

Bargaining power of buyers marketing essay



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For all kind of strategic decision making it is essential to consider number of internal and external factors so that a company can completely understand its position in strategic group it lies and which could assist the brand to device strategies which could lead the company towards the achievement of it strategic objectives in the light of it's vision and mission statement, following is the graphical representation of the Porter's five forces model and detailed explanation of ikea's and h&m strategic position in the light of their political, economical, social, technological, legal and environmental (PESTLE) aspects and also a brief review of their strengths, weakness, opportunities and threats (SWOT) to get a complete grip on the understanding of the under consideration companies' past, present and future standings and performances;

http://software-porter-five-forces.smartcode.com/images/sshots/software__porter_five_forces_18378.gif

BARGAINING POWER OF BUYERS:

IKEA:

IKEA being a giant organisation and genuinely very cost effective which ultimately reflects on its pricing strategy, that leaves the buyer with a very low or nil bargaining power Ikeas standardised approach has always made IKEA out list the competitors which leaves the consumer very little choice to consider an alternative for the products and services being offered at IKEA.

H&m:

Like IKEA another Swedish brand which has a great name quality and low price product range with hundreds of designer working day and night to keep

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the trend of continuous improvement and variety has given a hard blow to its competitors worldwide, due to lower prices of the products which is due to excellent supply chain and production operations control and management h&m has gained its share in the market quite comfortably with the utmost effort to expand rapidly in order to gain maximum share in the target market therefore leave a very low bargaining power of buyer as there lies only couple of brands which could come in competition with h&m e. g. Primark, new look etc.

POWER OF SUPPLIERS:

IKEA;

Although the production is subcontracted to different countries but IKEA has got a complete grip on its operation overseas and has a robust control and management system to stay in bargaining position with its suppliers, due to bid system adopted by IKEA the suppliers all over the world finding themselves lucky to relate to the brand always try their level best to win the bid to get a chance to produce for the market leader in furniture industry which leave the suppliers almost with no power to bargain at any occasion

H&M;

70% of the suppliers are from Asia e. g. India etc who are finding themselves in a very good scale of performance on their own records as due to H&M growing strategy to expand has resulted in more merchandise to be prepared all the time with the growing tendency of 15-20% every year, therefore suppliers in this time of utmost recession are lucky to be associated to a brand which in this era of downsizing have expansion plans which would fetch more opportunities that could be availed by thousands of <https://assignbuster.com/bargaining-power-of-buyers-marketing-essay/>

more suppliers bring them down to stage where none of the suppliers have any bargaining power

POWER OF COMPETITORS:

IKEA:

Below average threat of some competitors in some aspects of the industry operation and marketing mix but overall IKEA being a giant company does not allow the competitors to reach near its price range in a similar quality patterns therefore resulting in IKEA being powerful than its competitors to be a threat to them

H&M;

Competitors like Primark, New Look, Zara, Next etc have a high concentration and grip in the market together with H&M but due to production outsourcing and so much variety of clothing H&M has found its own place in the market and an opportunity to grow and expand therefore bringing H&M to a very better position than its rivals

THREAT OF SUBSTITUTES:

IKEA has a very low threat if any substitutes whereas H&M has quite a few substitutes in the market but due to the ultimate fast pace trend in clothing and fashion industry the threat of substitutes is low on the scale

THREAT OF NEW ENTRANTS:

In this era when recession has devastated world economies IKEA and H&M are one of those smart companies which have found an opportunity to expand and grow their business as they have analysed their potential to improve and take advantage of various fruitful aspects of the economy using their

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resources which have massively grown over the last decade which ultimately brings the threat of new entrants to zero.

A) PEST

POLITICAL

IKEA operates in 35 countries and h&m operates in 38 countries which makes them global brands providing benefit to the local economies in terms of employment, sales, establishment and operation cost etc. therefore political factors in relation to both the companies doesn't create any obstacles in the operations of any kind, together with sales its worth noting that IKEA and h&m have outsourced production facilities to different countries with hundreds and thousands of suppliers which are successfully operating and providing to gdp of their respected countries.

ECONOMIC (financial)

Recession wave now days in world economy has spread a lot of destruction but despite of the fact both IKEA and h&m has tremendously proved to be risk takers and found their gaps in the market to expand with H&M 10-15% of the expansion planned every year is a complete reflection of the intention in which brand needs to be recognised, with profits soaring in terms of IKEA it has now started to diversify a bit in order to expand without any hesitation to be the first to enter into flat pack houses in china recently.

SOCIAL (human)

Right from employee relation to child labour policy IKEA and h&m has always given a huge mount of importance to social factors and has always accounted for issues like poverty and other social issues, they have a very

strict policy towards its suppliers to not employ any child labour existence of which could lead to cancellation of contract, both the brands also have a very smart policies for customer welfare and has launched loyalty cards to appreciate the loyalty through various kinds of promotional offers to their permanent and new customers, both the brands have an active participation in charity movements and contributed generously

TECHNOLOGY

Over the last decade technology has made so convenience for everyone to operate in a better way whether it's a house wife or a multi national companies like IKEA and h&m , IKEA and h&m have taken a great advantage of technological advances took place over the last few years, online surveillance of any of their production facilities with central based human resource system to control and monitor the most valuable asset of the companies i. e. humans , well communicated promotional offers and prompt designs availability are one of the sectors in which technology has played a very important role in the success of the reputed companies.

B) SWOT of IKEA and H&M

Strengths

IKEA and h&m has a very strong brand image and standing in the relevant sector, together with the goodwill they have a reputation of representing Sweden in the furniture and clothing industry , globally liked brand with standardised outlook has made IKEA and H&M to be the market leader with a brilliant marketing strategy where every country they launched they had the likability factor already created with a fantastic level of marketing mix adopted for every particular region of the world they went into, economies of <https://assignbuster.com/bargaining-power-of-buyers-marketing-essay/>

scale achieved through subcontracting the productions centres where they have managed to cut a good amount of cost percentage which ultimately reflect in their pricing approach which is lower than market average providing great confidence towards increasing sales and growing customer satisfaction

Weakness

It is evident that IKEA hasn't got any direct competition which has also its cons as competition always keep the market alive and exciting therefore leave almost no choice with various people to not to avoid IKEA in favour of any other brand, but on high street level competitors like Argos and John Lewis have managed to grab their market share as IKEA being really big in the size of its establishment cannot be accommodated on the high street level where Argos has comfortably explored the gap and has become a bit of a threat to IKEA together with other like DFS and local furniture retailers which are not really considered a threat but surely considered, together with that a gap in high end market is also been dealt by IKEA with a different name called Habitat but despite of that still lacks attention to designer handmade furniture zone in the market, IKEA is not also very famous in elderly people due to flat pack approach adopted the brand, one of other weakness is its restriction for the capital inflow due to it being privately owned and in the end the size which is of some hindrance at time when customers with no conveyance find it unapproachable as IKEA store are situated in outskirts of cities to ensure plenty of space is available for a big blue block!.

H&M

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It has one of the advantages which could be hurdle at times and that is bulk buying, it is surely a hindrance as we all know H&M being a risk taker buys in bulk with the intention and assumption to sell everything in the end which could go wrong due to lots of uncontrollable externalities and would have direct adverse effect on the company's business in both short and long term, therefore timely sales are very essential and could really be responsible for big decline in the performance, another weakness is the men's range which has a age limit in its range which skips a vast industry sector and that is children and toddlers range for boys baring great potential, different variety in different stores which is found quite annoying if a customer is after certain specific product and has to visit more than 4 branches on the same high street.

Opportunities

IKEA and h&m are expanding in a very smooth way all over the world from chine to European region and from Israel to Asian countries both the businesses have captured a handsome share in the global markets of their relevance, smaller stores for IKEA is a great opportunity to explore together with designer furniture which reflects a gap in the market ready to be explored by IKEA where as h&m kids clothing range could be expanded more to cover unexplored sectors, considering h&m competition stores like Zara and gap have competitive edge over H&M because of brand image and quality standards which is an opportunity for H&M ready to be explored to gain better share in the market.

Threats

Both the brands are confronted with various kinds of threats ranging from high intensity to low intensity, for instance both the names although being really good in what they do have competition to look after and overcome any hurdles as a consequence of it, rising prices due to vat increases would definitely affect the low price image of both the brands together with increasing duties of shipment would have a direct affect on the cost of production and ultimately price to final consumer would rise, risk of copy cats to follow the trend introduced by the brands and made available in the market to share the return of the original concept which also has a legal aspect of it as well but still there lies various gaps in the market which is purely filled by grey market which are free to operate in the markets which are not been explored by the brands in various parts of the world.

TASK NO. 2

SCENARIO PLANNING:

IKEA and H&M both have a very effective plans for next decade, right from expansion and growth in market share to customer loyalty and satisfaction both the brands stressed a lot on anticipation of all the relevant aspects of externatilities in order to gain complete control over their future operations and strategies, changing quotas and tariff systems are being anticipated together with factors like competitors, substitutes, new entrants in the market with increasing number of suppliers around the world to provide efficient output. Need for any change is also anticipated and in the light of vision and mission of the reputed brand strategies are formed to help run the businesses smoothly in the next decade. Ikea's and H&M strategies so far

are evident that in coming years it has great potential to innovate more concepts and explore more niche markets like ikea's flat pack houses launched recently, and their current strategies are quite expressively emphasizing on the need for training and development of their staff for long term profitability, evaluation of current status of all the political, legal, social, technological and environmental analysis done in previous paragraphs are simple reflection of their futuristic intention to grow and be the best on what they do in the relevant markets. It is very vital and is also been accepted and applied in both the companies the need for change management in action promptly to face any kind of change issues efficiently is very effective.

GAME THEORY:

Game theory is a reflection of a pro active approach towards any kind of changes occur in the environment which leads to change of strategies already planned for the particular period of time and for a particular aspect in order to suit and favour the overall goal of the organisation, very smart technique to change the strategies according to the situation before its too late, IKEA and h&m have a very systematic approach towards change management

PORTER'S DIAMOND:

Between IKEA and h&m by all means in the competitive advantage scenario IKEA wins the race by far being in a very suitable place in its relevant market with competitor to face directly where H&M has a list of several competitors in the market to keep it busy all the time, there are various other advantage which IKEA could have on its opponents like difference of labour market, industry traits which is more favourable to h&m due to its fast pace industry,

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capital resources available to IKEA are more on higher level considering its size as compare to H&M establishment as H&M doesn't own any place for its outlets which even though effects its operating cost but gives an advantage of no frozen cost anywhere in the whole process, the size of the outlets has also their pros and cons as well, more opportunities for IKEA being a market leader as compare to H&M which is surrounded by strong competitors giving very less chance to take big risks.

TASK NO. 3

IKEA

Vision

To create a better everyday life for the many people

Mission

to offer a wide range of home furnishing items of good design and function, excellent quality and durability, at prices so low that the majority of people can afford to buy them

H&M

Vision and mission statement

Fashion and quality at the best price!

Considering the PEST and SWOT analysis done previously the strategies adopted by both the organisation has a very profound reflection of their vision and mission statement, ikea's vision has a social aspect expressing from it which automatically connects its routes with the provision of low price products with excellent quality and history is evident IKEA has performed very well in fulfilling its vision and is still have a great emphasis on its key <https://assignbuster.com/bargaining-power-of-buyers-marketing-essay/>

unique selling point that is low prices which through vision has ultimate effect on the well being of the consumers who shows their trust on the brand, following the vision the mission statement of IKEA again has expressed a deep concern about providing a customer a wide range of products with quality standards which as we all know is still the advantageous edge IKEA have over its competitors. H&M on the other hand has come up with an exhibition of its prime edge in the market that it possess and has reflected that in its vision, the trendy brand with low pricing strategy has paid off big time by allowing it to gain a good share in the market with enhanced goodwill all over the globe, PEST and SWOT analysis are evident that this company has by far done very well for itself and all the stakeholders, low price strategy in this time of recession has its own brilliance and that together with quality assurance from a socially responsible brand is an excellent example of inspirational brand name.