Lean Start Up Methodology (LSM) recommend the development of a business model, a simplified version of business plans that allows business owners and managers to have a preliminary view of the whole business during the initial stages. This enables them to take faster and more accurate early strategic decisions (Osterwalder & Pigneur 2010).

One of the tools developed to aid the creation of business models is the business model canvas, designed by Alexander Osterwalder and Yves Pigneur (Osterwalder & Pigneur, 2010). Two of the most important actions when building business models are the definition of the customer segment and the value proposition. Before investing time and money realizing a business idea it is important to verify if the product or service that one want to develop is commercially viable in the given market. However, there are cases when this step is bypassed and it can be troublesome and expensive to commercialize a fully developed product which was designed without taking into consideration the final customers and their needs.

The value proposition canvas is another tool created by Alexander Osterwalder that help to design, test and define the business value proposition for customers in a structured and reflective way (Osterwalder et al., 2014). According to Osterwalder, it can help business owners to achieve product-market fit more efficiently and therefore have higher chances of succeeding. The value proposition canvas can be defined as a plug-in to the business model canvas which zooms the value proposition and customer segments (Osterwalder et al., 2014). Those are described in more details in order to evaluate the “fitting” between them, a very important achievement together with a sound business model for products and companies. Osterwalder and collaborators (2014) emphasize the importance of using both, business model canvas and value proposition canvas, in combination since one does not replace the other. The development of a business model canvas and value proposition canvas will be described in detail in the next chapter.

The Nutraceuticals industry is one of the industries that have been growing mostly in the recent years. The global health trend is strong and the annual nutraceutical market is
estimated to be worth US$250 billion in 2018\(^1\). The commercialization of nutraceutical products has been propelled by recent scientific discoveries as well the increase of the interest of people in adopting healthier lifestyles and consuming chemical-free/naturally-based products. Among the nutraceutical, synbiotics have been shown to be a promising group of products. Symbiotic products are composed of a combination of probiotics (i.e. beneficial microorganisms used as food supplements) and prebiotics (i.e. compounds that support the growth of probiotics) (Homayouni et al., 2012). The combination of both, probiotics and prebiotics, confers symbiotic products a superior efficiency when compared which they used separately.

Currently, there are different symbiotic-based products in the market with different claims (Daliri & Lee, 2015). Among the different applications, both in clinical and general use, there are examples such as symbiotic preparations used in infection prevention and interception, to restore the microbiological balance and improvement of the growth of beneficial bacteria, to helps to keep the digestive system in shape and strengthens the body’s defense, etc. However, since it is a relatively new field there are still great opportunities in the market including the development and introduction of new symbiotic-based treatments.

### 2.1.1 Case Company Background

TSL is a Swedish startup active in the Nutraceuticals industry. After an intense but brief development period from 2013-2014 the company was initially settled in Switzerland with a focus on bringing its first products (TSL Weight Loss System and the TSL Cookbook) to the market and commercializing it as fast as possible. The TSL Weight Loss Program is a 6-months subscription plan that includes pro- and prebiotic products and information material to assist users in the symbiotic-based dietary programs to lose and maintain weight and improve health. However, so far it didn’t obtain the results that they expected: the sales were still low, revealing an inexpressive adoption of the dietary program in the Swedish market. After a test period using a selected group of users as testers only approximately 25% of those adopted the system (Axelsson, 2016 *personal communication*). Now they are getting ready for a new launching, investing mainly in online marketing and e-commerce for the commercialization and marketing of the TSL products. Therefore, they would like to give a step back and evaluate the development a strategic plan for the re-launch of its products in the Swedish market, increasing the chances of developing successful marketing campaigns that will support the commercialization of its products.

\(^1\) Sector Report, Nutraceuticals Industry. Bourne Partners, April 2013.
2.2 Research Questions and Research Aim

This study aims at extending our understanding of the importance of creating strategic plans before, during and/or after the new product development. This will be evaluated by testing the suitability of the application of tools of the LSM (i.e. Business Model Canvas and Value Proposition Canvas) in combination with the traditional SWOT analysis as strategic means in a new company active in the Nutraceuticals branch. This study analyses the current situation of TSL, a Swedish startup that provides symbiotic based products for weight loss and health improvement. Furthermore, we will suggest how these firms can overcome challenges with LSM to find a better fit between customer need and technology.

RQ1: Can the adoption of the Lean Startup Methodology (LSM) aid in the development of a strategic plan for a Nutraceutical startup?

To answer this question data found in the literature regarding strategic planning and LSM methodology (focusing on the development of business models and value proposition design) will be used to evaluate the current situation of the case company. This data will also be used to answer why and how the use of LSM tools can (or not) aid in the development of a strategic plan for the given company. Despite the popularity of the LSM methodology and tools, there is still a gap in the literature regarding the use of this methodology in different industries (Gustafsson & Qvillberg, 2012).

Data from interviews with the co-founders of the case company will be used to evaluate the adequacy of adopting the LSM methodology to improve their strategy by, for instance, using a close to market customer-focused product development (lean) approach. To characterize potential customer groups and their specific characteristics (e.g. needs, jobs, pains and expected gains) interviews were performed with a selected group of prospective customers (i.e. individuals that currently experience weight loss problems and are actively looking for a healthy and efficient weight loss solution).

- Sub-question: What is the current strategy of the case company?

In order to answer this question interviews with the two co-founders of the TSL were conducted to find out the company current situation including their strategic plan. The analysis of the data from the literature about strategic planning is used to support and/or challenge the decision taken by the company in this preliminary stage.
RQ2: How is it possible to inform the case company in strategic planning and LSM methodologies and tools?

To answer this question, the strategic analysis from the perspectives of the business environment and competitive intelligence will be taken into consideration. Analysis of related literature and interviews with the company’s co-founders were performed in order to elucidate the following sub-questions:

- **Sub-questions:**

  1. **What are the factors that influence the Nutraceuticals industry?**

     This question was answered by the analysis of the data obtained in the literature about trends, market experiences, consumer research and regulatory aspects, as well the main competitors that govern the Swedish nutraceutical’s landscape.

  2. **What are the elements that should be considered when developing a new strategic plan for the case company?**

     The data collected regarding the external factors and actors regulating the Nutraceuticals industry were further evaluated together with the company internal data (i.e. internal factors) by SWOT analysis. It also included insights about the weight maintenance/loss market, due to the competition that the case company’s product will face during its re-introduction in the Swedish market.

  3. **How is it possible to develop a new strategic plan inspired in the LSM for a startup commercializing a symbiotic nutraceutical product for weight loss?**

     A proposal of how LSM tools can be used as a guideline for the development of a new strategic plan for the case company was presented based on the answer of the first and second subquestions together with the information of in-depth interviews with the company co-founders and prospective consumers. The decision about the new strategic marketing plan was discussed with the company co-founders and finally presented in this research.
Chapter 3

Literature Review

3.1 An Overview About the Industry and Functional Foods

Nutraceuticals are described as alimentary products and supplements that provide medical benefits (KPMG, 2015). It is considered to be one of the most promising industries, with a forecasted international annual growth rate of 7% and worth a value of 37 billion euros by 2020^2. Furthermore, Nutraceuticals refer to a myriad of products, including functional foods (e.g. vitamin-enriched products, probiotics, prebiotics, and synbiotics), nutritional supplements, sports beverages, among others (KPMG, 2015).

Today, the largest nutraceutical market in the world is the United States (US)^3. However, today the market for Nutraceuticals in Europe is experiencing heavy consolidation, based on innovation and new product development. A considerable increase in research and development has been resulting from this – from 0.24% at the beginning of the century to 1% in 2010. Sweden, for instance, is considered one of the key nutraceutical innovation hubs of Europe together with Germany and the Netherlands; Spain and Great Britain are the decisive test markets for new products (Meštrović, 2015).

Nutraceuticals are considered to be the convergence point between the food and pharmaceutical industries (KPMG, 2015). According to Horska and Sparke (2007), rapid changes in lifestyle and consumer behavior is supporting the adoption of new trends in food consumption in Europe. For instance, a growing number of consumers are becoming aware of the importance of healthy eating habits in disease prevention (Konsumentföreningen Stockholm, 2015). Factors such as aging of the population give rise to lifestyle-related diseases, which can be minimized by the adoption of healthier choices earlier in life.

Other factors that have been powering the development of the Nutraceuticals industry are the increasing number of scientific discoveries indicating the correlation between nutrition and health (Daliri & Lee, 2015), the increase of co-prescription (i.e. the


adoption of nutraceutical products as supplements of traditional medicine) and the interest in shifting from prescription medicine to Nutraceuticals.

According to an annual report produced by KPMG in 2015 about Nutraceuticals⁴, in terms of the competitive landscape, the positioning in between two large industries (i.e. food and pharmaceuticals) can be a challenge due to the strong expertise in large-scale manufacturing and global logistics of the food industry and the research expertise of the pharmaceutical industry. Therefore, according to the report published by KPMG (2015), to strive in the ever changing global market nutraceutical companies will have to invest in excellence in technology, product strategy, compliance, marketing, supply chain management and corporate deal making.

### 3.1.1 The Raise of Symbiotic Products

Recent discoveries in the field of the human microbiota, including the NIH Microbiome Project in 2008, and the impact of those microorganisms in health maintenance and disease powered the development of new therapeutic products. In fact, humans contain 90% bacteria (Daliri & Lee, 2015). A new class of products has been created by the combination of both pre- and probiotics: the synbiotics. Symbiotic products have been applied in health improvement and there are different studies that support the correlation of the maintenance of a good microbial population and health (Benno et al. 2010, Osterberg et al. 2015).

Today, companies developing and commercializing symbiotic products have the opportunity of becoming dynamic entities which can succeed by merging scientific discovery with growing consumer interest in health-enhancing foods. By tracking and monitoring consumer trends, these companies can develop products as a direct response to the market demands. In this scenario, new entrepreneurial companies in this sector have an extra advantage, since larger pharmaceutical and food corporations are not traditionally entrepreneurial (KPMG, 2015).

Due to the high amount of well characterized probiotic microorganisms available new companies can still have low R&D costs. This can also result in less onerous regulatory requirements compared to traditional pharma products. However, supporting clinical cases can be required for products with specific claims and specific regulations may apply in different markets. Culture and customer behavior can also affect the acceptance and adoption of such products in the market (Siegrist, Stampfli & Kastenholz, 2008, Del Guidice & Pascucci 2010).

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A clear opportunity in this sector is tackling the underlying causes of modern conditions, such as gastrointestinal disturbances, diabetes, obesity, brain-related diseases and aging and cardiovascular problems by linking diet and food consumption to health. As main challenges in this sector, it is possible to mention the lack of standardization and relative high product price. In the Swedish market, two of the market leaders in the symbiotic and probiotic-based products have invested in building a strong internal R&D and or building a scientific network (i.e.Probi and Biogaia).

3.1.2 Nutraceuticals as an Alternative Treatment for Weight Maintenance

Obesity is an emergent public health issue worldwide (Nguyen & El-Serag, 2010). Consequently, the increase of people suffering from weight related problems increases the demand for efficient methods to control weight. In a desperate seek for a solution, many individuals have self-treated themselves using nonprescription dietary supplements (Pillitteri et al., 2008). However, despite the beneficial effects attributed to many nature-based products (e.g. products based on dietary fibers, traditional plans, and herbs, etc.), Nutraceuticals today face skepticism in the market regarding its efficacy in weight control. Since it is still a relatively young market, few scientifically based studies have been conducted to access the safety and function of those supplements (Pillitteri et al., 2008; Poddar et al., 2011).

Today, a plethora of products is freely available in pharmacies, health food stores, grocery shops and all over the Internet. Furthermore, many of those products are aggressively marketed using attractive claims such as rapid and easy weight loss, totally safe and 100 % natural (Hackett & Krska, 2012). This reflects the potential of alternative products and methods in weight management. Most of the individuals suffering from such a problem would be delighted to find an efficient and relatively easy way to lose and control weight (Poddar et al., 2011).

In Sweden, food supplements and weight loss products are classified as food by law. The institution Svensk Egenvård (Swedish self-care) is behind Sweden’s only certification within the field of self-care, and they are the Swedish representative in the European trade organization Food Supplements Europe⁵. Besides, Svensk Egenvård is considered as a formal consultation body of the Swedish legislation. According to them, it is a responsibility of the business operator (including producers as well as importers and resellers) that its products fulfill all the legal requirements. The specific requirements for

⁵ Svensk Egenvård website. Available at http://www.svenskegenvard.se/in-english/.
food supplements and weight loss products are stated in the food legislation and also in the Food national industry guidelines.

In this scenario of mistrust, solutions based on pre-, pro- and symbiotic or in a combination of those, are still perceived as a promising alternative. The increase in the number of recent scientific publications connecting the role of the human microbiota in obesity and weight maintenance (Ley et al., 2005, Ley et al., 2006, Turnbaugh et al., 2006, Turnbaugh et al., 2009, Delzenne, Neyrinck & Cani, 2013) and the reputation of probiotic products are fueling the development and commercialization of symbiotic products for weight control.

3.2 Strategic Planning

One of the ways that a business can deal with the uncertainties of today’s every changing marketplace is by defining strategic plans (Skokan, Pawliczek, Piszczur, 2013). According to the definition in the Business Dictionary, a strategy is the art and science of planning and coordinating resources aiming to, for example, achieve goals or solve a problem efficiently. No plans can be traced without an appropriate preparation and therefore a company to effectively achieve its goals and/ or solve problems need to first define plans. The first step for defining a strategy is to make an assessment of the current situation and resources and define what are their future goals.

Strategic planning is an important tool for the creation and establishment of a new company and its products and or services in a giving market (Wong and Saunders, 1993; Skokan, Pawliczek, Piszczur, 2013). It helps business to take advantage of opportunities, minimize risks and overall be more efficient and successful (Wijetunge & Pushpakumari, 2014). It should include the comprehensive analysis of the external environment and the company’s internal resources. Following this analysis, the company can then formulate objectives and a strategy to achieve those goals.

Strategic plans should also include a measure of flexibility in order to allow adjustment to unexpected changes in the market. It is advisable that companies evaluate it’s long-term strategic plans annually in order to keep it updated and make necessary adjustments as necessary (Aslem, 2007). Additionally, strategic plans can also help companies align internally, helping organizations to work better and understand how to compete for the future.

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3.2.3 SWOT analysis

The SWOT is a strategic analysis tool broadly used to access the company’s internal (i.e. value chain, resources, etc) and external (i.e. it’s competitors, market, and the general business environment) environments. It is one of the tools used to perform the situation analysis in the strategic planning. SWOT resume the strengths, weaknesses of the company together with the opportunities and threats that it faces in a given situation (Figure 1). Moreover, the SWOT displays critical factors that management teams have to consider when taking important decisions (Kotler et al., 1999).

![SWOT Analysis Template](image)

**Figure 1**: SWOT analysis template

In startups and small businesses, SWOT can be used to guide important decisions regarding both product development and marketing strategies. It can help, for instance, to decide when, where, to whom and how a product can be commercialized (Kotler, 1994).

3.3 The Lean Startup Methodology

The Lean Startup Methodology (LSM) was created by Eric Ries inspired in Steve Blank’s customer development process (Blank, 2006; Ries, 2011). It focuses on the minimization of uncertainty and slack in the product development process by stimulating early interactions with real customers. Lean startup is inspired by the principles of lean manufacturing, successful at the Toyota Production System (TPS), which is centered in the identification and minimization of waste (Emiliani, 2006). Womack & Jones (2003,
pp.15) defined waste as “any human activity which absorbs resources but creates no value”.

The LSM stimulate early customer interactions in order for test, as early as possible, assumptions regarding the business model (Ries, 2011). The assumptions are tested in the marketplace through a series of iterations with real customers (Ries, 2011). A central process of the LSM is the Build-Measure-Learn feedback loop (Figure 2), which is inspired by the Observe, Orient, Decide and Act (OODA) loop developed by the military strategist John Boyd as a tool for warranty success in battles (Richard, 2004).

Figure 2: Illustration representing the Learn-Build-Measure Feedback loop created by Ries (2011). Source: http://blog.makingwaves.com/design/why-lean-facilitates-exceptional-user-experiences/

Blank (2006) defined Product/Market fit as the moment when the startup has found a repeatable and scalable sales model. The achievement of Product/Market fit with repeatable customers with a repeatable sales process is essential in order to the startup scale-up the business (Blank, 2006; Furr & Ahlstrom, 2011).

The LSM also incorporates concepts such as Customer Development (Blank, 2006). Blank’s Customer Development model consists of four iterative phases: (1) the customer discovery phase, which is focused on getting understanding customer problems and needs, (2) the customer validation phase, which is focused on the development of an replicable sales model, (3) the customer creation phase, which is focused on the end
user demands, including how to create and drive it and (4) company building phase, in which the focus switch from learning to growth.

This customer-centric and hypothesis-driven business development methodology has increased considerably its popularity in the last years. However, for being a novel methodology, there is a lack of academic research on LSM and how these principles can be applied in a start-up context (Gustafsson & Qvillberg, 2012). Most of the research done focused on the lean product development process (e.g. Karlsson & Åhlström, 1996; Oppenheim, 2004).

To be successful, a startup must first find a problem for a specific customer group, a problem big enough for the customers to be eager in finding a solution (Furr & Ahlstrom, 2011; Blank, 2006; Ries, 2011). Then, the next step is to validate the problem hypothesis with potential customers and evaluate the segment’s attractiveness before carrying on with the product development process (Furr & Ahlstrom, 2011). Three main aspects to should be considered in this aspect: market size & growth, competition and matching the capabilities of the company with the market (Furr & Ahlstrom, 2011).

3.3.1 Value Proposition and Value Proposition Design Method

The creation of a clear value proposition is considered to be an important factor for the success of products or services in the market. Besides its potential influence in the product development and design, it is also a guideline for the marketing and commercialization processes. In an organizational level, it can give a common ground for team members which by having a shared understanding will work more efficiently to achieve the company goals (Osterwalder et al., 2014).

By creating products and services that customers want can increase the chances of achieving an efficient market-fit (Andreessen, 2007). Therefore, tools such as the business model and value proposition design methods, including the business model canvas (Figure 3) and value proposition canvas (Figure 4), can be important in the development of a strategic plan, including activities such as product development, marketing, and commercialization.
The value proposition is the definition of the specific benefits that customers can expect from given products or services. The value proposition canvas consists of two main components: the customer profile and the value map (Figure 4). The customer profile is defined based on the analysis of customers’ characteristics observed, assumed and verified in the market while the created value are the benefits designed into products or services to attract the customers (Osterwalder et al., 2014).

Specific customer profiles should be prepared for the different customer segments of a company. In the value proposition canvas the customer segments are described in a more detailed and structured way, including their “jobs” (i.e. what kind of problems the customers are trying to solve, as expressed in their own words), “pains” (i.e. negative outcomes, risks and obstacles linked to their “jobs”) and “gains” (the final outcomes or benefits that the customers want to receive) (Osterwalder et al., 2014). The value (proposition) map includes the structured and detailed description of the features of a given value proposition. It consists of a list of products and services in which a value proposition is built around, the “pain relievers” (i.e. a description of how that specific product or service alleviate customer pains) and the “gain creators” (i.e. a description of how specific products or services create value for the customers)(Osterwalder et al., 2014).

The main goal when creating value proposition canvas is to optimize the “fit” between the customers and the offers of a company. The “fit” is achieved when the “pain

Figure 3: Business Model Canvas highlighting the components of the value proposition canvas (Osterwalder, 2012 adapted by Blank, 2014).
“relievers” and “gain creators” produced by products or services match one or more relevant “gains”, “pains” and “jobs” of the customers (Osterwalder et al., 2014).

Figure 4: Value proposition canvas (Adapted from Osterwalder, 2012)

The customer jobs are defined as the problems or tasks that the customers want to get resolved and needs that they want to get satisfied. They can be classified into three types of jobs: functional jobs (related to the performance or completion of a specific task or the solution of a specific problem), social jobs (related to the perception created by the customers in their social environments) and personal/ emotional (related to a specific emotional state). The analysis of the jobs should take into consideration the context in which they are performed (Osterwalder et al., 2014).

The customer pains are the factors that disturb the customer before, during and after the solution of their problem or need. It can include risks and negative outcomes related to the solution of the problem or need. They can be classified as extreme or moderate. The customer gains are the benefits or outcomes expected by the customers. Gains can be classified as required (having to be included in the solution), expected (but not completely necessary), desired or unexpected (which are beyond the customer’s expectations) (Osterwalder et al., 2014).
Chapter 4

Methodology

This chapter presents the methodology used in this master thesis, which included a case study of a new company active in the nutraceutical sector. In the section below, the research process is presented and described.

4.1 Research approach

Briefly, this research focused on the proposal of a strategic plan based on LSM to a new symbiotic product of a nutraceutical startup to be re-launched in the Swedish market. The preliminary product development and strategy developed by the case company was briefly evaluated. Finally, insights for the development new strategic plan based on the analysis of the internal and external environment with SWOT and LSM, focused on the design of a value proposition using the value proposition design method, was proposed.

4.2 Research paradigm

This research relies on the interpretivism paradigm. According to the definition of Collis and Hussey (2009), this paradigm is associated with the use of qualitative methods of analysis based on qualitative data. The qualitative data used in this study were collected from in-depth interviews containing open-ended questions with key members of the case company and also potential customers. Empirical studies based on qualitative data are generally focused on understanding and are process oriented, giving a holistic perspective about the object or situation of the research (Ghauri, Grønhaug & Kristianslund, 1995; Strauss & Corbin, 1998). To achieve the holistic perspective it is necessary to take all the elements necessary regarding the object of study into consideration. In a case study scenario, the use of qualitative data is considered appropriate when available knowledge about the object of study is scarce (Patton, 1990), as in the case of the current research.

4.3 Data collection and analysis method

This research included the collection of primary (i.e. interviews) and secondary data (i.e. already published information, such as books and articles). Data for the literature review
was collected in the general literature (online and offline articles, books, websites, dissertations, reports, etc). It included data about the nutraceutical industry, symbiotic products, strategic planning and LSM.

The empirical study counted with interviews with company members (two co-founders who were responsible for the product development, marketing and commercialization efforts until the conclusion of this research) and six potential customers. All of those were semi-structured interviews, carried out using previously prepared questionaries. More details regarding the interviews are provided in the following sections.

It also counted with two workshops with the company co-founders: an initial meeting in which the tools of the LSM used in this study were presented and the first value proposition was created and a second workshop in which the outcome of the research was presented and discussed.

4.3.1 Internal Analysis

The study started with a preliminary analysis of the company situation and current strategies. It counted with two interviews with the case company co-founders, in which information about the company history, product details, vision, mission, business model and strategies were accessed and discussed. Part of this information is presented in the empirical study (i.e. the data necessary for the design of the value proposition canvas and SWOT analysis) while part of the information considered as confidential was shared only with the author of this thesis (i.e. business model). The confidential information was provided with the purpose of giving a general understanding necessary for the development of proposals for the new strategic plan.

4.3.2 Value Proposition Design

The value proposition canvas is an analytical tool created by Osterwalder and collaborators (2014) as a plug-in to the business model canvas. It is composed of two main components, the value map, and the customer profile.

4.3.2.1. Value map

As aforestated, the value map describes in details the features of a specific value proposition. It is composed of the products and service characteristics, pain relievers (i.e. how the company’s products and services alleviate the customer pains) and the gain creators (i.e. how your products and services create gains to the customers).
The value map of the case company investigated in this study was built based on the information provided by the two co-founders of TSL in a workshop, when a business model canvas and a value proposition canvas were prepared for further comparison with a new value proposition canvas proposed by the end of the study.

4.3.2.2 Customer Profile

The customer profile was created for the case company’s (TSL) Weight Loss Program based on the method presented by Osterwalder and collaborators (2014). The data used for the creation of the user profiles was obtained through in-depth semi-structured interviews with six potential customers, which today experience weight problems and are actively looking for solutions for this problem.

Since Osterwalder et al. (2014) recommended taking the customer’s perspective during the investigation of the jobs, pains and gains interviews with prospective customers were performed with this purpose. The templates including “trigger questions to help to find customer jobs, pains and gains” available at Osterwalder and collaborators (2014) was used as a source of inspiration during the formulation of the open-ended interview questions and taken into consideration during the interview.

4.3.3 SWOT Analysis

SWOT analysis was used as an analytical tool for aiding in the strategic planning, being a preliminary decision-making tool that set the stage for the proposal of the information to be used in a new strategic plan. The primary goal of strategic planning is to equilibrate the company with the external environment in order to the company maintain this balance over time (Sackett, Jones, and Erdley, 2005).

The SWOT analysis performed during the course of this research was done as described by Harrison (2010). An initial analysis was prepared in collaboration with the two co-founders of the case company in a workshop in order to access the current strategies and their awareness regarding the external situation (data not shown) and a final one, presented as a result of the current research. The final SWOT analysis was prepared in order to evaluate the strengths, opportunities, weakness and threats related to the nutraceutical sector.

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4.4 Limitation

Due to the limited timeframe of this study, only a reduced number of interviews (six in total) could be performed. Considerations regarding future strategic planning were provided in order to the case company to decide whether they will use the LSM to develop further strategic plans (e.g. marketing and commercialization plans) or not. Therefore, it was not possible to analyze the level of improvement of the implementation of the new strategy inspired on the LSM in the case company. Insights about this were suggested based on the literature only.

Limited academic research has been conducted to assess the validity of LSM and since there are not so many data published to the present moment about the application of the LSM in the nutraceutical sector it can also be considered as a limitation. The strategy will not contain data regarding the business model since this was an information that the case company decided to maintain confidentially.

4.5 Delimitation

Even though the case company has future plans of expanding into the global market, this research will be performed considering mainly the competitors active in the symbiotic/ nutraceutical sector in Sweden.

Although marketing strategy is part of the new product development and the definition and characterization of the customer segments and definition of the value proposition are parts of the LSM we will delimit this research to those specific topics.

4.6 Ethics and Sustainability

Different ethical considerations were taken into account in this master thesis. The researcher performed individually all the activities related to the research process (i.e. the research design and the process of acquiring, recording and examining the findings). In order to maintain academic integrity, the interviews were recorded and transcribed for further analysis. The personal data of all the individuals interviewed in this research were maintained confidentially. Since some of the information provided by the case company was considered sensitive, part of it needed to be kept confidential.

The World Commission on Environment and Development describes sustainability (1987, p. 43), as meeting “the needs of the present without compromising the ability of the future generations to meet their own needs.” The subject of this research, the nutraceutical industry, contributes to the improvement of health which can lead to future improvements of the health systems worldwide. By making nutraceutical products
available to a higher number of people it can be possible, for example, to decrease substantially the number of deaths related to chronic diseases such as obesity. Therefore, it is possible to affirm that the case company can contribute to the creation of a more sustainable and healthy future.
Chapter 5

Empirical Results and Analysis

This chapter focuses on the analysis of the case company based on the findings from the research in this master thesis. The analysis was performed using the theoretical framework regarding the Nutraceuticals sector, strategic planning, and SWOT analysis, LSM, and value proposition design. The analysis is divided into three parts, firstly is presenting the current situation of the case company including their historical information and current value proposition, followed by the evaluation of the customer demands and the analysis of the process of defining a strategic plan to the case company using the LSM approach. This consisted of a SWOT analysis, internal and external analysis and of the value proposition design using the value proposition canvas.

5.1 Current situation of the strategic plan of the case company

The current strategic plan of the case company was investigated through an initial interview with the company’s co-founders. Those shared the history of the company, including details regarding the funding and product development processes as well as details regarding the previous attempt to launch the first product lines (TSL Weight Loss Program and TSL Cookbook) in the Swedish market. This information is described in the following sub-sections.

5.1.1 General Overview

According to the information obtained during the interview, the case company did not follow a formal process, defining a strategic plan, bypassing few steps and processes in order to diminish the time-to-market. Moreover, the company did not invest time to define a structured strategic marketing plan or a business plan yet.

The case company has as a general goal to increase the awareness regarding the importance of a healthy gut microbiota in general health. The company aims to achieve this goal through the commercialization and marketing of symbiotic products. According to them, the TSL will have multiple product lines including programs based on symbiotic products, pro-, pre- and symbiotic products as well as books. Besides, they will focus on sharing scientifically-based information through their website, blog, and profiles on social media (e.g. Facebook, Instagram, Twitter). The company wants to differentiate itself in
the market by “being the market leader in the supply of holistic programs and information for health maintenance and improvement based on pro-pre- and symbiotic products”, which is their current value proposition.

Due to the recent trends regarding the increase in the incidence of obesity and overweight, the case company decided to make it’s introduction in the Swedish market commercializing a symbiotic-based weight loss program, the TSL Weight Loss Program. The program was conceptualized by Niklas Axelsson, who is an experienced Microbiologist that has been running other businesses in the Biotech sector in Sweden for over 20 years. It is based on the adoption of a restrictive diet in combination with the daily consumption of prebiotics, probiotics, stimulators and enhancers.

In a first attempt to launch TSL products in the Swedish market, both the TSL cookbook and TSL Weight Loss Program were commercialized through direct sales and via the e-shop (available at www.tsl.se). The direct sales were performed by the co-founders and their collaborators to members of their network, including the employees of their other companies. In parallel, they created company profiles in social media (e.g. Facebook) for sharing information about the program. Since they did not have a structured marketing plan to follow they could not measure the success of the implementation or neither can actually precise which was the exact cause of their failure. Also, this was not a scalable model, and was implemented as an initial test. According to them, a possible reason for the initial failure was the lack of a fully functional IT platform.

When investigating their market awareness it became clear that the TSL team is not fully aware of their competitors in the Swedish market. Even though they demonstrate a comprehensive knowledge about the main companies commercializing probiotics, prebiotics and symbiotic products they lack specific knowledge regarding the weight loss market in Sweden. Their knowledge regarding their target customers is still limited and based mostly on assumptions and they lack a specific value proposition for the actual customer segments. Therefore, they could not create an efficient marketing campaign to help in the promotion of theirs offers.

5.1.1.1 Main Products

As aforementioned, the TSL Weight Loss Program is a dietary program created to aid individuals to lose weight at the same time that they improve general health. The program is based on scientific researches that have been proving the impact of the gut microbiota in general health and in diseases, including asthma, light depression, allergy, and obesity. According to different studies, the inclusion of beneficial bacterial strains and other related supplements (i.e. probiotics, prebiotics, and synbiotics) into the
individual dietary habits can improve the microbial population content in the lower intestine. This improvement can minimize or prevent the development of chronic conditions which can impair general health.

The program is composed of a complete informative material, including the guidelines to be followed during the program, as well food supplements such as symbiotic pouches and prebiotics and enhancers capsules. Additionally, the case company developed a cookbook (The TSL Cookbook) which contain scientifically based information and recipes tailored according to the guidelines of the program. The weight loss program is subdivided into four phases: the cleansing phase, the adjustment phase, the treatment phase and the sustainable phase. According to the initial plans, both products would be commercialized exclusively via the webshop and the marketing would focus on online advertising.

5.2 Creation of the Customer Profile

The creation of the customer profile was performed in two steps: Firstly with the selection and qualification of a group of individuals which were interviewed for the collection of specific customer data followed by the design of the customer profile using the methodology proposed by Osterwalder and collaborators (2014).

5.2.1 Qualification of the prospective customers

The interviewees were interviewed individually and each interview lasted from one to one and a half hours. Before the beginning of each interview, the interviewees were ensured that their personal information and identity would be kept anonymous.

The interviewees sample was composed of five women and one man with ages between 25-35 year old resident in Stockholm, Sweden. Most of those were workers with only one of the women being a post-graduate student. They were selected randomly based on the following qualifying characteristics: (1) all the selected individuals consider to be overweight (2) all the selected individuals are currently looking for a solution to losing weight and/ or (3) are currently following a weight loss program or using products for weight loss. Almost all the interviewees have tested different weight loss programs in Sweden (at least one program/ strategy per person and mostly more than one alternatives per person). These individuals were grouped in one category (young professionals) characterized as follows according to their lifestyles:

Young professionals - Workers that have hectic routines and an active social life. They eat out regularly and cook for themselves when at home. They have difficulty in
following their diets when they are traveling abroad or on vacations. The majority has a
partner and some of those have kids. They are equally interested in improving their
health and aesthetics. They are also interested in understanding their bodies and to
know how they can lose weight in an efficient, long lasting and healthy manner. The
main problems identified was a lack of time and the need for practical solutions to
support their diets and weight loss restrictions and requirements. Details about their
main pains, gains and jobs are described in the next section.

5.2.2 Customer Profile Design

After an initial screening of the data from all the interviews the jobs, pains and gains
were selected and ranked according to their importance, severity and relevance
respectively. The most relevant jobs, pains and gains identified were used in the creation
of the customer profile in the value proposition canvas. Regarding the jobs, it was
possible to observe mostly functional and social jobs. From the six interviewees it was
possible to identify the following common jobs:

- To be healthier adopting healthy dietary habits.
- Persistence to succeed in a dietary program.
- To be able to adapt the diet, alimentary restriction and/ or supplementation to
different conditions, including travels, social situations, events and celebrations,
family life, among others.
- To “look good” and “feel good” aesthetically.
- To understand how the body works and the mechanisms related to weight gain
and loss.
- To “feel good” having more energy and diminishing secondary health issues.

Regarding the pains, it was possible to identify the following common ones:

- Social life during restricted diet programs. Too strict diets, sometimes difficult to
friends, partners and family member adapt and collaborate.
- “Boring, tasteless food”.
- No sufficient free time for exercising regularly.
- Having to cook different types of meals for the rest of the family.
- To be able to be on a diet for a long period of time.
- Not being able to eat the things that they love.
- “Busy life with hectic routines”.
- Not really understanding the diet and if/ how it is possible to adapt or modify it
without changing the results.
- The high price of some of the diets in comparison with the results.
- Keeping positive, motivated and happy during the program. “Having fun”.
- Not having support to endure the challenges of dieting. Need to have someone to share the experience.
- Difficulty in keeping track of the progress during the diet process.
- Not feeling satisfied with the diet food. Feeling hungry all the time.

Regarding the gains, it was possible to identify the following common ones:

- Health improvement.
- Healthy weight loss.
- Better body shape/ aesthetics.
- Tasty food and drinks, pleasant to eat, including varied menus.
- Fast results.
- Having a healthy routine.
- Relatively easy to execute exercises with different alternatives to be possible to execute during vacations and travels in general.
- Being more aware of their body and how to improve it.
- Easy to find food and beverages that they can consume in common social environments (e.g. restaurants, bars, hotels, etc).
- Easy to access information/ support about their progress during the dietary program.
- Good results in a reasonable cost (mostly up to 500 SEK for diet programs per month).
- Easy to follow and to understand program instructions and guidelines.

In order to select the most relevant jobs, pains and gains those were ranked and the most important, extreme and essential were included in the value proposition canvas in the section related to the customer profile. The value proposition canvas designed in this study is presented in Figure 5.

### 5.3 Value Proposition Design

Since neither the co-founders were familiar with the LSM a brief introduction of the LSM and analytical tools used in this study (i.e. business model canvas and value proposition canvas) was provided after the first interview, in a workshop. This consisted of a practical exercise designing the case company business model using a business model
canvas (data not shown) and the value proposition canvas. The resulting value proposition canvas is presented in Figure 5.

Both company members interviewed contributed actively to the completion of the canvas. They perceived the LSM tools as positive for obtaining a snapshot of the main aspects of the business, having a holistic view of all the components of the business and how key components connect between each other. During the creation of the value proposition canvas, it became clear that the case company needs to improve its knowledge regarding their customer’s pains, gains, and jobs. Furthermore, they consider also relevant to know how these potential customers are solving the problem today, in order to create and provide a superior offer as well to be able to design an efficient competitive strategy.
Figure 5: Value proposition canvas designed in collaboration with the case company's co-founders.
5.2 External Analysis

The external analysis counted with the data collected during the literature review about the factors that regulate the nutraceutical sector in Sweden summed up with the data collected in the interviews with potential users regarding the current competitors and substitutes of the TSL Weight Loss Program. This information is presented in the following sections.

5.2.1 General Overview

The external analysis in this research counts with a bi-dimensional analysis: the analysis of the functional food industry and a brief analysis of the weight loss product suppliers currently active in the Swedish market. Both segments have been powered by global Megatrends regarding the increase in the incidence of chronic diseases, including obesity in the world’s population and the increase of the interest in adopting a healthy and sustainable dietary habits and lifestyles.

For instance, the market of functional food has grown rapidly worldwide in the last years. Fueled by a crescent number of scientific discoveries in the field of Medical Microbiology (with a focus on the role of indigenous microorganisms in health and disease), a number of products have been created to improve the human gut microbiota. Probiotics, prebiotics, and symbiotic are considered as the strongest and clearest trend among the Functional Food sector. The market of dietary supplements based on probiotics is growing in double digits\(^8\), and it is unquestioning that the industry will continue growing propelled by new positive clinical studies that are being continually reported.

Today, the main competitors in the Symbiotic sector are Swedish companies such as Probi, BioGaia and Valio and larger suppliers such as Danisco and C Hansen. Other companies active in the Nutraceuticals industry in Sweden are Synbiotics, Lavivo, and Probion. However, companies providing generic products with unknown functionality can also be perceived as competitive threats. None of those companies pursue a product specific for weight loss and weight maintenance or offer a holistic program to aid weight loss with a symbiotic supplement and dietary program.

According to the data found at the *Folkhälsomyndigheten* website\(^9\) (The Swedish Public Health Agency) in 2015, 27.8% of the woman and 41% of the men population were considered overweight or obese. Many of those were under weight management treatment, performed without appropriate medical supervision. More and more

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\(^8\) Nutraceuticals: The future of intelligent food. Where food and pharmaceuticals converge. KPMG, 2015.
commercial operators are offering weight loss products online. As aforementioned, the weight loss market in Sweden is more complex being divided for the purpose of this research in three major groups of products and services as, for instance, (1) restrictive alimentary diets, (2) dietary programs based on specific dietary restrictions in combination with exercise routines and online support and (3) dietary supplements specific for weight loss.

As examples of each group it is possible to mention restrictive diets such as 5:2 diets, Nordic diet, Paleo and LCHF (group 1), the app Lifesum based on calories restriction counting and ITRIM, GI Viktkoll, Viktväktarna (Weight Watchers), Xtravaganzza, Viktklubb, and Prener (group 2), traditional pharmaceutical medication including Xenical and Acomplia and also products commercialized via popular channels such as Axellus/Nutrilett, Allevo, Herbalife, and Naturdiet (group 3). Many of those were mentioned during the interviews with the potential customers and some of the interviewees have tested one or more of those, sometimes different strategies at the same time.

A study performed by Heikius (2011) shows that many companies which offer weight management solutions operate on a franchise basis (e.g. ITRIM, Prener, and Xtravaganza). Another group consists of Internet-based operators who advertise particular weight loss products. These include, among others, Cambridge Weight Program, and Allévo. Viktklubb.se and GI Viktkoll are networked weight maintenance clubs operated by or that cooperates with media companies.

Regarding the regulatory framework, the acquisition of the certification for “safe food supplements for consumers” and “safe weight loss products for consumers” from Svensk Egenvård (Swedish self-care) enables companies to ensure the safety of its products.

5.2.2 SWOT Analysis

One of the main objectives of startup companies is to be able to succeed in the challenging and ever-changing business environments enduring fiercely competitive markets. For that, it is essential to develop comprehensive strategies, including strategic plans. The design of strategic plans is based on a deep understanding of the enterprise ecosystem, which comprises elements of the internal and external environments including customers and its demands.

In this research, the SWOT analysis was used as an analytical tool to access the case company environment. The SWOT analysis allows the overview of the case company situation based on the analysis of four different dimensions: the company’s strengths, weaknesses, opportunities, and threats. The analysis of the strengths and weaknesses
are based on the data from the internal environment while the opportunities and threats are analyzed using data from the external environment.

It was performed a SWOT analysis to aid in the proposal of a strategic plan for the case company, including relevant data regarding the nutraceutical sector as well opportunities and threats offered by the weight management competitors. A summary of the SWOT analysis based on the current Nutraceuticals landscape and weight management competitors in Sweden is presented in Figure 6 followed by an extensive description.

![Figure 6: SWOT analysis containing the main strengths, weaknesses, opportunities and threats faced by the case company (TSL).](image)

**Strengths**

- The case company is the first in the market to provide a complete program based on symbiotic products for weight loss.
- Both the TSL Weight Loss Program components and the TSL Cookbook have a premium quality.
• The case company has already planned to develop and produce new product lines which can warrant them a prominent position in the Swedish market. Those complementary lines including supportive products and services (e.g. online assistance) differentiate the case company from its current competitors in the weight loss segment.

• Another remarkable element of the case company is the skills of the team, which counts with co-founders with extensive experience in the Scandinavian market both in the biotech sector as well in e-commerce.

• The product will be commercialized through an IT platform created to enable a seamless experience for its customers, which will be able to purchase the TSL products as well to keep continuously informed regarding their personal progress in the program as well accessing 24 x 7 supportive information.

• The supply chain counting with an internationally renowned supplier of bacterial products as well a highly-efficient logistics system with enabling a high-performance production and distribution of the TSL products.

• The company uses well-characterized bacterial strains safe for human consumption, backed up by a large amount external of scientific data.

Weaknesses

• The case company has chosen a very niche market introduction with limited knowledge about the market key characteristics regarding the main players/competitors and consumers of weight loss products. This approach can prevent them to be able to explore the market full potential.

• Low awareness of the customers about symbiotic-based products in general and about symbiotic-based weight loss programs.

• Another negative aspect of the case company is its limited resources, both in terms of personal and financial assets. Today the company has limited marketing know-how both in the weight loss branch and also in the Nutraceuticals industry. This is an area which requires technical-scientifical skills but also psychological skills. As noted in the interviews with potential consumers they related the success of a weight loss program with some key components such as e-support and the possibility to have a follow up to check their progress which could support both via online and offline channels as well the creation of online and offline groups for experience exchange.

• The lack of a patent or any other legal protection for their products (e.g. product composition, bacterial strain, etc).
• The lack of scientific collaborations or internal R&D to build internal scientific evidence regarding the efficiency of its symbiotic products.
• Lack of scientific research and own treatment results (i.e. proof of concept)
• The current lack of partnerships and networks with media influencers.
• Limited possibility of personal support and/or behavioral therapy.

**Opportunities**

• Current trends related to the use of Nutraceuticals as preventive health care due to the increase of the awareness of the consumers about the impact that dietary habits have in health and disease.
• The big companies in the nutraceutical (symbiotic) sector, with a great relevance in the market, are helping to build the reputation, which can potentially help the acceptance and adoption of new symbiotic products developed by smaller companies.
• Current actors in the weight loss scenario which today are perceived as competitors and substitutes for the adoption of a symbiotic-based weight loss program can become potential partners in the future. The TSL weight loss program structure allows the development of strategic partnerships that can aid in the diffusion of the TSL products in the market.
• Partnerships can be potentially developed with companies active in the food and fitness industry. Since the TSL program is based on the ingestion of health food products in combination with the symbiotic and prebiotic supplements and exercises, collaboration with organic and healthy food producers and distributors as well with restaurants and other outlets that commercialize foods and beverages. Personal trainers and gym clubs could also become potential partners.
• Increasing numbers of Swedish people decreasing the consumption of processed food and increasing the consumption of “real food” (e.g. vegetables)
• The aging phenomena of the population, giving rise to lifestyle-related diseases, including chronic diseases which can be minimized by healthier choices earlier in life including obesity prevention through symbiotic-based weight maintenance.
• There is still a plenty of room for growth in the market of weight management and weight loss products in Sweden. The proportion of people suffering from overweight and obesity is expected to continue growing steadily, which can be reflected in the expansion of the consumer base of people interested in weight loss solutions.
• There is a strong focus on dieting and keeping fit among the general population in Sweden.
Threats

- As for other companies in the nutraceutical industry the competition with the pharmaceutical companies can be perceived as a great threat.
- The competition with the food industry, which has strong expertise in large-scale manufacturing and global logistics that can reach mass markets of consumers. However, the companies in the food industry today do not pursue advanced research expertise.
- The increase of the general public interest in “real food” trends which can undermine the demand for weight management products.
- Changes in the regulatory framework and the requirement of strict proofs to support the claims.
- Increasing skepticism about weight management products.
- The presence of well-known and trusted brands such as Axellus’s Nutrillet which has a longstanding presence in the Swedish weight loss market. Such brands are supported by strong advertising campaigns and are often extended with the addition of new variants.

5.3 New Value Proposition Canvas

A new value proposition canvas was designed in order to evaluate the match between the value initially created by the case company and the customer needs to be verified during this research. A new customer profile was created based on the information collected from the potential users interviewed. This also enabled the verification of the assumptions used to build the customer profile in the first value proposition designed in this research (vide Figure 5). The information added in the value map was the same provided in Figure 5. The new value proposition canvas is presented in Figure 7.

It was possible to observe that the problems faced by the customer do not fit well the solutions provided by the case company. Even though the case company demonstrated some knowledge regarding the customers needs, it was possible to notice that they missed some details regarding the customer’s needs in their daily routines. For instance, customers jobs seem more extensive than described by the company owners. The pain relievers initially proposed did not address the main customer pains. Therefore, by refining the value map and value proposition based on the active customer profile built on this research can improve the company capabilities in understanding the customers needs, achieving a better problem-solution fit on the paper and further product-market and business model fit.
It is important to highlight that according to the value proposition design methods, Osterwalder et al. (2014) suggests the creation of the customer profile prior the creation of the value map and the definition of the value proposition. The customer profile displays the company understanding about their customers and this information is used when defining how the company will create value to their customers.
Figure 7: Value proposition canvas designed based on the customers interviews (customer profile) and the information provided by case company’s co-founders (value map).
5.4 Considerations Regarding Future Strategic Planning for the Case Company

The creation of a strategic plan can be an important procedure during the re-launch of the case company products in the Swedish market. It might help TSL to take advantage of current market opportunities, minimize risks and overall be more efficient and successful. One of the goals of this research was to provide relevant data for the development of a strategic plan for the case company. Therefore, it was presented a comprehensive analysis of the external environment combined with the company’s internal resources based on the value proposition design and SWOT analysis. Following this research, the case company will be able to formulate objectives and a strategy to achieve those goals, such as the preparation of a business plan.

This research also aimed to contribute to the evaluation of the potential of introducing the LSM to the case company. The case company has not developed a structured strategic plan to lead the first attempt to launch of the TSL products in the Swedish market – The plan was to “get into the market as fast as possible”. This resulted in a failed and now they are aiming to develop a strategic plan to guide the re-launch of its products in the Swedish market. According to Ries (2011), it is possible to learn through business experimentation processes and, as a result, to turn products and services insights into successful companies.

Prior the realization of this research and the workshops, the company co-founders perceived the LSM as “an academic and nonpractical procedure”, which would demand resources in terms of time for personal training and implementation with unclear or undefined benefits. However, this opinion changed after the introduction of the LSM principles and tools during the course of this research. The value proposition design was used as an aid to improve the case company knowledge about their customers and to give insights about how to match the market demand. According to Blank (2014), the value proposition design is a must have for any new company in order to capture the core issues related to the understanding and finding the customers problems and to design and validate efficient potential solutions.

The results of the value proposition design experiments revealed that it was possible to access the current fit between the company offers with the customer demands. The co-founders of the case company recognized the value proposition design method as positive, as well the definition of the business model using a business model canvas (data not shown). They agreed that by brainstorming and structuring the data helped them to get a holistic view of the business and recognize the points that need to be improved. In terms of product development, as aforementioned the application of the LSM can result in a better fit between the customer need and technology.
The case company aims to use part of the data collected in this research as a starting point for the creation of a business plan. Therefore, it was a relevant to apply LSM tools such as the business model canvas and the value proposition canvas to evaluate the current situation of the company and educate the company members regarding the application of those tools. Since the present research did not aim the development of a final business model and/ or value proposition it is recommendable that the case company review this data validating the business model components in the market in small experiments. Without a comprehensive and realistic understanding of the business and market opportunities, the preparation of an extensive document such as a business plan can become not advisable.

An interesting observation is that the first value proposition canvas was created when the product was already developed. Therefore, it was based mostly on existing product’s features. It was a reverse path compared to the design method proposed by Osterwalder et al. (2014), in which first the customer needs need to be identified and addressed in order to develop an adequate value proposition and product/ service. Therefore, the re-design of the value proposition canvas can become a useful tool to be applied in further developments of the current products (i.e. TSL Cookbook and TSL Weight Loss Program) as well in the commercialization and marketing of these products during the relaunching. For that, it is recommended that the case company re-examine the customer profile and adopt a customer-focused product development approach. It is also advisable for them to review their solutions if order to improve the fit with the customers in the market.

During the initial analysis of the case company internal capabilities, it was observed that the main focus of the case company was in customers interested in a healthy lifestyle looking for health improvement. No attention was given to the current status of concurrent weight loss programs, including products and services. By using the current strategy, the case company can be restricted to customers of the functional food market interested in weight maintenance supplements instead of incorporating new consumers, which today use weight loss competitors’ products and are not aware of the existence of symbiotic-based products for weight maintenance. According to the consumers interviewed (which none of them demonstrated an initial interest in Nutraceuticals in general), some of them would be potentially interested in such products and perceived the TSL program as an attractive alternative for weight maintenance.

Comparing both value proposition canvas (prior and after the analysis) it was possible to observe that an important factor that was not initially taken into consideration by the case company was the creation of an offline presence through partners and/ or distributors. It could help to increase the case company brand awareness and to enable
direct feedback from the customers. According to the interviewees, the ability to find the TSL products offline could also help to increase the credibility.

Strategies can help companies to obtain leadership positions by delivering superior customer value. According to Porter (1980), companies that pursue a clear strategic plan are better qualified to face competition, minimizing the risks of failing. To maintain a competitive edge, in the long run, the company should strive to deliver superior value, thus understanding the value that it offers to its customers. In the case of startups, to be successful, it must first find a problem for a specific customer group which is big enough for the customers to be eager in finding a solution (Furr & Ahlstrom, 2011; Blank, 2006; Ries, 2011). Then, the next step is to validate the problem hypothesis with real customers and evaluate the segment’s attractiveness before carrying on with the product development (Furr & Ahlstrom, 2011). Three main aspects to should be considered in this aspect: market size & growth, competition and matching the capabilities of the company with the market (Furr & Ahlstrom, 2011).
Chapter 6

Discussion

This research evaluated aspects to be considered during the definition of strategic plans for companies in the nutraceutical sector, including a case study in a startup commercializing symbiotic-based products. For that, it was relevant to evaluate factors that influence the Nutraceuticals industry as well key elements that should be considered in the strategic planning. Despite the lack of publication in the literature focused on the evaluation of the application of this methodology, this study demonstrated that the adoption of LSM can confer a potential advantage to companies developing and commercializing symbiotic products. Such dynamic entities can use research data provided by the scientific community to smartly take advantage of the raising opportunities in the consumer market for health-enhancing foods. By defining structured close to market development strategies these companies can develop products as a direct response to the market demands.

Despite the crescent acceptance of consumers towards Nutraceuticals in general (including symbiotic products), one of the challenges of the Nutraceuticals industry is still to persuade people to make better choices about their diets. Therefore, companies that want to invest in the development of the internal competencies and the team, should consider the acquisition of expertise within nutrition and food supplements. In the case of the case company evaluated in this research, the acquisition of a comprehensive consumer knowledge and development of relationships with mass market distributors should also be of interest.

Regarding the competition, symbiotic-based products can also be a source of differentiation and such innovative products can have a high bargain power. In a broader perspective, traditional pharmaceutical and food corporations might be of concern. However, those are not traditionally entrepreneurial and face different types of challenges when it comes to bringing new innovations to the market. Investment in research and development to find innovative approaches, verifying health claims of the products and market research represent key strategies for the industry.

Internet marketing has been proven as an accepted channel for the commercialization of functional food, including food supplements (Heikius, 2011). This can be an opportunity for the case company, which plan to focus in the e-commerce. However, the creation of an offline presence through partners and/ or distributors could help to increase the case company brand awareness and should also be considered.
The adoption of LSM methodology can be specifically important for nutraceutical startups. In order to remain competitive and develop game-changing breakthroughs, such companies need to reduce their development times and be more efficient. In the case company evaluated in this research, the use of LSM tools was perceived as a positive for the development of strategic plans and further processes related to the introduction and implementation in the Swedish market and further growth. The fact that the case company is currently preparing the re-launch it’s products in the Swedish is positive since it can be an appropriated moment to start the implementation of the LSM.

The main challenges expected during the implementation of the LSM at the case company are related to changes in the mindset of the company co-founders and employees as well changes in the structure of the company. While analyzing commercialization in the biopharmaceutical industry, Lemmetyinen (2000) observed that small research-intensive firms prefer to place the product development and commercialization as the main focus of the company. This strategy differs from the majority of the businesses, which focus on satisfying the customer needs having the marketing focused on the satisfaction of those needs. And that was similar to the situation observed in the case company, perhaps due to the background and previous professional experience of the co-founders.

As observed in the case company, some founders want to “start big”, aiming to reach a large audience from the beginning instead of growing organically broadening the target groups stepwise. By targeting “anyone interested in their services and products” or using general target definitions, businesses risk of missing the point and failing in their marketing attempts, not being able to reach and interact with the customers efficiently. Therefore, getting real data from the marketing and select target groups to market can be an affordable, efficient and effective way to reach the audience that will buy the products and services and generate business.

The ultimate goal of the case company is to improve the chances of achieving an repeatable and scalable sales model, which according to Blank (2006) is the result of the achievement of an efficient Product/Market fit. To achieve Product/Market fit Blank (2006) recommend the use of a Customer Development model, consisting of four iterative phases: (1) the customer discovery phase, which is focused on getting understanding of the customer problems and needs, (2) the customer validation phase, which is focused on the creation of a replicable sales model, (3) the customer creation phase, which is focused on the end user demands, including how to create and drive it and (4) company building phase, in which the focus switch from learning to growth.
Chapter 7

Conclusions and Future Work

7.1 Conclusions

The primary purpose of this thesis was to increase the understanding about the importance of defining a strategic plan in a new nutraceutical company. To achieve this goal, a literature review, and a case study were carried out. The literature review revealed that few studies concerning strategic planning are applicable to the nutraceutical startups and no study was identified informing about the application of the LSM in such company. The case study provided valuable insights regarding potential improvements that the use of tools of the LSM can bring to the product development and further commercialization, resulting in a successful introduction and maintenance of a product or service in the market. However, it should be pointed out that the case company is still evaluating the possibility of adopting the LSM and in order to get more accurate insights further studies are necessary.

Regarding the RQ1, it is possible to conclude that the use of LSM tools, such as value proposition canvas, in combination with a traditional strategic tool (SWOT analysis) gave the case company a more accurate view of the company capabilities and best ways to explore the opportunities in the market. By challenging the initial product development process, comparing it with a customer-focused approach the case company could invalidate some of its initial assumptions. The use of a value proposition canvas based on real customers’ information can potentially improve the chances of a successful further market fit, decreasing unnecessary cost and waste of resources as experienced in the first attempt to launch the TSL products in the Swedish market. Thus, it is also possible to conclude that the use of LSM tools and practices are suitable for the use in the case company.

In this aspect, it is recommendable to the case company to adopt a customer centered approach and a close to market product development by stimulating early interactions with real customers. The minimization of the level of assumptions through market validation can decrease the risk of new failures in its introduction in the Swedish market as well in new markets in the future.

Regarding RQ2, the evidence presented in this research support the use of value proposition canvas as strategic guidelines that can potentially improve market awareness and give a competitive edge to the case company in the Nutraceuticals fast-paced
market. The awareness about key factors regulating the nutraceutical industry and the weight loss market are essential to confer competitive intelligence to the case company. Also, the identification of company elements that need to be further improved such as specific knowledge about the customer segments in order to define how to approach and market its products. The case company will be able to use the learnings from the development of this research in the preparation of its future strategic plans including the formulation of a business plan. Further studies are necessary to confirm this data focused on the different aspects of the practice of the LSM in other Nutraceutical companies.

### 7.2 Future Work

We would like to continue this research evaluating the effect of the application of LSM in the case company to obtain better insights regarding the suitability of this methodology to companies in the nutraceutical sector. Therefore, a further evaluation of tools and procedures related to the LSM is necessary for the case company management team in order to identify which aspects or tools are interesting to use in different stages and activities of the company development. Practicing LSM concepts defined by Ries (2011) such as validated learning, minimum viable product (MVP) and recommendations such as “pivot if necessary” and to avoid premature scaling before finding a valid business model with a repeatable sales process are appropriate to companies interested in adopting the LSM.
References


Furr, N. and Ahlstrom, P. (2011). Nail it then Scale it: The Entrepreneur’s Guide to Creating and Managing Breakthrough Innovation, NISI Institute, USA.


Chapter 8

Appendices

8.1. Formulary Used in the In-Depth Interviews With Potential Users of the TSL Weight Loss Program

These interviews were conducted as part of the empirical study of the thesis "To Be Lean or Not to Be Lean: Developing a Strategic Plan For a Nutraceutical Startup in Sweden – A Case Study at TSL" by Aline de Santa Izabel Alves.

*Note that the questions used in this formulary were a guideline to the interview. Not all the questions were answered in all the interviews

Part I – Profiling

1 - What is your age?
2 - Are you a man or a female?
3 - What is your main occupation?
4- Do you experience a weight problem today?
5- How do you define your weight problem? What do you believe is the main reason behind your weight problem?
6- Are you actively looking for a solution for your weight loss problem?
7- Are you mainly concerned about your health, aesthetics or both equally? Why? Why do you want to solve this problem?
8 – Do you train regularly? How is your exercising routine?

Part II – Information about the Competitors

9- Which type of weight loss programs do you prefer (Examples: special diets, based on dietary restrictions only, Special diets, including dietary restrictions and the aid of a natural supplement, special diets, including dietary restrictions and the aid of a general medicine)? Why?
10 - Are you a user of a weight loss program today (including special diets and medicine)?
Or alternatively - Why do you use (or don’t follow) a weight loss program today?
11- Have you used another weight loss program before? Which ones? Why?
12- Describe how was the program.
13- For how long did you make use of this program?
14- How much did it cost you per month (approximately)?
15- In your opinion, which were the main benefits of this program? (this question was applied to each program described by the interviewees)
16- Which were the main drawbacks of this program? (this question was applied to each program described by the interviewees)
17- If you stopped using it, why did you stop?
18- How would you describe “the weight loss program of your dreams”?
19 – What are the main problems that you experience when you are under a diet/ weight loss program?
Part III – Awareness about Functional Foods (Probiotic, Prebiotic, and Symbiotic products)

20- What do you know about probiotics/ prebiotics/ synbiotics / Nutraceuticals?
21- Do you use or have you used other probiotic products? Which ones? Why?
(Examples: Proviva/ Actimel/Yakult, Probi pills, etc)
22- In case you use this type of product, where do you buy it? And at which frequency?
   (*In case the interviewees did not know information about functional foods, probiotics, prebiotics and synbiotics a short introduction about this was given)
23- Are you interested in knowing more about how probiotics/ prebiotics/ synbiotics/ Nutraceuticals work? Why?
24- How would you like to know more about it?
   (Examples: books, websites (articles), short videos, seminars, etc).

Part IV – Presentation of the TSL Weight Loss Program Concept

25- Are you interested in knowing more about a probiotic based weight loss program scientifically based that will help you not only to lose weight, but also keep healthy and minimize other health problems such as Asma, Allergy and other Low intestine inflammatory disturbances mainly caused by unbalanced microbiota?

   (At this moment, a brief introduction about the TSL Weight Loss Program was given to the interviewees with a demonstration of the TSL products).
25 – Would you like to test this product? Why?