

Corporate and current business strategies of ikea marketing essay



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2. 1 Industry and Company Background

IKEA was founded in 1943 by a Swedish entrepreneur Ingvar Kamprad when he was 17 years old. The name of IKEA is derived from the initial of its founder name Ingvar Kamprad, the farm Elmtaryd and home country Agunnardy where Ingvar Kamprad grew up. IKEA has developed rapidly and known as the largest home furnishing retailer (INTI). The corporate structure mainly divided into two parts which are operation and franchising. Operation covered the management of majority stores, design, purchasing, supply functions and manufacture of furniture, which manage by a private profit Dutch company, INGKA Holding. In 1982, Kamprad established Stichting Ingka Foundation, a non-profit foundation that control over INGKA Holding. Ingka Foundation chaired by Kamprad and five executive committees which included her wife. The IKEA trademark and concept is owned by separate Dutch firm, Inter IKEA Systems based in Luxembourg. Every IKEA stores pay 3% of sales to Inter IKEA as a franchise fees. IKEA consumers are mainly distributed into four different geographic regions, Europe, America, Middle East and Asia. The vision of IKEA is to provide affordable solutions for better living and its mission statement is to offer low price furniture with stylish functional designs which everyone could afford.

2. 2 Company Product and Services

IKEA seized retailer chain that sells flat pack furniture, kitchen and bathroom accessories across the world. The furniture designed to be self assembled in order to reduce transportation cost. Besides, the company include traditional Swedish food restaurant in their stores, which serving Swedish meatballs, smoked salmon, lingo berry tarts and cream source. Moreover, thoughtful <https://assignbuster.com/corporate-and-current-business-strategies-of-ikea-marketing-essay/>

part of IKEA is many stores have play area for children named Smaland, where parents able to drop their children to playground while shopping and pick them up at another entrance.

2.3 Corporate and Current Business Strategies

Globalization is the current trend for most of the companies nowadays. To gain market share in new entry countries especially Asia, IKEA corporate and business strategies determine its sustainability and competitive advantage among competitors in future. For example, IKEA globalization strategy in Asia country, China, comprise of joint venture, localization and pricing strategies. First of all, IKEA joint venture with local companies in China, due to one of the macro-environmental impact which was political policy of Chinese government in order to archive principal of equality and mutual benefits (INTI). Second, IKEA adapt localization strategy to suit local Chinese culture, for example, IKEA provide balcony section due to most of the Chinese population stay in apartment (INTI). Lastly, pricing strategy allow IKEA to compete against rivals, for example, IKEA cut cost for some goods like single-scat Ektorp armchair below standard price which is cheaper than it sold in United States. IKEA distinctive business and corporate level strategy have allowed the company attains impressive growth

2.5 Current Strengths and Advantages

The major strength and driving force that push IKEA expands aggressively is the value chain. Value chain is a tool used to identify value added into a business. Porter illustrates business value chain categories into two activities. The primary activities are directly related to creating and

delivering products, while secondary activities are not directly involved in <https://assignbuster.com/corporate-and-current-business-strategies-of-ikea-marketing-essay/>

production process but could increase efficiency and effectiveness of business. IKEA modified the value chain to mobilize suppliers and customers assist in further add value to the system by convincing their customer perform the transport and assembly their flat pack products. ()

Chapter 3

Main Body

3. 1 Assessment on IKEA Distinctive Competencies and Competitive Advantages

A strategic position is the face of a business strategy, it determine the company image viewed by its stakeholders and competitors. Overtime, IKEA built distinctive competencies in contrivance strategic avenue to help positioning and ensuring the high value of brand image in customers mind. Some of these distinctive competencies are innovation, experience, quality, value, emotional and self expressive benefits.

Customers view IKEA products as a means of innovative. Although, IKEA has long history background, yet they continually produced stylish design products to suit changing of customers expectations. Despite of it, customers view IKEA brand as an experience. The store usually design in one way lay out where customers almost see everything before exit where the key point is IKEA provide facilities to cater children while parents shopping. That shape mindset of shopping in IKEA is a relaxing outing rather than a task.

IKEA base on it concept to offer wide range of home furnishing products that is good in quality, functional, value for it price and durability at low process

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to enable majority of people afford them. For example, IKEA hired some independent quality auditing agencies operating in vicinity of the supplier to perform quality check on product manufactured (supply chain) and used subsidiary manufacture Swedwood to produce goods which it could not find suitable suppliers to archive cost effective and allow its products value for it price as an advantage over its competitors.

In the mentality of customers, IKEA brand derive emotional and self expressive benefits. Today, IKEA is more than a furniture merchant. By the creative concept of do-it-yourself DIY implemented, customers able to express their personality to decorate it dream home. Several different emotional and self expressive benefits demonstrated by customer in the market feedback. For example, “ IKEA makes me free to become what I want to be. And also “ half my house is from IKEA and the nearest store is six hours away”.

In order to archive competitive advantages among competitors, IKEA adopted Porter’s generic strategies that allow companies to differentiate their products by offering low cost with greater value (Porter 1985).