



**LAUREA**  
AMMATTIKORKEAKOULU

*Uuden edellä*

Creating a marketing channels  
strategy for European market entry:  
a case study for eloSpaces Oy

Babanina, Daria

**Laurea University of Applied Sciences**

Creating a marketing channels strategy for European market entry:  
a case study for eloSpaces Oy

Daria Babanina  
Degree Programme in  
Facility Management  
Bachelor's Thesis  
November, 2016

Babanina, Daria

Creating a marketing channels strategy for European market entry:  
a case study for eloSpaces Oy

Year	2016	Pages	49
------	------	-------	----

This thesis is produced as a case study for eloSpaces, Finnish-Chinese startup company based in Espoo, Finland. eloSpaces develops a unique capsule for people to do the focus work and enjoy privacy. The home market for eloSpaces is China and their current aim is to enter also European market in the nearest future. Therefore, the main objective for thesis was to identify the shortest and most efficient market entry strategy for the full product launch in Europe with highest impact on profits. In order to achieve this objective, three research questions were set: examine market situation and possibilities for eloSpaces in Europe; find out limitations of the current product version and desired features by European end-user; and identify the price point for selling and renting the eloSpace.

Knowledge base included literature research on marketing channels phenomena, its strategy, design, and coordination. Within practical research, workplace, hotel and event planning processes, European furniture market, and customer behavior were examined. Empirical part included conducting of pilot in Radisson Blu hotel, user experience and B2B online surveys, and analysis of all data collected. The main tool for building a market entry strategy was marketing channel design which was used in the final phase of this project.

The results of thesis research were ready market entry strategy for eloSpaces and list of limitations and features of the product to be improved and developed. Testing the product in actual environment showed that the company has to work on privacy and soundproof of the product, ergonomics of the seat, and implement reading light and audio system. Execution of pilot also showed that necessary changes in the marketing and informing processes should be done. It is necessary to explain to potential customers that eloSpace is made of high-quality TPU material, which is environmentally friendly, it has unique design, and provides various benefits for the user. In this way the high price of eloSpace capsule would be reasoned. It was suggested that eloSpaces should work through various intermediaries in Europe such as importers and dealers. The optimal channel should have 1-2 levels, in order to have more control over the intermediary and be able to request end-user data.

As an outcome of the thesis project, eloSpaces was forced to change the business approach and start targeting design and architecture firms with sales offers, instead of hotels and office spaces. In addition, eloSpaces has already established first importer partnership in the UK. It will allow eloSpaces to reach the market as a design object manufacturer and sell on the bigger scale in Europe.

Keywords: distribution, marketing channels, workplace management

## Table of Contents

1	Introduction.....	5
1.1	Company's background.....	5
1.2	Objectives and methods.....	6
2	Research of target business customers .....	7
2.1	Workplace and office spaces .....	7
2.2	Hotel facilities .....	12
2.3	Event planning .....	13
3	Marketing channels .....	14
3.1	Distribution to B2B and B2C sectors .....	15
3.2	Marketing channels.....	16
3.3	Online and digital channel management .....	20
3.4	Strategy in marketing channels .....	21
3.5	Designing the marketing channel .....	22
3.6	Marketing channels conflict and coordination .....	24
4	Market research .....	25
4.1	EU position in the global furniture market.....	25
4.2	Purchasing behavior of consumers.....	27
5	Pilots and surveys .....	28
5.1	Pilot in Radisson Blu Otaniemi .....	28
5.2	Potential customer surveys creation .....	30
6	Results and analysis.....	31
7	Marketing & Sales channels for eloSpaces.....	33
8	Conclusion.....	37
9	Discussion .....	38
	References .....	39
	Figures.....	41
	Appendices.....	42

## 1 Introduction

In the modern business world, it has become more difficult for companies to get a sustainable competitive advantage. The development of global competition, technology and advertising industry have made maintenance, pricing and promotion strategies for the product more complicated. Concerning these challenges, importance of marketing channels, as a strategic tool, has been rapidly growing. Indeed, marketing channel strategy offers greater potential to attain unique competitive advantage, especially when entering new markets.

This thesis research examines, how a start-up company named eloSpaces, can enter European market with a help of marketing channels design. eloSpaces develops a unique capsule for people to do the focus work and enjoy privacy. In order to satisfy needs of customers in Europe, it was also necessary to identify limitations of the current version of the product and find out desired features by European user.

Theoretical part of the thesis includes literature research on marketing channels phenomena, its strategy, design, and coordination. Within practical research, workplace, hotel and event planning processes, European furniture market, and customer behavior were examined. Empirical part included conducting of pilot and surveys, and building the marketing channels strategy for eloSpaces. The result of this thesis is ready market entry strategy and list of limitations and features of the product to be improved and developed. Definitions of the terminology that are used in this research can be found in Appendix 1 of this document.

### 1.1 Company's background

eloSpaces is a Finnish-Chinese Start-up Company founded in May 2015 in Espoo, Finland. The company is a result of cooperation between Finland and China in the areas of urban design, smart living and innovation. The reason eloSpaces was founded in Finland instead of China was to provide stronger base from building a brand and to protect the immaterial property rights. However, China still remains home market of the company. The company currently has 5 co-founders, 2 seed investors and 2 part-time employees. (Tikkala, interview 20 May 2016)

eloSpaces overall mission is to modernize urban living by enabling new innovations in smart and modern living. The first concept that has been commercialized, called eloSpace, is the concept of personal space and immediate surroundings. The idea behind this concept is to bring the environment so close to the user that it is convenient and efficient to measure and control. (Tikkala, interview 20 May 2016)



Figure 1: Basic version of eloSpace

The concept of personal space is realized in a form of an inflatable capsule, that is illustrated in the Figure 1 above. The capsule is made of thermoplastic polyurethane (TPU) and it functions as a skeleton to add-ons which will bring different functions to the concept. Examples of these add-ons include doors, ergonomic seat, sensor equipment and air purifier. The production of the product itself is located in Shanghai, China. However, TPU material is produced by a German company, BASF. TPU was chosen because it is currently the most durable and safest material that is in the same time fully recyclable, allowing eloSpace to be eco-friendly product. (Tikkala, interview 20 May 2016)

At the moment of the beginning of the thesis project, eloSpaces were finishing the product development and started to collect actual user feedback to ensure the fulfillment of the customer requirements. eloSpaces wishes to identify and assess current B2B marketing and sales channels in Europe for its concept. Their initial target markets are design, workplace and wellbeing furniture and space markets. (Tikkala, interview 20 May 2016)

eloSpaces has identified facility providers and businesses within facilities as their key customer audience. Therefore, knowledge and experience gained from education and case studies in Laurea University of Applied Sciences allow to consult eloSpaces in their company development.

## 1.2 Objectives and methods

The home market for eloSpaces is China and they have already established the strategy to reach B2B and B2C customers in Asia. Their current aim is to enter also European market in the nearest future. For that reason, the end-goal for the thesis was to design most efficient go-to-market strategy for the full product launch in Europe with highest impact on profits. In order, to reach this goal, 3 main research questions were identified for this thesis project:

- 1) What is the market situation and what are the possibilities for eloSpaces in Europe?
- 2) What are the limitations of the current product version and what are the desired features by European end-user?
- 3) What is the price point for selling and renting the eloSpace in Europe?

In order to answer these questions, literature on marketing channels and their design, European furniture market situation and customer behavior were studied. In collaboration with the eloSpaces team, three main target fields were identified as workplaces, hospitality and event planning. Opportunities and trends of these fields were studied and correlated to eloSpace product. In addition, pilot in Radisson Blu hotel was organized, and B2B and end-user experience surveys were planned and executed. After all the necessary data was collected, it was analyzed, and improvement and development ideas were proposed. In final phase marketing channel strategy for eloSpaces was designed based on all data collected in the previous phases.

## 2 Research of target business customers

eloSpaces have determined their target business customers in Europe as office spaces, hotels and spas, and event planners. In this chapter it will be explained in details why these business areas were chosen and what are the needs of business customers. In addition, qualities and trends of these fields were examined and correlated to eloSpace product.

### 2.1 Workplace and office spaces

Nowadays open offices and non-assigned seating in offices can be seen more often, while cubicles are disappearing. Managers believe that rearrangement of offices into open spaces makes workers interact more with each other and as consequence be more productive. (Shevory 2011) Flexibility in office spaces is also becoming more common as traditional enclosed office spaces with permanent layouts, are giving way to the needs of a dynamic work environment. (Gensler Research 2015, 3)

In the nearest future offices will most likely look like highly interacting, shared, multipurpose spaces (Waber et al. 2014). Companies move their employees into modern activity-based open office environments in order to be more open, transparent, and collaborative. The change of marketplace into being more global, fast-paced, and competitive, forces managers to place employees closer together at the office to speed up work processes, communication and decision-making. It is also a matter of costs that forces managers to open up offices and bring more people to one environment. Most of the companies use “cost per square foot” as

the key metric to measure space efficiency. Only few companies measure how space design affects performance of employees. (Waber et al. 2014)

Working teams try to adapt to new environment and be more mobile, and many teams are becoming more distributed and even outsourced. New technology, workplace mobility and a “work anywhere” approach force a shift in collaboration methods, with employees struggling to keep communication open and efficient. (Gensler Research 2015, 3) Indeed, such radical changes can confuse employees. According to Chris Fernandez (Shevory 2011), facility manager at Jones Lang LaSalle, office workers will complain at the beginning, but if managers give them three months to adjust, the change will have a great impact on overall efficiency.

According to Gensler research group in UK (2016, 4), the workplaces in Europe tend to favor people who work at the managerial positions. In average 89% of managers have own private, higher-performing offices, compared to 23% of lower level employees, who share the work-space. This difference shows through in the performance and workplace satisfaction indicators. The most of open plan work environments in Europe are not designed optimally. Open plan offices fail to support all work activities and as a result employees show low results, are not satisfied with their job, and at-work relationships suffer. The problem is that workers have no alternative space for work. The research shows that open space environment can be as productive and efficient as the closed offices, with the condition of giving the workers a range of spaces in which to work and use them effectively. (Gensler research UK 2016, 4) In addition, performance of any company can be improved by creating more spaces for common activities outside of working hours, such as lounges, gaming spots, kitchen, or coffee places. These places will be chance encounters making unplanned interactions between knowledge workers happen. (Waber et al. 2014)

However, some companies will not be better off by becoming more open, and other will suffer from putting everyone to separate quiet spaces. Definitely, one size does not fit all types of companies and different people. Although the need to focus is very common, it varies a lot depending on personality and cognitive thinking. (Gensler Research 2015, 3) The study of Peggie Rothe (2015) showed that even employees from the same company in theory should be exposed to a similar kind of process, they actually have different personalities and working styles. One can perceive a quiet room with a desk as an inviting work environment, while the other person may find it not creative and boring place to work. (Rothe 2015, 22-26) Moreover, individual work that requires deep focus, depends on the nature of the work and the task that employee performs. In fact, intense work that requires deep focus and silence is only a small part of everyday work process. Instead, workers spend most of the time doing quiet, individual tasks that actually allow to be interrupted or that are collaborative, such as writing



emails or calling coworkers. Most of the time, office workers switch to focus from collaboration and backwards. (Gensler Research 2015, 3) In conclusion, managers should treat their employees not as one object of change but as separate individuals who experience change. (Rothe 2015, 22-26)

While demand for cooperation increases, ability of individuals to focus at work has become a real challenge. Despite the importance of team work and collaboration, employees need to find their own way to get own focus work done in an open office. Typical criticism of this office concept is that it's too loud, too distracting, and not conducive to individual focus work. (Gensler Research 2015, 3)

It was discovered by Gensler Research (2015, 3) that good focus work depends on more than just the physical environment. The ability to focus is crucial to achieve high performance and innovation, as well as to maintain employees' personal well-being and satisfaction. However, it was noticed that loud conversations and interruptions by coworker and continuous email and messages notifications make the offices a challenging environment to do the quiet, focus work. Even coworkers, noise, email and other "physical" distractions would be eliminated in the office, employees would still be left with themselves. Personal devices and most importantly own brains disturb workers and keep them from getting work done. (Gensler Research 2015, 3)

Many companies share the perception that changing workspace is not a complicated or strategic process. However, many companies fail to recognize the importance of change management efforts in the beginning and therefore, usually fail to implement worthwhile changes. This data suggests that organizations are in need for professional support in order to achieve successful outcomes through a more optimal process. It is important for the managers to keep in mind, that the process of office change clearly impacts on employees. Employees may even transfer their workspace change experience onto their perception of the organization and management, in both positive and negative way. (Rothe 2015, 13-26)

The key performance driver for workers across the world is the freedom to work whenever and wherever, in addition to having variety of workspaces. Schawbel (2015) believes that companies will leave open offices and create diversified office spaces that give employees options. Employees that rate their company as highly innovative also tend to have greater choice of workspaces to get the focus work done. For instance, some people work better in cubicles and others work better in a lounge or coffeehouse. Optimal workplaces have to support both individual and collaborative work. So, in order to achieve greater success, change management is a necessary tool when making transition to open offices and activity-based work settings. (Schawbel 2015)

Leesman research (Rothe, 2015) also confirms the fact that workers in flexible spaces with high choice, tend to be satisfied by 5-30% more in every aspect of their work than their colleagues working in other types of offices. The most significant difference in satisfaction was noticed in ability of workspace to enable employees work more productively, contribute to a sense of community at work, and be a place where workers are proud to bring their guests. It is noticeable in the Figure 2 that design of a workplace is very important for workers of all office types. Workers of flexible office with low choice tend to suffer in their office environment, as it doesn't enable them to work productively or feel the community spirit. Moreover, it is not enjoyable place to work in and workers are not proud to bring any guests to their office. Enclosed and cubicle layout offices showed average satisfaction results at all indicators.

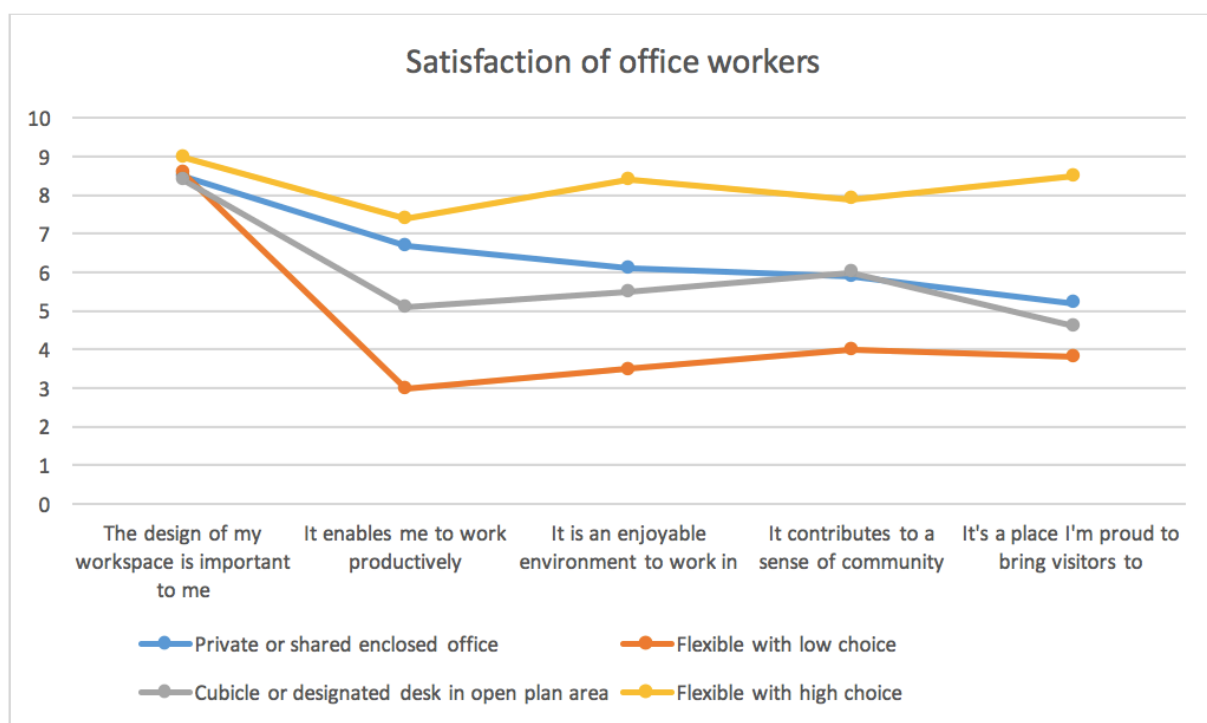


Figure 2: Satisfaction of office workers (Rothe, 2015)

To conclude, it can be stated based on several researches, that people in flexible offices with high choice of where and when to work are the happiest workers. Enclosed office, cubicles or designated desks, and flexible offices with low choice respectively took second, third and fourth places in office workers satisfaction survey. (Rothe, 2015)

Even Leesman research results show definite superiority of flexible offices with high choice above all others, most of the workers in Europe still use the assigned desks for most of their activities and it seems to bring only harm to their performance. Intelligent manager or space planner should give the employees a variety of spaces, and the choice to work where they want or where it suits better for their current activities. Managers should start seeing focus

problems at work as part of a larger workplace “ecosystem” that depends on how we collaborate, individual cognitive styles, team dynamics, and organizational culture and policies. These variables create environments and opportunities for individual workers to control over how, when, and where they do their work. This approach can turn many of the focus thresholds into opportunities for high performance and productivity. (Gensler research UK 2016, 5)

Based on research of Schawbel (2015), modern office workers want flexible furniture, an environment with no distractions and lounges at their workplace. Furniture in flexible offices should be easily transportable, have every element movable and fit together without any complications or rules. Multipurpose open spaces can be utilized for everything from multimedia presentations to casual breakout areas. Modern furniture producers introduce more products that can be connected, separated, piled up and moved around, giving plenty of possible combinations for individual or group work. For instance, famous furniture company Steelcase introduced several products that support new needs of workplaces and going to be essential in the nearest future. These products are electronic room-scheduling device, flexible walls and a long desk where people can sit side by side. (Shevory 2011)

According to design experts, in the nearest future more oval-shaped office desks will be popular because the shape allows 4-6 people to keep a meeting. Another upcoming trend is height adjustable tables for standing meetings. Implementing of lighter, powerful and wireless technology can stimulate relaxed collaboration at the workplaces. The office spaces should be assigned by the job requirements, rather than hierarchy, and also have dedicated lounge areas to make working more enjoyable. As consequence, without a doubt, employee job satisfaction will improve immediately. (Dishman 2015) In conclusion, in the nearest future companies will have to invest time and money in changing and improving their office environments, so employees can be happier and more productive during the working time. (Schawbel 2015)

In recent years the big growth of co-working spaces was noticed. Popularity of co-works increases because it gives access to new knowledge, networking, and accelerating their learning. According to results of Emergent Research (2014), over 160,000 people were using several thousand co-working spaces in the United States and Europe in 2013. It is forecasted that by 2018 more than one million people will be using 12,000 co-working spaces around the world. (Waber et al. 2014)

It can be said after some analyzing that eloSpaces could play significant role in the development of modern workspaces. Office furniture and space solutions is definitely a growing market, where eloSpace capsule would be rivalry with other famous branded products. eloSpace with its appearance and functions could be that alternative to typical work stations. eloSpace capsule could be that place where employees do their focus work or enjoy privacy in an open

space office. Combinations of features in eloSpace could help office worker to concentrate and complete individual tasks without being disturbed or distracting others.

## 2.2 Hotel facilities

Hospitality is one of the industries that changes a lot and adapts to trends very quickly. Hospitality interior spaces have to be universal in order to satisfy needs of all guest types including businessmen, families, or youth. Personalization is the biggest trend in hospitality at the moment. Every offered service is an opportunity to provide personal hotel experience. In a modern digitalized world, it is important that a hotel does not overload the premises with the technical innovations. Most of the leisure guests and families go on vacation to escape from their busy lives surrounded by devices. Nevertheless, all the necessities for business guests should be present in the hotel so, their work flow will not be interrupted. (Agarwal, S.) In addition, it is always beneficial to give hotel guests something extra to look forward with some free or affordable entertainment. (Hotel managers group blog 2013)

The wellbeing and healthy lifestyle are gaining popularity, and hospitality industry is adapting to this trend as well. Almost every hotel has upgraded their gym and health spas to let people keep up with their habits even when they are on the road. Technology has improved overall hotel experiences as well. Air purification, energizing lighting and stuffed with devices relaxing armchairs are the examples of how hotels implement wellness into the premises and services. (Hotelier 2015)

The times, when simple and practical tables and chairs were acceptable for needs of the hotel guest, are gone. Current trends force hotels to develop quality lounge areas with smart armchairs and other modern furniture pieces that are designed to appeal and attract attention. (Nextrend 2015)

As overall competition in hospitality field is increasing from year to year, hotels have to gain their unique competitive advantage, the thing that would distinguish them from the others and bring revenue at the same time. Nowadays some hotels figured out to rent empty spaces in their premises. (Watkins 2016) There are plenty of possibilities to make empty spaces in the hotels to bring more value: host business meetings, social events, such as training sessions or workshops, or even make a conference room to be a wedding venue. (Hotel managers group blog 2013) The easiest way to rent out the unused spaces on hourly basis is to work through third-party website systems. According to Carol Ajikata, director of sales and marketing at the property, there are many freelance workers who need to meet other business partners, who also might be home-based, and coffee shop is not an ideal place for it. That is why nowadays there is opportunity to book a meeting room in a short notice at the closest to them hotel location. (Watkins 2016)

For instance, Original Sokos Hotels chain in Finland is developing co-working concept in their hotel lobbies. This concept gives efficient usage for already existing resources: reception, coffee service available, free WLAN access, and electrical outlets all over the place. Premises of co-working space in Sokos hotel Hämeenlinna can be seen in the Figure 3 below. In addition, the “co-working” concept attracts attention, provides the hotel with the competitive advantage and brings in additional revenue. According to concept manager, Janina Nurmela, working ways have totally transformed in the recent times and distant work has become very common. People don’t sit at their office desks so much anymore, but travel from place to place. Therefore, multiple Sokos Hotel locations will be convenient place for businessmen to stay and enjoy their working time. (Sokos hotels 2016)



Figure 3: Co-working space in Sokos hotel Hämeenlinna (Sokos hotels 2016)

In conclusion, hotels are also starting to practice space sharing and for that they need appropriate furniture. eloSpaces must be aware of meeting rooms rent and co-working trends in the hospitality industry and offer the product to modern business and leisure hotels. eloSpace is definitely also a fit for the wellness trend and could easily be integrated to the spa premises or be the design furniture piece that comes into notice of the hotel guests.

### 2.3 Event planning

Furniture is very important part in event planning as it assures that event will proceed with maximum comfort for visitors. It is necessary for event planner to identify at the beginning what furniture pieces will be needed for the event, what can the venue provide, and what must be rented from furniture hire firms. For a very large event or exhibition, the furniture and equipment need can be enormous. Modern event managers are looking for unique and

multipurpose furniture pieces for sitting where guests could relax, work, reflect after business meetings, or entertain themselves. In addition, advertisers want to use every surface to promote and advertise, therefore furniture very often plays also a role of a billboard. (Event management 2016)

Rented furniture is subjected to stringent operational usage and becomes worn out very quickly. Furniture hire companies and other suppliers must look after condition of equipment, especially towards the end of lifecycle of furniture pieces. (Saha 2014) Suppliers have to provide realistic and clear sketches for customer order and deliver what was agreed. Event planners pay for convenience, one-stop order, and certainty that furniture for the event would be at the venue, set up on time and taken away. Event planners trust that supplier will provide furniture pieces that would help them to attract customers to booths of the participants or other areas. (Allen 2010, 33)

One of the biggest problems for event planning is delivery and setting up all the furniture at the venue. Nowadays there are plenty of companies that specialize in furniture hire and take care of transportation. However, it still requires a lot of manpower to deliver, set up and tear down the furniture, and return it to storages. All furniture pieces, especially armchairs and sofas, require regular maintenance and cleaning and should be stored carefully. (Event management 2016)

It seems there is a gap on the market for eloSpaces to fill in. In order to be noticed by event and exhibition planners, eloSpace should be promoted as multipurpose chair, which is easy to clean and maintain. Furniture hire companies will appreciate that the product is inflatable and easy to store. eloSpaces should emphasize multiple functions that the product can perform and possibility of placing advertisements on the surface of eloSpace.

### 3 Marketing channels

As it was mentioned above, one of the objectives for this thesis project was to design marketing channels for eloSpaces. Therefore, in order to ensure deeper insight of the marketing channels phenomena, its design and coordination processes, qualitative methods were used to explain theoretical matters in this chapter. The information represented bellow will also give understanding of definitions and methods used further in the project to the reader. The theoretical materials for this chapter were collected from the literature and business articles.

### 3.1 Distribution to B2B and B2C sectors

Distribution is a way of bringing products or services to market so that they can be purchased by consumers. It is commonly assumed that business to business (B2B) and business to customer (B2C) marketing is the same process, when actually there are many differences in the processes of selling to businesses and selling to consumers. (Murphy 2007) The main differences between B2B and B2C markets are the nature and complexity of products, the origin and diversity of industrial demand, amount of potential customers, volumes of product per customer, and types of relationships between customer and supplier. (Kotler & Pfoertsch 2006, 51)

The products and services of one company are marketed to other businesses in the B2B sector. (Business dictionary 2016) Companies in B2B sector must invest time in maintaining relationships with their potential customers. Business to business partnerships also require constant development and interaction. The sales processes take longer time than in business-to-consumer relationships and therefore, the cost of sale for the B2B market is higher than in B2C. (Lake 2016) B2B sales model forces companies to have a thorough understanding of the technical aspects of their product and ability to market it appropriately. (Cohn 2015) It is often emphasized in B2B marketing how the product or service saves time, money and resources for the customer-company. (Lake 2016)

B2B decision making may take place at more than just one management level and many stakeholders can be involved in the process. (Cohn 2015) Many theoretical sources claim that emotions have no place in B2B sales. However, according to Kotler & Pfoertsch (2006, 51) emotions in B2B sector play a major role in decision making process, even they are not easily perceptible. Google and CEB's Marketing Leadership Council research (Nathan et al 2013, 2) revealed that modern companies do have high level of connection with their B2B customers. Business purchases can involve significant risks in comparison to personal purchases of an individual consumer. The business customer will not buy a product unless there is a substantial emotional connection to help overcoming the risks. In order to stand out, B2B marketers need to create excitement and build emotional connections with their customers. The probability, that B2B purchasers will buy a product for their company when they see personal value, is 50% higher than in B2C sector. Also business purchasers are eight times more likely to pay a premium for comparable products and services when personal value is found. (Nathan et al 2013, 2-3)

The final customer in B2C sales is an individual consumer. (Business dictionary 2016) The B2C sales cycle is shorter than in B2B because consumer is encouraged to buy the product immediately. Purchases are made on an emotional basis as well as on the basis of price and product. In most cases the product is marketed to consumers but goes through several steps to get to

the them. When marketing in B2C area, companies have to focus on the benefits that product will bring to the customer if they purchase it. (Lake 2016) Companies have to be able to immediately and simply explain value of the product to potential consumer. Therefore, in-the-moment marketing is crucial for firms operating in B2C sector. The target for marketers and sales teams is to catch attention of the customer and to generate immediate need and desire for the offered product. (Cohn 2015)

There are always two options for companies in both B2B and B2C sectors: use direct or indirect distribution channels. Direct sales channels are typically utilized by manufacturers that have extensive knowledge of the market, domestic or foreign vendors that have large capital to invest. Markets with big numbers of consumers that wish to save time and effort and want better product information are good target markets for direct sales channels. Unique products of very high quality that require good personal selling skills are also well suited for direct sales. (Rosenbloom 2004, 484) However, direct sales require large investments. Costs of sales, management, and customer service, account for a significant share of total cost for direct sales. Direct sales are favored by some large manufactures for two reasons: to maintain high quality of customer service and brand image; and to avoid various problems caused by poor distribution management. Sociocultural changes, technological developments and legal climate enhance desirability of companies to use direct sales channels. Small manufacturers that utilize direct sales channels typically serve regional market that they know well. (Dhotre 2009, 10)

Indirect sales occur when there is one or more additional middleman in between producer and consumer. Indirect sales allow vendors to focus on product design and quality manufacturing by relying on marketing and sales expertise of intermediaries. Vendors can also save finances on marketing as indirect sales allow vendors to cover a larger market area without investing in an expensive sales network. Companies can achieve economies of scale by utilizing the sales network of partners. The typical way for medium to low-end manufacturers is to sell to dealers without building long-term partnership. Therefore, they have little control over the wholesalers, little feedback from end customers and loyalty issue. High-end manufacturers tend to work with dealers directly and in a partnership way. The vendors have more control on dealers and therefore, they can request quality work and get statistics and feedback from end users through dealers. (Dhotre 2009, 5-6)

### 3.2 Marketing channels

Marketing channels are defined as external set of channels used by organizations to transfer the ownership of goods and to move goods from production to consumption (Dhotre 2010, 4). A marketing channel, which is also often called distribution channel, can involve distributors, wholesalers, retailers, and nowadays even internet. Marketing channel represents a path of a



product after production to purchasing and consumption by the end-user. (Kotler, Keller, Brady, Goodman & Hansen 2016, 718)

A channel member appears when there is more than one direct channel between company and customer. These channel members are called intermediaries and they bring producers and consumers together through other intermediaries or ultimate buyer. The most important functions of intermediaries are considered to be information, promotion, negotiating, ordering, financing, risk taking, physical possession and payments. (Kotler et al. 2016, 718) In a standard scheme each intermediary buys the product at one price and sells it to the other intermediary at a higher price until the product reaches the final purchaser. (Business dictionary 2016)

Importance of marketing channels, as a strategic tool, has been recently growing. Emphasis has shifted from product, price and promotion strategies to marketing channels strategy because of developments in at least five environments: social-cultural, competitive, economic, technological and legal. Technological development of e-commerce brought re-intermediation into businesses of many modern organizations. New intermediaries such as eBay, Amazon and others connected customers and sellers through internet allowing both B2B and B2C markets evolve. (Rosenbloom 2004, 4-5)

Recently, it has become more difficult for companies to get a sustainable competitive advantage which cannot be quickly copied by competitors. Maintenance, pricing and promotion strategies for the product have also become more complicated due to global competition, technology and advertising industry development. Marketing channel strategy offers greater potential to attain competitive advantage because it is more difficult to copy. (Rosenbloom 2004, 5-6) Visible shift was also noticed in economic power: from the producers of goods and consumers to distributors of goods. It is considered to be a major challenge to choose the right channels, convince them to carry the product, and get to work them as partners. (Kotler et al. 2016, 718) The most successful retailers started to control the entrance to the consumer markets. Therefore, in order to deal with dominant retailers, producers and manufacturers have to develop an effective marketing channel strategy. (Rosenbloom 2004, 5-6)

Marketing channels will also be a new cost control tool in the twenty-first century. (Rosenbloom 2004, 6) Their one of the main roles is to convert potential into profitable customers. The choice of channels has an impact on all other marketing decisions such as pricing, sales force and advertising. In addition, using of marketing channels implies long-term commitments with other companies, lists of agreements and procedure. (Kotler et al. 2016, 718)

As it was mentioned above, the main function of marketing channels is to move products from production to consumption. According to Kotler (2016, 725) members of the marketing channel perform several different functions:

1. Examining the marketing environment: gather information about competitors, market forces, trends, and potential and current customers.
2. Negotiate and make agreements on prices and other conditions necessary to transfer the ownership of items.
3. Develop customer communications to stimulate sales.
4. Place orders to manufacturers.
5. Obtain funds to keep inventories at different levels of the marketing channel.
6. Manage risks related to marketing channel work.
7. Provide storage of inventory and transportation of items.
8. Execute payment processes for customers through banks and other financial institutions.
9. Supervise actual ownership transfer from one company to another.

Transferring some of the functions from producer to intermediary decreases costs, but in most of the cases intermediary adds fee to cover expenses. Efficient work of intermediaries will provide consumers with lower prices, and if customers perform some of the functions themselves, the prices will get even lower. Therefore, changes in channel members reflect the efficiency to combine or separate economic functions necessary to get product to the end consumer. (Kotler et al. 2016, 726)

A zero-level or direct marketing channel takes place when producers sell directly to their customers without any intermediaries. This structure is suitable for the luxury and exclusive products if they can afford to sell products through own showrooms. (Rosenbloom 2004, 484) Typical example of direct marketing is Apple, which sells electronics to consumers through own retail outlets. Online, phone or direct mail are also tools for direct distribution. (Kotler et al. 2016, 726) The most typical problems of these methods are inability of the consumer to see or try product before purchase, high costs for printing and mailing, very low response rates, intense competition, and negative image in some cases. If a firm manages to get over these challenges, it can gain many benefits, including reaching precisely defined target market niches, great geographic coverage, customers desire for shopping convenience, and more effective and efficient direct marketing with the help of technological breakthrough in computer and online communications. (Rosenbloom 2004, 484)

Indirect marketing is used by producers when they take help of middlemen to reach to the market. Intermediaries bring the business and customers together and facilitate all the transactions. Professional middlemen have their own established networks that help to make deals over a wide geographical area. It brings especially great operational and financial benefits to small producers. However, when choosing to use services of intermediaries, producers lose the interaction with their end-customers and their hold and control. (Dhotre 2010, 8-9).

As it can be seen in the Figure 4, a one-level channel includes one selling intermediary in between producer and final customer. Ticket selling agent such as Lippu.fi is a typical example of one-level channel which connects concert or event venue and the customer. There are two intermediaries in two-level channel and in consumer markets they are typically wholesaler and retailer. And accordingly, there are three middlemen such as wholesaler, agent or jobber, and retailer in three-level channel. (Kotler et al. 2016, 726-727)

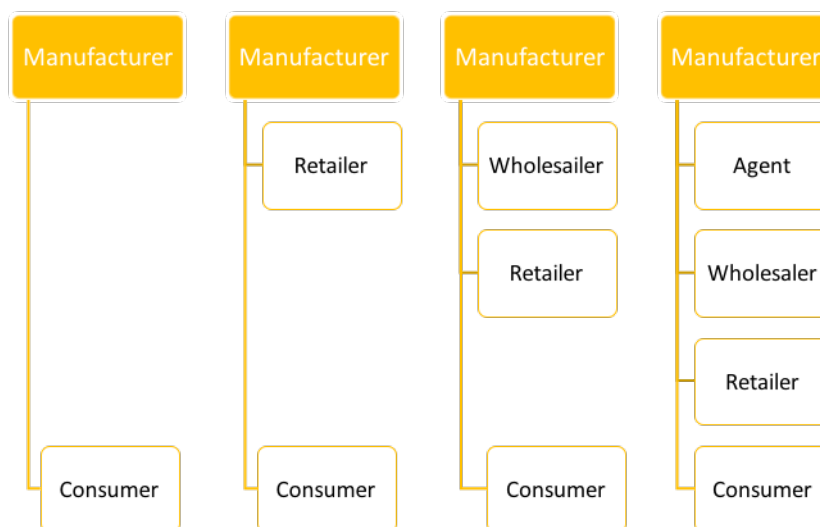


Figure 4: Zero, one, two and three level channels in B2C sector (Rosenbloom 2004, 484)

Figure 5 below represents channels that are common for B2B marketing. Manufacturer can use its sales force to sell directly to the consumer, use own representatives and sales branches, or sell indirectly through industrial distributors. (Kotler et al. 2016, 727)

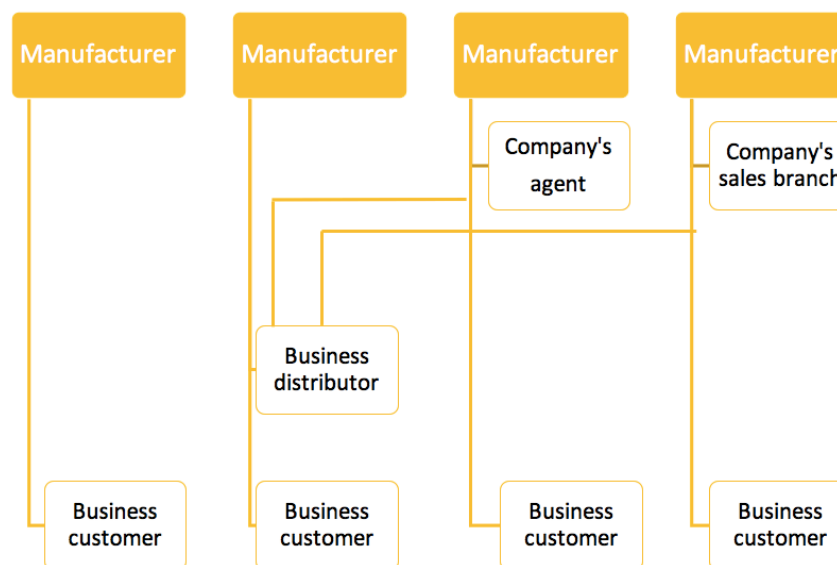


Figure 5: Zero, one, two and three level channels in B2B sector (Kotler et al. 2016, 727)

Employment of hybrid channels and multichannel marketing increases the number of go-to-market channels to any market. Multichannel marketing takes place when a company uses two or more marketing channels to communicate to their target customer groups. Channel options may include retail store, online store, dealers, email, catalogue or direct personal communication. Multichannel marketing allows to target and satisfy different customer groups, different needs of one buyer, or same target audience. (Kotler et al. 2016, 718, 743)

Showrooming is another omnichannel marketing practice that occurs when customers search and buy on different channels, stores or online. For example, a person visits a department store to try the product and see how it looks in real life, but then purchase happens elsewhere, most likely online, where price is lower. Based on recent studies, retailers can increase their revenues by moving sales from actual store to online, if it stops customer to buy somewhere else. In fact, online shopping and development of mobile technology have change shopping experience completely. (Kotler et al. 2016, 743) Next subchapter will explain in more detail, how retailers should manage their online and digital channel strategy.

### 3.3 Online and digital channel management

It is a common knowledge that e-commerce sales have multiplied in the recent years. The competition in online retail is very tight. Online stores compete in three dimensions: customer interaction with website, delivery and ability to solve problems when they appear. (Kotler et al. 2016, 746)

Pure-click companies are those that built their website in order to start the business. For instance, eBay, Asos, iTunes and Netflix are pure-click companies. Customer service quality is

the most important function of these companies. Brick-and-click are already existing companies that have implemented website for information or online retail. The main goal of these companies is to manage retail through online and offline without conflict appearing. (Kotler et al. 2016, 746)

Even B2C websites managed to integrate to everyday life of individual consumers, B2B sites are even more active and they have changed the whole relationship between suppliers and customers in several ways. B2B sites make markets more open and efficient by providing all kinds of necessary information, such as websites and contacts of suppliers, infomediaries, market makers and customer communities. These sites make market more transparent and easier to access. Undifferentiated products will experience price pressure, while highly-differentiated products will be able to demonstrate their true value. Therefore, suppliers of superior products can balance their prices, and suppliers of undifferentiated products, in order to compete, will be forced to decrease their prices. (Kotler et al. 2016, 747)

### 3.4 Strategy in marketing channels

Channel strategy mainly focuses on the four P's of the marketing mix (product, price, promotion, place) and their place variable, which is a relatively narrow focus. In order, to achieve distribution objectives in target markets and overall corporate objectives, the company should work by channel strategy principles. Rosenbloom (2004, 179) lists six basic distribution decisions that form a channel strategy:

1. The role of distribution in the company's corporate objectives and strategies
2. Role of distribution in the marketing mix
3. The design of marketing channels
4. Selection of channel members
5. Channel management
6. Evaluation of channel member performance

If the distribution plays significant role in the long-term success of a company, then its strategic planning process should be handled by the top management level in the organization. (Rosenbloom 2004, 179)

If any of the following four conditions exist, a company should put strong emphasize on distribution: distribution is most appropriate variable of marketing mix for satisfying demand of target market; other marketing mix variables are in competitive parity; neglecting of distribution leads to vulnerable competition; or distribution can create synergy. (Rosenbloom 2004, 178-179)

Marketing channel design guides the design process so, that a firm will gain a unique competitive advantage through superior channel design. The selection of channel members should reflect general and marketing objectives of the company and its strategy. Thorough selection will help to work only with suitable channel members that are able to implement the strategies effectively and efficiently. The marketing channel manager is necessary for several reasons: the manager should develop relationship with channel members, motivate them, and use the marketing mix so, that channel members are enhanced in cooperation. Finally, channel manager must make sure that design and management of the channel assure effective evaluation of channel member performance. (Rosenbloom 2004, 170-178)

### 3.5 Designing the marketing channel

Marketing channel design is development of a brand new channel or modification of existing one. Channel design is very important in activity of any company, as it helps the firm to get their unique competitive advantage. Standard channel design process, which is also called channel design paradigm, consists of seven phases. (Rosenbloom 2004, 186) The design process is represented in the Figure 6 below.

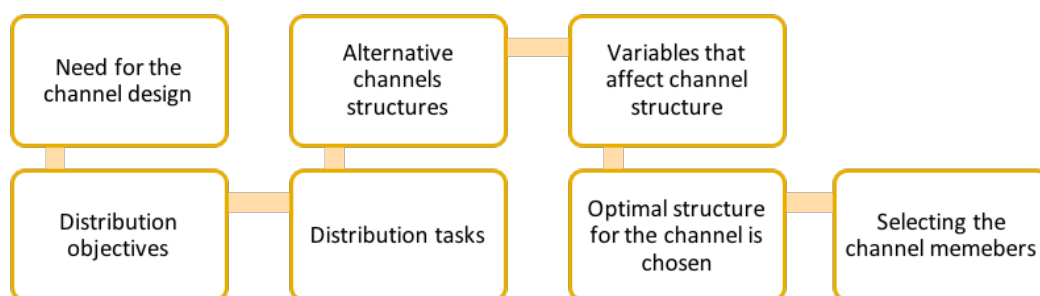


Figure 6: Standard channel design process

Phase one determines the need for the channel design decision. Channel design is needed when the new product is introduced or if a company went through some internal or external changes. (Rosenbloom 2004, 188-189) In addition, in this phase marketers analyze customer needs and preferences of the channels they want to use when buying different products. Consumers tend to choose their channel preferences according to the type of item. (Kotler et al. 2016, 728-729)

In the second phase distribution objectives are set and coordinated. They should be compatible with general marketing and other overall objectives and strategies of a company. In order to ascertain these conditions, the channel manager has to investigate the relationship between general and distribution objectives. (Rosenbloom 2004, 189-192) Marketers have to state the objectives according to service output levels and associated cost and support levels.

In a competitive market, channel members should focus on minimizing costs but still provide quality service. (Kotler et al. 2016, 730)

Phase three specifies the distribution tasks that need to be implemented in order to achieve the distribution goals. Therefore, channel manager should think carefully through and be precise in planning tasks that have to be involved. (Rosenbloom 2004, 192-194)

The development of alternative channels structures happens in phase four. There are three basic dimensions that has to be specified for the channel structure: number of intermediaries, intensity at the different levels, and the types of intermediaries involved at each level. The number of intermediaries of the channel usually varies from 2 to 5, however it can be more in some cases. Intensity at the various levels can be intensive - many intermediaries, selective - middlemen are chosen carefully, and exclusive - one intermediary per market area. (Rosenbloom 2004, 194-198) In the current market, companies have to search for innovative and creative channel members. The types of middlemen should be chosen carefully; management should consider intermediary's capabilities for performing distribution tasks. The main elements in the manufacturer-intermediary partnership are price policies, conditions of sale, territorial rights and special services that each intermediary has to perform. (Kotler et al. 2016, 731-732)

In phase five channel manager evaluates the variables that affect channel structure. There are six categories of variables that have to be considered: market, product, company, intermediary, environmental, and behavioral variables. In order to connect these variables, channel managers tend to use a few heuristics. However, such rules are only guides to decision making and cannot be used as principles for choosing a particular channel structure. (Rosenbloom 2004, 198-205)

In phase six the "best" structure for the channel has to be chosen in order to achieve distribution objectives. The "characteristics of goods and parallel systems" approach, the financial approach, the transaction cost analysis approach, and management science methods are examples of approaches that will help to make optimal or good channel choices. However, most of the time the choice is made by managerial judgment supplemented by some principles and information that are available. (Rosenbloom 2004, 206-213)

The last seventh phase of the channel design is selecting the channel members. It is as important for companies as hiring their employees, because to customers, the channels are the company. Selection happens when new channel members are added or when those that left are replaced. Firms which choose to sell directly to consumers are not faced with the selection of channel members. The selection process consists of three steps: finding potential

channel members, determining their suitability by applying selection criteria, and securing the prospective members for the channel. After search for members, company should create own flexible list of selection criteria which reflects to objectives and policies of the firm. (Rosenbloom 2004, 224-241) The next step is to train, motivate and evaluate the chosen intermediary. Carefully planned and implemented training and capability-building programs will motivate and improve performance of the intermediaries. In order to satisfy end-users of the product, constant communication between company and middleman is crucial. (Kotler et al. 2016, 734)

Building a long-term partnership with distributors brings various benefits to the manufacturing company. Maintained partnership allows a firm to have control over the distributor and request end-user data and feedback. Marketers also have to evaluate performance of intermediaries against certain standards: sales-quota attainment, average inventory levels, customer delivery time, and cooperation in promotional and training programs. All the underperformers have to be counselled, retrained, motivated or eliminated. (Srivastava & Chakravarti 2009)

### 3.6 Marketing channels conflict and coordination

Regardless perfect marketing channel design and management, there will be always some conflicts. Channel conflict appears when activity of one channel member interferes with goals of the other channel member. Channel coordination occurs when channel members are brought together to push forward goals of one channel. (Kotler et al. 2016, 740-741)

There are three types of conflicts that can appear in marketing channels management: horizontal, vertical and multichannel. In horizontal channel conflict is between channel members at the same level, for example between units of franchise restaurants. In vertical channel conflicting members are at different levels, as conflict would be between affiliated companies of one corporation. And finally, multichannel conflict happens between two or more channels that one company established for sales in the same market. The conflict increases especially, when one of the channel members manages to get lower price than others by purchasing bigger butches or working at lower margins. (Kotler et al. 2016, 741)

According to Kotler (2016, 742), there are 8 mechanisms for effective conflict management:

1. Strategic justification can reduce potential conflict among channel members by giving different versions of products to different channel members for distribution.
2. Dual compensation pays for distribution through new channels to already existing ones.



3. Setting a fundamental goal for channel members will eliminate potential conflict and unite members to work for joint target, for example for survival, high product and service quality or customer satisfaction.
4. Employee exchange between two or more channels.
5. Marketing channels managers can support joint memberships in trade associations.
6. Co-optation can reduce conflict if one company includes leaders of the other company to own advisory boards.
7. Diplomacy, mediation and arbitration can help when conflict takes place on a regular basis. Diplomacy implies a person from each side to meet and resolve problems. Mediation means that a third neutral party is involved in reconciling two conflicting companies. And in arbitration process two companies present their arguments to arbitrators who make the decision.
8. If none of the 7 methods help to resolve a conflict, a company can file a petition to the court.

#### 4 Market research

In order to develop marketing channels strategy, it is necessary to examine current market and competition for eloSpaces in Europe. All the information collected in this chapter represents position of EU furniture market in the global context, and observations of purchasing behavior of average European consumer. Accurate and complete market study has helped to clarify the objectives for eloSpaces, acknowledge their advantages and weaknesses on the market, and reduce certain risks.

##### 4.1 EU position in the global furniture market

The total production of furniture in the world was worth €361 billion by the end of 2012. In the last ten years, growth of Chinese furniture market has been impressive, turning China into the world leader taking over 40% of the total furniture market. Level of furniture production in EU is currently around the same number as it was in 2003. In contrast, furniture production in developing Asian countries, such as China, India, Kazakhstan, Malaysia, Philippines, Thailand and Vietnam, multiplied by 5 times since 2003. (Renda et al. 2014, 38)

According to research of Centre for Industrial Studies (CSIL), the office furniture market in Europe increased by 4.7% in 2015, reaching a total value of around €8 billion. The growth was mainly achieved by the largest furniture markets like Germany, France and the United Kingdom that perform over the European average level. Poland and the Czech Republic are the leaders on the Central-Eastern European market. Concentration of the market in Europe continued to increase in the last year. Currently the top twenty companies represent 42% of the total European output. (CSIL Research 2016)

Around 85% of EU demand is satisfied by its production, therefore 15% of furniture products are imported. Ten years ago EU export exceeded import, however nowadays trade balance (extra-EU exports - extra-EU imports) is nearly around zero. Exports to Russia from Europe have increased at an annual rate of 10%, exports to China increased by 19% and exports to USA have almost halved over the last decade. EU imports exceeded €10 billion last year and two-thirds consisted of Chinese products. (Renda et al. 2014, 38)

Germany, France, the UK and Italy together consume two thirds of all EU furniture production (see Figure 7). Currently overall EU furniture market has 30%-40% decrease in consumption. Furniture markets of certain countries get better, however, overall imports level recover faster than consumption. To keep in mind, Poland is the fastest growing furniture market in EU with average annual growth 6.1%. The Netherlands and Belgium are highly dependent on imports with over 70% of the total market in value. In Denmark one quarter of the market is satisfied by suppliers from neighboring Norway and also China, whereas in Sweden the situation is more favorable to domestic producers which are able to satisfy over 50% of the market. (Renda et al. 2014, 38)

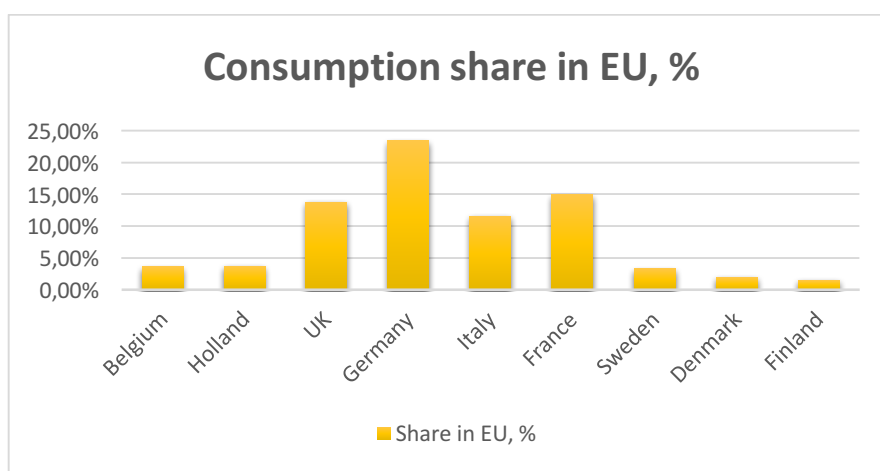


Figure 7: Consumption share in EU (Renda et al. 2014, 39)

The current situation gives at the same time favorable trade environment for eloSpaces, but also a great competition to deal with. Imposing overall decrease in furniture consumption in EU and plenty of competitors from China are making it more difficult for eloSpaces to start retailing in Europe. However, eloSpaces could market itself as “Nordic innovation” to reach Scandinavian markets, that tend to prefer domestic production. Even the general furniture consumption decreased, the growth of office furniture market almost by 5% seems promising. Therefore, Germany, France and the UK could be targeted first, as they represented the biggest office furniture consumers in EU.

#### 4.2 Purchasing behavior of consumers

According to the research of Renda (2014, 144), when choosing furniture, customers prefer that its design fits their taste or purpose. Secondly, a product should have reasonable price. This product characteristic is very subjective because each individual has own idea of what is “reasonable price”. Nowadays social responsibility is demanded more than ever before, so modern consumers want to be sure that the product is environmentally and human health friendly. (Renda et al. 2014, 144)

For certain consumer group the brand is what matters. By choosing a certain brand, consumers first of all want to be confident in their experience - they believe that successful and famous brands have greatest quality. Some people buy certain brands to support their personal or professional image, and sometimes people believe that the brands will contribute to their greater social acceptance. Companies have to work very hard in order to get their loyal customers and high-brand reputation. If they succeed to provide a consistent, high-quality experience, they will gain more loyal customers and, as consequence, long-term business benefits. (Geller 2012)

In case of eloSpaces, the product is positioned as a high-end furniture piece because of its qualities and features. Therefore, it is important for this company to know why potential customer in Europe would be willing to pay more for a piece of furniture. The statistics represented below in the Figure 8 show the features of furniture products that play a more important role in the choice of surveyed consumers.

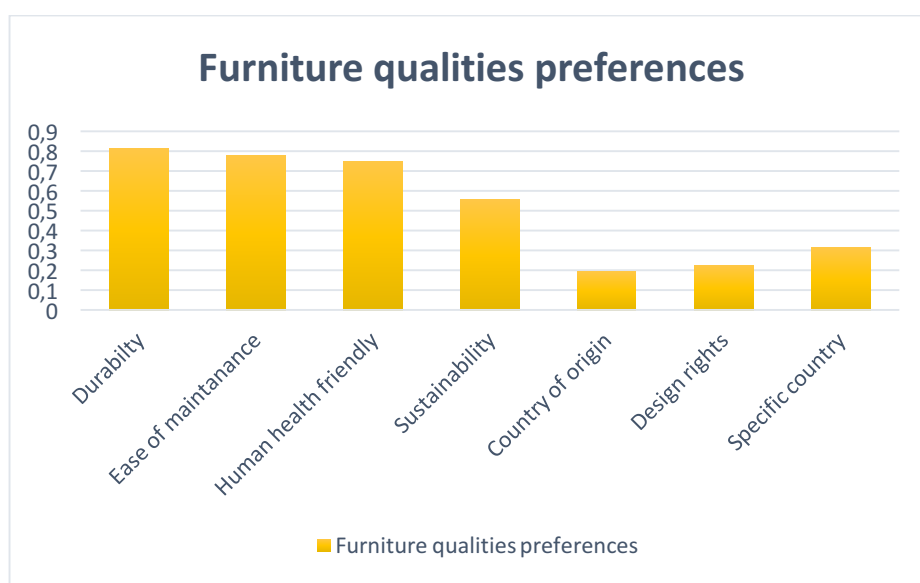


Figure 8: Customer preferences when paying more for furniture (Renda et al. 2014, 145)

High standards of durability clearly ranks first among the furniture product features, for which respondents would be willing to pay a price premium, followed by ease of maintenance and the guarantee that the furniture product is friendly to human health. The fact that survey respondents would be willing to pay more to be sure in health safety may either indicate that this is indeed a crucial concern for EU consumers or that they are not sure that the product they purchase does indeed respect certain standards on human health, even it is already covered in existing rules on product safety. Sustainability requirements concern 56% of respondents, meaning that they would pay more for a product that was made respecting fair labor conditions and that is nature friendly. A lower share of respondents is willing to pay a higher price for furniture products from a specific country of origin, followed by the guarantee that the furniture products respects design rights and the materials used in the furniture product are sourced from a specific country. (Renda et al. 2014, 145)

It is important for European customers that at the moment of furniture purchase, the product information displayed in the store is sufficient. The order of important features for the European customer is following: dimensions, hazardous substance contained in the product, durability of use, materials used, instructions on cleaning and maintenance, weight bearing capacity, safety information and/or precautions on use, quality production process applied, conformity to fair labor conditions, environmental friendliness, weight, name and/or address of the producer, instructions on disposal or recycling, origin of material of the product, origin of the product, identification of design protection. (Renda et al. 2014, 147-148)

The results of the consumer survey show that price is not the main purchase decision element when it comes to furniture products, although it remains the first factor for about 20-25% of respondents. Product brand appears as the least important knowledge for most of the surveyed consumers, with the exception of 10-15% of respondents that care for the brand. These people are normally considered as the upper segment of the market. In term of sources of product information, Internet clearly ranks as the top source. (Renda et al. 2014, 151)

## 5 Pilots and surveys

This chapter describes the empirical methods used for the practical research of this thesis project, specifically execution of pilot in Radisson Blu Hotel Otaniemi, and conduction of end-user experience and B2B online surveys. The information presented below describes the processes of planning, organizing and conducting of pilot and surveys, and data collection.

### 5.1 Pilot in Radisson Blu Otaniemi

In order to validate the market, the company has set the goal to perform several pilots in Finland and China in different target businesses such as office or hotel premises. The main pilot

in Finland was performed in Radisson Blu Otaniemi hotel in Espoo. This hotel was chosen because it is a perfect match for eloSpaces due to their image as a modern business resort. The location near the nature but close to Keilaniemi business district has allowed numerous people, from tourists to businessmen, to experience eloSpace capsule. (Tikkala, interview 20 May 2016) eloSpaces found its way to this hotel because it fitted perfectly to The Log Out Zone theme in Radisson Blu Hotel Espoo. The Log Out Zone concept offers hotel guests to enjoy group activities such as sauna yoga, jogging club every Wednesday morning, Log Out table offering a surprise menu and the opportunity for networking at The Log Out Hour: after-work club with drink specials. eloSpace contributed to the concept as a new and intriguing way for the guests to relax within The Log Out Zone concept. (Radisson Blu website 2016)

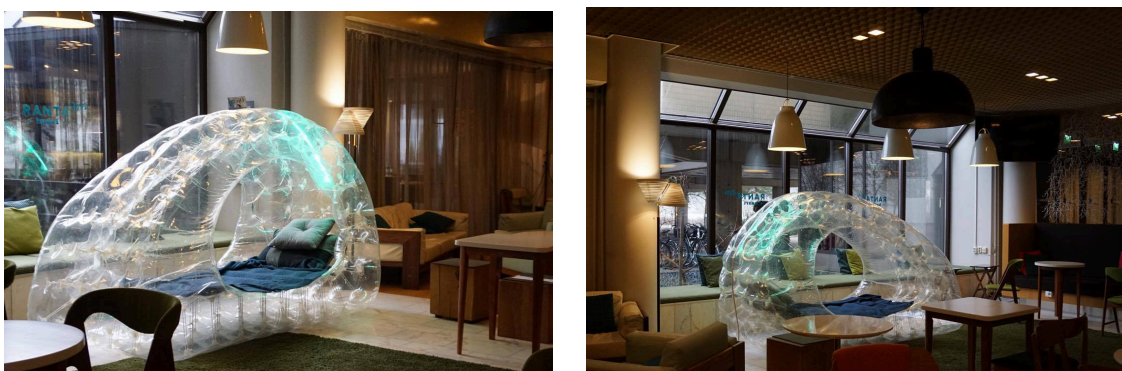


Figure 9: eloSpace in Radisson Blu Otaniemi

The main goal of this pilot was to test eloSpace in a real environment. Another aim of the pilot was to collect feedback on the features and overall ergonomics of the product. The eloSpace with LED lightning was installed at the lobby of the hotel. eloSpace was supplemented with accessories which were selected according to the style and color theme of Radisson Blu. In addition, in order to collect user feedback, a tablet was installed near the eloSpace.

Guests and visitors of the hotel had possibility to try the eloSpace capsule, read the story of the company and answer survey on that tablet. In the story of the company it was told about the mission and vision of eloSpaces, materials used in production of the capsule, its functions and features. It was also explained why eloSpaces and Radisson Blu collaborate together. The survey was created on the Survey Gizmo platform, which allowed to track results and make changes distantly. The questions of experience survey can be found in Appendix 3 of the thesis document. Collected and analyzed results will be represented in the next chapter.

The general manager of Radisson Blu hotel reported that eloSpace got a lot of attention and made people wonder what is it and try it out. The fact, that plenty of people tried eloSpace during the pilot increased the awareness about the eloSpaces company and their product. In

addition, hotel manager published an article about the pilot on the website of HOK-Elanto corporation, and it also increased visibility of eloSpaces.

In general, the pilot in Radisson Blu Espoo was considered as successful project. It helped to figure out current flows and desired features of the product with the help of people who answered the survey.

## 5.2 Potential customer surveys creation

In order to gather information on marketing channels effectiveness, it was decided to create online surveys for office and hotels managers. Questions for online surveys were planned and published in SurveyGizmo platform. In addition, a list of potential customers, including hotels and business centers, was created. The list consisted of names and locations of the facilities, and contact emails of front desks or managers. It was decided to distribute the survey links and company information through electronic mail. Emails that were sent to the front desk and general emails contained basic info about the company and request for contacts of managers. Personal emails to managers contained more detailed info about the company and product, sales and leasing offers, and a link to survey.

Unfortunately, B2B surveys in Europe are considered to be failed because managers were not willing to answer the survey. This could be explained by personal fear to click unknown links, even it was stated in the email that the link is safe. The other reason was incorrect choice of target, and as consequence contacting wrong people. Many hotel managers stated that there is no extra space in their hotel premises for such “massive” object as eloSpace, or that it just doesn’t fit their hotel style. Almost all managers replied that they do not decide or have influence on purchasing process or premises design. Most of the managers, especially in hotels, mentioned that they have forwarded the email from eloSpaces further to the responsible people and they might get interested.

At the same time eloSpaces executed B2C online surveys in China. As eloSpaces plan to work in B2C sector in Asia, it was crucial to gather opinions of individual consumers about eloSpace and their willingness to purchase it for personal use. The questions for surveys were planned by eloSpaces team in Finland in English. Unlike B2B surveys in Europe, B2C surveys in China were executed by professional firm in China. Several criteria were applied to the choice of individuals for surveys in China: half of respondents didn’t have family, other half had family with children, they all were in upper class and earned certain amount of RMB per year. During the customer online surveys in China 550 answers were collected, giving a lot of relevant and useful data about Chinese B2C market for analysis. The results of this survey will not be represented in this thesis because aim of this project was to examine European market.

## 6 Results and analysis

Radisson Blu pilot started in April, 2016 and is still going on. During this time around 400 people have read the company story of eloSpaces and around 150 people fully completed the experience survey. The pilot has been considered as successful experience by eloSpaces team. Detailed results are represented below.

Around 50% of respondents agreed that eloSpace fits hotel design, premises and overall atmosphere. It gives eloSpaces opportunity to work with modern looking hotels by offering them interesting looking product and adopting colors and needed qualities according to the requests of management. Figures 10 below indicates the percentage breakdown of qualities that guests liked in the eloSpace capsule. For the guests of Radisson Blu shape of eloSpace was eye-catching and over feeling was satisfying for over 40% of respondents. However, 21.1% of people didn't like anything about eloSpace and around 20% felt physically uncomfortable in the capsule. Unfortunately, no clear explanation was received why people felt uncomfortable. Few respondents mentioned that it wasn't private and it was dirty at the moment when they arrived and decided to try eloSpace out.

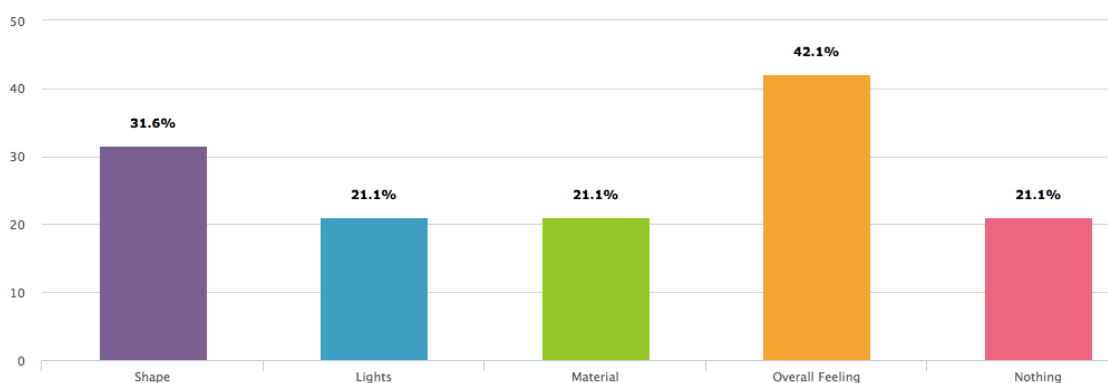


Figure 10: Qualities of eloSpace

One of the biggest dilemmas for eloSpaces is usability of the product - where and for what activity people would like to use this particular product. Two thirds of respondents in Radisson Blu agreed that eloSpace is perfect place for relaxation (76.5%) as well as napping (35.3%). Minority of people would like to use eloSpace for entertainment (23.5%) and working (17.7%). Graphical results can be seen in the Figure 11.

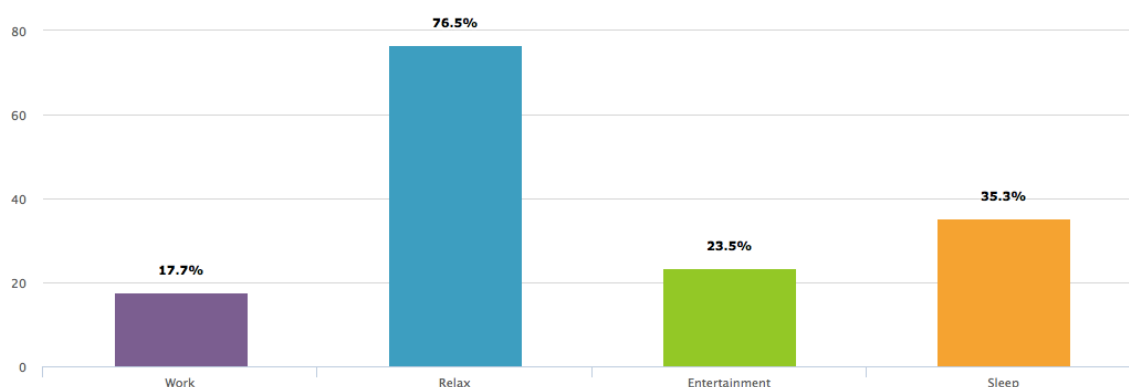


Figure 11: Usage of eloSpace

As we can see from the Figure 12 below, eloSpace users believe that visual privacy is the most important quality for this type of product (52.9%). As second most important quality respondents chose noise cancellation (41.2%), third - lighting options (35.3%), fourth - audio accompaniment and fifth - opportunity of video or visual experience. None of the respondent who chose option “other” specified what additional feature they would like to have.

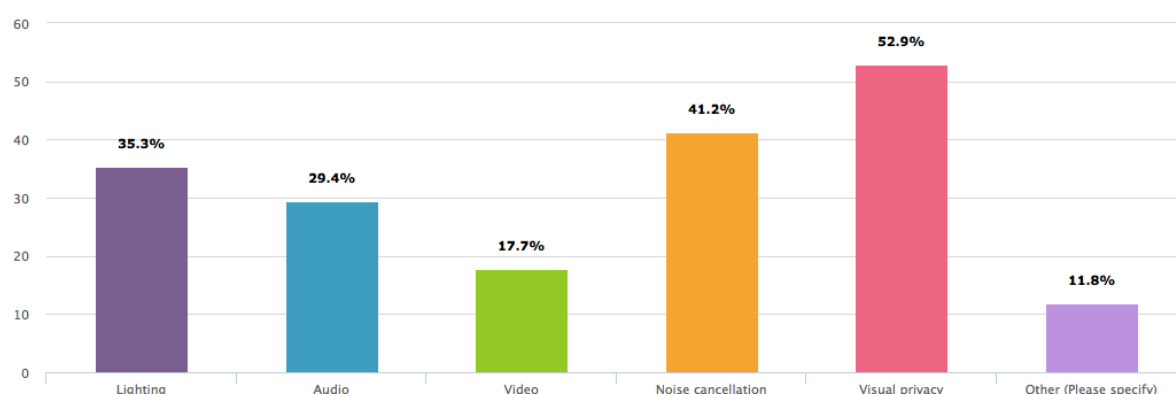


Figure 12: Importance of features for eloSpace

Based on the results of the experience survey in Radisson Blu hotel, visual privacy and noise cancellation of eloSpace capsule have to be improved. Even these qualities are considered as main features of the product, users didn't feel enough of any of those. Seating ergonomics have to be refined as well, because 20% of users felt physically uncomfortable inside of eloSpace. The other reason for enhancement of ergonomics is the fact, that people want to use it for both working and relaxing, and these activities are obviously done in different body positions. In addition, eloSpaces have to consider developing and implementing new features to the capsule such as reading light and audio system.

According to survey results, 30% of hotel guest who tried the eloSpace capsule would consider buying it, while other 70% wouldn't not. Average price for what respondents would agree to



buy eloSpace was 300 euros, which is considerably low when comparing to raw materials and production costs. In comparison, the online survey which was executed in China, over 50% of respondents would pay over 2700 euros for eloSpace with air purification. The actual starting price that eloSpaces has now set is 2000 euros depending on the features included to the eloSpace capsule. A few managers who answered the B2B survey, stated that they would rent eloSpace for the price of 50-100 euros per month.

The fact that people are willing to pay so little price for the capsule such as eloSpace, leads to necessary changes in the marketing and informing processes. It is necessary to promote and explain to potential customers that eloSpace is made of high-quality TPU material, which is environmentally friendly, uniqueness of the design, and availability of various benefits for the user. In a word, eloSpaces have to emphasize those qualities that were found out in customer behavior research in the chapter 4.2. Durability, ease of maintenance and sustainability are those qualities for which European customers would pay premium price for furniture pieces.

Even the B2B surveys didn't succeed, lots of valuable feedback and information was received. Some hotel managers really liked the idea and would find ways to use eloSpace in their hotels. However, all of the managers said that all furniture purchases are planned on an annual basis and all decisions are made by top managers that are responsible for the hotel chain or the whole group. In addition, it was acknowledged that all big luxury chain hotels hire design firms that advise on purchase and facilities planning. This information forces eloSpaces to change their approach and start targeting design and architecture firms with cooperation offers. This change will not only help to get eloSpace to the hotels and office facilities as a design object, but also sell on the bigger scale.

## 7 Marketing & Sales channels for eloSpaces

The last objective for the thesis project was to identify shortest and most efficient European market entrance strategy for eloSpaces. In this chapter marketing channel strategy is created based on distribution objectives of eloSpaces and all the data collected in theoretical part.

eloSpaces as a new company on the market, has a need of marketing channel design with possibilities of future modifications. Based on the information obtained during the research and data analysis, eloSpaces are in need for additional members in their marketing channel - intermediaries. This need is justified but the fact that it is easier and more economical for startup company to work through network, contacts and experience of a distributor. eloSpaces as producer, located in China, cannot deal directly with the ultimate consumers, especially because they are scattered over many different European countries.

The marketing channel for eloSpaces is needed in order to achieve following distribution objectives:

1. **Product availability.** The first objective for eloSpaces is to make the product available to the consumers who wants to buy it. The availability depends on the production and transportation of eloSpaces from China to Europe fast enough. Possibility to get product as soon as possible is important for customer satisfaction. However, for unique and important products, in case of eloSpaces high-end furniture, immediate availability is less critical. It gives eloSpaces time to deal with all the technical aspects, while customer perceives waiting as getting exclusive product.
2. **Meeting customer service requirements.** Channels become critical for eloSpaces if they want to meet the service requirements and create high-level experience. The service requirements include order cycle time, communication between buyer and seller, convenience and post-sale. Post-sale is especially crucial for eloSpaces as it is mandatory to set the product, show all the product possibilities to users, repair, inflate and install possible future add-ons. User experience feedback is also very important for the company. Therefore, reliable and convenient way to collect feedback should be established.
3. **Promotional support.** It includes strong help and support from the channel member for the product of eloSpaces, including the use of local media, and cooperation in special promotion events and exhibitions.
4. **Market information.** Since future intermediaries are in the marketplace and closer to consumers than eloSpaces, they are the best and first source of getting feedback on design trends, consumer behavior and reactions, and moves of competitors.
5. **Cost effectiveness.** Expenses of eloSpaces to attain the channel objectives should not equal or even be close to the profit numbers. There has to be a compromise between channel costs, associated with commissions, transportation and storing, and achieving high levels of performance on many other objectives.
6. **Flexibility.** A flexible marketing channel is one where it is quite easy to change channel structures or add new types of middlemen without big costs generating or conflicts with existing channel members. eloSpaces have to decide the commissions or percentages for every intermediary and make agreements only with satisfying both sides conditions leaving always a possibility to change the agreement.

The optimal for eloSpaces would be 1 or 2-level marketing channel so, 1 or 2 intermediaries between eloSpaces and customers (see Figure 13). According to Kotler (2016, 730), as a non-standard product, eloSpaces should be sold by sales representatives through distributors. In the first case, eloSpace would sell to distributor and the distributor would close the deals. In the second scenario, importer would buy from eloSpaces and resell to distributors, that deliver the capsule to end-users.

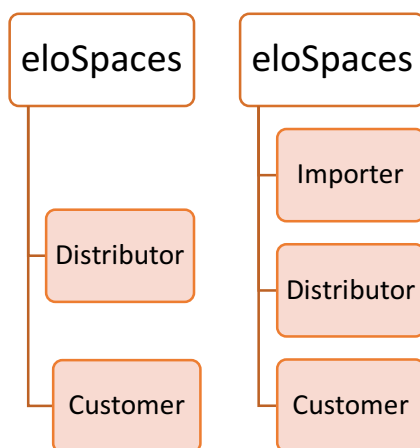


Figure 13: Marketing channels for eloSpaces

Two-level channel would be most convenient for eloSpaces to maintain the relationship with consumers and get the post-sales data. It would also allow to have more control over any intermediary and request sales and user statistics. If eloSpaces manage to make not just agreement, but a partnership with an intermediary, it would guarantee quality and honest work from the side of intermediary.

There are online platforms and offline investment fairs where eloSpaces can find dealers. Online platforms for furniture manufacturers is a great opportunity, where producers can find dealers and factories, exchange information on furniture exhibitions and public information about investment fairs.

It was noticed in B2B survey execution process that contacting different hotels and business centers one by one appeared to be not productive. Chain hotels typically hire design firms that advise on furnishing and premises design. Therefore, eloSpaces should focus on introducing business proposals to them. As eloSpaces target high-end hotels, they have to maintain good relationship with design firms. Design companies directly recommend furniture vendors or procurement agencies to hotels. Representatives of design firms are important decision makers also in the public bidding process. Important hotel furniture vendors host hotel design events regularly to maintain the relationship with design firms.

Same applies to office spaces. Architects and designers plan offices and, in most of the cases, it is up to them what furniture pieces will be bought and used. It is important to contact design firms and introduce eloSpace as soon as possible because planners will be able to implement the item only in the next new project.

Design or architecture company could also play a role of dealer between eloSpaces and office/business centers, hotels or other companies and take care of negotiation process. Other dealers could be represented by showrooms, hotel and office suppliers, design furniture chains. In addition, the qualities of eloSpace capsule allow to rent it to professional furniture hire companies, which lease quality furniture to events, exhibitions and conference venues.

Before making partnership agreements there are two types of distribution tasks to be decided by eloSpaces management - physical distribution and marketing. When taking care of logistics and transportation, the most important aspect for eloSpaces to decide is how to perform efficient delivery from China to Europe and further to the distributors or customers. If eloSpaces are produced only upon the order, the company can have just small inventory of 2-3 products ready which don't require much storage space. However, there is an option that dealers would like to order big batches to decrease manufacturing and transportation cost, but it would lead to building a storage place for inventory.

Marketing tasks include pricing strategy and promotion among potential B2B customers. It means that eloSpaces have to establish the pricing conditions with marketing intermediaries. Agents usually make their profit on commissions or fees paid for the services they provide to the company, so eloSpaces would need to agree the percentage of these commissions. Wholesalers in their turn would purchase the capsules from eloSpaces and resell them to other intermediaries at a higher price. Distributors work in a similar way as wholesalers but they prefer to maintain partnerships with producers. Distributors likely to work on exclusive rights and they would take title to eloSpaces and store them until they are sold (Business dictionary 2016).

The other thing to be decided in promotion ways among potential B2B customers. According to Bizible research (Nguyen 2015), email marketing is one of the most effective marketing channels for manufacturers such as eloSpaces. Intermediaries could help with email distribution among their established network and database. In addition, content marketing and exhibitions could bring great value for eloSpaces. eloSpaces can clearly communicate the value proposition by participating in different events and conferences. Face-to-face communication

can help to establish a customer need for the product, which is crucial for new product on the market. (Nguyen 2015)

## 8 Conclusion

The main goal of the thesis was to create go-to-market strategy for eloSpace in order to start sales in European market of high-end furniture. Designed marketing channels strategy and analyzed pilot and surveys results will allow the company to move in the right direction.

There is definitely a need in the market for optimal solution that could allow easily to create private spaces in open environments. It appears that the key performance driver for office workers across the world is the freedom to work whenever and wherever, and eloSpaces is able to fulfill this need. eloSpace product can complement modern open offices with this island of privacy that workers are craving for.

Even eloSpaces have target countries, it would be easier to start with biggest office furniture consumers in Europe: Germany, the UK and France. Durability, ease of maintenance and sustainability are the most important qualities for European customers when paying premium price for high-end furniture pieces. Even eloSpace capsule meets these customer requirements, these qualities should be emphasized more when marketing.

Pilot in Radisson Blu Otaniemi was the first big try out of eloSpace product. Testing the product in actual environment showed that the company has to work on privacy of the product and its ergonomics. In addition, there is place to improve several things: good lightning for reading and working, ergonomics of the seat, and implementing audio system. eloSpaces should emphasize that TPU is environmentally friendly material, and that product has many unique features so, people wouldn't perceive it just as an air mattress.

The information received from office and hotel managers during B2B surveys was extremely valuable. It forced eloSpaces to change the approach and start targeting design and architecture firms with business offers. It will definitely allow eloSpace to reach the market as a design object and sell on the bigger scale.

Based on all data collected and analyzed, it can be concluded that eloSpaces should work through various intermediaries in Europe, such as importers and dealers. The optimal channel should have 1-2 levels, in order to have more control over the intermediary and be able to request user experience data and feedback. The main benefit of working through intermediaries, for a startup company such as eloSpaces, is getting access to the contacts and established network of an intermediary, and as a consequence reaching a wider market and achieving revenue growth.

## 9 Discussion

Summing up the whole project, I can say that it was informative, educational and useful research process for me as a student. Nevertheless, during thesis writing, several challenges were encountered. First of all, it was problematic to find various data sources on European or global office furniture market which would be free of charge to use. Another problem appeared in research of event management process. There were almost no trustable primary sources that would tell about furnishing of events or exhibitions.

This thesis research was very resultative and very important for future development of eloSpaces company. However, some aspects were not clarified enough. I couldn't get a precise numerical answer to the research question about price point for sale and leasing in Europe. Investigating this topic produced unexpected results: it became clear that eloSpace capsule should be promoted in another way in order to reason its high price to consumers. Regarding this matter, I suggest that eloSpaces would conduct another research in B2B sector in Europe, apparently with the help of professionals. If eloSpaces also contact event organizers and furniture hire firms in the nearest future, it will be easier to see leasing point price and expand retail opportunities in Europe.

I think that with the recommendations and marketing strategy developed during this project, eloSpaces will definitely be able to enter European market and start sales with respectable profits. In my opinion the concept is very different from anything available on the market, and with this fact comes risk of subjectivity. Due to individual cognitive ways of thinking, people will always perceive this product differently. I think eloSpace capsule concept is a bit ahead of time, but I am sure that now, when contacting the right organizations, eloSpaces will definitely find its market niche and be successful in the European market in the nearest future.

It is very rewarding and proud feeling to know that the project was beneficial for eloSpaces from their point of view. Based on the results of this research they have already started to develop ergonomic seat and doors which would solve problems identified during the pilot. These modifications to the product will make it comfortable for both working and relaxing, make the product private and soundproof, allow to integrate lights, audio and air purifier in an easier and more esthetic way.

Marketing channel strategy was applied immediately and in September eloSpaces agreed their first partnership with importer in the United Kingdom. This importer, simultaneously being a design firm, will start to distribute the capsules on the exclusive rights among the retailers in the UK already in the end of this year.

## References

- Agarwal, S. 2016. Top 10 hotel interior design to watch in 2016. <http://www.excella-world-wide.com/blog/top-10-hotel-interior-design-trends-to-watch-in-2016/> (Assessed September 3, 2016).
- Allen, J. 2010. Event planning ethics and etiquette: a principled approach to the business of special event management. Hoboken, CA: Wiley.
- Boundless marketing. 2016. Types of Marketing Channels. <https://www.boundless.com/marketing/textbooks/boundless-marketing-textbook/marketing-channels-11/marketing-channels-in-the-supply-chain-76/types-of-marketing-channels-387-4051/> (Assessed June 3, 2016).
- Business dictionary. Definitions. <http://www.businessdictionary.com/> (Assessed October 24, 2016).
- Centre for industrial studies (CSIL). 2016. Status of the office furniture market in the European continent. <https://www.worldfurnitureonline.com/showPage.php?template=News&id=344> (Assessed August 27, 2016).
- Cohn, C. 2015. Differences in selling B2B vs. B2C. Forbes. <http://www.forbes.com/sites/chuckcohn/2015/06/16/differences-in-selling-b2b-vs-b2c/2/#3f1d29e469bb> (Assessed October 28, 2016).
- Conroy, J. 2016. Hotel trends for 2016. The Telegraph UK. <http://www.telegraph.co.uk/travel/hotels/articles/Hotel-trends-for-2016/>
- Dhotre, M. 2010. Channel management and retail marketing. New Delhi: Himalaya Publishing House.
- Dishman, L. 2015. 8 top office design trends for 2016. <http://www.fastcompany.com/3054804/the-future-of-work/8-top-office-design-trends-for-2016> (Assessed June 20, 2016).
- eloSpaces website. 2015. <https://elospaces.com/> (Assessed May 18, 2016).
- Event management. (Assessed October 7, 2016). <http://eventmanagement.com/planning/furniture/>
- Geller, L. 2012. Why a brand matters. <http://www.forbes.com/sites/loisgeller/2012/05/23/a-brand-is-a-specialized/#5aedc4a4504a> (Assessed October 11, 2016).
- Hotelier. 2015. 5 hotel design trends to watch out for this year. <http://ehotelier.com/insights/2015/01/14/5-hotel-design-trends-to-watch-out-for-this-year/> (Assessed July 7, 2016).
- Hotel managers group blog. 2013. 30 ways hotels can increase revenues, decrease costs and boost booking. <https://hmghotelsblog.com/2013/11/05/30-ways-hotels-can-increase-revenues-decrease-costs-and-boost-their-bottom-line/> (Assessed October 23, 2016).
- Kotler, P., Keller, K., Brady, M., Goodman, M. & Hansen, T. 2016. Marketing management. 3<sup>rd</sup> edition. New York: Pearson.
- Kotler, P. & Pfoertsch, W. 2006. B2B brand management. New York: Heidelberg.
- Lake, L. 2016. The beginner's guide to social media marketing. <https://www.the-balance.com/b2b-vs-b2c-marketing-2295828> (Assessed October 28, 2016).

Nathan, S., Schmidt, K. 2013. From promotion to emotion: connecting B2B customers to brands. Google and CEB's Marketing Leadership Council Research.

Nextrend. 2015. Top 5 hospitality trends in 2016. <https://nextrend.com.au/blog/top-5-hospitality-trends-for-2014/> (Assessed October 5, 2016)

Nguyen, A. 2015. An industry analysis of the most effective B2B marketing channels. Bizible research. <http://www.bizible.com/blog/b2b-industry-analysis-best-marketing-channels> (Assessed October 31, 2016)

Renda, A. et al. 2014. The EU furniture market situation and a possible furniture product initiative. Brussels: Centre for industrial studies.

Rosenbloom, B. 2004. Marketing channels: a management view. Mason: Thomson South-Western.

Rothe, P. 2015. Is there method in the madness? Exploring short-distance relocation processes. Doctoral dissertation. Helsinki: Aalto university.

Rothe, P. 2015. Mitä voimme oppia maailman parhaimmista työympäristöistä? Helsinki: Leesman research for Skanska.

Saha, V. 2014. Biggest challenges facing rental equipment companies on NetSuite. <https://www.linkedin.com/pulse/20141118202158-9123771-biggest-challenges-facing-rental-equipment-companies-on-netsuite> (Assessed October 26, 2016).

Schawbel, D. 2015. 10 workplace trends you'll see in 2016. Forbes. <http://www.forbes.com/sites/danschawbel/2015/11/01/10-workplace-trends-for-2016/2/#205f978d456e> (Assessed October 21, 2016).

Shevory, K. 2011. Office work space is shrinking, but that's not all bad. The New York Times. [http://www.nytimes.com/2011/01/19/realestate/commercial/19space.html?\\_r=0](http://www.nytimes.com/2011/01/19/realestate/commercial/19space.html?_r=0) (Assessed October 21, 2016).

Srivastava, J. & Chakravarti, D. 2009. Channel negotiations with information asymmetries: contingent influences of communication and trustworthiness reputations. Journal of marketing research. <http://journals.ama.org/doi/pdf/10.1509/jmkr.46.4.557> (Assessed October 26, 2016).

Tikkala, S. Chief technology officer. eloSpaces Oy. Interview with the author. 20 May 2016. Espoo. Personal communication.

Uusi työhuoneesi on avattu. Sokos Hotels. 2016. [https://www.sokoshotels.fi/fi/ajankoh-taista/uutinen/uusi-tyohuoneesi-on-avattu/012703822\\_419607](https://www.sokoshotels.fi/fi/ajankoh-taista/uutinen/uusi-tyohuoneesi-on-avattu/012703822_419607) (Assessed August 19, 2016).

Waber, B., Magnolfi, J., Lindsay, G. 2014. Workspaces that move people. Harvard business review. <https://hbr.org/2014/10/workspaces-that-move-people> (Assessed October 21, 2016).

Watkins, E. 2016. Hotels embrace creativity to generate extra revenues. <http://www.hotelnewsnow.com/Articles/32630/Hotels-embrace-creativity-to-generate-extra-revenues> (Assessed October 23, 2016).



## Figures

Figure 1: Basic version of eloSpace .....	6
Figure 2: Satisfaction of office workers (Rothe, 2015).....	10
Figure 3: Co-working space in Sokos hotel Hämeenlinna (Sokos hotels 2016).....	13
Figure 4: Zero, one, two and three level channels in B2C sector (Rosenbloom 2004, 484) .	19
Figure 5: Zero, one, two and three level channels in B2B sector (Kotler et al. 2016, 727).	20
Figure 6: Standard channel design process (Rosenbloom 2004, 188-213, 241).....	22
Figure 7: Consumption share in EU (Renda et al. 2014, 39).....	26
Figure 8: Customer preferences when paying more for furniture (Renda et al. 2014, 145)	27
Figure 9: eloSpace in Radisson Blu Otaniemi .....	29
Figure 10: Qualities of eloSpace.....	31
Figure 11: Usage of eloSpace .....	32
Figure 12: Importance of features for eloSpace .....	32
Figure 13: Marketing channels for eloSpaces.....	35

## Appendices

Appendix 1: Terms and definitions.....	43
Appendix 2: B2B survey questions for hotels and business centers .....	44
Appendix 3: End-user survey questions for Radisson Blu .....	48

## Appendix 1: Terms and definitions

*Manufacturer* is an entity which makes a product from the raw materials and components with the usage of labor of different workers.

*Consumer* is either a purchaser or an end user of a good or service.

*Middlemen/Intermediary* is any channel member that plays some role in bringing the product or service to market.

*Dealer* is an individual or company that buy products from a producer or distributor for whole-sale and retail reselling.

*Vendor* is a supply chain management term that means anyone who provides goods or services to a company or individuals. A vendor often manufactures inventorial items, and sells those items to a customer. Typically, vendors are tracked in either a finance system or a warehouse management system.

*Distributor* is a person or business who gives out or sells goods or services to customers or other businesses. An example of a distributor is a person who sells Tupperware home products.

*Wholesaler* a merchant middleman who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users mainly for resale or business use.

*Retailer* is a business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business.

*Infomediaries* are third parties in B2B retail, that add value by aggregating information about alternative channels.

## Appendix 2: B2B survey questions for hotels and business centers

### Hotel survey

1. What type is your hotel?
  - a) Business
  - b) Tourism & Leisure
  - c) Luxury
  - d) Spa
  - e) Other
2. What are the most important factors in how your hotel's public areas are furnished?
  - a) Comfortability (user experience)
  - b) How it looks and fits to the hotel's theme (product design)
  - c) Price
  - d) Environmental sustainability
  - e) Country of origin/production
  - f) Other
3. Does your hotel have dedicated spaces for guests to work or relax?
  - a) Working (other than meeting room)
  - b) Relaxing (other than spa, bar)
  - c) None
4. What are the most important qualities of you hotel's public spaces?
  - a) Quietness and calmness
  - b) Good first impressions
  - c) Unique design
  - d) Cosiness and atmosphere (music & lightning)
  - e) Other
5. How would eloSpace help to improve the following aspects of public spaces?
  - a) Not at all
  - b) Slightly
  - c) Quite well

d) Completely

6. Where would you put eloSpace?

- a) Lobby
- b) Bar and lounge
- c) Terrace and pool/spa area
- d) Library and working space
- e) Garden
- f) Suites
- g) Standard guest rooms (客房)
- h) Event / seminar rooms
- i) Other

5. Which aspects are you concerned about in eloSpace?

- a) Comfortability
- b) Being used only rarely
- c) Durability
- d) Safety
- e) Functioning as described
- f) Size
- g) Movability and transportation
- h) Other \_
- i) No major concerns

6. How much would be a suitable price for eloSpace? Would you prefer renting or purchasing?

a) Renting, monthly fee

- i. Below €50
- ii. €50 - €100
- iii. €100 - €150
- iv. €150 - €250
- v. €250 - €350
- vi. Above €350

b) Purchasing

- i. Below €1000
- ii. €1000 - €1500

- iii. €1500 - €2500
- iv. €2500 - €3500
- v. €3500 - €5000
- vi. Above €5000

7. Would you consider purchasing or recommend purchasing eloSpace for your hotel?

- a) Yes
- b) Maybe

i. Biggest concern? (optional)

c) No

i. Why? (optional)

#### Office questions

1. What are the greatest concerns regarding working efficiency in your office?

- a) Disruptions and noise
- b) Lack of privacy
- c) Lack of personalization (personal music and lighting)
- d) Air quality
- e) Work station ergonomics
- f) Lack of refreshment spaces
- g) Other

2. How well do you think eloSpace would solve these problems?

3. How would eloSpace be used in the office?

- a) For napping
- b) For work which requires deep focus
- c) For normal work
- d) For having teleconferences in private
- e) For entertainment or relaxing
- f) Other

4. What do you think about the following qualities of eloSpace?

- a) Comfortability
- b) Use ratio
- c) Durability
- d) Safety
- e) Functioning as described
- f) Size
- g) Movability and transportation
- h) Other
- i) No major concerns

5. How much would be a suitable price for eloSpace with full functionality? Would you prefer renting or purchasing?

a) Renting, monthly fee

- i. Below €100
- ii. €100 - €150
- iii. €150 - €250
- iv. €250 - €400
- v. 400 - €600
- vi. Above €600

b) Purchasing

- I. Below €3000
- II. €3000 - €4000
- III. €4000 - €5000
- IV. €5000 - €6000
- V. €6000 - €7000
- VI. Above €7000

6. Would you consider purchasing or recommend purchasing eloSpace for your office?

- a) Yes
- b) Maybe

i. Biggest concern?

c) c. No

i. Why?

### Appendix 3: End-user survey questions for Radisson Blu

Too al of the questions end-user could choose the answer on the following scale: Strongly Disagree - Disagree - Neutral - Agree - Strongly Agree

1. eloSpace fits hotel's design, premises, and atmosphere

2. I liked the following qualities about eloSpace

- Shape
- Material
- Light
- Colours
- Sound

3. I felt physically comfortable inside the eloSpace. If disagree: what was the problem?

4. eloSpace provided feeling of privacy

5. What features in your opinion are important for space like eloSpace? (you may select many)

- Lights
- Music
- Flexible screen
- Soft material
- Other (please specify)

6. Select how would you use eloSpace

- Work
- Sleep
- Relax
- Entertainment
- Other: how?
- I would not use it

7. Would like to purchase the eloSeed?

- Yes: for what maximum price? where would you use it? (Home, office, cottage, other)
- No: why not? Select reason:
  - It is too big



- It is uncomfortable
- I do not need it
- Other (please specify)

8. Open suggestions & overall feeling