

Reasons for selection of new market for entry marketing essay



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Introduction:

IKEA a Swedish company has grown itself to a large business organisation from a small mail order business. IKEA was found by Ingvar Kampard in Sweden. It has grown itself to 253 stores and 37 countries around the world. IKEA has opened stores in United Kingdom, Hong Kong, China, Japan, and many more making IKEA a brand around the world. According to Usunier (2000), the implications and barriers in establishing a new market in the international trade business is reducing day by day which creates new opportunities for the business for globalisation.

Reasons for selection of new market for entry by the Company

India has become a emerging trade nation for many multinational organisations for establishing their business through the years. In year 2009, the GDP of India stood at US\$1. 243 trillion which had made makes itself the 11th largest economic nation in the world. In July, Reserve Bank of India has claimed a growth of 8. 5% growth in the financial year (BBC news, 31 August 2010). Considering the average growth of the India from two decades it has been 5. 8% (Achin Vanaik, July 2006). It has been the fastest growing economy in the world. India has involved itself in world trading market by opening its doors to the multinational organisations to conduct business in India. Considering the international market the culture barrier comes in front of any organisation conducting business internationally. So a perfect international marketing strategy should be designed before taking step in the Indian market.

Alternative markets which were candidates and reasons not selected?

IKEA has established itself in every part of the world in Europe, North America, Middle East, Caribbean and Asia Pacific, so going after the establish region markets will help IKEA only in developing its communication network and not build its brand around the world. India is the location where IKEA has not established itself and had been unaware of the scope of the Indian market in increasing its business.

Proposed market entry strategy, including rationale

The proposed marketing strategy which can be used by IKEA for establishing in Indian market Marketing Mix (The 4P's). Marketing mix is considered has one of the main tools in marketing for understanding the different concepts related to price, product, place, and promotion (4P's) (Armstrong and Kotler, 2006). IKEA can modify its marketing strategy according to the targeted market with marketing mix.

Fig: 1 The 4P's of Marketing Mix

Source: Armstrong and Kotler (2006) Marketing: an introduction. New Jersey: Pearson Education, Inc.

The product section is the first category where IKEA can first focus on and select what are the products which can be targeted to India. However IKEA offers a great range of the household products which can be useful houses. Considering the products targeted by IKEA to the customers they can be given an option of choosing different range of the products within a range of price and also let them choose different colour combinations for cover at low

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and cheap price. IKEA has always supported global warming and does not cover its products with all the cardboard stuff covered with synthetic balls and everything, but uses environment friendly products to cover them. IKEA can provide free home delivery option to the customers with self to do furniture and can provide support if needed.

The most important parameter is the price which affects customers ranging from different economy class levels. Considering the earlier facts by IKEA where it changes the price by providing discounts, EMI scheme according to the demand and supply of the products. Thus by providing schemes for prices to the customers it keeps the pricing policy balanced with customer values and also integrates with other 3P's of marketing mix.

The 3rd P of the marketing mix is Place which according to IKEA is a important parameter as in for targeting customers. The sub categories involved in the Place are medium of channel, coverage of the area i. e. distance between store and the customers, assortments, locations, inventory, transportation and logistics. However IKEA has developed its communication network by delivering the products from suppliers to customers at time and up to date. IKEA uses flatpacks play which helps in reducing the costs involved in transportation. Opening a shop in the Indian suburbs can also help in reducing the prices involved in transportation of the materials from places.

Promotion plays an important role in branding of any product and IKEA has achieved it through its years of marketing techniques used in promoting its products. Promotion does involves advertising, sales parameters, public

relations and personal selling and other marketing techniques which can be used for building relationships with Indian customers. IKEA involves advertising of its products in TV, newspapers and hand to hand delivery of the pamphlets to people homes. As said earlier IKEA involves itself in environmental concern and so has been a part of some environmental NGO's through the world, UNICEF, and WWF just creating a favourable public image to the customers.

Culture plays an important role in establishing a new firm in international countries. IKEA will have to take in mind the cultural concepts before investing in India. There has been many literature based on different concepts of culture according to different authors and publishers. Terpstra & David (1985) defines the culture as medium for learning, sharing, compelling, set of actions or symbols which can provide some meaning to the members of the society. According to Parker (2000), A relation between institutions, organisations and management itself plays as a cultural communication between the teams. Ien (2005) presents a nice concept where he thinks rise in the awareness of the culture in the society is in relation to globalisation in particular. Culture plays an important role in marketing which is also related to the 4P's of the marketing mix while designing the marketing strategy for Indian markets. Considering the idea that IKEA will be dealing with the Indian customers which has distinct cultures, languages and different income levels. If we use the same marketing techniques used in United Kingdom, China, Hong Kong we won't be able to guarantee that the marketing strategies used in those will help us succeed in Indian markets.

Cross culture marketing will play an important role in developing the IKEA a brand name in Indian cultural trade market. Usunier (2000), has stated in his publication that use of culture approach in developing the marketing strategies for international countries can be useful. Globalization does acts as a barrier in international cross cultural marketing which creates entry step barriers which can be reduced during the span of period. Following in this report we will be exploring the Armstrong & Kotler (2006) marketing mix (4P's) concept with culture and design a marketing strategy form Indian customers. In this report we will apply the global marketing strategy of the IKEA and maintain balance between globalisation standards and Indian market understanding.

Usunier (2000), the marketing strategy for any business should be globalised but the marketing concepts can be tailored according to the customer and cross cultural marketing needs. The main approach of IKEA will be to attract as many as customers by adaption through local markets. The following section will explain the marketing strategy by the IKEA in co relation to Indian culture.

Product:

Product is an integral part of any Retail based business which has to be according to the needs and demand of local customers. The showrooms should be designed according to the Indian style and will also integrate quality and design of the products according to the customer preference. A large variety of the products will be displayed in the showroom ranging low price to high price along with combination prices. Considering the Indian culture and style of cooking, 4 kinds of meat cleavers and 7 types of spoons

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and forks along with the western style of products will be displayed.

Considering the Indian culture which has a different combinations of colours included in it, the design of the showroom will be coloured with different combination of colours. During “ Diwali” (Indian festival of lights) IKEA can bring new range of products with less and affordable price to the Indian market. During this festival people usually renovate their houses and bring in new products to their new home. New designs and furniture’s can be very effective in Indian markets apart from the local furniture stores. However this step will cost in investment to IKEA but will also help in attracting the customers and increasing sales. For example, IKEA sells mattresses in Sweden as in different sizes such as 70X 200 cm, 90X 200 cm, 120X 200 cm, 170X 200 cm. But in they can be displayed as single bed, double bed, big double bed etc. which also considers the Indian culture because in Indian people believe that sleeping in two different beds creates problems in relationships in the house according to the Indian Vastu shastra.

The main attribute of IKEA is packaging of its products which contains a simple wrap like material used to cover the products. But in India people seems to like their product wrapped in a material such that no wear and tear is done to product. IKEA can make use of the low recyclable materials to make such covers which will be cheaper to the other packaging materials. By using the recyclable materials IKEA will stand by its environment friendly organizations. Differentiating IKEA from other furniture showrooms IKEA can open in store restaurant serving Indian cuisines and Swedish cuisines to the customers. Indians love eating which will add as a profit to IKEA. Free home delivery and installation charges services can be provided to the customers

under a nominal price and can be given an option of reducing this charges through direct payment of the high range products. Branding plays an important role for any organisation and IKEA can contribute to branding by getting involved in the Indian culture.

Price

Price plays an important parameter in attracting customers for any business organisations in any world market. Reduce in the prices will help IKEA in attracting customers. Reduce in the prices will help in increasing the sales for IKEA. Considering India most of the market population is in middle class and IKEA with low prices can hit this large middle class population with appropriate marketing strategy. This prices can also be changed during the festive seasons and new products can be displayed with appropriate prices reducing the loss element of IKEA. Full furniture designs can be displayed in the brochures and real designs can be displayed in the showrooms. IKEA has a policy of attracting and winning customer values through low prices.

Place

Place provides a medium of communication between the organisation some or the other form if the products are supplied to the customers in time and on date it creates some kind of the reliable relationship between organization and customers. After studying through the logistics, transportation routes with easy traffic IKEA can open showrooms in town where thier are high class income customers and middle class customers which would be easy for customers to reach the showroom and easy for IKEA in transportation of their products through logistics. The showrooms will be designed according to the Indian culture depicting various colours with <https://assignbuster.com/reasons-for-selection-of-new-market-for-entry-marketing-essay/>

colourful floorings and matching the furniture designs which can give the customers an idea on how they can furnish their homes. Considering the location of the IKEA showroom and traffic problems in Mumbai, IKEA can help in underground parking facilities charging a nominal price for parking. The timings of the showroom will be from 10am to 10pm daily through year. Future investments can be considered in attracting more middle class customers by opening showrooms in suburbs and building efficient distribution system between the two showrooms. This can help in reducing the prices and reaching more customers through Mumbai.

Promotion

Promotion is an important element in any marketing strategy for any business organization. Promotion consists of sub categories such as advertising, sales parameters, public relations and personal selling and other marketing techniques used for promoting products. Advertisements can help IKEA build customer relationships through cultural means. IKEA has its known policy of not using personal selling and giving out limited choices to the customers, it wants its customers to have a range of products so that they can select their favourite ones. IKEA can display the various colour combinations of flooring and stuff which goes with the furniture's and can create local employments by employing staffs to help the customers related to any products. IKEA can promote its products through advertisements through TV, newspapers and dropping out brochures in some residential areas. IKEA can promote its new products during festival seasons and attract more customers. Internet been a big market for sales of the products IKEA can advertisement through internet by ads through various websites and

personal website giving out each information needed by the customer. IKEA can promote its products during festival season by giving free home delivery over purchase of Rs. 30, 000/-. An advertisement has to be done in English and Hindi for better communication to the Indian customers. Through advertisements IKEA can reach to its customers for better sales and services. IKEA can build its public relations by letting customers know on purchase of products more than Rs. 20000/- a respected amount of Rs. 4000/- will go into charity helping poor children's in Mumbai.

Outline of recommended marketing mix

This marketing mix (4P's) Product, Price, Place and Promotion in combination with Indian culture can be useful in implementing the marketing strategy for IKEA covering each and every factor required to establish in Indian market. The cultural awareness of the market can help in designing the marketing strategy and adapting 4P's according to the market. This cultural awareness of the market can help IKEA in building a strong foundation in market and making it different from other organizations. Multinational organization can make use of this marketing mix (4 P's) for establishing them self in any international market and adapting the 4P's according to the cross cultural marketing techniques in new international markets.