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THE MARKET POTENTIAL FOR PREMIUM BEDS IN MOSCOW-  
CASE COMPANY: JOENSUUN SÄNKYTEHDÄS OY

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**Abstract**

This thesis paper introduces the Finnish producer of premium beds, Joensuun Sänkytehdäs Oy, and its potential plans of expanding on the Russian market. Currently the company sells its beds in St. Petersburg through the Gedoni retail chain and is interested in extending its business operations to the markets of Moscow. The aim of this research is to investigate the premium bed market in Moscow and to create a marketing strategy for the company. The company is planning to export three product lines, such as Koitere Platinum, Koitere Silver and Koitere Diamond.

The paper contains a description and analysis of the business environment in Moscow and the current situation of Moscow's premium bed market. The reasons for choosing Moscow as a potential market for expanding business operations are size of the market, the standard of living, the demand for premium furniture and similarities with the St. Petersburg market.

The business environment of Moscow was analyzed with the use of PESTLE macroeconomic factors relevant to the industry. The competitive analysis describes the company's competitors and their business operations in Moscow. The marketing analysis includes the description of products for export as well as the lists of potential distributors and promotional channels.

Conclusion and recommendations for the market entry are given based on the research and interviews with industry experts.

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# 1 INTRODUCTION

## 1.1 Background

The furniture market in Russia is very diverse. By 2014 its total value compared to previous years had increased 8% annually (Adindex 2015). Nevertheless, because of the recent economic crisis of 2013-2015 in the country, the volume of locally produced furniture has decreased significantly. In times of crisis, small local businesses were displaced from the market due to tough competition, low consumer demand and high production costs. Nowadays, nearly 60% of the Russian furniture market is represented by foreign companies, and the rest belongs to the biggest local producers. (Zoam market 2016.)

Nowadays, the consumer approach towards purchasing new furniture differs from what it has been before. More attention is paid to quality, comfort and reliability. That is one of the reasons why the demand for premium class furniture in Russia has not changed despite the times of crisis. (Psikhologiya dizayna 2017).

The leading premium furniture producers in the market are Italy, Germany, Sweden and the United States. Finnish furniture is also well-known among Russian consumers, but its presence in the premium furniture market has stayed relatively low (Adindex 2015).

## 1.2 Aim of the research

This paper focuses on the premium furniture market, and particularly on the premium bed market in Moscow, Russia. The research is conducted for Joensuun Sänkytehdas Oy, the Finnish producer of premium quality beds, also known as Pauli Jämsen Designer Beds and Unikeidas. The company is planning to export three product lines: Koitere Platinum, Koitere Diamond and Koitere Silver.

Unikeidas has already established its business operations in Russia, more precisely in St. Petersburg. The company is planning to expand its presence on the Russian market and is interested in Moscow as a new potential market. The following criteria were applied in a decision-making process: size of the target market, the standard of living and the demand for premium furniture.

The aim of this study is to analyze the features of the premium bed market in Moscow and to define the most successful strategy for market entry.

### **1.3 Research methods**

The information applied for this study was collected through primary and secondary methods. The information utilized for the research mostly refers to Moscow and the Moscow region; however, some information related to the business environment, luxury furniture market and consumer behavior is fitting for Russia as a whole.

Primary data was collected by means of personal interviews with industry experts via phone calls and in some cases emails. The industry experts interviewed are the managers of retail outlets and online stores of elite furniture, editors of specialized furniture magazines and interior designers. The main goals of interviews were to explore the market of premium furniture in Moscow and its main trends and to get information about consumers in the premium segment and the main trends in consumer behavior. The interview results were also applied in the selection of distribution channels, which significantly contributed to the results of the study.

Secondary data was collected from official governmental statistics, previous marketing studies in the industry as well as newspapers, magazines and articles published on retailers' websites.

The exchange rate of €1 = RUB 61.53 used throughout the study is based on the Central Bank of Russian Federation exchange rate on 30 March 2017 (Bank of Russia 2017). The exchange rate of £1 = €1.1684 used in the study is based on

the European Central Bank exchange rate on 6 April 2017 (European Central Bank 2017).

#### **1.4 Thesis outline**

The study consists of four parts: a case company overview, an analysis of the business environment in Russia and particularly in Moscow, an evaluation of the Moscow premium bed market, and recommendations regarding market entry strategy.

The business environment is described based on economic, political, socio-cultural and legal macroeconomic factors. The assessment of Moscovian luxury bed market includes the analysis of bed market characteristics, consumer behavior and the level of competition.

The marketing strategy section describes marketing mix tools such as product features and pricing as well as potential distribution channels and tools of communication. In the final parts of the paper, the author provides recommendations for the market entry strategy and concludes with the main findings of the research.

## **2 JOENSUUN SÄNKYTEHDAS OY**

### **2.1 Company overview**

Joensuun Sänkytehdas Oy (Unikeidas Oy) is a Finnish producer of premium class bed furniture and high-quality bedding equipment such as mattresses, soft furnishings, pillows, blankets and bed linens. The company was established in 2011 and currently sells its products in Finland, the USA and Russia (St. Petersburg). The factory is located in Liperi, Eastern Finland. The production is

solely hand-made and utilizes only the top-quality materials from European suppliers. (Jämsen 2017.)

In 2016, the company's turnover reached €2.9 million (Finder 2017). Unikeidas was granted with the "Kasvu Yritys 2016" certificate as a fast-growing business. Additionally, the company received "Suomen parhaat yritykset 2016" (Best Finnish companies of 2016) certificate. (Unikeidas 2017).

The company has already expanded its business operations to the Russian market. Currently, Unikeidas beds are sold in St. Petersburg. The Russian agent for the company in St.Petersburg is Gedoni retail chain. Gedoni offers a wide range of premium furniture of the leading world manufacturers from Italy, the United States, France, Spain, Germany, Sweden and Finland. Unikeidas became a partner of Gedoni in 2013 after taking part in one of the biggest international furniture fairs held in St. Petersburg. However, due to extremely low level of sales (five units sold in 2016), Unikeidas is looking for new growth opportunities on the Russian market and is interested in Moscow as a potential market. (Jämsen 2017).

## **2.2 Pauli Jämsen Designer Beds**

The company is known internationally for its Pauli Jämsen Designer Beds collection. The collection offers premium-class beds under three product lines: Koitere Platinum, Koitere Diamond and Koitere Silver. Each product line differs in price and product characteristics (Appendix 1). For each line all parts can be customized in terms of color, size (length/width), spring units, mattress topper, upholstery fabrics (over 200 options), headboards, legs and designer molding for the box-spring. Koitere Platinum is the most expensive product line from the collection. The prices for Koitere Platinum beds vary between €8,000 and €18,000. The price range for Koitere Diamond beds is €5,000 to €8,000, and for Koitere Silver is €3,000 to €5,000.

### **3 BUSINESS ENVIRONMENT FOR PREMIUM BEDS IN MOSCOW**

In the context of the premium bed market, political, legal, economic and socio-cultural macroeconomic factors were examined. These factors have the biggest impact on business operations within the industry.

#### **3.1 Economic environment**

Moscow is one of the most economically developed regions of Russia. The financial crisis in 2013-2015 affected the city's economy along with other regions of the Russian Federation. However, the economy of Moscow has successfully adapted to recent economic changes and has shown the first signs of recovery. (Interfax 2017.)

The exchange rate has a great impact on businesses operating in Russia. The depreciation of the ruble caused by a significant drop in the price of oil during the crisis resulted in low demand for imported goods as well as for premium quality goods. Currently the situation is improving. According to forecasts, the value of the Russian ruble against the US dollar and euro will slightly improve over the next few years (RussInfo 2017).

In 2014, Moscow GRP (Gross regional product) per capita totaled €25,299 which is two times higher than the national average level. The biggest contribution to Moscow GRP comes from the trade sector. In 2014, the share of wholesale and retail trade was 35.4%. (Moscow Investment Portal 2017.)

In 2016, the inflation rate in Moscow dropped by half compared to the previous year and reached 7.8% (Interfax 2017).

As a result of the economic crisis in 2013-2015, the consumer demand for durable goods dropped dramatically, which in its turn caused a significant decline in retail turnover and imports. However, in 2016 the situation started improving and consumers gained more confidence in the economy, which contributed to the return of pent-up demand. According to forecasts, the share of imports along with

the consumer demand will show positive growth trends in the next few years, which will enhance the competition between local and foreign companies. (Movchan 2017.)

Another macroeconomic factor that is relevant for the industry is the real estate situation on the market. In 2015, the total area of residential buildings commissioned has reached around 3.9 million m<sup>2</sup> which resulted in a 15.8% increase compared to the previous year (Analytical Center of Moscow 2016).

### **3.2 Socio-cultural environment**

In 2016, the population of Moscow amounted to 12.3 million people. The share of the working-age population equals to 60% of the total population. (Moscow Federal State Statistics Service 2017.)

In Russia, and specifically in Moscow, e-commerce is a growing trend. In terms of the furniture industry there is a tendency for a web-to-store movement. Around 40% of Russian consumers obtain information about furniture products online before purchasing the products in-store. (PwC 2016.) Therefore, it is crucial for retailers and producers of furniture to post detailed descriptions of products and features online and to keep that information updated.

### **3.3 Political and legal environment**

In 2012, Russia officially joined the WTO (World Trade Organization). As a member of the WTO, the country was obliged to eliminate administrative barriers and to decrease import duties for around 700 commodity items including imported furniture items. Joining the WTO significantly facilitated the access of foreign companies to the Russian market, which boosted the competition of local and foreign businesses. (Babkin, Kuznetsov & Korchevoj 2012.)

In 2014, the Russian government introduced new regulation regarding reducing formaldehyde emissions to the level of E 0.5. This regulation had an impact on woodworking and furniture production in the country. Thus, many small local

producers had to stop their operations due to increased costs of production and labor, which in its turn contributed to an even greater competition in the industry between foreign and local businesses. (Zoam market 2016.)

In the beginning of 2017 the Russian government introduced a program concerning the demolition of old and dilapidated houses in Moscow. By 2020, the government is planning to demolish 167 five-story buildings. Overall, the program will cover around 25 million m<sup>2</sup>, and the implementation is planned to take around twenty years. (Kommersant 2017.) This governmental program might affect the furniture industry as well. Since 10% of consumers purchase new furniture items when moving to a new apartment, it is reasonable to assume that the demand for furniture might increase with the implementation of this program (Zoam market 2016).

## **4 ANALYSIS OF THE PREMIUM BED MARKET IN MOSCOW**

### **4.1 Characteristics of the premium bed market in Moscow**

The Russian furniture market is divided into three price segments: economy (40% share of the market), middle (40%) and premium (20%) (Zoam Market 2016). Companies representing the economy and middle segments were most affected by the crisis and experienced significant declines in sales. For the premium segment the sales remained at a stable level. (Gorozhaninova 2016.) According to Ananyeva (2017), a representative of Expert-mebel, the demand for premium beds has been stable during the last few years.

The Russian and particularly Moscow's premium bed market is very diverse. From a Russian perspective, premium or luxury beds are a combination of high quality materials, complex design and exclusivity. (Dream Sleep 2017.) The beds are classified by the following characteristics:

- *Sizes.* In Russia the sizes of beds are measured in meters and centimeters in accordance with the European measurement system. The beds are

classified as single, semi-double and double beds. For single beds the accepted width and length reach 90-100x210 cm, accordingly. For semi-double beds the dimensions are 140-150x210 cm, and for double beds the generally accepted dimensions are 180-200x210 cm. (Mebelsofa 2017.) One of the features of the premium bed market is that the beds are often custom-made.

- *Shapes.* The most common type of luxury beds are double beds. In addition to the standard rectangular shape of double beds, some manufacturers offer round-shaped beds with a minimum diameter of 220 cm (Fizvosp 2017).
- *Materials.* For premium beds, materials such as wood, metal and high-quality plastic are the most common. Wooden beds take the leading position in the market due to environmental friendliness, durability and comfort. The following woods are used in production: ash, pine, alder, beech, oak. For finishing premium manufacturers use lacquer, enamel or leather. (Kitchenremont 2016.)
- *Price segments.* Double luxury beds are divided into three price subcategories: premium, super-premium and elite. The price of premium and super-premium furniture on average varies from RUB 50,000 (€813) to RUB 500,000 (€8,125). The price of elite segment furniture starts with RUB 500,000 (€8,125) and does not have a clear upper limit. (Dream Sleep 2017.)
- *Other features.* Some premium bed manufacturers add additional features to their beds such as lifting mechanisms and drawers. These extensions allow to increase free space in a bedroom and are very popular among consumers (Fizvosp 2017).

Premium segment furniture is often produced according to customer orders. In these cases, the production and delivery on average takes from three to five weeks, depending on the complexity of the order and the point of shipment.

## 4.2 Consumer behavior

The most active buyers of luxury or premium furniture in Moscow are couples aged 25-30 and 36-40. More than 80% of premium furniture buyers have high education degrees. The minimum monthly income level of a typical consumer of premium furniture starts at €1436. (Zhukova & Kutasova 2002). The buying decision is often made by a woman in a relationship (Ananyeva 2017).

Russian consumers buy new furniture for the following reasons: old furniture has gone into disrepair (39% of respondents), the desire to change the interior of an old apartment (26%), the need for replenishing existing furniture (25%) and moving to a new apartment (10%) (Zoam Market 2016).

According to Zhukova & Kutasova (2002), around two-thirds of customers come to a store with the intention of buying a certain brand of furniture, and half of them change their decisions in other brand's favor. The rest make their buying decision at the point of sale. Nowadays, there is no strict division between imported and locally produced furniture from a customer's point of view (Zoam market 2016). Quality, design, prestige, reliability and quality of service are the key criteria in the decision-making process according to the majority of customers. (Zhukova & Kutasova 2002.)

The duration of the use of furniture products has decreased significantly. Bedroom furniture is renewed on average every five to seven years (Zoam market 2016). Half of the consumers of elite furniture in Moscow stated that they replace old furniture every three to five years (Zhukova & Kutasova 2002). Nevertheless, in 2015 the sales of bedroom furniture dropped by 4%. (Zoam market 2016).

Despite the variety of luxury bed models and their features, Russian consumers tend to choose standard models. The highest demand is for double beds of rectangular shape with size dimensions of 160x200cm or 180x200cm (Ananyeva 2017).

In terms of the decision-making process, the style of a bed and its compliance with the interior design of a bedroom are among the top priority factors (Ananyeva 2017). The most popular styles of premium bedroom furniture are classic style such as art-deco, typical of Italian furniture, modern styles such as high-tech and

minimalism, and Scandinavian style (Vasileutskaya 2017). A brief description of popular bedroom styles can be seen in Appendix 2.

Another feature of Russian consumer behavior is purchasing a bed together with other furniture items. Usually these include bedside tables, chests of drawers and cabinets. In many cases these furniture items, particularly bedside tables, belong to one collection of the same brand as they all match the same style. (Ananyeva 2017.)

### 4.3 Competition

Pauli Jämsen Designer Beds is a brand representing unique Scandinavian and modern design combined with high-quality spring system allowing healthy and comfortable sleep. The warranty period of Pauli Jämsen beds is 25 years from the date of purchase. According to Jämsen (2017), the company has few strong competitors in the world. Among them are such brands as “Vi-Spring” (England), “Carpe Diem” (Sweden) and “Jensen” (Norway). Out of them only “Vi-Spring” sells its beds in Russia and particularly in Moscow. In addition to “Vi-Spring”, two competing companies which sell beds in Moscow were selected: “SleepSleep” (Russia) and “Viking” (Sweden). The brands of premium bed furniture were analyzed and selected based on few criteria. First of all, the author considered only those companies which apply similar technologies and materials in the production of bed frames, upholstery and other bed parts. Indicators such as price and warranty period were taken into account as well.

The competitor analysis in this chapter includes a brief description of the companies and their business operations in the Russian market and particularly in Moscow.

**Vi-Spring** is a British company established in 1901. The company has a very strong image in the world. One of the most distinguishing company’s features is that bed filling is made from natural materials such as raw silk, warm cashmere, elastic horsehair, durable coconut fiber and elastic bamboo. Vi-Spring is the only

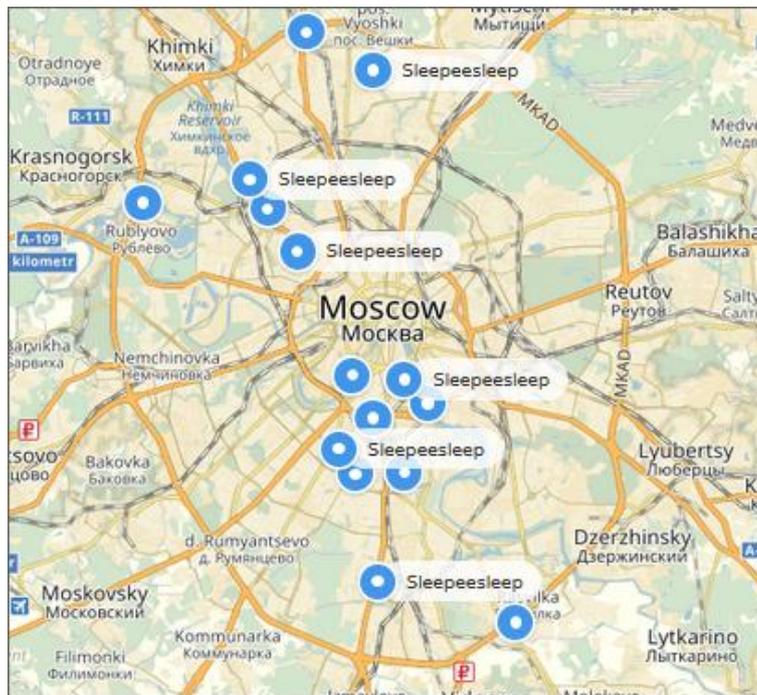
bed producer that uses pure British fleece in its production. (Vispring 2017.) It is worth mentioning that both Joensuun Sänkytehdas and Vi-Spring produce mattresses manually. In addition, similarly to all luxury bed producers, beds are manufactured by order. Therefore, there are no fixed prices on beds, but the prices for Vi-Spring beds start at 4,500€. (Vispring 2017.)

On October 2014, Vi-Spring participated in one of the most prestigious furnishing fairs in Moscow called “I Saloni WorldWide Moscow”. At the fair the company introduced its new leather headboard “Celeno” as well as a new bed named “Regent”. After the exhibition, AD (Architectural Digest) magazine has published an article about the company and its production (Sorokina 2014).

On November 2016, the first Luxury beds boutique was opened in Moscow. Vi-spring was one of the hosts of the event together with another luxury bed producer from California. The company sells its products through Luxury beds boutique, which was opened on November 2016. In addition, Vi-Spring cooperates with design studios and agencies such as ArtPlay, ADD (Architecture Design Decor) and Intermobili. The company’s sales and profit has been growing yearly. By December 2015, Vi-Spring’s business turnover increased by 5.5% reaching £38.7 million (€45 million). The growth in the company’s turnover was reached due to its expansion to foreign markets (Cabinet-maker 2015). For its beds, the company gives a lifetime guarantee.

**Viking** is a Swedish leading producer of premium quality beds. The company was established in 2002 and was named the best bed producer in Sweden three years in a row (2010-2012). In the production process, Viking utilizes both handcraft and modern technologies. Currently, the company offers six models of its double beds. All beds can be customized based on customer order. (Viking beds 2017). Nowadays the company employs around 66 employees. In 2016, its revenue reached €21 million. (Largest companies 2017.) Currently the company sells its beds in Simple Interiors store in Moscow. Viking offers a 25-year warranty on the frame and springs as well as a 5-year warranty on the motors on adjustable beds.

**SleepSleep** is a part of the Russian elite furniture producer Estetica, which was founded by a group of Russian designers in 2006. The brand SleepSleep and its bed production were established four years later in 2010. Currently SleepSleep is one of the leading premium bed manufacturers on the Russian market. For the production of mattresses only high-quality materials from Europe are used. The company has developed a number of modern orthopedic structures for mattresses. In mattress manufacturing the company uses a combination of conveyor and manual assembly. SleepSleep offers beds for the premium sector, and prices vary from RUB 64,000 to RUB 260,000 (€1,040 to €4,225). The company sells its beds all around Russia and in more than ten stores in Moscow (Picture 1). The beds can also be purchased online on the company's website. A warranty on the frame and springs reaches ten years. (SleepSleep 2017.)



Picture 1. SleepSleep stores in Moscow (Source: SleepSleep 2017).

The listed companies are the main competitors of Pauli Jämsen beds in the market. Vi-Spring is the strongest one due to its long history and experience in the world market and particularly on the Russian market. Vi-Spring has gained high brand awareness among Russian consumers of the luxury segment. However, the number of Scandinavian bed producers on the market in Moscow is low. Viking is one of them, but its product line is limited. SleepSleep produces beds only for the premium segment. Compared to SleepSleep Unikeidas's

product lines correspond to all three price segments (premium, super-premium, elite). In addition, compared to SleepSleep beds, the warranty period of Pauli Jämsen beds lasts ten years longer.

## **5 MARKETING STRATEGY**

This chapter presents a marketing strategy for entering the Moscow market. A description of the marketing strategy is carried out with the use of the marketing mix tool. Elements such as product description and price, sales channels and communication channels will be discussed in this part of the document. As the result, the author will recommend a strategy for entering the Moscow market.

### **5.1 Product and price**

#### **Product**

Joensuun Sänkytehdas produces three premium product lines for different price segments: Koitere Silver (Premium), Koitere Diamond (Super-premium) and Koitere Platinum (Elite). Double beds from each line were chosen as the initial entry products to be introduced to the Moscow market.

To succeed in the market, it is important to identify the main competitive advantages of the products. The main competitive advantages of Pauli Jämsen designer beds common for all three product lines are:

*High quality guarantee.* In the production of beds only high-quality materials of European suppliers are used, which guarantees compliance with all safety standards and a long product lifecycle. The warranty period for the products provided is 25 years. Among other things, the production of beds is carried out manually based on individual customer orders.

*Use of ecofriendly materials.* The basis of Pauli Jämsen beds is the use of such types of wood as birch and pine. Wood is one of the most environmentally friendly materials used in bed production.

*Original design.* All beds are made according to the individual orders of customers. Thus, a buyer can order a comfortable bed based on his/her own individual characteristics and personal preferences. Unikeidas offers a wide range of upholstery fabrics (more than 200 varieties). A consumer can also choose such parts or features as spring units, mattress topper, headboards, legs and designer molding for the box-spring.

A more detailed description of each product line can be seen in Appendix 1.

## **Price**

Double beds of premium quality are classified into three price categories: premium, super-premium and elite. For the premium segment the price varies from RUB 50,000 up to RUB 250,000 (from €813 to €4,062). For the super-premium segment the price ranges from RUB 250,000 to RUB 500,000 (from €4,062 to €8,125). Then follows the elite segment, where price begin at RUB 500,000 (€8,125) and go up. The advantage of Unikeidas is that the company produces three lines of beds corresponding to each of those three price segments. (Table 1.)

Table 1. Distribution of Pauli Jämsen beds by price segments.

	<i><b>Premium</b></i>	<i><b>Super-premium</b></i>	<i><b>Elite</b></i>
<b>Product line</b>	Koitere Silver	Koitere Diamond	Koitere Platinum
<b>Price</b>	€3,000 - €5,000	€5,000 - €8,000	€8,000 - €18,000

## **5.2 Distribution channels**

The target customers of Pauli Jämsen Design beds are representatives of premium and upper-premium segments, who value high quality and luxury

design. Therefore, it is crucial to find the distribution channels which are specialized in selling luxury upholstered furniture within the same price range as the company. Furthermore, for Russian customers of the premium segment, price per quality ratio carries a significant role. Therefore, it is important to have skilled personnel and professionals in the design field who can introduce customers to the brand, tell the story behind it and describe the benefits of products where luxury design is combined with superior quality of sleep. More importantly, it is essential that Unikeidas beds share common values, style, type of production or any other similar characteristics with presented assortment. Another important criterion is a limited number of brands being offered to avoid tough competition.

Based on those criteria three main potential distribution channels were selected for initial entry to the Moscow market: the online store of Scandinavian furniture Simple Interiors, the online store of upholstered (soft) furniture from Europe Eurodivany and the showroom center of elite furniture from Twinstore. In addition, the author recommends design agencies for elite segment furniture as a starting point for distribution.

**Simple Interiors** is an online store and a showroom of Scandinavian furniture. The company sells all types of furniture and design elements of leading producers from Sweden, Denmark, Finland, etc. Besides selling furniture, the company also offers designer services. The store collection is represented by 32 brands. The bed assortment is represented by three brands from Sweden: Leander, Treku and Viking. One of the main benefits of the company is its exclusivity. Simple Interiors' showroom is the only exposition of Scandinavian furniture in Moscow. (Simple Interiors 2017.)



Picture 2. Simple Interiors showroom (Source: Simple Interiors 2017).

The company organizes logistics itself as it has its own reliable logistics partner. One of the significant benefits of the store is that all furniture is delivered on time. (Sikorskaya 2017.)

The location is also a very important factor. The showroom is in a city area in a close proximity to the center of Moscow (Appendix 3).

The store is present in social media: Facebook and Instagram with 5,000 followers in total. Besides the number of followers, the store has many positive reviews on its page as well as a good rate from customers. All the information on the website is regularly updated and provides a detailed description of each product and brand.

The store is ready for cooperation with new suppliers who produce premium quality furniture characterized by unique style and original design (Sikorskaya 2017).

**Eurodivany** is an online store of soft elite furniture from Europe. The company sells products of European manufacturers from France, Belgium, Spain, Austria, Portugal, Luxemburg, etc. The assortment of supplied furniture consists of beds, sofas, armchairs and textile. The company's office is conveniently located in the center of Moscow (Appendix 3). In addition, the company owns a warehouse within the third transport ring. (Eurodivany 2017.)

All suppliers get full support at all stages of work, including the presentation of the brand to consumers as well as logistics and delivery to the warehouse in Moscow and to other regions of Russia.

Before starting cooperation with furniture suppliers, representatives of the company personally visit factories, get acquainted with the owners and study the production and assortment. The company also carries out quality control of the delivered goods, as well as logistics, in order to minimize the after-sales service and eliminate customer complaints. (Vlasov 2017.)

**Twinstore** is a showroom gallery of luxury furniture and other elements of décor and interior in Moscow (Appendix 3). The gallery covers the territory of 10,000 m<sup>2</sup> and combines 80 showrooms. Twinstore represents about 500 world manufacturers of cabinet and upholstered furniture, textiles, lighting equipment, interior and decoration, finishing materials and floor coverings. Each showroom represents a brand or a set of brands united by design, country of origin or purpose (kitchen, bathroom, bedroom, etc.). Each showroom in the gallery has a unique design concept for its space. The staff is well versed in the assortment and is always ready to provide professional advice. Twinstore is created for the most demanding buyers who independently make decisions, but at the same time rely on the experience and recommendations of experts. To simplify the search for a product or show room, the two gallery floors are divided into four zones (A, B, C, D) and are grouped by product categories on a logical color scheme. In addition, the company provides customers with designer services. (Twinstore 2017).



Picture 3. Twinstore showroom gallery (Source: Twinstore 2017).

There are two options for product distribution in the Twinstore gallery. The first one is to find and cooperate with a showroom that represents a few brands which fall under the same product category. The second option is to rent a space and organize a showroom independently.

In case of the first option, most showrooms selling upholstered furniture, including beds, belong to one manufacturer or specialize in brands from the same country of origin, where the most popular one is Italy. The production of Unikeidas corresponds only to one showroom, which belongs to the company called importHome, a retailer of luxury furniture from Europe and the United States.

Another option of distribution is to organize a showroom independently. This option has potential for Unikeidas for a few reasons. First, the beds are exclusive due to their unique design, country of origin, construction and style. Moreover, lease-terms are business-friendly compared to average price of rent in Moscow's city center: around €531 per square meter per year against the Moscow average of €682 per square meter per year. However, the price still varies depending primarily on the size of the planned area. (Anashkin 2017.) Among other benefits are the high attendance of potential buyers and advertising on the company's website, catalogs and organized events. This option is recommended for the

future establishment of the company position on the market, as during the initial entry stage it might be still risky due to low brand awareness.

### **Other potential distributors**

Among other potential distributors who might be interested in the company's production are design agencies and specialized luxury furniture retailers. These companies need more thorough research and further interviews with the representatives. Among them are such design studios and retailers as:

1. importHome – one of the biggest online furniture stores of premium segment with showrooms located in St. Petersburg and Moscow. The company offers a big variety of beds and mattresses from European and American producers.
2. Kutuzovskiy interiors – a showroom and design studio of elite furniture located in the city center of Moscow. The company sells furniture from the leading European manufacturers from France, Italy, Belgium, Holland, etc.
3. ArtPlay – the biggest design center in Moscow which combines around 300 showrooms selling custom-made elite furniture of leading world manufacturers.

The recommended potential distribution channels appear the most fitting for the company's market entry strategy. It is crucial that furniture stores specialize in selling products of similar design and of the same price range, thus starting from the premium price segment. Since Unikeidas is not known to Moscovian customers, it is important to gain brand awareness on the market and at the same time to avoid tough competition to encourage initial sales. Thus, the focus was on stores which have a limited assortment of premium beds for sale. Additionally, these stores are known for their individual approach to each customer as well as either for their uniqueness like Simple Interiors' showroom or convenience in terms of location and diversity of products such as Twinstore and ArtPlay.

## 5.2 Communication and promotion channels

To successfully enter a new market, the company is recommended to use a multichannel promotion strategy. The main purposes of promotional strategy are to increase brand awareness in the market for both the B2B and B2C sectors and to reach the target customers and potential business partners such as designers and new potential distributors.

As a part of its promotional strategy the company is recommended to use such channels as press media and business events. In addition, it is recommended that the company implement an online bed constructor tool on its website.

### 5.2.1 Press media

Press media is represented by local specialized publications about décor, interior design and architecture. The target audience of such magazines are designers, architects, representatives of upper-middle segment interested in design and its trends as well as other professionals working in the field. The interest for new products and companies in the market is usually very high among the press.

Three specialized online magazines are well-known among premium segment customers and professionals: AD (Architectural digest), Salon interior, Interior + Design (Zhukova & Kutasova 2002).

**Architectural Digest (AD)** is a monthly magazine about architecture and design. AD is aimed at sophisticated and wealthy readers who are interested in interior design, monitor trends and a variety of styles in architecture. The aggregated audience of AD in Russia reaches approximately 630,000 people, out of which 55% is represented by women and 45% by men. The vast number of readers are representatives of upper class segment (71%) and employed (76%) where 68% take top-ranking positions such as managers, government officials and other highly-paid professionals. (Architectural Digest 2017a.) The costs of advertising in AD magazine can be seen in Appendix 4.

**Salon interior** is an authoritative Russian magazine about architecture and design. Everything new, unique, and exclusive that is created in the country and in the world, is reflected in the magazine, helping readers and architects to always be aware of the current trends. Each new monthly issue of the magazine is read by 295,000 people in Russia, of which 141,500 live in Moscow. The audience of the magazine is represented by wealthy people and representatives of the political, creative and business elite of Russia where 60% of the audience are women and accordingly 40% are men. (Salon Interior 2017.) The pricelist for advertising in Salon Interior magazine can be seen in Appendix 4.

**Interior + design** is a daily updated online resource devoted to the popular trends in design, architecture and art. The content of the magazine contains information about recent fashion trends and design hits as well as the opinions of reputable experts and the latest industry news combined with outstanding photos and exclusive video content. The magazine has one of the biggest readership audiences in Russia (872,200 people per issue) and particularly in Moscow (225,200 people per issue). The audience of the magazine is represented by affluent (38%) and very affluent (30%) people, where women account for 60% of the audience. (Interior 2017.)

More examples of popular similar magazines specialized in design and architecture are Dom Interier and Elle Décor. These magazines have relatively the same audience representing upper-middle and luxury segment. (Zhukova & Kutasova 2002.)

To summarize, the audience of these magazines are potential target customers for the company as well as designers. Therefore, being published in an article or advertised in the magazine is one of the most effective promotional tools that reaches the broad target audience and increases brand awareness for the company also among professionals in the field. In addition, this promotional tool might guarantee a further increase in sales.

### 5.2.2 Business events

Around five to seven furniture and design fairs are organized in Moscow annually. Among the biggest ones are international events such as I Saloni WorldWide and Mebel.

**I Saloni Worldwide** was launched for the first time in 2005, and since then the event has been held annually in Moscow in October. The fair became the benchmark event for the Home-furnishing sector of the Russian market and international producers. It is visited by more than 30,000 trade operators, experts, press and the general public. Initially the event was organized primarily for Italian premium manufacturers. Nowadays, the list of participants and participating countries is more diverse, and other manufacturers from Europe, Asia and the United States take part in the event. The fair is characterized by superior quality of the goods on offer, trending interior concepts and a huge selection of upholstered furniture, lighting appliances, kitchens, office furniture, accessories, bathroom furnishings, textiles, coverings, furnishing components and product accessories. (I Saloni WorldWide 2017.)

The next fair will be held on October 11-14, 2017. In order to participate in the fair, the exhibitor should fill in the pre-registration form available on the website. The contact information of the fair as well as participation fees can be seen in Appendix 5.

**Mebel** is one of the largest furniture trade shows in Russia and Eastern Europe. The event is held annually in November. The fair brings together the leading global brands and manufacturers, designers and interior decorators to showcase new collections and the best items of the furniture fashion.

The exhibition presents the latest trends of the furniture market and brings together manufacturers and distributors with customers. The exposition includes a great variety of elite and budget furniture for bedrooms, dining rooms, living rooms, nurseries and kitchens, as well as couches and armchairs, finishing materials and various decor items. (Expocentre showcases 2017.)

Mebel 2017 will be held on November 20-24 at the Moscow Expocentre. In order to participate in the fair, a company should fill in the online application form

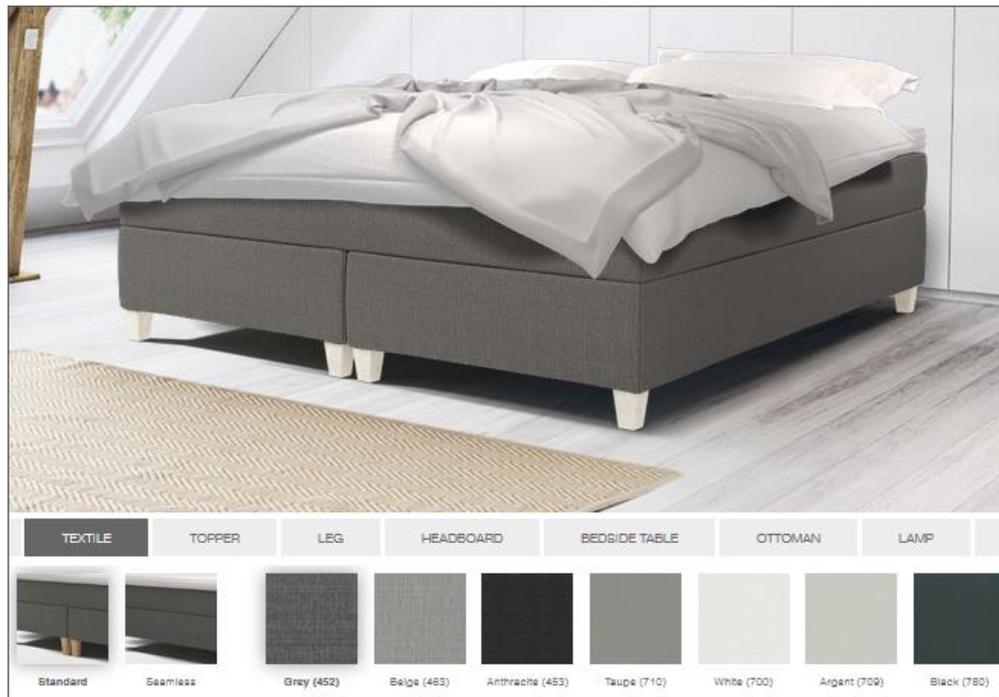
provided on the website. After filling in the online form, the manager contacts an exhibitor. The information about the costs of participation as well as booth construction fees is discussed individually with the manager. All the contact information as well as the link to the online application form can be found in Appendix 5.

Participation in such events is an effective communication tool for increasing brand visibility and creating brand awareness among the customers and press. In addition, it is an efficient platform for meeting with potential partners and finding new distributors.

### **5.2.3 Website**

Unikeidas produces customized beds where a customer can choose from many options of headboards, mattresses, textiles, materials and colors. Some Russian customers who ordered beds from the company dealt directly with a supplier thus by ordering beds from a company's website and picking them up from the factory themselves (Jämsen 2017). This can be explained by the fact that distributors add a markup to the original price of a product, and consumers want to save their money and time spent on delivery.

However, it is important that the customers get a picture of a final product before ordering it which can be achieved with an online bed constructor provided on the website. For instance, a world competitor of the company "Jensen" applies such tool in practice. The company's website offers such options as "Build a bed". By choosing that option under a liked bed, a customer is directed to another page where he or she can choose from textiles, topper, legs, headboards and other features depending on a bed model (Picture 4). After adding all the necessary features, it is easy to see what the final product will look like.



Picture 4. Jensen's online bed constructor (Source: Jensen 2017).

Creating an online bed modelling tool for the company's website will ease the ordering process for a company when dealing with customers directly as well as will providing a greater customer experience. Compared to Jensen, Unikeidas offers more diversity in the context of product customization, which makes an online constructor even more useful. Russian customers are quite demanding and tend to check a company's information online before making a purchase (Pwc 2016). Therefore, it is reasonable to assume that with an increase in brand awareness on the Moscovian market, the website visibility will also grow. At this point it is crucial to keep customers interested in a brand and in the company's products. An online bed constructor is one of the ways to keep that interest.

## 6 CONCLUSION AND RECOMMENDATIONS

Moscow is among the most economically developed regions of Russia with a population of around 12.3 million people. Compared to other regions of Russia, Moscow is among the first regions that has shown the positive signs of economic recovery after the crisis. The current situation has been showing improvements as well contributing to the positive growth in imports and consumer demand.

With Russia joining the WTO, the volume of exports has increased, and accordingly the competition on the market among furniture producers toughened. However, the share of premium bed furniture has stayed relatively small compared to the economy and middle bed furniture segments.

The demand for premium furniture has been stable for the past few years. Premium segment customers are quite demanding and often rely on price-quality ratio. Quality, design, prestige, reliability and quality of service are the key criteria in the decision-making process. Bed designs should be consistent with general bedroom styles. Among the most popular and trending styles nowadays are Scandinavian and modern, which correspond to Unikeidas beds. Therefore, there might be an interest in Pauli Jämsen beds among Russian consumers of premium segment.

Another crucial feature is that there is a limited number of the company's direct competitors on the market in Moscow. Competitors produce beds of a similar price range, style and features. However, Unikeidas has all the chances to gain a market share due to its competitive advantages, such as diversified options for product customization, premium quality, unique Scandinavian design and adjustability to all three premium price segments.

The choice of suitable distribution channels is crucial for Unikeidas. It is recommended to start sales with distributors which are specialized in selling premium furniture of the same style and price range and offer a limited assortment of premium beds. What is more important is a high attendance of customers to gain more company awareness on the market. Simple Interiors is

the first most recommended distribution channel for an initial market entry. Among other recommended potential distributors are Eurodivany and Twinstore.

Business-to-consumer and business-to-business promotional strategies are also vital for a successful market entry of the company. Among the recommended promotional strategies are advertising in specialized magazines as well as participating in business events.

These promotional methods will help a company to gain brand awareness among customers and professionals in the field, like designers, potential distribution partners, etc. The recommended promotional tools can also result in finding new potential business partners on the market and building networks.

Updating and designing a website to meet customer needs are also vital as a website is an element that contributes to a company's general image. For Unikeidas, it is recommended to design an online bed constructor tool for its webpage. This will make the ordering process easier and less risky as well as facilitate a keen interest among consumers.

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## Description of Pauli Jämsen product lines

### Koitere Platinum

- Box-spring made of three tiered individually pocketed spring units crowned by a highly functional mini-coil unit
- Koitere Platinum Pillow Top Mattress is an orthopedic spring mattress that delivers exceptional breathability to minimize perspiration. The topper is an individually pocketed mini coil suspension system, which takes shape of the sleepers' body automatically
- Three options of stiffness of the mattress – soft, medium and hard
- Platinum headboard available in high gloss lacquer or matt finish with fixed bedside tables and LED lighting with a dimmer application
- Over 200 upholstery fabrics
- All parts including spring units, mattress topper, upholstery fabrics, headboards, legs and designer molding for the box-spring can be customized
- The material of the bed's base is a high-quality array of northern pine
- Sizes: width 80-210 cm, length 200/210 cm



Picture 5. Koitere Platinum sample (Source: Unikeidas 2016).

### **Koitere Silver**

- Box-spring made of three tiered individually pocketed spring units
- Orthopedic springless mattress Koitere Silver is made of the highest quality materials and individually pocketed coils to give a sleeper the proper support
- Three options of stiffness of the mattress – soft, medium and hard
- Over 200 upholstery fabrics.
- All parts including spring units, mattress topper, upholstery fabrics, headboards, legs and designer molding for the box-spring can be customized
- The material of the bed's base is a high-quality array of northern pine
- Sizes: width 80-210 cm, length 200/210 cm



Picture 6. Koitere Silver sample (Source: Unikeidas 2016).

### **Koitere Diamond**

- Separated box-spring made of two tiered individually pocketed spring units
- Orthopedic springless mattress Koitere Diamond is made to breathe throughout the night to keep a sleeper cool. Three options of stiffness of the mattress – soft, medium and hard
- Over 200 upholstery fabrics.
- All parts including spring units, mattress topper, upholstery fabrics, headboards, legs and designer molding for the box-spring can be customized
- The material of the bed's base is a high-quality array of northern pine
- Sizes: width 80-210 cm, length 200/210 cm



Picture 7. Koitere Diamond sample (Source: Unikeidas 2016).

### Popular bedroom/bed styles

*Minimalism* is characterized by its functionality and simplicity in design. The most common colors for this style white, grey and brown. The furniture for a minimalist bedroom should be simple in design, compact and functional. The bed is located in the center of the bedroom. The headboard of the bed is not emphasized. It is either missing as an element, or looks simple and imperceptible. All textile products including upholstery fabrics of a bed should have restrained colors. (Vash Vybor 2017a.)



Picture 8. Bedrooms in Minimalism style (Source: Vash Vybor 2017a).

*High-tech* is characterized by laconic forms, eccentricity and functionality. The color palette is dominated by cool colors such as white, black and gray. Concerning furniture, preference is given to smooth, shiny surfaces that reflect the light. High-tech assumes the indispensable functionality of furniture where a bed might have drawers in the base, adjustable height, and other original solutions. Upholstery fabrics on beds do not have ornaments. (Vash Vybor 2017b.)



Picture 9. Bedrooms in High-tech style (Source: Vash Vybor 2017b).

*Art Deco* originated in France. This style combines flowing lines, floral ornaments and broken lines. One of the features of the style is the use of expensive finishing materials and luxury goods. It can be leather, expensive textiles, stone, natural wood, forged elements made of bronze or imitating bronze and animal skins. The color range can vary from pastel shades to deep saturated tones. The textiles or upholstery fabrics used are silk, velvet and satin. All furniture must be of high quality and made of wood. The main element is a wide comfortable bed with a soft high headboard covered with leather or textile material. (Vash Vybor 2017c.)



Picture 10. Bedrooms in Art Deco style (Source: Vash Vybor 2017c).

*Scandinavian style* is characterized by naturalness, ecological compatibility and minimalism. The base color of the Scandinavian bedroom is white, which is often used in combination with warm pastel shades. Woods are also in demand, e.g. alder, walnut and others. Furniture is usually made of northern types of wood such as birch and pine. Textile and upholstery fabrics are also natural like wool, cotton and linen. (Vash Vybor 2017d.)



Picture 11. Bedrooms in Scandinavian style (Source: Vash Vybor 2017d).

## Contact information of potential distributors

<b>Simple Interiors</b>	<p><b>Website:</b> <a href="http://www.simpleinteriors.ru/">http://www.simpleinteriors.ru/</a></p> <p><b>Phone number:</b> 7 (925) 511-19-07</p> <p><b>E-mail:</b> <a href="mailto:info@simpleinteriors.ru">info@simpleinteriors.ru</a></p> <p><b>Address:</b> Moscow, metro station Kurskaya, Nizhniy Susalny 5s18 Lane, Armagh Business Center, 5th floor (г. Москва, м. Курская, Нижний Сусальный переулок 5с18, БЦ Арма, 5 этаж).</p>
<b>Eurodivany</b>	<p><b>Website:</b> <a href="http://eurodivany.ru/">http://eurodivany.ru/</a></p> <p><b>Phone numbers:</b> +7 916 498 3198; +7(495) 787-02-98; +32 483 268 399</p> <p><b>E-mail:</b> <a href="mailto:sales@eurodivany.ru">sales@eurodivany.ru</a></p> <p><b>Office in Moscow:</b> Zhivopisnaya St., 40 (г. Москва, ул. Живописная, д.40)</p>
<b>Twinstore</b>	<p><b>Website:</b> <a href="http://twinstore.ru">http://twinstore.ru</a></p> <p><b>Phone number:</b> +7 (495) 642 88 00</p> <p><b>E-mail:</b> <a href="mailto:zaguzova@twinstore.ru">zaguzova@twinstore.ru</a></p> <p><b>Address:</b> Shchipkovsky lane 1, building 4 (1ый Щипковский переулок, дом 4)</p>
<b>importHome</b>	<p><b>Website:</b> <a href="http://importhome.ru">importhome.ru</a></p> <p><b>Phone number:</b> +7 (495) 255 77 00</p> <p><b>E-mail:</b> <a href="mailto:info@importhome.ru">info@importhome.ru</a></p> <p><b>Address:</b> Shchipkovsky lane 1, building 4, 1<sup>st</sup> floor (1ый Щипковский переулок, дом 4, 1-ый этаж)</p>
<b>Kutuzovskiy interiors</b>	<p><b>Website:</b> <a href="http://kutuzovskiy.com">kutuzovskiy.com</a></p> <p><b>Phone number:</b> +7 (495) 739-59-24; +7 (495) 803-30-24</p> <p><b>E-mail:</b> <a href="mailto:info@kutuzovskiy.com">info@kutuzovskiy.com</a>; <a href="mailto:surov@kutuzovskiy.com">surov@kutuzovskiy.com</a></p> <p><b>Address:</b> Kutuzovsky prospect, 12 (Кутузовский проспект, д. 12, стр. 6.)</p>

<b>ArtPlay</b>	<b>Website:</b> artplay.ru <b>Phone number:</b> +7 (495) 916 77 98; +7 (495) 620 08 82; +7 (495) 917 47 67 <b>E-mail:</b> arenda@artplay.ru <b>Address:</b> Moscow, 10 Nizhnyaya Syromyatnicheskaya St. (г. Москва, ул. Нижняя Сыромятническая, д.10)
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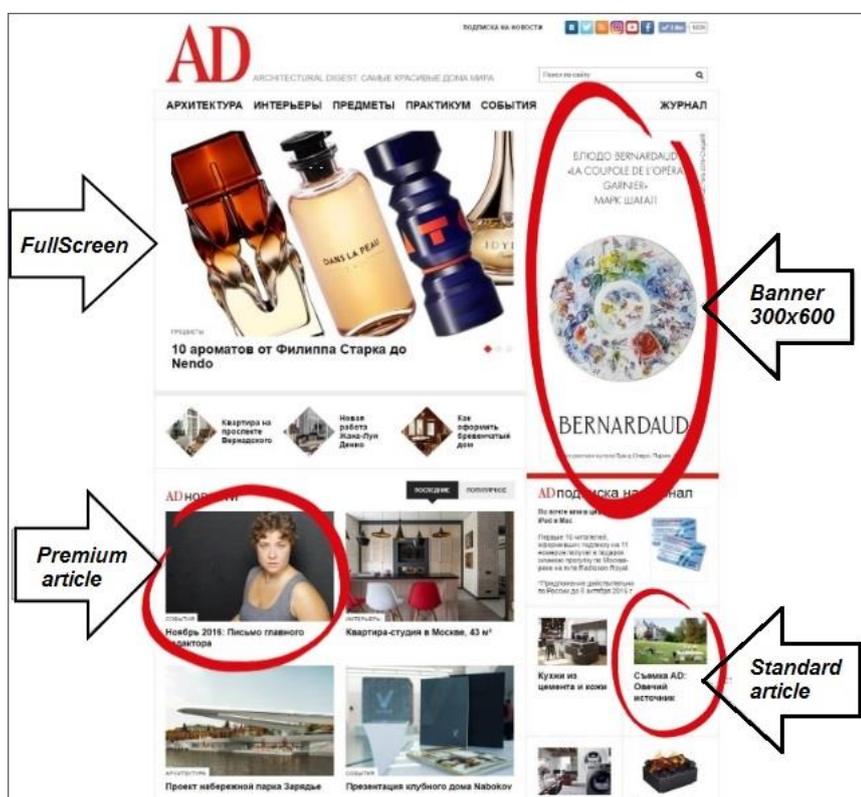
## Price list for magazine advertisements

### AD Printed edition

First full page	RUB 450,000.00	€ 7,313.51
1/2 page	RUB 400,000.00	€ 6,500.89
1/3 page	RUB 290,000.00	€ 4,713.15
Content page	RUB 590,000.00	€ 9,588.82
Rubric "Editor letter"	RUB 550,000.00	€ 8,938.73
Rubric "AD Team"	RUB 500,000.00	€ 8,126.12
Rubric "Letters of readers"	RUB 470,000.00	€ 7,638.55

### AD Website

Banner 300x600 mm, 1000 displays	RUB 1,000.00	€ 16.25
Full Screen, above the content, 1000 displays	RUB 3,700.00	€ 60.13
Standard Article	RUB 95,000.00	€ 1,543.96
Premium Article (PR + Extra announcement)	RUB 150,000.00	€ 2,437.84



Picture 12. Location of advertising on the website (Source: Architectural Digest 2017b).

**Salon Interior Printed edition****Rubric "Decor"**

Full page	RUB 255,000.00	€ 4,144.32
1/2 page	RUB 190,000.00	€ 3,087.92
1/3 page	RUB 130,000.00	€ 2,112.79
Cover 3rd page	RUB 535,000.00	€ 8,694.95
Content page	RUB 475,000.00	€ 7,719.81
Editor letter	RUB 347,000.00	€ 5,639.53

## **Contact information of fairs**

### **I Saloni Worldwide**

E-mail: [info@isaloniworldwide.com](mailto:info@isaloniworldwide.com)

Website: <http://www.isaloniworldwide.ru>

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### **Mebel**

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### **I Saloni Worldwide Moscow participation fees**

#### **Participation fees**

Fees (standard booth size 25 sq.m. and multiples):

Stand with 1 open side Euro 399.00/sqm + vat 22%, if due

Stand with 2 open sides Euro 410.00/sqm + vat 22%, if due

Stand with 3 open sides Euro 420.00/sqm + vat 22%, if due

Stand with 4 open sides Euro 431.00/sqm + vat 22%, if due

Every trade mark (registered, filed or used under licence) Euro 180.00 + vat 22%, if due

**List of interview questions with designers and business managers of premium furniture outlets:**

1. How has the demand for premium furniture/premium beds changed over the last three years?
2. Which brands/manufacturers of premium furniture do consumers choose?
3. What styles of beds and bedroom furniture are popular among Russian consumers?
4. What bed features are the most critical for Russian consumers?
5. What are the preferred shape and sizes of beds among Russian consumers?
6. In most cases, are beds sold together with other furniture items or separately? \*If separately, are they from the same product line/brand or different ones?
7. When a couple is choosing a bed to buy, who makes the final purchase decision?
8. What is a role of interior design of a bedroom when choosing a bed?
9. How is logistics organized in your company?
10. How or based on which criteria does your company choose its suppliers?
11. \*What is the price of rent in your gallery and what services does rent cover?