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Analysis of potential design lamp retailers for Innojok Oy in the Swedish market

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Abstract

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The goal of the thesis is to study and analyze design lamp retailers in the Swedish market in order to find potential retailers for the case company, Innojok. The aim of the case company is to find one to three potential retailers or retail chains for its design lamps in the selected market.

The literature review of the thesis discusses the subjects of situational analysis and retail theory in order to provide tools for a successful analysis.

A qualitative research method is used in this thesis. Case company representatives are interviewed to determine the criteria of potential retailers and to get an understanding of the current internal situation of the case company in entering the Swedish market. A full situational analysis of the market entry is conducted by combining this internal analysis with an external analysis of the market. The main focus is on the retailer analysis. Nine different retailers are examined in the Stockholm area. These retailers are presented and the most potential ones are identified based on their special characteristics and the company's retailer criteria. The strengths of the case company recognized in the internal analysis are also compared with the retailer's characteristics in order to find the best potential match.

Three retailers are recommended based on the analysis. These three retailers are further analyzed based on the given criteria and their special characteristics. Although the potential retailers are identified, success in opening the business is not guaranteed. A further analysis of the retailers purchasing behavior is recommended. The case company is also recommended to focus on strengthening its strengths and developing its weaker areas in better serving the analyzed retailers.

Keywords
Retailing, qualitative research, design lamp, Sweden

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1 Introduction

Internationalization is a hot topic for many companies. The growth limitations in domestic markets together with opportunities arising from a larger market are intriguing (Hollensen 2008, 5). Even though internationalization has been investigated and discussed in academic literature, it is still a challenging undergoing for any company (Kotler & Armstrong 2014, 584). This thesis observes and analyses internationalization from the point of view of a Finnish design lamp company. The aim of this thesis is to find recommendable and potential retailers for the case company's products. The case company is presented in more detail in the following section (1.1). This report is a bachelor's thesis for the degree programme of International Business in HAAGA-HELIA University of Applied Sciences.

The thesis is divided into five separate parts. The thesis begins with an overview of the background, introducing both the research question and investigative questions together with the case company. The second part of the thesis consists of the literature review, where themes relating to the research and investigative questions are observed relative to the latest academic literature. In this part the theory related to the questions is discussed mainly focusing on providing tools to analyse the company, then the market, and finally the retailers. For the validity of the thesis the third part is reserved for describing the methods used in the thesis. In the fourth part of the thesis the case company together with the observations of its current internal and external situation are evaluated against the findings from the literature review. As a conclusion the observations of the retailers and gathered data lead to the results of the research and the recommended potential retailers are presented. The fifth part of the thesis is reserved for discussion of the validity and reliability of the findings. It also contains reflections on professional development.

1.1 Case company introduction – Innojok Oy

The case company used in the thesis is Innojok Oy, a Finnish SME company designing, manufacturing, and wholesaling design lamps, bright therapy lamps and lighting solutions for homes and public spaces. Innolux is the brand name used by Innojok on its products.

The company was founded in 1993 and today has more than 20 employees with an annual turnover of 5.7 million € (3/2014). Innojok has grown steadily throughout its history and has reached the position of a market leader in Finland with its design lamps and bright light therapy devices. Jukka Jokiniemi, Doctor of Science, is the founder and CEO of the company. Approximately 80% of the manufacturing is done in Finland.

The company supplies many of the biggest retail chains in Finland, including Anttila, Vepsäläinen, Stockmann, Kodin Ykkönen, and Prisma. The prices of Innolux products are competitive ranging from 100-400 € per piece. There are also many smaller, independent resellers representing the Innolux products in Finland. Additionally the case company launched its own web store in January 2016. Currently purchasing through Innojok's web store is available only for domestic consumers and company clients.

The brand Innolux withholds three main collections; Design, Bright, and Pro. Additionally there is a Design Export Collection, launched in 2014, that has gathered the best-known classics and the most innovative modern design lamps for a separate collection targeting foreign markets. The quality of these products, their technical details, and the issues involved in the logistics are more carefully taken care of in order to suit markets outside Finland.

The Innolux Design Collection is a broader collection of well-known Finnish classics and modern designs by Finnish designers. Innolux Bright Collection offers beautifully designed bright light therapy lamps that have proved health-benefits. The Innolux Pro Collection provides lighting solutions for public spaces and is used by engineers, architects, and interior designers, in co-operation with the lighting experts of the case company.

The export operations of Innojok have been taken care of by an outsourced agent company, Tradiko. The agent company has been concentrating mainly on the bright light therapy devices. The main markets for these bright light therapy lamps are Switzerland, Germany, The United Kingdom and France.

In 2013 Innojok made a strategic decision to divide the export department in two; Tradiko will continue exporting bright light therapy devices and Innojok exports the design lamp collection. Design lamp export will be concentrating to the Benelux countries, where an agent was hired during spring 2014, and to the Nordic countries due to the close proximity and similar market. The aim of this thesis is to find suitable retailers from Sweden for the narrowed-down portfolio of the case company's Design Export collection, where both the quality of the products and the production possibilities for larger quantities is ensured.

The result of the data analysis in this thesis is not only a list of retailers; it can be seen as more as an introduction to the potential retailers that could successfully distribute the Innolux products in the Swedish market. The results of the data analysis is to provide a deeper understanding of the case company's current situation in entering the market, the retailers and their special characteristics, and which of these would be worth-while locat-

ing with the limited resources of Innojok. The case company will be able to allocate its resources on the most potential companies in the most effective way, after understanding what the potential retailers are and how they operate.

The case company has expressed the need of more adequate information and data of the retailers in Sweden, the current market situation and the competitive landscape. Thus the idea for the topic came from the need of the company to have a specific image of the current marketing conditions in the Swedish market. The thesis has been done based on the identified needs and wants of the case company.

1.2 Research objective and research questions

The starting point for this thesis is to identify the potential design lamp retailers for the case company. Thus the research question (RQ) "What are the potential design lamp retailers in the Swedish market for Innojok" was formed. For getting the needed information to answer this question, more detailed investigative questions (IQs) were formed. The RQ and IQs are listed here below, and additionally listed to the overlay matrix in Table 1.

The research question (RQ)
What are the potential design lamp retailers in the Swedish market for Innojok?

The investigative questions (IQ)
IQ1. What is the company's current situation to enter the Swedish market?
IQ2. What are the retailers in the Swedish market?
IQ3. What are the differences among the retailers based on selective retailer criteria?
IQ4. What are the best retailer options for the company?

The Overlay Matrix (Table 1) introduces the theoretical framework used to answer the questions with related theory. Also the data collection method of each question is mentioned. More precise information about the data collection phase can be found also in the part 3, Methods.

The first investigative question (IQ1) "What is the company's current situation to enter the Swedish market" is formed to understand the strengths and weaknesses of the case company and the opportunities and threats on the new market in order to help in the selection of the most potential retailers. Situation analysis is used to give theoretical background on the topic. The theory is used in both forming the interview questions for the management of the case company, and to focus on the right topics in the desktop study conducted.

The second investigative question (IQ2) “What are the retailers in the Swedish market” aims to research the various types of retailers there are on the market. Topics such as retailing, retail channels, and retailers’ role in the supply chain, their tasks and product line are covered. In the data collection phase a desktop study is conducted.

The task of the third investigative question (IQ3) “What are the differences among retailers based on selective criteria” is to find out the main differences among the listed retailers. Segmentation theory is used to provide tools to divide the retailers into distinct groups based on their similar requirements. This enables the case company to find the best match and to allocate its resources.

The fourth and final investigative question (IQ4) “What are the best retailer options for the case company” aims to combine the data collected in IQ1 about the company, to the data collected in IQ2 and IQ3 in order to find the most potential retailers, and thus answer to the original RQ.

Table 1. Overlay Matrix

Investigative Questions	**Theoretical Framework**	**Data collec-tion**
What is the company’s current situation to enter the Swedish market? (IQ1)	Situation analysis Resource audit PESTEL	Management interview Desktop study
What are the retailers in the Swedish market? (IQ2)	Retailing Retailer types Role in the supply chain Tasks Product line	Desktop study
What are the differences among retailers based on selective retailer criteria? (IQ3)	Segmentation	Observation method and Web search
What are the best retailer options for the company? (IQ4)		Based on the collected data

1.3 Scope of research

The focus is on researching and analysing the retailers on the Swedish market for design lamps. Subjects related to general strategies of internationalization, such as entry modes, and the actual planning and implementation of marketing strategies, programmes and support for the target market are left out in order to limit the scope of the research. Retail customers, retail pricing and the competitive environment of retailing are not included to the scope of research of this thesis. There are hundreds of retailers in the Swedish design lighting market; most of them were listed for the use of the case company but to limit the scope of the thesis only nine retailers are examined. The focus was in the retailers located in Stockholm in order to efficiently observe them during the research trip.

1.4 Key concepts

Retailing Selling products and/or services directly to end customers for their personal use. Practiced by multiple types of institutes including manufacturers, wholesalers, and retailers. (Kotler & Armstrong 2014, 396.)

Product line A group of products that share similar type of buyers, function, prices, or sales channels. (Kotler & Armstrong 2014, 258).

Product mix All the product lines together that a seller offers for sale. (Kotler & Armstrong 2014, 258).

Department store A retail shop offering multiple product lines that are separated to their own departments. These departments are run by a dedicated specialist buyers or merchandisers. (Kotler & Armstrong 2014, 397).

Market entry Set of activities a company makes to enter a new market (Hollensen 2008, 7).

2 Retailer selection for entering foreign markets

There are both proactive and reactive motives for companies to internationalize. With the help of innovation, adaptability and by reacting quickly into changes also small and medium-sized enterprises (SMEs), like the case company, can succeed. It is important to understand the company's strengths and weaknesses and also the external environment in order to make right decisions. Finding the right type of retailer and business partner for a company and its products is furthermore crucial for success. To encounter potential retailers they can be analysed by studying their breadth and depth of the product lines, pricing, organization form and amount of service offered. This way the product's purchasing platform would match the price, benefits and characteristics of the product itself.

2.1 Reasons for internationalization

In the following text the reasons behind SMEs decision to go international is discussed. These reasons and also the resources for internationalization vary in each organization. The case company Innojok has decided, based on its proven success on the domestic market, to start expanding its operations to foreign markets. Kotler and Armstrong (2014, 584) have also identified this as one of the main reasons for companies to internationalize. In most companies the ultimate motive for exporting is to make money, although usually there are several reasons for a company to make the decision to internationalize. The reasons can be divided into two different types of motives; proactive and reactive. Proactive reasons indicate the company's own interest in the market possibilities or using its competences. Reactive motives again are normally reactions to pressure or threat faced in the home market. (Hollensen 2008, 35.)

There are several proactive motives. One of them is a profit and growth goal. This is typical for SMEs in the early stages of considering internationalisation. Another is technology competence or a unique product that might be the driving force for a company. Instead reactive motives are reasons coming from outside the company, such as competitive pressure. A fear of losing domestic market share for competitors, or witnessing domestic competitors internationalising provide incentives to internationalize. (Hollensen 2008, 36, 38.) Kotler and Armstrong (2014, 583) discusses the same issue stating that companies that operate in industries that are global and where their overall performance is affected by their strategic position in the market, must compete either on a global or at least a regional level to succeed.

In order to succeed in international business, companies need specialized knowledge, commitment of resources, and time to establish and develop foreign business partners. Despite the limited resources of SMEs compared to multinational enterprises (MNEs), they do succeed in international business. According to Cavusgil, Knight and Riesenberger (2008, 15) the smaller size holds also benefits. The power lies in innovation, adaptability and in the possibility of reacting quickly into changes. SMEs can also serve niche markets around the globe, which are not in the interests of bigger enterprises. The active use of advanced technology and information available brings benefits to SMEs. Minimizing the overheads or fixed investments and through outsourcing some of the business processes is also easier. (Cavusgil et al. 2008, 15.)

No matter the reasons behind the company's desire to internationalize, the limited resources of the company must be allocated into right places. Especially with SMEs there is an opportunity to be innovative, adapt and react quickly to changes. With sufficient market knowledge and information this will be possible.

2.2 Situational analysis of market entry

After a company has made the decision to enter new markets it should analyse both its internal and external environments. Tools for conducting these internal and external analysis are represented. Finding these external and internal factors helps to form the SWOT-analysis. This analysis helps the company to find the best corresponding options to match its competences. (Hollensen 2008, 6.)

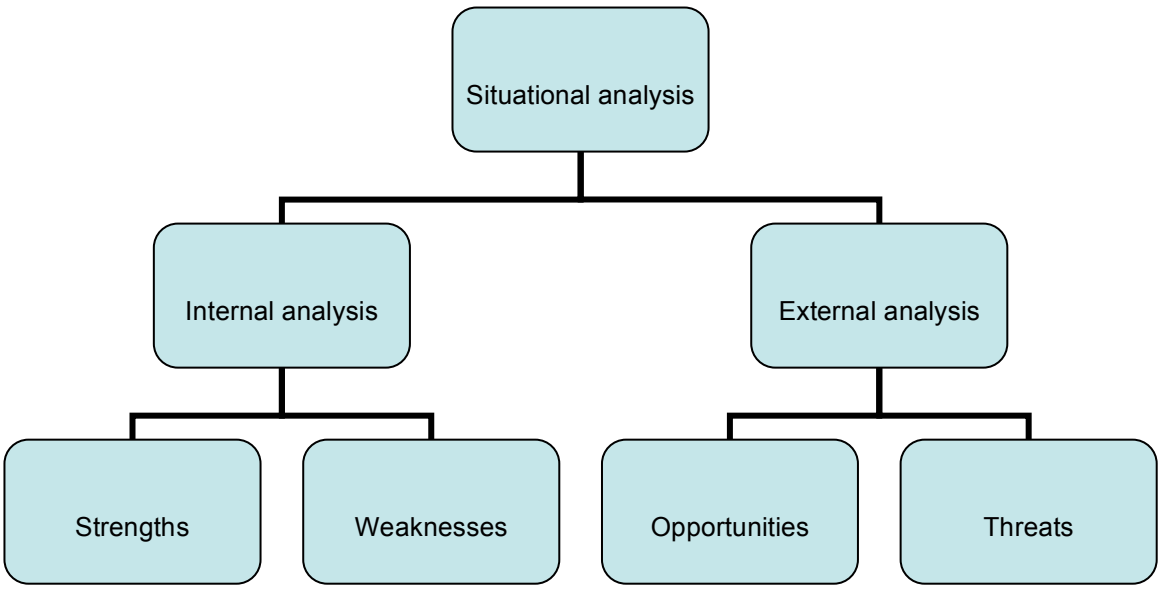

Figure 1. Situational analysis. Hollensen. 2008

First the internal strengths and weaknesses of a company are to be analysed. This can be done through an internal audit. Strengths are the internal capabilities of the company that help in achieving its objectives and in making the most of the opportunities. A weakness again is a factor, which might prevent the company to successfully deal with opportunities or threats, or even the achievement of the company's objectives. This internal analysis will also help later when developing a marketing strategy for a specific market. (Wood 2013, 26.)

In the process of analysing the company's internal strengths and weaknesses the focus should be on the organizational resources, current offerings, past performance, brand or company image, the capabilities of employees and the technology available (Hollensen 2006, 21, Wood 2013 26). These internal factors and a mission statement, implying what and where the company wishes to achieve, form the internal audit. (Wood 2013, 26).

The resource audit is a business analysis tool that is used to study key areas of internal capability in order to determine the resources that will help to enhance business operations and those that will threaten or prevent such actions. It is used to identify the strengths and weaknesses within an organization. (Cadle, Paul & Turner 2014, 10,11.) There are five areas that should be examined

- Financial
- Physical
- Human
- Reputation
- Know-how

The financial resources include the financial resources available and can at its simplest be the financial assets of the organization. The organization's financial stability is studied and the possibilities for financing investments and development are examined. This can be done for example by asking "Does the company have access to financial resources that will enable product development". Physical attributes include the land, buildings and equipment available for the use of the organization. Human resources include both permanent and temporary employees of the organization. Reputation is studied by examining the marketplace perception of the organization. Know-how is the information within the organization and the way of using it to support the business. All these areas can be studied by asking questions whether the company has an access and enough/the right quality of these resources to enhance its business. (Cadle et al. 2014, 10, 11.)

It is not enough to understand the internal strengths and competitive advantages. It is an on-going challenge to understand the competitive advantage of a company. Before the

environments were relatively stable and it was easier for the companies to develop and sustain a competitive advantage. Today, companies have to anticipate the upcoming changes of the environment and also change the relevant elements in order to keep up with the competition. (Hollensen 2003, 29.)

After conducting the internal analysis and in order to form a deeper understanding of the company's current overall situation an external audit should be conducted as well. After conducting both internal and external audit a SWOT analysis of the company's current situation can be made. In the external audit the environment can be examined with the help of PESTLE analysis, which covers the political, economic, social-cultural, technological, legal and ecological aspects. All the different areas of the PESTLE analysis can by found in Table 2. Additionally the competitive factors providing opportunities or threats are to be examined in the external audit. An opportunity can be defined as an external factor that the company can grasp on in hopes of better performance. A threat is an external factor that might prevent the successful performance of a company. (Wood 2013, 26.)

PESTLE analysis studies the factors that cannot be influenced by the organization but might have an impact on the business operations. The focus should be on identifying external factors rather than on deciding what to do about them. These factors are later used in a SWOT analysis as opportunities and threats. (Cadle et al. 2014, 5.)

Table 2. PESTLE analysis. (Cadle et al. 2014, 4, 5.)

Political	**Economical**	**Social**	**Technological**	**Legal**	**Environmental**
Political issues such as government changes or EU affecting the business operations	Domestic or global economic factors such as growth within an economy, or market confidence	Socio-cultural factors are often subtle changes, rising from customers of potential customers, such as consumer behaviour patterns towards more eco-friendly consumption	Factors arising from the development of technology, either industry specific or general development in IT	Factor arising from the law changes by national governments of for example EU.	Concerns abouth the natural environment, also known as the "green issues", include factors related to packaging and the increase of pollution.

The resource audit and PESTEL analysis are tools that can be used in forming these internal and external audits and after they are conducted a SWOT analysis (Figure 1) should be made. With help of SWOT the company-related internal and the environment-related external issues are put together into a clear context. The purpose of this is to help the company to focus on and develop the most essential strengths and exploit the opportunities. At the same time pursue to minimize the weaknesses and avoid threats. (Hollensen 2006, 70.)

2.3 Finding potential retailers

Retailing is the key element of a product's journey from a manufacturer to the end customer. When entering a new market companies search for new buyers for its products or services (Kerin & Petterson 2013, 22). There are various types of retailers from small specialist stores to department stores. They vary in the form of the amount of service offered, breadth and depth of the product lines, pricing and organization form (Armstrong & Kotler 2015, 365, 366). These elements can be studied in order to find the best possible match between a purchasing platform of the company's products, and the characteristics, benefits and price (Varley & Rafiq 2014, 1).

According to Varley & Rafiq (2014, 1), retailing is the activity of selling goods and services in their finished state to end customers for their own personal use. This distribution of goods and services might take place anywhere from a physical store to online purchasing. Retailing is the main part of a journey that a product makes from manufacturer, grower or service provider to the consumer. (Varley & Rafiq 2014, 1.)

2.3.1 Finding and attracting potential business-to-business customers

Identifying and analysing the potential customers is part of the market analysis. Segmenting, targeting and positioning are presented as tools to first select and understand the customers and then plan and establish suitable ways to attract these customers.

As stated by Kerin and Petterson (2013, 22) when a company enters a new market, it searches for new buyers for its products or services. According to them this means that the company needs to understand the number of customers, what is their motivation and buying patterns to make sure the marketing activities they develop are successful.

Prospects are potential customers that meet the qualification criteria set by the selling person or the company. Identifying these prospects is important to the customer strategy.

Internet is a great tool in the process of collecting and organizing the information about prospects. There are also many computer-based systems available for storing the data collected and relevant information about the potential and existing customers. (Manning, Ahearne & Reed 2012, 207, 218-222.)

Segmentation can be used to find the best possible match in business-to-business (B-to-B) markets. Market segmentation is when the market is divided into distinct groups of buyers based on their similar requirements. This is helpful when a company wants to allocate its resources and plan its strategy. Since the B-to-B customers have different needs, resources, and purchasing habits, it is important to set criteria or variables by which the potential customers can be segmented. (Hollensen 2003, 307, 321.)

In order for the market segmentation to be effective it has to define market segments by using five criteria. These criteria written by Hollensen (2003, 311, 312) are listed and described below.

1. Adequate size. The segments should be large or profitable enough to be noticed for separate marketing activities.
2. Measurability. The segments should be able to be divided based on the particular buyer characteristics and the accessibility and existence of these characteristics' information. Often both specific and more abstract segmentation variables are used.
3. Accessibility. The separate segments should be suitable to successfully focus marketing efforts on.
4. Responsiveness. The different segments should respond differently to the marketing mix elements focused for them.
5. Compatibility. The existing and expected competitive and technological situation of the market should match the company's marketing and business strengths.

Targeting is when one or more of market segments are selected and then products or programs are developed for each of these segments based on the opportunities that arise. The three most common targeting strategies are undifferentiated (mass) marketing, differentiated, and concentrated (niche) marketing. Undifferentiated marketing is when the company decides to treat all the customers on the same way. In differentiated marketing a unique marketing mix is selected and developed for all the segments separately. Concentrated marketing strategy is used when one or more segments need more specialized benefits from a supplier (Hollensen 2003, 330.)

Positioning takes place after the segmentation and targeting processes. At this stage an image, reputation, or perception of the company and its products is created for the customers. This is a strategic decision that affects on all elements in the strategic marketing program, including all the parts of marketing mix. (Hollensen 2003, 333.)

2.3.2 Retailer types and types of retail organizations

There are various types or retail channels with different offerings to their target customers in terms of service, product lines and pricing. They also differ in the form of the retail organization. (Armstrong & Kotler 2015, 365, 366)

A **department store** carries several product lines and each of these lines are operated as separate department (Armstrong & Kotler 2015, 366). Department stores can either be a full-line designation by carrying a wide range of goods and providing everything from fashion and apparel to household and small electrical items or concentrate on specific brands or products. Department stores may have stores within the store in the form of for example shop-n-shops, specialist sections or ID-shops. The buyers in department stores often need to decide which customer profile they aim to pursue and make the purchasing decision accordingly. The challenge of the department stores is to compete with true branded stores. Excellent service and merchandise may help them to differentiate and keep their edge in the eyes of consumers. (Jacobsen 2011, 3, 4.)

Specialty stores focus in specific types of merchandise, with a specific lifestyle offering. The product line is narrow with a deep assortment in it (Armstrong & Kotler 2015, 365). The goods vary from luxury to mid-priced high-quality merchandise. Sports shops, book stores and shoe shops are some examples of specialty stores. The common factor is that these stores are a destination-shopping trip to the customers. Consumers expect to find a wide choice of merchandise within the specialist categories and encounter knowledgeable sales staff to recommend the right products. (Jacobsen 2011, 5, 6.)

Hypermarkets/supermarkets offer a wide selection of goods in comfortable atmosphere. The typical characteristics for these retailers is low-cost, low-margin, and high-volume products and self-service operation (Armstrong & Kotler 2015, 366). Product assortment consists of general merchandise including household items, toiletries, hardware, toys, small electronics, clothes, cosmetics, furniture and even more. The customer promise is often to offer the best value for money or to be the cheapest option. The depth and width of the products on offer is better than the one in discount stores. (Jacobsen 2011, 2, 3.)

Discount stores sell high volumes of goods at lower prices with lower margins (Armstrong & Kotler 2015, 368). These stores can have a wide product portfolio or the might concentrate on specific goods. Often the product assortment consists of season-end products, job lots and/or secondary brands. The buyers of discount stores aim to make deals regionally and buy in bulk to get the lowest price possible. (Jacobsen 2011, 3.)

Branded stores carry single known brands. The brands can be either high-end brands such as Prada or high-street brands such as Nike and Zara. Branded stores can be operated directly by the brand-owners or through a franchise agreement. The brand owner, or the Master Licensee often defines everything from the store layout to the store locations. (Jacobsen 2011, 4.)

The form of **catalogue selling** is still popular, especially in some countries. Some retailers use only catalogues as a way to reach their customers. Some department stores offer goods that are only available through this channel. (Jacobsen 2011, 6.)

The above mentioned store retailer types differ based level of service and product lines. Retailers differ also in the type of their organization (Armstrong & Kotler 2015, 365).

Single-unit independents are run by the owners. The merchandise is usually limited but appealing. The assortment consists of higher-priced goods such as shoes, jewellery or apparel. (Jacobsen 2011, 5.)

Corporate chains or chain organizations are two or more outlets that are commonly owned and controlled. This organization form is usual in department stores, discount stores, food stores, restaurants, and drugstores but appears in all types of retailing. (Armstrong & Kotler 2015, 370 , Jacobsen 2011, 7.)

Voluntary chains are independent retailers engaged in group buying and merchandising and that are sponsored by wholesaler (Armstrong & Kotler 2015, 365).

Retailer cooperative is a group of independent retailers who have a central buying organization and joint promotion efforts. (Armstrong & Kotler 2015, 365)

In **franchising** business model the owners/developers (franchisors) of a concept or brand give the franchisee, for a fee, the right to operate the retail concept in specific locations. The franchisors also outline the rules and regulations under which the franchisee must operate the business. (Jacobson 2011, 6.)

Licensing is very similar to franchising. The biggest difference among these two is the start-up fee. The licensees are required to follow the merchandising rules established by the licensor. Some examples of license stores are Benetton, Marks & Spencer, and Ralph Lauren. (Jacobsen 2011, 6.)

2.3.3 Retailer selection criteria and competitive strategies

Retailing is one of the most important aspects in a company's marketing strategy as it ensures that the product is reached by particular groups of consumers. Matching the product's purchasing platform to the benefits and characteristics of the product itself and its price is a significant task for a company. (Varley & Rafiq 2014, 1.)

Store retailers can be analysed based on their special characteristics, including the variety of product lines, the amount of service offered, the relative prices, and the organization form. Product assortment, services mix, and store atmosphere are the main elements retailers must decide on. (Kotler & Armstrong 2014, 258, 397.)

Product line is a group of products that have similar type of buyers, function, prices, or sales channels. Consistent decision making in product assortment requires the retailers to define and profile their markets well, and after this decide how to differentiate and position themselves. The decisions regarding product assortment and other elements, such as pricing and advertising, are to support the position of the retailer on the market. Product assortment is to match the expectations of target customers and at the same time to differentiate the retailer from its competitors. It is not always easy for retailers to define their markets and position themselves. (Kotler & Armstrong 2014, 397, 403, 405.)

Murray (2013, 81) states that a retailer has to make decisions regarding the product assortment variety, breadth and depth offered. Variety refers to the quantity of product categories they offer for sale. There might be also sub-categories under these categories. The breadth of the assortment refers to the quantity of different products within each category. The depth of the assortment refers to the quantity of each individual item the retailer carries. Assortment is deep if the retailer carries a lot of stock keeping units (SKU). (Murray 2013, 81-83.)

Retailers also have to make decisions regarding their brand portfolio, in terms of deciding which brands to offer for their customers. A successful retail strategy concentrates on offering the right brands and products to the customers the retailer aims to serve. Many re-

tailers offer also private label brands as it is seen as a way to increased control over their brand image, customer loyalty, and competitive positioning. (Murray 2013, 91-94.)

Retailers can purchase supplies from various type of sources. It can be anything from direct purchasing from a manufacturing unit or through an intermediary like an agent or wholesaler. The supply sources must answer the retailers' needs in the form of

- Product range - design, quality and brand recognition
- Price level – negotiation opportunities, discounts and terms of payment
- Capacity – volumes, lead times, available capacity
- Service – delivery service, sales service and after-sales service
- Flexibility – capability to produce different products and make fast changes to products
- Technology – information systems and using technology in production
- Approach – understanding of retailer's needs, partnership
- Location – local, domestic or global

Retailers want to make sure that their outlet space produces maximum benefits to the organization. The products that are represented in this valuable space should therefore match the needs and desires of the customers. Retailers usually constantly review their product-range. Also the product selection is made so that the product features meet the needs of the consumers as well as possible. (Varley & Rafiq 2014, 194-196.) These features include the

- Physical properties – size, weight, volume
- Packaging - aesthetic, protection
- Product quality - raw materials, production processes
- Brand – Trademark, designer, certificates
- Style – design, fashion, taste
- Utility – functions, durability, versatility, maintenance

The retailers' task is to provide a variety of service benefits to their customers. These benefits include aspects like convenient location, product choices, giving information and recommendation to ensure the best match between a product and customer needs, and selling the right quantities of goods to meet the personal consumption levels. (Varley & Rafiq 2014, 1.)

The amount of service depends on the type of the products and customers. There are three service levels: full service, limited service, and self-service. Full-service retailers guide the customer throughout their shopping experience. This type of assistance is often given at high-end specialty stores and exclusive department stores. Limited-service retailers are willing to assist the consumers to some extend since they carry goods that the consumers need some information from. Self-service retailers again are mainly selling convenience goods and fast-moving shopping goods where the customers perform the locate-compare-select process without staff support. Product line in this type of self-

service stores varies everywhere between specialty stores' narrow product lines to department stores' wide variety. (Kotler & Armstrong 2014, 397.)

Retailing strategy defines the goals and objectives of a retailer and clarifies how they will be achieved. This type of strategic management is relatively new to retailing and has taken place due to the growth of large multiple chain stores and the challenges of rapidly changing business environment. Strategy also creates sustainable competitive advantage by allocating the company's resources to meet customers' needs. (Varley & Rafiq 2014, 76.)

A unique product assortment and the level or amount of services used to be the key points of many retailers' marketing strategies. The differences of the assortments and services of different retailers are getting smaller. Exclusive merchandising is rarer these days as most consumer brands can be found everywhere from department stores to different discount stores, and also online. Many discounters have increased their level of service and at the same time various department stores have lowered the amount of theirs. Consumers are also getting more price sensitive and sharper when making purchasing decisions. (Kotler & Armstrong 2014, 402.)

Sustainable competitive advantage (SCA) helps the retailers to survive over the long term in the market. SCA can be gained in various ways and any activity that a retailer undertakes can form a base to achieve SCA. Elements such as store location, customer loyalty or efficient logistics are some of the major methods for that Varley & Rafiq (2014, 82) mention of creating SCA. Most likely SCA is achieved by using multiple approaches. (Varley & Rafiq 2014, 82.)

There are two basic competitive strategies – differentiation and low cost. By combining these strategies with the company's competitive scope three generic strategies are created – cost leadership, differentiation and focus. The focus strategy is further divided into two: cost focus and differentiation focus. In Figure 2 these generic competitive strategies are represented.

	Competitive advantage **Lower cost**	**Differentiation**
Broad target Competitive scope **Narrow target**	Cost leadership	Differentiation
	Cost focus	Differentiation focus

Figure 2. Generic competitive strategies Varley & Rafiq 2014

Retail managers to implement the retailing strategy use the retail mix. It is a set of characteristics that the retailer can control in order to satisfy customers' needs and to influence on its purchasing behaviour and to gain competitive advantage in the market. (Varley & Rafiq 2014, 91.)

According to Varley & Rafiq (2014, 91) this retail mix consists of variables such as

- Range of products
- Location
- Price
- Visual merchandising
- Store atmosphere
- Customer service
- Advertising
- Promotions
- Personal selling

Bell (2014, 73) argues that on top of this traditional retail mix the customers expect also presence and accessibility online and in social media.

2.3.4 Buying decisions in business-to-business markets

Dent (2011, 291) points out that selling to retailers does not mean that the retailer is the customer. Retailers should be seen as a channel to reach the customer, and what is actually sold to the retailer is a commercial relationship that creates economic value for both the supplier and retailer.

The buying decisions for businesses are made by individuals or by groups and the purchasing decisions are often highly complex involving both money and people. Organizational purchases are often based on group decision-making by the decision-making unit (DMU). (Hollensen 2006, 60.)

In business markets there are three things (Figure 3.) that help in order to understand customers' purchasing behavior; 1. Customer characteristics and needs, 2. Internal and external relationships and 3. Organizational and external considerations. (Wood's 2013, 55.)

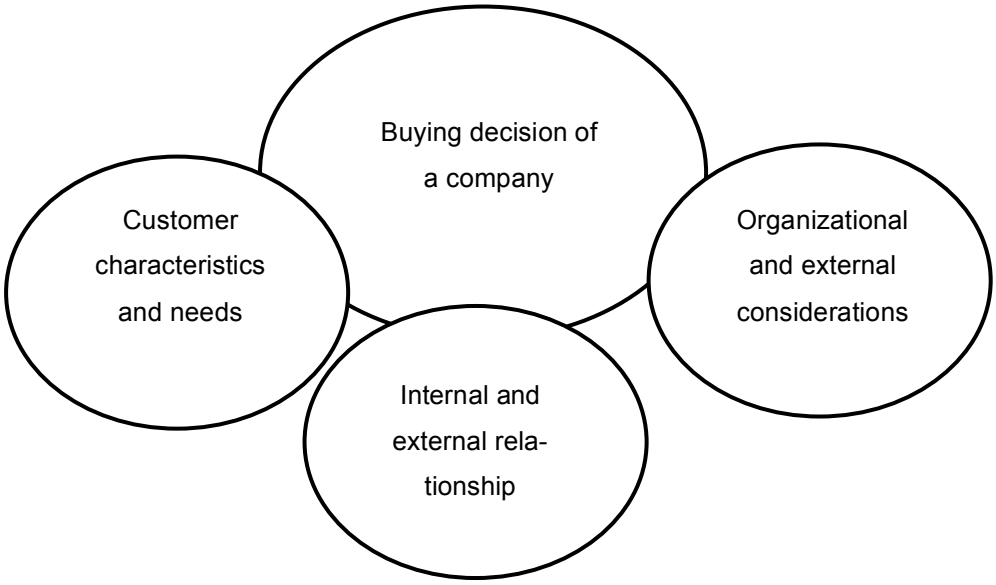

Figure 3. Buying decision of a company. Wood 2013.

First it is necessary to recognize the organizations' characteristics, purchasing requirements and challenges in the defined market. Determining the common needs and concerns of organizations and reflecting the characteristics affecting these needs can be done for example by categorizing these companies according to certain characteristics. These characteristics can be type of industry, annual turnover, number of employees, location of facilities and geographic focus. The needs of a smaller business are often different from those of bigger companies. (Wood 2013, 56.)

The second part affecting businesses' buying behaviour is the organizational and environmental considerations. The timing and budgets of companies for purchasing actions differ. More frequent buying decisions can be expected from fast-growing companies than from those that are saving money. The company's environmental influences often affect what, when and how much the organization will purchase. (Wood 2013, 56-58.)

The last part for deeper insight on customer buying decisions in B-to-B markets has to do with the internal and external relationships of the organization. From the external point of

view, understanding the criteria the company expects from suppliers is important to plan accordingly. The criteria might have to do with features like staff expertise, quality of the products and reliable delivery. Also the current supplier relationships should be studied to find out whether long-term contracts are usual, and to find out the standards the customer expects from the suppliers. (Wood 2013, 58-59.)

Internal relationships again focus on the people making the purchasing decisions. As mentioned earlier, there might be a bigger group of people making these decisions for the company, although not all of them might be involved in all decisions. These individuals forming the DMU have different roles in the decision-making. (Wood 2013, 58-59.) According to Wood (2013, 58) there are roles such as users, influencers, buyers, deciders and gatekeepers. Additionally the individuals' age, education, position in the company and other personal attributes affect the buying decision.

In a centralized buying form the purchasing decisions are normally made at the headquarters level. This way there are fewer buyers to communicate to. If again the purchasing decisions in a multinational corporation is decentralized or local buying, the seller has to prepare to communicate with multiple buyers. It should be also noted that some companies might insist on online buying. (Wood 2013, 57.)

3 Methods

This chapter describes the tools and techniques used to collect and analyze data. The research process is described in detail. Qualitative research method was chosen as it aims to answer questions such as what, why and how and to describe and understand a occurrences. Below you find the reasoning for the selected research methods for this thesis on the data collection and analysis.

Both primary and secondary data is collected in this qualitative research process. Most of the research is done as a desktop study. The full description of the research methods used in the thesis are shown in Figure 4.

To answer the first investigative question (IQ1) “What is the company’s current situation to enter the Swedish market” the management of the case company is interviewed. The full question battery can be found as an appendix (Appendix 1). The focus is to find out the case company’s strengths and weaknesses in the internationalization process. Also a desktop study is conducted to find out more about the current general market situation and design lighting market situation in Sweden.

For the second question (IQ2) “What are the retailers in the Swedish market” a desktop study is conducted. First all the already existing retailers are listed on an Excel-document and after this more potential retailers are searched and studied online. Variables including company name, address, phone number, contact person, and purchases from the previous year (if any) are marked. Other relevant information is also added when found. Other information may include the type of a retail store (department store/furniture chain) and other brands carried.

In IQ3 “What are the differences among the retailers based on the selective criteria” the collected data in IQ2 is re-organized based on the given criteria by the case company. The list of retailers is segmented at this stage, divided into groups, according to their size, form and location. Existing retailers are hold as their own group. The list of retailers was divided into existing retailers and into prospects. The prospects were further segmented into 1. large retailer chains and 2. small retailer chains and single/specialty stores. As the main goal of the case company was to find potential large retailers the focus of the research is mainly on the first group. These smaller retailers are organized based on 1. the city so, that the biggest cities are first listed, and 2. the retailers within these cities based on the expected potential and fit in the set criteria. Additionally a research trip is conducted to Stockholm, Sweden.

Primary research is done through conducting unofficial semi-structured face-to-face-, phone-, and email-interviews, and through a research trip to Sweden and visiting the stores of the potential retailers. Additionally the competitors present in the stores will be studied and the overall layout of the store is remarked. The shop assistants and shop-keepers will be talked with to find out the customer and retailer preferences. The key points to be examined in the retailers can be found at the end of this thesis (Appendix 2).

A total of 9 stores were visited during the trip (Appendix 3). The stores were re-searched online beforehand and two in-store-meetings were booked for the visit. The visited stores were Mio, Åhlens, NK, Nordiska Galleriet, Illums Bolighus, Stockholms Ljusbutik, and EM Bromma. The stores Ljus I Norden and Norrmalms El were visited on the second day of the trip and a meeting had been booked with the owners of these stores.

The fourth and final IQ "What are the best retailer options for the case company" is answered based on the collected data.

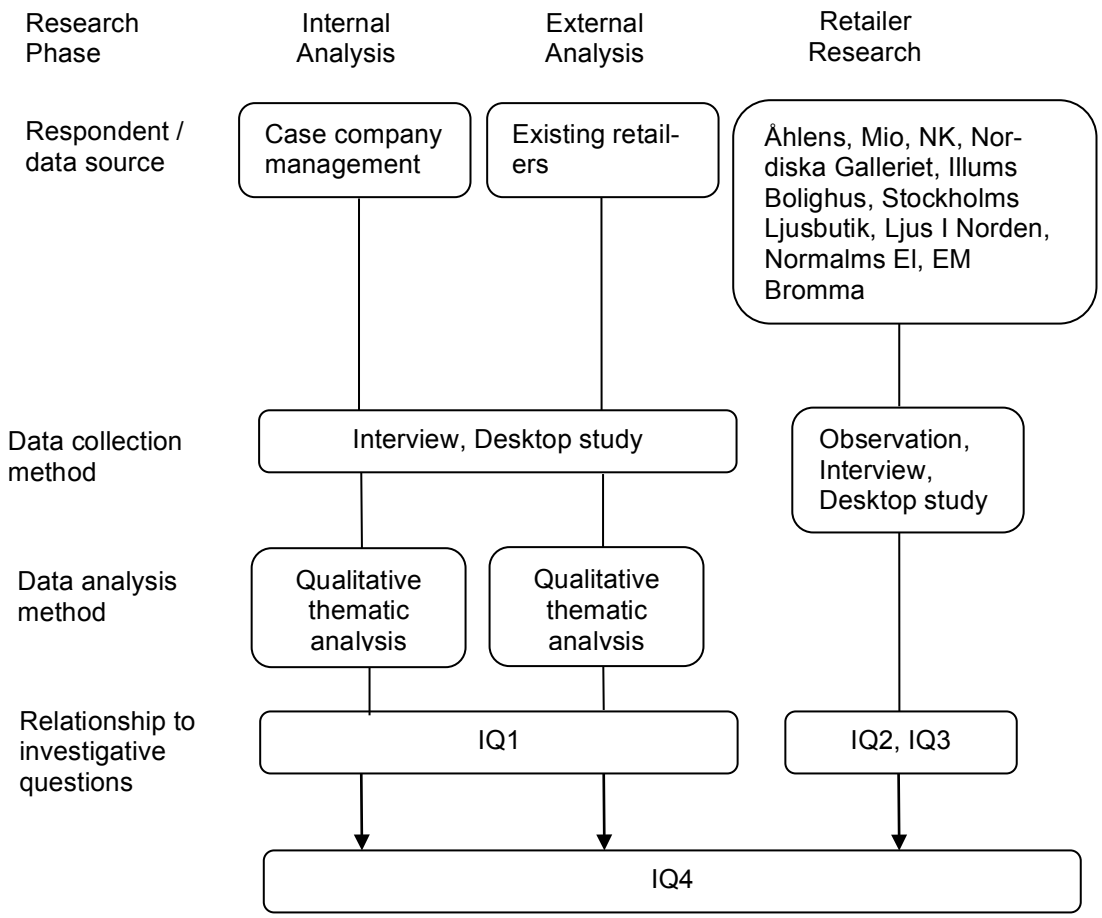

Figure 4. Thesis research methods

4 Results

The following section discusses the case company and the goals it has set itself entering the Swedish market. The analysis starts by examining the current situation of the company to enter the Swedish market. The criteria for retailer selection set by Jokiniemi are discussed together with an internal analysis of the strengths and weaknesses of the company. An examination of the internal resources of the company is followed by a PESTEL analysis. The examined Swedish retailers are presented, analysed and the most potential ones are identified.

4.1 Current situation of the case company to enter the Swedish market

In this section, the case company is presented. The results from the interview of the Managing Director are discussed. The information of the interview is important as it tells the strategic direction of the company and what it is looking for in potential retailers. He also gives insight on the internal resources of the company. The resource audit is based on the interview results and the strengths and weaknesses are identified.

Jokiniemi, the Managing Director of Innojok, states that the goal is to find 1-3 large retailer chains that the company could supply. The aim is to sell directly to these customers without middlemen operating in the between. This has many benefits to both the case company and the potential retailers. The benefits for the case company include lower expenses as the commission fee of a potential agent or importer are avoided. This results also as higher margins for the potential clients. Additionally the information flow between the client and case company is more fluent and thus the customer's needs and wishes can be easily respondent to. (Jokiniemi 20 June 2014.)

As the case company is entering a foreign market an internal analysis is made to understand the strengths that the company can use for its advantage in the entry and the possible weaknesses that the company should try to determine where change is possible. This analysis is based on the resource audit-model presented in chapter 2.2. Subjects cover the case company's offerings, resources, performance, brand image, employee situation and the available technology are discussed. These elements are studied based on the interview of the case company's Managing Director Jukka Jokiniemi and the results can be found on the tables and figures displayed below. The question battery is included as Appendix 1.

The financial stability of the company is ensured by the domestic success, varied product portfolio, and wide customer and retailer network within Finland. Innojok is the biggest

design lighting manufacturer in Finland serving both professional and private lighting markets. There are three different product categories; professional and design lighting, and bright light therapy devices. (Jokiniemi 20 June 2014.)

The human resources include 25 employees that work within sales, marketing, logistics and product development. Sales to Sweden will be taken care directly from Finland by one dedicated employee who will make sales trips to the target country. In order to use well the limited time resource of this sales person it is crucial to obtain relevant information of the potential retailers. Also general market information is needed to support the decisions made by the company in entering the market. The dedicated sales person will have the support of the company's marketing -, product development -, and logistics departments. (Jokiniemi 20 June 2014.)

The case company Innojok has proven success with leading retailers and big retail chains. Innolux Design Export products are timeless, high-quality lighting for homes and can be considered as affordable design. There are various top Finnish designers behind the products, both fresh design from young talents and classics from the 50's and 60's. The design is suitable for Scandinavian taste. The products are unique and awarded and prices are reasonable ranging from 100-400 € per piece. There is also a possibility for campaigns with the Innolux products. The collection includes pendants, plafonds, table and floor lamps. Most of these design lamps are made of opal acrylic but there are also some glass, ceramic, and aluminum pendants in the collection. (Jokiniemi 20 June 2014.)

As most of the products are made in Finland, production and delivery is fast and flexible. In-house product development allows an opportunity to make customer-specific changes when wanted. As an example some of the Finnish key-accounts have had limited editions of a product in a certain, exclusive color. The quality of the Design Export collection, including technical details and packaging are more carefully taken care of in order to suite markets outside Finland. Innojok has a new logistics center located in Kerava, Finland in the close proximity of the head office in Helsinki. (Jokiniemi 20 June 2014.)

A resource audit is conducted based on the discussion with Jokiniemi. It covers the company's financial, physical, human, reputational and know-how resources. The results are listed in Table 3.

Table 3. Resource audit of Innojok Oy

Innojok Oy				
Financial	**Physical**	**Human**	**Reputation**	**Know-how**
Good financial control and stability	Headquarters in Helsinki, Finland and a large new logistics center in Kerava, Finland.	Staff of 25, one dedicated salesperson for the Swedish market, internal marketing, product-development and logistics departments supporting.	Well-known in Finland, some recognition in Sweden. Known as a trustworthy supplier of design lamps and bright-light therapy devices. Affordable design products.	In-house product development, long experience in supplying to big retailer chains. Wide product portfolio. Long history in co-operation with both famous and rising designers.

After conducting the interview with the Managing Director of the case company and making the resource audit based on the answers, the elements were taken to form the internal analysis. Below, in Table 4 ,the strengths and weaknesses of Innojok are listed.

Table 4. Strengths and Weaknesses of Innojok Oy

Strengths	Weaknesses
- Domestic success with large retailers - Wide product-portfolio - Dedicated personnel - Warehouse in Finland - Fast and flexible production and delivery - Affordable design - Direct sales	- Lack of market information - Lack of local employees in Sweden - Lack of brand-recognition in the Swedish market

When analysing the external environment PESTEL method is used to analyse the political, environmental, social, technological, environmental and legal environment. The main elements found in this study regarding the external environment are the economic growth of Sweden and the possibilities regarding production of new, energy-saving lighting options.

The economy in Sweden developed with a 3.5% increase in their GDP compared to 2015. The growth rate is higher than in most European countries making Sweden one of the highest growing European economies in 2015. The first quarter of 2016 continues to show positive GDP growth rates. Compared to the first three months of 2015 the Swedish GDP

grew by 4.2%. In 2016 the average growth rate in Europe was 2% with Finland reaching only a growth rate of 0.2%. This makes Sweden an attractive market for many consumer products. As identifies by the economics professor Mr. Lars Calmfors, the strong economic growth in Sweden is driven by the Swedish consumers who have more money to spend and have a positive outlook on the future. According to him, lower than expected inflation accompanied by high salary increases have increased the purchasing capacity of the Swedish consumer. (Yle 2016, Statistics Sweden 2016.)

When coming to the social aspect of Swedish shopping habits, out-of-town shopping areas are more popular than city centres. Luxury retailers are located mainly to the bigger cities and their high-street locations. Shopping centres are found both in-town and out-of-town locations and are mainly representing retail-chains since smaller retailers cannot afford the high rent expenses. Direct competitors are often located close to each other. (Euromonitor 2013a, 24-25)

The main sales channel for lighting category was the home and garden specialist retailers with a category value share of 69% in 2012. Furniture and homeware stores was the second biggest channel with a value share of 33%. According to Euromonitor (2013b, 2) Internet retailing was a developing sales channel with still minor value share of total sales at 3% in 2012. However, Internet was the fastest growing sales channel for lighting as several online retailers entered the market from 2009 onwards. (Euromonitor 2013b, 2.)

Lighting sales is expected to be the fastest growing category within home furnishing, and also the most active category in terms of innovation. The on-going change to more energy saving lighting sources captures most of the growth. Consumers are expected to purchase also new lighting fixtures and look for new innovative lighting solutions. (Euromonitor 2013b, 5.)

According to a web-survey conducted by a research company Nuvus for a Swedish organization Trä och Möbelforetaget TMF, Swedes are willing to pay more for furniture produced under good working conditions. Six out of ten interviewees said this in a total of 1001 interviewees. More than eight out of ten Swedes think that quality, and nearly seven in ten think that design is important or very important features when buying furniture. (Möbelfakta 2014.)

During the desktop study and research trip it was noticed that there is a high level of competition in design lighting also in the same price category. This was listed as a threat to

the PESTLE analysis. The results of the PESTLE analysis of the Swedish design lamp market can be found in Table 5.

Table 5. PESTLE analysis of the Swedish design lamp market

Political	Economical	Social	Technological	Legal	Environmental
- Stable political environment	- Economic growth - Home & garden specialist retailers	- Online purchasing - Out-of-town shopping areas	- Internet sales channel	- Legal requirements similar to Finland	- energy saving light sources

After conducting the PESTLE analysis as a desktop study, the main elements found are withdrawn to the opportunities and threats (Table 6.), forming the external analysis.

Table 6. Opportunities and Threats in entering the Swedish market

Opportunities	Threats
- Economic situation in Sweden - Lighting category growth - LED - Innovation - Internet sales channel	- High level of competition

The conducted internal and external analysis are combined to form the final situational analysis (figure 5). The internal strengths of the company include a wide product portfolio with a fast and flexible production. The company is able to offer different lighting solutions to a wide variety of consumer needs. An important fact is also that the company has experience in supplying large retailers. This is an advantage for the company when planning on working with similar retailers in Sweden. Weaknesses on the other hand inclue the lack of market information from Sweden as well as minimal brand recognition within the market. Innovation, LED technology, the growth of the lighting category together with the growig sales in the online sales channel are opportunities that the company should investigate. The high number of competition in the market is a threat as it might make it challenging to stand out from the competitors.

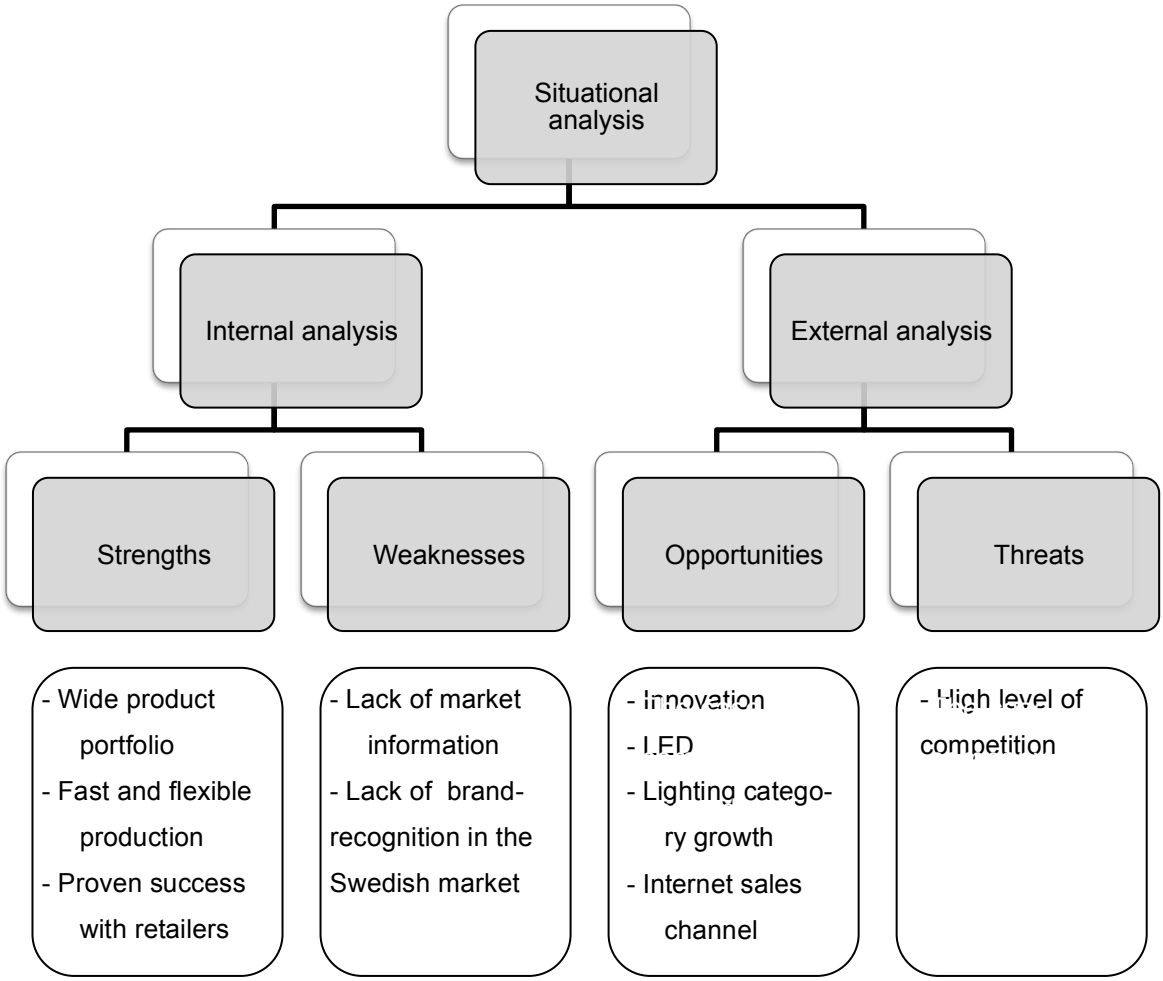

Figure 5. Situation analysis of Innojok entering the Swedish market

4.2 Retailer selection

The following section discusses the criteria for selecting the retailers in Sweden. The criteria are based on the interview with the Managing Director of the case company. After this a selection of Swedish retailers are presented and analysed.

The goal of the market entry is to find one to three large retailers or retailer chains that the case company could sell directly to. Criteria for the potential retailers (Table 7.) given by Jokiniemi (2014) is to find big retail chains with centralized buying and warehousing. The suitable retailers should have potential for moving big volumes of design lighting. Online-only retailers are not interesting for the case company. The location of the retailers should be south of Umeå. Additionally smaller retail chains and single-unit stores that could offer supplementary sales and brand-awareness are interesting to the case company.

Table 7. Retailer criteria (Jokiniemi 2014)

Retailer criteria
1. Big chains 2. Centralized purchasing 3. Central warehouse 4. Potential for big volumes 5. No online-only retailers or high-end stores 6. Located south of Umeå 7. Secondarily smaller retail chains and single-unit retailers

In the beginning of the research the existing retailers were listed and then new retailers matching the qualification criteria were looked for online. After listing these prospects they were segmented into different groups based on their similar features. The list of retailers was divided into existing retailers and into prospects. The prospects were further segmented into 1. large retailer chains and 2. small retailer chains and single/specialty stores. As the main goal of the case company was to find potential large retailers the focus of the research is mainly on the first group.

These segments are large enough to be noticed separately in the matter of their size, measurability, accessibility, responsiveness, and compatibility as recommended by Hollensen (2003, 311, 312). The purchasing behaviour and needs of these groups is distinct as the existing customers are already somewhat familiar with the products, and the smaller retailers often have more flexibility in their purchasing decisions in comparison to the large retailers that often plan more ahead and follow a certain retail strategy. Thus, these segments can be approached with different marketing mix elements.

The retailers' fit to the retailer criteria was studied as a desktop study beforehand and observed on spot. Some of the retailers or employees of the stores were unofficially interviewed in a semi-structured manner to get answers to the criteria given by the case company. The questions covered the topics related to the market situation for design lighting, the best selling products, purchasing decisions of the store, and what is important for them in a supplier. Also Innolux products were shortly presented to some of the interviewees to get feedback on the products and design. All questions presented to the retailers or employees can be found as appendix 2.

The research trip conducted in June 2014 lasted two days and a total of 10 stores were visited in Stockholm, Sweden. These stores were chosen beforehand from the list of retailers made for the case company. A selection of large retail chains, smaller chains and

independent stores were selected to get a wide understanding of the design lighting market situation. The visited stores are **Mio, Åhlens, NK, Illums Bolighus, Nordiska Galleriet, Stockholms Ljusbutik,** and **EM Bromma**. A meeting had been booked with the stores **Ljus I Norden** and **Norrmalms El**. The agenda of the trip can be found as Appendix 3. Additionally to the criteria given by the case company the special characteristics of these retailers were observed. The variety of their product lines, the amount and level of service, the relative prices and store atmosphere were paid attention to. The retailer presentations below are based on the conducted desktop study and on the observation and unofficial semi-structured interviews during the research trip.

Åhlens

Åhlens is a department store chain with over 70 stores in Sweden. The company is owned by Axel Johnson AB. Annual sales are 5 thousand million SEK and the company has over 80 million customers every year. (Åhlens 2016.) The research trip revealed that although Åhlens is known as department store where you can find anything you need for your home and living, the lighting department in the store was very small. The department was only around 15m2 in the basement floor of the building. Most of the lighting fixtures were romantic style table lamps with different shades under Åhlen's own brand. Some pendants, eight different ones, were also available from the brand Watt&Veke with prices ranging from 440 to 2200 SEK. Service was limited. The unofficially interviewed Åhlens salesperson told that the home department would be expanded to the second floor of the department store next year. Purchasing for all Åhlens stores is done from its head quarters located on Ringgatan, Stockholm. It was also noted that other Finnish brands were well present at the home department whit own sections for both Iittala and Marimekko. Design House Stockholm had their own section with small furniture and decoration together with a few of their lamps.

EM

EM is a franchising chain with over 40 stores in Sweden. The purchasing decisions are made centrally but in a dialogue with the franchisees. (EM 2016.) According to the franchisee of the EM Bromma the purchasing decisions are made in co-operation with the franchisor, and thus both the franchisor and all the franchisees should be contacted separately. The lighting department of EM Bromma was approximately 30m2 and there were only two lighting brands: Belid and By Rydens. The brands were well displayed with their own stands and marketing material. The price range of the lighting products was 300-4000 SEK.

Mio

Mio AB is a franchising chain with over 60 Mio stores and a web store. Mio is the leading Swedish retail chain of furniture and home décor. Mio is owned by the merchants who operate their stores based on the concept and by adapting it to the local needs. From the 60 Mio stores, 51 are retailer-owned while the rest are owned by the Mio AB's subsidiary Mio Försäljning AB. (Mio AB 2013a.) Mio has one store in Åland and the rest are located in Sweden. The total sales of the stores are 2.16 billion SEK (2013). The majority of the stores are located in the areas of Stockholm and Gothenburg, and the area remaining between these two covering the whole southern Sweden. Mio seeks to be an exciting and inspiring option for its customers that are both quality- and price conscious. Mio launches a product catalogue every spring and every autumn and this is the biggest part of its marketing activities and has a big influence on the brand. Mio is known as a season adjustable brand. Mio has a wide range of products to living rooms, dining areas, bedrooms and hallways. Living room is the largest product group and Mio is market leader in armchairs and sofas. (Mio AB 2013a, Mio AB 2013b, Mio AB 2013c.) The visited Mio City is a two-store furniture store downtown Stockholm and carries a wide and in-depth assortment of furniture, home décor and lighting. The lighting department was approximately 40m2 and the products were displayed according to the function (wall/ceiling/table) and color. The brands carried were By Rydens and Belid. The product line was long within the lighting category with a deep assortment in it. The customers of the store according to the salesperson considered quality, story and shipment as important aspects. Plafonds were popular especially among elderly consumers and the store was lacking these. Younger customers again prefer big pendants. Mio is concentrated in selling large volumes and if a product does not sell well enough it is removed from the assortment. The employee of Mio went through the Innolux Design Export catalogue and picked up the products Innolux Lambada, Innolux Lokki and Innolux Tripoli arguing those to be the best selling products in Mio City.

Norrmalms El

Norrmalms El is small chain of two stores; one in Stockholm and one in Åre. The store in Stockholm is a specialized lighting store whereas the one in Åre sells both lighting and home décor products. Norrmalms El also has a web store. (Norrmalms El 2014.) The store visited on Sankt Erikssgatan offers a deep assortment in design lighting. The atmosphere in the store is nice and they offer excellent customer service. According to the owner of Norrmalms El most of the communication and orders are done via emails or in showrooms. The purchasing decisions are made separately to the stores. The store is currently selling one Innolux product; Innolux Lokki. The biggest challenge according to

the retailer in selling the Innolux products is that consumers are not familiar with the products or the brand.

NK

NK was founded in 1902 by Joseph Sachs. The name NK stands for Nordiska Kompaniet. There are two NK department stores, one in Stockholm and one in Gothenburg. Hufvudstaden AB, a listed company, owns the NK brand and the department store buildings. The two stores have 1200 employees and the sales in 2009 totalled EUR 2 667 million. There are approximately 9.5 million visitors in the Stockholm department store, and just over three million visitors in the Gothenburg department store. (NK 2014a.) In the Stockholm department store NK Inredning (NK Interiors) is the department selling furniture and home décor. There store carries a wide range of brands and there are both classics and latest designs present. In addition to the well-known brands NK organizes designer visits and guest speakers on spot, to share their knowledge about design and interesting designers. Some competitor brands listed in the trademarks are Flos, Louis Poulsen, Tom Dixon, and Muuto. (NK 2014b.) The observation during the research trip revealed that there were only a total of nine pendants in the furniture department. There was no separate lighting department as the lighting fixtures were spread around the furniture department as part of the decor. The department store is large and very exclusive. Prices are high and only a limited number of products are displayed.

Illums bolighus

Illums Bolighus is a Danish retail chain selling design furniture and home décor. The company has two stores in Sweden; one in Stockholm and another in Malmö. (Illums Bolighus 2016.) The store in Stockholm is located at Hamngatan. The store is in three floors and the third floor is dedicated to the lighting department. The lighting fixtures displayed were expensive, prices ranging from 499-73 000 SEK. According to the sales representative of Illums Bolighus the design lighting brands Louis Poulsen and Tom Dixon are selling well, partly thanks to their successful promotion campaigns. Illums Bolighus Stockholm sells lighting fixtures better than furniture. Most of the purchasing decisions are made in Denmark. Some of the purchasing decisions are made in-store and every now and then new brands are tested.

Nordiska Galleriet

Nordiska Galleriet is a big show room type of store with a central location selling design furniture and lighting. The store argues to seek a constant dynamic change in its catalogue and exhibition (Nordiska Galleriet 2016). The price range of the products is 1400-50000 SEK. The store had a shallow assortment of design lamps. The store sells mainly

exclusive furniture and lighting design. Nordiska Galleriet was mentioned by both Norrmalms El's and Ljus I Norden's owners as "the place to be" for design products.

Stockholms Ljusbutik

Stockholms Ljusbutik is a specialized lighting store in Stockholm with a web store. The brand portfolio withholds 76 different lighting brands from Louis Poulsen to Belid. (Stockholms Ljusbutik 2016). The store has a deep assortment of lighting fixtures and offers excellent customer service. During the observation customers were constantly asking for advice from the staff regarding both the fixtures and light sources. The price range was 499-17000 SEK.

Ljus i Norden

Ljus is Norden is a specialized lighting store. According to the owners of the store the main customers of Ljus i Norden are architects in the neighborhood. The product assortment consists mainly of lighting fixtures for professional use. The company is interested in renting some of the store space for a design lighting company to use it as a showroom.

In order to illustrate the Swedish retail market for design lamps, the different retailers are placed on a horizontal and vertical axis in Figure 6. The vertical axis shows the depth of the design lamp department inside each analyzed retailer. The depth of the department was measured by the number of listed products together with the physical size of the department. It was not possible to conduct measurements of the premises; instead the size was estimated visually and by counting steps. This form of measurement will not give an accurate size of department, but it does allow distinguishing the differences in size between the departments. The horizontal axis shows the different pricing within the lighting departments of the retailers. There was a big variation between the consumer price levels in the stores. The price level was analyzed by examining the consumer prices of the assortment in each department. Interviews were hard to execute in most of the stores due to the busy or ignoring staff.

Based on the analysis of the market there are several different types of potential retailers for Innolux products in Sweden. The design lamp category is divided into upscale and mainstream retailers that offer products in different price points. Companies such as NK and Illums Bolighus offer products with a higher price when Åhlens, EM and Mio are noticeably more affordable.

In the case of Innojok, the decision of who to target is linked with the perception of the brand image and quality of the products. In Finland Innolux products can be described as affordable design and large volumes of products are sold. If the company decides to follow in the same path in Sweden, the potential retailers can be found just under midway on the vertical axis in Figure 6.

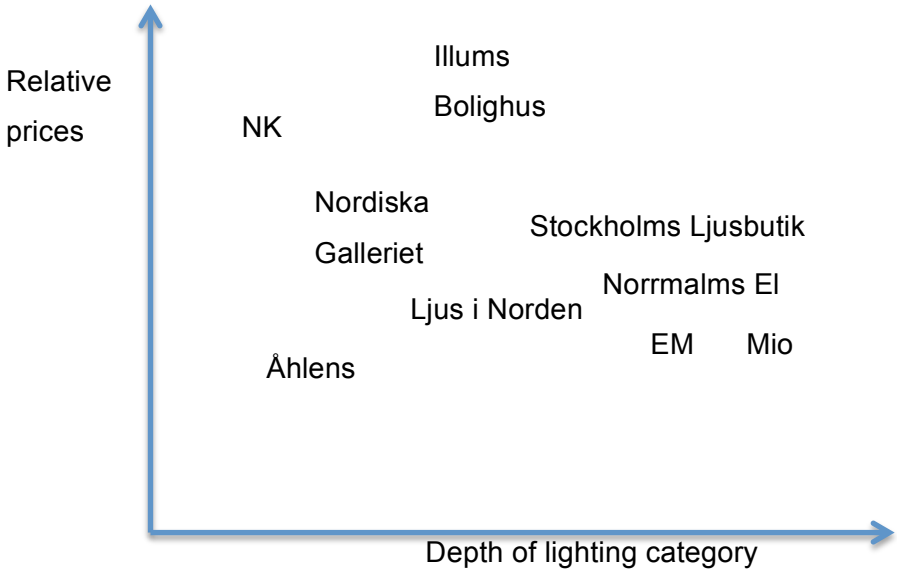

Figure 6. Analysis of the design lighting category in Swedish retail

4.3 Recommended retailers

The goal set by Innojok is to find one to three potential large retailers or retailer chains for the case company's design lamps in Sweden. The selection of the retailers is conducted in a two-fold analysis. The first part concentrates on the selection criteria identified and discussed with Jokiniemi (2014). These criteria are important as they represent the strategic direction of the company. The criteria from Table 7 and the characteristics described in section 2.3.3 were used to analyze the retailers. These results are discussed and examined first. The second part of the analysis concentrates on the strengths of the company and compares those to the characteristics of the retailers. The goal is to make sure that the selection also works in conjunction with the company.

The criteria for selecting the suitable retailers for Innojok have been given by Jokiniemi (2014) and they are listed in Table 7. The criteria are all aimed in growing the business by choosing retailers that are well established. The business model that is preferred by the company would be one that allows the business to be managed from Finland. Direct pur-

chasing in large quantities is preferred. The criteria have been used to analyze all the identified retailers. The results can be found listed in Table 8.

Table 8. Retailer seletion

	NK	Nordiska Galleriet	Illums Bolighus	Stockholms Ljusbutik	Åhlens	Ljus i Norden	Normalms El	EM	Mio
Big chains	Small chain	Single unit	Small chain	Single unit	Yes	Single unit	Small chain	Yes	Yes
Centralized purchasing	Yes	Yes	Yes and No	Yes	Yes	Yes	Yes	Yes and No	Yes and No
Central warehouse	Yes	Yes		Yes	Yes	Yes	No	OK	Yes
Potential for big volumes	No	No	No	No	Yes	No	No	Yes	Yes
No online-only retailers or high-end stores	High end	High end	High end	OK	OK	OK	OK	OK	OK
Located south of Umeå	OK	OK	OK	OK	OK	OK	OK	OK	OK
Suitable according to the primary criteria of Innojok	3	3	2	4	6	4	3	6	6

In order choose the most attractive candidates a point system is used to score the different companies. Points are given based on the preferences identified and listed in Table7. In this analysis, points come in the following way:

- Big chain – one point
- Centralized purchasing – one point
- Central warehouse – one point
- Potential for big volumes – one point
- Located south of Umeå – one point

Each retailer was scored based on the point system. After all points were given, the points were summed and the three companies that got the most scores were selected as the three most attractive candidates at this point. Based on the points, the three recommended potential retailers were Mio, Åhlens and EM. These retailers are the biggest and the ones that have the most outlets. It is worth noticing, that the criteria given by Jokiniemi (2014), was very biased toward big retail chains that operate with centralized purchasing. Based on the strategic direction of Innojok, the results can be said to be very much in line with it.

All the three recommended retailers are big chains with over 40 stores in each and have huge potential for selling large volumes of Innolux design lighting. Åhlens is the only one of these three chains that is entirely owned and controlled by the chain. Mio and EM are both franchising chains, with the exception of Mio owning and operating nine of its stores. A further analysis of the three recommended retailers is found in Table 9. Here the characteristics of the companies are further examined.

Table 9. Potential retailers for Innojok in the Swedish market

Characteristic	Åhlens	Mio	EM
Number of stores	70	60	40
Retail type	Department store	Department store specialized in furniture & lighting	Department store specialized in furniture & lighting
Organization form	Chain organization	Franchising	Franchising
Central warehouse	Yes	Yes and no	Yes and No
Product line variety	Wide	Wide	Wide
Assortment breadth	Narrow	Wide	Wide
Assortment depth	Shallow	Deep	Shallow
Price range	440-2200 SEK	180-4000 SEK	300-4000 SEK

It is important that the selection of the candidates is made taking into consideration also the internal strengths and resources of Innojok. The internal resource analysis that is discussed in section 2.2 is used to find out those resources that will help to enhance business operations and those that will hinder them. (Cadle et.al. 2014, 10,11.) The strengths and weaknesses of the company are found in Table 4 and the resource analysis in Table 3.

The strength of Innojok is in a well-organized and efficient logistics operation in the Finnish market. The company has a wide product portfolio with affordable prices. Innojok is experienced in selling directly to large retailers in Finland. The internal resources are the ones that guide Innojok in which retailers to concentrate on. The financials are good and give the possibility to internationalize. The headquarters is in Finland as well as the new logistics centre that has been built to serve large volumes. There is only one dedicated person assigned to manage the Swedish market, which means that there are limited human resources to focus on many customers. This combined with the company's knowledge in selling to large retailers in Finland, suggests that the best alternative for Innojok would be to focus in a couple of similar retailers in Sweden. This would be in line with the company's strengths and internal resources in order to maximize the sales.

Based on the criteria, internal resources and strengths the most potential retailers for Innojok are the recommended retail chains Åhlens, Mio and EM. These three companies are the most potential based on all analysed criteria.

5 Discussion

In the following section, the validity and reliability of the thesis is discussed. The results of the research are examined in light of the number of companies selected and how they represent the whole market. The criteria set by the company are discussed critically and suggestions for further analysis are brought forward. In the last part the professional development of the author are presented and discussed.

5.1 Validity and reliability

The market analysis of the selected Swedish design lamp retailers gives the company a recommendation to target three retailers. These retailers are identified to meet with the criteria given by the company, the strengths and weaknesses of the company as well as its internal resources. The goal set by the case company is therefore fully met, as the three proposed companies stand out from the rest.

The results of the analysis are not surprising since the recommended retailers are the only large retail chains within the retailers studied in this research. The case company's criteria for potential retailers favoured larger retailers. However it is important to notice, that this was not the only reason why these retailers were selected and recommended.

The case company has been pleased with the results and analysis conducted in this research. The identified retailers have been contacted actively and discussions have been opened with them. Innojok has had to notice that the reputation and good retailer connections it has in Finland have however not been easily transferred to the Swedish market. Even though the retailers identified meet the criteria of Innojok, the buyers of the large retailers are not easily approachable in Sweden. Thus the theoretical background of buying behaviour presented in section 2.3.4 should be more closely looked at. As observed by Wood (2013, 55), the three elements that help to understand the customers' purchasing behaviour are 1. Customer characteristics and needs, 2. Internal and external relationships and 3. Organizational and external considerations.

Even though the initial goal of the case company had been to target only retailers that are able to move large volumes, sales have not yet been opened. On the other hand, the smaller retailers that were identified during the desktop study have been also contacted. These retailers have been easier to contact and they have been more open to do trials with Innolux products. As discussed by Wood (2013, 57), concentrating on the small retailers will limit the capabilities of the company to concentrate on the larger retailers.

As a recommendation, the case company should continue to try and sell to the larger retailers. These retailers would be very suitable for the case company in the future. The challenge is that the case company is still relatively unknown and without brand awareness in Sweden. Additionally it would be recommended to start with the smaller retailers, build brand recognition and gain market and customer knowledge. Hence the company should strengthen its strengths and improve its weaknesses. In the following steps, listing in the larger retailers should be possible.

The applicability of this thesis is limited to the retail lighting market in Sweden. It does consider the Swedish retail market and analyses a number of different retailers. However, the retailers were only studied in the Stockholm area. The results might have been different if the study would have been conducted in another part of Sweden. The study has only analysed nine retailers out of the total market in Sweden. A more in-depth analysis of the retailer market could have given different results.

5.2 Professional development

My studies in international business and specialization in marketing gave me a good background on the topic of this thesis. However, retail theory and scope of a thesis were both entirely new and large topics for me. It gave me a possibility to learn from a new area of business and push my limits in finalizing the task load of a thesis.

During the thesis process it became obvious that the scope of the research had to be limited. Limiting the scope of the thesis to only analyse 9 retailers was necessary. Other aspects of brand building and market entry would have been also both interesting for me and necessary for the case company. This was a learning experience for me to learn to focus on the essential.

I also learnt a lot of my own working methods and my own strengths. As my studies consisted of mainly group work, the thesis as a large individual assignment felt challenging. I had done my best as a team member in various group assignments, and often even taken the leading role within the team, so working solo felt strange. It was an important experience to me to understand that the outcome of the thesis and getting the project finalized was only within my power.

Although finalizing the thesis took longer than planned and expected, the topic and results have been useful for both the case company and me. As a current employee of the case

company, I have been able to use the skills and knowledge gained from this project in my work. The relevant source books have given me more insight on retailers and buying decision of businesses.

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Appendices

Appendix 1. Case company management interview questions

1. Why do you want to enter the Swedish market?
2. What is your goal in entering the market?
3. How are you planning to achieve this goal?
    a. What are the financial resources available for this project?
    b. What are the human resources dedicated to this project?
    c. How are the logistics planned to be taken care of?
    d. What kind of marketing resources will be available?
4. What are the products you want to sell in Sweden?
5. What is the criteria for a potential retailer?
6. What are your current retailers in Sweden?

Appendix 2. Retailer interview questions

1. What is the market situation for design lighting?
2. How many suppliers do you carry?
3. What is important to you in a supplier?
    a. What is your normal order size for such products?
4. What is your relationship with Innolux products?
    a. Do you see potential for Innolux products in your stores?
    b. Which of the Innolux products rise your attention?
5. What type of products do you mainly sell?

Appendix 3. Agenda

Thursday 26.6.2014

10.00 Åhlens City

10.45 Mio (Stockholm city)

11.45 NK

13.00 Nordiska Galleriet

14.00 Illums bolighus

15.00 Stockholms Ljustbutik

16.30 EM Bromma

Friday 27.6.2014

10.00 Ljus I Norden

14.30 Norrmalms El