

# Case of ikea essay sample

[Countries](#), [China](#)



As we all know, IKEA is a famous furniture store. Until December 2008 IKEA has 292 stores in 36 countries and regions around the world. Most of the stores are located in Europe, others are in the United States, Canada, Asia and Australia. IKEA, which named "the world's 100 most valuable brands" in 2003, ranked World Furniture supplies sales business in the first sales of 12.8 billion Euros in 2004. Since its establishment in 1943, after 60 years of development, IKEA has now become the world's most influential household goods retailer. As of October 2011, IKEA has 332 stores in 38 countries. In fiscal year 2010, it sold \$23.1 billion worth of goods, a 7.7 percent increase over 2009 (wikipedia). It makes people easy to remember IKEA first rather than other furniture companies when they plan to buy some furniture, not only in US or Europe, but also in most of Asia. I clearly remember the scene of the first store of IKEA opened in my hometown of China. A host of customers went to the store to experience the culture of IKEA without buy anything, although it will take couples of hours on the road for customers. But the company did not have a lot of advertising investment. However, some people claim that the poor quality of the company's products should make company improve their skills. But it does not affect the company's success all over the world.

There are some reasons for the success of the company from several parts.

#### Lower Price

The goal of the managers of IKEA is to keep the price of the product not too high, but let the customer feel that it is a real bargain. In order to get this goal, reducing costs will play an important role. In fact, reduce the cost of IKEA products throughout the entire process, for example product

conception, design, production, transportation and marketing. To spare no effort to maintain low price, is absolutely necessary to maintain a significant price difference with other companies in all areas.

Design must obey the low-cost principle, and then consider the design aesthetics. The different way is that IKEA will set product in lower prices and costs in first step, then design the products as beautifully as possible. IKEA always want product in the same price, but lower design costs than anyone else. IKEA furniture assembled goods are split into different modules, some modules in different furniture can also be used, so that not only the design of the cost can be reduced, and the total cost of the product can be reduced. What's more, there is a team work together, which includes designers and procurement staff, to make a better solution to keep a lower cost. It make IKEA may find a cheaper alternative materials, easier to reduce the cost. For material, furniture of IKEA is designed to meet the daily needs for several years enough, so that some part which you cannot see them will used cheaper material. Packaging is designed as flat as possible to reduce transportation costs. For packing, the pack of products may reduce the damages of the furniture in the storage or transportation, and reduce space occupied in warehouse. As a result, it makes it possible to reduce the transportation costs. Designers of IKEA work with supplier closely to help suppliers to improve skills and increase the production. The price of single product has declined, but sales grow up, so that IKEA may get higher profit with the low price. We can get that the design of products play a important role in the whole business.

IKEA gets more benefits from globalization, because the company gets raw material all over the world and procurement model is the purchasing patterns of globalization. The products are delivered to 26 distribution centers around the world from the trade area, and delivery to IKEA stores in the world. With the Chinese market continues to expand, A growing number of products will produced in the Asian region, which will greatly reduce the costs. Some Chinese companies will select several parts to produce, and then by the supplier in China for the production, and then shipped to the store directly. It is another good way to reduce the cost, when IKEA began to invest in foreign directly.

Customers participate into the sales is also an important part to save cost. As we all know, if you want to buy something in IKEA, you must do yourself even buy the food. When you decide to buy a chest, you need get it, pay it, transportation it and install it by yourself. Actually, 80% of the work in the furniture buying process is completed by customers. But it may not a good way for all the customers. For example, do you want install a complex bookrack after you shopping instead of watching TV or have a good sleep? In fact, it will take you at least 1 hour to install a bed. However, for the company, not only it will reduce the cost of labor, but also it will reduce the cost of store and transportation.

### Cultural Experience

Why IKEA open new stores in China will get a lot of attention? Not just only because its products in lower prices than others with high quality. In fact, many consumers are not going to buy any new furniture, but are very

interested in new cultural experience bought by IKEA. What they just need to do is have a try a comfortable sofa or eat something in the restaurant.

IKEA is not just the sell the furniture, but also sell the life style or aesthetic. IKEA has a large number of excellent designers to ensure that the design of the products meet the standards. They not only experience, but also able to maintain the original design creativity.

The IKEA catalog, which is the world's largest circulation advertising publications, is the company's most important marketing magic. The difference between IKEA's product catalog and other companies' is that the picture is more attractive, information and details is richer and soft paper is beautiful. More important is that the room is displayed clearly and warmly. Sometimes you may learn how to decorating by this book.

IKEA describe itself by Sweden. It is means the high quality of the products, like people always want to buy car made in Germany. Origin countries will also affect the image of the enterprise. Sweden gives the image to the whole world is safe, friendly, peaceful and comfortable. IKEA do it best to make overseas customers feel the Swedish style. For example, its restaurant serves a variety of Swedish flavor of food and the name of furniture come from Sweden. That is the reason why people from other countries are interesting in it.

Obviously, IKEA has made a huge success in the United States and Europe, but there are some problems in some developing countries when the company began to open new market in a new cultural background.

## Investment in Foreign

It is not easy for IKEA to invade USA in the beginning. But the managers of IKEA change the advertisement and the products and make them suitable for the US family. In Europe and the United States or other developed countries, IKEA welcomed by the majority of low-and middle-income families, because of the inexpensive, new style and good service. But will those available for developing country, like China?

Chinese market widely, but the level of consumption is lower generally. The fierce competition between original cheap furniture manufacturers makes the market do not have too much space, and foreign high-priced furniture rarely cared by customers on the market. IKEA turn its attention to the relatively affluent class who want to buy luxuries, but cannot afford the expensive price in the major cities. Many multinational companies adopt this strategy in China such as H&M and ZARA. IKEA, as a global brand, it meets the psychological need of Chinese, for example full of exotic culture, lower price of furniture or food and free publicity materials.

Since 1997, IKEA opened its first store in shanghai, a famous modernization city of China, until to 2011, there are 10 stores in the major cities of China. Although IKEA is popular, IKEA's business is not yet profitable in China. I think there are several problems for IKEA in China.

Firstly, in China, consumers always use public transport unlike people in USA. Because of the big building, IKEA's stores always built in the place far away from the center of city. But the public transport is not well developed in

China. So high transportation costs of IKEA make most consumers do not want to buy furniture. It is difficult for customer to ship the furniture to their home unless they have car.

Secondly, consumers of China get use to free home delivery and free installation services which IKEA's competitors can provide. If IKEA provide free home delivery and free installation, the cost will increase. Then how can the company keep the lower price?

Lastly, based on traditional Chinese culture, high-quality wooden furniture means a good quality of life. Chinese may hope can use furniture a whole life, even leave them to their children. Apparently, IKEA's furniture cannot meet this standard whatever the quality or the useful life.

In my opinion, there are several ways to solve the problems.

Firstly, store should built in the downtown area, and reduce the cost of transportation. It may attract more customers to come. Secondly, IKEA should provide delivery service and install service for those people who don't want pay lots of time on furniture, but company can reduce costs by raising the fee of manual service. Thirdly, IKEA should design products, and sell the products to companies who don't focus on the quality of the products, such as business hotel. Lastly, because prices of house are too high in China, a lot of young people do not want to buy a house. IKEA should sell the goods by advertising and publicity to consumers who like to rent their house.

With the developing of the society, IKEA will get more benefits in the future. But the company must keep in the market of China first. BestBuy closed the

stores in China because the company ignored the local culture. If IKEA want to open new market in developing countries, it should pay more attention to the culture and improve the products instead of copy.