

# Ikea in the usa

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IKEA in the USA: Case Study in Global Marketing What has allowed IKEA to be successful with a relatively standardized product and product line in a business with strong cultural influence? Did adaptations to this strategy in the North American market constitute a defeat to its approach? The motive '... to bring the IKEA concept to as many people as possible' and the fact that over 260 million people visit their showrooms annually, underlines the global vision of the company and the strategy adopted to implement that vision. It meant offering quality products of mass usage across cultural barriers, effectively reaching out to the target market and creating awareness, and most importantly the use of pricing as a strategy for competitive advantage. IKEA planned its operations in the three main regional markets of the Scandinavian countries, North America and Asia-Pacific region. Within each of these three markets, there is a large commonality of tastes and preferences. Its large product range consists of a core set of standardized global products and the balance region-specific items to supplement the overall business revenues. Thus in each market, it blended the reputed Scandinavian brand of products without ignoring the local needs. IKEA carried forward its tradition of direct marketing through product catalogs to the current period, to communicate about its offerings to the target market. The success of this can be gauged by the fact that the multi-edition, multi-language catalog circulation exceeds 110 millions. In other words, it has effectively displayed its vast stores of materials to effectively create consumer interest. (last name) 2 Finally, IKEA actively pursued all avenues to offer quality products at lowest possible prices. Global outsourcing, supply in knocked-down condition to save on labor costs, self-service at the stores that

act as mini-warehouses etc. are some of the important facets of this low pricing strategy. In the process it made suppliers and customers as strategic partners to its business concept. Thus IKEA's success is a story of high quality but low priced products that are effectively reached to the target markets, across cultural barriers. Its adaptations to the specific needs of the US and Canadian markets is fine tuning the product offerings to suit local tastes and is not a change of its core concept. 2. Which features of the "young people of all ages" are universal and can be exploited by a global/regional strategy? In these days of the Internet and globalized economies, market boundaries have disappeared and there is greatly increased awareness of the life styles and product preferences of people living in different parts of the world. The Internet is forty years old now and hence is already a tool in the hands of a vast population in the age range of teenagers to senior citizens, young at heart. This group of 'young people of all ages' has the characteristics of being 'well-educated, white collar workers, liberal in cultural outlook' and do not necessarily carry the burden of vanity. In other words, they are cost conscious and look for value for money in their spending habits. They have disposable incomes which they are prone to spend rather than save at the cost of foregoing a life style that is seen as befitting their generation. Age is a crucial factor although even the not-so-young are also included in this group. Younger people are more adventurous while making buying decisions and are (last name) 3more attuned to the global trends. They search for product information and make price comparisons with ease. USA continues to be a major influence in global cultural trends and the young people around the world are attracted to these

trends easily. Global and regional marketing strategies should exploit the emerging market trends that are dictated by this group of ' young people of ages', keeping in mind their buying power, access to information, life style trends and decision making abilities. 3. Is IKEA destined to succeed everywhere it cares to establish itself? On its way to being the world's largest supplier of home furnishings during the past six decades, IKEA has seen success to its core concept as well as the need to make adaptations to insure its dominance. This means that there is no guarantee of success in all places unless there is flexibility in approach and adaptation to subtle local differences in tastes and preferences. The strategy of sourcing its materials from suppliers who can offer the advantages of low costs and logistics, organizing retail stores on the lines of mini-warehouses of semi-assembled/knocked-down parts and involving customers in transport and do-it-yourself style assembly work etc. are likely to succeed in all the developed markets. In such markets, the labor costs are high and customers have the need to do-it-yourself approach. However, some emerging markets like India or the Gulf countries do not prefer ex-stores supplies or home assembly work. Labor costs here are comparatively low and the societies are accustomed to getting paid services at cheap rates and hence IKEA strategy needs to be partly revised for success. (last name) 4Another major strategy of IKEA has been to be the biggest and best player in the market, although with lowest prices. It is seen that it has so far concentrated in the relatively more affluent countries of North America, Europe and Asia-Pacific region successfully. When these markets are saturated, it needs to shift focus to the other regions to maintain its growth targets. Some of these geographic

regions will pose significantly different marketing challenges due to cultural differences and taste preferences, notwithstanding their younger generations. In such situations, IKEA may find that being the ' biggest and the best' strategy needs to be tempered with realizable goals.(last name)

5ReferenceRonkainen, I. A., Case study: IKEA in the USA.