

The drive for building a strong global brand marketing essay



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A typical IKEA customer profile can be described using Consumer Segmentation (Johnson, Scholes, Whittington, 2008). Aker and McLaughlin acknowledge that markets can be fragmented and broken into niches (Aaker McLoughin, 2007, p. 78)

Behavioural Segmentation: Ikea's consumer behaviour is more than just buying things; it also embraces the study of how having (or not having) things affect their lives. In other words they just don't look at the style they are also looking at the extra functionalities that a product can offer.

Psychographic segmentation: Most of the Ikea's consumers are aspiring global middle class who are looking for wide range of furniture (for example from Kitchen Cabinets to Candlesticks) with good quality, stylish interior within their affordable budget (Case study IKEA).

Geographical segmentation: IKEA has broad brand presence across the 35 countries (IKEA website) which includes Europe, North America, Europe, Asia, Saudi Arabia, Singapore, Malaysia (Case Study IKEA). Buying practices of the consumers vary across the countries. Consumers in different countries expect different designs, colours and functionalities depending upon their culture and life styles. The interpretation of certain designs and products of IKEA are virtually diagonally opposite in a single state of the same country for example Large Hispanic families need dining tables and sofas that fit more than two people, the Swedish norms (Case Study IKEA). Despite these differences in the perception of consumers across the globe IKEA's consumers still share the same buying habits. IKEA has set up stores accordingly.

2. Discuss IKEA's strategy in terms of:

a). Positioning the brand in the eyes and minds of their customers

IKEA is known for creating the stories before opening a new store at a location. IKEA throws up an interesting story every time it opens up a new store hence creating an undue interest in the consumer market. As an example, IKEA offered \$4000 in gift certificates to the first person in line at the opening of its new Atlanta store. To avail this offer people were started waiting in the queue a week before the opening of the store (Case Study IKEA) at another instance before the opening of its store at Atlanta, USA, in June 2005, IKEA gave an invitation to the locals to apply for the post of Ambassador of Kul ('Fun' in Swedish). The five participants had to write an essay on why they deserved US\$2,000 in gift vouchers. IKEA has created remarkable shopping experience for its customers. The company manufactures attractive furniture with stylish designs which are ready to assemble by the consumers themselves. IKEA products come in flat packs which are easy to move. They provide everything that a home needs from a small candlestick to a large kitchen wear in their one-stop-shop. Lynch states "It is challenging thus more profitable to have a large share of groups, yet it allows competing and surviving in the market place or in a segment of the market place" (Lynch, 2006, p. 166). IKEA has adapted itself very well to the changing global scenario which not only requires creating a buzz, sustaining it, but also delivering on it. This is achieved by an elaborate and diverse plan ranging from word of mouth, blogs to attracting the shopper by laying out restaurants; play centres and offering free goodies price cuts are also offered. Other interesting ideas include fixing a certain price tag for a design.

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All these contribute to IKEA being a force to be reckoned with among its competitors.

b). The drive for building a strong global brand

Using Strategic positioning options (Aaker and McLaughlin, 2006), We can specify the IKEA's brand in the global market as below

Origin: Ingvar Kamprad in Sweden invented IKEA in 1943 when he was 17-year-old. After Sweden, Eventually it was a hit. Globally IKEA is the most reputed home furnishing company. It is known for manufacturing quality products and designs at affordable price(case study).

Quality: IKEA manufactures the home appliances in low price still maintaining the quality of the products. In order to maintain this quality the IKEA's designers use a trial and error process and identify the appropriate manufacturing methods.

Emotional Benefits: IKEA's customers are emotionally attached to the products that they bought as they assemble the furniture themselves which give them an exciting experience . A blog is created by one of the IKEA customer ' Oh! IKEA'. It can be considered as an Emotional Benefit to the Brand.

Product Attributes and Functional Benefits: IKEA stores provide a wide range of furniture not only with the highly attractive design but also with different functionalities depending on the geography that they are operating. Their store gives all the necessary home appliances that match the interiors of the consumers at a low price

Competitors: According to Mark McCaslin, Manager of IKEA Long Island “ We look at the competition, take their price and then slash it half”. This strategy of IKEA has made it highly competitive in terms of providing furniture at low cost still maintaining the quality. In order to achieve this IKEA’s designers develop the different manufacturing methodologies and keep on improving those methods. They aim at lowering price across their entire offerings by an average of 2% to 3% each year (Case Study IKEA).

Experience: IKEA stores are so well designed that they create a wonderful shopping experience for their consumers

c). IKEA’s pricing strategy

IKEA’s adopted Hybrid strategy allows them to build their products at competitive cost at the same time maintaining the good design and quality. The success of the strategy depends on the ability to deliver enhanced benefits to customers with making profits (Johnson, Scholes, and Whittington 2009). IKEA’s co-workers ensure minimal wastage and cost cutting at every level. As a result, IKEA came up with products that were artistically designed and were still available at affordable prices.

IKEA’s designers try reducing the cost of manufacture of a design by innovating new methodologies in the existing practices.

All these factors make IKEA’s pricing strategy sustainable in the market.

3. IKEA’s value chain strategy evaluation.

Using the value chain analysis (Porter, 1985, p. 37) as an analytical tool we can evaluate IKEA’s value chain strategy as below.

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IKEA's Infrastructure: The blue and yellow buildings average 300, 000 sq feet in size about equal to five football fields. The architecture of the stores is designed in circle, You can see everything as long as you keep walking in one direction. (Case Study IKEA)These are the excellent examples of IKEA's infrastructure.

Human Resource Management: A company is often judged by how it treats employees IKEA also scores in this aspect Even though they don't offer a sky high salaries they provide a friendly environment with little or no hierarchy where employees' liberties are looked after. The employees respond by driving the whole company forward by being prudent and stylish at the same time.

Technology Development: IKEA does not allow designs which cannot be financially viable to make it into the market. This involves a process of company's 12 fulltime designers along with 80 freelancers, trying to determine low cost suppliers and appropriate materials along with the help of in house production teams. This trial and error process understandably takes 2 to 3 years to achieve the results.

Operations: IKEA is operating worldwide in 35 countries with 226 stores. IKEA's designers, freelancers, senior managers, in-house production and store executives work closely to bring out the highly attractive and functional designs at low cost maintaining the high consumer satisfaction.

Marketing Sales: IKEA creates a buzz in the market before they open up a new store and then keep that buzz alive by bringing the new attractive designs every time. IKEA's turnover has grown up from 13570 million Euros
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in 2004 to 22713 million Euros in 2009. (<http://franchisor.ikea.com>). It signifies the huge growth of the company. If the trends continue by 2010 IKEA will need to source twice as much material as today.

Margins: IKEA's operating margin is about 10% whenever the competitors increase, they cut their operating margins by 2.5% to 5%, still keeping a profitable margin in home furniture. (Case Study IKEA)

References