

Bachelor thesis - BI Norwegian Business School
International Marketing
Ekornes – Stressless®
University of Mannheim
2012



THE INNOVATORS OF COMFORT™

Jørgen Stadheim Teigen
Henrik Kjelland Myrdal
Kristoffer Navelsaker
Tor Mølmesdal

4.6.2012.

This paper is done as a part of the undergraduate program
International Marketing at BI Norwegian Business School.
This does not entail that BI Norwegian Business School
has cleared the methods applied, the results presented,
or the conclusions drawn

Acknowledgments

During the work on our thesis, different persons and parties have contributed; we would therefore like to express our gratitude to the following:

We would like to thank the Trade Marketing Manager at Ekornes Möbелvertriebs GmbH, Mr. Gunnar Röper. Mr. Röper has provided us with relevant information needed to make this thesis credible and relevant. We would also like to thank the Sales Staff Trainer Mrs. Gøril Eckmann who gave us an introduction to the Stressless concepts.

Furthermore, thanks to Ekornes for the opportunity to write our bachelor thesis in corporation with the company and for inviting us to their sales office in Hamburg.

A special thanks and gratitude to our supervisor Dipl.-Kfm. Stefan Hattula at the University of Mannheim, for his expertise and guidance that made this thesis a reality.

We hope that Ekornes will find this thesis interesting and view it as reasonable use of the company's time and effort.

Kristoffer Navelsaker

Jørgen S. Teigen

Tor Mølmesdal

Henrik Myrdal

Affidavit

We hereby declare that we have developed and written the enclosed Bachelor Thesis entirely on our own and have not use outside sources without declarations in the text. Any concepts or quotations applicable to these sources are clearly attributed to them. This Bachelor Thesis has not been submitted in the same or substantially similar version, not even a part, to any other authority for grading and has not been published elsewhere. We are aware of the fact that a misstatement may have serious legal consequences.

Jørgen S. Teigen

Kristoffer Navelsaker

Tor Mølmesdal

Henrik Myrdal

Table of content

Acknowledgments	i
Affidavit	ii
Table of appendixes	vii
Table of figures.....	viii
Executive summary	ix
1 Introduction	1
1.1 Scope of the thesis	1
1.2 Research introduction.....	1
1.3 Objectives and structure	2
1.4 The Company	2
1.4.1 Market concept.....	3
1.4.2 Marketing strategy.....	3
1.4.3 Current entry mode in Germany	4
1.5 The Brand Stressless	4
1.6 Contact person in Ekornes.....	5
2 Literary review	5
2.1 Introduction.....	5
2.2 Market segmentation.....	5
2.2.1 Segmentation of Consumer Markets	6
2.2.2 Target Market	7
2.2.3 Niche Marketing.....	7
2.3 Marketing channels.....	7
2.3.1 Above the line advertising.....	7
2.3.2 Below the line advertising	7
2.4 Branding	8
2.4.1 Brand awareness.....	8
2.4.2 Brand extension.....	8
2.4.2 Brand image	8
2.5 Consumer Behavior	9
2.5.1 Attitude	9
2.6 Distribution.....	9
2.6.1 Retailer	9
2.6.2 Flagship store	9

2.6.3	Selective distribution	10
2.6.4	Marketing communications mix	10
2.4.7	Advertising	11
2.7	Quantitative research	11
2.8	Qualitative research	11
2.9	Intangible resource	12
2.10	Core Capability	12
2.11	Competitive advantage	12
2.12	Vertical integration	12
2.13	Market potential	13
2.14	Point of purchase	13
3	The external analysis	14
3.1	Introduction	14
3.2	The German furniture market	14
3.3	The German market for Stressless	15
3.4	Most popular products in Germany	15
3.4.1	Chair segment	16
3.4.2	Sofa segment	16
4	Porters five forces	16
4.1	Introduction	16
4.2	Buyers bargaining power	17
4.3	Suppliers bargaining power	18
4.5	Threat of new entry	20
4.6	Rivalry among existing competitors	21
4.7	Summary of Porters Five Forces	22
5	PEST	23
5.1	Introduction	23
5.2	Political	24
5.3	Economical	25
5.4	Social	26
6	Internal Analysis	29
6.1	Introduction	29
6.2	Selective Distribution	29
6.3	Product development	30

7	Social and environmental responsibility of Ekornes	31
7.1	Product and Materials.....	31
7.2	Health and Chemical Use	32
7.3	Heat and Energy	32
7.4	Waste Handling	32
7.5	Emissions.....	32
7.6	Participation in the UN Global Compact.....	33
7.7	Ekornes and the Local Community	33
8	Competitive advantages, core competencies and intangible assets	33
8.1	Intangible assets	33
8.2	Core competencies and competitive advantages	34
8.2.1	«The Norwegian Heritage»	34
8.2.2	Selective distribution	35
8.2.3	“The Innovators of Comfort”	35
9	Marketing mix	35
9.1	Introduction	35
9.2	Product.....	36
9.4	Place	38
9.5	Promotion	38
10	The Ansoff’s Matrix	40
10.1	Introduction	40
10.2	Limitations.....	41
10.4	Applying the Ansoff’s Matrix	41
10.4.1	SWOT and Porter’s Five Forces.....	41
10.5	Stressless’ Growth Plans in Germany	42
10.6	Target group	42
10.7	Linking Ansoff to the Porters Five Forces	42
10.8	Linking Ansoff to SWOT	43
10.9	Conclusion of the Ansoff Matrix.....	44
11	Methodology	46
11.1	Introduction	46
11.1	Research Objective.....	47
11.2	Research Questions.....	47
11.3	Sources of data collection	47

11.3.1	Secondary data	47
11.3.2	Primary data	48
11.4	Research design.....	48
11.4.1	Explorative Design	48
11.4.3	Descriptive Design	49
11.4.3	Causal Design.....	49
11.5	Data collection.....	49
11.5.1	Sampling.....	49
11.6	Interview.....	50
11.7	Customer survey.....	51
11.8	Email survey distribution.....	51
11.9	Validity and reliability.....	53
11.10	Survey findings	53
11.10.1	Demographics.....	53
11.10.2	Economic Instability in the Euro-Zone	55
11.10.3	What Respondents Care for in Relaxing Furniture	56
11.10.4	Associations with Stressless	57
11.10.5	Where customers buy relaxing furniture	57
11.10.6	Knowledge of retailers	58
11.10.7	Information search.....	59
11.10.8	Willingness to recommend	60
11.10.9	Effect of a 20% reduction in price.....	60
11.10.10	Willingness to buy product extensions.....	61
11.10.11	Clustering.....	63
11.11	Analysis of cluster 2: “The Office Cluster”	64
11.12	Research limitations and challenges.....	67
12	SWOT.....	68
12.1	Introduction	68
12.2	External environment analysis	68
12.3	Internal environment analysis.....	69
12.4	Use of the SWOT findings	70
12.4.1	Use of strength to take advantage of opportunities	71
12.4.2	Overcome weaknesses that prevents taking advantage of opportunities.....	71
12.4.3	Use strength to reduce likelihood of threats	72

12.4.4	Address weaknesses that can make threats a reality.....	72
13	Discussion and managerial implications.....	74
13.1	Introduction.....	74
13.2	Discussion and comparison of marketing mix.....	74
13.2.1	Product.....	75
13.2.2	Place	75
13.2.3	Promotion	76
13.2.4	Price.....	77
13.3	Managerial Implications	78
13.3.1	Product.....	78
13.3.2	Place	78
13.3.3	Promotion	78
13.3.4	Price.....	79
13.4	Line extension 13.4.1 Introduction	79
13.4.2	Discussion	79
13.4.4	Managerial Implications.....	81
13.6	Final recommendations.....	81
14	Bibliography.....	83
15	Appendixes	86

Table of appendixes

- Appendix 1: Sales in Germany
- Appendix 2: Interview with Mr. Röper
- Appendix 3: Data from SAS Jmp
- Appendix 4: Survey questionnaire

Table of figures

Figure 2 Porters Five Forces Source: Following Porter, "The five competitive forces that shape strategy", 2008 17

Figure 3 Porters Five Forces (Self Provided)..... 22

Figure 4 PEST (self-provided) 23

Figure 5 Marketing Mix Source: Following Kotler & Keller (2006 p.63)..... 36

Figure 6 Ansoff Matrix Source: Following Kotler & Keller (2006) 45

Figure 7 Distribution age and gender (Self provided) 54

Figure 8 Distribution region (Self Provided)..... 54

Figure 9 Influenced by euro-crisis (self provided)..... 55

Figure 10 When buying, I care for... (self provided)..... 56

Figure 11 Associations with Stressless (self provided)..... 57

Figure 12 "I buy relaxing furniture"... (self provided) 58

Figure 13 Knowledge of nearby dealer (self provided) 59

Figure 14 Information search (self provided)..... 59

Figure 15 Effect of 20% price reduction (self provided)..... 61

Figure 16 Product extension 62

Figure 17 Cluster 2 age (self provided)..... 64

Figure 18 Care for when buying.. (self provided)..... 65

Figure 19 Looking for information... (self provided) 65

Figure 20 Effect of price reduction cluster 2 (self provided)..... 66

Figure 21 Cluster buy furniture (self provided)..... 66

Figure 22 Cluster pay price premium 66

Figure 23 Cluster willingness to recommend (self provided)..... 67

Figure 24 SWOT (self provided)..... 70

Executive summary

This thesis is written by four students at the University of Mannheim with aim to examine growth potential for Stressless within niche markets.

Stressless is a high-end relaxing brand produced by the Norwegian furniture company Ekornes. Stressless is represented in the German market through Ekornes Möbelvertriebs GmbH who is a wholly owned sales-office located in Hamburg.

Internal analysis was applied to get a holistic view of the company and their strengths and weaknesses. The external environment was mapped out using external analysis.

Qualitative and quantitative methods were applied to gather information about the company, its customers and the customers' perceptions regarding the brand. A marketing mix analysis was performed to find similarities or un-similarities of how Stressless views their marketing mix compared to how customers views their marketing mix. Based on empirical findings, possible line extensions were evaluated.

To summarize the findings from internal and external analysis, a SWOT-analysis was applied. Based on the findings in the SWOT-analysis and empirical studies, a discussion is performed to derive potential for growth, as well as determining the risks in the market.

Based on the discussions, managerial implications and final recommendations are provided. Increased focus on design and increased focus on word-of-mouth was recommended to more efficiently harvest the willingness to recommend. A potential line extension in form of office chairs was suggested for further research.

1 Introduction

1.1 Scope of the thesis

The writing of this thesis is the final work for our Bachelor of Science degree in International Marketing at the Norwegian Business School BI. The thesis is written in close cooperation with the company Ekornes and our tutor at our exchange university; Universität Mannheim.

The thesis is written for and with Ekornes' sales office in Hamburg, Ekornes Möbelvertriebs GmbH, and the bachelor group consists of four students.

The name Ekornes will be used when it is the general company being addressed. The name Stressless will refer to the brand, product and company operations in Germany.

1.2 Research introduction

Based upon proposition and wish from Ekornes, different research possibilities were evaluated. The authors concluded that the best alternative was:

Growth potential within niche markets: Opportunities and risks for the brand Stressless®.

This alternative was chosen because it is an interesting and relevant topic for both the company, and for the authors. The topic is relevant for the company as they continuously look for new areas of growth.

A central challenge was to avoid a too extensive topic for the bachelor thesis. Optimistically it will be possible to provide relevant conclusions, based on our theoretical analysis and empirical studies.

1.3 Objectives and structure

The objective of the thesis is to explore the growth potential within the niche market, as well as evaluating the opportunities and risks for the brand Stressless. Based upon the analysis and market research, the aim is to recommend a new product development, a new target segment, or a combination of the two.

The structure of the thesis will be as follows; first there will be a short introduction of the company Ekornes, and the brand Stressless. Thereafter, external and internal analysis will be performed in order to get an overview of the company and the market they operate in. For the empirical part of the thesis a customer survey will be performed. As a summary based upon the findings from the analysis and the empirical study, a SWOT analysis is to be implemented. A discussion and managerial implication will be the final part of the thesis.

1.4 The Company

Ekornes is the largest furniture manufacturer in the Nordic region and own brand names such as Ekornes®, Stressless® and Svane®. All products are manufactured at the Ekornes Group's seven factories, six of which are located in Norway. The products are being marketed across large parts of the world by a network of national and regional sales companies.

The Ekornes story began in 1934 when its founder, Jens E. Ekornes, started manufacturing mattresses at the J.E. Ekornes in Sykkylven. Ekornes' head office is located at the group's main Stressless® manufacturing facility at Ikornnes in Sykkylven.

Ekornes' production facilities are organized according to its product areas:

- Stressless (recliners, sofas, loveseats and accessories)
- Ekornes Collection (sofas) and Svane (mattresses)

Ekornes provides all shared services for the company. This includes group management, marketing, purchasing, accounting and finance, as well as product development for the

Stressless and Ekornes Collections (Ekornes.com¹).

“Ekornes’ vision is to be one of the world’s most attractive suppliers of furniture for the home.

The business concept is focused on offering products that, in terms of price and design, appeal to a broad audience. In addition, the company aims to develop and manufacture products offering excellent comfort and functionality giving the customers value for money” (Ekornes.com²).

1.4.1 Market concept

Ekornes pursues a brand strategy where the market concept consists of various different elements that aim to ensure the desired profile and communication with consumers, as well as influencing consumer purchasing processes.

The concept consists of in-store studios, training and motivation for retail staff, national and regional marketing campaigns, including focus on close collaboration with distributors on local promotional activities and advertising.

The company is working systematically on international segment models to gain insight into consumer groups in individual countries and their preferences (Ekornes Annual Report, 2011³)

1.4.2 Marketing strategy

Products are distributed through carefully selected distribution channels in all selected markets. These may be chains, individual distributors or other relevant distribution channels. This with the intention of optimizing and ensuring that priority with the distributors is maintained and that sufficient availability for the consumers is sought for.

Selectivity and clearly defined marketing and product concepts are to be the basis for establishing mutual business relations that commit both the distributor and Ekornes. The

¹ <http://www.ekornes.co.uk/about-ekornes/this-is-ekornes>

² http://international.ekornes.com/about_ekornes/this_is_ekornes/

³ <http://ir.ekornes.com/reports>

intention is to provide each individual business partner with the motivation and self-interest to invest in the Ekornes brand-building and marketing concept (Ekornes.com⁴).

1.4.3 Current entry mode in Germany

In terms with the company's brand and marketing strategy, Ekornes Möbilvertriebs GmbH in Hamburg has been established to distribute Stressless® products to carefully selected retailers in the German market and Central Europe (Ekornes Annual Report, 2011). Ekornes' connection to the German and Central European market is the sales office in Hamburg, and all sales are generated through independent retailers and flagship stores. All products are produced in Norway, and the main marketing ideas are also planned in Norway. The sales office promotes Stressless products in Germany and Central Europe, and cooperates with the retailers on marketing efforts (Qualitative Interview).

1.5 The Brand Stressless

The Stressless story started in 1971 when the very first recliner was manufactured. Over the past decades, Stressless has pushed boundaries and pioneered what is known as ultimate comfort. Style and good looks are significant features too, but essentially it's all about delivering comfort. Twenty years ago, Ekornes introduced Stressless sofas with the intention to extend the Stressless collection. In Ekornes' attempt to innovate comfort, they have invented new technology such as the Plus™ System and the Stressless® Glide System to their patented headrest and their newest innovative feature, Comfort Zones™.

Stressless was introduced as the first recliner designed to meet the body's need for movement and support when seated and became known as the ultimate recliner. The company market themselves as *'The Innovators of Comfort™'*, and is today a well-known brand worldwide.

The company's market positioning is based on comfort and functionality as the main benefits offered by their products. The products are always sold under the Stressless brand name (Ekornes.com⁵).

⁴ http://international.ekornes.com/about_ekornes/investor_relations/objectives_and_values/

⁵ <http://www.ekornes.co.uk/about-ekornes/this-is-ekornes/brands>

“Ekornes shall make Stressless® the world’s best-known furniture brand, and the brand shall be famous for quality and comfort” (Ekornes Annual Report, 2011).

1.6 Contact person in Ekornes

The contact with Ekornes in this thesis has mainly been through Mr. Gunnar Röper. Mr. Röper is the Trade Marketing Manager in Ekornes Möbelvertriebs GmbH in Hamburg. Mr. Röper possesses a Diploma of Business Administration, and has had more than six years of relevant work experience, three of those in Ekornes.



2 Literary review

2.1 Introduction

This chapter presents the literature review. The review includes definition and explanation of the main concepts and terms that are used in the research. Literary review for most of the methodology and all analysis are provided at their respective chapters.

2.2 Market segmentation

A market segment consists of a group of customers with similar needs and a similar set

of wants. The task is to identify segments and then decide which ones to target. A marketer identifies and profiles a distinctive group of buyers by examining demographic, psychographic and behavioral differences. Segment marketing offers key benefits such as; better design, price, disclose and deliver the product or service better than mass marketing (Kotler and Keller, 2009, p. 248).

Through preference segmentation one can identify segments in different ways. Homogeneous preferences exist when consumers have generally the same preferences. Diffused preferences vary in their preferences. A cluster preference is a result as a natural market emerges from groups of consumers with similar preferences (Kotler & Keller, 2009, p. 249).

2.2.1 Segmentation of Consumer Markets

There are four major segmentation variables when segmenting consumer markets (Kotler & Keller, 2009, p. 253). These are as follows:

Geographic Segmentation: Is based on dividing the market into different geographical units. A company can operate in few or all areas. Examples of geographic segmentation are countries, cities, regions or neighborhoods (Kotler & Keller, 2009, p. 235-55).

Demographic Segmentation: The market is divided into groups such as age, gender, income, occupation, social class, religion etc. These are easy to measure and often associated with consumer's wants and needs (Kotler & Keller, 2009, p. 255-60).

Demographic segmentation income is often used as a strong indicator of the ability (or inability) to pay for a product or a specific model of the product (Schiffman, Kanuk & Hansen, 2008, p. 51).

Psychographic Segmentation: Uses psychology and demographics to better understand the consumer. Consumers are divided into groups on the basis of their psychological/personality traits, values or lifestyles (Kotler & Keller, 2009, p. 261-62).

Behavioral Segmentation: Byers are divided into groups on the basis of their knowledge of, attitude toward, use of or response to a product (Kotler & Keller, 2009, p. 263).

2.2.2 Target Market

When market segments have been identified one decides which of the present market segments that offers the greatest opportunity, this is the target market (Kotler & Keller, 2009, p. 53).

2.2.3 Niche Marketing

Niche marketing contains of a more narrowly defined customer group who seeks a distinctive mix of benefits. Dividing a segment into sub segments usually identifies niche markets. Niche marketers aim to understand their customers' needs so well that the customers are willing to pay price premium (Kotler & Keller, 2009, p. 249).

2.3 Marketing channels

Three kinds of channels involve in marketing channels.

- **Communication channels:** Delivers and receives communication from target buyers in the form of newspapers, television, magazines, mail, radio etc.
- **Distribution channels:** Are used to display, sell or deliver a physical product or service to the buyers or users. This includes distributors, retailers, agents and wholesalers.
- **Service channels:** Are used to carry out transactions with potential buyers. This includes warehouses, transportation companies, banks and insurance companies.

(Kotler & Keller, 2009, p. 54)

2.3.1 Above the line advertising

Above-the-line advertising is communication in the mass media e.g. television, radio, magazines and newspapers (Jobber, 1995, "Principles and Practice of Marketing").

2.3.2 Below the line advertising

Below the line advertising is communication in non-mass media such as point of purchase-material, exhibition and direct mail (Jobber, 1995, "Principles and Practice of Marketing").

2.4 Branding

A brand can be described as a product or service that is differentiated in some way from another product or service that is designed to satisfy the same need. This difference may be functional, rational, tangible -related to the product performance of the product. The difference may also be more symbolic, emotional, or intangible-related (Kotler & Keller, 2009, p. 276).

2.4.1 Brand awareness

Brand awareness is the strength of the brand in the consumer's memory. This can be measured as the consumer's ability to identify the brand under different conditions (Keller, 2008, p. 54).

2.4.2 Brand extension

A brand extension is when a company decides to introduce a new product through an already established brand name, often referred to as the parent brand or the family brand. The brand extension can in certain cases be called a sub-brand, when the new brand is connected to the established brand. Brand extension can mainly be defined into two categories:

1. Line extension: The new brand use the parent brand to target a new market segment within a similar product category already served by the established brand.
2. Category extension: The new brand takes advantage of the benefits of parent brand to enter a different product category.

(Keller, 2008, p. 577).

2.4.2 Brand image

Brand image can be described as consumers' attitude and perception towards the brand. Brand Image can be increased by building strong, favorable and unique association to the brand and the link these positive feelings to consumers' minds. This process can be monitored through relevant marketing programs. However, customer satisfaction is the

key to gain a positive brand image. Customers possess the power to increase or decrease brand image by for example influencing other consumers through the word of mouth principle. (Keller, 2008, p. 56-57)

2.5 Consumer Behavior

Schiffman, Kanuk & Hansen (2008) defines consumer behavior as: *the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs*. Consumer behavior is focused around how individuals make their choice to spend available resources on a consumption-related item. This includes; what, when, where and why they buy a product or service, how often they buy it, how often they use it, how the product/service is evaluated after purchase, the impact on such evaluations on future purchases and how they dispose the product or service (Schiffman, Kanuk & Hansen, 2008, p. 3).

2.5.1 Attitude

“In a consumer behavior context, an attitude is a learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given object”. Attitudes are not directly observable but must be inferred from what people say or do. Consumer behaviors consistency of purchases, recommendation to others, top rankings, beliefs, evaluations and intentions are related to consumer behavior (Schiffman, Kanuk & Hansen, 2008, p. 248).

2.6 Distribution

2.6.1 Retailer

Retailing is all activities in selling products and services directly to consumers for personal use. Retailing is the contrary to wholesalers and suppliers, who usually sell their products or services to other business units (Kotler & Keller, 2009, p. 482).

2.6.2 Flagship store

A flagship store in term of retailers can refer to stores that have a top location, a chains largest store, or the store that holds or sell the highest amount of products and services. The term can also refer to a chain's very first retail store or a store that holds high

priced goods or services (retailindustry.about.com⁶).

2.6.3 Selective distribution

In this type of distribution the company focuses on a small amount of specially selected intermediaries such as retailers. This type of distribution is suitable for both established companies and for new entrants that are seeking distributors. Through selective distribution the company can gain sufficient market share were they have more control and less cost than in intensive distribution (Kotler & Keller 2009, p. 460).

2.6.4 Marketing communications mix

The marketing communications mix consists of eight different modes with the purpose to influence the receivers in different ways:

1. Advertising consists of different non-personal communication of ideas, goods or services.
2. Sales promotion is made up by a range of short term incentives to try or purchase a product or service.
3. Events and experiences are programs and activities with the intention to create daily or special brand-related communications.
4. Public relations and publicity is programs that are believed to promote or protect a company's image or products.
5. Direct marketing is the use of channels like mail, telephone, or internet with the intention to communicate directly to customers.
6. Interactive marketing is online activities and programs with the aim to engage customers and raise awareness, improve image or increase sales.
7. Word of mouth marketing is oral communication between people, written or digital interaction related to the qualities or experiences of the purchase or usage of products and services.
8. Personal selling is face to face communication with one or more potential buyers with the intention to present, answer questions and stimulate sales.

⁶ <http://retailindustry.about.com/od/glossary/g/flagshipstorede.htm>

(Kotler & Keller, 2009, p. 512)

2.4.7 Advertising

Advertising is often associated with promotion. It can be described as a visual sponsored presentation in public of goods, services, companies, ideas, messages etc. The function of advertising is to influence people to receive their message, sometimes in order to create strong and unique brand association in consumers mind (Keller, 2008, p. 235).

2.7 Quantitative research

Quantitative research is the collection of numerical data and exhibits the relationship between theory and research. The research method holds an ontological and epistemological position, which implies that the method concerns more about other factors than just numbers. Epistemology is the study of justified belief and knowledge. An ontological position indicates that social properties are the results of the interactions between humans (Bryman & Bell, 2007, p. 150).

2.8 Qualitative research

Qualitative research emphasizes words rather than analysis of quantitative data. The research methods can be considered as inductive, constructional and interpretive. There are four different traditions of qualitative research.

1. Naturalism: focusing on describing people and their interactions in ordinary settings. Seeks to understand the concept of social reality.
2. Ethnomethodology: focusing on how the social order hierarchy is created through talk and interaction.
3. Emotionalism: Tries to understand how feelings and emotions can affect the inner reality and the subjectivity regarding human's minds.
4. Postmodernism: seeks to understand the sensitivity concerning how a social reality can be constructed in many different ways.

(Bryman & Bell, 2007, p. 387)

2.9 Intangible resource

This type of resource is non-physical and more difficult for competitors to imitate. Generally, intangible resources are not included in a firm's balance sheet. Examples of intangible resources are patents, brand equity and trademarks (Fitzroy, Hulbert & Ghobadian, 2012, p. 206).

2.10 Core Capability

For a firm, core capabilities are more important than capabilities because they have a disproportionate impact on customer value or they provide a basis for entering new markets. A core capability is an activity that the firm performs superior to its competitors (Fitzroy, Hulbert, Ghobadian, 2012, p. 215).

2.11 Competitive advantage

A competitive advantage is an activity that a firm performs better than its competitors or an attribute that competitors lack. Competitive advantages can be differentiation in form of low-cost structure or an offering of a better-perceived product relative to other firms (Fitzroy, Hulbert & Ghobadian, 2012, p. 50).

2.12 Vertical integration

The idea behind vertical integration is that a business can create additional value when several activities are controlled by a common ownership. Vertical integration is when a firm acquires or develops a business which is either integrated forward to its customers or backward to its suppliers. The objective of vertical integration is to achieve higher profitability through elimination of intermediaries between the company's suppliers or customers, such integration will give the company more control. Backward integration requires that the company gains new operational skills and forward integration requires new marketing knowledge (Fitzroy, Hulbert & Ghobadian, 2012, p. 311).

2.13 Market potential

Market potential is regularly referred to as the gap between expected market demand and maximum market demand. This potential occurs often in market where the demand always is expected to be stable or increase. For example market for bread and milk, which are basic product consumers always need (Kotler and Keller 2008, p. 152).

2.14 Point of purchase

Point of purchase (P-O-P) refers to the place where the purchase decision for consumer is made. These decisions often take place in stores, shopping malls and other places where retailer is represented. Marketer can influence consumers at this point by advertising in store, live sampling, demonstrations and other marketing activities nearby the point of purchase. (Kotler & Keller, 2007, p. 550)



3 The external analysis

3.1 Introduction

The external analysis is carried out to analyze and map out the environment that Ekornes has to operate in with their brand Stressless in Germany. Identifying opportunities and threats is essential for the SWOT analysis conducted later in the thesis. Included, the external analysis aims to give a greater understanding of the market in general, and conditions that Stressless has to endure. Most of these conditions are not influential in the short term, and the company will have to adapt to the external environment in order to gain advantages, reduce risk and avoid threats.

3.2 The German furniture market

Germany's furniture market represents the largest and most important furniture market in Europe. Furniture markets all over the world are growing, and in Germany the growth was 6% in 2011, with a total revenue of 18.9 bn. €. 105.000 people are employed in over 1000 firms in the German furniture industry. 28% of the German production does not go to German customers, as they are exported. Most of the export

goes to other EU countries, but eastern-Europe, the Middle East, Asia and the US also acquire some amount of this production (www.kiff-mktk.german-pavilion.com⁷).

3.3 The German market for Stressless

Stressless operate with one sales office for Central-Europe based in Hamburg. This sales office covers Germany, Netherlands, Austria, Luxembourg, Slovenia and Switzerland. In 2011 the Central-Europe sales region generated 31.8% of the total sales revenues worldwide, and is therefore the largest single sales region for Stressless in terms of revenue. Germany is by far the most important of the countries in this region, and most of the revenues come from the German market. The general furniture market all over the world where growing strongly in 2011, however the upholstery market in Germany which Stressless operate within declined by 3% in the same period. Despite this, Ekornes' focus on marketing for the brand Stressless, and strengthening their distribution channels, resulted in an increase in order receipts from 2010. It also resulted in Stressless being the most well-known seating brand in Germany in 2011 (Ekornes Annual Report, 2011).

Stressless' customers are quality and comfort conscious, and willing to pay a little extra for the differentiation Stressless provide. As this is a very profitable niche in the market, a lot of the existing German furniture producers would like to try to enter the niche. A dangerous market tendency arises if too many producers enter the niche. This would make differentiation difficult and create competition on price. This would ruin the niche, and damage all involved (Qualitative Interview).

3.4 Most popular products in Germany

As expected, the Stressless chairs were the most sold Stressless products in Germany in 2011. On world basis the chairs generated 61.8% of the total revenues for the company Ekornes, and in Germany they represented 64.5% of all sales in 2011. Both in the world and in Germany the Stressless Sofa was the second most sold product group (Ekornes Annual Report, 2011).

⁷ <http://www.kiff-mktk.german-pavilion.com/content/en/home/home.php>

3.4.1 Chair segment

The chair “Consul” was the most sold chair in Germany in 2011, with a market share of almost 10%. The two second most sold chairs was “Reno” and “Mayfair”, in that order. The remaining sales were almost evenly distributed over the other 38 models, some selling a bit more than the others (Appendix 1).

“Consul” is a classical Stressless chair, with one of Stressless’ most traditional design, wooden base, simple lines and the patented Glide system. It is the medium chair in a series containing “Ambassador”, “Consul” and “Diplomat” – large, medium, and small (Ekornes.com⁸).

3.4.2 Sofa segment

“Arion hoch”, “E300” and “E200” are the three most sold Stressless sofas in Germany. They have respectively 4.8%, 4.1% and 3.6% market share. The 27 remaining models have between 2.2% and 0% market share (Appendix 1).

“Arion hoch” is the tallest version of the Arion series, with the patented Glide and Plus systems responding to the moves of the user. This is a sofa suited for integration into a home-cinema solution, and can be delivered as one, two or three seats, with a small or large corner solution.

Both “E200” and “E300” are sofas combining classical Scandinavian design with the patented Ergo Adapt system from Stressless. This system allows the sofa cushions to tilt back a little when one sits down, giving the user a more relaxed, and comfortable sitting position (Ekornes.com⁹).

4 Porters five forces

4.1 Introduction

Competition for profits in an industry goes beyond the direct competition that a company faces from their strongest competitors. As listed in figure 3, competition in a market also includes other competitive forces in the form of suppliers and buyers bargaining power, the threat of new entry and the threat of substitute products or

⁸ <http://www.ekornes.com/us/stressless-recliners/stressless-ambassador-stressless-consul-stressless-diplomat/diplomat>

⁹ <http://www.ekornes.com/us/stressless-sofas/stressless-arion-highback/3-seater>

services. These forces, combined with the rivalry among competitors, define an industry's structure and determine the intensity of competition within the actual industry (Porter, "The five competitive forces that shape strategy", Harvard Business Review, Jan2008).

The analytic method of porters five forces are used to evaluate the industry intensity, as a hefty intensity can diminish a possible growth potential. When determining the intensity of the competition, it is important to analyze to what extent the five forces can lessen a possible opportunity or increase a risk within Ekornes' target market. Figure 2 provides a summary of the Five Forces analysis.

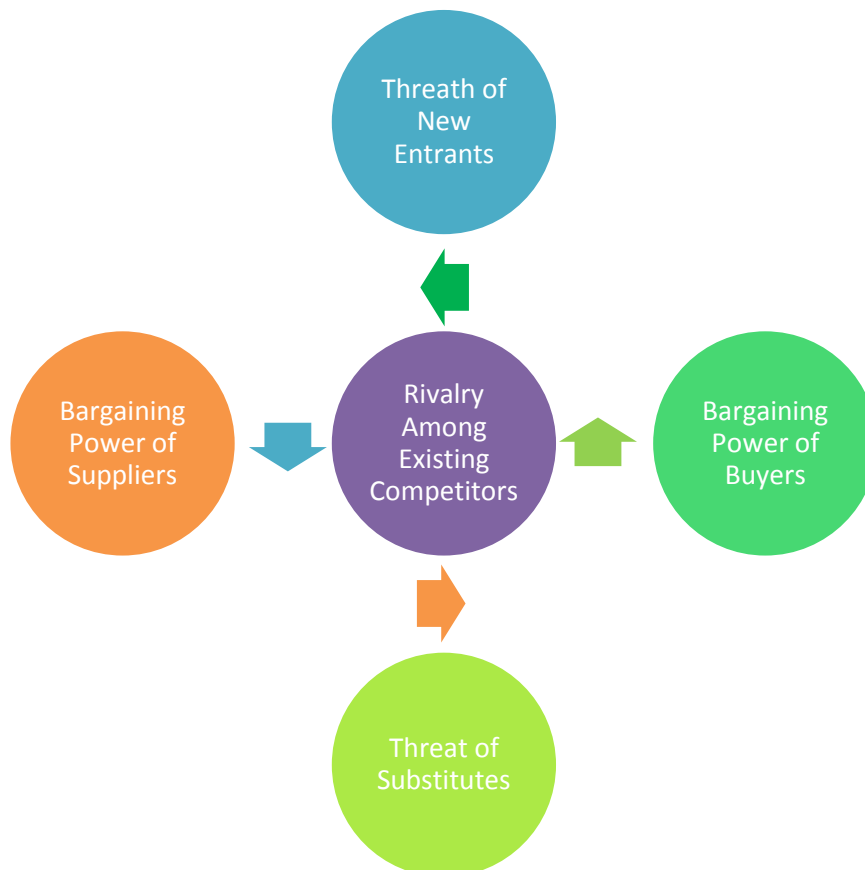


Figure 1 Porters Five Forces
Source: Following Porter, "The five competitive forces that shape strategy", 2008

4.2 Buyers bargaining power

The customers of Stressless products have some bargaining power as switching cost between Stressless and their strongest competitors are quite low. However, as Stressless is a high involvement product, brand loyalty is quite strong. It would therefore be

reasonable to assume that the brand loyalty could to some degree counter the effect of the low switching costs.

In theory, use of retailers could create an own type of buying power, the one presented by the retailer (Inderst, Mazzarotto, “Buyer Power in Distribution”, 2008). The use of selective distribution helps reduce the bargaining power of Stressless’ retailers. As the accessibility of the product is controlled by Stressless themselves, they avoid price competition among the retailers. Price competition could lead the retailers to demand lower purchasing price. This is countered by the strong brand name Stressless, and the fact that being a Stressless-dealer drives in many customers that end up buying something else in the store, so profit it generated only by having Stressless in the store. This is a benefit most retailers appreciate. Therefore Ekornes and their retailers both benefit from the selective distribution strategy which leads to a “neutrality” of distributed power between retailer and manufacturer (Qualitative Interview).

Ekornes lacks forward integration, by not operating with own brand stores. As long as this is the case, there is to some degree a retailer power in itself. By operating with own brand stores they would have direct contact with the end users, gaining better customer contact and full control over the market relation. However this would be very demanding in form of e.g. capital and labor. As selective distribution works as good as it does, this would be favorable.

4.3 Suppliers bargaining power

Most of the end product is produced by Ekornes themselves.

These are raw materials and goods bought from external suppliers (Qualitative Interview):

- Wood (further processed by Ekornes).
- Steel (further processed by Ekornes).
- Leather (further processed by Ekornes).
- Plastic parts.
- All accessories (elevating plastic rings, tables, protective covers)
- Packaging.

Ekornes is one of Europe's largest consumers of leather, and they are heavily involved in the processing of the leather at each tannery, making sure it holds the quality standards set by Ekornes. This gives them a large power over the supplier, as losing them as customers would be a large economic downturn for the tanneries. The supplier power here is evaluated as fairly low (Ekornes.com¹⁰).

The wood used in Stressless products is laminated European beech. This type of wood is found in most of Europe, and is fairly easy to get hold of. The suppliers here should have little to none bargaining power. However, rising raw-material costs have been reducing Ekornes' profits, and this could provide a threat to the company in the future. This is a tendency in the market in general, and not a special condition provided by Ekornes' suppliers (Ekornes Annual Report, 2011).

Both steel and plastic are products used in a large scale around the world, making it easy to purchase.

The products from the suppliers are mostly standardized, and are then processed by Ekornes. This gives an edge over the supplier as both Ekornes' general switching costs are low, and all raw materials are easily accessible.

Although the prices of raw materials that Ekornes uses are currently higher than earlier, Ekornes purchasing volumes and the use of standardized inputs gives the supplier low bargaining power.

4.4 Threat from substitutes

There are no direct substitutes in the high-end furniture market that delivers the same quality as Stressless. Though, there are some products that offer a less exclusive substitute e.g. seating chairs and sofas. Other substitutes for Stressless would be a bed, a hammock, office chairs and benches, but these offer a low threat as substitutes in the furniture business in general, and an even lower threat in the high-end niche that Stressless operates within.

A more serious and direct threat of a substitute in the high end market would be to replace the upholstery of the furniture. This could damage the sale of new Stressless' if

¹⁰ <http://www.ekornes.com/us/stressless-recliners/leather-fabric-wood>

many people started redoing their existing chairs. Because the upholstery of Stressless products is sewed together with the body of the chair, consumers are not given the possibility to easily replace the upholstery. Most Stressless chairs are known to last for a very long time; therefore this would probably be a service more expensive than most customers would be willing to pay, making it a low threat.

Threats from substitutes are regarded as low. There are no substitutes to the high-end furniture market that can compete effectively (Qualitative Interview).

4.5 Threat of new entry

To access the German furniture market the producer would have to use retailers or brand stores to distribute their products to the consumers. As brand stores require high investments, use of retailers would be the option for most possible new entrants. The industry's best defense against new entrants is the use of specialized retailers. Because these specialized retailers operate with certain selected brands, it would be difficult for new producers to gain access to the market.

In high-end markets like the relaxing chair niche producers engage in differentiation as their main competitive tool. To get access to the high-end market, new entrants would have to invest a larger amount of capital in form of production technology and high quality material.

Business firms in the German furniture industry have to deliver shop fixtures (e.g. display models, info stands) to their respective dealers and retailers. The fixture for one outlet approximately costs 30 000€ on average, whereas the manufacturer has to support at least 30-50% of the sum. This is a large investment if one wishes to gain access to the high-end market, creating a high entry barrier (Qualitative Interview).

As a lot of existing furniture brands want to enter the niche market of relaxing chairs it could oppose a threat to Ekornes. Stressless offers patented product features in form of the Gliding-system, the Plus-system, Comfort Zones and the Ergo-Adapt among others. These patented features are not available to other recliners, and this differentiation helps diminish the threat of other producers getting too close to Stressless' uniqueness (Qualitative Interview).

There is an opportunity for possible new entering candidates as the industry outlook is roughly a 20% market expansion. However, as entry barriers in the high-end furniture market are high, this opportunity will lessen to some extent. It is also worth mentioning that this niche will remain a niche, mainly because of the relatively high price of the furniture, and the exclusivity this brings (Qualitative Interview).

The threat of new entry is fairly low as the entry barriers are high. However, existing furniture producers could make a move on the high-end niche.

4.6 Rivalry among existing competitors

As earlier mentioned, furniture producers have to deliver shop fixtures to their respective dealers and retailers. This is an investment creating higher exit barriers for the manufacturers, as they are unlikely to abandon these investments. Potential strong exit barrier also exist if the production facilities and machinery cannot be reused for other purposes than furniture-production without costly alternations. High exit barriers in an industry make it more likely for actors to compete harder in order to avoid losing return on sunk costs.

The main competition are many small and medium sized companies, most of them based out of Asia. On the global market there is no international competitor for Stressless, their direct competitors are mostly in the local markets (Ekornes Annual Report, 2011). In Germany Stressless' strongest competitor is Zerostress, a brand produced by the most significant German furniture manufacturer, "Himolla". They are consciously trying to place themselves in the same marked niche as Stressless, and offer many similar products (Qualitative Interview).

Ekornes operates with patents on their most important product features to prevent the competition from producing too similar products. As their product-patents gets to old Stressless strive to add a new quality to their product, and therefore file for a brand new patent, instead of the expensive process of renewing an old patent (Qualitative Interview).

Competition among rivals is considered as high. It is a high-end niche market where competition for profits is fierce. This niche market consists of relatively few customers

out of the total market base (approx. 7mill. out of approx. 85mill.). As a result of a tight market where there is little room for geographical growth, most growth will have to come from gaining market share or opening new target groups. This leads the market actors to aggressively going after the competitors existing customers, and most existing competitors will try to innovate or imitate (Qualitative Interview).

4.7 Summary of Porters Five Forces



Figure 2 Porters Five Forces (Self Provided)

5 PEST

5.1 Introduction

When analyzing a macro-environment, it is important to look at the factors that can influence the correlation between supply and demand in a market. Macroeconomic factors that influence decisions is for example change in taxes, new regulations on emissions, the purchasing power of the individuals in a market, and so on. A good tool for analyzing these factors is the PEST-analysis. It focuses on the political, economic, social and technological areas, as showed in figure 4. These are four important fields to explore in order to get sufficient insight into the macro-environment of the market which a company operates in, or are considering entering.

It is important to remember that these four factors can generally not be influenced by a company, at least not in the short term. But changes in these areas are important to monitor, since they not only could provide new threats, but also new opportunities that could be very profitable for the company to pursue. The focus of the PEST-analysis can be a company's view on a market, a products view on a market or a brands relation to its market. In this case it is natural to look at the market for the brand Stressless, and the macro environment that they operate within (Fitzroy, Hulbert & Ghobadian, 2012).



Figure 3 PEST (self-provided)

5.2 Political

Political aspects in the PEST-analysis deals with all the factors influenced by the local and central governments, the protection of property in the market, risk of vast political changes, and other aspects that can make it challenging for companies to operate in a market.

The political situation in Germany is described as stable. Even though some changes are likely to happen in the elections in the fall 2013, it is still a very stable country due to its strong economic situation compared to other EU countries. On a ranking performed by AMB Country Risk Report in September 2011, Germany is ranked as very low on political instability and risk. As a result there are no large political instability factors that have a negative influence on operations in Germany (www3.ambest.com¹¹).

The sales numbers for Stressless can be affected by the macroeconomic changes made by the government. The Government along with the European Central Bank influences the economic situation for an average consumer. Because of the economic situation in the euro-zone it is reason to believe that the German government will continue to strive for more austerity measures, and reducing the nation's deficit. This will be properly addressed under the "Economical"-field of this analysis.

Since Ekornes produce Stressless in Norway their production does not get influenced from German laws and regulations regarding minimum wages (or lack thereof), mandatory employee benefits, and other industry regulations. The largest political influence will be taxation on import, price regulations and trade regulations. Since both Norway and Germany is part of the European Economic Area (EEA), trade between the two countries is close to free of taxation.

Germany is known for having a heavy bureaucracy in its public services, and very strong labor-unions making its labor market a rather inefficient one compared to western standards. However, this has little or no influence on Stressless' situation, as they produce in Norway.

The infrastructure influences Stressless' distribution in Germany. The German infrastructure is regarded as very good, it is ranked second in the world according to

¹¹ <http://www3.ambest.com/ratings/cr/reports/Germany.pdf>

Worlds Economic Forum. As a result, it is easy and efficient to distribute goods all over Germany (www.weforum.org¹²).

5.3 Economical

The economic aspects of a market consist of both the microeconomic and the macroeconomic situation in the respective economy. For the brand Stressless it is important to look at how the private economy for customers in their target group develops, as well as the economic developments in Germany in general. Based on this one can attempt to make some predictions about the future.

The development in the private economy and the willingness to consume is of grave importance in order to be able to give a forecast about the growth opportunities for Stressless. As the Eurozone in general are in a weak economic state at the moment it is important trying to understand how this affect both the economy of potential Stressless-buyers, but also the psychological effect this has on their spending habits.

Since Germany has an economy strongly based on export the worldwide loss of confidence and willingness to consume have a direct effect on Germany's economy. As the world still recovers from the skepticism and problems that have been around ever since the Leaman-brothers crash in 2008, and the so called euro-crisis in Europe the last years, Germanys growth rate in 2012 is not expected to be on a high level. However, Germany benefits strongly from being in the euro zone. Countries like Portugal, Spain and Greece devaluates the euro, and if Germany had their own currency it would be very strong due to Germany's extensive exports. As a result Germanys economy is way better off than most of the euro zone members.

The exchange rate between the Euro and the Norwegian Krone clearly affect Stressless' profits in Germany. The Norwegian Krone is currently strong and this can reduce the attractiveness of the Norwegian export, which Ekornes is a part of. Since Germany use Euro, Ekornes benefits when the Euro currency is strong compared to the Norwegian Krone. These days, Euro has dropped due to economic uncertainty in Europe. However, the Euro exchange rate for krone has been quite stabile the last years. According to the European Central Bank, the average exchange rate the last 10 years for

¹² <http://www.weforum.org/reports>

1 Euro has been 8.07 krone. In comparison, 1 Euro is now around 7.5 krone. Large fluxions in the exchange rates represent a potential threat for Ekornes (www.ecb.int¹³).

According to OECD's report from November 2011 the growth rate in Germanys GDP should be 0.6% stronger in 2012 than in 2011. However, the unemployment in Germany is at an almost historical low level, which creates much confidence in the general public and their view on the economy. This confidence is important to keep the private consumption going. The same OECD report projects a growth in private consumption by 0.7% in 2012 and 1.1% in 2013, and an increase in import by respectively 4.1% and 6.2% in the same years. All of these are good numbers for Stressless, as long as they manage to be a part the general growth (www.oecd.org¹⁴).

5.4 Social

The social aspects in a market include a wide range of factors, like demographics, class division, cultural differences and attitudes. Attitudes deals with the consumers view on the environment, labor conditions, healthy lifestyles and so on (Fitzroy, Hulbert & Ghobadian, 2012).

Germany has the world's 15th largest population with nearly 82 million people, and 40.3 million private households. The average yearly gross income for Germans is approximately 45 000€. Baden-Württemberg, Bayern and Nordrhein-Westfalen are the most populated "Bundesländer", with respectively 10.8, 12.5 and 17.8 million inhabitants. The heaviest population per square kilometer is mostly found in the western and southern parts of Germany, as well as Berlin. The most densely populated state is Nordrhein-Westfalen. The average income per capita is higher in west than it is in the east, and at its highest in and around the cities Hamburg, Frankfurt, Stuttgart, Düsseldorf and München (www.destatis.de¹⁵).

The vast majority of the German population (91.5%) is ethnic Germans. The second largest ethnicity is Turkish (2.4%), and the remaining 6.1% is made up largely of Greeks, Italians, Polish, Spanish, Russians and Serbo-Croatians (www.cia.gov¹⁶). The

¹³ <http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-nok.en.html>

¹⁴ http://www.oecd.org/document/52/0,3746,en_2649_34109_45268596_1_1_1_1,00.html

¹⁵ <https://www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Regionaldaten.html>

¹⁶ <https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>

official language is German, but large parts of the Turkish communities still use Turkish as their main language. In the German business world English is gaining larger acceptance, 90% of all school children in Germany learn English as a second language and due to more international traveling and cultural influences most Germans learn more and more English in general (www.ef.de¹⁷).

Germans are above average in the EU when it comes to awareness about the environment, and their willingness to do everyday tasks to help reduce the impact we have on the environment. When “pollution in and around cities” is the thing most Europeans think about when they think of the environment, Germans tend to think about the climate changes in general. When it comes to consumer goods, neither Europeans in general nor Germans seem to choose actively based on environmentally friendly products. Around 30% say they reduce the consumption of disposable products like plastic bags, but only 18% say they buy products marked with an “environmentally friendly” mark. However, these 18% don’t say they exclusively buy only these products. 48% of the people asked, “Tend to agree” that they would buy an environmentally friendly product even if it costs more than an equal product that is not that environmentally friendly (ec.europa.eu¹⁸).

For the brand Stressless the positive attitude towards environmental friendliness in Germany is favorable. Norway rates as number three on Yale’s Environmental Performance Index, and Germany ranks as number eleven. In combination with Ekornes’ focus on environmental friendliness, and as the production facilities is based in Norway, the image projected by Stressless is favorable to German environmentally conscious consumers (Esty, Yale Center for Environmental Law & Policy, 2012).

5.5 Technological

When analyzing the technological aspects of the market one look at the reason technological development, the accessibility of high-tech infrastructure like internet and broad band, among other. With Ekornes’ production in Norway, and this analysis looking at Germany, it is also important to look at differences between the two countries, creating advantages or disadvantages for Ekornes compared to their German competitors.

¹⁷ <http://www.ef.de/epi/country-profiles/germany/>

¹⁸ http://ec.europa.eu/public_opinion/archives/ebs/ebs_295_sheet_de.pdf

Ekornes is a high-tech production company, always innovating their production methods and equipment. Germany is a strongly “innovation-driven” economy, ranked as number 10 in the world on “technological readiness” by the World Economic Forum. Some of the factors they use to rank countries are the availability of new technology, firm-level technology absorption, internet users and broad band bandwidth. Norway is ranked as number 9 in the world on the same ranking. Based on these facts Ekornes will have a slight advantage on their German high-tech competitors as long as they keep their production in Norway, and always strive to improve and innovate their production methods. Technology develops fast, and these margins are small, it is therefore likely that these advantages can change fairly rapidly. However, Ekornes has a long tradition of always trying to be innovative, and include new production methods and standards, to be best in their field.



6 Internal Analysis

6.1 Introduction

The internal analysis is used as an instrument to get an overview of the company as a whole. Identifying strength and weaknesses of the company is important to understand the current situation, and gives the fundament for a SWOT analysis later in the thesis. A good understanding of the company is important in order to identify and evaluate the company's readiness to act on growth potential.

6.2 Selective Distribution

Advanced analytical tools are used to make certain the potential for the individual distributor is so large that the distribution strategy is perceived as selective, ensuring that Ekornes continues to receive a high level of focus and priority in the stores (Ekornes Annual report, 2011).

Until 1993 Ekornes suffered from the problems common in traditional adversarial manufacturer-retailer relationships. The retailers who were interested in carrying the Stressless product line had access to it. The result was over distribution and a belief that retailers were not committed in making the brand a success. In early 1993, Ekornes

moved away from the traditional adversarial relationship towards a more intensive retailer relationship, thus the selective distribution concept (Kumar, “The Power of Trust in Manufacturer-Retailer Relationships”, Harvard Business Review, Nov/Dec 1996).

Developing trust between the manufacturer and retailer is essential in order to exploit their complementary skills. Stressless refers to their retailers as partners and making them feel that they are a part of the Ekornes family. The dealers are given selectivity, which means that the retailer has no competition within its sales district. When giving the retailers their own protected area/exclusive territories, where there is no price competition between retailers it motivates them. As an advantage for Stressless, they motivate their retailers to advertise and use co-advertisement for the products together with Stressless. The fact that there is no price competition between the retailers benefits Stressless in another way as well. If there were a high degree of competition between the retailers, it would be reasonable to say that at some point, discounts for Stressless products would occur. When discounts occur, price wars can soon follow (Rao, Bergen & Davis, “How to Fight a Price War”, Harvard Business Review, Mar/Apr 2000). Through selective distribution, Stressless avoids price competition and the brand image of being a high-end furniture producer continues/maintains. Stressless can only give recommendations to their retailers when it comes to setting the price. However, as the retailer contains the advantage of the protected area, they are not forced to drop prices due to the absence of competition (Qualitative Interview).

6.3 Product development

Ekornes’ product development strategy for Stressless is to give high priority to development of product concepts with the intention of providing functionality and comfort to their customers.

Through product development Ekornes strives to differentiate themselves from competitors, by launching products which are excellent in comfort and functionality. To strengthen the brands market position, Ekornes strive to constantly develop new products and product concepts. Ekornes develop entire concepts and product families instead of just single products. The products are developed with the aim of being sold in

all relevant markets, rather than in individual markets. The ambition is to manufacture all products rationally, with focus on high productivity and quality.

Ekornes has a highly qualified product development department, where all employees are professionally trained and highly experienced. Quality trials and testing are carried out in the Ekornes' own laboratories in addition to approved independent institutions. The department has high expertise in materials and production techniques that allows it to follow product development through all stages from idea to production. The department includes furniture designers, industrial designers, engineers and constructors, model makers and furniture upholsterers. The different manufacturing plants are also involved in putting the different designs into production alongside with the product development department. The product development department tasks are to launch products with high comfort and functionality that make them stand out from competing products. An important factor in terms of production is to make sure that the different products fit to Ekornes' manufacturing system in order to maintain an effective production. This also includes the development of accessories in order to increase the customer's overall experience (Ekornes Annual Report, 2011).

7 Social and environmental responsibility of Ekornes

- Ekornes participate in the Global Compact initiative
- Constantly seek new technologies, materials and product solutions that can reduce the impact on the environment
- The company meets all requirements of the European REACH directive

(Ekornes Annual Report, 2011).

7.1 Product and Materials

The raw materials, manufacturer and product components used by Ekornes are represented as the bulk of the company's impact on the environment. It is therefore important for Ekornes to constantly seek new technologies, materials and product solutions that can reduce that impact. It has developed environmental product declarations (EPD) for the entire Stressless collection in accordance with ISO 1402.

However, environmental product declarations of all Ekornes products are not yet documented.

As the products used in production are largely standardized, it enables a rational use of materials and minimization of waste (Ekornes Annual Report, 2011).

7.2 Health and Chemical Use

Ekornes meets all requirements in the European REACH directive. They wish to make sure that their products do not expose consumers to chemicals that pose hazard to health. Ekornes strive to constantly reduce the use of chemicals and to promote environment friendly solutions. Among other environment-friendly-solutions they have contributed to develop the production of laminated wood, as it now contains no more formaldehyde than natural wood (Ekornes Annual Report, 2011).

7.3 Heat and Energy

Bioenergy is mainly used to heat Ekornes' manufacturing facilities. For the five plants northwest in Norway, oil is considered as an alternative energy source and is only used in exceptional cases (Ekornes Annual Report, 2011).

7.4 Waste Handling

Ekornes' waste is sorted in accordance with appreciable regulations in such a way that bulks of waste is recycled or used for energy recovery. Ekornes wishes to use as much as possible of the waste for heat production or as raw materials for its own production (Ekornes Annual Report, 2011).

7.5 Emissions

During 2011, the emissions from oil, solid fuel boilers and organic solvents from sealers/stains were significantly reduced at the Ikornnes plant (Ekornes Annual Report, 2011).

7.6 Participation in the UN Global Compact

Ekornes' participation operates in line with the UN Global Compacts 10 principles covering human rights, anti-corruption, labor rights and the environment.

Through participation Ekornes undertakes a set of targets for and work continuously toward improvement in the company's performance (Ekornes Annual Report, 2011).

7.7 Ekornes and the Local Community

Ekornes has made provisions in investments to benefit children and young people in the local communities in which the company is presented. To support a variety of interests, efforts are made to allocate funds. Collaboration with lower and upper secondary schools and various training offices are also worth mentioning as Ekornes try to benefit local communities and themselves (Ekornes Annual Report, 2011).

8 Competitive advantages, core competencies and intangible assets

8.1 Intangible assets

The intangible assets of Stressless are as follows (Ekornes Annual Report, 2011):

- Stressless: Registered Trademark.
- Knowledge and experience of manufacturing.
- Patents on: Gliding-system, Plus-system, Comfort Zones and Ergo-Adapt (among others).
- Well-developed and efficient market concept.
- International marketing.
- Product concepts.
- A well-developed and efficient market concept.
- Registered domains and designs.
- International sourcing.

8.2 Core competencies and competitive advantages

Ekornes as a company possesses some core competencies and advantages that help them compete efficiently in the high-end furniture industry. These are as follows:

- “The Norwegian Heritage”
- Selective Distribution
- “Innovators of comfort”

8.2.1 «The Norwegian Heritage»

Promoting and building on the Norwegian heritage is considered as one of Stressless’ competitive advantages. “Made in Norway” differentiates from many other brands in the furniture industry. In today’s global trade, much consumer goods are produced in low-cost Asian countries. The consumer’s perception of quality will often be lower in that case, then if the product is produced in a high-tech country. By having every production stage in Norway, the brand gets strong ties to their Norwegian heritage (Yasin, Noor & Mohamad, “Does image of country-of-origin matter to brand equity”, 2007).

Norway’s untouched nature with forests and mountains create an impression of environmentally friendliness, and little industry impact on the surrounding nature. This could create a stronger brand acceptance with the environmentally friendly Germans consumers.

Germany’s relationship as an important trade partner and tourist partner to Norway increases the ties Germans consumers have to Norway. Germans are the largest group of foreign tourists in Norway, and Germany is Norway’s second largest trading partner after Sweden (www.snl.no¹⁹).

Another advantage Stressless has over producers based in none-EU countries is the trade union EEA. This makes it possible for Norwegian and German companies to trade free of custom barriers.

¹⁹ <http://snl.no/Norge/utenrikshandel>

8.2.2 Selective distribution

The use of selective distribution is Stressless' main route to success.

Selective distribution gives the brand an extra touch of exclusiveness, as it can only be bought at carefully selected retailers. Also, Stressless' emphasis on giving good margins to retailers, as well as being a customer pulling brand, create retailer desire to promote and sell Stressless products. The competitive advantage exists in that retailers use more time and money on advertising and selling Stressless products than other furniture, as this gives higher revenues for the retailer.

The use of selective distribution also strongly reduces retailer power. Without competition in their area, retailers are not forced to give discounts on Stressless products, and the risk of retailer demand for lower purchase price from Stressless will be low.

8.2.3 “The Innovators of Comfort”

The comfort of Stressless product is a competitive advantage. Through extensive marketing they place themselves as “Innovators of Comfort”, and therefore differentiate in the niche with that as a main focus. Through their intangible asset; knowledge and long furniture production traditions Ekornes manage to build high quality products while the production of their products is time efficient (Ekornes Annual Report, 2011).

9 Marketing mix

9.1 Introduction

McCarty classifies the activities of the marketing mix as the four P's of marketing. These four P's are price, product, place and promotion. The various elements under each P are illustrated in figure 5. From the seller view, the four P's can be considered as marketing tools to influence consumers. From the buyers view, each of the four P's is designed to deliver a customer benefit (Kotler & Keller, 2006, p. 62).

Reviewing the marketing mix in a marketing mix analysis is a good tool to implement in order to get an overview over the marketing activities Stressless use in the German market. In the context of this thesis, the marketing mix analysis contributes to a greater understanding of how Stressless view their use of the four P's, contrary to both potential

and actual buyers view on Stressless' marketing activities. A potential for growth could emerge if there are evident differences between these two views that need to be corrected.



Figure 4 Marketing Mix
Source: Following Kotler & Keller (2006 p.63)

9.2 Product

Stressless is in the high-end furniture market and offers relaxing chairs. As the “innovators of comfort” the product is of high importance in regards to the marketing mix. Ekornes rely profoundly on their product, this is reflected through their continuous product development. Stressless wants potential customers to try their products and feel the comfort that their chairs and sofas offer. As customers try the products, Stressless proposes through their product that the chairs are something special compared to competitors.

Ekornes launches new products every year. The company operates with a global product development council that meets every year to discuss different prototypes. Designers, marketers and sellers are participating in a relevant survey and product testing to

develop new products. Every year Ekornes launches 1-3 new products whereas the equal amount of old products are removed from the collection. Ekornes focus on keeping the selection range compact and not make it too wide.

The brand Stressless consists mainly of relaxing chairs, sofas and tables, as well as some additional accessories. The chair is Stressless' main product, and the rest of the products are viewed as product expansions and features to the chair. The customers can buy a single chair or sofa and then customize their own solution of Stressless products to use in their living room. A Stressless chair is delivered in different sizes, shapes and colors.

Ekornes' product strategy is to find a common denominator of the consumer desire and then bring the product to the market. This is considered a very important concept for Ekornes, and this is the reason for no local adaptations to the local markets (Qualitative Interview).

9.3 Price

Due to the target group Stressless has in their high-end niche market; the price will be higher than competitors in the general furniture market. With Stressless' use of selective distribution, the price is maintained stable at their desired level.

When Stressless prices their products, they need to match the local market level. The Stressless products are sold from Stressless to the retailers at a fixed price. In Germany, the prices are set by the retailer. As a result of their selective distribution strategy, Stressless influence the prices by giving recommendations in form of fixed tabs and price sheets to their dealers. Every retailer is given a protected area, which means that retailers are not affected by competition from other Stressless retailers in the respective area. They can therefore price the Stressless products based on recommendations and their own desires.

Four times a year, Ekornes launches a campaign with reduced prices and different offers. These campaigns are important because the furniture market is tight and the competition is high especially among niche products. These campaigns give the retailers even better margins, and are a large incentive to create and maintain a good relationship (Qualitative Interview).

9.4 Place

The products are placed through the use of the selective distribution partner system. Stressless operates with selective distribution retailers all over the world. Stressless aims to use a selection of quality premium retailers; this means that not every retailer gets to sell Stressless products. In Hamburg for example, Stressless only use four retailers to cover the entire city.

Each retailer has been given selectivity and this means that there is no competition in the retailer sales district. Most of the dealers are big furniture warehouses that also offer a lot of other furniture products.

When it comes to online placement there are currently no direct sales in this sales channel. Stressless wants the potential customers to feel and test the product before the buying decision is made. This can obviously not be accomplished online. Therefore, selling high-end furniture online would not be easy.

Stressless uses some flagship stores in the German market. A flagship store is almost like an own brand store, except that an independent retailer is in charge of the store. These stores are only selling Stressless products. Stressless support these stores with advertising and market development. The flagship stores are utilized mainly for brand building and less for actual sales (Kozinetsa, et al., “Themed Flagship Brand Stores in the new millennium”, Journal of Retailing, 2002).

All the “small” retailers spread around Germany are considered the backbone of the distribution strategy. New and improved studio solutions have been developed for Stressless products, and these solutions are represented in nearly all partner stores in Germany. The studios are the sale platforms for Stressless products installed in the retailer’s store. Stressless also give retail staff relevant training which can help them to increase sale by using the abilities of the Stressless studio solution (Qualitative Interview).

9.5 Promotion

Strong promotion is central to Stressless for several reasons. Some of these are;

- The fierce competition within the market

- Keeping Stressless as a high involvement product
- Informing about differentiation
- Gain and maintain brand image and awareness.

Ekornes' aim is to be the world's leading supplier of brand-name, through attractive products and marketing activities (Ekornes Annual Report, 2011).

Stressless is promoted through many channels all over the country. This includes advertising through national television, radio, internet, newspapers and magazines. Only almost 10% of the population of Germany is within Ekornes' defined target group. With Germany's large population, 10% are a little over seven million people. Therefore it is a problem to reach only the small target group through national media who reach out to over 80 million Germans. However, Ekornes has adopted this strategy because they want to increase the brand awareness for Stressless all over the country, and create a strong brand.

In Germany there are few or none national radio channels, due to this, radio ads are made by the dealers themselves. Radio ads are also locally adapted to the cities, and are sales focused.

Local dealers are also involved in the marketing strategy, and they help Stressless by distributing flyers and brochures as an appendix in the newspapers and magazines in their local area. Stressless is producing over 90 million flyers every year. It is then sold to their respective dealers. Recently, Stressless has upgraded their flyers and brochures by integrating QR codes in the ads. When customers are scanning these QR codes, they get directed to a customized advertising internet page for smartphones and tablet computers. Stressless possess a highly innovative strategy regarding promoting and advertising through new digital media.

Persons searching for the word "Stressless" in the internet search engine Google will be exposed to advertising for the nearest store offering Stressless products. This is a part of Stressless' strategy for promotion in internet channels.

Event and activities regarding promoting of Stressless products are essential for the company and for the dealers to increase awareness for Stressless. Around 600 activities are arranged every year. These activities consist of small events at the dealer's location, and include sales promotion like giveaways, flyers, banners and music.

Stressless chairs can be found in waiting areas and lounges some places in Germany, and through this type of product placement Stressless try to increase brand awareness.

Four times a year, Ekornes send out a newsletter to their existing customers. The intention is to use the “word of mouth” principle to increase cross sales and up-sales to new customers (Qualitative Interview).

10 The Ansoff’s Matrix

10.1 Introduction

In order for a company to reach its growth objectives it is important for the organization to know which strategic direction that is most suited for them in order to reach their objectives. The Ansoff’s Matrix can provide a framework to evaluate how a company’s growth potential can be pursued based on its product and market options. The matrix provides strategic directions for growth opportunities by combining new or present product and new or existing markets. When applying the matrix a company can pursue multiple of the growth strategies at the same time instead of using one single strategy to pursue company objectives (Mark & Carl, “Strategy in Action Applying Ansoff’s Matrix”, 2007)

The matrix offers four possible directions for a company.

These are as follows:

- **Market Penetration Strategy:** The organization will try to increase share in the existing market with current products
- **Product development Strategy:** The organization tries to develop new products of potential interest to its current markets
- **Market Development Strategy:** The organization will seek to identify or develop new markets for its current products
- **Diversification Strategy:** The organization look at developing new products for new markets

(Kotler & Keller, 2006, p. 86)

The thesis main focus is concentrated on “Growth potential within niche markets”. It is therefore fundamental to determine how possible growth should be pursued in a strategic sense. In order to do this, the Ansoff’s Matrix is applied to determine the possible strategic direction Stressless can apply. As the Ansoff matrix provides a guideline on which strategic direction that is most suitable for Stressless, product and market options, the Ansoff matrix is in the heart of the thesis.

10.2 Limitations

The matrix does not either reveal how a company can pursue or achieve the chosen strategy. Part of the survey that is conducted later on is used to try too mapping the customer’s openness/desire for new products. In regards to pursue or achieve the product development strategy, this thesis will try to give recommendations, as this is related to the research question “growth potential within niche markets” (Mark, Carl, “Strategy in Action Applying Ansoff’s Matrix”, 2007).

10.4 Applying the Ansoff’s Matrix

Different tools, future and current aspects are used to generate the final direction of the matrix. These are as follows:

- Target group in Germany
- Growth plans in Germany
- SWOT
- Porter’s Five Forces

10.4.1 SWOT and Porter’s Five Forces

Each strategic option has its own opportunities and implications, the matrix is commonly used alongside with models like Porter’s Five Forcers or the SWOT analysis in order to get a holistic view of a company’s strategic scenario (www.coursework4you.co.uk²⁰).

²⁰ <http://www.coursework4you.co.uk/essays-and-dissertations/ansoff-analysis.php>

The Porters Five Forces and the SWOT analysis are therefore used alongside the Ansoff Matrix. Although the SWOT analysis is implemented later in the thesis, some company strengths and market opportunities, which are relevant for conducting the Ansoff matrix, are handled here. However, they are not defined into a concrete category; this is implemented later in the thesis.

10.5 Stressless' Growth Plans in Germany

Stressless' growth plan for the German market is based on the development of new products because of the fact that there is no more growth potential in increasing the number of sales partners. There is lack of space in the market for new sales partners/retailers, this in regard to the selective distribution that Stressless uses. As a consequence, Stressless has to grow through the development of new products (Qualitative Interview).

10.6 Target group

As previously mentioned the main segment for Stressless is based on consumer's age and income. Traditionally the main segment is in the age from 45 to approximately 65-70. Furthermore the net income per household is 2500 € a month or more.

In order to gain further growth, the company is in the long run dependent on finding new target groups within the niche. Stressless has to look in another direction than it's traditionally segment (Qualitative Interview).

10.7 Linking Ansoff to the Porters Five Forces

The competition among rivals is considered as high. Stressless operates in a high-end niche market where competition for profits is tough. As a result of a tight market where there is little room for geographical growth, future growth within the market will have to come from gaining market share through *market penetration* or opening new target groups through new *product development*. As a part of Stressless' planned product growth and the need to stay ahead of competitors in terms of innovation, *product development* is a crucial factor to Stressless' competitiveness. Especially in the terms of the different patents that Stressless operate with on their most important product

features in order to prevent competitors from imitating their core features. Stressless' current patents expire over time. Product development therefore plays an important role when Stressless strive to add new attributes/features to their current patents in order to create new patents, instead of the expensive renewal of old patents. This product development is also a method of building up higher entry barriers to protect against new entry (Ekornes Annual Report, 2011).

Market penetration is possible due to the relatively low switching cost of end-users. Stressless can thereby try to capture competitor's customers. A measure for *market penetration* in this high degree of competition would be to effectively use market communication in order to build brand image and awareness to get the necessary degree of customer loyalty.

10.8 Linking Ansoff to SWOT

Entering into a new market with either existing product in form of *market development* or a new product in form of *diversification* opens possibilities for further growth. There are several reasons that contradict these two strategic directions. First, Stressless are already operating and are available in most parts of the world. This limits the opportunity for geographical growth. Second, Ekornes as a company is not (at the moment) able to compete effectively against low-end furniture producers (e.g. IKEA). This due to production in a high cost country, demand for new distribution network, marketing costs for new positioning, resources demanded, supply-chain alternations etc. Leaving the high-end niche by *market development* or *diversification* would thereby not be an option. Third, it would deviate from the vision of Ekornes as making Stressless the world's best-known furniture brand made famous for quality and comfort. Leaving their high-end niche could create a threat of damaging the brand and customer perception of quality (Ekornes Annual Report, 2011).

There are two options left when linking Ansoff with SWOT, expanding within the existing market through *market penetration* or *product development*. The high brand loyalty that Stressless experience, favors both market penetration and product development. Willingness to accept new product extensions increases with high brand loyalty. This makes it easier for Stressless to introduce new products in an existing market. Increased *market penetration* can be achieved by the usage of Stressless

strengths. Stressless use competitive pricing in the form of selective distribution therefore retailers have large margins on pricing the products. The result is increased profit for the retailer, this makes Stressless an attractive product to sell. Also, as mentioned in the marketing mix analysis, high engagement in communication and marketing campaigns ensures Stressless' position and enables possibilities to win competitor's customers (Hem, de Chernatony & Iversen, "Factors Influencing Successful Brand Extension", 2003).

10.9 Conclusion of the Ansoff Matrix

The four strategic directions have been evaluated on the basis of Stressless' product and market situation. Based on the analysis, new market is not considered as the best strategic direction for Stressless at the present moment. Both market development and diversifying is considered too risky for the brand. Also, Ekornes does not have the means or will to compete against low-end furniture producers. Figure 6 illustrate that market penetration and product development emerge as the most suited strategic directions. Stressless is evaluated as already engaged in the market penetration strategy. It is a preferable strategy to continue with in order to hold/gain customers, defend/expand current market position and still sustain/gain the high brand loyalty.

In order to pursue further growth, new product development comes out as the most favorable strategic direction. This is due to lack of potential for expansion within the selective distribution concept that Stressless practices, and due to the constant need of product innovation. Product development would create an opportunity to open up new

target segments for further growth within the niche.

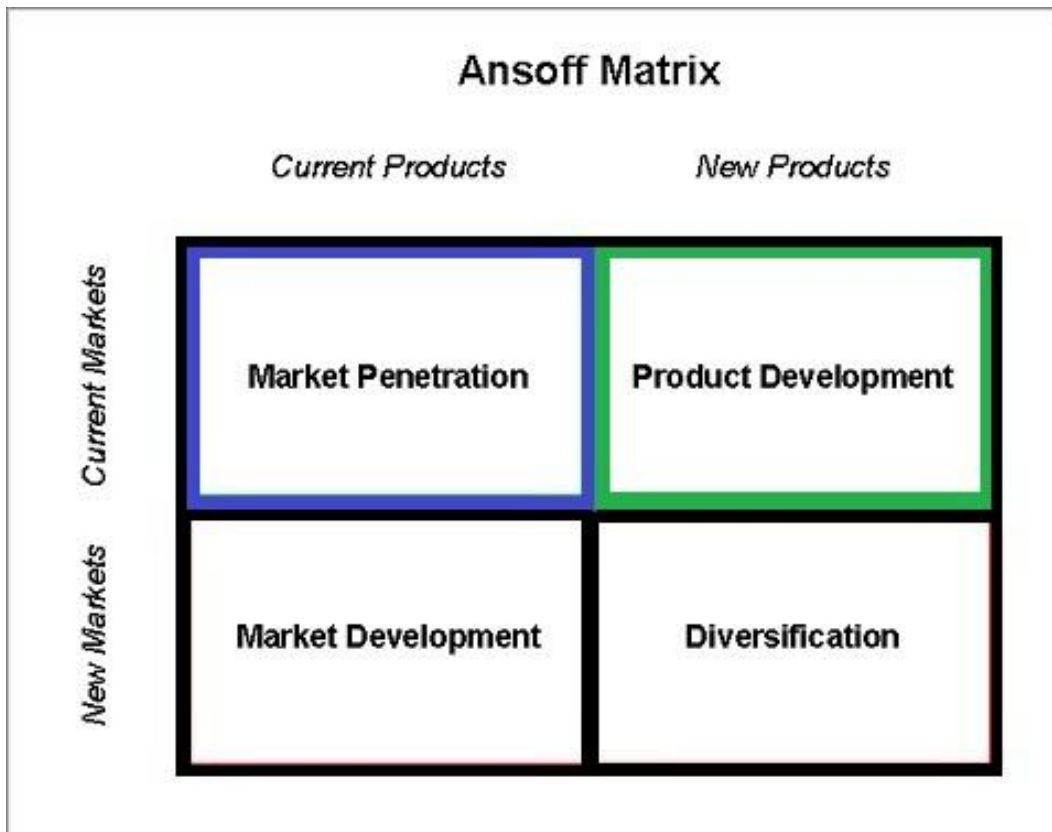


Figure 5 Ansoff Matrix
Source: Following Kotler & Keller (2006)



11 Methodology

11.1 Introduction

“A research method is simply a technique for collecting data” (Bryman & Bell, 2011, p. 41).

This chapter presents the research methods used in the thesis. Further, the findings are presented at the end of the chapter. The chapter includes:



Figur 6 Research overview (self provided)

11.1 Research Objective

Research often starts with a research area or objective. Further, the research objective has to be narrowed down in order to develop a tighter focus around the research questions (Bryman & Bell, 2011, p. 79).

The scope of the thesis is to determine growth potential within niche markets for Stressless in Germany. A quantitative research method, and an interview, was used to cover the research objectives of the thesis.

11.2 Research Questions

The research questions were outlined in terms of evaluating Stressless' target group's perception of Stressless and try to discover growth potential:

- Does the current economic situation in Europe affect the willingness to buy relaxing furniture?
- Where do the target group seek information about relaxing furniture?
- On what types of criteria does the target group evaluate relaxing furniture?
- What are the target group's attitudes, knowledge and perception towards the brand Stressless?
- How does the target group perceive the various elements of Stressless' Marketing Mix?
- What are the target group's attitudes towards brand extensions?

11.3 Sources of data collection

In order to solve the main thesis question, information was collected through primary and secondary sources.

11.3.1 Secondary data

Data that are collected by others for their own purposes are secondary data. Secondary data are usually inexpensive and one will normally find the intended information (Siegel, 2012, p. 24).

- Internal sources: consists of company data, company web sites, sales numbers
- External sources: consists of journals, research articles, official statistics and web sites

11.3.2 Primary data

To obtain primary data one must control the design of the data-collection plan. Since the researcher control the data-generating process, it is more likely to get the data information intended to get (Siegel, 2012, p. 24).

- In this thesis it consists of customer survey and an interview with Mr. Röper.

11.4 Research design

Research design is necessary and essential to research methodology and consists of many different research design approaches. The design provide a structure for the collection of data, which guide and monitor the analyze process of the collected data. In some quantitative and qualitative research it is not always obvious what type of design that should be applied, which means that a research can use elements from different design approaches (Bryman & Bell, 2011, p. 40).

The research design entails a description on how the analytical process should be prepared in order to solve the research objective. When deciding which design to operate with, information about the research topic and the ambitions related to analyzing and explaining the relation of the research are important aspects. There are three main types of research designs: Explorative, Descriptive and Causal design (Gripsrud, Olsson & Silkoset, 2010, p. 38).

11.4.1 Explorative Design

The primary objective is to explore and understand the topic. Since there is typically no clear perception of the research area, a natural start would be to examine the topic in from of literature studies, secondary and primary data. Techniques for data collection in an explorative design are focus groups and in-depth interviews (Gripsrud, Olsson & Silkoset, 2010, p.39).

The interview with Mr. Röper represents the explorative design in the thesis. The interview and the guided tour in the Hamburg offices was used to get a better understanding of the research questions, and to get more knowledge about the company. For more info regarding the interview, see appendixes.

11.4.3 Descriptive Design

When conducting a descriptive design, the researcher has a fundamental understanding of the research area. The primary objective is to describe a particular research area, saying “this is X and this is Y”. Questionnaires are most common in descriptive design, which is also used in this thesis. This quantitative research method was chosen in order to gain insight into the attitudes and preferences of the target group, without the amount of data processing a qualitative research method would require. The objective can be to either analyze one specific variable or the relation between variables. A descriptive design does not have the basis for claiming causal relations; however a descriptive design should consist of a correlation between variables (Gripsrud, Olsson & Silkoset, 2010, p. 41).

11.4.3 Causal Design

A causal design is related to experiments, attempting to support that “X is responsible for Y”. In an experiment one manipulates the independent variables to see if they have an effect on the dependent variables (Gripsrud, Olsson & Silkoset, 2010, p. 45).

The empirical study does not consist of any experiment; as a result causal design was not applied.

11.5 Data collection

11.5.1 Sampling

A sample represents a segment of the total population. There are two distinctive selection methods that can be approached:

- Probability sample: the sample has been gathered using random selection; this implies that every member of the sample has an equal chance of being selected.

- Non-probability sample: the sample has not been randomly selected; this implies that some sample members are more likely to be selected than others.

(Bryman & Bell, 2011, p. 176)

In order to distinguish whether the sample represents a probability sample or a non-probability sample, the population will have to be defined. The authors define the population as all potential Stressless buyers within the niche, in which Stressless operates.

The sample is a non-probability sample. The respondents share a common feature, as they have signed up on the Stressless mailing list. They are therefore not randomly selected out of the total population, meaning that there are probably potential buyers in the population that are not included in the sample.

The sample consisted of 3000 leads and buyers of Stressless products. Leads are potential customers; they have not bought a product, but have in some way got in contact with Stressless, e.g. giving their e-mail to get product information. Buyers are customers who at some point of time have purchased a Stressless product. Stressless provided the authors with a total of 3000 e-mails, whereas 1500 were leads and 1500 buyers.

11.6 Interview

An interview was arranged the 22.03.2012 in Hamburg, Germany with Mr. Gunnar Röper, Trade Marketing Manager of Stressless. The main objective of the interview was getting information regarding Stressless' use of the marketing mix, the current market situation for Stressless, current target market and survey distribution design. It is important to note that the straightforward guidelines of a qualitative interview have not been followed, as they accurately should. However, it is conducted as an in-depth interview. For the minute of the interview and questions asked in the interview, see appendix 2.

After a business presentation from Mr. Röper, the authors received a guided tour through Stressless' "Showroom". The guided tour provided the authors with valuable product information. In the "Showroom", every single Stressless product model is displayed for retailers, investors and other visitors.

11.7 Customer survey

The scopes of the survey were to study consumers' impressions of Stressless, and determine new potential customer needs in the furniture market.

The survey was distributed via e-mail. The motive for distributing the survey by email is based upon the research question itself. Since the leads and customers are spread all over Germany, email was considered as the most effective distribution method. As the scope is "growth potential within a niche" it would hardly be a valid research if the authors were to implement a probability sample e.g. asking potential respondents in the streets of Mannheim. According to Wright, in the face-to-face research environment it is very time consuming or if possible at all to get an equivalent number of people with specific attributes, interests and attitudes in one location. Furniture forums and social media was evaluated, however the authors assessed that it would be challenging to establish good contact and get response from the intended target group with this type of distribution. In order to get the best contact with Stressless byers and leads it was necessary to receive emails from Stressless' database (Wright, "Researching Internet-based populations: Advantages and disadvantages of online survey research, online questionnaire authoring software packages, and web survey services", *Journal of Computer-Mediated Communication*, 2005).

As both groups have certain knowledge of the brand, parts of the survey questions were constructed to determine how Stressless' customers perceive the company's use of the marketing mix. This is important information when comparing the data findings with Stressless own perceptions of their products. This information can help find new growth potential by understanding where the potential improvements on Stressless' use of the marketing mix can be improved.

11.8 Email survey distribution

The e-mail contained a formal letter explaining the purpose of the survey. A link in the email guided the respondents to the survey questionnaire. The survey was conducted through SurveyMonkey, which is a software providing web-based questionnaire solution.

There are several advantages and disadvantages of online and email distribution; the most important aspects for the study are as follows:

Advantages

- Provides a geographic opportunity to reach groups or individuals of the sample in one single channel, hereby emailing. In terms of resources available, it would have been difficult to reach the different regions in Germany without the possibility of emailing.
- Online distribution may save time for the researchers and participants. Online surveys allow researchers to reach the respondents of different geographical areas in a short amount of time. Although the length of a survey always varies to some extent, it only takes some minutes for participants to answer. Also, emailing generates quicker response rates compared to mailed surveys (Bachmann, Elfrink & Vazzana, “E-mail and Snail Mail Face Off in Rematch”, Marketing Research, spring 2000).
- Assuming that the hardware and software required for electronic communication is in place, e-mail survey distribution save costs compared to paper surveys, particularly for postal questioners. E-mailing eliminates the need for paper costs and other costs such as; posting, printing and data entry.

Disadvantages

- According to Sheehan and McMillan it is important for researchers to prove that they do not intend to send out “spam” mail. As the e-mail was sent out by one of the authors private e-mail account and not in connection to an organization, it is assumed that this could have decreased the response rate (Sheehan & MC Millan, “Response Variation in E-Mail Surveys: An Exploration”, Journal of Advertising Research, Aug 99).
- A drawback is that respondents can have multiple email addresses for the same person and/or the email of the respondent is simply inactive. 271 e-mails sent out were returned with “email address is unknown”, “grey listed” or “server is unavailable”.

11.9 Validity and reliability

Validity refers to whether or not an indicator of the concept that is measured really measures that concept (Bryman & Bell, 2011, p. 159). The authors consider the survey valid to some extent. The questions in the survey are very direct at measuring what the research questions set out to measure. However, it is important to acknowledge that the ecological validity is influenced by the fact that it is a questionnaire, and it does not measure attitudes, knowledge and perceptions in a natural environment. When questioning the external validity; the sample is regarded as non-probability and consists of buyers and leads. Therefore the survey may not represent the attitudes of the population/the niche market in general (Bryman & Bell, 2011, p. 43).

Reliability is a subject in quantitative research since measures analyzed in a study should be stable. If a study is reliable, the results should be repeatable. Reliability could be paralleled to dependability, which means that the results would be the same if you test the same at a later moment of time. The reliability of this survey is considered to be rather low. The survey would have to be repeated several times in order to define the reliability. Repeated testing of the survey has not been executed. As the sample is a non-probability group, and more importantly based on Stressless' mailing list, it is reason to believe that the result would not be the same if the survey was distributed by probability within the population (Bryman & Bell, 2007, p.41).

11.10 Survey findings

11.10.1 Demographics

This part presents all the demographic findings from the survey.

The survey had 288 respondents. Due to lack of answers 43 were removed in order to reduce missing values, but in some of the analysis there are still a few values missing. In the survey analysis N=245.

Figure 7 provides distribution in age and gender. Important numbers for age is the mean at 56.2 years, and that 50% of the respondents are between 48 and 64 years. Frequency distribution rate between genders are circa 64% male and 36% female.

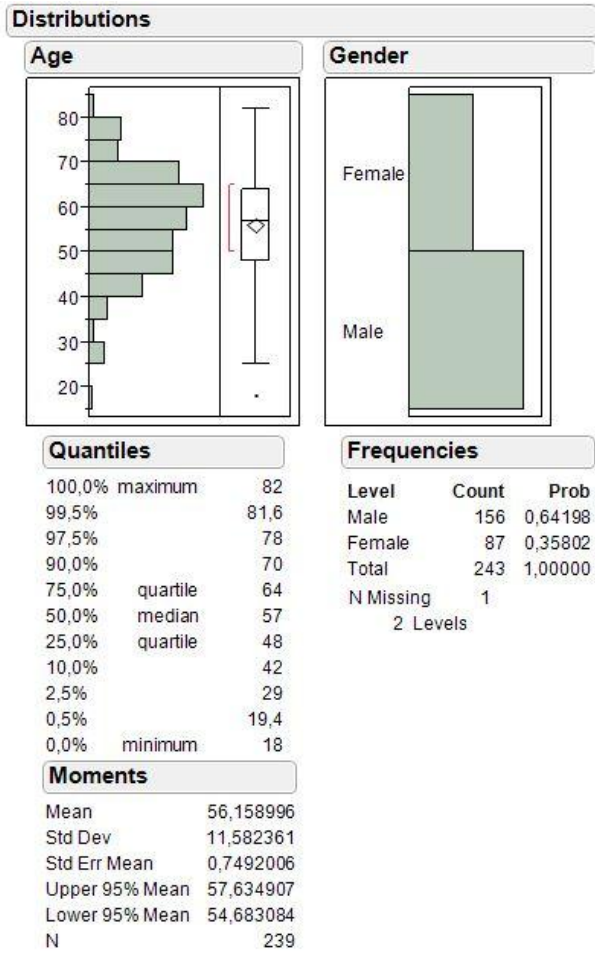


Figure 7 Distribution age and gender (Self provided)

Figure 8 illustrates that the 16 different regions in Germany is covered in the survey.

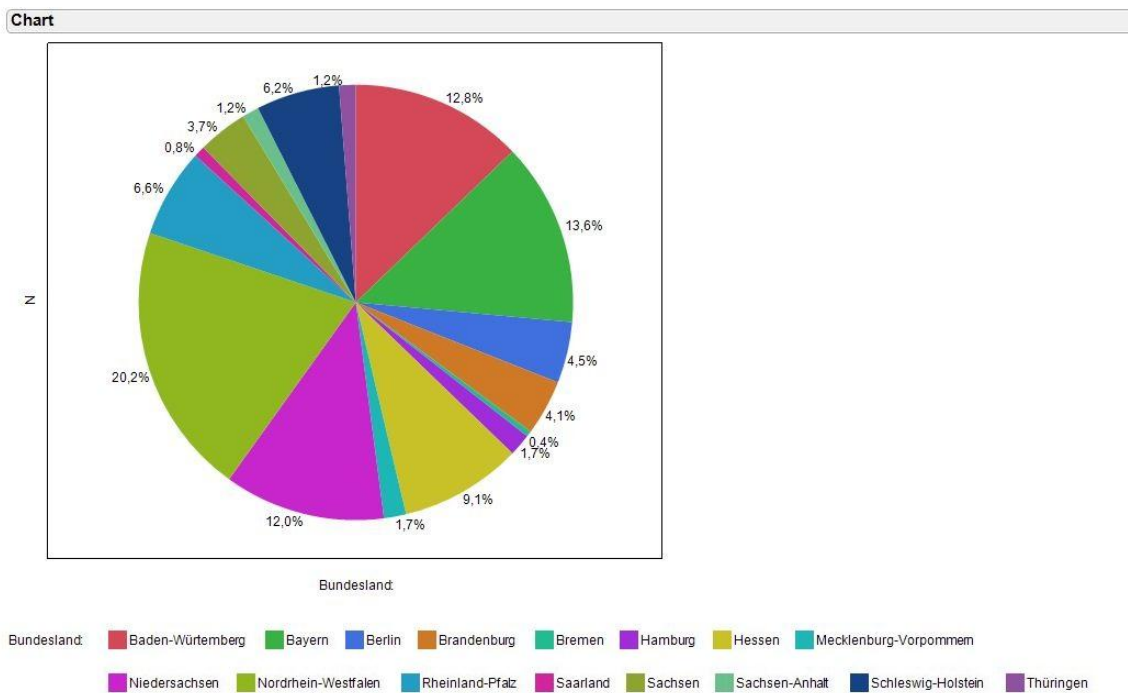


Figure 8 Distribution region (Self Provided)

11.10.2 Economic Instability in the Euro-Zone

The purpose of the first questions was to see if the German consumers felt influenced by the economic instability in the Euro-Zone, and if this reduced their willingness to buy high-end furniture. As figure 9 shows, a vast majority of the respondents (89.2%) answer that they “neither agree nor disagree”, “partially disagree”, or “don’t agree at all” to the statement that the economic instability reduce their willingness to buy.

There is however a little more agreement that the German private economy gets negatively influenced by the Euro-zone, but as long as this doesn’t influence the consumers’ willingness to buy high-end furniture, it should not be a problem Stressless need to address.

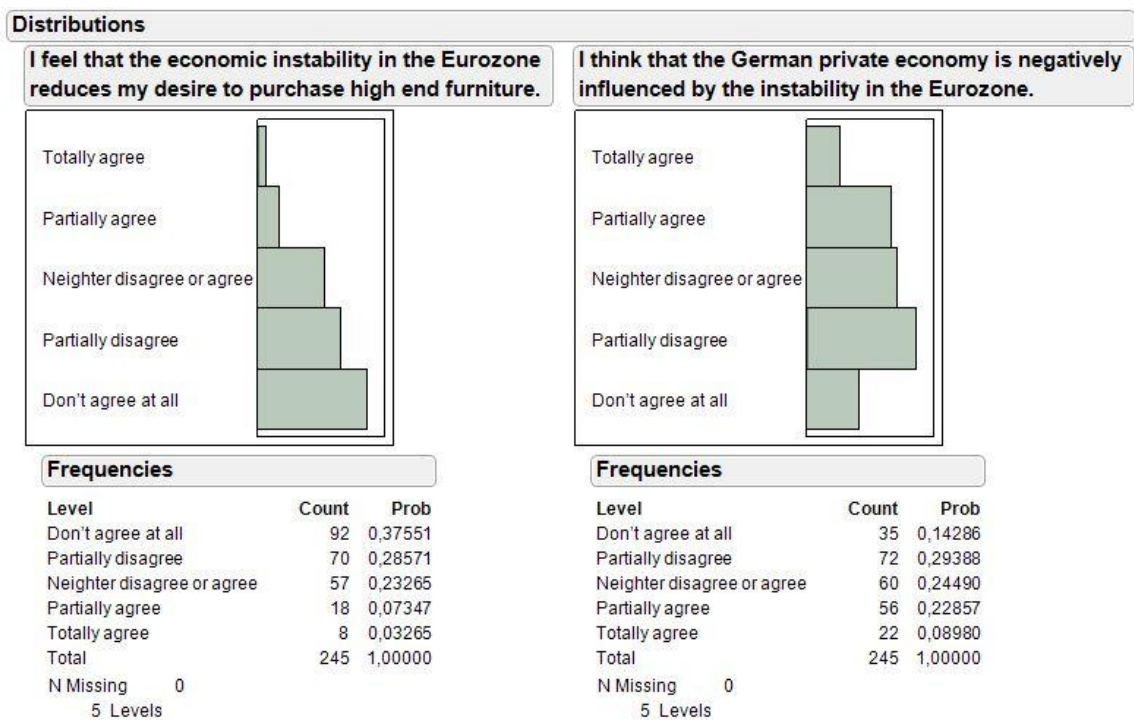


Figure 9 Influenced by euro-crisis (self provided)

11.10.3 What Respondents Care for in Relaxing Furniture

The respondents were asked to rate the importance of the following; quality, comfort, design, well-known brand and low price when they evaluate relaxing furniture (figure 10). It is easy to see in the results that the two most important properties of high-end furniture is good quality and good comfort. Good design also stand out as important, but here there are a few more persons answering “neither disagree nor agree”, and a very few disagree to some extent. “A well-known brand” and “low price” are less important to the respondents, even though the majority (55%) answer that a well-known brand is important. When buying high-end furniture as few as 27% agree to some extent that low price is important, and 27% disagree. The rest of the respondents “neither agree nor disagree”.

This show that out of the five properties, quality and comfort is most important while low price is less important to the respondents.



Figure 10 When buying, I care for... (self provided)

11.10.4 Associations with Stressless

The respondents were given the opportunity to write freely some of the first associations that came to mind when thinking of the brand Stressless. As the chart shows, there were a lot of different words that came to mind, but some stood out as clearly more important than others. The three words that were repeated the most times were “Bequem”, “Qualität” and “Komfort”, in that order, showed in figure 11. In English, the word “bequem” would be translated into comfortable or convenient, and if put together with the other “Komfort”-group it is clearly that “comfort” is by far the word most associated to the brand Stressless.

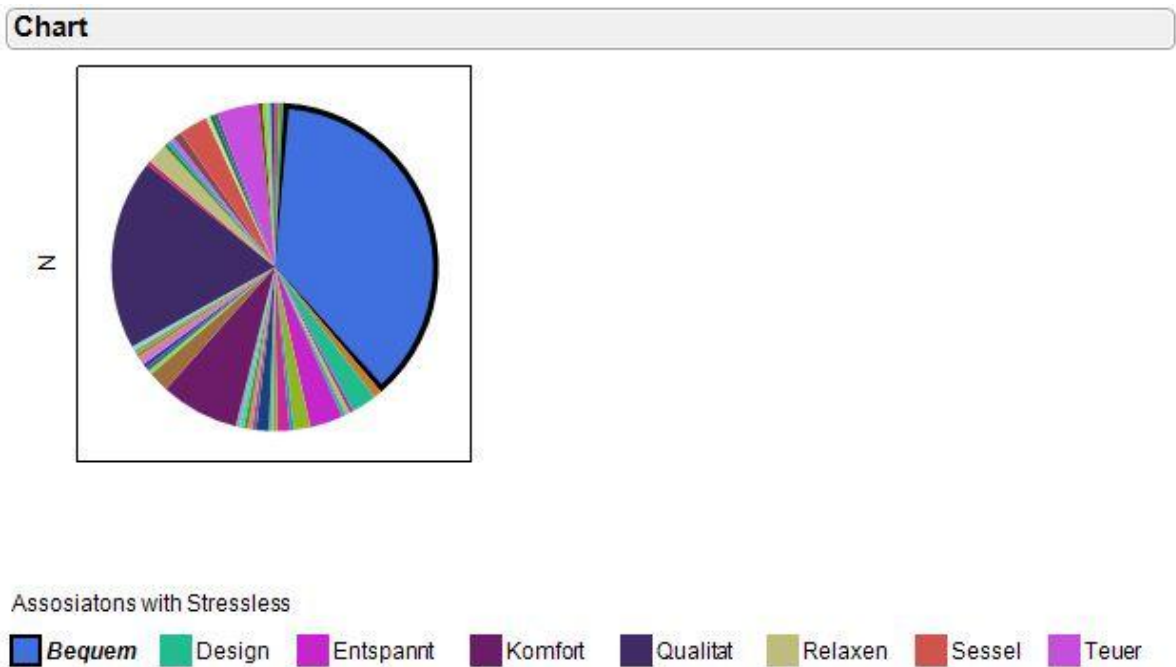


Figure 11 Associations with Stressless (self provided)

11.10.5 Where customers buy relaxing furniture

In order to map out the most important channels for where consumers buy their relaxing furniture, a question asking the respondents to rank “online”, “shopping mall”, “furniture store” and “brand store” as places to buy furniture was natural to include. The findings shown in figure 12 show shopping mall and furniture store as the two most important places where people buy furniture, but brand stores are also popular places to go. The one that stands out as an unpopular place to buy relaxing furniture is “online”,

were as many as 62% do not agree to buying there, and only 15% agree to some extent that they buy relaxing furniture online.

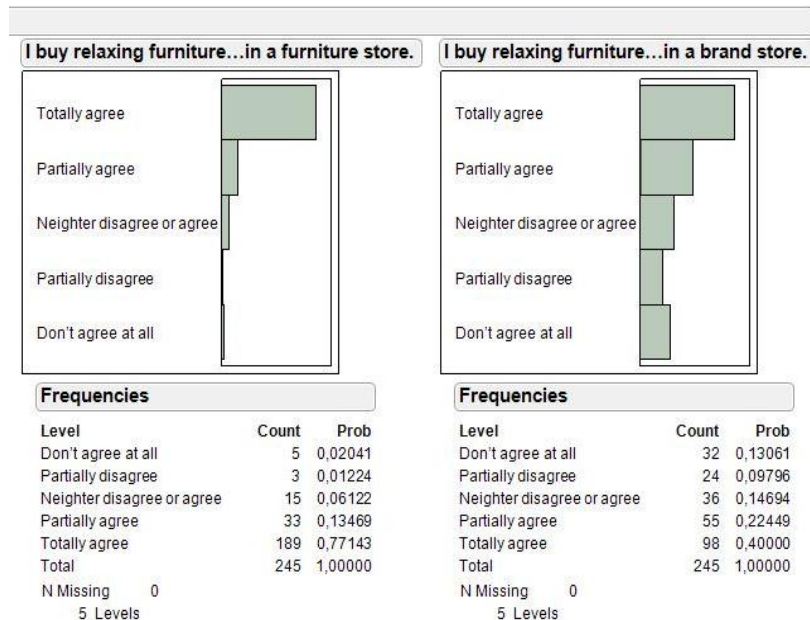
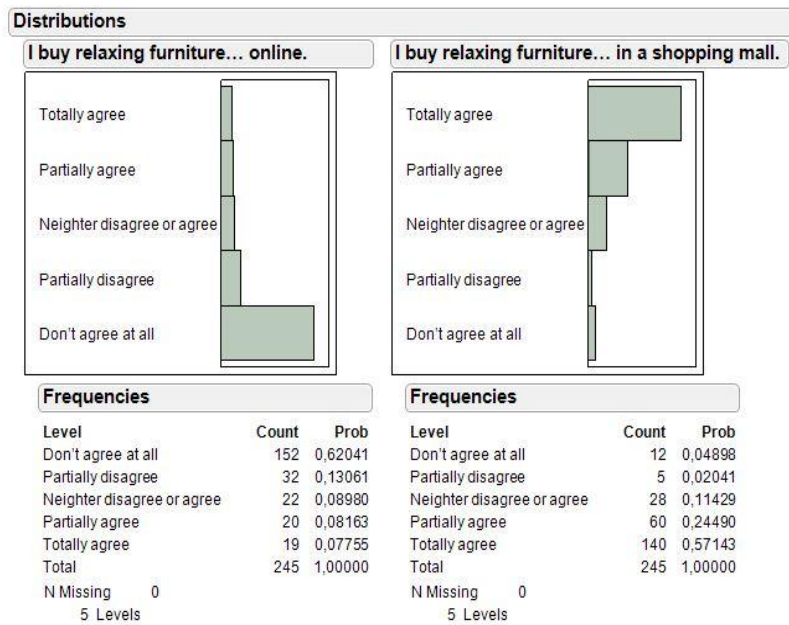


Figure 12 "I buy relaxing furniture" ... (self provided)

11.10.6 Knowledge of retailers

When asked about knowledge of nearby Stressless dealers, figure 13 show that circa 77% totally agree, and 12% partially agree that they know where to buy Stressless products.

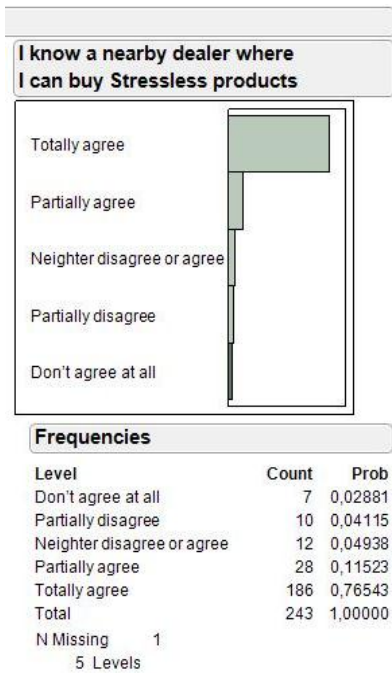


Figure 13 Knowledge of nearby dealer (self provided)

11.10.7 Information search

In order to understand where the consumers are most likely to get attention to marketing efforts, it is important to analyze where they go to search for information regarding relaxing furniture. In figure 14 we see that online and in the furniture store are the most popular places to look, while talking to friends are just slightly more unused than used. The one channel that stands out as very little used is trade magazines. If the reason for this is that most people don't read trade magazines, or if they just don't use it for information search is not answered in this data material.

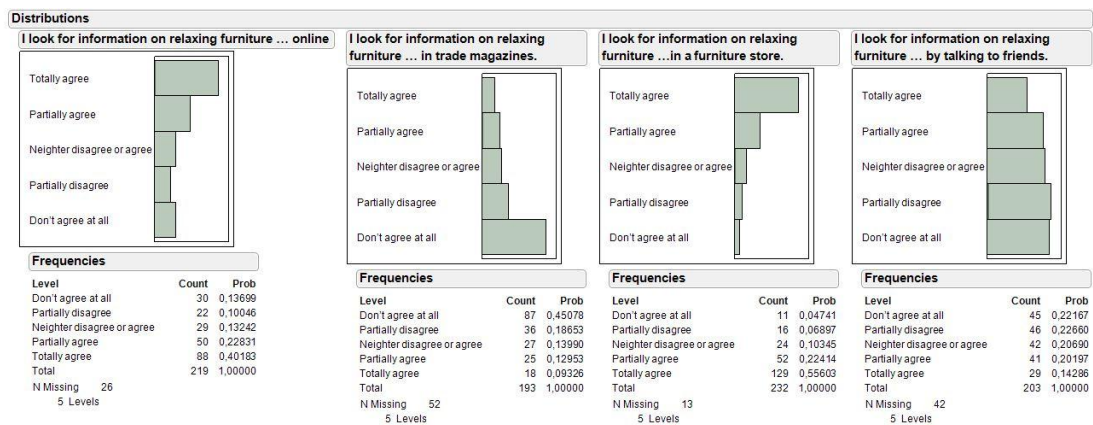


Figure 14 Information search (self provided)

11.10.8 Willingness to recommend

The consumers' willingness to recommend a product is important, as word of mouth is a powerful source for spreading product knowledge and perception. As seen in appendix 3, the willingness to recommend Stressless is high. An interesting observation is the fact that also the respondents who not have bought a Stressless product still are very inclined to recommend the product. Out of those who have not bought Stressless, there are almost 5% who say they are not willing to recommend, but 73% partially or totally agree that they would recommend Stressless.

Out of those who have bought a Stressless product, only 0.9% totally disagrees, and 0.4% partially disagrees to that they would recommend it. More than 91% of those who have bought a Stressless product say they partially or totally agree that they would recommend Stressless. Approximately 67% totally agree to sympathizing with the brand Stressless, and 20% sympathize to some degree.

11.10.9 Effect of a 20% reduction in price

How the customers would respond to a reduction in price on Stressless products is interesting to see in order to know if a potential introduction of a lower priced product range would damage the brand, or if it would be a welcomed contribution to the Stressless family. A element that is important to remember when asking questions about price is the fact that most consumers almost always will ask for a lower price in order to see a likely benefit (Docters, Hanson, Nguyen & Barzelay, 2012, p. 194)

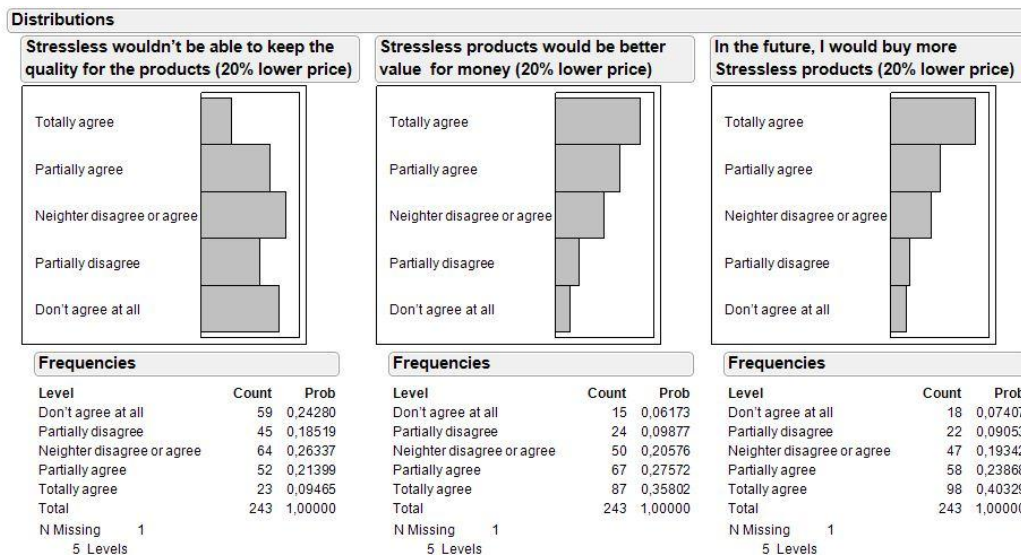


Figure 15 Effect of 20% price reduction (self provided)

This results in figure 16 show that there are some disagreements regarding if a reduction in price would damage the quality of Stressless. Only 9% totally agree that this would damage the quality, but 21% partially agree, and 26% neither agree nor disagree. Almost 43% partially or totally disagree that this price reduction would damage Stressless' quality.

Both on the questions if the price reduction would make Stressless better value for money, and if it would make the respondents more incline to buy Stressless in the future, there was a strong agreement. In both cases, over 60% answered that they either totally or partially agreed to these statements and only approximately 15% partially or totally disagreed.

11.10.10 Willingness to buy product extensions

In order to find potential growth through product extension the statement “If Stressless had produced these products I would be willing to buy them...” was tested for the following products;

- Garden furniture
- Matresses for beds
- Office chairs
- Dining chairs

Figure 15 show:

Garden furniture is the product proposal that got the least positive response. As many as 41% disagreed to some extent that this would be a product they would buy. Only 11% say they totally agree that they would buy this product.

Matrasses for beds is a slightly more popular among the respondents. 42% agree to some extent that they would buy this product, and 30% disagree.

The most popular product proposal is **Office chairs**, where 49% either partially agree or totally agree that they would buy this product. 27% totally or partially disagree.

Dining chairs did not generate much enthusiasm on any end of the scale, as 16% did not agree at all that they would buy, and 11% present totally agreed. Almost one third of the respondents neither agreed nor disagreed.

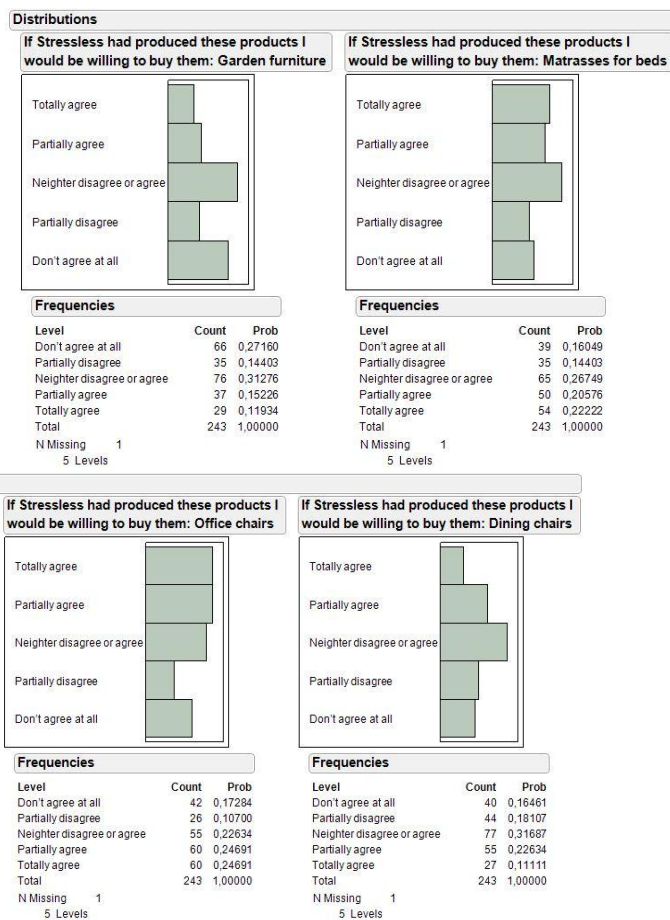


Figure 16 Product extension

11.10.11 Clustering

Here the authors also performed a cluster analysis in order to find demographic information on who is most interested in what. It was difficult to extract distinct differences in the demographics, this resulting from several reasons:

- Most of the respondents are in the age between 48 and 64 (75%)
- As “I do not wish to answer this question” was an alternative on income, most respondents used this option
- Some regions were stronger represented in the data set than other

In spite of these limitations a cluster analysis was considered valuable, and four different groups were to some extent distinguished. A short description is here presented, the full result can be found in the appendix 3.

Cluster 1: “The conservatives”

This cluster consists respondents not willing to buy any of the product extensions suggested in the survey. The persons in the cluster are evenly distributed between male and female, with an age concentration between 45 and 65 year, but also quite a few persons over 75 years. They are evenly distributed over all of Germany. The most distinct characteristic is the relatively high age mean in the group. 28 % of the respondents are in this cluster.

Cluster 2: “The Office Cluster”

This cluster states that office chairs are by far the most popular product extension. Garden furniture on the other hand is a very unpopular. Both mattresses and dining chairs get some support and some disapproval, but there is generally a lack of enthusiasm. This cluster contains 23% of the respondents asked. The distribution between genders is fairly equal, same goes for regions in Germany for this group as well. The age in this group stands out as both younger and more spread than in cluster one. The cluster the age spreads from 25 to 75 years, but is mostly concentrated around

45-50 years.

Cluster 3: “The positivists”

Respondents in this cluster are mostly distributed between the age of 45 and 67. They are either neutral or positive to all of the suggested product extensions. Also, it is difficult to find any distinctive differences on region and gender. 21% of the respondents are in this cluster.

Cluster 4: “The neutral”

This group is mainly neutral to all product suggestions, with only small variations where some are positive or negative to the extensions. The age in this group is mainly spread from 40 to 70 years, with the main bulk around 50. 27% are in this group.

11.11 Analysis of cluster 2: “The Office Cluster”

A slightly notable distinction in the demographics of the cluster was the age span. As

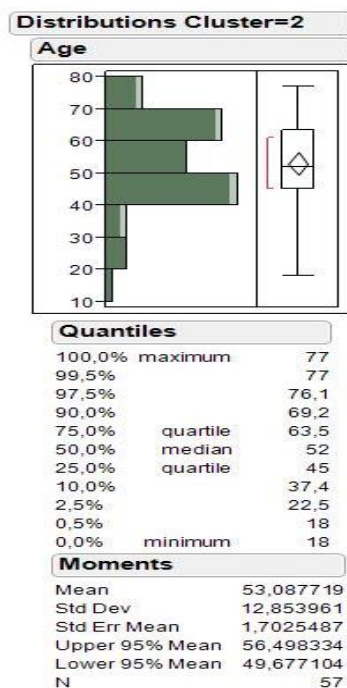


Figure 17 show, the age was spread from young to rather old, but with the major bulk of members concentrated between 45 and 50 years of age.

Figure 18 illustrates what cluster 2 cares for when buying relaxing furniture. Comfort is very important to this cluster. A well-known brand is important to the majority of the respondents, but they either do not care, or do partially not agree that low price is important.

Figure 17 Cluster 2 age (self provided)

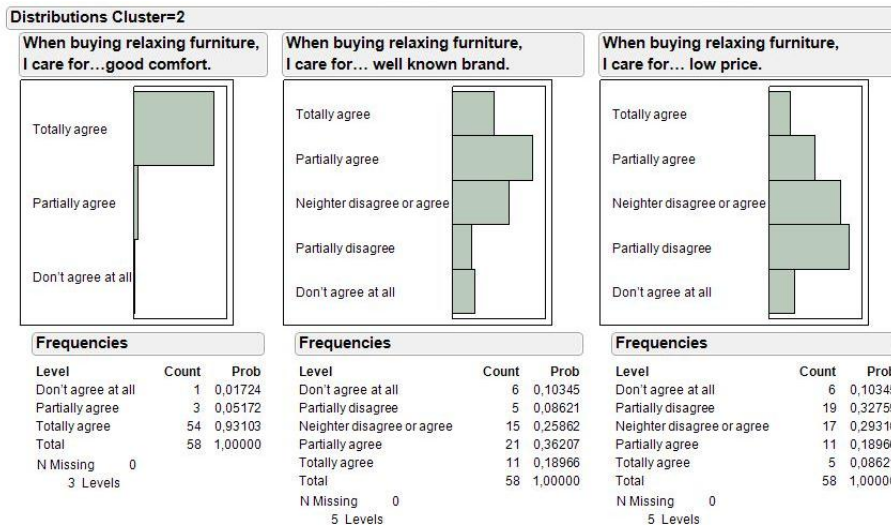


Figure 18 Care for when buying.. (self provided)

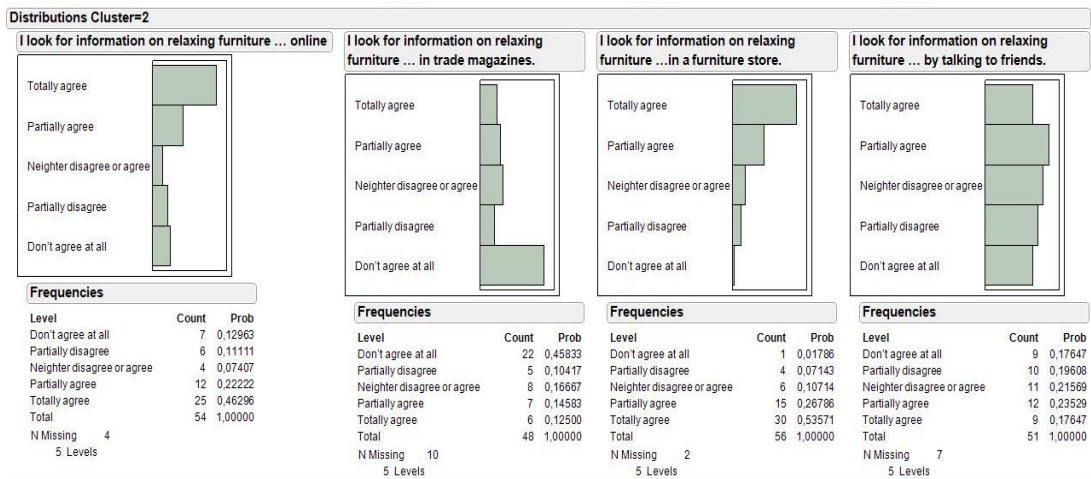


Figure 19 Looking for information... (self provided)

When looking for information on relaxing furniture, cluster 2 has similarities to the rest of the respondents. This can be seen in figure 19.

The survey results in general show that most respondents claim they do not fear a loss of quality if price were to be reduced by 20%. A peculiar notion about cluster 2 is that they have a higher agreement to the statement that Stressless would not be able to keep up the quality with a 20% price reduction. As seen in figure 20, it is not a large difference, but where the average for all respondents are 9% totally agree, and 21% partially agree, the answers here are 12% and 28% respectively. It is important to remember that this cluster is included in the total and therefore pull up the average. These findings imply that this group is more concerned about maintaining the quality of the product than the rest of the respondents.

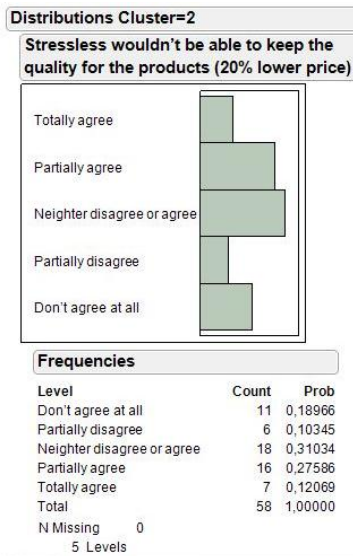


Figure 20 Effect of price reduction cluster 2 (self provided)

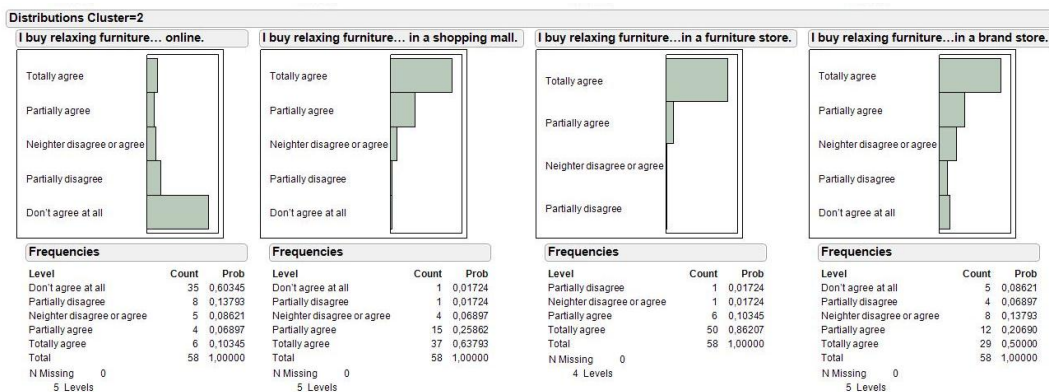


Figure 21 Cluster buy furniture (self provided)

Figure 21 provide information on where cluster 2 prefers to buy relaxing furniture. Here are many similarities to the general survey findings, with strong emphasis on shopping mall and furniture store.

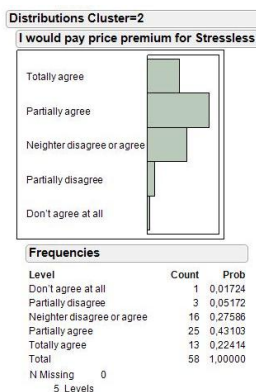


Figure 22 Cluster pay price premium

The willingness to pay price premium is a little different in cluster two than it is in the other clusters. The results in the other clusters vary between neither agree nor disagree and totally agree, while as Figure 22 show, in cluster 2 the majority partially agrees.

Figure 23 provide information on how willing persons in cluster 2 is to recommend Stressless products. All the respondents have a high willingness to recommend, but in cluster 2 it is especially high.

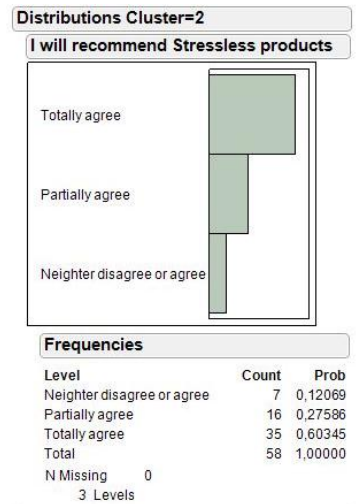


Figure 23 Cluster willingness to recommend (self provided)

11.12 Research limitations and challenges

- As the survey questionnaire was sent out to Stressless buyers and leads, it can be an unrepresentative sample for the niche markets population. Especially in regard to some of the questions asked.
- The respondents of the survey are a very homogenous group. It is therefore difficult to find distinctive differences between the respondents.
- In terms of the demographic findings there is limited representation of younger respondent. In order to not intrude overly in the respondent's privacy, income was optional to answer. This makes it hard to differentiate on income.
- Due to lack of resources and time, it is questionable of whether responses and analysis of the data collection is extensive enough to sufficiently cover the target group.



12 SWOT

12.1 Introduction

SWOT is the overall evaluation of a company's strengths, weaknesses, opportunities, and threats. It is a way of controlling or planning for the external and internal market environment. Also it provides the company with an overview which makes it possible to navigate the company's strength and weaknesses to harvest the opportunities, and reduce the threats (Kotler & Keller, 2009, p. 99).

12.2 External environment analysis

The external analysis consist of the company's opportunities and threats. The analysis is important because a successful business must learn how to monitor key macro environment forces and -factors that affects its ability to earn profits. Businesses evaluate these factors to be able to predict and track important trends and developments in the market. A profitable market opportunity requires an arena of buyer needs that the company has a high probability of satisfying (Kotler & Keller, 2009, p. 90).

12.3 Internal environment analysis

A business needs to determine internal strengths and weaknesses to take advantages of market opportunities, and protect against exposing their threats. If a company for example has technology innovation skills as one of their strengths, they should take advantage of this and use a strategy to differentiate their products from the competitors through technology. If their weakness is low margins and little capital they would need to avoid price wars with other companies (Kotler & Keller, 2009, p. 92).

A SWOT analysis is applied as a summary to get an overview of all the analysis performed. Also, the SWOT is a basis for the discussion and managerial implications. Figure 24 represents the findings found in the SWOT analysis. Further, the authors present how the findings can be utilized in order to; use the strengths to take advantage of opportunities and reduce impact of threats, overcome weaknesses that prevent them of taking advantage of opportunities, and address the weaknesses that make threats a reality (Woywode, 2011; Evaluating a Company's Resources, Capability & Competitiveness).



Figure 24 SWOT (self provided)

12.4 Use of the SWOT findings

Use of the findings is based upon the external and internal analysis, as well as the empirical study.

12.4.1 Use of strength to take advantage of opportunities

Stressless' use of selective distribution is one of their competitive advantages, and their high attractiveness in the German furniture market is a good strength in order to take advantage of the size of this market. They thereby cover all of Germany with as little as possible cost, and without creating too much retailer power. Their continuous product development makes it possible to respond to a new market desire without having to invest in additional R&D.

The interview and survey shows that Stressless has high brand loyalty and willingness to recommend. This strength can be used as an advantage when launching new brand extensions, as product extensions are easier accepted by customers who has high brand loyalty. The high focus on innovation and product development would also facilitate a new product launch.

The German furniture market increased by 6% in 2011, in the same year Stressless' sales decreased by 3%. The strength in a strong brand name, high brand loyalty and the extensive marketing communication performed represents possibilities in taking advantage of the opportunity. Stressless can utilize these strengths and get access to future growth.

12.4.2 Overcome weaknesses that prevents taking advantage of opportunities

The lack of forward integration could be a problem when it comes to exploring the opportunity of new product launch. Good information about customer need and desires is important, and this would have to be achieved through close elaboration with the selected retailers.

There are high labor costs in Norway, especially compared to other furniture producers who outsource production to continents with lower labor costs; this is addressed as a weakness. A competitive advantage that Stressless holds is building on the Norwegian heritage. By signaling the perceived quality from Norway and environmental friendliness, Stressless can overcome this type of weakness. The perceived quality makes high-end customers willing to pay more for the product.

Strong backward integration can be viewed upon as a weakness as changes in environmental conditions e.g. new customer preferences can change the production input requirements. This could leave Ekornes with machinery or production plants unsuited for producing new customer needs. In order to overcome this weakness it is important to be proactive relative to business environmental changes through strong customer knowledge and retailer cooperation (Fitzroy, Hulbert & Ghobadian, 2012, p. 311).

12.4.3 Use strength to reduce likelihood of threats

The threat of new entrants and lower priced furniture's is reduced by the product innovation and differentiation performed by Stressless and Ekornes. Their ability to place themselves as the "Innovators of comfort" gives them differentiation from existing competitors. This is further supported by the survey findings as the majority of respondents claimed that Stressless products offered significant comfort. Patents also make it more difficult for potential new entrants in the German market to imitate Stressless` differentiation.

The high brand loyalty, customer's willingness to recommend and the fact that it is attractive to have a Stressless product in a retailer's store, reduces the likelihood of threat from new competitors. Competitors will thereby have a harder time to enter and compete effectively in the niche market.

In terms of macroeconomic changes, the current euro crisis represents a threat that Stressless face. In the survey findings it was found that the majority of respondents claimed that the instability of the economy was not a factor that influenced their willingness to buy. It is assumed that the findings by some level attenuate the threat of the euro crisis.

12.4.4 Address weaknesses that can make threats a reality

Lack of forward integration can give Stressless less contact with their customers, and less understanding of customer needs. Therefore it is important to closely cooperate

with the retailers to monitor evolving customers need, and serve these needs before potential new or existing competitors do this. The close cooperation with retailers is one of the advantages of the selective distribution strategy.

Price war can develop as a threat if numerous competitors enter the niche market. This is a hefty threat because Stressless only operates within the high-end niche. As a result, they would have to compete even harder than they currently are as they lack other markets to lean on. Price competition would not be preferable for Stressless` as the customer`s perception of the brand image could be damaged. Also, in a worst-case scenario they could be forced to relocate or outsource their production in order to be competitive on price.

Relative to German furniture producers, Stressless` revenues are sensitive to changes in the exchange rate. Negative changes in the exchange rate would inflict extra pressure at making profits in an already fierce competitive market. Macroeconomic changes in the euro crisis could weaken the Euro; as a consequence it would be increasingly expensive to import goods, making sales less profitable for either Ekornes or the retailers.



13 Discussion and managerial implications

13.1 Introduction

This chapter provides a discussion of the different fields previously addressed. These are combined with the conclusions drawn from the SWOT analysis. Based on the discussions, managerial implications are provided.

As previously discussed, the objective of this thesis is to provide recommendations to the main thesis question:

“Growth potential within niche markets; opportunities and risks for the brand Stressless”.

13.2 Discussion and comparison of marketing mix

Larger parts of the survey were conducted with the intention of comparing Stressless’ use of the marketing mix with customer’s perceptions of the marketing mix. The survey and the analysis performed earlier were aimed at finding differences with potential for growth.

13.2.1 Product

Stressless aims to create a product with high comfort and quality. The survey findings show that there are not different perceptions of what Stressless think the customers want, and what the respondents say they look for in a product. Quality, Comfort and Design were the three most important customer criteria when evaluating relaxing furniture. When asked about words associated with Stressless, the respondents clearly answered comfort as the strongest association, with quality as the second strongest.

Respondents answers implies a clear distinction between what the respondent's desire, and what they feel Stressless provides. However, the respondents were asked to rate the word "design", and they could therefore have been influenced by not having to use cognitive thinking to come up with their own desires. Stressless already provide some products which are more design oriented.

A growth potential could exist as the respondents clearly value good design. To satisfy the design oriented customers Stressless can increase focus on their design-marketing for some of the product lines. As appendix 3 shows, few think of design when thinking of Stressless. Increased focus on design could reach more design oriented customers. Expanding the customer base could reduce the impact of being "stuck" in a high-end niche, making Stressless more flexible if competition would increase further.

The strength of having high brand loyalty and a strong brand name increases the willingness to accept new products, thereby lessening the risk. Since comfort is Stressless' main competitive advantage in terms of the product, increasing focus on design can lessen the attention and perception of comfort.

13.2.2 Place

In terms of place, the respondents were asked to rank where it would be most natural to buy relaxing furniture. Stressless distribute their products through retailers e.g. furniture stores, shopping malls and flagship stores. It is clear that furniture store and shopping malls are the most popular places to buy furniture. These are places where Stressless distribute their products, and the respondents clearly approve.

Online distribution is not practiced by Stressless, and a clear majority of customers also see this as not a suitable place to buy furniture. An opportunity of growth is the use of e-tailing. Stressless could sell directly on internet, use a separate e-tailor, or let the existing retailers sell via internet. A problem is that customers get confused when the product is sold through different channels, forcing the producers to choose one channel. A combination of high price and the fact that Stressless would like the customers to try the chair before purchase makes it clear that in this case traditional retailers is preferable. A reasonable use of online store distribution would be to test a chair or a sofa in the store, and then buy it online. In practice this could prove ineffective for the customers as they would actually have to be in the store when trying the product (Pyke, Johnson & Desmond; E-fulfillment, It's Harder than it Looks; Supply Chain Management Review; January/February 2001).

The findings regarding customer knowledge about nearby dealers reflects that through the selective distribution concept Stressless provide a sufficient cover of the market. The survey results show that all regions of Germany are represented. This implies that the product is available to all existing and potential customers who are questioned in the survey. However, the distribution of replies is unequal in terms of regions, opening the possibility of an unrepresentative coverage rate for some of the regions. A course of action is to maintain and increase the attractiveness for retailers, which reduce threat of newcomers and increases the bargaining power for Stressless.

13.2.3 Promotion

Stressless promotes through channels such as national television, radio, internet, newspapers and magazines. The comparison in this case evaluates where the customers seek information on relaxing furniture, not the effect of promotion activities performed by Stressless. Seeking information by talking to friends are fairly equally distributed over the possible answer alternatives. However, when the respondents are asked about the willingness to recommend, both leads and buyers rate this as high. A majority of customers claim to not seek information in trade magazines; also this is not used as an important marketing channel for Stressless. It is reasonable to say that a majority of the respondents are not as easily exposed to a trade magazine, contrary to internet and marketing in the furniture store.

Customers seek most information on the internet and in the furniture store. Well-developed internet-sites, as well as the in-store-displays Stressless use are a confirmation that Stressless target the customers where they seek information. Since a majority of the respondents were buyers of Stressless, it is natural to question if this influenced their choice of information source. Especially in regards to information in the furniture store.

Increasing the word-of-mouth provides an opportunity to exploit the growing furniture market. The high willingness to recommend suggests that word-of-mouth is a key channel Stressless has to influence. The findings propose that a lot of customer do not actively use friends as a source for information when evaluating relaxing furniture. It is important to recognize that actively use of friends does not prove any word-of-mouth activity in itself; it is an indication that implies usage of word-of-mouth.

13.2.4 Price

The pricing strategy is based on setting a higher price than general furniture competitors as Stressless is in a high niche market. Many respondents answer that they neither agree nor disagree on how low price is concerned when buying relaxing furniture. This shows that the high price strategy of Stressless is not a problem for the customers. On one hand it suggests that customers are willing to pay for Stressless' differentiation, on the other hand several respondents are already customers of Stressless, which mean they have already accepted the price. Answers regarding value for money and willingness to buy in the future both demonstrate that customers would appreciate a price reduction. Although customers prefer a price reduction, it is important to notice that approx. one third of the respondents fear this would reduce the quality of the product. These are important findings because they imply that even though most customers would ask for a lower price, they are willing to admit that it could damage quality.

Aiming at a new target segment that prefers lower price is a possibility. Because of the high competitive environment in the market, and threat of new entry, the risk of losing advantage through differentiation could be too high. Customers perceive comfort quality as strong for the brand Stressless, and lowering the price could ruin this differentiation. As Stressless' customers answer that low price is not an important

factor when evaluating furniture, and they somewhat fear loss of quality, at the present time reducing price is not strongly needed.

13.3 Managerial Implications

13.3.1 Product

An attempt to create further growth through more focus on design could prove risky. If the company loses focus on creating comfort, and the customers get less associations of comfort when thinking of Stressless, the differentiation they have today could be lost. However, this is an option for growth that Stressless could follow. A big emphasis will have to be put on maintaining the perception of comfort, and add design as an extra feature for those interested.

13.3.2 Place

Increasing the amount of retailers available would not increase market coverage. This also supports the finding from the SWOT analysis as selective distribution is one of Stressless' strengths. Therefore maintaining the current system with selective distributors is preferable.

Online distribution is an opportunity, but the risk of pursuing this opportunity was considered as to substantial.

13.3.3 Promotion

Continuing to use in-store-displays, and focus on using it as a platform to promote Stressless as “Innovators of Comfort” is a good way of reaching customers where they seek info.

The interpretation of the survey-findings suggests that Stressless should increase the focus on word-of-mouth as an information source. Since there is a high willingness to recommend Stressless products, convincing customers to increase their interaction through word-of-mouth, offers a growth potential.

13.3.4 Price

Lowering the price on one or more products by 20% could be an option to increase the market share, and reduce the threat from lower priced competitors. An option is to lower price on products aimed at young people, but as there are very few young respondents in the survey there are no foundation for drawing this conclusions. The alternative to price changes is focusing on maintaining the differentiation that customers are willing to pay for.

13.4 Line extension

13.4.1 Introduction

An important possibility for growth is expanding the product range Stressless provides. This part contains a discussion regarding possible new product extensions and how they fit with Stressless' current marketing mix. Managerial implications will be addressed at the end of this part.

From the findings in the empirical analysis, office chairs are the most popular brand extension alternative. A cluster analysis was performed to determine what type of respondents that was willing to buy the different product alternatives. "The office cluster" was distinguished as the group of respondents who preferred the office chairs. In order to get a better overview of the group interested in the office chair, a deeper analysis of the cluster was performed. Based on the findings in those analyses, a discussion of how the product and cluster match with Stressless' current position will follow.

13.4.2 Discussion

It was shown in the analyses that cluster 2 cares for comfort when buying relaxing furniture. As mentioned in the marketing mix analysis with regards to comfort, Stressless' promotion strategy is based on being the "Innovators of Comfort". Therefore the needs of this cluster suit their current product strategy.

Since the cluster is under the impression that Stressless provide products with high comfort it is likely that this impression will follow to another product extension. In this case, product extension would be an office chair. A well-known brand name is reasonably important to cluster 2, and this is one of Stressless' strengths which would help acceptance of a product extension. Low price is not a particularly important factor for the majority of cluster 2. This suits well with the current pricing strategy in the high-end niche market.

When looking for information on relaxing furniture, cluster 2 has similarities to the rest of the respondents. Internet and furniture store are the most popular places to seek out information. As earlier confirmed Stressless target their customers where they are most likely to seek information. This is an advantage if they are going to promote a new product expansion, as the "old" marketing channels will still be very relevant. Stressless can still use their knowledge and skills on in-furniture-store marketing i.e. in-store-displays. A disadvantage of using the same marketing activities could be if customers who do not appreciate the market extension think less of Stressless because they are being exposed to this.

The survey results in general show that most respondents claim they do not fear a loss of quality if price were to be reduced by 20%. A peculiar notion about cluster 2 is that they have a higher agreement to the statement that Stressless would not be able to keep up the quality with a 20% price reduction. These findings imply that this group is more concerned about maintaining the quality of the product than the rest of the respondents. A risk would occur if the consumers perceive Stressless with less differentiation and quality. This could lead them to losing one of their strengths as innovators of comfort, and be more exposed to the threat of lower priced competitors.

When analyzing where cluster 2 prefer to buy relaxing furniture, there are many similarities to the general survey findings, with strong emphasis on shopping mall and furniture store. Again, these findings support that a brand extension into office furniture would not generate needs for any new distribution strategy for Stressless. Stressless' strength of having a successful selective distribution system for furniture is likely to provide the necessary tools for market coverage.

Stressless will have to use its strength as a brand with high customer loyalty, and strong innovation on comfort to provide a sufficient differentiated product so that cluster 2 will be willing to pay for it. The opposite is the risk that willingness to pay for the new product is too low, which will ruin potential sales and profits. The risk is higher if the perceived fit of the product extension is too low.

All the different clusters have a high willingness to recommend, but in cluster 2 the willingness to recommend is particularly high. Word-of-mouth is a strong and important marketing tool, research shows that consumers talking about advertisement they have been exposed to are more likely to buy. The clusters high willingness to recommend products, combined with Stressless' use of above the line marketing, could increase the impact of marketing for the new product. This is as long as it is perceived to have the same standards as current Stressless products have (Keller, Fay, "The Role of Advertising in Word of Mouth", Journal of Advertising Research, Jun 2009).

13.4.4 Managerial Implications

As the product that stood out as the best alternative was the office chair, this is the most plausible alternative for Stressless when pursuing a product extension. Finding a particular target group that corresponded with the product turned out to be a difficult task. However, if a target group is to be selected a broader and deeper market analysis would have to be performed to gather sufficient demographic information, and test the perceptions on people that are not buyers or leads of Stressless.

The authors have also not performed a fit test for the recommended product. However, if Stressless manage to incorporate their high comfort and quality into an office chair, and communicate this to their customers, it is reason to believe it will be accepted. The fact that it is a chair being recommended also strengthens this assumption.

13.6 Final recommendations

The final recommendations are derived from the analysis conducted in the external, internal and SWOT-analysis, as well as findings from the survey questionnaire.

Increased focus on design represents an opportunity for growth potential the authors recommend Stressless to follow. Design is important to the majority of customers. Due to homogeneity in the data it is difficult to assess any demographic differences to find *who* these customers are. To reduce the risk it is recommended that Stressless find the customer group that values design, to better estimate the growth and sales potential.

The selective distribution system is determined as efficient and well-functioning. Therefore it is recommended to maintain this type of distribution.

Use of in-store-displays is an effective method of reaching customers where they seek info, and should be continued. In order to take advantage of the high willingness to recommend, increasing the use of word-of-mouth is recommended.

Reducing the price is not considered as a growth potential due to the high risk of negatively influencing the brand. There are no sufficient arguments supporting price reduction as a mean of growth.

Office chairs stand out as the best alternative for line extension, and the authors recommend that Stressless pursue this potential further. This is not a direct recommendation for line extension, but merely the best alternative drawn from the analysis. As earlier addressed homogeneity among respondents is high, this hampers drawing parallels to the population. Both customer desires and potential sales basis will have to be investigated closer to conclude. It is important to emphasize that the cost related to a line extension has not been calculated or evaluated in the process. As a result the risks of high investment cost have not been assessed.

14 Bibliography

Literature

Bryman & Bell, 2011. Business Research Methods. 3rd Edition. New York: Oxford University Press Inc.

Docters, Hanson, Nguyen & Barzelay, 2012, “Contextual pricing, The death of List Price and the New Reality” USA: The McGraw-Hill Companies.

Fitzroy, Hulbert & Ghobadian, 2012. Strategic Management; The challenge of creating value. 2nd Edition. New York: Routledge.

Gripsrud, Olsson & Silkoset, 2010. Metode og Dataanalyse. 2nd Edition. Kristiansand: Høyskoleforlaget AS.

Keller, 2008. Strategic Brand Management. 3rd Edition. New Jersey: Pearson Education Inc.

Kotler & Keller, 2009. Marketing Management. 13th Edition. London: Pearson Education Ltd.

Schiffman, Kanuk & Hansen, 2008. Consumer Behaviour; A European Outlook. 5th Edition. Essex: Pearson Education Ltd.

Siegel, 2012. Practical Business Statistics. 6th Edition. Elsevier Inc.

Woywode, 2011. Lecture slide; MAN 301 Strategic and International Management. University of Mannheim Business School.

Articles/journals

Bachmann, Elfrink, Vazzana, “E-mail and Snail Mail Face Off in Rematch”, Marketing Research, spring 2000:

<http://web.ebscohost.com/ehost/detail?sid=77c4cf3e-67c0-48b7-9cb4-60aaa195f453%40sessionmgr114&vid=1&hid=110&bdata=JnNpdGU9ZWZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=2845694>

Esty, Yale Center for Environmental Law & Policy, 2012:

<http://environment.yale.edu/content/documents/00001339/EPI-Rankings-Table.pdf?1327587577>

Hem, de Chernatony, Iversen, “Factors Influencing Successful Brand Extencion”, 2003:

<http://web.ebscohost.com/ehost/detail?sid=666808f3-0c3d-4759-b2d9-f6184f85d316%40sessionmgr14&vid=1&hid=7&bdata=JnNpdGU9ZWZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=17114870>

Inderst, Mazzarotto, “Buyer Power in Distribution”, 2008: http://www.wiwi.uni-frankfurt.de/profs/inderst/Competition_Policy/Articles%20and%20Book%20Chapters%20on%20applied%20Competition%20Economics/Buyer_Power_in_Distribution_07.pdf

Jobber, 1995, “Principles and Practice of Marketing”:
http://college.vatc.edu.vn/attachments/article/152/Glossary%20-%20Marketing_Principles%20%26%20Practice_David%20Jobber.doc

Keller, Fay, “The Role of Advertising in Word of Mouth”, Journal of Advertising Research, Jun 2009: <http://web.ebscohost.com/ehost/detail?vid=23&hid=17&sid=18a3e124-cfe4-492c-bcbf-e56e073d53d4%40sessionmgr14&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=41569069>

Kozinetsa, et al., “Themed Flagship Brand Stores in the new millennium”, Journal of Retailing, 2002:
<http://web.ebscohost.com/ehost/detail?vid=9&hid=122&sid=9baf5293-5ca6-4a3e-97d6-4b08c44a6eeb%40sessionmgr110&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=12130381>

Kumar, “The Power of Trust in Manufacturer-Retailer Relationships”, Harvard Business Review, Nov/Dec 1996:
<http://web.ebscohost.com/ehost/detail?vid=9&hid=112&sid=b0af6eb3-fdec-463a-ba8c-11e65a0ad72a%40sessionmgr115&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=9611187985>

Mark, Carl, “Strategy in Action Applying Ansoff’s Matrix”, 2007:
<http://web.ebscohost.com/ehost/detail?vid=18&hid=123&sid=e9b07bb4-e98d-4b0a-999e-86ae2eabc8a8%40sessionmgr15&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=27019121>

Rao, Bergen & Davis, “How to Fight a Price War”, Harvard Business Review, Mar/Apr 2000:<http://web.ebscohost.com/ehost/detail?vid=23&hid=11&sid=8eb60c3b-6f39-433a-9eb2-8be335cde9e2%40sessionmgr14&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=2839627>

Porter, Michael; “The five competitive forces that shape strategy”, Harvard Business Review; Jan 2008:
<http://web.ebscohost.com/ehost/detail?vid=5&hid=127&sid=0e5ab7d3-5f44-400f-b165-9f674809fc7a%40sessionmgr14&bdata=JnNpdGU9ZWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=28000138>

Pyke, Johnson & Desmond; E-fulfillment, It’s Harder Than It Looks; Supply Chain Management Review; January/February 2001:
<http://www.tuck.dartmouth.edu/cds->

[uploads/publications/pdf/Press_SCMR_eFulfillment.pdf](#)

**Sheehan & MC Millan, “Response Variation in E-Mail Surveys: An Exploration”,
Journal of Advertising Research, Aug 99:**

<http://web.ebscohost.com/ehost/detail?sid=6cbd928b-7e78-4b95-8394-deb11a220c62%40sessionmgr114&vid=1&hid=110&bdata=JnNpdGU9ZWWhvc3QtbGl2ZQ%3d%3d#db=buh&AN=2553308>

**Wright, “Researching Internet-based populations: Advantages and disadvantages of online survey research, online questionnaire authoring software packages, and web survey services”,
Journal of Computer-Mediated Communication, 2005:**

<http://jcmc.indiana.edu/vol10/issue3/wright.html?ref=BenimShopum.co>

**Yasin, Noor, Mohamad, “Does image of country-of-origin matter to brand equity”,
2007: <http://www.emeraldinsight.com/journals.htm?articleid=1596377&show=abstract>**

Websites

www.cia.gov:

<https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>

www.coursework4you.co.uk:

<http://www.coursework4you.co.uk/essays-and-dissertations/ansoff-analysis.php>

www.destatis.de:

<https://www.destatis.de/DE/ZahlenFakten/LaenderRegionen/Regionales/Regionaldaten.html>

www.ef.de:

- <http://www.ef.de/epi/country-profiles/germany/>

Ekornes.com:

<http://www.ekornes.com/us/about-ekornes/this-is-ekornes>

<http://ir.ekornes.com/reports>

<http://www.ekornes.com/us/stressless-recliners/leather-fabric-wood>

http://international.ekornes.com/about_ekornes/this_is_ekornes/

http://international.ekornes.com/about_ekornes/investor_relations/objectives_and_value

s/

<http://www.ekornes.co.uk/about-ekornes/this-is-ekornes/brands>

ec.europa.eu:

http://ec.europa.eu/public_opinion/archives/ebs/ebs_295_sheet_de.pdf

www.kiff-mktk.german-pavillion.com:

<http://www.kiff-mktk.german-pavilion.com/content/en/home/home.php>

www.oecd.org:

http://www.oecd.org/document/52/0,3746,en_2649_34109_45268596_1_1_1_1,00.html

Snl.no:

- <http://snl.no/Norge/turisme>

- <http://snl.no/Norge/utenrikshandel>

www.weforum.com:

<http://www.weforum.org/reports>

15 Appendixes

Appendix 1: Sales in Germany

Modell	CE SOM %
Chairs	
Diplomat	1,70 %
Consul	9,80 %
Ambassador	4,40 %

Chelsea	1,50 %
Mayfair	5,10 %
Kensington	1,30 %
Tampa	2,10 %
Reno	8,20 %
Vegas	3,50 %
Vision	1,10 %
Dream	2,70 %
Spirit	0,70 %
Sunrise S	0,30 %
Sunrise M	1,90 %
Sunrise L	0,40 %
Oxford S	0,10 %
Oxford M	0,20 %
Oxford L	0,10 %
Orion2006	0,60 %
Taurus2006	0,10 %
Atlantic	2,20 %
Pacific	0,20 %
Memphis - 06.2011	0,00 %
Savannah - 06.2011	0,00 %
Wing	1,20 %
Eagle	0,30 %
Royal 2009 M	0,30 %
Royal 2009 L	0,20 %
Blues M	2,30 %
Blues L	0,90 %
Jazz M	1,20 %
Jazz L	0,70 %
Magic S	1,00 %
Magic M	3,70 %
Magic L	1,70 %
Voyager M	0,70 %
Voyager L	1,00 %
Erhöhungsring alt	0,10 %
Erhöhungsring neu	0,90 %
<i>Subtotal Stressless® Chairs</i>	<i>64,50 %</i>
Sofa Stressless®	
Buckingham hoch	0,90 %
Buckingham niedrig	0,10 %
Windsor 07 h	1,10 %
Windsor 07 l	0,80 %
Eldorado 07 h	1,50 %
Eldorado 07 l	0,50 %

Granada 07 h	0,70 %
Granada 07 l	0,10 %
Space M hoch - 05.2012	0,40 %
Space M niedrig - 05.2012	0,10 %
Space L hoch	0,60 %
Space L niedrig	0,10 %
Arion 07 h	4,80 %
Arion 07 l	0,20 %
Wave hoch	1,90 %
Wave niedrig	0,90 %
Soul high	0,60 %
Soul low	0,20 %
Paradise M High	1,40 %
Paradise M Low	0,70 %
Paradise L High	2,20 %
Paradise L Low	0,40 %
Legend Low	0,30 %
Legend High	1,70 %
Wizard Low	0,30 %
Wizard High	0,60 %
E200	3,60 %
E300	4,10 %
<i>Subtotal Stressless® Sofas</i>	<i>31,00 %</i>
Sofa Ekornes Collection	
Manhattan2009	0,10 %
Oslo tot	1,10 %
Oslo08	0,20 %
Oslo08Holz	0,90 %
<i>Subtotal Ekornes® Sofas</i>	<i>1,20 %</i>
Ottomans	
Doppelotto	1,30 %
Oval Hocker	0,20 %
<i>Subtotal Ekornes® Hocker</i>	<i>1,50 %</i>
Tables	
Tisch 45	0,10 %
Easy Armboard	0,00 %
Coffee Table	0,10 %
Ellipse Tisch	0,20 %
Flexi Table	0,20 %
Jazz Tisch	0,20 %
Multifunktion Tisch	0,20 %
Pegasus Tisch	0,10 %
Swing Tisch	0,10 %

Windsor Tisch	0,20 %
Duo Hocker	0,20 %
Duo Table	0,10 %
<i>Subtotal Ekornes® Tische</i>	<i>1,80 %</i>
Grandtotal	100,00 %

Appendix 2, Qualitative Interview

Target segments for Stressless in Germany

“Can you define the target segment for Stressless in Germany?”

The response from Mr. Röper was that the main target group is defined by age and income. Stressless main target group have a range from 45 to 70 years old. Net income of the target segment should be at least 2500 € or higher a month. Mr. Röper defines these objectives as a common denominator for potential Stressless buyers.

“Does Ekornes target any new groups that are not customer at the time?”

At the moment, the answer is no. However, Ekornes is working on finding new target groups. Ekornes has to focus on targeting younger people. In a 5 years perspective, Ekornes will focus on develop new products to fit the desire of the younger consumers in the age from 30 to 35 years old. Since this target group tends not be that wealthy as the older Stressless buyers, the product for this group must be sold at a lower price. It is still important that the price is not to low, in case a low price will damage the brand.

Marketing mix

“How does Ekornes use the marketing mix in terms of products, price, placement and promotion?”

Ekornes tries to find a common denominator of the consumer desire and then bring a relevant product to the market. Every year Ekornes launches 1-3 new products whereas the equal amount of old products are removed from the collection. They operate with a global product development council that meets every year to discuss different prototypes. Marketers, designers and sellers are participating in a relevant survey and product testing to develop new products. According to Mr. Röper, Ekornes should be focusing on keeping the selection range compact and not make it too wide. Ekornes

products have a wide range of different designs and furniture with traditional designs is popular in the European market.

When Ekornes prices their products, they need to match the local market level. The Stressless products are sold from Ekornes to the retailers at a fixed price. In Germany, the prices are set by the retailer but Ekornes can try to influence the prices by giving a recommendation to the dealers. Four times a year, Ekornes launches a campaign with reduced prices and different offers. Mr. Röper claims that these campaigns are important because the furniture market is tight and the competition is high especially among niche products. These campaigns contribute to a better relationship between Ekornes and retailers.

Stressless operates with selective distribution as a distribution strategy all over the world. Stressless aims to use a selection of quality premium retailers; this means that not every retailer gets to sell Stressless products. In Hamburg for example, which is a city with over 1 million inhabitants, Stressless only use four retailers to cover the entire city. Every retailer has been given selectivity and this means that there is no competition in the specific retailer sales district. This is an advantage because selectivity avoids that retailers are competing on price. Mr. Röper claims that a highly decrease in the price can damage the brand. Selling products online is currently not an option for Ekornes. According to Mr. Röper, consumers prefer to test the chairs before buying them. Ekornes does not provide own brand stores. However, they offer something they call flagship stores. These stores are run by retailers and they are operating as exclusive Stressless stores, which only sell Stressless products. Flagship stores serve as a tool to strengthen the brand Stressless and Ekornes support these stores with advertising and market development.

In addition to the traditional marketing mix, we use a communication mix between “above the line” and “below the line” communication. Stressless products are promoted through many channels reaching out over the whole country. This includes advertising through national television, radio, internet, newspapers and magazines. Only 10% of the population of Germany is within Ekornes defined target group. 10 % of Germany’s population only includes 7 million Germans. Therefore it is challenging to reach this small target group through national media, who reach out to over 80 million Germans. However, Ekornes has adopted this strategy because they want to increase the brand awareness for Stressless all over the country, and create a strong brand. Local activities

like ads in magazines and newspaper, is customized and distributed in cooperation with the local dealers. Stressless has a lot of activities and marketing through online channels. Sales events are important for building and strengthen the brand. They have about 600 of these sales events every year and Mr. Röper says that this is the main backbone of their sales. Retailer staff is being motivated through different challenges where they can for example win a chair or a trip to Norway. They send out a newsletter to each customer about 4 times a year. Mr. Röper claims that the intention is “members get members”.

Does Ekornes use a different marketing mix in Germany than in Norway?

The main communication and the main layout are the same. However, Stressless make some local adaptations and have to adapt the layout and offers to the customers.

Growth

What are the company`s growth plans in Germany?

Stressless cover the whole market and there is no room for new retailers. Therefore, the growth plan is based on developing new products. According to Mr. Röper, diversifying the product range is considered as important to grow in the market.

Production

Do you outsource any part of the production?

The main goods are being made by the factory of Ekornes in Norway. Metall, some woods, some plastic and leather is bought from places outside the Norwegian boarder. Packaging is also purchased from an external source.

Segmentation system

Do you use any segmentation system, or are you familiar with any that the competitors use/public available?

Mr. Röper told us that there exists a system available for everybody called Mosaic. The system is based on a cluster analysis of the German population. The cluster analyses different factors like social, economic and demographical views. It is mainly used to observe their customer structure.

Customer service

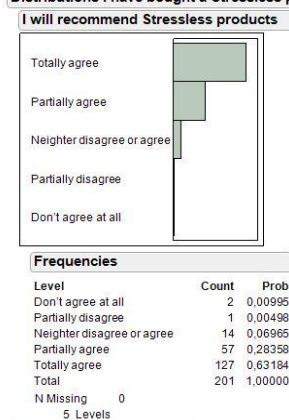
How much of the customer service is Ekornes involved with before and after a purchase compared to your dealers?

Actually, just the dealer is responsible for the customer service. From Mr. Röper point of view, Ekornes is only selling products to the retailer, not to the end user. However, Ekornes are currently involved with customer service both for customers and dealers in order to satisfy claims among consumers and opportunities for making a cross-sell.

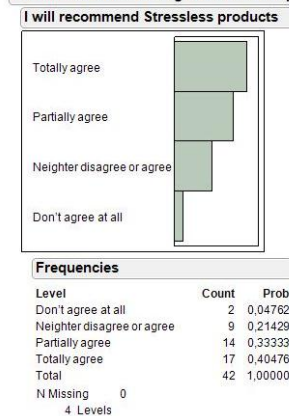
Appendix 3, SAS Jmp data

Distribution recommend by bought + sympathies:

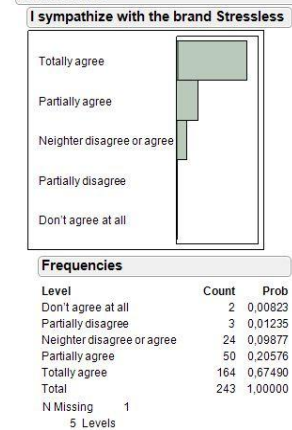
Distributions I have bought a Stressless product=Yes



Distributions I have bought a Stressless product=No

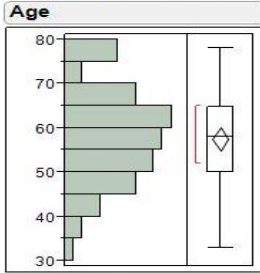


Distributions



Distribution of age by cluster:

Distributions Cluster=1



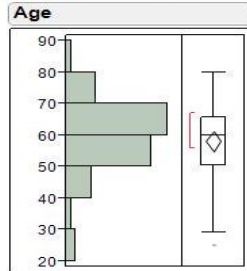
Quantiles

100,0%	maximum	78
99,5%		78
97,5%		77,375
90,0%		74
75,0%	quartile	64,75
50,0%	median	58
25,0%	quartile	50
10,0%		43,5
2,5%		34,25
0,5%		33
0,0%	minimum	33

Moments

Mean	57,53125
Std Dev	10,796779
Std Err Mean	1,3495974
Upper 95% Mean	60,228205
Lower 95% Mean	54,834295
N	64

Distributions Cluster=3



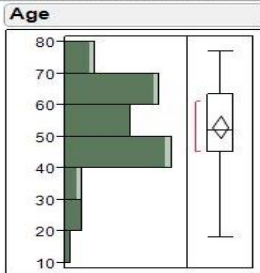
Quantiles

100,0%	maximum	80
99,5%		80
97,5%		79,675
90,0%		72
75,0%	quartile	65,75
50,0%	median	60
25,0%	quartile	50,5
10,0%		41,3
2,5%		26,3
0,5%		25
0,0%	minimum	25

Moments

Mean	58,057692
Std Dev	11,622179
Std Err Mean	1,6117062
Upper 95% Mean	61,293328
Lower 95% Mean	54,822057
N	52

Distributions Cluster=2



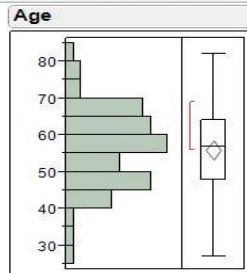
Quantiles

100,0%	maximum	77
99,5%		77
97,5%		76,1
90,0%		69,2
75,0%	quartile	63,5
50,0%	median	52
25,0%	quartile	45
10,0%		37,4
2,5%		22,5
0,5%		18
0,0%	minimum	18

Moments

Mean	53,087719
Std Dev	12,853961
Std Err Mean	1,7025487
Upper 95% Mean	56,498334
Lower 95% Mean	49,677104
N	57

Distributions Cluster=4



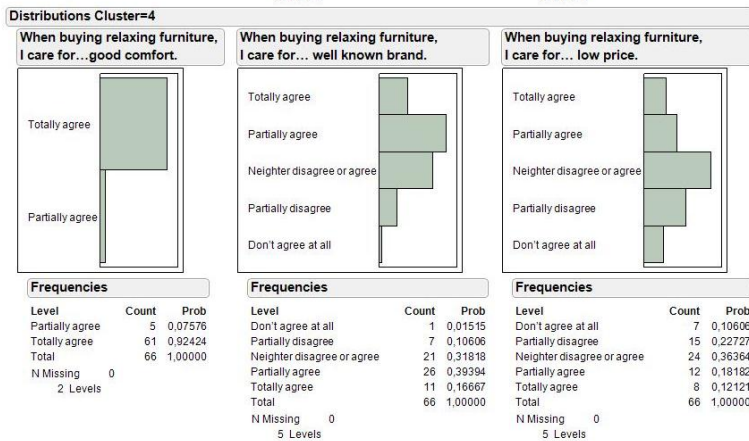
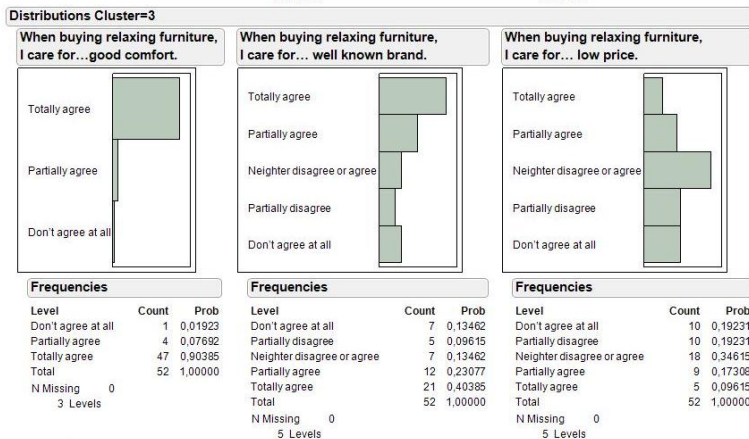
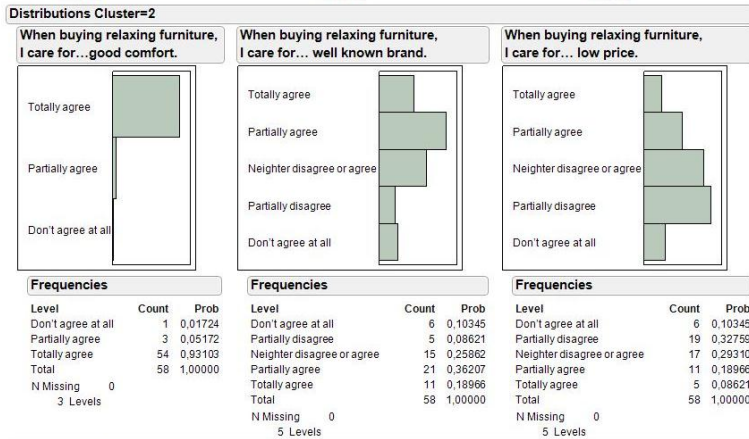
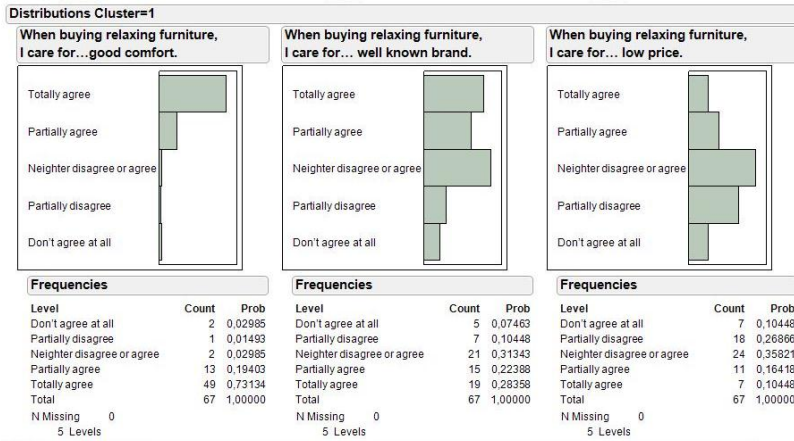
Quantiles

100,0%	maximum	82
99,5%		82
97,5%		79,975
90,0%		69
75,0%	quartile	64
50,0%	median	57
25,0%	quartile	48
10,0%		43,7
2,5%		29,7
0,5%		27
0,0%	minimum	27

Moments

Mean	55,984848
Std Dev	10,809529
Std Err Mean	1,3305611
Upper 95% Mean	58,642162
Lower 95% Mean	53,327535
N	66

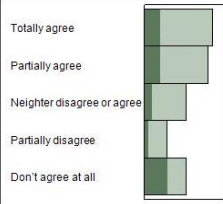
Distribution "I care for..." by cluster:



Distribution "I look for information in..." by cluster:

Distributions Cluster=1

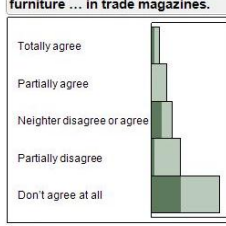
I look for information on relaxing furniture ... online



Frequencies

Level	Count	Prob
Don't agree at all	11	0.17460
Partially disagree	6	0.09524
Neither disagree or agree	11	0.17460
Partially agree	17	0.26984
Totally agree	18	0.28571
Total	63	1.00000
N Missing	4	
5 Levels		

I look for information on relaxing furniture ... in trade magazines.



Frequencies

Level	Count	Prob
Don't agree at all	26	0.48148
Partially disagree	11	0.20370
Neither disagree or agree	8	0.14815
Partially agree	6	0.11111
Totally agree	3	0.05556
Total	54	1.00000
N Missing	13	
5 Levels		

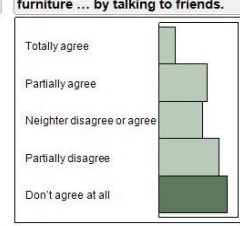
I look for information on relaxing furniture ... in a furniture store.



Frequencies

Level	Count	Prob
Don't agree at all	5	0.08065
Partially disagree	5	0.08065
Neither disagree or agree	6	0.09677
Partially agree	18	0.29032
Totally agree	28	0.45161
Total	62	1.00000
N Missing	5	
5 Levels		

I look for information on relaxing furniture ... by talking to friends.

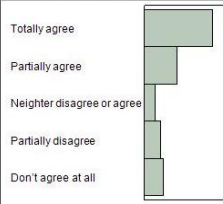


Frequencies

Level	Count	Prob
Don't agree at all	17	0.28814
Partially disagree	15	0.25424
Neither disagree or agree	11	0.18644
Partially agree	12	0.20339
Totally agree	4	0.06780
Total	59	1.00000
N Missing	8	
5 Levels		

Distributions Cluster=2

I look for information on relaxing furniture ... online



Frequencies

Level	Count	Prob
Don't agree at all	7	0.12963
Partially disagree	6	0.11111
Neither disagree or agree	4	0.07407
Partially agree	12	0.22222
Totally agree	25	0.46296
Total	54	1.00000
N Missing	4	
5 Levels		

I look for information on relaxing furniture ... in trade magazines.



Frequencies

Level	Count	Prob
Don't agree at all	22	0.45833
Partially disagree	5	0.10417
Neither disagree or agree	8	0.16667
Partially agree	7	0.14583
Totally agree	6	0.12500
Total	48	1.00000
N Missing	10	
5 Levels		

I look for information on relaxing furniture ... in a furniture store.



Frequencies

Level	Count	Prob
Don't agree at all	1	0.01786
Partially disagree	4	0.07143
Neither disagree or agree	6	0.10714
Partially agree	15	0.26786
Totally agree	30	0.53571
Total	56	1.00000
N Missing	2	
5 Levels		

I look for information on relaxing furniture ... by talking to friends.

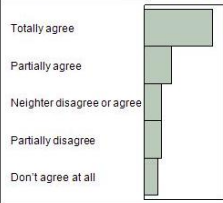


Frequencies

Level	Count	Prob
Don't agree at all	9	0.17647
Partially disagree	10	0.19608
Neither disagree or agree	11	0.21569
Partially agree	12	0.23529
Totally agree	9	0.17647
Total	51	1.00000
N Missing	7	
5 Levels		

Distributions Cluster=3

I look for information on relaxing furniture ... online



Frequencies

Level	Count	Prob
Don't agree at all	4	0.09524
Partially disagree	5	0.11905
Neither disagree or agree	5	0.11905
Partially agree	8	0.19048
Totally agree	20	0.47619
Total	42	1.00000
N Missing	10	
5 Levels		

I look for information on relaxing furniture ... in trade magazines.



Frequencies

Level	Count	Prob
Don't agree at all	15	0.42857
Partially disagree	5	0.14286
Neither disagree or agree	4	0.11429
Partially agree	6	0.17143
Totally agree	5	0.14286
Total	35	1.00000
N Missing	17	
5 Levels		

I look for information on relaxing furniture ... in a furniture store.



Frequencies

Level	Count	Prob
Don't agree at all	3	0.06122
Partially disagree	3	0.06122
Neither disagree or agree	2	0.04082
Partially agree	4	0.08163
Totally agree	37	0.75510
Total	49	1.00000
N Missing	3	
5 Levels		

I look for information on relaxing furniture ... by talking to friends.

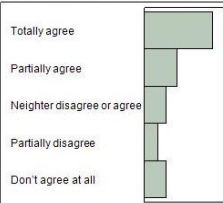


Frequencies

Level	Count	Prob
Don't agree at all	5	0.14706
Partially disagree	6	0.17647
Neither disagree or agree	9	0.26471
Partially agree	9	0.26471
Totally agree	5	0.14706
Total	34	1.00000
N Missing	18	
5 Levels		

Distributions Cluster=4

I look for information on relaxing furniture ... online



Frequencies

Level	Count	Prob
Don't agree at all	8	0.13793
Partially disagree	5	0.08621
Neither disagree or agree	8	0.13793
Partially agree	12	0.20690
Totally agree	25	0.43103
Total	58	1.00000
N Missing	8	
5 Levels		

I look for information on relaxing furniture ... in trade magazines.



Frequencies

Level	Count	Prob
Don't agree at all	24	0.43636
Partially disagree	15	0.27273
Neither disagree or agree	6	0.10909
Partially agree	6	0.10909
Totally agree	4	0.07273
Total	55	1.00000
N Missing	11	
5 Levels		

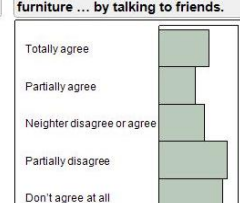
I look for information on relaxing furniture ... in a furniture store.



Frequencies

Level	Count	Prob
Don't agree at all	2	0.03175
Partially disagree	4	0.06349
Neither disagree or agree	9	0.14286
Partially agree	14	0.22222
Totally agree	34	0.53968
Total	63	1.00000
N Missing	3	
5 Levels		

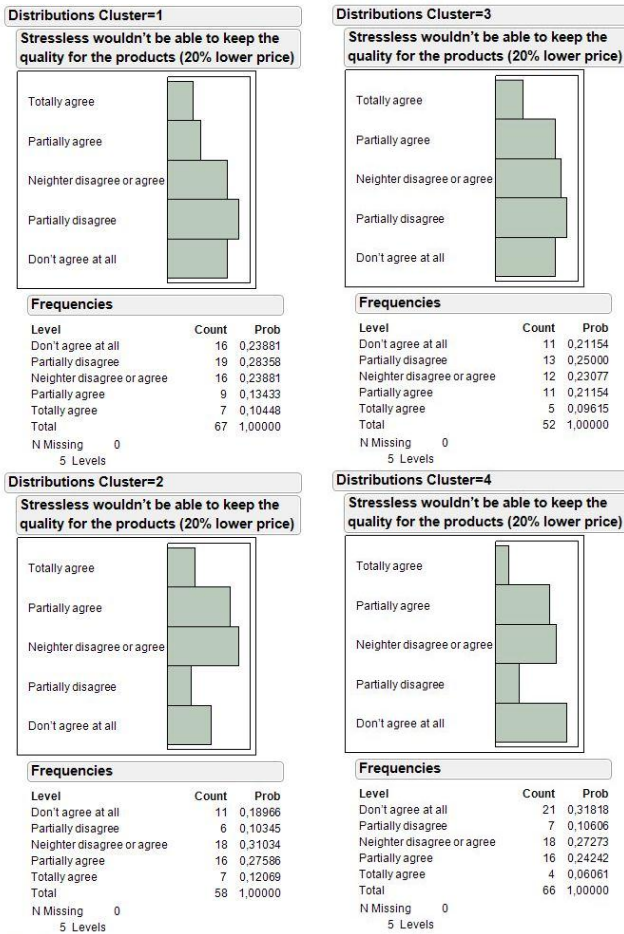
I look for information on relaxing furniture ... by talking to friends.



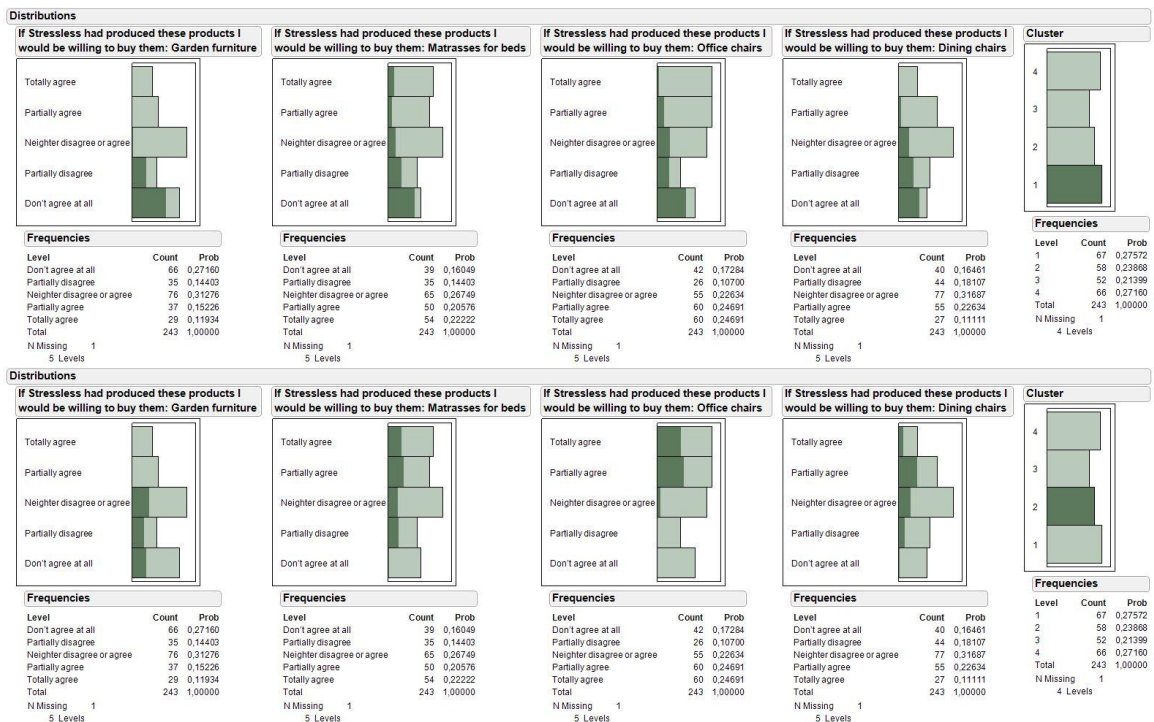
Frequencies

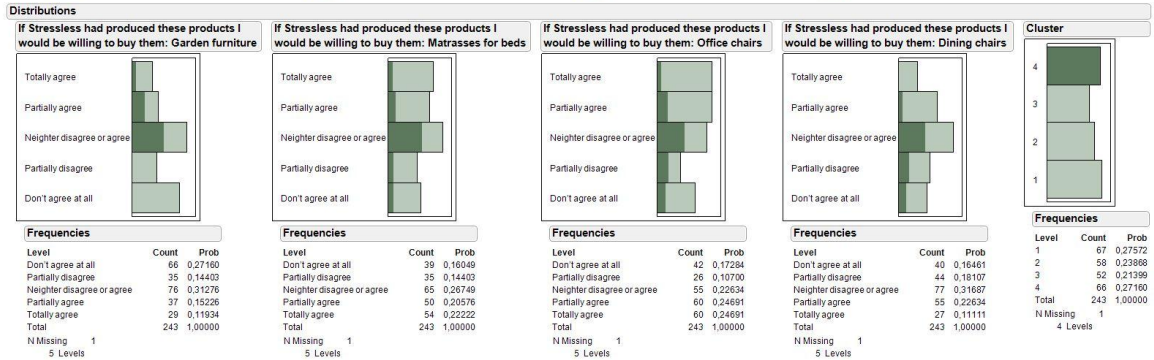
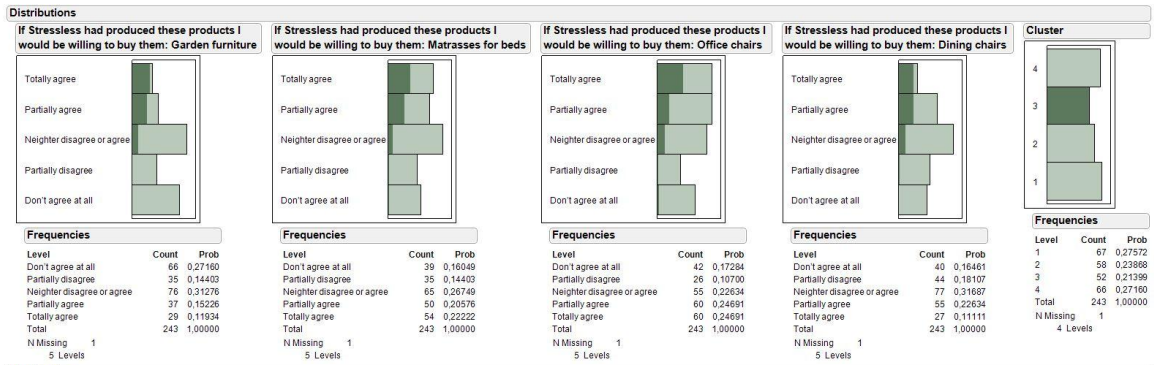
Level	Count	Prob
Don't agree at all	14	0.24138
Partially disagree	15	0.25862
Neither disagree or agree	10	0.17241
Partially agree	8	0.13793
Totally agree	11	0.18966
Total	58	1.00000
N Missing	8	
5 Levels		

Quality reduction if price reduction by cluster:

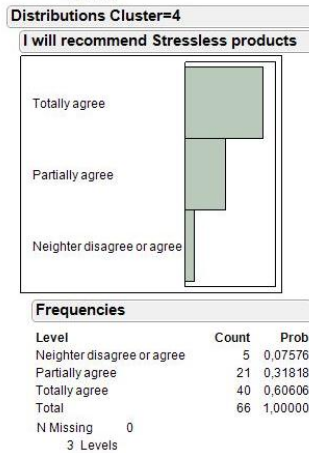
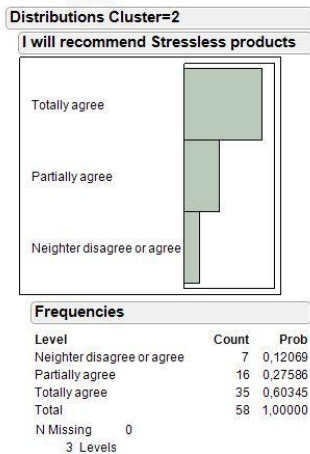
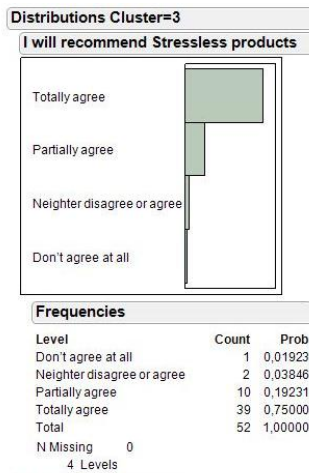
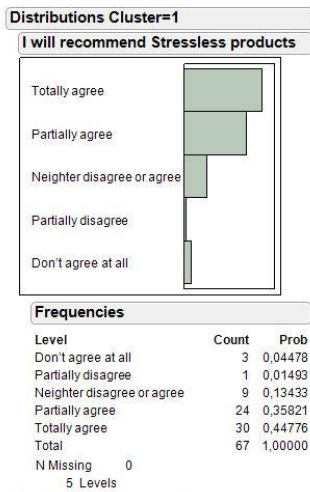


Willingness to buy product extension by cluster:

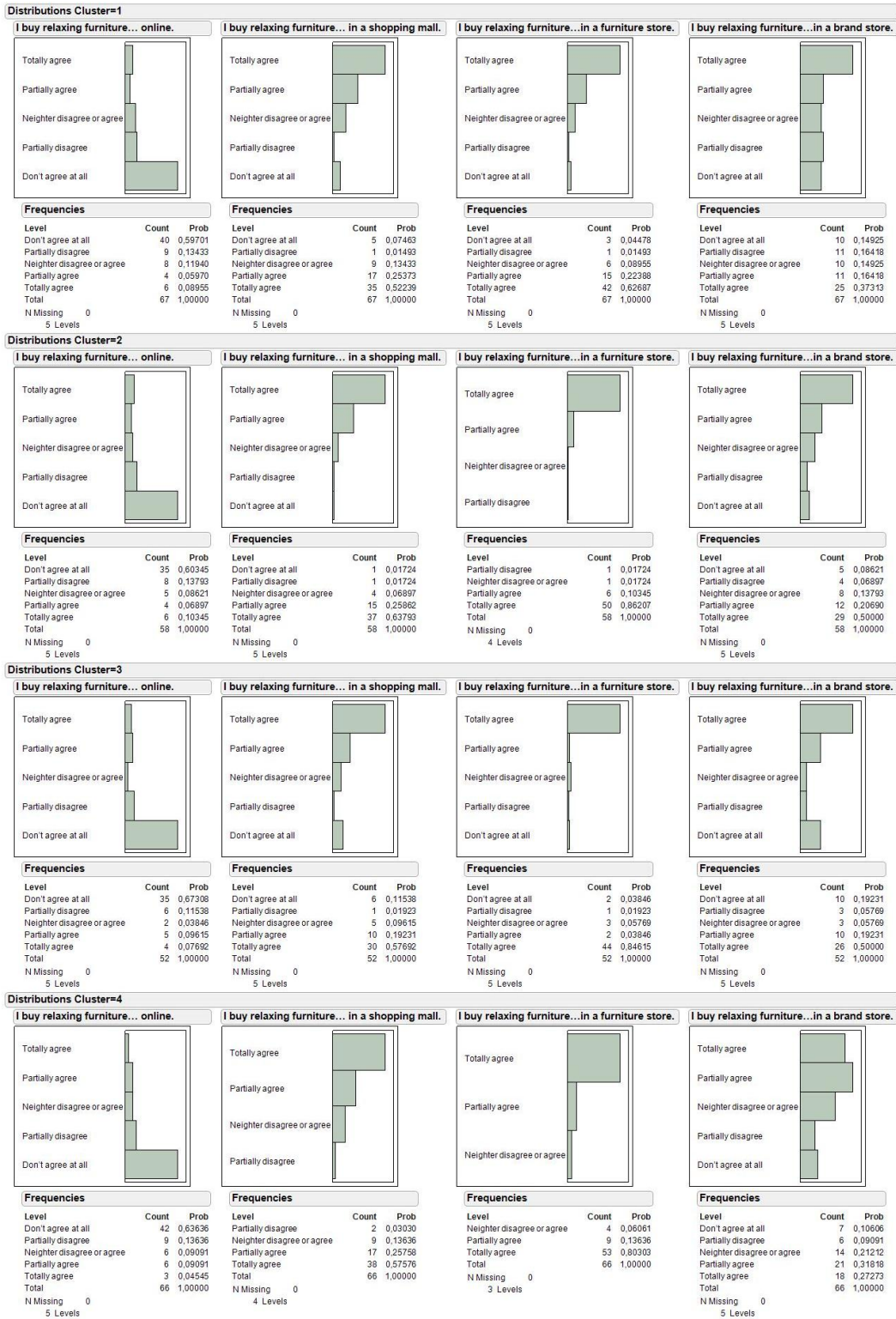




Willingness to recommend by cluster:



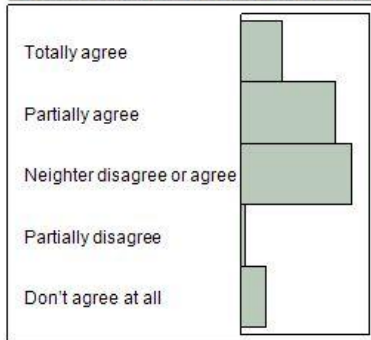
Where I buy furniture by cluster:



Willingness to pay price premium by cluster:

Distributions Cluster=1

I would pay price premium for Stressless

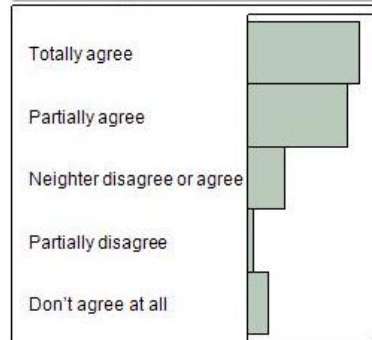


Frequencies

Level	Count	Prob
Don't agree at all	6	0,08955
Partially disagree	1	0,01493
Neighter disagree or agree	27	0,40299
Partially agree	23	0,34328
Totally agree	10	0,14925
Total	67	1,00000
N Missing	0	
5 Levels		

Distributions Cluster=3

I would pay price premium for Stressless

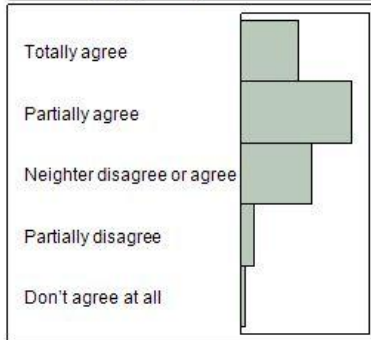


Frequencies

Level	Count	Prob
Don't agree at all	4	0,07692
Partially disagree	1	0,01923
Neighter disagree or agree	7	0,13462
Partially agree	19	0,36538
Totally agree	21	0,40385
Total	52	1,00000
N Missing	0	
5 Levels		

Distributions Cluster=2

I would pay price premium for Stressless

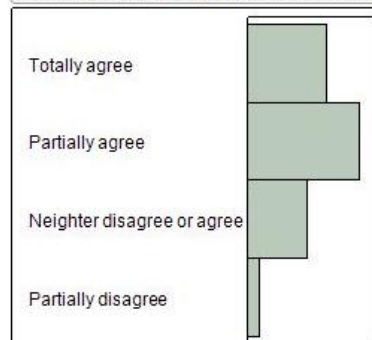


Frequencies

Level	Count	Prob
Don't agree at all	1	0,01724
Partially disagree	3	0,05172
Neighter disagree or agree	16	0,27586
Partially agree	25	0,43103
Totally agree	13	0,22414
Total	58	1,00000
N Missing	0	
5 Levels		

Distributions Cluster=4

I would pay price premium for Stressless



Frequencies

Level	Count	Prob
Partially disagree	3	0,04545
Neighter disagree or agree	15	0,22727
Partially agree	28	0,42424
Totally agree	20	0,30303
Total	66	1,00000
N Missing	0	
4 Levels		

Appendix 4 Survey questionnaire

Survey on Relaxing Furniture

Sehr geehrte Damen und Herren,

im Rahmen unserer Bachelorarbeit an der Norwegian Business School, Oslo in Kooperation mit der Universität Mannheim führen wir eine Befragung zum Thema "Relaxmöbel" durch.

Hierbei sind wir auf Ihre Mithilfe angewiesen. Es würde uns sehr freuen, wenn Sie sich etwa 10 Minuten Zeit für die Teilnahme an der Online-Umfrage nehmen würden. Es gibt dabei keine richtigen oder falschen Antworten. Einzig Ihr persönlicher Eindruck und ihre persönliche Meinung zählen. Wichtig für die Untersuchung ist eine vollständige Beantwortung aller Fragen, auch wenn Ihnen manche Antworten schwer fallen oder Fragen sich ähneln sollten.

Wir würden uns sehr freuen, wenn Sie diesen Link auch an Ihren Freundes- und Bekanntenkreis weiterleiten.

Alle Ihre Angaben werden anonym und streng vertraulich behandelt. Eine Weitergabe an Dritte ist ausgeschlossen.

Vielen Dank für Ihre Unterstützung

Henrik Kjelland Myrdal, Tor Mølmesdal, Kristoffer Navelsaker and Jørgen Stadheim Teigen

Falls Sie Fragen zu der von uns durchgeführten Studie haben, können Sie uns gerne unter tmoelmes@online.no kontaktieren.

Dear Sir or Madam,

As part of our Bachelor thesis at the Norwegian Business School, Oslo and in cooperation with the University of Mannheim, we conduct a survey on "relaxing furniture".

We kindly ask for your participation and would be delighted if you could give us 10 minutes of your time. There are no right or wrong answers. Only your personal opinion counts. It is important that you answer all questions, even if some questions seem hard to answer or look similar to others.

We would really appreciate if you could also send the survey to friends and family members.

All information will be handled anonymous and strictly confidential. We assure that a transmission of your data to any third party will not happen.

Thank you very much for your support.

Henrik Kjelland Myrdal, Tor Mølmesdal, Kristoffer Navelsaker and Jørgen Stadheim Teigen

If you have questions about the study performed, please don't hesitate to contact us at tmoelmes@online.no.

Zu Beginn möchten wir Sie kurz auf einige wichtige Punkte hinweisen:

- Es gibt keine richtigen oder falschen Antworten. Allein Ihre **persönliche Einschätzung bzw. Wahrnehmung** ist gefragt.
- Für die korrekte Auswertung des Fragebogens ist es wichtig, dass Sie diesen **bis zum Ende** ausfüllen und **keine Frage auslassen**.
- Antworten Sie bitte möglichst **spontan**.
- Sollte es einmal schwierig sein eine Antwortalternative auszuwählen, so markieren Sie bitte diejenige Antwort, die **Ihrer Meinung** nach am ehesten zutrifft. Es gibt somit keine richtige oder falsche Antwortalternative.
- Manchmal kann der Eindruck entstehen, dass Fragen sich wiederholen. Diese sind jedoch nicht identisch, sondern teilweise nur sehr ähnlich. Bitte lassen Sie sich davon nicht irritieren.

Please let us first refer to some important points:

- There are no right or wrong answers. Alone your **personal opinion** is important.
- Please **answer all questions** and don't leave a question unanswered.
- Please answer **spontaneous**.
- If you have problems answering a questions, please refer to the **alternative** that applies **best** to your opinion. Thus, there is no right or wrong alternative.
- Sometimes a question seems to be repeated. However, the questions are just similar looking be are not exactly similar. Please don't feel irritated.

1. Aufgrund der ökonomischen Instabilität der Euro-Zone verspüre ich einen geringeren Wunsch nach Luxusmöbeln.

(Due to the economic stability of the euro zone, I feel less desire to buy luxury furniture.)

2. Ich glaube, dass die deutsche Privatwirtschaft durch die Instabilität der Euro-Zone negativ beeinflusst wird.

(It is in my opinion that the German private sector is negatively affected by the instability of the Euro-zone.)

Relaxmöbel bezeichnen Sessel, Sofas und Couches. Inwieweit stimmen Sie folgenden Aussagen zu?

(Relaxing furniture is characterized by relaxing chairs, sofas and couches. Do you agree to the following statements?)

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
1. Ich interessiere mich für Relaxmöbel. (I'm interested in relaxing furniture.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Ich weiß über Relaxmöbel Bescheid. (I have high knowledge about relaxing furniture.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Ich kaufe gelegentlich Relaxmöbel. (I sometimes buy relaxing furniture.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Ich informiere mich über Relaxmöbel...

(I look for information on relaxing furniture ...)

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
4. ...im Internet. (... online.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5. ...in Fachzeitschriften. (... in trade magazines.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6. ... im Fachgeschäft. (... in a furniture store.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7. ... durch Freunde und Bekannte. (... by talking to friends.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Inwieweit stimmen Sie folgenden Aussagen zu?

(Do you agree to the following statements?)

Ich achte beim Kauf von Relaxmöbel sehr auf...
(When buying relaxing furniture, I care for...)

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
8. ...gute Qualität. (...good quality.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9. ...hohen Komfort. (...good comfort.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10. ... gutes Design. (... good design.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
11. ... bekannte Marke. (... well known brand.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
12. ... einen geringen Preis. (... small price.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Ich kaufe Relaxmöbel bzw. würde sie kaufen...
(I buy relaxing furniture...)

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
13. ...im Internet. (... online.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
14. ...im Kaufhaus. (... in a shopping mall.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
15. ... im Möbelfachgeschäft. (... in a furniture store.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
16. ... im entsprechenden Markenstore. (... in a brand store.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Bitte nennen Sie spontan 5 Marken, die Ihnen im Bereich von Relaxmöbeln einfallen.
(please name 5 brands offering relaxing furniture.)

*

- *
- *
- *
- *

**Inwieweit stimmen Sie folgenden Aussagen zur Marke Stressless zu?
(Do you agree to the following statements?)**



THE INNOVATORS OF COMFORT™

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
17. Die Marke Stressless ist mir bekannt. (... I'm aware of brand stressless.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
18. Die Marke Stressless ist mir vertraut. (... I'm familiar with brand stressless.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
19. Die Marke Stressless ist mir sympathisch. (... I sympathize with brand stressless.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Bitte nennen Sie spontan 5 Begriffe, die Ihnen zur Marke Stressless einfallen.
(Please write down the first 5 words coming to your mind when thinking about Stressless.)**

- *
- *
- *
- *

*

**Inwieweit stimmen Sie folgenden Aussagen zur Marke Stressless zu?
(Do you agree to the following statements?)**

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
20. Für Produkte von Stressless bezahle ich auch gern etwas mehr. (I would pay price premium stressless products.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
21. Ich werde in Zukunft Produkte von Stressless kaufen. (In future, I will buy stressless products.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
22. I wüsste den nächsten Shop, wo ich Produkte der Marke Stressless kaufen kann. (I know a nearby dealer where to buy stressless products.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
23. Ich werde in Zukunft Produkte von Stressless Produkte weiterempfehlen. (I will recommend stressless products.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Ich verbinde Relaxmöbel von Stressless mit...
(Stressless offers relaxing furniture that has...)**

und	Stimme überhaupt				Stimme voll	
	Nicht zu ganz zu (Don't agree at all)				(Totally agree)	
24. ...guter Qualität. (...good quality.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
25. ...hohem Komfort. (...good comfort.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
26. ... gutem Design. (... good design.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
27. ... einem geringen Preis. (... small price.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
28. ... einem guten Preis-Leistungs-Verhältnis. (... good value for money.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Wenn „Stressless“ diese Produkte produziert hätte, wurde ich bereit sein, sie zu kaufen. - Sonstiges (Spezifizieren Sie bitte)
(If "Stressless" would have produced these products, I would be willing to buy them. Please specify)

- *
- *
- *
- *
- *

Stellen Sie sich vor, Stressless Produkte wären dauerhaft 20% günstiger als sie es aktuell sind. Inwieweit stimmen Sie folgenden Aussagen zu?
(Please image that Stressless products would be priced 20% lower than they are acutally. Do you agree to the following statements?)

- 29.** Die Qualität der Produkte würde darunter leiden.
- (Stressless wouldn't be able to keep the quality for the products.)
- 30.** Die Produkte von Stressless wären in einem besseren Preis-Leistungs-Verhältnis.
- (Stressless products would be better value for money.)
- 31.** Ich würde in Zukunft mehr Produkte von Stressless kaufen.
- (In future, I would buy more stressless products.)

Abschließend bitten wir Sie um einige wenige Angaben zu Ihrer Person. Diese werden selbstverständlich streng vertraulich gehandhabt und nicht an Dritte weitergegeben.
(Finally we would like to ask for some personal information. All information will be handled anonymous and strictly confidential. We assure that a transmission of your data to any third party will not happen.)

- 32.** Geschlecht: männlich..... weiblich.....
 (Sex:) (male) (female)
- 33.** Alter: *
- (Age:)
- 34.** Bundesland: *

(Federal state:)

35. Anzahl der Personen im Haushalt: *
(Number of persons in household:)

Vielen Dank für Ihre Teilnahme!
(Thank you for your participation!)

Bitte leiten Sie den Link der Befragung auch an Freunde und Bekannte weiter.
(We would really appreciate if you could also send the survey to friends and family members.)

Für Rückfragen stehen wir Ihnen gern jederzeit unter tmoelmes@online.no zur Verfügung.
(If you have questions about the study performed, please don't hesitate to contact us at tmoelmes@online.no.)