

Bulent Kotan

## NordicGlow: Designing a Winning Channel Strategy in Saudi Arabia<sup>1</sup>

### NordicGlow Introduction

In 1986, amidst the serene landscapes of Helsinki, a passionate beauty enthusiast, Paula Virtanen, along with her two younger siblings, Joanna and Harri, launched **NordicGlow** (NG). The team dreamt of a brand that epitomized both luxury and sustainability and set-up a small factory in Helsinki, Finland with 8 employees, focused on the production and sale of beauty products.

Their mission was to develop high-performing sustainable beauty products to deliver Nordic beauty to consumers while building a more sustainable tomorrow. In the words of Paula *“true beauty arises when nature and luxury blend seamlessly to create a harmonious future for our planet and our people”*. From its humble beginnings, today NordicGlow is a beacon of sustainable luxury across the 15 countries it is active in Europe. Paula recalls her company’s initial expansion into the key Nordic markets, *“the neighbouring Nordic countries were our first love. It felt like sharing beauty secrets with a sibling.”* The similarities in consumer behaviour and market dynamics resonated with her sentiments.

Till late 2010s, its revenues had been steadily growing at an accelerated pace and propelled its rise as Europe’s favourite eco-luxury brand, with revenues in 2022 amounting to nearly EUR 350mIn and 920 employees. Its brands are strong and the worldwide megatrend of focus and commitment on sustainability and consumer awareness of the value of sustainable eco-friendly products, resonates strongly with NGs products and company value proposition.

### The need for a shift in NordicGlow’s International Strategy

#### *NordicGlow’s Journey to date*

The company's strategic market entries and growth trajectory into diverse European countries showcased adaptability and astute market understanding. **Exhibit 1** in the appendix, outlines NGs journey to date.

The first two decades into its existence the company successfully focused on understanding the Nordic consumer and launching market-fit products for its target consumers, developing key internal capabilities enabling it to scale operations and work closely with strategic channel partners.

The following years after, the focus was on expanding through strong distributor partnerships into other European destinations, which the company saw as having *“similar market dynamics”*, allowing it to replicate its model and scale its business.

Over the years, NordicGlow has invested considerable resources in maintaining growth and improving its performance in its Northern European markets. However, operating in a highly

---

<sup>1</sup> Copyright © 2023, Effekt Group Oy. This document contains a hypothetical case study developed for educational purposes and prepared by experienced practitioners leveraging their real-world experiences. To order copies or request permission to reproduce materials, email author Bulent Kotan to [bkotan@effektgroup.com](mailto:bkotan@effektgroup.com). This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of Effekt Group Oy.

competitive and mature markets of Europe, it has seen its growth slowing and expensive investments increasing in its categories, infrastructure and partnerships, causing margins to slim down and sustainable profitability harder to maintain.

### *Company 3-year Strategic Roadmap*

As profitability was increasingly hard to maintain, the company decided to get external funding to grow into high-growth emerging markets. The management team made a conscious choice to look for fast-growing emerging markets to continue its phenomenal growth path and expand its mission and product offerings beyond the realm of developed markets. The rapid economic growth, improving standards of living, and the increasing focus on closing gaps in institutional voids in key emerging markets, have made these nations very attractive for NG. Its first focus was then on China where they entered into a JV with a local beauty distributor in 2021. However, though growth was double-digits, so far, the experience has been sobering as the company realized doing business in China was not a “lift-and-shift” exercise where they could simply replicate its business model and product portfolio with different channel structures (mostly traditional trade) and differing consumer preferences and behaviours. Next to international expansion, it also decided to move its commercial focus increasingly into digital and online, with a special focus on leveraging the growth in eCommerce.

Specifically, NG Group’s Strategic Roadmap has the below key objectives. These company objectives ensure to maximize its market reach, optimize sales, and enhance customer loyalty. They are designed to leverage the unique strengths of different channels and create a cohesive brand experience across them.

- ***Accelerate international growth and be recognised as the nr. 1 Nordic Beauty player***

International expansion into high-growth markets is the key focus. Next to success in NG’s core strategic markets, like Nordics and UK, as well as in China, the most important focus area is successful entry into a major emerging market to maintain or grow sustained profitability in the medium to long-term.

- ***Expand distribution network and strategic partnerships & diversify online eCommerce presence***

Aim to increase the number of relevant retail outlets covered for both our Prestige (Premium) and Mass Market products, increase presence in high-growth eCommerce platforms and develop Direct-to-Consumer operations. Optimizing Omnichannel experience will be a focus area (i.e. ensuring a seamless shopping experience, wherever shoppers are and whenever/however they decide to buy). This also means forging strong partnerships and increasing the ability to manage costs and market risks carefully.

- ***Ensure the best-selling product portfolio in each market, driven by consumer insights***

On the brand and portfolio management side, NG will continue to focus on the best-selling products. It will further develop and build the data partnerships, tech infrastructure and insights capabilities to leverage data to gain deep insights from markets and consumers. A key focus is then to develop and implement targeted marketing and promotional campaigns for each channel and consumer segment in line with their consumer journey with our products.

- ***Embrace and commit to sustainability and eco-friendliness***

NG's strategy continues to focus on sustainability, and natural ingredients, which is at the core of its DNA and is a unique selling point and competitive advantage in the beauty industry

- **Increasing organisational diversity and capabilities**

Aim is to continue transforming NordicGlow Group to a truly international organisation with an internationally diverse team with high digital competence and a broad cultural background.

### International Expansion plans into Saudi Arabia

NordicGlow has been prudently building up a decent amount of cash flow and, supported by the external funding secured in 2020, is looking outside its base in Europe for expansion opportunities. With the emergence of the internet, it has also been actively pursuing growth through eCommerce, while maintaining strong relations and investments with its network of partners. With an experienced, and mostly Northern European, management team, it has focused on building and managing channels and partnerships carefully and indeed this has been key in its high-growth journey in the highly competitive and mature markets of Europe.

Following thorough market research, the company shortlisted selected markets in the Middle East region and eventually decided to offer its products and build a strong presence in the Kingdom of Saudi Arabia (KSA). The focus, as in its European base, will be geared predominantly towards Saudi women as well as the growing Men's beauty segment.

The key economic reasons to enter KSA is its large beauty market (largest in the region), consumers' preferences and focus on beauty and luxury and a high growing purchasing power (GDP per capita of USD 59,065 (PPP) in 2022). Analysing competitors, it became clear that the country accounts for roughly half of the broader Middle East revenue for most multinationals. In addition, the country has embarked in recent years on a growth and liberalization journey, driven by the government's *Vision 2030* launch<sup>2</sup>. Moreover, there is an influx of Foreign Direct Investment and a growing ecosystem of Venture Capital, Private Equity and Startups with multinationals moving regional headquarters to Riyadh or Jeddah.

From their research however, some key concerns emerged. These relate to institutional voids in product, capital and especially labor markets. A particular consideration for NG is the quality, not just quantity, of the strategic partnerships with intermediaries which has been its competitive advantage in its current markets and driver of growth. NG's concerns are not only that this might make success in the market more challenging, but will come at a higher cost of doing business and require significant focus of its current resources.

Another key concern is the ability to manoeuvre legal and regulatory environments as well as the cultural distance and values compared to NG's current markets it operates in. This might have challenging consequences to its operations and the potential for consumers to embrace its products and value propositions in the market.

The KSA economy has a major dependency on fossil fuels (approx. 90% of fiscal revenues and 40% of country GDP) and with that comes unpredictability and risk due to its vulnerability to oil price

---

<sup>2</sup> KSA's Vision 2030 aims to enhance government effectiveness, grow and diversify the economy, strengthen labor markets and create a more vibrant society. It is characterized by massive capital projects and investments in the economy. For more information please visit the [Vision 2030 website](#).

volatility and geopolitical risks. These can for example have an impact on consumer purchasing power, government and private sector investments, ability to pursue economic reforms, vulnerability to external shocks etc).

In addition, NGs current model emphasizes control in production and sales, closeness to and understanding of consumers and tightly managing distribution channels not to cause channel conflicts and keep its Mass and Prestige value propositions segmented. NG own factories manufacture 85% of its products worldwide. Sustainability and transparency are key to the international supply chain, where the role of a certified network is increasingly emphasised and focuses on close cooperation with distributor partners, external logistics and shipping service providers. Also, receiving consistent and quality shopper and retail data to make decisions has been key in driving growth decisions in the European markets. All of these elements need to be addressed or mitigated for a successful entry into KSA.

While some of NGs key European competitors had been quite successful in gaining market share in KSA and other emerging markets, they had faced a number of challenges and, hence, found it necessary to discontinue its operations. In some cases, no suitable distributors were found, and the only option that remained was to distribute the products on one's own (e.g. company-owned sales force, direct selling). GDP growth rates and a large population alone are not sufficient for success in emerging markets. However even though, KSA is a large and complex market, multinationals' senior management see plenty of growth potential for foreign multinationals.

## KSA Market Landscape & Dynamics

### *KSA Beauty Consumer*

Saudi Arabia presents a unique blend of opportunities and challenges for foreign beauty companies. The modern Saudi woman is tech-savvy, informed, conscious about her purchases and deeply rooted in tradition. They are the most engaged users of beauty products in the region and gain most of their inspiration from social media, with KSA having one of the highest internet penetration in the world (over 98% of Saudis use the internet, higher than the major developed countries like the US, UK and Germany and far higher than the BRIC countries). The rising demand for natural or organic, herbal, halal products and innovative and eco-friendly packaging designs is further attributed to the market growth in the country. Understanding where, how and when the Saudi consumer shops, will impact and shape NordicGlow's channel strategy.

While shopping online, consumers read ratings and reviews of products and engage online to watch videos of influencers before deciding on their purchases, whether online or offline. The influencer ecosystem is highly active online and has a major impact on trialling new products. Amara Al-Massi, a beauty influencer from the capital Riyadh, came across NordicGlow during her travels. She was captivated. "There's an untouched elegance to NordicGlow, something my homeland will cherish. My grandmother used to say, 'Luxury lies in authenticity'. This is what the Saudi woman seeks," Amara noted on her popular vlog.

With the prevalence of women wearing an abaya and hijab, covering parts or whole of the face and body, their eyes take magnified importance, with many women using eye makeup and eye care products to emphasise their beauty. They are also more concerned than other countries, especially compared to developed countries, about their skin condition wanting to maintain a hydrated and healthy appearance.

Replacing Western beauty icons, consumers are now looking more toward local celebrities and influencers that celebrate Arabic beauty. Indeed, there is a shift in beauty perception in the Middle East markets away from embracing European ideals to desiring more Arabic and Middle Eastern features. This is reflected in the growth of homegrown Saudi beauty brands in touch with local trends and consumer behaviour. Sarah Al-Rashid, Asteri's CEO, remarks "We pride ourselves in being desert proof. Desert proof is a test that we've created to make sure that our products are long lasting in the heat and humidity and in extreme weather, in general." For example, KSA consumers now prefer lighter cosmetic adjustments vs heavy use of beauty products and cosmetics, that preserve their individual beauty and focus more on "Internal Beauty," encompassing health, wellbeing, and self-esteem, which can influence external appearance. This has paved the way for a new generation of brands that prioritise more than just traditional product effectiveness. These brands now extend their focus to encompass the holistic well-being of their customers", remarks Jasmina Banda, the CSO at Chalhoub Group, the largest luxury distributor in the region.

Studies done in KSA vs. global preferences, show that on average Saudi's prefer the human element in customer service and prefer to engage on a personal level (both offline but also online), are significantly more experience oriented (they love and expected to be delighted in their customer journeys and do not mind paying for it) and are more generous in giving company feedback via social media. All of this means manufacturers and retailers will need to compete on the customer experience and personalised offerings and not just on product offerings.

**Exhibit 2** outlines the different consumer persona's which resulted from the market and consumer research the insights teams had performed at NordicGlow. These persona's form the key NG target groups and the basis of designing the channel strategy, together with NordicGlow's company objectives.

### *KSA Channel Landscape Considerations*

Beauty has always been big in Saudi Arabia, but over the last few years the cosmetics market has grown exponentially. The sector is the biggest and fastest growing in the Middle East, thanks to an eager local market.

"The Saudi beauty market is an emerging market with incredible opportunity for so much development and it is currently experiencing rapid growth, especially in the luxury, beauty and fashion category, making it one of the fastest-growing in the GCC," said Larabella Riaz, founder and CEO of The BDinc, a young beauty distribution firm based in Dubai.

There are many strong beauty retailers in Saudi Arabia, with companies such as Sephora, Faces and Al Nahdi developing their beauty offerings to keep up with the rapid growth within the sector. The beauty industry in KSA is set to increase competition, such as from new local brands. Asteri is the first Saudi clean vegan beauty brand, launched just last year and on an accelerated growth path.

As NG navigates this journey, it not only needs to seek to beautify but also to educate and inspire a "Nordic way of Beauty" and leverage the elevated beauty standards in the region. With the KSA market dynamics, the entry choices it will make in its channel strategy and the channel partnerships it forges, will be the foundation for its success.

The Saudi Arabia cosmetics products market is fragmented, with local, regional and global players all highly active in the market. In KSA, though losing share, traditional offline retail and super/hyper markets are still key purchase channels for beauty. Thus, while there has been a strong boost in e-commerce, store-based sales dominate the region's retail landscape and is expected to remain so in

the foreseeable future. However, while traditionally a product category driven by physical “feel, touch and smell” preference, following the COVID-19 pandemic, consumers globally are buying more beauty products online and indeed the KSA beauty market is witnessing an eCommerce channel boom with a 7-fold increase in per capita online spend expected in 2025 vs 2015.

Most beauty categories are driven by female shoppers with an average spend that is 55% higher than men (USD 333 vs USD 215 p/month) and both are within the highest spend globally on beauty products. KSA women spend twice as much as the Middle East average, with a stronger preference towards multi-brand beauty stores as the purchase channel.

Significant opportunities exist for Haircare, Face care and Cosmetics amongst Gen Z and locals, who show increasing preference towards Mass market brands bought online or in mass market channels, such as Super and Hypermarkets and online platforms and beauty retailer websites. Indeed, Mass brands are sold 3x more than Prestige brands.

Different from the predominantly Modern Trade retail formats in European markets, Saudi Arabians still have a large dependency on the Traditional Trade (though Modern Trade is gaining share)<sup>3</sup>. This trend is not only in rural areas but also in small to medium-sized urban ones. Even though Urbanization rate is high (85%, comparable to the USA), Traditional Trade stores are very present throughout the country. However, over the short to medium term, the demand for premium beauty products is expected to increase, which could further increase Modern Trade share.

**Exhibit 3** in the appendix contains a key outline of the retail formats in KSA where Beauty Products are used and hence are relevant to NordicGlow. Note that retail data is hard and expensive to come by in emerging markets. Agencies providing data, provide disclaimers that the data is aggregated and extrapolated from smaller samples and that actuals can differ up to 50% vs. what is provided at granular levels.

Important here is also to consider that the choice of channels not just impact your sales potential but also very much your profitability, given the different cost profiles for each channel (called “cost-to-serve”).

---

<sup>3</sup> **Modern Trade:** refers to the newer (more modern) forms of retail formats like high-end beauty chains, hyper/supermarkets and organized retail chains, mostly in urban areas. It operates in a more organized manner with standardized processes, uses technology extensively and provides a range of products and value-added services to shoppers. Recognizable examples: Carrefour, Walmart, Tesco and large local retail chains.

**Traditional Trade:** refers to the conventional and age-old system of selling goods directly to the customers. It encompasses a variety of smaller retailers in both urban and rural areas, such as mom-and-pop stores, traditional marketplace stores, local grocery shops, and street vendors. Operates on a more personal level, often with the store owner interacting directly with customers. Might not use sophisticated technology for operations and relies heavily on relationships and often offers credit to regular customers. Examples: Local corner shops, neighbourhood grocery stores, and local market vendors.

## Case Assignment: Strategic Channel Design for winning in the KSA beauty market

### Assignment

You are part of NordicGlow Group senior management and tasked with the following 2 objectives:

#### 1. Critically evaluate the different **Channel Design trade-offs & alternatives**

Channel design involves making strategic decisions about the form, structure and functions of the channels in the market. You can consider below “Questions” to think through and provide rationale for some of the choices made.

#### 2. **Create a Channel Design** to successfully enter and operate in the KSA beauty market

In a group setting, you will work out a Channel Design and Strategy using the “**Strategic Channel Design**” *canvas* provided in the link in **Exhibit 4**. This contains a framework for you to consider the different variables and perspectives to get to a winning channel design and strategy in the KSA market for NordicGlow. The framework is briefly described in the exhibit and some of the fundamental concepts outlined in a book chapter, which is provided separately as well.

Note that the focus is on your interpretation of the dynamics described in the case and the subsequent strategic considerations and not necessarily on a quantitative view. You are free to add your own assumptions where you believe more information is required.

### Questions

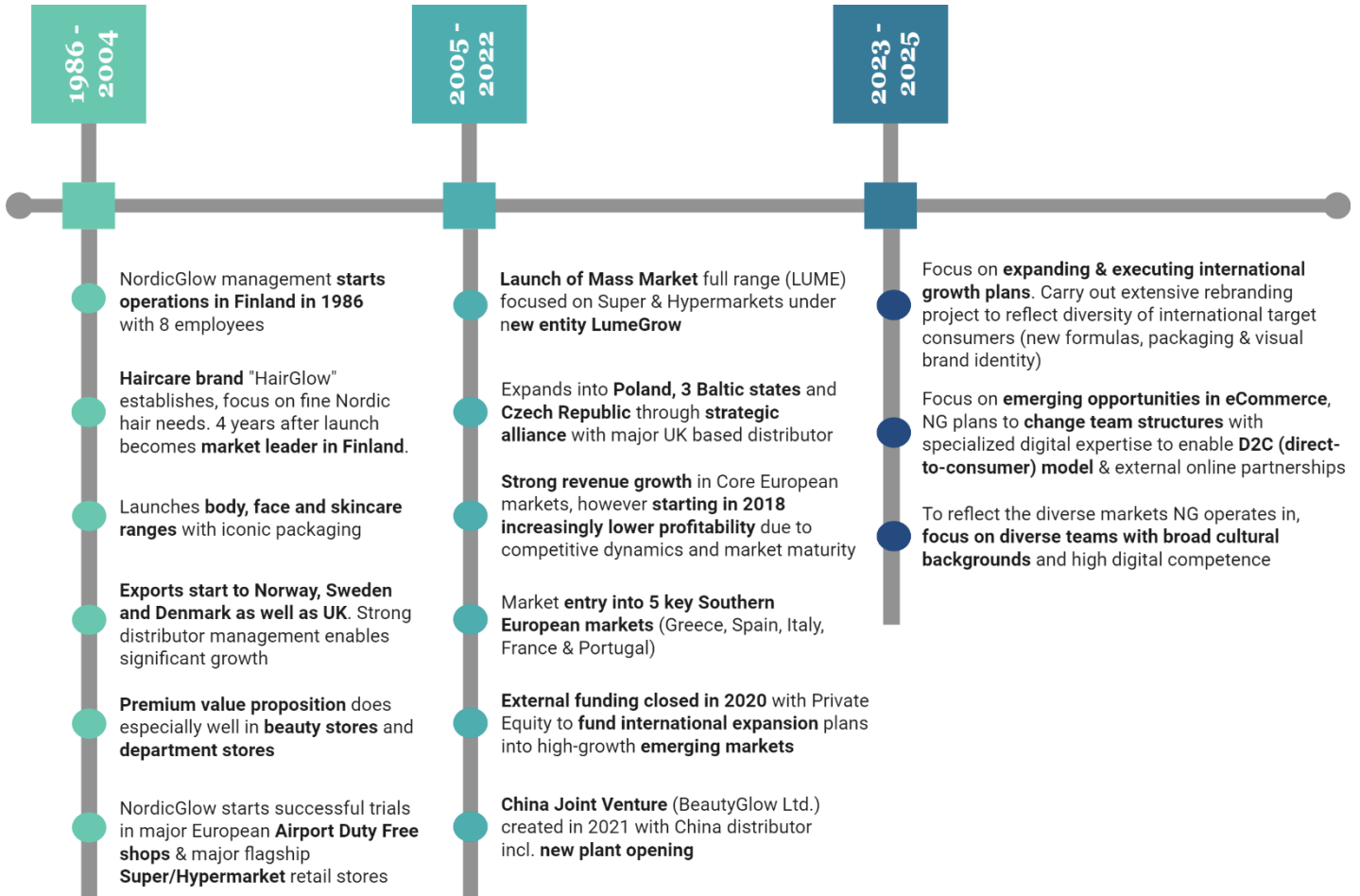
- What is your perspective on the reasons provided for NordicGlow seeking growth in emerging markets? Together with the knowledge that NG has received external funding from Private Equity, what does this potentially say about their objectives and speed of entry into the KSA market?
- Discuss how your mode of entry and channel design will impact the cost to serve the different channels and the cost of doing business in the country? – develop an argument for and against the use of distributors to sell and distribute your products.
- What do you believe is the right Channel Structure for the KSA market? - e.g. how many and what types of intermediaries should you have (if at all), should you distribute everywhere or in selected areas/stores, what types of strategic partnerships and alliances do you recommend etc.
- What was your rationale for designing the Channel Structure and what key trade-offs did you have to make?
- How would the Channel Structure and Functions you envision for KSA entry, impact the company operating model (e.g. its organizational structure, technology, data, core processes etc)?
- How will the choice of the different intermediary partners affect the level of control and partner conflicts potentially?
- How can NG motivate and incentivize intermediary partners to stock and sell its products consistently and with priority? – what do you think different intermediary partners would look for to be incentivized?
- Make a case for NG eliminating the indirect channel (i.e. going through intermediaries) entirely and sell and deliver directly to all consumers. How could this look like from a Channel Design perspective?
- Imagine the level of balance of power between NG and potential intermediaries (e.g. distributors, retailers). How could this impact your channel design and profit potential?
- Internationalizing firms need to decide how locally responsive they want to be (in the literature the trade-off between local responsiveness (adapting to target market) and global integration

(focus on scale, efficiency and standardization) is depicted in the “Integration-Responsiveness Framework”). What strategy do you think NordicGlow is pursuing or should pursue?

- Given the consumer dynamics, would you enter KSA with NGs entire product portfolio or focus on entering with parts of it?
- How would the preference of one consumer persona over another impact your choice of channels? Explain why.
- Analyse potential challenges and recommend strategies to optimize channel functions & flows. For example, what is your recommendation and challenges you see in this emerging market for NG to have its own salesforce or use 3<sup>rd</sup> party resources; give certain payment terms to channel partners; receive/pay for consumer and retail data; manage marketing and promotional activities or use supply & logistics infrastructure to meet its coverage requirements.
- Would you decide for a direct Sales Force (i.e. your own) to serve retailers or end-consumers, use only a 3<sup>rd</sup> party or a hybrid model of sales force? – explain your rationale
- Discuss the role and challenges of culture from a Finnish company entering Saudi Arabia? How would NG management team’s international experience (or lack thereof) impact its international expansion success or failure?



**Exhibit 1. NordicGlow's Journey to Date**



## Exhibit 2: KSA Beauty Consumer Personals

	Layla the digital native	Fatima, the ethical shopper	Noura, the luxury enthusiast	Ahmed, the conscious male
<b>Consumer Behaviour &amp; Needs</b>	<ul style="list-style-type: none"> <li>Layla is heavily influenced by social media channels, especially by influencers showcasing their beauty regimens. Her purchasing decisions are heavily influenced by influencer endorsements, reviews, and tutorials. Layla is eco-conscious and seeks products that are natural, organic, and cruelty-free. She's quick to drop brand loyalty if a more affordable, yet equally effective product is available and switch to competitors if products are unavailable</li> </ul>	<ul style="list-style-type: none"> <li>Fatima is aware of environmental implications and values clean organic beauty</li> <li>She is well-researched, a member of online communities discussing organic cosmetics and values peer recommendations</li> <li>Though she values convenience and speed and dislikes when her favorite products are not available, she is willing to pay a premium and wait for availability of her trusted brands</li> </ul>	<ul style="list-style-type: none"> <li>Noura spends significantly on her appearance, opting for premium beauty products which provide a luxury experience throughout all touchpoints</li> <li>She seeks high-quality, premium brands, and attends brand events &amp; launches, and is part of loyalty programs of her favorite brands</li> <li>Noura seeks exclusivity and values limited edition products. She's interested in brands that offer a holistic beauty experience, incl. personalized skin consultations</li> </ul>	<ul style="list-style-type: none"> <li>Ahmed represents the growing segment of men who are increasingly using personal care items as part of their grooming routine, especially after noticing a shift in societal expectations</li> <li>Ahmed seeks hair and face care products, especially for styling and coloring due to concerns like premature greying and to keep the face moisturized and protected in the hot climate.</li> <li>He values efficiency and seeks multi-functional products that save time</li> </ul>
<b>Shopping Habits</b>	<ul style="list-style-type: none"> <li>Layla predominantly shops online due to its convenience &amp; higher variety, especially on platforms that offer user reviews and ratings. She often abandons carts if the checkout process is complicated, if there are unexpected shipping costs or delivery takes too long. She values brands that offer value-for-price products</li> <li>Regularly shops during sales promotions in major Beauty stores and e-commerce platforms and takes advantage of loyalty programs/apps offered by retailers.</li> <li>Though Layla occasionally visits Traditional Trade stores' beauty section, once she enters into the work/force and builds buying power, she loves to pamper herself with premium products which are exclusive and on limited-time promotions</li> </ul>	<ul style="list-style-type: none"> <li>While she occasionally shops online, Fatima prefers physical stores where she can verify product authenticity and experience product samples, demonstrations, or expert consultations to give transparency on product ingredients and certifications</li> <li>She shops at various retailers, including beauty specialists, pharmacies/ drugstores, super/hypermarkets to sample a wide variety of products, incl. private label. She also frequently visits Traditional Trade stores, where she enjoys to interact with her community as she purchases daily and weekly groceries</li> </ul>	<ul style="list-style-type: none"> <li>Noura prefers shopping in premium retail environments, such as high-end beauty boutiques and department stores. She is less influenced by online platforms. She values in-store experiences, personalized consultations and after-sales follow-ups</li> <li>She loves the international ambience of the airport and as a frequent traveller actively buys luxury products which otherwise are not directly widely available in her favourite stores</li> </ul>	<ul style="list-style-type: none"> <li>Ahmed prefers shopping in dedicated men's sections of beauty stores or in specialized men's grooming stores. He appreciates knowledgeable sales staff who can guide his purchases. He also shops in other physical stores, such as pharmacies, where he can get advice on products, while occasionally ordering online based on recommendations.</li> <li>He shops mostly during weekday evenings and occasionally makes impromptu purchases when passing by beauty retail stores or while doing groceries in Traditional Trade</li> </ul>
<b>%-consumers</b>	21%	9%	16%	18%

**Exhibit 3. KSA Beauty Retail Channel – size and growth**

Retail Channel	Total nr. of stores	%-share of sales	%-growth 2023-25 (est.)	Cost to serve* (deliver / market)
Beauty Store Chains (multi-brand)	1,100	26%	4.5%	Medium / High
(Para)pharmacies / Drugstores	6,200	19%	2.2%	Low / Medium
Traditional Trade	37,500	17%	1.5%	High / Low
Hyper/Supermarket chains	1,900	15%	6.3%	Low / High
eRetailer / eCommerce	Top-5 players – 75% of sales	11%	14.2%	High / High
Department Stores	800	7%	2.1%	Low / High
Beauty Salons	9,200	2%	1.5%	High / Low
Airport Duty Free Shops	Top-5 airports – 90% of sales	2%	4.8%	Low / High
Others	N.A.	1%	-2.5%	N.A.

\* “Cost to serve” channel split into delivery (i.e. logistics, coverage, storage costs) and to market products (i.e. do promotions, negotiate margins etc)

**Exhibit 4. Strategic Channel Design Canvas**

In the link provided below, you will find the **Strategic Channel Design Canvas** as well as **Chapter 6 “Designing Marketing Channels”** by Bert Rosenbloom<sup>4</sup> which addresses some key channel design concepts (you can focus on reading pages 178 – 196).

Link to canvas and book chapter: [Strategic Canvas Design Aalto](#)

**Strategic Channel Design Canvas brief structure outline**

- **Section 1 (right-hand side of canvas):** this section is focused on the **end-consumer** and outlines the different **channel benefits** (also called “service outputs” in the literature) for the end-consumer. Any strategy needs to start with the benefits a channel needs to have for end-consumer, given its preferences & behaviours and the value you as a company want to add to them. Some of the many examples are fast order delivery, availability and variety of products, providing the right experience instore or offline and providing the right support and after-purchase support.

<sup>4</sup> Bert Rosenbloom, “Marketing Channels: A Management View”, Edition 8 (2013), Cengage Learning

- **Section 2 (left-hand side of canvas):** this section is focused on the *manufacturer* or producer (in this case that's NordicGlow) and outlines their company objectives and limitations in dealing with channels. Some of the many examples focus on the choice of market coverage and the market share you want to gain with your products, sales and profitability targets, cost to serve a certain channel structure, types/power of partnerships in the channel, how much control you want as a company in the market and how you will gain customer loyalty.
- **Section 3 (middle section of canvas):** this section focuses on the actual *channel design*. The chapter 6 provided in the link outlines some of the key channel design concepts. In brief this section has 3 sub-sections:
  1. Channel design criteria: these are the different criteria and variables to consider impacting the channel structure and functions in subsequent sub-sections
  2. Channel Structure: this is the actual setup of the distribution pathway that a product or service follows. It includes the number and types of intermediaries involved, the breadth and depth of the distribution (intensive, selective, or exclusive distribution), and the hierarchical levels (e.g., agent-broker, wholesaler, retailer). A well-designed channel structure ensures that the right products reach the right places at the right times.
  3. Channel Functions & Flows: these are the functions a manufacturer and channel intermediaries perform to meet the needs of end-consumers. As the manufacturer it is your job to design a channel, so all of this work gets done. Flows refer to the movement of people (e.g. sales force), products, information, promotions and funds through the channel. Effective channel functions and flows ensure that the sales and distribution processes add value for customers and enhances the efficiency and effectiveness of the channel operations.

\*\*\* CASE END \*\*\*