

Ikea the past present and future marketing essay



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In its broadest logic, strategic management relates to taking strategic decisions, the decisions that answers the questions like; where are we now, where do want to be and how we do get there for the betterment of the organisation and stakeholders.

Johnson and Scholes (2002), define strategy as the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment to meet the needs of markets and to fulfil stakeholders' expectations.

In other words; Johnson and Scholes (2002), went on saying that, strategy is about where is the business trying to get to in the long-term, which market should a business compete in and what kind of activities are involved in such markets.

In short; strategy of an organisation is all about the intended direction, markets scope, its advantage of winning rivalry , resources in order to be able to compete, the environment is operating within and the values and expectations of those who have control in and around the business, that's stakeholders.

IKEA is a globally well-known home furnishing retailer. It has grown-up quickly since it was founded in 1943. Today is world's largest furniture retailer, recognised for its Scandinavian style. At the age of 17, in 1943 Kamprad founded IKEA which stands for Ingvar, Kamprad, Elmtayd and Agunnaryd, where he started selling pens, pencils and seeds through the local milk delivery network in the frugal farmlands of southern Sweden.

IKEA uses SWOT and PEST analysis to help it reach its objectives. This is a strategic plan tool; it helps the business to focus on key issues. SWOT is the first stage of planning and looks at the Strengths, Weaknesses, Opportunities and Threat. PEST stands for Political, Environmental, Social and Technological which are all involved in a venture or business enterprise.

Strengths and weaknesses are internal aspects, which mean they're within the control of the business. Strengths and weaknesses can be referred to aspects of marketing, finance, manufacturing or organisation. Opportunities and threats are external factors which are on the outside control of the business. These can include the environment, economic situation, social changes or technological advances, such as internet.

An organisation can create opportunities and offset threats by making the most of its strengths and addressing its weaknesses. For instance; IKEA's key strengths is its strategic aim to use no more material than necessary in the production of each item. In adding up, it develops its product strategy to increase its use of waste material.

IKEA uses its strengths to take advantage of the opportunities that arise. It has created a long-term partnership with its suppliers by committing to buy large volume over a number of years, where it can also negotiate lower prices. The suppliers also got benefits out of it because they enjoy security of having guaranteed orders.

IKEA uses its strengths to take benefit of opportunities that arise. It has been also involved on playing part in greener environment, and IKEA believes that

its environmentally focused business conduct will result in a good return even in a price aware market.

As soon as IKEA identifies its possible external threats, it can counteract them by generating new ideas. IKEA can use a particular strength to defend against threats in the market. The threats to IKEA could be social trends, market forces and economic factors.

Question 1 (a).

Businesses can success only when its products or services are perceived as having value. Therefore value refers to the contribution that management can make to the organisation, the products and stakeholders. Whilst vision describes aspirations for the prospect, without specifying the means necessary to achieve those desired ends.

Mission statement aims to offer employees and stakeholders with clearness about the general purpose of the organisation; it is therefore; to do with building understanding and assurance about how the strategy of the organisation relates to that purpose.

The IKEA vision is to make a better everyday life for many people where it puts this concept at heart of the successful business, while the IKEA low price strategy is coupled with a wide range of well designed, functional products.

Its value to the widely spread customers is to cater for every lifestyle and life stage products to its customers, who come from all age groups and types of

households. From the time when it was founded IKEA has always had concern for public and the environment.

The extent to which one can ascribe values to an organisation will depend on the organisations strategic mission and employee's involvement. A good mission should be understood by everyone and acted upon by everyone because it is published to promote the desired behaviour, support for strategy, adherence to core values and adaption of policies and standard of behaviour. Employees and customer involvement and participation as part of organisation make it easier for one to ascribe values to an organisation.

On its own way IKEA develops its strengths is the use of Key Performance Indicators, which help IKEA to measure the improvement of its vision and long-term goals by setting targets and monitoring steps forward towards these. An example of one of IKEA's KPIs is the percentage of suppliers that are currently IWAY approved. The IWAY is the Way of Purchasing Home Furnishing Products.

Defining core competencies of capability based strategy of an organisation as adopted from diagram of Jenkins and Ambrosini (2007),

Distinctive

Competence

External environmental;

Resource and structure

Opportunities and threats

Evaluate strategy

Introduce change

Implement strategy

Questions 1 (b).

In order to achieve an organisation's competitiveness it is usually important to put into consideration the current and present situation of internal resources of the firm. The aim of carrying out an internal audit is to establish which resources the organisation possesses in terms of its employees, finances and its products or services.

In carrying out the organisation internal analysis can identify the key competencies and highlight the areas of weaknesses. Looking at the IKEA, case study; we can see that this organisation is considered to be a global player with strong brand, widespread distribution and obvious competitive advantage.

Company resources can typically be grouped under several categories like financial resources, human resources, physical resources and intangible resources. Resources must be valuable so that it exploits opportunities and neutralises threats. Resources must not be possessed by a large number of organisations, being in that way can't be a source of sustainable competitive advantage. Whilst capabilities can be defined as the resources and competences of an organisation needed for it to survive and prosper, Johnson, Scholes and Whittington (2008).

However; understanding how can firm gain competitive advantage by using their internal resources, Hollensen (2003) considers Resource-based view approach as one of them.

Resources can be categorised and break them down in two different categories; tangible and intangible resources, whereby tangible are those which can be touchable or exist in a physical state and can be quantified. These are said to be things like people employed within the organisation, the means of production, finance and access to the raw materials needed to make products. While intangible are those resources which do not exist physically but contribute to the resource base of the organisation.

Think about the reputation and brand image, the trademarks and any patents that set us apart from competitors and even the organisational culture (Hollensen 2003).

I would say any successful strategies for the firms relies more on capabilities which are more difficult for competitors to detect or imitate like one of IKEA. Under capabilities, the products usually conform to standard or specifications, products are durable and perform satisfactorily throughout the warrant periods, products are safe and meet all environmental requirements and also products can be easy to use and understand as one of IKEA.

IKEA has its state of mind that revolves around contemporary design, low prices, and weird promotion that few institutions in or out of business can muster (Bloomberg business week, November 14, 2008).

Above; is one of the IKEA's capabilities, Customers are freely to access affordable contemporary design. As quoted by Mark McCaslin, IKEA manager of Long Island, New York (Bloomberg business week, November 14, 2008), saying; " we look at the competition, take their price, and then slash it in half". So this can be one of IKEA core competencies of winning the rivals'.

IKEA is dependable as a safe neighbourhood that people can enter and instantly be part of like minded cost, design or environmentally sensitive global tribe. At IKEA customers are encouraged to bring up their ideas like on how they want the products to look like.

Question 2.

The IKEA capabilities in relation to its international expansion basically lie on the crucial task of " preserving its core mission in its approach to its international market" (page 5, case study).

The emphasis of corporate culture which based on shared values is one of the very significant tools, I would say which has created a uniqueness and ability for IKEA to expand internationally and hence win the competitive advantage of its business in the foreign soil.

As courted in exhibit 3 of the case study " at IKEA, we don't just want to fill jobs; we want to partner with people". This philosophy of being keen to employees, customers and suppliers, the freedom of expression the company has introduced as its mission to its workers are the milestone of winning the international market.

Understanding customers for instance is one of the IKEA capabilities of winning the international market. Since IKEA knew that “ American prefer to store most of their clothes folded, and Italian like to hang” as stated in the journal of Bloomberg business week, November 14, 2003. Therefore for the IKEA to meet the American requirements, the result for American was a wardrobe that features deeper drawers for USA customers.

The values of the IKEA is also one of their capabilities, as stated on page 5 of the case study “ we want to recruit individuals who shares our value, co-workers are not restricted at IKEA, we listen and support each individual to identify his or her needs, ambitions and capabilities. This plays a very big role to relation of international expansion.

In addition; the other relationship capabilities to the IKEA international expansion was that the products conform to standards and specifications, products are durable and perform satisfactorily throughout the warrant periods. Products are safe and meet all environment requirements, they are also easy to use and understand.

IKEA's flat pack products were so attractive to international market, especially when opened the store in Russia, there was a innovative skill from its one of the employee who was assisting a customer to carry a table to the car, and when it couldn't get into it he dismantled it so that it could fit the car, since then, the flat pack tables were introduced and many people like it.

Question 3 (a).

I would say IKEA is the company for everyone, everyone at IKEA feels as part and parcel of the company. Every person who has an interest, buys IKEA

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products of even paying visits to its stores across the world is freely to be part and contribute to IKEA existence.

Everyone at IKEA is treated and valued equally and as part of the company because is one who makes IKEA and one who fulfils the IKEA visions and values.

Quoting from the case study, “ you can take IKEA out of Smaland, but you can’t take Smaland out of IKEA” the statement simply describes the shared values the company has from Smaland the small village of southern Sweden where the IKEA founder was born raised from this famous village for hardworking communities.

Therefore; this meant that Smaland is the source of IKEA shared values, which later on spread across the globe where there is IKEA store, which transformed the IKEA to be strong and competitive in furnishing industry across the world.

Question 3 (b).

IKEA’s strengths, in addition to the fact that Kamprad involved his own sons in the business implies that Kamprad’s becoming older may not change IKEA’s values. As stated on page 8 of the case study, culture implications of growth; that “ there had been missteps along the way but IKEA seemed to have uncovered the secret of keeping the founder’s vision alive while also embracing growth.

Also; as per case study it is stated that everything that made IKEA great was its culture and well defined values. For as long as these values and corporate

culture are well understood and acted upon by everyone, Kamprad's age may not change IKEA's values. However, there was a challenge of strain on resources in hiring and training a larger number of new staff each year.

The IKEA values seems to be embossed in the founder's mission and legal entities, there is rarely chances of IKEA's value to change; though strategy to change is something necessary and prospect to happen to any growing organisation in today's modern world.

" IKEA organisational form placed it in a strong position to retain its founder's philosophy and core values into the future" courted from case study.

The weaknesses of IKEA with Kamprad as a leader would change IKEA's values as Kamprad grows older, but we are told that the Credo of IKEA was to acknowledge and learn from mistakes. As Kamprad and in his " Testament of a furniture dealer". Employees were not only concerned with safety but also with freedom. This going against the grown was a fundamental that of life at the company and led it to attract innovative thinkers.

Talk about IKEA business idea and the passion employees felt for the company as shown in exhibit 1 of the case study, but we can find the threats to the IKEA are likely to change the company values. It is also noted by Steen Canter, a former IKEA executive, when discussing the allegiance of the staff to Kamprad and all things IKEA that " He has core group of people who are culture bearers for the brand, who will go out and fight World War III for him."

The IKEA strategy may change to competing for long-term survival and presenting the Kamprad vision into the future with a long – term orientation, as per exhibit 3 of the case study, which stated that; “ you can take IKEA out of Smaland, but you can’t take Smaland out of IKEA”.

Conclusion

IKEA believes that there is no concession between doing good business and being a good business. It aims to go further than profitability and reputation. It intent on becoming a leading example in developing a sustainable business, this will build a better everyday life for its customers. IKEA has revealed a business truth; being sustainable and accountable is not just good for customers, it is also good for business.

IKEA’s obsession combines design, low prices, economical use of resources and responsibility for people and environment. The company’s products, processes and systems all demonstrate its environment stand.

IKEA in order to get better performance, it must measure its external and competitive environment, the means opportunities it can take advantage of and the threats it can deal with. IKEA responds to both internal and external issues in a practical and lively approach by using its strengths and sinking weaknesses, through this; IKEA has been able to make the strong growth it needs to keep hold of a strong uniqueness in the market.

IKEA is still run by managers who were trained and groomed by Kamprad himself, and who are previously devoted to the founder, as the direct links with Kamprad disappear, the culture may start to fade.

Although IKEA has been doing well in most cases in different countries, still there are a lot of complaints from customers who are not happy with the IKEA's cheap priced products which last for short period of time.