

The Analysis of the Innovation Factor Can Affect the Success of the Startup Company

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ABSTRACT

The question of how to build a successful startup is always popular in the society. It is difficult to maintain startups for a long time, most startups are not able to last more than two years. Variety factor can lead to the failure of a startup such as investment or company size. The author analyzed a successful startup named BODA ART, and tried to find if its success is related to the innovation factor by using some primary resource like interview questionnaire and financial statement. The result is the innovation is not the main factor to affect the BODA ART, but its core team is the most important one to support company's survive. In the management layer, most of members are ex-staff in in other export company, having the abundant working experience. And they have a strong business-relationship for more than ten years, the loyalty between the CEO and business partners is unbreakable.

Keywords: *Startups, Innovations, Case analysis*

1. INTRODUCTION

Nowadays, startup company became a large tendency in the modern society, which means the market share of it increase a lot. And the age of startup funders are getting younger. In this highly competitive atmosphere, the survival rate of these startup companies are not up to 10%. The name of the case that the author analyzed is BODA ARTS. It is funded in 2016, and main businesses is luxury china. Now, the market value of it has grown to 1.5 hundred million CNY. This is an example of a successful startup. The aim of this essay is to find the strategy use of BODA ART by analyzing its

financial statement and some other primary sources. The research method the author use is analyzing the financial statement of BODA ART and interviewing the CEO of BODA ART about its 4Ps strategy, 4Ps strategy is the best tool to reveal the market position and operation condition of the company. In this research, using the 4Ps strategy can be helpful to find how this company can become successful, and the main strategy the BODA ART use to compete with the competitors in this industry. Then making a correct conclusion about if the innovation can affect this type of companies directly, and summarizing how to improve the startup companies.

2. THE ANALYSIS OF FINANCIAL STATEMENT OF BODA ART

Table 1 financial statement of BODA ARTS

| FINANCIAL STATEMENT | | | | | |
|----------------------------|-----------------|----------------|--|-----------------|----------------|
| Assets | Opening balance | Ending balance | Liabilities & Minority Scholar's Interests | Opening balance | Ending balance |
| Current Assets | | | Current Liabilities | | |
| Circulating fund | 727,431.28 | 733,426.50 | Short-term debt | 10,000,000.00 | 18,500,000.00 |
| Notes receivable | | | Account payable | 2,797,461.65 | 2,026,069.65 |
| Interest receivable | | | Wage payable | 1,843,252.71 | 2,061,013.48 |
| Account receivable | 6,707,247.04 | 5,580,611.84 | Welfareism payable | | |
| Other receivable | 3,284,073.30 | 2,979,971.45 | Dividend payable | | |
| Inventory | 28,413,366.39 | 29,595,614.31 | Other payable | 3,000,000.00 | 3,000,000.00 |
| Total current assets | 39,132,118.01 | 38,889,624.10 | Total current liabilities | 18,102,223.79 | 26,101,870.71 |
| Fixed Assets | | | Long-term Liabilities | | |
| Net fixed assets | 28,959,526.05 | 37,635,993.11 | | | |
| Construction in process | 4,530,715.64 | 4,751,099.50 | | | |
| Total fixed assets | 33,490,241.69 | 42,387,092.61 | Total liabilities | 18,102,223.79 | 26,101,870.71 |
| Other Dynamic Assets | | | Minority Scholar's Interests | | |
| Intangible assets | 779,430.57 | 7,056,966.85 | Net paid-in capital | 3,950,000.00 | 15,750,000.00 |
| | | | Capital reserves | 11,800,000.00 | |
| | | | Undistributed profit | 39,549,566.48 | 46,481,812.55 |
| Total other dynamic assets | 779,430.57 | 7,056,966.85 | Total minority scholar's interests | 55,299,566.48 | 62,231,812.85 |
| Total assets | 73,410,490.27 | 88,333,683.56 | Total liability & minority scholar's interests | 73,410,490.27 | 88,333,683.56 |

According to the Financial statement of BODA ARTS (Table 1), Firstly, the proportion of fixed assets is from 45.63% to 47.99%, the proportion of current assets is from 53.31% to 44.03%, and the proportion of other dynamic assets is from 1.06% to 7.99%. The rate of fixed assets is similar to the rate of current asset, which means idle fund is less and the investment is large, so that the risk and profit of company is high. Meanwhile, the proportion of current assets shows a decline tendency, which weakens the enterprise liquidation ability. Although the solvency is decreased, the overall

solvency ability is high. On the other hand, the proportion of fixed assets and other dynamic assets shows the increase tendency, which means the soft power and competence of the company is increasing with expanding the scale. Secondly, The working capital of BODA is from 71,591,567 CNY to 60,231,793 CNY. The working capital is high, but the trend is decreasing. Part of the money is used for investment in fixed assets, which is used for investment and expansion without affecting the overall working capital of the enterprise. Thirdly, the current ratio is

from 2.16 to 2.15. Although the current ratio declined, the value is more than 2, indicating that the enterprise has strong liquidity, large capital reserves and low debt repayment risk. Fourth, the cash ratio is from 4.02% to 4.05%. The cash ratio is low, means that the ability to direct repay the current is weak. However, because of the high investment, the working capital is completely used to promote the expansion of enterprise. Fifthly, the debt to asset ratio is from 0.25 to 0.29. As the company is in the expansion stage, the operation risk is high, so the debt repayment is less, without non-current debt, which is below the normal level, and there is also a long-term debt repayment risk. Sixthly, the equity ratio is from 0.32 to 0.42. There is risk in long-term debt repayment, so the equity ratio is low. And this low risk and low reward structure is measure to reduce risk for the enterprise expansion. Finally, the net profit is from 6,932,246 to 1,126,976. the net profit is continue to increase, means the company is in the growth period. It is obvious that BODA ARTS is operating smoothly by analyzing its financial statement. The company is still growing and trying to enlarge its scale.

3. THE ANALYSIS OF INTERVIEWING ANSWERS OF BODA ART

Innovation factor is one of the important factors that determine the success or failure of one startup, it can be regarded as the owner of company comes up a new idea and adopts it[1]. How can this factor affect BODA ARTS? By interviewing the CEO of BODA ART to get the primary source, the strategy of BODA ARTS is much more clearly. As an export corporation, it has the long-term and fixed relationship with the customer from The United States, Australia, Japan, South Korea, the Netherlands, and Germany[2]. Dealing with countries from different continents is beneficial for expand the market. Question: Would like to tell me the educational background and average age of the staff in your company? Answer: In the company's core team, most of members are 45 years old with college degree. This answer can tell that the member of management level do not have high educational background. Despite the analysis of human resource part, the 4P strategy is a useful method for a company to achieve its sales target and company goal in the particular market[3]. By analyzing company's 4Ps model, some problems which prevent innovation can be found. 1.Product: Question: Does your company have independent innovative products (are all samples designated by customers, or are some samples designed independently)? If answer is yes, can you also explain whether the turnover of the production line designated by the customer is higher or the production line designed by the customer is higher? Where is the source of inspiration for the independently designed products? Answer: almost all the products' designs are based on the sample given by customer, and the self-designing products just take very small percent

of the whole yield. Until now, the company have already stopped self-designing. Main reason is the profit made by self-designing products is less than the expense on it. Question: Is there any particular collocation method for the tableware kit of your company? Answer: the product suite is traditional and fixed. The number of tableware in one suite is depending on the country that the company export. Because a single household members in different country is different, means they need different tableware suite. These two answers can tell that the product strategy is not innovative, most companies in this industry will choose the same way to produce their products 2. Price: Question: What are your sales strategy? Besides team elements, do you have other sales strategy? Answer: There is no other special marketing method, in fact, the team is a very important factor, and it will directly affect the development of a company's duration and cohesion. In fact, the reason why BODA can become success has a lot to do with the team. When the company faced a great crisis, the core members of the team did not leave. The answer shows the non-fixed sales strategy limits the pricing strategy, weakened its competitive advantage As a luxury bone china, the price of the product is above the normal ceramic product, similar to other brands. The reason is The CEO of this company is a salesman before. Because he has enough experience, he did not regard sale strategy as an important factor. Instead, the he thought team is the most powerful strength to run the company. 3.Place: Question: What channels, places and methods does your company use to publicize? Answer: The only advertising way for company is not change over these years, which is participate the exhibition in person. Because most of the costumer is long-term interest relationship, it is not necessary for company to put lot in variety advertising ways. But it has TAOBAO shop, only take a small percent in the total advertisement. In the exhibition, the manager can contact and negotiate with the costumer directly, so the exhibition is the most traditional and useful way for almost all the export company. In this answer, advertising of BODA is not the mainly focused part. It just take a a small percent in the company's whole strategy. 4.Promotion: Question: Do your company have any promotion activities in your long-term cooperation with customers? Answer: there is not many promotional activities. The promotional activities only exist in the initial stage of company, and with the long-term costumer. For other stage, there is no such activities to stimulate the purchase. It can be told from the answer that the promotion part is also a drawback of the BODA ARTS, the promotion activity is approximately null. These primary source is useful in acquiring the operation and sales information of The BODA ARTS. And by interviewing the CEO of this company, the author can know the company's strategy directly and smoothly, no matter the drawback or the

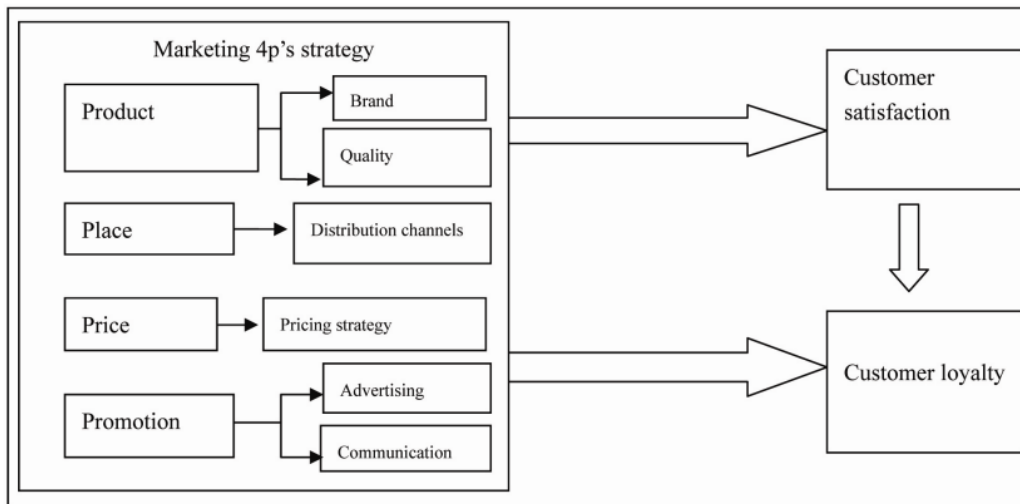
advantage. These information is the key to find out how to improve the whole company with its innovation part. And can also knowing the main factors which lead to the success of the BODA ARTS. It is obviously that The 4Ps strategy of the BODA ART still stay in a traditional way, without the innovation. So the innovation is a core factor can determine the destiny of a company. Based on the previous researches and the interview content the BODA ARTS gave, it is clearly to summary that the 4Ps strategy is important for both companies and employees, they can acquire the benefits from the 4Ps strategy,

4.THE SUGGESTIONS PROVIDED FROM BODA ARTS

Some recommendations for BODA ARTS to achieve its innovation. Firstly the average age of the main team member is old with low educational level, the company should hire more young people to participate in decision-making. Because young people means fresh and fashion, knowing trend of the times. When they make a decision for a company, they can provide some innovation suggestion. And most of them can accept the higher education, higher education, based on technology and science, can be helpful to create a better society and also corporation[4]. young people with higher education know more professional knowledge about innovation idea, which means it is beneficial for the innovation in company. Secondly, for

the product issue. On the one hand, the company should put more effort in market research to find a best design for independent R D. The previous failure of self-designing is lack of information about what the people needs, so the proper market research is the key for the product innovation and improvement, so that to provide a popular self-designing product to public. On the other hand, the product suite should not be limited with different countries, because diversification is a big trend in modern society. Thirdly, for price issue. The company should has its unique price strategy, this part is related to the company management and policy. For the policy maker in the company, knowing the entrepreneurs' behavior is a mattered for them[5]. Then, improving the entrepreneurs' behavior with innovation is helpful to make the better price strategy. Fourthly, for the place issue. The advertisement of company should not only focus on in-person exhibition. With the development of internet, online shopping become a part of people's daily life. Many firms transferred their advertising way to online publicity. This innovation advertising way can make the company more visible to the public. And BODA can put more in its online store, use this to expand its market. Fifthly, for promotion. Company should enlarge its promotion scale, and develop a innovation promotion strategy. Although the company has fixed costumer, the promotion activities can help the company attract more costumers to expand its sale scale.

Table 2. The research Model of 4Ps Strategy



[7]

In summary, as well as the table 2 has shown the 4Ps strategy that the company maybe used in the marking, the starup companies may choose the appropriate strategies to help them achieve the goals, for example they use the price strategy to get the customer loyalty. The entrepreneurs utilize the innovation strategy in the right way.The company may adopt the suggestions from BODA ARTS, the

suggestions given by the BODA ARTS may not suitable for all starup companies, thus, the entrepreneurs take the appropriate suggestions for companies eventually.

5. CONCLUSION

In conclusion, the innovation is a important factor for a startup, but it is not the only factor to determine the survival possibility of a startup. In this BODA ARTS case, the innovation is not the core competitiveness. When a Tech-startup enter the market in long term, there are seven questions need to be answered, and these questions can also affect the BODA ATRS: engineering problem, timing problem, monopoly problem, human resource problem, sales problem, duration problem and secrete problem[6]. BODA's advantage is its core team, which is the human resource part. Although the team member is old with low educational background, the age sometime can be explained as experience. Almost all the members in the management layer of BODA have the sales experience, and their partnership has lasted about 20 years. So the team is stable and durable. Even when the company faced financial crisis in 2016, the company overcome it by strong team cohesion. If a startup keep their path to grow and stand in the market, there must be a high quality management team besides it.

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