



International Business Academy

Rack Buddy



**Marketing Management, Marketing Communication,
Sales, Business Law, Financial Management, Global
Economics**

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INTRODUCTION

Rack Buddy is a company, producing clothing racks, shelves, and supplementary products (*RackBuddy Clothes Racks | Modern & Industrial Clothing Racks* n.d.). It was founded in 2013 by Martin Heinze and Lasse Nielsen here, in Denmark. The company reached financial success and now is present in more than 25 countries. In this report, I will make a short overview of their brand and offer possible perspectives.

MARKETING

Target group

(Appendix file 1 and Appendix 8)

RackBuddy focuses on products, suitable for younger people (25-40 years). Most of their potential customers live in bigger cities and have interest in individualized decor, durability, functionality and a bit rusty look. Knowing this information, I used SPACC to determine how big is the target group. In SPACC table you can see few relevant customer segments, taken from Conzoom (Conzoom®Denmark | Geomatic n.d.), which compete for the most attractive one. The most potential segment happened to be F1 – “City pulse”. After deducting people, outside the age of company's target group (*Befolkningspyramide* n.d.) it resulted in 29.114,8 people as the target group in Denmark.

To have a clear view of who the customer might be, I came up with a persona – Sofie. She meets the customer profile as she is 30-year-old women with family, that just moved in to a new apartment and has to make furnishing decisions.

Because she is interested in design, water pipe design clothing racks should be a great decision. Living with a family and a dog, she must think about saving space and RackBuddy can solve this problem. This woman uses her spare time for teaching dance, loves reading. Because of young child she can't leave for long, so her social interactions often happens online or at family-friendly events. Whenever Sofie can she tries to be closer to nature and shop in farmers' market.

Danish citizens can afford to buy higher cost furniture with GDP per capita being \$60,909 (*Denmark GDP Per Capita 1966-2022* n.d.). Also, good work-life balance in Denmark allows people to care more about discretionary goods or just esthetics in general. People like her should be interested in RackBuddy products, because they are produced with them in mind.

MARKETING MIX

Product

RackBuddy products are racks, furniture and accessories. In positioning matrix (Appendix 3) we can see where located compared to the companies with biggest market share. The brand is exceeding in design but also has high prices. Below you will find more information and models, explaining the product and its placement on Danish market as well as some ideas to improve it.

The brand (Appendix 9): Keller's Brand Equity Model

“Salience”

RackBuddy can be described by the slogan “Make it yours”, and a logo, containing a brand name and a pipe icon. It is also recognizable by dominating black or silver color and constructions from pipes.

“Performance” and “Imagery”

During the last 5 years of operations, the company managed to increase its yearly profit from 480.238 DKK to 535.986 DDK. Founded in Denmark, the company expanded to other countries. Now the company sells its clothes racks and wardrobe solutions to more than 25 countries in Europe.

RackBuddy has an image of a relatively new, small, and ambitious company, which is trying to show furniture design from a different angle. The idea of the products is very simple and practical. Currently, the company is putting a lot of effort into strengthening its brand image.

“Judgment” and “Feelings”

Even if the competitive advantage of RackBuddy is the minimalistic design, it could also be a disadvantage in some cases. Water pipes are an easily accessible material, and some potential clients can be convinced they could build one themselves cheaper. Additionally, when the rack/shelf is delivered, the assembly must be done by the buyer.

After the product is assembled and in use, it feels durable, looks rusty but modern and practical. Designing and assembling your own furniture gives an opportunity to express yourself and brings the product to the top level in Maslow's pyramid of needs.

“Resonance”

To have a great relationship with the customers and respond to their opinions the RackBuddy has customer support, videos of how to assemble different products and a return policy. The company is also actively responding to reviews on Trustpilot and similar platforms.

The products (Appendix 2): Value Proposition Canvas

RackBuddy mainly is selling clothing racks, shelves, and furniture accessories. In this situation the customer job when buying a customized product is to design and send the drawing with measurements to the consultants and wait for the decision, which could be with small modifications. If the product is from online shop, these steps are not needed. The customer simply needs to choose, pay, and wait for delivery and assemble the furniture. Due to gain creators, the product solves the problem – gives unique and adjustable place for clothes and other items. However, the company has to try to remove the problems of costs and difficulties assembling by providing return policy, customer support and “How to” assembling videos.

Product Onion:

Core benefits:

1. A storage space, place to hang clothes

Basic product:

1. Has a place to hang clothes,
2. Shelves for other items.

Expected product:

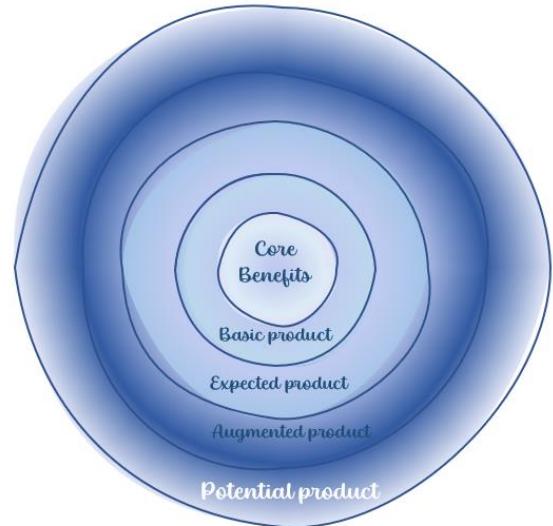
1. It fits in the room,
2. Is durable,
3. Easy to assemble and move.

Augmented product:

1. Looks nice,
2. Saves space,
3. Is easy to match the room of any design,
4. Customizable in construction, size, color, and materials,
5. Customer support and assembling videos.

Potential product:

1. Collection for kids' rooms,



RackBuddy brand has an image of dark colors and raw water pipe design. Designs for kids usually are colorful and fun – exactly the opposite from what RackBuddy is about. However, as many clients are having families, it could be a great opportunity to target kids as well. The brand already presented a limited edition of 99 pieces kids edition

– racks in pink and green, but it didn't suit brand's image to become a permanent collection. The adjustment for kids could be more practical than visual. Having hanging bars lower, including storage space with smaller department for kids to be able easily organize their closet. This solution for families with kids suits "The Cabinet Collection" because children need a place to hang their clothes and a lot of additional, divided space for small items or toys. Instead of having usual one or 2 cabinets (four departments each), the clothing rack could be low and long, with cabinet under with 10 departments in total. Also, a metal box with removable laundry basket could be attached as kids get their clothes dirty quite often and the bag, that is connected to the rack would keep it from falling while kids are playing in the room. To conclude, this product would suite the brand and its target group.

2. Included tools for assembling.

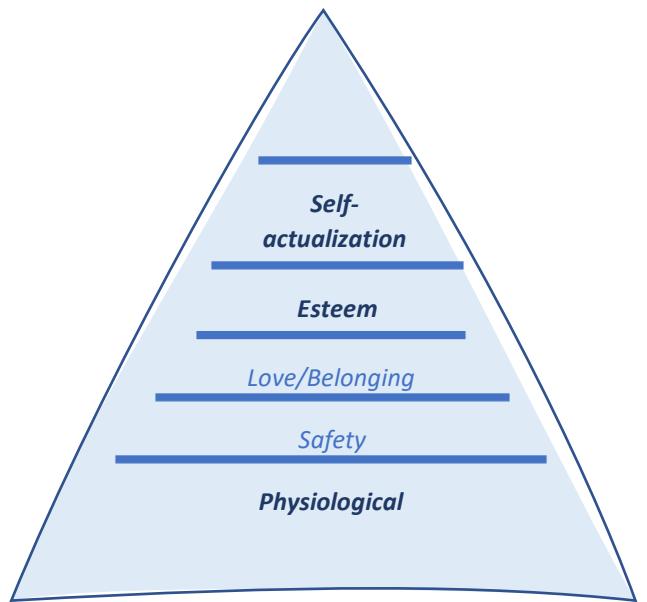
After reading reviews (*RackBuddy er bedømt 'Fremragende' med 4,7 / 5 på Trustpilot n.d.*) I noticed that even if most of the people are satisfied with the product, some are having problems with assembly. Even if the company provides full support and "how to" videos, it doesn't include the tools, needed for assembly. A solution to that is to have an option to get tools for small additional price. It could be offered to the client after he adds a product to the "shopping cart". As the brand presents itself as premium, good customer experience would enhance the image.

3. Collection for households with pets (for ex. storage for pet products)

Rack buddy products has a lot of potential. The goal is to produce products, that solve customer problem and reach high level on Maslow pyramid of needs.

Maslow's pyramid

RackBuddy satisfy customers' physiological need of having a nice, functional home, which is on the first, lowest level in Maslow's pyramid of needs. These types of needs are necessities, every person must meet. Of course, some people are spending more money on the same type of product than others. To elevate the brand and justify higher price of clothing racks and shelves, the company is presenting itself as a high-end brand image. Purchasing the products raises customer's esteem, they are prouder of their home. Moreover, they give the clients a possibility to express themselves (reaching the top of the pyramid) by giving an option to design the product.



Price

- Premium price, around 2000 DDK for a basic product, when similar product can be bought for 300 DDK or even less.
- Customer-based price approach (value pricing). The company sets higher price, because the product has unique design, quality materials and meets customer needs (also can be customized).
- Costs for customer: product + customization + delivery
- Discounts are not common

Place

- Exclusive distribution, no retailers (even if the brand had them before). The company wants to sell their products as luxury, for that they sell in their own specialized shops (mostly online)
- Vertical distribution – the company produces and sells without retailers.
- Showrooms in Esbjerg and Frederiksberg and e-commerce in Denmark and other countries.

Promotion

- Activities in social media, has 60k followers on Instagram, 20k on Facebook, however not many “likes”. The company posts every/every second day, which ensures increasing brand awareness.
- Collaborations with artists or influencers
- Local promotions for online sales in that area
- Showrooms and design lab

COMMUNICATION PLAN

Tactical objective: Spread awareness about the brand, strongly expressing brand's image and gain profit.

Operational objective: Prepare and release a new “The Cabinet Collection” by 1st of September.

Communication goals:

Increase awareness, change attitudes, influence purchase intent, stimulate trial purchase, drive brand switching.

Message:

“Stylish and functional – exactly what you love”

Media:

Instagram, Facebook

ACTION PLAN

As it can be seen in a table below, the action plan is divided to initiation and planning, execution, and monitoring, controlling. The first part can be started almost immediately and after having a clear idea for the project, the company can follow the plan in Gantt chart (Appendix file 1). The time unit in the chart is days, but it could also be less specific. In the planning part the most important is to figure out what budget can be dedicated for this project as it will determine the decisions on execution plan. While planning the company must choose specific target group, marketing channels and set up a manufacturing plan. Of course, while marketing and production team is preparing their part, after knowing the target group, the designers can create the products. After finding the best marketing channels, social media team can start promoting upcoming collection. In the beginning the posts should be rare, a promotional campaign of winning one of the products could be a helping hand to reach the milestone of customer awareness. Following execution part includes product production, setting up a website page, promotion (these tasks could also be at the planning part) and release of the collection. All the processes should be closely monitored and adjusted if needed. 3

months after release there should be a meeting to discuss the success and future plan for "The Cabinet Collection".

Budget

Preparation doesn't require huge additional costs. It consists of budget for ads and any specialists from outside the company. Execution budget is the biggest as the production costs are high and marketing is most intensive. Monitoring, controlling, and closure consists of costs needed for surveys and other feedback, analyzing tools.

Action Plan "The Cabinet Collection"			
Action step	Initiation and planning	Execution	Monitoring, controlling and closure
Start date	10th June	1st September	1 st September
Due date	1st August	-	-
Milestone	1000 shares on Facebook, 2000 likes on Instagram before release of the collection	500 purchases in the first month	Gained profit of 50000 DDK during first month
Resources	Labour, equipment, Marketing budget, consultants	Labour, equipment	Labour, equipment
Desired outcome	Have the plan ready, target group aware of the new collection	Get the target group actively engaged	Profit and solving customer's problem
Budget (DDK)	20.000	300.000	10.000
Tactical objectives	To have public's interest	To have target group engaged	Gain profit

SALES

1.1 With the **sales wheel** as a basis for your answer, please **account for the sales process**. Be as concrete as possible. In your answer, it is expected that you apply the **FAB-model** (Features, Advantages and Benefits).

1. Strategy

According to Krajlic Matrix the furniture in the hotel falls into “Strategic” products category. In the hotel industry looks of the rooms is one of the main selling point. Furniture is a product for a long period of time and usually the rooms in the hotel have the same style, which means the owner will buy from the same company if any of the furniture is damaged. Also, there is possible long term contract, high profit impact and visibility in the business. Because of that the sales person should have a well-planned meeting.

2. Structure

The meeting should take place in the hotel office or neutral place outside both companies as long as the client feels comfortable. It is also important to find out the company’s culture, which people are decision makers, their personalities and adjust your actions accordingly.

3. Operations

As Rack Buddy would be selling many products, the company should decide the minimal and desired price they could sell. Besides that, the brand should decide other conditions, such as delivery and who takes responsibility for the products when delivered. This part of sales wheel suggest to be prepared for all operations needed.

4. Enablement

Why would the client buy the furniture? A it is a small hotel, most likely they want to save space and customize the furniture to their space. RackBuddy allows to do that.

5. Talent management

What competency does our salesman has?

6. Training

Is any training needed?

7. Capabilities

Build relationships, grow accounts, meet sales targets, overcome challenges, choose sales tactic, convert customer interest into sale

8. Motivation

Is a salesman motivated?

Before the meeting the salesman has to find the information about the company, their products and services, cultural background. The conditions, which the company would like to offer and the worst conditions has to be determined prior to the meeting. During the meeting the 5x20 rule should be used in the introduction stage, than finding out the needs, suggesting solution and closing the deal after negotiation. Salesman should listen more than talk, avoid too direct objections and concentrate at one product at a time. After the deal, there should be impact questions asked and further actions discussed.

GLOBAL ECONOMY

(Appendix file 2)

3.4 Price elasticity

The price is elastic as it is inferior good and not a necessity. The product has great differentiation of substitutes at different price points. When changing the price of the product, the demand changes as well, with lower price resulting in higher demand.

3.5. Market structure

The market structure is monopolistic competition. As we can see from competitors' analysis (Appendix 5), two big international companies are dominating the market – IKEA and JYSK. These companies are present in large part of the world and have huge brand awareness. However, they don't have exclusive products and the perceived quality is much lower than some of the smaller brands, such as RackBuddy. As we see from PESTEL (Appendix 8), the GDP per capita in Denmark is high, which leaves an opportunity for people to purchase more expensive products. From the same Appendix we see that market consists of many small, but strong enough to survive brands. In this market there is big differentiation and sellers often don't consider their price choice influence to their competitors.

DISCUSSION OF THE IMPLEMENTATION PLAN

1. How are your answers to the previous questions related?

The answer to sales question can be used in future meetings with potential clients.

In the economy part there is explanation about how elastic the product is and what type of market the company is in. This will help to understand what strategies would work the best for organizing sales of "Kid's Buddy"

2. What are the consequences of your solutions?

My solution would increase awareness about the brand and help to increase the profit.

3. Does the plan make sense financially?

Yes, because the costs are not bigger than of regular collection.

4. Does the plan comply with relevant legislation?

Yes

5. Do they need more employees?

They might need temporary employees, that specialize in specific areas like website developer and similar. It is impossible to say without knowing what employees the company currently has and what they are capable of.

Appendices

Appendix 1

SPACC						
1 – not attractive, 5 – very attractive for the company						
Segment and % of population	Size	Potential	Accessibility	Costs	Competitors	Total
D1 2,9%	4	4	5	5	4	22
D2 2,2%	3	5	5	5	4	22
E4 2,7%	4	3	5	3	3	18
F1 2,6%	4	6	5	5	5	25
F2 4,1%	5	4	5	5	4	23
F3 1	1	4	4	4	4	17

Most attractive segment F1 – "City pulse":

Younger, well-educated families with a high income

- Younger families getting established
- Live in newer apartments in big cities
- Well-educated with a good job
- High purchasing power
- Heavy culture-consumers
- Up-to date and with diverse interests
- Very sporty
- Into ecology

Persona

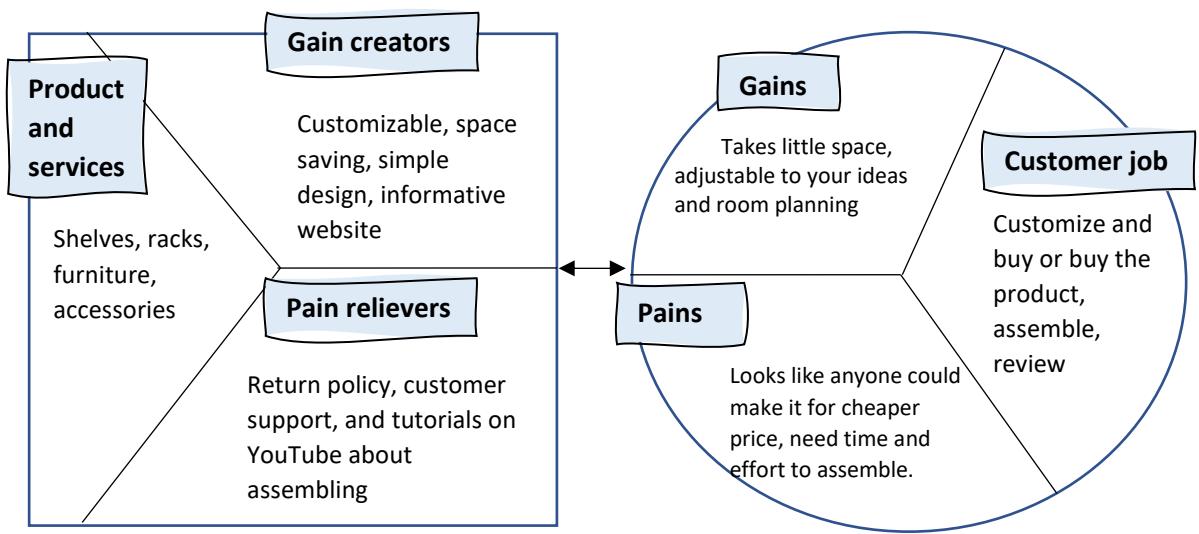
Sofie:

- ✓ 30 years old
- ✓ Has 3 years old daughter and a husband
- ✓ Works as graphic designer
- ✓ Recently bought a 3-room apartment in Aarhus
- ✓ Owns a golden retriever
- ✓ Interested in family orientated events
- ✓ In the spare time teaches contemporary dance
- ✓ Loves reading
- ✓ Shops in farmers market, Føtex
- ✓ Spends more time communicating online in daily bases due to lack of time.

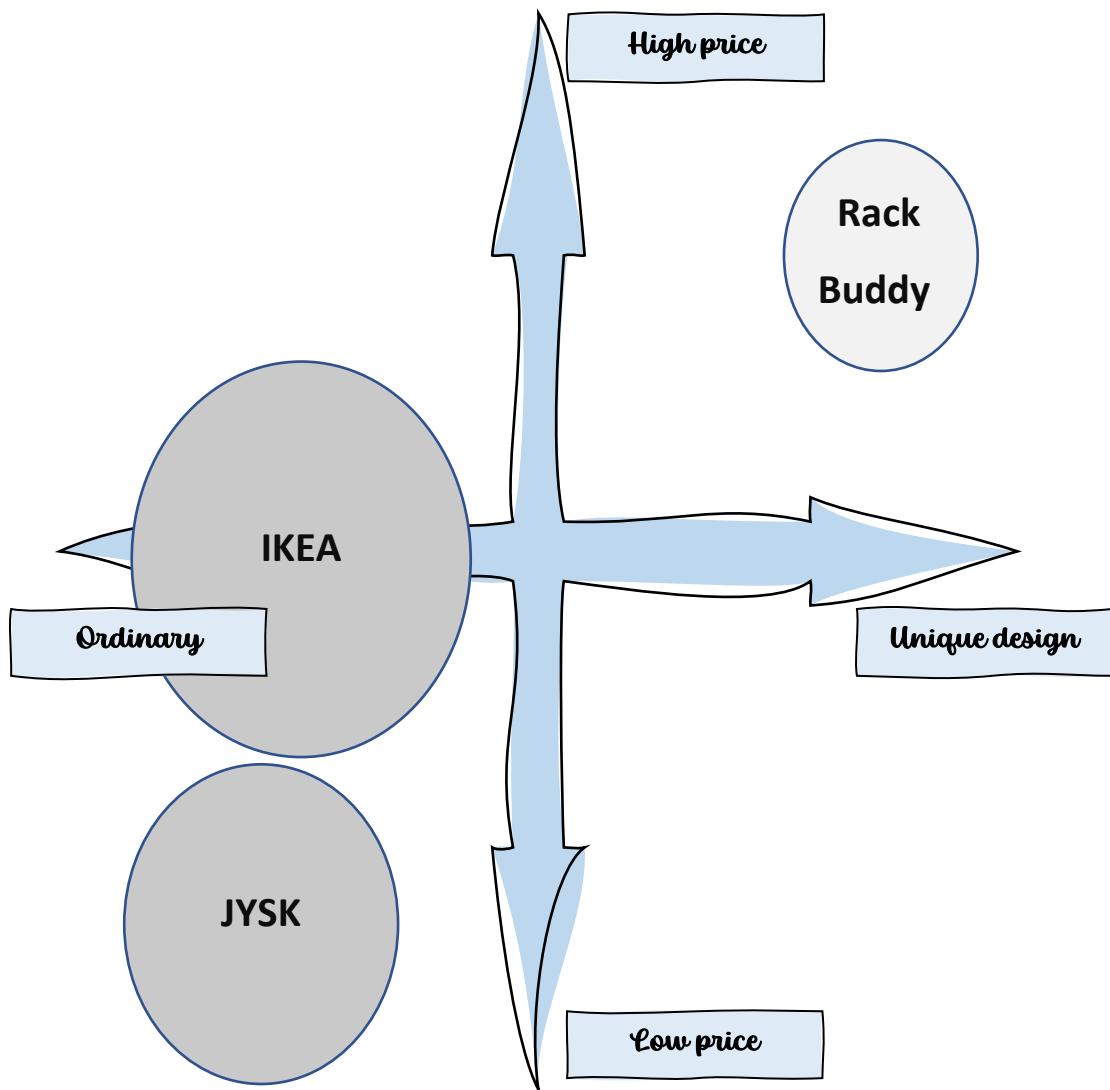
Size of the target group

2,6% of the population (5.883.562 – according to the most recent numbers found on Danmarks Statistik) equals 152.972,6 people. However, they want to target to a specific age group – 25-to-40-year olds (1.119.800 – this number was calculated with a tool located on Danmarks Statistik's website), so if we calculate 2,6% of that age group, we are left with 29.114,8 people

Appendix 2



Appendix 3



Appendix 4

	Awareness	Search	Evaluation	Purchase	Retention
Customer job	Customer needs a rack for clothes	Searching online/furniture shops	Considering different options of racks	Final purchase	Satisfied/dissatisfied
Pains	Higher price	Information is hard to find	The product is extremely simple, requires assembly, no assembly tools included	Delivery costs and time	Dissatisfied
Gains	Customizable	Positive reviews	Saves space, easy to match the design of any room, help of assembling from provided videos and customer service.	Easy purchase, lots of communication with company's employees	Satisfied
Time	Few days of living in the new apartment	Moderate involvement	Moderate	Moderate - customization takes time but it is made in few days	A long waiting time just to have a place to hang clothes: dissatisfied Wait is worth the product: satisfied

Touch point	Ads, search engine, physical shop	Stores, internet website, customer service, FAQ	Customer service, website	Website, store	Recommendations from other customers, reviews
Message	Stable and well-designed open wardrobe solutions that will last for a long time	"Tired of the ordinary? Make it yours" (<i>RackBuddy Clothes Racks / Modern & Industrial Clothing Racks</i> n.d.)	Individualized, durable, functional, and a raw look	Delivery cost: 5-54eur. Time: 2-12 days	Leave a feedback and contact for any questions
Product	Big range of products	Interesting design	Good reviews	Quite fast delivery, easy purchase	Satisfied/dissatisfied
Place	Website, shops	The website looks exclusive, lots of information	Searching the website, contact customer support	Website, shop	Satisfied/dissatisfied (complains, return the product), reviews
Price	Price on a higher end	There are cheaper brands	This brand is unique	Paying for product, delivery, customization if any	Satisfied/dissatisfied
Promotion	Ads on Facebook, YouTube, Instagram, other websites	Leads to more information	Convincing	Interested/not interested	Review, word of mouth and other feedback

Call-to-action	Links, contacts in ads, invitation to social media	Home page on the website: “Shop the feature”, “Get inspired” buttons and more	In online shop buttons: “Shop”, “View product”, “Read more”	When looking at the product: choose the measurements, color, materials, quantity, add to cart	Review the product, share on social media
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Appendix 5

		Your business	IKEA	JYSK
Company highlights	Company profile	Unique design clothing racks producer	Furniture giant, large variety of products and variety of prices	Furniture retailer with many stores, basic needs
	Key competitive advantages	Design	Price and big product range	Price and accessible stores
Marketing information	Target market	People, who enjoy unique, raw look and functional furniture	Low-income households	Low-income households
	Market share			
	Marketing strategy	Promote stylish, custom, and functional products	Offer affordable and ordinary products	Offer a cheap, fast and easy furnishing of the house/apartment

Product information	Products/services	Clothing racks and storage accessories	Furniture, accessories, household equipment and food	Furniture and other products for home
	Pricing	Average 2000 DDK per piece	150-300	100-800
	Distribution channels	Mostly online	Mostly physical stores, also online	Mostly physical stores, also online
SWOT information	Strengths	Product design	Big market share, big product range	Big market share, easy purchase
	Weaknesses	Easy to copy	Low perceived quality	Low perceived quality
	Opportunities	Expanding to new markets	Expansion	Increase online presence and sales
	Threats	High inflation in some countries	Expensive real estate	Expensive real estate

Appendix 6

VRIN	Valuable	Rare	Inimitable	No substitutable
Brand				
Custom designs				
Raw look				
Good financial position				
Customer service				

Positive reviews				
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Appendix 7

SWOT	
Strengths	Weaknesses
Raw and simple design (Competition Analysis)	Easy to copy the design (VRIN)
Sustainable (Onion)	Rely a lot on one design trend
Customer support (Reviews)	Difficult for customers to assemble furniture
Customizable (M-Mix)	Products doesn't include tools for building them
Durable (Onion)	
Opportunities (PESTEL)	Threats (PESTEL)
Low taxes for companies	Rising prices of fossil fuels
Benefits from EU trade policies	Too strong inflation
Advanced infrastructure – easy delivery	Aging population
Open minded society	Lack of tech specialists
Easy expansion to EU countries	
Near all Danish population uses internet	Expensive real estate
High GDP per capita and low unemployment	

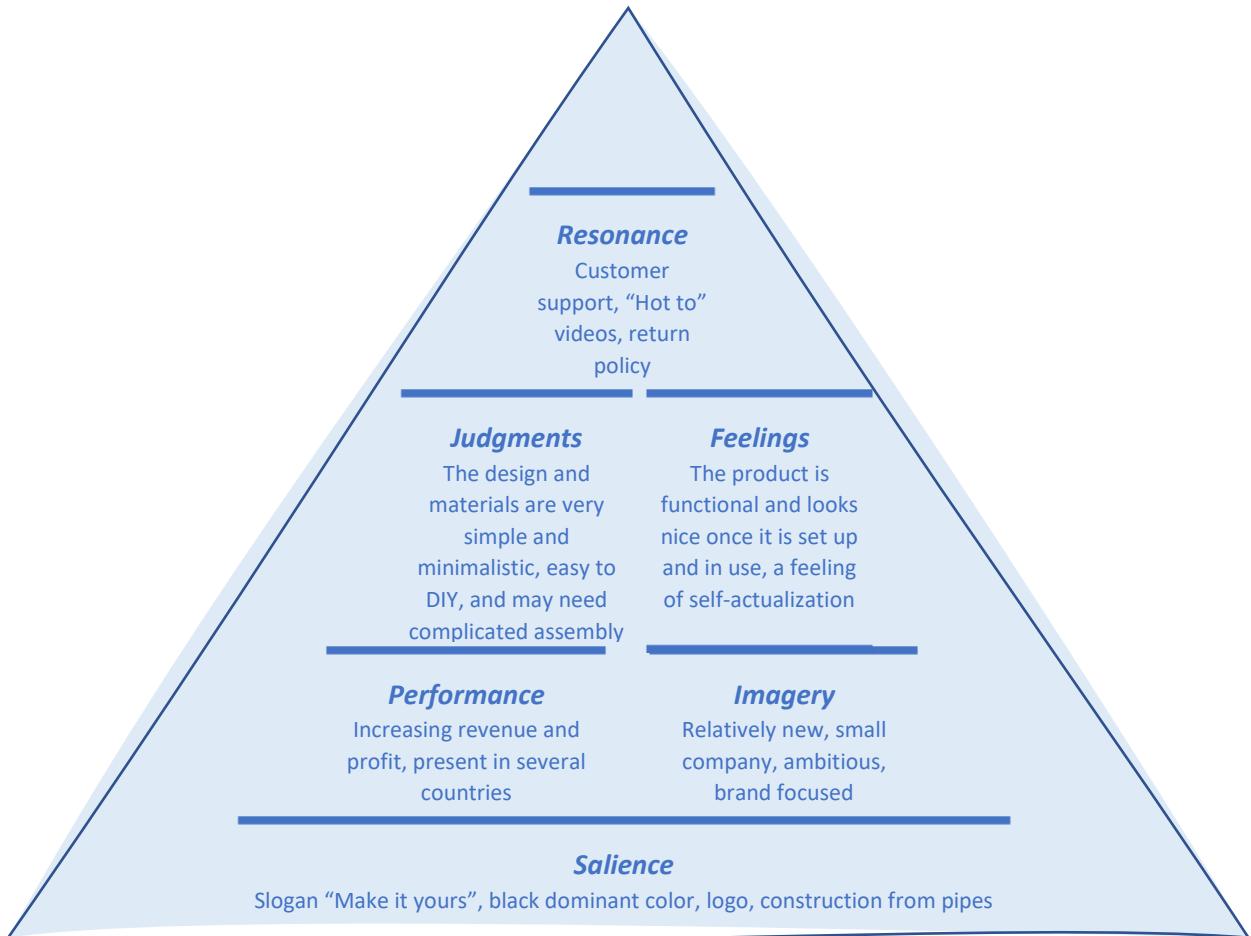
Appendix 8

PESTEL of the Danish market					
Political	Economical	Social	Technological	Environmental	Legal

Easy to start a company	Low unemployment	Open-minded, trustful mentality	Advanced infrastructure	50% renewable energy, a lot from wind	Encourages innovation and entrepreneurship
Low taxes for the companies	Big inflation	Good work-life balance	Good internet service, 98% use it	Decreasing resources in fossil fuels, taxes on them will increase depending on EU decisions	Law protects employees
Support programs for new businesses	High GDP per capita	Little-no corruption	Facebook is the top social media, after – YouTube, Instagram, and LinkedIn		
Member of EU – benefits from trade policies	Dominant service sector	Transparent tax system	Top web-shops: Zalando.dk, H&M, Nemlig.com, Matas webshop, Coop.dk, Just-Eat, and Amazon (Statista, 2020)		

	Low income inequality	Good education system	Shortage in skilled tech workers		
	Dominated by small companies	Aging population			
		Expensive real estate			
		Not very interested in designer products, prefer to spend money on activities			

Appendix 9



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