

# THE MARKETING SERVICES ON THE FURNITURE MARKET

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## *Abstract:*

*The distribution of furniture has seen profound changes leading to accelerations of the dynamics of the competition environment, these changes being influenced, among other things, by the diversification of offer comprising new services. Today it seems essential to consider the distribution of furniture as an "industry that creates utility". Indeed, the consumer is analyzed not only as a function of product characteristics, but as a set of utilities and advantages that distributions propose in their strategies of associated services. The services appear, in the same time, as variables which are applied by the distributor in his strategy to differentiate themselves and as utilities associated to the product, utilities which the consumer - as "problem-solver" - integrates in his decision making process. The consumer buys not just a simple product (furniture), but a global product which includes a sum of jointed attributes and utilities (proximity, product line, point of sale concept, information, warranty, etc.). This paper analyzes the services offer from the distribution of furniture as a method to solve the problems of furniture buyer. From this perspective the paper takes into consideration the various profiles of buying behavior, makes a critical analysis of the structure of services involved, defines a new structure of services based on the phases of buying behavior process.*

*Keywords: furniture's distribution, marketing of services, buyer behavior*

## **Introduction**

The distribution of furniture is based on few strategic variables that accompany the product. These variables result from the organization of distribution channel and from the nature of consumer-product relationship. These variables are related to:

- The dominant position of distribution
- Poor identification of the product due to a small number of brands
- The difficulty to compare various types of furniture
- The low frequency of buying (once or twice during the lifetime of a couple)
- The utility and symbolic functions of the product
- A long-life durability of the product after it has been purchased by the consumer

The commercial policies and the

different strategies toward the consumer are based on the variables specified above that supplement "the offer of products" of furniture of the distributors. The producers try to offer a differentiated position in relation with their clients by a multitude of services that require a double approach: conceptual and typological.

## **The concept of service associated to the furniture**

The notion and the role of services are considered largely in the economic analysis but there are few papers dedicated to the services associated with the distribution of furniture in particular. Our approach is to clarify the notion of "*services delivered*" instead of "*services sold*". Until recently, only the services grouped in the category

"after sales services" were analyzed by the marketing literature, this being also reflected in the practice by the establishment of certain organizational structures.

### **Definitions**

Besides the definitions dedicated to the study of the tertiary field, there are a few definitions, complementary rather than exclusive, pertaining to the services in distribution.

The American Marketing Association defines the service as "*an activity related to the selling that offers advantages and satisfactions without involving a physical change under the shape of a good*" This definition emphasizes the commercial side of the service that is exactly the notion of service from the tertiary sector.

In the Dictionary of Academy of Science from France the services are defined as "*the assembly of advantages or satisfactions obtained directly or by using of a good that was acquired by the beneficiary of the service (e.g. - food, mobile phones) or the right to utilize (e.g. - the railway)*".

For Kotler (1997:570) the service represent any activity or benefice that one part can offer to the other part, that is in general intangible and its result does not lead to the property right over a tangible good.<sup>1</sup>

Another interesting definition is proposed by T.P. Hill (1977:478) who defines services as "*changes in the status of a person or good, that are the result, based on order, of another person or economic agent*"<sup>2</sup>. This definition has the merit to emphasize the fact that services represent an exchange, reversible or irreversible, temporary or durable, over the existence of an order, a tacit

or contractual deal between the producer and the client. The specialists agree on the fact that the main differences between the process of production of services (also known as servuction) and the process of production of tangible goods is the fact that in the first case, the client is part of the production process.

We note that besides the definitions relating to the services in a broader sense, there are definitions that regard the service in a narrow manner. In this perspective "*the service is an element of the marketing policy of a company designed to offer additional utilities to the product or to the company*"<sup>3</sup> (Tordjman 1983). The same author, relating to the commercial services, proposes a more restrictive definition but correlated with the distribution of furniture: "*the sum of satisfactions or utilities that a store offers to its clients. Some services are in relation with the acquisition of a product, others vary depending on the organization of the store*". The author reiterates the idea that, for the buyer, the product *per se* is not the most important thing, but the advantages and satisfactions that the product offers and so, the notion of service is related to the notion of utility. In the same line with the above definition we can say that the service towards the buyers comprises all the advantages related to the sells, the ultimate goal being the satisfaction of the client and then obtaining its fidelity.

Taking into account the moment of decision, there are very important the services for the buyer in the pre-decision phase and post-decision

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<sup>1</sup> Kotler, Philip (1997). *Managementul Marketingului*, București: Editura Teora, p. 570

<sup>2</sup> Hill, T. P. (1977), "On Goods and Services", *The Review of Income and Wealth*, p. 478

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<sup>3</sup> Tordjman, Andre (1983), *Stratégies de concurrence dans le commerce - les services aux consommateurs*. Paris: Les Editions d'Organisation, p. 356

phase. For the distributor of furniture, the services represent the sum of commercial activities performed to increase the global utility of the client, following the search, acquisition and usage of a product. The product is in the center of the consumer-service relationship. If we induce a chronology in the process of acquisition and consumption of services associated to the product, then we can specify that:

- Two identical products may have different utilities according to the selling techniques of the distributors;
- The utilities of some services are distinguished even before the acquisition of the product, during the search phase, and they help the consumer to assess and to differentiate the content of the distribution brands (proximity, time schedule, the product range, the advice of the sellers). Other services only appear after the purchase (the warranty, delivery time, following the products in consumption).

### ***Specification of the services***

The presentation of the specification of the services associated with the distribution of furniture allows us to present the constraint associated with commercial politics<sup>4</sup>.

The services are immaterial: they do not have packing, labeling, they cannot be tasted or tried before their consumption.

The services cannot be stocked: to put it in another way unused services cannot be accumulated. The unutilized parking capacity from the hours with low activity during the week cannot be translated in the busy hours from Saturday: the surplus of inactive sellers is often

insufficient to advise the clients during the time of intense traffic. From this point of view the politics to regulate the traffic through discounts and promotions must find original application in the area of furniture distribution, where the activity is reduced in spring-summer time and in the middle of the day. For the big retailers we propose the free delivery in the periods with low activities in order to make linear the daily traffic of the clients.

The production, assessment and consumption of services are simultaneous; there is no time interval between the production and the consumption of services. For the consumer there is an inherent risk associated with the buying decision because he will evaluate the service after the purchase. The buyer asks himself many questions: which will be the quality of service in the moment of delivery? Which will be the efficiency of the warranty offered by the producer? The best way to evaluate the services requires a knowledge of the market by the consumer (the experienced is reduced for less frequently purchases) and also, it is necessary for the distributor to specify the advantages and specific tasks performed (e.g. the chart of after sell services established by the specialists of the furniture distribution firm).

The production of services has only small gains of productivity. Indeed, the economies of scale obtained through standardization of service are very weak depending on the variety of possible combination of factors in service selling (capital factor for a parking space; human factor for decoration and, capital and human factor for furniture delivery). It also depends on the exigencies in consumption of furniture (the accuracy of advice, the precision of delivery, the installation in the client's place).

From an economic point of view it

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<sup>4</sup> Ionciă, Maria (2002), *Economia serviciilor. teorie și practică*. București: Editura Uranus, p.145-153

will be very useful to be able to commensurate the contribution of each factor of production and also to perform a precise analysis of the total cost.

The evolution toward standardization has as objective the diminishing of the importance of human factor in production of services and also to make the production of services more liable. In this sense we can exemplify by merchandising in self-service departments in major furniture stores. The eventual lack of utility that derives from this kind of consumer-point of sale relationship is acceptable if it is accompanied by a compensatory price-policy.

The concept of service associated to the act of selling is too complex to be delimited. This complexity is evidenced by the variety, heterogeneity of services susceptible to be proposed in the distribution of furniture. The presentation of this variety will be discussed in the next section.

### **How consumers purchase furniture services**

Successfully service organizations, like successfully product-oriented firms, must understand how the consumer views a service and in what ways a company can present a differential advantage relative to competing offerings.

#### ***The purchase process***

The intangible and inseparable aspects of services affect the consumer's evaluation of the purchase. Because services cannot be displayed, demonstrated, or illustrated, consumers cannot make a pre-purchase evaluation of all the characteristics of services. Similarly, because services are produced and consumed simultaneously, the buyer must participate in producing the service and that participation can affect the evaluation of the service. Tangible

goods such as clothing, jewelry, and furniture have *search* qualities, such as color, size, and style, which can be determined before purchase. Services such as restaurants and child care have *experience* qualities, which can only be discerned after purchase or during consumption. Finally, services provided by specialized professionals such as medical diagnoses and legal services have *credence* qualities, or characteristics that the consumer may find impossible to evaluate even after purchase and consumption. To reduce the uncertainty created by these qualities, service consumers turn to personal sources of information such as early adopters, opinion leaders, and reference group members during the purchase decision process.

#### ***Purchase evaluation***

Once a consumer tries a service, how is it evaluated? Primarily by comparing expectations about a particular service to the actual experience a consumer has with the service. Differences between the consumer's expectations and experience are identified through *gap analysis*. This type of analysis asks consumers to assess their expectations and experiences on dimensions of service quality. Expectations are influenced by word-of-mouth communications, personal needs, past experiences, and promotional activities, while actual experiences are determined by the way an organization delivers its service. The relative importance of the various dimensions of service quality varies by the type of service.

#### **Type of service associated with the distribution of furniture**

Accordingly to the above definition we will present the concept of service associated with the tertiary sector or the service incorporated in a product, relating to a broader sense, in order to examine the advantages

associated with the commercial proposal of the distributors. We will only refer to a service that accompanies a tangible good, the furniture. The variety of the services that accompany a tangible good requires their classification starting from coherent types that do not exclude each other, but permit the investigation of entire sphere of services and their articulation, and also, permit the evaluation of typology that will serve as a reference framework<sup>5</sup>.

#### ***Classification of services after their nature***

In our approach we distinguish: services for the help of the client; services related to the environment; administration services.

All these services can fit very well to the specific of furniture distribution.

##### *Services for the help of the client*

Services for the help of the client relate to the assembly of services that represent an assistance awarded to the consumer in his decision-making process or assistance on how to use the product. In this category we can include: the advice of the sellers; the place where the children are left under surveillance; home consulting for various types of furniture; home installation of the furniture; furniture packing in order to be picked by the client; warranties.

##### *Services related to the environment*

The environment services are in accordance to the advantages proposed by the distributor, and also facilitating the resolution of space gap and time gap problems of the consumer. The services that facilitate space gap problems are: choosing the store; the

proximity; parking; signaling the store departments.

The services that facilitate the time gap problems include: the catalogue of products; selling by mail; nightshifts; sunday hours; stock availability; respecting the delivery time.

##### *Administration services*

Administration services are financial advantages proposed by the distributor and dealing with price, payment modalities, etc.: promotions; picking the old furniture; credits.

#### ***Classification of services after their functions***

It is possible to study the services of furniture distribution after the function they perform, and, in this sense we distinguish psychological functions, technical functions, financial functions and paracommercial functions.

##### *Comfort or psychological services*

Among these services we can include: the possibility to choose (the number of items); the stock availability; the presence of brands; the advice of the sellers; parking places; the store being opened on Sunday; the possibility to try the furniture at home.

##### *Technical services.*

In this category we include the following: home delivery; home installation; the installation instructions; the warranty contract.

*Financial services.* credit card; distribution card; various types of consumer credits.

##### *Para-commercial services.*

children surveillance; cafeteria; car renting for furniture transportation

#### ***Classification of services depending on the production type (standard or personalized)***

A classification that takes into consideration the standardization or personalization of services allows the introduction of concept "productivity

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<sup>5</sup> Olteanu, Valerică (2003). *Marketingul serviciilor, o abordare managerială*. București: Editura Ecomar, p. 99-105.

*associated with services of furniture distribution".*

*Standard services* are: parking, informative labeling, quality labeling, department presentation, promotions, the catalogue of products.

*Personalized services* include: the advice of sellers, car renting for furniture transportation; home diagnosis; the possibility to try the product at home; credit; choosing the delivery modality; home installation.

The services classified after their nature, functions and standardization degree take into consideration the competitive dimension of services and productivity gains associated with their production type. These typologies show the terms of horizontal competition among the distribution firms (Gepa Center, Elvilla. Mobila Center, Multimobila, Mobexpert) but does not offer any information on vertical competition from within the channel of distribution.

### ***Classification of services according to production degree in distribution channels***

The horizontal competition in terms of services is accompanied by a vertical competition regarding the forces from within the distribution channel of furniture. These forces explain the relation that the point of sale has with the producer and with the clients. The establishment of the commercial strategy must take into consideration the powers leading to choosing the store from within the distribution channel. A dominant position offers a quantitative negotiation power (purchasing power) and strategic power (the capacity to produce the service) that determines the stage of production from within the channel.

The responsibility to perform some services by the consumer (delivery, installment) will increase, as the consumer will not have the purchasing power to impose these

services to the distributor. In the same manner, the power of distributor to offer some services (the availability of the product, packing for delivery) will be enforced as the distributor plays a major role in negotiation.

Services that can be transposed upward from the distributor. informative labeling; quality labeling; promotions; availability in stock; packing for delivers; after sell warranty; *services produced by the distributor.*

These services are to be found in the stage of the point of sale. They include: proximity toward the consumer location; parking; sunday hours; the sellers' advice; special location for children; cafeteria; the display of furniture in thematic ambiance (living room, bedroom, bath).

*Services transposed downward from the distributor.* These include services that can be directed in the stage of consumption, such as: credits; deliver; home installation; after sale maintenance for a long period.

The services situated downward versus the distributor and assumed by the client show up *a priori* as constraints, as non-services that diminish the global utility from the buying process. But this lack of utility for the consumer is compensated by an increased utility in terms of price, and this strategy can lead to nice results for a certain target of clients.

The typology that we presented is determined by a logic in accordance with the different stages of the purchasing process of furniture products. The services performed in the point of sale are related to the services to access the product. The services offered upward correspond to production in direct connection with the sale. The services that require the participation of the consumer belong to the services associated with the purchase of furniture.

The most realist typology of services associated with the distribution of furniture must integrate the dynamics of buying behavior in accordance with the chronology of consumption of commercial services.

In order to be explicit and largely operative, the typology presented above must be correlated with the distribution of furniture and with the four stages of buying process, chronologically enumerated:

- Services to access the product;
- Services to inform about the product;
- Services to buy the product;
- Services to utilize the product.

This allows for the set up of an exhaustive list of services associated with the distribution of furniture in which, each subset corresponds to a certain stage from the four phases of the buying process. In order to respect the legislation concerning the advertising, we did not mention the distribution firms under the aspect of specific services offered to the clients. We mention that in various proportions these services are to be found in the offer of each Romanian furniture distributor.

The differences can be observed at the level of the three stages of services associated with the furniture sell and at the level of the four phases of the complex buying process of these long term durable goods.

### **Services of furniture in the future**

What can we expect from the services industry in the future? Two factors that will have a major effect are the deregulation of the services industries and technological development.

One by one, transportation, communications, financial institutions, professional services, and other services have gone through some kind of regulatory changes. The changes

have generally led to greater variety of services and the recognition that services require management of all functions, including marketing. Technological changes in services have radically changed how they conduct business.

Other changes in services are being driven by changes in consumer interests. According to Barbara Feigin of Grey Advertising's Strategic Services, "*time will be the currency of the 2000s.*"<sup>6</sup> Consumers will search for new services that reduce the time.

### **The furniture market in Romania**

Furniture market in Romania is on the way to explode. Between 2002 and 2006, furniture market registered a "two-digit" growth, and the forecast for 2011 show the same accelerate evolution reaching EUR 1.1 billion in retail.

In Romania the mid-range furniture is dominant, but in the near future the market will polarise into lower quality/price and higher quality/price sectors. This fact still offers good opportunities for many players. According to estimates, over the period 2002 – 2006, premium furniture (high end price) registered the highest growth rate due to increasing purchasing power and a greater offer originated from import.

The retailing of household medium furniture (middle price) became more contracted around top 5 players which increased their share from 52.5% in 2004 to 63.6% in 2006. This is the result of increasing investments in retail chains of Mobexpert, Elvila and Staer. Romanian furniture manufacturers cover about 55% of domestic sales and, imports about 45% of sales. However, Romania occupies the 24th place in the furniture export charts.

The year 2007 will bring the

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<sup>6</sup> Berkowitz, Eric N., Kerin, Rober A and Rudelius, William (1993), *Marketing*, ed. IRWIN: Boston, 548

multinational on domestic market, which will increase competition. Thus, in March 2007, the first Ikea will be opened with an investment of EUR 25 million on 26,000 sq.m. This will influence local manufacturers and the trend of "ready-to-assemble" furniture will emphasize.

Furniture market in Romania witness significant change and offer great opportunities. The differences between Romania and EU countries are huge. For household furniture, Romanians spent 10 times lower than average of EU 25.<sup>7</sup>

On the national market, the demand for furniture continues to grow, this tendency being influenced by three important factors: the incomes of the Romanian workers in foreign countries that are sent into Romania, the more and more accessible credit systems and the development of the construction of houses.

There is a strong interest for modern and practical furniture, gradually replacing the bulky furniture. This change of tastes follows the new European life style: the carter grows in importance, the personal spare time decreases and the meeting take place in public spaces rather than at home. Thus, the function of furniture is changing. It is not anymore a symbol of the social status, but it contributes to the creation of a private and warm place.

## **ELVILA & MOBEXPERT – Romanian furniture players**

*The Elvila Group* is one of the most important players on the Romanian furniture industry, reporting incomes of 74 million euro, for the first seven months of the year, with a growth of 4,9% compared with the same period

last year<sup>8</sup>. The strategy of the group will remain the same: targeting the small and medium income segment of population.

The Elvila network of stores has personal and franchise shops. The group also sells furniture in the hypermarkets and supermarkets such as: Metro, Selgros, Carrefour. Thus, the development of Elvila group consists in three directions: the franchises, the distribution and the construction of personal networks. The tendency is to give up to the small stores and replace them with the big stores. The small stores will remain to cover the small segments such as: the leather sofas, kitchen furniture, etc. The stores that have all range of products will be big stores. The company doesn't want to make exports before covering the major towns of Romania.

The Elvila clients benefit from the transportation to their homes of the purchased products. Also, the group offers to its clients the possibility to buy products on credit, every client can chose the financial product of credit that best suits him. Another facility to attract clients is the creation of a fidelity card that offers allowances to the clients.

*The Mobexpert Group* is situated in the first 12 European companies in the furniture industry. With a turnover of almost 150 million euro, the group owns 18% of the home furniture and 30% of the office furniture in Bucharest and big towns of Romania<sup>9</sup>.

At present, there are 5 Mobexpert hypermarkets. All the Mobexpert hypermarkets are placed in commercial centers near other supermarkets and hypermarkets, such as: Carrefour, Cora, Bricostore or Media Galaxy. For 2007, Mobexpert will invest 25 million euro in another 3 furniture hypermarkets in Ploesti (Romania), Constanta (Romania) and Sofia (Bulgary). The Group wants to consolidate the brand

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<sup>7</sup> InterBiz Group SRL (2007), "Furniture Market in Romania 2002-2011" (accessed May 30, 2007), [available at <http://www.marketresearch.com/map/prod/1465280.html> ]

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<sup>8</sup> [www.elvila.ro](http://www.elvila.ro)

<sup>9</sup> [www.mobexpert.ro](http://www.mobexpert.ro)

Mobexpert in Romania and Balkan Area.

The inauguration of the Baneasa Gallery is a unique concept in Romania, being the first mall of life style. The mall has 12 furniture and interior decoration stores having the same goal: responding to every client's expectations.

The Mobexpert products are transported and assembled to the client's home by a team of experts. All the products are protected by one year guarantee. Also, Mobexpert offers the possibility to buy on credit.

### **THE IKEA concept**

The IKEA Concept is based on offering a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. Rather than selling expensive home furnishings that only a few can buy, the IKEA makes it possible to serve the many by providing low-priced products.

Today, the IKEA trademark represents the leading home furnishings brand in the world with more than 235 stores in more than 30 countries and more than 110,000 co-workers<sup>10</sup>.

The IKEA provides its customers with functional product design, consumer value and clever solutions. By using inexpensive materials in a novel way and minimizing production cost and distribution using flat packed items, the customers benefit from low prices. IKEA products are based on a functional approach to design. IKEA design means products that are attractive, practical and easy to use. They don't have unnecessary features, they give genuine solutions for specific home furnishing needs and are made of the most suitable materials for their purpose.

*IKEA in ROMANIA.* The IKEA store opened on 21st March 2007, in

Băneasa Commercial Area.<sup>11</sup> The Romania IKEA store complies with the IKEA concept of offering everything the consumer needs under one roof. It has new products arriving all the time, seasonal themes, play areas for children, special events and a family restaurant.

Its range comprises complete solutions for all house areas, both furniture and accessories and decorations. In the store the consumer can find over 7,000 products, ranging from dining room, bedroom, children's room furniture, office furniture, to house textiles, lighting, cook shop accessories, home organization furniture and decorations.

### **Conclusion**

In conclusion, the Romanian furniture companies are trying to move closer to the Ikea concept, by adapting their products to the new tendencies of the clients' life style, needs and tastes. What is important is the fact that the Romanian furniture groups don't try to copy the furniture services and products of the Ikea Company, they try to differentiate themselves in the competition fight. The two companies analyzed – Elvila and Mobexpert – are an example that the Romanian furniture groups are successful at a national level, and as, a consequence of this success, some of them entered on foreign markets. Ikea Group brought to Romania the experience of a multinational company. The IKEA products serve various needs and tastes, while preserving function and accessibility. The Romanian furniture companies align themselves to these tendencies.

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<sup>10</sup> [www.ikea.com](http://www.ikea.com)

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<sup>11</sup> [www.ikea.ro](http://www.ikea.ro)

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