

# [Vision of ikea](https://assignbuster.com/vision-of-ikea/)

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### Vision of IKEA

### “ To create a better everyday life for the many people.”

At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

### Introduction:

IKEA offers a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. This is the idea at the heart of everything IKEA does, from product development and purchases to how we sell our products in IKEA stores globally.

Anybody can make a good-quality product for a high price, or a poor-quality product for a low price. But to make good products at low prices, you need to develop methods that are both cost-effective and innovative. This has been IKEA’s focus since its beginnings in Småland, Sweden. Maximising the use of raw materials and production adaptation to meet people’s needs and preferences has meant that our costs are low. The IKEA way of doing things is to pass these cost savings on to you, our customers.

### History:

The IKEA story begins in 1926 when Ingvar Kamprad is born in Småland in southern Sweden. He is raised on ‘ Elmtaryd’, a farm near the small village of Agunnaryd. Even as a young boy Ingvar knows he wants to develop a business.

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### SWOT ANALYSIS:

SWOT is a planning tool that enhances firms and organisations to focus on issues which are the key ones. Strength and weaknesses focuses more on the internal part like production marketing while opportunities and threats focus on the external part like environment and social changes which you do not have much control over (www. thetimes100. co. uk ).

### SWOT analysis of IKEA :

### Strengths of IKEA

* A clear vision (www. oppaper. com)
* This means that IKEA knows what they are dealing in which is furniture and only furniture, they are on that alone and perfecting that well.
* A strong global brand
* Furniture is a product that is used worldwide, every home has furniture and used one way or the other by this is global.
* It has strength in production
* IKEA has the use of renewable materials with a long-term partnership with suppliers meaning that the suppliers have been there for a long time and they know what is expected of them.

### Weaknesses of IKEA

* It cannot control its standard because of its size and scale and because of the high quality of its product it doesn’t commiserate with the demand for low cost product. IKEA has few distribution channels this means that the branches are not much if a product is needed it will have to be imported.

### Opportunities of IKEA

Its opportunities come from joining its plan to the increasing demand from customers by

* Providing a well designed and easy to use website to help give customers idea for their home
* Reducing wastewater treatment and less water use
* Supporting charities to make it known
* Sourcing from China
* Sell some of their furniture in other retail stores

### Threats of IKEA

In the economic factor, the customer will prefer a low priced product even if it will affect its quality especially when the economy is tough.

* No direct competition
* Intertypes (Wal mart, Ashley Furniture’s, Hoover)
* Recession

### PESTEL ANALYSIS :

A management technique that enables an analysis of four external factors that may impact the performance of the organisation. These factors are: Political, Economic, Social, and Technological issues that could affect the strategic development of a business. PEST analysis is often conducted using brainstorming techniques. According to the Internet Centre for Management and Business Administration, Anon (2003), identifying PEST…

### PESTEL analysis of IKEA

#### Political factor:

This involves the regulation, legislation requirement by the government on foreign investors for example the minimum wage policy which means that the workers are not paid anything less than the stipulated wage to avoid cheap labour.

Also U. K has always been political stable and the political parties have always welcomed the foreign owned companies. Also the taxation policies are not tough on the companies to enter the market. At present the upcoming elections in the country will definitely show there impact in future.

#### Economical factor:

IKEA has made it in such a way that their price is very reasonable for the public especially during the economic recession. This has been of an advantage especially since IKEA products are mainly made in China.

As the country’s inflation rate is low and the national income is higher, IKEA have better chances to grow and capture the market, which it was doing since long. The rate of interest is low and so it encourages people to buy their product. Also the currency was strong till now but due to the recession scenario the business is going to face the impact.

#### Social factor:

IKEA has maintained a fair social standing.

IKEA has completely understood the life style of the people to this country and have developed there stores accordingly. As people have the flexible working hours and they tend to do shopping on odd hours or say late hours looking to this normally all IKEA stores are opened till mid night. Also stores have other facilities like children playing area and restaurants which is helping the parents who are accompanied with their children.

#### Technological factor:

Technology has made it easier for IKEA to promote their product through the internet. It gives the customer detailed information about the product, the dimensions which make it easier for the customer to know what they are buying.

Apart from the catalogue services IKEA’s strength is online service. It also provides the online help to the customers. The latest advancement in the stores are computer operated lifts. Earlier after placing the order customer has to go to the warehouse for the pickup of the product but now IKEA has centralised store and warehouse. Customer has to place order and then has to put the code of product on the computed lifts provided and thus can receive the product. This saves the time of the customer and also the staff.

#### Environmental factor:

IKEA uses recyclable products which in this case it reduces waste and space consumption, the packaging is less fancy and more environment friendly

U. K is environment friendly country and encourages the companies following the policies to save the environment. IKEA mission is to provide products at low price but not at any price. It does the foresting for the woods used in the furniture’s and with WWF partnership it is working on projects to focus on sustainable forestry, cotton manufacture and climate change. IKEA also does third party auditing on the material used by its suppliers to check the compliance of raw material used. The company follow low emission foot print during the logistics as its materials are transported by rail, road or ship. Most of the products are eco friendly and are healthy for the customers. It utilises the maximum of the resources and thus try to use recyclable products to have less impact on environment. It also does charity projects with UNICEF for the educating children. In partnership with WWF it is also focusing on the countries like U. K, USA and China on the climatic change and low emission of fuel energy and encourages its staff by using public transport.

#### Legal factor:

Countries have legal laws for foreign investors to invest in their territory and these laws have to be abided by to invest, this makes it a bit difficult for IKEA to penetrate into some countries despite the fact that there is good market.

U. K has legal policies for the organisations and thus IKEA follow the same for its staff and suppliers and some extend to its customers too. The policies which are followed by IKEA are like minimum wages, no forced or bonded labour, discrimination acts, safety regulations, health and accidental insurances, freedom of associations, etc. IKEA prevent child labour and works actively to prevent it.

#### Forecasting the possible problems IKEA could face in future:

The complexity of the logistics system will increase. It will be more difficult to respond to national needs and cultural sensitivity issues. Franchisees may demand more control over operations. With all these challenges emerging, it will be very difficult to maintain a global organizational structure. The best approach to meet these challenges is to find the proper balance between country level autonomy and centralized intervention.

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