KYMENLAAKSON AMMATTIKORKEAKOULU

University of Applied Sciences

International Business/ International Trade

Dmitri Soukhotski

Marketing Strategy: Luonnotar Organic Home Line

Bachelor of Business Administration Thesis 2010

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ABSTRACT

KYMENLAAKSON AMMATTIKORKEAKOULU
University of Applied Sciences
International Business

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It is mainly due to innovation which creates new possibilities that progress and development becomes achievable. Organic textiles are one such remarkable concept worthy of being classified as a novelty trend not only from the marketing perspective but also from the perspective of novelty in the sustainable natural resources management. It can be theorized that the added value of health benefits from utilization of the organic concept in the economy is something that should be highly desirable by the public whose goals have always been an ever longer and ever higher quality of life.

The aim of this research work was to begin visualizing the bringing of this concept to existence on a small scale and to establish a foundation for a continuous process of its further development from the perspective of its positioning in the geographical area of Finland. The Thesis was written to satisfy the demand for business development intelligence by a developing small business with an organic specialization. The work gives a good picture of the business and marketing environments, new product development and manufacturing processes as well as attempts to achieve integration of a new product within both the consumer and business markets.

Statistical information, books on the subject, recent publications, information available on the WWW, and field research were used as sources of primary data for the exploratory desk research with a goal of organizing various parts of the strategy, making it coherent, and communicable as well as integrated with the latest technologies.

The work is concluded with an outlook on the feasibility of the project: product manufacturability, marketability, branding, design, advertising as well as avenues for infrastructural cost reduction integration.

1 INTRODUCTION

Organic home textiles can be defined as products or a range of products for household use produced and certified according to the organic standards. According to The International Working Group on Global Organic Textile Standard (2010): “the Global Organic Textile Standard (GOTS) is the worldwide leading textile processing standard for organic fibres, including ecological and social criteria, backed up by independent certification of the entire textile supply chain”. The topic of this research concerns an extremely wide range of business activities for reasons that the realization of organic home textile products involves processes that affect the health of consumers as well as non-consumers while directly exerting an influence on the environment. The topic reveals the aspects of maximizing the influence of the consumers on their own long term health as a consequential of the health of the environment. The choices made by the consumers influence greatly the decisions made by the enterprises in their operations and in turn influence the decisions that are made by the suppliers. When a consumer after evaluating all the provided information about the benefits makes the choice it results in the decisions taken by the business and the industry. Consumer has to be properly informed in order to make a correct choice. Generally consumers base their choice on a number of factors the most prominent of which are the price and the quality. To continuously improve the quality of service and products is an aim that is common to all firms including the home textile industry. The most significant development at this time in the textile as well as other industries in general is the introduction of the concepts of environmental sustainability and responsibility as well as consumer health and safety thus as a result a tremendous improvement in the quality of the products is being achieved. It is now possible to provide the consumer with a product that is free of chemicals and allergens and the production of which is an additional benefit to the consumer by being beneficial to our shared environment. As the information about these issues continues to reach the consumers there is a need in business especially those dealing with ecological and organic products to estimate the potential consumption rate and the value for products and specifically in the markets with no precedent. Such estimation of demand is urgent for making a choice of the supplier as it affects the cost to the consumer. Generally information about a specific industry which would enable making an adequate estimation can be derived from sales data for an existing industry or product but no such information is currently in existence due to the novelty of ecological and organic subject, field, product and industry in the geographic area which is the subject of this research. To make easier the task of new product development and identify demand for it is not an easy task to accomplish on a theoretical basis nevertheless a strategic marketing and supplier strategy has to be established before actualization on the market.

Apart from the issue of marketing an organic product stands an issue of designing the product and the brand which is equally important considering that the product or an organic competitor product is not available in the regional market. Similar competitive organic products exist in the markets of other countries like Sweden, UK, Netherlands, and US but they vary widely by the level of quality and price although available through e-commerce. Currently no Finnish company has an organic bed linen product offering on the Finnish market which makes the task of designing it more labour intensive in the development stage due to all the implications that have to be considered in the process. The implications include environmental needs, consumer and marketing needs, and technical feasibility all of which have to be considered simultaneously in order to design a new organic product. It is equally important that in designing the new organic product all of the issues pertaining to the uniqueness of the regional market and introducing a certified organic textile product to the market are taken into consideration as well.

1.1 Research objective and research process

The research objective has been formulated by Luonnotar as a strategic marketing plan for a line of organic home textile products. Researching the opportunities for diversification of the product range represents an ongoing process within a small business such as Luonnotar. Specifically a research into the opportunities for private branding and production represents knowledge which helps a small business in its development. The research process encompasses an attempt to define the market and the level of demand, business environment, definition of the product and its marketing strategy. In defining the market statistical data was used to identify the target customer group. The factors affecting the demand, and the business environment information were derived from a secondary source and pertaining to the home textile industry in Finland in general. Product design and development as well as the product marketing and sourcing strategies were done within the strategic marketing planning framework.

Research target group

The research target group is the company's business environment consisting of customers, suppliers, and competitors. The research target is to collect enough information in order to enable decision making concerning business and marketing strategies as well as to enable the drafting of a strategic marketing plan as a result of the research.

Research questions

1. What is the existing business environment for organic home products in Kouvola, Finland, and developed countries?
2. What information is needed and available to support decision-making for organic home textile products?
3. How does a small company launch a new organic product?

Method of the thesis research

The main research method implemented in carrying out the thesis research is an exploratory desk research method based on the secondary data. Further desk research is implemented within the strategic marketing planning framework. The qualitative data derived from the desk research is analysed and implemented within the strategic marketing planning framework in order to meet the objective of the thesis as formulated by the commissioner. The research is a commissioned research with a specific aim and outcome indicated as the research objective.

About the research method

For the purposes of this thesis a desk research method was chosen for reasons of its suitability facing the lack of primary data pertaining to the organic home textile products specifically. Hauge and Hauge (2004, 32) view the desk research as a loosely used term generally referring to secondary data or data which can be collected without fieldwork from various published reports and statistics sources. Desk research (Hague & Hague 2004, 47) is an excellent tool for putting together pictures of a marketing environment such as showing the market size, suppliers, the products that they make, and the trends in the market. Strategic marketing planning framework allows further desk research by utilizing such business research tools as SWOT analysis and topical audits which are used in the thesis as a method of interpreting the business environment and market information within the context of the objective which in turn represents the thesis statement.

About secondary research

Secondary research is the use of previously existing resources to meet the research goals. Secondary research is especially useful in informing the study development process by identifying issues that impact the industry and marketplace of clients for whom the primary research projects are conducted. (Grossnickle & Raskin, 2001, 18.)

2 STRATEGIC PLANNING

2.1 Strategic planning process

The main purpose of this thesis is to create a strategic plan for successful production and retail of “Luonnotar Home” line of organic home textile products. According to Kotler et al. (2005) strategic planning encourages systematic thinking as well as sharpens the company's objectives and policies, improves the coordination of efforts and gives performance standards for control. Strategic planning enables quick response to and preparedness for environmental changes and sudden developments. Strategic planning includes the annual plan, long-range plan and a strategic plan. The short term annual plan describes the current situation, company's objectives, the current year's strategy, action program, budgets and controls and focuses on maintaining profitability. The long range plan describes the factors that will affect the company within the following several years and includes long term objectives, as well as the resources and strategies for attaining these objectives. The strategic plan describes how the company is adapting to the changing environment and takes advantage of the opportunities in line with the company's goals. (Kotler et al., 2005, 49-59.)

Strategy in general is based on a foresight or anticipation and is only as good as the ability to map out the environment and anticipate its evolution. But in a situation with a high degree of unpredictability it is even more important for strategic planning to be able to recognize newly emerging strategies based on insight. The world keeps emerging and our perception of it keeps reshaping which calls for strategic agility and fast pattern recognition rather than accurate strategic scenarios. Strategic insight which relies on the quality and intensity of external sensing is the ability to perceive, analyse, and make sense of complex strategic situations with readiness to take advantage of them. (Doz & Kosonen 2008, 9-20).

The topic is observed against the background of new product development, supply chain design and distribution channel design in its international trade aspect and against the background of information about the population in the region in its marketing strategy aspect while remaining within the marketing planning framework.

2.2 Strategic marketing planning and sourcing processes

2.2.1 Strategic marketing

Strategic marketing is a process for alignment of organizational strengths with groups of customers the organization can serve. It is informed by knowledge of the macro- and microenvironments, markets, and competitors. (Kotler et al., 2005, 357.)

The steps in the strategic marketing process are carried out in four phases. The first phase includes the goal setting by describing the mission and the corporate objectives of the company. In the second phase the situation is reviewed by carrying out the marketing audit, market overview, and the SWOT analysis. In phase three the strategy is formulated by presenting the assumptions, marketing objectives and strategies, and estimating the expected results along with identifying the alternative plans and mixes. In phase four the resources are allocated and monitoring methods chosen by compiling the budget and the first year's detailed implementation programme.

As the strategic marketing process is defined as matching the company's capabilities to the needs of customers in order to achieve the objectives of both parties it is important to clearly define these objectives while being fully aware of the company's capabilities.

The strategic marketing process revolves around the strategy formulation and the strategy implementation while being centred in the asset base. The strategy formulation is comprised of defining of the markets and understanding the value, and of determining the value proposition for these markets. The strategy implementation is comprised of delivering the value to the markets and of monitoring this value.

The role of marketing in successful business operations puts the customers as the central concept. According to the customer's values the key interrelated business marketing concepts include: the product or service or the core value, the processes involved or efficiency, the professional marketing or understanding the market needs, and the people or the creativity involved in the operations.

With the help of marketing tools the marketing process is accomplished with specific goals of: defining the markets, quantifying the customer needs within these markets, determining the value proposition for these markets, communicating the value propositions to all the people within the organization who are responsible for delivering the value to the customers, appropriately participating in the delivery of these values, and monitoring the value that is being delivered by the company. (Tyrväinen 2003.) Figure one illustrates the steps in the process of strategic marketing planning.

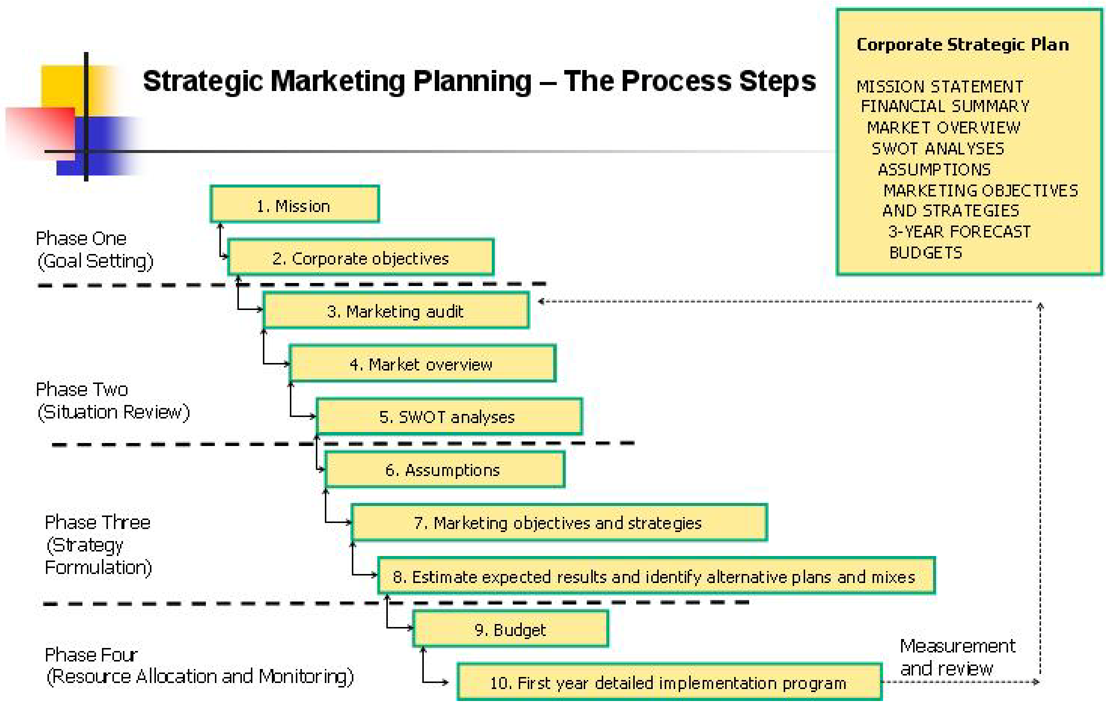

Figure 1. Strategic Marketing Planning – The Process Steps (Tyrväinen 2003).

2.2.2 Strategic sourcing

The term ‘sourcing’ relates to identifying and working with suppliers while ‘purchasing’ relates to specific functions associated with buying the actual goods or services from the suppliers. The term ‘procurement’ covers all of the activities associated with both sourcing and purchasing. (Mangan et al., 2008, 76.) Strategic sourcing is an essential part of company’s strategic planning, and thus, strategic marketing. The strategic role of international purchasing has increased in the last twenty years, massive reconstruction and diversification have made purchasing more international and global attributing to it a central role of product quality management while supporting the company’s strategy overall. The rationale for international purchasing is the availability of product specification, market access, the ability to form a negotiating position in obtaining the product at the specified price as well as the choice of the ideal logistic and distribution environments. (Tyrväinen 2003.) Figure two illustrates the general framework on the development of global sourcing strategy.

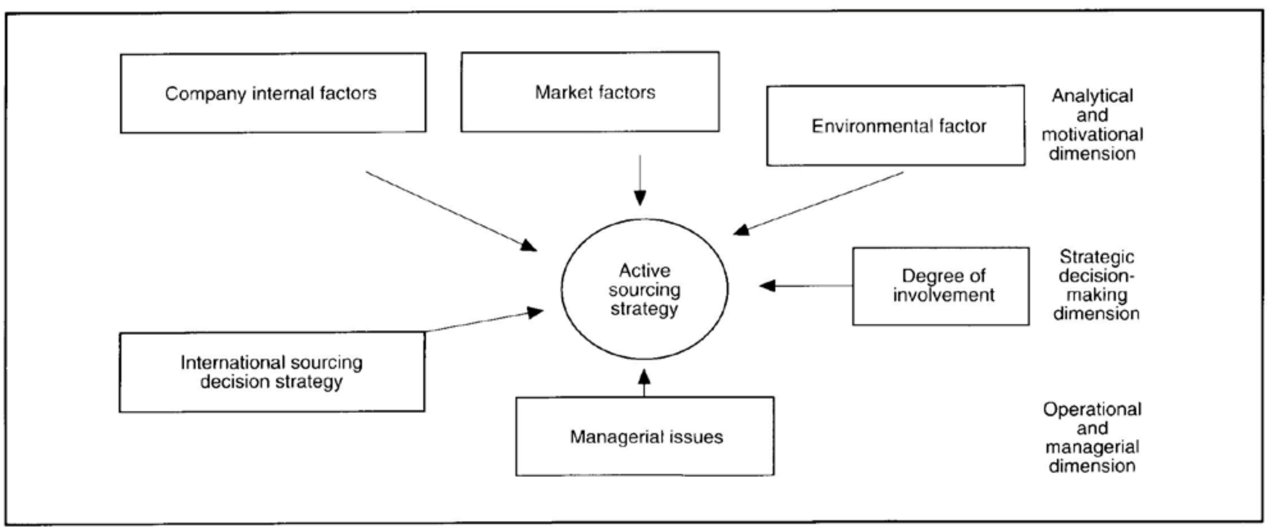

Figure 2. General framework on the development of global sourcing strategy (Rajagopal & Bernard 1994).

Organizational buying process involves several steps the first of which is determining the purchase order specification which consists of a functional specification of a product describing the functionality of the product from the point of view of the user and a detailed technical specification of the product describing the product’s characteristics and technical properties as well as the activities performed by the supplier including: quality, standards, quantities, logistics, maintenance and service, legal and environmental requirements, health and safety requirements, and target budget for the solution. The second step in the buying process is selecting the supplier including: determining the method of subcontracting (turnkey or partial), drawing a preliminary list of suppliers, preparing the quotation request and analysis of received bids, and selection of the supplier. The third step in the buying process is the drawing of the purchasing contract or agreement consisting of: prices and terms of delivery, terms of payment, penalty clauses and warranty conditions, and other arrangements. The prices and terms of delivery vary according to the type of contract: fixed price plus incentive fee, cost-plus contract, cost-reimbursable contract, and agreement with price-adjustment (escalation clauses). Steps four and five include ordering and expediting which varies by its method such as: exception expediting, routine status check, or advanced status check. In these steps purchase orders are confirmed and ordering routines developed along with development and launch of a computer-supported differentiated method of expediting and inspection. Step six of the buying process is the follow up and evaluation of the whole buying process involving the settling of the warranty claims and penalty clauses, settling the specification differences in the results of the work, organizing purchase and supplier documentation, and recording project evaluations. The investment goods are usually purchased on a project basis involving a project leader, project engineer, planning engineer, project administrator, and process engineer or environmental expert, specialist engineers, and a project buyer. The criteria for selecting suppliers includes: production experience, organizational quality and experience, financial status (reliability, liquidity and profitability), design and manufacturing capacity, quality assurance (design and technical specification guarantees), experience and references (from other clients) of the organization. (Weele 2005, 47-76.)

IT systems today are an important part of running large scale businesses as well as smaller scale enterprises efficiently. The different strategies for implementing information technology for e-procurement require a high degree of integration between the front office (actual ordering cycle) and back office (transaction processing), and between the back office and the supplier's systems. Known enterprise resource planning systems such as SAP, Oracle, Peoplesoft, and Baan have developed an e-procurement function. (Weele, 2005, 172-173.) Smaller scale enterprises benefit greatly from IT systems as they facilitate global and effective purchasing process.

2.2.3 Supply chain planning

The Supply Chain Management concerns the coordinated flow of materials and services as well as associated with them information and funds from their origins, through the suppliers and the organization, and on to the ultimate consumer while maximizing the added value and minimizing the costs (Baily et al, 2008, 66).

In Supply Chain Management there are four major decision variables: location, production, inventory, and transportation. The location refers to the location of facilities and sourcing points, production refers to what is produced and at which facilities, inventory decides on the size of the order, timing, and the size of safety stock. Transportation concerns the decisions on mode of transport, size of the shipment, routing and scheduling (Northeastern University 2010).

The objectives that are necessary to be obtained in order to accomplish a goal of providing the first products for test marketing to the customers are very many. They include locating, contacting and agreements with the suppliers establishing the necessary controls over the product specifications and quality. To correctly assess the method and the cost of transporting the product to the retail location it is important to understand that Luonnotar's Home Line supply chain will consist of an integrated supplier and Luonnotar's retail location. As the nature of Luonnotar's business is retail a retail supply chain model is most suitable choice that can be adapted to suit the current strategy.

A successful supply chain needs to be adaptable in an ever-changing environment and dynamic in its nature in order to meet the changing customer demands (Byrne et al., 2009, 82-83).

2.2.4 Retail supply chain

The components of a Retail Supply Chain are: product sourcing, inbound transportation, processing, storage, outbound transportation, and store processing and operations. Vendors determine the mode (container, truckload, less than truck load, or air) and the terms (prepaid or collect) of their inbound freight. At the processing stage the product becomes “floor ready” by an added value service such as: uniform product code labelling, price labelling, creating assortments, removing or modifying the packaging and presentation to customers. Maintaining inventory depends on the service level and the need to ensure the availability of the product. The outbound transportation is commonly combined with inbound transportation for flexibility and control in order to move the correct quantities of merchandise to the store or directly to the customer. Store operations involve preparing the merchandise for sale, replenishing the shelves and setting up displays. Sourcing is a method which enables the retailer to identify, develop and maintain relationships with suppliers resulting in accurate delivery of the right products at the right price and time. The core merchandising function of the retailer is to discern consumer needs and wants and to translate it into a category assortment through product selection and acquisition while closely matching the retailer’s strategy. Retailers distinguish themselves by either of the two options for sourcing – branded product where the assortment is based on close collaboration with a group of vendors that have built brand equity and where the retailer defines the set of procedures for the vendor to follow or a private label where the retailer has to define the supply chain and manage all the processes from the manufacturing floor to the selling floor. There are four forms of retail channels most retail supply chains generally consist of: direct to consumer, direct to store, single-level distribution and multiple-level distribution. Direct to customer channel is expanding rapidly with the growth of e-commerce which is changing the fundamental design of retail supply chains from store centric to customer centric enabling the deployment of inventory from further back in the supply chain at vendor warehouses and theoretically allowing shipment from any place to any customer. (Gattorna 1998, 240-244.)

Cooperation in the buyer-supplier relationships can provide better payoffs to both parties including such benefits as: cost reductions, quality improvements, shorter design cycles, increased operating flexibility, more value for the customers, enhanced leverage with technology, and more powerful competitive strategies. When the inventory is managed and/or co-managed by the vendor through transparent information about the actual demand or usage the efficiency of the supply chain greatly increases. Supply chain integration through demand information sharing by electronic data interchange reduces uncertainty and stock inventory. (Gattorna 1998, 278-281.)

Analyzing the benefits and disadvantages of low involvement versus high involvement in the relationship with the supplier requires a framework for understanding the economic consequence of such form of relationship from the customer point of view. The supply base relationships are the most important asset of a company. Reduction of procurement costs is a top priority in the purchasing agenda. The supply base is the aggregate of all supplier relationships of a company and is also called the supplier portfolio. Designing a supply network involves decisions to use a single, dual, or multiple sourcing for acquiring a specific item although maintaining a high-involvement relationship with multiple suppliers can be costly. Multiple sourcing helps to avoid the negative consequences due to dependence on individual supplier as well as being locked into certain technical solutions. (Gadde 2002, 135-156.) However, strategic key suppliers may be needed to avoid risks such as unpredictable disruption due to natural causes in a particular geographical area which may encourage the development of partnerships.

2.2.5 Vendor certification

A critical supplier relationship should include vendor certification which gives a clearer understanding of the supplier’s strengths and weaknesses. By itself a low price is a poor indicator of vendor performance. The process of quantifying significant processes within the vendor’s organization is what constitutes vendor certification. An effective certification covers all aspects of the relationship with the supplier and includes: manufacturing process controls, quality control, sales order processing, traffic, inventory control, and customer service which are scored relative to the impact they have on the purchasing organization. A vendor survey should cover as many of the vendor company's processes as possible as well as visit and examine each of the areas in person with a team and with detailed questions about each process in order to identify any potentially adverse aspects. Vendor evaluation and certification process must be documented for future reference. Vendors that are already certified by an acceptable outside review process or industry standard, such as ISO 9000 series of standards are exempted from the evaluation and certification process. (Paquette 2004, 47-50.)

2.2.6 Partnership

Alliances between companies are capable of reshaping competition while remaining competitive requires appropriate types of partnerships. Partners are companies that agree to work together for a period of time, to achieve a specific objective, and share risks and rewards of their partnership. A relationship agreement between the partners as well as their interactions defines the partnership, among which are: joint ventures, licenses, and cooperative marketing and research agreements. An agreement is entered after a careful analysis of its strategic needs, risks and benefits. Upon entering an agreement partners agree on objectives, definitions of success, methods of sharing risks and rewards, and metrics for measuring performance. Successful partnerships are based on trust and respect and in some cases on common objectives. Integrated supply chain partnerships involve complex interrelationships of shared activities, processes, interests, objectives, and competitive information enabling the partners to effectively react to market changes. Successful partnerships also require visionary leadership, understanding of supply chain roles, and interpersonal and legal skills. (NRCS et al., 2000, 59.)

Developing a strong partnership requires the defining the company's requirements such as: knowing the product needs, understanding the support expectations, understanding the inventory investment risk, technological requirements, and ethical requirements (Paquette 2004,154.)

It is important to note that the management of the relationship with the supplier is an equally important part of the product development process yielding an accelerated product development by early supplier involvement during the design, development, and production of new products (Staudenmayer et al. 136).

One interesting type of business alliance is the electronically supported temporary or permanent joint venture in which a special organization called a virtual corporation is formed for a specific and time-limited operation. In a virtual corporation most of the activities of an organization are outsourced to business partners. (Turban & King 2003, 27-28.)

2.2.7 Contracting

The relationship agreements define product and financial flows, channel, policies, price protection, contingencies, and capacity reservations. Before crafting a contract the partners should agree on a common vision, objectives, and process framework. (NRCS 2000, 59-60.)

In a purchasing contract a large number of issues are drawn up and set down. The issues include: extensive technical specifications on what is to be delivered, where the goods or service is to be delivered or performed, the conditions of delivery such as price, delivery, payment, and warranty. Some specific aspects of the contract include: bank guarantees, transfer of title procedures, and performance guarantees which may be demonstrated by the supplier in an acceptance test. (Weele 2005, 77.)

The types of contract agreements vary according to the nature of the relationship with the supplier.

2.2.8 Supplier integration e-process

Figure one illustrates how the supply-chain business process has an intra- and inter-company links via the information flow.

A successful integration with the supplier involves a significant amount of information exchange due to the complexity of product descriptions specifying the details of the customers' product selection. An integrated supply chain is achieved by a tight integration of business processes in the supply chain resulting from strategic alliances between partners in order to achieve a competitive advantage. (Fairchild et al, 2004, 63-69.)

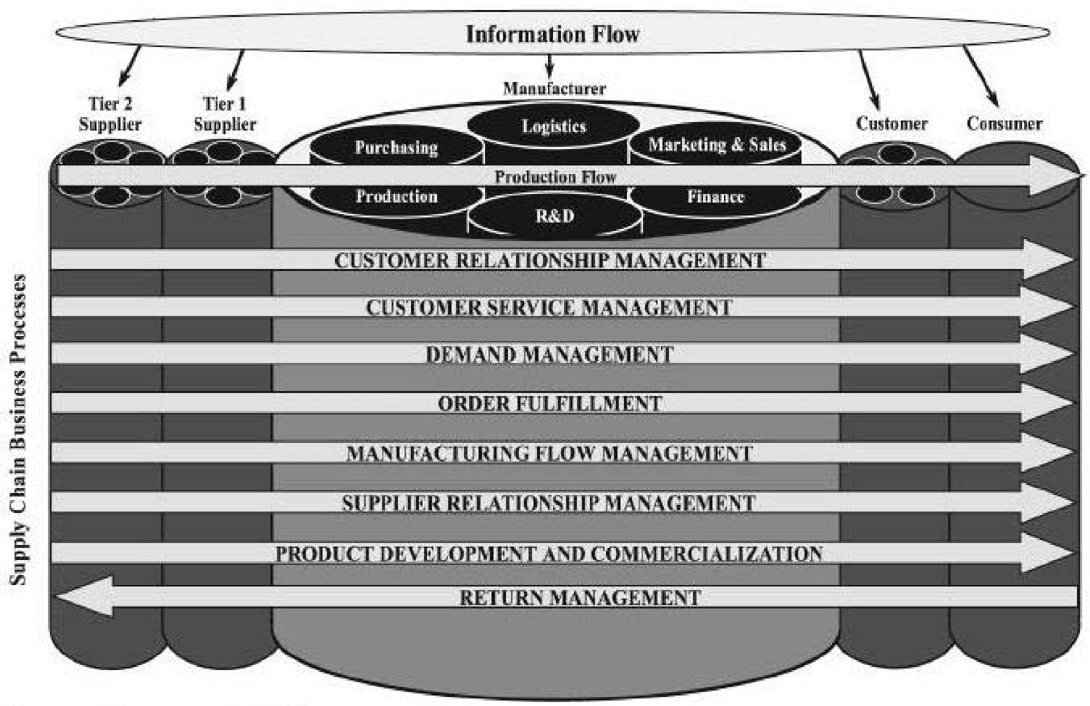

Figure 3. A general supply chain management model (Grieger 2004, 81).

The framework of supply chain integration consists of three dimensions: direction of integration, width of integration, and levels of integration. There are three ways of electronic integration between the supply chain partners: transactional, information sharing, and collaborative planning. (Matopoulos et al., 2009, 218-221.)

2.2.9 E-sourcing

One beneficial way of managing a company's supply chain is e-sourcing. Even with smaller enterprises this can make the company's sourcing process very effective. Figure two shows how an e-process of e-procurement of MRO items is organized around business rules and how some combined tasks can be performed by stakeholders via the WWW. Kim and Ramkaran (2004, 35) point out that: "the Internet and e-process management perspective enable the extension of power and information to the customer via such services as on-line catalogues and bill payment, and to the supplier via, for example, inventory replenishment services". Figure four illustrates the e-procurement purchasing.

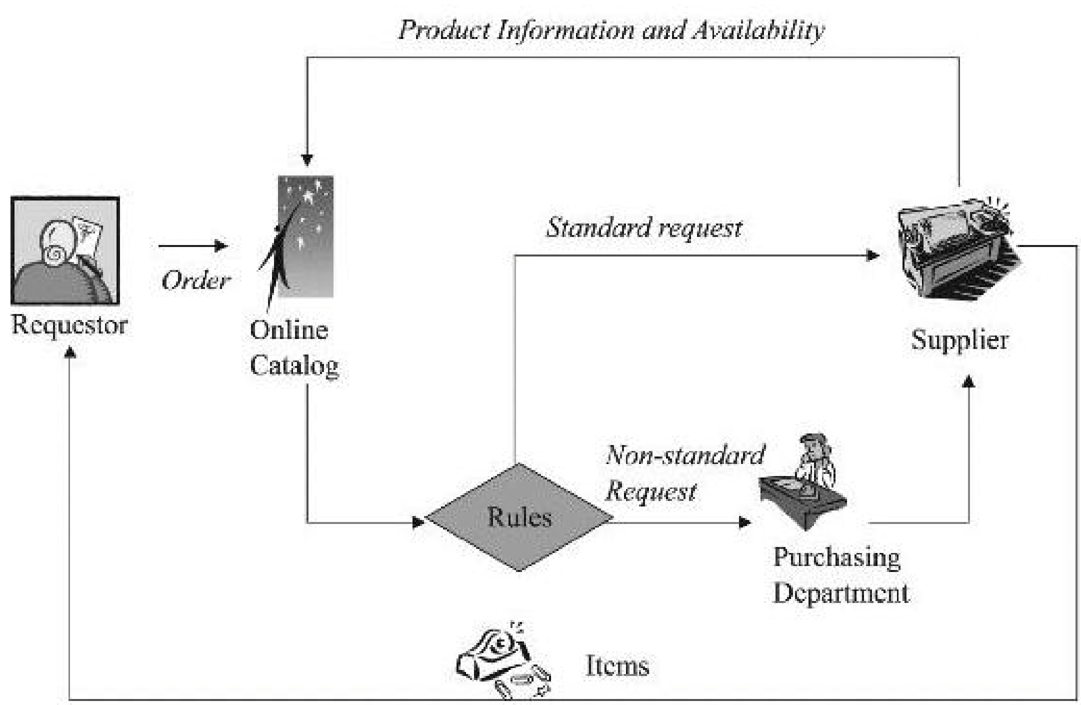

Figure 4. E-procurement for maintenance repair operations (MRO) purchases (Kim & Ramkaran 2004, 35).

There are many applications, web-based and non-web based that help companies to achieve increased procurement efficiency as well as to manage coordination and collaboration with the suppliers. Well-known examples of the enterprise procurement packages are Ariba and CommerceOne as well as a supply-chain management application from i2 Technologies and customer-facing front-end with enterprise-wide back-end e-Enterprise application from Oracle. (Shaw 2002, 83.) Figure three illustrates how an e-Enterprise solution incorporates the functions of supply chain management, back-office, and customer relationship management.

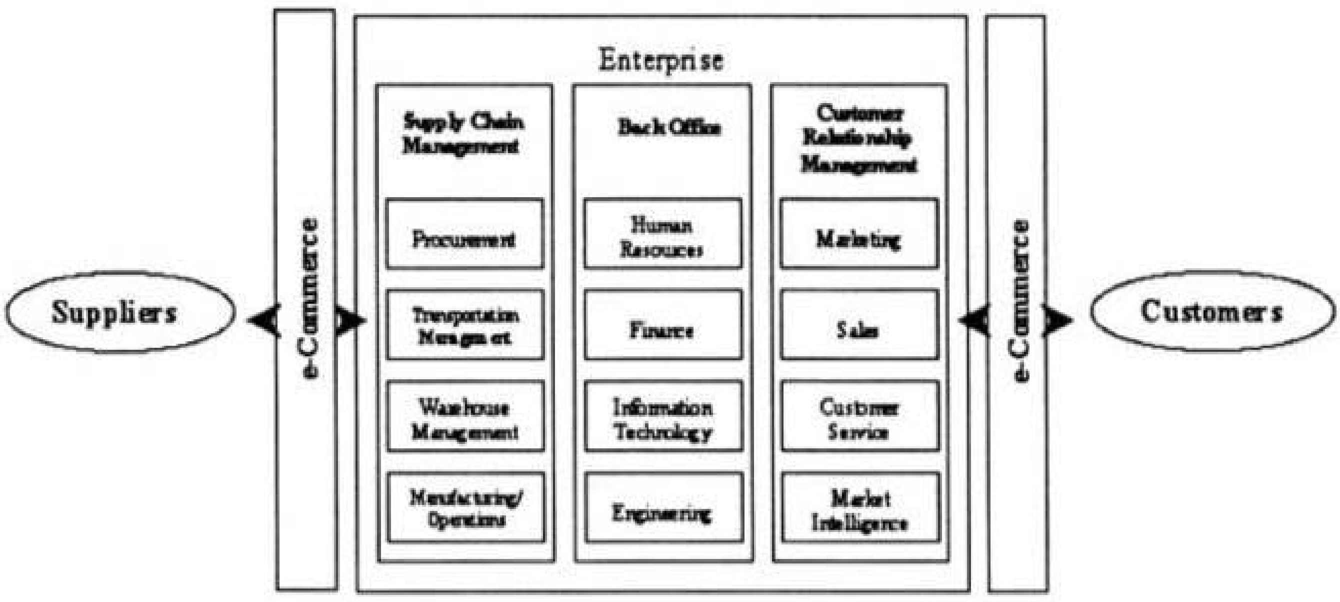

Figure 5. Extended enterprise (Shaw 2002, 84).

EDI on the Web supports the exchange of multimedia information such as: engineering drawings, full-colour photographs, audio and video clips which results in fostering of much tighter relationships between the participants. It also provides a sense of teamwork and shared goals while enabling all components and systems of a value chain to communicate with each other such as in Web based hybrid EDI solutions. (Hollensen 2001, 342.)

2.3 General guidelines for organic product design and manufacturing

In order to successfully compete in the organic market an organic product has to have both a characteristic and the quality of an organic product. Therefore the product must meet the quality requirements that theoretically should be characteristic of such product.

As the product is organic then organic should be all the manufacturing processes involved in its production. A fully organic product provides such value and benefits as being free from allergens and any harmful substances making the product suitable for users with special requirements related to their health. Each unit produced can contain ambient information about the product describing the whole production process together with the ability to verify this information through a website database.

The health of the user becomes the focus of the concern about the manufacturing process. This health aspect is dual in effect because it affects the health of the user by separate vectors. The first is the indirect result of the ecological footprint as the result of the farming and manufacturing processes. The second affects the user directly by the application of the product and its effects on the user as well as the environment due to product care or maintenance.

By eliminating the processes that pollute the product and the environment with synthetic or harmful substances or replacing those with their natural or organic alternatives which are more easily recognized and eliminated by the organism the product becomes superior to all conventionally produced products.

The raw materials used in the production process need to be certified organic at all major stages of production in order to ensure the organic quality of the final product. It is also important to adhere to fair labour practice in the production process such as: no child labour and fair wage for farmers and manufacturers.

2.3.1 Product design planning – organic textile industry

Because the product does not yet exist in the given market it nevertheless seems possible to produce a product in the organic model by implementing conventional manufacturing stages in combination with control over each stage of the manufacturing process. The most crucial processes are the processes that involve the treatment or application of artificial chemicals and because the product's quality characteristic is to be free from any synthetic chemical substances therefore the most necessary processes are to be accomplished by the use of their organic or natural equivalents. In order to give a more complete picture of what an organic manufacturing model consists of it is necessary to start the description at the beginning of the farming process starting with non-genetically modified cotton plant seed stock.

Product design and development process

The stages in the product design and development process often overlap and even repeat the previous stages of the process in order to achieve an improvement of the design. During the development a ”risk management funnel” guides the decision-making while progressively reducing the risk over the whole length of the process. The goal of the product development process is to translate an idea for a new product into a set of manufacturing instructions. Each stage focuses on more detailed aspects of the product design while every new decision and new direction should bring the design closer into coherence with the mind of the customer. (Baxter 1995, 16-26.)

2.3.2 Agricultural process

It is very important to have the issues of cotton products' effects on the environment and food chain be communicated to the customers as part of the marketing and brand communications in order to increase the customer awareness about them.

While being grown only on 2.4% of the world's agricultural land conventional cotton uses 16% of the world's agricultural chemicals and is one of the most chemical intensive crops on the planet with harmful effects and impacts on the environment, human health, producers' communities, and downstream neighbourhoods. About 60% of the cotton bowl is cottonseed used in production of cottonseed oil which is a universal ingredient of foods like: cookies, potato chips, pop corn and salad dressing and conventionally contains trace amounts of toxic chemicals. Cottonseed oil is also used as high-protein nutrient-rich food for livestock which can contain various levels of pesticides which can then contaminate foods like meat and dairy products. Organic cotton farming has many benefits including: environmental safety of rural economy, economic resources for infrastructure development, enhances food security and safety, healthy ecosystem and increased biodiversity. Organic cotton also protects public health, strengthens workplace well-being and creates a higher quality of life. Organic cotton is an investment into better production practices which pays the farmers for their costs, risks, and efforts on behalf of the environment while the hidden costs of conventional cotton are immense and not included in its price. (Organic Exchange 2010.)

Pesticide

The use of chemical pesticides, fertilizers, insecticides and herbicides to control pests, weeds, and soil quality are banned in organic agriculture (Black 2008, 114). During growth cotton may be attacked by various insects which inhibit the growth and thus the quality of fibre. Effective pesticide methods are a subject for argument but the alternative to exposing the cotton plant to poisonous chemicals may be in intensified search for organic alternatives or even in methods of controlling the presence of insects by means other than chemical. Using a non-pesticide based pest management and non chemical fertilizers methods have already been revived in different countries like India, China and Turkey.

Herbicide

Conventionally weeding the crop is also done by chemical means although a burning method can be utilized at the later stage of growth. Chemical weeding is a factor in fibre pollution but it is limited in its effect due to its use at the early stage of growth and it's application to the soil and not the cotton plant itself. Alternative methods of weeding the cotton crop at early stage of growth can be done mechanically by frequent tilling of the topsoil.

Defoliant

In order to minimize the cost of mainly migrant labour in the production of cotton fibre crop farmers utilize machinery such as harvesting machines but in doing so possible the crop is defoliated free of its leaves by chemical means. For reason of avoiding the introduction of a defoliant into the fibre as well as the environment farmers rely on a seasonal freeze for defoliation. (Wingate 1955.)

2.3.3 Manufacturing

The manufacturing process of the organic textile product involves several processes common to all textile products. Table one illustrates these processes.

Table 1.Textile manufacturing processes.

Weaving type	Pattern of the tread structure of the textile
Dyeing	Method used to colour the textile
Mercerization	Method of giving shine and lustre to the textile
Bleaching	Method of whitening the textile

Source: Wingate 1955.

Due to conventional textile dyes being a synthetic substance and until natural alternatives are established the fabric for the product can be woven using a jacquard mill to a specified pattern. Although this is not a cost reducing measure it is nevertheless necessary to make the product interesting and more attractive to the buyers without utilizing any dyes.

Mercerization is a process by which the fabric is given a lustre and shine. Mercerization is not to be implemented due to caustic soda used in the process being known as an irritant.

The process of bleaching is conventionally used to whiten the white fabric or in whitening the fabric before applying textile dyes. As the product is organic bleach cannot be used in the process of whitening, instead an organic and biodegradable alternative or oxygen can be used. (Wingate 1955.)

3 ANALYSIS OF LUONNOTAR’S ORGANIC HOME LINE BUSINESS ENVIRONMENT

3.1 The company and business mission

Ekokauppa Luonnotar is a retail business in Kouvola that sells a wide range of ecologically clean products. It is located adjacent to the main city square and is part of the central business cluster of the city centre. Luonnotar is a small business primarily based around sales of fresh organic farm produce such as seasonal farm produce as well as packaged organic foods. Luonnotar’s product range extends and covers breads, oils, grains and cereals, teas and spices, drinks and confectionaries, health supplements and knick-knacks, souvenirs and decorations as well as clothing and accessories, household, bath, beauty and hygiene products. It is located in the main shopping area downtown Kouvola and brings in regular customers as well as occasional and regular visiting customers. Luonnotar is the number one organic resource in the city of Kouvola. It’s excellent product quality and product range has been consistent and reliable with a high degree of customer satisfaction and service. Luonnotar offers it’s customers an opportunity to control their own health by following a healthy diet and nutrition as well as to contribute to the protection of their own environment by using ecological products. Luonnotar also has an extensive product range offered on its website.

3.2 Situational analysis

3.2.1 Industry Analysis

The local market for home textile products consists of some large supermarkets like Citymarket, Prisma, and Robinhood that have home textile departments. One retailer JYSK specializes in home products. The retailers offer a selection of conventional non-organic products. As competitors the retailers are strong and have a large annual turnover. The market is saturated with conventional products with some competition in the organic but conventionally dyed category. A German retail chain LIDL occasionally has a limited number (5-10) of organic bath towels.

Current state of the product and the market.

The product in this case can be generally defined as pertaining to a category of sustainable organic home textile products. The organic category for home textiles in general as such does not exist in any of the competitors' retail locations and is considered an ecological trend. If an organic product is available it is mixed in with the conventional products. Detailed sales data for organic products is not available from the retailers and therefore the available data on conventional home textiles is used instead as an input data for a comparative exploratory research.

Production of household textiles in Finland

Annual production of household textiles in Finland has several characteristics which describe the industrial environment for home textiles production in Finland.

- Strong improvement in productivity.
- In 2005, there were 968 textile manufacturers, with a total of 5,049 employees.
- Production output increased by about 8% between 2005 and 2006.
- The amount of employees decreased by 3.6% to a total of 4,866 in 2006

- Investments to face the increasing competitive pressure from an increase in imports from low-cost countries (LCCs) and competition on the Finnish supply side.
- Finnish companies view the Baltic countries as part of their home market.
- Baltic countries are developing economically and opening up fast after their entrance into the European Union.
- In 2007 the total production output of Finland reached €15.6 million.
- Finland is a small producer of household textiles, ranking twenty third in the EU, behind Ireland and Slovenia, but ahead of Latvia and Cyprus.
- In the period 2003-2007, production output increased by 8.4% per year. (CBI 2008, 1-2.)

Production in other home textile product groups

The production output of the various home textile product groups and their share in the total EU production has a definite growth trend.

- Bed linen: annual growth in production of 2.5% to €10 million in 2007. Share of 1% of total EU production output for this product group.
- Blankets and traveling rugs: no production.
- Table linen: annual growth in production of 26% to €3 million in 2007. Share of 1% of total EU production output for this product group.
- Bathroom and kitchen linen: annual growth in production of 21% to €3 million in 2007. Share of 0.48% of total EU production output for this product group. (CBI 2008, 1-2.)

3.3 Sales analysis

3.3.1 Demand indicators

- Increasing GDP per head (+0.7%).
- Strong growth of purchasing power.
- Decrease in the average household size.

- Increase in the amount of new houses.
- In 2005 - 2006, the number of household dwellings increased by 24,000 to a total of 2.54 million in 2006
- One- and two-person households account for 73% of Finnish houses.
- Strong increases in demand for household textiles.
- In 2007 total demand for household textiles in Finland amounted to €89 million.
- Finland is a small market for household textiles, ranking thirteenth in the EU, behind Ireland and Poland, but ahead of Denmark and Portugal.
- In 2003-2007, demand increased by 10.4% per year. (CBI 2008, 1.)

Demand for various home textile product groups

The demand for various home textile product groups and its share in the total EU demand:

- Blankets and traveling rugs: annual increase in demand of 11% to €5 million in 2007. Share of 1% of total EU demand for this product group.
- Bed linen: +7.7% to €49 million in 2007. Share of 2% of total EU demand.
- Table linen: +19% to €10 million in 2007. Share of 2% of total EU demand.
- Bathroom and kitchen linen: +13% to €26 million in 2007. Share of 2% of total EU demand. (CBI 2008, 1.)

Trends

The trends that affect the sales of home textiles include economic, demographic and socio-cultural factors.

- Decreasing household sizes, and increasing number of new dwellings.
- The trend towards increasing sales for the coming years is influenced among others by a slightly increasing population (0.25% annually), by the shrinking of the average household size and the subsequent increase in the number of new dwellings in Finland. Between 2005 and 2006, the number of dwellings increased to a total of 2.54 million. One- and two-person households account for 73% of Finnish houses.

- Increasing average age. Another demographic factor, the increasing average age, will lead to new demands and consumer behavior.
- Media interest. There is an increased interest in fashionable products, encouraged by media, such as home magazines and television programs about interiors.
- Demand for natural fibers. There is an increasing demand for natural fibers, mainly cotton and blends with cotton in the household linen sector, and for man-made fibers in the furnishing textiles sector.
- Slight increase in GDP per head and growth in purchasing power. GDP per head in Finland has risen slightly by 0.7% in the period 2007-2008. This slight increase in GDP per head was accompanied by a strong growth in purchasing power over the period 2005-2007. This has resulted in sound growth in consumer expenditure on, amongst others, household and furnishing textiles, which is unlikely to diminish in the near future. (CBI 2008, 2.)

3.3.2 Consumer market trends

According to CBI Centre for the Promotion of Imports from Developing Countries the main trends influencing the household textiles market are fashionableness, naturalness of fibre, price consciousness, design criticism, green consumerism, new technical developments, and sustainability.

Consumers, especially among the younger age groups encouraged by home magazines and interior TV programs continue to be interested in more fashionable home textiles.

Natural fibres like cotton and blends are more in demand than synthetic fibres in the household linen sector.

Consumers have become price conscious and turned to discounters, hyper-markets, and variety stores for higher quality and lower prices at the same time.

Consumers look for greater and better choice in selections while being more critical of design.

Consumers are increasingly interested in products that reflect care and concern for the environment. Care and concern for the environment is integrated into the materials as well as the social conditions of the manufacturing process especially in Scandinavian and Western European products. This integration fundamentally changed the consumers' awareness and relationship with the world around them. It's compatibility with fashion has influenced fashion designers to incorporating eco-friendly materials such as recycled materials and natural fibres into their designs.

Some significant new technical developments such as anti-microbial fabrics, flame retardant materials, environmentally-friendly textiles, stain protective treatments, Lycra and stretch fabrics have been introduced over the recent years.

As more and more consumers take into consideration the environmental impact of the products they buy, social and working conditions under which the products have been made sustainable consumption has become one of the main trends in EU. Sustainability encompasses good labour practices, supporting ecology, reuse, durability, and sustainable manufacturing. 'Green companies' that use 'green technologies' monitor all parts of their value chain to assure their 'green operation' while their business strategies are guided by Corporate Social Responsibility (CSR) and ethical sourcing. One example of a business driven platform aiming to improve socially responsible compliance in supplier countries is the Business Social Compliance Initiative (BSCI). (CBI 2008, 13.)

3.3.3 Forecasts

The Organic home textile segment is an interesting niche although it is increasingly dependent on fashion.

Future demand

Long term demand for organic home textiles will gradually increase with the increased awareness of the customers about the benefits of buying organic. Decreasing household sizes, and increasing number of new dwellings indicates that the demand increase will sustain. On average a 10% annual increase in demand opens a margin on the market for new products. (CBI 2008, 3.)

3.4 Competitive analysis

3.4.1 Competitor brands

Major providers of conventional product on the market are Finlayson, Luhta, also imported brands such as: Night Dream, Dibb, Moods, Homeline, Kronborg, Unilux, and Ristomatti Ratia. Kronborg has recently introduced an organic fibre product made from organic yarn but dyed conventionally. Table two demonstrates the examples of currently existing conventional products. Data was gathered from Prisma’s shopping display via mystery shopping method.

Table 2. Product examples: conventional cotton bed sets.

Brand	Size (cm)	Price (Euro)
Dibb	150x210	34.00
Night Dream	150x210	15.00
Luhta	150x210	35.00
Kronborg	150x210	20.00

Competitors in the local retail market

The biggest competitors on the market are large department stores: Prisma, Jysk, Robinhood, Citymarket, Anttila. The largest selection of the products in the bed linen category is offered by Prisma.

Prisma is a family oriented hypermarket which belongs to the S Group cooperative which consists of: ABC, Agri Market, S-Automaa, Holiday Club, Kodin Terra, S-Lahjakortti, poimuri.fi, Radisson Blu, S-Kanava.fi, S-Matkat.fi, Sokos, Sokos Hotels, S-Pankki, Yhteishyvä, Yhteishyvä Ruokamailma. It has a diverse product selection at low prices. Prisma has an extensive food and consumer item selection and it also features an extensive selection of products for the home, leisure and clothing. The product selection includes 60,000 products 11,000 of which are consumer products. It is located near a major traffic route on the outskirts of town. There are a number of specialty stores and service providers in the same building including a customer service point. Prisma’s hours of operation are:

- Monday through Friday 8:00 a.m. to 9:00 p.m.
- Saturday 8:00 a.m. to 6:00 p.m.
- Sunday 12:00 a.m. to 6:00 p.m.

3.5 Customer analysis

The following part of the research is in answering the research question of who are our customers, where and how do they dwell, and what is their income level.

3.5.1 Customer profile

Our customer is male, female or couple between the ages of 35 and 55 with a household income between 25,000 and 50,000. Our customer’s family size is from 2 to 6 persons as well as owning a home in the urban location. Our customer obtains our product through local sales.

3.5.2 Composition of population

Decrease of population

Population of Kouvola at the beginning of 2010 was 87,656. Just in one year since 2009 after uniting with the adjacent municipalities such as Kuusankoski, Anjalankoski, Myllykoski and Elimaki the population of Kouvola has decreased by 388 persons which has a continued and constant tendency for decline. (App. 1.)
The population of Kouvola in 2010 is predominantly comprised of persons of working age from 15 to 64 years old. The current number is 56,364 persons or 64% although this number has a tendency for constant decline and in 2030 it will be 44,252 which is almost half that will care for the other half of the population of Kouvola. There are 12,888 of children aged 14 and younger in Kouvola in 2010 and by 2030 their number will be 11,367 which means that although there is an increasing trend in the birth rate in 2010 there is also a declining trend in the number of persons of 14 years old and younger. (App. 1.)

The aging of the population

Population at the age of retirement 65 and older is growing and if in 2010 its number is 18,404 or 21% of the total population (almost every fifth person), in 2030 its number will be 27,151 or 33% of all population (every third person) in Kouvola. (App. 1.)

Fewer women than men

The 2010 statistical data for Kouvola indicates that there are 28,752 men and 27,612 women which are by 1140 less than men. This difference will still be increasing till 2011 when it will reach 1,186 after which a decrease will be prominent and by 2016 there will be 992 less women than men meaning the difference will be less than 1,000. Among the children of 14 years and younger in 2010 there are 120 less girls than boys which trend is expected to continue with a small decrease in 2011 to 94 and gradually rise to 207 in 2014. (App. 1.)

Marriages – divorces

There were 504 marriages in Kouvola in 2008 almost half of which were divorces (App. 8).

Composition by family type

The largest segment of population is married couples without children comprising 38%, the second largest is married couples with children comprising 30%, they are followed by 12% of cohabiting couples without children, 10% of mothers with children, 8% of cohabiting couples with children, and 2% of fathers with children. The amount of families with underage children and families in total has a tendency to decline. In 2008 the largest segment was married couples with two children aged 17 or under followed by married couples with one child 17 or under and the segments of 3 and 4 children 17 or under. As of 1.1.2008 there were 24,408 families in Kouvola. The number decreased by 153 from the previous year. On The first of January 2009 68% of the families were married couples, 20% were families of cohabiting couples, and 12% were one parent families. Families with children under the age of 17 numbered 9,273 or 38% of total families, their number had fallen by 220 from the year before. The same year there were 18,455 persons living alone. (App. 2-3.) (Statistics Finland 2010.)

3.5.3 Average spending on home textiles In Finland

In the period from 2001 to 2006 consumption expenditure per household varied by type of household. The most significant increases of expenditure on bed linen and fabrics were among two-parent families with children and among single-parent families with children. Consumption increased somewhat among elderly households and among single persons aged 64 and under (App. 3). In the period from 2001 to 2006 consumption of bed linen and fabrics was the highest and more than doubled among own-account workers. Consumption almost doubled among farmers and lower-level white collar workers increasing somewhat among blue-collar workers and students while decreasing among the upper-level white collar workers. Consumption of bed linen is the highest in metropolitan regions and has increased during the period between 2001 and 2006. Consumption in Southern Finland is second highest after Northern Finland where it increased significantly in 2001-2006. Total consumption among various municipal groups has increased in 2001-2006 period with highest increases among urban municipalities and semi-urban municipalities. (App. 3.)

Consumption by age group

Consumption doubled among 35-44 year olds, significantly increased among 45-54 year olds, and moderately increased among 17-24 year olds and 65-74 year olds while slightly decreasing among 25-34 year olds, 55-64 year olds, and 75 and older consumers in the period of 2001-2006 (App. 3).

Consumption by size and structure of household

The biggest consumers are 3 adults' families, 2 adults and 3 children families. Consumption more than doubled among 2 adults and one child families, 3 adults' families, and 3 adults and one child families in 2001-2006 period. (App. 3.)

Expenditure by income bracket

Spending among households in the 17-20 thousand income bracket was the highest in 2001-2006, while spending significantly increased in the 15-18 thousand income bracket and decreased lightly in the other income brackets (App. 3).

Per Capita income

Disposable household income grew on average by one thousand every 2-3 years during the period from 1995 to 2007. Disposable income is higher and has a faster growth in the Etelä-Suomi region than in the whole of Finland, while the disposable income in the whole of Finland is somewhat higher than its growth in the Kouvola region. In 2007 in Kouvola disposable household income per capita amounted to 16,231 Euros (App. 4).

Table 3. Household income by transaction per capita 2007, Euros.

Disposable income			
	2005	**2006**	**2007**
Finland	15 329	16 015	17 087
Southern Finland	16 552	17 176	18 352
Kouvola	**14 871**	**15 472**	**16 231**

Source: Statistics Finland.

Table 4. Number and income of household-dwelling unit population.

2008	Kouvola	Finland
Kouvola		
Number of households	43263	2499332
Number of persons in households	86822	5219284
Average household size	2,01	2,09
average consumer unit per household	1,45	1,48
Average disposable income, €	31729	34620
Median income, €	26520	27665
Average mean income per consumer unit, €	21178	22606
Average mean income per consumer unit, €	19285	19839

Source: Statistics Finland.

In 2007 in Finland both disposable and cash income (in the range of 50,000) was the highest among the upper-level salaried workers group. The second highest (in the range of 40,000) was among both the lower-level salaried workers group and unsalaried workers. The third highest disposable income in the range of 20,000 was among the pensioners group (App. 4).

Household income by life-cycle

In 2007 couples with children with youngest child less than seven years old had the highest disposable income in the range of 50,000. Couples with all children under seven as well as the childless couples of 35-64 years old had disposable income in the range of 40,000. Childless couples over 64 and under 35 had disposable income in the 3,000 range. Disposable income for one person households was in the range of just under 20,000 (App. 4).

One-person household income

The highest disposable income of one-person households was among 35-64 year olds in the range of 20,000. Disposable income in the range of 16,000 was among persons younger than 35. Income among persons older than 64 was in the range of 14,000. (App. 4.)

Expenditure on interior and home equipment

Agricultural entrepreneurs and persons in high management position groups both spend 6% of their disposable income on home interior and equipment, while entrepreneurs, workers and persons in low management positions spend 5% of their disposable income. Students, pensioners and the unemployed spend 4% of their income on home interior. Couples with children spend the same amount as couples without children. (App. 4.)

Residential type

The total amount of residential buildings in Kouvola in 2008 was 43,263. Their number grew by 494 since 2004 (App. 5). The largest residential segment in 2008 in Kouvola is separate small houses, there are 20,881 or 49% of them, almost half of which are inhabited by two persons. This segment is growing by about a 100 every year. The second largest segment is 35% or 15,339 apartment buildings 3,803 of which are inhabited by 2 persons, but no growth in this housing segment is indicated. The third segment is 14% or 6,070 of terraced housing 2,124 of which are two people households. This sector is growing but very slowly. The largest amount of 3 people households occupy separate houses and amount to 3,218 houses in Kouvola. Detached houses are the largest housing segment occupied by all (2-5 people households) types of households. (App. 3, 5.).

The majority of detached housing for 2 person households consists of four rooms and amounts to 3,280. Three and five room houses are each approximately half of the amount of four room houses. In 2008 in Kouvola there were 1,403 detached houses, 82 attached houses, and 29 blocks of flats built since 2000. (App. 5.).

There were 7,520 free time residences in Kouvola in 2008. According to information from Tilastokeskus (2010) Kouvola is one of the municipalities with the largest number of summer houses which significantly increases the population in the summer time. (App. 5.)

Annual household textiles consumption expenditure

In 2006 total expenditure on home textiles was 130 Euros. This number in the order of their value in Euros includes:

- Two-parent families with children - 216
- Couples under 65 without children - 200
- Other households - 110
- Single parent families with children - 100
- Elderly households - 77
- Single persons aged under 65 - 65

(App. 6). (Statistics Finland 2010.)

3.6 Demand analysis for home textiles

3.6.1 Factors affecting the demand (CBI-CPIDC)

There are several factors affecting the demand in general and the organic textiles demand in question. Some main factors are: Economic climate, social trends, media interest, ease of use, organic bed linen, and the influence of fashion. The following text opens up the influence of all relevant factors.

The economic climate greatly influences the spending on household textiles. Unessential expenditures can be deferred or postponed till the situation improves. People spend more time at home during the hard economic times and tend to transform their houses into places of comfort and safety.

Sales of home textiles are increased by the social trend of higher amount of working women with own incomes who are the decision makers.

Media interest encourages new purchases based on the desire for change rather than product life.

Higher washing temperatures used for washing fine linen makes it more susceptible to colour run.

People do not want to spend much time on their households so it is important for linen to be easy to wash and wrinkle-free as well as easy in making up a bed.

The demand for allergy and asthma friendly linen is increasing as a result of an increasing amount of children and adults suffering from respiratory problems needing to limit the aggravation of their symptoms caused by dust mites and other allergens housed in their linen.

European consumer’s interest in organic materials for household textiles is increasing.

Satin, linen and Kashmir are currently the popular high quality fabrics with the newest developments being the 100% Egyptian cotton and wood pulp.

Many modern household textile products are matched to each other by colour and design including bed, bath, pyjamas and furnishing textiles. An increasing number of linen with different colour pillowcases.

Bed linen which is designed for children often contains comic, cartoon and movie characters, sports and music groups. (CBI 2008, 2.)

3.6.2 The EU bed linen consumer market changes

The tastes and the preferences of consumers are increasingly internationalized and globalized together with the supply chains, fashion magazine coverage, trade fairs, and retail stores.

Increasing number of department stores has added home textiles departments to their product range while sourcing their products from the low cost countries.

Product lifecycles have reduced to approximately 2 years due to the growing influence of fashion and its rapid changes. (CBI 2008, 3.)

3.7 S W O T Analysis of Luonnotar Organic Home line strategy

SWOT analysis defines the strengths, weaknesses, opportunities and threats and enables the organization to deploy its resources and values to maximize the benefits by matching the strengths with the opportunities as well as to avoid the environmental and competitive threats and improve the possible weaknesses (Baker 2007, 143). The analysis is used to identify Luonnotar’s strategic window of opportunity to enter the market with a new product. The following SWOT analysis is based on and summarizes the preceding topics of the research.

Table 5. SWOT analysis: Luonnotar Organic Home line.

S: Existing company brand name. Increasing interest in the organic and eco sound products by the consumers.	W: Lack of experience in manufacturing and marketing textile products.
O: Opportunities to fill the demand for organic and eco sound bed linen, high quality and easy-to-use, and allergy and asthma friendly bed linen.	T: The Finnish textile companies may be able to produce a competitive product. Reaching the potential customers by marketing communications may be difficult and costly. It may not be feasible to introduce a high quality product in the market that is used to its current product and level. The department retail stores may introduce a competitive product for a lower price.

Source: research analysis.

3.7.1 Conclusions

The following table summarizes the most important factors of the development of home textile industry in Finland.

Table 6. Home textile market in Finland plus - minus sheet.

Plus (+)	Plus and minus (+/-)
Finnish demand for household textiles and furnishing textiles annually increased by 10.4% and 5.4% respectively in the period 2003-2007.	Finland is a small European market for household textiles and furnishing articles.
Finnish consumers are increasingly interested in natural fibers in the household and furnishing textiles sector. This offers interesting opportunities for DC exporters specialized in natural fibers production.	Finnish producers of textiles are strongly improving their productivity, in order to face the increasing competition from Finnish supply and increasing imports from LCCs.

Finnish producers are increasingly sourcing from lower cost countries.	
Due to increased media interest, the Finnish are more and more susceptible to fashionable home decoration articles.	
The Finnish population is slightly increasing, and the number of households is increasing.	

Source: CBI 2008.

Positive influences

The demand for bed linen will be positively influenced by the media interest in household decoration as well as the reduced fashion lifecycle of the products.

- A decrease in EU production due to sourcing from the low cost countries.
- An increasing demand for organic and eco sound bed linen.
- An increasing demand for high quality, easy-to-use textile products.
- An increasing demand for allergy and asthma friendly bed linen.
- An increasing demand with increasing number of working women.
- An increased consumption of household textiles in Finland in 2003-2007. (CBI 2008, 5.)

4 LUONNOTAR ORGANIC HOME LINE STRATEGIC MARKETING PLAN

4.1 Objectives of Luonnotar Organic Home line strategy

The mission

The mission is to satisfy the local consumers’ demand for high quality ecologically sustainable organic home textile products. To play a pivotal role in the sustainable and environmentally responsible manufacturing trend.

Strategic objectives

Although Luonnotar is primarily centred on organic food and produce it also has a significant amount of organic clothing and accessories in its range at the retail location as well as on its website. Luonnotar is a developing company looking forward to expanding its range of organic clothing and textiles by researching opportunities for bringing new products to the market. Limited possibilities are available for sourcing brand name products as Luonnotar has been doing but more possibilities become available with new product development and international sourcing. As it is not yet possible to produce the proposed new products in Finland a reasonable solution is to produce them in a low cost country and import them to Finland. The objective in this case is to create and maintain an international sourcing supply chain for the products created by Luonnotar and with Luonnotar private label.

Sourcing strategy objectives

The sourcing plan for Luonnotar Home line consists of a single source supplier with whom it is possible and mutually desirable to have a high-level involvement relationship for several reasons, such as: supply chain integration, vendor managed inventory, and product design and modifications. However if a high-level involvement relationship with the supplier can not be established it would be reasonable to consider a dual source supply chain strategy. Successful market testing of the product as well as the obtained information about lead times will allow for the procurement decision to be made. Another aspect of a successful integration of the supply chain is an agreement with vendor to stock and ship individual orders upon receipt of the customer's orders by Luonnotar. An alternative sourcing strategy would be a Greenfield investment into production and processing facilities build specifically to support organic manufacturing.

Assuming that an agreement on resource materials, production and production quality standards, warehousing, and electronic order dispatch with the supplier can be reached the asset requirements are mainly focused on establishing a relationship with the supplier, reaching the agreement, and managing the supply chain. The resource requirements will increase if the need to maintain a higher level of limited safety stock at the retail location arises.

Marketing objectives

Primary marketing objective is to test market the product. Secondary objective is to measure the product's market and quality performance and integrate the supply chain accordingly. Tertiary objective is to increase market share and sales of the product as well as to develop new products by extending the product line. The primary marketing objective of test marketing the product relies on certain assumptions about the product brand and its competitive advantage, target customer, and the price of the product.

1. Target customer for the product is families and individuals who are informed about the benefits of the product as well as the product's availability at the retail place by means of promotion via newspaper advertising.

2. Luonnotar Home Products differentiation and competition. The main advantage pertaining to the quality of the product is being free of allergens and harmful substances. The second advantage is the sustainability of the agricultural and manufacturing processes. In order to succeed in the market the product is differentiated by the Luonnotar brand. The main competitive advantage is the ability to provide a superior quality product.

3. Product pricing according to product quality. Existing competitors have not been pursuing a healthier quality. Nor any of the competitors provide any ambient information about the quality of the manufacturing processes for their products. Their price policies depend on the retail demand and competitively priced. Luonnotar product pricing should be stable and reflecting of the quality and the benefits of use. Luonnotar product is attributed to a new category of innovative organic home textile products. It's innovative aspect pertaining to control over the purity of the final product as well as the product's environmental footprint.

4.2 Marketing strategy

Purposes of the marketing plan

Primary purpose of the marketing plan is to fulfil the need to identify and measure the demand of the market for specific products to enable strategic supplier decisions be made in order to successfully produce and sell the organic home product on the market. Marketing plan in this case is comprised of two aspects which concern b2b as well as b2c issues.

Business-to-business

Strategic supplier relationship is essential for the production and manufacturing as it allows for greater control over the quality of the product. As the product is to be manufactured from a specific quality fabric the source of the fabric has to be integrated within the model of the new product. In case the manufacturer does not have a supplier of fabric for a specific product further research into fabric supplier will be necessary to identify and establish contact with the manufacturer.

Sourcing strategy

The products available to customers can be displayed at the store’s retail location as well as the limited safety stock also being available at the same location for sale upon an increased demand during seasonal peaks. The customer has the option to make an immediate purchase from the store’s safety stock or place a shipping order at the store or at the store’s website. The delivery time can be assessed during the test marketing evaluation and will depend on the supplier’s warehouse and order dispatch facility location as well as the method of shipping.

Market segmentation strategy

There can not be one organization to be all things to all people and in some sense all segmentation strategies are in a sense niche characterized by what they exclude just as much as by what they include. A niche strategy focuses on a single segment with a unique offering. (Mintzberg 2003, 122.)

The segmentation strategy is based on the assumption that the largest portion of expenditure on home textile products in Kymenlaakso region belongs to families with children.

Primary customers

The most significant advantage a product can have on the market from the marketing perspective is the awareness of the consumers about it followed by their loyalty to the product's brand. At an early age as well as older consumers may tend to pay less significance to the quality of the textiles they use but a middle-aged and a more informed consumer is more likely to notice the product for various reasons such as: familiarity with sustainability issues, current trends in textile design, familiarity with current energy and environmental policies, or simply by searching for the best available alternative with an aim of enhancing or upgrading the quality of their home products, or for reasons of concern about their health and the need for being well informed about their purchases. A mid-age customer is more likely to have a regular job and a stable income with a possibility of savings for occasional spending on maintenance of their home equipment. It is important to note that an average consumer does not make frequent purchases of home textiles but instead makes a new purchase on either a significant occasion or at the time then the old textiles become too old or cease their function, which inevitably happens. Another important aspect of the demand for home textile products is the availability of storage space to store the products which is characteristic of home owners.

4.3 Targeting strategy

Target groups

The main determinants of the demand for household textiles affecting the target customer group for Luonnotar Organic Home line of products are: demographic criteria, developments on the housing market, and socio-economic developments. Other important aspects include the prices for household goods in relation to the competing product prices, consumer preferences for specific fibres, influence of fashion and brands, and interior trends.

Demographic criteria is the main determinant of the levels of consumer spending on household textiles including size and age structure of population and specifically the number and stage of households.
People generally tend to redecorate their homes after a move thus availability of new housing affects the sales of household textiles.

Availability if disposable income and readiness to spend it on decorating homes as well as an increase in purchasing power of young people significantly influences the sales of home textiles. (CBI 2008, 10-12.)

Attitude toward fashion and life style

Colour, design, exclusivity and life style are the important elements of modern fashion. Consumer demand has become more specific in the fashion and design segment which allows for individualization of own life style. Personalization is the strongest stimulus for new purchases and it is winning over the need to replace. The individualistic nature of society will create a rise in demand for goods with high expressiveness value which the people are more willing to spend their money on at the same time as the lower priority goods are preferred to be low priced. (CBI 2008, 10-12.)

Fashion concepts criteria

The fashion products can be divided by fashion mentality or the degree of acceptance of new trends by consumers into avant-garde, innovative, current, classical or conservative well known. “Conception of culture” is a fashion consciousness concept describing the consumers’ attitude towards the patterns of culture. Consumers either conform to the dominating culture or choose the opposition to traditional culture. Fashion consciousness determines what is beautiful or ugly more so than macro-economic factors like age, income, profession or region. (CBI 2008, 10-12.)

Price/quality ratio criteria

Higher segment of the home textile requires high product quality.
Aspects of quality include reliability, durability, close connection with service, and differentiation by product and design. Over the years the trend towards more expensive higher quality products has increased. Price-conscious consumers look for fashionable trends as well as good quality materials while value for the money is the most important criterion. (CBI 2008, 10-12.)

4.4 Product life cycle

The product’s life cycle is in development stage. In order to fit the necessary market criteria of selection by the customers the product must me comparable in price to the products that currently exist on the market and at the same time provide a measurable advantage in its quality in order to make the customers’ choice easier. Product development stage must address all the relevant issues pertaining to the marketing while taking in consideration the available production opportunities in order to make the product capable of being successfully introduced in the market.

4.5 Potential strategies for Luonnotar Organic Home line

A suggested core strategy aims at the extension of the product family. The mainline of the potential strategy is to test market the product locally and expand into the international market.
Extending the product line with other home textile items such as terry cloth based products.
Extending the reach of e-commerce by making the website pages available in other languages.
If the product is well adopted locally by the customers it may be produced in higher volumes and distributed wholesale.

Product quantities

Initially a minimum production order quantity offered by the supplier at the supplier’s price can be purchased in order to evaluate the product performance and establish the appropriate product price.

If the product proves to be of the desired quality and brings customer satisfaction a larger manufacturing order may be necessary to satisfy the demand. Safety stock will be limited by the shelf space available at the store location. As with all other consumer products sales of conventional home textiles have a tendency to increase during price reductions as well as during the holiday season.

Sales revenue

If the initial order amounts to 100 sets and all the units are sold during the same year then depending on the actual mark-up price (approximately 30%) annual revenue can amount to two thousand Euros. Sales revenue will depend on the total cost of the production order including all shipping expenses and the market price set for the product.

Resources

A minimum production order quantity of 100 units may cost from 30 to 50 Euros per unit. Moreover the supplier’s price for warehousing the produced stock and order processing may increase the total purchase price. A mechanism for retransmitting customers’ orders to the supplier as well as order dispatch information from the supplier needs to be established prior to purchasing the production order.

4.5.1 Core strategy

Plan to reach the customer

There are a few ways to attract customers’ interest in the new product all of which are based on informing the potential customers about the availability of the product on the market as well as informing the potential customers about the benefits of the product.

In order to control the promotional budget marketing communications are accomplished by the least expensive means while achieving the desired level of customers’ awareness about the product.

Promotion

The company already has experience with placing advertisement in the newspaper as well as with using promotional posters on billboards and community boards. The advertising should contain the company’s website address where dedicated product advertising can be placed. Direct product advertising can also be part of the newspaper ad. The advertising can also present the readers with relevant information pertaining to the national sustainability strategy as well as facts about ecological and organic products from an environmental protection point of view.

4.6 Marketing programmes

- Direct marketing (internet media, database marketing, segmentation, target marketing)
- Sales marketing (face-to-face sales)
- Advertising (brand, product)
- PR (image, press release)
- Sales promotion (incentive to buy)

The minimum requirements of a marketing database consists of three data sets including personal customer data, purchase or transaction data, and communication data with campaign history and responses. The most effective marketing database software is a user friendly and menu driven front-end application capable of name and address processing, making selections, analysis and report generating. (Tapp 2005, 25-26.)

The most suitable marketing programme for the new product would utilize cause-related marketing by educational and awareness-building activities.

Marconi (2002, 17) writes: “cause marketing is the action through which a company, a non-profit organization, or a similar entity markets an image, a product, a service, or a message for mutual benefit”.

According to an Online Global Consumer Study performed by the Nielsen (2007, 2) company consumers in Finland put their trust in newspaper advertising (77%) followed by shared personal consumer experience (71%), television (60%), radio (56%), and monthly magazines (55%).

The focus of the marketing program strategy is to identify the customers who are looking or want to buy the product.

Artwork has to invite a sale as well as maintain a relationship with the customer. In direct marketing, the only reason for artwork at all is to support the selling argument and move the sale along. Meisner (2006, 31-32.) suggests to "tell prospects just enough so they can make a "yes" decision but not enough to allow them to make a "no" decision".

4.7 Marketing mix – Luonnotar Organic Home product line

Product line consists of four bed sets in four sizes as illustrated in Table seven below.

Table 7. Luonnotar Organic Home line family.

Item number	Item title	Item size (incl. sheet and duvet cover)	Item pillow size
1	Single bed set	150x210	50x60
2	Double bed set	240x210	2x50x60
3	Kids bed set	120x160	40x60
4	Kids bed set	65x85	30x40

Source: action research.

The following table eight describes the manufacturing standard of the product. Data is derived from the product design specification.

Table 8. Luonnotar Organic Home line product industrial description.

Manufacturing process	**Value**
Fabric weave type, thread count and weight	Jacquard, percale
Resource cotton yarn	Certified 100% organic (GOTS)
Product trim type	Bed linen (design)
Product size	Standardized (retail standard)
Product color and dyeing method	Organic and natural dyes

Product labeling	Brand label and care label
Product tag	Certification and ambient information
Product packaging	Textile pouch, printed plastic protective

Product description

Fabric weave type: jacquard or similar. The textile pattern of jacquard weave type is visualized as an example in figure four. The design consists of a single design template which repeats in a checkerboard fashion.

Pattern template Textile pattern

Figure 6. Jacquard textile pattern example.

Resource material: Organic cotton yarn in two separate colours, natural off-white and natural (colour-grown) off-red/brown or similar contrasting to white colour.

The product is an innovation to its predecessor the conventional home textile product. It is differing on a number of factors of utilization of technology involved in its production process. Starting with the initial process of producing an organic crop of cotton plant. Factor one will be the non-utilization of chemical pesticides during the growth period. Factor two will be non-use of chemical fertilizers on the soil. Factor three will be the non-use of chemical defoliants in order to get rid of the leaf mass of the crop for automated harvesting. The reasons for this are both environmental well-being and the purity of the final product.

A the next stage of the production process the raw material is transformed into fibre and in turn the fibre is spun into thread which is then is woven into textile cloth. Characteristic of this stage is that it is automated and therefore the factors of this stage of production interact with both the material and the environment via machines which require inputs of energy and drive lubricants and the outputs of used lubricants containing particles of the drive materials which constitutes a hazardous waste. Ideally the factors in consideration will include the sustainable energy and drive materials resource as well as its recycle-ability. The machines have to be properly designed and maintained to eliminate affecting the quality of the fibre material.

Branding

Profitability on par with accountability should be a priority before sales and market share as well as a tool for segmentation by using customer profitability as a primary branding metric focused on retention of most profitable customers and avoiding the unprofitable customers (Wreden 2005, 3).

Profitability and accountability drive another critical branding imperative the sustainability because only a brand focused on sustainability can lead to second, third and lifetime of purchases. According to Wreden (2005. 3): “a brand is not built by acquiring customers; it is built by keeping them”.

Wreden (2005, 5) further states that: “ProfitBranding represents an innovative, comprehensive approach to brand building. It reflects the integration – or fusion – of traditional marketing with technology, measurement and operations. It fuses customer requirements and organizational capabilities to deliver value. Acquisition and retention branding complement one another. Online and offline branding are interlinked”.

The activities involved in creating a brand including quality, service, fulfilment and innovation, and consistent delivery over time are handled by the process owners in logistics, manufacturing, and innovation systems not by Advertising, PR and other marketing efforts by a department or an agency.

In the next branding era of ‘Demand Economy’ where customers want immediate personalized fulfilment, service, support, and offerings the brand imperatives include: integrated supply chains, increased accessibility, immediacy, personalization, and measurement. (Wreden 2005, 16-19.)

Differentiation by brand

The purpose of branding is in a cost-effective facilitation of acquisition and maintenance of a loyal customer base in order to achieve the highest possible return on investment (Chernatony & McDonald 2003, 22).

A dualithic brand-name strategy uses an individual brand name Organic Home supported or endorsed by the joint brand name Luonnotar (Riezebos 2003, 105).
Luonnotar “Organic Home” brand as illustrated in Figure five consists of the company name combined with the product line brand logo. The product line brand logo consists of the brand words set against a background of an image resembling a house.

Figure 7. Luonnotar Organic Home brand logo English and Finnish examples.

To successfully differentiate Luonnotar products in the marketplace an exclusive brand is implemented which encompasses future addition of new products pertaining to the organic home textile category. The new brand builds on the existing and established Luonnotar brand which already enjoys popularity as the corporate logo. The extension is emphasized by the choice of textual font consistent with the brand. The decision to build on the existing image is logical and rational. It is consistent with previous promotion efforts and enjoys the advantage of customers' familiarity. The font is very articulate, precise and stylish at the same time. Further aspect of the brand is in the introduction of a line brand "Luonnotar Orgaaninen Koti" with "Terve ja Mukava" or "Healthy and Comfortable" being the positioning attribute of the product. Alternately another positioning variation is comprised of fashion and quality with quality being the attribute of fashion while encompassing the health of the environment. Further differentiation is achieved by full company name and its national location in Finland which appeals to the customers that are loyal consumers of national products or have a loyalty to Finnish companies. Figure six illustrates an example of brand differentiation indicated on care tag and/or packaging.

Figure 8. Luonnotar Organic Home brand English and Finnish product tag or packaging design examples.

Brand marketing communications

An example of marketing communications shown in figure seven includes the product line brand logo on the background of aesthetically pleasing image of the product in its state of application. The product image should closely follow the profitability guidelines by targeting the most profitable customers with the intention of retaining them and inviting for repeat purchases. Product images may also be acquired in conjunction with national furniture manufacturers.

Figure 9. Luonnotar Organic Home brand advertisement Finnish example (Organic.org 2010).

Packaging

Along with a protective biodegradable plastic wrap packaging can consist of a dedicated textile drawstring (or Velcro) sack made from the same fabric as the product containing a printed brand on the front side as illustrated in figure eight.

Figure 10. Luonnotar Organic Home brand linen set packaging pouch example.

Price

It is important for a customer to be able to make a comparative choice based not only on the price but also based on the environmental and health benefit that the product represents. Conventional brand cotton set of middle market quality retails for 40-60 Euros at the department stores in other EU countries and their web stores online.

Place

The product sales will take place at the Luonnotar retail store location in Kouvola city centre plaza where a limited safety stock will be kept and replenished by the supplier upon indication via the electronic data interchange system. Customers will also be able to purchase the product online from the company website. Additional stock also available for sale will be located at the supplier’s warehouse.

The product must comply with EU legislation requirements, labels, and management systems based on environmental, consumer health and safety and social concerns (CBI 2008, 11).

Promotion

Several ways to promote the product as well as the brand should be considered the most appropriate of which is the local newspaper. Commercial section can be used to advertise products on sale and new products accompanied by a short description of the products. A newspaper article related to the nature of eco-business or research information gathered by the company can also be published in the newspaper. In Kouvola a newspaper is one of the main sources of information. It is important for the marketing communication to remain subtle in order to project a ‘non-shouting’ image of the communication as well as an image of intention to maintain a relationship with the most valuable customers.

- Local commercial newspaper double space ad
- Company website
- Shopping window display
- Posters located at local community billboards

Another way to promote the company and the brand is to invest into promotional material such as: booklets, pens, stickers. In addition to promotional items a viral video can be created and posted online.

4.8 Loyalty programs

Creating an online customer club would be a very good way to start building the customer database as well as to maintain a relationship with customers. When the database is sufficient enough for segmentation analysis a loyalty program can be implemented targeting the profitable customer groups with personalized direct marketing campaigns.

The primary metric for the loyalty program will be the depth, length, and profitability of customer relationships (Wreden, 2005, 19).

According to Butscher (2002, 18): “a customer club is an at least communicative union of people or organizations, which is initiated and operated by an organization in order to contact these members directly on a regular basis and offer them a benefit package with a high perceived value, with the goal of activating them and increasing their loyalty by creating an emotional relationship”.

Customer service and support will be accomplished by means of the chosen IT solution as well as the sales personnel in charge of customer service.

4.9 Market research planning

Pre-test-marketing survey

As the product life-cycle is at its initial planning stage no data can be collected and analyzed therefore a pre-test-marketing survey will not be conducted as part of this research however it would be recommended to conduct a pre-test-marketing survey if it will be necessary to survey the demand for the proposed new product.

As the nature of the primary data necessary for the analysis of the demand for organic home products concerns a range of topics responses to which can not be categorized as yes or no answers the survey is to be conducted by means of a personal interview.

As the actual product is not introduced to the consumers the ability to receive information for analysis will rest upon the ability of the interviewer to create a coherent theoretical image of the product and thus based on imagination appraised by the consumers.

The customer section would include: age, sex, years at current city, frequency of shopping for home products, organic products preference, awareness about the environmental benefits of organic products, awareness of the health benefits of using organic products. What is the customer's choice brand for home category and why? What price is the consumer prepared to offer for the presented product?

5 IMPLEMENTATION

5.1 Product design and development

Test-marketing survey

A mechanism for collecting information about the customers' satisfaction with the product needs to be established at the company's website utilizing the chosen IT solution. The information collected can then be shared with the supplier for purposes of improvement of the product and service. One possibility of testing the product concept would be to publish an order form which can be distributed to potential customers. The order form can contain brand advertising together with a customer mini survey. A new proposed product can be presented theoretically prompting a response from potential customers to mail in the order form to receive another order form for the proposed new potential product when it becomes available after sufficient demand has been indicated by the number of responses. The results then can be evaluated and a decision to develop the product can be made. The same method can also be implemented online.

Core product

The basic need that is fundamentally satisfying to the customer is that bed linen is a comfortable easy-to-use bedding set for an enjoyable sleeping experience.

Generic product

A generic bed linen set is characterized by soft feel of the fabric, standardized sizes, attractive outer appearance, easy care and good colourfastness.

Expected product

Customers normally expect a generic set of attributes from the product.

Augmented product

In addition, the augmented version is made from jacquard woven fabric in various designs.

Potential product

In the future the product may be dyed or printed with organic dyes as well as whitened and mercerized with organic agents.

Integrated product development

In order to successfully implement the product development strategy it is necessary to create and employ a shared collaborative environment which will include the functions of product design and development as well as product sales and marketing integrated into or as part of e-business platform architecture. Figure nine illustrates the model for information flow which includes the collaborative environment.

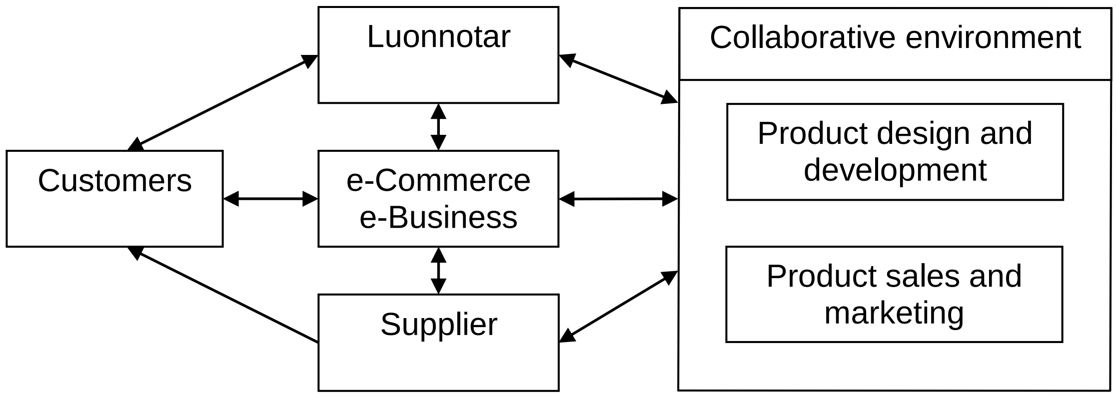

Figure 11. Luonnotar Organic Home line integrated supply chain model.

5.2 Marketing and sales

Cost composition

The cost of producing the product strongly depends on the infrastructure and capability of the manufacturer and in an ideal situation the manufacturer is capable of producing the organic cotton crop as well as to process the fibre into textile product. Individual manufacturers' capabilities vary widely and therefore the cost composition of the product will depend on the particular manufacturer chosen and its current capabilities.

It is logical to assume that manufacturer is capable of producing its own textile from yarn and therefore textile can be produced according to the product's specification. In this case the starting cost will be the cost of organic cotton yarn.

In the marketplace the product should be priced higher than conventional products of competitors as well as high enough to allow for periodic discounts or sale offers.

Positioning

Organic products for home are still an industry trend and not a specific category of products which makes the new product a leader by quality in the conventional category positioning as well as the leader in the organic category of home products on the Finnish market. The only aspect that differentiates an organic product from a conventional one is the ambient information about the product's quality and appeal for its home use.

Benefit

Luonnotar Home brand also has a factor of benefit positioning in that the product is a healthier alternative who's user is a health conscious member of society. The product is competitive but only in its own category of quality. The product is the most value for the price because of its uniqueness and novelty.

5.3 Communication goals

Persuasion or using logical or emotional appeals to encourage belief or purchase should be used as a stepping stone towards the goal of adoption which occurs as a process when profitable customers incorporate the offering into their lives or business operations based on economic, emotional or experiential value of the offering and thus building a long-term relationship. Adoption consists of three stages: attracting, retaining, and advocacy. Attracting by projecting a vision of a relationship where the customer reaps the benefit with a direct implied offer to drive an action and relevant to the target customers as well as on customer terms while being based on economic, emotional and experiential customer value and also well timed to the emergence of need or desire. Communication should also be aimed to retain and increase the customer account and product penetration among profitable customers. Advocacy in communication should make the offering easy to promote by the customers and encourage pass-alongs of emails, catalogues and other promotional material such as pens and cups as gifts. An effective communications plan should be tailored to six constituencies: prospects, customers, media/analysts, investors, employees and competitors. (Wreden 2005, 113-115.)

5.4 Distributors

5.4.1 Supplier research

The supplier research involves finding and analyzing the information regarding the possibilities of producing the product and its possible quality and the cost of its production and transportation. When the actual cost of making the product available on the market is determined the consumer side of the research is conducted by administering a consumer survey to determine the level of demand for the product. The choice of the method is logical and allows for comparison and identification of the most attractive options for the choice of the supplier. Reliability of the chosen method is high because the factors in consideration are determined factors.

5.4.2 Supply chain design

The supply chain for the product takes advantage of the possibility to reduce the cost of the product by managing it without the utilization of a sales agent or distributor. At the same time the supply chain design takes advantage of the e-business process information technology to achieve integration with the supplier in such business processes as product design and procurement as well as product distribution. Figure ten illustrates the movement of finished product through the supply channel from the supplier to local and global customers.

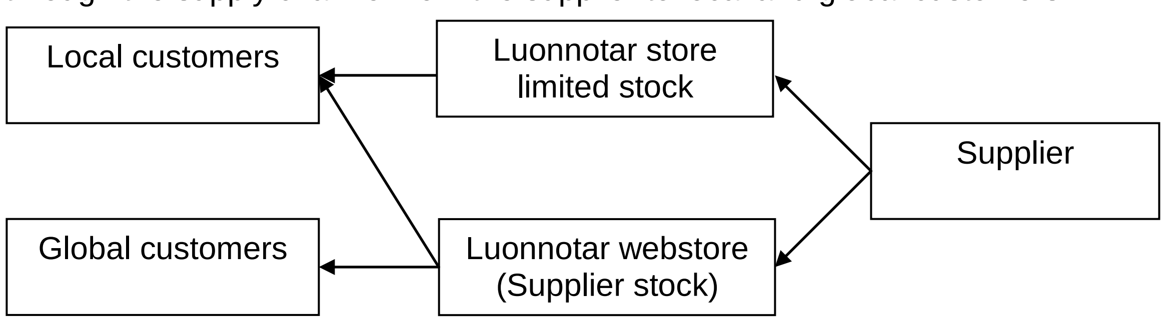

Figure 12. Luonnotar Organic Home line product supply chain channel.

Customers that live locally can come in to the physical store to make a purchase from the store’s stock of product. The product available for purchasing online will be located at the supplier’s facilities. Customers’ online orders will be taken and processed within e-business server application environment. When the system receives the order the information is viewable by the supplier who will ship the order to the customer via the customer chosen shipping method from its supply stock. Payment transaction will be automatically calculated (including shipping), collected and distributed to the supply chain operators.

5.5 Planning the activities

The selection of the supplier is the primary task in production. The suppliers’ capabilities may vary considerably. In order to organize the needed criteria for selecting the supplier a table containing the set of necessary capabilities is necessary. The table should include: location, company size, terms, lead times, equipment, compliance, certification, design capabilities, etc. Initially an online research for perspective suppliers is necessary. It may also be necessary to contact the supplier’s representatives in order to receive more detailed information. After the supplier is chosen the details of the product specification need to be communicated to the supplier. A sample product has to be produced and received in order to evaluate quality and adjust the design parameters. It may be feasible to choose more than one supplier and make the final manufacturing order decision after all the product manufacturing specifications are in place.

Control plan

Suggested control plan comprises quarterly reporting consisting of:

- Sales figures report
- Profitability report
- Supplier performance report

At this stage of the product life cycle the control is on an ongoing basis. All aspects at this point are variable, with performance being a controllable parameter.

6 CONCLUSIVE SUMMARY

In summary it becomes evident that there exists a marginal possibility to market an organic home textile product in Finland where exists a constant demand and a developing interest in organic products at the same time as competition while being strong does not give an indication of developing organic trend products.

The answer to the first research question regarding the existing business environment for organic home products can be summarized as: the business environment although very complex, offers a potential opportunity for realisation of an organic home textile product. Regarding the second research question of what information is needed and available for support of decision-making for organic textile products it could be concluded that decisions can be made based on the combined information resulting from the analysis of all relevant topics presented in this paper. The answer to the third research question of how does a small company launch a new organic product is in developing the infrastructure that supports both the cooperative method of product development and product distribution on one hand and on the other by building a loyal relationship with the customers.

Thesis findings include: market and business environment analysis as well as the marketing and sourcing strategy. The findings are in accordance with the research objective as formulated by the commissioner Ekokauppa Luonnotar Oy.

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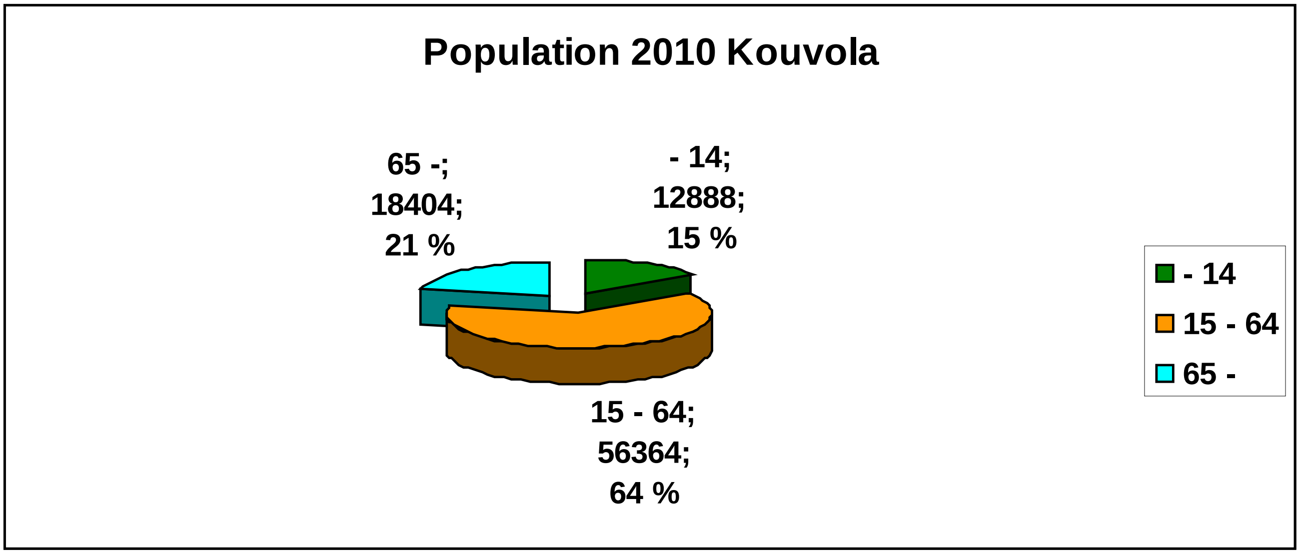
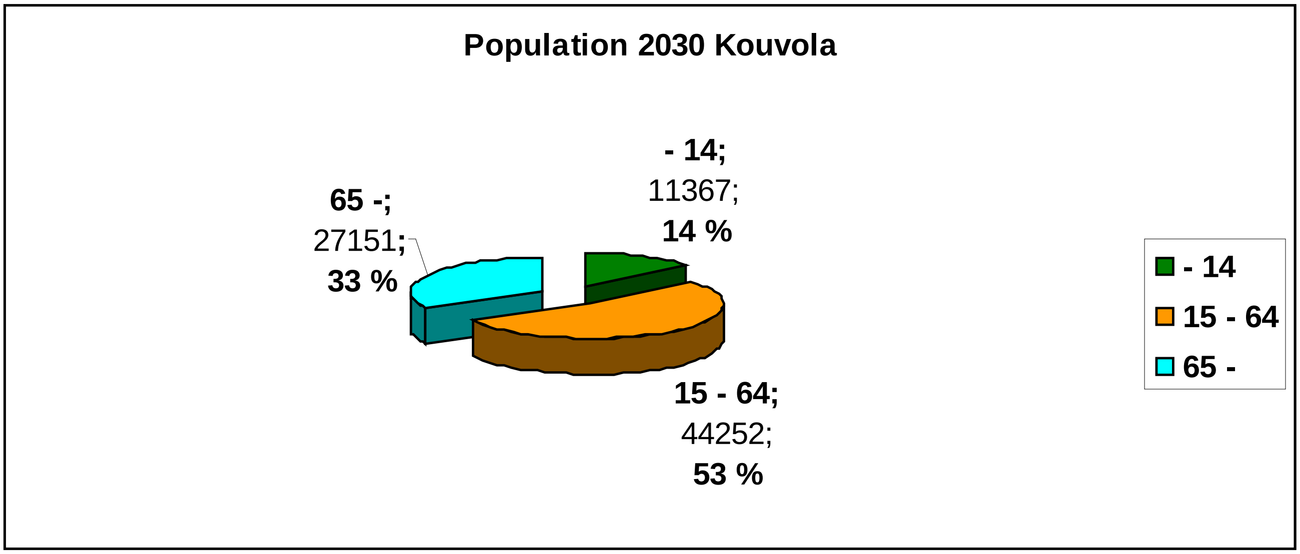
APPENDICES

Appendix 1. Page 1. Chart 1. Population of Kouvola 2010.



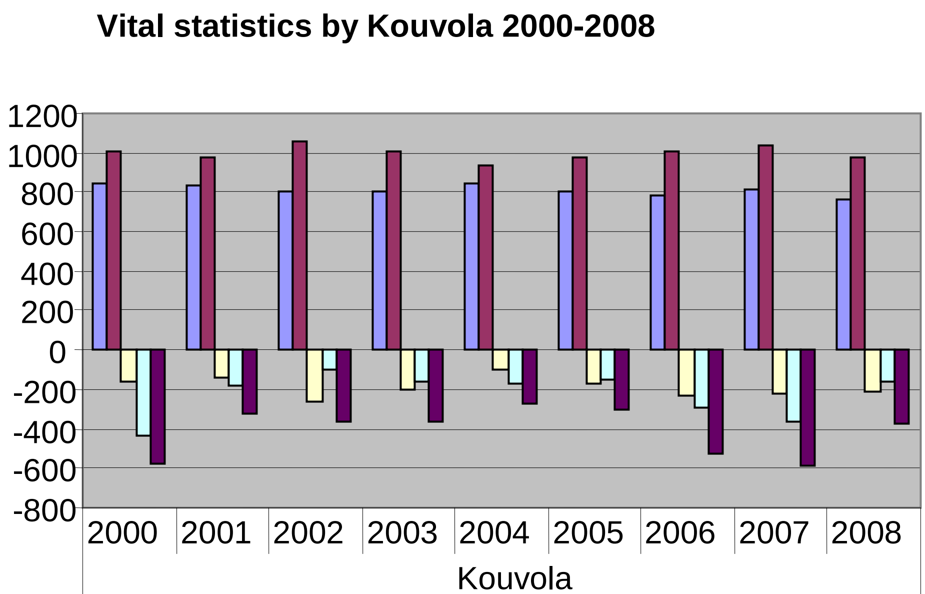
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 1. Page 2. Chart 2. Population of Kouvola 2030.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

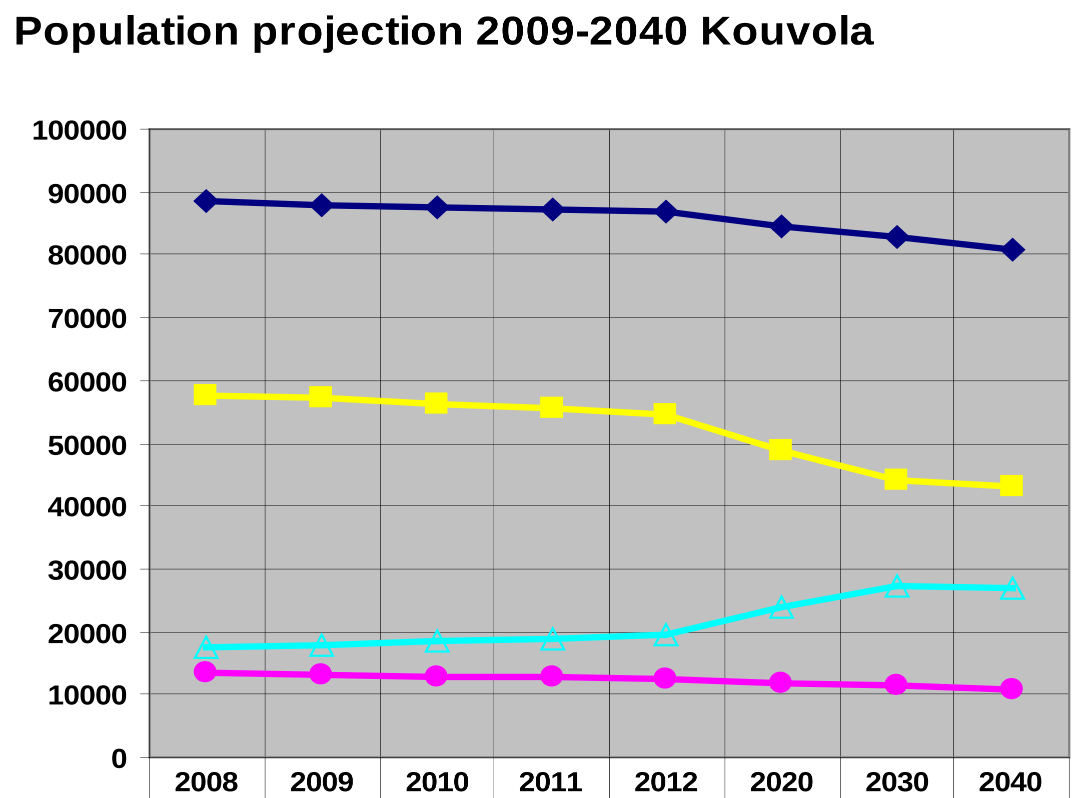
Appendix 1. Page 3. Chart 3. Population of Kouvola 2000-2008.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Live births	848	838	799	802	840	807	780	816	767
Deaths	1008	979	1058	1004	937	973	1011	1033	976
Natural increase	-160	-141	-259	-202	-97	-166	-231	-217	-209
Total net migration	-430	-185	-100	-156	-175	-149	-297	-365	-156
Total change	-579	-324	-365	-364	-270	-303	-527	-584	-377

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

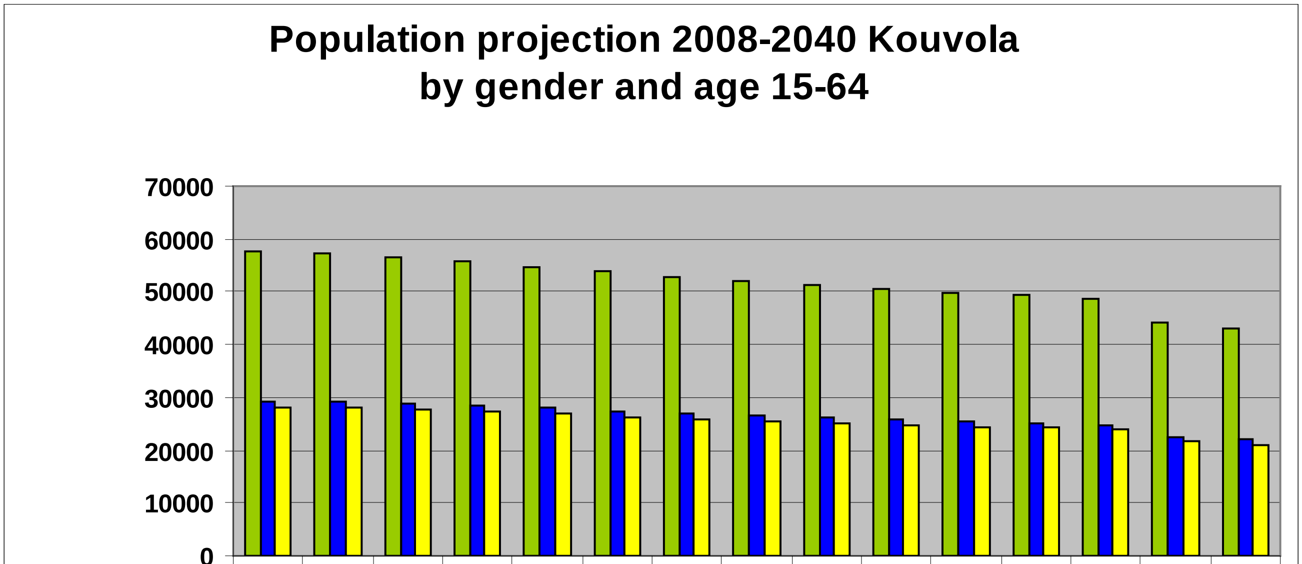
Appendix 1. Page 4. Chart 4. Population projection 2009-2040 Kouvola.



	2008	2009	2010	2011	2012	2020	2030	2040
Age groups total	88436	88044	87656	87280	86926	84663	82770	80754
- 14	13394	13112	12888	12688	12555	11924	11367	10816
15 - 64	57537	57125	56364	55594	54706	48775	44252	43025
65 -	17505	17807	18404	18998	19665	23964	27151	26913

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

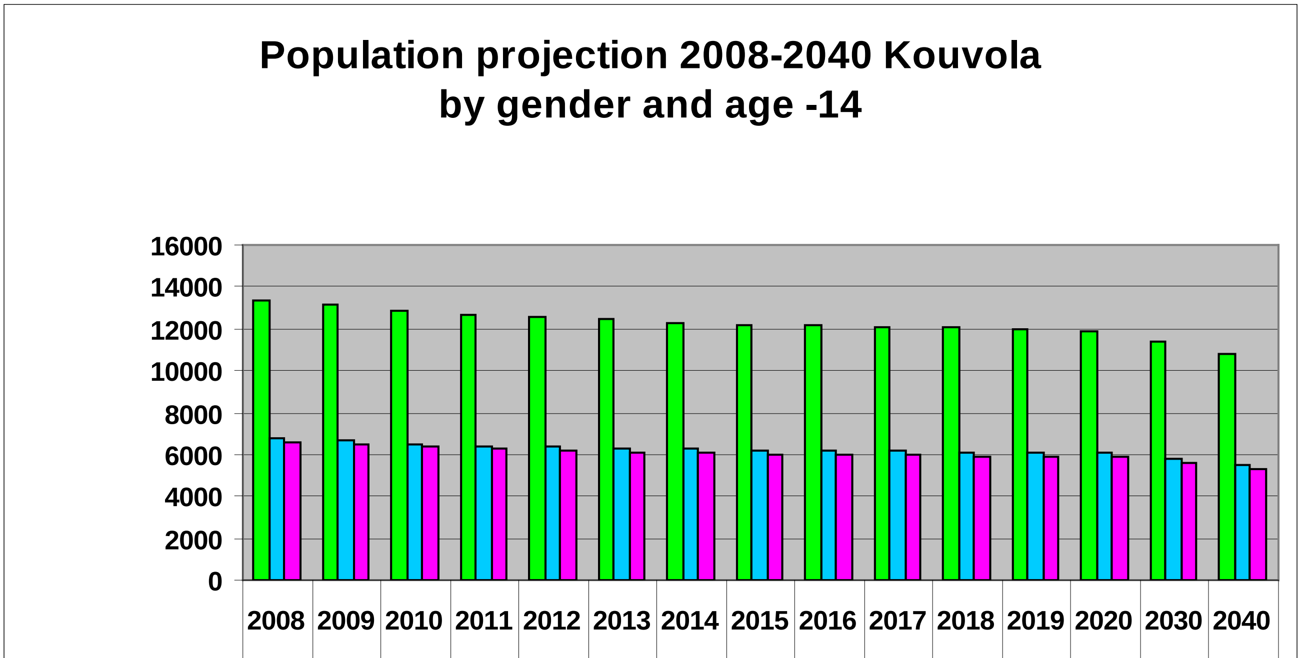
Appendix 1. Page 5. Chart 5. Population projection 2008-2040 Kouvola by gender and age 15-64.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040
Genders total	57537	57125	56364	55594	54706	53783	52928	52116	51432	50648	49973	49389	48775	44252	43025
Males	29343	29138	28752	28390	27929	27451	26978	26566	26212	25799	25461	25178	24828	22517	21948
Females	28194	27987	27612	27204	26777	26332	25950	25550	25220	24849	24512	24211	23947	21735	21077

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

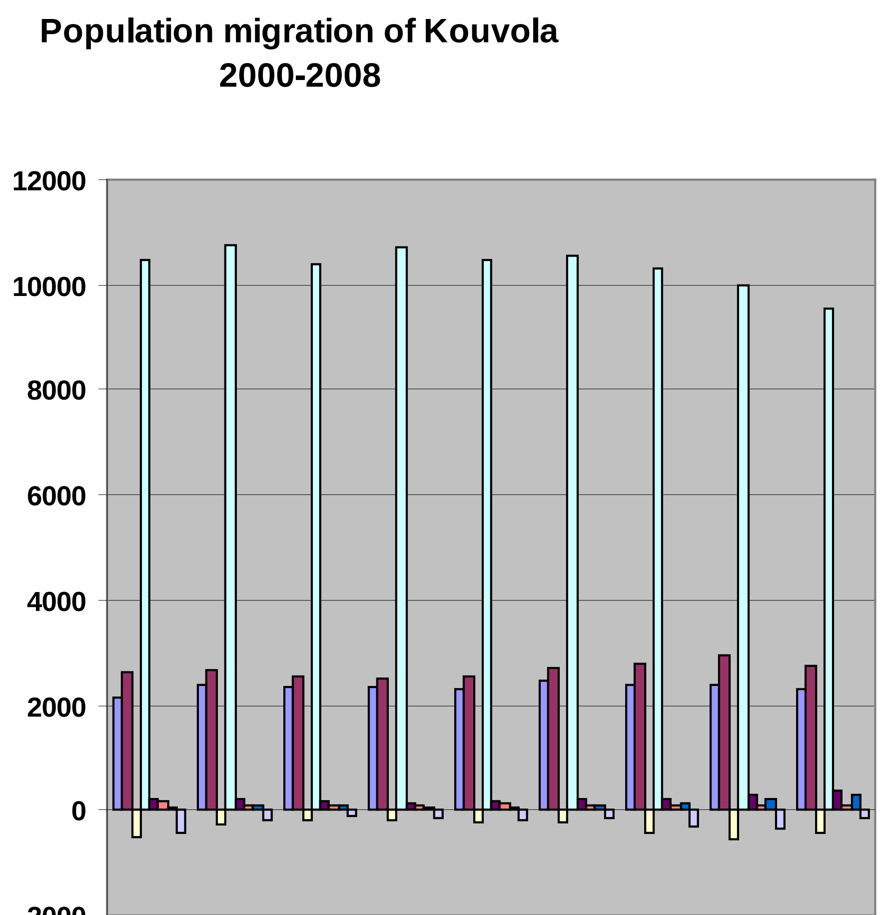
Appendix 1. Page 6. Chart 6. Population projection 2008-2040 Kouvola by gender and age -14.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040
Genders total	1339	1311	1288	1268	1255	1242	1229	1220	1212	1209	1204	1196	1192	1136	1081
Males	6780	6640	6504	6391	6350	6308	6253	6190	6150	6144	6126	6078	6050	5785	5504
Females	6614	6472	6384	6297	6205	6114	6046	6016	5973	5952	5921	5889	5874	5582	5312

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

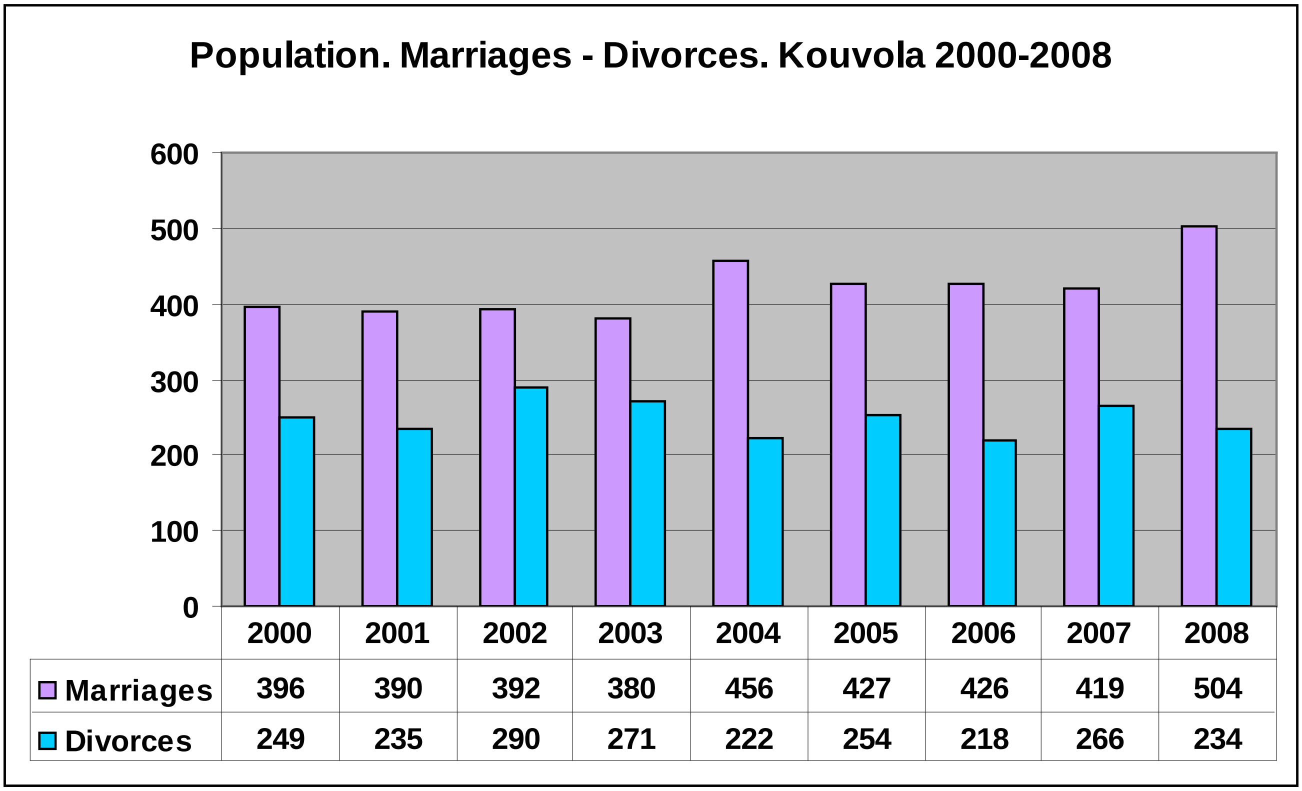
Appendix 1. Page 7. Chart 7. Population migration of Kouvola 2000-2008.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Inter-municipal in-migration	2143	2384	2332	2326	2303	2471	2389	2366	2299
Inter-municipal out-migration	2642	2657	2531	2517	2527	2720	2805	2934	2740
Net inter-municipal migration	-499	-273	-199	-191	-224	-249	-416	-568	-441
Intra-municipal migration	10457	10742	10409	10711	10491	10549	10323	9979	9543
Immigration	224	199	190	147	191	197	209	308	383
Emigration	155	111	91	112	142	97	90	105	98
Net migration	69	88	99	35	49	100	119	203	285
Total net migration	-430	-185	-100	-156	-175	-149	-297	-365	-156

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

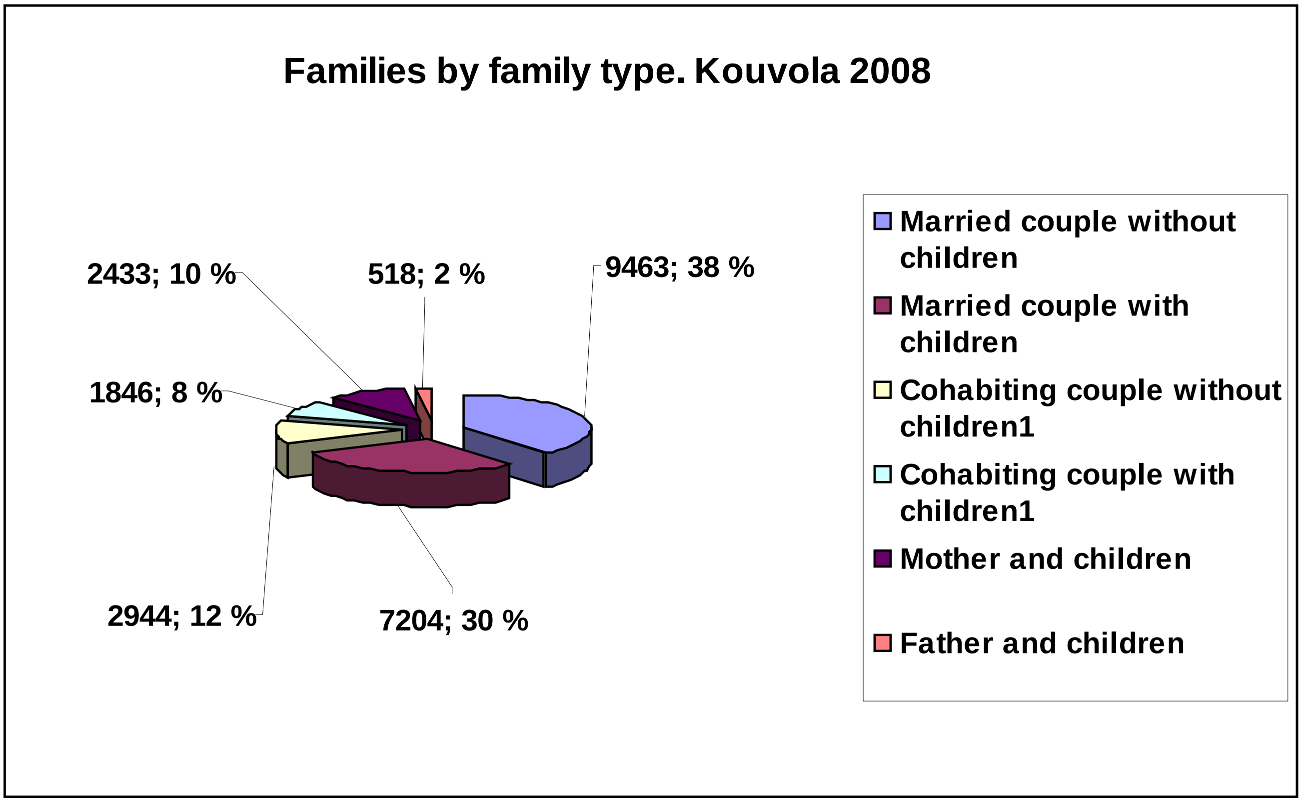
Appendix 1. Page 8. Chart 8. Population. Marriages – divorces. Kouvola 2000-2008.



	2000	2001	2002	2003	2004	2005	2006	2007	2008
Marriages	396	390	392	380	456	427	426	419	504
Divorces	249	235	290	271	222	254	218	266	234

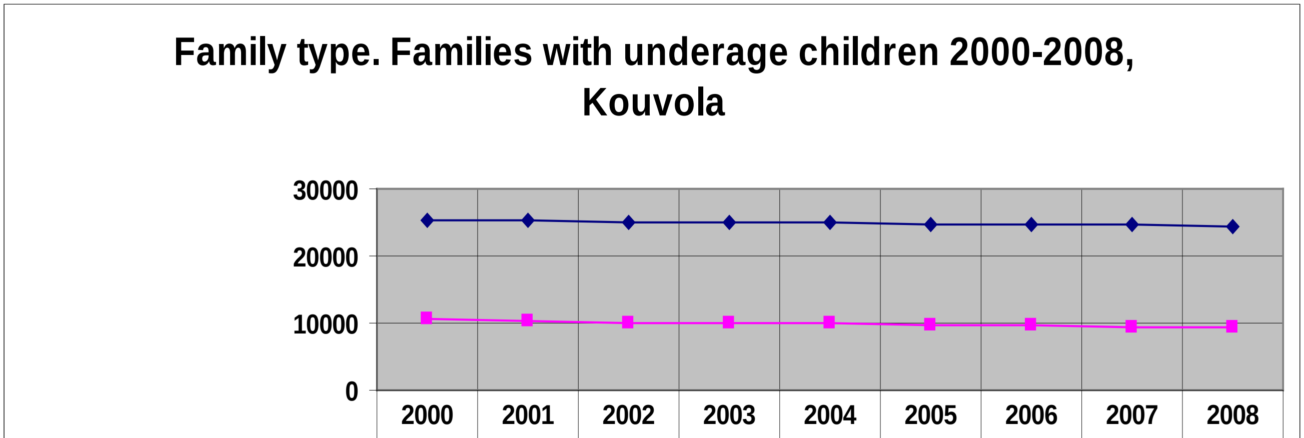
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 2. Page 9. Chart 1. Families by family type. Kouvola 2008.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 2. Page 10. Chart 2. Family type. Families with underage children 2000-2008, Kouvola.

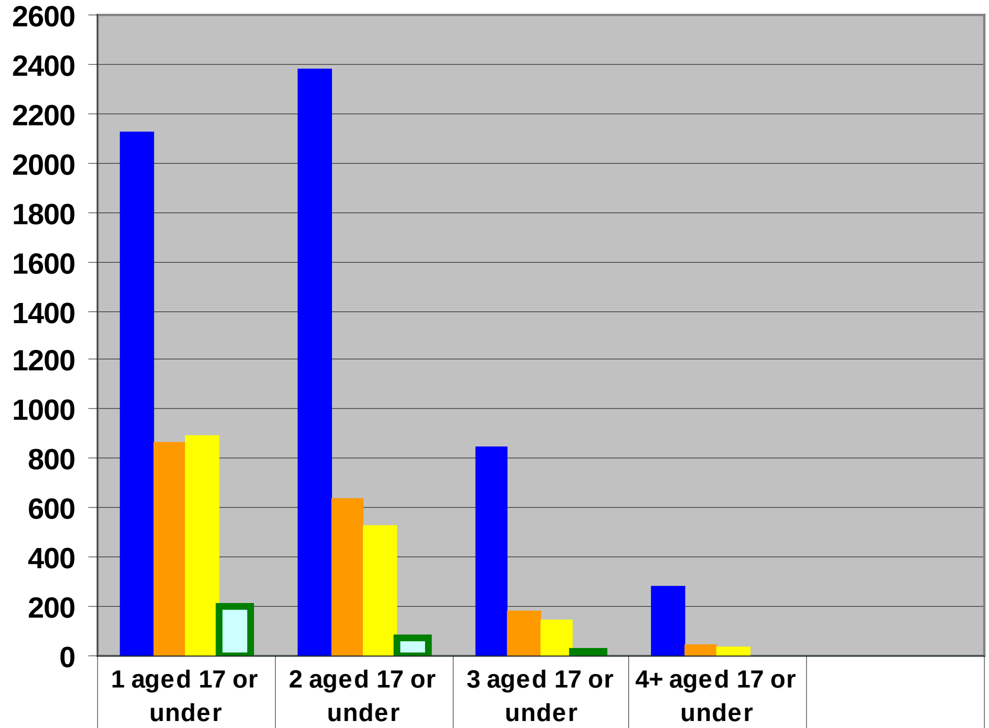


	2000	2001	2002	2003	2004	2005	2006	2007	2008
Families total	25332	25202	25107	25020	24973	24815	24736	24561	24408
Families with underage children	10504	10354	10153	9970	9847	9765	9623	9493	9273

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 2. Page 11. Chart 3. Families with children aged 17 or under. Kouvola 2008.

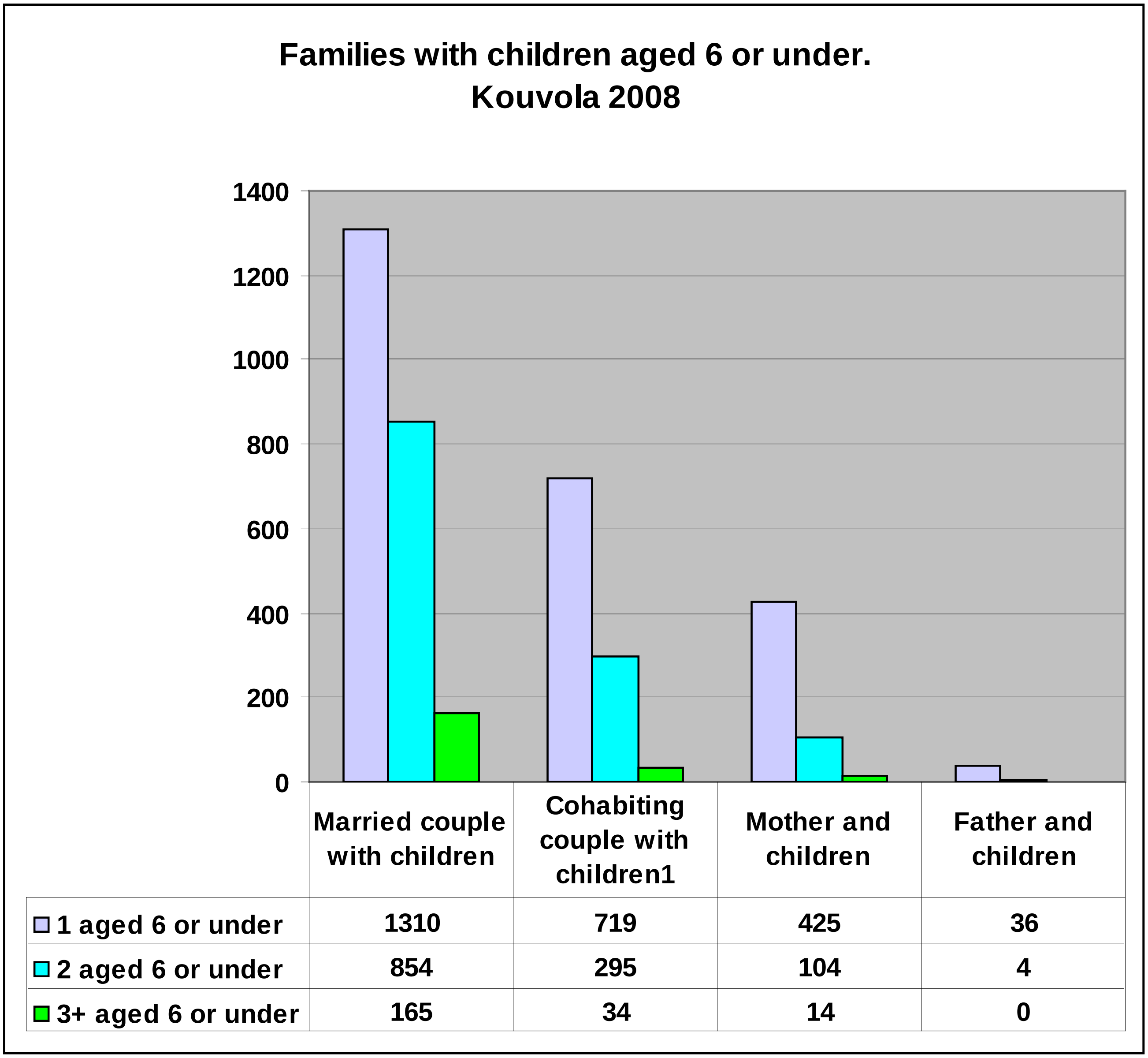
Families with children aged 17 or under. Kouvola 2008



	1 aged 17 or under	2 aged 17 or under	3 aged 17 or under	4+ aged 17 or under
2008 Married couple with children	2127	2379	852	285
2008 Cohabiting couple with children1	867	639	178	44
2008 Mother and children	894	533	145	38
2008 Father and children	197	75	16	4

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

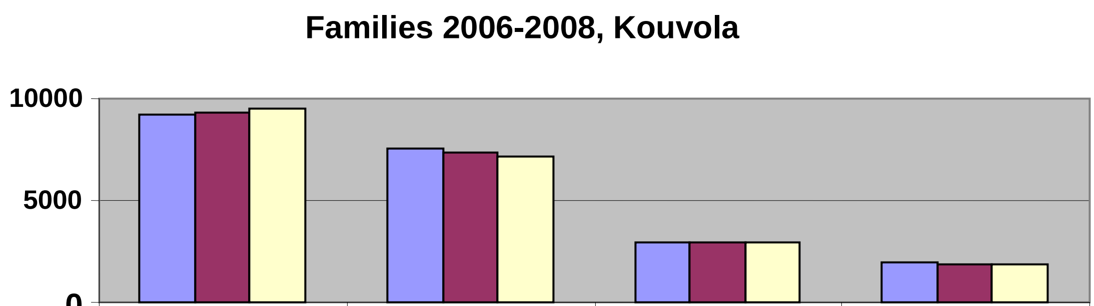
Appendix 2. Page 12. Chart 4. Families with children aged 6 or under. Kouvola 2008.



	Married couple with children	Cohabiting couple with children1	Mother and children	Father and children
1 aged 6 or under	1310	719	425	36
2 aged 6 or under	854	295	104	4
3+ aged 6 or under	165	34	14	0

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 2. Page 13. Chart 5. Families 2006-2007, Kouvola.



	Married couple without children	Married couple with children	Cohabiting couple without children1	Cohabiting couple with children1
2006	9247	7584	2921	1925
2007	9319	7358	2929	1897
2008	9463	7204	2944	1846

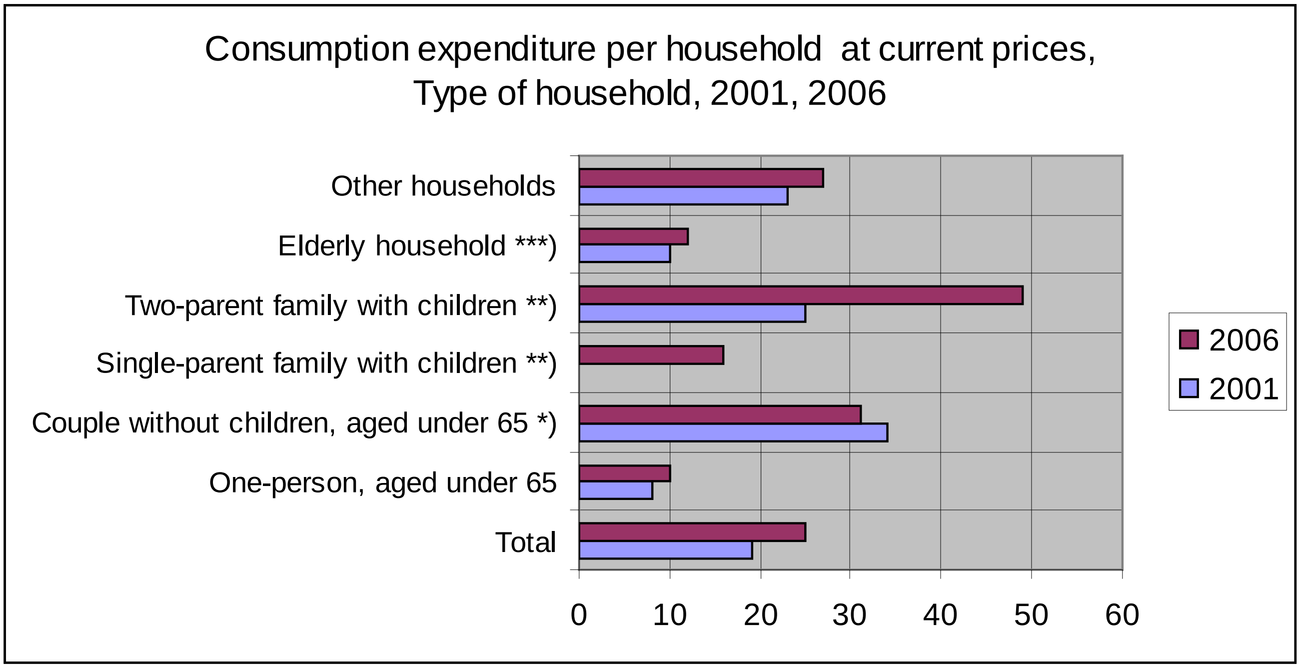
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 14. Chart 1. Households, Members of households. Size of the household and Type of house.

Kouvola 2008		Total types of houses	Detached house	Attached house	Blocks of flats	Other or unknown type of house
Total households	Households	43263	20881	6070	15339	973
	Members	86822	52007	10988	22184	1643
1-person household	Households	18455	4721	2855	10297	582
	Members	18455	4721	2855	10297	582
2-persons household	Households	14380	8211	2124	3803	242
	Members	28760	16422	4248	7606	484
3-persons household	Households	4729	3218	631	811	69
	Members	14187	9654	1893	2433	207
4-persons household	Households	3832	3106	351	323	52
	Members	15328	12424	1404	1292	208
5-persons household	Households	1382	1206	77	82	17
	Members	6910	6030	385	410	85
6-persons household	Households	335	288	25	17	5
	Members	2010	1728	150	102	30
7+ persons household	Households	150	131	7	6	6
	Members	1172	1028	53	44	47

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

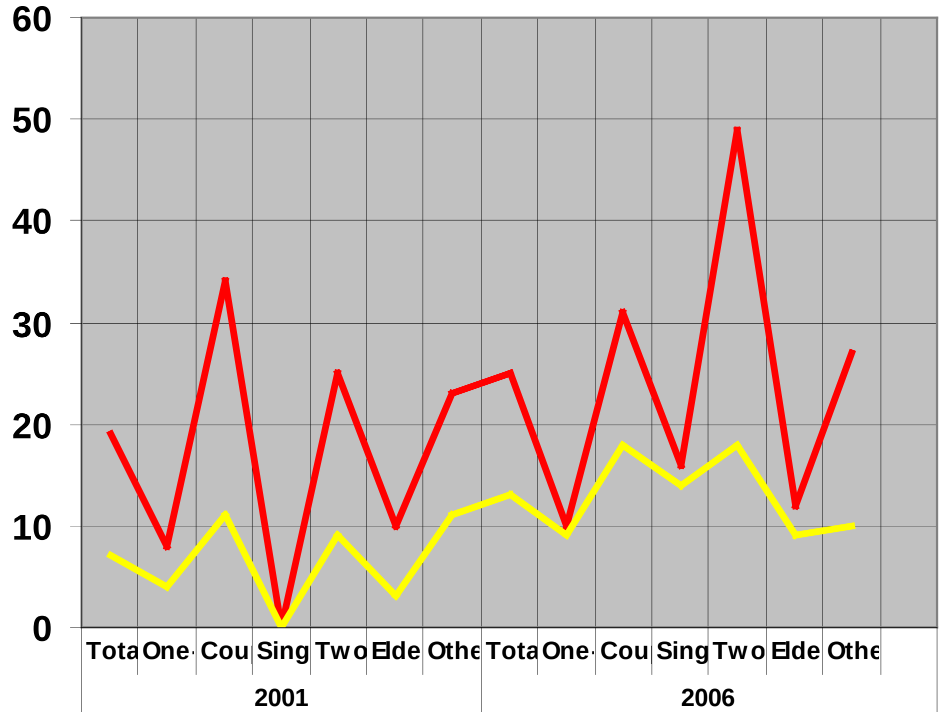
Appendix 3. Page 15. Chart 2. Consumption expenditure per household at current prices, type of household, 2001, 2006



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 16. Chart 3. Consumption expenditure per household by price, 2001, 2006, type of household.

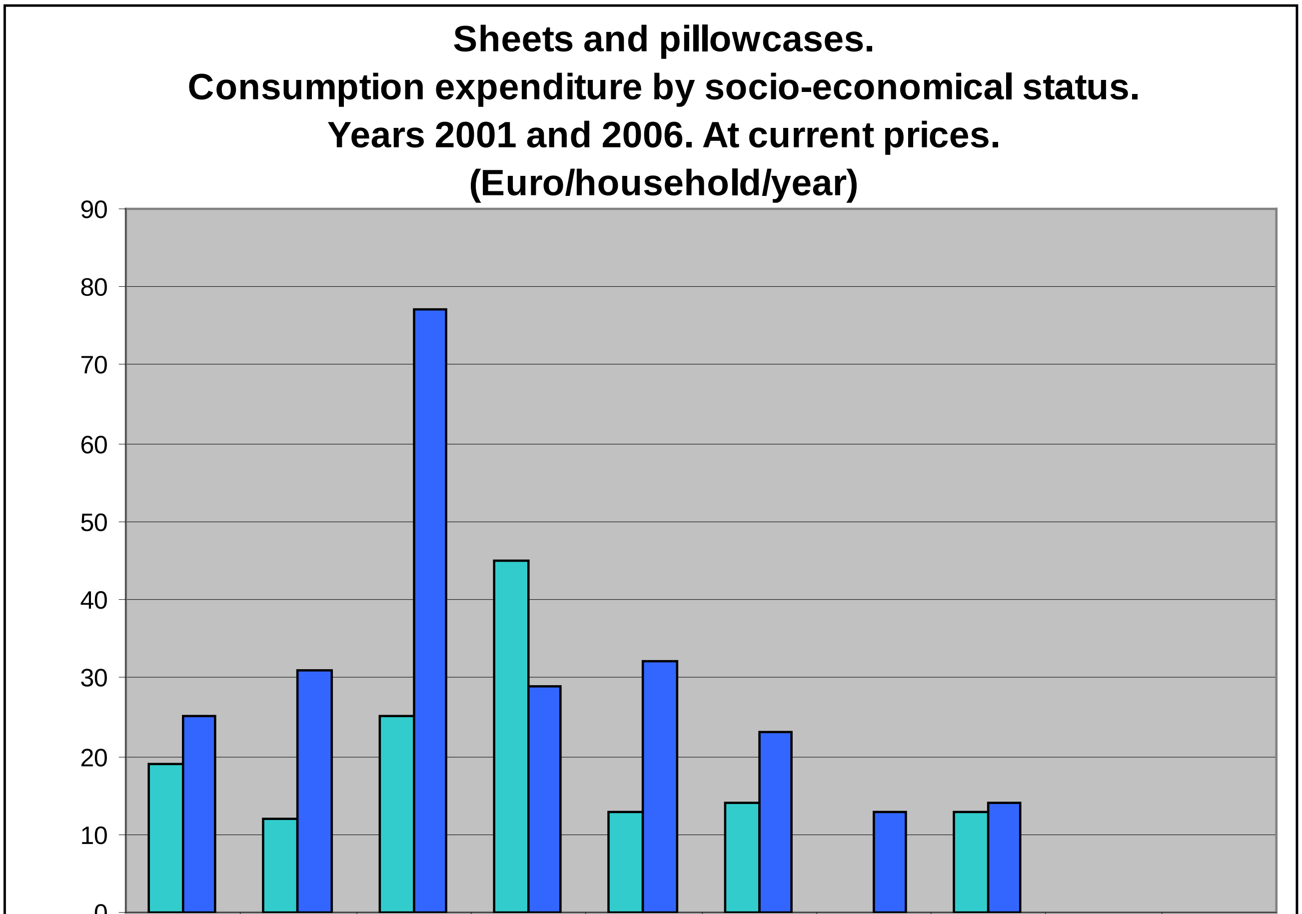
Consumption expenditure per household by Price, 2001, 2006, Type of household



	2001							2006						
	Tota	One-	Cou	Sing	Two	Elde	Othe	Tota	One-	Cou	Sing	Two	Elde	Othe
A0521102 Sheets and pillowcases, incl. fabrics	19	8	34	0	25	10	23	25	10	31	16	49	12	27
A0521103 Towels and face-cloths, incl. fabrics	7	4	11	0	9	3	11	13	9	18	14	18	9	10

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

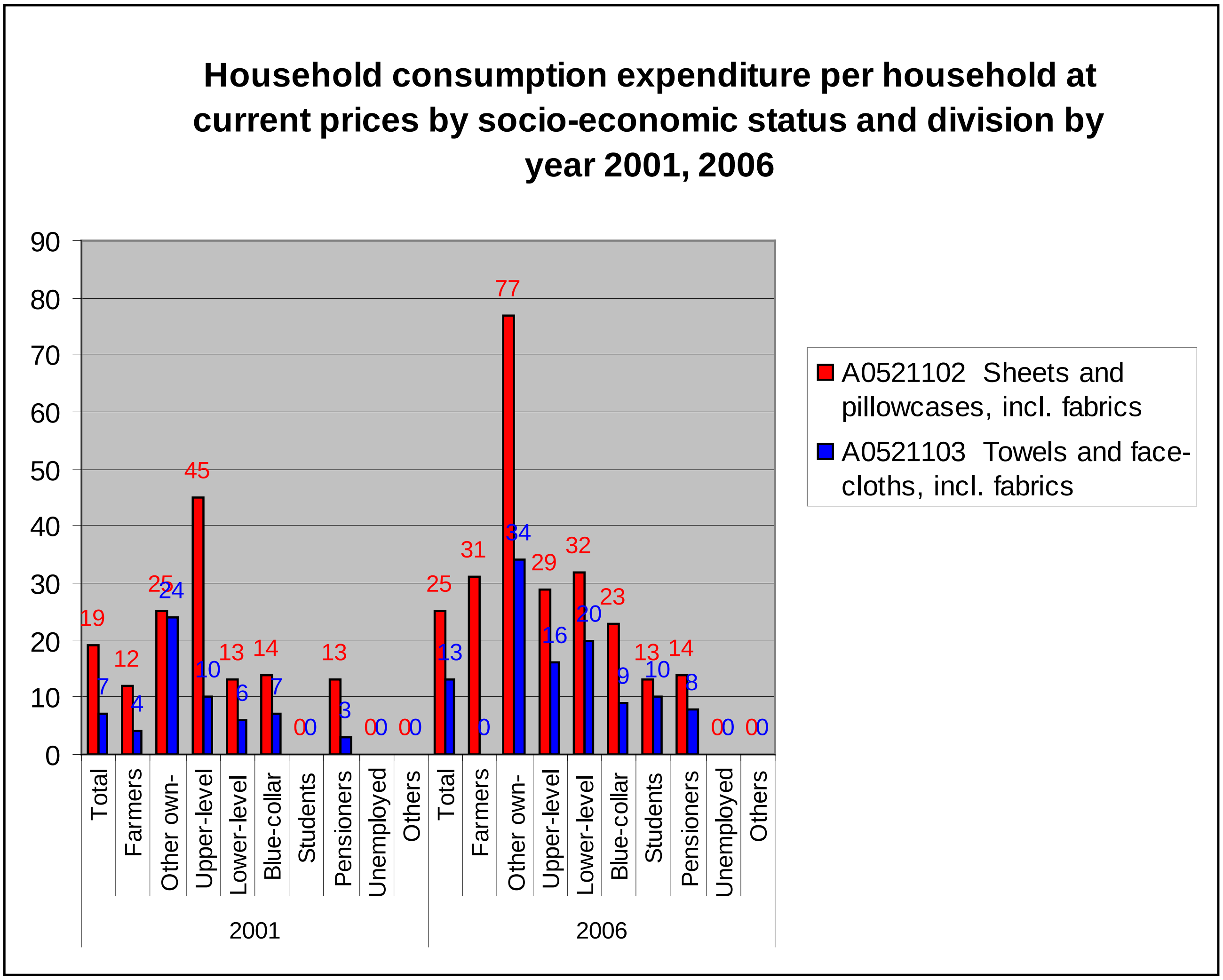
Appendix 3. Page 17. Chart 4. Consumption expenditure of sheets and pillowcases by socio-economical status at current prices 2001, 2006.



	Total	Agricultu ral entrepre	Other entrepre ners	Upper level employee	Low er level employee	Workers	Students	Pensione rs	Unemplo yeds	Others
2001	19	12	25	45	13	14	0	13	0	0
2006	25	31	77	29	32	23	13	14	0	0

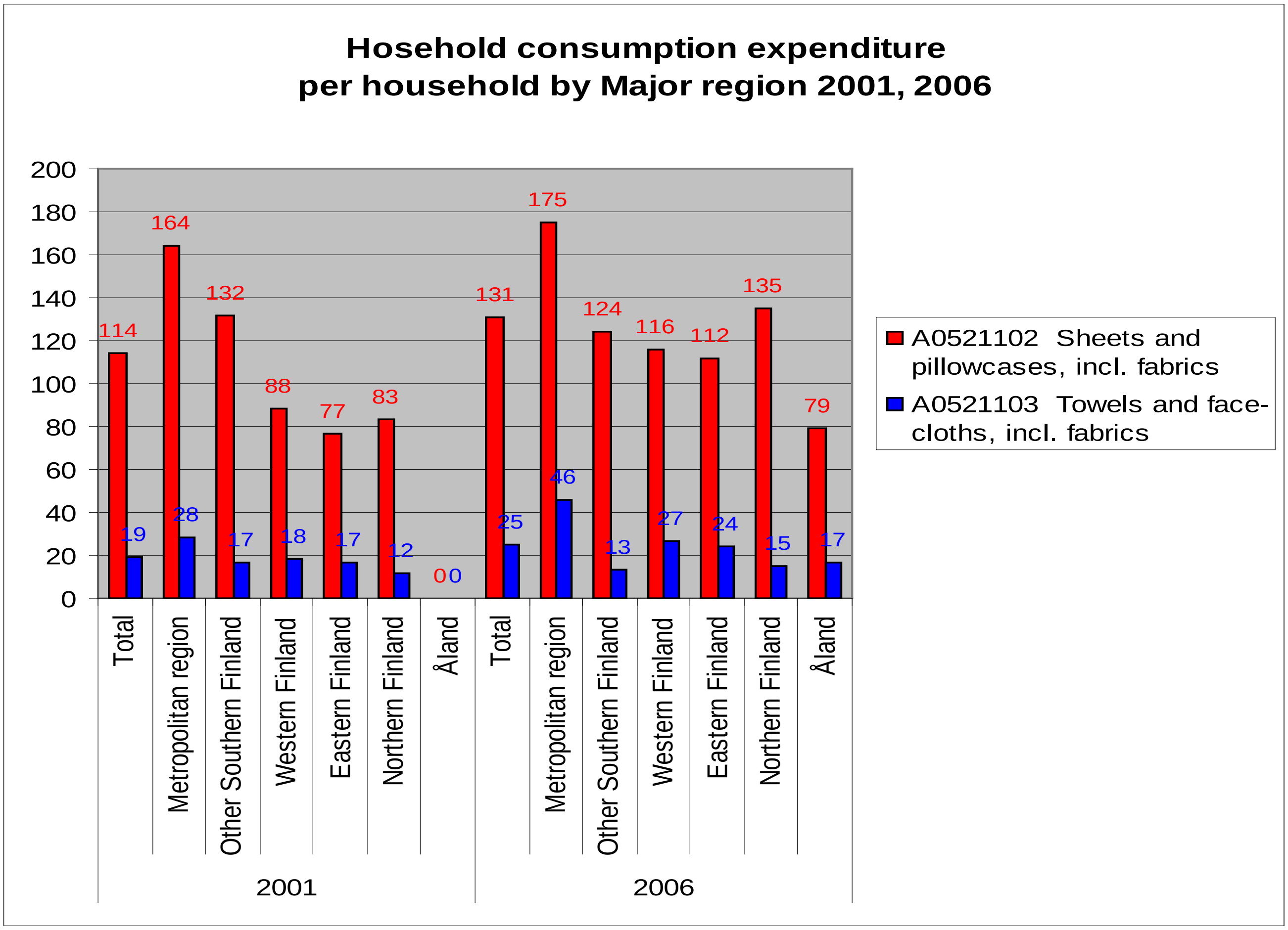
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 18. Chart 5. Household consumption expenditure per household at current prices by socio-economic status and division by year 2001, 2006.



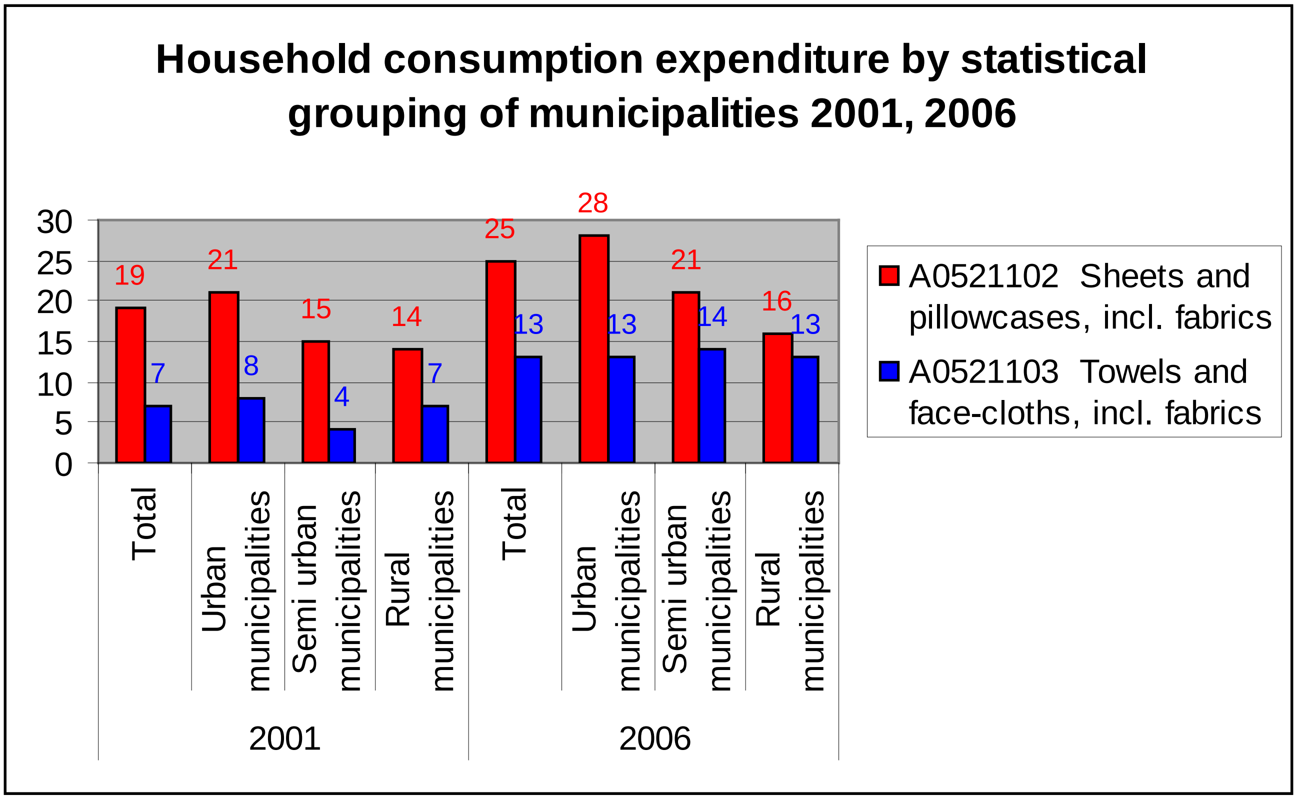
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 19. Chart 6. Household consumption expenditure per household by Major region 2001, 2006.



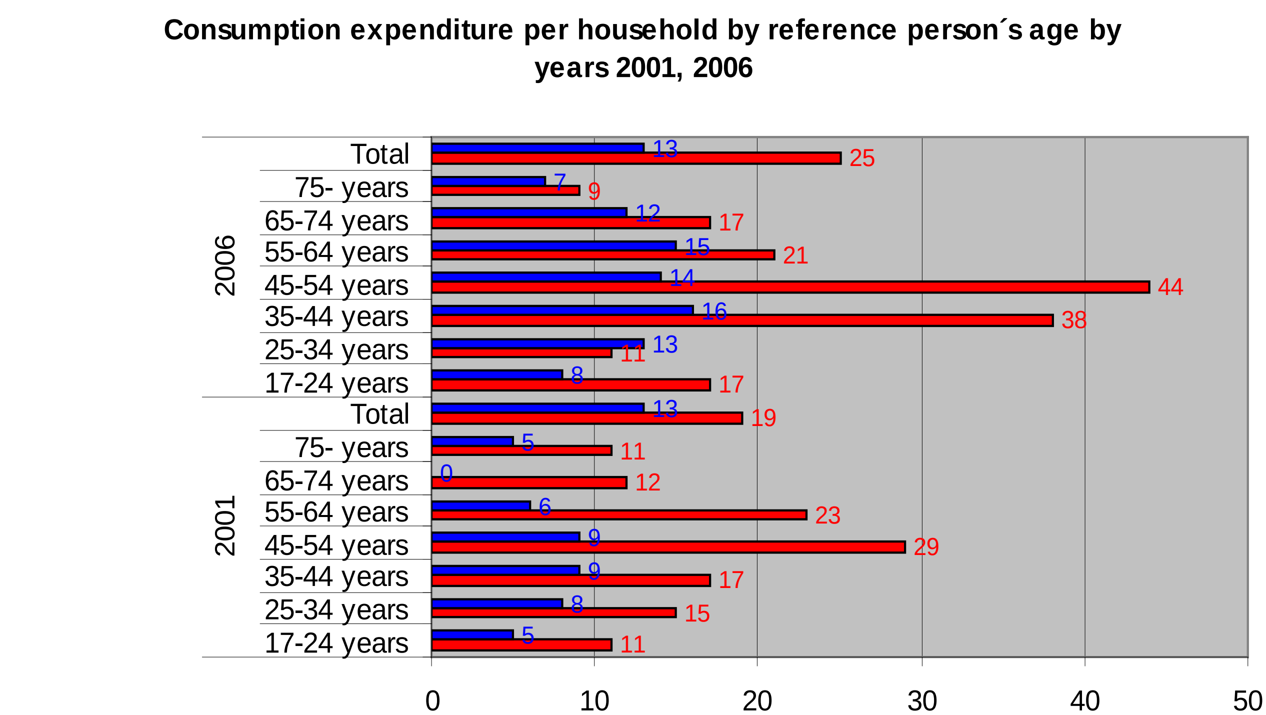
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 20. Chart 7. Household consumption expenditure by statistical grouping of municipalities 2001, 2006.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

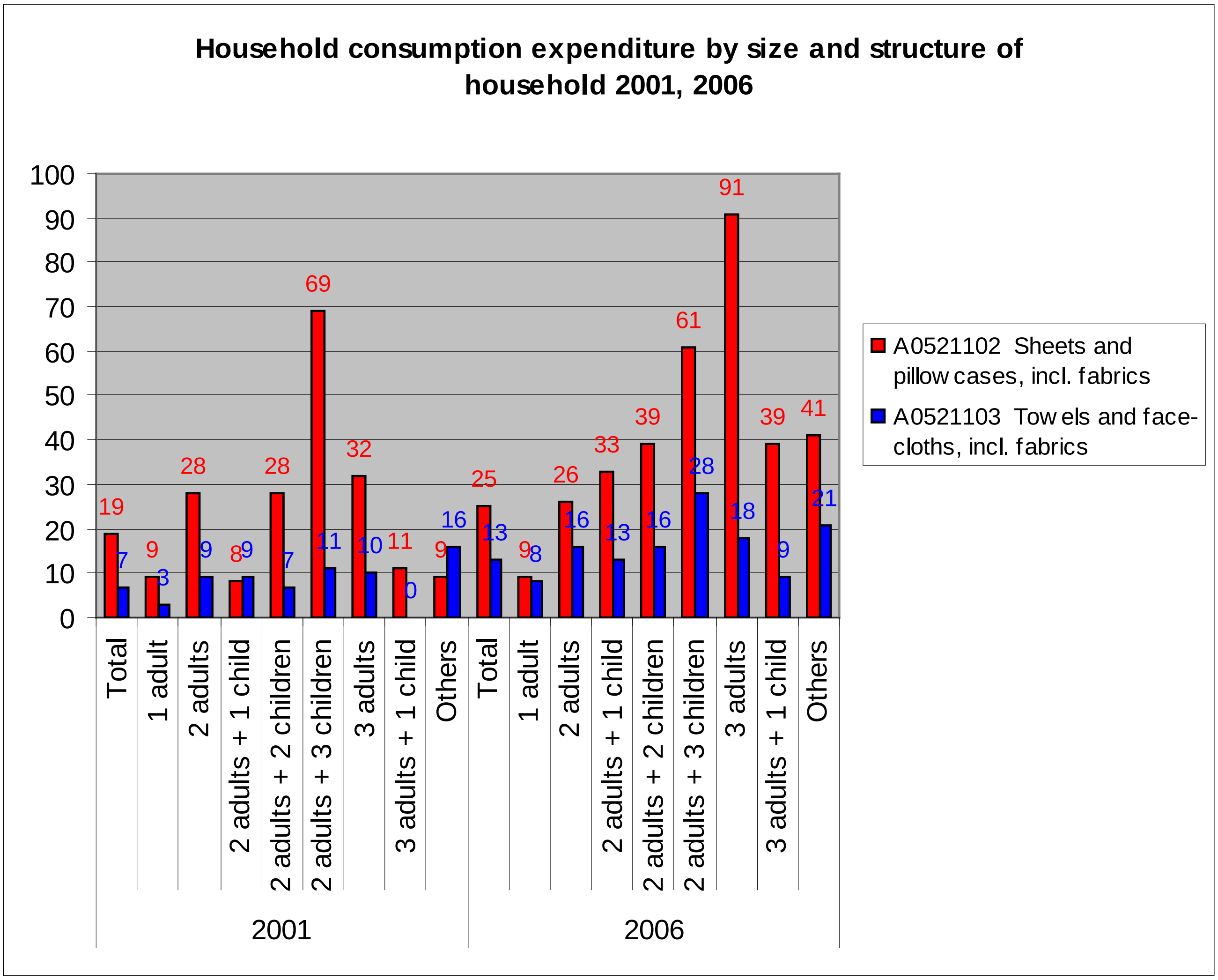
Appendix 3. Page 21. Chart 8. Consumption expenditure per household by reference person’s age by years2001, 2006.



	2001								2006							
	17-2	25-3	35-4	45-5	55-6	65-7	75- y	Tota	17-2	25-3	35-4	45-5	55-6	65-7	75- y	Tota
A0521103 Tow els and face-cloths, incl. fabrics	5	8	9	9	6	0	5	13	8	13	16	14	15	12	7	13
A0521102 Sheets and pillow cases, incl. fabrics	11	15	17	29	23	12	11	19	17	11	38	44	21	17	9	25

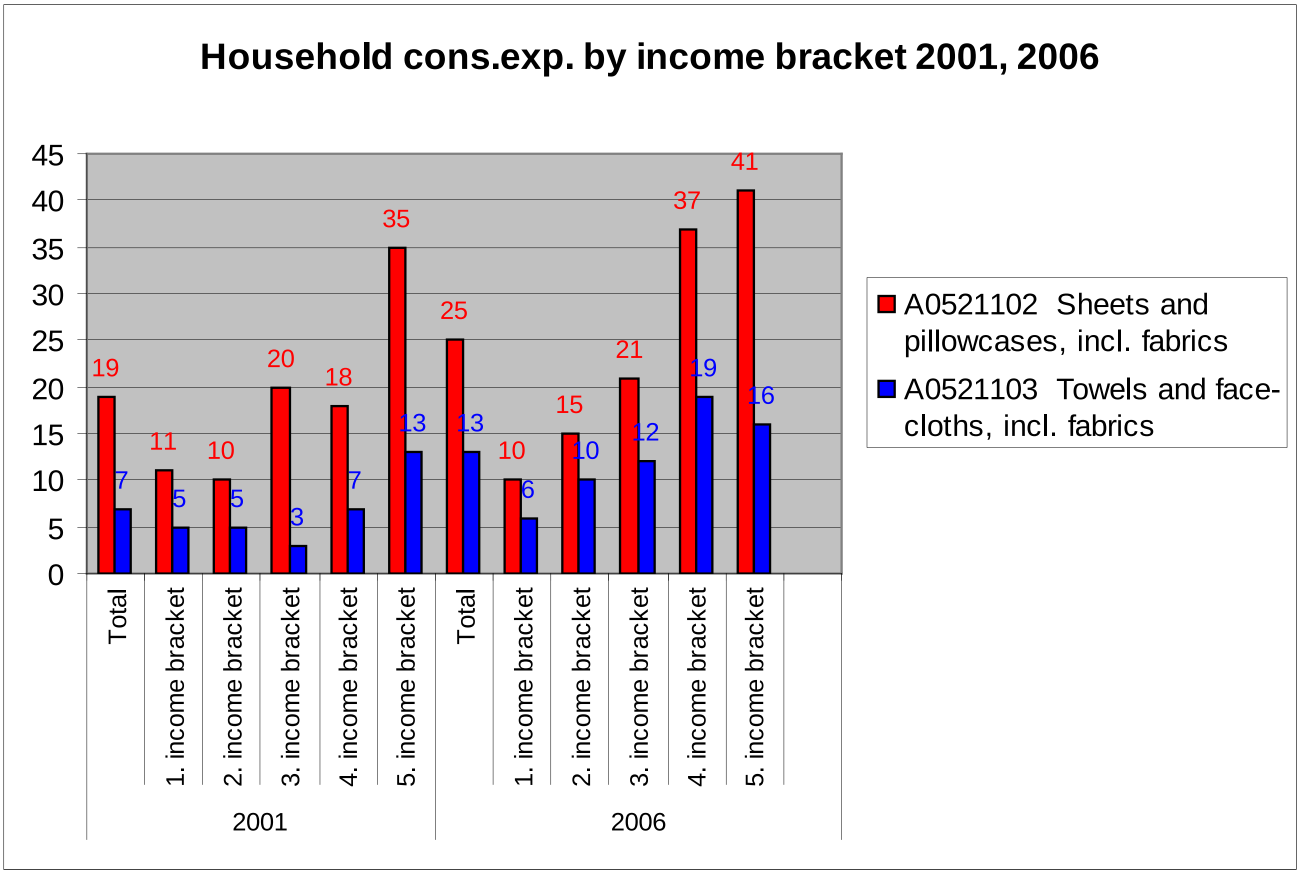
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 22. Chart 9. Household consumption expenditure by size and structure of household 2001, 2006.



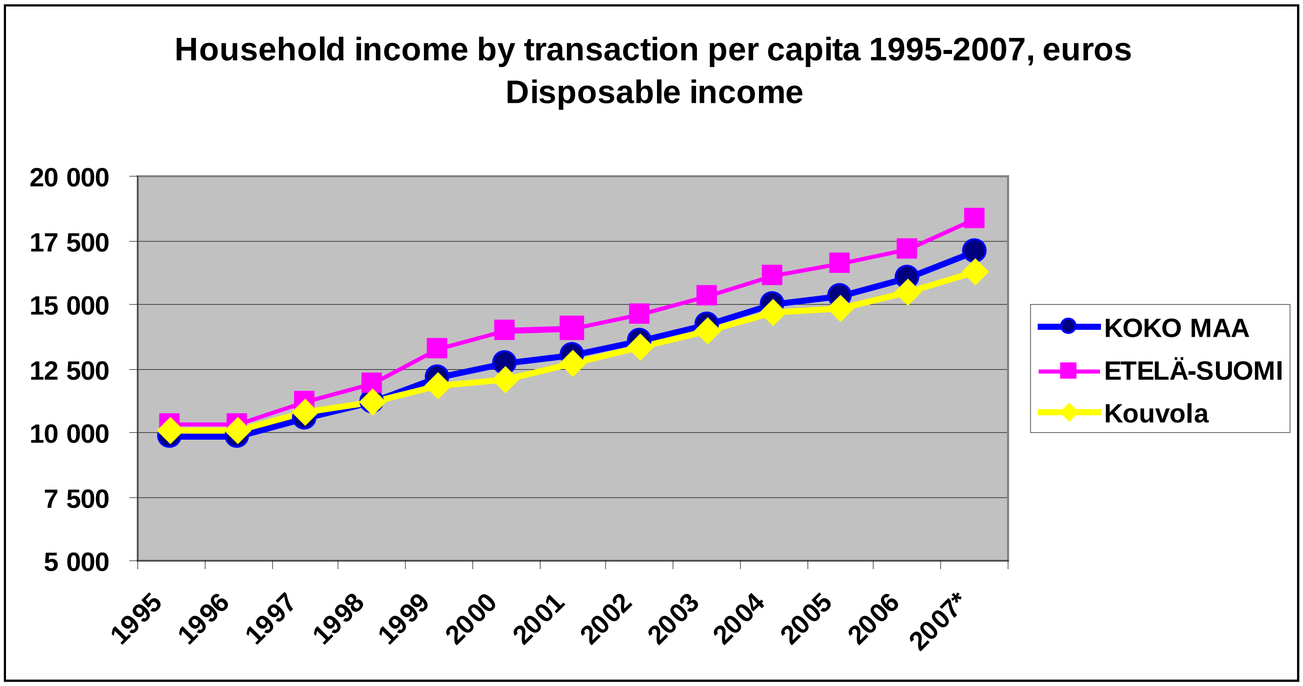
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 3. Page 23. Chart 10. Household consumption expenditure by income bracket 2001, 2006



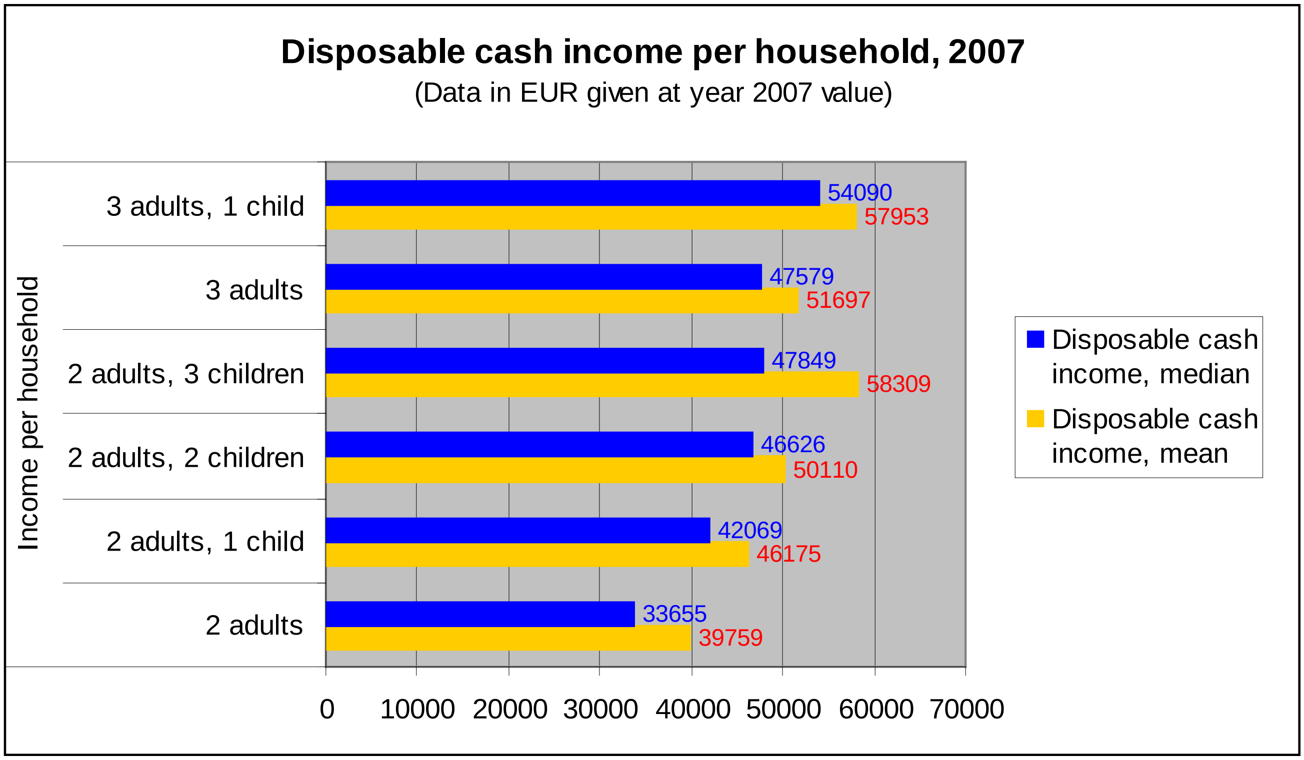
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 24. Chart 1. Household income by transaction per capita 1995-2007, Euros, disposable income.



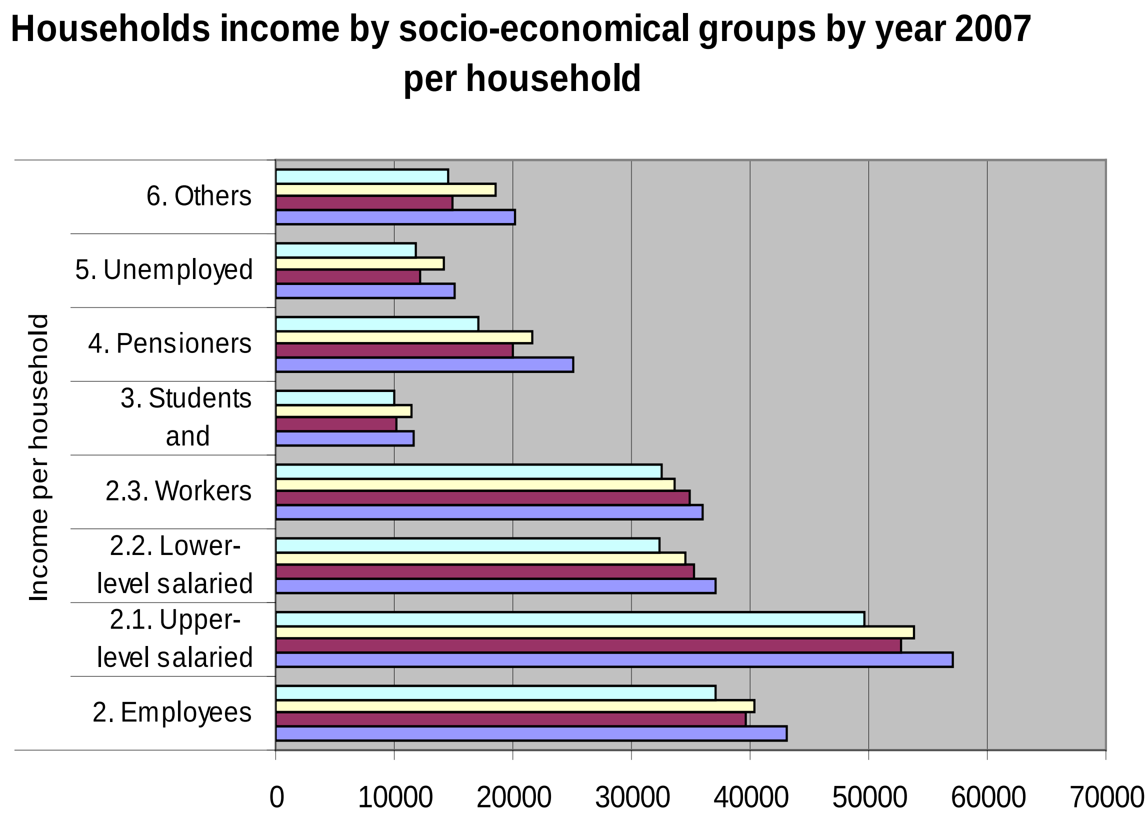
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 25. Chart 2. Disposable cash income per household, 2007.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 26. Chart 3. Household income by socio-economical groups by year 2007 per household.

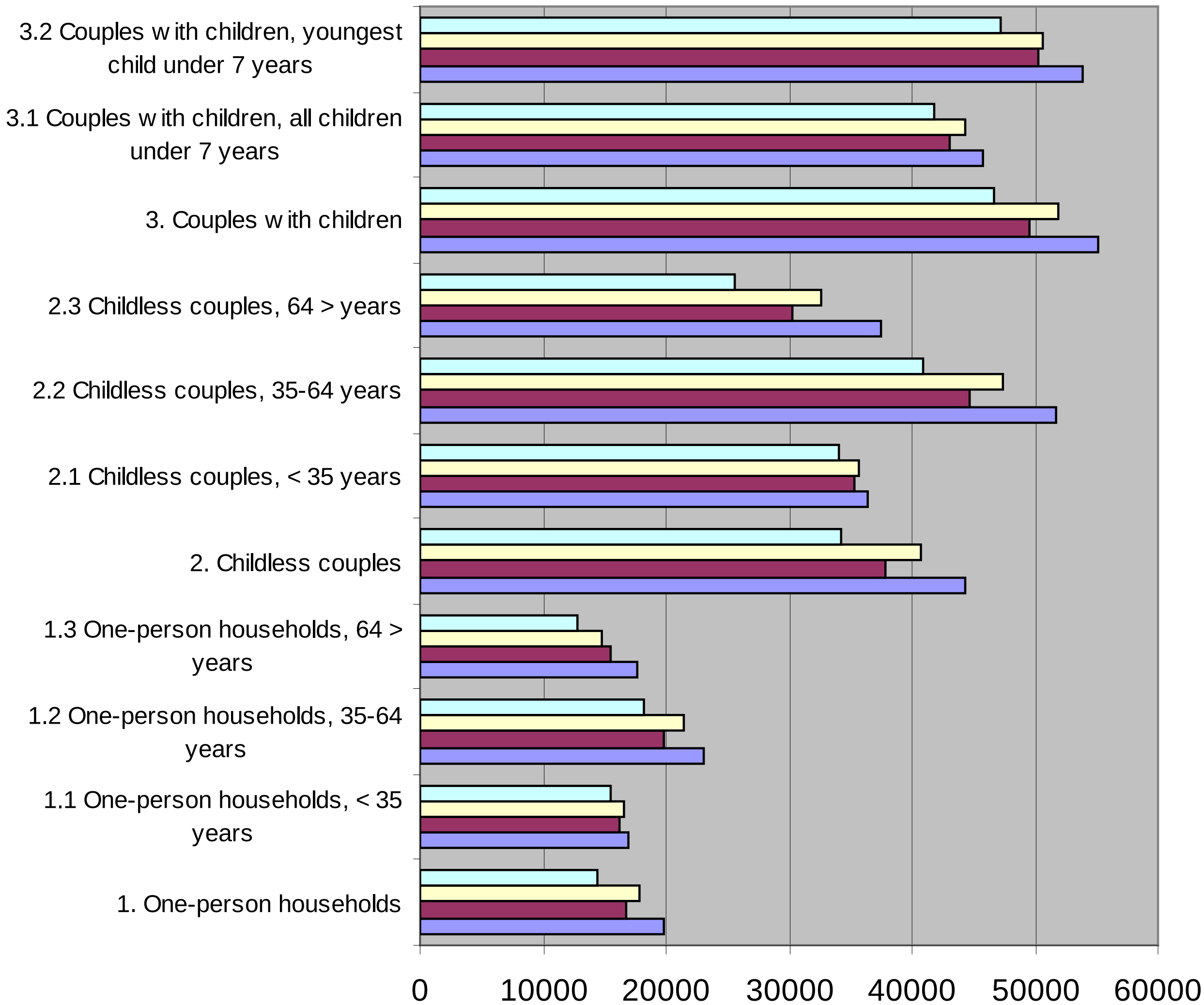


	Income per household							
	2. Employ	2.1. Uppe	2.2. Low e	2.3. Work	3. Studen	4. Pensio	5. Unemp	6. Others
Disposable cash income, median	37172	49697	32289	32601	10038	17076	11808	14610
Disposable cash income, mean	40392	53827	34553	33705	11367	21727	14210	18529
Disposable income, median	39581	52638	35234	34819	10113	20078	12233	14911
Disposable income, mean	43072	57163	37107	35925	11568	25179	15042	20104

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 27. Chart 4. Household income by life-cycle.

Household income by life-cycle 2007

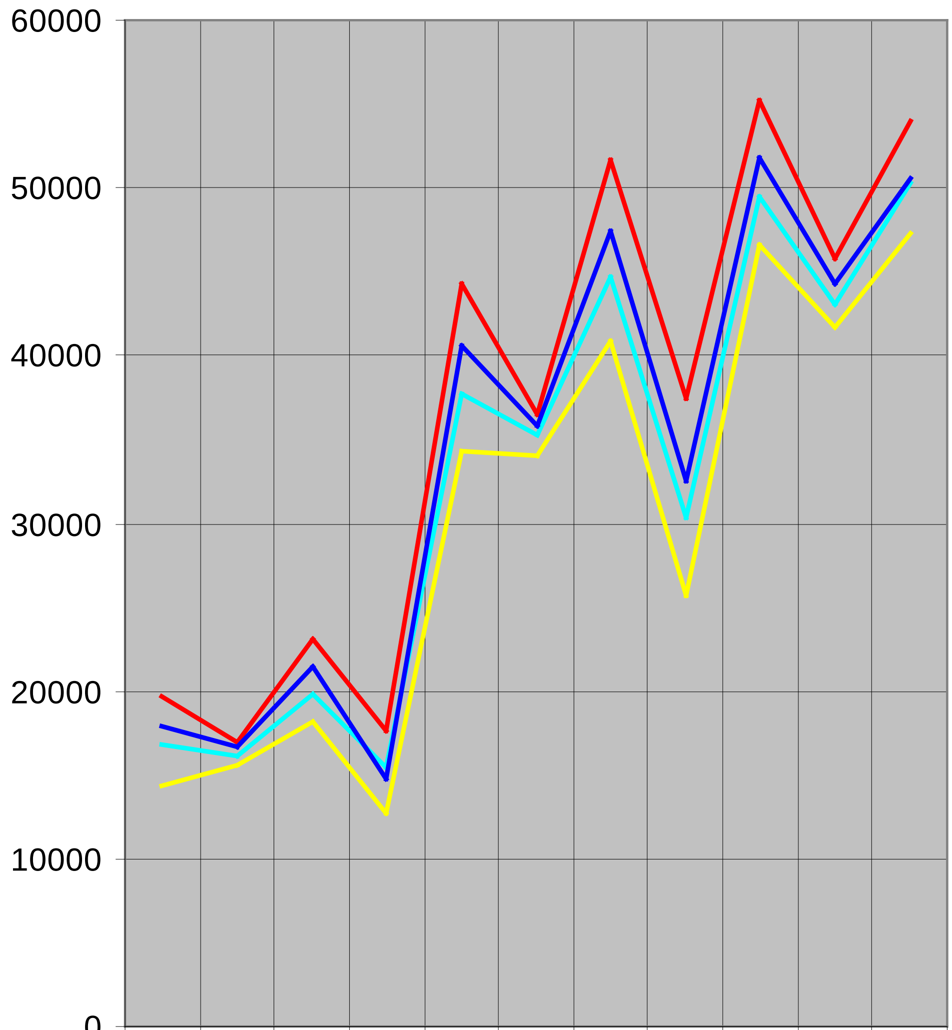


	1. One-pers	1.1 One-pers	1.2 One-pers	1.3 One-pers	2. Childless	2.1 Childless	2.2 Childless	2.3 Childless	3. Couples	3.1 Couples	3.2 Couples
Disposable cash income, median	14418	15558	18186	12713	34293	33968	40843	25663	46582	41724	47257
Disposable cash income, mean	17913	16608	21395	14700	40633	35759	47393	32536	51865	44299	50614
Disposable income, median	16788	16131	19780	15431	37771	35234	44677	30358	49513	43028	50336
Disposable income, mean	19745	16962	23136	17618	44316	36486	51672	37417	55222	45818	53928

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 28. Chart 5. Household income by life-cycle 2007.

Household income by life-cycle 2007

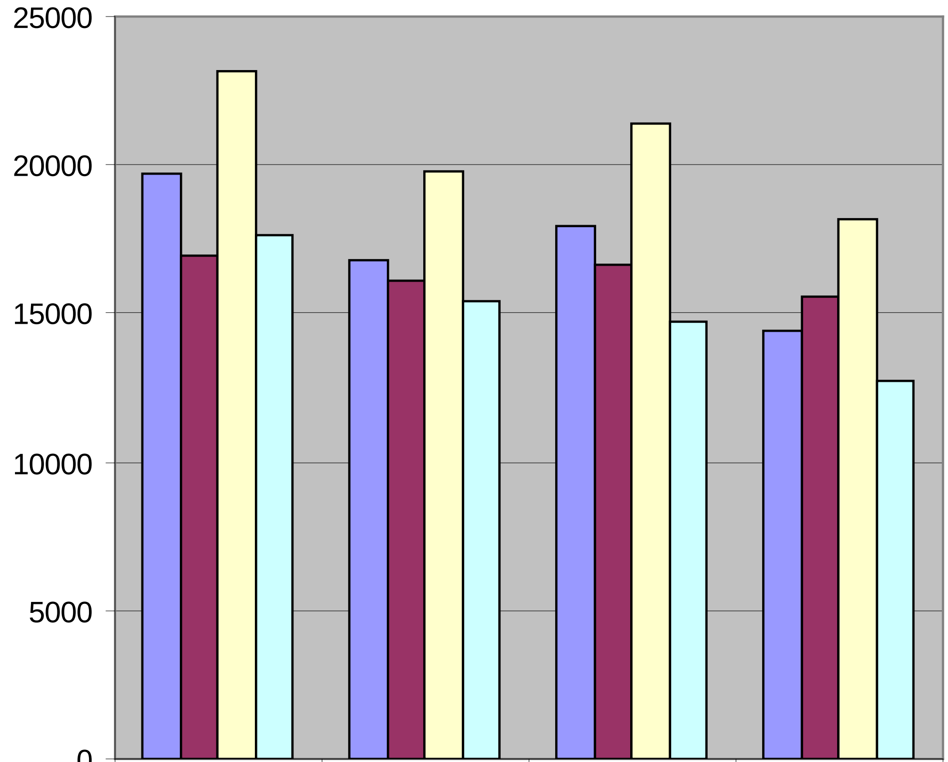


	1. One-perso	1.1 One-perso	1.2 One-perso	1.3 One-perso	2. Childless	2.1 Childless	2.2 Childless	2.3 Childless	3. Couples	3.1 Couples	3.2 Couples
Disposable income, mean	19745	16962	23136	17618	44316	36486	51672	37417	55222	45818	53928
Disposable income, median	16788	16131	19780	15431	37771	35234	44677	30358	49513	43028	50336
Disposable cash income, mean	17913	16608	21395	14700	40633	35759	47393	32536	51865	44299	50614
Disposable cash income, median	14418	15558	18186	12713	34293	33968	40843	25663	46582	41724	47257

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 29. Chart 6. Income per one-person household.

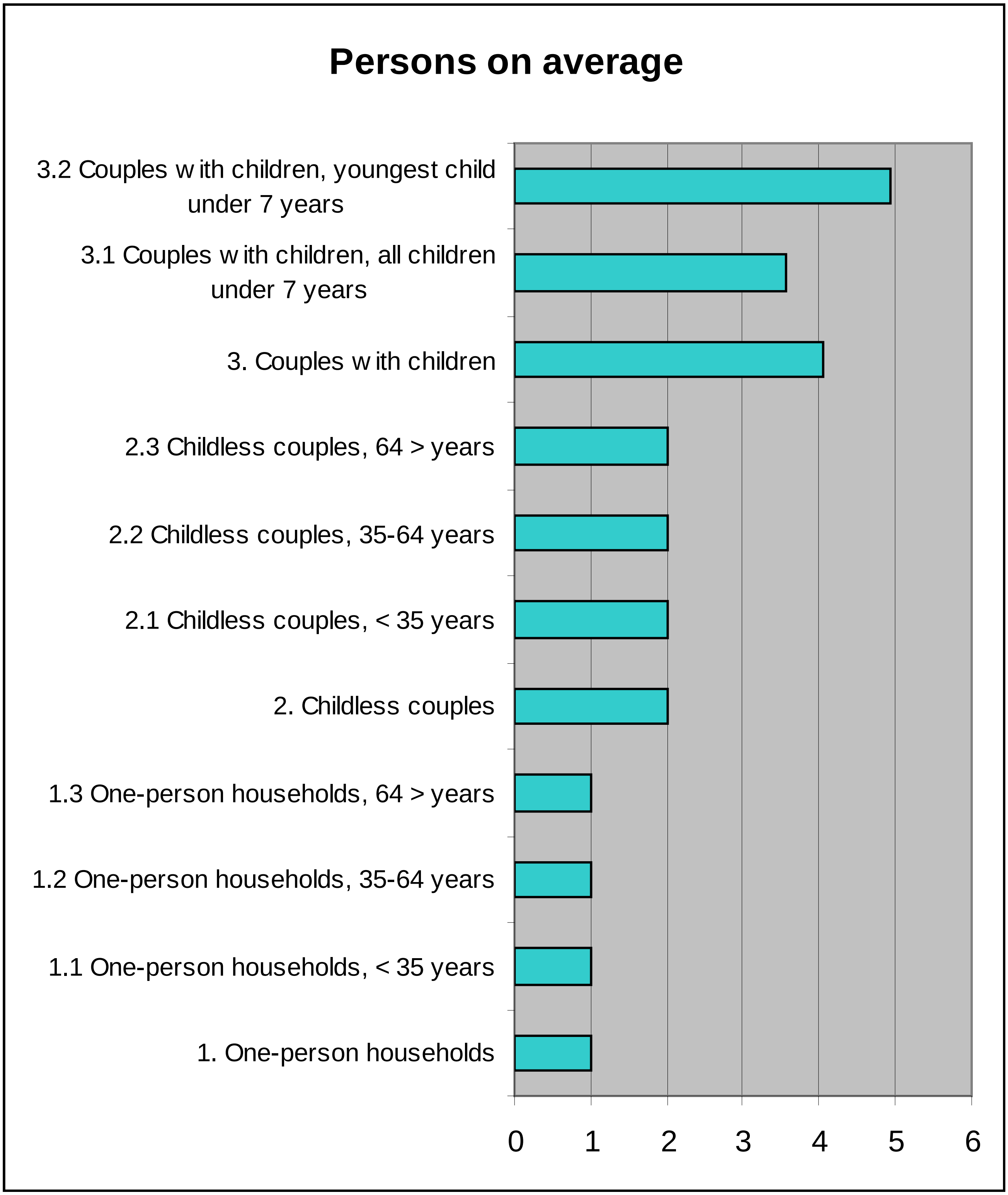
Income per One-person household 2007



	Disposable income, mean	Disposable income, median	Disposable cash income, mean	Disposable cash income, median
Income per household 1. One-person households	19745	16788	17913	14418
Income per household 1.1 One-person households, < 35 years	16962	16131	16608	15558
Income per household 1.2 One-person households, 35-64 years	23136	19780	21395	18186
Income per household 1.3 One-person households, 64 > years	17618	15431	14700	12713

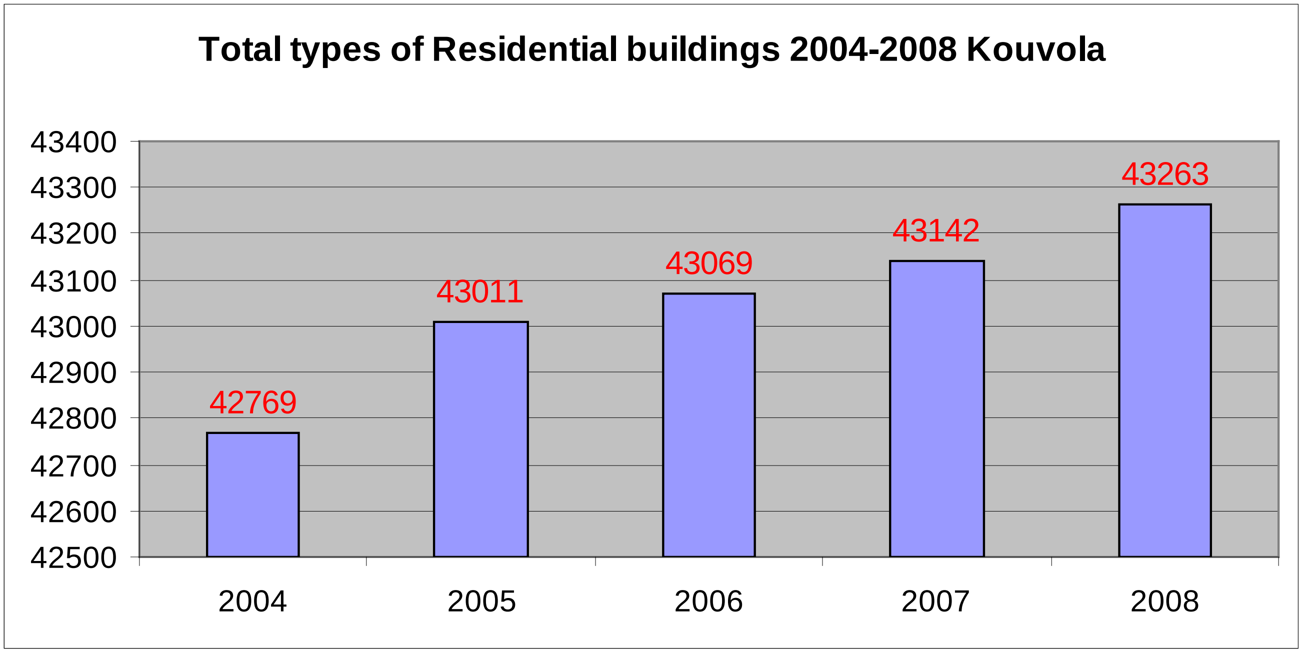
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 4. Page 30. Chart 7. Persons on average per household.



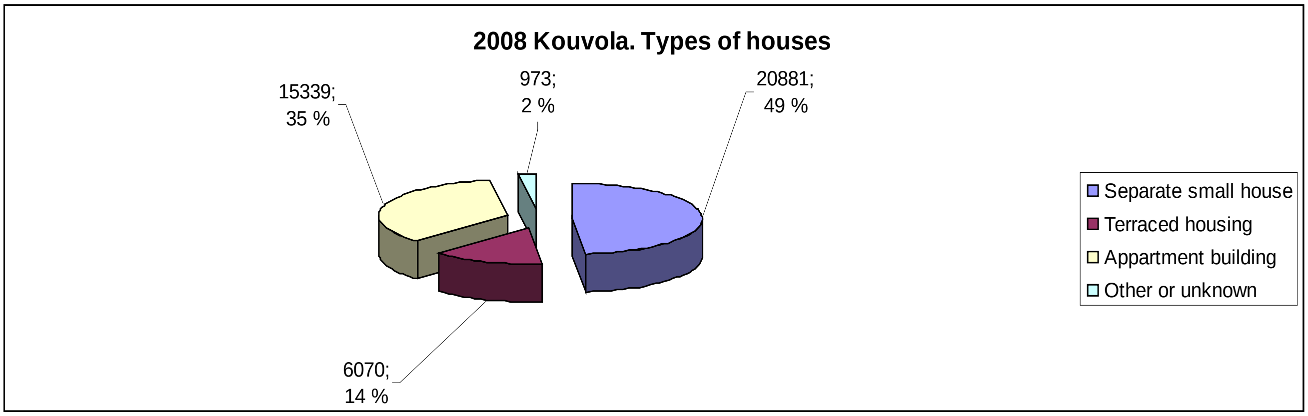
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 31. Chart 1. Total types of residential buildings 2004-2008 Kouvola.



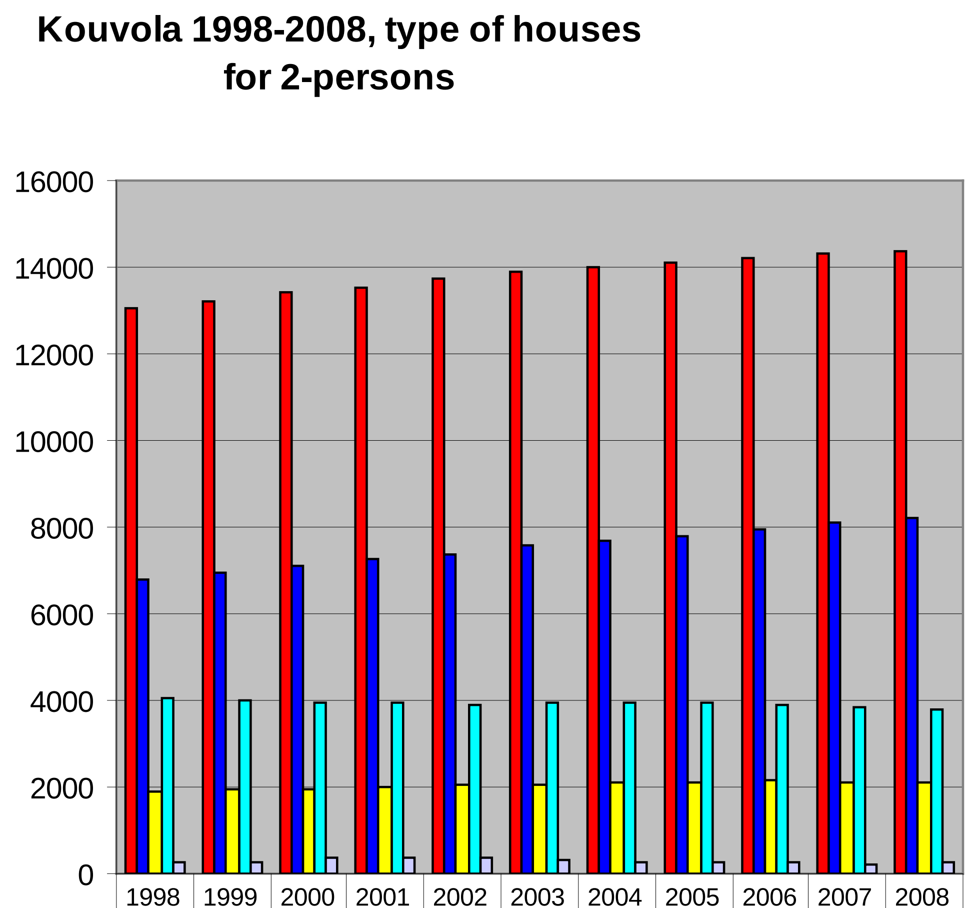
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 32. Chart 2. Types of houses 2008 Kouvola



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

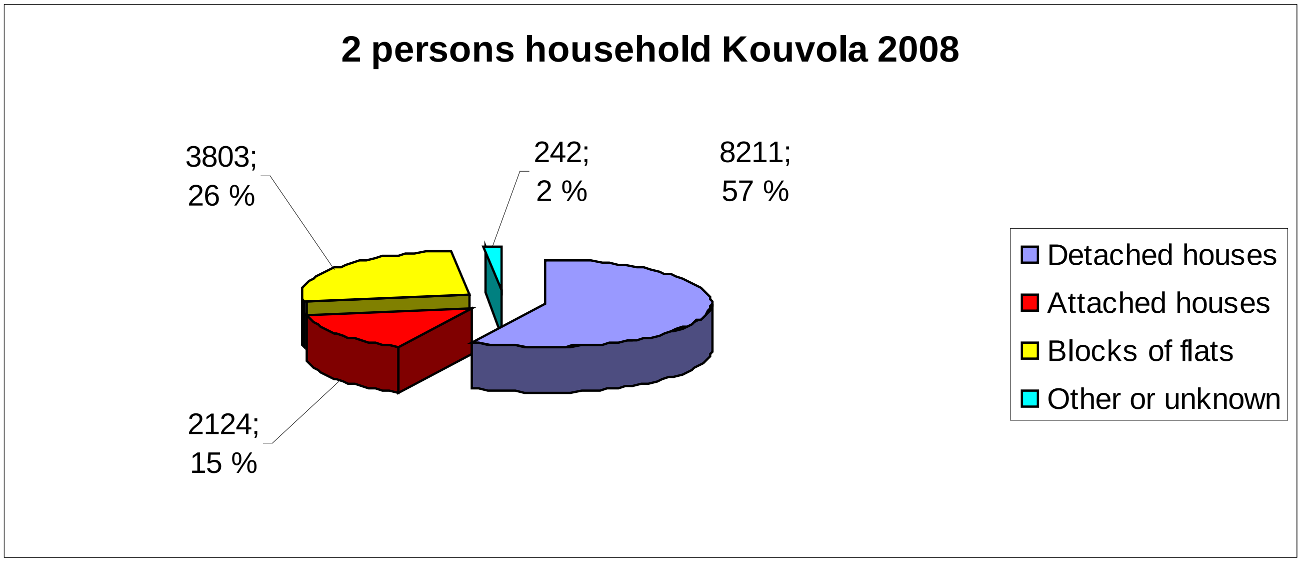
Appendix 5. Page 33. Chart 3. Type of houses for 2-persons 1998-2008 Kouvola.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
2 persons Total types of houses	13037	13198	13410	13542	13730	13911	14015	14081	14228	14307	14380
2 persons Separate small house	6809	6973	7130	7269	7393	7560	7689	7784	7943	8127	8211
2 persons Terraced housing	1905	1960	1973	1975	2074	2051	2103	2112	2157	2118	2124
2 persons Appartment building	4055	3979	3962	3952	3919	3965	3947	3925	3889	3829	3803
2 persons Other or unknow n	268	286	345	346	344	335	276	260	239	233	242

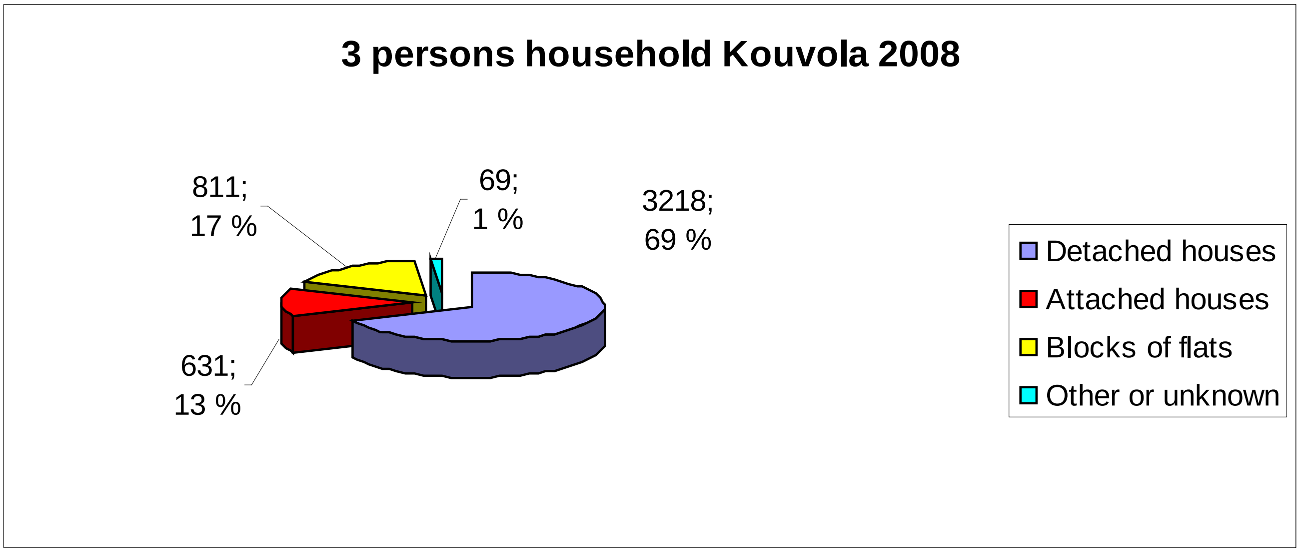
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 34. Chart 3. 2-persons household Kouvola 2008.



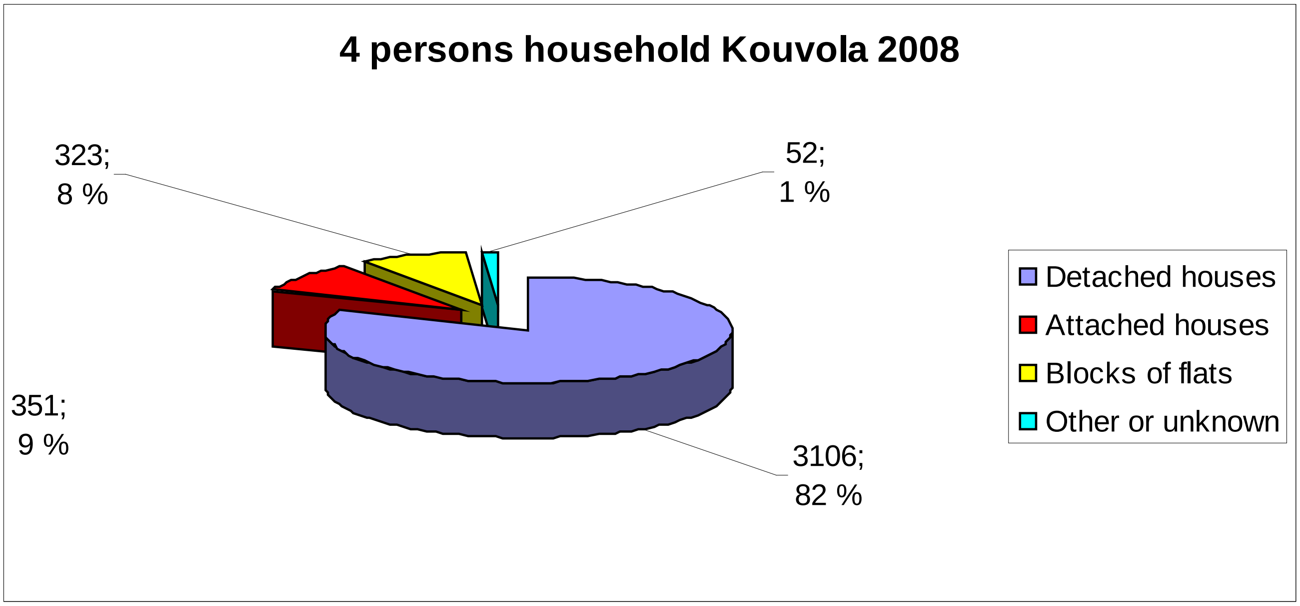
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 35. Chart 4. 3-persons households Kouvola 2008.



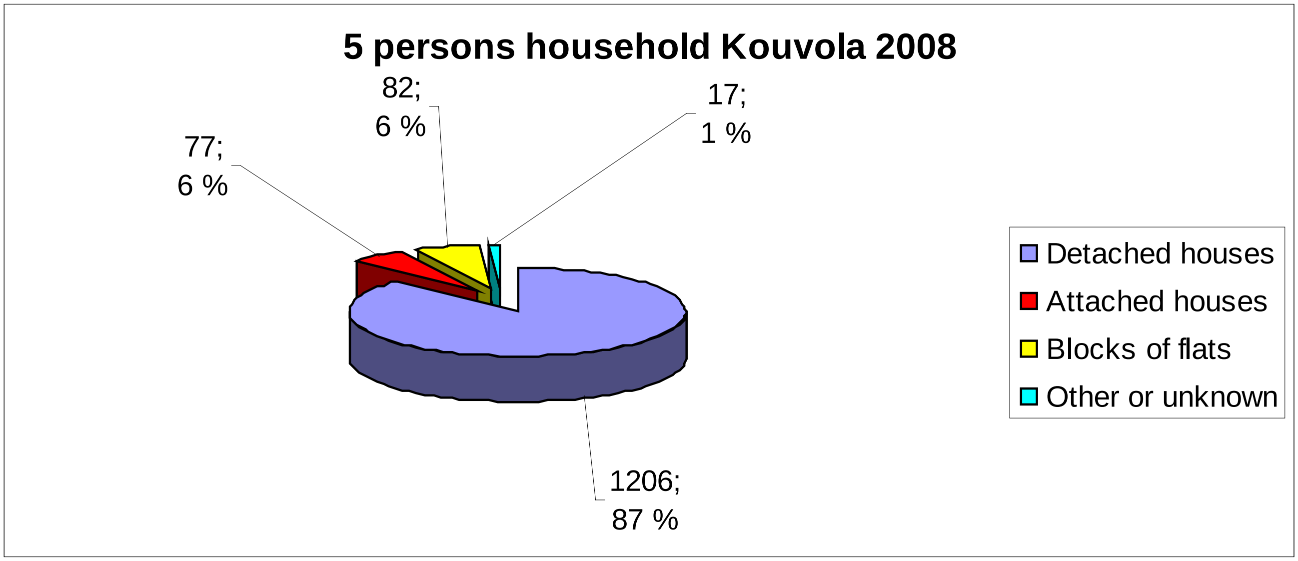
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 36. Chart 5. 4-persons households Kouvola 2008.



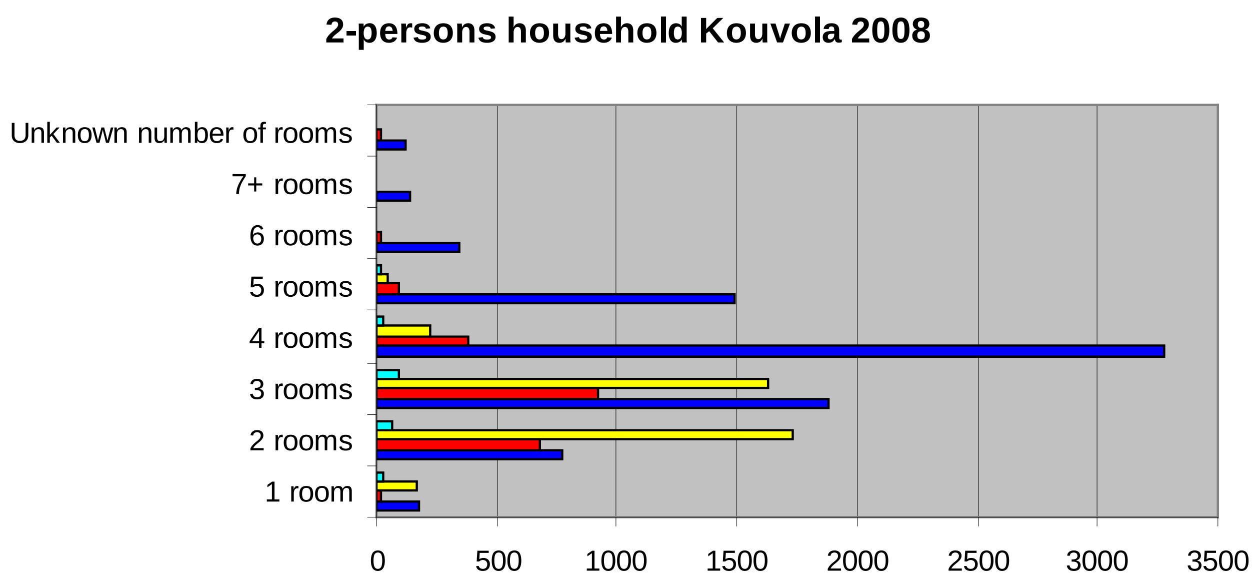
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 37. Chart 6. 5-persons households Kouvola 2008.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

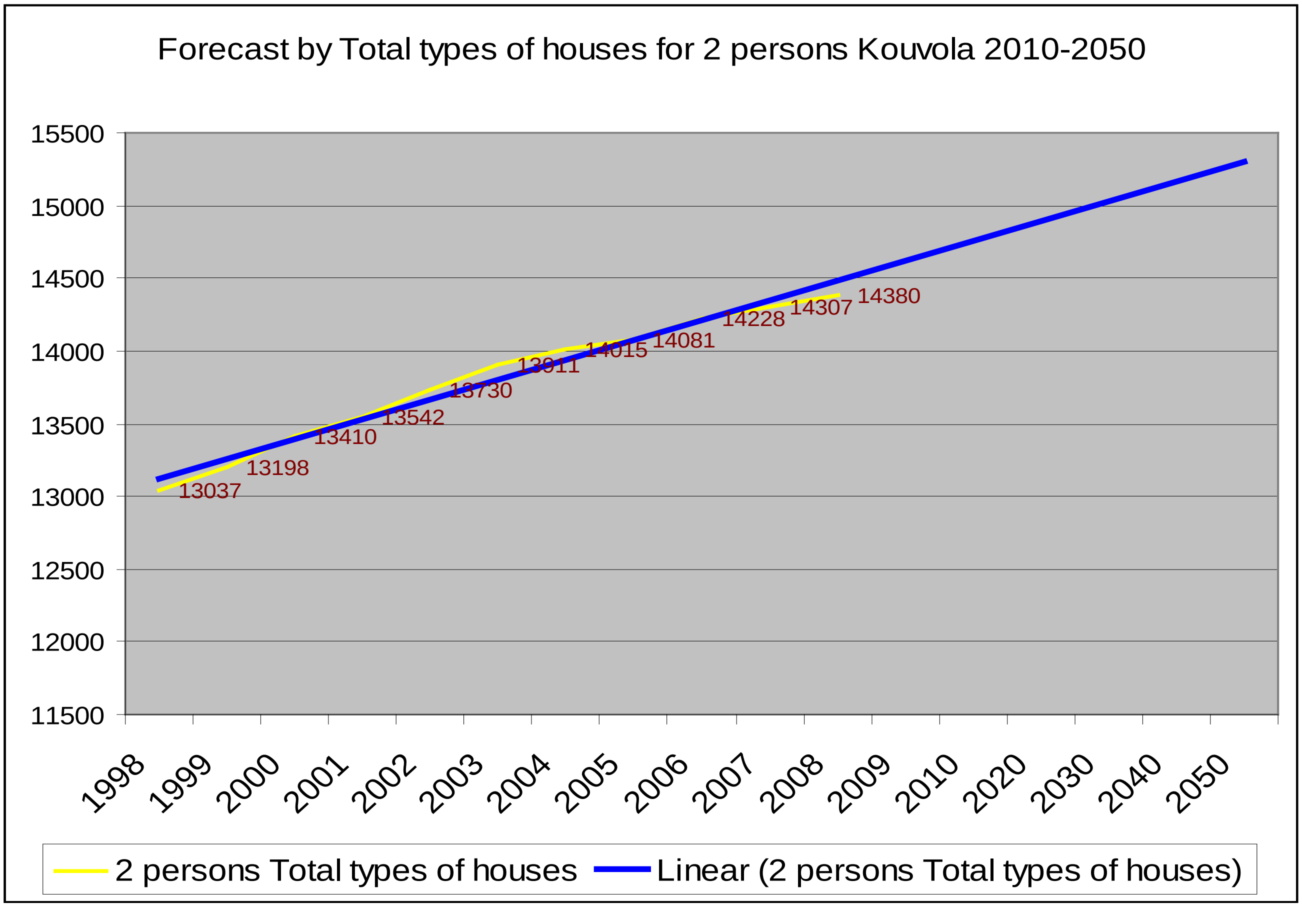
Appendix 5. Page 38. Chart 7. 2-persons household Kouvola 2008, number of rooms.



	1 room	2 rooms	3 rooms	4 rooms	5 rooms	6 rooms	7+ rooms	Unknown number
Other or unknown	24	62	93	30	16	2	1	2
Blocks of flats	167	1727	1626	220	45	6	2	10
Attached houses	23	676	921	379	89	14	0	22
Detached houses	173	772	1884	3280	1490	349	140	123

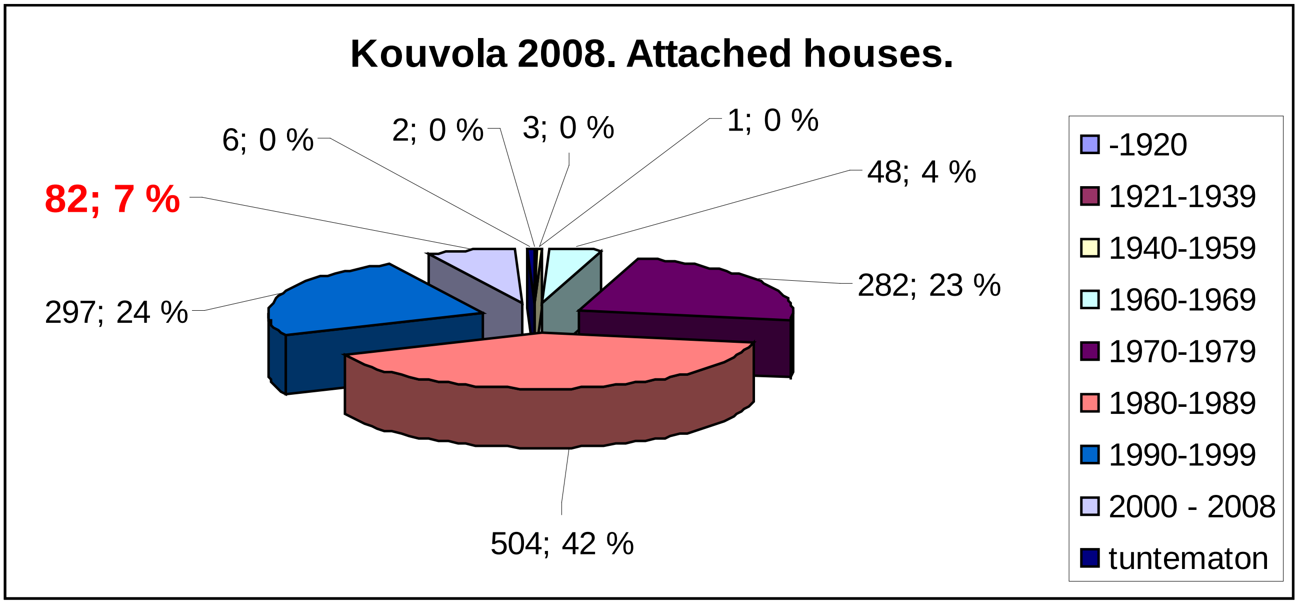
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 39. Chart 8. Forecast by total types of houses for 2 persons Kouvola 2010-2050.



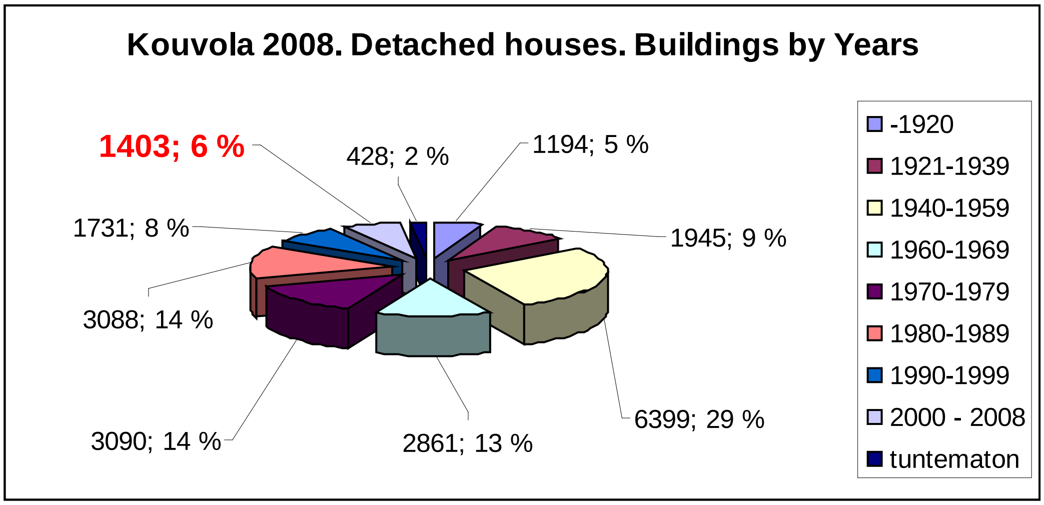
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 40. Chart 9. Attached houses Kouvola 2008.



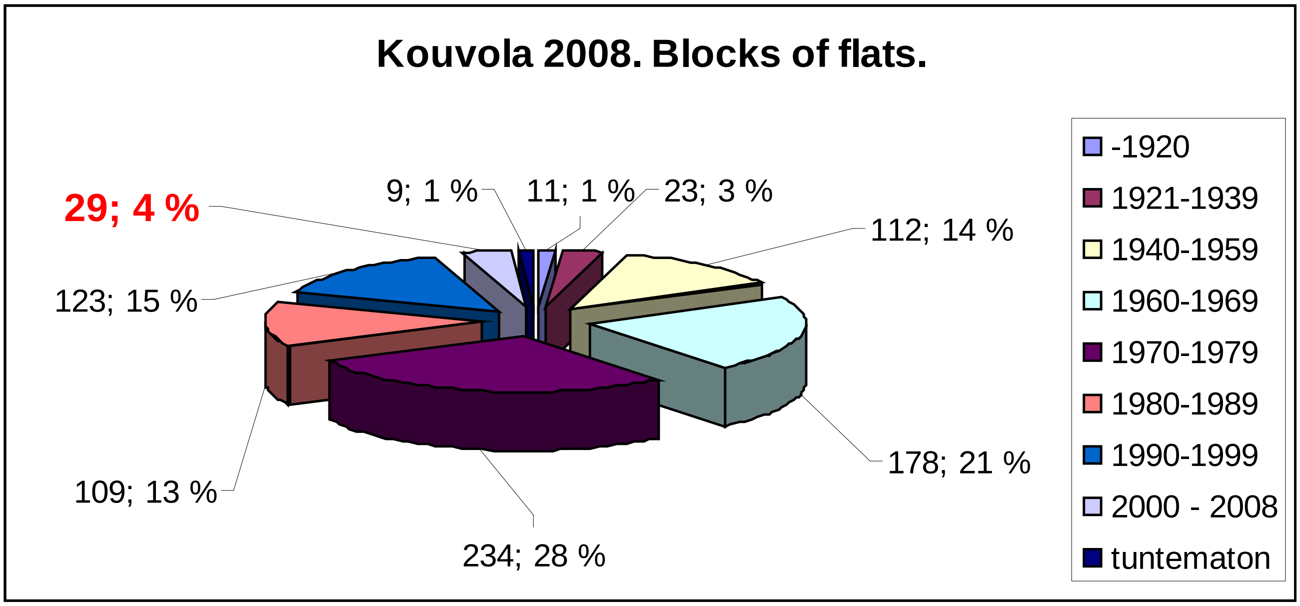
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 41. Chart 10. Detached houses. Buildings by years. Kouvola 2008.



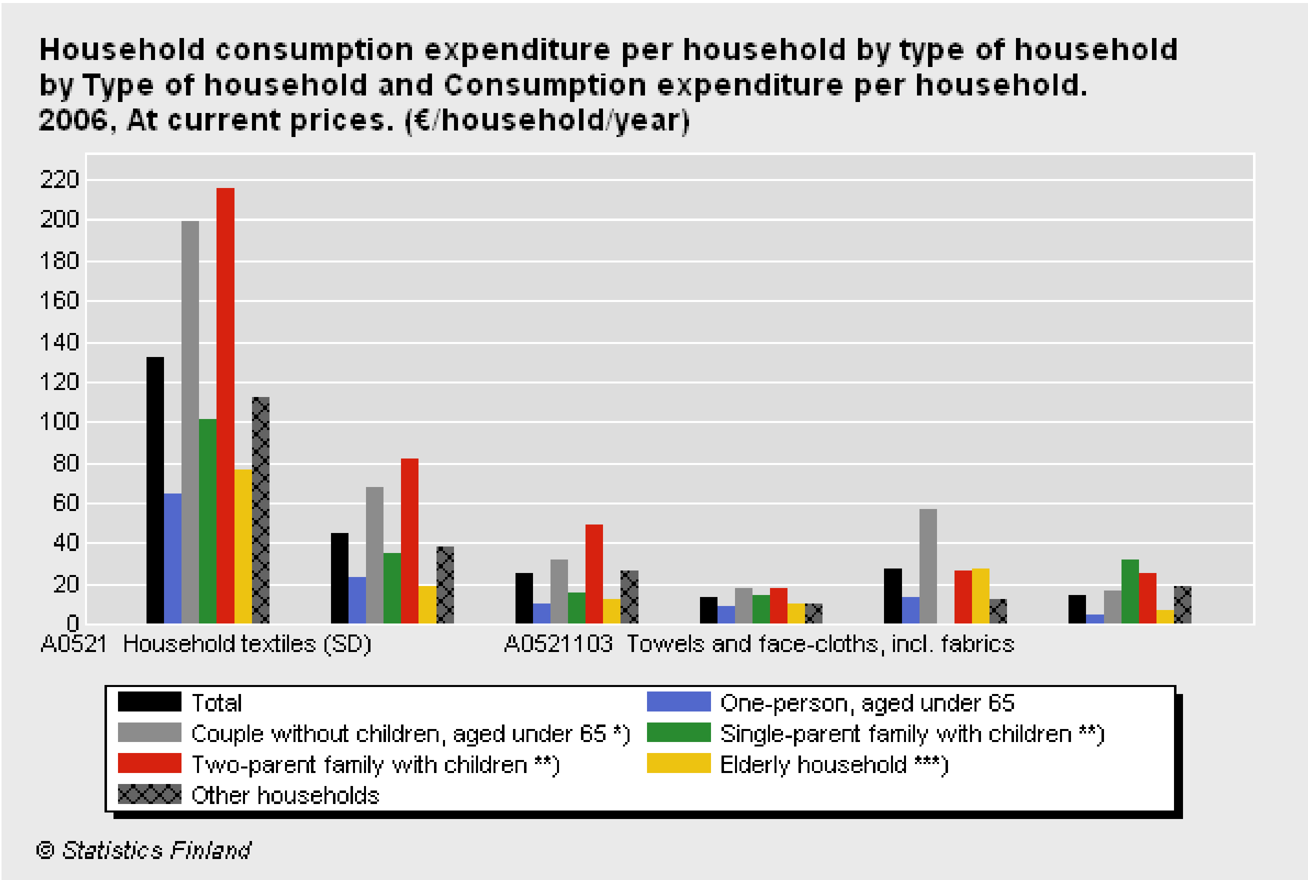
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 5. Page 42. Chart 11. Blocks of flats Kouvola 2008.



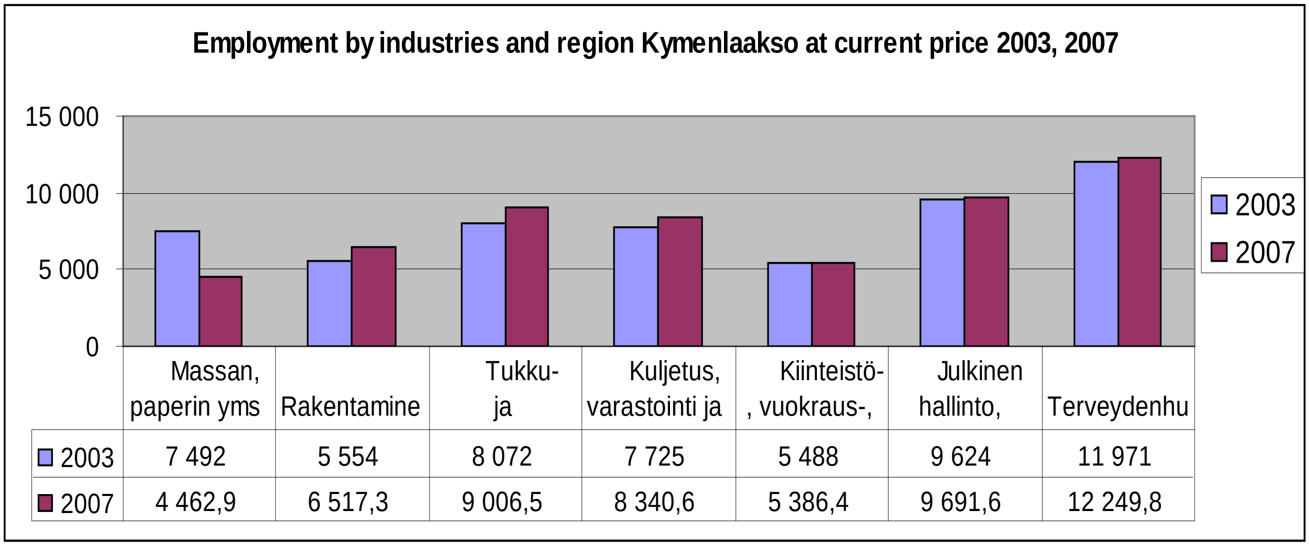
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 6. Page 43. Chart 1. Household expenditure per household by type of household and consumption expenditure per household at current prices 2006.



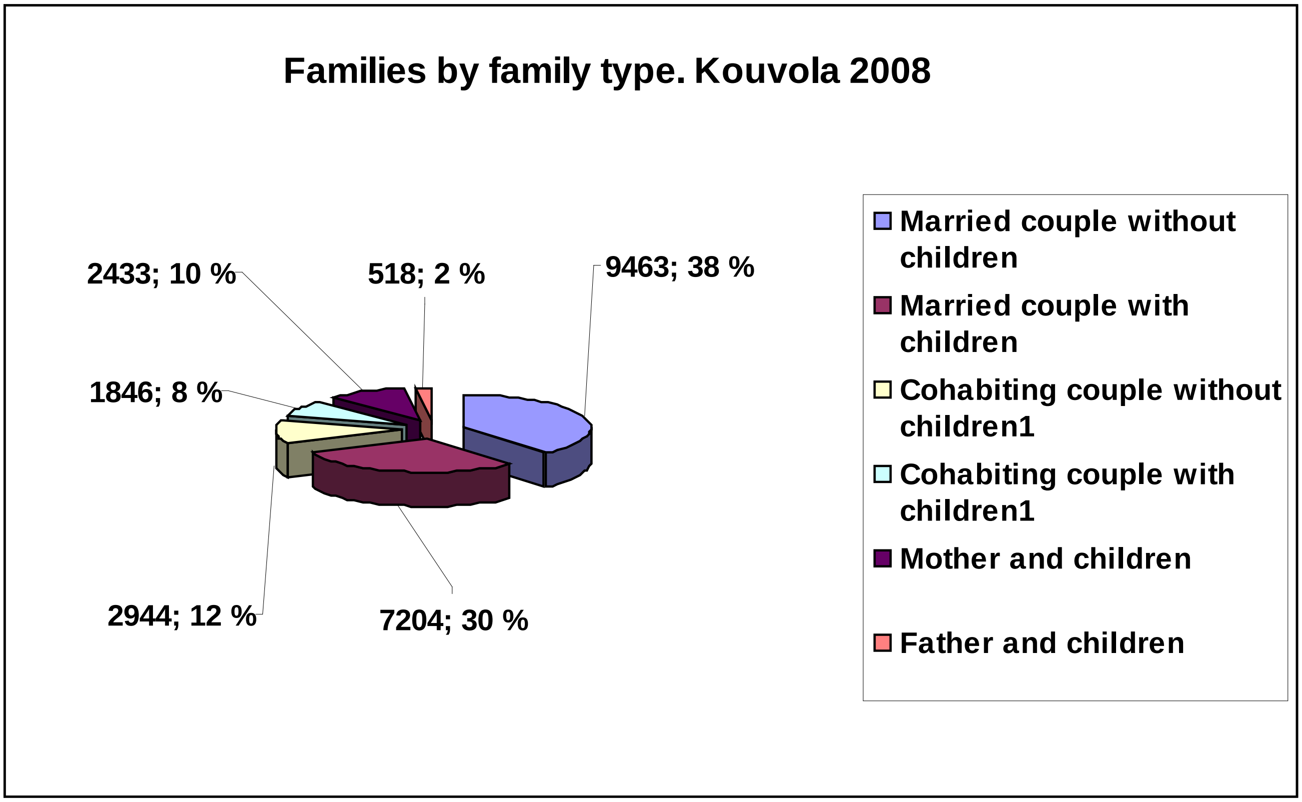
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 6. Page 44. Chart 2. Employment by industries and region Kymenlaakso at current price 2003, 2007.



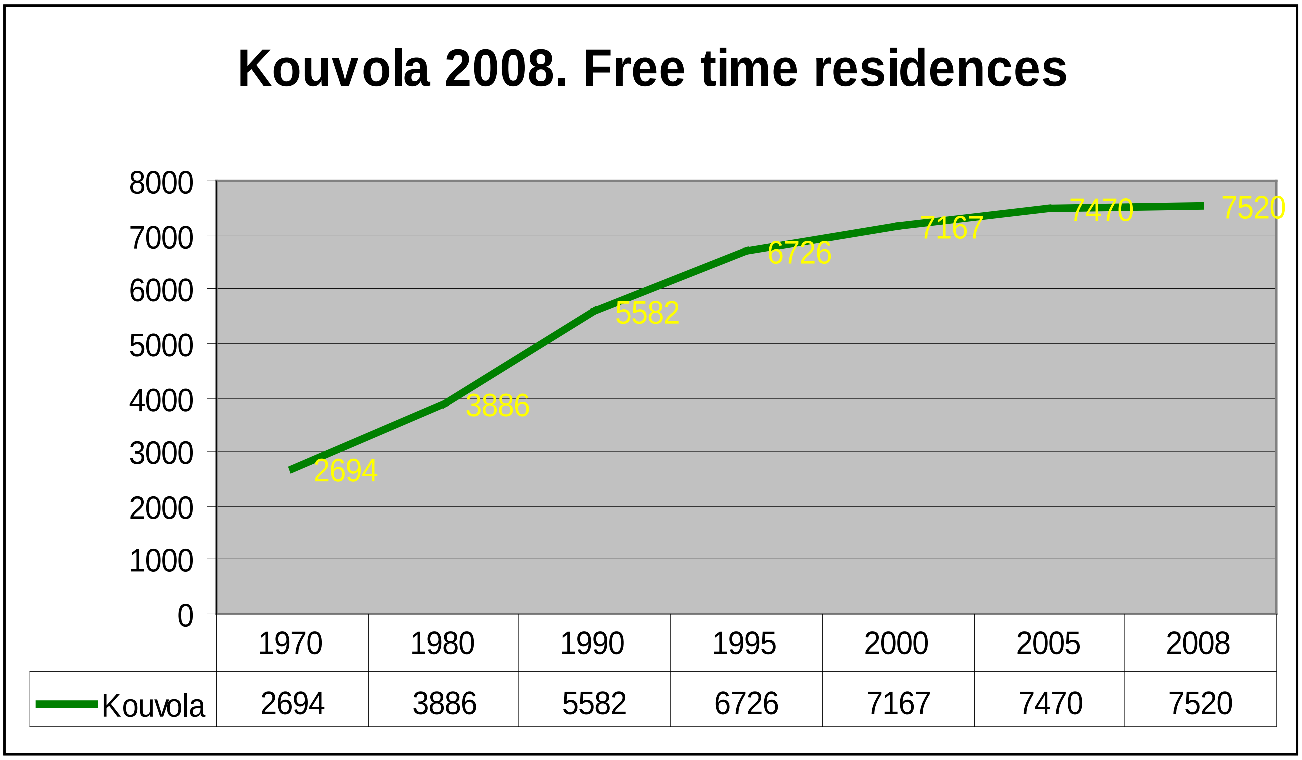
Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 6. Page 45. Chart 3. Families by family type. Kouvola 2008.



Source: Statistics Finland, Statistical databases, Tilastokeskus.fi

Appendix 6. Page 46. Chart 4. Free-time residences Kouvola 2008.



	1970	1980	1990	1995	2000	2005	2008
Kouvola	2694	3886	5582	6726	7167	7470	7520

Source: Statistics Finland, Statistical databases, Tilastokeskus.fi