

Case analysis of ikea invades america

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IKEA is a private home products retailer, which deals internationally in flat pack furniture, accessories, and bathroom and kitchen items. IKEA is the company which is being regarded as the pioneer in flat-pack designed furniture; this firm is now the largest furniture manufacturer of the world, with 120, 000 employees around the globe.

The revenues of IKEA have been growing at a rapid pace in the past few years, in the fiscal year of 2008-2009 these amounts soared up to \$28. 8 billion USD; this indicates a growth of 7 percent in comparison of the last year. The reason behind this rapid growth of IKEA is that it has been focusing on providing the market with affordable home furnishing products (Grant, 2005, p. 120) that it is why it has been a major success all across the world especially in Europe where middle class earners have become citizens of the IKEA world.

Delivering value priced home furnishing products has been the intention of IKEA since its formation way back in 1943. IKEA has been on the verge of a major success in the American market as its stakes are rising in the US since every passing day; no doubt that the managers at IKEA have devised some ingenious strategies which have earned this multinational giant a strong position in the North-American market as well.

The American market is majorly divided into two prime segments and the basis of this division is price. The low and the middle class customers tend to buy from different local outlets or marts (like Wal-Mart, Target etc) due to the expensive nature of the products offered by the stylish and the renowned brands. Whilst the upper class opts for the luxurious and classy

outlets where the goods are overpriced, these sellers regard their products as “ onetime buy”.

If we analyze IKEA’s strategy on the other hand; it caters to the low and the middle classes primarily by providing them the right value of their money, not only this the missing feature of style is also added by IKEA, and hence the Americans are getting influenced by the IKEA magic. The share of the premium priced sellers is not much in the American market (merely 14-15 percent), so the strategy of IKEA is gaining it the market share and thus it is being translated in the revenue account.