

Mode of entry indian market - an ikea perspective term paper

[Business](#), [Company](#)



India has grown its market visibly in the last few years and has joined the list of few countries growing above 9% GDP; will all the economic developments, India also stands on the 5th place in purchasing power parity. Another interesting finding about the Indian market is that the success of any new launch is dependent on the earlier entry, the kind of control on the mode of entry and shortest possible cultural gap between the host nation and the home nation.

In the present scenario the mode of entry will really make a difference for IKEA and therefore out of the available five options the most feasible one has to be chosen. The easiest way of entering the market will be through export, however it will not let IKEA build its brand value and therefore cannot be considered as a workable option. License and franchise together build the second option that IKEA may consider, however if we look at the top four cities New Delhi, Kolkata, Mumbai and Chennai, where the franchises will operate, we will be able to deduce that the degree of control in this mode will be the least and hence it cannot be accepted as satisfactory.

Alliance and Joint venture are the other two options that may be evaluated, however once again, accepting both of these options will create an issue in the long term as one on hand they will not give optimum control and on the other hand IKEA will not be able to convert its experience to create a single handed brand value. Now after reasonably discarding the other options IKEA is left with wholly owned subsidiaries however Indian regulations do not allow any international company (IKEA) to own more than 51% of a company and therefore the best way is to go ahead with a Joint venture till the time

the regulations are in place, and once there is an available relaxation, the partner company may be bought.

Indian Furniture Market: A brief Introduction

Furniture market is expected to grow by 20% in the coming years, throughout the world, however the major contribution of this growth will be shared by the Asian giants, India and China as per a World Bank study. From IKEA's perspective, we are looking at the Indian market and therefore it is interesting to know that 65% of the market is covered by domestic furniture, 15% each by office and hotel industry and 5% for other uses. It is very important to notice here that a major part of the furniture industry in India i. e. almost 85% is covered by unorganized sector and all the major competitors fall in the category of organized sector, to name a few we can say Godrej and Boyce Manufacturing, Featherlite, BP Ergo, Haworth, Style Spa, Yantra, Renaissance, Durian, Millennium Lifestyles, Kian, furniture Concets, Tangent, Zuari, Truzo, NR Jasni & Company and Furniturewala etc.

If we talk about the material, all three forms wood, plastic and metal are widely used however wood as always is the most abundant and the popular wood types in use are Sandalwood, Deodar, Walnut, Sheesham, Teek, Red Cedar, Rosewood and Sal. There is a very wide range of Suppliers, Manufacturers, Importers, Wholesalers and Retailers working in this sector in India. For new entrants it is important to know that the Indian furniture industry is a fragmented industry where the domestic market is growing fast and may give unbeatable competition, also it has to be noted that the industry is not investment intensive. The good part is that there is a good

supply of reasonably priced raw material and the labor is also not very costly, moreover the demand in the organized sector is now growing rapidly and there is a major transition from disorganized to organized sector, hence the competition is mediocre.

Works Cited

- Johnson, J., & Tellis*, G. J. (2005). Drivers of Success for Market Entry into China and India. Marketing Science Conference 2005 (pp. 2-39). Miami: University of Miami.
- KPMG. (2009). Furniture: MARKET & OPPORTUNITIES. Mumbai: Indian Brand Equity Foundation.
- Namakumari, S., & Ramaswamy, V. (2004). Marketing Management: Global Perspective Indian Context Third Ed. New Delhi: Macmillan.
- Purushothaman, R., & Dominic, W. (2003). Dreaming With BRICs: The Path to 2050 " Global Economics Paper No: 99". Goldman Sachs.