

Furniture and ikea



The purpose of this report is to examine Ikea's retailing strategy in Singapore. It will also mention different areas of the retail strategy, such as the retail format, retail positioning, retail location, merchandise management, retail pricing, store design and layout, and customer service of Ikea. Ikea is a category specialist store under the general merchandise retailer's category. It has a narrow variety and deep assortment. Furthermore, it manufactures and sells its own furniture displayed in a warehouse atmosphere. Ikea has two stores located island-wide in Singapore, the first one located at Alexandra Road in Queenstown, and the second store located in Tampines.

IKEA stores in Singapore are usually large freestanding buildings located near highways, major roads, public transport, and huge vehicle traffic. Ikea's product range is child-friendly and covers the needs of the whole family, young and old. To differentiate itself from the market, it offers customers a wide range of uniquely well-designed, functional home furnishing products at prices so low and reasonable, so as to allow as many people as possible to afford them. Ikea provides a pleasant shopping experience for all with its friendly and approachable staff. With a wide range of services from delivery, assembling, sewing, to interest-free payment and return policies, customers can shop with ease for their home solutions. To inform their customers about festive and seasonal discounts, savings, and promotions, catalogues are usually distributed through mailboxes and via email. Basically, Ikea has been a successful company in manufacturing and retailing their products. However, there are rooms for improvement such as the accessibility to the store. Much speculation has been made about the accessibility to IKEA in

local forums and blogs and most of them find it very inconvenient to travel to IKEA.

There are 2 IKEA outlets, one located at Alexandra and the other at Tampines. For Ikea Alexandra, the website states that the nearest MRT is at Queenstown MRT, Red Hill MRT or Commonwealth MRT. However, it does not reach IKEA directly and bus trips are required from there which has become quite troublesome for shoppers. Furthermore, previously there was a shuttle bus service from Sengkang to Alexandra IKEA, but the shuttle bus service is not operating anymore. These sources are taken from SgForums. com where Singaporeans expressed their unhappiness on. Although IKEA had made plans to counter their inaccessibility by implementing a free parking promotion scheme for IKEA Alexandra from Aug 2010 to July 2011, not everybody owns a car and drives. For Ikea Tampines, although it is much more convenient for people staying at the east to travel there, it experiences the same kind of problems too. Purpose

The purpose of this report is to investigate the different areas of Ikea's retail strategy, and make practical recommendations that can further strengthen Ikea's position in Singapore. Methodology

We have made multiple trips to both of the Ikea stores in Singapore to help us better understand its retail strategy, and its different services and operations within its store. Through the field trips, we had a more hands-on experience of its products, and how the company functions as a whole to make it successful in Singapore today. Online research was also done through the information given on Ikea's website and Wikipedia. We have also looked through articles related to Ikea, and also Ikea's catalogues that can

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help us understand better about the retailer and its products which we could explain and apply in our findings.

Background of Retailer

Ikea is a private company that designs and sells ready-to-assemble furniture, ranging from beds, desks, sofas, to home accessories and appliances. Founded in 1943 by Ingvar Krampard in Sweden, Ikea is the world's largest furniture retailer. In order to give many people a better everyday life, IKEA require customers to work as their partner, by assembling the furniture themselves offered at a low price. The original IKEA store was opened in Sweden in 1958, and it now has 316 stores in 38 countries. The IKEA website contains about 12, 000 products and there were over 470 million visitors to the IKEA websites over the world in the year from September 2007 to September 2008. By adopting environmentally friendly manufacturing processes, Ikea maximises the use of raw materials to fulfil people's needs and preferences by offering quality products at an affordable price.

Findings

1. Retail Format Being a home furnishing specialist, Ikea is a category specialist store, also frequently called category killers under the general merchandise retailers' category. It claims that its product range is developed to be large enough to have something that appeals to everyone and to cover all functions in the home. Therefore it offers narrow variety (only sell furniture) and deep assortment (different kinds of furniture) of merchandise. Usually, customers are attracted to the deep assortment and low prices. IKEA claims to offer " everything under one roof". It provides not only home furniture to the market; it also provides office furniture, kitchen and <https://assignbuster.com/furniture-and-ikea/>

bathroom furniture so as to maximize their product mix and merchandise available to the market.

Being a category specialist in furnishing products and storage solutions, the furniture are for people of all ages, from babies to senior citizens. The furnishing products of Ikea target mainly on middle income families living in apartments who are looking for more storage space and quality functional products at low prices. Ikea also offers food and beverages other than furnishing products. Swedish food and local delights are available at the Ikea Restaurant, Swedish Food Market, and Bistro located in the store.

After a long day of furniture shopping, customers can enjoy a full meal at the Ikea Restaurant (refer to figure 1. 1), which assures customers a pleasant dining experience that is easy on the wallet. Kids and vegetarian menus are available too. Swedish traditional specialties available at the Swedish Food Market situated after the checkouts ensure customers enjoy quality food products at low prices. Customers can also grab a bite after shopping at the Bistro to freshen up and complete their shopping experience.

2. Retail Positioning

It is important for Ikea to position itself to stand out from other competitors. They have to create an image or identity for their target market, in order to differentiate themselves from their competitors. This would affect the way customers perceive the store as a whole. As Ikea is a family-friendly store, its target customers would range from babies and toddlers, to working adults and senior citizens. Their products are developed to appeal to everyone and to cover all functions in the home. The product, price, and customer service

are important factors that help Ikea position themselves to stand out from its competitors.

The factors that affect the customer's perception of quality of the products include packaging design, customer service, warranty, colors and materials. As Ikea is family-friendly store, they are more towards bright, bold colours and large fonts, which gives customers a pleasant and happy shopping experience. Next, price is an important part, if customers cannot afford Ikea's products; they are unlikely to frequent the store. Most of the products in their store are in a comfortable range for their target market according to customer's income and spending power. To create a sense of desire and to give an option for a splurge, some items are priced out of the target customer's normal price range. Ikea staffs are cheerful and have a service-oriented mind.

They are friendly and approachable and are available for assistance if customers encounter any problems or need help during shopping. In this market, one of Ikea's intratype competitors would be Courts. With its headquarters in Singapore, it is one of the largest furniture, electronics and IT retailers in Southeast Asia. It started of retailing furniture, before moving on to retailing electronic products later on. It also offers consumers hassle-free in-house payment plans, MAX Payment Plans, to make customer's lifestyle more affordable. However, compared to Ikea, pricing of products in Courts is still relatively higher. Ikea also has competitive advantage over them as Ikea provide wide range of practical storage solutions that are far better and functional than Courts. Although sales assistants are available in the store, they are not as energetic and self-oriented as the ones in Ikea.

Being enthusiastic in their work, the sales assistants in Ikea make customers feel welcomed to the store. Furthermore, Ikea has showrooms that take into consideration of families living in small apartments, while the furniture in Courts (refer to figure 2. 1) tend to take up much more space in the house, and suitable for people living in larger houses. Another intratype competitor would be Novena (refer to figure 2. 2), a household furniture brand in Singapore. Furniture ranging from dining sets, sofas, TV sideboards, beds, wardrobes in different styles and concepts are available at affordable prices. Even though the price is affordable, Ikea has still a competitive advantage over them, as Novena does not provide storage solutions too.

Ikea also has modern furniture which appeals more to the masses compared to Novena. Also, the sales assistants in Ikea compared to Novena do not harass or promote the consumer into buying a certain piece of furniture, while Novena has sales assistants which are constantly asking customers whether any assistance is needed. There is also intertype competition from department stores such as Robinsons, as Robinsons also provide certain home furnishing products such as candles, bed linen, and curtains. Although the quality of the products is better, the prices are not as low to those compared with Ikea. Merchandise in Ikea can also be positioned according to the ages and price as shown below: Higher-priced products

Children's mattresses Sofas Desks Junior chairs

Children Adult Products Products Cutlery

Toys and play Plant pots and plants Lower-priced products

3. Retail Location Usually, the retail location of the business is the top priority decision of the store. Its importance relates to the business itself as businesses must have a prime location so as to attract customers. Ikea is a freestanding site, which is an isolated store and unconnected to other retailers as their product offering is different. There are only two Ikea stores in Singapore which are Ikea Tampines and Ikea Alexandra (refer to figure 3. 1), and they are large blue buildings with yellow accents together with glass windows, that make it aesthetically appealing and instantly recognizable at its location.

Furthermore, the stores are located along highways and major roads making it highly visible, whereby large amount of vehicle traffic along the roads also attract customers attention when driving by. Ikea is known for its large shopping space, with a big self-serve warehouse area completed with showrooms with numerous products showcased in the two-storey store that provides consumers endless opportunities and ideas to build their perfect home. The first Ikea store at Alexandra Road is smaller compared to the one at Tampines; by only looking at the number of parking lots, Ikea Alexandra has 420 parking lots, while Ikea Tampines has got 1, 400 parking lots. However, Ikea Alexandra is located at the fringe of the city, and there is no high rental fee. However, it is a strategic convenient place for people staying from all parts of Singapore, such as Bukit Merah, Redhill, or even Jurong to head down to that store.

The Ikea store at Tampines has taken advantage of the Economic Development Board's Warehouse Retail Scheme, which lets companies use industrial land for retail and warehousing, and Ikea has already got a lease

from the government for 30 years at a fixed occupancy cost. It has thus taken advantage of the opportunities that the huge amount of space serves at that location. Despite having Giant and Courts mega stores in the same area, IKEA still attracts more than 300, 000 consumers per month since its opening in November 2006. Although some may feel that the new store is less accessible than the one at Alexandra, the larger space and free parking that is available at Ikea Tampines is a pulling factor that attracts new and existing customers which keeps them coming in. Space and its usage by Ikea have thus been carefully constructed and used, which are the key factors for Ikea's economic success.

4. Merchandise management

Ikea features a merchandising strategy of providing home furnishing products, offering customers complete home and storage solutions. Merchandise that Ikea offers ranges from furniture such as beds and sofas, to simple home ideas such as clocks, photo frames and scented candles. By visiting the Ikea store, customers can have all their home furniture problems solved, with just one shopping trip to Ikea. Ikea has a high inventory turnover, as customers are constantly attracted to the store by affordable and functional products by Ikea, which lead to high sales and revenue for Ikea. The product categories of furniture that IKEA offers, is aimed to solve all furnishing needs of all people. It also provides cabinet and drawer customization, with design support, and installation, for beds, and extending to kitchen furnishings too.

IKEA also has products for the children, with small furniture catered to children, and children interactive products such as puppets, soft toys, and

even art materials. By making all the solutions available all in one store, it helps customers shop with ease, with different departments of the store working together cohesively to create effective solutions for consumers. IKEA manages their merchandise, with a full range of product categories, and with efficient handling of their merchandise, to achieve and maintain a high level of perception in customers as a global retailer that creates solutions for everyday life at home. Basically, there are five different kinds of categories: living room, bedroom, kitchen, children's ikea, and textiles.