



Wisconsin International University Ukraine

BUSINESS PROJECT: “ECO FURNITURE”



Project team

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Introduction



The Ukrainian market is oversaturated with cheap, low quality furniture produced with highly toxic materials that negatively affect human beings' health.

Moreover, recycling of this type of furniture is costly both for the local administration and for the environment.

The ECO brands available of the Ukrainian market are very expensive for the majority of population since the total cost includes brand costs and importing costs.

On the other side, the Ukrainian producers of ECO friendly furniture are small businesses, located closer to forestry facilities – far from the big markets, they lack or have limited access to distribution channels, limited storing capacity and limited customers.



Our Product and Value proposition



The ECO friendly furniture is produced using materials from sustainable forests, have low toxic material levels and is durable enough to last long.

It should lend itself to easy repair, disassembly and recycling.

Value proposition

The main demands of our clients include:

- ✓ short term of supply – not more than once a week,
- ✓ good quality product (good packaging, using wood or wood substitutes details, no visible damages),
- ✓ low breakage rate,
- ✓ guarantee from the producer to take back the broken products
- ✓ modern view of the furniture, and
- ✓ regular renewal of the model row

Our company intends to provide our clients with the ECO furniture products according to the desired quality, cheaper price and better timing. Information will be gathered from directly questioning our clients



Target audience



Our target audience are Kyiv retail shops and e-shops.

Our company will use the Business-to-Business distribution model, that is, from regional producers/distributors of ECO furniture directly to Kyiv retail shops

The biggest customers in the Kyiv region are the following retail shops:

- ✓ Margo
- ✓ B52
- ✓ Epicentr
- ✓ Aushan
- ✓ Gipermarket matrasov
- ✓ E-matras
- ✓ Soyuzmebel

RETAIL

The main e-shops are represented by:

- ✓ MebelOk
- ✓ Divany dlya nirvany
- ✓ Barin
- ✓ Meblium
- ✓ Maxmebel
- ✓ Taburetka



Business – specifics



The ECO furniture business in Ukraine is characterized by a growing market share of local producers on the market. The fact that this business doesn't require big capital expenditures and that there are a lot qualified employees in this sector lead to the situation when a big quantity of small and middle producing furniture companies start arising.

The main problem of such businesses is that they are located near the forestry facilities far from big markets.

Their owners are not usually able to build a distribution chain.

Our company will help the regional producers of ECO furniture to better penetrate the biggest market in Ukraine – Kyiv region - by buying from them a large quantity of products and selling them to retail clients.

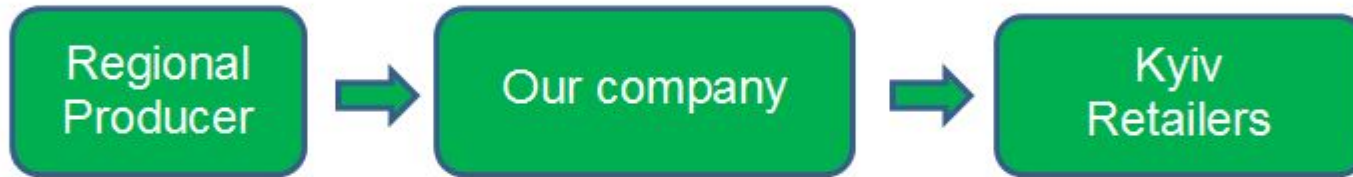
For the high-volume purchase the producers will provide us with discounts for a certain number of items purchased or the total amount spent on merchandise.



Revenue and Operation models

The **revenue model** of the business is to sell to retailers in Kyiv popular ECO furniture models with the same quality but for cheaper price than our competitors.

The **operation model** is to fully outsource the production of furniture by ordering the most popular models of furniture for home (according to the sales volume) from regional small and middle size producers or distributors of ECO furniture.



At the startup phase the wholesale model is preferred, that is to buy in large quantity the ECO furniture from various regional producers or vendors, to warehouse them and then to resell to retailers in Kyiv. At the expansion phase the own production facility and selling to private individuals will be analyzed.

The business to business distribution model is the best option at the startup phase since the business will not require many personnel to deal with individual caprices of buyers but rather concentrate on businesses who know already what they want and will buy in big quantity. At the expansion phase the option of online selling for individual buyers will be analyzed.

Business Analysis - SWOT

Strengths	Weaknesses
<p>The industry is in the growth stage despite the decrease in the volumes of sales in 2014 and 2015</p> <p>The professional team of the company will make the business to reach quick sales</p>	<p>The market of furniture is highly competitive, the players should concentrate on product differentiation and better prices</p> <p>The business is at startup phase and might not fully meet the planned goals</p>
Opportunities	Threats
<p>Our business will enter into strategic alliances with domestic producers/distributors of ECO furniture whose production is based on local raw materials, therefore the high fluctuations on the currency market should not highly affect the overall pricing strategy of the company</p> <p>There are many small and middle regional producers of ECO furniture that cannot afford a separate distribution channel</p> <p>There is a political will to reform the law enforcement sector and the governmental institutions are interested in acquiring more information about bribery or requests for gratuity, meaning there are effective remedies for potential complaints, meaning less money will be spent for bribes and less obstacles should be encountered in the business operating process</p>	<p>Further development of the conflict within the country will lead to decreasing the market volume</p> <p>Further worsening of the political situation leading to increase in corruption sector and decrease in the legal certainty</p> <p>Financial issues due to high rate of inflation will affect the pricing strategy</p>

Business Analysis - competitors

There are nearly 700 producers of furniture in Ukraine. The main parts of producers are situated in the following regions Kharkiv, Dnipropetrovsk, Zakarpatye, Kyiev and Volyn regions.

The major competitors on the market of ECO furniture in the segment of soft furniture are Westa, Udin, Daniro and Embawood the major competitors on the segment of dining group furniture are MixMebel and Domini.

In overall, the market is highly competitive and the prices are quite homogeneous for the same category of furniture.

Our company will use, therefore, a **cost leader competing strategy**, by concentrating on local producers of ECO furniture having the same quality but with cheaper price and speedier delivery timing (in opposite to imported furniture).



Business challenges - solutions



Our aim is to sign contracts with as many suppliers as possible so we do not phase any shortage of output or time delays due to potential bankruptcies or transportation difficulties from the side of furniture producers.

We will also concentrate on long lasting and sustainable relationship with our clients and will avoid as much as possible any more profitable ad-hoc sales in the detriment of our consolidated clients. The business reputation will be built on trust and mutual benefit with our clients.

These measures will help our company to smoothly overcome the potential changes in the business environment.

