

Ikea vs. disney assignment

Business, Management



Disney is a multinational group in the leisure and tourism industry, which owns and operates many themes parks across the world . A theme park's operations combine various traditional services: attractions, live entertainment, cinemas and discotheques, as well as hotels, restaurants, transport and traffic flow management , shops, conference centres, cleaning, security, etc. all operations in Disney follow the input-transformation-output process model. As it is illustrated bellow, the majority of operations in Disney theme parks as a Service Firm are on Customer satisfaction and customer processing. IKEA

IKEA is international home furniture retailer with product line of 12, 000 types and \$28. 8 billion revenue. It is the leading furnishing company. “ To offer 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. ” (IKEA website) IKEA focuses on manufacturing self-assembled, modern design products for home in flat packaging which can be easily stored and transported by customers, so no extra costs are wasted on delivery of goods. IKEA focuses on family values, rather than luxury. IKEA's stores are simple, well designed, with good navigation.

Company also offers restaurants and food markets, provides free playing areas for children. All operations in IKEA follow the input-transformation-output process model. As it is illustrated bellow, the majority of operations in IKEA as a manufacturing Firm are on material processing with low prices as the customers want. Typology of operations and Comparison of 4 V's

PURPOSE OF RESEARCH In the modern business world of strong rivalry it is complicated to create a successful operation strategy, which will assist in

maintaining and prosperity of a company. IKEA and Disney are good examples of companies who coped with this task.

The purpose of this work is to compare and contrast operations strategies of two leading companies: IKEA as a manufacturer and Disney theme parks as a service company. This will be attained by evaluation of competitive factors in their industries and ways of their achievement through the management of process design, supply chain, capacity, human resources, innovation and quality. EVALUATION OF COMPETATIVE ADVANTAGES DISNEY THEME PARKS Competition has found it difficult to penetrate the company's highly diversified product/service mix in such a highly specialized industry ("The Walt Disney Company," 1996).

Some of the factors that give Disney an edge over their competitors are described below:

- Variety in Services: Disney Theme Parks provide a variety of services to their customers. (Appendix-3)
- Overall financial stability: Disney is a big company in terms of volume and has a large number of resources at its disposal.
- Low " Cost strategy: Disney has adopted a low cost strategy and low cost corporate strategy. They reduce the prices of their tickets during off peak seasons. They have also reduced the rates of the food stuffs that are served in their hotels.

Brand of Disney: It has been around since a long time and it has become a big brand name to reckon with in theme parks, Disney means Innovation, clean, family-oriented, creatively designed.

IKEA Why IKEA differs from competitors? What makes IKEA market leader among other furniture retailers? Aspects described below are crucial for company' success.

- Cost leadership: This is IKEA's main competitive

advantage. As IKEA produces simple, but good design furniture, and prices are lower than competitors' price, its products are in great demand. Highly diversified range of goods: as IKEA produces wide collection of goods for home, such as tables, bookshelves, media storage, bathroom goods, curtains, carpets, lighting, gardening and many other types. •Flat packaging system: This helps customer to take product home as fast as possible speed. This makes product more customer-oriented. •Supply chain: This is definitely complicated system, as IKEA cooperates with approximately 2, 000 suppliers, who make decisions on prices, production monitoring and control of quality. •Loyalty card system “ IKEA Family”: This gives 25% discount for special range of products. Application of environment friendly policy: This assumes minimization of damaging effects to the environment. The approach to keep prices low, at the same time offering the right quality is the key advantage of IKEA. The business model of constant cost, quality and environment awareness control, proper coordination of complex global supplier chain and IKEA factories and continuous strategy improvement enables IKEA to maintain the leader positions on the market. EVALUATION OF OPERATION

STRATEGY DISNEY THEME PARK DISNEY THEME PARKS MARKET

REQUIREMENTS PERSPECTIVE IKEA IKEA MARKET REQUIREMENTS

PERSPECTIVE

COMPARISON OF COMPETITIVE FACTORS BASE UPON PERFORMANCE

OBJECTIVES In order to understand the competitive situation in the company's market, it is important for operation manager to work closely with the marketing. It should be done to be able to determine which among the different set of competitive priorities are important. The five broad

categories of competitive priorities are cost, quality, speed, dependability, and flexibility. COMPARISON OF POLAR DIAGRAMS OF TWO FIRMS: Judging by the table and diagram it is possible to compare the companies according to their performance objectives.

Firstly, the most obvious difference is observed in Cost. IKEA has a (low) price-oriented policy, which is its main order-winner, while Disney has quite high prices what in its turn is a disadvantage for the company. However, Disney policy is more oriented on Dependability and Quality, which are the main objectives in entertainment industry. Both companies have a high level of Flexibility because of providing a wide variety of products and services. Similarity is also seen in Speed category, which is very high for both companies. CONCLUSION In this part of work operational strategies of IKEA and Disney theme parks were discussed.

The operation strategy of Disney theme parks on the total amusement experience marketing strategy; an organizational management system based on the keen attention to customers like IKEA industry which produce goods with low price for the customer satisfaction and earning more money with comprehensive system of supply chain management, product and process design, capacity, quality and innovation and human resource management; structured leadership and organization to preserve and enhance creativity, culture, and best practices; and the establishment of continued leadership in maintaining its momentum and further development of its talents.

In the second part of this Assignment, in which companies put in money and time to develop competitive advantages and factors, will be considered. In the second part of this project operational areas, in which companies put in money and time to develop competitive advantages and operational strategy, will be considered. COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF PROCESS DESIGN DISNEY THEME PARKS Mass Service is most suitable type of process design for Disney Theme Park. In Disney Theme Park customer can decide their own start and leave time and also duration of use of theme park.

Mass service typology helps managers to identify what makes their services different, bearing in mind that it may be inappropriate to apply a common measure of performance and service quality across the diverse range of service industries. In Disney Theme Park both the customers and staff interact with technology while staff and customers interact with each other. Hence the type of process technology used is full interaction that provides mass services dealing with high volumes. IKEA Almost all product design is made in Sweden goods, with 50 suppliers all over the world, so it uses mainly outsourcing but in-home production takes place.

IKEA is likely to be batch process manufacturer because it produces several thousands of products in a big amount of exemplars. Also IKEA is closer to mass production, because it makes products to be distributed all over the world. Batch type of process gives IKEA a competitive factor of producing wider variety of product in bigger volume (Jones and Robinson, 2007). According to the fact that company is customer- orientated and tries to

satisfy their needs so to change the range of variety, the type of interaction of technology with consumers' tend to be full one. COMPARISON

IKEA, as well as Disney, has an objective to provide reasonable amount of products, whether they are tangible or not, in quite high volumes to please the demand. This process designs, mass services for Disney and batch for IKEA, perfectly fit companies' policies in operations. In other words no change should be implemented in order to improve the current situation. At the same time both companies want to meet their customer needs and to make them more satisfied. That is why full interaction with technology is introduced in IKEA and Disney, which is in charge with one aspect of companies' businesses- customer orientation policy.

COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF SUPPLY CHAIN

DISNEY THEME PARKS In Disney theme park, the service "profit chain" establishes relationships between profitability, customer loyalty and employee satisfaction. Profit and growth are stimulated primarily by customer loyalty & also Loyalty is a direct result of customer satisfaction describes Heskett et. Al. (1994). It develops, implements, monitors and reports performance measures that demonstrate value and ensures supplier performance. It also develops forecasts and tracks annual operating plan progress.

Developing, tracking and reporting savings, spending compliance and variances, to communicate findings with procurement heads, finance and business units is also one of the key features of the supply chain of the Disney theme park. IKEA Competitive advantage related to this aspect is well

developed supply network, which includes 2, 000 of suppliers from 70 countries which are connected in a complicated system of interactions and co operations. IKEA manages its supply chain with the help of “ just-in-time” system, which tend to minimize costs of storing in the warehouses.

IKEA’s suppliers are located in low-cost countries, with close access to raw-materials and distribution channels. These suppliers produce highly standardized products aimed at the global market. The product should be distributed to IKEA stores at low transportation costs. COMPARISON The main difference in this section can be observed in the type of manufacturing. IKEA system of production is not based on actual demand, so it is rather of push type manufacturing. For Disney it is a combination of push and pull types, as its supply chain management is more based on the demand side.

COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF CAPACITY DISNEY THEME PARKS The theme park product is perishable and cannot be stored. Because of this they choose mixed strategy to manage Capacity to fit the Demand. This is not a problem when demand for the services is steady, because it is easy to staff the services in advance with Level capacity strategy. However, when demand fluctuates, these fluctuations can cause problems for the park. For example, when most visitors arrive at the same time in the morning it may cause congestion, then chase demand strategy can be used to manage the traffic.

Capacity planning, to deal with this fluctuating demand, is therefore Demand management strategy. For example, differential pricing strategy may shift some demand from peak hours to off-peak periods. Fast Pass is regarded as

the most significant innovation in the industry for several years. It is a computerized queue management system that functions as a reservation system, which helps to decrease queues. Fast Pass is a free service that has several aims or consequences. IKEA As company confronts with general great demand and even greater demand on holidays, capacity will help IKEA cope with such flow of people in stores.

The most appropriate strategy for IKEA to manage capacity is mixed strategy, and exactly – chase demand and demand management. As it was mentioned above, IKEA faces short-term demand fluctuations, e. g. high level of demand at weekends and when seasonal products are sold (e. g. before Christmas time, summer time), demand increases dramatically. As IKEA keeps its products in stores, there is no problem for customers to reach them. It means that “ the chase demand policy might be adopted in order to minimize or eliminate finished goods inventory” (Jones, Robinson, 2007: 314).

The only problem in this case is crowded stores, which can be solved with the help of following methods such as: -Increasing the size of the workforce during periods of high demand; -Using part-time staff; Consequently, the flexible system of staffing should be employed, which will bring benefits to the employees, as well to the company, and as well to the customers. - Implementing “ happy hour system” in order to encourage more people to visit stores in off-peak time (using discounts, etc.), which is relevant to demand management. COMPARISON

Disney tends to be the most popular theme park in the world, what forces managers to adjust capacity to reduce queuing. IKEA as well should manage capacity in their stores, as tends to be the most popular furnishing manufacturer. Both companies use mixed strategies; both of them use pricing strategy as an aspect of demand management in order to decrease rush hours; and both companies use chase demand. What varies in choosing capacity is necessity of level capacity strategy in Disney (control of visitors a day).

COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF HUMAN RESOURCES DISNEY THEME PARKS

The HR measurement system of Disney Theme parks is based on the principle of linkage between HR investments and organisational outcomes. Disney is world famous for the investments that it makes in training its employees and for its philosophy that all employees are ‘characters’ on the stage of theme park. At Disney each employee are selected, trained and rewarded for their friendliness and courtesy to customers and their ability to provide useful information when asked. Employees are trained at the “Disney University”. When an employee is not performing well to the expected level, the original training of the employee is re-examined.

Organisational culture is the set of values, traditions, and customs in a firm that guide employee behaviour. Disney theme parks exists an organizational culture within the structure. They have self-declared themselves as the “Happiest place on the Earth.” They give importance upon the employees to act cheerful and smile and to focus on the customer’s satisfaction. This happy go lucky atmosphere is reflected through the company’s

organizational structure. IKEA always claimed that workforce was their number one priority. To maintain its main power, IKEA applies a variety of motivation theories to increase employee participation. Using both extrinsic and intrinsic motivation IKEA provides a proper environment for co-workers, offers a great range of employee benefits such as staff discounts and subsidized travel, and inspires people to share the common principles of TOGETHERNESS, COST-CONSCIOUSNESS, RESPECT and SIMPLICITY. When employing potential workers, IKEA does not require some specific skills or knowledge, but seeks for desire to learn, motivation for constant improvement and ability to lead and follow the company concept.

Hierarchy of organization is not rigorous and employees have an opportunity to build up their career ladder from shop floor workers to senior managers. COMPARISON The HRM aspect appears to be one of the most similar within two companies. Both Disney and IKEA apply the principles of constant training and development of staff as well as the policy to inculcate their corporate philosophy in the mind of every employee. Although the ways of implementing are different, the main ideas to their corporate culture have a lot in common: to concentrate on satisfying customer needs, wants and wishes and trying to make their lives better and happier.

COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF INNOVATION

DISNEY THEME PARKS Disney theme parks are pinnacles of innovations by themselves. There are new rides and services which are introduced whenever a new film is about to appear. Innovation in art tech equipment is very important as a major part of the company's activity depends on videos

and projectors. The most notable innovation at the Disney Theme parks is what they term as “ Fast Pass”. It is a computerised queue management system that functions as a reservation system.

Innovation plays a very important role in the success, long time survival and growth of the Disney Theme Parks. People always expect something new every time when they visit these parks. Innovations have to be made to assist and to satisfy the increasing number of customers. IKEA's one of the main goals is to produce goods through innovative design, production, distribution and sales techniques. Consequently IKEA invests a lot of money to research and develop new products or improve old ones basing on customer needs and wishes.

IKEA pays a great attention to new technologies in furniture making process and to the innovation itself. For example Chris Martin, one of IKEA designers, worked with production staff for a year and a half to adapt a wood-fiber composite, not expensive blend of wood chips and plastic resin used in highway noise barriers, for use in furnishings (Case). According to the fact that IKEA is the largest furniture manufacturer in the world, it has gained its success mostly because of its innovations, which is its one of the strongest competitive factors, such as flat package. COMPARISON

It is obvious that Disney and IKEA have innovation as their one of the most vital order winners, but innovation techniques they use are different in their nature. While IKEA focus all its best on providing innovatively manufactured and design products, Disney invests in more “ intangible” innovations. However, these two companies also implement innovation into other

aspects, e. g. IKEA makes its shops more customer- friendly by producing restaurant and food shop services. Disney inculcates innovation techniques in manufacturing toys which are sold in their parks.

COMPETITIVE FACTORS THROUGH THE MANAGEMENT OF QUALITY

DISNEY THEME PARKS Disney believes that the culture, the environment, and the performance of people lie at the heart of a successful quality service program. Disney strives to provide quality entertainment in its theme parks. More important, the company recognizes that the common thread running through it all is the ability to make guests happy. If guests are happy, they'll return. Disney is constantly keeping track of guest information such as the following: Demographics, evaluation of current marketing strategies, attraction evaluations, payment preferences, price sensitivity, and the economy.

Perhaps the survey considered most important is the price/value survey taken as guests are exiting the theme parks.

IKEA In the heart of IKEA Concept is an approach of keeping prices low. However it is a delusion that quality is compromised for the sake of cost. A great advantage factor of the company is a principle of finding an effective combination of reasonable prices and proper quality. Purchasing an incredibly cheap product, it is really fair to suppose that it is made from cheap materials. In fact, IKEA customers get their money's worth.

One of the key aspects in IKEA development stage is risk assessment (each product goes under thousands of constant tests to prove the quality and safety standards).

companies have one huge gap between each other: their attitude to it.

Disney is very concerned with the quality it provides to its customers as it is believed to be significant factor for Disney business. On the contrary, IKEA is not very keen on excellent quality as its policy implies cost reduction on materials and manufacturing in order to provide cheap and modern goods, but not with an outstanding quality.

By that means IKEA cannot use Disney approach as well as Disney cannot adopt IKEAs. It is explained by the fact that Disney cannot reduce quality in order to keep its customers safety, whereas IKEA will mean miscorrelation with its policy, if it increases quality. CONCLUSION OF RESEARCH

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Information processing in the manner of hotel or transport reservation systems; computer systems for managing queues at the attractions, portable electronic customer guidance and information systems, etc. is done by the theme park. The development of " Fast Pass" can't be ignored. The

proportion of information processing can be estimated to be about 20%.

Customers are processed when they are enjoying the rides, or have food at their restaurants or when customers stay at one of the hotels. The proportion of customer processing can be estimated to be about 70 %. APPENDIX-2

Transformed resources of IKEA

Material processing (40%) Using flexible supply chain with 1300 suppliers all over the world and constantly searching new ones, IKEA always tries to find the best manufacturer for every certain product. (Kerry Capell, Business Week, November 2005) Information processing (35%) IKEA is concerned with research and development of new innovative ideas for furniture and accessories in order to suit market needs in the continually changing world.

Customer processing (25%) IKEA is a strongly customer-orientated company that pays attention to the consumer needs and desires and consequently changes its product range and services. Kerry Capell, Business Week,

November 2005). APPENDIX-3 4 V's (volume" variety" variation in demand-visibility) of Disney theme park and IKEA Disney theme park High-Volume

The volume of customers visiting the Disney theme parks is very high.

Millions of satisfied customers have taken sweet memories from Disney

theme parks. High-Variety A theme park's operations combine various

traditional services: attractions, live entertainment, cinemas and

discotheques, as well as hotels, restaurants, transport and shops, conference centres and etc. Low-Variation

The variation in the flow of the customer is seasonal. There are more number of people visiting the Theme parks in summers. The flow of people during

winters is notably low. More customers visit the theme parks in holiday periods. High-Visibility The front office staffs are visible in the parks, restaurants and hotels. Back office staff is generally not visible to customers.

IKEA High-Volume The volume parameter is high as IKEA owns a product line of about 12, 000 types and has 27. 01 billion dollars sales. In comparison with its main competitor, Euromarket Designs Inc. , this has 401. million dollars sales, IKEA have really a big volume of output. High-Variety IKEA provides about 11000 types of modern design products for low prices. IKEA furniture is sold in flat package appropriate for comfortable transportation by customers without extra wastes for delivery. Low-Variation The variation is rather low, because output of goods according to seasonality is not reasonable, but IKEA tries to manufacture some goods for holidays and Low-Visibility IKEA has low visibility operations as a usual consumer receives a finished product and does not interfere in the process of production.