

Ikea online marketing report examples

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



INTRODUCTION

The retail industry of United Kingdom plays an important role in improving the economic situation and GDP of the country. There are different sectors that are included in the retail industry and therefore there are varying consumer needs and varying factors that influence the industry. Over the last few years, there are several factors that have influenced the industry and some of these factors include the change in the lifestyle of people, advancement in technology and in particular increasing usage of online shopping (SAS, 2012)

Although there has been a downward trend in the overall spending on the retail industry but still the retail industry is an important industry of United Kingdom. The following graph represents the growth of UK retail expenditure since 1972:

(SAS, 2012)

As the expenditure on the retail industry has been estimated to decline and reach up to 1. 2% which is the third lowest in the last 40 years (SAS, 2012).

The same decline has been reported in the home furniture industry. The furniture industry sales have been estimate to decline according to Microsoft Advertising (2011).

The furniture industry is an important industry of United Kingdom with sales of more than £8. 3 billion annually. Moreover, there are more than 96, 000 employees working in furniture industry in 6395 companies in United Kingdom. In the year 2008, the value of the world furniture market is £205 billion. The following table shows the overview of the furniture industry of the world as well as lists the value of the production, exports, imports, and

consumption (FIRA, 2010).

(FIRA, 2010)

It has been identified in the research by FIRA, (2010) that the second most important factor is the greater use of IT in the retail industry and today after five years, there has been an increasing use of IT. Emergence of ecommerce is the result of increasing use of IT and today in UK retail industry in particular increasing number of people are switching from traditional shopping ways to ecommerce. Ecommerce industry has grown in the number and variety of products that people are ready to buy, starting from fashion and electronic products to furniture (Experian, 2011).

INTRODUCTION TO IKEA

The operations of IKEA were started in 1943 from Sweden (Ikea, 2011).

Today the company operates in 41 countries and the revenues recorded by the company have reached a value of above 25. 1 million EURO. The revenue of the company has grown from 23. 5 million in 2010 showing a growth rate of almost 7% (IKEA, 2012) at a time when the retail industry has shown a growth rate of almost 1. 2% (SAS, 2012).

IKEA has been one of the major companies in the furniture industry of United Kingdom. People prefer IKEA than other competing firms in the industry and the company has retained its position for the last three years (Microsoft Advertising, 2011). The following graph shows the list of companies along with their market share and IKEA leads the market

(Microsoft Advertising, 2011)

Technological advancement has played an important role in increasing the sales of the retail industry as well as retailers that are offering furniture. IKEA

is the leading retailer offering furniture and it has also started offering its products online. The company has different factors that differentiate it from other companies and low pricing of its goods is one of the most important features (Daten, 2011). The following graph shows the list of top 20 furniture retailers in 2011 and IKEA is the leader among these retailers (Daten, 2011): (Daten, 2011)

Internet has been increasingly used by people to buy furniture and the introduction of ecommerce has changed the consumer behavior. The following graph highlights the most important consumer behaviors that influence the buying of furniture and it can be seen that the role of IT has increasingly influenced the consumer behavior:

(Microsoft Advertising, 2011)

ISSUES IN RETAIL INDUSTRY

Retail industry has been influenced by recession as the sales of the retail industry have decreased. Moreover, the sales according to the research conducted by Microsoft Advertising (2011) shows that the sales have declined after the recession and the sales in 2009 have been very low in comparison to the last five years of the industry. However it has been expected that the sales of furniture retail industry would grow and improve as shown in the figure below:

(Microsoft Advertising, 2011)

There are different reasons that have influenced the growing sales of furniture industry and one of the main reasons is the increase in the prices as manufactures and retailers are looking for higher margins (Microsoft Advertising, 2011). Moreover the impact of exchange rate and increasing

shipping cost and the cost of raw material have also played their part in increasing the prices of furniture (Microsoft Advertising, 2011). After the recession, consumers are looking to fulfill their basic needs first rather than replacing their furniture at home and this has also caused a decline in the sales. One of the recent changes is the increase in the online sales of the retail industry. The retail industry has been benefitted because of the introduction of ecommerce. Different retailers have started their online store and they are now offering their products and services online as well. IKEA has also started ecommerce; however the problem with IKEA is that it has been slow to move to the online arena. Moreover, the marketing an online business is different from marketing the products and services of a traditional retail store and this has been one of the problems that IKEA has been facing. The management of IKEA has always been focusing on marketing through its catalogue and this is the reason why the company invests 70% of its marketing budget on the catalogue.

As the research conducted by Microsoft Advertising (2011) reveals that more than one third of the people use internet to compare products and then go to the store to buy the products. Moreover, one fifth of the consumers compares products of different companies online and then buys these products online and therefore it represent a good chunk of the consumers that are using internet to buy the products. Therefore IKEA needs to understand the changing consumer behavior and formulate its online marketing strategies properly to attract consumers to buy its products. The problem with IKEA is that they need to focus to market the brand online rather than with the strategy that has been successful for years i. e. through

catalogue. If the company does not shift its focus quickly then it will be facing decline in sales particular from the online arena.

STRATEGIC MARKETING RESPONSES THAT IKEA CAN MAKE

IKEA can still improve its position as an online furniture retailer by improving its online marketing and coming up with better marketing strategies and marketing plan. Although the company has started focusing on online store and the sales of the company have grown last year by 25% and this represents the potential that the online furniture industry has which IKEA can capitalize (Harrison, 2012). There are different strategies and responses that IKEA can use in order to increase its presence as an online furniture retailer and use the online medium in a better way to encourage consumers to buy and read about products of IKEA online and some of these strategies have been discussed below:

Use Online Marketing

The company has been traditionally relying a lot on the catalogue that it prepares and sends to consumers around the world. The catalogue has always been an important way to attract consumers to the company's outlet, however as consumer behavior and pattern has changed therefore IKEA should be looking to market their brands more online as well. The company can come up with an online catalogue or an e-catalogue to encourage consumers to see the products of IKEA online. However there are copies of printed catalogues on the website, but they need to be more interactive in order to engage more with the customers. Moreover, the company can place their banners on different high traffic websites to encourage and attract

traffic to the site. Also the company can use other online marketing strategies such as blogging, viral marketing to encourage consumers.

Better Use of Social Media

Social media has also made a revolution in the online marketing. Different companies around the world have used social media successfully and these social media websites have been able to increase the sales of the company as well as increase customer relationship and customer loyalty. IKEA can also use social media in a better way. Although the company is already using some of the social media websites and it has been successful in using social media websites like Facebook. For instance, the campaign photo tagging has been used by IKEA in an amazing manner (Warren, 2009) and it needs to come up with similar and even better marketing strategies to engage consumers online.

Mobile Commerce

As there has been an increasing trend of ecommerce, the trend of mobile commerce which is also known as m-commerce is expected to increase. The company has already realized the importance of mobile commerce and it has started offering an Android application named as IKEA catalogue. This application allows consumers to go through different products that the company has offered. Although the consumers have not been satisfied with the application as the consumer rating suggests (Google Play, 2012) but still with some improvements, IKEA can use such applications to engage consumers as well as attract them to buy their products.

CONCLUSION

With the introduction of online commerce, consumers have started using internet not only to buy products online but they have used it to know more about the products of the company, product reviews, compare the products of one company with the competing products etc. All these changes have forced businesses to become more competitive as well as get more engaged with the consumers in order to satisfy them and make them loyal customers. IKEA has been the market leader in retail furniture industry although it has been late to adapt the online arena, but still the company has been relatively successful in attracting consumers and encouraging them to buy the products of the company. Over the years, IKEA has been heavily relying on its catalogue to market its product, but with the changes in the consumer buying behavior the company needs to remain proactive in order to maintain its market leader position and make good use of online marketing to entice consumers.

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