



Slettvoll

Bachelor of International Marketing

This paper is done as a part of the undergraduate program at BI Norwegian Business School. This does not entail that BI Norwegian Business School has cleared the methods applied, the results presented, or the conclusions drawn.

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Executive summary

Slettvoll is a Norwegian high-end furniture manufacturer. The company specializes in both indoor and outdoor seating groups with customization down to every detail.

In this thesis we wanted to explore the opportunity of expanding the Slettvoll furniture business into New York City by opening a flagship store.

The secondary research gave us an insight in the market trends and consumer behavior. We found industry reports showing us that the furniture market is recovering after the financial crisis in 2008, and that the high-end market is growing.

We did an analysis of Slettvolls key competitors. These were identified as Roche-Bobois, Jensen-Lewis and BoConcept. By looking at competitors, we found that the average delivery time for special orders in the furniture industry is between 8-12 weeks.

We identified Slettvolls target market as couples that are married or living together in the New York Metropolitan area between the ages of 34 to 64. They have a college degree or higher, with a combined household income of \$200,000 or more. The target market has an urban lifestyle and read furniture magazines on a regular basis. They also prefer to redecorate their home at least every five years.

For our primary research we did an online survey using Qualtrics. Some of the most important information we wanted to know were what kind of magazines they read, how much money they were willing to spend on furniture, if they were interested in customization and how long they were willing to wait for the furniture to be delivered.

Some of the key findings were that one third of the sample was willing to wait 10 weeks or more for the furniture to be delivered. We also found that people are willing to pay a higher price for customized furniture, and that interior decorators influence the decision making.

With the findings from the secondary and primary research we recommend Slettvoll to open a flagship store in the first quarter of 2014 in Upper East Side, Manhattan. The company should offer the existing product portfolio as they do in Norway and because of the importance of interior decorators the company should have a sales force consisting of educated interior decorators in-store.

Since Slettvoll is unknown in the US it is very important to gain brand awareness in the market. Some of the most important promotional activities we recommend Slettvoll to do are a half page ad in the high-end furniture magazine, Architectural digest, print and distribute catalogs through Wall Street Journal, attend the ICFE furniture fair, use Google Adwords, and do in-store campaigns and events. The promotional budget is estimated to be \$360,000.

The return on the marketing investment for the five years of operations is estimated to be 26.4 percent. Slettvoll will need to invest in the first year of operation, and based on our calculations they will be profitable in 2018.

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1. Introduction

1.1 Purpose

The purpose of the assignment is to explore the opportunity of expanding the Slettvoll furniture business to New York City. To this end, Slettvoll wants to open a flagship store in New York, given NYC is known as the business and fashion capital of the US.

2. Slettvoll

2.1 History

Slettvoll is a family-owned furniture manufacturer from Sunnmøre, located on the West coast of Norway. Hans Slettvoll started to produce furniture in his own home in 1951 (Slettvoll, Torill page 7). He sold his furniture to retail stores, and in 1954 he founded the Slettvoll company. The first Slettvoll store opened in Bærum, just outside Oslo in 1999 (Slettvoll, Torill page 10). The store was quite successful, and five years later they decided to sell mainly through Slettvoll stores. Slettvoll went from selling through 120 retail locations to have only a few concept stores. Today there are 16 Slettvoll stores in Norway, one in Stockholm, and one shop-in-shop in Göteborg, Sweden.

The Slettvoll family is still involved in the company. Torill Slettvoll, daughter of Hans Slettvoll, is the creative director of the company. She grew up in the house where her father started his furniture production. In the early 1980's, Torill Slettvoll and her husband moved back to Stranda, in order to join and to help develop the business further. When she entered the furniture business there were no other women in the industry, and her projects got a lot of attention (Slettvoll, Torill page 9).

In 1990, Slettvoll bought majority stock in a smaller furniture manufacturer called Hole & Lillebø, and the companies merged four years later (Nerhus)ⁱ. The merger enabled them to exploit the competence of both firms. Lidvar Lillebø and Torill Slettvoll continued to work together, and until June 1st 2012, Lillebø was the CEO of Slettvoll (Slyngstad).ⁱⁱ Together they developed Slettvoll furniture into what it is today.

In recent years Slettvoll has collaborated with the Norwegian interior designer Helene Hennie. Hennie is a well-known interior designer, and her lines have garnered a lot of attention both domestically and internationally. Slettvoll is a small company, and it is vertically intergrated. They handle everything from the design and manufacturing process to PR and communications by themselves.

2.2 Production

The tendency in today's furniture business is that most companies mass-produce in China. Slettvoll, on the other hand, still produce their furniture in Stranda, Norway because they sell custom-made furniture. The customers have a lot of opportunities and may choose between various wood, shapes, colors, textiles as well as the softness of the cushions. Slettvoll is able to offer this high level of customization by keeping the production in-house.

Slettvoll makes furniture only upon request, and the production of the furniture does not begin until the entire order is completed. This means that Slettvoll does not have any warehouses but delivers to the customers when the entire order is completed, which usually takes 6-8 weeks in Norway and Sweden. Because of the fact that customers can be highly involved when determining every little detail of their furniture, this tends to make it worth the waiting time. Slettvoll offers different colors and different types of Norwegian wood and approximately 200 different sofa-covers fabrics. They use textiles like Norwegian wool and Italian linen. Slettvoll wants to provide their customers with the best solution regarding their home, hence Slettvoll even offer home-visits to assist their customer in the decision-process (Lamøy).

2.3 Mission statement

Slettvoll's mission is to unite quality and beauty. To accomplish this, Slettvoll produce their upholstered furniture in their own factory in Norway. Skilled craftsmen customize the furniture based on individual preferences. Slettvoll's furniture is designed to last a lifetime.

2.4 Product portfolio

Slettvoll specializes in both indoor and outdoor seating groups. The product lines are mainly sofas, chairs and tables. Their designs are timeless, and Slettvoll's objective is that the furniture should be able to fit in to all sizes and types of rooms, whether it is in the city, by the beach or in the mountains. In addition to the focus on design, Slettvoll is very concerned about the comfort and quality of the furniture, which is also why Slettvoll thinks it is important for customers to be able to customize their own furniture. The Norwegian interior

designer Helene Hennie has been involved with the design of furniture lines for Slettvoll since 2005.

The indoor lines consist of living- and dining room furniture. The living room furniture line is Slettvoll's primary product line. They offer several different styles of sofas, divans and sectional sofas, which can be produced in different shapes and sizes. The dining room furniture line offers a small amount of different tables and sofas, and a more extensive range of chairs. In addition to living room and dining room furniture, they offer bookshelves, display cabinets and entertainment furniture. Smaller decorative items like area rugs, lamps and candles are available in the stores.

Slettvoll's outdoor line consists of four different styles. They offer sofas, divans, chairs and tables. As a part of Slettvoll's focus on quality, the furniture is made of materials to withstand sun, rain and saltwater.

Naming

The various product styles have different names, and they are named after places and people (Ex: the sofas are named Essex, Dublin, Elliott, Dorian). All the names transfer well so there will be no need for developing new names when expanding to the U.S. (Slettvoll).

2.5 Financial

Slettvoll has healthy financial statements and they had decent net profits in the period 2007-2011 with an exception in 2008 when the financial crisis had an impact on them. As we can see on the financial table their revenue has steadily increased the last three years with an annual growth rate of 16.1%. Their equity ratio is also high, which gives Slettvoll an opportunity to invest in new projects.

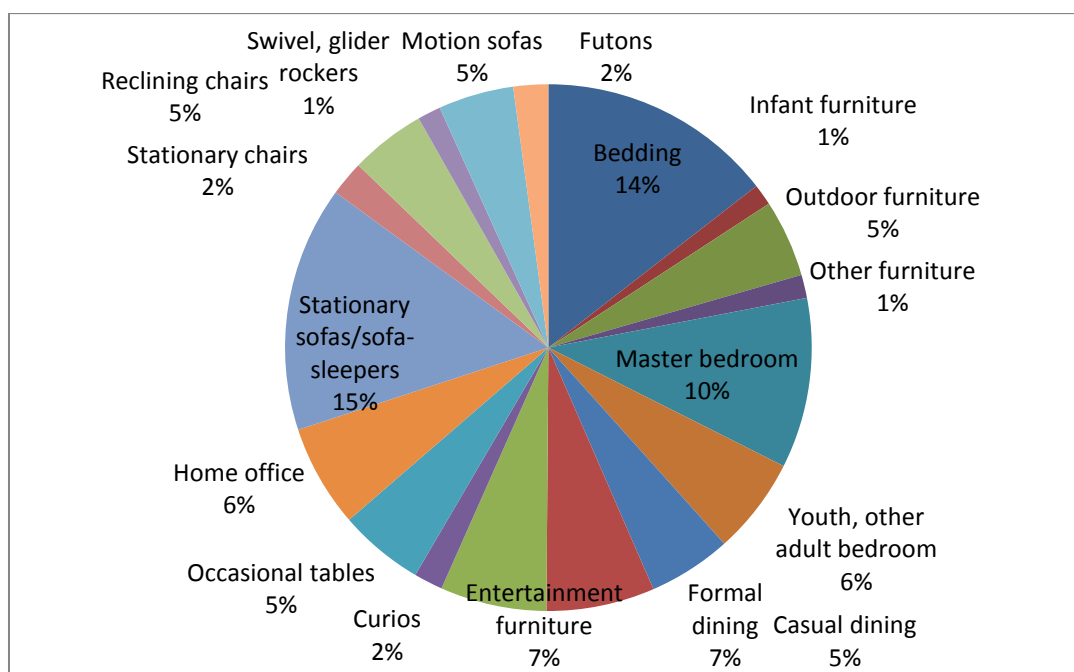
	2011	2010	2009
Revenue	\$16,483,760	\$15,759,581	\$12,473,621
Operating profit	\$1,155,353	\$904,107	\$753,566
Net income	\$855,473	\$643,410	\$533,769

Margin	7.0%	4.9%	6.2%
Equity ratio	60.5%	56.7%	63.0%

3 Market analysis

3.1 Market size

The size of the US furniture market was \$84.2 billion in 2012. It consists of different market segments where stationary sofas accounts for 15% of the total market. If we eliminate the types of furniture that Slettvoll does not have in their portfolio, the market size was approximately \$58.1 billion.

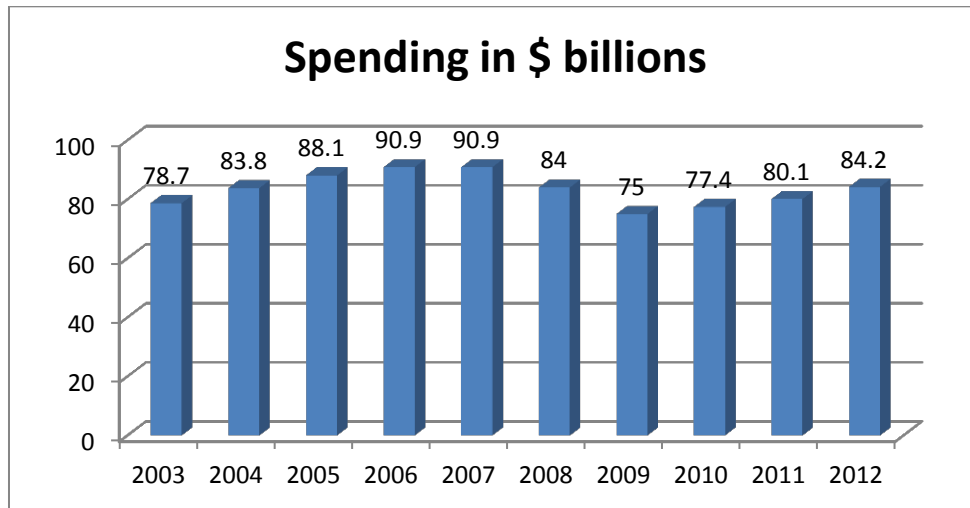


(Furniture/Today Report, page 5)

3.2 Market trend

The market has been growing the last 10 years, but in 2008 it started to decline and 2009 was even worse for the furniture industry. However, after the financial crisis in 2008 the market has recovered. Today it has exceeded the 2004 market size, but even though the dollar sales are increasing, the unit sales were actually in decline in 2012 (Furniture Today).

For the top 100 furniture stores, we see a trend that the margins are growing. From 2010 to 2011, dollar sales were increasing with 10.9%, while the unit sales were actually decreasing by -2.6% (Furniture Today).



(Furniture/Today, page 4)

3.3 Competition

3.3.1 Jensen-Lewis

Jensen-Lewis Furniture opened their first store in the US in 1964. They position themselves as a high quality contemporary furniture store. Jensen-Lewis sells from various manufacturers like American Leather and Ekornes Stressless (Jensen-Lewis 1). Jensen-Lewis can order any furniture from their manufacturers in order to offer this to their customers. In addition, Jensen-Lewis offers interior design services where you can fill out a form online and receive information about the service (Jensen-Lewis 2). The average price level for a sofa at Jensen-Lewis ranges from \$4,000 to \$8,000.

Jensen-Lewis does not offer online shopping on their website. However, their items can be ordered by mail or phone. Items are delivered to the customer's home, and the deliveries are charged by the piece (\$75 for the first piece, and \$15 per each additional piece). In-stock furniture takes 1-4 weeks to deliver, but usually it is delivered within a week. Special orders have 2-16 weeks delivery time but it tends to take between 5-8 weeks (Jensen-Lewis 3).

3.3.2 Roche-Bobois

Roche-Bobois opened their first store in Lyon, France in 1950 and expanded globally in the year 2000. In 2010, they had 240 stores worldwide. Today, Roche-Bobois is considered a world leader in high-end furniture design and distribution (Roche-Bobois 1). They have a ten year warranty on their products and the company offers customized furniture down to every detail from shapes, colors, leathers, woods and finishes. Almost all of the products are manufactured in Europe, and the delivery time is 16-20 weeks. They have collections that are committed to ecology and environmental protection, and this is a part of their positioning. Roche-Bobois also offers interior design services (Roche-Bobois 2). The average price for a sofa from Roche-Bobois is within the \$6,000 to \$18,000 range.

3.3.2 BoConcept

BoConcept was founded in 1953 in Denmark, and today they are represented in almost 60 countries with at least 320 stores. Their vision is to make BoConcept the number one brand within urban interior, and their mission is to make modern design furniture available to the urban-minded customer. They offer customized furniture in a price range somewhat below Slettvoll (BoConcept 1). The average price for a sofa ranges from \$3,000 to \$6,000.

BoConcept has trained design consultants working in their stores. All furniture purchases are done in the store, and shopping online is not an option. The delivery time is 3-4 weeks for in-stock products, and delivery time for custom-made special orders is 8-10 weeks for board furniture and 10-12 weeks for upholstery. BoConcept has a return policy that allows their customers to return unused products within 5 days. However, this does not apply to customized furniture.

3.4 PESTLE

3.4.1 Economic

The furniture business is one of the many businesses that got hit by the financial crisis. Re-decorating homes are in most cases something that people do because they want to, and not because they have to. During a recession, few people prioritize home decoration. Even though the US economy is recovering, many Americans are still careful on how they spend their money. The seasonally adjusted Civilian unemployment rate has decreased since its peak in 2009 and 2010. However, it is forecasted to increase during 2013 (Financial Forecast Center).

After the recession of 2008 ended, both the furniture and home furnishing industries have

significantly improved. Consumer spending in general is still not high, but these industries have nonetheless experienced real growth after deep declines or at least stagnation for three years (Sageworks). Furniture and bedding retail sales was at total \$84.2 billion in 2012, an increase of 5.1% from 2011 sales of \$80.1 billion. It is projected to grow another 4.3% in 2013 to reach a total of \$87.8 billion (Furniture/Today, page 7).

The American inflation rate was 1.7% in 2012 and it is projected to decline with 0.1-percentage point in 2013. Since 2009, the inflation rate has been relatively stable with 3% as a maximum and 1.5% as a minimum (US Inflation Calculator).

The exchange rate between NOK and USD has been stable for the most part the last 10 years, with NOK 7.65 per \$1 as a maximum, and NOK 4.96 per \$1 as a minimum (US Inflation Calculator). The current rate, as of May 2nd 2013 is NOK 5.75 per \$1 (Valutakurser).

3.4.2 Sociological

American work habits and lifestyle values

Americans work on average 46 hours a week, but it is not unusual to work a lot more. Americans tend to be individualistic, and therefore empowerment is important. Most furniture stores pay salespeople a salary and a commission.

Demographics and cultural aspects

New York Metropolitan Area has a total population of 19,015,900 people. New York City alone has a population above 8 million, and it is growing faster than the region (US Census).

Demographers estimate that New York City's population will reach approximately 9.1 million by 2030 (NYC OpenData). Manhattan in particular is experiencing a "baby boom" among the wealthy, and this is unique among U.S. cities. New York's two key demographic features are its population density and cultural diversity.

The percentage of people with a bachelors degree or higher is 33.7% (US Census)

The median household income is \$62,322 (US Census)

The median age is 37.7 years (US Census)

47.5 percent are between 30 and 65 years old (US Census)

Total housing units: 7,537,642 (US Census)

On average there are 2.74 persons per household (US Census)

In October 2012, home construction jumped to the highest level since November 2008.

Construction (and especially residential construction) is in a sustainable recovery pattern, and it is predicted to last the next couple of years (Jamrisko).

Consumer attitudes and buying patterns

Furniture is regarded a non-essential good (i.e discretionary spending). Households with an annual income between \$150,000 and \$250,000 spends, by means, \$30,200 annually on non-essential goods and services, while the number is \$54,000 for households with an income above \$250,000. Following are some characteristics of people with high discretionary spending: They generally prefer specialty stores because the employees are more knowledgeable, they do more online shopping than before, tend to give purchases close consideration, they read a newspaper most days, and they often think that advertisements are a waste of their time. They also wear quality clothes, make an effort to recycle, consider their diet to be healthy, yet they often drink alcoholic beverages (Experian Simmons).

“The buying gap” is an expression for the difference between what has been shopped for, and what has actually been purchased. 9.4 million households shopped for at least one furniture and bedding product last year and did not make a purchase. In other words, 21% of all furniture and bedding shoppers went away empty handed in 2012. Potentially, sales could have added another \$28 billion to 2012’s retail bottom line, which is a significant number (Furniture/Today).

Buying patterns and plans to buy in the Northeast

The plan-to-buy index taken from the Furniture/Today Consumer Buying Trends Survey shows that people from the Northeast area are just as likely to buy outdoor dining sets (index rate of 100) as the rest of the U.S. The index of 100 indicates the group (here: people from the Northeast) plans to buy the home furnishings product at the same rate as all U.S. households. An index number greater than 100 indicates they plan to buy the product at a rate higher than all U.S. households.

People in the Northeast are more likely than the three other regions to buy outdoor conversation groups (index of 121 versus 74 in the Midwest, 105 in the South and 100 in the West) occasional tables (index of 122 versus 110 in the Midwest, 73 in the South and 102 in the West), and entertainment furniture (index of 123 versus 104 in the Midwest, 73 in the South and 108 in the West). They are lower on the national plan-to-buy index on formal dining (73 versus 94 in the Midwest, 139 in the South and 73 in the West) and stationary chairs (85 versus 115 in the Midwest, 53 in the South and 163 in the West). They are a little bit lower on the index regarding plan to buy stationary sofas, but not substantial (index of 91 versus 105, 93 and 116), (Furniture/Today Report, page 14,15,16 and 17) .

Buying patterns and plans to buy regarding age

On the plan-to-buy index from the same survey, we find that both Generation X and Younger Baby Boomers are more likely to buy stationary sofas (index of 125 and 112) and stationary chairs (index of 115 for both) than other U.S households by age. They also plan to buy formal dining furniture (index of 121 for both), curios (index of 142 and 125), and entertainment furniture (index of 115 and 108), outdoor dining sets (index of 116 for both) and conversation groups (index of 142 and 121) on a higher rate than all U.S households. Younger Baby Boomers are more likely to buy casual dining furniture than Generation X (index of 125 versus 97).

On the plan-to-buy index we see that Older Baby Boomers plan to buy outdoor dining sets at an index rate of 113, and stationary chairs with an index of 107. They are somewhat below on the index when it comes to planning to buy formal dining furniture (index of 79), while they are almost as high as all other U.S households on the index on planning to buy casual dining (index of 97), stationary sofas (index of 97), occasional tables (index of 90), curios (index of 92) and entertainment furniture (index of 98). This age group is more likely than other U.S households to buy recliners (index of 110), which is furniture Slettvoll does not offer (Furniture/ Today Report, page 19, 20 and 21). If, however, Slettvoll were to consider producing recliners, it would require changes in their way of doing business; hence we do not recommend them to start designing and producing recliners for the American market.

Buying patterns and plans regarding household income

On the plan to buy index, households with an income of \$150,000 and above, rates much higher than all other U.S households (grouped by annual income: under \$50,000, \$50,000-

\$74,999, \$75,000- \$99,999, \$100,000- \$149,999) when planning to buy outdoor conversation groups (index of 195 versus 74, 126, 100 and 116), outdoor dining sets (index of 138), occasional tables (index of 180), and stationary sofas (index of 128). They are not likely to buy curios (index of 29), formal dining furniture (index of 45) and stationary chairs (index of 56), (Furniture/Today Report, page 27).

3.4.3 Technological

Handmade furniture relies heavily on technology. The cutting of the fabric is completely done by machines that are instructed by computers to assure it is as accurate as possible. Many organizations use an intranet system to communicate internally. The Internet is a widely used marketing channel.

Radio Frequency Identification (RFID) is a wireless, non-contact use of radio frequency, which can be used to identify and track objects. This is commonly used in a variety of industries, like automobile and pharmaceuticals. As Slettvoll will ship in rather small quotas, and will not have inventory, we do not see the use RFID as a necessity.

3.4.4 Legal

WTO and the Technical Barriers to Trade (TBT)

The rules of the TBT Agreement emphasize technical regulations, standards and conformity assessment procedures.

Norway and the U.S are both members of WTO. The US cannot, for instance, require that imported furniture is fire-resistant, if no such requirement exists for domestically produced furniture.

U.S Law label requirements

The law label requirement is enforced by 31 states, including NY. This is to inform the consumer of the hidden contents, or “filling materials” inside bedding and furniture products. Law Labels are also required in most states to display a Uniform Registry Number (URN), identifying the manufacturing facility that produced the products. This can be any company in the world whose products are sold in the U.S. Law Labels are governed on a state-by-state basis by various departments (NIST, page 12).

Only a manufacturer can be issued a URN. A single manufacturing company that has multiple plants must have a different URN for each location (American Label Law).

The Consumer Product Safety Commission (CPSC) has proposed flammability standards for residential upholstered furniture under the Flammable Fabrics Act (FFA). This proposed rule would create performance requirements and certification and labeling requirements for upholstered furniture. The manufacturer will have two options to comply with this rule if it is signed into law. The first is using cover materials that are sufficiently smolder-resistant to meet a cigarette ignition performance test. The second is placement of fire barriers that meet smoldering-and open flame-resistance tests between the cover fabric and interior filling materials. The manufacturers would be required to certify that they have complied with this standard, and keep records of this (NIST, page 8).

Formaldehyde Standards for Composite Wood Products Act: This legislation establishes limits for formaldehyde emissions from composite wood products: hardwood, plywood, medium-density fiberboard, and particleboard (NIST, page 8).

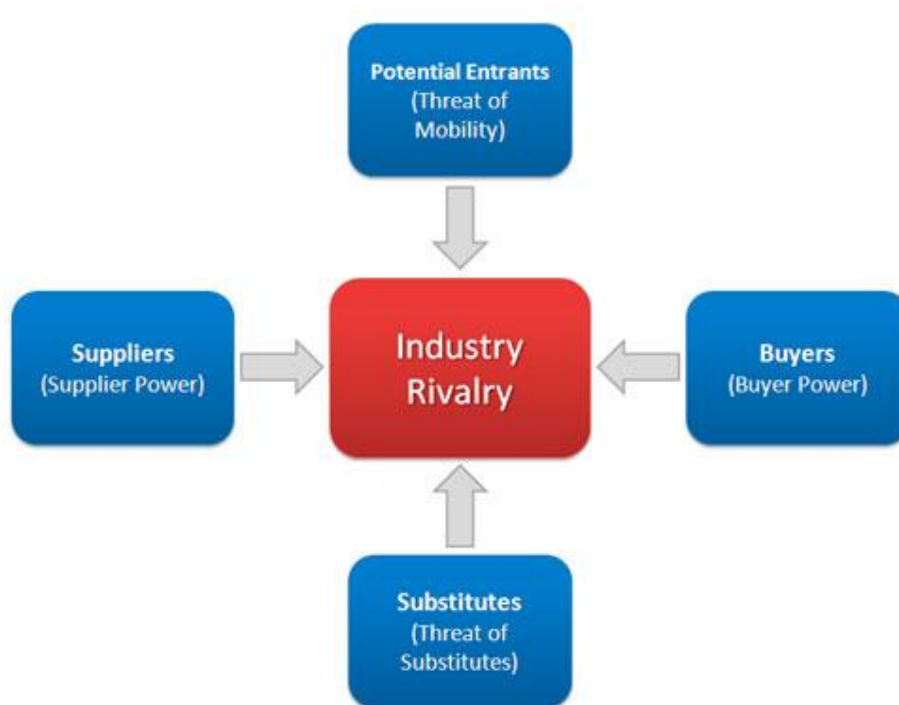
Country of Origin Marking regulations: “All products imported to the US must conform to this regulation which requires that every article of foreign origin (or its container) imported into the U.S. be marked in a place where it is easy to notice. The marking should be as legibly and permanently as the nature of the article (or container) will permit, and in such a manner as to indicate to the ultimate purchaser in the U.S., the English name of the country of origin of the article at the time of importation” (NIST, page 8).

3.4.5 Environmental

It is an increasing trend to think green, being concerned about the environment and sustainability. The furniture business uses a lot of material from the nature; wood and cotton are the most used materials. Given that the business depends upon these resources, it is important to be concerned about using materials that are sustainable and not endangered.

4 Industry analysis

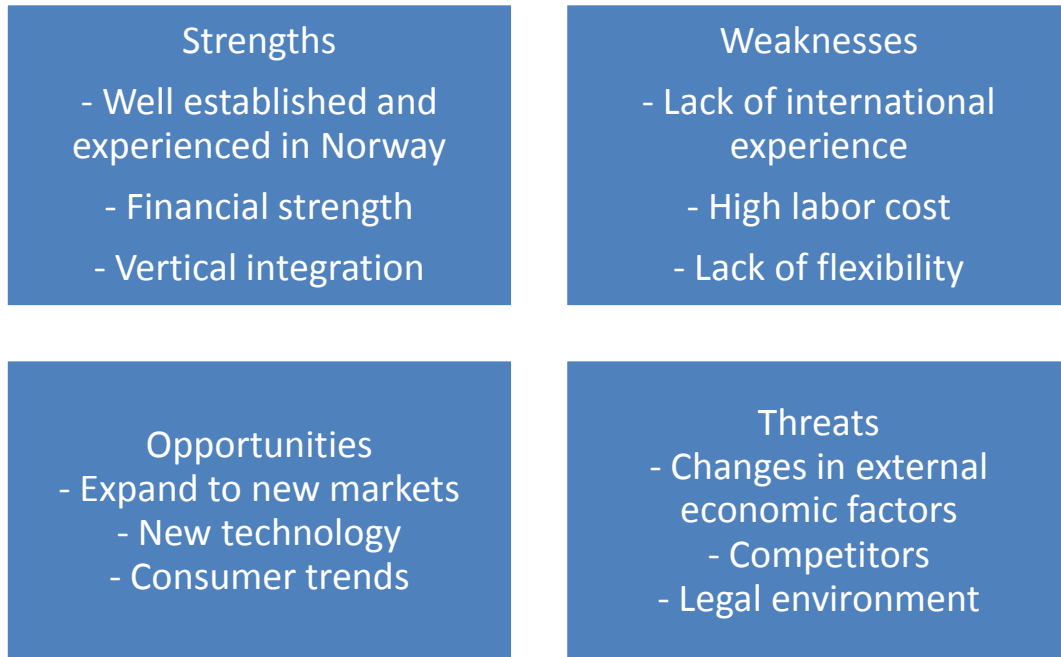
4.1 Porters Five forces



- Threat of new entry: Moderate
 - Expensive to enter as there is a need for large storage space and large stores. If also manufacturing the products, the capital requirement is even higher.
 - Big companies produce their own furniture and have economies of scale
 - Brand identity: the large furniture stores have brand identity, while most of the furniture itself have not
 - Restrictions and requirements are not too difficult to adjust to
- Buyer power: Weak
 - Low knowledge
 - Options but not power
 - Differ by design, style and fabric
 - Many buyers and none is large (buys single items)
 - No switching costs (many furniture stores offer similar products and services like customization)

- Substitutes: no substitutes
- Supplier power: Moderate
 - Use of vertical integration (backward)
 - Moderate switching costs
 - Important for suppliers to sell in large quantities
 - Rely upon suppliers for quality raw materials which is important for overall product
- Competitive rivalry: Moderate-strong
 - Growth in the furniture industry (especially in traditional and lifestyle)
 - Many different type of style, design, fabric, quality makes the competition somewhat diverse but brand loyalty is considered low
 - Main competitor for Slettvoll: Roche-Bobois, Jensen Lewis, BoConcept
 - Relatively high exit barriers if manufacturing the furniture, medium-low exit barriers if not

4.2 SWOT



5 Entry strategy

5.1 How to enter the US market

Slettvoll will enter the US market with a completely owned and controlled subsidiary. They will open up their own flagship store in Manhattan, New York City. This strategy is associated with a lot of risk but it also provides the highest level of control.

Slettvoll will produce the furniture in existing facilities in Norway and ship them to the U.S. The store should be located in an area close to competitors, in order to get the advantage of the target market shopping there.

5.2 Challenges

With this strategy, some distribution and logistics challenges will follow. First of all, finding the appropriate location is crucial, and costs are a major factor. Also, if deciding to produce some basic models in advance, they will need a warehouse to stock the furniture, and a return policy will be necessary. However, when furniture is customized there is no return policy but there is a 5-year warranty. Costs of shipping must be taken into consideration. Another challenge can be that not all customers are willing to wait 8-10 weeks for furniture.

6 Research

6.1 Methodology

Our research had two approaches. First, we conducted secondary research where we read industry reports. The industry reports provided us with segmentation of people, based on demographical aspects. We used this information to identify our target market. Combined with industry reports we used MRI and the VALS framework to give us some indication on the psychographic attributes of the predicted target market.

Secondly, we used a quantitative research methodology approach. We did an online survey using Qualtrics for our primary research. In order to get respondents we bought a panel from Qualtrics where our respondents had certain characteristics. We requested respondents who live in the New York metropolitan area, ages 34 to 64 with an annual household income of \$200,000 and over.

6.2 Limitations

There are limitations to our research. We had a limited budget, which resulted in 50 respondents to our questionnaire through Qualtrics. Given a small sample size it is not representative of the larger majority, hence we cannot generalize the answers and the conclusions drawn from this research. If we had a bigger budget we may have done an additional survey in order to determine the preferable location for Slettvoll to open the store.

7 Secondary research

7.1 Primary target market

Geography

New York Metropolitan Area (total population 19,015,900) (US Censusⁱⁱⁱ)

Demographics

The primary target market includes couples, who are married or living together (30.6%), and are established home owners (MRI report index –buying furniture the last 12 months – is higher for couples) (MRI^{iv}), between the ages of 34-64 years. They have a college degree or

higher (37.1%), as the MRI reports shows that higher the education the more you spend on furniture and redecorating^v, with a combined family income of \$200,000 or more (15%)^{vi} (MRI report index concludes that income over \$100,000 per person increases the chances of spending more money on furniture)^{vii}. According to the report Furniture/Today Consumer Buying Trends 2013, the target market has a higher plan to buy index (than their proportion of the population) on the following types of furniture: stationary sofas, occasional tables, conversation groups and outdoor furniture.

Psychographics

The primary target market has an urban lifestyle with an interest for design and high-end furniture and read furniture magazines at least once a month. People subscribing to magazines such as Architectural Digest, In Styles and Traditional Homes have a high index for buying furniture for the next year (MRI plus)^{viii}. They prefer to re-decorate their home at least once every 5 years. 43% of Americans redecorate their home every five years or less (Home Accents Today)^{ix}. They see the importance of new furniture and feel that their home represents them in some ways. They wish to display their home to others, and are conscious about what other people think of it. MRI reports show that the decision maker of household furnishings is more likely to be the woman, which is of great importance (MRI plus)^x. According to the VALS framework, our target market includes achievers and innovators (Strategic Business Insights)^{xi}.

7.2 Secondary target market

The secondary target market is professional decorators who have clients interested in high-end furniture. There are approximately 5000 professional decorators in New York (CareerOneStop).

8 Marketing mix

Here follows the marketing mix with the four P's; product, price, promotion and place. In addition, we decided to add another three P's, positioning, packaging, and people. The overall recommendation in each of the category is based on findings from our primary research (Qualtrics survey), and learnings from the secondary research.

8.1 Product

Slettvoll will offer the existing product portfolio with customization as they currently do in the Norwegian and Swedish markets (review: 2.5 product portfolio). The average manufacturing time is 6-8 weeks, and the shipping time is approximately 2 weeks, in total a delivery time of 8-10 weeks.

Comparing Slettvoll to the main competition:

- Jensen Lewis' delivery time is 8-10 weeks
- Roche-Bobois' delivery time is 16-20 weeks
- BoConcept's delivery time is 10-12 weeks

This comparison shows that a delivery time ranging from 8-12 weeks is common in the industry and especially when the products are manufactured in Europe.

According to our survey there is a difference between how long people are willing to wait for customized furniture and standard furniture. We found that one third of the sample are willing to wait 10 weeks or more for the furniture to be delivered. The variables are ratio scaled with numbers ranging from 0 to 20 weeks. The null hypothesis is that there is no difference in terms of attitudes towards waiting time between standardized and customized furniture.

$$H_0: \mu(\text{Customized}) = \mu(\text{Standard})$$

$$H_1: \mu(\text{Customized}) \neq \mu(\text{Standard})$$

$$X_{\text{Customized}}=7.51$$

$$X_{\text{Standard}}=3.71$$

$$T=6.722, p=0.000$$

We discard H_0 and there is a difference between how long customers are willing to wait for customized versus standardized furniture.

This finding, along with that 45% of our respondents are willing to wait 8 weeks or more, gives us reason to believe that our target market is willing to wait for customized furniture.

8.2 Price

According to the report by Furniture/Today (Top 100), there is a new trend emerging in the market. This report shows that the dollar sales are increasing while unit sales are decreasing. This may indicate that people tend to buy more expensive furniture than before. Price is often perceived as an indicator of quality. Because of the fact that Slettvoll wants to position themselves as a high-end furniture company, pricing is an important tool.

Slettvoll's furniture is manufactured in Norway, and in order to cover the shipping costs, Slettvoll wishes to increase the selling price by 10 percent in the US.

For the question on price we included a Likert scale in the survey, and the variables was measured with an Interval scale. In the survey we found that customization influences how much people are willing to pay:

H_0 : Attributes do not jointly influence how much they are willing to pay for a customized sofa

$R^2=0.349$

$F=3.140$, $p=0.009$

Rank 1: Customization, rank 2: design/style

$Y = -0.692 + 0.646 * \text{Customization} + 0.939 * \text{Style/design}$

This tells us that customization is the most important attribute for customers and therefore they are willing to pay more for a sofa that is customized. Style/design is the other attribute that customers are willing to pay for.

8.3 Promotion

The marketing budget will be approximately \$360,000 for the first year. Allocating the money in this budget wisely is of huge importance, as advertising in the U.S, and especially in the NYC metropolitan area, is quite expensive. We suggest that Slettvoll place their emphasis on PR, advertisements, catalog distribution, participation on trade shows and the use of social media and Google ads.

The existing Norwegian website does not need to be altered other than translating all text (including text in photos) into American. However, we recommend allocating \$5,000 for this purpose. Slettvoll already own the domain Slettvoll.com.

Billboards and posters could be a preferable way of generating awareness but this would be quite expensive. Clear Channel does not offer posters in NYC, and billboards in this area will cost a minimum of \$512,000 (ClearChannel).

By hiring a PR agency, Slettvoll can get an editorial in a furniture magazine. For a PR Agency, the price rate per hour will be approximately \$200. Having their services for 25 hours per month x 12 months will end up costing \$ 60,000 (Nikolich). Given the competition and the size of the industry in NY, having a PR agency is crucial. The potential buzz created by a PR agency can also be advantageous prior to having an exhibition on a furniture fair/trade show.

Subscribers of the monthly-published furniture magazine Architectural Digest is among our target market (Condé Nast). A one-time appearance in Architectural Digest will cost \$92,253 (Condé Nast). This is the price for a half page advertisement, and taking the budget into consideration, this advertisement can be done by Slettvoll once a year.

Many readers of the newspaper Wall Street Journal are among our target market. The average income among their readers is \$247,100 (Wall Street Journal). By having a product catalog as an insert in Wall Street Journal, Slettvoll will reach a great part of their target market. The cost of having an insert like this in the NYC area (towards WSJ's subscribers), will be \$127 per 1,000 inserts (Wall Street Journal). There will be an additional 25% premium on this price for doing sub-region targeting, which is a necessity for Slettvoll due to the fact that 30,000 editions is not a very large number considering the size of the market. We suggest that Slettvoll sends out 30,000 catalogs with Wall Street Journal twice a year, and keep 20,000 catalogs all together for the year in total, in order to hand them out in the store and on the trade fair.

The printing costs of 40,000 catalogs (36 color pages, 5.5" x 8.5") are estimated to be approximately \$23,000, with shipping included (UPrinting). We estimate the costs of developing a catalog twice a year to be \$30,000. The cost of distributing the catalogs through WSJ, reaching 30,000 subscribers of the newspaper will be \$4,800. All together, the cost of

printing and distributing the catalogs once will be approximately \$28,000. This should be done at least twice a year.

Participating in events and tradeshow is a great way for Slettvoll to get the exposure, contacts and the experience needed when entering the American market. We recommend the International Contemporary Furniture Fair (ICFF), which is hosted in the Jacob K. Javits Convention Center in the heart of Manhattan. The ICFF is North America's premier showcase for contemporary design. In this fair, more than 500 exhibitors from all over the world displays contemporary furniture, outdoor furniture, seating, carpet and flooring, lighting, materials, wall coverings, accessories, textiles and kitchen and bath for both residential and commercial interiors. Among all the exhibitors, 37 percent are furniture brands as of May 2013. Participating in this fair provides Slettvoll with the opportunity to be displayed among the world's finest, most innovative and original avant-garde home and contract products. 32 percent of the exhibitors are being displayed in the fair for the first time. None of Slettvoll's main competitors are represented in the fair in 2013.

The duration of the fair is four days, and 26,000 interior designers, architects, retailers, designers, manufacturers, representatives, distributors and developers will be visiting. On the fourth day, the fair will be open to the general public as well. The ICFF has year-long public relations, and there will be thousands of press attendees. When participating on the ICFF, an exhibitor will also get its own exclusive profile page posted on icff.com. All together, the fair area is 165,000 net square feet (15,300 net square meters), but the available booth space per exhibitor is no more than 10x10 feet (3x3 meters). This includes white, premium walls, carpet and drayage (ICFF).

Promotions and advertising before and after the show must also be taken into consideration. In addition to the preferable work done by a PR Agency and the catalog distribution, other promotion in advance can be direct marketing towards potential customers. This can be done by direct mail or e-mail with the catalog as a PDF- file attached, alongside with informing that they will be represented on the ICFF. Getting a list of names and e-mails of people who fits the criteria of Slettvolls target market can be collected from Nextmark.com, and the cost will be \$2,000^{xii}. In addition other costs of direct mailing are estimated to be \$3,000 annually. It is important to place an incentive in this kind of direct marketing. Catalogs and/or brochures should be handed out on the fair.

During the exhibition you wish to attract as many people to your booth as possible. In order to do this, Slettvoll could create an incentive by for example giving away a sofa. The winner can be selected from a mailing list which people sign up for on the final day of the fair, when the fair is open to the public. Other alternative incentives could be giving away free decorator consultations or gift cards of approximately \$8,000 at total.

In addition to the cost of booth rental space, which is \$4350, there will also be on- floor expenses, cost of exhibit display, and freight and drayage, and estimated to be \$5,000.

Participating on a furniture trade show will end up costing approximately \$17,350.

Given the nature of the product, Slettvoll will use social media to gain awareness and exposure, but not to sell the product. However, being present in various social media is a necessity for any company today, regardless of the industry they are in. According to a report on users of social media (Popescu), there are not significantly differences in terms of presence on social media regarding income and education level. People in urban areas actually tend to use social media on a little higher rate than in rural areas. By age there are some differences. Of people with age 30-49, the number who uses social media is 77 percent. For people between 50 and 64 years, the number is 52 percent. This is lower than the user rate of younger people. Even though our target market does not include the highest percentage of social media users, a large part of our target market is present in social media. Hence, it is beneficial and even crucial for Slettvoll to embrace the presence on Facebook, Instagram and Pinterest. They could also start a blog (for example Tumblr, where the blogs consist mostly of pictures). We recommend allocating \$5,000 in the use of social media as a tool.

By having a Facebook page, Slettvoll can encourage people to "like" and "share" their page by announcing competitions. They will use their Instagram account to upload pictures for inspiration and pictures of new products, which will attract followers with interest in Slettvoll and interior design. The same goes for Pinterest, where they can create inspirational boards and collages with their own pictures. All of this will generate buzz, and Slettvoll may enjoy the benefit of being reviewed by influential interior bloggers.

We also recommend Slettvoll to pay for certain key words in the Google Search Engine, like "high-end furniture", "furniture stores in New York", "contemporary furniture New York" and so on. Costs are estimated to be \$20,000.

Other estimated promotion costs for the first year of establishment may be as follows:

In-store events will be \$20,000 a year, while all costs associated with having an opening show will be \$20,000.

The cost of furniture to display in store will be \$30,000.

The ways of doing promotion the following years may vary in terms of costs and activities, depending on what seems to be working the best in order to gain awareness and sales.

Promotion budget	
PR agency	\$60,000
Website	\$5,000
Develop and print catalogs	\$76,000
Distributing catalogs through WSJ	\$4,800
Furniture fair (trade show) costs	\$17,350
Social media	\$5,000
Google ads	\$20,000
Ad in Architectural Digest	\$100,000
Furniture display in store	\$30,000
In-store events	\$20,000
Opening show	\$20,000
Direct marketing	\$5,000
Total promotion costs	\$358,350

8.4 Place

It is important to reach the target market in an area where Slettvoll's key competitors are represented. According to our research the Upper East Side is a suitable place to be located because all the key competitors are located in the area. One of the key competitors, Roche Bobois, is opening a new store on East 57th street this spring (Roche-Bobois). This indicates that Upper East Side is a healthy and growing area for the furniture industry. The cost of rent in this area is a more expensive than other than other areas in Manhattan. However, it is more

important for Slettvoll to spend money on location than in is to spend money on commercials and advertising.

8.5 Positioning

“To high end buyers, Slettvoll is the brand that offers the best customized furniture that always makes you feel welcome home”

Slettvoll wants to be perceived as a high end furniture brand. High-end buyers want to distinguish themselves by buying luxurious and expensive furniture and they are interested in only the best. This is a good description of Slettvolls target market. The benefit Slettvoll offers is highly customized furniture and it is important to communicate this in the positioning. We decided to include “welcome home” in the positioning statement because this is Slettvoll’s slogan.

8.6 Packaging

This refers to the design of the store. Slettvoll will need a large, open space, preferably 3,700 square feet, enabling them to display the furniture in sections. This will provide the right expression of the furniture and the lifestyle that Slettvoll wish to communicate.

8.7 People

Slettvoll will have its own sales force consisting of six people. Four of the six will be interior decorators who will be able to give advice and answer questions and concerns about interior decoration. The other two will also be highly knowledgeable about furniture and interior design, but will not have the education that the other four has.

It is necessary to hire interior decorators seeing that Slettvoll’s key competitors also offer interior design services. A knowledgeable staff adds value to the product offering and the sale force needs to have expertise and experience in order to assure a good customer experience in-store (or by phone).

In our survey research we did a regression analysis and found that people are willing to pay more money if decorator services are available. We used a Likert scale in the survey, and the variables were on ratio level.

H_0 : Attitudes towards customization does not jointly influence how much they are willing to pay for customized sofas.

Stepwise entry method

$$R^2=0.441$$

$$F=18.171, p=0.000$$

Rank 1: Decorators, Rank 2: Customization needs

$$Y = 0.493 + 0.428 * \text{Decorators} + 0.347 * \text{Customization needs}$$

Decorator services, along with the need for customized furniture, influences how much customers are willing to pay for customized sofas.

9 Financials

Budget for Slettvoll

	2014	2015	2016	2017	2018
Income					
Sales order 1	\$2 200 000	\$2 475 000	\$2 750 000	\$2 860 000	\$3 025 000
Sales order 2	\$1 200 000	\$1 440 000	\$1 800 000	\$2 080 000	\$2 400 000
Total income	\$3 400 000	\$3 915 000	\$4 550 000	\$4 940 000	\$5 425 000
Variable costs					
Variable costs order 1	\$1 320 000	\$1 485 000	\$1 650 000	\$1 716 000	\$1 815 000
Variable costs order 2	\$720 000	\$864 000	\$1 080 000	\$1 248 000	\$1 440 000
Total variable costs	\$2 040 000	\$2 349 000	\$2 730 000	\$2 964 000	\$3 255 000
Gross variable profit	\$1 360 000	\$1 566 000	\$1 820 000	\$1 976 000	\$2 170 000
Fixed costs					
Rent: Store	\$688 200	\$722 610	\$758 741	\$796 678	\$836 511
Salary	\$474 000	\$492 960	\$512 678	\$533 186	\$554 513
Marketing	\$360 000	\$300 000	\$300 000	\$300 000	\$300 000
Phone etc	\$20 000	\$20 000	\$20 000	\$20 000	\$20 000
Capital costs	\$450 000				
Total fixed costs	\$1 992 200	\$1 535 570	\$1 591 419	\$1 649 863	\$1 711 024

Net profits	(\$632 200)	\$30 430	\$228 581	\$326 137	\$458 976
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In our budget we have identified the costs of running a furniture store on Upper East Side in New York. For the variable costs, we have used industry standards where furniture stores have a profit margin of 40% on average. For store rent we used the average rent costs per square feet for Upper East Side and multiplied it with the required square footage. For future predictions we assumed a 5% annual increase in rent.

Salaries are calculated through finding the range for furniture sales people in New York and place them in the upper part of the range to attract dedicated employees. For further calculations we used a 4% annual increase in wages.

To start up a new store, there are some startup costs. It contains decorating the store to what Slettvoll prefer, electrical system, computers/cash registers and lighting. There are also costs in getting insurance for both the employees and the store itself. These costs are calculated to be \$450,000.

From the numbers we see that Slettvoll will be able to make money during 2015. According to this setup Slettvoll will break even during the first quarter of 2018, 4 years after the opening of the store. The return of the marketing investment in this 5 year period is 26.4%.

10. Objectives

10.1 Sales objectives

- 9.1 Achieve sales revenue of \$2,200,000 in the start-up year (2014)
- 9.2 Increase sales with 15 percent annually from year 2014 to 2016
- 9.3 Increase sales with 8 percent annually from year 2016 to 2018
- 9.4 Receive 550 orders in 2014
- 9.5 Receive 630 orders in 2015
- 9.6 Receive 725 orders in 2016
- 9.7 Receive 780 orders in 2017

- 9.8 Receive 850 orders in 2018
- 9.9 Achieve a positive net profit of \$170,000 in year 2016
- 9.10 Achieve a positive net profit of \$400,000 in year 2018

10.2 Marketing objectives

1. From the target market of 850,000 people, reach 80,000 prospects through promotional activities
2. Turn 4 percent of the prospects into 3,200 potential customers
3. Turn 18 percent of the potential customers into 576 customers

10.3 Activation

Based on our findings, we recommend that Slettvoll open a flagship store in New York City, January 2014. They should start searching for the appropriate location, preferably on the Upper East Side, Manhattan this current year. Following, they should look for a PR agency and plan the print of catalogs.

This is the recommended plan of action for the four quarters of 2014:

1st quarter

- Open the store and host the opening show
- Translate the website
- Google Ads
- Activate the use of social media
- Distributing the catalogs through Wall Street Journal (to promote the store opening)

2nd quarter

- Advertisement in Architectural Digest
- Direct marketing prior to trade show
- ICFE
- Google ads
- Social media

- Follow-up direct marketing after the trade show

3rd quarter

- Distributing catalogs through Wall Street Journal
- Direct marketing prior to in-store event (e-mail)
- In-store event
- Google ads
- Social media

4th quarter

- Direct marketing (Direct mail or e-mail)
- In-store event
- Google ads
- Social media
- Follow-up direct marketing after in-store event

9.11 Conclusion

The assignment was to explore the opportunity for Slettvoll to open a store in New York. After doing primary and secondary research we recommend Slettvoll to open a store on Upper East Side, Manhattan in January 2014.

The furniture market, and especially the high-end furniture market, is increasing which indicates that there is room for a new furniture store. From our primary research we also saw a tendency that people are willing to wait and also to pay the premium price for customized furniture. These findings show that there is a market for the kind of furniture that Slettvoll offers.

Upper East Side is a lucrative place to be located. This is where Slettvoll's target market is doing their shopping, and they can focus on building brand awareness. Slettvoll is relatively unknown in the US furniture market, and having stands at furniture fairs is crucial to get to know the competition, customers and to get contacts in the business.

Slettvoll requires that their store should be profitable within five years. They need to invest in

the first year of operation, and based on our calculations they will be profitable in year five. If the store is successful, Slettvoll should consider opening another store on Manhattan the fifth year.

For future research, emphasize should be placed on optimizing the store environment, continuously improving logistics and customer satisfaction, as well as evolving product design.

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Attachment 2: Online survey

Section 1: General background questions

Which magazines do you subscribe to? (please check all that apply)

- ☐ Architectural Digest
- ☐ Martha Stewart Living
- ☐ Real Simple
- ☐ W
- ☐ People
- ☐ Time
- ☐ Fortune
- ☐ ELLE
- ☐ Other: (please specify)

Leisure activities (please check all that apply)

- ☐ Outdoor activities (hiking, skiing)
- ☐ Workouts (gym, swimming, running)
- ☐ Shopping (online, in-stores)
- ☐ Reading (books, newspapers)
- ☐ Dining out
- ☐ Watching TV (sports, shows, news)
- ☐ Other: (please specify)

How often do you do the following?

	Never	Less than once a month	1-2 times a month	3-4 times a month	5 or more times a month
Entertain family/guests at home	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Serve alcoholic beverages when entertaining guests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Eat out	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Approximately, when did you last buy furniture?

- ☐ 6 months ago
☐ A year ago
☐ 2 years ago
☐ More than 2 years ago

Please rate the importance of attributes in furniture purchase

	Extremely Unimportant	Very Unimportant	Neither Important nor Unimportant	Very Important	Extremely Important
Customization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Durability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand Reputation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Comfort	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Style/design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maintenance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Country of origin	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please order the following post purchase services by dragging important attributes to the top (1=most important, 5= least important)

Warranty	1
Competent customer service	2
Responsiveness	3
Delivery time	4
After sale service	5

Please rate brand awareness for these brands

	None	Little	Some	A Lot
BoConcept	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jensen-Lewis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Slettvoll	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Roche Bobois	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ethan Allen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

I consider this brand as high-end

	Do not know	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
BoConcept	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jensen Lewis	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Slettvoll	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Roche Bobois	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ethan Allen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

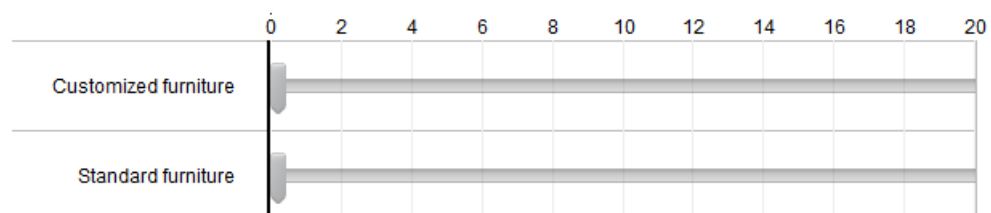
Please rate the following statements using the scale given:

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I like to customize my furniture because of my needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I customize my furniture because of the inherent value (price)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I expect my customized furniture to be delivered immediately (no wait time)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Standard furniture purchases come with no wait time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I like to shop for furniture in upscale stores (Jensen-Lewis, BoConcept, Roche Bobois)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A decorator influences my furniture purchases	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am the primary decision maker for furniture purchases at home	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How much are you willing to pay for a customized sofa?

- ☐ Less than \$2,001
- ☐ \$2,001 to \$4,000
- ☐ \$4,001 to \$6,000
- ☐ \$6,001 to \$8,000
- ☐ More than \$8,000

How many weeks are you willing to wait for furniture purchases? (please drag the sliders)



Gender

- ☐ Male
- ☐ Female

Marital status

- ☐ Single
- ☐ Married, no kids
- ☐ Married, with kids
- ☐ Other

Total household income

- ☐ Less than \$100,000
- ☐ \$100,000 to \$199,999
- ☐ \$200,000 to \$299,999
- ☐ \$300,000 to \$399,999
- ☐ \$400,000 or more

Age

Education

- ☐ High school diploma
- ☐ Some college
- ☐ Undergraduate degree
- ☐ Graduate degree

Occupation

- ☐ Professional
- ☐ Managerial
- ☐ Skilled
- ☐ Student
- ☐ Other

What best describes your living situation?

- ☐ Own
- ☐ Rent

Please enter your zip code
