

Ikeas entry strategy in russia marketing essay



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Globalisation is the growing trend towards worldwide markets in products, capital and labour, unrestricted by barriers. Globalisation is not a new process but it has accelerated in recent years with the rapid growth of multinational companies and expansion of free international trade with the key feature of Globalisation that have an impact on business strategy are; Increased international trade as barriers to trade are reduced.

Growth of multinational businesses in all countries as there is greater freedom for capital to be invested from one country to another.

Freer movement of workers between countries.

Direct investment is when a business entering a foreign based assembly or manufacturing facilities. Globalisation is having a great impact on the marketing strategies adopted by businesses that trade internationally. One features of globalisation is that national and regional difference in tastes, culture, fashion and wants are becoming less obvious. According to some analysts (e. g Levitt) " The world is becoming more standardised in the goods and services that it is demanding. If this is true, then the opportunities for companies to use technology to gain massive economies of scale by selling the same product across the globe are huge."

Other writers (e. g Douglas and Wind) " suggest that substantial differences still exist in consumer needs in different countries` markets. Standardisation is only one option for entering these markets and this will sometimes fail. The alternative is for businesses to adapt a global marketing mix to local needs and conditions this is called localisation."

Product adaptation involves changing the product to meet local conditions or wants. For example, Finnish cell phone maker Nokia customises its cell phones for every major market. Developers build in rudimentary voice recognition for Asia where key boards are a problem and raise the ring volume, so phones can be heard on crowded Asian streets. Nokia is also making a major push to create full featured but rugged and low cost phones that meet the needs of affluent consumers in large developing countries such as India, China etc.

Product standardisation:

The term `standardisation` indicates the presence of certain desirable qualities like utility durability, safety and desirable features like design, weight, colour in a product. Standardisation refers to the process of setting standards for a commodity on the basis of its desirable qualities. Standardized global marketing refers to an international marketing strategy for using basically the same marketing strategy and mix in all the company`s international markets.

IKEA is the Swedish home furnishing company having more than 200 stores in 32 countries selling a range of some 10, 000 articles and having more than 84, 000 employees within IKEA group.

IKEA as a multinational company entering Russia with strategy based on adaptation and on standardisation.

A strategy based on adaptation to meet local condition or wants in foreign market(Russia). This strategy is adopted to the larger extent as it is supported by the following evidences from case study.

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IKEA has an impression that few companies in Russia focused on solving the needs of the many people by offering attractive products at reasonable prices. It enters the market knowing exactly that there is a gap market demand left therefore decided to think global but act local.

Entry strategy was based on the view that there is a need to live and learn about the new market before setting the strategies. Within IKEA, setting up a new business was described as very little theory and very much practice. IKEA's entry strategy based on taking stock of the existing situation. The mostly used technique is called SWOT analysis, i. e strengths, weaknesses, opportunities and threats. IKEA identifies the key needs and wants of Russian, for example low level of education and lack of experienced management staff and takes the task to train and prepare the local people who will be ready to lead further expansion process. As a manager has commented about his management group " My main task is really to make this group more Russian and export people for the upcoming expansion "

IKEA practised home visits to customers in order to talk to people see how they live and used their homes and to identify potential needs and wants not fully realised by customers themselves. Understanding local family conditions and furnishing traditions them provided as a basis for an effective introduction and marketing of the IKEA concept.

A store manager pointed out that the main priority in Russia is the normal living costs and then comes the car and TV and afterwards may be a trip abroad. One example of how IKEA has considered the local preferences is in developing the room settings to reflect local conditions in terms of apartment

sizes and local traditional of furnishing. It should also be possible to mix " Mix and match " the range with the Russian home.

IKEA`s entry strategy for Russian based on standardization, the market concept holds that marketing program will be more effective if tailored to the unique needs of each targeted customer group. Consumers in different countries still have widely varied culture backgrounds. They differ significantly in their needs wants spending powers, product preferences and shopping patterns, because these differences are hard to change, IKEA adapt their products prices, channels and promotions to fit consumers desires in Russia.

IKEA decided to apply adapted Global marketing strategy for adjusting the marketing strategy and mix elements to each international target market bearing more costs but hoping for a larger market share and return.

Standardised marketing strategy for using basically the same marketing strategy and mix all the company internationally markets.

IKEA`s basic strategy - neither to adjust the style of the products of the local, needs nor follow the competitors`s product development was central preserving the IKEA concept and image " the range is supposed to be , IKEA unique and typical IKEA" All range of product are divided into four major categories or styles, scandinavian country, modern and young Swede, which are clearly distinguished in all businesses areas across the store.

One of the reasons why IKEA was successful with its standard product ranges in Russia was the fact that several of these IKEA ranges emphasise the

morden style, which is very different from the traditional Russian style but is attractive and new for the Russian customers since it symbolises change.

However, IKEA`s entry strategy on adaptation and standardisation was limited , that the store played an additional role by becoming the training site for new employees.

Since IKEA was totally new to many Russian customers to bring people as much as possible in the store in order to learn about IKEA becomes an additional task.

IKEA is trying to strike the balance between adaptation and standardisation in the Russian market. IKEA introduces more or less the same product range in all new countries irrespective of what is considered popular by local customers. In Russia IKEA`s Scandinavian furniture design in some contract to the historically preferred dark wood, massive, lacquered, expensive furniture. In order to support this strategy IKEA most often identifies the potential needs that are similar across markets.

3. IKEA`S MARKET BEHAVIOR IN RUSSIA

Selling in foreign market was once too risky and expensive for most firms, so only large businesses growing too large for their national markets are used to commit to this form of marketing. Improved communication, better transport links and free International trade.

For many firms International marketing is now an opportunity to profitably exapand their sale indeed, for some firms it is no longer an option to remain based in just one country.

Consumer make many buying decision everyday and the buying decision is the focal point of their market`s effort. Most large companies reseach consumers buying desicions in great details to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy and why they buy. Market behavior depends on the factors that affect consumers behaviour.

Culture is the set of basic values, perceptions, wants and behaviors learned by member of society from family and other important institutions. Failure to adjust to these differences can result in effective marketing or embarrassing mistakes.

Company are always trying to sport culture shifts in order to discover new products that might be wanted.

Cultural factors exert a broad and deep influence on consumer bahaviour. The marketer needs to understand the role played by the buyyer`s culture, sub culture and social class.

IKEA company in Russia enters by recreating its company culture from scratch. In Moscow that included the replication of the store design and layout in accordance with the latest version in the existing store and extensive cultural education that was carried out by the team of experienced IKEA people.

Another IKEA approach was to create needs that could be satisfied within the range and to inspire customers with numerous new solutions based on existing range. The theme " Living with small spaces" was one such solution

used in Russia. Consumers` behavior also is influenced by social factors, such as consumer`s small groups, family and social roles and status.

Marketers try to identify the reference groups of their target markets.

Reference group expose a person to new behaviors and life styles, influence a persons attitudes and self concept and create pressures to confirm that may affect the person`s product and brand choices. The importance of group influence varies across products and brands. It tends to be strongest when the product is visible to other whom the buyer respects.

Personal factor also influnce market behavior of the market. A buyer`s decision also are influenced by personal characteristics such as buyer`s age and life cycle stage, occupation , economic situation, life style, personality and self concept. People change goods and services they buy over their lifetimes, taste in food, clothes, furniture and recreation are often age related. Buying is also shaped by the stage of the family life cycle the stages through which family might pass as they mature over time. Marketer also define their target and developpe oppropriate products and marketing plans for each stage.

IKEA`s market behavior in Russia has been different due to the fact that Russia ia an emerging market that has advanced.

Since IKEA was totally new many Russian customers " to bring people as much as possible in the store in order to learn about IKEA and get a positive attitude " was a main goal from the very begining. IKEA put a strong emphasis on making the Russian customers feel welcome and important in the store which was very unusual for Russian stores at the time. The way the <https://assignbuster.com/ikeas-entry-strategy-in-russia-marketing-essay/>

range was presented and the opportunity to touch and test everything in the store also made the products much more desirable to the Moscow customers. This was new and unusual retail approach.

Another respect that IKEA company used, it considered the local preferences in developing the room setting to reflect local conditions in terms of apartment sizes and local traditions of furnishing. Also building an image of low price brand that guaranteed attractive and modern products of good quality.

IKEA was completely to the journalists and introduced them to the IKEA way and values by organising press trips to Almhult in Sweden to learn how the range is created. The result was that the press coverage of IKEA in Russia become much more positive.

IKEA operations in Russia was the fact that IKEA was the only company that stayed in Russia after the currency devaluation and subsequent collapse in August 1998 when almost all the foreign companies left the country, that created an immediate effect of trust and willingness to cooperate with IKEA on the part of the major Russian politicians

By concluding the IKEA marketing behaviour in Russia has been different in respects of Russian culture, social factors, personal factors, economic situation and psychological factors.

4. IKEA'S VISION , ITS MARKETING STRATEGY AND INFLUENCE IN RUSSIA

Business vision is the statement of what the organisation would like to achieve or accomplish in the long term. Basically a vision statement is what the organisation wants to become (future) e. g Nokia-our vision is a world where every one is connected , Minnesota Health Department(USA) the vision is to keep all residents healthy, McDonald`s Reustarants-Mc Donalds has a vision where the world buys more McDolnalds than any other fast food. A brand is the name sign , symbol design or combination of all used to distinguish the product of one firm from others. A brand is the means by which the firm identifies itself with customers e. g ITC for Indian Tobacco Company, family names such as Tata steel, IBM Computers etc.

Positive brand equity derives from customer feelings about and connections with a brand. Consumers sometimes bond very closely with specific brands. For example one Michigan couple had such a passion for Black & Decker`s Dewalt power tool brand that they designed their entire wedding around it. Building a strong brands posses challenging decisions to the marketer.

Major brand strategy desicions involve brand positioning, brand name selection, brand sponsorship and brand development.

Managing brands - companies manage their brand careful. First the brand positioning must be continously communicated to tha consumers. Major brand marketers spend huge amounts on advertising to create brand awareness and to build preference and loyalty.

Such advertising compagns can help to create name recognition, brand knowledge and may be even some brand preference. However the fact is that brands are not maintaned by advertising but by the brand experience. To day consumers come to know a brand through a wide range of contacts and touch points. These include advertising but also personal experience with the brand, word of mouth, company web, pages and many others.

IKEA can be regarded as a global brand because IKEA is a leading home furnishing company with more than 200 stores in 32 countries, selling a range of some 10, 000 articles and having more than 84, 000 employees within the IKEA group.

IKEA marketing strategy in Russia influenced/contribute to the company`s brand vision by focusing on solving the needs of the many people by offering attractive products at reasonable price.

IKEA enters Russia by recreating its company culture from scratch. In Moscow that included the replication of the store design and layout in accordance with the latest version of the existing store and an extensive culture education that was carried out by the team of experinced IKEA people.

Marketing communications become an important means to create tha right image of IKEA . The ways to communicate the image through the out door products, image ads in the glossy magazines, TV, buzz network or word of mouth.

Internal organisation processes also supported the positioning strategy.

Common activities carried on a regular basis were informal and formal discussions at the store level where co-workers from once or several store departments take part. The discussions covered different customer issues the best ways to present the range to the customers.

Market data and experience were also transferred and shared within and between different departments and units at the company.

By concluding the marketing strategy in Russia contribute to the company's brand vision by focusing on solving the needs of the many people by offering eye-catching-product, communications, Internal organisations and positioning strategy

6. IKEAS'S OPPORTUNITIES TO ACHIEVE LONG TERM SUCCESS, MAIN CHALLENGES AND MEASURES IN RUSSIAN MARKET

Identifying successful business opportunities is one of the most important stages in being an effective company. Many companies say they want to work for themselves but they do not make the leap to success because they have not been able to identify a market need that will offer sufficient demand for their product to allow the business to become profitable.

International business operate more than one country, these are often called multinational companies. Multi national companies are business organisations that have their headquarters in one country, but with operating branches in other countries.

IKEA'S opportunities to achieve long term success in the Russian market was that the IKEA'S owner saw Russia as a long term investment also enables the management to supply a long term view that may become a competitive advantages in the year to come. IKEA was successful with its standard product range which was the fact that several of these IKEA ranges emphasizes the modern style which is very different from traditional Russian style but is attractive and new for the Russian customers since it symbolises changes.

Marketing communication became an important means to create the right image of IKEA in Russia. Government authorities and officials of different ranks were also critical stakeholders group. Their goodwill and support was crucial for IKEA expansion in Russia. However IKEA has faced some challenges in Russia such as: Lack of experienced local workers, Totally new to many Russian customers, High customs fees, necessity to purchase more from the local producers, difficult in finding and developing suppliers in Russia, Low buying power of Russian customers. Russian customers low price was very strongly related to unattractive products of poor quality and one of the challenges has been to overcome this and explain how it is possible to offer good products at low prices.

Measures taken by IKEA to overcome the challenge were: providing training programs to local workers, improving market communications, adapting the local Russian culture, common activities carried out on a regular basis were formal and informal discussions at these levels where co-workers from one or several departments take part.