

The supply chain strategies of ikea



Introduction

Ikea's successful factors can boil down to its different theory. One thing Ikea always focus on relating to seek balance cost-effective labor and company's product quality standards. To save cost on labor and production, Ikea constantly look for opportunities in developing countries in order to build relationships with suppliers. Ikea also so all furniture designed to ship disassemble, and all the products delivery flat. The flat packaging not only can the convenience of our customers to transportation products by self, but also helps save the company's transportation cost. Ikea also focus on the design of the product and sales.

Background of Ikea

Ikea is a global renowned large furniture retail established in 1943 by Ingvar Kamprad in Sweden. The main business likes stationery of mail order, grocery and so on. Then finally turning to furniture as its main business. At present, it has 292 large-scale outlets in 34 countries and regions around the world. Ikea has been promoting the motto of " better life for everyone" since its inception. It focuses on low price, good quality household furniture to do. So, Ikea strive to create customer and social benefits as the center of business.

Business Model of Ikea

Complete industrial chain

Ikea have the supply of raw material, product design and development, production and processing manufacturing, sales flow and customer service five processes. It firmly seized the product design and sales of the two profit

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maximum link, at the same time will service into the sales, return low link
the basic way of outsourcing complete industry chain synergy

Powerful R&D design ability & standardization of innovative thinking

First, Ikea have a comprehensive market survey each three years, it is to listen to the customer to the product of the reaction. Second, in order to further reduce the cost, it use of environment friendly materials like re-cycle of raw materials wood instead of deforestation. The introduction of new technology, it will gas injection composite plastics in order to save material and reduce weight and faster production product. Third, the household of Ikea is split assembly goods, products divided into different modules, separate design.

Experiential marketing

Ikea the way of experience marketing is grasp the customer psychology. It doesn't introduce products to customers but let customer to experience products. It has gained the trust of customers and let the customer know its quality assurance. It is a more kind more life of the marketing strategy.

Ikea's design philosophy of business model is minimalistic and practical with environmental performance and renewable resource utilization. Ikea adhering to their code of conduct IWAY, mean that not only make good products and inexpensive but also to promote innovation, social and environmental advances. So far, the IWAY already fully applied to the purchase of raw material and core services, but Ikea has turned to the

realization of the IWAY and indirect material services, it refers to products and services and is not directly related to enterprise production.

Supply chain strategies of Ikea

A supply chain refer to a network of related activities that involves the transformation raw materials to finished goods which are disturbed to the customer. Supply chain management (SCM) is the term of describe the management of the flow of materials, funds and information through whole supply chain, from supplier to manufactures to warehouses to retailers and ultimately to the consumer.

Ikea's road to success, in addition to have a complete set of strict organization system outside, still has a mature management system.

From the beginning of product design, "Ikea" adhere to use their design, with the product patent. Specific practices from more than 100 designers have to design new products, and then finally to be selected, choose the same price of the product in its lowest cost design.

When the product design was determined design research and development institutions will and distribution in the world of 33 countries to set up trade representative offices in 40 of Ikea in order to common determine which supplier can be in the lowest cost and ensure the quality, production of these products. In the fierce competition score high suppliers will get a big order. At the same time, "Ikea" for all its suppliers set a different standards and level, and often to assessment.

In logistics links, to ensure the lowest cost, and strictly control of every aspect of the logistics, such as has been carrying out “ flat packaging”, save a large number of products coarse pack cost to reduce the transportation cost and improve efficiency purpose; another example if the pillow air removed, in order to save a lot of goods volume, etc. In order to save transportation time, “ Ikea” in global nearly 20 distribution center and some central warehouse mostly concentrated in the sea and air traffic arteries, “ Ikea” through the scientific calculation in order to decide which products in the local manufacturing sales, which export to overseas shop.

Ikea strong dominant position in the supply chain, it purchasing scale economy increase its ability to lower prices and supplier negotiations to ensure low-cost procurement it. It strictly control and examination to ensure the supply of high efficiency and high quality. And its flat packaging brings DIY experience for consumer. Meanwhile it reducing provide services, reduce the prices for the customer. And its greatly reduces the transportation cost and save a space. Besides, all over the world the hub of distribution center and the central warehouse provides enough safety stock for marketing provides strong guarantee. To improve the efficiency of the supply chain and the response ability. At the same time reduces the overall deployment cost, out of stock cost and so on. Therefore, the entire supply chain operation of Ikea provides real-time sales record beginning from every shore, feedback to product design research and development institutions to trade mechanism, manufacturers, and Logistics Company, storage center, finally turned back to the shop.

2. 0 Strength & Weakness of Ikea’s supply chain

2. 1 Strengths of Ikea’s supply chain

Strengths include Ikea’s specialized marketing approach or its market position. From any aspect of the business that increases value to its product or service.

Ikea’s strengths include:

- A strong global brand which attracts key target groups. It promises the same quality and global scale
- Its vision – “ to create a better life for the many people every day”.
- A ‘ reasonable design’ – achieved a good balance between quality, function, design and price. Ikea’s Cost Consciousness’ means that low prices strategy are considered first when each product is designed from the beginning.

These strengths are benefits for Ikea being able to attract and keep its customers.

2. 2 Weaknesses of Ikea’s supply chain

Ikea has to recognize its weaknesses in order to develop and administrate them. This can play a important role in helping it to establishing purposes and develop new strategies.

Ikea’s weaknesses include:

- The size and scale of its worldwide business. This could make it hard to control standards and quality. Some countries where Ikea products are made do not appliance the legislation to control at work environments. This could
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signify a weak link in Ikea's supply chain, effecting customer opinions of Ikea's products. The IWAY code is backed up by teaching and checkers go to see factories to make sure that suppliers meet its requests.

- Ikea need for low cost supply. It needs to be balanced against manufacturing high quality. Ikea also needs to discriminate itself and its products from competitors.

- Ikea needs to retain good communication with its clients and other shareholders about its activities of environmental. The scope of the business makes this a difficult assignment. Ikea produces periodicals in print and online. Such as ' People and the Environment', and carries out key TV programs and radio propaganda to enable the business to connect with different target groups.

3. 0 Ikea's innovative method of designing and packaging of product

3. 1 Ikea's innovative method of designing of product

Ikea first made a target price before designing a product. This practice was generally followed method of designing the products first and then the price according to the cost and other furniture manufacturers. Ikea's designer to accommodate all of the cost such as raw materials, manufacturing and transportation until the products reached the shop into the given target price. " Wood and cotton" are their main raw materials, and it's belonging to renewable resources. Ikea is very hard to ensure that from the responsible way management of forest and farmland, and between men and nature-oriented at all times. Look this, we know that Ikea followed like a method at

a relatively low cost to develop a high quality products so let more people can afford it. The company's aim was to provide low cost and high quality products to customers.

3. 2 Ikea's packaging of product

Ikea has taken a flat packaging system packaging in order to reduce the air quantity for its furniture that namely free space furniture in transportation and storage. It is especially focus on design practical furniture that can be dismounting and transported to its shops. In the case of these products cannot be load into flat package, Ikea had to make them stackable.

Transporting part in flat packaging allowed Ikea to optimize the vector space, so when cost cutting compared to other furniture retailer which transportation assembly products. Although the company's focus on selling affordable furniture, it does not compromise the innovation design products and the utility they provide. The flat designs also help Ikea in the utilization of the best of warehouse space and minimizing the types of trays used to storage the products.

4. 0 Conclusion

In short, Ikea business model support the Ikea empire expanding growth, its global scale influence and value concept continuous reveal. Although it has towards globalization, but still did not forget localization, their strategies in an increasingly uncertain economic environment timely adjust. Based on the Ikea existing business model, supply chain, innovative product design and renewable raw materials, Ikea will get better in further.