

# [Ikea case – college essay](https://assignbuster.com/ikea-case-college-essay/)

IKEA’s Global Strategy: Furnishing the World Individual Case Study I Executive Summary IKEA is a privately held, international home products company that designs and sells ready-to-assemble furniture such as beds and desks, appliances and home accessories, and is the world’s largest furniture retailer. The IKEA website contains about 12, 000 products and is the closest representation of the entire IKEA range. IKEA’s sales totaled about 12. 2 billion USD in 2003, with a net profit margin around 6-7 percent. Of this, Europe accounted for 80% of revenue, with Asia accounting for 3% and North America 15%.

INGKA Holding is owned by the nonprofit INGKA Foundation, thus none of this profit is taxed. By conducting TOWS and situation analysis, many internal and external issues have been identified, most importantly the high cost of living and appreciation of Euro, consumers perception, supply and distribution system, import regulations in foreign countries and increasing competition. Other problems include the company’s mediocre marketing techniques, reliance on saturated regions for revenue, brand image and product design influences.

After studying the problems and aligning them with the strengths and opportunities, this report has suggested few strategic alternatives to help IKEA become a truly globalized brand. The alternatives are Improvement in supply chain, market expansion, market penetration, market development and incorporation of global values to strengthen its position and help the company become a dominating global force. Table of Content Environment: 5 Economic Conditions and Trends5 Cultural and Social Values and Trends6 1. Social value: 6 2. Emotional value: 6 3. Circumstantial value: 6 . Novelty value: 7 Political and Legal Issues7 Industry7 Analysis of Existing Competitors8 Direct competitors: 8 Indirect Competitors: 9 Analysis of Potential New Entrants and Substitutes11 Analysis of Suppliers: 11 Analysis of Buyers: 12 Organization13 IKEA Stores: 14 Objectives and Constraints: 14 Financial Condition: 14 Management Philosophy and Corporate Culture: 15 Organizational Structure: 16 Marketing Strategy: 17 Objectives and Constraints: 17 Analysis of Sales, Profit and Market Share: 17 Analysis of Target Market17 Analysis of Marketing Mix Variables18 1.

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The globalization is changing the structure of labor intensive industries such as the furniture industry. Increased imports at lower prices force the manufacturers to look for competitive edges and if necessary to restructure their operations. Some looked at their business model, other at the product, the production, productivity or the relation with the final consumer or a combination of some or all of these different aspects Between 2003 and 2004 the worldwide furniture production has grown from 221, 496 million Euros to 271, 860 million Euros which means a growth of 22. % in that period. This variation is more marked if the values are expressed inn US dollars (+35. 2%). The developed countries have contributed to this growth, increasing the furniture production by 14. 4% (+26% in US$). On the other hand, in the emerging countries the furniture production’s growth achieved 57. 4% in the same period between 2003 and 2004 (+73. 4% in US$), that shows the productive potential of the furniture sector in those countries. Source UEA ; AIDIMA The highest growth of furniture consumption is demonstrating in Asia.

Asia is not only an enormous producing power, but the consumption of the region is becoming significant at a global level. Cultural and Social Values and Trends The main value for a product to be acquired by the consumer is the functional value. The utility of the product is the motivation of the buying. The overabundance of adverts and products and the increased purchasing power of the consumers are allowing the appearance of new values around the product on top of the functional: 1. Social value: the furniture consumption reflects the social status.

Through brands and products the consumer is building up his own identity and the companies should exploit the hidden aspirations and self-concept of each consumer 2. Emotional value: everyone has his own experiences, sensations, and give a clearly subjective value to the product that is only recognizable and comprehensible by the consumer. 3. Circumstantial value: The same product can be evaluated by the consumer in different ways. Other ways of increasing the consumption are the occasions of granting an additional value to certain extraordinary circumstances. . Novelty value: renewal and constant updating are parts of the consumption’s driving forces. The attraction for novelties and breaking the routines can be exploited by the companies for guaranteeing the consumers? attention and attraction for the sales point. IKEA has a vast target market hence it caters to people form different cultural and social values. Their market includes people form various socio cultural values who want style and functionality along with affordability. Political and Legal Issues Since IKEA is striving to become a global brand.

There are many political and legal issues that the company has to face and tackle. These issues include standardization issues since Europe and America have different standards for products, safety issues as Europe and America follows different safety standards, Raw material problems there are some raw materials that are banned in American states like Hemp, many countries try to safe guard their local industries due to which companies like IKEA are not allowed to operate at their full potential, In order to safe guard local industries many countries imply heavy import duties which hampers the company’s profitability.

Industry IKEA is in the furniture and appliance industry and competes against other mega furniture and appliance chains. IKEA is the number one brand in Europe and is the world’s largest furniture retailer that specialized in stylish but inexpensive Scandinavian designed furniture. Analysis of Existing Competitors Direct competitors: STOR Furnishings International Inc: Was an American furniture chain based in City of Industry, CA, that opened in 1987. It sold European-style furniture and ready-to-assemble furnishings.

Advertisements for the chain ended with the statement “ STOR: without the ‘ E'”. IKEA filed a lawsuit against the company shortly after opening, claiming copyright infringement, and was settled in 1988 with STOR being forced to change the layout of their stores and advertising. STOR was generally considered a knockoff of IKEA, and sold items of inferior quality to that sold by IKEA, the chain was acquired by IKEA in 1992. Argos: Is the largest general-goods retailer in the United Kingdom and the Republic of Ireland with over 750 stores.

It is unique amongst major retailers in the UK in that it is a catalogue merchant. It primarily displays goods by catalogue, from customers which make their selections to purchase, pay, and then collect the items from an in-store collection desk or have the item delivered to their home Habitat: Is a retailer of household furnishings in the United Kingdom, France, Germany, Spain, and has franchised outlets in other countries DFS: Formerly Direct Furnishing Supplies, is a national furniture retailer in the United Kingdom which specializes in sofas and soft furnishings.

It serves the lower end of the furniture market and offers credit terms on its goods. DFS has used ‘ Deals For Sunday’ as its full name in marketing in the past. For many years in the 1980s and 90s actor Tom Adams was the face of DFS’s television advertisements. Indirect Competitors: Staples Inc: Is a large office supply chain store, with over 2, 000 stores worldwide in 26 countries. Staples sell supplies, office machines, promotional products, furniture, technology and business services both in stores and online.

The company opened its first store in Brighton, Massachusetts in 1986. Quill Corporation is Staples most profitable division, accounting for nearly 25% of the company’s net income B&Q: Is a British retailer of DIY and home improvement tools and supplies. It was founded in 1969 and is the second largest DIY retailer in Europe, the largest in China and the fourth largest in the world. It is a subsidiary of the retail group Kingfisher plc, which is listed on the London Stock Exchange. Its head office is in the Portswood House in Eastleigh, Eastleigh orough, Hampshire. Homebase: Is a British home improvement store and garden centre, with 350 stores across the United Kingdom and the Republic of Ireland. It is well known by its green and orange color scheme. Together with its sister company Argos (with 750 stores), it forms part of Home Retail Group. Homebase used its Sainsbury’s experience to move into using central warehouses from which to deliver its stock. By the 1990s it was receiving the vast majority of its stock into central warehouses, then delivering it to stores.

Homebase still receives a few direct deliveries to its stores from manufacturers and vendors. Debenhams plc: Is a British retailer operating under a department store format in the UK, Ireland and Denmark, and franchise stores in other countries. The Company was founded in the eighteenth century as a single store in London and has now grown to around 160 shops BHS Limited: Is a British department store chain with branches mainly located in high street locations, primarily selling clothing and household items such as bed linen, cutlery, crockery and lighting.

The company has 186 stores throughout the United Kingdom. Target Corporation: Is an American retailing company that was founded in Minneapolis, Minnesota in 1902 as the Dayton Dry Goods Company. In 1962, the company opened its first Target store in nearby Roseville. Target grew and eventually became the largest division of Dayton Hudson Corporation, culminating in the company changing its name to Target Corporation in 2000. Target is the second-largest discount retailer in the United States, behind Wal-Mart.

Wal-Mart: Is an American public multinational corporation that runs chains of large discount department stores and warehouse stores. Wal-mart has 8, 500 stores in 15 countries, under 55 different names. The company operates under its own name in the United States, including the 50 states. It also operates under its own name in Puerto Rico. It operates in Mexico as Wal-mex in the United Kingdom as Asda, in Japan as Seiyu, and in India as Best Price. It has wholly owned operations in Argentina, Brazil, and Canada.

Wal-mart’s investments outside North America have had mixed results: its operations in the United Kingdom, South America and China are highly successful, while it was forced to pull out of Germany and South Korea when ventures there were unsuccessful. Analysis of Potential New Entrants and Substitutes There are a few ways IKEA might find itself in competition with a new entrant. Local furniture manufacturers can sprout up and go regional or national since franchising makes it easier to enter the market.

In developing countries this might be a bigger threat as labor intensive craft prevails in the developing region and IKEA might find it self competing with price as labor intensive items are relatively cheap. Analysis of Suppliers: IKEA has 29 factories in nine countries, mostly in Eastern and Central Europe, and its operations cover every step of production forestry, sawmilling, board manufacture and furniture production. However, a major source of IKEA’s low cost is derived from extensive outsourcing. IKEA works closely with its suppliers in a cooperative relationship to mutually exploit synergies. 5 of IKEA trading offices evaluate 976 suppliers in many countries for low cost and high quality. Furniture designers in the home office in Almhut, Sweden, works two to three years ahead of the current product life cycle to determine which supplier will provide parts. Once accepted, IKEA provides suppliers with economies of scale associated with global markets, technical assistance, and leased equipment. Suppliers also receive quality advice from IKEA engineers and have access to computer database to assist in sourcing raw material and matching suppliers with each other from the business service department.

Analysis of Buyers: The corner stone of IKEA’s strategy is to convince its customers that it is in their best interest to assume more responsibility in creating value by performing more activities in industry value system themselves. Choosing, ordering, delivering and assembling products in exchange of low cost and high quality products. To encourage this radical redesign of value system, IKEA employs its core competence, knowledge of how to make these activities easy, enjoyable and valuable to its customers.

The customer buying process is very similar. When buying furniture the customers have to recognize the fact that they need it. In any country the innovation for furniture depends mostly on the income of the population • Information search • The evaluation of alternatives • The purchase decision • Post purchase evaluations The complex decision making is based on that the customers make a lot of search when they have the intention to buy some furniture. So they analyze also the advantages and disadvantages of the competitive companies on the market.

The buying decision is connected with the willingness and intention of the customer to have something new. The possession of new fashion furniture expresses the position of the social class. Organization IKEA is a privately held, international home products company that designs and sells ready-to-assemble furniture such as beds and desks, appliances and home accessories, and is the world’s largest furniture retailer. Founded in 1943 by 17-year-old Ingvar Kamprad in Sweden. The IKEA website contains about 12, 000 products and is the closest representation of the entire IKEA range.

INGKA Holding B. V. owns the industrial group Swedwood, which sources the manufacturing of IKEA furniture, the sales companies that run IKEA stores, as well as purchasing and supply functions, and IKEA of Sweden, which is responsible for the design and development of products in the IKEA range. INGKA Holding B. V. is wholly owned by Stichting INGKA Foundation, which is a non-profit foundation registered in Leiden, Netherlands. IKEA Stores: The first IKEA store was opened in Sweden in 1958, while the first stores outside Sweden were opened in Norway (1963) and Denmark (1969).

The stores spread to other parts of Europe in the 1970s, with the first store outside Scandinavia opening in Switzerland (1973), followed by Germany (1974). Later that decade, stores opened in other parts of the world, including Japan (1974), Australia and Hong Kong (1975), Canada (1976), and Singapore (1978). IKEA further expanded in the 1980s, opening stores in France (1981), the Canary Islands (1981), Belgium (1984), the United States (1985), the United Kingdom (1987), and Italy (1989), among other areas. The company expanded into more countries in the 1990s and 2000s.

Germany, with 44 stores, is IKEA’s biggest market, followed by the United States, with 37. Objectives and Constraints: Objective is to develop a smoother organizational structure by incorporating employees from different regions in order to integrate and develop a unique global organizational system. IKEA also strives to develop an efficient supply chain. Constraints are to harmonize people from different cultures and regions and to select the right that would complement the regions and the products. Financial Condition:

IKEA’s sales totaled about 12. 2 billion USD in 2003, with a net profit margin around 6-7 percent. Of this, Europe accounted for 80% of revenue, with Asia accounting for 3% and North America 15%. INGKA Holding is owned by the nonprofit INGKA Foundation, thus none of this profit is taxed. The foundation’s nonprofit status also means that the Kamprad family cannot reap these profits directly, but the Kamprads do collect a portion of IKEA sales profits through the franchising relationship between INGKA Holding and Inter IKEA Systems.

Since IKEA is a privately held company they do not prefer giving details about their financials. Management Philosophy and Corporate Culture: The company operates very informally. It is reflected in the neat but casual dress of the employees (jeans and sweaters were the norm). IKEA has a relaxed office atmosphere with practically everyone sitting in an open-plan office landscape. The employees addressed each other in a familiar and personal way. The IKEA management process also stresses simplicity and attention to detail. An oft-repeated IKEA saying is “ Retail is detail. The company organizes “ anti-bureaucrat weeks” that required all managers to work in store showrooms and warehouses for at least a week every year.

Cost consciousness is another strong part of the management culture. Waste of resources, is a mortal sin at IKEA. Expensive solutions are often signs of mediocrity, and an idea without a price tag is never acceptable. The search for creative solutions is highly prized within IKEA. “ The fear of making mistakes is the root of bureaucracy and the enemy of all evolution. ” Though lanning for the future was encouraged, over analysis was not. company legends are created in the organization like stories where creative common sense experiments had changed the way the company did business, On opening day of the original Stockholm store, for example, the warehouse could not cope with the rush of customers. The store manager suggested that they be allowed to go into the warehouse to pick up their purchases. The result was so successful that future warehouses were designed to allow self-selection by customers, resulting in cost savings and faster service.

Perhaps the most important quality for an Ikean is odmjukhet – a Swedish word that implies humility, modesty and respect for one’s fellow man. It may be hard to translate, but we know it when we see it. It’s reflected in things like personal simplicity and self-criticism. Organizational Structure: The management structure of IKEA is designed to aid fast decision making. The organizational structure at IKEA is relatively flat, with only 4 layers separating the chief executive from its checkout workers. The corporate structure is divided into two main parts: operations and franchising.

Most of IKEA’s operations, including the management of the majority of its stores, the design and manufacture of its furniture, and purchasing and supply functions are overseen by INGKA Holding, a private, for-profit Dutch company. Marketing Strategy: Objectives and Constraints: IKEA’s key objective is to develop market through out the globe by effective marketing and promotional activities. The constraints are dispersed population, cultural diversity, strong domestic competition and the change in the relevance of global middle class. Analysis of Sales, Profit and Market Share:

The sales of IKEA continue to increase despite some temporary problems. The top 5 countries with highest sales are Germany accounting for 20%, UK12%, USA 11%, France 9% and Sweden 7%. According to the Brand Channel rankings, IKEA is the #1 brand in Europe. IKEA is the world’s largest furniture retailer that specialized in stylish but inexpensive Scandinavian designed furniture. IKEA has a market share of 10% in the markets in which it operates. In spite of this, it had been successful in almost all countries. Analysis of Target Market IKEA has a vast target market from singles and families to big organizations.

Their target market includes people who want style and functionality along with affordability. Its broader target market is the global middle class. They have demonstrated that they strongly share the buying and spending habits, despite cultural differences. The leading models of furniture purchased and the average amount of money spent per store visit is relatively the same. Analysis of Marketing Mix Variables 1. Price: IKEA’s strategy is based on cost leadership. Across markets where it currently has a presence, products are sold at low prices.

Prices are 30 to 50% lower than competing products. Price variations are only a result of fluctuations in exchange rates. This penetration pricing enables IKEA to gain significant market share. Low prices are a result of large-quantity purchasing, low-cost logistics, store location in suburban areas and a DIY approach to marketing. IKEA also benefits from economies of scale and healthy supplier-firm relationships. IKEA enters into long-term contracts, provides leased equipment and technical support in exchange for exclusive, low-cost manufacturing from suppliers.

For new markets, IKEA should retain its price-image to maintain the brand’s positioning. 2. Product: IKEA’s value chain is unique in that customers are also suppliers and suppliers are also customers. The transactions between the supplier and IKEA and on to the customer have a value adding step in each stage. Product differentiation exists in the value-added dimension. IKEA’s consumers are treated as ‘ prosumers’ with most of its products requiring assembly after purchase. But although assistance in this aspect is limited, IKEA offers options for choosing, transporting and assembling furniture.

While this is well accepted in areas where IKEA now operates, it may be a point of consideration when entering new markets. 3. Position/Place: IKEA stores are located in suburban areas. This is a factor in the achievement of IKEA’s low pricing. While it may appear as a disadvantage, this fits IKEA’s target market of customers willing to transport their own purchases and requiring less assistance in assembly. 4. Promotion: IKEA’s promotion is centered on the catalog. These catalogues are uniform in layout with different languages, so that people from different background and regions can relate to the catalogue.

The worldwide circulation reached 130 million making it the world’s largest printed publication distributed for free. TOWS Analysis Threats 1. High cost of living in Europe coupled with drastic appreciation of Euro in comparison to other currencies over the last few years has made the export potential of European goods to other regions extremely unviable. 2. The present IKEA’s sourcing; supply and distribution system might not be able to cope-up with rapid expansion required for developing new markets. 3. Import protective regulations in foreign countries might create hindrances for IKEA’s entry into their market. . IKEA might loose its market share and cost-advantage position due to their competitors’ aggressive expansion in different regions. 5. Consumers in new markets might reject IKEA’s unique styling and design concepts. Opportunities 1. Rapid industrialization and economic growth worldwide and especially in Asian region have given way to increasing trend towards mass urbanization and urban style of living. Asia now features the largest middle-class markets in the world due to which most of the multinational companies including premium brands are now focusing on Asian markets. 2.

Due to the mass influx of population in big metropolises and popularity of nuclear-family system, big metropolitan cities in developing countries are now densely populated. These big cities are pressed with needs of developing more housing and civic facilities based on sleek and compact living in the form of townhouses and apartment system to accommodate their large population. This communal living on compact houses requires furnishing which has to be both styling and compact. 3. Globalization has given way to adoption and preference of cross-cultural and contemporary lifestyle by the consumers across the world.

Consumers now prefer furniture and related items blended and fused with multicultural elements such as current ubiquitous trend of furnishing based on hi-tech styling blended with elements of Chinese Feng-shui principles, Indian textured textile, Oriental rugs and art pieces. 4. Big multinational companies those are involved in similar retail businesses are embracing global and standardized sourcing and distribution systems as an effective strategy to combat problems associated with distribution and supply of their goods in different markets.

For this purpose, many IT solutions configured to specific needs of different companies are available in the market. Weaknesses 1. IKEA relies heavily on promotion through word-of-mouth communication and free mailing of its catalogue to present and potential customers than relying on conventional advertising. 2. IKEA’s huge stores are relatively few in numbers i. e. only 175 stores world-wide. 3. Majority of IKEA’s revenue comes from Europe which is 80% of their total sales revenue with North America accounting to further 15%. Presently their revenue generation from the biggest potential markets of Asian region is limited to just 3%. . IKEA being private-limited company having no financial accounts published for public-use translate into possibilities that they may find hindrances in raising funds from international financial markets for market development purposes. 5. IKEA’s brand image and promotion emphasizes more on ethnocentric values of their country of origin i. e. Scandinavian’s northern culture. Their mascot and advertising campaign are centered on slogans which are mostly perceived as narrower and regional in approach. 6. In IKEA, 66% of their purchasing is from the European region and 31% from Asia and the rest 3% is from North America.

European and North American regions are considered to be relatively much costlier in terms of labor and production cost than the Asian region where cost related to labor and production due to mass production is considerably lower than other regions. 7. IKEA’s supply-chain activities related to distribution and sourcing seems to be more regional in nature than the cost effective and the most-efficient global distribution and sourcing systems adopted by other multinational companies such as Wal-Mart and other similar organizations involved in same retail business. . IKEA’s R and product design and development division has Scandinavian influence rather than the depiction of global styling and trends. 9. IKEA’s appeal is focusing more on young and price sensitive consumers ignoring the potential of generating more revenue from premium furniture market of lifestyle-conscious consumers catered by companies such as Ralph-Lauren, The One, Pottery-Barn etc. Strengths 1. IKEA is a well-known household brand through out the world as a manufacturer and retailer of finished and knocked-down furniture and related household items.

IKEA offers high quality furniture at reasonably lower prices than its competitors. 2. IKEA reaps huge economies of scale from the size of its store and big production runs enabled them to match rivals on quality while undercutting them up to 30% on price. 3. IKEA fast decision making is aided by a management structure that is flat and lean with only four layers of management under the chief-executive. Their lean organizational structure means that individual employees are assigned greater responsibilities and more freedom than other stores. . IKEA also benefits from healthy supplier-firm relationship. They enters into long-term contracts, provides leased equipment and technical support in exchange for exclusive and low-cost manufacturing from suppliers. Problems Identified in Situation Analysis and TOWS Analysis Strategic Alternatives and Suggestions After close examination of the internal and external factors few strategies have been incorporated which would help IKEA in developing a new global outlook. Improvement in Supply-Chain Systems:

In order to sustain its market position which is based on cost leadership it is highly recommended that IKEA must adopt global supply-chain system for bringing efficiency and effectiveness in distribution, supply and sourcing of its merchandizes world-wide. They should seriously look into the possibilities of shifting major portion of their purchases from Europe and North America to Asian region where labor and production cost is considerably lower than any other part of the world. Presently 69% of their purchases are being made from European and North American suppliers and only 31% is made from Asian countries.

In the past few years euro as a currency has appreciated considerably against other currencies and on top of this, high labor and production cost in Europe and North America have forced many European and American companies to move their manufacturing and supplier sources completely to Asian countries. For an efficient and smooth supply-chain system they must also upgrade their existing supply-chain systems to highly sophisticated new IT based supply-chain systems developed specifically for big multinational companies involved in global retail businesses.

The shifting of supplier and manufacturing sources to cost and labor efficient Asian countries will not only aid IKEA retaining their price-leadership position but will also strengthen their position to bargain with local regulatory authorities to relax their policies supporting IKEA entry into their markets. Market Expansion: IKEA huge stores are relatively few in numbers i. e. only 75 stores worldwide. In order to sustain its cost leadership and further amplify economies of scale, IKEA must consider expansion into new markets both in the form of market-penetration and new-market development.

Market Penetration: Currently IKEA’s market presence is mainly limited in high-income countries of Europe and North America from where they are generating 95% of their sales revenue. Due to the general economic slowdown in Europe and North America, the consumer-markets in these regions are showing signs of saturation, low consumer spending and less growth potential. The opportunity for expansion for IKEA in these existing markets is minimal; however, there exist strong potential for increasing sales revenue by tapping into high-margin premium furniture market.

The premium furniture market is usually smaller in size but give high profit-margins on sale. The premium segment customers are driven towards purchases mainly due to the esthetic, emotional and novelty values attached with the products and not just for their functional attributes. The outlets for premium furniture are generally located in the vicinity of prime shopping areas and are generally smaller in size. IKEA should consider entering into premium-segment with a separate facade labeled as IKEA PREMIUM and the existing warehouse showroom concept should be labeled as IKEA BASICS.

They should add new IKEA PREMIUM showrooms in existing markets only through franchise agreements. This market penetration approach within existing markets through franchising will assist IKEA to increase market share and profit margins in their already captive markets without incurring huge investment in establishing new showrooms. Market Development: Rapid industrialization and very fast economic growth has fueled economies of Asian countries with increasingly higher growth of GNP and per-capita income and that has brought economic prosperity in the wider spectrum of their population.

Asian countries now feature the largest middle class markets in the world and most of the big multinational companies inclusive of premium brands are considering these countries as their prime target for market expansion purposes. The economic prosperity has brought radical changes in consumer preference and lifestyle of Asian countries. Now more and more people are embracing urbanized lifestyle and preferring smaller nuclear family system over traditional joint-family system.

The demand for quality and branded household furniture and other related accessories has increased in multiple folds in most of these countries. The tremendous opportunities for growth that are present in these countries especially in China, India and other Southeast Asian countries require serious consideration by IKEA for establishing their retail furniture business through franchise agreements of their proposed IKEA BASICS brand. The strong adherence to global supply-chain system will enable IKEA to expand efficiently and effectively into these new markets.

IKEA should establish dedicated regional offices in order to effectively manage and supervise supply-chain activities in different regions. Incorporation of Global Values: IKEA must add multicultural elements to their new product developments in order to build mass appeal for global consumers. Currently IKEA brand is generally perceived to be slightly ethnocentric depicting Scandinavian values of northern Europe. They should strive to attach connotation of global values with their brand name and then endorse it effectively through the channels of mass advertising.

For this purpose, they are highly recommended to develop a new mascot endorsing global values in order to create strong and uniform brand awareness and image across the globe. The strong emphasis on conventional advertising and other promotional activities will help IKEA to establish strong and uniform brand image with global appeal for masses in diverse markets. Conclusion IKEA is a world wide furnishing company with operations in 42 countries and a total number of 70 000 employees of which 59 000 work in Europe.

It is a Swedish based company built on the idea to “ offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them”. The company has immense financial backing and brand loyalty which gives them the power to expand rapidly and efficiently through out the world. Overall, IKEA’s strategies for development and growth have been successful. This success has not been without significant internal and external challenges globally.

However, their business model remains steadfast, conservative, and thoughtful. There are many challenges facing IKEA specifically supply chain issues, high cost of living and appreciation of Euro, consumers perception, import regulations in foreign countries, increasing competition, company’s mediocre marketing techniques, reliance on saturated regions for revenue, brand image and product design influences as they look to expand internationally. Due to its innovative designs and proactive attitude the company is strong and positioned for success.

There will be many challenges as the company expands into new markets, but IKEA is ready to take them on as they come. As long as the company continues to provide quality, reasonably priced products and builds on its strong brand through efficient marketing techniques, it will be able to expand throughout the world and become a truly global brand. Sources: Web Pages Ecmd. Management information. Retrieved 20 April, 2011 from http://ecmd. nju. edu. cn/UploadFile/7/3101/ikea. doc Icmrindia. Marketing information. Retrieved 20 April, 2011 from http://www. cmrindia. org/casestudies/catalogue/Marketing/IKEA’s%20Global%20Marketing%20Strategy. htm IKEA. Marketing information. Retrieved 20 April, 2011 from http://www. ikea. com/ms/en\_CA/jobs/workareas/marketing. html IKEA fans. Corporate structure. Retrieved 20 April, 2011 from http://www. ikeafans. com/ikea/ikea-corporate/ikea-corporate-structure. html Iluvikea, 2005. Company information Retrieved 20 April, 2011 from http://www. echeat. com/essay. php? t= 27564 In motion magazine. Supplier information. Retrieved 20 April, 2011 from http://www. nmotionmagazine. com/global/lasamy\_ikea. html Slide shear. Competitors information. Retrieved 20 April, 2011 from http://www. slideshare. net/jayayayay/ikea-presentation-3042507 United Nations. Economic information. Retrieved 20 April, 2011 from http://www. un. org/en/development/desa/policy/wess/wess\_archive/2004wess\_part1. pdf United Nations. Economic information. Retrieved 20 April, 2011 from http://www. un. org/en/development/desa/policy/wess/wess\_archive/2003wess\_part2. pdf United Nations. Economic information. Retrieved 20 April, 2011 from