

# Challenges faced by ikea



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IKEA is a house furnishing store that have been franchise store. IKEA was firstly opened in Sweden, the owner and franchiser of IKEA is from Netherlands and store in almost in 31 countries. Their business concept is “ We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.” This source is adapted from IKEA provides catalogue and visiting store for customer so it’s very easy for customer to choose the furniture and pick it up from the self warehouse.

Today customization and new product in market is very important due to customer demanding for more and consumer market is changing faster. (Cox and Alam 1998) IKEA has strong ideas in customizing its product to suit the tastes of local markets because IKEA does all the analysis before venture to other country markets. (Cox and Alam 1998). Initially IKEA was not

interested in customizing their product but when they entered the US market, IKEA faces customer indifference, so eventually IKEA decided to customize their product. The reason why today we are discussing about IKEA is because for the first time in history an ordinary furnishing retail shop has been franchised all over the world and become very famous among everyone. (Cox and Alam 1998). Due to that we are going to analyze about IKEA's product and promotion to know their secret of success. The typical IKEA customer is young and low to middle income family and in another word can say as that is IKEA target customer.

Marketing mix has 4 P's: place (distribution), promotion, price and product, three extended marketing mix are people, process and physical evidence. According to Philip Kotler (2006) marketing mix is a modern marketing system. This concept helps marketers to market the product more systematically. (Armstrong and Kotler 2006). Product strategy begins from marketing mix. (Armstrong and Kotler 2006). Product is goods that a company wants to sell. (Armstrong and Kotler 2006) IKEA produces almost everything that people need for a home. (Armstrong and Kotler 2006).

## **HISTORY OF IKEA**

The year IKEA was established in 1943 by Ingvar Kamrad to sell pens, wallets and so on. In year 1958, IKEA grew and was introduced as a leader of Swedish Furniture and started to produce local furniture by local manufacturers. Later creating furniture for flat packs and self-assembly to reduce storage space. IKEA slowly expanded their business by opening up kitchenware and restaurant. The largest furniture IKEA display was in Scandinavia and the first store to be open was in Almhult, Sweden. From

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there IKEA developed by opening more stores in other countries such as Germany, Norway and so forth. The advantages of IKEA selling the product in other countries: less-expensive so customer will afford to buy the product according to the country they are located. There are 279 IKEA stores all over the world and IKEA is store in 36 countries. In 279 stores, IKEA group owns 247 stores in 24 countries and the rest is managed by franchise in 16 countries. In Asia IKEA groups only two stores they are located at Japan and China. The first country that IKEA considered to enter was Japan. Because of differences in mentality, culture, lifestyle, behavior and so on, IKEA faced failure in Japan. In 1986 IKEA needed to shut down their store in Japan because of failure, they re-entered the market again after two years and opened 3 stores in Japan. The second country that IKEA decided to enter in Asia was China. Almost 6 stores had been opened in China and IKEA decided to open more in the future. IKEA provides abundant resources, cheap labor and invest in China market because to comfort for its investment. Due to bureaucracy system there are some challenges IKEA faces, high tax and so on. IKEA also creates an enterprise myth and become biggest furniture retail in world. Even though Japan and china located in Asia but Japan have unique characteristics. Since Japan needs an adaptation IKEA entered twice in Japanese market in order to establish their market.

## **CORE OBJECTIVES, GOALS AND VISION OF IKEA**

IKEA's main objective is to invest and expand their business while maximize profit in return. IKEA also ensure that catalogue is distribute to the targeted people, so that they can become IKEA customer in terms of demographic attributes and they might travel to the store.

The IKEA's vision is "to create everyday life for many people everyday life for the many people". IKEA's goal is to produce or offer a wide range of well designed product, functional home furnishing product, interior and so on in a low price so many people will be afford to buy their products. On top of that IKEA trying level best to build up a good relationship with the customer and come up with funny strategy to attract customer. Basically IKEAs concept is to sell good product in a low price.

### **Challenges faced by IKEA in international environment**

Furniture from Sweden is sold in the USA is relatively higher even though the price of Sweden drop every year so IKEA is finding a solution for it, shipping from Europe to other country takes around 1 to 2 months and shipping cost is expensive. Countries like Japan IKEA have to customize the product and packaging according to their taste because previously when IKEA come up with standardization IKEA fails so to overcome this they now maintaining standardization, economy concern by rising living costs and depleting disposable income it's a treat on performance of the IKEA business in u. k and u. s. a market specifically. By expand their business abroad IKEA has increase competition for international business and lot of competitor so IKEA had customize and standardize their product to attract the customer but the same IKEA also have to learnt other country market in order to compete with them. IKEA business is successful in Europe, but it has met lots of challenges in the Chinese market. After 8 years entering into Chinese market, it has opened only 4 shops, and the sales portion in the Chinese market is less than 10% of its outlets. IKEA has been encountered in lot of problems when entering into the market especially developing countries.

## Product

The product is anything that satisfies our want or need and product that can be marketed is including physical goods, services and so on. (Philip Kotler).

The product decision also included aspects such as delivery arrangement financing warehousing and things that useful for people. (Philip Kotler)

According to IKEA management they did not did any differentiations in their product ranges and way they conduct when going international especially on French and Chinese market. (E. Lewis; Cyan Communications) . Product in

Swedish and France, there is no major differences between products. (E.

Lewis; Cyan Communications)In a research the author found out that all of those products were same for example kitchen and dining room, living room, bedroom, the house organization, decoration, lighting, and so forth.

Comparing catalogues in different countries the catalogues was almost same and only two dissimilarities was found is:

- The French catalogue offers cupboards is much more variety of size than Swedish catalogue. (E. Lewis; Cyan Communications)
- The French catalogue presents wider range of available to purchase mattresses. (E. Lewis; Cyan Communications)

The Chinese catalogues have been divided into 5 categories in order to increase purchase and increase number of localized product in Chinese market. (Björk, 2000, Lewis, 2005) It is it is obvious that localized product is more in Chinese market for example kitchen wares as chopsticks, Chinese textile and so on. (E. Lewis; Cyan Communications) Product range is wider in china compare to Sweden and France, during any festival or special occasions IKEA introduce new product in china. (Thrane Carlsen, 2005) IKEA

keeps flat packaging strategy and “ democratic design” (function + design + low price = democratic design) strategy on market every market. (E. Lewis; Cyan Communications) The product line of IKEA has been considered in every situation as the IKEA identify and also the product concept is given IOS which means IKEA of Sweden. (E. Lewis; Cyan Communications). All the product of IKEA which have been selling all over the world is conformed to the European Union (eu) and national norms in order to maintain the quality standard. (E. Lewis; Cyan Communications) IKEA with Skanska offer not only product but apartment and furnished by IKEA products. (E. Lewis; Cyan Communications). IKEA sells most the product with the same standards because management and communication models wants to expand the same image of Sweden to worldwide. (E. Lewis; Cyan Communications). IKEA has to introduce much more localized products into the Chinese market and reduce the price because it’s relatively higher than domestic furniture products in China. (E. Lewis; Cyan Communications) . Due to Chinese market are relatively low cultural content and much more dimensions so more localized products are introduced to the Chinese market. (E. Lewis; Cyan Communications) When IKEA sells product to the French market, they must be very careful because French people has high taste of art, and take serious consideration of product design, color shade and so on. (E. Lewis; Cyan Communications). IKEA until today could maintain their product standard because they manufacture and produce their own product. (E. Lewis; Cyan Communications) IKEA only picks good timber in order to produce furniture and pick the best raw material to produce product and also can say as this is the secret of IKEA product. (E. Lewis; Cyan Communications)

## PROMOTION

The function of promotion is to attract customer behavior in order to close the deal or sale. (Neil H. Borden's). The way to promote is through advertisement, sales promotion, public promotion and etc. (Neil H. Borden's). IKEA does not spend that much in promotion but yet they try to use all the time different communication forms to advertise and promote their furniture and so on. (E. Lewis; Cyan Communications). Apart from that maybe can find media advertising via television and internet, IKEA catalogue advertisement, like IKEA bedroom-car riding all over USA or big square and so on. (E. Lewis; Cyan Communications). The brand 'IKEA' is kept on three markets as every product is sold under IKEA brand, the registered trademark at the world dimension. (E. Lewis; Cyan Communications). This brand appears in every product and packaging. (E. Lewis; Cyan Communications). In china IKEA first time used media to make promotion by playing 8-minute TV show. (Thrane Carlsen, 2005). All IKEA products could be viewed in catalog or website but must purchase in the store, for Chinese customer furniture are directly delivered to home for free. (Thrane Carlsen, 2005) Basically IKEA come with this catalogue and so on is for family-orientation and IKEA's policy of comfortable home. (E. Lewis; Cyan Communications). IKEA have come up with different design of catalogue in different country according to their lifestyle and environment and so on. (E. Lewis; Cyan Communications). IKEA has completely different way of communicate with its customer. (E. Lewis; Cyan Communications). IKEA Mostly advertises in website and present not only furniture but also involvement latest design of computer science that they have used to attract the customer. (E. Lewis; Cyan Communications). IKEA has undertaken a few adaptations in its product design and sales



promotions with different focus according to the feature of target market. (E. Lewis; Cyan Communications). IKEA give a feeling that IKEAs is very close to the customer, because they have trained the staff in that way to maintain a very good relationship with the customer. (E. Lewis; Cyan Communications). By doing this IKEA thinks that is one of the effective ways of marketing and to promote their product to customer. (E. Lewis; Cyan Communications).

## **Price**

Price means the pricing strategy that be used for a product or service. (E. Lewis; Cyan Communications). The pricing decision should be taken into account profit margin and probable pricing response of competitor in order to compete with them. (E. Lewis; Cyan Communications) The pricing is not only list price but also include discounts, financing and others. Price is one of the most important issues in the process of coming up with ideas, distributing and manufacturing products, designing and so forth. (E. Lewis; Cyan Communications). All the company keeps its strategy of prices by offering wide range of products with stylish design, good quality with reasonable price so people can afford to buy it. usunier's argument is about the culture influence on pricing is a bit weak. (E. Lewis; Cyan Communications). IKEAs pricing policy is cost oriented as well as customer value oriented but it's not necessarily culture based. (E. Lewis; Cyan Communications). Despite, china situation is not stable due to economical conditions but they seem to be better and better. (Björk, 2000, Lewis, 2005). IKEA try to maintain the prices all over its shop and mostly succeed but not always those following are IKEA's objective for providing furniture in a lower price in different markets: (Björk, 2000, Lewis, 2005)

- Learn different elements of the production cost for example color of mugs. (Björk, 2000, Lewis, 2005)
- Find cheap techniques of production or cheaper manufacturers for example in China. (Björk, 2000, Lewis, 2005)
- Reduce additional cost in the production, the transport and the management, for example to pack products in flat packages. (Björk, 2000, Lewis, 2005).

Long-term orientation is one of the core Chinese cultures people are very concern about the quality and price, so IKEA have to come up with reasonable price in Chinese market. (Björk, 2000, Lewis, 2005) However price is not a problem in Europe, as IKEAs product is always of good quality and lower price, so IKEA focus more on sales promotion to gain the market share in Europe. (E. Lewis; Cyan Communications). IKEA designers, manufactures and purchasers still spending most of their days to find a solution to low the price of IKEA product and they wants customer to buy high value product in a cheap price. (E. Lewis; Cyan Communications).

## **CONCLUSION**

IKEA have franchise their market and also was successful in overseas. In fact IKEA have failed initially before they made it in Japan especially. IKEA have to come up with more strategy and try to venture in more business. They also should open up more IKEAs in overseas and maximize the promotion in order to reach the target customer. Before open up a business IKEA should analysis the country market whether adaption or standardization to be applied in the particular country so that the company will never face failure. From the analysis, it shows that IKEA has strong relationship of network

structure, large number and customer in worldwide to internationalize.

Actually in a market survey on target customer everyone says that no any command on IKEAs product because their quality of product is very good and worth of buying it and also last for many years. IKEA products are affected in abroad market because of cultural factors and political factors. For example Japan people doesn't like international product and got to customize the product. Political factors are affected like there is some barriers in some countries that standardization packaging is not allowed and they have change the packagings due to this IKEA have to spend allowed.

## **RECOMMENDATION**

IKEA have to always pre-planned and alert with market situation and move forward in order to ovoid unnecessary cost. They have to come with a strong strategy so that other competitor can beat up their market. IKEA is very confident that their quality of product is very good and competitors cannot compete with but IKEA but mustn't be like that because nowadays can't predict or underestimate about competitor. IKEA always must be ready to face consequence or either successful. IKEA also should promote more their product and organize lot of event in order to make the brand more popular among people. IKEA must give lot of sponsor of charity, sports and all in order to attract customer. The best ways in distribute flyers, article and so on about IKEA products and how good quality products they are using for example.