

# [Situation analysis of ikea](https://assignbuster.com/situation-analysis-of-ikea/)

IKEA (Ingvar Kampard Elmtaryd Agunnaryd) is a privately owned company that deals in home products. It is the world’s largest ready to assemble furniture retailer. Founded by Ingvar Kamprad in 1943, it has its headquarters in Leiden Netherlands (Ingvar Kamprad and IKEA” para. 4). IKEA comprise a group of companies that are managed by INGKA holdings (Armitstead, para. 3). The company operates worldwide and has more than 100, 000 employees. In 2010, the company had revenue of 23. 5 billion Euros with 2. 7 billion as net income.

Corporate overview

IKEA is a Swedish company, which is managed partly by non-profit organization and partly by a profit-focused organization. Its corporate structure is divided into two. The first one is deals with all operations while the other deals with franchising (IKEA marketing strategy, para. 2). From the administration of stores like the Marino Mall to design and manufacture of its products is overseen by the INGKA holding (Armitstead, para. 5). The company has a total of 265 stores worldwide. 235 of these stores are managed by INGKA holdings while the remaining 30 are managed by franchises, which are not part of the group (Owens, p. 4). INGKA foundation is an independent body, which was established by the founder of IKEA in 1982. The committee that runs the ingka foundation is chaired by Kamprad who is the founder of the company. The other members of the committee include the wife of Kamprad and the family attorney.

History

Marina mall is one of the most prominent shopping malls in Abu Dhabi. It was initiated by IKEA, which is one of the worlds largest home furniture store. Marina mall opened its gates for the public in March 2001. It is also the biggest retail-shopping destination in Abu Dhabi. From its design and construction, it is evident that the proprietors desired it to be a luxury shopping centre (Armitstead, para. 6). Surrounded by a beautiful neighborhood, it provides a perfect place for the family to visit since it offers everything ranging from entertainment to leisure. It is home to more than 400 stores ranging from a hypermarket to a Cineplex.

Vision, mission and objectives

Each department at IKEA has specific mission and vision. Each one is required to implement its specific policies. IKEA’s vision is to ‘ create a better everyday life for the many people’. If people are inspired they will com to the stores with this idea and buy the there highly designed home furnishing products (Wainwright, para. 5). The visions main aim is to build a relationship with its customers. The company also has an interesting market positioning statement, which calls for the attention of its customers. It states that IKEA is your Partner in better living, it does its part, you do yours, and together you save money.

Industrial analysis

Economic Activities in European community (NACE) classifies furniture manufacturers with other manufacturing industries. This group offers employment to more than 15, 000 people. Furniture manufacturers can be further sub divided into manufacture of chairs and seats, manufacture of furniture for business and those used in sales premises and Manufacturers of kitchen furniture (Wainwright, para. 2). The table below shows companies and employees, productivity and business revenues.

Competitors Analysis

The major competitors for Marina Mall include the Abu Dhabi mall. The Abu Dhabi Mall houses big furniture and home accessories retail shops. Example of such a shop is the 2XL. 2XL deals in a wide range of furniture and home appliances. This offering great competition to the IKEA shops in Marina Mall. IKEA specializes in furniture and sell great variety home accessories hence it faces stiff competition from these new entrants that sell similar products (Christopher, para. 6).

Strengths and Weaknesses, opportunities and threats. (SWOT)

Marino Mall sells its products not only in Abu Dhabi but also to tourists from other countries. IKEA is the leading provider of furniture and home appliance in the world. Globally, it has research and development sites (5 Things You Don’t Know About IKEA, para. 6). It manufactures and sells its products throughout the world. Opportunities or openings include possibilities that might become available from competitors. Since the company sells large volume of products, it enables the company to benefit from economies of scale.

Marketing approach

IKEA has various marketing strategies but the main one is the use of catalog. This is because the use of catalog is more efficient and effective compared to other methods. The catalogs are published in more than 40 different languages. Distribution of these catalogs ensures that they reach homes, offices and various companies. This strategy makes the company very popular (Daniel, para. 8). Mass distribution of the catalogs to residential estates enables the company to touch more than 600, 000 homes in UAE alone. The catalog provides an overview of IKEA products.

Marketing Philosophy

IKEA marketing philosophy revolves around simple ideas like wide product range, low price of the products, functionality of its products, quality products and convenient shopping. The company prides itself in selling its products under one roof, as is the case in Marino Mall. Purchasing of the products is made easy as all products are availed for instant take off. Products are displayed in the right order to make it easy for customers to choose.

Marketing Strategies and Planning

IKEA has a simple marketing strategy. The idea is to provide a wide range of functional furniture products at reduced prices. This enables many people to afford their products thus increasing their annual revenue (IKEA marketing strategy, para. 4). By building the IKEA brand, many people are attached to it emotionally. Consumers therefore associate the trademark with the reputation of the company. The brand image has been built for the last 50 years.

Marketing Channel

Apart from the stores, IKEA uses various channels to reach their many customers. As explained the best channel is the use of catalogs, followed by websites, brochures and advertisement. Other methods employed include promotions, and marketing. IKEA has launched various ways to ensure that their products reach the customers (IKEA marketing strategy, para. 6). These include integrated advertising and marketing campaign and global interactive marketing service.

Situation analysis

IKEA Lead the way in the field of self-assembly furniture, studies showed that IKEA is a top provider of products like flat pack bookshelf, PUGG clock, beds, wardrobes and bathroom items. IKEA has the advantage of offering several different items. The company’s products are traded at various retail outlets like the Marina mall. Most of the sales are in Europe and Asia; therefore, the company does not incur huge cost of export. Live moves fast and the company create products that help people on the move to live comfortably (Henley, para. 4).

Threats: possible future changes and challenges from competitors

Companies like 2XL release new improved furniture so rapidly and poses a great threat to its competitors. The company is opening new shops not only in Abu Dhabi but also in other parts of the country (IKEA marketing strategy, para. 6). Its offers furniture products used in the living room, bedroom and dining room . Thus, the company popularity is increasing each day. More sales enables them to lowers cost of their products. Such strategies enable these companies to sell their products cheaply.

Justification based on Analysis of SWOT

IKEA has a good branding uniqueness and well-built reputation. Its weakness is the failure to distinguish from competitors. It is operating in an ever-changing environment in which not a single company can claim to be on stable ground. Therefore, the opportunities are endless. The threats that it faces comes mainly from its competitors (Sundayherald. com, para. 3). The company should therefore change its strategy in order to reverse and overcome the great competition. It should use the strength that it holds a strong position in furniture industry. Finally, the company should decrease enmity with its competitors