

Ikea changing face of furniture industry marketing essay



**ASSIGN
BUSTER**

IKEA has established itself as a global brand specialized in providing low cost designer furnishing products to its customers. But along with this, it is the company's commitment to sustainable value, achieved through carefully integrated design, manufacturing and distribution, which encourage customers to buy IKEA products. Through its community outreach and philanthropy, IKEA has established a long tradition with each store encouraged to support local causes. This again makes customers feel good about bringing IKEA into their homes. Known for products with unpronounceable names, utilitarian design, flat packaging and do-it-yourself instructions; IKEA has grown from humble beginnings to become largest furniture retailer with 252 stores in 35 countries.

IKEA has always laid emphasis on relentless cost management. IKEA's prices typically run 30 to 50 % below their competitor's process. To achieve such low process, the process of driving down cost begins with product conceptualization. Target cost and basic specifications is submitted for bidding among IKEA's 1800 suppliers in 55 countries. Suppliers vie to offer the most attractive bid based on price, function and materials to be used. This value-engineering process promotes volume-based cost efficiencies throughout the design and production process. In addition to this aggressive cost management is done when it comes design and shipping. All IKEA products are designed to be shipped unassembled in flat packages. The company estimated that shipping costs would be at least six times greater if all products were shipped assembled.

An important change that took place in the 19th-century was the separation between those who made the furniture and those who sold it. In the past, the

<https://assignbuster.com/ikea-changing-face-of-furniture-industry-marketing-essay/>

customer used to hire a carpenter and he used to work as per his directions. This provided flexibility to the customer as he can easily modify and design the furniture as per his needs. In the late of the 19th century the concept of showrooms gained acceptance. This gave way to owning workshops that customised items as per customers his/her requirements. With time this became a practice to buy on wholesale from such furniture showrooms.

IKEA INNOVATIVE PRODUCTS

IKEA keep on making technological advancements in order to maintain their competitiveness in the industry. With the introduction of new technology, the companies have to introduce new upgraded products based on the customer acceptance of the new technology. It has an internal IT support function to take advantage of the technology and streamline its business processes. It also embraces and invests in advanced manufacturing technology to use the materials efficiently. With recent rise in regulations and environmental concerns, the Company is known for its modern designs on types of furnitures, often associated with a simplified eco-friendly interior design. The company operates on low cost model with objective to serve the masses. We would like to enumerate few reasons on the product design front leading to success of IKEA

Flat design – Modular products that can be shipped flat in high density. This reduction in transportation content is very important for successful global sourcing . By suitably designing components it facilitated much greater density when transporting products.

No Product Delivery - The modular design allowed IKEA to move the onus of final assembly and last-mile delivery to the customer. This reduction in transportation content is very important for successful global sourcing and also minimizes transport damage. Hence an effective sourcing and inexpensive transportation allow IKEA to provide high-quality home furnishing at low prices globally.

Continuous Improvement - The Company works to decrease prices on its most popular items each year. Their goal is to cut prices by 2 to 3 per cent each year. This go to market strategy has helped it acquire a bulk of the market share having introduced ranges of products which cater to different income segments. With the advent of a busy lifestyle and modular homes, customers are getting more inclined towards buying modular furniture which they can modify as per their needs.

The main strengths of IKEA are its Effective Leadership and its strong ties to its suppliers and employees. IKEA invests heavily in R&D which has led to increased efficiency in terms of production as well as packaging of goods. This, along with reduced material costs from suppliers, has led to lower production cost and hence Economies of scale.

Thus IKEA's products are standardized and lower in price compared to its competitors. It maintains a very cost effective distribution network. They have been selling their products directly to consumers eliminating the need of intermediaries and thus reducing the cost. These all factors contribute to the efficiency of Supply Chain. The large scale of each store and the limited variety of furniture (through modular design) decreases the implied

uncertainty faced by the supply chain. This allows presence of large inventories at large IKEA stores allows replenishment orders to its manufacturers to be more stable and predictable. This leads to IKEA passing on less uncertainty to its manufactures, located in low-cost countries and hence allows them to focus on efficiency.

This all factors leads to high willingness to pay from the customer and hence higher profits which is invested in R&D. IKEA through its improved employee relationship has led to total quality management and hence better services which commands a higher Willingness To Pay. Similarly, employees take up ownership which has led to improved production. Most importantly, through its corporate culture and social responsibility, IKEA has won the hearts of its customers leading to strong loyalty form customers and co-creation of products. This leads to high Willingness To Pay.

The success of IKEA as an innovator can be reasonably concluded from the above analysis. The company has always remained dedicated to innovation in Product design and sustainability right from its inception.

As quoted in BusinessWeek-“ IKEA has become a curator of people’s lifestyles. It’s a one-stop-sanctuary for coolness. Anyone anywhere who wants to be middle class is a target and it is a quintessential global cult with their mantra ‘ to create a better everyday life for the many people”