

# Ikea company: consumer behavior



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## **Introduction**

IKEA is a Swedish company which is one of the largest retailers of furniture in the world. The company has retail stores all over the world which sells commodities such as furniture, accessories for bathroom, kitchen and others. The company started in 1943 in Sweden. The ownership of the company is held by a foundation which is registered in Dutch and is under the control of Kamprad family. Ingvar Kamprad of Kamprad family is the founder of the company. He founded the company at the age of 17. The distribution of the products is done by the retail outlets which the company has in all parts of the world. As per the records of 2009 the company owns 301 stores across 37 countries. The countries are mostly present in the continents of Europe, North America, Asia and Australia. The operations of IKEA are controlled by different corporations which includes corporation working both for profit and not for profit. There are two main parts of the corporate structure of IKEA which are franchising and operations. INGKA which is a private corporation working for profit manages most of the operations of IKEA. These operations even include the management of the stores (Matz, Grah, & Manz, 2008).

Among the count of 301 stores, 235 stores are controlled by INGKA holding. The other 30 stores are controlled by franchises which are functioning outside the INGKA holding. Although the control of INGKA holding is dominant the trademark of IKEA comes under a different Dutch company which is completely separate. This company is known as Inter IKEA systems. Every store is supposed to pay 3% of the revenue as the franchise fee to the Inter IKEA systems. There is a lot of confusion in the ownership of the Inter IKEA systems. The vision of IKEA is to improve the everyday life of people. In

order to improve the life of the people the company provides different products which improve the lifestyle of the people. The prices which are decided for different products are set such that the affordability is high.

## **Literature Review**

As per the current business scenario the organizations are becoming more concerned about the issues relating to environment. The legislations concerning environment protection are becoming tougher with the change in the market. The conservation of biodiversity and conservation of natural resources has become an important concern for different governments as well for the general public. IKEA when researched concerning its performance regarding the environmental issues it is counted in the list of companies which have realized its role in reducing pollution. However when reducing the pollution the company does not compromise with its profits. IKEA has been involved in green marketing which has helped the company to preserve environment and at the same time achieve success. The products which are manufactured by the company are environment friendly (Czinkota & Ronkainen, 2007). Among the different strategic challenges which are faced by company's global sources has been the most important. IKEA has been under pressure to reduce the cost. There has been a reduction in the supply base of IKEA in the year 2009. Earlier the count of suppliers was more than 2000 which are reduced to 1400 suppliers in 2009. This reflected the need of streamlining the international operations of the company. At the initial stages the growth of the supplier network outside the Nordic region was due to the conflict between the IKEA and the Swedish furniture trade organization. The main issue of the conflict was the reduction in prices for

which IKEA was working and the industry was not ready to respond to the strategies at that point of time. The process of global sourcing which has been adopted by IKEA is different in different regions. As it has been analyzed in the different regions (by the analysis of the supply chains of products) there are a number of factors which makes IKEA unique and gives it a competitive advantage in the market. The IKEA has formulated the rights in such a way that it can change suppliers whenever it wishes to do so (Hultman, Hertz, Johnsen, & Johnsen). The number of suppliers and the number of supply markets on which the company concentrates is as small as possible. The company has adopted joint venture as its internationalization strategy. However, in some of the working areas the company need to look for other strategies (which would be an alternative) and would help it in the process of internationalization. As is the case of the Indian market the company need to strengthen its strategic alliances and review its strategies for joint venture purposes. The initial step of the company in the Indian market should be to search for franchise owners. The company needs sufficient capital in order to form the links which are important for its establishment. In the markets where the degree of risks is high the strategy adopted by IKEA is to form links with the supplier. This would help in saving the company from any issues which may be political, legal or financial. The financial strategy which has been adopted by the company is to borrow money from the host country. This has proved to be beneficial to IKEA in a number of ways: the cost on which the money is borrowed is low and this cost is kept away from the influence of inflation as well as from fluctuation in the rate of exchange. The company does not have its own facilities for the purpose of manufacturing. The company takes use of subcontracted

manufactures that are present in different parts of the world. The assembly of the products is done by IKEA (Albaum, 2006). This helps the company in maintaining low costs. For the purpose of marketing IKEA initializes with attractive catalogues and later believes to provide designs and layout which would be in demand by the customers. This would help the company in functioning as per the customer needs.

The company has proper control over different control points which has helped the company in delivering the products in a timely manner. One of the best ideas on which IKEA functions is that the cost which is involved between the manufacturer and customer should be kept low. The cost of a product is kept low from the very beginning of the chain. This helps the company in maintaining the cost after the final development of the product. Hence, the different strategies which the company has adopted are oriented towards minimizing the cost without compromising with the quality and without hampering the environmental sustainability. The company is also involved in activities related to corporate social responsibility. The corporate social responsibility of the company is mainly focussed on three groups of activities which are children, sustainability of environment and improvement of living standards of people. The company also utilizes its resources in a wise manner. The manufacturing of the products by IKEA is done in such a manner that its impact on the environment is minimum. The company therefore has been successful by concerned working towards different aspects of society and environment (Prasad).

## **Methodology**

The method which was used in order to understand the behaviour of the consumers towards IKEA and its products was primary research. A survey was conducted in which both males and females from different age groups participated. As the sex ratio of the UAE is 274: 100 therefore in order to consider a balanced sample of respondents the males and females were considered accordingly. The respondents were given a questionnaire which consisted of questions relating to different aspects of IKEA. The aspects which were included in the questionnaire were : design of store, atmosphere, layout, display, customer service, questions relate to the website of the company, point of purchase, lifestyle, culture, generation of impulse buying in customers, business and decision making models of the company. The questions which formed the part of the questionnaire were such that they considered every function which the company performs and which influences the behaviour of the consumer towards the company. The respondents were supposed to answer with one among five answer choices which were: Highly agree, agree, neutral, disagree and highly disagree. All the questions were presented with these five choices. The questions were concerned with the response of the respondents on a global level querying about the stores of the company at different locations. This provides a wide prospect to the survey. However the survey had limitation of number of respondents and the number of areas which could be covered for the purpose of answering. However the formation of the questionnaire was done in the best possible manner to cover as many important functions as possible.

## **Data Analysis**

The above pie chart represents the gender distribution of the people who participated in the survey. Out of the total respondents who were considered for answering the survey 72% were male and 28% were female.

The above pie chart shows the age distribution of the people who participate in the survey. 46% of the respondents belonged to the age group of 26-35 years, 14% belonged to the age group of 18-25, 18% of the respondents were above 45 years and 22% respondents were 36-45 years of age.

## **Store Design**

The questionnaire questioned regarding the architectural design of the stores. The design of the stores can be based on the modern designs or the designs which have been in use for a long time (or they can be considered as old fashioned designs). In response to the question 47% of the respondents agreed that the design of the stores is modern. 17% of the respondents highly agreed that the design of the stores is modern. 22% of the respondents were neutral towards the architectural design without stating it to be either modern or antiquated. 12% of the respondents disagreed that the design of the stores is not modern instead they are old fashioned. Only 2% of the respondents highly disagreed that the architectural designs are not modern.

The stores of the company are present in different regions therefore the respondents were asked about the creativity of the designs at different locations. The main aim of asking the question was to understand if the consumers thought that the designs at different locations are similar or

creative in some form or other. 37% of respondents agreed that the company had similar design of the stores at different locations. 23% of respondents highly agreed that there was a high level of similarity in the design of stores even though the stores are located in different regions. 17% of the respondents were neutral on the similarity of designs at different locations. 15% of the respondents disagreed that the designs were not monotonous and the design store was different at different locations. 8% of the respondents highly disagreed that there was no similarity between designs of the stores and the designs were not monotonous.

## **Atmosphere**

Motivation has been one of the key aspects which the employees tend to find in their organizations. The respondents were questioned if they found the work atmosphere for the employees to be motivating. 42% of the respondents agreed that the work atmosphere was motivating and encouraged the employees to work in the company. 21% of the respondents were in high agreement of the aspect that the work atmosphere was motivating to the employees, 20% of the respondents were neutral in their response regarding the work atmosphere of the organization, 13% of the respondents disagreed to the that the work atmosphere is not motivating to the employees. Only 4% of the respondents highly disagreed that the work atmosphere is not motivating for the employees.

The respondents were questioned concerning the participation of managers and leaders in the business. If the participation of the leaders and managers was satisfactory in the business. 50% of the respondents agreed that the participation of the managers was satisfactory in the business, 19% of the



respondents highly agreed that the managers work in a satisfactory manner, 15% of the respondents were neutral towards the role of the managers in the business, 12% disagreed that the managers worked in a satisfactory manner in the company, 4% of the respondents highly disagreed that the managers worked in a satisfactory manner.

## **Layout**

The respondents were questioned if the layouts were in accordance with the market trends. 37% of the respondents agreed that the layouts are as per the latest design, 16% highly agreed, 27% were neutral towards the layout of the designs, 16% of the respondents disagreed that the designs are not as per the latest trends, 4% of the respondents highly disagreed.

The respondents were questioned about the different layouts at different stores. 39% of the respondents agreed that the company provides a large variety of designs at different stores. 15% were in high agreement of the perspective. 27% were neutral considering the variety in designs which were offered at different stores. 15% disagreed that the company had large variety of designs and 4% highly disagreed that there was large variety of designs.

## **Store Display**

The respondents were then questioned concerning the display of products which were present at different stores and their arrangement. 42% of the respondents agreed that the arrangement was appealing to them, 25% were in high agreement that the display is appealing to the customers, 18% were

neutral , 11% disagreed that the display was appealing to the customers, and 4% highly disagreed that the display was appealing to the customers.

The respondents were then queried concerning the display of IKEA stores in comparison to other stores. 39% of the respondents agreed that the display of the IKEA stores is better than the other stores, 17% highly agreed to the efficiency, 27% were neutral, 13% disagree to the efficiency of display and 4% highly disagreed to the efficiency of display in comparison to other companies.

## **Customer Service**

The respondents were queried about the satisfaction towards the services which are delivered by the company to the customers. 38% of the respondents agree that the delivery of the services was satisfactory, 21% highly agreed that the services which were delivered were satisfactory, 17% of the respondents were neutral towards the services, 19% disagreed to the point and 5% showed high disagreement.

The respondents were then questioned concerning the knowledge which the executives have when answering the queries of the customers 37% of the respondents agreed that the executives have complete knowledge for their queries, 23% were in high agreement that the executives have knowledge, 20% were neutral towards the knowledge of executives, 13% were in disagreement towards the knowledge of executives and 7% were in high disagreement regarding the knowledge of the executives.

## **Use of Company Website**

The respondents were then asked questions concerning the website and the information which is provided by the website. 39% of the respondents agreed that the website of the company provides complete information regarding the products and its varieties, 29% were in high agreement to the information provided, 17% were neutral, 13% were in disagreement and 2% were in high disagreement to the information which is provided.

The respondents were then questioned about updating the company website. 33% of the respondents agreed that the company website is updated on a regular basis, 30% of the respondents highly agreed that the website was updated, 25% were neutral towards the website updation, 10% disagreed that the website was updated regularly and 2% were in high disagreement that the website is updated regularly.

## **Point of Purchase**

The respondents were asked concerning the easy access of the points of purchase. 40% of the respondents agreed that the points of purchase of the company were easily available to them, 18% highly agreed that the point of purchase was available to them easily, 25% were neutral towards the availability of the point of purchase, 15% disagreed to the availability of the point of purchase and 2% highly disagreed that the point of purchase was easily available to them.

The respondents were questioned to the suitability of the company moving towards e-commerce. 39% of the respondents agreed that it would be convenient if the products of the company are available online, 24% highly

agreed to the point, 18% were neutral , 16% disagreed to the point and 3% highly disagreed that online availability of the products would be a convenience to them.

## **Lifestyle**

The respondents were asked if the company was working as per its decided vision. 53% of the respondents agreed that the company has improved the lifestyle of the people with the different products which are provided, 13% highly agreed that the company has improved the lifestyle, 21 % were neutral and 9% disagreed that the company had improved lifestyle and 4% highly disagreed that the company has improved lifestyle of the people.

The respondents were asked about their opinion on the price which has been decided by the company and the vision of the company improving lifestyle. 38% of the respondents agreed that the company has considered affordability along with the improvement of the lifestyle, 22% highly agreed to the point, 18% were neutral, 14% disagreed to the point and 8% highly disagreed.

## **Decision Making**

The respondents were asked concerning the business model which has been adopted by the company in different situation. 38% of the respondents agreed that the models followed by the company are efficient, 29% of the respondents highly agreed that the models are efficient, 15% were neutral, 13% disagreed and 5% highly disagreed to the point.

The respondents were questioned about the decision making model of the company. 39% of the respondents agreed that the decision making model

was efficient, 21% highly agreed, 19% were neutral, 17% disagree and 4% of the respondents highly disagreed.

## **Cultural and Impulse Buying**

The respondents were asked if the company delivered certain products based on the region in which the store is being opened. 36 % of the respondents agreed, 22% of the respondents highly agreed, 24% of the respondents were neutral, 14% disagreed and 4% of the respondents highly disagreed.

The respondents were asked concerning the provocation of the impulse buying in them. 36% of the respondents agreed that the products of the company provoked them to buy instantly, 20% of the respondents highly agreed, 19% were neutral, 13% disagreed and 12% showed high disagreement that the company products provoked impulse buying in the customers.

## **IKEA Performance Graph**

Above graph shows the mean score of the responses for each of the attributes the questionnaire was filled. We can clearly seen from the above graph that in each of the attribute, IKEA is performing decently well and has a score above average in each of the attributes. But, use of company website is the strongly attribute for the company rated by the respondents and Stores layout is the weakest point among all the attributes. This clearly explains that company work more on the stores' layout and should focus on increasing this score.

## **Conclusion**

A large number of people should be able to afford the products which are made by the company. There are certain principles which the company follows and the company is never ready to compromise with the principles. Although the company has decided to provide products at low cost but this does not mean that the company would provide products at any cost. The products which are provided by the company are such that they are beneficial to the environment of the people as well as to their lifestyle. The approach which has been adopted by IKEA has been reviewed positively by majority of the people. The company promises to provide better living to the people. The company states to perform its own responsibility and expects the customer to do their responsibility. The working together of the company and the customer a lot of money is promised to be saved. The survey provides further insight to the perceptions of the consumers towards the organization.

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