

Leadership ikea essay sample

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



IKEA follows a combination of 2 generic strategies, making their strategy one that is considered a ' hybrid' strategy. Cost leadership –

- IKEA's strategy is based on selling high-quality, Swedish designed, self-assembly furniture products at low price. The low price strategy seeks to achieve a lower price than competitors while maintaining similar perceived product and service benefits to those offered by its competitors.
- IKEA is able to keep costs low due to the following reasons as well –
 - oKeeping a good relation with suppliers, enabling a good quality supply of products bought in bulk.
 - oFlat packed furniture, reducing transportation and assembly costs.
 - oManufacturing usually takes place in developing countries to keep costs to a minimum.
- The company has been able to sell their products across Europe, achieving economies of scale.

Differentiation –

- The IKEA product range is modern and trendy and such that it appeals to people of all ages and is designed to cover all functions in a home.
- The products are practical and easy to assemble and use.
- The most important area of differentiation for IKEA is their concept of ' one way' layout which leads customers along the natural way of the store in order for them to be able to view it entirely.

Briefly we can conclude that a hybrid positioning is when the strategy of an enterprise is between a low price and differentiation strategy.

2. Why is this strategy difficult for competitors to imitate? Ikeas strategy is difficult for competitors to imitate due to the following elements that are part of their business strategy –

- The ikea concept is based on offering a wide range of products, which fulfill various functions in a home/work setting and don't require complicated or expensive delivery and assembly as well as are modern, easy to use and affordable.
- Ikea is focused

on segmentation of its target customers, which are, the middle class population of all age groups. •Ikea uses differentiation for local responsiveness, it consists an adaptation to suit individual countries.

3. What are the dangers of a hybrid strategy and how can managers guard against them? The success of a hybrid strategy depends on the ability to deliver enhanced benefits to customers together with low prices whilst achieving sufficient margins to develop and maintain bases of differentiation. •IKEA adopted an ethnocentric strategy while going international, where it had standardized its products and operations. This helped to keep costs low but ignored the different tastes and preferences of the US market and the way they purchased furniture. •Ikeas management realised its need to adapt to local markets. This current approach puts greater emphasis on global market coordination to limit duplication of activities.