

# Furniture Lease



in the expatriate market

Sander Neuteboom  
March 1st, 2018  
Strategic Product Design

Chair: Prof. dr. Hultink, H.J.  
Mentor: MSc. Boru, A.  
Company mentor: Michel Houweling



# Executive Summary

This project is an assignment commissioned by Houweling Interieur, a furniture retailer. They were seeking new business opportunities and therefore wanted to investigate the opportunities for a furniture lease service in the expatriate market.

Introducing a lease service would have several consequences for the company as well as for the customer. The company would take on several responsibilities from the customer, and has to cover for the purchase costs, which are repaid in small monthly payments by the customer. In general the operation of the company would become more complex and the value for the customer would be closer to his or her needs. Houweling Interieur is able to handle this more complex operation. All the physical resources necessary are available to the company. However, some of these should be expended dependent on the size of the lease operation.

If Houweling would introduce a lease service, it should position it at the high end of the market, where the company currently positions itself as well. This, because it matches the current suppliers, company vision and the Houweling Interieur brand name. However, in the expatriate market appears only to be a demand for lease furniture in the low end of the market. In the high end of the market, shipping in one's own furniture is preferred.

While the analyses show that targeting the expatriate market with a lease service is not advisable for now, furnishing house viewings and selling separate smaller pieces of furniture fitting the small houses in the Netherlands are opportunities that have presented itself in the different analyses. Furniture lease in other markets is still an option as well.



# Table of Contents

Executive Summary .....	3	Expatriate Market Introduction .....	31
Introduction .....	7	Market Overview .....	32
Assignment .....	8	7.1 Definition Expatriate .....	32
1.1 Problem definition .....	8	7.2 Market Characteristics .....	32
1.2 The Assignment .....	9	Housing and Furniture .....	34
1.3 Approach and report structure.....	9	8.1 Method .....	34
Service systems .....	10	8.2 Sampling .....	34
2.1 Business models .....	10	8.3 Results .....	35
2.2 Business model innovation .....	10	8.4 Conclusions and insights .....	35
2.3 Product service systems .....	11	Needs and Wants .....	36
2.4 Lease .....	11	9.1 Method .....	36
2.4 Discussion .....	12	9.2 Recruitment and Sampling .....	37
Company Analysis Introduction.....	13	9.3 Results .....	37
Industry Analysis .....	14	9.4 Conclusion and Discussion .....	39
3.1 Increase second hand furniture .....	14	Market Demand .....	42
3.2 Smart home and IoT .....	14	10.1 Method .....	42
3.3 Out of shop sales .....	14	10.2 Results .....	43
3.4 Virtual and augmented reality .....	14	10.3 Conclusions and insights .....	43
3.5 Small space living .....	14	Expatriate Market Conclusion .....	48
3.6 Shopping in the inner city .....	14	Conclusion and Advice Introduction .....	49
3.7 Discussion .....	14	Research Conclusion .....	50
Company Visions .....	16	11.1 Consequences of lease .....	50
4.1 Company Character .....	16	11.2 Feasibility for the company .....	50
4.2 Discussion .....	16	11.3 Expatriates as target group .....	50
Competition Overview .....	18	11.4 Conclusion .....	51
5.1 Current competition .....	18	Discussion .....	52
5.2 Lease competition .....	19	12.1 Low end of expatriate market .....	52
5.3 Discussion .....	20	12.2 Other markets .....	52
Resources and Costs .....	22	12.3 High end of the market .....	53
6.1 Current process and resources .....	22	Strategic Advice .....	54
6.2 Needed resources .....	24	13.1 Furniture lease for expatriates .....	54
6.3 Costs and earnings .....	28	13.2 Improvement of workflow .....	54
6.4 Discussion .....	28	13.3 Lease in other markets .....	54
Company Analysis Conclusion .....	30	13.4 Other directions .....	56
		References .....	58

The appendices can be found in an accompanying separate document: "Furniture lease in the expatriate market, Appendix".



# Introduction

This report presents the results of a graduation project which completes the master Strategic Product Design at the faculty of Industrial Design Engineering at the Delft University of Technology. The project assignment is commissioned by the company Houweling Interieur. In the assignment, the potential of a furniture lease service by the company for the expatriate market is analysed, in order to provide the company with a strategic advice on whether or not to launch such a service.

The report consists of four parts. In the first part the assignment and its background are discussed and the chosen approach is presented. Furthermore, a literature study is presented on the possible consequences of introducing a lease service. In the second part a company analysis is presented, investigating the industry, vision, competition and resources. In the third part, Market analysis, the demand from the market is analysed. In the fourth part a conclusion is drawn from the different analyses, a strategic advice is formulated and the results are discussed.

# Assignment Definition

The assignment for this graduation project had been initiated and formulated with the two directors of the company. In consultation the topic of a furniture lease option for the expatriate market was chosen. Next the assignment was defined to fit the company's interests as well as the obligations set by the Delft University of Technology for a graduation project for the masters Strategic Product Design.

The final goal of this thesis is to answer this question and use the research to give an informed strategic advice to the company. This advice is either to launch the lease service, and how, or head in alternative directions based

The assignment is commissioned by Houweling Interieur. It is about investigating the possibility of introducing a lease service in the expatriate market. The company had noticed a substantial expatriate population in its target area. However, this group of people could not be reached with the current offering. Where the current customer of Houweling Interieur could see their purchase as a long time investment in quality furniture, this might not be the case for expatriates who normally stay in the Netherlands for a limited period of time. A lease service in which they would only pay for the period they use the products could be more appealing to them. To investigate the potential of such a lease service, the following research question has been formulated:

“What are the opportunities for a furniture lease service in the expatriate market for Houweling Interieur, and how can Houweling Interieur best use them, if any?”

on research findings.

## 1.1 Problem definition

The assignment is commissioned by the two directors of Houweling Interieur. They want to explore the possibilities of a furniture lease service in the expatriate market.

### The company

Houweling Interieur is a furniture retailer, founded in 1977 in Leiden by Leo Houweling. Since then, the company has grown to its current size with its head office and warehouse in Leiden and stores in Amsterdam, Leiderdorp and Rotterdam. The company has now been taken over by the founder's two sons, Sander and Michel Houweling.

Houweling Interieur wants to position itself in the high end of the market with contemporary classic furniture with a focus on uniqueness and quality. The products are from over 200 suppliers. The products of the big well know suppliers are sold under the brand name of the supplier, others are sold brandless or under the Houweling Interieur brand.

### The market

Houweling Interieur has seen a high population of



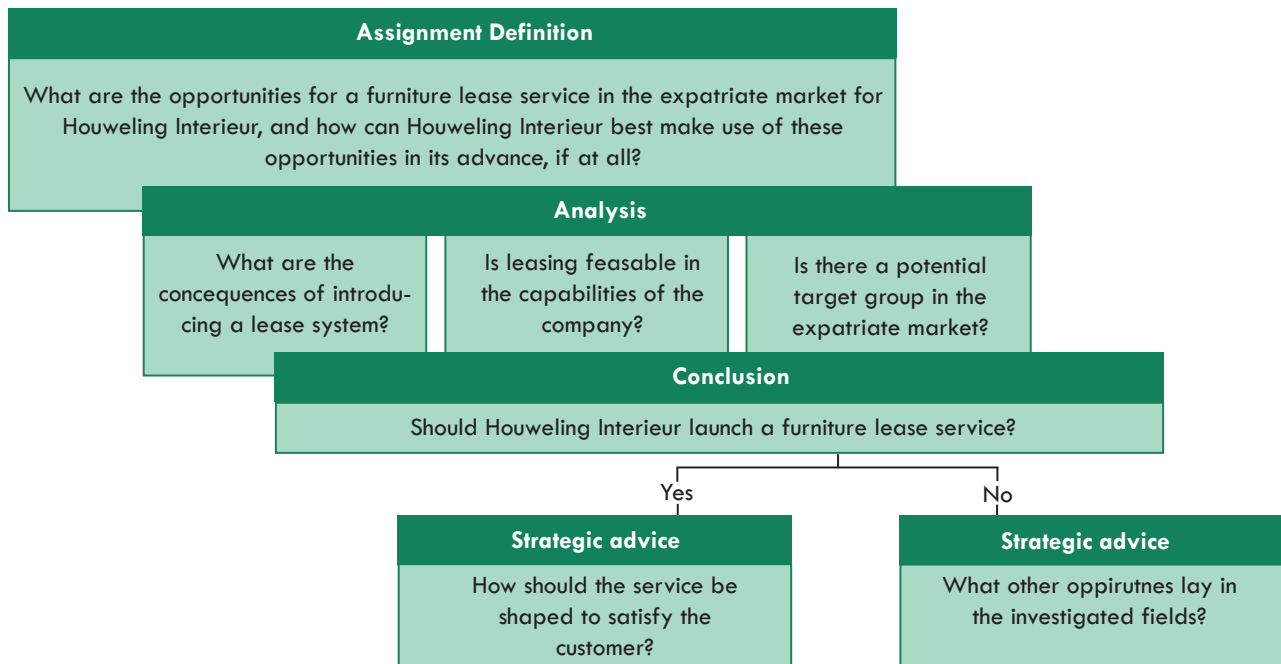


Figure 1: Approach

expatriates within the target area of their stores. Even though the owners of Houweling Interieur think the current product portfolio should be appealing to them, almost no expatriates visit the stores, let alone buy something. This might be due to the fact that they stay in the Netherlands for a relatively short time, for which it is not worth it to invest in long lasting high quality furniture.

### The proposition

By offering a furniture lease service, Houweling Interieur hopes to be more appealing for people staying in the Netherlands for a limited period of time. This way, the customer doesn't have to pay the relatively high price for the ownership of long lasting products, but only pay for the period they actually need the products.

## 1.2 The Assignment

In order to give a strategic advice regarding a furniture leasing system for Houweling Interieur, this graduation assignment will seek an answer to the following question:

What are the opportunities for a furniture lease service in the expatriate market for Houweling Interieur, and how can Houweling Interieur best use them, if at all?

To answer this question the following sub-questions will be answered:

1. *What are the consequences of introducing a lease service for Houweling Interieur?*
2. *Is a leasing system feasible in the capabilities of*

*Houweling Interieur?*

3. *Is there a potential target group within the expatriate market that is willing to use and pay for a furniture lease service from Houweling Interieur?*

Depending on the answer to the initial sub-questions, the research will either lead to the following:

4. A) *What should a leasing system include to satisfy the customer in the most promising market?*  
B) *What other opportunities lay in the investigated fields for Houweling Interieur?*

## 1.3 Approach and report structure

The approach in this project is presented in Figure 1. This report consists of four parts that represent different phases of the approach. In the first part, which consists the part you are currently reading, the assignments is defined and an introduction is given on product service systems. In the second part the company analysis is presented and discussed. The third part shows and discusses the market analysis. The fourth and final part a final conclusion is drawn, the results are discussed and a strategic advice for the company is formulated.

The appendices can be found in an accompanying separate document: "Furniture lease in the expatriate market, Appendix".

# Service Systems

This chapter will analyse the consequences of introducing a lease service. This is done by a literature review that defines the terms business model, business model innovation, product service system and lease. Next to that, it discusses the main opportunities for business model innovation and the benefits and barriers of product service systems, specifically in lease. Lastly, is concluded what the general consequences, benefits and barriers of launching a lease service are.

Houweling Interieur is looking to launch a lease service in the expatriate market. This would mean a new business model and therefore business model innovation. Instead of a product, a product service system will be offered as a lease construction.

## 2.1 Business models

A business model can be seen as “a unit of analysis to describe how the business of a firm works” (Gassmann, 2013). There is no universal idea of what it includes, but a rather detailed description of what a business model should include is given by Chesbrough (2010). It states that a business model should include the following seven points:

- The value proposition: what value is created for the users.
- A market segment: whom is the value useful for and for what purpose.
- The revenue mechanism: how will the cost of the operation be covered.
- The structure of the value chain: what resources, contacts and knowledge is needed to create the value.
- The costs and profit.
- The position relative to the competitors and other

players in the market and industry.

- A competitive strategy: how will the company gain and hold advantage over rivals.

## 2.2 Business model innovation

In literature, the innovation of business models is looked at in two ways. First, as a way to commercialize new ideas and technologies. Second, as a source of innovation and competitive advantage on and in itself (Massa & Tucci, 2013).

According to Massa and Tucci (2013), two types of business model innovation (BMI) can be distinguished: Business model design (BMD) and business model reconfiguration (BMR). Business model design is the design of new business models for newly formed firms. Business model reconfiguration is the reconfiguration of existing business models. Because a business model consists of multiple aspects, it can be innovated in multiple ways. As described by Giesen et al. (2007), there are three forms:

- Industry model innovation, which consists of innovating the industry value chain by moving into new industries, redefining existing industries or creating entirely new ones.
- Enterprise model innovation, changing the role a firm plays in the value chain, which can involve changes in the extended enterprise and networks with employees, suppliers, customer and others, including capability

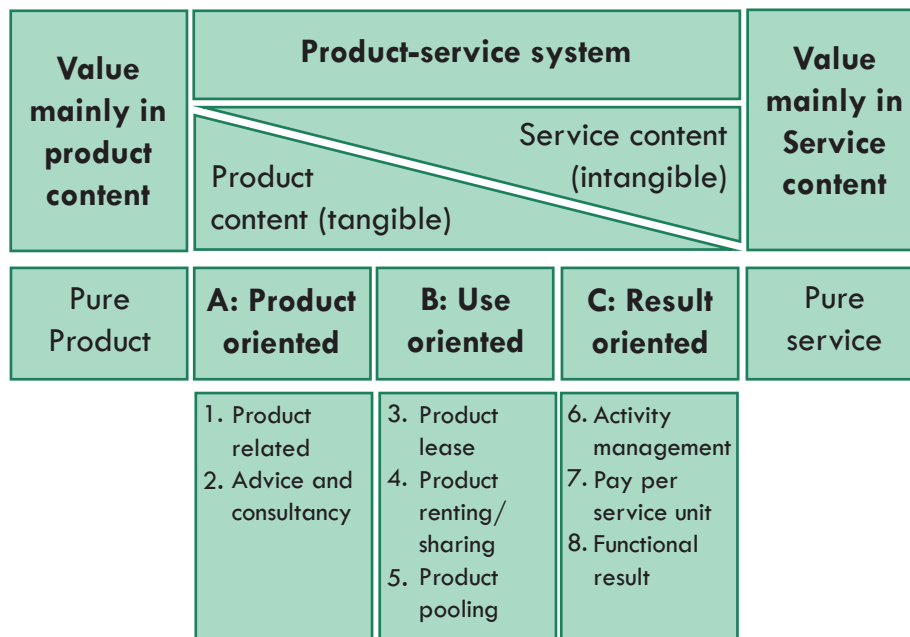


Figure 2: Eight Product service systems (Tukker, 2004)

and asset configurations .

- Revenue model innovation, which represents innovation in the way revenues are generated, for example through reconfiguration of the product-service value mix or implementation of new pricing models.

### 2.3 Product service systems

A product service system is a market proposition consisting of a product together with a service element. Its basis lies either in servitization, making a product offering more service like, or productization, making a service more product like. Tukker (2004) has stated that eight types of product service systems exist between a pure product and a pure service. These types are shown in Figure 2.

The basic principle behind a product service system is that the customer pays for using an asset, rather than its purchase. Baines and Lightfoot (2007) state that the risks, responsibilities and costs traditionally associated with ownership are restructured in a beneficial way. They present four benefits for the customer as well as four for the supplier. The customer's benefits are:

- More customization and higher quality.
- Flexibility.
- Removed administrative or monitoring tasks.
- Value in a form that is close to current needs.

And benefits for the supplier are :

- Strategic market opportunities.

- Alternative to standardization and mass production.
- Improvement in total value for the customer through increasing service element.
- Communicates information about the product service package.

They also state that such a product service system is believed to be more sustainable (i.e. better for the environment) than traditional tangible product offerings.

But there are not only benefits. Baines and Lightfoot (2007) state some barriers that withhold suppliers from introducing a product service system. These barriers are:

- The customer's culture shock of not owning. However in the Netherlands and Scandinavia this is already more accepted.
- Organizations are not experienced.
- Not willing to take responsibilities from customers.
- The increased complexity.

### 2.4 Lease

One of the eight product service systems is leasing. Merton, Miller and Upton (1976) describe three different types of leasing:

- Short term lease: acquiring and paying for the service of a specific product for the shortest practicable interval of time. The agreement cannot be altered within the period.
- Long term lease: acquiring and paying for the service

of a specific product over multiple periods. The agreement cannot be cancelled, however, the firm can buy out of the contract.

- Life of the property: acquiring and paying for the service of a product after which the residual value of will be zero.

According to Tukker (2004), the advantages for the user are that various costs and activities shift to the provider. The provider remains owner of the product, therefore his need for capital is high. The barriers to attracting new clients are low due to low initial investment by the client. Since the client enter into a contract over time, user loyalty might improve. However, the leased products are most often not produced by the lease company and therefore not exclusively available through this channel, which makes it possible for the user to switch lease providers. The lease companies not responsible for the production of the products may also be the reason why it is assumed that lease does not advance the innovation of the products.

Due to better maintenance, repair and control, the product could last longer and could work more efficiently and use less energy. This could have a minor positive impact on the environment.

## 2.4 Discussion

If Houweling Interieur would introduce a furniture lease service, this would mean a business model reconfiguration with elements of industry model innovation and revenue model innovation.

With this product service system, Houweling Interieur would offer the potential customer more customization, more flexibility, less administrative and monitoring tasks, and value closer to the current needs. The intended customers are expatriates. Since they only stay in the Netherlands for as long as their employment lasts, this flexibility could be an important issue for them. This way they aren't stuck with multiple pieces of furniture when they move out of the country, and would have to pay only for the period they actually use it. A monthly payment for this service would mean that the customer does not need a low initial investment, which should make it relatively easy to attract new customers and could lead to user loyalty.

For Houweling, this could lead to a strategic advantage, if they indeed provide the customer with an offering that is closer to the current needs than the competitors. This could lead to more customers and more turnover. On the other hand the operation of the company becomes more complex. It will not only have to offer the furniture and place it, as it does now in its selling system, but has to monitor the products as well while it is located at the customer. Furthermore, the need for capital would be relatively high for Houweling, since they have to buy the products in advance, while the payments of the customers come in, in small portions spread over time.

# Company Analysis

This part presents an analysis of the company Houweling Interieur itself in order to answer the following research question:

*Is a leasing system feasible within the capabilities of Houweling Interieur?*

In chapter 2, it was stated that introducing a lease service could be a strategic opportunity to gain a sustainable competitive advantage. On the other hand it would make the operation of Houweling Interieur more complex. It can be stated that the ability to deal with the complexity of the operation is not the only factor that determines the feasibility of this project. A lease service has to fit the vision of the company. In addition, the company has to be able to handle the competition. Therefore the following sub research questions are formulated:

1. *Does a furniture lease service fit the trends of the industry Houweling Interieur is in?*
2. *Does a furniture lease service fit the vision of Houweling Interieur?*
3. *Is a furniture lease service from Houweling Interieur competitive in the market?*
4. *Is Houweling Interieur able to manage the resources needed for a lease operation and to cover the associated costs?*

These questions are answered in separate analyses. In the first analysis a vision is defined based on an interview with the owners of the company. In the second analysis an overview is given of the competition in the current furniture retail market and the furniture lease market. In the third analysis an overview is presented of current resources, of the resources needed for a furniture lease operation and of the various costs.

# Industry Trends

To see if a furniture lease service fits the trends that are currently at play in the furniture retail industry, first these trends should be analysed. This is done on the basis of articles from industry trend watchers in the furniture retail branch.

According to Top (2015), six major trends could influence the furniture retail industry. These six trends are explained below and presented in Figure 3

products in a different way. This has two important advantages. Products can virtually be placed in the environment the customer wants them to be in. Moreover and products can be shown that are not currently on display in the store.

### 3.1 Increase second hand furniture

The amount of second hand furniture in the market increases. This is partly due to sustainability awareness, however the main cause lies in the uniqueness of the products and the possibility to redecorate and personalize them. The opportunity to interchange ones furniture once in a while, having some variation over time, is another influence.

### 3.2 Smart home and IoT

A trend that presents itself in almost every branch is the internet of things. More and more products are becoming connected. Furniture and other household implements are no exception to that.

### 3.3 Out of shop sales

Purchases are no longer restricted to (web) shops. With technologies like QR-code scanning, a product on the street can be purchased by scanning it with a smartphone. This way almost any environment can be used as a showroom, for example the furniture in a hotel room or at a home viewing.

### 3.4 Virtual and augmented reality

The introduction of virtual and augmented reality in the furniture industry can make customers experience the

### 3.5 Small space living

Because of urbanization, more and more people will be living in the city. Consequently, this will lead to more restricted living space. Living in a small accommodation will require specific furniture that suits these living conditions.

### 3.6 Shopping in the inner city

Urbanization, will increase in popularity of shopping in the inner city. This will be at the expense of the furniture boulevards. Fast fashion clothing brands are already responding to this, adapting their fashion principles to interior decorating in order to expand their business in inner city home stores.

### 3.7 Discussion

Of these six trends, especially the increase of the amount of second hand furniture is relevant. This could work with, as well as against a furniture leasing service. On the one hand it indicates that there is a demand for unique and personal products and that people do not have an aversion against having used furniture. On the other hand the second hand furniture market could already be a strong alternative against which a lease service has to compete.

**Small space living**  
More and more people will be living in the city. The living spaces become smaller

# HOTEL



**Out of shop sales**  
With QR-codes products seen in for example hotels can be ordered.

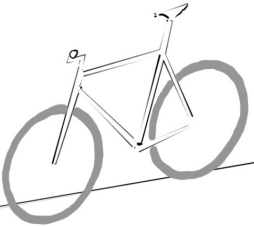
**Smart homes**  
Homes, and with that furniture will become smart and connected.

# SHOWROOM

**Augmented reality and VR**  
New techniques will be used to show products that are not present or in new environments.



**Shopping in inner city**  
Furniture stores will move to the inner city and furniture boulevards will disappear.



**2nd hand furniture**  
Second hand furniture will increase in popularity.



Figure 3: Industry trends

# Company Vision

To see if a furniture lease service would fit the company vision, first this vision should be defined. After that, it is discussed how this vision fits the idea of a potential lease service.

Houweling Interieur does not have a clearly defined vision. However, the owners of the company do have a feeling of what Houweling is, stands for and should be.

To capture owners' view of the company character, a word cloud as presented in Figure 4 was created, based on the answers they gave in an interview. The whole interview can be found in Appendix A.

## 4.1 Company Character

The words in the word cloud are divided into two groups. The first group describes the products the company sells. A recurrent theme here is uniqueness. The product range does not only consist of the mainstream trends in furniture, but also includes the more challenging and alternative styles, with Contemporary Classic as basis. Next to that the products can be custom made, to a certain extend. For example, instead of the standard fabric options for the different products provided by the supplier, the customer can choose a fabric from the complete collection of Houweling Interieur. An overview of the product portfolio can be found in Appendix B.

The second group of words in the word cloud focuses on the company itself. Houweling Interieur wants to be seen as a family business with personal care for its customers. This personal care expresses itself through a variety of services. In the stores customers get a professional and personal advice. Then, there is the home delivery, and

the after sales repairing and adjusting service. All to make sure the customer is completely satisfied with the products after the purchase.

The words in this word cloud combined stands for what Houweling Interieur according to the owners should be. Because this wanted brand image was never clearly defined within the company, there is no marketing or branding that explicitly advertises this image of Houweling Interieur to its customers. However with this gut feeling of the company image in mind, they managed to create an experience and feeling in the product portfolio and ambiance that aligns with this image.

## 4.2 Discussion

A furniture lease service could work within the vision of Houweling Interieur. There are no parts in the vision that would prevent the company from doing so. However, there are some boundary conditions the service has to meet. First of all, the products in the lease service should match the style of the current portfolio. This portfolio existing of unique, high quality contemporary classic products defines to a large part the image of the company. Presenting a completely different style in the lease service, the company would create a contradicting brand image. Secondly, apart from the unity in style, the service should present the company as a family business, with personal care for the customer.



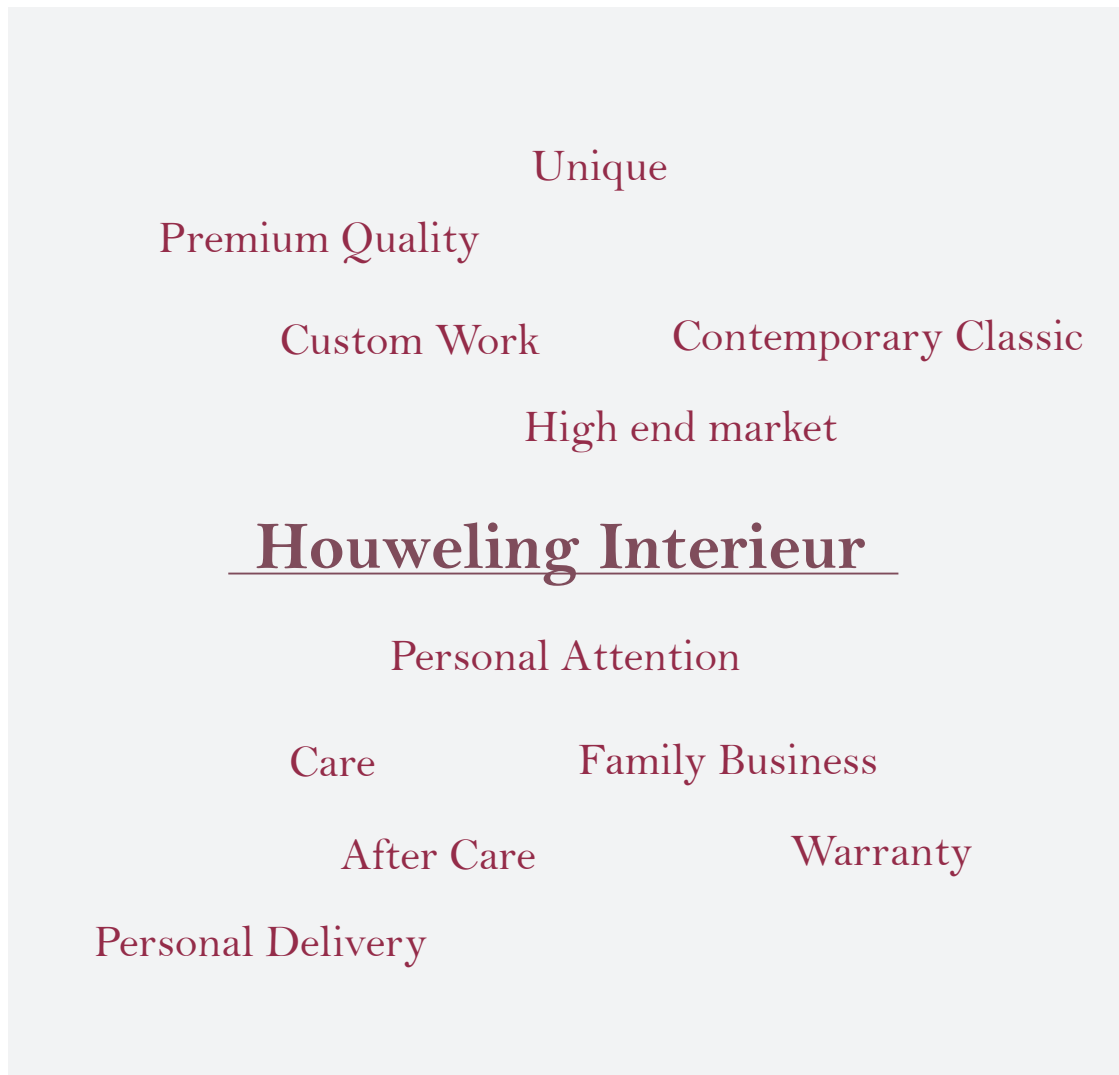


Figure 4: Company vision word cloud

# Competition Overview

To see if a furniture lease service from Houweling Interieur would be able to stand up to the competition in the market, an overview of the competitors is needed.

First will be looked at the current competitors of Houweling Interieur in the furniture retail branch and secondly at the potential competitors in the furniture lease market.

also the most measurable and objective aspect.

Figure 5 shows the different chain stores sorted on price. This scale is based on a calculation that places the brands on

## 5.1 Current competition

The main competitors are the companies that are similar to Houweling Interieur in operation: the other furniture retailers. The companies competing in the furniture retail market are either chain stores, individual stores or interior decorators. Of these, the most direct competitors are the chain stores, since Houweling Interieur is one as well. In general, the chain stores differentiate mostly in quality and price. There are differences in products as well. However, most stores have variations on the same trending themes. The perception of quality is to a great extent linked to pricing (Rao, 1989). This makes pricing the most differentiating aspect between the companies. Furthermore, since prices are exact and accessible, it is

a ten point scale. It compares the brands with the help of a reference product: the dining chair. Since this product is fairly uniform, it is most suitable for a comparison. The final value for a brand is calculated by the number of reference products in certain price classes. Chairs under €100 were rated 2, between €100 and €200 were rated 4, between €200 and €400 6, between €400 and €800 an 8 and above €800 a 9. The average rating over the collection of dining chairs was calculated for each of the companies and presented in Figure 5. Details of this calculation can be found in Appendix C. It can be assumed that the rating for the reference product is representative for the entire collection of the companies.

The companies at the bottom end of the scale are the

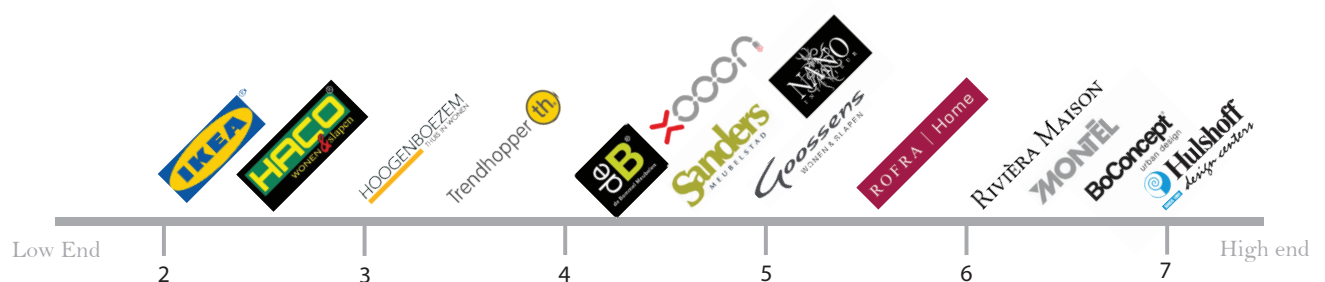


Figure 5: Current competitors

	Price/m	Market position	min # months
Home Inspirations	-	3	4
Moving In	-	3	1
Furniture Lease	298	-	0.5
Interieur te huur	160	2.2	4
Hoofd en Petiet	-	7+	-

Figure 6: Dutch lease competitors

	min \$/m for 3 months	max \$/m for 3 months	min \$/m for year	max \$/m for year	Market position	% retail/m for 3 months	% retail/m for year
Cort	387	535	119	129	4.9	30%	10%
Furlenco	15/r	21/r	32/r	32/r	Own production	-	-
AFR	600/r	2500/r	100/r	650/r	6,5	-	-
Churchill	1482	1918	304	391	6	50%	10%
Sherman	200	370	190	335	-	-	-

Figure 7: Lease world wide

price fighters. These companies rely on efficiency and mass production to keep the prices as low as possible. In the middle, a larger number of companies targets the premium market. Many of these companies import, or produce their own products. At the top of the scale are the companies focussing on the high end market. This is where Houweling Interieur positions itself. Here, companies sell mainly established furniture brands and focus on exclusivity and uniqueness.

Apart from the chain stores, individual stores exist as well. Because of their small scale, these companies do not import, or produce products themselves. Therefore they cannot compete in low pricing, and are active in the mid to high end market.

Another competitor entering the industry is the individual interior decorator, who also buys products for their customers directly from their suppliers, without the extra costs of a store or middlemen.

## 5.2 Lease competition

When launching a lease service, Houweling Interieur would not only compete with its current competitors, but also with the companies that are already in the furniture lease market. In the Netherlands, there are several furniture leasing companies, mainly focussing on the expatriate and real estate market. Most of them are home sale stylists who rent out their own furniture, that is only for show and cannot actually be used. Most of these stylists are affiliated with House of KIKI (Central Network for Real Estate Stylists

CNVV). These are almost all one man companies. Only five of these companies are also renting out furniture for daily usage.

These five companies differ from each other on several aspects: the price, the types of furniture and the leasing period. These main differences are shown in Figure 6, as far as information is available. In all cases the price per month listed is for the cheapest complete home package the companies offer for a period of twelve months. The product brand number is a number between one and ten that represents the position in the market. One being the low and of the market with relatively cheap furniture and ten being the high end with relatively expensive furniture. The numbers are given by comparing the brands the lease companies offer with the brands offered by the furniture retailers in Appendix C. Similar offerings result in similar marks.

Apart from these differences, there are two more ways in which the services of these companies differentiate. First, the customer can choose his interior either in separate pieces, packages, or a combination of the two. There are even cases in which an interior designer composes the entire furnishing for the customer. Secondly, there is also a difference in the range of products a company offers. Some companies keep strictly to furniture, whereas others offer a variety of products like cutlery and bedlinen. The selling point being that one can move in, only bringing one's clothes.

<b>PRODUCT ORIENTED</b>	<b>Product related</b> Furniture stores: Delivery Warrenty Installation		<b>Advice/Consultancy</b> Furniture stores: Store purchase advice  Sylist: Interieur advice	
	<b>USE ORIENTED</b>	<b>Product lease</b> Cort: lease for military and students 119 dollar/m	<b>Renting/Sharing</b> Furlenco: rents out own design, switch max once a year 15 dollar/m	<b>Product Pooling</b>
<b>RESULT ORIENTED</b>		<b>Activity</b>	<b>Pay per use</b> Gipson/De meeuw: Office furniture on pay per use base Beach chair rental Hotel branche	<b>Functional result</b>

Figure 8: Tukker's Eight product service systems (2014) in the furniture market

In America, furniture lease is more common than in Europe. Figure 7 shows, where available, the prices and margins for the bigger leasing companies in America and for Furlenco in India.

As discussed earlier, there are more businesses based on service than just lease systems. Figure 8 presents which of the Tukker's eight product service systems (2014) are represented in the furniture market.

### 5.3 Discussion

Houweling Interieur is currently positioning itself in the high end of the market. When launching a furniture lease service it would offer more flexibility to its customers than the static one time sell they are making now. Figure 9 gives a visual representation of this situation.

In the Netherlands the lease companies mainly focus on the lower segment of the market. They offer basic (relatively cheap) furniture, for a relatively low price. If we look at the successful furniture leasing companies in the rest of the world, we see that there the focus is more on the higher segment: more premium quality products for a higher price.

The higher end of the market is underrepresented in the Dutch market and has widely proven to be successful in the United States. If there appears to be demand for lease furniture in this segment in the Netherlands, this seems to be the ideal opportunity for Houweling Interieur to enter this market.

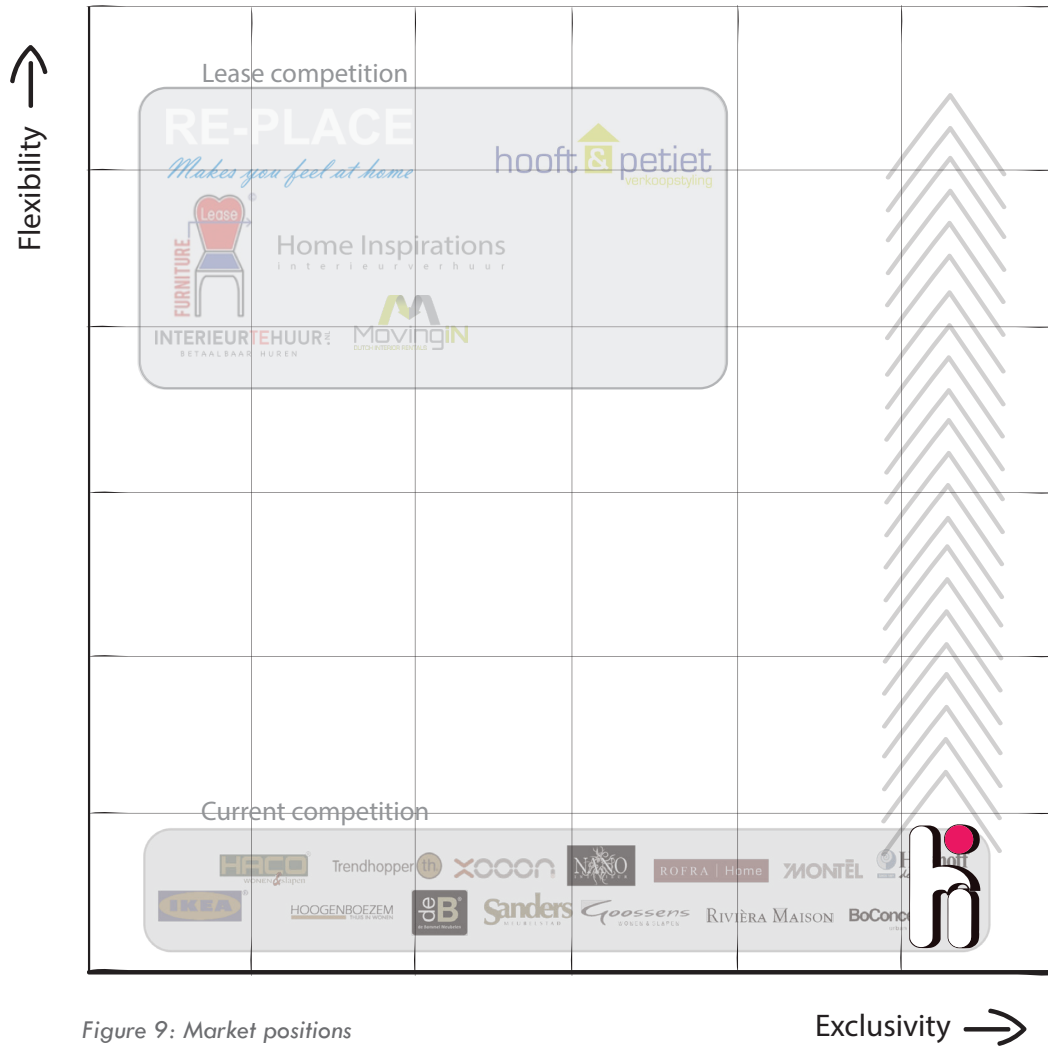


Figure 9: Market positions

# Resources and Costs

To answer the question if Houweling Interieur is able to manage the needed resources for a lease operation and to cover the associated costs, it is necessary to know what resources Houweling Interieur needs to have to run the such an operation, what they already can do and what resources are still needed. Furthermore it is important to know what the associated costs and earnings will be.

Houweling brand name and others under the brand name of the manufacturer, all products come from third party manufacturers. Consequently, the main operation is making the products of the manufacturers available to the

consumer by displaying them and making sure the chosen products find their way to the customer.

Therefore the following sub research questions were formulated:

1. *What does the current process look like and what are the current resources?*
2. *What additional resources are required to run a furniture lease operation?*
3. *What should the operation yield in order to cover the associated costs?*

In order to answer these questions, observations were made, to analyse the processes and evaluate the resources of the company. An overview was created of the resources essential for the operation and a model was built to simulate a lease period, in which all the costs and potential earnings were calculated.

## 6.1 Current process and resources

Through observations within the company and conversations with the owners and employees, an overview could be made of the process and available resources.

### The Process

Being a furniture retailer, Houweling Interieur sells furniture to consumers. Although some products are sold under the

This happens in two different ways, as presented in Figure 10. In 90% of the cases, showroom models of the products are displayed in the stores, after which customers can order them in their own specifications. Then the product is ordered from the manufacturer with the specific specifications requested by the customer. In the other 10% of the cases, the products are ordered in bulk upfront and are directly available from the warehouse.

The difference between these two processes has several consequences for the company as well as for the customer. By ordering up front in bulk, Houweling Interieur can get the products for less. However, it involves the risk of not being able to sell the products and being left with them. The other process doesn't have this risk, since the products are ordered after they are bought by the customer. The advantage for the customer is that the products are customizable up to a certain point, which is not possible when the products are ordered beforehand. The downside is that it can take up to three months before the products are available. Therefore, the customer has to wait a fairly long time after purchase before Houweling Interieur can deliver the products at home.

## The Resources

To accomplish its operations, Houweling Interieur has a number of essential resources. To structure these resources, Porter's Value Chain Model (Porter, 1985) is used as presented in Figure 11. This model is chosen because it categorizes all the activities of the company, whereupon they are placed in chronological order in the value chain. This way, following the internal value chain from start to finish, all actions and related resources will pass. It is also possible to structure the resources on type of resource, for example physical, human or intellectual, however this would take the resources out of their context which makes it harder to get a complete and clear overview.

## Porter's Value Chain Model

Starting with the Inbound Logistics, Houweling Interieur has over 200 suppliers. The collaboration with these companies varies per supplier. In some cases it is a onetime batch order. In other cases it is a long lasting partnership with products tailor made to the customer's wishes, possibly with fabrics from Houweling Interieur's own collection.

The main business is offering furniture to the end user. In Porter's Value Chain Model this part of the business is called Operations. For Houweling Interieur this comes down to displaying and assisting the customer in making the right purchase. Houweling Interieur has stores in Amsterdam, Rotterdam and Leiderdorp. These stores function as a showroom with staff that has knowledge of the different possibilities concerning all the pieces of furniture that are on offer. Furthermore, some staff members are skilled in giving interior advice, making concept drawings and room layouts.

In Porter's Value Chain Model, the outbound logistics contain all the actions with regard to getting the products to the customer. Houweling Interieur has a small warehouse in Leiden to which the suppliers deliver the ordered products. From there, a two person delivery team, with a truck and several vans, delivers the products to the customers all around the Netherlands. The team unpacks, assembles and places the products for the customer.

For Marketing and Sales, the sales part is already fully discussed in operations. Marketing is undertaken by the separate stores. All three stores are part of larger shopping malls. The company has the philosophy that the customers are attracted by the mall as a whole rather than by the name of Houweling Interieur itself. That is why the different retailers in the malls use a big part of their promotion budget together to promote the shopping mall as a whole.

Houweling Interieur has an after sales service and a two year warranty to solve any of the problems that occur after delivery. The after sales service is a hotline for complaints. Houweling employs a mechanic to fix the problems himself or to arrange a solution with the manufacturer.

Because it is a rather small family business, the support activities are relatively limited. Apart from updating the resource planning software there is hardly any technological development. The human resources

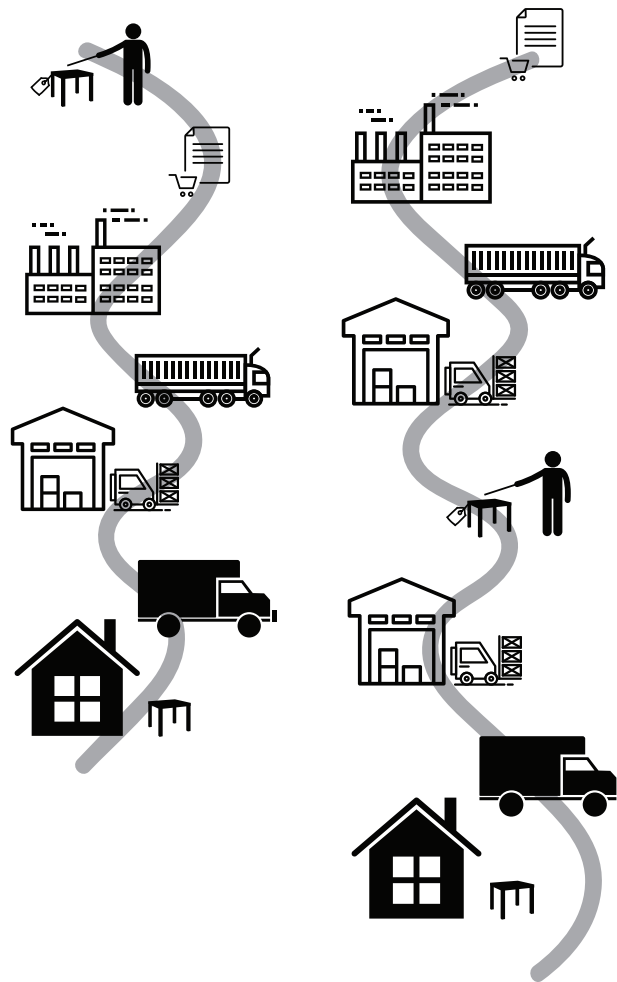


Figure 10: The company process

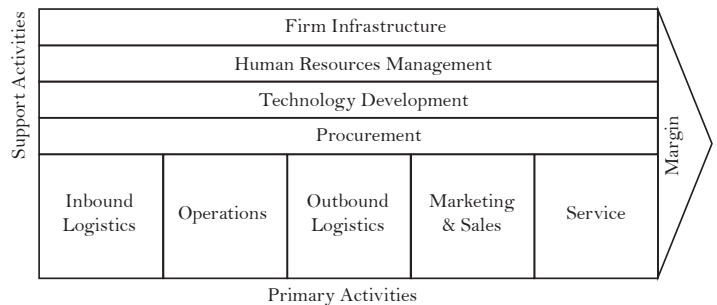


Figure 11: Porter's value chain model (1985)

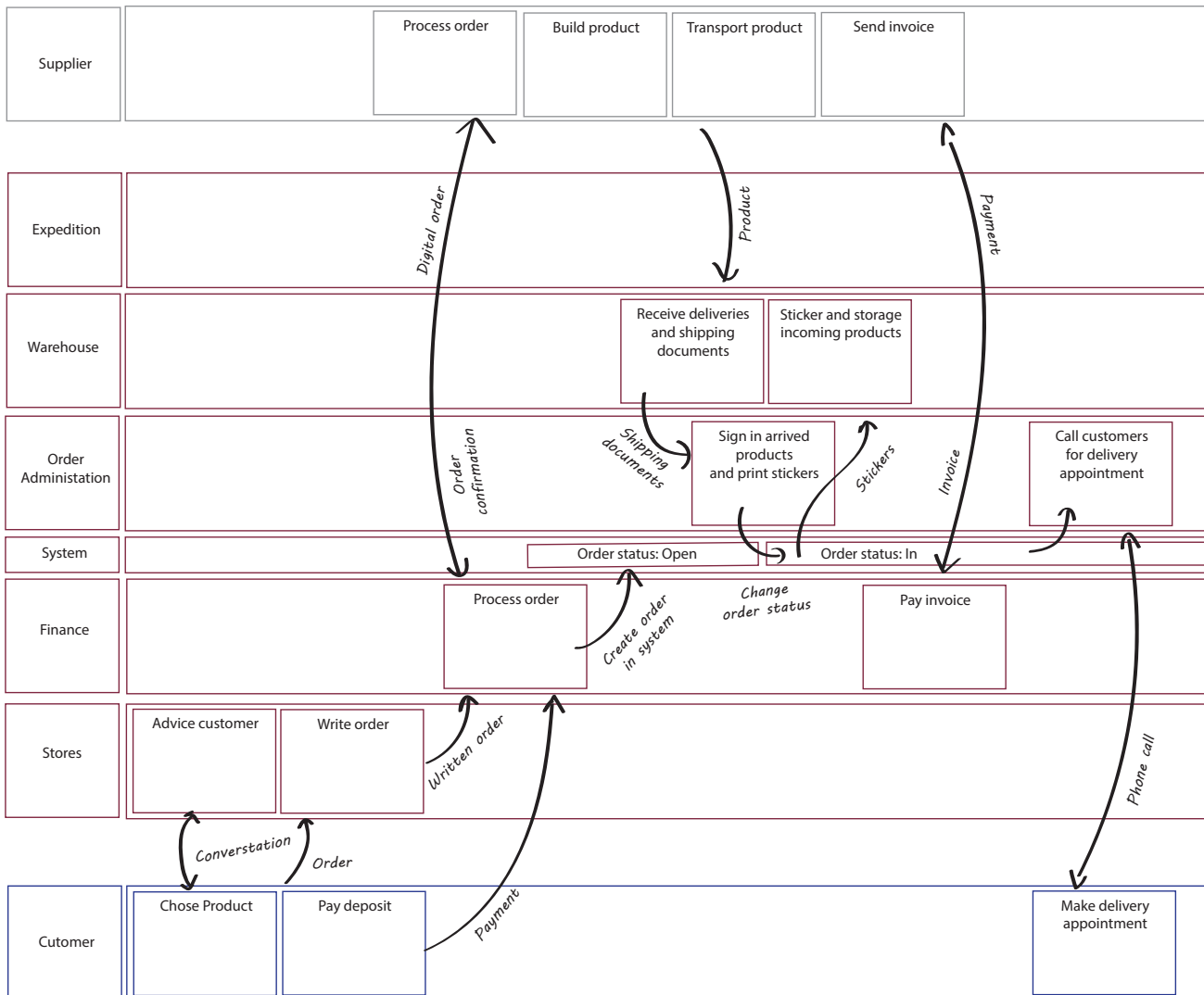


Figure 12: Current work flow

management and procurement is done by the owners of the company.

The resources of the company are used to execute specific actions that together form the operation. To align all these actions, interaction is needed between the different resources and departments within the company. Figure 12 shows the main actions and interactions within the operation.

## 6.2 Needed resources

The operation of leasing furniture includes the following activities; purchasing inventory, maintenance inventory, displaying the collection, setting up lease contracts, delivery, billing and recovery. To be able to fulfil these tasks several resources are needed, these resources are listed in Figure 13.

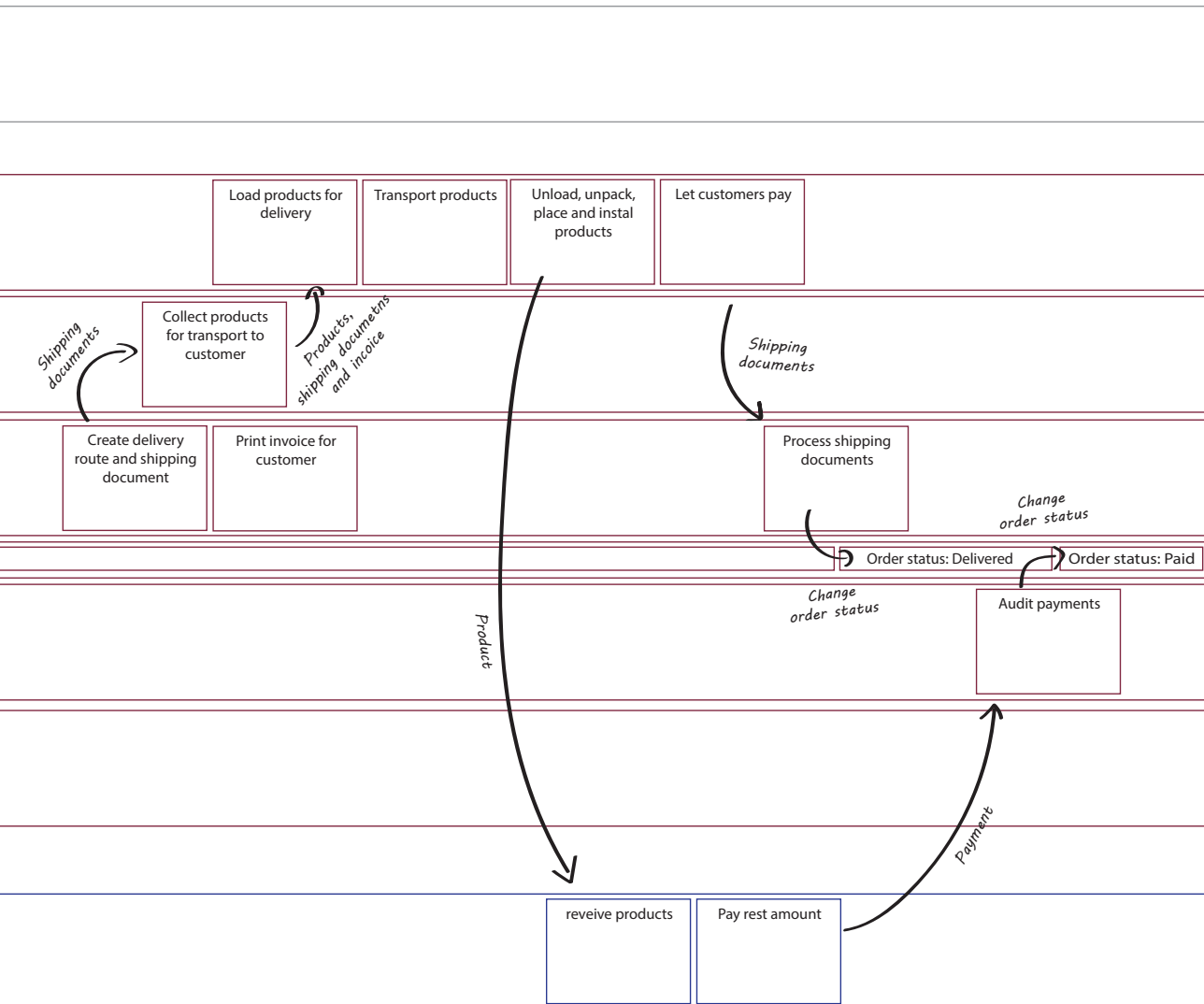
The resources are divided into intellectual, financial, physical and human resources, since requirement for availability are similar for most resources within a certain type. The financial, physical as well as the human resources are already available to a limited extend, since these are fairly similar to resources needed for the selling of furniture. There is some elasticity in the capacity of these resources. Therefore, the current resources can handle a

small scale lease operation or a pilot next to the current activities. However if the lease operation grows in scale, the capacity of these resources should be expanded. Especially available manpower may prove not to be sufficient. However, this resource is easiest to expand. A more challenging resource is the storage. Expanding storage capacity could mean the need for a new warehouse which requires high investment costs.

The intellectual resources need some further attention. Although Houweling Interieur has extensive experience in furniture selling, the specific knowledge concerning furniture lease is as yet missing. This is for example knowledge about the depreciation of leased product, knowledge in what condition they are returned, what risks are involved, what income is needed to cover these risks, what furniture should be purchased for lease and how the customers should be reached.

When looking at the actions overview in Figure 12, it can be seen that the interaction structure has grown to be rather complex. This makes it hard to implement new actions and interactions the current workflow. To be able to run a full furniture lease service next to the present furniture sales offering, the current work flow should be optimized before the (inter) actions could be intertwined





Resources	Availability
<b>Intellectual</b> Supplier connections Purchase strategy Depreciation models Earning model Customer Contacts	Present, needs extension into bedroom furniture Needs to be build Present but needs further development Present (appendix B) needs further development Needs to be build
<b>Financial</b> Investment for inventory	Present
<b>Physical</b> Furniture Storage Delivery truck (Virtual) showroom	Limited, expansion achievable Limited, more needed for large scale Limited, expansion achievable Limited, more needed for large scale
<b>Human</b> Delivery capacity Storage maintenance Administration	Limited, more needed for large scale Limited, more needed for large scale Limited, more needed for large scale

Figure 13: Needed resources

in the process. Figure 14 presents an optimized work flow for the furniture sales operation and Figure 15 shows the (inter)actions of the furniture lease operation that then could be intertwined.

The most important factor in the new work flow would be the centralization of the information about product status, resources availability and agenda. This should create a more transparent workflow, making it easier to use the resources for multiple purposes at once.

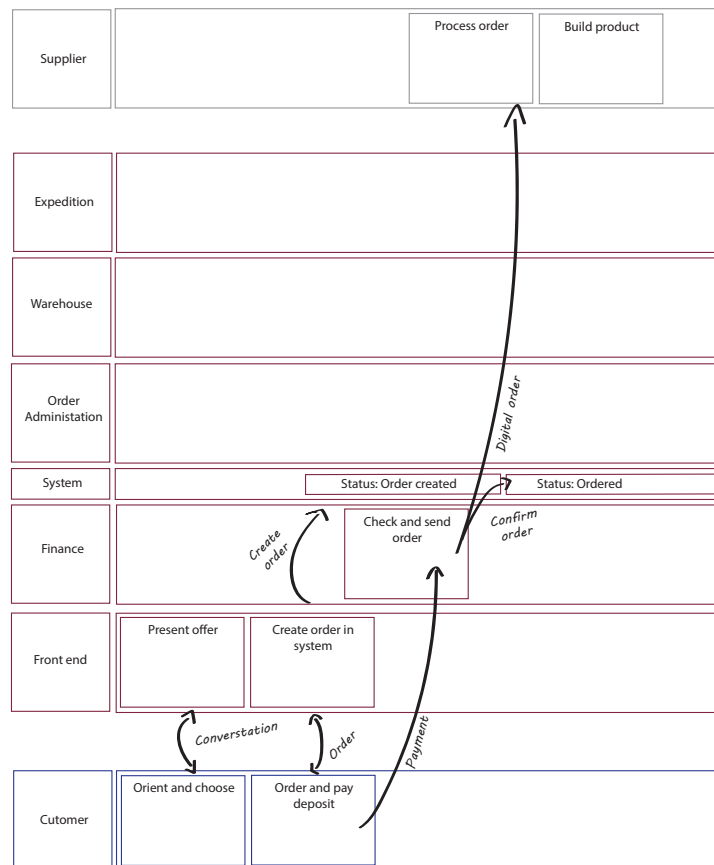


Figure 14: Optimized work flow

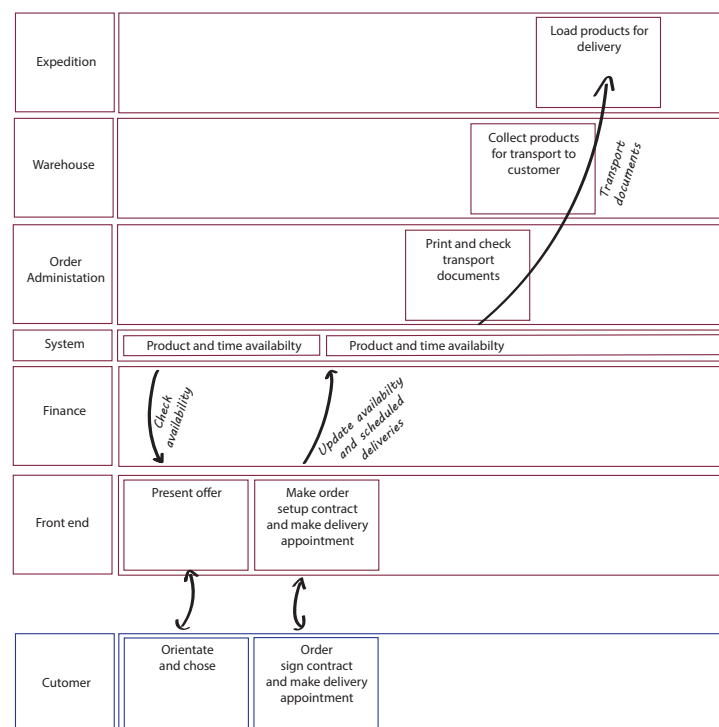
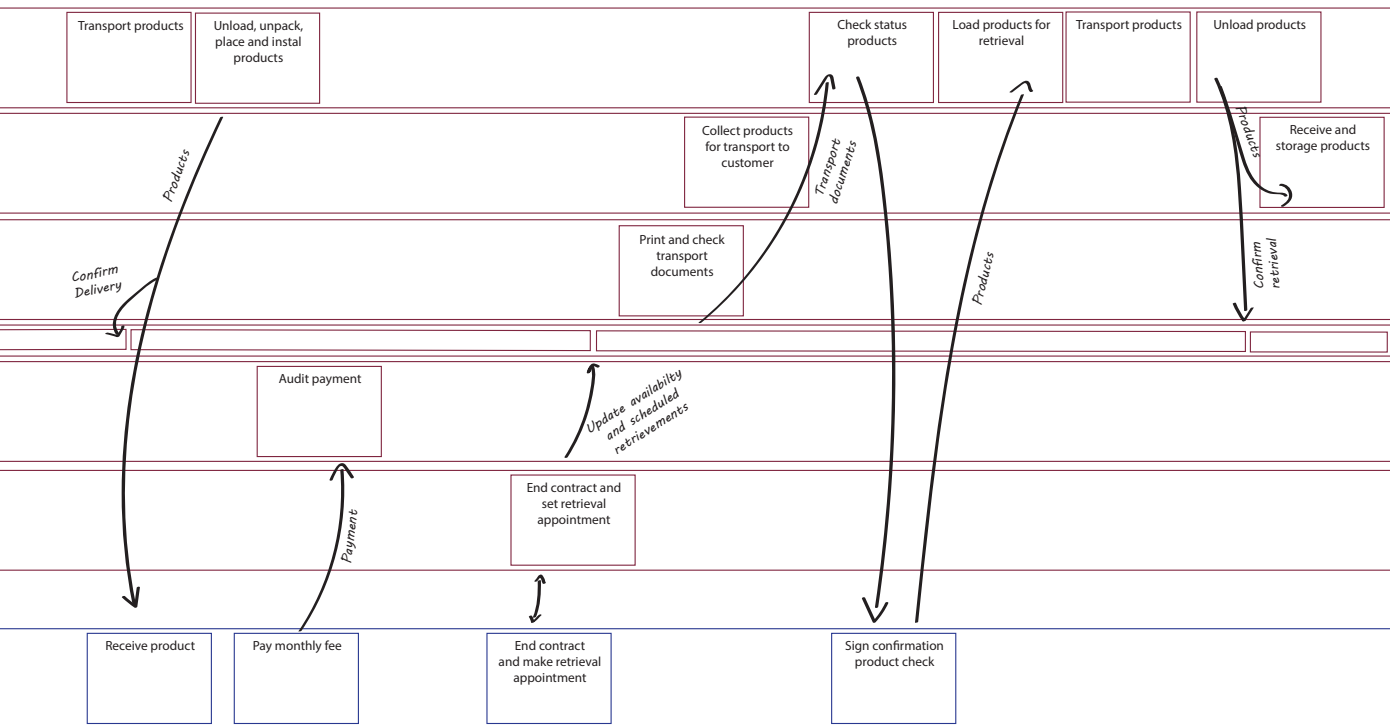
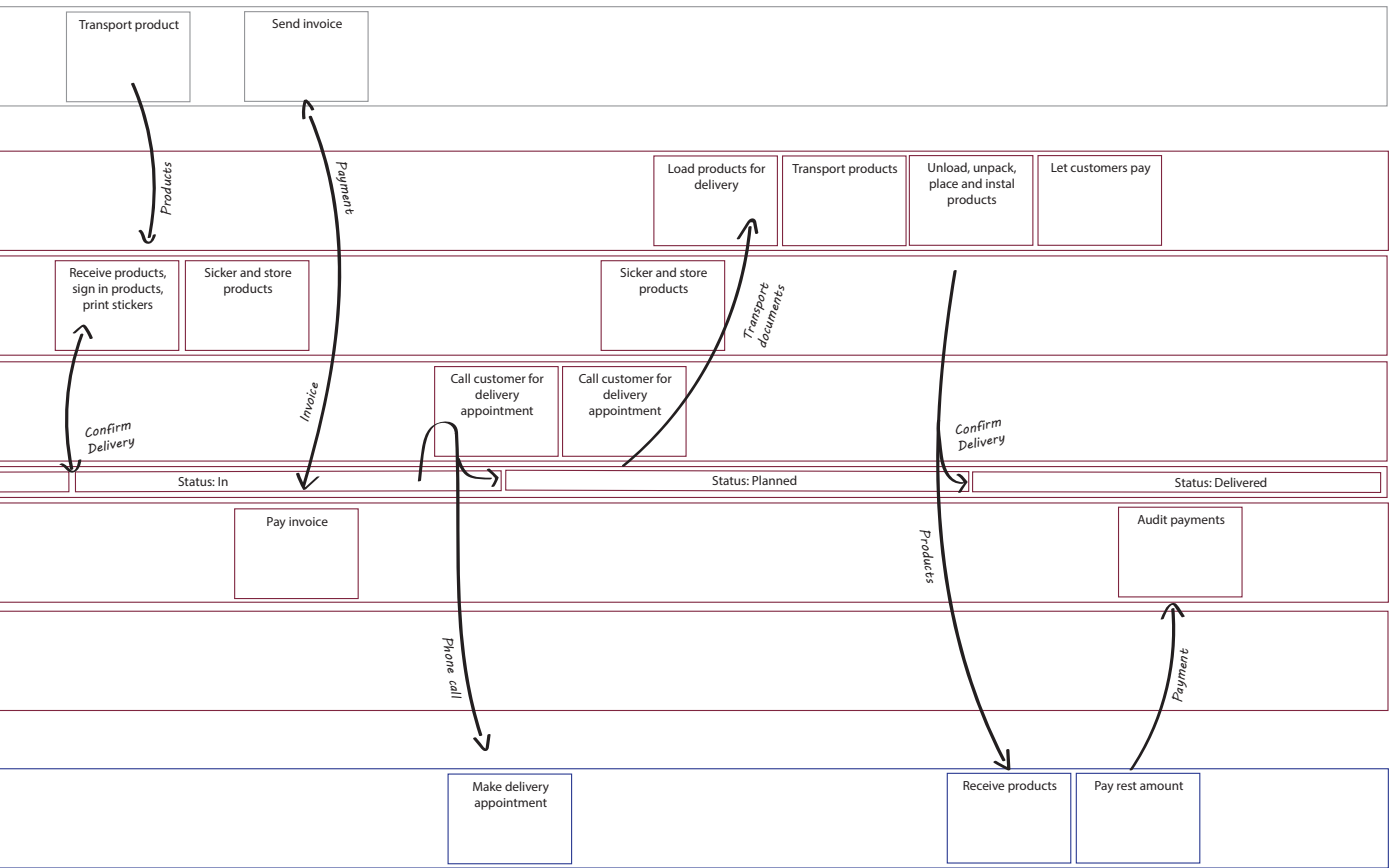


Figure 15: Lease work flow



### 6.3 Costs and earnings

All the resources and processes cost Houweling Interieur money. To break even, the earnings should at least cover the costs. A model was made in which a furniture lease cycle can be simulated. It calculates the costs and the minimal needed cost price for the user based on several fixed variables.

The model consists of five different parts, indicated in different colours.

- The grey parts indicate the context. It is a set of variables, to define the surroundings with which the lease service interacts.
- The blue part indicates what lease situation should be simulated. In other words, what products are leased and for how long.
- The yellow part (Appendix D) is the calculation itself and shows intermediate calculations.
- The green part shows the earnings and cost price per month.
- The orange part shows the total costs.

#### Variables

For each product four variables are listed, as can be seen in Figure 17: the purchase price, the normal sales price, the depreciation and required storage surface. The purchase price is the price Houweling Interieur has to pay its suppliers for the product. The sales price gives the prices that Houweling Interieur currently asks, which is not actually used in this calculation but acts as a reference price. The purchase and sales price are for the cheapest available options on the Houweling Interieurs pricelist. However, beds and closets are currently not in the company's product portfolio. For these, regular prices from other companies are used. The depreciation of each product is either set on 60 months, which is the standard insurance companies use for furniture, or on LP which stands for the length of the Lease Period. A LP depreciation is used for products that may not be leased out a second time. This is the case for products with a high amount of fabric that needs to be replaced, reupholstered or firmly cleaned to make it fit for a new customer. The storage surface is the space needed to store the products in a warehouse.

Apart from the variables given to the products, seven more fixed variables, can be seen in Figure 18. The storage price is the current price of storage space per m<sup>2</sup>. The percentage of stock leased out indicates how much products there are in stock for each leased out product. The lower the percentage the more the customer has to chose from. This value is used to calculate the storage costs. However, this is not an exact figure, but varies depending on the total inventory and number of leased out items. This simplified model is used to give an estimate of the storage costs without the need for the value of the total inventory. The labour and tools costs per item leased out are calculated based on the manhours, and truck and fuel costs. The calculation of this number can be found in Appendix D. Tax and interest are currently standard in the Netherlands. The profit margin and repay factor represent how much profit the company want to make on the lease. The repay factor indicates in how much time the depreciation of the products is earned back.

### The simulated cases.

With these set conditions, a lot of different lease cases can be simulated. To get a feeling of the costs and customer prices in different situations, a simulation has been made for a minimal case of a two room apartment, and a large case of a four bedroom house. In both cases the simulation is done for a one and a two year period. An estimate was made for what furniture was needed in each of the cases as can be seen in Figure 16.

These simulations lead to the costs and earnings as presented in Figure 19 till Figure 22.

### 6.4 Discussion

Looking at the difference between the current resources and the needed resources, it is clear that on the part of intellectual resources some essential information should still be obtained. However an important part of this could be done through trial and error during the early phase of the operation. In the category resources not much fundamentally new is needed. It mainly depends on the scale of the operation to what extend these resources need to be extended. However, this is also the case if the current operation changes in scale.

The costs for a lease operation can be covered if the customer is willing to pay the set price of €471,78 for the lease of furniture for a 2 room apartment for one year, and a set price of €1048,81 for the furniture of a four bedroom house for a year. This however is the absolute minimum. It is calculated with the lowest product prices and lowest additional costs.

	Amount Case 1	Amount Case 2
Dining table	1	1
Dinging chair	4	6
Sofa	1	2
Armchair	1	2
Closet	1	4
Bed	1	4
Coffee table	1	1
Dresser	1	2
Carpet	1	2
Lamp	4	8
Decoration	2	4
Total:	18	36

Figure 16: Interior composition cases

	Purchase price	Sales price	Depreciation	Storage m2
Dining table	€ 515.00	€ 1,133.00	60	2.5
Dinging chair	€ 165.00	€ 363.00	60	0.25
Sofa	€ 741.00	€ 1,630.20	LP	2.5
Armchair	€ 416.00	€ 915.20	60	1
Closet	€ 1,000.00	€ 2,200.00	60	1
Bed	€ 1,000.00	€ 2,200.00	60	2
Coffee table	€ 422.00	€ 928.40	60	1
Dresser	€ 250.00	€ 550.00	60	2
Carpet	€ 315.00	€ 693.00	60	0.1
Lamp	€ 100.00	€ 220.00	60	0.1
Decoration	€ 250.00	€ 550.00	60	0.1

Figure 17: Product variables

Variables	
Storage price/m2	€ 1.00
% of stock leased out	25%
Labour and tools/ item	€ 75.00
Tax	0%
Interest	4%
Profit margin	20%
Repay factor	100%

Figure 18: Context variables

Case 1	12 months
Depreciation	€ 2,274.84
Storage	€ 657.60
Labour and tools	€ 1,350.00
Total costs	€ 4,282.44
Earnings/m	€ 471.78
Price + Tax	€ 471.78
Total earnings	€ 5,661.32
Profit	€ 1,378.88

Figure 19: Results case one 12months

Case 1	24 months
Depreciation	€ 3,589.56
Storage	€ 1,315.20
Labour and tools	€ 1,350.00
Total costs	€ 6,254.76
Earnings/m	€ 356.27
Price + Tax	€ 356.27
Total earnings	€ 8,550.50
Profit	€ 2,295.74

Figure 20: Results case one 24 months

Case 2	12 months
Depreciation	€ 5,314.92
Storage	€ 1,411.20
Labour and tools	€ 2,700.00
Total costs	€ 9,426.12
Earnings/m	€ 1,048.81
Price + Tax	€ 1,048.81
Total earnings	€ 12,585.71
Profit	€ 3,159.59

Figure 21: Results case two 12 months

Case 2	24 months
Depreciation	€ 8,600.28
Storage	€ 2,822.40
Labour and tools	€ 2,700.00
Total costs	€ 14,122.68
Earnings/m	€ 812.33
Price + Tax	€ 812.33
Total earnings	€ 19,495.94
Profit	€ 5,373.26

Figure 22: Results case two 24 months

## Market analysis Conclusion

On the whole, a lease system seems viable for Houweling Interieur as long as it will be positioned in the high end of the market with products that match the style of the current product portfolio. It should be in the high end of the market, because this fits the calculated cost price, the suppliers, market position and vision of Houweling Interieur. When the service would be positioned in a lower end of the market, it would result in a mismatch with the company vision. On top of that, Houweling Interieur has to enlist new suppliers for its products. Furniture retailers that currently are in the low to mid end of the market would have a competitive advantage when following Houweling in the lease branch, since they already have the right suppliers and brand image for this market range. Furthermore, Dutch furniture lease companies are mainly targeting the mid to low end market.

# Expatriate Market

In the company analysis, it is stated that a potential target market for Houweling Interieur should be found in the high end of the market, with a demand for exclusive high quality furniture for a relatively high price which varies between at least €360 and €470 for a two room apartment, and €830 to €1050 for a four bedroom accommodation. Therefore, the financial capabilities of the customers in the potential target market are an important criteria for the willingness to use and pay for a lease service. However, purchasing decisions are not solely made on these (Sweeney, 2001). Other factors influence this decision as well, like emotional and social factors.

In the Assignment (Chapter 1) it is stated that the market to target is the expatriate market in the Netherlands. This chapter analyses this market in order to answer the following research question:

*Is there a potential target group within the expatriate market that is willing to use and pay for a furniture lease service from Houweling Interieur?*

To answer this question, a couple of sub research questions have been formulated that split up the main research question in smaller more manageable parts. These sub research questions (SRQ) are:

1. *What does the expatriate market in the Netherlands look like in general?*
2. *How is housing and furniture currently arranged for expatriates in the Netherlands?*
3. *What factors affect the decisions regarding furniture for expatriates and would they in line of this want a furniture lease service in the price range of Houweling Interieur?*

The sub research questions are all addressed in different analyses. Chapter 7, describes the research for SRQ1, the general characteristics of the expatriate market. Here on the basis of available information, the size of the market and the distribution of aspects like age, duration of stay, family arrangement and location of people within this market are described. Chapter 8, describes the research for SRQ2, how housing and interior for expatriates in the Netherlands is currently arranged. The answer to this sub research question is based on interviews with experts in the market. Chapter 9, describes the research for SRQ3, investigating what expatriates value in furniture and how this possibly could lead to a demand for a furniture lease service in the price range of Houweling Interieur. This sub research question is answered on the basis of generative sessions with expatriates.

Due to time limitations and lack of sufficient participants willing to participate in the generative sessions, it could be concluded that the sample for this research would not be representative for the market as described in chapter 7. As a consequence SRQ 3 could not properly be answered on the basis of the analysis in chapter 9. In chapter 10 it is discussed to what extent the results of the generative sessions represent the whole market and if there is reason to believe that there could be a substantial demand elsewhere in the market.

# Market Overview

To be able to tell if there is a demand for a premium furniture lease service in the expatriate market, one first must know what this market actually is like. In this chapter a general overview of this market is presented. First a definition of expatriates is given, after that the known characteristics of this group of people is described. Besides, some offerings especially targeted at expatriates are discussed.

Taking this information into account, it can be noticed that in the areas where Houweling Interieur is active, Amsterdam, Rotterdam and Leiderdorp, the percentage of expatriate is relatively high. This confirms the

## 7.1 Definition Expatriate

There is no unanimous definition of the expatriate. According to Ooijevaar and Verkooijen (2015) the expatriate has some major characteristics:

- An expatriate is born and grown up in a foreign country.
- An expatriate earns more than a regular employee.
- An expatriate is employed by an internationally operating company.
- An expatriate has a high level of education.
- An expatriate has no intention of moving permanently to the Netherlands.
- An expatriate does not identify or hardly identifies himself with the Dutch norms and values.

## 7.2 Market Characteristics

According to Statistics Netherlands (CBS) there are 57.000 expatriates in the Netherlands. Figure 23 presents the general characteristics of the group of expatriates in the Netherlands. The information in this infographic is retrieved from CBS (2015).

observations made by the company, and backs up the basis of this assignment.

There are various businesses that offer their services specifically to expatriates. Relocation agencies have as sole purpose to assist expatriates in their relocation and stay. Other branches as well have companies that specialize in the expatriate market, for example expatriate real-estate agencies and expatriate moving companies.

Looking at websites of expatriate real-estate agencies, it can show that the going price for accommodation in this branch is between €400 and €3500. (expatandpropertymanagement.nl, 2017) (Verrerealestate.nl, 2017) (expathousing.net, 2017)

In the expatriate moving business, the prices of moving the interior of a four bedroom house vary between €2000 and €8000, from Paris to Amsterdam, and between €6000 and €8000 from New York to Amsterdam (reallymoving.com, 2018).



# 57.000 Expatriates in the Netherlands

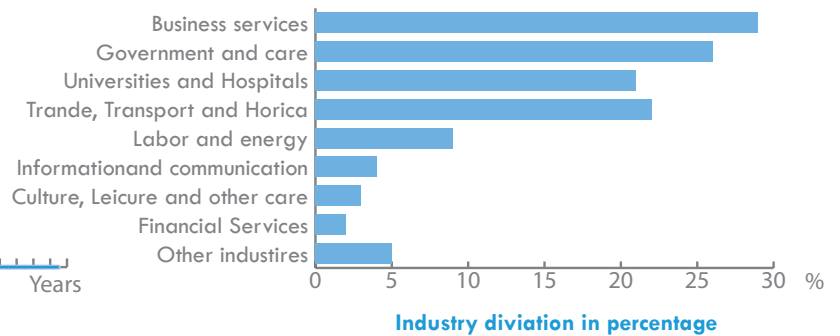
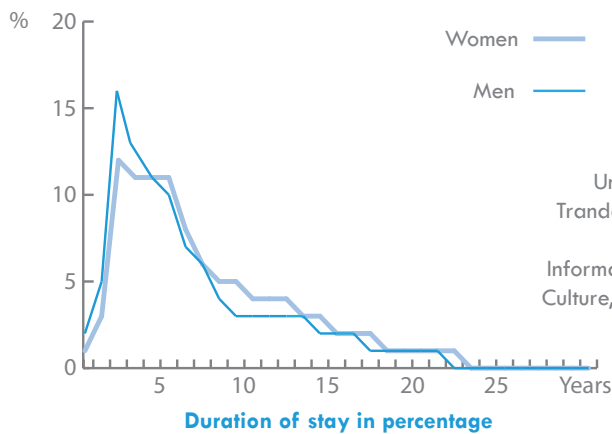
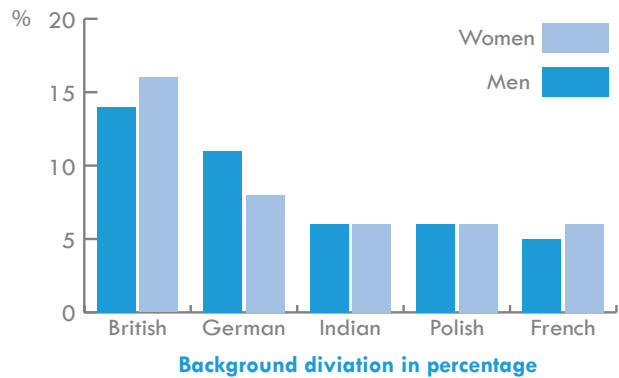
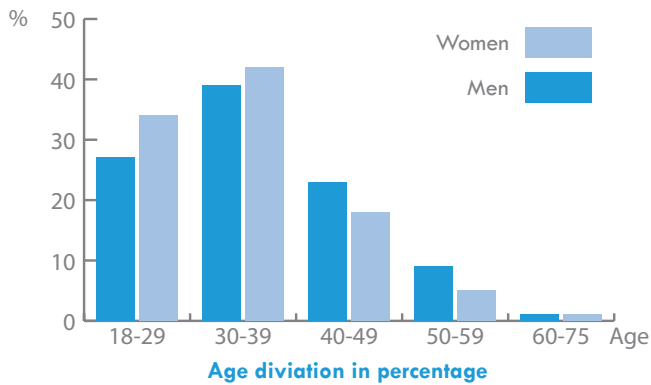
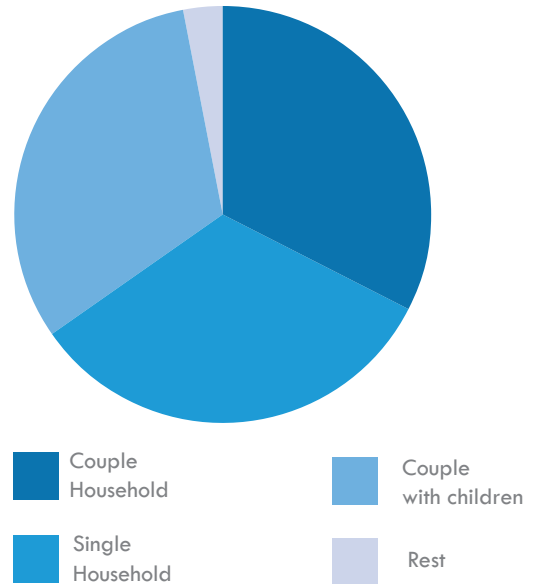
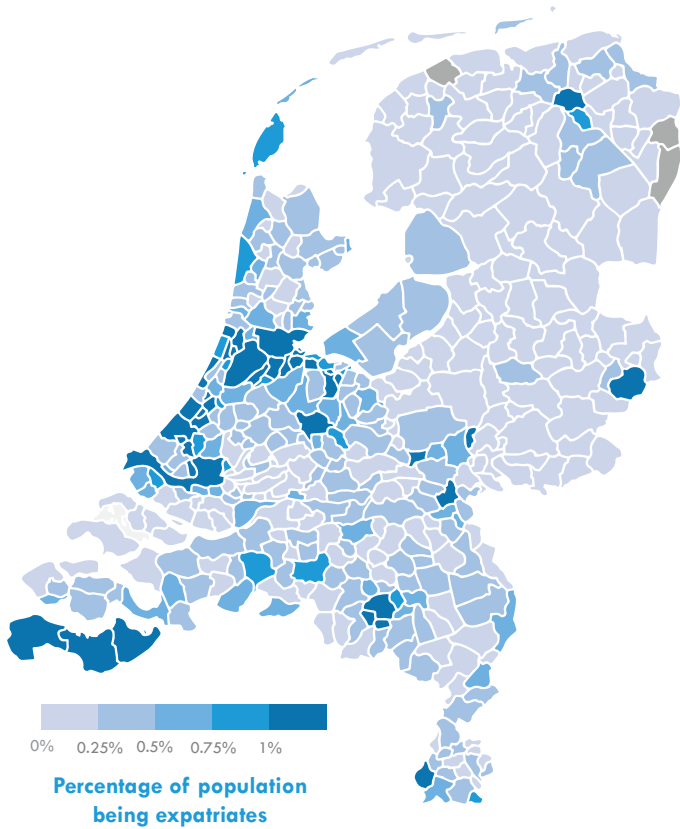


Figure 23: Expatriate infographic based on CBS (2015) and van Dam, NRC (2015)

# Housing and Furniture

To find if expatriates are interested in a new furniture offering, one needs to know what the current housing and interior options are for expatriates. From this information can be derived how a potential furniture lease service would related to specific aspects that are at play in the current market.

To get the required information about the various aspects that play a role in the market, the following two research questions are formulated:

1. *How is accommodation arranged in the expatriate market?*
2. *How is furniture arranged in the expatriate market?*

To answer these questions, interviews were conducted with two experts in the market, a real-estate agent specialized in expatriate housing and a member of the International office of the Leiden University.

## 8.1 Method

Semi-structured interviews were conducted with a real-estate agent specialized in expatriate housing, and a member of international office of Leiden university. For each interview a different script was used, providing the structure for the conversation. The different transcripts can be found in Appendix E.

The semi-structured interview technique has been chosen, because the interviews are aimed to explore. Therefore, the content and direction of the interview should be dependent on the input of the interviewees.

## 8.2 Sampling

A total of seven different real-estate agencies with experience in the expatriate market were contacted, of which one, after two visits to the head office, agreed upon an interview.

Besides, four different companies were contacted for their process regarding international employees. None of them were willing to help. The appointment with the member of the international office of the Leiden University was brought about with the help of personal contacts.

To be able to value their statements, it is needed to know what the interviewees' backgrounds are. The member of the international office of the Leiden University works mostly with foreign PhD students and other international employees. She stated that the apartments arranged for these people were in the range of €350 to €1000. In comparison with the total housing supply as presented in chapter 7, this can be seen as the low end of the market. The real-estate agent told that he rents out furnished apartments for up to €1500 a month. This is considered to be the low till mid end of the market.

With these two interviews, information comes from the viewpoint of the employer, in this case Leiden University, and the real-estate market, from the real-estate agent. In the next chapter the viewpoint of the expatriates themselves will be covered. These three views combined should give a total view of the interests of the stakeholders in the process.

### 8.3 Results

The two interviews were performed and lasted about half an hour each. The transcripts of the interviews can be found in Appendix E.

### 8.4 Conclusions and insights

The interviews show that there are two types of expatriates, long stay and short stay. The splitting line can be drawn between six months and one year. Most short stay expatriates rent their accommodation completely furnished. In this case the home owners own multiple apartments or houses and buy the interior in bulk from suppliers in China. Long stay expatriates most often rent their accommodation upholstered. This means that they have to arrange their own furniture.

The real-estate agent mentioned that expatriates often receive a relocation allowance from their employer to arrange their relocation. This money can be used to ship in one's own furniture, buy new furniture or lease furniture. He stated that if expatriates stay longer than a year, they often choose to ship in their own furniture. The costs of internationally shipping household implements lays between €1500 and €2500.

The member of the international office stated that Leiden University owns multiple apartments, furnished as well as unfurnished, that are reserved for housing international employees. The employees do have to pay rent, but have certainty to find accommodation which is not the case in the public offering through real-estate agents.

The average long stay expatriates do not use furniture lease options because, as stated by the real-estate agent in the interview:

**”If you pay €100,- a month for a year for lease, that’s €1200,- you can buy a lot from IKEA for that sum of money.”**

This would mean that the average expatriate would not be interested in a premium furniture lease service from Houweling Interieur. This was confirmed in the interview with the member of the international office. She stated that their expatriate employees for long stay would only be interested if the price would be around €10 to €20 a month.

# Needs and Wants

In the previous chapter has been presented how the housing and furniture for expatriates is currently arranged. In this chapter it is analysed why expatriates choose for specific furniture options and what they possibly would want more. This to estimate whether or not they would want a furniture lease service, why they would want it or what would be stop them from it.

To be able to tell if expatriates will opt for a furniture lease service from Houweling Interieur, one must know what factors influence the purchase decision of furniture for expatriates. Therefore the research question for this analysis is:

*What factors affect the decisions regarding furniture for expatriates and would they in line of this want a furniture lease service in the price range of Houweling Interieur?*

This question can be separated in two sub research questions:

*What factors affect the decisions regarding furniture for expatriates?*

*Would expatriates want a furniture lease service in the set price range of Houweling Interieur?*

To answer these question, four qualitative research sessions were performed with five expatriates. The sessions lasted about 20 minutes per person, three sessions of 20 minutes and one of 40 minutes with two expatriates together.

## 9.1 Method

The sessions were held according to a script which can be found in Appendix F. It was structured according to a method described by Sanders and Stappers (2012). In the method a

journey is made from present, via the past to the future, having the participants first answer on a factual level, then on a subjective level, where personal opinions come into account, lastly the expatriates future wishes are attended. During the sessions, a toolkit that was assembled specifically for this research, was used. The toolkit can be found in Appendix G.

The sessions consisted of four small assignments. First, the participants had to describe who they are and what they are doing in the Netherlands. Secondly, the participants were asked to draw on a timeline indicating their move to the Netherlands, from the moment they got their job offer to the moment they were actually settled in. Thirdly, the participants were asked to rate their current furnishing on three different scales and choose from a set of pictures the items they would want in their home. Then, they were asked to explain all the choices they made performing these tasks. After this, the participants were asked to write down their specific furniture preferences as a wish list for an interior designer. In the final phase of the session the participants were asked to rate how much control they would want over their furnishing on specific aspects: furnishing as a whole, style, functional aspects and decoration. In other words, in an ideal situation, what aspects of decorating an interior



Figure 24: Categorisation process

would you like to do yourself and what would you like to have done for you. In this phase they were asked to explain why they rated the aspects as they did, and what this situation then would look like. Next, they were asked to list the needed actions for this ideal situation in the earlier drawn timeline. To complete the sessions, the participants were told about the idea of a furniture leasing system, and asked what they thought of it. Afterwards, they were asked if they had anything to add that had not been pointed out yet.

The audio of the sessions was recorded. In the analysis phase, these records were transcribed and coded. Next the codes were categorized and the different categories were linked to get a complete overview of the entire situation.

## 9.2 Recruitment and Sampling

Three different methods of recruiting participants were used. In the first method, multinationals and embassies in the Netherlands were contacted. The advantage of this method is that, since the participants are approached actively, the recruitment can be directed to target specific participants, which makes representative sampling (Sanders & Stappers, 2012) possible. Five of the biggest multinationals in the Netherlands and four embassies in The Hague were contacted. These companies and authorities however were not willing to cooperate. In the second method, personal contacts were used to come into contact with potential participants. This way of recruiting is totally dependent on the known contacts and therefore could

not be directed towards specific types of expatriates. Therefore, this method leads to opportunistic sampling (Sanders & Stappers, 2012). This method resulted into two participants. In the third method, a message was posted on Facebook and LinkedIn. Once the message is posted, it is completely dependent on who shares the message and who in the end is willing to respond to the message. This way of recruiting neither cannot be controlled. Therefore it leads to opportunistic sampling as well. This method resulted into a total of three participants.

Because of the opportunistic sampling, the participants may not represent the target population. Therefore it is important to know who is in the sample group, to be able to value the findings of this research. All the participants rented accommodation between €500 and €1200 incl. This is in the low end of the accommodation market. Moreover, two participants were thinking about buying a house or had already bought a house in the Netherlands in order to stay here permanently. According to the definition of an expatriate by Ooijevaar and Verkooijen (2015) this would mean they are not expatriates anymore. However, they were when they arrived here. The five participants were from the United Kingdom, France, India, Mexico and Turkey. Two were living with partner and children, one was with partner, one with roommate and one alone.

## 9.3 Results

The four transcripts were coded, which led to a total of 74 different codes. 25 of these codes originated from multiple answers or even multiple transcripts.



Figure 25: Factors influencing furniture choice

First, one group of codes was filtered out: the factual descriptions of actual situations or past events. These were 25 codes in total. These codes can be used to sketch the context expatriates live in, but do not describe their needs and wishes.

The remaining 49 codes were categorized multiple times. This was done by using coding software and by shifting around the statements in the form of post-its, as presented in Figure 24. After several iterations the final categorisation had been made as presented below.

24 codes factually describe how the four expatriates came to the Netherlands and how they got settled in. All five stories were different, but in essence they overlapped. To make this data tangible, a visual interpretation of the data was made in the form a general customer journey as can be found in Appendix H.

By categorizing the other statements made by the participants, it becomes apparent that all statements can be attributed to seven main factors that affect the furniture choices. These factors are presented in Figure 25. The seven factors are also presented below with their most representative quotes from the sessions. Besides, these are not the only quotes that justify these findings. The complete set of statements with original quotes can be found in Appendix I.

### Job centred mindset

The first factor that can be derived from the sessions is

the prioritizing in the life of expatriates. Expatriates build their life around their work, so work is for all of them the number one thing. Consequently, other aspects might seem less important and the willingness to put effort in furnishing can be relatively low.

P3: "Then it goes work, work, work"

P1: "Because all I'm using this [apartment] for is somewhere to go to after work, eat, sleep and then go to work again".

P4: "And now again I'm back quite near to office, the house is not terrible, but the price is quite high. So the more you go to the office centre, the prices go higher."

### Certainty

The second factor that presents itself in the data, is the expatriates search for certainty. This seems to be based on two aspects. First, expatriates are in a foreign country and do not have much to fall back on. Second, due to the work centred lifestyle, expatriates are almost only focussing on the first life needs, like accommodation and health insurance.

P4: "So in this periods of time I was told that within two months I had to find an apartment. And it are really high stakes, you understand?...But for expats, when I see my colleagues, they are more interested in finding an apartment that spending time in interior design or what kind of vase or art."

### Duration of stay

The third factor that can be extracted from the sessions is that the care for other aspects in life grows with the length of stay. This could be because the expatriate does not have to worry about work and housing for a while because it is taken care of, for a set period of time. Also, because the phase lasts longer, the conditions in that phase could be seen as more important. Expatriates then are willing to invest more time and money on it.

P1: *"That is totally dependent on the length of contract, so if my positioning here is a six month contract, I really don't care what it looks like. If they said it is a long term contract for two or three years, than I would say yes, to give me an option for an interior design that is more pleasing to me."*

P2: *"I think yes, but only for long term expats, because a lot of expats are just here for two years and did not want to pay for decoration or furniture"*

### Family

Another aspect that has influence on this prioritizing is family. When living with their family the furnishing and other aspects of life than work become more important.

P4: *"To be honest right now. If I would have family right here, than I would be looking for a better furnished house."*

P3: *"And the functional aspects, I would choose myself, I'm always thinking with the kids, that you think this is dangerous."*

### Offered opportunities

The decisions expatriates make regarding their furniture are influenced by the opportunities they get offered and restrictions they walk into. Of course one can only choose what is available, and when presented with an opportunity, it is easier to take it than to look for all the alternatives.

P1: *"I could, I had two options, both fully furnished flats, apartments, one was slightly bigger, and I took the smaller, I don't need that space."*

P5: *"But when we were moving, the University wanted to pay our moving expenses so it was a wise thing to bring our own stuff because it was already paid by the University"*

P5: *"It was not very easy, because in Turkey the houses are usually bigger, larger than in the Netherlands, so we had to leave some of our stuff there and buy something smaller, especially for this house. And also the stairs are usually very narrow here it is very difficult to carry your stuff upstairs here."*

### Personal preferences

Four of the five participants had in common that they initially rented furnished apartments of which they were satisfied with the interior although they did not like it that much. When asked what kind of interior they preferred, all participants answered differently. However, they all seem to know what they want and what they don't like. So another influencing factor is the personal style preference.

P2: *"I like colours I like from Sweden you know (...) The Nordic style, we like it very much."*

### Financial resources

Another influencing factor is money. Not only whether they can afford it, but whether they think it is worth it as well. If they think it is worth it, the outcome again is depending on the other six points.

P1: *"In fact, the interior of the flat that I didn't take was better for me. The wallpaper for example was less garish and it was more comfortable, it seemed more comfortable, but I chose not to take that, because I didn't need to pay another 200 euro's a month"*

Interviewer: *"Would you want to pay more rent, if you had a choice in the furniture?"*

P3: *" (...) So of course living in a nice place is nice, it is important, because it is your house, and you spend your time there to relax. But we are here also to save some money I wouldn't. It depends, if it is probably 5% more, then I would say yes, I think 5% or maybe 10. Yes 10% is I think my maximum"*

Observing all the statements about prices of potential lease services, the maximum the participants are willing to spend is equal to about 5 till 10% of their rent, if this would give them more choice in their furniture than their current furnished apartments could provide. As mentioned in the sessions, the participants spend between €500 and €1500 on their rent.

## 9.4 Conclusion and Discussion

Due to time limitations and a lack of response from potential participants the results from this research cannot be conclusive. Because of the opportunistic sampling used for recruiting the participants and the small sample size, there is no certainty that the sample represents the whole target population. Yet, because of the in depth research method, all the seven findings of this research are based on multiple independent statements made by the participants. So it can reasonably be assumed that these findings are indeed at play within this market. However, further research would be needed to validate these findings and see if it is applicable to the whole market or just a segment.

As mentioned in the conclusion, the participants are not willing to spend an amount of money that is higher than about 5 till 10% of their rent. In these cases the participants spend between €500 and €1500 on their rent on a furnished apartment. When assuming that 20% of their current rent is attributed to their current furnishing costs and would not count if the expatriates arrange their furniture themselves, then this could be added to the price the participants are willing to pay. This would give a total of €150 on interior for a room that is now in the market for €500 rent, and €450 for a room that costs €1500 a month. This is lower than the price range set in the company analysis.

So based on these results it would seem that expatriates could not interested in a more expensive furniture lease

service. However, as mentioned before, these results possibly do not represent the whole expatriate market. In this case, it would be specifically interesting to find out if there are expatriates that are in another situation regarding their financial status, since this seems to be the major deal breaker for the interviewed participants. It could be the case that if expatriates with a higher salary exist, they rent a more expensive accommodation and therefore would then, with the “10% of rent rule” meet the price set in the company analysis, or might be willing to spend more on furniture in general.

In chapter 7 is stated that the prices of expatriate accommodation vary between €400 and €3500. The participants in this research all rent their accommodation for a price between €500 and €1500, all in the relative low end of the market. This would probably mean, as discussed earlier, that the group of expatriates with a higher salary does indeed exist and is not represented in the analysis.

An attempt was made to verify this assumption by creating a research setup that was more accessible to participants and reach a wider sample size. This wider sample size would give more variation in the character and situation of the participants. This way it could be checked if the findings apply to expatriates in other situations as well, especially to the expatriates with a higher financial status. If so, this would confirm or at least strengthen the earlier found results, or their shortcomings.

Since contacting participants through the more formal and informal channels turned out to be unsuccessful, it was tried to address them directly on the street with a small one minute interview. This way the potential participants didn't have to undertake action themselves to get in contact as was the case in the original research. Furthermore the time investment would be smaller, and would be redeemed immediately, so no worries for later. The length of the interview was limited to a bare minimum, in order to reach as many participants as possible. The downside would be that the information would be more superficial and incomplete. The interview setup can be found in appendix J. A strategic location on the Zuid As in Amsterdam was chosen during lunchtime when all the expatriates would leave their offices. Later the office area of the Amsterdamse Poort near Amsterdam Arena was tried as well. Groups of people that were conversing in English were addressed because it could be assumed that at least one of them was not Dutch. This was during two days, two hours each.

A total of five expatriates were willing to cooperate. The rest of the addressed passers-by said they didn't want to cooperate or didn't have time. All the people that were interviewed had a story similar to that of the participants of the original analysis. From the information they provided, nothing new or contrasting could be identified. These results confirm the findings from the original analysis. However, due to the small sample size, still no conclusions could be drawn with regard to the entire expatriate market.

To be able to answer the initial research question of the market analysis: *Is there a potential target group within the expatriate market that is willing to use and pay for a furniture lease service from Houweling Interieur?* it is necessary to know if the factors found in this analysis, apply to the entire market, and if not, how they differ. This leads to the following sub research question:

*To what extent do the results of market analysis, represents the whole market, and would there be a potential for a furniture lease service from Houweling Interieur in the underrepresented parts of the market?*

The setup of the executed part of the research shows that retrieving information about the whole expatriate market from the expatriates themselves turned out to be inadequate. Therefore it was decided to get the information needed for this second sub research question, not from the expatriates themselves but via people who had proven experience in the expatriate market. This way of working does not provide first hand information and experiences, but uses the more distant observations of people who are in frequent touch with expatriates. This whole second part of this analysis is described in chapter 10.



To what extent do the results of market analysis, represents the whole market, and would there be a potential for a furniture lease service from Houweling Interieur in the underrepresented parts of the market?

# Market Demand

The results of the previous analysis might not be representative for the entire market. Therefore, in order to be able to tell whether there is a substantial demand in this market it is needed to know to what extent the previous analysis represents the whole market, what the difference with the findings are and whether these differences give reason to believe there is a demand somewhere in the market.

## 10.1 Method

As the former research showed, getting a complete overview of the market by contacting expatriates themselves did not work, because of the small sample size. Therefore another way to obtain

information is used, namely getting the information from people who have proven experience in the expatriate market. This way of working does not provide the first hand information and experiences, but uses the more distant observations of people who are in regular contact with expatriates. For this, it was decided to contact relocation agencies, since they assist expatriates in their move to the Netherlands and their settling in. Therefore, they can be seen as a reliable and knowledgeable source of information on the wishes and needs in the expatriate market as a whole.

Two relocation agencies were contacted of which one replied and was willing to cooperate. A semi-structured interview was performed with an employee who's work it is to handle the international relocations of employees for multinationals in the Netherlands and in Belgium. She mostly works with expatriates who are relocated by their employer. The agency is hired by some of the biggest multinationals in the Netherlands to help their employees with integration, housing and settling in, in the Netherlands. The relocation agent told that she represents expatriates who rent accommodation for between €800 and about €3000. Compared to the entire expatriate accommodation market as presented in chapter 7, this can be seen as the

To be able to answer the question:

*"Is there a potential target group within the expatriate market that is willing to use and pay for a furniture lease service from Houweling Interieur?"*

it is necessary to know: *"To what extent do the results of market analysis, represent the whole market, and would there be a potential for a furniture lease service from Houweling Interieur in the underrepresented parts of the market?"*

This rather complex question can be split into four more manageable parts:

1. *What differentiating categories within the market do exist?*
2. *To what extent are these categories represented in results of the last analyses?*
3. *How do these categories differ from the others?*
4. *Are these differences reason to believe that these specific groups do want a furniture lease service?*

To find the answers to these questions an interview was arranged with a relocation agent. After which, these results were compared with the results of the previous analysis.

mid to high end of the market.

For the interview a script was used, providing the structure for the conversation. The script can be found in Appendix K. The semi structured interview technique has been chosen, because the interview has as a purpose to explore. Therefore, the content and direction of the interview should be dependent on the input of the interviewees.

The goal of the interview is to come up with a differentiating categorisation of the expatriate market. The purpose of this differentiation is that something can be said about the demand for a furniture lease service of the category as a whole, on the basis of the seven factors found in chapter 9.

Next will be analysed to what extent the expatriates in these categories are represented in the sample of the generative sessions in chapter 9. From this can be deduced to what extent the results of that analysis are applicable to them. This is done by comparing the characteristics of the expatriates in each category given in the interview with the relocation agent to the characteristics that were derived from participants in the generative sessions.

If there are categories that are underrepresented in the analysis in chapter 9, it is discussed if the characteristics of the expatriates within these categories differ in such a way from the participants in the analysis in chapter 9, that this group could be interested in a furniture lease service from Houweling Interieur.

## 10.2 Results

The interview with the relocation agent was performed over the phone, recorded and transcribed. The transcript can be found in Appendix L. The length of the interview was about 45 minutes.

## 10.3 Conclusions and insights

The interviews provided information about how expatriates are categorized by players in the market. Next the information about these categories could be compared with the results from the generative session. The differences between the categories could lead to a final conclusion about the potential of a furniture lease service in the expatriate market.

### Categorisation

From the interview two different ways of categorizing the expatriates comes forward. One based on length of stay and one on employment situation. The categorization on length of stay is distinguished between short and long stay. The exact tipping point in time between these categories could not be given. For the relocation agent it seemed that this distinction was not so much based on duration of stay, but rather on the choice by the expatriate between a furnished or upholstered apartment. This is based on the principle that a furnished apartment has a higher monthly price, where an upholstered apartment needs a relative high one time investment to bring over or buy new furniture. Because of this, for short time renting a furnished apartment is more economical. For long time, when the extra price on rent per month exceeds the initial

costs to arrange the furniture yourself, upholstered is more economical. This is, as she said, depending on the location.

*“If it’s Eindhoven, you can rent serviced for a period of 6 months, that’s cheaper than renting an empty apartment and shipping your stuff in. But in Amsterdam it’s the other way around, and Rotterdam and the Hague as well, those are expensive cities.”*

The other type of categorisation used by the relocation agent, is based on the employment situation. She sketched four types of expatriates: The commuters, the business travellers, the local hires and the relocated employees. In this last group she differentiates another four categories of expatriates, as can be seen in Figure 26. The relocation agency uses this categorisation to make agreements with the client multinationals about what service package to provide to what expatriate.

Of these four categories based on employment situation, only the relocated employees would be interesting. This is because the commuters and business travellers do not live in the Netherlands and therefore would not be interested in a furniture lease service. The local hires are hired under local employment conditions. Therefore, this group of people will probably act like local employees rather than expatriates. That is why they are not relevant for a research into furniture lease systems specifically targeted at expatriates.

Together these four categories better differentiate the seven factors presented in chapter 9 than the one on duration of stay alone. For these categories, general characteristics like age, spending power, duration of stay and traveling experience can be addressed. With these characteristics in mind, a rather good estimate can be made on their situation with regard to the seven factors found in chapter 9. Therefore, if they would be interested in a furniture lease service in the price range of Houweling Interieur. However, the category Voluntary relocation is rather wide, making it impossible to create a homogeneous profile of this group.

### Representation in generative sessions

When comparing the seven categories with the profiles of the expatriates in the generative sessions as described in chapter 9, it appears that the participants are well divided over the different categories. All the four relevant categories are represented by at least one participant as can be seen in Figure 27. In this figure the first column states the participant number and the second, the associated category of expatriate.

### Differences between categories

To get a grip on each one of these categories, a persona is made for all of them as presented in Figure 29 till Figure 31. As mentioned before, the category Voluntary relocation is rather divergent, yet it is decided to make a persona for this category, because on certain factors some valuable information can be presented. On the other factors this persona is kept rather vague since nothing concretely can be said about these aspects.

<b>Commuter</b> Living just over the border, traveling every day to their work in the Netherlands			
<b>Business Traveler</b> Living and working elsewhere, visiting the Netherlands regularly for a meeting			
<b>Local Hire</b> Employee (from other origine) employed on local employment conditions			
<b>Relocated Employee</b> Employee of multinational placed in other country			
<b>High potential</b> Young employee is placed abroad for personal development  Duration: 1/2 - 1 year  Profile: Yough starter	<b>Voluntary relocation</b> Employee applies for unciton abroad for personal reasons  Duration: Varying  Profile: Varying	<b>Knowledge exchange</b> Employee is placed for his knowledge or to teach local employees  Duration: 1/2 year  Profile: Varying	<b>Strategic Assignment</b> High ranked employee is placed to lead a new business division  Duration: +1 year  Profile: Established

Figure 26: Categorisation on Employment situation as presented by relocation agent

	Profile
P1	Knowledge exchange
P2	Voluntary relocation
P3	High potential
P4	Knowledge exchange
P5	Strategic assignment

Figure 27: Categorisation of participants

The personas are based on the information provided by the relocation agent and on the stories of the participants in the generative sessions that matched the situation as described by the relocation agent. It describes the reason of relocating, the customer journey, and how the seven factors from the generative sessions are shaped for the expatriates in that category.

These personas do not give an exact description of the whole category of expatriates, it is an representative example of what the story of an expatriate in that category could look like. So there will be variation within the different categories, but then, it can be assumed that the variations between the different categories are more significant.

When comparing the different categories, the most notable differences lay in the duration of stay, the financial status and the involvement of the company in the relocation. The duration of stay determines in most cases how much the

expatriates prioritize work over the rest of their life, how much they are in search of certainty and whether they will bring their family, if any. The involvement of the company affects the offered opportunities and the search for certainty. An active employer provides a certain safety net on its own and offers options of which can be made use. The financial status determines what the expatriate can afford and which things the expatriate thinks are worth the money.

### Demand per category

The information presented by the relocation agent, made clear that expatriates from all of the four categories chose either for a furnished or serviced apartment, or for an upholstered apartment for which they bring their own furniture. This information is confirmed in the generative sessions by the expatriates themselves. Next to that, in the sessions was stated that the participants were not interested in a furniture lease service as an alternative to their current situation, or that they would want it for a relatively low price, which lays outside the range of Houweling Interieur. Now the differences within the whole expatriate market have been analysed, it can be examined whether the differences between the group of participants and the rest of the market give any reason to believe that there would be a potential demand for a furniture lease service in the price range from Houweling Interieur.

One main difference within the market is the duration of stay. A distinction can be made between long stay, which is longer than half a year, and short stay, which is

# High Potential



High potential expatriates are talented young employees who are relocated abroad for a project to gain experience and for personal development. These high potentials are starters in the business world, therefore they are unexperienced and have a salary that matches that position and do not yet have built a family. The duration of the project abroad is often up to half a year. These high potentials often have high expectations but because of their limited budget they often get disappointed and have to settle for a small furnished apartment.

- Search for certainty is high
- Job prioritization is high
- Duration of stay is half to one year
- Stays alone, doesn't bring family
- Personal taste varies per person
- Gets little help from company
- Has starter salary that fits his position
- Would like more choice in their interior than furnished apartments offer, however they cannot afford that much

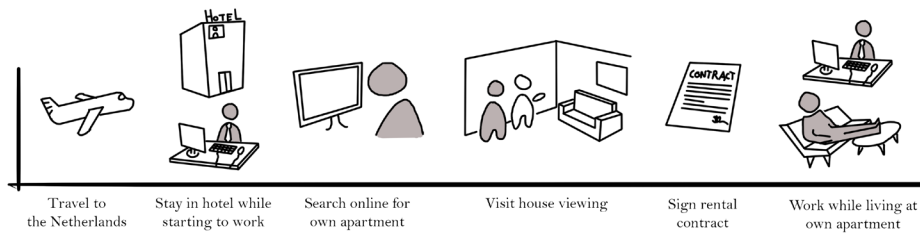


Figure 28: Persona High Potential

# Knowledge Exchange



An expatriate that is relocated with the purpose of a knowledge exchange, is positioned abroad because his specific knowledge is needed there or to educate local employees. This assignments usually have a duration of a couple of months. Because the specific skills and knowledge of these employees, the company sends them to wherever they are needed. Therefore these expatriates are used to be replaced. They stay in a hotel, or arrange an furnished apartment for themselves. These numerous short relocations make it unattractive to bring a partner or children.

- Search for certainty is medium
- Job prioritization is high
- Duration of stay is couple of months
- Stays alone, doesn't bring family
- Personal taste varies per person
- Gets some help from company
- Has medium salary that fits his position
- Is not willing to invest time or money in interior since it is just for a short time in which the focus lies on work.

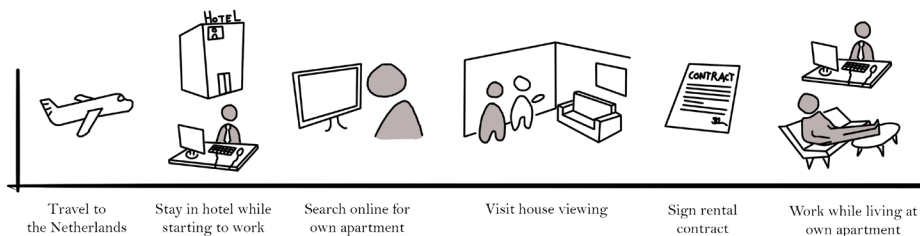


Figure 29: Persona Knowledge Exchange

# Strategic Assignment



Expatriates on a strategic assignment are in general highly ranked employees that are placed to set up or lead a new division of the company. They are of the age that they could have built a family that travels along. These assignments often last over a year. These expatriates are settled senior business men with experience in life and in their field. They and their placement overseas is of great value to the company, therefore the company helps to make sure the replacement proceeds according to the wishes of the expatriate, for example by covering the costs for shipping of the household effects.

- Search for certainty is low
- Job prioritization is medium
- Duration of stay is +2 years
- May bring partner and or children
- Personal taste varies per person
- Gets full help from company
- Has premium salary that fits his position
- Is settled with family and own interior, company arranges and covers costs for shipping everything in.

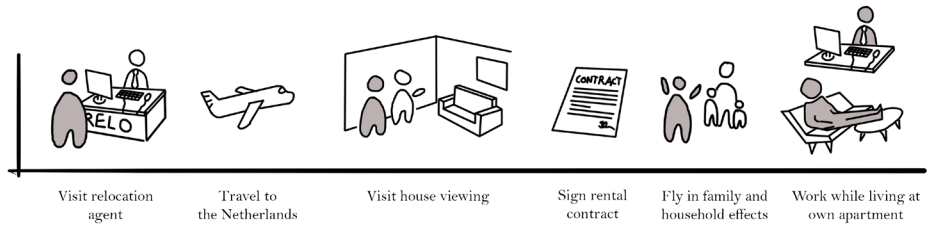


Figure 30: Strategic Assignment

# Voluntary Relocation



An expatriate who wants a relocation voluntarily, is relocated upon their own personal preferences and circumstances, so without specific benefits for the company. This could be because the country is appealing to the expatriate for certain reasons, or there could be an internal job opening at that location. In essence, every employee could apply for a relocation abroad, so no clear profile could be made from this group of expatriates. However, because they relocate for their own interests, they will probably apply for a non-typical expatriate function and will not receive optimal assistance from the company in their relocation.

- Search for certainty is varying within group
- Job prioritization is varying within group
- Duration of stay is varying within group
- Might bring family and or children
- Personal taste varies per person
- Gets limited help from company
- Financial status varies within group

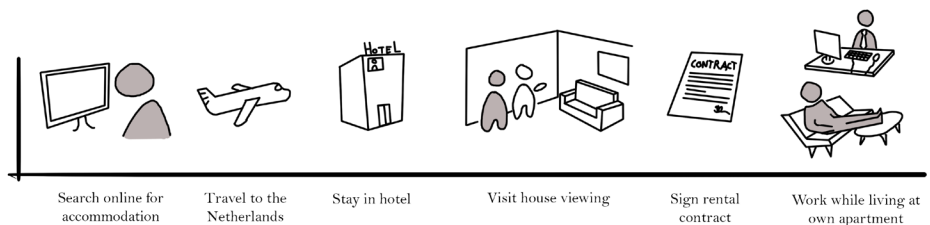


Figure 31: Voluntary Relocation

shorter than half a year. From the creative sessions can be concluded that for short time, expatriates do not really care about their furniture. This is because then the job prioritization and search for certainty is high. The short stay expatriates want an easy and cheap option, that takes minimal involvement. Because of this, a lease service with premium furniture from Houweling Interieur for this group is not valued by the categories of expatriates that stay short time. Consequently, the category knowledge exchange and high potential would not be interesting to target.

From the generative sessions it could be derived that expatriates who were staying for long time and were interested in a furniture lease service, the price was a limiting factor. What people can afford and what they think such a service is worth is dependent on their financial situation. So expatriates who can and are willing to pay the premium price for their furniture should be found in the categories where the expatriates have more to spend than the participants in the generative sessions, or get compensation from their company to cover the costs of their relocation and furniture.

When looking at the expatriates who stay long time and earn relatively more, the category of expatriates on a strategic assignment stands out. These are settled businessmen on an assignment that usually takes longer than a year. As described in the interview with the relocation agent, these expatriates almost always bring their own household effects. The relocation agent could not think of an example for which this was not the case. The costs of the relocation and therefore the costs for the shipping of the household effects are often covered by the company. The participants from the generative sessions who brought their own furniture as well, could not think of a reason why they would choose lease furniture over their own. The only thing that was mentioned was that some apartments can only be rented completely furnished, so it is not possible to bring one's own furniture. In this case however, lease furniture would not be an option either.

So in general it seems that short time expatriates do not care enough about their interior to spend much on premium furniture, and long time expatriates might be willing to spend more, even on lease furniture. However, when the price of the furniture reaches or exceeds the price of shipping in their own furniture, expatriates will almost always choose for their own, whether it is paid for by the company or not. This would mean that there would not be a heavy demand for a premium furniture lease service in the expatriate market in the Netherlands.



A combination of a short period of stay and a high job prioritization has the effect that expatriates do not care that much for furnishing. Therefore they choose the easiest and cheapest option that takes minimal involvement: the furnished apartment.



Expatriates that do care for their furniture would like more choice in their interior than furnished apartments provides. Lease furniture appeals to them, however, the costs are a limiting factor. They would not choose high end furniture.



The richer expatriates, who generally do care for their furniture, have a position within the firm in which the company arranges and covers the costs of shipping their own furniture.

## Market analysis Conclusion

Overall it can be concluded that within the expatriate market, there is no demand for a premium furniture lease service as could be provided by Houweling Interieur. However, in the lower end of the market, a furniture lease service with a relatively low price would be valued by certain groups of expatriates.

From generative sessions seven factors were found that influence the furniture choice of expatriates. These factors are: Duration of stay, Work prioritizing, Search for certainty, Living with family, Offered opportunities, Financial status and Personal preferences.

The participants in the generative sessions stated that if the duration of stay in the Netherlands is just for a couple of months, the focus lays on the job and finding accommodation in general, rather than on type or style of furniture. In this case the expatriates do not care enough about these aspects. Therefore, they go for the cheapest and easiest option. Most of the time this is renting a furnished apartment.

When staying longer, the price becomes a limiting factor. Some expatriates, though they would want the benefits of a furniture lease service, they are not able or do not want to invest in a premium furniture lease service as Houweling Interieur would offer, because of their financial status.

The expatriates who would be able to afford a premium furniture lease service, also have the option to ship in their own furniture. Having their own furniture is preferred to leasing furniture. So this option is usually chosen.

The results from the generative sessions are compared with the information over the entire market provided by a relocation agent. This showed that there is no group within the market that differs in such a way that these three reasons for not wanting a premium furniture lease service do not apply. Therefore it can be concluded that there is no substantial demand for a furniture lease service in the expatriate market in the Netherlands. This does not rule out that there could be individuals in a specific situation that are interested in a premium lease service. However, these individuals then would be hard to locate and reach.



# Conclusion & Advice

The next part of this report presents the final conclusion in answer to the research question:

*What are the opportunities for a furniture lease service in the expatriate market for Houweling Interieur, and how can Houweling Interieur best use them, if any?*

Furthermore, it is discussed how this conclusion affects furniture lease in general, looking at the future of the expatriate market as well as other markets. At the end, the advice for Houweling Interieur is formulated with regard to lease furniture in the expatriate market and alternative options.

# Research Conclusion

In the three parts of this report, three different analyses have been performed. In the first part, the general consequences of introducing a lease service has been researched. In the second part the company has been analysed. And finally, the third part, the demand from the expatriate market has been analysed. The results from these three analyses together give insight in the feasibility of a furniture lease service from Houweling Interieur in the expatriate market.

In the previous chapters, analyses were done to answer the main research question:

*What are the opportunities for a furniture lease service in the expatriate market for Houweling Interieur, and how can Houweling Interieur best use them, if any?*

This question was answered on the basis of the following three sub research questions:

1. *What are the consequences of introducing a lease service for Houweling Interieur?*
2. *Is a leasing system feasible within the capabilities of Houweling Interieur?*
3. *Is there a potential target group within the expatriate market that is willing to use and pay for a furniture lease service from Houweling Interieur?*

## 11.1 Consequences of lease

As concluded in chapter 2, with this product service system, Houweling Interieur offers the potentials customer more customization, more flexibility, less administrative and monitoring tasks and value closer to the current needs. For Houweling Interieur this could on the one hand lead to a strategic advantage leading to more turnover. On

the other hand this would mean that its operation becomes more complex. The company will not only have to offer the furniture and place it, as it does now in its selling system, but has to monitor the products as well while it

is located at the customer.

## 11.2 Feasibility for the company

As concluded in chapter 3, a furniture lease could be feasible in the capabilities of the company. Such a service could match the company vision, as long as the products in this service match the current product portfolio. These products, among other reasons, place the company currently in the high end of the market. So the lease service should be placed in the high end of the market as well.

The competition analysis shows that current furniture lease services position themselves mostly in the low end of the market. This leaves a potential gap in the high end of the furniture lease market.

Houweling Interieur has, or should be able to acquire, the needed resources for the operation behind a furniture lease service in this end of the market. Moreover, the company is able to cover the costs when the customer is willing to pay at least €360 a month for the interior of a 2 room apartment and €830 a month for a four bedroom apartment.

### 11.3 Expatriates as target group

As concluded in chapter 4, there is no segment in the expatriate market that could form a potential target group for a furniture lease service for Houweling Interieur. The expatriates stay either too short to care much about their furniture, or they do not have the financial resources to meet the price set by Houweling Interieur, or they are offered the preferred opportunity to ship in their own furnishing.

Although not for a company at the high end of the market, as is Houweling Interieur, there is still a demand in the market that can be filled in by a furniture lease service for about €150 till €450 a month.

### 11.4 Conclusion

It is not advisable for Houweling Interieur to launch a furniture lease service for expatriates right now. Although lease services can bring a strategic advantage and the company is able to obtain the needed resources to manage a furniture lease operation, there is no target group within the expatriate market that is willing to pay the bottom price that is needed to make the operation viable.

There is a market segment that would potentially be willing to spend up to €450 a month for the lease of furniture. However, for this price, Houweling Interieur is not able to offer products that fit its company vision and current resources. There are already companies that offer a furniture lease service for this market segment. If this current offering seems not to meet the demand, the

companies that are currently active in the mid to low end of the furniture retail market seem the more promising companies to respond. These companies do already have the required resources and company image. With this they would have a sustainable competitive advantage over Houweling Interieur and other companies in the high end of the market, when they would enter the lease business.

# Discussion Furniture Lease

Although furniture lease in the expatriate market offers no concrete opportunities for Houweling Interieur, a potential for furniture lease was found in the lower end of this market. The analyses give valuable information on what specific requirements this service would have to meet. This chapter will discuss the implications of such a service, and the future of furniture lease in general.

one contract to go over and one monthly payment just as it is in their current situation. The total interaction in the process as described above is presented in Figure 32.

## 12.1 Low end of expatriate market

The expatriates that are interested in a furniture lease service do currently rent their accommodation completely furnished. The advantage they saw in a furniture lease service, is the ability to select furniture of their own choice. This choice is valued, however, the extra price expatriates are willing to pay for this in money or effort is rather limited.

In the current situation the expatriates do not invest time at all in their furniture, it just comes with the apartment. So time-wise, a furniture lease service would be at a disadvantage, since the expatriate has to take time to express his furniture preferences in one way or another. The same applies to the price. Offering one option is cheaper than offering a choice out of multiple complete interiors. The expatriate will see this in the final price, unless it is compensated in the profit margins by the companies that provide the services.

To be able to limit the time investment it seems to be advisable to integrate the furniture lease service in the process of renting the accommodation. This limits the extra time needed from the expatriate since the whole process can be done at one go, with just one contact person, with

To obtain this situation a close collaboration is needed with the home owner and the real-estate agent involved in the renting of the accommodation. However, looking at the replies from the contacted real-estate agents, and derived from the interview with her, it can be concluded that real-estate agents and home owners are initially not keen on such a collaboration. This could be due to the fact that the demand for accommodation is currently high. So the need for an extra service for the renter is low. This means that the extra value for the end user does not directly translate into an advantage for them. Therefore, another advantage for these parties must be created to get them involved. One advantage could be taking away some responsibilities for the furniture of the home owner and sharing the profit. However, since offering multiple furniture options is already a more expensive operation, and the end price for the final user should not increase too much, the total profit on furniture for the home owner will probably even decrease when compared to a situation in which he arranges the furniture himself.

## 12.2 Other markets

The research showed a demand in the low end of the expatriate market. The expatriate market was chosen as target market for this research because it seemed

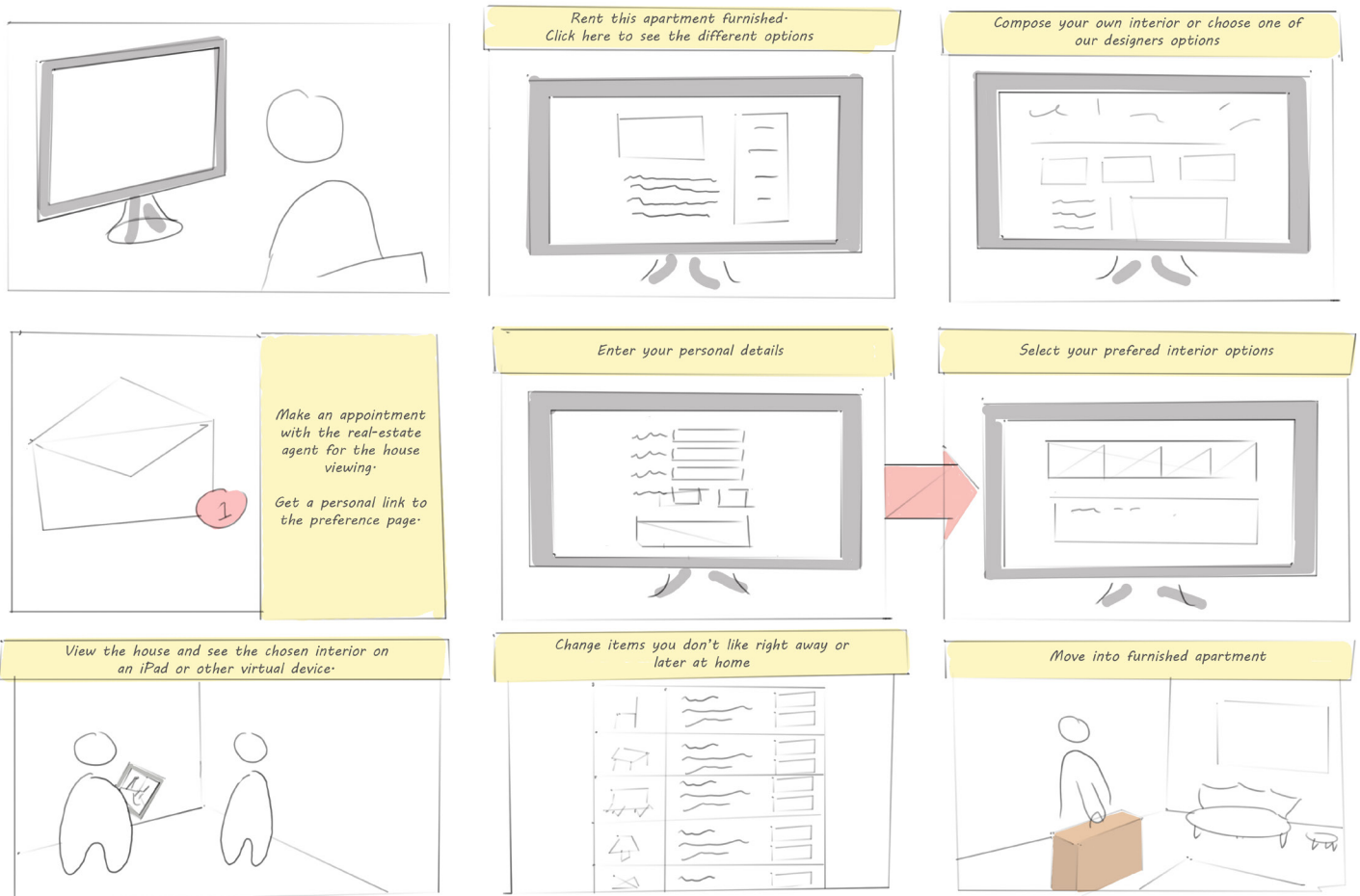


Figure 32: Interaction Furniture lease service

the most promising market for a furniture lease service, because of the relative short time needs for furniture in the Netherlands. However, duration of stay was for the expatriates only one of the seven factors that influence their furniture choice. With this information in mind there might be other markets that have a similar need are interesting in the scope of a furniture lease service as well.

### 12.3 High end of the market

As described, having one's own furniture is preferred in the high end of the market. However, this can change over time. It could be the case that when leasing becomes more accepted and normal, the preference of owning furniture can change to a preference for the flexibility that comes with lease. Furniture lease can become more accepted when it is introduced in other markets first. In the low and mid end of the expatriate market there is a demand, or completely other markets could be a potential demand. If these cases are actually worked out into proper business offerings, this can change the entire furniture industry, after which other markets might follow. This could mean that although the market research showed that there is no demand from the high end of the expatriate market at the moment, this could be completely different in the future.

# Strategic Advice

As described in the conclusion, it is not advisable for Houweling Interieur to launch a furniture lease service targeted at expatriates right now. However the analyses show some aspects for which it could be worthwhile to look into, even without launching a furniture lease service. Furthermore the analyses show some alternative directions, which seem promising.

## 13.1 Furniture lease for expatriates

The analysis showed that there currently is no demand in the high end of the expatriate market. In the low end there is a demand. It is not advisable for Houweling Interieur to respond to that demand, because there are other companies, already operating in that segment that would be better equipped to react to this demand. It is also not advisable to start a lease service in the high end of the expatriate market since there is no substantial demand there.

The lack of demand in the high end of the market is based on the preference for owned over leased furniture and on the fact that employers often arrange and cover for the costs of shipping in the household implements. However, in case one of these two things do not hold, the demand for lease furniture in this end of the market will arise. Employers might stop with arranging the relocation as they currently to. Next to that, it is conceivable that once lease is introduced in the lower end of the market by other companies, or in entirely different markets, this might boost the acceptance of furniture lease in the high end of the expatriate market. When acceptance increases, the preference for owning over leasing could disappear. Therefore, it is advisable to keep following the market

changes, making the company able to react in case of a change in demand.

## 13.2 Improvement of workflow

In the company analysis a workflow for a furniture lease service with corresponding internal communication setup was sketched. Because it is not advised to implement an actual lease service, this workflow need not be implemented. However, to be able to implement such a lease workflow, or any other type of substantial project next to the current furniture sales operation, the workflow of the current operation should be improved. The changes proposed in the company analysis of this report could then be used as a starting point.

The benefits would be that this will make the current operation more transparent for the employees showing what others are doing or have been doing. This facilitates taking over someone's activities, and reduces the need for questions. This better streamlined way of working gives more flexibility and is more suitable for up-scaling and running multiple operations side by side.

## 13.3 Lease in other markets

This research has limited itself to the expatriate market, however there could be other markets that might be interested in a furniture lease service.

Although the seven influencing factors were set up to understand the motives of expatriates, they probably

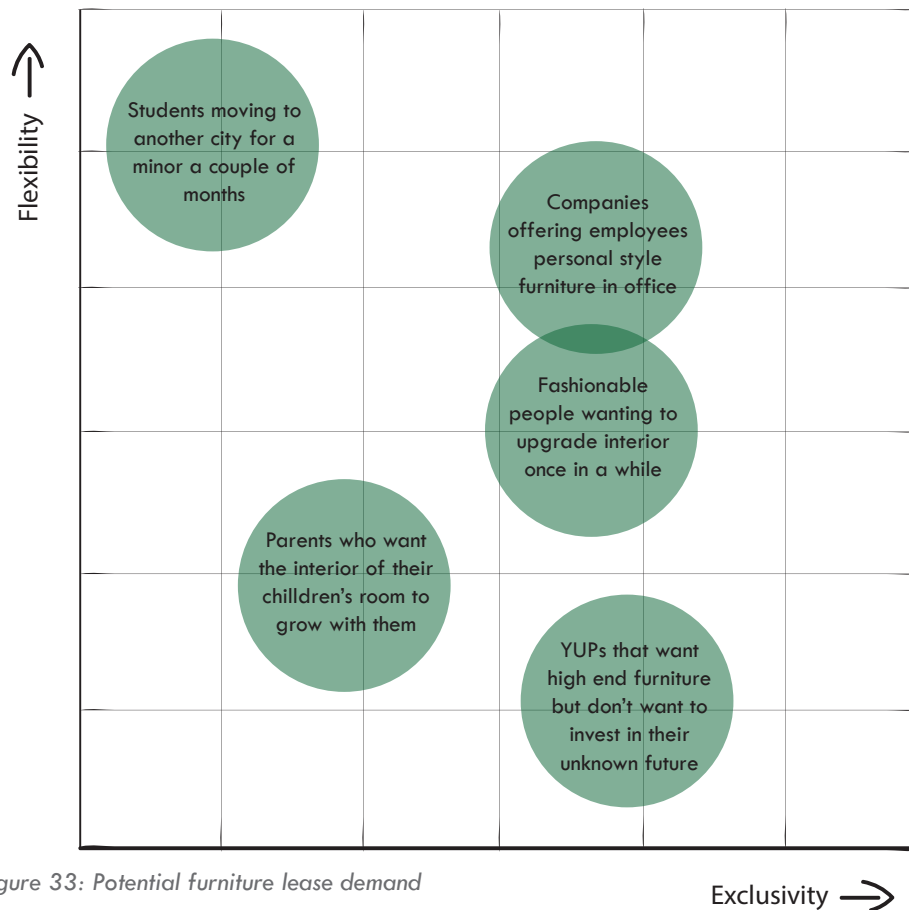


Figure 33: Potential furniture lease demand

explain a lot about the possibilities for furniture lease in other markets as well, since the factors are rather general and apply to some extent to everyone needing furniture. However, the importance of each factor will probably differ for each market. This however, is all based on assumptions. Further research should be conducted to find if or to what extent these factors actually apply to other markets as well.

The research showed that an important factor for expatriates is the duration of stay in the Netherlands. Although this obviously applies less to people who live here permanently, this does not necessarily mean that they would want their furniture permanently. The time factor can still be relevant in case of moving accommodations, being fed up with the current interior once in a while or when certain (planned) changes in one of the other factors take place, like increasing financial status or change in family composition.

So, people subject to change seem worth targeting. However, in the expatriate market there were two more aspects that had major influence on the demand for a furniture lease service. One of them is the partiality for furniture and interior in general. A lack of partiality in general was the main barrier for leasing, because expatriates are not particular about their furniture. Renting furnished accommodation, which is usual for expatriates, this might turn out to be rather expensive for people wanting to stay a couple of years, or might not be available for larger apartments or houses. For the people that just want to have their house furnished without much

trouble for a reasonable price, furniture lease might turn out to be a viable option.

The other aspect is the financial situation. People with a really small income simply go for the cheapest alternative. On the other end of the spectrum, are the people with many financial resources, who do not care that much about the price and can afford almost anything they want. In the expatriate market this resulted in the low to mid end there is a demand for a furniture lease service as long as the price fits their financial status. In the high end people do not want lease furniture because owning is preferred over leasing, or at least, when already having furniture yourself, preferring to use that. The additional costs for owning products is not that big a deal for them. There seems to be no reason to believe that it would be different in other markets. This would mean that in the other markets people situated in the low to mid end are more willing to go for furniture lease than in the high end, which is based on the perceived preference to owning or using own products over leasing.

When taking these three points as basis, the most promising target groups are subject to change, and with limited financial resources. Figure 33 shows different possible target groups that do match this description and therefore could have demand for a furniture lease service. The figure is build the same way as Figure 9 in the competition analysis, showing the current supply in the furniture (lease) market. Further research would be needed to confirm if these groups, and their demand as described in the figure, do exist. Then the question should be answered if

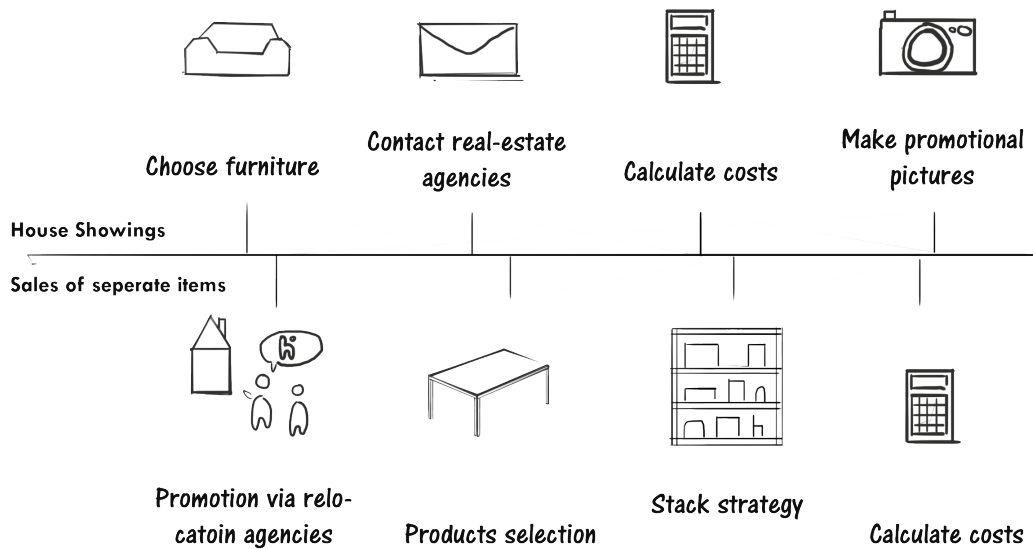


Figure 34: Other directions

for a company this demand would be worth to respond to. Further research will probably indicate more potential target groups other than the ones shown in Figure 33 that could have a potential demand for lease furniture

Figure 33 several different potential options, but there might be more. However, not all of these markets are suitable for Houweling Interieur. As mentioned before, Houweling should focus on the high end of the market and not all of these target groups presented fall within this segment. Further research is needed to find out which other markets could be interesting for Houweling Interieur to target with a furniture lease service, if any.

### 13.4 Other directions

During the research two opportunities presented itself that were on itself unrelated to lease. These two opportunities might be worthwhile to look into.

#### Sale of separate items to expatriates

As presented in the market analysis, expatriates who bring their own furniture often find that not all the furniture they bring fits in the new accommodation. Often the apartments here appear to be smaller than the accommodation they moved from. Some bigger pieces of furniture that were bought for the larger houses back home, do not fit, or cannot be brought into the house because of the small dimensions of rooms, doors, windows and staircases. In most cases the expatriates then buy smaller replacements for these pieces of furniture.

This customer segment seems promising for Houweling Interieur because the customer is in the high end of the market, and want the new pieces of furniture to match the ones they already have. Moreover, this offering would mean the regular sale Houweling is used to.

However, a couple of things need further investigation. The first is, how to target them. These people are new in the Netherlands, might not speak Dutch and therefore probably have an entirely different approach to the market from regular customers. Therefore they probably need to be targeted through their relocation agency or other channels they already use. Secondly, the products replace big products that do not fit. It could turn out that this would be mostly beds. In that case Houweling Interieur would not be the right company to fulfil this demand, since they do not have suppliers for bedroom furniture. However, if it concerns tables and couches, this is not an issue. Thirdly, for the current customers the delivery time is about three months. Because expatriates only stay in the Netherlands for a limited period, that may not be acceptable. For a shorter delivery time, it would be necessary to order the products up front and keep them in stock. This again, would have impact on the variety of products that can be offered.

#### House viewings

The competitor analysis shows that there are a lot of home stylists that lease out their furniture for home viewings. In combination with new technologies like QR-code scanning, as presented in the market analysis, these home viewings may be an interesting market opportunity. A



product can be ordered anywhere by just scanning it with a smartphone.

The company could offer furniture for home viewings, making the house a showroom for their products. This would be a way of advertising and would gain brand awareness. It creates the opportunity to display more products and it could generate a revenue on its own, even on a lease price below that of the competing home stylists.

Some further research needs to be done into the prices people are willing to pay for such a service, and into the willingness of home owners or real estate agents to show and promote a brand like Houweling Interieur.

# References

- Baines, T. S., Lightfoot, H. W., Evans, S., Neely, A., Greenough, R., Peppard, J., ... & Alcock, J. R. (2007). State-of-the-art in product-service systems. Proceedings of the Institution of Mechanical Engineers, Part B: Journal of Engineering Manufacture, 221(10), 1543-1552.
- Chesbrough, H. (2010). Business model innovation: opportunities and barriers. Long range planning, 43(2), 354-363.
- Dam, J. (2015, August 21). Dit zijn de expat hotspots van Nederland. Retrieved from <https://www.nrc.nl/nieuws/2015/08/21/dit-zijn-de-expat-gemeentes-van-nederland-a1495299>
- Easy Moving. (n.d.). Compare costs for solicitors, surveyors and removals. Save money on your move. Retrieved February 08, 2018, from <https://www.reallymoving.com/>
- Expat Housing. (n.d.). Home. Retrieved February 08, 2018, from <http://www.expathousing.net/>
- Gassmann, O., Frankenberger, K., & Csik, M. (2013). The St. Gallen business model navigator.
- Giesen, E., Berman, S. J., Bell, R., & Blitz, A. (2007). Three ways to successfully innovate your business model. Strategy & leadership, 35(6), 27-33.
- Massa, L., & Tucci, C. L. (2013). Business model innovation. The Oxford Handbook of Innovation Management, 420-441.
- Miller, M. H., & Upton, C. W. (1976). Leasing, buying, and the cost of capital services. The Journal of Finance, 31(3), 761-786. Chicago
- Top, A. (2015, April 20). Zes trends voor de woonwinkel 2.0. Retrieved February 08, 2018, from <https://retailtrends.nl/item/40146/zes-trends-voor-de-woonwinkel-2-0>
- Tukker, A. (2004). Eight types of product-service system: eight ways to sustainability? Experiences from SusProNet. Business strategy and the environment, 13(4), 246-260.
- Ooijevaar, J., Verkooijen, L. (2015) Expat, wanneer ben je het?. Den Haag, Netherlands: CBS. Retrieved from: <https://www.cbs.nl/NR/rdonlyres/7F0AA4B2-92E9-45EB-9D3E-AA30EA7EEE6A/0/20150114expatsdefmw.pdf>
- Porter, M. E. (1985). Competitive advantage: creating and sustaining superior performance. 1985.
- Rao, A. R., & Monroe, K. B. (1989). The effect of price, brand name, and store name on buyers' perceptions of product quality: An integrative review. Journal of marketing Research, 351-357.
- Sanders, L., & Stappers, P. J. (2012). Convivial design toolbox: Generative research for the front end of design. BIS.
- Sweeney, J. C., & Soutar, G. N. (2001). Consumer perceived value: The development of a multiple item scale. Journal of retailing, 77(2), 203-220
- Verra Realestate. (n.d.). Verra NL. Retrieved February 08, 2018, from <https://www.verrarealestate.com/>



