



Market analysis: Opportunities for entering the Croatian furniture industry.

Andrea Garcia Heredia
K2769

Bachelor's thesis
August 2017
Marketing and market analysis
Degree Programme in International Business

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| Author(s) Andrea Garcia Heredia K2769 | Type of publication Bachelor's thesis | Date September 2017 |
| | Number of pages 71 | Language of publication: English |
| | | Permission for web publication: yes |
| Title of publication Market analysis: Opportunities for entering the Croatian furniture market | | |
| Degree programme Bachelor degree in International Business | | |
| Supervisor(s) Mari Karjalainen | | |
| Assigned by | | |
| <p>Abstract</p> <p>Today the market in the European Union is a global common market, which makes it difficult to create a strong competitive advantage. In order to differ one brand from another and create a strong market portfolio, it is important to enter emerging markets within the EU, in this case the Republic of Croatia in particular. In order to succeed in this, market research is essential for identifying the key elements that would allow a brand to build the necessary relationships within the new desired market.</p> <p>In collaboration with the Embassy of the Kingdom of Belgium in Croatia, the study aimed to build a strong and detailed market study. By identifying the advantages and disadvantages of the furniture industry in the Republic of Croatia, this study wanted to help foreign manufacturers to have an insight about this particular industry. In addition, the behaviour of consumers within the region was analysed in order to provide realistic data about all the aspects of the industry.</p> <p>The data was collected from three different sources. First, secondary data was analysed to explain and provide information about the market research. Secondly, a Facebook survey for consumers was conducted to identify trends in their behaviour and, finally, on-site interviews were arranged in the furniture fair AMBIENTA which took place in Zagreb, Croatia in October 2016.</p> <p>According to the results, the industry is not highly developed regarding design and innovation. However, the high quality of raw materials within the region makes its possibilities satisfactory. The national brands and manufacturers are disadvantaged with respect to design, innovation and price compared to the other member states of the EU. The results of the study indicate that the Croatian customer do not seem to have any special preference towards Croatian furniture brands and products, which would mean an advantage for the foreign brands trying to enter the market.</p> | | |

Keywords ([subjects](#))

Market research, SWOT analysis, consumer behavior, market segmentation, furniture industry

Miscellaneous

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1 Importance of Market Research

During the past decades, business and its opportunities have been rapidly growing; therefore, trade between countries has been developing year by year. Globalization has become a big part of the business world while facilitating the borders between countries not to interfere as much as they used to. The World Trade Organization (WTO) deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible, WTO's rules and restrictions have been modified in order to create an easier access for trade. Furthermore, free trade is one of the cornerstones on which the European Union is based. Considering the recent entry of the Republic of Croatia into the EU (July 2013), the economic impact on the country has been significant.

This research aimed to create a complete market analysis of the furniture industry in Croatia to help Belgian manufacturers, which are predominantly SME companies, to enter this particular new market in the European Union. By pointing out the strengths and weaknesses through market and SWOT analyses of the Croatian Furniture Industry and by analyzing consumer's preferences, the Belgian manufacturers will be able to use their competitive advantages in the different fields of the industry and to open a new channel for their products.

It is important to elaborate a complete market study of a particular industry or country before trying to penetrate it. Market research should be used as important key intelligence for any company to minimize risk, develop marketing strategies and understand the current and future customers. A market study should give a clear notion of the number of consumers who will be ready to acquire the goods or services that are intended to be for sale, within a defined space, over a medium term period.

Additionally, a market study will indicate if the characteristics and specifications of the service or product correspond to the ones that the customer wants to buy. It will also tell us what kinds of customers are interested in our goods, which will

guide the production of the business. On the other hand, the study will work as an initial step for an investment purpose; it helps to know the indicated size of the business with corresponding forecasts for subsequent expansions, consistent with the expected growth of the company. Finally a market study should expose the distribution channels accustomed to the type of goods or services that are offered and how they work.

Defining the management decision problem of the case company

Due to the recent entry of Croatia to the European Union (July 2013), other member states have been showing their interest in expanding their market operations to this particular region. From the external commerce office in the embassy of the Kingdom of Belgium in Croatia, their purpose is to provide guidance to the Belgian manufacturers on the best use all the data and sources available or entering the market. With all its current resources, the embassy can show the direction that companies should follow in the furniture Industry. Now, the embassy does not have enough analysis of the sector that could best help the Belgian furniture manufacturers to penetrate the market by using their competitive advantages. After actively participating in furniture fairs and exhibitions in Zagreb, such as AMBIENTA, the embassy has identified a lack of information within the context of this study. Therefore, they found it necessary to commence research that can stipulate the attributes of the industry.

Research problem and objectives

The embassy of the Kingdom of Belgium in Croatia has been conducting different kinds of different research in a variety of industries for several years in order to present Belgian manufacturers guidelines for starting their operations in the Croatian market. This time, the furniture industry was chosen because of its potential of development and growth. The embassy study aims to analyze the Croatian market since the country's entry to the European Union and, thus, provide

a basis for manufacturers and distributors of furniture to enter the Croatian market with an understanding of all its nuances, opportunities and characteristics. Belgium and its geographic position play an advantage towards opening its business to this region.

The main purpose of the study was to examine the Croatian Furniture Industry and its opportunities. The furniture manufacturing in the domestic market is characterized by high quality and sufficient natural resources but poor design and innovation in all the processes of furniture manufacturing. Furthermore, the excellent raw materials that can be found in the territory of the Republic of Croatia have not been used efficiently. (Basarac Sertic 2015.) Because of the recent entry of the Republic of Croatia into the EU, the country is still largely undiscovered by the other member states, which makes foreign investment insignificant to Croatian economy (Croatia 2013), ignoring the potential of the market for developed manufacturers of furniture.

Research questions

The purpose of research questions is to formulate the questions that summarize what the research will examine. In this respect, we cannot define a particular way of formulating the questions; each problem needs its particular analysis.

(Sampieri-Hernandez 2003)

The main questions to be answered in this research focused on the Croatian furniture industry and its consumers:

- What are the characteristics of the furniture industry in Croatia?
- What is the behavior of national consumers towards Croatian furniture?
- What are the main advantages for foreign furniture manufacturers when entering the Croatian market?

By answering the questions above, the study was able to target the Croatian Furniture industry with the prospect of Belgian companies being able to open a new path into this region. The aim was that by using the knowledge provided by this work, the manufacturers would have a broad idea about the market conditions, characteristics and customer preferences. Another aim was to help them to take advantage of their products in order to penetrate the market.

Structure of thesis

The following chapters seek to inform the reader about the important key concepts of the study. In order to understand what should be analyzed, it is very important to learn what market research of a country involves and as well as what the characteristics of furniture industry are in the European Union.

This research followed the structure of analyzing the theoretical background, followed by an analysis of applied knowledge within the subject of the study. Firstly, Chapter (number) two analyzes in detail the theoretical aspects of market research. This chapter provides the necessary information for the readers so that they would further understand and interpret the details of the research. The chapter deals with the different available possibilities of approaching market research and its stages in a specific country, as well as describes and analyzes the advantages and steps of a SWOT analysis. Furthermore, the classification of the market and its segmentation is studied from its various possible perspectives of distribution, as well as the characteristics of consumer behavior. Finally, distribution channels are explained underlining their importance in the market cycle of any industry.

In order to provide reliable research, the methodology used during the process of research is explained and displayed in Chapter (number) three. This gives the possibility to the reader to check in detail all the processes that drove us to the

conclusions made in this study. In Chapter (number four) the results of the research are explained and carefully reviewed. The purpose of this chapter is to provide the necessary information for creating questions, answers and strategies related to the topic of the research.

Finally, in the last chapter, the conclusions are given made by the author. After a careful analysis of results, followed by recommendations for further research and decision-making related to the topic.

2 Purpose and characteristics of market research

2.1 Market research

The market is the environment where a product or service and the consumer are located. It is the set of individuals and organizations of all kinds that have, or can have, an influence on the consumption or use of the product in a determined geographical territory. (Navarro 2015)

According to the American Marketing Association (source), market research is the collection, registration and systematic analysis of the data with respect to a particular market. The term market refers to a specific group of customers in a specific geographical area.

Market research is the search for the needs, desires, tastes and preferences of consumers in relation to a product or service (Harrison 1996). It consists of the search and retrieval of relevant, timely, efficient and accurate data that aim to reduce the risk in commercial and marketing decision-making. (Del Castillo 2008, 19) Marketing research comprises all the activities that seek to define, collect and analyze information in a systematic way so that it will feed the decision-making process in marketing in order to make it more effective. (D'Astous 2003, 7)

The activities included in market research are defining marketing opportunities and problems, generating and evaluating ideas, monitoring performance, and understanding the marketing process. It is more than the mere application of surveys; this process includes the development of ideas and theories, the definition of the problem, the search and gathering of information, the analysis of the data and the communication of the conclusions and their consequences. (Zikmund 2008, 6)

In general, it can be said that there are two reasons or objectives to implement market research: generating information that would be more successful with the marketing of a product or service and generating case alerts to avoid failure to market. The two could be summarized in one: reducing uncertainty for decision-making.

The accelerated growth of competitors in each market makes it necessary to evaluate the entry of new products and to analyze the behavior of the existing products in a specific geographical area (Zikmund 2008, 6). The analysis concentrates on a specific rationale and defines it as Strategic Anticipation, which is the ability to evaluate the environment, focusing on particular target clients in order to act on the signals of change (Duboff, 9). Anticipating the future is the only way for organizations to achieve and maintain leadership in a market.

Market research performs three fundamental functions: descriptive, diagnostic and predictive (McDaniel 2005, 6). The descriptive function includes the compilation and presentation of facts. The second role of research is the diagnostic function, which explains the data and/or actions, and the last step of the research is the predictive function.

Del Castillo (2008, 20), mentions the following benefits of market research:

- It allows better adaptation of the products to the conditions of demand.

- It makes the sales system and the performance of salespeople more effective and, on the other hand, reduces the cost of sales.
- It encourages managers to re-evaluate the intended objectives.
- It stimulates the staff to know that their company has a complete knowledge of their situation in the market and that it is directed towards well-selected objectives.

Mercado (1997, 102) suggests the following:

- It indicates who the buyers of the product or service are.
- It locates new habits, allowing you to launch new products.
- It discovers consumer preferences.
- It checks if the current products on the market are appropriate.
- It gives the image of the company held by the consumer.

Stages of market research

The market study is composed of five stages (Gitman 2007, 20-22):

1. *Definition of the marketing problem and research objectives*

Two key questions allow us to correctly define the marketing problem and what the information required is for, as well as if the information is already available.

2. *Choice and design of a research method*

There are three methods: survey, observation and experiment. Survey research uses questionnaires and can be personal or impersonal.

Observation research consists of observing how individuals act but it does

not interact directly with them. In experimental research, the researcher changes one or more variables and observes the effects that these changes produce in another variable.

3. *Data collection*

Two types of data are used, primary data, which are collected directly from the original source, and secondary data, which were previously collected for another project and/or which may come from various sources, such as governmental entities or academic researchers.

4. *Data Analysis*

All the data obtained are interpreted to obtain conclusions.

5. *Data presentation*

Conclusions and recommendations are presented to decision makers.

Classification of the market and demand

The general definition of a market is a grouping of people, groups or organizations that present some type of need, have money to spend and are willing to spend that money. If they are not willing to spend their money, they are not considered part of the market. The concept of the market is closely linked to the concept of generic necessity, so it emphasizes the substitutability of different technologies for the same function. A market is an area where buyers and sellers of goods and services operate. It is the place or environment where they meet to exchange goods and services. (Navarro 2015)

Markets are classified according to the goods that are marketed:

Table 1. Classification of the market.

| | |
|---|---|
| <p>Consumer production market</p> | <p>They are the products of immediate use and that are bought frequently, for example, food, cleaning products, etc.; also durable products (there is a periodicity of purchase), such as automobiles, appliances, etc.</p> |
| <p>Industrial production market</p> | <p>In this type of market, goods and services are marketed to incorporate them into productive processes, for example, raw materials for manufacturers. Also considered are those products that collaborate with the productive process, for example, machinery, transportation, computers and software</p> |
| <p>Service market</p> | <p>They are intangible assets such as insurance, training, contractors, etc.</p> |
| <p>Government markets</p> | <p>Government agencies that buy goods and/or services to produce public services or transfer them to people in need.</p> |
| <p>International markets are buyers from other countries</p> | <p>Consumers, producers, and foreign governments are included</p> |

One factor that contributes to the market activity is the demand. A desire becomes demand when it is backed by purchasing power, if we have money to buy what we want, and then we are demanding some product or service. However, if we do not have money, our desire will remain as such. Considering the desires and resources, consumers choose the product whose benefits give them greater satisfaction. Demand is the externalization of the needs and desires of the market and is conditioned by the available resources of the buyer and the marketing stimuli received. It is convenient to limit the concept of demand, establishing limits of different kinds, to know, at all times, what is meant when the term is mentioned.

Thus the demand can refer to:

- Market size; if it targets the entire market, certain segments or a particular individual.
- Product dimension; to a product class or to a brand. In both cases, substitutes products may also be considered, in situations of use which similar benefits are sought.
- The size of the place; which remains a territory or geographical area of greater or lesser extent (Local, regional, national, international).
- Time referring; to a period of time of greater or lesser dimension (long, medium or short). The dimension of the customer, leaning onto the demand for final consumption, which is called primary demand.

Accurately defining your target market is the most appropriate way of meeting customer needs. It consists of three main steps; the first one is market segmentation, which can be defined as the division of the market into different groups of buyers that require separate products and/or different perspectives to approach. Secondly, target market selection, which consists of evaluating the attractiveness of each segment and the selection of one or more segments of the market. Finally, the third one is positioning in the market, which is the image that has been formed in the mind of the consumer about a product, a brand or a company. The attributes or benefits perceived by the customer in relation to other brands or products. (Navarro 2015)

SWOT analysis

SWOT analysis is the simplest and most effective long-term analysis tool that incorporates Strengths and Weaknesses, which includes the internal analysis of the market itself, and Opportunities and Threats, which leans on the study of external factors. By analyzing four of the elements of this tool, it facilitates to raise the actions that a company must put in order to take advantage of the opportunities detected and to prepare the organization against threats and be aware of their weaknesses and strengths. In the picture below a structured layout of SWOT analysis may help any organization/company to clearly visualize its features in each segment of the tool.

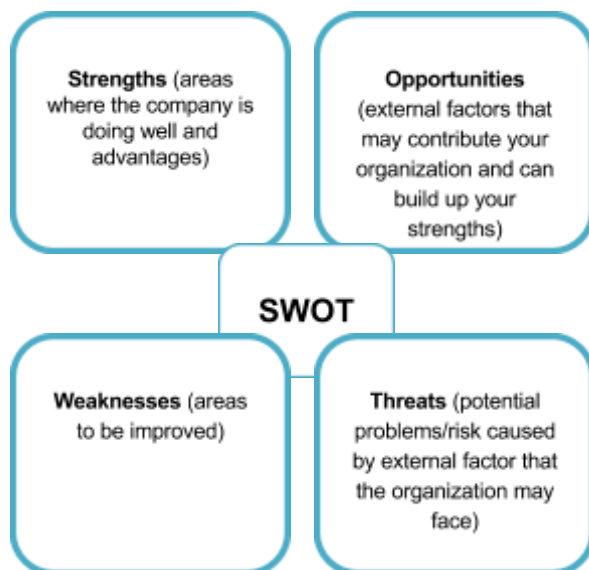


Figure 1. Structure of SWOT analysis

The main objective of a SWOT analysis is to help an organization find its key factors to be used in organizational changes: consolidating strengths, minimizing weaknesses, taking advantage of the opportunities, and eliminating or reducing threats.

In spite of the previously mentioned, it is important to emphasize that there are dangers when building a SWOT analysis. Firstly, it can generate very long lists of apparent weaknesses, threats, strengths, and opportunities. Secondly, the risk of generalization, as the SWOT analysis is very general; you should go accompanied by more rigorous and deep analysis such as the market research described in the previous section. (Innosutra 2012)

2.1 Segmentation of the market

Considering the market as a unit and trying to satisfy all its members with the same product offer is ineffective. The market is too large and is made up of different customers with different purchasing needs. Market segmentation divides the market into groups with similar characteristics and needs in order to offer a differentiated and tailored offer to each of the target groups. This allows us to optimize resources and effectively use our marketing efforts. There are different variables to segment the market, depending on each company will use a different combination. Market segmentation variables are grouped into geographic, demographic, psychological and conductive. (Alcaide 2013, 62-65)

Table 2. Market segmentation variables

| Variables | Description |
|----------------------|--|
| Geographic | Countries, regions, cities or postal codes. |
| Demographic | Gender, age, income, education, profession, social class, religion or nationality. |
| Psychological | Lifestyle and personality. |
| Conductive | Frequency of use of the product, search for the benefit, level of fidelity, attitude toward the product. |

Within the segmentation of the market, we find different approaches. The degree of segmentation that each company adopts will depend exclusively on the resources that it has and the objectives that it has established. In the following image, the most used market segmentation approach is represented (Alcaide 2013, 62-65):



Figure 2. Market Segmentation

Mass marketing is the starting point of segmentation, characterized by mass production, communication and distribution of a single product for all customers. This approach has been the most used by companies for decades.

Today it is difficult to reach the public massively, and it is very unprofitable because of the great diversity of media and distribution points. **Segment marketing** is almost halfway between mass marketing and personalized marketing. As it has been said, the outset segmentation tries to divide the market into groups with similar characteristics and needs; the objective of segment marketing is to adapt the company's offer to the needs of these groups.

Niche marketing goes a step further in segmenting the market, trying to narrow the segmentation approach by looking for smaller markets with needs that are not met correctly. Normally, we can find market niches by dividing segments into sub segments, but it is necessary to find the perfect balance between market specialization and profitability, i.e. niches must be large enough to be profitable.

Custom marketing or otherwise known as "one-to-one marketing" is the ultimate level of segmentation. This market segmentation approach treats customers individually, now thanks to technology, it is also possible to apply it to a mass market and offer products individually. The client has the opportunity to participate in the design of the product or the offer, obtaining a high personalization. (Alcaide 2013, 62-65)

Consumer behavior

Consumer behavior is that part of people's behavior and the decisions that it implies when they are acquiring goods or using services to satisfy their needs. It is defined as the behavior that consumers show when searching, buying, using, evaluating and discarding the products and services they consider will satisfy their needs. (Amoros 2008, 227-300) The concept of consumer behavior means "that internal or external activity of the individual or group of individuals directed to the satisfaction of their needs through the acquisition of goods or services", is spoken of a directed

behavior. Specifically, to the satisfaction of needs through the use of goods or services and the desire of a product and brand engagement psychologically influenced by advertising. It includes the study of why, where, how often and under what conditions we consume different goods or services. The purpose of this area is to understand, explain and predict human actions related to consumption.

The basic potential of market research is to know who the customer is, what he wants, how, where, when and why he wants it. It also allows establishing your own position over the competitors in the market. This is where the most critical assessment takes place, as some relevant business theorists and characters such as Steve Jobs and Henry Ford, disagreed with market research because it was considered useless due to their conviction that the consumer does not know what he wants until he sees it or has it in his hands. (Novoa 2013)

Consumer Behavior is determined based on six main characteristics:

1. *Culture*. It is the way of life of a community or group. In order to fit into a cultural group, a consumer must follow the cultural norms that are formally manifest. On the other hand, among the youth of any community, it is expected that someone who wants to integrate the group seen like them. In other words, cultural norms define what a consumer can or cannot buy. (Vargas-Bianchi 2013)
2. *Lifestyle*. The lifestyle of each person is usually determined by his or her amount of monetary income. If a subject has a high income, he is expected to maintain a relatively determined lifestyle. The influence of lifestyle on consumer behavior determines without mediation the fact that if the person has lower income than others do, he will not have access to certain products and services that are above his socioeconomic scale. Those who have high incomes usually experience that they descend in their socioeconomic level when consuming goods of a low price. The opposite effect also occurs: when a middle-income consumer

ever acquires a product or service of greater economic value, he/she perceives that it rises in its socio-economic scale. (Vargas-Bianchi 2013)

3. *Motivation.* This variable drives one person to consider one need more important than another. Consistent with this, the most important need is to be satisfied in the first place. Motivation is a complex dynamic fuelled by different physiological, biological and social needs. For example, when an individual is motivated by the need to feel secure, he will usually buy products or services that are aligned with this need, both at the functional (objective) and perceptual (subjective, ex. Positioning of the brand). (Vargas-Bianchi 2013)

4. *Personality.* By personality, the definition wants to refer to a set of variables that are deeply embedded in a person's mind. Personality differs from person to person, certain cases in a remarkable way and is influenced by external factors such as where the person is or the time of day. Personality determines what you will eat, go to dress, what you will study, what you will be cleaned and what you will look at the points of sale. In short, personality has a strong impact on all decision-making processes, fundamentally because it is linked to the attitude system or beliefs of people towards different products. (Vargas-Bianchi 2013)

5. *Age.* The age influences the behaviour of consumers in a rather direct way. For example, the needs of a 6-year-old child are clearly not similar to those of an adolescent: consumer needs are basic in childhood but become more complex in adolescence and youth. This process continues its articulation as the age of the individual advances. The psychological needs of people in different age groups differ from one another, which explains the changes in consumer behaviour over time. It is interesting to note that in old age the needs of consumers tend to return to a more basic nature. (Vargas-Bianchi 2013)

6. *Perception.* It refers to the prevailing popular opinion about a product or service at a given time. Because it is emotional, perceptions are likely to change over time. Consumers may have the same need, but purchase entirely different brands because of their perceptual system. Perception is a variable influenced by external stimuli such as comments from other people or marketing communications, whether advertising or public relations. These factors are

involved in the process of shaping the perception and belief system and attitudes of the people referred to the brands. (Vargas-Bianchi 2013)

2.2 Distribution Channels

A distribution channel is a conduit that each company chooses to take its products to the consumer in the most complete, efficient and economical path possible. The marketing variable allows the production system to be brought into contact with the consumption system in an adequate way. Distribution has as its mission to make the product available to consumers in the appropriate quantity, place and time, and with the necessary services. The fulfillment of this objective justifies the existence of a system of intermediation between the production company (production) and the consumer (consumption), which will be called the commercial distribution system. (Parreño-Selva 2013, 113). Stern and El-Ansary (1992) define it as "the set of interdependent functions and organizations involved in the process of putting a good or service at the disposal of its users or consumers." In other words, the distribution channel is the mechanism by which distribution, as an economic function, takes shape and adapts to the needs and characteristics of each economic sector.

Moreover, it is the system of relations established to guide the movement of a product (Longenecker & Moore 2009, 388), the route by which the products circulate from its creation in the origin until its consumption or use in the destination final. It is formed by the set of people or organizations that facilitate the circulation of the product until arriving at the hands of the consumer. (Scribe, 160)

The distribution channels are called the lines through which the function of the distribution is performed, and is known by the name of intermediaries to the basic elements of the channel. The distribution channels are like the arteries through which the products circulate. These channels are made up of independent companies or entities of the manufacturers that market, sell or help sell the

products manufactured or supplied by others, serving the production company to have access due to the markets. (Rivera-Camino 2012, 96-97) .

The distribution channels can be divided in three main groups based on its length, technology and its organization forms.

1. *According to the length of the distribution channel,*

Direct channel: consists of only two entities, manufacturer, and the final consumer. Often used in the service sector, banking for example.

Short Channel: consists of three levels, manufacturers, retailer and the final consumer. Frequently used when it comes to sectors where the supply is concentrated at both the manufacturer and retailer level when the retailer is a large company and the number of manufacturers is not very high. Large surfaces for example.

Long Channel: consists of four or more levels, manufacturer, wholesaler, retailer, and consumers. They tend to exist in sectors where supply and demand are very fragmented.

2. *According to the technology of sales,*

Traditional channels: those that have not incorporated advanced technologies in the realization of the exchange operations.

Automated channels: are those that use technology as a basic means in terms of exchange, such as ATMs.

Audiovisual channels: those that combine different media, television as a disseminator-informant, the telephone as a means of contact with the buyer and a transport company to perform the physical transfer of products.

creative capacity for new designs and responsiveness to new demands. The industry is able to combine new technologies and innovation with cultural heritage and style, and provides jobs for highly skilled workers. (Mariano Perez Campos 2016)

This particularly in the EU has been going through an era of significant changes focused on upgrading quality, design, and innovation to make it more export-oriented. Furthermore, these changes include restructuring, technological advances, and business model innovations.

The main opportunities ahead lie in the continuous investment in skills, design, creativity, research, innovation, and new technologies can result in new products, which are in line with the changing population structure, lifestyles, and trends, as well as with new business models and supplier-consumer relationships. Research in advanced manufacturing technologies can result in the creation of high technology and knowledge intensive jobs, which would give the sector the attractiveness it needs to attract employees from younger generations. This could help rejuvenate the sector while keeping it highly competitive on the world stage.

EU furniture manufacturers are recognized worldwide for their quality and design thus creates opportunities for the sector to further seize other markets, in particular in high-end segments and emerging economies. Synergies, with construction and tourism, could also be exploited, building on the sector's excellent record of accomplishment in sustainability. Specifically, the reliance on raw materials from sustainable sources used in the furniture production could have a positive impact on sales among environmentally concerned end-users. (Mariano Perez Campos 2016)

Nevertheless, there are threats, which are important to be aware of; the furniture sector has been severely hit by the recent crises and has faced a significant drop in the number of companies, jobs, and turnover. (Mariano Perez Campos 2016) The main challenges are listed in Table 3:

Table 3. Challenges in the Furniture Industry within the EU.

| | |
|--------------------|---|
| Competition | The EU furniture sector faces enormous competition from countries having low production costs. China's penetration into the EU market is growing rapidly and it is now the largest furniture exporter to the EU, accounting for over half of total furniture imports to the EU. |
|--------------------|---|

| | |
|---|---|
| <p style="text-align: center;">Innovation</p> | <p>The reliance on innovation and design combined with an increase in global trade and digitalization makes the sector more vulnerable to a weak protection of intellectual property rights. Boosting research and innovation also requires finance that is often inaccessible to SMEs.</p> |
| <p style="text-align: center;">Structural problems</p> | <p>The aging workforce combined with difficulties in attracting young workers may lead to disruptions in maintaining skilled workers and craftsmanship.</p> |
| <p style="text-align: center;">Trade</p> | <p>Protectionist measures on international markets create market distortions and decrease the sector's competitiveness. EU furniture producers face both duties on imports of raw materials and tariffs on exports of finished products.</p> |

Moreover, operational costs in the EU are higher due to high environmental, sustainability, and technical standards.

3 Methodology

The thesis aimed to give a trustworthy insight into the Croatian furniture industry, as well as, a clear vision of what the customers' preferences are when buying furniture in the region. In order to achieve these goals, this research had two different approaches. The first one was based on observation research and secondary data, and its purpose was to describe the economic situation of the country and more specifically of the industry related to the theoretical framework earlier described in this work. The second approach aimed at observations of the behavior of the consumers, citizens, and residents of the Republic of Croatia when

buying furniture. Moreover, by using a combined qualitative and quantitative method, the intention was to give a credible perspective of the attitude and preferences of consumers towards Croatian furniture to further contribute to the penetration of Belgian manufacturers into the market.

The quantitative approach uses data collection to test hypotheses, based on numerical measurement and statistical analysis, as well as to establish behavior patterns and test theory (Sampieri 2016). Through numerical measurements, we seek to quantify, report and measure the data that will provide us with specific information about a reality that we can explain and predict. Some examples of quantitative data collection are surveys, which are used as a reliable method to study consumer behavior.

Qualitative research is multi-pragmatic in its approach. Those who practice it are sensitive to the value of the multi-method approach. The researcher is subject to the naturalist perspective and the interpretive understanding of experience. The qualitative researcher undergoes a double stress simultaneously. On the one hand, the researcher is attracted by a wide interpretive and critical sensibility. On the other hand, it may be attracted of more positive, humanistic and naturalistic conceptions of human experience and its analysis. (Perez-Serrano 2002, 575.) The basic methods of qualitative research are observation, in-depth interviews and focus groups (Perez-Serrano 2002, 576). This method of investigation uses descriptive interpretations rather than statistics to analyze the underlying meanings and patterns of social relations (Sampieri 2016). In furtherance of providing valuable and strong information, this study was a combination of observational research and secondary data combined with both quantitative and qualitative methods of study.

Secondary data collection seeks to provide deep knowledge about the background of the country and industry under examination. It also attempts to understand all its characteristics in terms of market size, segmentation, and SWOT analysis.

Regarding the primary data of the thesis, both quantitative and qualitative methods were used. The aim was to form a perspective of the consumer behavior within the domestic market. This was examined by means of surveys addressed to Croatian citizens and residents of the country in terms of their preferences applied when buying furniture. Along with the above practice, the qualitative sought to obtain a realistic view of the Croatian furniture manufacturers by using observation and interviews. The combination of these three methods of research and investigation was hoped to take the study to an easy level of comprehension, and create a more reliable and complete vision for the reader.

3.1 Quantitative data collection

Surveys

In this research, a survey (Appendix 1) was used to get an accurate insight about the consumer behavior and preferences towards the attitude when buying domestic furniture. The survey was presented to Croatian citizens and resident through different sources such as Facebook and email contact list from ZSEM Zagreb University of Economics and Management.

Facebook and email survey

The survey was targeted at Croatian citizens and residents of the country who were presumed to be somewhat familiar with the different Croatian furniture brands of all price categories.

Random Sampling by Clusters: The methods presented so far were designed to directly select the elements of the population, that is, that the sample units are the elements of the population. In cluster sampling, a sampling unit is a group of population elements that form a unit, which we call a conglomerate. Hospital units,

university departments, a product box, etc., are natural conglomerates. At other times, unnatural clusters may be used, such as, for example, ballot boxes. When clusters are geographical areas, this is often referred to as "area sampling". Cluster sampling consists of randomly selecting a certain number of clusters (the one necessary to reach the established sample size) and then investigating all the elements belonging to the chosen clusters. (Rueda 1998)

The objective sample to which the survey was spread via Facebook and email was composed of men and women aged between 25-64 years based on Eurostat data collection on employment rates in the Republic of Croatia. The group was assumed to live independently and be actively working (Table 4), which provided us with the ideal target market for the products in the study.

The survey, which took place anonymously, was spread via Facebook in order to reach a higher level of responses and via the ZSEM Zagreb School of Economics emailing list, which included current students, professors and alumni of the university and was available online in SurveyMonkey.

Table 4. Employment rates for selected population groups, 2005–2015
(Eurostat 2015)

| | Men, age group 20–64 | | | Women, age group 20–64 | | | Older workers (55–64 years) | | |
|-------------------|----------------------|------|------|------------------------|------|------|-----------------------------|------|------|
| | 2005 | 2010 | 2015 | 2005 | 2010 | 2015 | 2005 | 2010 | 2015 |
| EU-28 | 75,9 | 75,1 | 75,9 | 60,0 | 62,1 | 64,3 | 42,2 | 46,2 | 53,3 |
| Euro area (EA-19) | 76,6 | 75,0 | 74,6 | 59,3 | 61,8 | 63,4 | 40,5 | 45,7 | 53,3 |
| Croatia | 67,3 | 67,9 | 65,2 | 52,8 | 56,4 | 55,8 | 32,1 | 39,1 | 39,0 |

Survey formulation

The survey included six (6) closed questions, which means that the respondents could choose the answer that best fits them between all the available (Appendix 1). The reason why closed questions were chosen for this survey is that it enables to get the desired qualitative data out from all the answers of the participants. All the questions were formulated assuming that the respondent fulfilled the essential requirement; which as argued in the previous section of this chapter needed to be Croatian citizens or residents of the country. The questions seek to understand whether the participants were familiar with Croatian brands or not, as well as their personal preferences when buying furniture.

3.2 Qualitative data collection

Open-ended question on the survey

In the same survey from where quantitative data has been collected, one open-ended question was formulated. In addition, an open-ended choice was included in one (1) of the closed questions, and a few respondents decided to write down their responses.

Furniture fair in Zagreb – October 2016

Meanwhile the furniture fair took place in Zagreb, the author carried out in the place two different research approaches. The first one was observation of the fair itself and interviews to the assistants and expositors. The qualitative data of this research was collected by assistance to furniture fairs, exhibitions, and showrooms in Zagreb during 2016. The main purpose of assisting to these events is to have the possibility to do on-site interviews to the Croatian manufacturers and assistants to the fair. Furthermore, to get an insight from the main stakeholders of the industry about market conditions, recognition of domestic product and customer preferences.

Interviews

During the exhibition earlier described, four on-site questions were asked in the different stands (Appendix 2), which were presenting their products during both of the days, that the fair took place. The questions were focused on the perception of Croatian citizens and residents about the domestic product based on their sales in the domestic market. The on-site interview was chosen because it can be done in a relaxed atmosphere within the exhibition time and can get a more natural and reliable information. Moreover, the interviews were done in an unstructured form as qualitative research interviews (King 2009). In these types of interviews, there is no predetermined list of questions to work through in the situation, although the interviewer needs to have a clear vision about the aspects to investigate. Two interviews were done to two different assistants of the fair, while the other two were asked to two different exhibitors.

The main advantage to using the qualitative method in form of on-site observation and interviews for this research is to enable the author to get primary data, which will elevate the reliability of the assumptions in the conclusion.

3.3 Data analysis

Quantitative data analysis

The quantitative data analysis will be based on the responses to the survey. The platform used to make the surveys provides its own tools for data analysis. SurveyMonkey enables the researcher to analyze the survey results within the platform providing tools to draft tables and statistics with self-determined variables. Once the graphs are generated from all the answers after the targeted number of responses is achieved, conclusions based on the quantitative data will be formulated and argued with the graphs. The analysis aims the possibility of generate common trends from the respondents towards national product awareness and the behavior of consumers within the present industry in the country.

Qualitative data analysis

The analysis of this type of data can be the most difficult one because of the fact that there is not possible similar correlation between all the answers gathered. This process can be summarized in the following steps (Alvarez-Gayou 2005), (Huberman 1994), (Rubin 1995):

1. Obtain the information: through the systematic recording of field notes, documents of various kinds and the conduct of interviews, observations or discussion groups.
2. Capture, transcribe and order information: the capture of information is done through various means. Specifically, in the case of interviews and discussion groups, through an electronic record (recording in cassettes or in digital format). In

the case of observations, through an electronic record (video recording) or paper (notes taken by the researcher). In the case of documents, through the collection of original material, or the making of photocopies or the scanning of those originals. Moreover, in the case of field notes, through a paper register using handwritten notes. In this particular research due to various types of qualitative methods used, the discussion cannot stick to one particular way of analyzing them.

Firstly, in the case of open-ended questions, the answers collected from the survey will be analyzed one by one and classified by the reasons given. The goal of the questions is to get a further knowledge of the attitude of the participants in the survey towards domestic furniture. In the second place, the analysis of the observational material will be based on the notes taken by the researcher and the conclusion on the various hypothesis generated after the fieldwork.

In the last place, interviews that haven been written down will be analyzed according to whom the questions were asked. We can differentiate two groups, assistants to the fair and exhibitors. Conclusions will be based on the answers provided by the participants in the interviews.

Furthermore, after analyzing quantitative and qualitative methods, this research looks for the confirmation of the hypothesis generated by the first analysis of each approach. The researcher looks for the possibility of creating common trends in the answers that will provide the necessary data to generate conclusions based on the data collected.

Reliability and validity

The requirements that you must comply with any instrument of measurement are validity, reliability, and objectivity. The validity depicts the possibility that a method of research to be able to answer the questions posed (Ramos 2010.) Reliability refers to the level of accuracy and consistency of the results obtained. If the measured phenomena or events are being investigated again with the same

investigation instruments and we get the same results; it can be said that the instrument is very reliable (Hernandez 2006.) The objectivity of a measurement instrument refers to the degree to which it is permeable to the influence of the biases and tendencies of the researcher or researchers that manage, qualify, and interpret (Mendoza 2009.) The validity, reliability, and objectivity should not be treated separately, without one out of the three; the instrument is not useful to conduct a study.

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