

Global expansion for ikea marketing essay



**ASSIGN
BUSTER**

In its broadest logic, business strategy relates to taking strategic decisions, the decisions that answers the questions like; where are we now, where do we want to be and how we do get there for the betterment of the organisation and stakeholders.

Johnson and Scholes (2002), define strategy as the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a challenging environment to meet the needs of markets and to fulfil stakeholders' expectations.

In other words; Johnson and Scholes (2002), went on saying that, strategy is about where is the business trying to get to in the long-term, which market should a business compete in and what kind of activities are involved in such markets.

In short; strategy of an organisation is all about the intended direction, markets scope, its advantage of winning rivalry , resources in order to be able to compete, the environment is operating within and the values and expectations of those who have control in and around the business, that's stakeholders.

IKEA is a globally well-known home furnishing retailer. It has grown-up quickly since it was founded in 1943. Today is world's largest furniture retailer, recognised for its Scandinavian style. At the age of 17, in 1943 Kamprad founded IKEA which stands for Ingvar, Kamprad, Elmtayd and Agunnaryd, where he started selling pens, pencils and seeds through the local milk delivery network in the frugal farmlands of southern Sweden. As of

2009 there are 296 IKEA stores in 36 countries/ territories. (www. ikea. co. uk)

IKEA uses SWOT and PEST analysis to help it reach its objectives. This is a strategic plan tool; it helps the business to focus on key issues. SWOT is the first stage of planning and looks at the Strengths, Weaknesses, Opportunities and Threat. PEST stands for Political, Environmental, Social and Technological which are all involved in a venture or business enterprise.

IKEA GLOBAL EXPANSION

IKEA's global expansion has never been smooth. Its first Japan expansion failed in the 1980s (Carpell, 2006), but the second Japan, together with China, expansion was more successful. Some scholars have ascribed these successes to IKEA's organisational learning and market adaptation abilities (Chaletanone & Cheancharadpong, 2008; Johansson & Thelanders, 2009).

Especially in China, Johansson (2009) observed that local market does not share

IKEA's affordable for everyone image as the rest of the world due to much lower income level in comparison to Western market. Hence, other than striving to continuously lower its prices in China, IKEA also adjusted other aspects of its marketing strategy, like; offering delivery and assembly services (Johansson & Thelanders, 2009).

IKEA'S SWOT ANALYSIS

STRENGTHS

Strong brand image - A well established brand combining a distinct style with reputable affordability, hence; it has a broad and loyal consumer base, helping it survives in tough economic condition. It promises the same quality and range worldwide.

Its vision ' to create a better everyday life for many people'

A strong concept based on offering a wide range of well designed, function products at low prices

Broad geographic reach -IKEA stores are established in many countries shielding it from local market downturn, with its ' democratic design' reaching an idea balance between function, quality and price.

Adaptability to market and strong global strategy as proven by success in China and Japan

WEAKNESSES

Too focused on Western Europe - IKEA sales remain significantly focused in Western Europe, a mature market currently affected by considerable economic problems.

The size scale of its global business. This could make it hard to control standards and quality. Some countries where IKEA products are made do not implement the legislation to control working condition.

The scale of the business makes IKEA to have a difficult task with consumers and other stakeholders about its environment activities as it produces publication in print and online.

OPPORTUNITY

Emerging market - China, India and Indonesia for instance; with growing middle class, increasing purchasing power, young median age and growing economy can support IKEA's target - scale stores and help balance to spread out global sales.

A growing demand for low priced products. Trends in the current financial climate may result in consumers trading down from more expensive stores.

Internet retailing - strong brand established delivery infrastructure place it in a strong position to exploit the expansion of internet retailing, driven by increased access to the internet and trends towards convenience in IKEA's key market.

THREATS

Social trends and market forces; such as the slowdown in first time buyers entering the housing market and more competitors entering the low price household and furnishings markets.

Increasing competition from supermarkets - Retailers in US and European market such as Wal-mart and Tesco, pose notable threats to IKEA's low-price positioning. This further enhanced by development of internet retailing.

Source: Chaletanoned Cheancharadpong, 2008; Euromonitor international, 2009, Johnassen & Thelander, 2009

IKEA PEST ANALYSIS

Political

IKEA also facing a great challenge of its operation globally. In some Asian countries such as Indonesia corruption is still widely pervasive compare to western where is not intense.

Intellectual property law is not strong enforced in some Asians countries, this can be especially problematical when combined with availability IKEA's yearly catalogue and low labour cost.

Economy

Though labour cost is lower in some countries where IKEA operates; such as Indonesia for instance; there is no need of Do - it - Yourself (DIY) furniture assembly as it is cheap to hire carpenters and also it is potential to source production locally which in end lowering cost.

IKEA has been hit by global financial crisis though in some countries in Asia not affected that much, but it has heavily affected by its Western markets where it relies to most of its markets.

Social and Culture Factors

The diversification of culture to its IKEA's global market has also played part in its expansion globally. This has influenced consumer season ability in countries like Indonesia with Chinese minority where there is higher population of Muslim, hence during the holy month of Ramadan to Muslim

green colour may be popular, while during Chinese New Year, red colour with Chinese year animal symbol in the IKEA products can be a seller.

Technological factors

Inadequate infrastructure can hinder logistic and property development

Usage of media such as television and internet is rapidly growing and this makes easier for IKEA customers to have a wide range of IKEA's portfolio products and easily accessing them

Usage of PDA such as blackberry promoting mobile media is growing rapidly especially in big cities where accessibility is in large.

Source: (CIA, 2009; Euromonitor international, 2009)

Conclusion

IKEA is a well-known global brand with hundreds of stores across the world. In order to improve performance, it must assess its external and competitive environment. This will reveal the key opportunities it can take advantage of and the threats it must deal with. IKEA responds both internal and external issues in a proactive and dynamic manner by using its strengths and reducing weaknesses.

IKEA offers a wide range of functional home furnishing products with simple Scandinavian design " at prices so low that as many people as possible can afford them " (IKEA, 2009).

Through this, IKEA is able to generate the strong growth it needs to retain a strong identity in the market. (www. thetimes100. co. uk)

The cornerstones of IKEA vision, business idea and concept are low prices (IKEA, 2009c; Euromonitor International, 2009).

The company targets customers looking for value and is willing to do some work themselves, e. g. self-transporting and self-assembling the furniture, for a better price. The typical IKEA customer is young low to middle income family.