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BUSINESS SCHOOL

FINAL THESIS REPORT

**SPORTS PROCUREMENT AND ITS IMPACT ON THE
SPORTS RETAIL MARKET IN FINLAND**
Case Millet

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Degree Programme in International Business
June 2010
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TAMPERE 2010



Writer(s):	Tiina Lampinen	
Study Programme(s):	Degree Programme in International Business	
Title of Thesis	Sports procurement and its impact on the sports retail market in Finland, case Millet	
Month and Year of Completion:	June, 2010	
Supervisor:	Matti Haverila	Number of Pages: 37

ABSTRACT

This thesis was written for an import and wholesales company Vandernet Oy. The study had three aims; the first was to provide Vandernet with a concrete guide to the Finnish sports retail market, which could be used in familiarizing new stakeholders with the market. Other two aims of the thesis were to define the main challenges of the outdoor brand Millet in Finland and find solutions to the problems.

The Finnish sports retail market is rather unique compared to a Central-European country. In Finland, 70% of the sport retail stores belong to a retail chain, which has many centralized functions. For instance, the chains use either central purchasing or point out which items should be bought to the store.

In this thesis, the case of French outdoor brand Millet is explored. The brand has been sold in Finland since 2003, but it still has not reached large sales. In order to gain deeper understanding of the market and the attitudes of the purchasers towards Millet, a qualitative research was conducted. Twelve Millet retailers were theme interviewed during the year 2009. Also, supportive data was collected from the Finnish sports industry's professional magazine Sporttimyyjä.

The main challenges of Millet in Finland are the lack of brand marketing, low brand awareness among the consumers and insufficient natural demand. Also, it is difficult for a brand to get in to a store with out the spontaneous demand, especially when the demanded equivalent, Haglöfs, is widely sold at the market. In addition, as Millet's products are not in a campaign of a retail chain, the retailers have to see first whether they have money left in the purchasing budget after the purchases required by the retail chain.

The key to enhancing the sales is to increase the brand awareness at the market. Millet needs active marketing and advertising actions, for instance, in the ladies magazines such as MeNaiset and in the outdoor magazine Retki. Unfortunately, the marketing budget in highly technical products like Millet is usually limited. Also, the sales conditions and sales support terms should be made clearer to the retailers.

The only way of reaching large sales volumes in Finland without compromising the brand image, is to sell wider selection to the existing customers. For instance, the backpack and sleeping bag ranges of Millet have good quality and reasonable prices; still they are sold to limited number of retailers in Finland.

Key words: sports retail business retail buying wholesale business Millet

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1 Introduction

1.1 Finnish sports retail industry

The Finnish sports retail industry has some particular features which uniquely define its sports wholesale business. The structure of the business differs from the corresponding market of, for instance, a Central-European country.

In Finland, the retail procurement, marketing and other organizational operations are largely chain-based functions, which have a direct impact on the market and the selection offered to the consumers. For instance, a chain with strong private labels and tight marketing actions might have little or no budget left to purchase merchandise outside the centrally decided collection. As a result, many stores of a sports chain resemble each other and the consumers have fewer options to choose from. In addition, as the chains' selections are decided by a few central purchasers and the stores have smaller budget for their own purchases, it is increasingly more difficult for a new sports brand to enter the market.

1.2 Case Millet in Finland

This thesis explores the case of the French outdoor brand Millet in Finland. Millet is specialized in producing clothing and hardware for alpinism, ski mountaineering, hiking, climbing and trail running. The brand has equipped expeditions to the highest mountains in the world since 1950's. Today, Millet is a renowned outdoor clothing and hardware brand in the Central-Europe. In Finland, the brand has been sold since 2003, but the sales are still relatively small and the brand somewhat unknown to the people.

The importing agent of Millet in Finland is Vandernet Oy, an import and wholesales enterprise situated in Helsinki. Vandernet Oy is also the commissioning party of this thesis.

1.3 Goals of the Study

The goal of this thesis consists of three parts. The first aim is to explain the Finnish sports retail market structure, introduce its key features and the most important players, to a stakeholder unfamiliar with the market. This way the first part of the thesis can be used for Vandernet's purposes with other suppliers and stakeholders as well.

The second goal of the study is discover Millet's status in Finland in the eyes of the retail purchasers; its brand image, commercialism and competitively against other equivalent brands. Also, the performance of the importing agent Vandernet is examined.

The third aim of thesis is to define the most problematic parts Millet has in Finland and to find solutions what could be done to enhance its sales at the market.

1.4 Limitations of the Study

As this thesis focuses specifically on the sports retail market, it does not discuss other clothing retailers in Finland. Although, sometimes fashion brands compete directly with outdoor clothing brands, they rarely have the same point of sales and target customers. This thesis concentrates on the sports retail market, thus the fashion brands were left out from the field of study.

Also, the research for the thesis focuses mainly on the outdoor clothing market and its players in Finland. Thus, it does not cover specifically other sports segments and introduce its suppliers at the market.

In addition, as the aim of the study was to discover the retail purchasers' ideas about Millet and its sales in Finland, the conclusions reflect their perceptions. This might not be in a concordance with the regular consumer's knowledge and image of the brand, as usually the retail purchasers are more aware of brands, quality of the products and the market in general.

1.5 Relevant terms

This chapter presents all relevant terms used in this thesis

Retailer. A company, which sells products to the final consumers. (Cannon, Perreault & McCarthy, 2008, p. G-9)

Supplier. A company, which supplies parts, goods or services to another company (Investorwords, n.d.)

Vendor. See supplier.

Wholesaler. A firm which main function is to sell goods to retailers or other merchants, or industrial, institutional or commercial users, but who are not selling in large amounts to final consumers (Cannon, Perreault & McCarthy, 2008, p. G-11)

Import agent. A company, which acts as a sales agent for foreign goods in the domestic country. Operates often on exclusive basis, but does not have an own inventory in the country. Receives sales commission for them employing company.

Importer. A company, which acts as a wholesaler for foreign goods in the domestic country. Operates often an exclusive basis, has bought an own inventory of the goods. Sells them onwards with a margin.

1.6 Course of the study

A qualitative research was conducted to gain deeper understanding of the market and the attitudes of the purchasers towards brand Millet. Qualitative technique was chosen over quantitative as is would have not

disclosed as divers and profound responses as the qualitative research. The chosen method was theme interview, which was conducted among the selected outdoor clothing and hard ware purchasers in Finland during the year 2009. Supportive data was collected from the Finnish sports industry's professional magazine Sporttimyyjä. The data was analyzed using grounded theory; generating a theory from the collected data (Tuomi, Sarajärvi, 2002, p. 97)

Non-probability sampling (Nonprobability sampling, 2006), which is the opposite of random selection, was used to draw the sample from Millet's previous, existing and potential customers. Also elite selection was used in the sampling phase. Only those purchasers were selected who would have the best and varying experiences of the brand and the market. Thus being the most beneficial for the study. (Tuomi, Sarajärvi, 2002, p. 88)

So, twelve outdoor clothing and hard ware purchasers were selected and interviewed during the late spring and fall 2009. The selected purchasers represent somewhat evenly the Finnish sports retail market. One interviewee was from Lapland, one from the Northern Ostrobothnia (next region south from Lapland), four from Pirkanmaa (approx.200km north from the capital area), one from the west-coast, two from the Eastern Finland and three from the capital area. Also the balance between the independent shops and retail chains describes the Finnish market quite well. Four of the purchasers were from independent stores, others belong to a chain. Millet's targeted retail chains were well represented. Six respondents were purchasers from the Intersport chain, one purchaser from the S-group and the last one was the central purchaser of commercial chain Partioaitta.

Six of the respondents have sold Millet for less than two years, three of them over five years and two respondents over 10 years. Majority of the respondents (10) are selling clothes, two of which had also tried selling hard ware in the past, two respondents are currently selling hard ware and clothing and one respondent is selling solely hard ware. This division of clothing and hard ware retailers represents fairly well the division of Millet's sales in Finland. One purchaser, who was interviewed, had not sold Millet, but he is a strong opinion leader in the Intersport chain.

1.7 Structure of the Study

Firstly, the features of business to business sales in the sports industry are explained; how the procurement differs from consumer purchasing and industrial procurement and how the accurate procurement highly impacts the success of the entire business. Then the Finnish market is introduced, with its largest retail chains and most important suppliers. In the case study section, the brand Millet is introduced more profoundly and its sales and competitors in Finland are explored. Then the results of the interviews of the retail purchasers are explained. The last part of the thesis concludes the results of the research and offers improvement suggestions for the future.

2 B2B in Sports retail sales

2.1 Supplier-retailer relationship

In Business to Business sales the supplier-retailer relationship and the purchasing process is different than in a consumer-retailer relationship. An organization, whether it is a sports retailer, non-profit organization or industrial manufacturer, always purchase merchandise to satisfy a need. The companies buy in order to meet the future demand of their own customers. (Cannon, Perreault & McCarthy, 2008, p.178-181) Usually the organizational buyers are also less emotional compared to the final customers. They make decisions mostly based on economic factors, the total costs and factors of the buy. (Cannon, Perreault & McCarthy, 2008, p.178-181)

In retail business, the supplier-retailer relationships have a few characteristics which clearly distinguish them from e.g. an industrial B2B relationships. First of all, retail buyers always have the sellout in mind; they practice so called bottom-line thinking. The only reason for purchasing is to sell. The bought merchandise needs to be sold at the largest possible turnover and margin. Second, the retailers are managing a far greater assortment than industrial companies, thus the orders, prices, quantities and supplier conditions need more monitoring, excellent managing and logistics. (Van Weele, 2002, p. 309-310)

Third, the retailers are buying against the supplier specifications. The retailers frequently buy what is offered by the market. For instance, an industrial component producer can be confident about the endurance of the customer relationship as the components are rather specific, custom-made and thus unique. For a sports equipment supplier, the level of uniqueness of the products and the retailer's engagement to the relationship is not necessarily as high. Hence, the suppliers have to use other means to prevent the customer from changing the supplier rapidly. (Van Weele, 2002, p. 309-310)

The fourth characteristic is the short feedback loop. The point of purchase and resale are close, so it is easy to notice which products are selling and which are not. The assortments are rapidly adjusted and poorly selling product dropped out. This means also relatively quick direct feedback to the supplier, in the form of a repurchase or a drop out. (Van Weele, 2002, p. 309-310)

2.2 Importance of accurate retail procurement

2.2.1 Products

In retail business, accurate retail procurement is extremely important for the business' success. Product-wise, the sensitivity of the retail purchaser influences the sales greatly. The purchasers have to be especially alert and continuously study the market environment, look for interesting opportunities of selling new brands and merchandises, plan new attractive campaigns and ways to offer value adding services. (Cannon, Perreault & McCarthy, 2008, p.55)

The skill of selecting and ordering merchandise to the store has a direct impact on the store's sales volume and on its share of the total retail market. (Jacobsen, 2009, p. 29) The purchaser's experience and foreseeing skills roughly determine whether there is sufficiently merchandise and fluently managed restocking to cover one season. It also gives frames for future the inventory turnover and possible problems; whether the merchandise is not selling as expected and the store will be left with an enormous surplus or whether the merchandise will be sold out too fast with no possibility for restocking. An overbought or poor sellout usually leads to mark-downs and profit loss. Thus, the procurement has a crucial, direct impact on the store's revenue. (Jacobsen, 2009, p. 41)

2.2.2 Logistics

Logistic-wise, good purchasing policies can significantly improve the sales margins, through considerable cost savings. If the quality of the products and logistical arrangements with the supplier are advantageous, the purchasing can contribute to better capital turnover ratio. (Van Weele, 2002, p.20)

There are also advantages in keeping the supplier close. For instance, they can notably contribute to the company's innovation processes and creating new ideas. It has been demonstrated that even minor improvements in the supplier relationship can have an excellent impact on the company's return on net assets. (Van Weele, 2002, p.20) In larger chains, the success comes only by continuously sharpening the processes, aiming at combining the procurement volumes and standardizing of chain practices. (S Group Business Review, Procurement, 2009)

In addition, the internationalization brings new challenges to the retail procurement globally and Finland is no exception. The international business partners who enter the market are working in strictly managed chains, efficiently and in fast cycles. The cost-efficiency is the word of the day and it needs to be the key point also for the Finnish procurement. Without it, Finnish retailers cannot stay competitive at the market for too long. (S Group Business Review, Procurement, 2009)

2.3 Buying-selling cycle

As stated earlier, in retail business, the B2B sales start from the retailer's perspective. They only buy what they need and estimate to sell. Thus, firstly the retailer estimates the demand for a particular item for a particular time-frame, based on a market research, past performance and so-called market intuition. Then the purchaser has to decide the product's assortment policy. The procurer decides how broad (quantity of models per product group) and how deep (quantity of products per model) is the selection the store would like to offer to the consumers. Also, the purchaser decides which products should be kept in stock and which should have a stock consignment at the supplier's premises. (Van Weele, 2002, p. 311-312.) In a new supplier-retailer relationship, it is

only at this stage, when the possible suppliers meet the retail customer, when the customer already knows somewhat accurately what is needed.

2.3.1 Supplier selection

Based on the information mentioned above, the list of potential suppliers can be prepared. (Van Weele, 2002, p. 312) There are a number of key characteristics that a B2B customer seeks when identifying and short listing possible suppliers. In addition to good quality products, a good supplier should be able to demonstrate that they can offer the following benefits: reliability, consistent quality, value for money (not necessarily the cheapest supplier), strong service, honesty and clear communication and financial security. (Business link, n.d.)

The supplier-retailer relationship is most beneficial when the both parties are willing to build a strong continuing partnership rather than just a fairly insignificant onetime exchange. Also, a good supplier is willing to invest more in the relationship, service and strive for excellence. Thus, it is equally important for the retailer to know exactly what is wanted from the supplier, which qualities matter the most; whether these suppliers can deliver precisely the requested issues and with a correct timing. (Business link, n.d.)

Usually, the retail buyers are keen on having a few efficient suppliers who are able to deliver divers products and many different brands and product categories, rather than 200 businesses that can provide only one brand. Today, many firms are reducing the number of suppliers they work with and expect more on return from the remaining ones. The best relationships involve real partnerships with a mutual trust and long-term outlook. (Cannon, Perreault & McCarthy, 2008, p. 55)

Also in Finland, the larger retail chains are mainly conducting business with the suppliers who can deliver many brands and a variety of products. Often, they do not even consider starting a partnership with a supplier who can only deliver one product or brand, Elina Huovinen, Sales Manager in Sports, Vandernet Oy, pointed out when interviewed on 18.8.2009.

The delivery terms are crucial as well in the retail business. For instance, for seasonal items, the larger retail chains typically place preseason orders but expect also replenishment possibility during season. Usually, the chains have no stock of their own; they make reorders directly from the suppliers' warehouse. In addition, the retail chains monitor the deliveries rather closely. If a supplier cannot deliver the restocking orders accurately and is continuously out of stock, the cooperation with the particular supplier will be re-evaluated and possibly determined. Thus, the availability of the products and the fluent re-stocking are important issues when dealing with larger retail chains. (E. Huovinen, 2009. pers. comm., 18. August)

Some retailers use sophisticated vendor rating systems to gather valuable information about the suppliers based on the quality, product availability and lead time between the promised delivery date and the actual

delivery. The vendors are subsequently ranked based on their performance and this information is used to improve overall supplier performance. (Van Weele, 2002, p. 311-314)

For instance, Intrade Partners which procure for the large Finnish chains, e.g. for the hypermarket chain Prisma and department store chain Sokos, rate the suppliers based on the accuracy of the deliveries (time and quantity), availability of the products and quality of the products i.e. amount of reclamations. The aim is to have 98% of the matters according to the Intrade requirements. Based on this supplier's quality ratio, Intrade classifies vendors in a, b and c class. Intrade also classifies them in A, B and C suppliers based on the amount of purchases from the particular vendor. So a vendor can be Aa, Ab, Ac, Ba, Bb class and so forth. Aa vendor represents large volumes and fine quality and is one of Intrade partner organizations. Ab is a large supplier, but the quality of the performance is average, which they will try to improve. If a vendor supplies large or small volumes but with poor quality Intrade will eventually eliminate the supplier from the supplier list. On the other hand, if a supplier delivers premium quality but smaller amounts, Intrade will seek possibilities for increasing the orders, explained Antti Blåfield CEO of Vandernet Oy, when interviewed on 26.5.2010.

2.3.2 Contracting

After finding the most suitable supplier, it is time for contracting. Usually, this means negotiating the delivery and payment terms. With the larger retail chains, the negotiations normally include discussions concerning central invoicing discount and franchising group or central corporation discount. (Van Weele, 2002, p. 311-314)

2.3.3 Ordering and expedition

After contracts, the ordering should be made as simple as possible; the store should be focusing on the actual sales. Many stores have limited shelf and stock space, so frequent deliveries are required. As the regular and flexible refills are important, most retail chains have developed sophisticated ordering systems, which are based on either barcodes or product codes. Some systems even follow the sales and stock automatically and place a reorder to the central purchasing department or directly to the supplier when needed. Some systems send the orders to the central distribution center, which is in charge of maintaining the sufficient stock level. (Van Weele, 2002, p. 311-314)

The goods are delivered to the retailer either directly to the store or through retailer's distribution center. Once the merchandise has reached the final destination, the quality, delivered quantity and time of the delivery are monitored. The recipient inserts the quantities into an inventory control system and displays the products in the store. (Van Weele, 2002, p. 311-314)

3 Finnish Sports Retail Industry

3.1 Commercial chains

In Finland, the sports retail industry is dominated by the retail chains. In 2009, approximately 70 percent of the sales came from the chains and only 30 percent from the individual stores. (Sporttimyyjä 2010, p. 12) Commercial chains are the key source of revenue also for the suppliers on the sports retail industry.

Last year, year 2008 was the first year when the general sales of the Finnish sports retail industry reached a billion. (Sporttimyyjä 2010, p. 21) So, while other industries are more or less struggling in this market situation, the sales in the sports retail industry have continued to grow steadily. Also, during the previous recession in the 1990's, the sports retail sector was able to show growth every year with one exception. The consumers are prioritizing their purchases and cutting expenses, still sports activities are something the consumers are not willing to cut on. (Kuva, 2010, p.4) The sales of the Finnish sports retail industry from the past four year are illustrated in the table 1 below. All the key players of the market and their main characteristics are presented individually below the table.

Table 1 Sporttimyyjä, 2010, p.12

Retail chain	Sales		M€		2007		2006
	2009	change%	2008	change%	2007	change%	2006
Intersport – Kesport	305,8	5,7	289,4	5,6	274,1	6,7	257
Prisma	112,5	22,3	92	16	79,3	10,1	72
Sportia	73,7	9,3	67,4	8,7	62	14,4	54,2
Citymarket	61,8	4	63	5,4	59,8	2	58,6
Top-Sport	52,1	12,5	46,3	-2,7	47,6	7,9	44,1
Stadium	39,3	3	38,2	17,2	32,6	32	24,7
Partiokaupat(scoutshops)	30,4	-	32,7	-	29,2	-	25,3
Stockmann	24,4	-6,9	26,2	-3,7	27,2	4,2	26,1
Sport'Inn	24,2	5	23,1	0	23,1	10	21
Elmo Sport	17,5	2,3	17,5	2,3	17,1	-12,8	19,6
Sokos	-	-	14,7	-5,2	15,5	19	13
Others	317,4	-0,5	304,3	2,8	296	0	294,8
Total	1059,1	4,40 %	1014,8	5,30 %	963,5	5,80 %	910,7

3.1.1 Intersport Finland

The biggest player in the industry is Intersport Finland (28,8% market share) which is the sports subsidiary of the retail organization Kesko (Sporttimyyjä 4/10, p. 12-13). Kesko is the head organization of K group's retail functions, comprising a variety of grocery stores, decorating and furniture stores, hardware stores, car dealer stores and car rental services and sport stores. (Kesko, 2010)

Intersport Finland is a member of the IIC Intersport International Company, which operates in 37 countries worldwide. Intersport Finland comprises the commercial chains: Intersport, Budget Sport and Kesport. The sales of these three retail chains are shown together in the statistics: 305,8 M€ in 2009. During the past four years, the group has been able to grow the sales a little above the average market growth, thus keeping its position as a market leader. The majority of the sales are contributed by the Intersport chain with the sales of 243 M€ (+4,3%). The second largest chain in Intersport Finland is Kesko's low-priced sports chain, Budget Sport with the sales of 32 M€ (+26%) in 2009. (Sporttimyyjä 4/10, p. 12-13)

At the moment, there are 56 Intersports, 36 Kesports and five Budget Sports around Finland. Kesports are concentrated on the smaller population centers, while Intersports are found in bigger cities and Budget Sports in commercial areas and shopping centers. All Budget sports and a few of the Intersport stores are owned by the central organization but the majority of the Intersports and Kesports operate on franchising basis and are owned by the storekeepers themselves. (Intersport, n.d.)

Inside the Intersport chain, the administrative functions are managed centrally, such as invoicing, marketing, advertising, store layout and campaign planning. The central purchaser of the organization negotiates with the suppliers on the campaign products, prices and delivery times and then forms a campaign timetable of the season. Still, the storekeepers are individually in charge of the actual procurement of the merchandise. They are obliged to purchase the planned campaign products and the private label products (e.g. brands 8848, McKinley) required by the chain. Then the storekeepers see how much money they have left in their purchasing budget for products and brands outside campaigns and private labels. Too often it is so that a great deal of the store's purchasing budget is used for the products the store is obliged to purchase. This results that at least the smallest Intersports have fairly similar selection, with only a little variety and response to the local needs. (E. Huovinen, 2009. pers. comm., 19. December)

For a sporting good supplier, the Intersports are one of the most important partners at the Finnish market. A supplier can start by selling goods to individual stores and then try to expand to the entire chain. If a product is successfully sold at an individual store or is an attractive novelty, the Intersport chain can choose to make a campaign of the

particular product. This means that the product is displayed with an attractive price in the Intersport's seasonal catalogue, in the printed or the on-line version. The amount of the printed catalogues and other marketing actions vary and can also affect the success of the campaign.

As all the 56 Intersport's should order and sell the campaign items, the campaigns are a great way for a supplier to gain good sales from the Intersport chain. If the products are not in a campaign, the sales are fairly uncertain. In addition, even if a supplier succeeds in the campaign negotiations with the central buyer and agrees on supplying a campaign, the supplier needs to sell the products separately to each retailer and it is not certain that they will all purchase the product. (E. Huovinen, 2009. pers. comm., 19. December)

3.1.2 Prisma

In 2009, the second biggest sports retail chain at the market was Prisma with the sales of 112,5 M€ (10,6% market share). Prisma was by far the strongest grower at the market by +22,3%, when the average market growth was +4,4%. During the past three years, the sales of Prisma Sport have grown nicely compared to the average market growth. Almost each year they have doubled the average market growth rate with +10,1%, +16,0% and +22,3%. One of the factors which have influenced the growth, was the update of the Sports division's concept which was started a few years ago. The idea was to create clearly separated sports store, which offer quality products and good service inside the family market Prisma. (Sporttimyyjä 2010, p. 14)

So unlike, for instance, the Intersports, Prisma Sport operate inside large grocery stores. The sports' department is only one of the departments inside the hypermarket. Still, the sales figures and the annual growth surpass many other self standing sport stores. Today, there are over 50 Prisma's in Finland and the figure is growing as SOK purchased Euromarket chain and will turn the hypermarkets to Prismas. In the end of the 2010 there will be 60 Prismas in Finland.

Prisma concept has also expanded rapidly to Russia and to the Baltic countries during the past ten years. In Russia there are four Prismas in St Petersburg and the long-term plan is to open 15-20 Prismas in St Peterburg area. In Estonia there are five Prismas in Tallinn. Latvia has two Prismas in Riga and Lithuania two Prismas in the biggest cities and a third one will open before the end of the year 2010. (S-kanava, n.d.)

In Finland, Prisma hypermarkets are locally owned by the local co-operative society (Osuuskauppa), which compresses a variety of grocery stores, gardening, farming, renovating and hardware stores, department stores, car rental services, freeway service stations, restaurants, bars and hotels. All co-operative societies are subsidiaries of SOK (Suomen Osuuskauppojen Keskuskunta) the central organization of the co-operative societies in Finland. The S group owns the entity along with e.g. S groups own bank, S-bank.

The majority of Prisma Sport's purchases are done centrally from the Intrade head quarters, which is the S group chain's procurement and logistics company. The SOK's product line sales manager (ketjuvalikoimapäällikkö) decides what sort of products are needed and which brands should be in the Prisma chain's selection and gives assignments to the central buyer of the particular sector. (E. Huovinen, 2009. pers. comm., 19. December) When the chain's collection for a particular season is decided, each individual Prisma receives suggestions of quantities for each product electronically. Then they weight the suggestions based on their local knowledge and past performance and make needed amendments. After the local confirmation, the order is send back to the central procurement department who sends the orders to the suppliers together in one batch.

In addition, to the chains selection, each Prisma Sport has an own procurement budget granted by the local co-operative society with which they can make local adjustment to the selection. The amount of the additional budget depends on the past performance of the department and previous success of the own purchases. A small regular Prisma might have all most of their products according to the Prisma chain's selection, but, for instance, the best selling Prisma Sport has almost half of the products outside the chains selection, explained Rami Valonen, the purchaser of outdoor hardware in Prisma Kaleva Tampere, when interviewed on 15.12.2009.

Prisma is using central delivery warehouse Kilo located in Espoo, where the suppliers deliver the goods. There the shipments are assorted by hypermarkets and added to the other deliveries going to the same destination. They deliver the goods onwards in less than a week. The shipments to Prismas are done on weekly basis. For consumer goods Kilo is only a consolidating warehouse, the goods are not stored in Kilo, so the supplier needs to have an ongoing stock on the chain's products for refills.

3.1.3 Sportia

The commercial chain Sportia was the third biggest sports retailer at the market in 2009 with the sales of 73,7 M€ (6,9% market share). Also, Sportias have succeeded maintaining steady growth for the last three years. A part of the growth came from new retailers joining the commercial chain. (Sporttimyyjä 2010, p.14) Nowadays, there are over 60 Sportias in Finland (Sportia, n.d.). Generally, Sportias are considered to be a hardware concentrated sports chain. This is backed by the statistics as in year 2009, 49,1% of the sales for Sportia chain came from hardware, 36,2% from clothes and the rest 14,7% from the footwear sales. (Sporttimyyjä 2010, p.14)

As a chain Sportia functions somewhat similarly as the Intersport chain. Sportia chain has centrally planned campaigns and marketing actions and the ownership basis is similar; the storekeepers own the franchising stores themselves. Still, compared to the Intersports, the Sportia chain is a fairly loose chain. The head organization, SGN Group Sportia Oy,

gives the retailers the concept, store layout and plans campaigns. They also produce theme catalogues, online and paper versions. Then, the individual storekeepers are responsible for the purchasing decisions and the success of each store. They are able to make more independent decisions as only a small part of the purchasing budget is dedicated to the products required by the chain. In addition, Sportia does not have own house brands, which would take a part of the purchasing budget. In addition, some of the retailers do not even purchase the chain's campaign products, so they can rule the stores as they wish. Elina Huovinen, Sales Manager in Sports from Vandernet Oy, explained the situation when interviewed on 28.4.2010.

On the other hand, the support given by the chain is fairly little. This results great differences and variety between the stores in side the chain. From the total of 60 Sportias, there are less than ten stronger stores in Finland. Even the entire chain's sales figures are depending on the individual retailers' decisions and success (Sporttimyyjä 2010 p. 14). When interviewed on 10.5.2010, Mikko Honkanen, Sales representative of Vandernet Oy, estimated that approximately over half of the revenue of the chain derives from a few strong independent Sportia retailers. The remaining over 50 Sportias are rather small stores in smaller towns or cities. Also, there are no Sportias in the capital area, which is an important area for the sports retail market in Finland.

3.1.4 Citymarket

Citymarket is the K-group's equivalent to S-group's Prisma and there are many similarities between the chains. Citymarkets are also hypermarkets selling, for instance, grocery, clothes and shoes, sporting goods, books and CDs, electronics devices and home decoration and renovation goods. Citymarket chain belongs to the same head organization, Kesko, as the Intersports. The invoicing and procurement are handled centrally, invoicing even through the same central invoicing department as Intersport chain's. Today there are 69 Citymarkets in Finland. (K-Citymarket, n.d.)

The sales of the Citymarket's Sports division have not been tremendous. Year 2009 the sales were 61,8 M€ (+4%, 5,8% marketshare). The growth derived from the five new hypermarkets, which were opened during year 2009. So, the comparable growth of the group remained negative. (Sporttimyyjä 2010, p.12)

For the past few years the sports division of Citymarket has been somewhat struggling. Citymarket sports division has had some troubles with the purchases and retail sales in the past. Particularly, the sports hardware selections have had difficulties with too strong seasonal items. The sports departments have a fairly little ongoing selection and some of shelves have been seen empty unfortunately too often, sometimes with a note "we are changing the season" (M. Honkanen, 2010. Pers. comm. 10. May). Now they have implemented some changes in the organizational structure and in the product group divisions (Sporttimyyjä 14/2010). Also, the central purchaser of the outdoor product division has

change in a few years time. So possible, the market will see a stronger Citymarket Sports division in the future, but at the moment it is just another division in a hypermarket.

3.1.5 Top-Sport

In 2009, Top-Sports were able to show nice growth +12,5%, with the sales of 52,1 M€ (market share 4,9%). As Top-Sport's financial year ends in Mars, they were able to include the growth of the entire snowy winter in the figures. Almost all of the over 30 Top-Sport retail stores are owned by the head organization, but there are also a few franchising stores left in the chains. In general, Top-Sport is a chain targeting basic consumers for outdoor and indoor sports. They are selling also their own leisure clothing.

The Top-Sport chain has a rather simple procurement. The central organization makes the purchasing decisions and places the orders centrally for the stores. Only the franchising stores are able to make orders outside the chain's plans.

3.1.6 Stadium

Stadium is a large sports and fashion chain in Sweden. In 2001, Stadium expanded to the Finnish market. Today, Finland has 11 stores with the sales of 39,3 M€ (+3%, 3,7% market share). The entire chain is operated from Sweden. For instance, all the merchandise for Finland is bought centrally from Sweden from the Swedish suppliers. Only if the suppliers have a selective distribution contract in Finland, then Stadium is obliged to buy the merchandise from a Finnish supplier. So, Stadium is not a particularly interesting partner for a Finnish sports supplier, unless with a selective distribution contract.

3.1.7 Scout shops

In year 2009, the sales of the scout shops were 30,4 M€ (2,8% market share). The result is not comparable to the previous years as the one of the small scout shops became an independent retailer. (Sporttimyyjä, 2010, p.15)

In Finland, the scout shops are divided into small chains, all of which are partially owned by the local scouts. In summer 2009, one of the chains, Partioetki Oy, bought all its shares from the scouts and continues as a private organization. Along with acquisition, the chain changed its name from Partioetki to Trekki Oy, so that the name would not refer to scouts, which is Partio in Finnish. (Sporttimyyjä, 2010, p.15) Other Scout shop chains: Partioaitta and Partiovaruste, remain partially owned by the local scouts.

Today, Partioaitta is the largest scout shop chain in Finland. In May 2009, Partioaitta (7 stores: 5 in the capital area, 2 in the north of Finland) merged with Hämeen Partiokauppa (4 stores in the Central-Finland), creating the most widely spread retail chain specialized in outdoor

products in Finland. So now Partioaitta has a chance to utilize mass purchases and volume discounts and consequently adjust prices for the consumers. In the past, Partioaitta has had an expensive reputation. This one of images Partioaitta will most probably shake off in a while. This direction has been seen already, for instance, in their campaigns.

In addition, Partioaitta's organization has gone through some major changes. The previous CEO Iiro Tyrvönen retired little by little along with the merger. The new CEO Nina Ehnroot (from Stadium) took the lead in the organization and the previous CEO of Hämeen Partioakauppa was pointed Sales manager. In a few months time, the long-time central purchaser and marketing director Guy Romi resigned and was employed by the new Columbia Sportswear Finland. Markus Mäkinen transferred to replace Romi from Partioaitta's own procurement company Greendoor. So today, the central purchaser of Partioaitta is relatively new and backed by a rather new head of organization. Already now, in a year's time the organization and the stores have implemented rather big changes from the supplier cooperation to the everyday actions at the stores.

The future will show how this will affect the Partioaitta's direction as a chain. Whether they will change their style and product categories towards e.g. more fashionable city trekking, expand to other sports such as golf and sailing or specialize more in high quality outdoors. In general, Partioaitta has a strong outdoor image in Finland. They have been a reliable outdoor supplier for the consumers as almost all other chains have decreased or removed outdoor products from their collections.

3.1.8 Stockmann

In 2009, the sales of the sports department of the luxurious department store Stockmann were 24,4 M€. The sales had decreased by -6,9% from the previous year. The year was difficult for the Stockmann's sports department and they had also decided to reduce the stock level which explains the downfall of the sales. In the year 2010, Stockmann will invest more in all the product lines of the sports department to enhance the sales again. (Sporttimyyjä, 2010, p. 16)

There are seven high-class department stores in Finland, four of which are in the capital area. In general, Stockmann sells mostly exclusive products and prestigious brands, which are not offered by all retailers. Thus, Stockmann has a strong loyal customer basis. Stockmann's clientele represents the upper class with relatively good income. The people who can sometimes afford to spoil themselves.

Stockmann also operates in Russia, Estonia and Latvia. In Russia Stockmann started operations already in 1989. Today, there are five department stores in Moscow and one is being built in St. Petersburg. In Estonia, Stockmann has one department store in Tallinn which is currently the largest department store in the Baltic countries. The store

started operations in 1993. The department store in Latvia, Riga, was founded in 2003.

3.1.9 Others

In total, the stores which do not belong to a chain concluded a rather great amount, a third (317,4 M€), of the total sales at the Finnish sports retail market in 2009. These sales are shattered between hundreds private retailers, some of which are actually locally very important retailers. All non-chain sports stores and sports divisions of smaller discount stores are included in “others”. Also all stores specialized, for instance, in bikes, hunting, outdoor, ice hockey, skiing or golf are found under this category. (Sporttimyyjä, 2010. p.15) For this thesis, particularly interesting sub-categories in “others” are the independent sport stores and outdoor specialized stores such as Retkiaitta, Trekki (a former scout shop), Camu and Varuste.net.

City Sport and MySports

Interesting stores for this thesis are the independent sport stores such as City Sport in Rovaniemi, Levi and Kemi (in 2009 sales of 5 219 K€) and MySports in Vaasa (in 2009 1 175 K€) (Fonecta Finder Yritystieto, n.d.). These are young-minded and unconventional sports stores which are not afraid to take in new products and sell also high-end items and brands.

City Sport just recently announced that they will expand with a new store in Oulu. The store will have over 2 000m² floor space with is extremely rare for non-chain sports store in Finland. So, there are positive sights and prospects of growth in this area also.

Retkiaitta

Retkiaitta has two stores in the capital area, one in the center of Helsinki and another larger store outside the city. The second store (900m²) was recently opened and it is little by little taking its place at the outdoor market of the capital area. Retkiaitta has also an online store at their website. In 2009 the turnover of Retkiaitta was 2 719 K€ (Fonecta Finder Yritystieto, n.d.).

Trekki

Trekki, a former scout shop chain, has earned its reputation as a true outdoor retailer in the eyes of the consumers. Trekki has its main store in Lahti (100km from Helsinki) and four smaller outlet stores along biggest highways in Southern Finland. These outlet stores are well situated at popular ABC service stations and they have been a great success. As Finns are traveling to e.g. their summer cottages, they often stop for a snack at a service stations and shop for some gifts for the host family they are visiting or buy something else they might need. Trekki Outlet offers the customers a small but comprehensive outdoor selection with nice discounts. Trekki also has an online store. In 2009, the turnover of Trekki was 3 035 K€ (Fonecta Finder Yritystieto, nd.).

Camu

Camu is a retail chain particularly specialized in climbing and skiing hardware and clothing. In 2009, the turnover of Camu was 1 320 K€ (Fonecta Finder Yritystieto, n.d.). Camu has stores in Helsinki, Turku and a recently opened store in Tampere. Camu sells strongly the brands of their own importation, such as Arcteryx, Norrona, Black diamond, Singing rock, Ortovox, Rab, Movement, Evolv and Tendon. They are pretty self-sufficient already with their own brands. So, they have decreased orders from other suppliers.

Last year, Camu made huge investments as they moved to a bigger location in Helsinki and opened a new store in Tampere at the same time. They have encountered strong competition especially in Tampere where Prisma has an extensive selection of climbing, telemark and outdoor hardware, sold at reasonable prices. In general, Camu has a reputation of an exclusive but a bit expensive store for the extreme gear.

Varuste.net

Varuste.net is an innovative rapid grower at the outdoor retail market. In 2008, the turnover of Varuste.net was 2 498 K€. They have doubled their sales almost each year after the foundation of the store in 2004. (Fonecta Finder Yritystieto, n.d.) Varuste.net carries out a wide collection specialized in climbing, skiing, diving and other outdoor sports at a reasonable price. The young-minded Varuste.net has a store outside the center of Helsinki but they also have an extremely strong online store at www.varuste.net. Through the online store they are able serve customers also outside the capital area. Approximately 40% of their revenue derives from the online shopping. Also many of those who purchase the items from the store have checked the products online first and then just pick what they want from the store. Ilkka Rajakallio, one of the owners of Varuste.net, explained when interviewed on 25.1.2010.

At the same time, the online store is an important tool for the company itself and the suppliers. The online store serves as an inventory control system for Varuste.net. When they receive an order from a customer for an item, which they do not have at the stock for the moment, they make an order to the supplier through an online form. Then, at the same platform the supplier marks the availability and delivery schedule of the products. This information is automatically updated to the websites and to the end customer. The system has proved to be valuable and effective, as the business is growing nicely. This system, great selection and reasonable prices are the core of Varuste.net's success.

3.2 Strongest suppliers

Although the retail sales of the sports industry grew by +4,4% in 2009, the sports wholesale business did not grow the same rate. According to the Finnish sports and leisure import, manufacture and wholesale society (Urheilu- ja vapaa-aikatukkuilikeet Ry), the sports and leisure wholesale dropped -2,1% compared to the previous year. This means that the retailers have succeeded in lowering their stock level and selling out obsolete goods from the previous years. (Sporttimyyjä, 2010, p.12) Also

many retailers made relatively small preseason orders for the year 2009 due to the unstable market conditions.

Suddenly, winter 2009-2010 was the snowiest winter in Finland has seen in many decades. Particularly, the sports retailers in the Southern Finland were enjoying from the astonishing sales of winter sporting goods. However, as no-one anticipated the success, the restocking was difficult and many suppliers lost sales as they had ordered too little and the producers could not deliver refills. No-one knows if the next winter will be as good, but at least the preseason orders have increased for the winter 2010-2011, as the retailers have fairly little last seasons stock left. (Sporttimyyjä, 2010, p.20)

In general, the majority of the best selling suppliers in Finland are megabrands well-represented and sold worldwide. The ten strongest suppliers and their brands or field of business are listed below in table 2. The best selling top three is presented in more detail after the chart.

Table 2

Wholesales turnover in M€			
Supplier	2009 M€	change %	Field of business / a few example brands
Adidas Suomi Oy	38,5	-2	Adidas, Reebok (clothes and shoes)
L-Fashion Group	32,9	15,4	Luhta, Torstai, Icepeak
Oy Sultrade Ltd	30,3	4,1	Catmandoo, Craft, Eston, Speedo, The North Face
Amer Sports Suomi Oy	26,4	3,9	Salomon, Suunto, Atomic, Wilson
Halti Oy	22,4	-7,4	Halti
Nike Finland Oy	20,9	-4	Nike
Tunturi-Hellberg Oy	18,5	-10	Bikes
Normark Suomi Oy	18,2	5,8	Fishing, hunting and cross country skiing equipment
Puma Finland Oy	14,1	24	Puma
Reebok Finland Oy	12,2	9	Reebok (ice hockey equipment)
Helkama Velox Oy	12,1	-5,5	Bikes
Micy Björholm Trading Oy	10,8	-17,6	Odlo, Garmont, Panos Emporio
Haglöfs Oy Ab	9,7	7,2	Haglöfs
Viking Jalkineet Oy	9,4	-3,5	Viking footwear
Oy Huntteri Ab	9	23,3	Bikes
Berner Oy Sports	8,9	-17,6	Woolpower, Slazenger, Nokia footwear, Dunlop
Cycleurope Finland Oy	8,7	-15	Bikes
IC Companys Finland Oy	8,5	4,9	Peak Performance
Bauer Hockey	7,6	5,6	Ice hockey equipment
Karhu Ski/EBS Sports	7,6	-	Karhu cross country skiing, EBS football
Vandernet Oy	6,4	-11,1	Petzl, Arena, Bridgedale, Millet, TSL
K.Hjort Oy	6,4	-8,6	Madshus, Toko, Tubbs, Skike + guns and bullets
Wolverine Finland	5,4	-10	Merrell

Sporttimyyjä, 2010, p.20

Year 2009, the market leader in the sports supply was Adidas Finland Ltd with the sales of 38,5 M€ (-2% compared to the previous year).

Adidas Finland compresses the sales of Adidas 32,4 M€ (-4%) and Reebok's clothing and footwear sales 6,1 M€ (+9%).

Second best supplier at the market was L-Fashion Group Oy with sales of 32,9 M€. (Sporttimyyjä, 2010, p.20) L-Fashion group's sport wholesales figures compress the sales of Luhta, Torstai, Rukka, IcePeak and Skila Sport. These clothing brands are all at least designed in Finland and they have an attractive domestic look and fit. (Luhta, n.d.) One brand to be pointed out from L-fashion group is IcePeak. IcePeak is a relatively new brand at the market, but has reached good sales as a lower priced sporting cloth brand. IcePeak widely sold at hypermarkets and sports stores.

The third biggest supplier was Sultrade Oy with the sales of 30,3 M€ in 2009. The biggest brands of the importing company are Catmandoo, Craft and Eston. In addition to these, Sultrade imports e.g. Speedo, The North Face, Umbro, Kettler and Mikasa. So, Sultade is a large organization with many strong brands on divers markets, which explains great sales.

4 Case Millet

This study was made to discover Millet's the brand image, commercialism as a brand and competitively against other equivalent brands in the eyes of the purchasers. Also the performance of the importing agent Vandernet was examined.

4.1 Brand

Millet is French outdoor and mountain brand founded in 1921 by Mr. and Mrs. Marc Millet. In the 40's, their sons René and Raymond started altering the previous backpacks for mountaineering purposes. Already in the 50's Millet was equipping expeditions to Himalayas. Today, Millet is producing a variety of mountain equipment for extreme conditions. The collection includes technical outdoor clothing; e.g. for ice climbing, mountaineering, downhill skiing, hiking, running and climbing. As hardware, Millet sells backpacks for all kinds of activities from daytrips to long alpine routes and shoes for alpinism, hiking, trail running and rock climbing. The collection also includes sleeping bags and climbing gear e.g. ropes.

Nowadays, Millet is part of the French Lafuma Group. The Lafuma Group consists of Millet, outdoor and lifestyle brand Lafuma, surfing and snowboarding brand Oxbow and horseback riding and country brand LeChameau. The newest acquisitions of the group are outdoor clothing brand Eider and glamorous winter sport clothing brand Killy. The Lafuma group is divided into four market divisions for financial reporting purposes; Great Outdoor, Board sports, Mountain and Country market. The Great outdoor contains brand Lafuma, Board sports market brand Oxbow, Mountain market covers brands Millet and Eider and the country market consist of LeChameu. At the market, the Lafuma Group

is detrimental to keeping its brands separated and they all operate independently. So the mutual ownership basis is not emphasized to regular consumers, they see only the individual brands.

In 2008, the annual turnover of the group was 262,1 M€. The general sales of the Mountain market (Millet and Eider) represented almost 20% of the sales of the group, 50,5 M€ in total. Millet corresponds approximately 80% of the sales of the mountain market. The largest brand of the group is by far Lafuma representing almost half of the sales by 104,9 M€. (Lafuma Group, n.d.). This is mostly because Lafuma is targeting ordinary people and everyday outdoor life.

In fiscal year, 2008-2009 Millet reached the sales of 43,7 M€ with a growth of 1,2%. The year was harder compared to the previous year and Millet was not able to maintain the same level of growth, which was +6,2% year 2007-2008. In general, roughly 60% of Millet's sales derive from export and 40% represent domestic sales. Majority of the sales by product segments (60%) is contributed by the garments. 25% of the sales derive from backpacks, 9% from footwear and 6% from ropes. (Material of the Millet's International sales meeting for winter 2009-2010)

4.2 Millet in Finland

4.2.1 Importing agent, Vandernet Oy

Vandernet is a small import and wholesales enterprise located in Vallila, Helsinki. The company has three main divisions: sports clothes and equipment wholesale, business gift wholesale and construction safety equipment wholesale and retail segment. Vandernet's biggest customers are the sports chains and individual sport stores, department store chains, the industrial field and public sector and also the individual business gift retail enterprises. The sales of Vandernet were 6,4 M€ in 2009 (Sporttimyyjä, 2010, p. 20) The company has approximately 20 employees.

Founded in 1989, Vandernet started importing operations with Maglite flashlights. Currently, the company is importing approximately 30 different brands. Vandernet's basic business idea is to import such innovative, high quality brands which can be sold to at least two of the business sectors, if not to all three. A few of the biggest brands, which Vandernet Oy imports, include:

- Petzl: headlamps, climbing gear, ropes and equipment
- Maglite: flashlights
- Arena: swimwear and equipment
- Millet: clothes, shoes, ropes, sleeping bags, backpacks and other equipment for outdoor extreme sports
- Bridgedale: socks
- Camelbak: hydration solutions
- Light My Fire: plastic outdoor cutlery and equipment
- Wenger: Cooking knives, pocket knives and multipurpose devices
- TSL: snowshoes and poles

4.2.2 Sales history

Vandernet started importing Millet to Finland in 2003. At first Vandernet operated as an importer for year 2003-2006, having an own warehouse in Finland. By having an own warehouse the wholesaler can serve the customers faster and more reliably, but there is a concrete risk in the business as the merchandises is owned by the wholesaler. During this period of time, the sales of Millet were around 530 K€ - 798 K€ per year. These figures include also the sales of Lafuma in Finland, which was imported at the same time. Later on, in 2008, the importation of brand Lafuma was discontinued due to the difficulties with the manufacturer.

In 2007, Vandernet changed the importation contract with Millet and transferred from importer to importing agent. This means less risk and warehousing expenses to the middlemen as Finland started to use the Central-European warehouse, from which the deliveries are made directly to the retailer. The change to importing agent meant also more attractive prices to the retailers as the importer no longer adds its own margin on the prices. As the prices are lower, there is also higher possibility to sell volume, to increase the amount of sold goods. This was also one reason why Vandernet wished to change the import contract.

The retail business of Millet in Finland is mostly based on the preseason sales and small refills during the season. Millet also has two seasons, summer and winter, with mostly separate collections. In Finland, the sales have always been stronger in the winter season. Millet has an own clothing collection for the winter sports e.g. down-hill skiing called Ride On. The model, patterns and colors in this series have been colorful, fashionable and practical for the past few winters. The winter series has been a success at the retailers who have procured the collection.

For the upcoming seasons the direction of the preseason orders is promising. The preseason orders for summer 2010 decreased a bit, but the estimate for winter 2010-2011 is relatively good. There are great seasonal differences in the sales due to the good winter collection and conversely rather weak summer collection. Summer selection needs radical renewal, so that it would stand out from the stores selection. In addition, there is also more competition in summer clothing, as the collection with e.g. cotton t-shirts easily competes with the lower priced fashion stores.

When the global sales of Millet have been focused on clothing, also in Finland the garments have been the key selling point. Year 2009, 88% of the sales derived from garment sales. 7% of the sales came from sleeping bag and backpack sale, 4% from shoes. The sales of the backpacks and sleeping bags had grown nicely by 43%.

As the outdoor clothing business is more difficult in Finland, there is much potential in the other segments. For instance, in sleeping bags, there is great potential at the Finnish market. Two years ago, Suomen Höyhen (=Finnish Down, if translated into English), the producer of down products in Finland discontinued their sleeping bag business and concentrated more on other down products: duvets, pillows and jackets.

Joutsen, the brand of Suomen Höyhen is extremely renowned at Finnish sleeping bag market and it is hard to find a replacer for the missing quality down sleeping bags.

Millet has good sleeping bags both down and fiber, which are selling well at the few places they are sold in Finland. Especially, the small fiber bags such as Baikal 750, the light, 750g summer sleeping bag with small packaging size and sufficient temperature ratings, are sold well. Of course, making the sale needs usually an extra effort from the retailer as the brand is mostly unfamiliar to the consumer.

This is an area on which Millet should focus more in the future in Finland. Offering the retailers concrete advantages for purchasing merchandises from several segments, would be a good idea. Also suggesting attractive campaigns on the sleeping bags, with an incentive to purchase more than just a few models. If Millet wishes to be a recognized sleeping bag brand, the consumers might not notice it in a store if there is only one or models at the selection.

4.2.3 Competitors

The main direct competitors of Millet in outdoor clothing business in Finland are Haglöfs, Marmot, Halti, the North Face and Peak Performance. These outdoor brands carry out somewhat similar product ranges and possess a quality image. They all produce e.g. Gore-Tex and soft shell clothing (except Halti, which uses own materials), footwear, sets of underwear and accessories. They also all have hardware in their selection, e.g. sleeping bags and backpacks, but only Haglöfs, Marmot and Halti are selling them in Finland. Out of these five, Halti, is the only domestic brand, others are imported labels.

4.2.3.1 Halti

In 2009, the turnover of Halti was 22,4 M€ (-7,4%). This figure includes also the sales of the Finnish everyday sporting brand, Raiski. (Sporttimyyjä, 2010, p. 20) Founded in 1976, Halti has succeeded in creating a strong domestic quality image in consumers' minds. Halti offers decent quality and nice designs for ordinary items and continues with a good sell-out in Finland each year. Also, Halti invests yearly great amounts in marketing. Halti is visible in the Finnish magazines, campaigns, stores and in the Finnish sports; they sponsor for instance the Finnish Alpine Ski Team. Still, Halti has not had the same success abroad as domestically. The brand is exporting to 17 countries where the success has not been as fluent as in Finland.

4.2.3.2 Haglöfs

The sales of the Swedish Haglöfs continue to grow in Finland. In 2009, the turnover of Haglöfs in Finland was 9,7 M€ (+7,2%). (Sporttimyyjä, 2010, p. 20) The brand is sold widely at Intersports, Sportias, Scout shops and many more. At the moment, Haglöfs has a fairly strong grip of the market. People are familiar with the brand and its quality image is high class. In Finland, Haglöfs is mainly known for Gore-tex and other outdoor clothing and backpacks.

Previously, the material producer Gore-Tex® supported and promoted geographically only the largest local Gore-tex brand. In Scandinavia, Haglöfs received the support. This is one reason why the brand is still a renowned Gore-tex brand in Finland.

From the retailers' point of view, Haglöfs is a quality partner. The demand is good and the logistics work well. Haglöfs has an own subsidiary in Finland and the deliveries run smoothly from the Swedish warehouse. Haglöfs offers quality products, good staff education, provides plenty of in-store marketing material and enforces the demand by precise advertising actions. In addition, Haglöfs offer flexibility with the preseason orders. The orders can be adjusted in a concordance with the previous season's surplus, increased or decreased or even cancelled before the season.

4.2.3.3 Marmot

In Finland, Marmot is sold and imported from the US by Greendoor. Greendoor is the procurement agent for the Scout shops and is closely linked to Partioaitta. Greendoor does not list its sales by trademarks, but the general turnover of Greendoor was 1,68 M€ in year 2009 (Fonecta Finder Yritystieto, n.d.). Greendoor imports also for instance Ospray backpacks, Carinthia sleeping bags, Tatonka hard ware, Smartwool underwear and Hilleberg tents.

In Finland, Marmot is mostly sold in the Scout shops. So, the brand is relatively known, but limitedly spread at the market. The sold items are the mostly less expensive protective garments with HyVent membrane or summer clothing. Marmot is not as strongly a Gore-Tex brand in Finland as for instance Haglöfs is. However, Marmot has succeeded in selling also some tents and sleeping bags to the Scouts shops. Although, in Europe and in US Marmot is famous for its high-end outdoor products, in Finland, the sales are more or less concentrated on basic garments and hardware.

4.2.3.4 The North Face

The North Face is also imported from US, by Sultrade Ltd. Also Sultrade does not show its sales by brands, but the other imported brands are relatively large in the firm such as Catmandoo, Craft, Eston and Speedo. The sales in total were 30,3 M€ (+4,1%) in 2009 (Sporttimyyjä, 2010, p.12). North Face is sold relatively wide in Finland: in Scout shops, Sportias and Top-Sports. This has lowered the image of the brand; it has become more common and city-like in Finland. At least, for the authentic athletes The North Face is not as "hot" brand as it used to be over five years ago. On the other hand, the brand has reached the volume sales by doing so.

4.2.3.5 Peak Performance

Peak Performance is a Swedish brand, originally from the down hill skiing center Åre. In Finland, the brand is imported by the IC Company's Oy. The sales of Peak Performance in Finland were 8,5 M€ (+4,9%) in 2009. (Sporttimyyjä, 2010, p.12) Peak Performance is the most fashionable brand of the five presented brands. They have the high-end

Gore-tex jackets and soft shells, e.g. for skiing, training and golf, but they also sell relatively large amounts of sweatshirts and fashionable leisure wear. Peak Performance is widely sold in Sokos, Stockmann, Intersport, Stadium, some Kesports and Sportia, golf stores and fashion stores.

4.3 Results

A study was conducted in order to find out Millet's status in Finland in the eyes of the retail purchasers; its brand image, commercialism, competitively against other equivalent brands. The aim was to define the most problematic parts of the brand in Finland. In addition, the performance of the importing agent Vandernet is examined.

This study was conducted as a qualitative study, as explained in chapter 1.6.

Evaluation of the interviews

During the analysis and rewriting the interviews, it was noted that not all interviews were alike, some of the respondents had not answered to all points and point of views noticed in other interviews. Also many times the interviewer had not asked enough specifying questions such as why and how, and thus many responses were left without reasoning and rather superficial. The results of study are informative already, but continuous reasoning in the research phase would have brought the study and its analysis to another level.

Also, it turned out to be pretty difficult to focus on the core issues in the data. As in retail business, every matter is linked to each other and the summary of all the details defines whether a product sells or not and whether it is profitable to the retailer. Perhaps the results could have included fewer points more in detail, but since they were all seen as valuable information to the commissioning party, Vandernet Oy and to the manufacturer Millet SA, majority of them are explained in the thesis.

4.3.1 Ideal brand

Product; quality, margin and circulation

When asked what the features of an ideal brand are, the respondents were very unanimous. Most of the mentioned features were related to the actual product; good quality was mentioned 10 times, good price-quality ratio 8 times and the functionality 7 times and durability of the product 3 times out of 12. The product should also give the retail store a good margin, this was mentioned 3 times. These essential features encourage the purchaser to buy the product to the stores.

These results are backed by the Finnish sports industry's professional magazine Sporttimyyjä. The Finnish Sports retail sector is yearly ranking the suppliers based on e.g. their products and operational qualities (Sporttimyyjä, 2009, p. 18-25). Two of the important evaluation criteria in the ranking are the quality of the products and the received margin and circulation of the products. "The storekeepers look closely at the

received margin and the circulation of the products, since it is the basis of the business and the source of the revenue. In a way, margin and circulation are the summary of the demand, accuracy of the deliveries and marketing.” If the products did not contribute to the margin well, it is not easy for a supplier to resell the same products to the storekeeper again. (Sporttimyyjä, 2009, p. 22)

Demand and sellout

The interviews show how the purchasers highly appreciate a brand with features, which guarantee the sellout. These include the existing demand (6 out of 12 respondents), renowned brand (5), attractive design (5) and reasonable price for the consumers (5). This study emphasizes how a quality product is extremely easy to sell when the customer is familiar with the brand, and pleased with the appearance and technical features of the product.

This is stated also in Sporttimyyjä (Sporttimyyjä, 2009, p. 19). One of evaluation criterion for the suppliers is the demand and the market’s aspiration for the products. “If the demand is high, the product is most likely easy to sell at a considerable price. This demand can be the result of the supplier’s marketing actions or the trend can be totally independent. All in all, the demand means positive image for a brand and pleasant supplier-retailer interaction. “(Sporttimyyjä, 2009, p. 19)

Accuracy of deliveries

Another crucial point in evaluating and selecting a supplier is the accuracy of the deliveries: delivery times and quantities. If the delivery fails to meet the agreed timing, the delay can ruin a planned campaign or eat up the product’s margin and thus the basis of the sale. The smooth logistics is increasingly important today, when only a few suppliers have their own stock in Finland and the deliveries are operated e.g. from a Central-European warehouse. (Sporttimyyjä, 2009, p.22) This was also stated by the interviewees who had both good and bad experiences of the deliveries. A delay in the delivery affect directly the sales period of the product and its margin. In addition, it might cause financial penalties from the retail chain, if the retailer cannot sell the product during the particular season.

Performance of the supplier

The interviews point out how in an ideal case, the supplier offers the purchaser easy, efficient and long-term cooperation. This includes a good organization, active sales, on-time deliveries, accurate invoicing, reasonable distribution channels and retail partners for a brand.

The need for a competent, active sales representative is also stated in Sporttimyyjä. The previous sales statistics give the guidelines for the following seasons; still the supplier-retailer sales are about personal selling. “The storekeepers value the seller’s ability to serve the retailer and willingness in making the sale. Also, the supplier’s sales representative needs to gain the storekeeper’s trust by having competence of the sold products and field in general. In addition, at least fairly working chemistry is needed between the buyer and the seller”. (Sporttimyyjä, 2009, p. 19-22)

Sales support and education

According to the interviewees, the purchasers also long for support to the sales floor. Well-made sales support material for staff and consumers enable self-service and support purchase decision at the store.

Storekeepers desire suggestions of product display in shops and on windows from the supplier or already from the manufacturer. Also clever marketing actions are appreciated.

Such marketing, where the storekeepers receive direct support and advantage to their own sales, is highly appreciated. The storekeepers value the suppliers who have close relationship with the store and communicate actively with the sales force. (Sporttimyyjä, 2009, p. 22)

In addition, the interviews point out how the supplier should offer quality education and training on materials, functions and key selling points of the product. The training should emphasize how to sell the products to the consumer, on their conditions by listening to the customer, making product suggestions and explaining the important features. In addition, the training should remind the sales force, which are the most profitable items of a brand i.e. which products bring the margin to the store.

4.3.2 Millet's performance

Product; Quality, margin and price

The respondents discussed freely about their experiences of the brand Millet. All twelve respondents had a positive image of the brand. Almost all of the respondents, 11 out of 12, rated Millet's quality to be good; three of these respondents even rated the products to be high class. Other describing features were: technical, youthful, climbing related special brand, strong outdoor brand, top end brand for active outdoor people, comparable with other equivalent brands, partly fashionable, basic brand, traditional brand, and brand which used to be a pioneer.

All ten of the twelve respondents, who mentioned price in the interview, stated the prices to be higher than the average. Seven respondents evaluated the prices to be above the average and three respondents rated the prices at the second highest level. In addition, one respondent mentioned some products to be over priced. In general, the high prices were not seen as a negative factor, it was seen in accordance with the good quality (7) and was affordable to the customers (3). Still, to reach a good sellout and sell quantities, the products need campaign prices to attract customers (6 respondents). Otherwise, with a fairly unknown brand (see conspicuousness) it is not easy to sell the products to the consumer (see sellout).

Demand and sellout

According to seven respondents, in Finland, Millet's clientele consists mostly of young and active consumers; outdoor minded people, skiers and climbers. One respondent stated that in addition to this Millet is sold also for average consumers as winter clothing to city and for school.

In general, the respondents' have contradicting opinions, whether Millet's products are easy to sell to the consumers or not. Half of the respondents say that the Millet's products are difficult to sell. The seller needs to convince the consumer to buy a Millet product, since the consumer does not know the brand (mentioned two times), it has no spontaneous demand (two times) and the prices are high (two times). Six of the respondents stated that Millet's products need an attractive campaign price to have an easy and good sellout. Three purchasers stated that Millet is easy to sell to Millet's own clientele, who know and appreciate the brand. Only two respondents were pleased with the natural sellout of the brand to all customers. One respondent said that the sellout depends greatly on the colors, patterns and design of the product. Some products with attractive design have sold pretty well on their own.

Recognition of the brand/ Conspicuousness

When asked how known the brand is among the consumers, the responses go hand in hand with the ease of the sale. Five purchasers out of twelve said that the consumers do not know the brand at all. Six of the respondents said the brand to be somewhat known; the small target group of climbers and skiers know the brand, but the majority of market, the basic consumers do not recognize the brand Millet. Only one purchaser considers Millet as a known brand among the consumers, the second best known brand in its category, right after Haglöfs. This factor varies greatly between cities and regions. Millet is best known in the bigger cities in the capital area, in Southern and Northern Finland, but even there the brand does not reach wide knowledge of the market.

Accuracy of the deliveries

In total, five respondents out of twelve were quite content with the deliveries of Millet. Four purchasers had had positive experience on the deliveries of preseason orders. Other respondents were not so pleased with the accuracy of the deliveries, that they were not the best of quality. Even if the preseason orders were made in time, some of the already confirmed products can be cancelled or delivered late. Due to this, a purchaser was even wondering if the Central European countries are able to refill their stores from quantities reserved to Finnish preseason orders. Others had also had negative experiences concerning the accuracy of the deliveries.

One purchaser mentioned another crucial point for the accurate deliveries: the Finnish weather. If Gore-Tex clothing is delivered to a store in Northern or Central Finland in November, the sales season is automatically already over. This is why the Gore-Tex and other lighter clothes for autumn need to be ready in-time and delivered according to the schedule already in the end of August. One customer had had interruptions in the deliveries due to financing problems. The respondent underlined the urgent need of information flow in these kinds of situations.

Concerning the refill possibility during the season, only three of the respondents were satisfied with re-ordering functions and availability. To improve re-ordering service, one of these content retailers desired more

transparency with the inventory. This way, they could see the current availability already before placing the order. Opposite to the previous, four respondents felt the re-fill option difficult and inconvenient. According to these respondents, there is no guarantee that there is any stock left and the delivery from a Central European warehouse is time-consuming. A respondent underlined how the fluent refill possibility would be great customer service, especially during these unstable times, when one cannot order larger pre-season orders.

Product selection

Seven purchasers out of twelve considered the collection of Millet to be comprehensive and wide. One purchaser even said it is hard to stay focused on the articles one needs for the store's selection as it is so wide. The collection should be made more simple and manageable, in store and in the purchasing situation. There are too many overlapping products which could be cut out. Another purchaser mentioned the same matter concerning the hardware; the backpacks selection should include the hardcore products and the less high-tech, ordinary, price sensitive products, but the solutions in between should be cut out, since they hardly ever work.

Five respondents said they really like the Millet's style. It is good looking, original and stylish. The products distinguish from the ordinary outdoor clothing. Especially some of the colors, patterns and cuts on women's clothing have been really successful and had also good sellouts due to the design. Also some of the latest winter collections were appreciated. Still, the too fast renewal of the collection was seen as bad thing. The collection needs to stay fresh and renew itself but it should not happen on a too fast pace, which has recently happened.

Also, the sizing of the clothes was seen as an inconvenience. According to seven respondents, the sizing of Millet is too small for the Finns. One respondent even stated that the fit is too Mediterranean, too small, to fit the regular Finnish consumers. Still, there were also two buyers which were pleased with the fit and found the smaller sizes as an advantage. More importantly, the respondents underlined that the sizing of the clothes should not differ between the different models, product lines and seasons. If they do, it causes a bias in the store's size selection and purchase of e.g. too small products and the lack of the larger sizes. If there are different fits in the collection, this should be mentioned clearly.

Performance of the supplier: Vandernet

Sales

The performance of Vandernet's sales representatives was seen good. Nine out of twelve respondents were pleased with the current sales action of the representatives. In general, the sales representative's of Vandernet Oy have been open and cooperated well with the buyers.

What the purchasers desired more was concentration on pre-season order sales situation. A crucial point is to have all the samples at the same time, so that the product decisions can be done in one session.

Previously, this has not been possible; there was always a few items missing. Also, better preparations before the sales situation were longed for; three purchasers would like to have more ready-made and customized selection from the seller. So that the seller would select particular items from the collection, which he/she thought to be the best suiting for the particular store. One retailer saw that this customized selection had already been done well. In addition, two retailers would like to have more products suggested and offered out side of their normal selection, e.g. shoes and underwear.

Already in the preseason sales situation, the seller could suggest and display matching products and product entities. These suggestions should come already from the manufacturer and be shown in the product catalogue. Also, a real showroom was asked for, where the products could be well displayed and gone through in peace and quiet. In addition, the office could have collections of continuing core products so that the sizing could be easy to see. A respondent requested also an option to cancel one's preseason orders if needed. In that case, if the store has a big over stock from the previous season, they could cancel the orders for the next one before the delivery. Currently, this option is given at least by Millet's competitor Haglöfs.

In addition, the sales should not be forgotten during the season. A few retailers felt they had to ask close out lists and offers during the season, although this should be sales representative's activity towards the customer.

Also the sales practices and sales support conditions should be made clearer. What the sales conditions are; limits for price reductions, limits for receiving marketing support and the actual procedures of receiving the financial support. Also the logistics and warehouse management should not be done too complex from the retailer's point of view. Vandernet should manage the entire supply chain, starting from the samples and procurement to the final sale.

A couple retailers reminded also that Millet should keep its carefully selected distribution channels and not offer the brand to all sports retailers and distributors. As a specific, special brand, there is a limited amount of good retailers Millet can have in Finland. When these channels are well-selected, the brand image stays clean and appreciated. So far, the retailer selection was been seen good.

Education

The need for the product training and education was seen directly linked to the purchased quantity. The smaller shops which purchase only a few items from Millet occasionally saw that there was no need to train the entire staff. The purchasers received sufficient product information in the B2B purchase situation and were able to train their staff themselves. Also some small shops which had a long sales history with Millet, did not need the training as much. With familiar, continuing products they

had learned more year by year and they were even familiar with the evolution of the products.

In general, the product training was seen as an important sales supporting factor. The purchasers were content with the current education and guidance the Vandernet's sales representatives had given to the sales force. Usually, the trainings have had good contents. Mostly, the purchasers desired practical sales arguments for the sales force, how to serve the customers the best according to their needs and bearing in mind the profitability of each product. Of course, the brand, product and material information are important to know, but most important part of the training is to help the sales force in making the sales, so practical and attractive information which can be understood by the consumer were most wanted. In addition, one customer was longing for more activity from the supplier's part for setting the training dates, so that the retailer would not have to ask for a product education, that it would be automatically suggested.

Marketing

In general, marketing was seen as a crucial matter for the success of the retail sales. Still, majority of respondents felt that marketing of Millet in Finland is relatively poor and needs more emphasizing. Mostly, the retailers longed for strong general brand marketing. The retailers pointed out that the brand marketing is a key element in creating the demand for the products. The preferred channels for brand marketing were advertisements in the outdoor magazines such as Retki and ladies magazines such as MeNaiset, Anna and Kodinkuvalehti. Also the local news papers and TV commercials were mentioned. Half of the respondents found the brand marketing to be more important than the marketing executed with the retailer.

There were also four retailers, who preferred supporting the marketing actions of the retailer over the brand marketing. These retailers stated that it is more intimate and brings more direct benefits to the sales. One of them also mentioned that the amount of the given marketing support should be in a concordance with the customer's purchases. There were also a few purchasers, which found both of these marketing methods so crucial they did not wish to pick one over another.

In addition, a few retailers wanted to underline the quality of the marketing. This means that the focus of the actions should be specifically thought. The attractive advertisements should be on Millet's core products; the successful, quality items such as Gore-tex clothing or Ride On series highlights. The marketing concept needs to be just right to have a good return on advertising.

Also, more emphasis was longed for the in-store marketing. A couple retailers requested more concrete display ideas and window decorations already from the manufacturer. Intersports use 60x60cm frames in their stores, so action pictures of the particular size were asked. Also, one retailer was interested in A4 info sheets, with a picture and some specifications of the product, which could be used in the store. There was

also one retailer, who saw the small product catalogues quite expensive and useless, since they present only some products, which might not be in the store's limited selection or even sold in Finland at all.

4.3.4 Competitors

When asked, which five good outdoor clothing brands come to mind first, 10 purchasers out of 12 said Millet. This answer does not give objective information, since the respondents knew the interview was about Millet. So, in this question the accuracy of the result of the brand Millet can be debated. Still, this question gives quite good information on purchasers' image of which are the quality brands on the outdoor clothing market in Finland.

A clear competitor was found, when nine out of twelve respondents mentioned Haglöfs as a quality outdoor brand. Also seven respondents mentioned the domestic brand Halti. Other brands received more dispersion. Five out of twelve respondents listed Fjällraven and four the North Face, Marmot and McKinley. Sasta was mentioned three times and Mammut, Patagonia and Mountain Hardwear two times. Only one purchaser mentioned the following brands: 8848, Peak Performance, IcePeak, Salomon, Sail Ski, Rab, Mountain Equipment and Finnsvala.

5 Conclusions

5.1 Summary of the challenges of Millet in Finland

In general, Millet has a positive, quality image in the eyes of the retail purchasers. Still, Millet is not selling extremely well in Finland. Here is a summary of the causes:

- Lack of brand marketing
- Low brand awareness among the consumers
- Not enough spontaneous demand
- Difficult to get in to a store's selection with out the demand
- Strong equivalent Haglöfs is sold widely
- Millet is not in the list of required purchases of the retail chains i.e. in a campaign or a private label

5.2 Proposals for improvement

As the majority of the consumers are not familiar with the brand and it has little natural demand, it is clear that the conspicuousness of the brand needs to be enhanced. The brand needs active marketing and advertising actions, for instance, in the ladies magazines such as MeNaiset and in the outdoor magazine Retki. The marketing budget allocated by Millet is not enough to increase demand at the market. So, a double of the current marketing budget should be allocated exclusively to the marketing in Finland by Millet.

Another important point; the sales practices and sales support conditions should be made clearer. What the sales conditions are; limits for price reductions, limits for receiving marketing support and the actual

procedures of receiving the financial support. These should be all stated in the sales conditions, on the cover page of the price list. For instance, with the purchases of 10 000€ the store would receive 500€ for advertising in the local news paper, when delivering the copy of the advert to the agent.

In addition, more emphasis should be put on the equipment sale. The backpack and sleeping bags ranges of Millet have good quality and reasonable prices. They should be offered to the retailers more actively. For instance, offering the retailers concrete advantages for purchasing merchandises from several segments. These conditions should be made continuous, so that the retailers would know them in advance for the following seasons. Then, the clothing and hardware purchasers could plan their possible cooperative purchases beforehand. Also, offering attractive campaigns on the sleeping bags, with an incentive to purchase more models that just a few, would be a good idea. If Millet wishes to be a recognized sleeping bag brand, the consumers might not notice it in a store if there are only one or two models at the selection.

In addition, a separate consumer catalogue should be made on the sleeping bags and on some larger backpack such as Khumbu, Namche and Odyssee. The consumers like when they are able take the catalogue home and go through the specifications of the products again. They also remember the brand, product names and possible retailers easier, if they have it on a paper.

In general, Millet should not look for more retailers in Finland. In such a small country as Finland there is a limited amount of good, trusted outdoor retailers. If the amount of retailers is increased, the credibility of the brand is easily ruined. Today, Millet still has an authentic quality image in Finland. So, it should not be weakened for sales volume's sake. Rather, the growth should come from the existing customers by expanding their product range.

5.3 Evaluation of the Study

The aim of the thesis was to explain the market, which was done somewhat thoroughly. All the key features were introduced explicitly. Also the challenges of the case Millet were easily defined and the solutions and suggestions made.

In the beginning, the thesis suffered from the lack of the theoretical background and it was hard to find references on the sports retail sector in Finland. That's why interviews were used many times as a source of information, since there was no written data. None the less, the study as such is pretty comprehensive cross-section of the market and the high-end outdoor clothing business in particular.

The actual analysis of the data on Millet could have been more precise and bring out more new ideas. The only limitation for more profound analysis was the lack of the question "why" during the interview situations. By adding a few more additional questions, the data and

thereby the analysis could have looked different. Also, there were some questions, which turned out to be irrelevant and could not be used in the analysis at all. So, more careful formation of the questions could have made a difference.

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