



Rantakoski Designs' case: Effective distribution strategy and sales channels

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ABSTRACT

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Distribution strategy is an important decision for company to make to ensure that company's products will reach customers in most effective way. The aim of Bachelor Thesis was to provide Rantakoski Designs with suggestions for improved distribution strategy and distribution channels. The objective set for Bachelor's Thesis was to increase sales through distribution channels that will not be too expensive or time consuming. Author of Thesis considered growth opportunities through distribution for a company with limited time and financial resources and one-person's capacity.

Research was based on theory, few interviews with local design shops and author's personal knowledge acquired from studies and various projects. This research was based on theory in fields of Marketing and Logistics. Most of the theory was related to physical goods distribution in field of Marketing while some aspects from Logistics were used regarding distribution channel activities.

Three interviews were carried out in Tampere with representatives of design shops, one of them already Rantakoski Design's retailer. Interview questions were regarding products, distribution relationships with providers (art designers) and target customers. Rantakoski Designs' products were introduced along with the idea of exclusive distribution.

The problematic part of research process appeared to be reluctance of design shops to give out specific information and author's lack of experience about what kind of questions to ask in interview and how to formulate them.

Thesis provides Rantakoski Designs with solutions regarding more efficient distribution strategy and suggestions on time and capacity issues. Implementing the new distribution strategy will enable Rantakoski Designs to attract more customers and increase the amount of sales. Studies show that in order to maximize the efficiency of distribution, the financial resources or capacity will have to be extended.

Key words: distribution strategy, channels, marketing, retailing

TABLE OF CONTENTS

ABSTRACT	2
TABLE OF CONTENTS	3
1. INTRODUCTION AND DISCUSSION	5
2. BACKGROUND INFORMATION OF RANTAKOSKI DESIGNS	6
2.1 Introduction to Rantakoski Designs	6
2.2 Current Distribution Channels.....	6
2.3 Research problems	7
3. DISTRIBUTION CHANNELS	8
3.1 Channels and channel layers	8
3.1.1 Intermediaries	9
3.1.2 Channel functions	9
3.1.3 Channel organization	11
3.2 Direct distribution.....	13
3.2.2 Internet.....	13
3.3 Distribution with intermediaries.....	16
3.3.1 Retailing.....	16
4. DISTRIBUTION STRATEGY	19
3.3.2 Classification of retail stores	19
4.1 Evaluation of external and internal influences	22
4.1.1 Micro environment influences.....	22
4.1.2 External Influences	27
4.2 Determining the right distribution channel	30
4.3 Channel design decisions	32
5. APPLYING DISTRIBUTION SRATEGIES	34
5.1 Research Methods	34
5.2. Current Distribution channels	34
5.2.1 Retailers	34
5.2.2 Internet.....	36
5.3 Marketing environment analysis	38
5.3.1 Internal Market analysis	38
5.3.2 External Market Analysis	42
5.3.3 SWOT Analysis	46
5.4 Channel Decisions	48
5.4.1 Objectives for Distribution Strategy.....	48

5.4.2 Distribution options based on market analysis	49
5.4.3 Determining best distribution strategy.....	54
5.4.4 Suggestions for future growth	56
LIST OF REFERENCES	57
TABLES AND FIGURES	62
APPENDICES	63
APPENDIX 1 Questionnaire for Art and Design Boutiques in Tampere	63

1. INTRODUCTION AND DISCUSSION

Rantakoski Designs is struggling to build distribution strategy that will help company to increase their customer base and rise profits, yet will be affordable for small company. The main challenges for finding effective sales channels are limited time, capacity and finances. As currently the company's capacity is barely enough to satisfy existing demand and is limited to certain amount of production, marketing and distribution activities, this research will focus on finding sales channels that will carry some of distribution and marketing tasks.

This research was based on general business knowledge and theories from marketing and logistics. Three design shops were interviewed in Tampere to gain insight in design and art businesses, target customers and distribution practices. Design Tuunaamo, already existing retailer for Rantakoski Designs was interviewed to gain insight in popularity of products, potential customers and suggestions.

2. BACKGROUND INFORMATION OF RANTAKOSKI DESIGNS

2.1 Introduction to Rantakoski Designs

Rantakoski Designs is a small one-artist's business located in Helsinki Finland. Anna Rantakoski is a sole-entrepreneur and established her company in 2009. The yearly turnover of Rantakoski Designs is approximately 50 000 euros.

Anna Rantakoski, the owner of company and designer of products, specializes in art and textile design to create unique products for warm and classy interior designs. Rantakoski's collection includes wide range of home design products, such as paintings, blankets, pillows, bathrobes and towels. In addition to appealing design and high quality fabrics, all of her textiles are made using hand-printing technique.

Anna Rantakoski has designed product line for men, called Legendat-line. Products in this line feature famous characters from Finland and abroad, such as Urho Kaleva Kekkonen, Carl Gustaf Emil Mannerheim, Marilyn Monroe and Jimi Hendrix. The purpose for this collection is to bring male audience closer to art by offering them practical yet modern products for daily home use. Lately Anna Rantakoski has been shifting her focus to paintings for home interiors. Paintings are made for instance on silk and linen, using ecological and toxic-free paints.

2.2 Current Distribution Channels

Rantakoski Designs' current distribution channels are retailers, online shops, internet and media.

Retailer stores include Casuarina and Krafti in Helsinki, and Design Tuunamo in Tampere. Rantakoski Designs has very successful cooperation with a design shop in Helsinki called Casuarina that has ordered unique product line from the company and distributes it exclusively at one location only.

Rantakoski Designs has an appealing online shop, called rantakoskidesigns.fi, which provides detailed information about products, company and media activities. Rantakoski distributes her products through another online designer shop called madeby.fi which is attractive place for new designers to sell their unique production.

Rantakoski has also made her appearance in media, having articles and her products displayed in popular Finnish magazines and newspapers. The most recent appearance of Rantakoski's products is Jimi's kitchen towel in Anna magazine this year's January. Her products have also appeared in magazines, such as Avotakka, Fit, Glorian Koti, Kodin Kuvalehti and digital newspapers, such as Ilta Sanomat and Iltalehti. Helsingin Info has also made an article about A. Rantakoski and her unique colorful designs.

2.3 Research problems

Despite current distribution and marketing efforts, sales results are not satisfying. Internet and media marketing does not attract enough customers and selling products through retailers, claims for Rantakoski Designs to set higher product prices. In addition, products are highly affected by seasonality – sales are higher during holiday seasons but decrease rapidly in low-season times.

Same time as a sole entrepreneur, A. Rantakoski's capacity is at risk not to be able to satisfy growing demand. While company is able to produce enough for current demand, there is not enough capacity to handle marketing, social media and R&D.

Distribution objective for Rantakoski Designs to be able to attract more customers and improve sales by creating new distribution channels and relationships as well as improving the existing ones.

This Thesis will look at different distribution channel options and their suitability to Rantakoski Designs' case. A. Rantakoski has mentioned exclusive distribution contracts – unique product lines for retailers, such as currently with Casuarina, and seasonal pop-up shops as possible directions which I intend to examine in this research.

3. DISTRIBUTION CHANNELS

This chapter will look into different distribution channels, channel members and functions in channels. Different distribution options for companies, and their advantages and disadvantages will be generally described.

3.1 Channels and channel layers

The channel of distribution is a system that helps bringing products from manufacturer to final customer (Zikmund & d'Amico 2001, 11). Companies use distribution channels to ensure that their product will reach customers at the right time and convenient location. Distribution channels involve intermediary organizations that help in a process to deliver products to end customers.

Channel level is a layer of intermediaries that are involved in process to perform channel tasks. (Kotler, Armstrong, Wong & Saunders 2008, 884). Figure 1 shows three basic distribution channel systems. First channel above uses direct distribution method, where products and services are transferred directly from manufacturer to consumer. Both other channels use intermediaries, - retailers and wholesalers to bring their products to final customers.



FIGURE 1. Distribution Channels (Distribution Channels, 2012books.lardbucket.org)

3.1.1 Intermediaries

Companies use intermediaries to add value to their products and to ensure that products will be closer to target market. Intermediaries usually have sales experience, networks and customer skills that can offer the company more value than they can achieve by doing everything on their own. Intermediaries also play an important role in matching supply with demand by taking on larger quantities of similar goods from producers and breaking them into amounts desired for customers, providing them to customers in right time and location. (Kotler et al. 2008, 881-882)

3.1.2 Channel functions

Distribution channel involves number of functions that have to be taken on by members of channel. These functions should be divided between producer and intermediaries in a way that is cost-efficient for the company. Figure 2 shows most common functions performed in distribution process, according to Kotler (2008, 882-88).



FIGURE 2. Channel Functions

Functions related to customers are gathering information about potential customers, conducting marketing research in order to be able to plan along and react to changes in market, finding and contacting prospective customers and matching and promoting company's products to customers. Negotiation and sales are related to the buying process and new customer relationships. Delivery and after sales service are important functions related to customer's satisfaction with the product. Each distribution channel also requires financing and risk taking functions that have to be agreed between channel members. (Kotler et al. 2008, 882-88).

Physical distribution involves planning, implementing and controlling of the process of getting the final product to final customer in the right place and at the right time. The focus in marketing logistics has shifted from trying to find the most cost efficient solutions to bring final goods to customers to customer-centered logistics which focuses on satisfying demand in the market and creating customer value by fast delivery, improved service and reasonable prices. (Kotler et al.2008, 911)

The major physical distribution tasks are warehousing, inventory management and transportation. Each of these tasks needs to be managed to ensure proficient delivery of products. (Kotler et al. 912)

Warehousing	Customers expect their products to be available upon short notice with short delivery times, so companies are pressured to have goods in stock that require storage space.
Inventory	Managing inventory is challenging, as companies do not want to maintain excessive inventory, but at the same time, deficit in inventory will result in loss of sales and dissatisfied customers.
Transportation	Products are transferred to final destination by road, rail, water, pipeline or air, depending on the urgency of delivery, product physical attributes and transportation costs.

(Kotler et al. 2008, 912-915)

3.1.3 Channel organization

Channel members must be given certain roles to ensure that channel performs well and to be able to manage channel conflicts. Two types of channel arrangements can be distinguished where each arrangement has their own roles of channel member and practices to deal with conflicts. Figure 2 shows conventional marketing and vertical marketing systems and the way members interact with each other. (Kotler et al. 2008, 886)

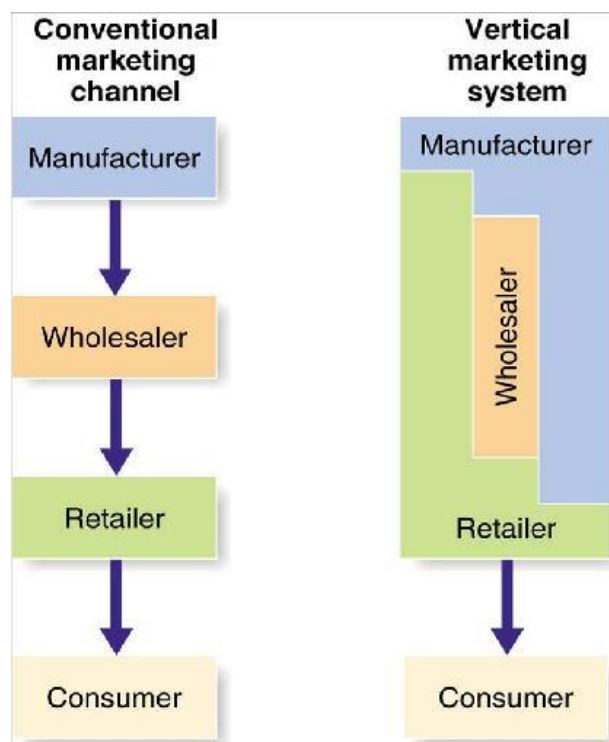


FIGURE 3. Vertical Marketing Systems (MBA Knowledge Base 2010, mbaknol.com)

Conventional marketing channel

In conventional marketing system each channel member works independently and seeks to maximize own profits. Therefore there is no certain control system in this channel to solve common conflicts. (Kotler et al. 2008, 886). According to Dunne, Lusch and

Carver (2011, 165), conventional marketing system is highly ineffective and unproductive method.

Conventional channel gives one intermediary a privilege to control others by use of power and resources. Channels are controlled by authoritative control mechanism, meaning that the most powerful members have the right to control and make decisions. (Weitz & Jap 1995, 306-307)

Vertical marketing systems (VMS)

In vertical marketing system, producers, wholesalers and retailers act as an integrated system where members depend on one another and cooperate together for common interests. Vertical marketing has three types of systems – corporate, contractual and administered channel. Corporate VMS acts under single ownership, while contractual system consists of independent organizations that manage conflicts through mutual contracts and administrated VMS is controlled by one or few dominant channel members. (Kotler et al. 2008, 886-890)

One example of contractual VMS is franchise where franchisee buys the right to operate unit and shares profits with the franchiser. This type of arrangement helps products to expand into market more rapidly. (Kotler et al. 2008, 886-888)

3.2 Direct distribution

Direct distribution means that products are distributed directly from manufacturer to consumer. Companies sell their products directly to customers at customer's home, over phone, on internet or at any other public place. (Raatikainen 2008, 175)

Selling through internet, catalogues and telesales saves costs of maintaining retail stores and utilities and improves speed of delivery and logistics functions within the channel. Direct distribution also gives companies better access to buyers and selling through internet lets them access markets even on global level. (Kotler et al. 2008, 826)

3.2.2 Internet

The fastest growing form of direct distribution is online-marketing or selling products through Internet. Internet connects customers and producers around the world and therefore increases market opportunities for companies. Most of the companies have their own websites and provide customers with opportunity to buy their products online. (Kotler et al. 2008, 838)

Companies are able to place wider selection of products and more specific details about products on the internet. Most importantly, it also enables companies to collect information about clients and their shopping behavior which can support their further marketing activities and product selection. (Levy & Weitz 2009, 74)

Customers benefit from online shopping by having the convenience to browse through the products and make sales decisions without time and place limitations, such as store opening hours or distance to shopping mall. Customers receive greater selection of products and more information about product functions online. Internet also offers customers opportunity to browse similar products and compare functions and prices. Internet provides customer with greater control over deciding on desired products and browsing only the websites they want to visit. (Kotler et al. 2008, 825)

Internet gives customers all marketing power, as it operates for customers benefit. Customers can quickly exchange information about e.g. great online deals or disappointing service. This kind of "free marketing" can be successful for company if

current customers are satisfied, however one late delivery or mistake in billing can cause rapid spread of negative comments, and if company is not there to respond to the issue immediately, it can destroy their business. (Blythe 2008, 34)

Website

The most common way of entering online market is to open own website where customers can see company's products, access detailed information and even make purchase orders. Corporate websites serve customers by providing detailed product information, telling about company and their future goals and answer customers' questions, whereas marketing websites lead customers to purchasing decisions by displaying colorful product images, emphasizing on their features and special price offers. (Kotler et al. 2008, 850)

The appearance of website should match customers' expectations on e.g. brand and quality and get new customers interested. Low-quality and unappealing websites can damage customer's impressions about company's product whereas well thought-through and professionally design websites will help company to promote their brand and customers to gain trust in company's products. (Berkley 2007, 7)

Companies should yet considerate that having their web store is time consuming process. Websites must be updated regularly to keep customers interested, and company should be able to answer to inquiries as well as respond to comments in short period of time. In addition to being present in their websites, company must also take care of storage of goods, delivery process and customers relationships.

Social media and web- presence

It is advantageous for company to create and maintain strong web presence through e.g. social media, blogs and online advertising. According to Gerry Dupont, co-owner of Red Oak Properties, it is important to invest time and research information related to product and to appear to potential customers more than a resource base than salesperson. In this way, company develops customers trust and builds long lasting customer relationships. (Dupont G., Social Media Content)

Social media marketing is a new form of online distribution that has emerged in market during past years, due to the rapid growth of internet marketing. Social media gives companies advantage to be present in frequently visited social media sites, such as Facebook and Twitter, and appear close to their customers, providing them with information of company's products and activities. Social media is a great platform for advertising, as different demographic groups from different countries can be targeted same time.

Interest boards, such as Pinterest and StumbleUpon are great way to attract customers' attention and brand awareness. These websites connect people with similar interests in physical items, such as clothes, jewelry, food, sports equipment etc. They share interesting designs, technologies and ideas with others, creating picture boards of certain products. Although the users of these websites just "hang out" there to have their time well-spent and new ideas collected, these sites are however intentionally made for hidden marketing purposes. Behind each picture there is a link that will lead directly to the web store or blog for more information and ability to purchase.

Blogs are yet another type of online marketing that first attract potential customers by providing a story behind a product or something related to the usage of the product. Blogs are more personal than any other way of marketing, as they usually give insight not only in company's activities, but even in the personal life of blog writer, often producer or designer of products. Blogs give opportunity to interact with customers as friends and therefore gain their trust in products and company. Blogs are however very time-consuming activity, as they require to be kept up-to date and regularly maintained. Customers expect that their comments on stories will be noticed and answers to their questions will be provided in short period of time. (Piscopo, commarts.com)

3.3 Distribution with intermediaries

Distribution with intermediaries means that company uses other organizations, such as retailers to bring their products to final customers. Intermediaries can commonly be seen as an expensive way to distribute, and companies often think that distributing without intermediary would save costs and guarantee lower prices. This is however a misleading thought, because the cost of intermediaries is usually compensated by other tasks they take on, such as storage of manufacturer's goods, premises in good location and transportation. Eliminating intermediary and selling directly to customer means that company has to bear all these costs themselves, and will be forced to set prices high in order to stay profitable. (Zikmund & d'Amico 2001, 353)

3.3.1 Retailing

Retailers are intermediaries in distribution channel that sell company's products to final customers. Retailers usually buy goods from producers and take care of their further distribution directly to customers. Retailers add value to products, as they have sales expertise, ability to be close to potential customers, and they know their market. (Levy & Weitz 2009, 7) Below are some of the most common functions retailers perform.

Providing assortment of products	Retailers take on assortment of goods that they specialize in, selling similar products from different brands in one location that is convenient for customers that are looking for similar type of products
Breaking bulk	Retailers take on large quantities of products and sort them, and offer forward to customers in smaller, manageable quantities
Holding inventory	Retailers take care of inventory, making sure that products are available for customers when they want them

Providing services	Retailers provide additional services to customers, such as credit, ability to test products, information about products or extra delivery services
Increasing value	Retailers increase product value by providing it to customer in wanted time and location, in preferred quantity with additional service

(Levy & Weitz 2009, 7-9)

Non-store retailing

Non-store retailing means selling products to customers through catalogues phone-sales, vending machines and internet (Kotler et al. 2008, 898). Non-store retailing is used to complement traditional store-retailing, rather than replace it. Internet retail stores are used to complement traditional stores, giving customers opportunity to buy and order products online in cases when it is more convenient than going to physical store.

Internet shops usually provide wider selection of products than retail shops, because of no-limited space. Great example of successful internet distribution is clothing company H&M that provides stylish yet affordable clothes. Although there are two stores in Tampere city center offering wide collection of H&M clothes, there is still better choice of colors, sizes and styles when shopping directly from H&M's website. In addition, customers can order their purchase for low delivery costs, benefiting from fourteen days of trial and ability to return the product without extra costs (H&M Online).

Catalogue and direct-mail retailers provide the customers with their offers in catalogue, brochure or promotional letter format. For example, IKEA sends out their catalogues every year to their loyal customers to inform about new trends in interior design and good price offers. (Levy & Weitz 2009, 55) Companies put effort in making their catalogues look appealing and providing detailed information about their products to attract customers who much rather prefers to take their time when make their purchasing decisions, avoiding crowded shopping malls and pushy sales people.

Store retailing

Retail stores are one of the easiest ways of distribution because companies do not have to worry about the storage, delivery, customer services and well-maintained premises. In addition, retailers also cover part of marketing efforts, because even if customers come to a store intending to buy something different, the company's products will still be there for them to notice, evaluate and consider.

Companies choose selling their products through retailers because it adds value to their products and services. For customers' convenience it is good for the products to be easily found, so retailers take on certain assortment of goods from different brands and store them in one place in convenient location. Selling through retailers is beneficial for manufacturers, as they can reduce transportation and inventory costs. (Levy & Weitz 2009, 7-9)

One of the main disadvantages of selling products through retailers is that there are other competitive products in the same location for customers to see and compare. This is why companies have to put continuous effort in making their products visible by placing discounts, engaging in sales promotions and actively advertising. (Hooley et al. 2008, 361)

Pop-up stores

Pop-up retail is a short term seasonal store that opens up for certain period of time and closes when the sales boom is over. Pop-up stores match well for products that are more seasonal (Christmas crafts, gift items), therefore giving the company a great opportunity to benefit from sales in high-season times without having to struggle to pay for the rent of premises in low-season times when their products are not selling that well. (Loughran, About.com)

The popularity of pop-up stores is increasing as even bigger retailers consider this kind of retail option. Famous online company eBay opened a pop-up store in London in order to access high-street customers. Although customers would still purchase virtual items that would be delivered afterwards, it gave Ebay a chance to be seen in one of the busiest streets in London and therefore promote their brand image. (Guardian 2011, guardian.co.uk; Evans 2012, wsj.com)

4. DISTRIBUTION STRATEGY

Distribution strategy explains the way products are delivered to end customers (Hooley, Piercy & Nicoulaud 2008, 361). Choosing the right distribution strategy is one of the most important choices for marketing and has serious impact on business' future success. Regardless of what the product or service is, providing it in the right place at the right time and at reasonable overweighs all other marketing efforts. (Zikmund & d'Amico 2001, 350)

Creating a distribution strategy involves picking the right intermediaries, ensuring that products are shipped quickly in correct quantities and flawless quality and taking care of product delivery within set deadlines (Thompson & Soper 2007, 42). Selecting the distribution channel or channels is the point where manufacturers choose how their products will be sold to their end customers, which is a crucial decision for company to make.

Before deciding on distribution strategy, company must know their goals and what they are expecting to achieve by distribution strategy. Distribution objectives can be related to increasing market share, profits or sales volume, or they can also refer to product, e.g. minimizing its shipping costs or making product visible for as many customers as possible. Regardless what the distribution objective is, company must remember the convenience for customers; being able to deliver the product in the place, time and quantity customer prefers and at the minimal possible cost. (Solomon, Marshall & Stuart 2009, 504)

3.3.2 Classification of retail stores

As customers' needs and preferences change from time to time, retailers must continuously adapt to new trends and new ways of selling. They are expected to respond to changing marketing environment and follow the trends of retail fashion to keep customers interested and maintain their competitiveness in the market. (Blythe 2008, 178)

Service Level

Retailers can be classified by the amount of service they offer. The least amount of service or no service at all is offered by self-service retailers that focus on customers who care to save money and buy products for lower prices. Limited-service retailers provide some assistance on choosing products as they usually sell products that customers would need more information about. Full- service retailers offer the most personal level of service that is usually provided for specialty goods and therefore comes with higher product price. (Kotler et.al 2008, 901)

Product Assortment

Another thing to consider is the width of product assortment offered in retail store. Department stores carry out variety of products and long product lines whereas supermarkets add convenience services to their stores, such as fast-food restaurants and beauty salons to make customers enjoy their shopping more. Convenience stores offer more limited collection of products and are usually located closer to center which makes them more accessible for customers.

Relative Prices

Different retailers have their price policies and they distribute products that are compatible with their price range. Discount stores will accept low cost products that do not require additional customer assistance and will sell them for low prices. (Kotler et al. 2008, 903)

Location and Image

Choosing the right location for retail store is crucial for gaining and maintaining customers. Store should be located in a place that is convenient for customers to shop at and easy to find. Store location is also important from marketing point of view. Knowing where the potential customers are and expect the retail to be located is already a huge step forward in attracting new customers. (Blythe 2008, 179)

The store image and atmospherics play an important role in attracting customers and influencing their buying decision. Store should be appealing and designed according to the products it sell. The atmospherics should match the customer's expected shopping experience and increase the buying potential. For example a retail selling fashionable clothes for young people should have music from popular charts playing in a store. Same as a toy shop for children is usually painted in bright colors and the products stand out in rather aggressive way to attract children's attention and create the feeling that they must have it.

4.1 Evaluation of external and internal influences

Considering environmental influences will affect decisions on channel structure, such as the length and intensity of channel, intermediaries, such as retailers and their availability to customers and competitors. (Solomon et al. 2009, 504)

4.1.1 Micro environment influences

According to authors Jobber and Lancaster (2009, 120), an efficient way to determine the right distribution channel for the company is to consider seven influencing factors, which are market, product, channel costs, profit potential, channel structure and product lifecycle, as well as non-marketing factors.

Market

The right choice of distribution channel will insure that product is available for majority of potential customers. The choice of distribution channel is affected by the way similar products that already exist in the market are distributed. Usually the new coming products already have expected place in a market and changing it would confuse the potential customers. Therefore careful analysis of market and finding out expectations of potential customers are crucial before deciding on distribution channel (Jobber & Lancaster 2009, 121)

One of the most important factors to determine when analyzing the potential market is the location where customers would expect the products to be. For certain products it is better to stick to traditional distribution channel than to try new ways of distribution, as customers might have certain expectations about where the product could and should be purchased. For instance, if products are targeted for tourists, company should choose a location in attractive and commonly visited place, preferably in city center or old town.

Product

Product itself plays an important role when company chooses their distribution channel. The channel must suit the product well and considerate all its attributes, such as size, technology, complexity and flexibility. Longer distribution channels fit perfectly for simple and low-cost products, whereas larger industrial products are sold through short channels, directly to end user. (Jobber & Lancaster 2009, 121)

Product life-cycle

It is important to know where exactly product stands in its life cycle. Different stages of product life cycle may require different ways of distribution. For example, when product has passed its introduction stage and reaches its growth stage, companies will consider expanding their distribution strategy to reach more customers. (Jobber & Lancaster 2009, 123)

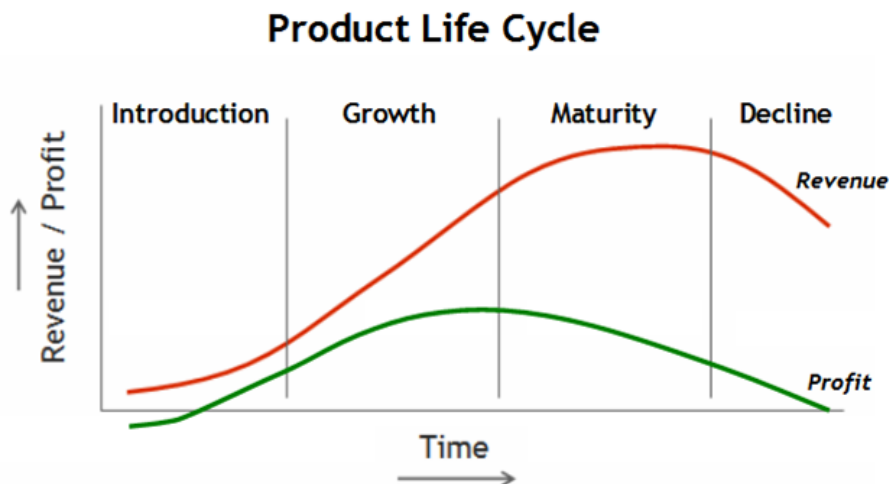


FIGURE 4. Product Life Cycles (Product Life Cycle, mrdashboard.com)

Figure 4 reflects the lifestyle curve for majority of products and shows how sales and profits change in different stages of the curve. Sales start growing rapidly in product growth stage and company is the most profitable in maturity stage. When product is still at its introduction stage, company usually experience financial deficit and loss instead of profits, as product is not yet familiar in market which means that company has to invest heavily on promotion and advertising in order to win their customers. (Jobber & Lancaster 2003, 16-17)

The product life cycle theory has its downsides, as it cannot be assumed that all products go through the same cycle. Customer preferences might change backwards and there is a possibility to revive the product when it reaches decline stage. Therefore, product life cycle theory can be used to measure company's current situation, but cannot always be applied when predicting where the product and company will stand in future. (Blythe 2008, 122)

Sometimes product life cycle theory proves too difficult and unreliable to determine products current situation in the market and make decisions regarding e.g. future distribution strategies. In this case, companies can use matrix, developed by Boston Consulting Group, which is specially used for decision-making. Figure 5 shows the matrix decision chart, where product can be positioned in one of the four different places in market, considering its relative market share and market growth. (Blythe 2008, 122-123)



FIGURE 5. Boston Consulting Group Matrix (Marketing Theories, Professional Academy.com)

Stars	Products with high market share that experience rapid growth are known as stars. Stars are the market leaders that absorb great amount of cash through their sales and investments. Stars are however threatened to maintain their position in market, as they must invest in new solutions and product development to keep up their growth.
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Cash Cows	Products that have been in market as stars, but have developed to maturity stage, where they still keep strong market share, but the growth is minimal. Cash cows can be used to other products in company that have potential to become stars.
Dogs	Products that are currently not moving up in the market. They have low market share and low growth. If the product is recognized at this stage, company should invest to make something more profitable and perhaps exclude this product from their product range.
Problem Child	Product that is somewhat demanded and experiences growth in the market, yet its market share remains low. Problem child products require new promoting and distributing strategies to gain share in the market and develop to stars

(Blythe 2008, 122)

Channel Costs

Each distribution channel has their own costs, depending on the length of channel and activities within the channel. Different activities are performed by different actors, as for example, direct sales requires manufacturer to do the entire job, whereas selling through the retailers means that tasks within the channel are shared among manufacturer and retailer. (Jobber & Lancaster 2009, 121)

Figure 6 shows the process of distribution through retailers and factors affecting final sales price. Channel costs include costs of goods, such as production and raw materials, and costs of doing business, such as transportation, storage, maintenance of premises, wages for sales people, marketing, packaging, delivery service, etc.

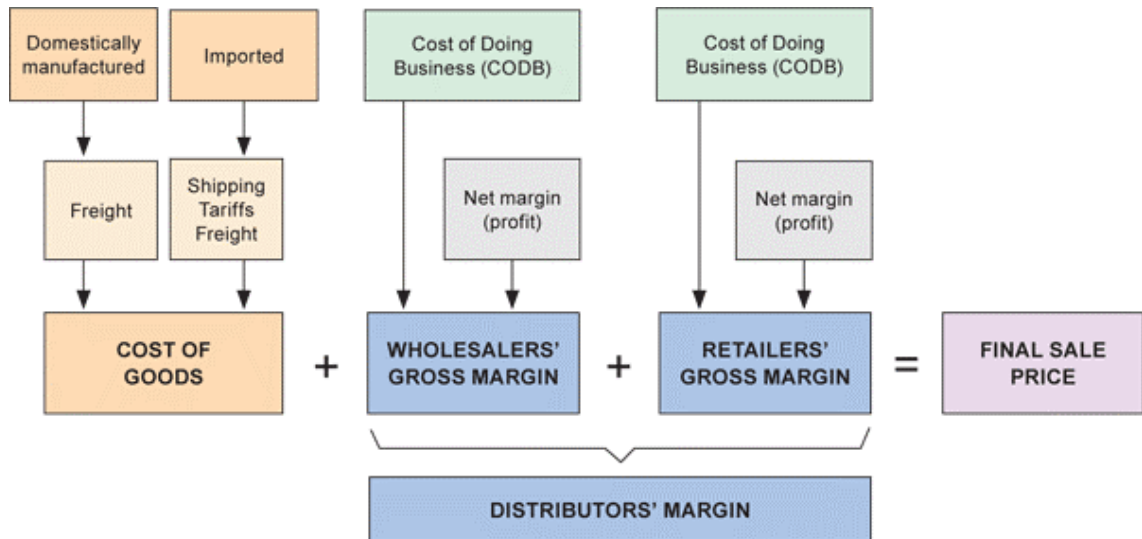


FIGURE 6. The Supply Chain for Retail Goods (RBA, rba.gov.au)

Gross margin is the difference between product costs and its final price. In exclusive distribution, when goods are sold only in one or few retail stores, the gross margin is likely to be higher because of the lower competition in the market. (RBA, rba.gov.au)

Profit Potential

The costs of channel and profits from products should be well balanced to avoid the channel costs being higher than the actual revenue gained from products. (Jobber & Lancaster 2009, 121) According to William G. Zikmund and Michael d'Amico, the distribution costs for one product should be approximately one quarter of product's price (Zikmund & d'Amico 2001, 350).

The company must know their profit expectations and production capacity. After evaluating the amount of products that can be made in certain period of time, production costs and setting optimal price, company can then compare the channel costs and make sure it stays on profitable side.

Channel Structure

When choosing the channel structure for company's goods, the traditional channel structure for similar products should be considered. If there is a strong traditional channel system established, it will be challenging to choose something significantly

different. For example, a milk producer will usually choose food retailers for distributing their products, and would avoid selling milk on internet, as it would appear challenging to distribute fresh product to customers, due to short expiration of dairy products. (Jobber & Lancaster 2009, 122)

Companies use push and pull strategies to convince intermediaries to bring their products to customers. Push strategy means that company has to invest heavily on advertising and promotion to “push” their product through the channel, whereas pull strategy works for already known manufacturers who can convince the retailer or wholesaler that their product is better than those already existing in market and that there is a high demand for it. (Jobber & Lancaster 2009, 122)

Non-marketing factors

Non-marketing factors describe other influencing forces to picking the right channel, such as company’s financial situation. In some cases, company will have to choose more affordable way to distribute, even though the product itself would be more suitable for different distribution channel. (Jobber & Lancaster 2009, 123) For example if the most suitable channel for product goes against profit potential strategy, there is no sense for company to implement this channel same time having huge losses in their finances.

4.1.2 External Influences

External influences are forces that shape company’s opportunities and threats in the business. These influences cannot be controlled by company and affects, promotes or limits the way company can operate in the market. Figure 7 reflects six influential forces in company’s macro environment. (Kotler et al. 2008, 184)

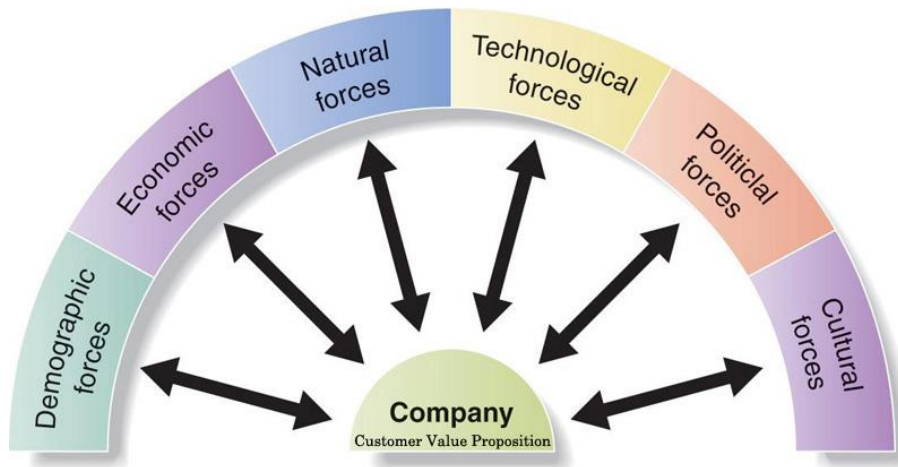


FIGURE 7. Macroenvironment influential forces (Importance of Company's macro-environment in marketing, sdpride.com)

Demographic forces are related to people population and are important to consider for future customer potential. Common influences relate to population growth, age structure, changing household, migration and increasing population diversity. (Kotler et al. 2008, 185) For example, population ageing issue means that there is a demand for senior-friendly products and services in the market.

Economic forces affect customers buying power and spending patterns, which are closely related to economic situation in the country and customers income level. (Kotler et al. 2008, 197) Naturally in countries with bad economies, buying power for the majority of population is limited, and it would affect sales of luxury goods.

The ability of raw materials and production techniques can be affected by natural forces, such as shortage of materials or legislation on environment protection. Natural forces may also have impact on production costs that add up to product price. For example, as oil is still used as an energy source in all industries, the energy costs are high and cannot be compromised until the substitute of oil is developed. (Kotler et al. 2008, 201-204)

Technological environment is developing rapidly, introducing new technological devices to make our lives easier. The main technological force to consider is the rapid growth in its development and the fast change in technology. Companies should consider that the product that is needed now could be useless in several years and experts on nowadays technology could be unemployed in future. With the introduction of Internet, many services were moved online therefore some technologies were no longer required. (Kotler et al. 2008, 208)

Political environment refers to legislation in the country, such as influencing laws and policies. Most of the marketing activities are subject to certain business regulations companies should be aware of. For example, laws protecting domestic production affect the entry of export goods and services. (Kotler et al. 2008, 211)

Cultural forces are norms, values and beliefs that are accepted by society. These factors affect almost all industries and should be considered in order to gain and maintain customers. For example, trends in music, fashion and socializing can affect the way company promotes their products to customers.

4.2 Determining the right distribution channel

Finding the right distribution channel starts with determining factors that will affect distribution channel length, functions and costs, and most importantly their compatibility with product and customers.

The number of distribution levels

Selection of distribution strategy starts with choosing the levels in distribution channel (Solomon et al. 2009, 504). According to Hooley (2008, 361), the main decision about distribution strategy is whether to sell directly to customers or use one or more intermediaries.

The amount of distributors

The next crucial decision, after determining the right distribution channel, is for manufacturers to decide on the extent of distribution outlets. In their book *The Power of Marketing*, Zikmund and d'Amico separate three types of distribution, based distribution intensity; intensive, selective and exclusive distribution strategies. (Zikmund & d'Amico 2001, 368)

Intensive distribution is strategy that applies to common everyday goods and necessities that require convenient location and should be easy to reach at any time. The producer will use as many distribution outlets as possible and invest heavily in marketing to draw consumers' attention to their brand. Producers are aware that their goods will be easily replaceable and are threatened by similar competitors' products. (Zikmund & d'Amico 2001, 368)

Selective distribution is compatible for companies that manufacture products with certain image and want to emphasize on brand quality. This means that the products are sold in stores that support brand image, quality and values, and attract certain type of customers. Selective distribution can limit competition to some level and therefore minimize distribution costs. (Zikmund & d'Amico 2001, 369-370)

Exclusive distribution means that the company gives an exclusive right to sell their products to limited number of retailers (Kotler & Armstrong 2001, 446). Exclusive distribution gives companies an opportunity to control their brand image and to set their own prices for products. Exclusive distribution is commonly used for luxury goods, such as cars, expensive perfumes and designer clothing lines.

Multi- channel distribution systems

Due to the options of various distribution channels and customer segmentation, some companies sell their products through different channels to e.g. different customer groups. Multi-channels open up more sales opportunities and give company an advantage to access different customer groups, customizing their sales accordingly. The main disadvantage in multi-channel systems is that they are difficult to control and often can cause conflict between members of different channels. For example, a company selling their products through retailers and same time selling same products through websites and telesales for lower prices will eventually create unfair competition. (Kotler et al. 2008, 892)

When company uses more than one distribution channel, it is important to meet the needs of each channel and know what customer expectations in each channel are. (Thompson & Soper 2007, 43)

Channel activities

Another important factor to consider is how the activities and duties of distribution will be shared in the chosen channel. Company has to consider which tasks that can be done in company and what functions are needed to carry out by other channel members. Distribution involves wide range of functions, such as transportation, inventory, selling, marketing, after sales service, delivery, etc. and company has to consider how to cover them all effectively without compromising sales and yet not over exceeding its own capacity. (Selecting a Distribution Channel Checklist, southaustralia.biz)

4.3 Channel design decisions

When deciding on the best channel options for the company, manufacturers have to choose one or several options that will be realistic to implement. Trying to implement the channel and convincing intermediaries to cooperate is the challenging part in picking a new channel. For this reason, new companies sell in limited markets at the beginning until they gain trust to be able extend their sale channels to more productive ones. (Kotler et al. 2008, 896)

Kotler sets following criteria to make the right channel decisions, which are analyzing customer needs, setting channel objectives and identifying, and evaluating channel alternatives. (Kotler et al. 2008, 896)

Customers

Decisions on distribution channel always start with customers and their needs and expectations. Customers' needs for location, level of service, options of delivery and width of product assortment are some of the features company must find out beforehand. Often it is however impossible for company to match all customers' wants and requirements, therefore it is important to evaluate which of them are most important, and to find balance between serving their customers well and yet providing products at reasonable prices. (Kotler et al. 2008, 896)

It is important for company that is looking for increasing their customer base to find out where the potential customers are and make their products visible for them. Attending different events, such as trade fairs gives company an opportunity to display their products and demonstrate them to gain customers attention and win their interest. The right presentation of the product combined with some small benefits for customer (free samples) and attractive business cards will create brand awareness and is effective starting point for future customer relationships. (Thompson & Soper 2007, 27-28)

Channel objectives

Channel objectives should be stated accordingly to targeted levels of customer service, defining different customer segments and the best channel options to be used for each segment. Company must set the objectives that suit best for their product, size, environment and competitors. For example, smaller companies may find it impossible to handle everything on their own and therefore need to assign list of tasks to intermediaries. Additionally, also external environmental factors should be considered, as for example in bad financial times customers will go for lower prices and companies are forced to choose most cost-efficient ways of distribution. (Kotler et al. 2008, 896-897)

Identifying main channel alternatives

Once the objectives are set, company identifies potential channel options, considering types of intermediaries, number of intermediaries and responsibilities to be shared within the channel. (Kotler et al. 2008, 896-897)

Evaluating channel alternatives

After identifying main channel options, company chooses distribution strategy and channel or channels that suit best for their objectives, taking into consideration channel complicity, division of tasks, costs of channel and the ability of channel to reach their targeted customers.

It is important for company to choose retailer that share their values to avoid damaging their brand appearance and losing customers' trust. Company's commitment to corporate social responsibility must not be compromised by a retailer that does not share the same environmental values and therefore create false image of company's brand. (Thompson & Soper 2007, 45)

5. APPLYING DISTRIBUTION STRATEGIES

Before implementing new strategy of distribution, it is important to know where the company stands at the moment and what the current market influencing factors are. This chapter will take a closer look at Rantakoski Designs' current situation and will analyze marketing internal and external environments.

5.1 Research Methods

The research was based on qualitative approach, using theory based method, and information from Anna Rantakoski, the owner of Rantakoski Designs, as well as few interviews with local art and design shops in Tampere.

5.2. Current Distribution channels

The vast amount of Rantakoski Designs products are distributed through retailers and internet store. Approximately 30% of products are distributed through retailers – Krafti, Casuarina in Helsinki and Design Tuunaamo in Tampere.

5.2.1 Retailers

Design Tuunaamo

Design Tuunaamo is art and design boutique, located in Kehräsaari, Tampere. Boutique sells hand-made Finnish design products along with their own House of Simone products which are being made in small “factory” located within Design Tuunaamo. Rantakoski Designs started their cooperation with Design Tuunaamo in August, 2012 and, according to sales personal in Design Tuunaamo, Rantakoski products have sold very successfully and have been highly demanded in the store.

Casuarina

Casuarina is a design and lifestyle store, located in Fredrinkinkatu, Helsinki and has been operating already since 1998. Casuarina provides professional interior design solutions together with design items. Anna Rantakoski has developed her own product line to be sold exclusively in Casuarina and therefore has a privilege to set her own product prices, as there is no price competition. Casuarina cooperation is highly valued by Rantakoski Designs. Krafti

Krafti is located in Torikorttelit in Helsinki and sells hand-made Finnish art and design products. Krafti is currently under renovation along with other buildings in Torikorttelit, yet they are planning to open up again in summer and would provide Rantakoski Designs with renovated premises and new image to attract customers. (Helsingin Uutiset, helsinginuutiset.fi)

Currently Anna Rantakoski as a sole entrepreneur does most of the tasks in distribution activities. Division of tasks between Rantakoski and retailers are seen in tables 1 - 3 below.

TABLE 1. Distribution functions channel Krafti

Rantakoski Designs	Krafti
Transportation	Sales
Storage	Storage
Marketing	Marketing

Rantakoski transports ready products to Krafti in minimal quantities for them to store and sell and takes care that products are delivered to Krafti when there is a demand. Krafti takes care of storage and sells products to final customer, as well as carries out some marketing effort.

TABLE 2. Distribution functions in channel Design Tuunaamo

Rantakoski Designs	Design Tuunaamo
Storage Marketing	Transportation Sales Storage Marketing

Design Tuunaamo picks up products from Helsinki once a month and brings them to Tuunaamo store in Tampere, where they take care of storage, delivery and marketing. Table 2 shows functions in distribution channel Rantakoski Designs – Design Tuunaamo

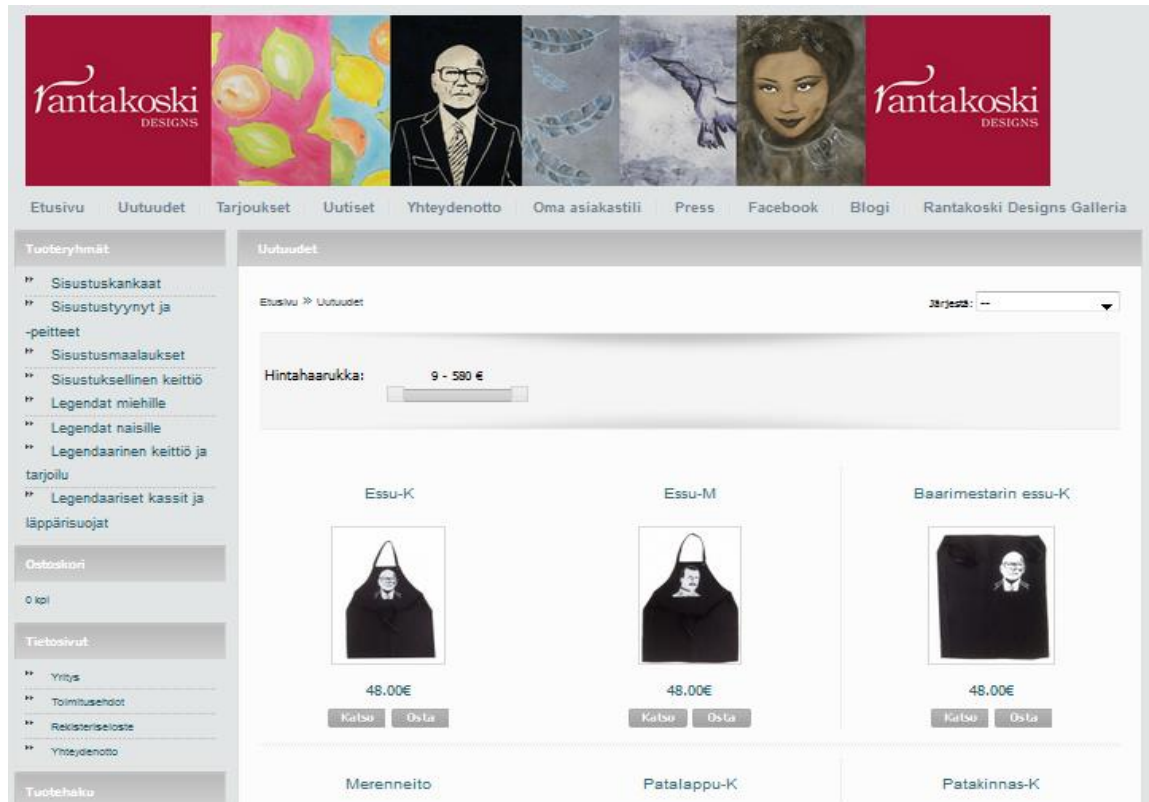
TABLE 3. Distribution functions in channel Casuarina

Rantakoski Designs	Courier	Casuarina
Storage Marketing	Transportation	Sales Storage Visibility

Rantakoski Designs delivers products to Casuarina either directly or by courier. Casuarina provides Rantakoski Design with high visibility of their products and is a valued distribution channel for Rantakoski Designs. Table 3 reflects the sales channel with Casuarina.

5.2.2 Internet

Rantakoski Designs have their internet page and web store where products are being promoted and sold. Web store sales are highly seasonal, growing up to 3000e/month in high season, yet providing only 200-400 e/month in low season times. Rantakoski Designs web store kauppa.rantakoski.fi is well-organized, having products categorized by their purpose of use and suitability to gender, separate section of “newcomers” and special offers and terms of delivery and payment. Additionally web store provides customers with latest news about company, Anna Rantakoski’s blog and link to company’s Facebook page.



PICTURE 1. Rantakoski Design's web store (Rantakoski Designs, kauppa.rantakoskidesigns.fi)

Despite well designed and professional image of web store, Anna Rantakoski states that they need to be improved in order to achieve better sales. The maintenance of web stores is done by Anna Rantakoski only and requires vast amount of time. While selection of products requires updating from time to time, social media, such as blog and Facebook page require much more frequent attention, as information must be up-to-date and customers continuously look for something new and refreshing. The lack of time is generally the reason why online presence does not reach the maximum efficiency.

5.3 Marketing environment analysis

5.3.1 Internal Market analysis

Customers

According to Zikmund and d'Amico (2001, 154), customer behavior is determined by the activities they engage in when they purchase and use products to satisfy their needs and desires. After interviewing local design and art boutiques in Tampere, I got certain description about current and potential customers that purchase products similar to those offered by Rantakoski.

Current and potential customers are middle-income men and women with general interest in art and design. Customers can be targeted based on interests rather than demographic aspects (age, gender). They are genuinely interested in product or some of its elements, such as design of product, qualitative materials, hand-made approach, and idols printed on products or the “made in Finland” factor. Tourists compose large percentage of target customers, as they usually look for something “Finnish-like” to bring home as a souvenir.

Product

Rantakoski Designs products are hand-printed or painted items both for general consumer and business use. They are usually purchased for interior designs, gift purposes or as souvenirs. Products vary in price range, starting from 5 euros for drink pad up to 895 euros for painting. Larger products, such as paintings might require delivery, whilst most of Rantakoski design items can be easily purchased on spot and brought home.

Legendat – line is a collection of different personal use and household products that reflects well – known legends and idols from Finland and abroad. Rantakoski has targeted this product line for also male audience, encouraging men to buy design bathrobes, towels and hoodies with their idols on them. Some of Legendat products are shown below.



PICTURE 2. Legendat-line items: hand towel “Taylorin Ellu” and bathrobe “Jimi”

Rantakoski produces paintings made on silk and flax, and painted using printing technique. Paintings are made according customers’ orders, giving customers opportunity to include their own wishes and their own story in the art work. Below is an example of Rantakoski’s art work.



PICTURE 3. Print painting “Speak No Evil”. Rantakoski Designs Collection

Product Life Cycle

Products match characteristics of introduction stage, which are slow growth of sales, low or negative profits, and high promotion costs. At this stage, it is very important to invest in pushing product into the market so that it can develop further growth. (Kotler et. al 2008, 571-573)

The distribution strategy in product introduction stage must be selective, aiming at distributing products in the most convenient place for potential customers, and attract intermediaries with high profit margins.

Price and Promotion

Current Price – Promotion strategy for Rantakoski Designs is associated with keeping the promotion costs low and maintaining affordable and reasonable product prices. Rantakoski Designs is using shallow-penetration strategy (shown in figure 8), which is usually applied with low marketing budget and limited capacity to deliver certain amount of goods. This strategy makes product price satisfying for customers but limits market opportunities, as without heavy promotion, only few customers in market can be reached. With successful and creative marketing strategies and word-of-mouth, product still has a chance to develop to higher penetration stage. (Price-Promotion strategies, changingminds.org)

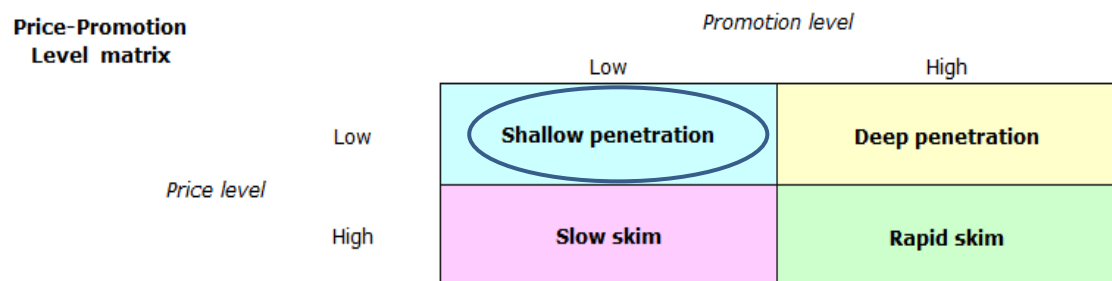


FIGURE 8. Price – Promotion level matrix. (Price-Promotion Strategies, changingmnds.org)

Place

Rantakoski designs have established successful cooperation with retailers in Helsinki and Tampere that bring products to Rantakoski's customers at convenient places.

Design Tuunaamo is located in Kehräsaari in Tampere city center, which is known for its attractive location near Tammerkoski's river and is surrounded by artistic atmosphere and other boutiques. Kehräsaari is the place often visited by tourists and popular among people interested in Finnish art.

Krafti is located at torikortteli, "new old town" in Helsinki. Once a silent and rarely visited location, torikortteli has been freshened up over past year with shops, restaurants and yoga premises, and made attractive to people in Helsinki by organizing different events. Krafti is at the renovation at the moment, but is a promising and potential location for future cooperation. (Krafti, torikorttelit.com)

Casuarina is located in the heart of Helsinki and is a lifestyle store providing qualitative and unique interior designs. Casuarina has been in business for approximately 15 years, therefore is already a recognized name with clientele, and is very important distribution channel for Rantakoski Designs.



PICTURE 4. Casuarina, Helsinki (Casuarina, casuarinablogi.blogspot.fi)

Profit Potential

Profit potential for Rantakoski Designs is strongly linked to the amount of sales that company is able to make, which strongly depends on production capacity and number of customers. Anna Rantakoski is cutting off in production costs by doing everything on her own. Additionally Rantakoski is trying to save in distribution, by doing plenty of distribution activities on her own. One-person capacity limits company's capacity to produce and therefore sell more.

Non-marketing factors

In addition to situation in market and customer requirements, channel choice for Rantakoski Designs will be affected by certain non-marketing factors within the company's operations. The current capacity and financial situation are the most important issues to consider.

5.3.2 External Market Analysis

This chapter will look at company's macro environment and its influencing forces. The analysis of six influential forces will be based on Kotler's theory (2008, 184-222) and will be applied to relevant environment concerning Rantakoski Design's case.

Demographic Environment

It is important to consider changing age structure of population and therefore change in interests, lifestyle and purchasing decisions. Dominant generations in consumer market are baby boomers, generation X and generation Y.

Baby boomers are population aged between 49 and 67. They have dominated the markets for the long time and are in the peak of their earning and spending years. (Kotler et al. 2008, 186) According to P. Villarreal (NCPA, ncpa.org), baby boomers invest money in mortgage, health care and education of their children.

The X generation, born between 1966 and 1976 are highly educated and demanding society with skeptical and considerate views on consumption. (Kotler et al. 2008, 187) This society has lived through recession and high unemployment times and therefore they are careful with their spending and set high expectations on products and services.

The youngest generation considered as potential customers is Y society, born in 1980s and early 1990s. They have enjoyed lots of attention as children and they are less tolerant to discomfort, which lead to frequent changes in education and career life and therefore instability in income. (Tälläinen on Y-sukupolvi. Iltasanomat.fi) Y Generation is familiar to different channels that will get them the cheapest deal, and they are known for heavily use of internet and social media. Therefore the best approach to attract Y-consumer group is excessive internet and media marketing.

As for Rantakoski Designs, all three of these generations can be considered as potential customers, which mean that there is a need for different ways of promotion, in order to target all potential customers.

Economic environment

Consumers' views on Finnish economy are rather cautious, due to the growing employment and slow economic growth. According to customer's expectations indicator (Statistics Finland, tilastokeskus.fi), 33% of the population believe that the economic situation will improve in following year, yet 36% are negatively oriented towards consumption.

According to art gallery owner in Oulu, Tuulikki Mäen (Yle Uutiset, Yle.fi), there is a good demand for art, despite of uncertain economy in Finland. Customers consider art as investment and therefore its sales maintain certain kind of stability even in down-times in economy.

Natural environment

Rantakoski Designs is already putting emphases on environmentally friendly production, using non-toxic paints and eco-friendly materials. Nowadays sustainable businesses put great emphasis on using eco-friendly production and distribution practices. For instance, Rantakoski Designs could use “green” packaging for their products and save fuel by transporting products in larger quantities. When visiting Design Tuunaamo in Tampere, I purchased Rantakoski Design’s kitchen towel, which was made by flax and packed into paper beg instead of plastic. This is a very good example of company using eco-friendly practices and choosing retailers that share the same values.

Technological environment

Nowadays fast developing technology has affected many businesses and forced them to change their operations. While art and design can be digitalized, majority of people still prefer to buy physical items; paintings are considered as long term investment and other design and artistic household items serve customers well for their sustainable fabrics and materials.

Concerning distribution and marketing, technology, such as internet plays an important role and technological changes can and will affect both distribution practices and marketing. Rantakoski Designs is keeping up with technology by emphasizing on strong web presence on internet and using new untraditional marketing forms, such as social media marketing. The ability to react to new technological developments and changes is a key for maintaining successful business.

Political environment

As Rantakoski Designs is operating in Finland, Finnish laws regarding e.g. production, competition and distribution must be considered.

Cultural environment

Important cultural aspect is that people tend to buy things for self-expression that go along with their beliefs and values. (Kotler et al. 2008, 216). Even when buying gifts for others, they tend to pick something that matches their own taste. While basic cultural norms and tendencies can be easily followed, it is yet impossible to predict individual's preferences for e.g. shapes, colors and materials. Consumer market for Rantakoski's products goes far beyond the limited concept of "art-orientated people", as company's products also attract customers that were not familiar with art before.

Legendat-line of Rantakoski Design products carry on well-known people figures, such as Marilyn Monroe and Urho Kekkonen. Some customers value certain idols for their achievement in politics, culture, music, etc. They will be interested to buy items reflecting these idols, even if they are not art-oriented people. On the other hand, strictly religious groups might see same symbols as threatening, for example Marilyn Monroe carries strong image of sexuality and is considered inappropriate in many religions.

5.3.3 SWOT Analysis

SWOT analysis is a powerful tool for company's self-assessment and for evaluating their opportunities in the market. This includes analysis of company's internal factors – strengths and weaknesses, and analysis of external environment – opportunities and threats. (Dwyer & Tanner 2002, 170) Figure 9 shows SWOT analysis of Rantakoski Designs.

<p>STRENGTHS</p> <p>Differentiated products Green standards Current distribution relationships Visibility in press Small yet stable clientele Know-how on products</p>	<p>WEAKNESSES</p> <p>Unknown brand Limited production capacity Limited resources for growth Lack of business competence</p>
<p>OPPORTUNITIES</p> <p>Products already selling successfully and demanded Products are following current trends in art and design Opportunities for business growth and branding</p>	<p>THREATS</p> <p>Growing demand cannot be satisfied with current production capacity Competition Barriers to entry Current economy</p>

FIGURE 9 Rantakoski Design's SWOT Analysis

Strengths

Rantakoski Design's products are unique and sustainable, and are certain competitive advantage for the company. In addition to being hand-made by competent and professional Finnish artist and being made in environmentally friendly way using qualitative materials, products also have very appealing appearance and some are suitable for everyday use. Rantakoski Designs has developed some strong and successful distribution relationships with Krafti, Casuarina and Design Tuunaamo to help getting products into the market and is supporting their promotion with strong web presence and visibility in press and media. Anna Rantakoski has a clear vision and know-how on product development and strong potential to expand her collection in future.

Weaknesses

After approximately two years of company's operations in the market, brand is still unknown and relatively small. Rantakoski Designs as a sole entrepreneur company have production capacity of one person only. This affects the amount of products that can be produced in certain period of time and can be an obstacle for the company when customer base increases. While having strong competence in art and design and stable artistic background, company lacks business know-how and is somehow vulnerable in highly-competitive business world.

Opportunities

Rantakoski Designs are already selling successfully in retail stores and has somewhat regular amount of sales online. Products, especially Legendat collection are already highly demanded by customers and reflect the cultural phenomenon that does not go out of style. Finding a way to delegate some of distribution tasks to retailers or hiring more personal with competence in other fields would give Rantakoski opportunity to focus more on marketing and products and brand development.

Threats

Current production, marketing and distribution capacity is not enough to satisfy growing demand and increasing customer base. The competition in field is tough and even though Rantakoski Designs product is unique, it requires more heavily investing in marketing and brand development. In addition, current economy situation in Finland is not stable and threatens the costs of business operations and preferences in consumers' spending habits.

5.4 Channel Decisions

5.4.1 Objectives for Distribution Strategy

The main goal for improved distribution strategy for Rantakoski Designs is to increase profits by attracting more customers and improving sales. The following objectives are set to reach the goal of distribution strategy.

1. Finding new distribution channels to attract more customers

Rantakoski Designs wants to attract more customers by developing new sales channels. Company is looking for more exclusive retailing relationships, similar to one with Casuarina. The main consideration in developing new distribution agreements will be the cost efficiency of the distribution channel.

2. Increasing web store sales

Web store sales are highly affected by seasonality, bringing approximately 3000 e per month around Christmas time and dropping to 200 – 400 e per month in low season time. Rantakoski Designs wants to increase sales in low season times, by making the web store more visible and improving its appearance, information on products and promotional activities to attract new customers and keep existing ones.

3. Focusing sales on paintings and acoustic boards

Important issue for Rantakoski Designs is finding efficient way to sell paintings and acoustic boards. While art galleries prove to be too expensive, Rantakoski is aware that there is a customer demand for her paintings and wants to make them available to more customers in cost efficient way.

4. Promoting products in trade fairs

Trade fairs are effective way for designers to attract new customers. Rantakoski is aiming to attend fairs, such as Habitare, which is trade fare for furniture and interior design, and sell her paintings and Legendat-line there before the peak season of Christmas.

5.4.2 Distribution options based on market analysis

1. Distribution channels for increasing sales of Rantakoski Designs products

Based on the market analysis and company's current situation in the market, in order to increase sales Rantakoski Designs will have to focus on channels that bring products to convenient locations for customers and include heavy marketing and promotion.

Considering Rantakoski Designs channel objectives and analyzes of the market, Rantakoski Designs will need to use multi-channel distribution system with zero-level and one-level distribution channels.

The main objective for Rantakoski Designs is to boost up sales and increase customer base which is too challenging with current capacity. This is why distribution strategy choices will focus on channels that will free Rantakoski from some of her tasks. When customer base increases, it will be challenging to satisfy the demand with company's current capacity, which gives company two options – hiring professionals to do the work (e.g. marketing, book keeping) or paying intermediaries to take on more activities.

Retailing: Retail stores

The most suitable distribution channel for increasing customer base and boosting up sales would be selective distribution agreements with retailers that will lower demand for excessive production and control and support brand image.

Table 5 reflects advantages and disadvantages of retailers as one of Rantakoksi Design's distribution channel.

TABLE 4: Retail Stores

Pros	Availability and convenience to customers, increased customer base, suitable for current capacity
Challenges	Finding and convincing retailers
Cons	Distribution costs, less control over brand image

New retail stores will open up opportunity to sell to more customers and increase sales. Efficient tasks division in retail agreements will save Rantakoski work and give company more freedom to focus on increasing amounts of production or focusing on online and social media marketing. Retail stores in the right locations will be convenient to customers to find.

The challenges Rantakoski Designs would face will be locating right retailers that match company's value and image and to persuade them of adding Rantakoski Designs collections to their product range and sharing the distribution tasks, such as transportation, marketing, delivery, etc.

Retailers are quite expensive way of distribution, taking on up to 50% of the sales. This would be a financial challenge for Rantakoski Designs and would affect the products optimal price. Selling through retailers can also prove to be inefficient if the store pays no effort promoting Rantakoski brand, or chooses to promote one brand over another.

Retailing: Pop-up Shops

Pop-up shops will work as a distribution channel for high-season times, such as Christmas. This distribution tool will be used to get the most out of sales and brand advertising during high-season times, when company is at its strongest position. Pros and Cons of Pop-up shops are shown in table below.

TABLE 5. Retailing: Pop-Up Shops

Pros	Location, convenience, lower maintenance costs
Challenges	Finding locations, convincing others to cooperate
Cons	Highly seasonal

Pop-up shops is a great way to be present and available to customers during holiday seasons, renting relatively inexpensive premises for short period of time, therefore avoiding high maintenance costs of having own store. Pop-up shops would be excellent option for Rantakoski Designs, as her products are seasonal and have proven to sell better in high season times.

Challenges of pop-up shops would be finding other designers willing to cooperate and e.g. rent the common space. However the growing popularity and attractiveness of pop-shops would make it less challenging than e.g. finding right retailers.

The main disadvantage of pop-up store is that it can only operate in high season times and will not solve the problem with sales in low-seasons. If the pop-up shop is shared with other brands, there might be a competition issue for space, image and visibility.

Retailing: Internet

Internet is an important and cost-efficient tool that will have to be maintained and used as a separate sales channel in distribution strategy, as well as a supporting marketing tool for other distribution channels.

In order to improve web store operations and increase online sales in low-season time, heavy marketing and promotion is required. Rantakoski Designs already has several strong online promotional tools, such as:

- Rantakoski Designs web store
- Rantakoski Designs Home page
- Rantakoski Designs Facebook page
- Anna Rantakoski's blog

The maintenance of these successful online promotional tools requires regular amount of work and devotion. According to A. Rantakoski, maintaining web presence and keeping up online promotion activities is too challenging for her current capacity. Reasonable solution for this issue would be hiring a marketing person for company to handle online marketing for Rantakoski Designs or hire employee to do other tasks to free more time for marketing and advertising.

2. Distribution channels for increasing sales of Rantakoski Designs products

When it comes to art, it is important for a company to market and “buy” itself into the industry. According to Tarja Cronberg’s report (2010, 14), there are around 20 000 artists in Finland, which means that it is a very challenging industry to compete and survive.

Rantakoski Designs sell some of the paintings online for approximately 300 to 900 euros per piece. Choosing different channels for selling paintings will also have an effect on the price of painting. For example, paintings sold through intermediaries, such as art galleries, would usually cost starting from 1000 per piece, taking into consideration distribution costs. (Taideteoksien hinta 2011, naskinen.blogspot.fi)

Below are new channel alternatives for paintings and acoustic boards

Retailers: Selling painting as an interior design item in design shops and art boutiques

After visiting Käsi ja Teollisuuskeskus in Verkaranta, I noticed that few paintings were sold along other Finnish hand-made designs products, such as bags, jewelry and candles. Adding paintings to other Finnish artists’ work would let Rantakoski emphasize the advantage of her paintings being made by Finnish artist.

Renting premises to display Rantakoski Design’s art together with other art works

Similar to pop-up shop idea, art works can be displayed short-time, renting premises (e.g. office building) in convenient location close to city center. It could be unprofitable displaying one artist’s work only, as the capacity of one artist is limited and rents are high, so Rantakoski could use networking and find other artists interested in showing off their work to customers, avoiding high expenses of art galleries.

This activity requires support of well-organized marketing, possibly at lower expenses. For example, adding a small program and free-coffee to showing-off the paintings, would attract customer’s interest to attend the event and this way Rantakoski Designs would be able to introduce the paintings and acoustic boards to customers.

2. Distribution channels for enhancing brand image and freedom in setting prices

Retailers: Exclusive Distribution

Exclusive distribution is currently Rantakoski's most satisfying distribution strategy, as it gives A. Rantakoski freedom to set prices without price competition and helps her to enhance brand image by selling products through well-recognized design shop.

TABLE 6. Exclusive Distribution

Pros	Professional image interior design stores, valuable customers, no price competition, brand image
Challenges	Locating and convincing retailers
Cons	Limited customer base, more tasks

Exclusive distribution with professional interior design stores and design shops will give Rantakoski Designs an advantage to sell separate product lines without price competition and attract the interest of high-income design oriented customers. This cooperation would enhance Rantakoski Designs brand awareness and image, and work as a great marketing tool.

The main challenge in developing exclusive distribution agreement will be finding the retailers willing to cooperate. Rantakoski Designs will have to sell the idea of retailer having exclusive right to her product line and giving retailer freedom to dictate retail margin.

The main disadvantage for exclusive retailing is the limited number of customers Rantakoski Design can sell her product to. Exclusive retailing is usually considered by companies that already own their market share and have strong customer base to demand the product. For Rantakoski Designs it would be more important to be visible and present in as many locations as possible, because the company is still at its introduction stage. Additionally, exclusive retailing will add more tasks to already full-used capacity of Rantakoski Designs.

5.4.3 Determining best distribution strategy

This distribution strategy is selected for Rantakoski Designs current production capacity and market demand. These channels are selected in order to push Rantakoski Design products in the market more heavily, expand target customer base and help Rantakoski Designs' products develop to the Growth Stage in Product Life Cycle where sales and market share will increase.

1. Distribution channel Nr 1.: Rantakoski Designs → Retailer (Design shop, Interior design store, Art and design boutique)

This channel decision was based on following factors:

- Increased customer base and sales
- Insufficient production capacity
- Necessity to delegate tasks to intermediaries
- Customer preferences for location, convenience and availability

Table 8 reflects sufficient division of distribution functions among Rantakoski Designs and retailer. In this channel, retailers are responsible for pushing Rantakoski Designs' products in the market and Rantakoski Designs is focusing on production, product design and development.

TABLE 7. Distribution Channel for Rantakoski Designs 1

	Tasks and Functions
Rantakoski Designs	Retailer
Product development	Marketing
Production activities	Sales
Product packaging	Contacting customers, reporting customer preferences back to Rantakoski
	Finances
	Risk sharing
	Physical distribution (transportation, storage, delivery)

Delegating storage, delivery and advertising work to retailers will save Rantakoski time which will be invested in making more products and developing existing ones. Retailers will provide information about customer demand and Rantakoski Designs will use these ideas to develop new products and add different features to the existing ones.

Retailers should be chosen by their brand image and location. Retailer should represent Rantakoski Designs values and should not compromise company's image. First locations targeted should be those close to target customers, preferably in areas with art and design shops places commonly visited by tourists.

Suggestions for retail stores in Tampere are Design Boulevard, Sisustus ID and Käsi ja Teollisuuskeskus. Design Boulevard is modern design shop that sells products of both domestic and foreign designers. It is located near Tampere center and would be perfect place to sell e.g. products from Legendat-line. Sisustus ID works on interior designs and sells selected design and art items. This would be potential retailer for exclusive distribution agreements, like the one with Casuarina. Käsi and Teollisuuskeskus, located in the heart of Tampere sells hand-made items from Finnish designers, as well as paintings. This would be potential retailer for paintings.

Rantakoski Designs might also review existing retail agreements with Krafti and Design Tuunaamo and decide whether tasks are shared efficiently according to distribution costs.

2. Distribution channel Nr 2.: Rantakoski Designs → kauppa.rantakoskidesigns.fi

Rantakoski Designs web store is important source for new customers and necessary tool for sales. Web store will support retail sales and each product sold in retail stores should have information about Rantakoski Designs web stores e.g. on packaging.

Online marketing activities, such as Facebook page, blog and Rantakoski's own home page should be kept up to date to support web store.

3. Distribution channel Nr.3.: Seasonal Sales Channels: Pop-up shops and rented premises for displaying art

Pop-up stores will be needed to make the best out of company's sales in high season. Rantakoski Designs should take advantage of customer's interest in high-season times and develop customer relationships that will be beneficial in lower season times, too.

Rantakoski Designs must ensure that the sales personal in pop-up shops is genuinely interested in promoting Rantakoski Designs products. In addition, there should be enough of attractive promotion materials, such as cards and brochures with attractive product images and company's contact details to give to each customer or for everyone interested in products.

Similar concept refers to displaying paintings and acoustic boards. A. Rantakoski would cooperate with other artists and rent out premises to show and sell paintings. This activity will require promoting and possibly small interest-catching programme.

5.4.4 Suggestions for future growth

As customer base grows and Rantakoski Design gains larger share in the market, the production, marketing and distribution capacity will need to be increased. Distribution channels might require an update, once Rantakoski Designs have clearly reached the growth stage and are making stable profits.

Optional distribution channels would be exclusive distribution agreements and sales catalogues mailed to customer's home. Exclusive distribution channel means that Rantakoski Designs can use pull-strategy for distribution. Customers already familiar with Rantakoski Designs products will have to come to one particular location to get specific products, which makes this way of distribution extremely attractive for retailers and will increase opportunities for exclusive retailing.

Additionally, once there larger customer base for Rantakoski Designs, catalogues including new offers, product information and some supporting, attention-catching reading can be emailed to clientele, giving them yet another option of purchasing.

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Expert interviews

Design Tuunaamo Tampere. Interviewed 08.01.2013. Appendix X

Pikku Putiikki Tampere. Interviewed 08.01.2013. Appendix X

Anna Rantakoski. Owner of Rantakoski Designs. Interviewed 17.11.2013 and 03.04.2013 (by Email). See Appendixes X and X

TABLES AND FIGURES

List of Figures and Pictures

FIGURE 1 Distribution Channels

FIGURE 2 Channel Functions

FIGURE 3 Vertical Marketing Systems

FIGURE 4 Product Life Cycles

FIGURE 5 Boston Consulting Group Matrix

FIGURE 6 Supply Chain for Retail Goods

FIGURE 7 Macroenvironment influential forces

FIGURE 8 Price – Promotion level matrix

FIGURE 9 Rantakoski Design’s SWOT Analysis

PICTURE 1 Rantakoski Design’s web store

PICTURE 2 Legendat-line items: hand towel “Taylorin Ellu” and bathrobe “Jimi”

PICTURE 3 Print- painting “Speak No Evil”

PICTURE 4 Casuarina, Helsinki

List of Tables

TABLE 1 Distribution functions in channel Krafti

TABLE 2 Distribution functions in channel Design Tuunaamo

TABLE 3 Distribution functions in channel Casuarina

TABLE 4 Retail stores

TABLE 5 Retailing: Pop-Up Shops

TABLE 6 Exclusive Distribution

TABLE 7 Distribution Channel for Rantakoski Designs

APPENDICES

APPENDIX 1 Questionnaire for Art and Design Boutiques in Tampere

1. Existing products in the shop

- What do you sell?
- Where does it come from?
- What are the sales principles, requirements? (Specific items, specific target groups, sales per square-meter, etc.)

2. Customer behavior

- When does it sell the most? How does the seasonality affect sales?
- What kind of customers usually buy?
- What do they buy?
- Are customers price oriented or do they look for specific creatures/values?
- How do you maintain sales in low-season times? Do you have specific promotion activities?
- Do you have regular customer base?

3. Rantakoski Designs

- Do you see the need/ possibility for Rantakoski's products?
- What would it take to distribute the products through your shop?
What are the product/price requirements?