

Ikea invades america



**ASSIGN
BUSTER**

IKEA is a furniture company that bases its business on the general idea of saving whenever and wherever possible. It differentiates itself from every other type of furniture company by the combination of its designs and prices and by the experience it offers to every customer that visits its stores. They do not only offer the services of a general furniture shop, but they also give to their customers a wide range of services that can complement their experience in an IKEA store: restaurants; kids' playgrounds.

Moreover, they have a policy of not offering assembly options to their customers: this means that each product has to be assembled by the customer and not by IKEA. This is the general model implemented by IKEA all over the world. However, when it first entered the American market, IKEA faced some challenges due to the strangeness of these concepts to the Americans. All of those were well resolved and this furniture company began to have some success in USA. Every product and service can be categorized into four levels.

These levels are the basic product, the expected product, the augmented product and the potential product. Each of these levels adds more customer value to the product. Product and services, which serve as an augmented product, deliver the most value to the customer and help company to create brand experiences and brand equity. IKEA, for example, does not only sell furniture, but it also sells "better living experiences with affordable solutions" and, therefore, they provide new ideas and inspiration, tips and solutions on how to build a dream home.

What makes the IKEA products' augmented, for example, can be the fact that they offer each client a 2-year warranty on the goods, a free repair or

even that they offer their clients their annual catalogue each year. This augmented product concept is, however, more and more common among companies and therefore they have to find other ways to differentiate themselves. That is exactly what IKEA did. But before we can explain that, we have to know how was competition in the USA furniture market, in order to know how could IKEA stand out from competition.

On one hand, there were the high-end retailers, such as Ethan Allen, Thomasville and Jordan's Furniture, who invested in a luxurious store environment, with various payment options and wide collections. These stores were known for the high specialty service they provided. On the other hand, there were the low-end retailers (Wal-Mart, Office Depot) that tried to target price sensitive customers, whose store had kind of a dingy and inconsistent environment and limited selections. Given this, IKEA found a way to be different from its main competitors: it introduced the concept of reverse positioning.

Most furniture companies have over the years steadily augmented their offerings. They typically carry a wide product range. Sales consultants pamper customers, presenting them various options including package deals that involve delivery of new furniture and disposing the old. As a result, they have continually augmented their value proposition because they assumed customers could never be fully satisfied. IKEA, on the other hand, as a reverse positioner assumed that although customers do want something more than the baseline product, they don't necessarily want an endless parade of new features.

A typical IKEA store does not provide in-store sales assistance. The variety is limited. There is no delivery option. Most of the furniture requires assembly. IKEA does not guarantee durability. But IKEA has supplemented this by offering items besides furniture - brightly coloured houseware and cleverly designed toys that are not available at most other furniture stores, for example. This unconventional combination of attributes allows the product to assume a new competitive position within the category of furniture stores.