

Key challenges facing brand ikea

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For the past years, Ikea's cultural branding stands out from other competitors because it blends value into their fashionably designed furniture to ensure that modern household goods are made affordable. However, rising prices in raw material and transport cost has forced Ikea's first price hike in five years. Furthermore, with competitors such as Wal-mart, Carrefour and Tesco's expansion into furniture and furnishings, and following Ikea's similar approach of low-priced strategy, it has certainly presented a challenge for Ikea in terms of maintaining its differentiation (Euromonitor 2009).

Ikea being able to maintain or improve its corporate image through social and environmental responsibility is a challenge as well, as it is essential for customers to have positive association to the brand with trust and shared values. For instance, customers that are concerned with the environment will be delighted to purchase Ikea products that are recyclable, made from recycled materials, or both (Euromonitor 2009).

Recent economic crisis has dampened the world's economy including Western Europe, slowing most of their GDP growth. As a result, it has exposed Ikea's over reliance on Western Europe market for its growth, whereby its 10 largest markets accounted for 75% of its sales in 2008, and out of the 10 largest markets, 8 were from Western Europe (Euromonitor 2009). In addition, as mentioned previously, Ikea's major markets are faced with maturity and fierce price competition. Therefore, Ikea's brand and growth sustainability in its major markets is one of the key challenges, so as to ensure the brand does not fade away in the next decade.

The target group in developed market are mainly made up of broad consumer base as compared to emerging markets which is pretty much different, targeting growing urban middle class. Hence, it is a challenge for Ikea lock down the growing urban middle class in order to secure a reasonable share in these markets (Euromonitor 2009). When it comes to Ikea moving into emerging market, it is a challenge to customise the local needs without compromising the brand's concept or values. For instance, in China, customers are not used to the DIY idea; as a result, more focus on assembly service is allocated to its assembly services as compared to Western markets(Euromonitor 2009).