

# Ikea case study

Education



IKEA Dr. Okan Geray Please read the IKEA case from the textbook and answer the following questions: 1. Explain, in detail, the aspects of IKEA strategy that make it a Hybrid strategy. A hybrid strategy is where the costs are low and the perceived benefits are high. In the case it is mentioned that IKEA is not for the rich and flamboyant but for the smart and practical people. This is clearly seen with the designs where it holds universal acknowledgement rather than cultural or national ideas.

It blends into its furniture styling and design with low cost and has large stores where they guide their customers and incline them towards buying certain products that are displayed. The styling and design is then supported by low cost, on request or immediate delivery, which allows them to not only buy the product immediately but also transport them without must hassles. The flat packs allow logistical advantage and cost benefits and an informal infrastructure motivates the staff.

The procurement is very intense and brings cost benefits and is also widely spread out across the world with suppliers in China and Sweden and their head quarters are based in Norway for tax savings. In the above ways IKEA brings higher benefits at lower costs to the consumer and therefore is a hybrid strategy. 2. Why is this strategy difficult for competitors to imitate? It is difficult for competitors to imitate because IKEA is a global furnishings company where as other competitors are highly focused into particular regions.

This inaccessibility of its competitors limits its breadth of customer reach. Some of its competitors are not even specialised in furnishings but are more towards general stores there for specialisation benefits are lost. IKEA runs a <https://assignbuster.com/ikea-case-study-case-study-samples/>

strict cost cutting budget where it focuses more on costs and lesser towards design. IKEA not only does provide furniture but also provide furnishing solutions where it has different variants of products to suite customer needs. It is aware of customer needs and is able to provide that at the correct price and at the same instant.

The informal hierarchy forms unpredictable behaviour, which cannot be predicted, therefore cannot be imitated. 3. What are the dangers of a hybrid strategy and how can managers guard against them? There is a high risk that once the customer base has been established companies tend to drift towards increasing their products and providing additional services by charging additionally, even though this adds value to the product it alternately also adds costs which is directly against the policy of IKEA in this case.

IKEA does provide additional services but with the optional additional charges which allows customers to choose cost savings. Companies are also then inclined to reduce value but at the same historical price this lowers the perceived value of the product and pulls the company into the low cost category also robbing the company of its strategic advantage as a hybrid strategy player. Managers would need to recognise their hybrid strategy and their parameters that allow them to be in this category and enforce those parameters on the complete value chain.

This does not imply to only the procurement and manufacturing of the products but also to the administrative aspects, such as seen with the CEO of IKEA UK. The designing of the product has been suited to the world market rather than specific market, this universal approach allows populations of

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different nationalities to relate to it, this collective design approach is a key factor in Ikeas marketing strategy and therefore any such products or designs favouring or resembling a particular culture unintentionally should be disassociated and discouraged.