

Ikea case



**ASSIGN
BUSTER**

1. What are the core competencies and end products of IKEA? How are they linked with each other? IKEA is a Swedish low cost home design firm. The core competencies of this firm are that you don't get much service but you can buy the products at a low price. In every store of IKEA are there showrooms where you can see the furniture in a real life setting before you buy the products. After you went through the showrooms and you found something for yourself. You can pick up the products in the warehouse downstairs.

This warehouse has a self-service base, so you buy immediately your products and you don't have to order them. The products that you can pick up in the warehouse are very flat packed so they are easy to transport. The end products of IKEA are home design product as furniture, decoration and kitchens. The competencies are linked with the end products in a way that it is easy to buy the products because you don't have to order and the products are for sale for a very low price. 2. How did IKEA diversify? IKEA did diversify in terms of product variety and geographically.

Those components are linked to each other. IKEA first started to expand European countries and after that they expanded outside Europe. The product variety of IKEA is huge, so there are products for every taste. Although, every country has a different so IKEA has to adjust their product for the needs of the people in different countries. Because of this strategy they have a market in a lot of different countries. 3. How did IKEA expand internationally? How has the firm maintained a focus on core competencies while simultaneously adapting to local needs in host countries?

IKEA expanded internationally in 1963 by opening the first international store in Norway. IKEA was during the '60s and '70s focussed on the European market. They kept using the same products and the same operational formulas in the following years in their European expansion. This finally went wrong by expanding to the U. S. where IKEA continued with the same products and formulas. These products had to be redesigned and routines adapted to adjust the local needs. IKEA had to keep the cost low to retain its low-price concept.

Purchasing from local manufacturers worked out very well and reduced the costs extremely. It lowered the logistic costs by building stores around central warehouses. As a result of the rapid expansion the administrative costs increased and it has got harder to manage its international operations. Therefore three decisions were made: more autonomy was given to the CEO of IKEA America; it gave up on central, internal budgeting; internal competition was introduced by giving the franchise rights to Inter IKEA Systems B. V. 4.

Can you provide an update on IKEA's core competencies, using materials available on the Web? IKEA could start a furniture design school where students can learn about the recognizable IKEA designs and develop their talents. This is a good update for IKEA because the designers are made in the way IKEA it provided. The designers know the standards and thoughts the firm retains. That comes with that IKEA does not need to advertise for designers. So it lowers its costs and it created the perfect designers for IKEA.

Source <http://www.theartcareerproject.com/furniture-design-schools/>