

Ekornes - Developing a "Stressless" Marketing plan

Ekornes is one of Scandinavia's largest furniture manufacturers, and sells their furniture designs all over Europe and beyond. The company was founded in 1934 in north-western Norway. From their small base in Sykkylven set amidst deep fjords, and mountains, the company has gone on to become an international success story. From these humble origins, the firm has become an international success story, selling furniture in 19 countries including USA and Japan. The company is famous for its 'Stressless' brand of leather recliners. This product range has become the cornerstone of the company's success. It sells their extensive furniture range under a number of different brands such as 'Stressless' recliner chairs, the 'Ekornes' sofa collection, 'Svane' mattresses, and 'Socco' beanbags. Ekornes uses a variety of different brands to cater for different markets and consumer segments, but the Ekornes name is always associated with these sub-brands, and the company is always trying to enhance brand association and awareness. It feels that by consumers seeing the Ekornes brand name, it acts as a sign of great product quality. Ekornes has developed into a one of Norway's most well known international brands.

Jen Ekornes, started the company with three employees, and initially pioneered the selling of mattresses with springs loaded inside the mattress. This was developed into the "Svane" mattress brand. Over 70 years later, this brand continues to be sold. Gradually the firm expanded their range to include other furniture. Now the firm encompasses a range of sofas, recliners, ottomans, tables, chairs, mattresses, and other furniture accessories. It achieved international success and prominence through its landmark and distinctive recliner designs. Through its history it has experienced highs and lows, nearly experiencing bankruptcy, and having to face large lay offs. This evolution has seen the firm use a variety of sales structures, seeing different phases of expansion and retrenchment. Now the firm is powering ahead, through developing its international sales, and capitalising on the strength of its recliner range.

Figure 1 – Ekornes – At a Glance

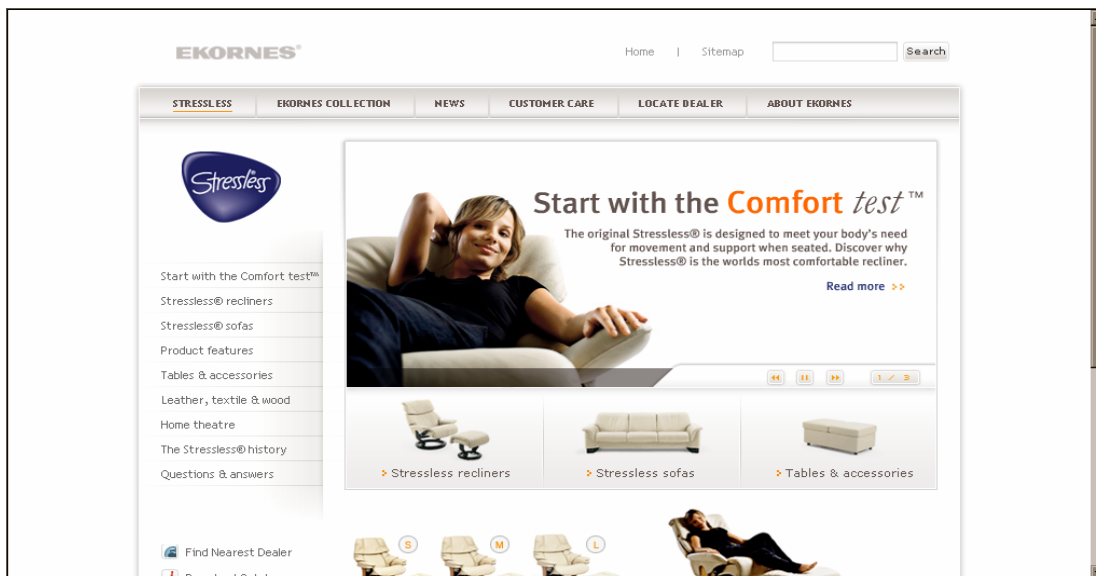
Headquarters are based in a beautiful mountainous region in Iknnes, which is an area called Sykkylven, Norway.
Its slogan - "*The Innovators of Comfort*"
Founded in 1934.
Has revenue of 2,292 million (NOK) or €282 million in 2005.
Profits of 303 million (NOK) or €37 million
Employs 1,545 staff.
Has a total of seven factories in Norway. The company has invested heavily in state of the art machinery, including automated robots.
The firm now has the capacity to produce over 2,000 'Stressless' seats a day.
Ekornes products are available through a network of furniture dealers in over 19 countries including Germany, UK, France, Russia, Japan, Canada, USA, and Poland.
Over 82% of the firm's products are destined for foreign markets

Its main vision is to become a leading brand name supplier of home furniture in domestic and international markets. It believes in offering customers, a great quality premium product at great value for money. In promoting the range, Ekornes uses studio merchandising, showcasing a variety of Ekornes products in a typical real life setting. Here samples of the product range are shown to full effect, where prospective buyers

are encouraged to take “*the Ekornes comfort test*”. Ekornes designs products with a focus on comfort, design, and function. Any of the product range has to entice customers, and make it distinctive from competing furniture ranges, especially in competing against low cost suppliers. Ekornes offers 10-year guarantees on its internal mechanisms, which is a testament to its quality. The firm uses furniture designers to come up with new designs that make the range modern and highly sought after. Similarly the firm works closely with textile suppliers to ensure their colours, designs are fashionable for modern consumer tastes. This is particularly important with the firm’s sofa ranges that can easily date.

The ‘*Stressless*’ brand is the company’s core brand. It was originally designed back in 1971. Its functional design, unique base support, adjustable headrest, 360 degree rotation, free standing footstool and overall comfort offered to users proved a winning combination. The company vigorously defends its unique design, winning copyright infringement cases against would-be furniture copycats. These recliners are offered in three sizes, small, medium, and large. One of the main selling points of the ‘*Stressless*’ recliner is that the chair is highly adjustable to provide maximum lumbar support and comfort. It uses the strapline of the ‘*ultimate recliner*’ to support the ‘*Stressless*’. Furthermore the firm sells a range of ‘*Stressless*’ accessories to compliment the recliner such as table attachments, and height adjusters. It offers the recliners with four different categories of leather, with different finishes, and these can then be chosen in a wide variety of colours. Ekornes customers can chose from over 50 different leather colours, and 7 different wood grain effects. The level of customisation is a key selling point that entices would-be customers, and allows the firm to charge premium prices. These recliners like most of the product range are priced at the premium end of the market. A recliner can retailer for anywhere between £1,200 (€1,725) and £1,800 (€2,675).

Figure 2 – Ekornes Website.



The ‘*Stressless*’ recliners account for 79% of total sales, the mattress range 9%, the sofa collection another 9%, while the remainder makes up other Ekornes furniture products. It hopes to break into new markets such as creating suitable furniture for the home cinema phenomenon, selling a range of sofas and recliners suitable for home cinema enthusiasts. The company has changed with the times offering a new feature, called “safe” on certain models allowing the leather upholstery to be removed like a duvet cover, so that it can be washed and cleaned. The company has also developed corner

and sofa units for its recliner series. These developments have strengthened the company's product portfolio, showcasing the '*Stressless*' brand philosophy.

Its closest comparable competitors in the market are the American famous La-Z-Boy, and Italian Natuzzi product range. Other recliners are not strongly branded, yet are sold through well-known large retail chains such as DFS, Argos and Ikea. Some of these large retail chains have tremendous buying power and market prominence, selling their own label branded furniture. Many of Ekornes competitors are small to medium sized suppliers, mainly based in Asia. Their distinct advantage is cost. Far East furniture suppliers have helped drive down furniture prices, and helped democratise leather furniture. The company envisages that to remain successful, it must consistently build the brand, invest in product development, and have a strong distribution network. Through this commitment it can achieve higher margins that make its future more sustainable.

To reduce costs Ekornes tries to standardise components. It endeavours to garner economies of scale through large volumes, especially when it competes with low cost manufacturing sites such as in Far East Asia. Its production philosophy is focused on continuous quality improvement initiatives, delivery precision, and the optimisation of the company's manufacturing resources. In an effort to get greater production efficiencies, the firm is aiming to reduce the number of models it offers to customers, whilst achieving higher volume sales on core Ekornes products. The company has 32 different '*Stressless*' recliner models, and 12 different '*Stressless*' sofa models.

Figure 3 – The Objectives of Ekornes Objectives

1.	have a return on total booked assets of min. 25%
2.	have a return on sales of min. 15%
3.	have an asset turnover of min. 1.7 times
4.	have an equity ratio of min. 40 – 50%
5.	have a gross margin in the Stressless business segment of min. 49%
6.	have a gross margin in the Svane business segment of min. 40%
7.	have a gross margin in the Ekornes Collection business segment of min. 40%
8.	have an annual growth of 5 – 10%

The company sells its products through selected retail chains and independent furniture dealers. The company sees further growth in new international markets such as Italy, Portugal, some Eastern European countries, and Asia. The firm is an export driven firm with over 82.1% of products exported abroad. The company uses a network of company owned sales offices to establish a network of specially selected distributors in foreign markets. Typically retailers include retail chains and independent furniture dealers. The furniture range is sold exclusively through these retail dealers, and is not available on the Internet. Ekornes believes that customers want to 'touch and feel' furniture before buying it. The tangible nature of furniture buying is very important. Dealers have samples of different woods and finishes, which customers can order. The selection of reputable dealers in international markets is seen as crucial. Dealers are chosen based on suitable geographic distribution coverage. Ekornes view is that they have to form mutually beneficial partnerships with its dealers that encourage dealer motivation to stock and support Ekornes marketing. Not all of the Ekornes range is available

internationally. Its truly international brand is the 'Stressless' recliner, with 95% of all 'Stressless' recliners being sold in export markets. Its 'Sacco' beanbag furniture range specially designed for kids and the 'Svane' mattress is extremely popular in Scandinavian markets, having a 70-year-old brand heritage.

The company has a presence in over 19 countries. Ekornes has even opened a showroom in Las Vegas. Ekornes has a variety of international websites designed to promote the brand. The look and feel of these websites is generic, yet all the sites have local content. No prices are published on their website or on dealer websites. The company encourages dealers to use the Ekornes brand on dealer Internet sites also. The company focuses their marketing strategies on strong point of purchase displays, and local advertising campaigns in conjunction with their dealer network. Building up the distribution base for Ekornes internationally is vital. A key activity in securing greater distribution coverage is forming and cultivating relationships with dealers. The company uses international furniture fairs to secure new dealers, and showcase their product range to prospective dealers. The range and number of dealers vary depending on the international market targeted. For example, to expand in Japan, Ekornes uses a network of 400 dealers, where it directly assumed ownership of the sales channel, by taking over the activities of an importer who had previous responsibility. In the USA, there are over 375 furniture dealers with 550 outlets that stock Ekornes. Sales growth for Ekornes products is continuing to grow in all international markets achieving between 5%-10%. However challenges are on the horizon including mounting cost pressures, exchange rate fluctuations, pressure on retailer margins, enhanced competition, and copycat products.

Many international furniture dealers are motivated to stock Ekornes due to the strength of the Ekornes brand name, the product range, its heritage, its popularity within the market, and most importantly its margins! In addition to providing a dealership contract, Ekornes provides dealers with additional training programmes for retail sales staff, branded marketing material, Internet marketing support, and studio solutions showcasing the product range. Any marketing activity is designed to promote Ekornes brand identity, and to encourage footfall to their dealer network. Both the strength of the product and its pricing are important. Ekornes feels that an effective supply chain can help encourage consumer purchase behaviour. Ekornes tries to ensure short lead times for products to be delivered, and that promised lead times are met. Product is typically flat packed to their dealer network, whereby dealers look after final assembly and delivery of the product to consumers. Ekornes want to create a reputation as a reputable supplier of furniture. The timely delivery of flawless products is vital in achieving this reputation. Any complaints are handled as expeditiously as possible.

Through their advertising the company tries to emphasise – “*The Comfort Test*”, and uses the slogan “*The Innovators of Comfort*”. This is their core positioning strategy, which has been tremendously successful. Will it continue to yield dividends into the future?

Case Questions

1. **Develop a long-term marketing plan for Ekornes, as it attempts to achieve further international success.**

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