

Ikea with would be
very different from



**ASSIGN
BUSTER**

IKEA is a Swedish company founded by Ingvar Kamprad in 1943. Mr. Kamprad started by selling door-to-door, offering goods from stationeries to watches, wallets and etc.

Mr. Kamprad soon began to sell cheap, affordable furniture, but there were challenges he had to face, one of them being the fact that local suppliers were not allowed to supply raw materials or furniture to IKEA. Another problem was that industry exhibitions forbade IKEA from showcasing its furniture there. The solution to the problems that Mr. Kamprad came up with includes designing IKEA's own furniture, getting the raw materials from Polish suppliers and also by hosting its own exhibitions.

Through innovation and determination, IKEA eventually became a success in Sweden and that success led Mr. Kamprad to expand his company worldwide, opening over three hundred stores around the world. However, IKEA faced much bigger problems on its expansion to China.

IKEA opened up in China through a joint venture with the purpose of probing the market, establishing local needs as well as finding a good strategy to do business in a new terrain. Soon enough, IKEA realized that the strategies they have to come up with would be very different from the ones that they had previously employed, considering the difference in lifestyle and culture of different places. For example, people in China prefer a different style of furniture—mostly western—so IKEA would have to make some modifications to its designs. Moreover, Chinese apartment sizes also differ so the furniture built would have to be customized to fit according to the apartment rooms. The location of IKEA stores also can no longer be in suburbs like the European

IKEA stores. Since the people in China mostly travel by public transportation, such as trains, it would be a wise suggestion to have IKEA stores built next to railway networks. Another strategy that IKEA should change would be the target customers.

Normally, IKEA would be targeting mass markets, but in China, where people see western products as aspirational, it is best for IKEA to target the younger, middle class citizens who would have a higher income, a better education as well as knowledge on western style. The normal “low” prices that IKEA sold its products for in European countries were regarded as higher than the average prices in China, so IKEA had to be really careful in setting the price of its products. I would suggest IKEA try to cut down on the price of its raw materials in order to lower the prices to fit in more with the affordable price range. Besides that, other competitors in the Chinese market made it hard for IKEA to sell its products, considering that the competitors were using IKEA’s catalogue—one of the best ways IKEA has used to promote its furniture—to copy the design and sell it at a cheaper price. IKEA’s solution to that problem would be to promote their furniture through China’s social media and “Weibo” instead, which proves to be rather effective in promotion. One other problem IKEA said they faced was that due to most consumers in China having a tendency of being price-sensitive and that the suppliers don’t have the necessary technology, the charging of plastic bags and making of green products would have difficulties in being implemented in China.

As such, due to extra costs necessary should IKEA provide the suppliers with the needed technology, IKEA backed down from its standards just to stay in the market, deciding to keep at low prices. Based on careful research,

these are the problems that IKEA had faced when opening its stores in China as well as some of the suggestions or actions that IKEA has actually done to overcome it.