

BUSINESS CASE: PREGO FURNITURE – NON-MARKET ASPECTS OF THE COMPANY'S ACTIVITIES YESTERDAY, TODAY AND TOMORROW

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Abstract: *This article presents the 20-year history of the PREGO furniture brand. It describes the stages of its creation, launch, and market development, as well as the challenges the company faces. The article analyses the decisions made by the management and the changes made in the company's operation and management. It also examines the prospects for PREGO, focusing on the opportunities for the development and positioning of the brand.*

Keywords: *business case, brand management, market development.*

JEL: D24, D30

Introduction

The case study provides detailed information on the creation, launch and market development of a new brand of home furnishings – PREGO with a horizon of 20 years. The first stages, obstacles and decisions related to the creation of the brand and its products are described, as well as the changes in the activity and management of the brand-owning company. The manager and co-owner of the furniture company has attracted a sales manager to his team, with whom they will jointly introduce the new brand to the market, define the main goals and principles of work.

The initial success and good subsequent performance are encouraging, but the management team is faced with new challenges – in which direction to develop the brand in the future, how to position it and what else to change so that the company realizes its potential and opportunities for development.

The example used is based on a real-life organization and brand, with the names modified. The situation described started in 2004 and is continuing its development now (2024). Prospects for the next 10 years (2034) are also presented.

Target groups

The case study is focused on brand management – a specific area of strategic management of modern business organizations with an up-to-date eco aspect. At the same time, it is an example of social and eco-innovation management, since the creation of a new brand is also associated with significant changes in organizational, management and production aspects.

It is suitable for training students from business and related majors. It would also be useful for practitioners and managers of enterprises in the field of green production.

Learning objectives

The main purpose of the case study is to illustrate the aspiration of a business organization to pursue lasting market success by skilfully combining strengths and specific skills with the opportunities provided by the external environment.

The teams working on the case are expected to:

1. To make an in-depth analysis regarding marketing goals and policy, audit of the external and internal environment of the company, as well as analysis of the competition and competitors' strategies;
2. To try to study the furniture market in Bulgaria and in particular in the city of

Ruse in terms of specifics of demand, trends, absorption, potential users and sales volumes by types of furniture (primarily kitchens). The formulation and, if possible, the testing of a methodology for assessing current market share and measuring potential demand (or at least the description of successful examples from practice to date) should be highly appreciated;

3. To formulate proposals regarding the future strategies of the brand related to the sustainable development of ecosystems and their management: Integration and transfer of environmental knowledge and know-how in social policy; Possible changes in the marketing policy (goals, marketing mix) and accompanying changes in the structure and activity of the company, if necessary.

THE BEGINNING 2004: PREGO FURNITURE – TO CREATE A BRAND¹

– Good morning! I have an appointment with Mr. Ivan Venelinov.

– Yes, please come in. He is expecting you. Sevdalin Kanev entered the office of the furniture showroom's manager. He was invited for a job interview – in the furniture producer "Dreams furniture" they were looking for a sales manager specialist. Three people were sitting around the table and were in the middle of a lively talk.

– Welcome. Nice to meet you – Ivan Venelinov, general manager. You are just on time – with the managers of the advertising agency we are discussing the name of the new brand. So, we could listen to your opinion also.

Kanev was surprised. He was expecting the interview to be like the usual conservative way of asking and answering questions. On the contrary, he was given an affable reception in an informal environment. After one hour the discussions finished – all participants agreed to make the final choice among three possible brand names, which should be tested by surveys with customers of furniture shops in order to analyse the perceptions and associations to each option.

– Look now – said Venelinov to Kanev after the marketing specialists went out – I'm looking for a sales manager, but in fact I need a specialist who will be responsible for the entire marketing and trade policy of the new brand. That includes designing of marketing strategies, campaigns, catalogues, materials for our dealers, price lists, advertisements and everything else that could influence the sales. I'm planning to make serious changes in the company, which will inevitably cause some difficulties, but my major goal is to impose a modern and effective manner of work that would allow us to become a strong player in the furniture market in Bulgaria and abroad. That's why I would like to have in my managing team a person, acquainted with the principles of marketing and management, even if he does not have previous relevant experience. More important is for him to be eager for achieving challenging goals. From the preliminary information I have for you I saw that you have learned something in that field in Ruse university and if you find my offer interesting we could try to work together.

– It really sounds interesting. Could you please give some time to think about it and I will call you tomorrow with my answer – said Kanev.

– Yes, of course. Call me tomorrow.

The same night Kanev didn't sleep a wink. He was recalling almost all moments from the talk and was thinking over the details. He had graduated with a bachelor degree in "Business administration" several months ago and was planning to apply for a PhD education in management, but at the same time he was looking for professional opportunities that will keep him close to practice. The job offer he had received earlier in that freezing January day intrigued him a lot, because it would allow him to gain experience exactly in the field of his education.

Early in the morning the decision was already clear. Kanev was expecting the start of the working day to call Venelinov. The start was interesting.

FIRST STEPS – A BRAND IS BORN

¹ The sections "PREGO furniture – to create a brand"; "First steps – an idea becomes a fact"; "PREGO furniture – key features" are published in "ERGO furniture – to create a brand" (case study). In Collection of 20+10 case studies "Management of change (Part 3), Kunev, S. (2008) Ruse, PRIMAX, pp. 94-107, 136,137; ISBN: 978-954-9972-90-0

Kanev entered in the showroom, greeted the sales consultant in the front office and directed his steps towards the office where the talks were the previous day. At one of the corners two working positions were detached – he and the sales assistant would work there. A coffee flavour filled the air in the room and that was a convenient moment for Kanev ten minutes before the official working time to start to introduce himself to the designers in the next office. It was his first day in the company. Later Venelinov would take him to the factory, where the furniture is made – it is impossible to offer a product without knowing what people and technologies are used to create it.

The following two or three weeks passed almost unnoticeably – Kanev was getting familiar with the details of the work and the organization in the company. Venelinov was using every spare minute to show him some technological features and to explain what stages the company had passed over the years. He gave Kanev full access to all documents, concerning the sales and production processes, so that Kanev was able to have all the details in shorter time. At the same time the first stages from the creation of the new brand started – photo sessions of items, catalogue design and others. Kanev was involved in some of the tasks, but he was feeling that the real work was just beginning – he was like a sprinter at the starting point. The true race was lying ahead.

“Fantastico furniture” was a company with strong positions on the market. The operations started in 1993. At the beginning it was a small production company which gradually grew to the size of a medium enterprise. As Venelinov says, “We started together with my partner, Alexandrov, in his villa’s garage. We were producing small living room tables. Step by step offers increased; we made projects both for home furniture and public buildings. Tenders for furnishing some state institutions, customs, and banks were successfully obtained. First export deliveries were made – there were clients from France, Austria, and Cyprus.

– A corner-stone moment was the period 1997-98 – says Venelinov. Then, because of the poor economic conditions the orders for home furniture decreased. We already

had designed several serial products – living room sections, bedrooms, wardrobes and children’s rooms. Orders from that sort were not enough because the company had grown up and the capacity could not be fully used. We had to look for other options. A good opportunity was hotel furniture, because a lot of hotels were built at that time on the sea-shore. The benefits were obvious – there are regulations how to furnish a hotel room of a given category, which means that you can produce the same products in large quantities and that brings you close to mass production. Another advantage was that we could modify the design without overlooking the requirements, because the design team of our company was one of the most important resources and each new order was accepted willingly – the designers used the chance to show their potential and make something different. At the end, we furnished over 15 hotels, 7 or 8 from them in one of the biggest resorts.

So far, so good. But what is the reason to make changes and why a new brand is needed?

Venelinov continues: While concentrating on hotel furniture we didn’t pay attention to the so-called mass market. We lost contact with some of our retailers and produced only a small number of items. Some dealers admitted that we had the reputation of a company with expensive products. That is why, then, in the beginning of 2004, we had to try to find a solution, which must combine our expertise and experience for the developing of new models with the high-technology equipment and the potential to produce large series of high-quality furniture we have.

Kanev understood one thing from Venelinov’s words – serious reshuffles were taking place in the company, the change in the production strategy was already a fact and the reorganizations were expected to continue in the coming months. The main strategic goal was a quick and powerful return to the market for end customers, which in terms of production meant that a significant part of the company’s resources was directed to serial models, and that boutique products and orders for large corporate customers took a back seat.

Meanwhile, the results of the brand attitude survey became clear. The marketing agency, with the help of field associates,

had managed to interview over 350 people in just about a week. From the proposed variants with the most serious preferences, the word PREGO stood out. The interviewed persons associated it with modern design, sophisticated sound and style.

The first model of the new PREGO brand was already made by the designers and had gone through the stage of test production. It was a set of bedroom furniture. The name chosen was Palma and one unit was displayed as a sample in the company's showroom in the city centre. Kanev used every moment when he was in the showroom office to observe the reactions of visitors – what they say when they see the bedroom, if they find any flaws in the design and fittings, how they feel about the price and what else they would like to get to buy it. These first observations were a sort of litmus for the debut that Palma would soon make in the other cities of the country. And that moment came. One Friday afternoon at the beginning of March, while they were in the office, Venelinov turned to Kanev – "Sevdaline, pull yourself together. We are going on tour on Monday." By "tour" Venelinov meant a one-week tour around the country and meetings with the managers of the largest furniture stores, mostly in regional cities. The goal was to present the PREGO catalogue to them, to explain the brand's pricing and distribution policy and, if possible, to take first requests for samples.

The start was given. The run has begun.

PREGO FURNITURE – MAIN CHARACTERISTICS

Is this Bulgarian or imported (Product)

The main idea of all models from the PREGO brand is to offer customers ready-made solutions from serially produced products that are distinguished by high quality of materials and workmanship, while at the same time being positioned in the middle price range. In other words, if we take the high quality as a given in the production of "Fantastico furniture", then the aspiration is to make this high quality accessible to people with not very big financial means.

The first representative of the PREGO brand is the Palma modular bedroom system. It is a set of bed, wardrobe, chest of drawers and two bedside tables. The customer can purchase either the whole set or individual elements from it. Different sizes of each of the elements are available – three sizes of bedrooms, six modifications of wardrobes, two sizes of chests of drawers. Materials of the highest possible quality are used for production: chipboard and MDF boards, aluminium frames and metal joints, PVC edging.

From a manufacturer's point of view, it would be best if customer orders were as similar as possible. Thus, more of the same thing will be produced. As the father of serial production, Henry Ford, said at the beginning of the 20th century – "any customer can order our Ford T in any colour as long as it is black". In this case, the PREGO furniture was a kind of "Ford", but with far more choices.

Deciding how many colours and sizes to offer the furniture in was perhaps one of the most important and difficult issues when creating Palma. As Venelinov told an operative: "we have to offer customers enough options to choose from so that they buy from us and not from the competition and, at the same time, encourage them not to be so choosy because it is more profitable for us". As a result of the discussions and opinions expressed by Venelinov, Kanev and the designers who developed Palma, one of the main principles of PREGO furniture was formulated – that the serial products be offered in promotional and made-to-order versions. Promotional design means that the furniture is made in one or two colours (body and facade), in one of the possible sizes and at a lower price. When ordering, the customer can choose from all possible colours and sizes from the catalogue, but then he pays the full amount of the price. The approach was also adopted that the promotional versions were denoted by the letter A, and the order ones by the letter S. Thus, the distinction between Palma A (promotion) and Palma S (order) was made clear, and this rule would also be valid for all subsequent products from the PREGO brand.

What is new at PREGO is that no matter what colours, sizes and modules he has chosen, the customer always receives a

company warranty card. When it was being considered what the clauses in it should be, the lawyer of "Fantastico Mebeli" turned to Kanev, to whom Venelinov had delegated the responsibility for drawing up the map, with the words: "I can make you two options – one very verbatim repeating the rules in Bulgarian legislation regarding the quality of the goods, and the other again in accordance with the legislation, but with elements of creativity, so that whatever happens to the goods, the manufacturer will come out of the water dry". Kanev thought a lot, but in the end he answered: "Make such a card, which in itself is an indicator of quality – on one hand, we as a manufacturer have well-defined rights and responsibilities and are clearly protected from ill-intentioned actions, and on the other hand, customers are confident that by signing the card they receive not only a quality product, but also a quality after-sales service".

Another feature of PREGO furniture that distinguished it from competing products was that it leaves the factory disassembled – in packages. This greatly facilitates not only the transportation and compaction of the cargo volume of the trucks, but also the preservation of the furniture itself from injuries during the transfer to the warehouses. Of course, to ensure correct and reliable installation, every single package, in addition to the necessary fasteners and parts, also contained a detailed illustrated assembly diagram.

Kanev remembered how during the test stages of Palma's production, Venelinov called him and said: "Here is an assembly diagram just completed by the designers – the first signal unit. You are an economist and like most of our customers you are hardly aware of the names of all the bolts, plates, gussets, spacers and other elements. Get two workers from the workshop and go to the finished goods warehouse to assemble the wardrobe from Palma. You will look at the blueprints and tell them what to do, and they will execute the assembly. Your success will be an acknowledgment to us that we have made the scheme sufficiently intelligible." Kanev took the two sheets of paper with a smile and headed for the warehouse. It was endlessly interesting to him, as such moments gave him a valuable opportunity to put himself in the customer's shoes. Of course, the installation was a breeze – after all,

this is a wardrobe, not a space shuttle. Through the open doors of the warehouse, the workshop workers, who had come out for a mandatory 15-minute break, watched curiously.

Realizing the comical nature of the situation, Kanev decided to use his sense of humor and after everything was ready, he went to the entrance of the warehouse and turned to Venelinov: "Boss, we assembled the wardrobe without a problem, we even had parts left for a coffee table." The entire plant burst into laughter. Now everyone was confident that the distribution of the packages and the assembly diagrams were done correctly.

I will make an offer you can't refuse (Price)

The determination of the prices of Palma in its two varieties (A and S) was a very important and delicate issue, since it was the price that determined how well the product would be accepted by the market. Initially, Venelinov and Kanev had united around the idea of offering distributors a price list with a fixed final selling price, with the retailer receiving a discount from it. The aim was to enforce a uniform pricing policy to ensure that all traders receive equally fair terms. Already at the first meetings with traders, however, this turned out to be not such a good idea, because if for some traders the discount was enough, for others it was even big and they directly shared that they would provide a part of it to the customers, i.e. they will announce a lower final price than the recommended price. And there were also those for whom the discount was small – they said that they had high costs and the proposal did not satisfy them. This puzzled Venelinov and Kanev – they had offered a sufficiently appetizing percentage for the merchant, thanks to which only the sale of one set of Palma could generate the monthly salary of a salesperson in the store. In addition, some distributors directly stated that they would not want the manufacturer to interfere with their final pricing.

For this reason, it was decided that the price lists of the PREGO brand should only contain delivery prices, which would be the same for all dealers, and subsequently the

distributors would decide for themselves what their mark-up would be over the delivery price to form the final selling price for the customer.

However, more questions arose: traders asked how to distinguish the promotional price from the base price, and what happens to the price if the customer wishes to change the dimensions of some of the ready-made modules from the catalogue. Venelinov did not take kindly to this last inquiry. Once, while they were traveling by car to another meeting with a merchant, he turned to Kanev: "Hey, these people are going to drive me crazy. They constantly want to change sizes. Didn't they understand that if they always fulfil every whim of every customer, they will remain just boutique studios with no chance of becoming large and modern furniture stores. We've made them such a detailed catalogue, we've included all kinds of modules

of different sizes that would fit in all kinds of rooms as long as they don't change dimensions, and they still want to draw with the pencil every time. As the people say, you can't see the forest while looking at the tree. You can't want to get big and keep playing small. But that's OK – we are a company with capabilities and talent, and if the market wants it, we will also offer them boutique orders in addition to the serial models from the catalogue."

Thus, it became clear that the price will be determined in three directions – basic, promotional and boutique. At first glance, it looked a bit complicated, but in fact, in this way, it was quite easy to achieve the desire for more series products and less boutique, leaving the opportunity for the customer to choose for himself. In order to be quickly and accurately understood by the merchants, Kanev showed them the following scheme:

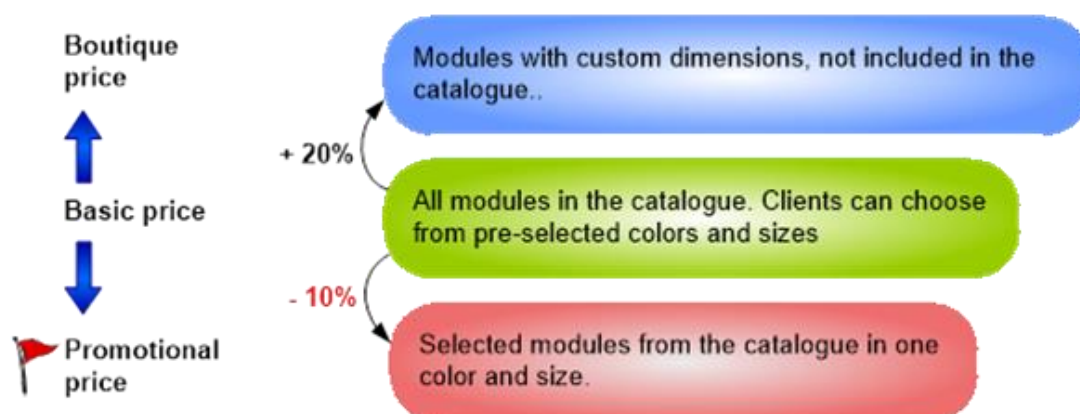


Figure 1. A mechanism for determining the price in three directions – *basic*, *promotional* and *boutique*. Source: PREGO

One would argue that by focusing on incentivizing customers to buy similar items and setting a lower promotional price, Fantastico Furniture is figuratively eating itself some of its manufacturing profit. But the truth was completely different – this led to the realization in practice of the phenomenon known in economic theory as economies of scale. In other words, we produce more of the same products, move closer to mass production and reduce costs. One example – suppliers of chipboards (the main material of PREGO furniture) also offer discounts when ordering

more boards of the same colour and thickness. As a result, the cost of the finished product decreases, while at the same time maintaining the profit margin. The savings can be even greater if the reduced production time is also considered – the machines work at full capacity; the workers specialize in the most frequently performed operations and start doing them faster.

Ultimately, merchants adopted the proposed pricing method without much difficulty. They also reacted positively when Venelinov and Kanev offered them the "cherry on the cake" – a discount for large orders and a discount for the purchase of

a sample, because it was important that each PREGO distributor has one item on display in the store. In this way, customers can actually convince themselves of the quality and comfort of the furniture, and not, as was the practice of some smaller stores, to be offered catalogues with photos and the customer not being sure if

what he sees in the photo will be the same as what he will order, pay for and have it delivered to him. Because, as one of the slogans of "Gucci" says – *"Quality is remembered long after the price is forgotten."*



Figure 2. PREGO, 2024

"The dealer – my best friend" ***(Distribution)²***

It became clear that the chosen channel for distribution of PREGO furniture is three-level: manufacturer ("Fantastico furniture") – dealer – customer. In this way, quick movement of the goods along the chain is ensured without allowing the accumulation of unnecessary additional costs that would increase the final price. And so, the distributors themselves felt comfortable and on an equal footing with each other. Even the company showroom in the centre of Ruse, placed in a similar environment of equality, operated as a separate business unit without benefiting from preferences like "our" store. The only exception was if a customer came directly to the factory warehouse with his own transport – then he received a small discount, because the manufacturer did not commit to delivery and transport costs. But such cases were rare.

The backbone of PREGO's distribution network was the big stores in the regional cities. This feature was the basis of the "tour"

at the launch of Palma on the market and the debut of PREGO – to activate the frozen contacts of "Fantastico furniture" with the traders with whom they had worked well together years ago. In just one week, Venelinov and Kanev visited almost all the most important trading points in the country – Varna, Burgas, Yambol, Stara Zagora, Plovdiv, Sofia, Pleven and several other smaller cities.

Some of the managers and shop owners, with whom there had had business relations before, welcomed Venelinov as an old friend – with hugs and an invitation to a treat. For others, with whom first contact was made or who had forgotten past co-operation, the meetings were business-like, formal and distant. In both cases, however, there were comments expressing surprise that such a product could be offered in such a manner and at such a price. A few lines were memorable:

- store manager in Varna – "Venelinov, we've known each other for a long time, but now I have the feeling that you're joking with me – no one has ever offered me such prices and terms of delivery. They all

² An analogy with "The Elephant – My Friend" – an Indian film that made a splash in the 1990s. and in Bulgaria.

give me a month for delivery, some even 45 days, and with you it's only 10 working days. Did you get a sunstroke on the way here?";

- a distributor from Yambol while looking at the catalogue – "So you are importers of this furniture?" – "No, we manufacture it." – "Yes, yes..."

In fact, apart from the price, it was delivery time that made the strongest impression on traders. And here, as in the determination of prices, the criterion was the type of order – whether it was a promotional performance, custom or boutique production. The deadline for promotional orders was fixed at 10 calendar days, and for custom and boutique furniture – 30 calendar days. The cost of the transport was at the expense of the manufacturer – "Fantastico furniture". One of the reasons for the short deadlines is at first glance an insignificant, but at the same time important detail – the packaging of the furniture parts in separate packages and, accordingly, the development of a complete warehouse processing system, the accurate and clear numbering and coding of the packages. This allows the items that are running low or missing to be put into production first, and then, immediately after leaving the workshop, they are completed with the other packages to form the entire order and shipped. The use of packages also appealed to the merchants, since the incoming requests did not take up much space in their warehouses – it is one thing to put four packages that make up a wardrobe against the wall, and another to put away an entire assembled wardrobe.

Another attractive condition for merchants, which was essentially another "icing on the cake", is the faster delivery for those merchants who have high monthly turnover. Especially for them, the deadline for the promotional modules was 7 calendar days, and for the order and boutique modules – 23 calendar days. Thus, those who sold the most were stimulated without harming the interests of the other distributors. And lastly, those traders who take the goods with their own transport directly from the warehouse of "Fantastico furniture" were given the opportunity to use a discount of 5%. This option was used by shops located no more than 100 km away, as they had no benefit for longer distances

and were ready to wait for the orders to be combined in one direction and receive them at the manufacturer's expense.

About two weeks after the initial tour, stores in almost every major city had samples purchased and were supplied with catalogues. The first orders from customers were already expected, which would show the degree of acceptance of PREGO furniture and in particular the Palma bedroom in the market. Kanev had hung a map of Bulgaria on one of the walls in the office and marked with red dots the cities in which they had attracted distributors. In places there was only one shop, while in some towns there were two or three. And so the first sales highlighted the sites with potential for development – one of the large furniture showrooms in Sofia (Aiko), as well as another smaller store in the capital; two stores in Plovdiv, one in Burgas. Of course, there were also orders from other cities – Yambol, Stara Zagora, Pleven, Shumen, Silistra – but they were far fewer. Only one question mark remained – Varna.

Kanev wondered why sales were not going well in such a large and relatively economically well-developed city like Varna. As the main distributor in the city, they chose "Shining home" furniture house – one of the largest and most representative stores there at the time and with a long-standing presence on the market. It had been over a month since the sample was delivered, and still no orders. Apparently, there was a problem.

"Tomorrow I will jump to Varna – said Kanev to Venelinov one day – something is wrong there". Venelinov agreed that a site visit was necessary, especially since this was what was expected of Kanev – to closely monitor the traders and help them increase sales.

When Kanev entered the salon of the store the next day, he first decided to walk around the sample room and then enter the manager's office for the meeting arranged the day before. He was stunned – the sample was pushed to the farthest possible corner of the hall, customers would hardly think that there was furniture on display there. And the sales manager, to whom they had presented the catalogue a month ago and had explained all the details about Palma and PREGO furniture, for

unknown reasons had not passed the information on to the saleswomen – they simply did not know what they were selling and how to answer the customers' questions. "Let me tell you, I do not interfere in the daily work of the saleswomen – said the manager and at the same time the owner of the store – Apparently they did not understand something with their direct superior. Why don't you explain to them?"

Kanev wondered how there could be such gaps in the management of a large site like "Shining home". He wondered if this careless attitude towards PREGO was caused by other factors – he had heard that in some stores competitors "incentivize" salespeople directly to direct customers to the "right" samples.

Kanev spent the whole afternoon in the hall of the store, next to the Palma sample. By order of the manager, the saleswomen had additional breaks, which were used to familiarize themselves with PREGO furniture. Kanev explained to them in detail – what the materials, the method of production, the design were, how to properly work with the catalogue, what the options for choosing colours and sizes were. He left Varna only at 8 p.m., when the store closed. On the phone, he explained to Venelinov how the day had gone and what, in his opinion, the problems were. "O.K., serious business has been evident today." – said Venelinov – "You will surely return to Ruse late in the evening, so rest tomorrow and come to work at 1 p.m. – we will discuss all the details".

At 10 a.m. the next morning, Kanev's phone rang – it was Venelinov. "If you can, come to the office before the lunch break. We will talk about Varna." While driving to the company, Kanev wondered if there might be a problem. As soon as he entered, Venelinov turned to him: "How did everything go yesterday?" – "Well, it was fine," replied Kanev, still in the dark. "Fine? For this morning alone, we have requests for a four-figure sum from "Shining home". We are waiting for two more orders from them this afternoon. You obviously had a good time with the saleswomen..." Venelinov laughed.

The experience of the first few weeks of offering PREGO and the communication with the traders prompted Kanev to two main conclusions:

- first, every distributor likes to be "courted" by the manufacturer – this is expressed in conducting frequent phone conversations about how sales are going, providing direct assistance to sellers (by phone, e-mail, fax, online, video), sending additional materials and models of price lists, labels, etc.;

- secondly, not all stores operating on the market are suitable for PREGO distributors – some are oriented to the lowest possible price segment, which means a poor level of service, uncomfortable sample rooms and low standards of work in general. From the visits to stores made so far, there were also those where Kanev wondered where he ended up – in a furniture store or in a lumber warehouse, where you worry that the chairs, proudly placed on a wardrobe, may fall on your head.

In terms of "courting", the following approach was adopted: every week 1-2 working days should be set aside for visits to PREGO distributors. In this way, through meetings and conversations with managers and employees, timely information is obtained about sales, customer opinions, difficulties encountered and everything else that would contribute to improving the furniture supply. And so, the distributors themselves realize that they are approached with attention and understanding and that the PREGO team is looking for long-term cooperation, and not the realization of single market "hits".

Regarding the selection of suitable retail outlets, a document was developed, part of the PREGO marketing analysis system, in which the person who visited the outlet (Kanev or someone else from the team) notes his impressions of the outlet's profile (location, area, assortment and etc.), the presence of competitors in it and the characteristics of customers. This naturally allows, through the visit of several sites in one city, to build a relatively reliable picture of the entire settlement and even to establish in approximate monetary values the volume of the market in it. Attention to the choice of distributors was also increased for another reason – some traders sell their own production along with the rest, i.e. they are also the manufacturers of some (or all) of the furniture on display. In such cases, it is possible that a new product (e.g. Palma) is copied as a design

very quickly or is deliberately not sold in order to "clog" the PREGO market.

***Since God uses bells, there is a reason in advertising
(Promotion)***

The specificity of offering PREGO furniture, namely indirect access to end customers through the distribution network, requires the use of a carefully selected set of strategies for advertising, PR and customer stimulation.

Even in the first stages of the creation of PREGO, Venelinov and Kanev set themselves the task of popularizing the brand. Again, with the help of the marketing agency they worked with, a PREGO graphic sign (logo) was prepared, which would be placed both on the furniture itself in the form of a laser-engraved metal inscription, and on all labels, packaging, forms and documents, related to the brand.

Next, an advertising box containing Palma's logo and photo was produced and published in several established furniture and interior design magazines. The placement of editorial articles and an interview with the manager of "Fantastico furniture" (Venelinov) in some of the magazines was used as a PR tool. Another PR tool was the participation in the specialized furniture exhibitions in the country. At one of them – the World of Furniture in Sofia – the PREGO sample took first prize for the best-arranged stand, which attracted a significant number of visitors. Venelinov, Kanev and all of the PREGO team were extremely satisfied, because it was the votes of the visitors that were decisive in awarding the prizes.

In terms of advertising, another approach was used – joint preparation and printing of advertising leaflets (flyers) with some of the largest distributors in the country. Such was the example of furniture salons "Aiko" in Sofia: the PREGO team granted them the right to use the photos and the logo, and from "Aiko" they themselves prepared a brochure in 30,000 (thirty thousand) circulation, which was distributed in almost all neighbourhoods of Sofia. The effect of this advertising campaign

was palpable – within two weeks of the release of the brochures, sales of Palma at Aiko almost doubled.

Another method of attracting attention was the arrangement of the samples and the environment around them in the stores. Most dealers divide showrooms into sectors using movable panels. The division can be thematic – for example, an area for kitchens, for bedrooms, for living rooms and others; by manufacturers, as in one area all furniture from the given manufacturer is displayed; or by placing each sample in a separate area, the so-called "room". Regardless of how the arrangement and division is made, the partitions used for this purpose themselves become usable advertising space. And like most competitors, PREGO took advantage of this opportunity as long as, of course, the merchant allowed it. In most cases, such a permission was not a problem at all, as dealers willingly accept quality and stylish advertising materials, not least because this would attract more customers, and this means more money and profits for the distributor. Advertising banners and billboards were made and placed on the panels around the samples. In some places, the advertising media were placed on hanging mechanisms directly on the ceiling, and thus the PREGO advertisement was visible from every point of the store.

In addition to the PREGO samples, there were also vertical display columns showing the different colour solutions – for this purpose, rectangular pieces of chipboard (20x7cm) were used in all colours allowed by the catalogue for the displayed model. On the columns, diagrams of the main options for combining the modules and the sizes they can be ordered in were shown. In this way, customers made their choice much more easily as they could directly see how a given colour combination would look by simply taking two samples from the column and comparing them.

Another means of stimulating sales that PREGO uses is the distribution of company gifts, which pursues two goals – on one hand, researching consumer opinion, and on the other – building loyalty and a positive attitude towards the brand. For this purpose, a trick was used – on the back of one section of the warranty card, which the customer had to send to the office of

"Fantastico furniture" to activate the warranty, a survey form was placed. In it, the customer indicates his demographic profile (age, marital status, education, occupation), what factors influence him when choosing a furniture store, how he makes a purchase decision, etc. Everyone who fills in and submits their survey card receives a company gift – at first it was folding breakfast tables, but then coffee mugs with an engraved PREGO logo were chosen because it turned out that the production of the tables was a slow and inefficient process, and cups are used more often and in different settings (at home, in the office), which makes them a better advertising medium.

The gifts were received through the merchant without any additional involvement. The PREGO office would send the required number of gifts to the relevant merchant along with one of the regular deliveries of ordered furniture. Employees from the PREGO team contacted the customer and invited him to visit the store to claim his prize. This was welcome for the merchant because it is nothing more than a return visit from a customer coming to receive a gift – a golden opportunity for a repeat purchase or at least its preparation, as it is well known that a satisfied customer can be converted into a regular one, and servicing him would be much easier and less expensive than attracting a new customer unfamiliar with the brand.

HOW PREGO CHANGED "FANTASTICO FURNITURE"

The creation of the PREGO brand and the introduction of a new way of working was, on one hand, the result of a change in the strategy of "Fantastico furniture", but on the other hand, it also became a factor causing subsequent changes in the company.

Perhaps the most noticeable were the changes in the production aspect. Switched to a two-shift mode of operation, the capacities reached their optimal load, while there was still a small reserve for increasing the capacity. The rhythm of material deliveries (chipboard and MDF boards) improved, but due to the delays of some suppliers, it was necessary to expand the warehouse areas to ensure a raw

material reserve. The staff, which already numbered around 120 people, also increased.

The transition to mass production also brought to the surface some phenomena that had gone unnoticed before. During the first deliveries of the Palma modular system, some dealers and customers reported that the packages sometimes lacked assembly parts, mainly metal and aluminium profiles. Even if it was accidental, Venelinov was adamant that "Fantastico furniture" is a company that cannot afford such events. Therefore, security cameras were installed in almost all premises and the system for reporting and transmitting details from one unit to another was improved. The problem was solved almost instantly.

Of course, there were also changes that were not very welcome. Soon after PREGO's production ramped up and got into a rhythm, several designers in the development department left on the pretext that they had received more enticing job offers. It is possible that this was so, but in fact there was another serious reason – serial production did not imply the creation of new concepts and models so often, which did not give such a wide field of expression. And designers, as people with more outside the box thinking, needed to be creatively challenged on an almost daily basis, as was done in the past when producing hotel furnishings and boutique orders. The separation was difficult as some of them had been with the company almost since its inception – they had grown with it and it had grown with them.

Changes have also occurred in the administrative and management plan. The company's information system was further developed and improved, which combined almost all functions of production management and control of financial flows. The use of the most modern computer technologies allowed the specialists in the office to see in real time how far the production of a certain order has come and, if necessary, to take preventive measures against possible delays in deadlines.

To improve the management activity, a new position was opened – Production Manager. As Venelinov had once told Kanev: "I want to gradually delegate part of my daily responsibilities and duties to professionally trained people, and me and my

partner, Alexandrov, to deal only with strategic issues and take care of the development of the company. After all, I've been working under pressure every day for 11 years now, and I feel that fatigue is building up. I can't constantly think about everything and that's why I decided that I should change the organizational structure of the company".

Tosho Kirilov, who, like Kanev, was a graduate of the "Business and Management" faculty of the University of Ruse was hired as a production manager. One of Kirilov's main responsibilities was to monitor the improvement of the cost price through a better and correct accounting of all direct and indirect costs, for which he had to make decisions and give suggestions regarding the organization of the production process, the mode of work, coordination of orders and others.

WHAT ARE YOUR FUTURE PLANS (GROWTH OF PREGO BRAND)?

The start of the PREGO was already given and the run was in full swing. Modular system Palma as the first distinguished representative of PREGO sold well, but experience shows that the life cycle of one furniture model is no more than 1.5-2 years. And one brand cannot be identified with a single product, because that would mean that the Ford T has been produced in black colour until now.

PREGO is a brand that is designed to last. To add new products to it, to further develop and modify the current ones and, when the moment requires it, to remove from the market those that have already lost their admirers, because what could be better than a product which had and still has its admirers, not just buyers.

Very soon after the launch of PREGO, its product portfolio expanded – first with the Ektor modular living room system, and then with several similarly designed, but reworked "Fantastico furniture" products from previous periods, because it turned out that they were still popular with customers and merchants and enjoyed consumer demand, although not very high. Another modular bedroom system was added – Aura, which was located in the higher price segment compared to Palma. And a few more modules were added to

the Palma itself to make more combinations possible. At the stage of concept and design solutions were two more new models of bedrooms, which would be priced around and slightly above the level of the Palma.

But actually, the real change was another and it was called "PREGO Kitchens"!

Kitchen furniture is basically the aerobics in furniture production. There are many different modules that must meet certain requirements and be resistant to the effects of water, substances, temperature changes, etc. There are also other technological features – more complex mechanisms for the movement of drawers and shelves, shock absorbers for doors and what not are built in. Lacquer coatings and facade elements are also processed differently, worktops and built-in lighting are placed.

PREGO kitchens were designed to meet the same principles as Palma at the very beginning of the brand's creation, namely – to give the customer ample opportunities to choose from ready-made modules in the proposed colours, with which to create combinations according to their needs. But unlike Palma, with kitchens the possibilities for combinations are ten times greater. This determines the division of PREGO kitchens into segments (luxury, avant-garde, classic) depending on the materials used and the resulting sales price.

In the end, the PREGO furniture brand united products from the entire range of home furnishings, and some types (bedrooms, kitchens) have representatives from different price segments. But the PREGO team and the senior management of "Fantastico furniture" are facing many questions waiting to be answered: whether to develop luxury class models or to look for options for proposals aimed at the low price class; whether current models have a chance to extend their life cycle by entering new markets; what is happening with the competition and what strategies to take to maintain and increase market share; whether the changes in the company carried out so far are sufficient or the development of PREGO requires more changes, etc.

It looks like the run will continue. Athletes change, but the baton is passed, the end of each lap actually marking the start of

the next. If you stop, you lose, because no one remembers those who came second. And at the same time, it's so hard to be first.

2024: SOCIALLY RESPONSIBLE PREGO MISSION AND VISION FOR THE MODERN HOME – 20 YEARS LATER

Furnishing is a significant event, on which the feeling of comfort at home largely depends. Therefore, it is necessary to take the necessary time for research, planning and design. And finally, to do the best that his majesty the consumer can afford to enjoy his new or renovated home for many years. And last but not least, to share wonderful moments with the most beloved people, ... in the home that everyone wants and loves.

One law – a million possibilities. This is one of the tips that PREGO designers provide to their customers in the e-book gift: "8 important things to think about before starting to furnish your kitchen", published on the Prego Blog.



Mission

"Our main goal is to create spaces that express the individuality of our clients. We want to build for you an elegant world that will stand the test of time and enhance your quality of life. As an Organization, we strive for excellence in the production of quality, original and exquisite furniture. We take care of our customers by trying to understand in depth the needs of everyone and offer those combinations that meet the highest requirements in terms of quality, design, individuality and taste. This is how we achieve our main goal, namely – PREGO furniture is a leading brand for high-quality furniture on the Bulgarian market, because customer care always pays off."

Vision

"Adequately responding to all the needs of our Customers and meeting their expectations for the quality and luxury of the

products and services offered, we always: Improve our distribution network so that the Customers always receive competent and professional service; Carefully select all the materials from which our products are made; Use materials that are unique and ecological for the Bulgarian market. Our policy is to offer the latest and highest quality materials available on the global furniture market. Our aspiration is to supply our Clients with the most up-to-date and modern solutions directly from the "kitchen" of furniture production using state-of-the-art technologies and highly qualified staff".

Values

Achieving the goals is only possible when we adhere to the values that we have identified as vital and essential to our development. Considering the fact that customer care always pays off, the most important thing is: The needs and desires of the Customer are the main driving forces of the Organization; Transparency in mutual work with our Customers and Partners. Fair and loyal treatment is valued and rewarded; Enthusiasm and optimism in everyday work – we believe, encourage and invest in innovative ideas and green solutions.

Once the user has chosen a style for their kitchen, they can move on to choosing a palette of colours that can be used so that each element is in harmony with the overall look. It starts by creating three main colours: the main colour is that of the kitchen furniture or the walls (in case the solution is not to stay white), the second color is that of the floor, while the third most important colour is in contrast to the main ones. These colours should have a corresponding "weight" of three fashion-inspired numbers: 60/30/10. This combination of numbers can be easily applied, and brilliant results are always achieved in any room. Indeed, the colour combinations that are most pleasing to the eye are invariably formed by the 60/30/10 rule in proportion to their component colours. From a practical point of view, this means that the background of the room is laid 60%, there should be 30% colour that attracts visual attention and a slight hint

(10%) of another colour that stands out from the rest.

For example, a businessman's look might look like this: his coat and trousers make up 60%, his shirt 30%, and his tie the last 10% of the colour impact. This rule applied in the kitchen looks like this: 60% refers to the colour of the walls of the room, 30% is the colour of the furniture and 10% is for the accessories to be accents in the room. Of course, this rule may only apply to the colours of the furniture in the room, in which case neutral, unobtrusive tones apply to the walls, ceiling and flooring.



Figure 3. Future: PREGO Life Your Style!

2034: PREGO THE FUTURE: THE SECRET OF CREATING BALANCE AND HARMONY – IN 10 YEARS

Science always helps when choosing a colour. To avoid making mistakes, we can always turn to science, and in particular to the colour wheel – a useful tool for matching colours. Combining complementary colours – these are colours that are in opposite positions from each other on the wheel, such as red and blue. This type of combination gives a stimulating effect to the whole room and has an invigorating effect on the senses. While choosing analogous colours, those that are in close proximity to each other on the wheel, such as yellow, green, blue and purple, allows for a more casual and relaxed environment.

SUPERIOR PILOTAGE IN DESIGN IS RELATED TO UTILITY: If during design it is found that one end of the kitchen is visually "heavy" and the opposite end is visually "lightened", this means that the space is incorrectly balanced in terms of light and shadow in the room. In such a case, a little "play" is needed with the lighting of the room, so as to balance the deceptive feeling that the shadows give. The secret is to create a balance and harmony between the individual colours in the room by trying to reproduce the natural shades of the outside world within an interior space. To achieve this, the darkest shade should be chosen for the floor (this space in nature corresponds to the earth and soil), medium shades for the walls and/or furniture (such as trees and mountains) and the lightest shades left for the ceiling to symbolize heaven. All interior designers know that if they add a black element to the interior (a lamp, a vase or a picture frame, etc.), it will increase the impact of all the other colours in the room. The message to the potential customer:

DESIGN YOUR KITCHEN ONLINE!

1. Use the **BOOK AN APPOINTMENT** with a PREGO designer site form.
2. You will be contacted by a designer with whom you will work personally on your project. Specify how to communicate online.
3. Sketch and measure your room.
4. Download and complete our **KITCHEN DESIGN CHECKLIST**.
5. Determine your budget – this will help your designer better guide you to a suitable kitchen model and save you time on multiple project offers.
6. We will prepare a project that we can present to you and discuss online in **SKYPE** or **VIBER**.

Welcome future!

Your PREGO

Discussion questions

1. What are the company's strategy and marketing goals for the PREGO brand and what are the specifics of entering a mass market versus a boutique production?
2. Are the requirements, preferences and attitudes of furniture users changing and under the influence of what factors (eg fashion trends, ergonomic requirements, macroeconomic factors, etc.)?
3. How is the overall external environment of the company changing (PEST analysis) and how should it respond to changes and challenges?
4. What is the development of the furniture market in Bulgaria and in particular in the city of Ruse in the period 2004-2024: changes in styles, regional differences, creation of new market segments, etc? Is it possible to measure Prego's current market share and potential demand?
5. What is the competitive environment of Prego furniture: who are the main competitors, what strategies do they implement, what they are better at and where do they lag compared to PREGO;
6. What future strategies are appropriate for PREGO furniture: changes in objectives, marketing mix, etc.?
7. What else should "Fantastico furniture" change in its business to achieve success with PREGO furniture and should it look for alternatives (new luxury brand, return to boutique production, green materials, eco-design, etc.)?
8. Describe major differences in the company's brand development strategy in the first 10 years and beyond.
9. Do you find differences in the company's strategic vision and mission for the next 10 years?
10. What is the 60/30/10 ratio in furniture design and engineering? Give examples with other industries.

Reference

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Ibidem.

Ibidem.