

International marketing of ikea flashcard



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References 22 1 . Executive Summary This report emphasizes on the analysis of the overseas expansion of the global brand named ' KEA, who has already built a competitive advantage in the international furniture competition. It has the largest part of market share and got huge success In Europe which leads It to expand to Salsa and other market of the world.

Analysis of all the environmental aspects In China shows that China Is the best country to Invest In, although there are still some weaknesses and threats exists. Introduction KEA is the world's largest furniture retailer which founded in 1943. In 2009, the world's leading marketing research organizations of Interbrain selected into " Global 100 Most Valuable Brands" list, the KEA ranked 28th for about 12 billion U. S. Dollars in brand value, which is constantly increasing. KEA stores were founded in the most important shopping areas of 240 stores in Europe, the North America, Asia and Africa. Kike's success In the retail industry can be attributed to its vast experience In the retail market, product differentiation, and cost leadership.

This report will analysis the International marketing strategy of KEA as follows aspects: Internationalization, foreign market segmentation and targeting, Internal and external business environment based PEST and SOOT analysis, international 3. Internationalization Internationalization appears when the company expands its R&D, production, selling and other business activities into globalization markets (Hellholes, 2004). KEA group is the most internationalization retailing of furniture worldwide. Chairman Angina Kampala opened his first furniture in 1943.

He spent almost ten years on building ND developing the brands from mail order business to furniture business in Swedish. In ass's of last century, forced domestic counterparts extrusion, KEA was forced to go abroad to find suppliers of raw materials, but to find low cost instead. This is the Kike's first globalization of production attempt. Since in 1953, the first abroad store was opened successfully in Denmark. Then KEA rapidly expanded to the whole European region. With the success of global sourcing, In the early ass, the Swedish furniture market was stagnant, KEA naturally turn their attention to the international market.

Then KEA group began a huge globalization of market from that time. In the road of international expansion, KEA Annual Report (2002) showed that Inter KEA Systems B. V granted franchises as part of a detailed international expansion scheme. KEA implemented the brand integration strategy, in order to form the absolute control of the brand. KEA is not content with merely control of even the world's largest furniture products channel, KEA group would hope that their own brands and its own proprietary products can eventually cover the world.

KEA pioneered the " brand integration" model, which achieve the manufacturer rand and retail brands to fusion of commercial brands perfectly. Based on this concept, KEA has been insisted all products by their own personally designed and have the patent, each year more than 100 designers worked in the day and night to ensure that " all products, all of the patent" in order to achieve all the products are marked " Design and Quality, KEA of Sweden" targets. So for KEA is concerned, it didn't have the so-called " upstream manufacturers" pressure, or any manufacturer could give it so-

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called " distribution chain management. In terms of KEA is the oral's only success of the organization to put up both channel management and product management, its " integrated brand strategy" is the large key to the successful integration of industrial chain. 4. Foreign Market Segmentation and Targeting Early in this year, KEA has opened many stores and market was very mature in the Europe. Until 1985 KEA decided to enter the North America market. Although it didn't achieve success like experience across the Europe in the beginning of in the USA, KEA has adopted adaptive strategies according to local actual situation.

It got the finally success in the USA market. Forthwith it expended quickly in the Asia. KEA has six areas in the world until now, which is Europe, North America, Middle East, Asia Pacific and Caribbean. At present, KEA is developing the Asia market and existed markets have six countries. Three Asia countries are selected to penetrating and expanding by screening process as follows. KEA had furniture market and wanted to expand in Singapore and China, In addition, Korea is very beneficial market for KEA while not yet opened.

Singapore is the developed country, but come under the world (exports of goods and services represent over 200% of GAP) GAP fell by 9. % from the first quarter of 2008 to the first quarter of 2009(Appendix 1). Private consumption fell from sass's levels, which declined by 0. 5%. In order to deal with weakness in private consumption, government expenditure accelerated to promote and enhance the publics consumption of 8. 3% (Appendix 2). Korea is also well-developed country in Asia. Despite the world economic deep impact on Korea, Korea staged a strong recovery in 2009.

GAP grew by 0.2% in the year (Appendix 3). Weak private consumption rebounded before early 2009 (Appendix 4), which is the most obvious change in durable goods and services. Consumer sentiment improved during the year. China, the economic rate and consumption rate are the highest over these Asia countries. GAP is forecast to grow by 9.6% in 2010. Growth will be stronger in the first half of 2010. China economic situation is superb (Appendix 5). Private consumption growth is forecast to speed up to 12% in 2010, from 9. % in 2009, responding to rising incomes and improving consumer confidence (Appendix 6). Based on the above considerations, KEA should consider expending Asia market. In my opinion, China is worth of investment. Because of large area and population, KEA should open in all UAPITA cities in China. From opened the first store in 1998, KEA developed slowly in China. According to the KEA Web site, China's market identity is the largest supplier as a worth of 15 billion U. S. Dollars market every year, not is the biggest sales market.

Currently, KEA has 350 suppliers in China, 21% of the world's goods from China. Because of Chinese consumer awareness of its own position with KEA dislocation, this is precisely an important factor of the slow expansion of KEA in China. With the rise of local home chains, as well as foreign opponents' attack, to maintain the session in the Chinese domestic market, KEA must expand. Publicly available data, now KEA hold home products market in China account for 43% of the share. To sum up, Kike's expansion and development is necessary and very beneficial in China. . Environmental Analysis KEA International Group, a furniture group aims to provide customers with variety of good-looking& affordable home products

worldwide, is said to be an miracle of business in the last century. Now it has over 200 retail stores in over 30 countries. It needs considerable of analysis before entering foreign markets. 5. 1 SOOT Analysis Strengths of KEA Well known in China. Chinese consumers knew KEA as a big brand before it entered China market, so this helps KEA to enter Chinese market more smoothly. Highly reputation.

As KEA is a globally brand, Chinese customers regard it more reliable than other furniture companies. Stable relationship. KEA could get materials at a reasonable price due to the stable relationships that between KEA and its suppliers. Plate packing. By using plate packing, KEA could reduce cost from transportation and storage. Environmental protective and healthy material for customers. What material KEA choose are both environmental protective and healthy, which enable customers use KEA products without trepidation.

Weaknesses of KEA Much reliant on Europe Market. 82% KEA stores located in this region so KEA will Accessed 23rd Novo 2005) Unreasonable rout design. When shopping in KEA you have to walk along the only aisle KEA set and will get no way to go backward. What's more, you still have to go along the aisle till the item you want although you have decided what to buy. This may cost customers much time on it. Inflexible promotion. Due to the low price, there is no more room for KEA to provide with promotions on products. High price for Chinese consumers.

Although products price in Chinese market are almost lowest in the world, many Chinese consumers still can not afford them. KEA should price the products based on the Chinese actual situation in order to get profit.

Distribution problems. In China, popularization of cars is not high like KEA other market, so it will take several days for customers to wait for the distribution from KEA and also they will be charged a high amount of distribution fee for it. Opportunities of KEA Variety in goods categories. There are about 9, 500 household items in ' KEA, which is far more than other furniture companies.

Customers will have more chance to choose from when shopping at ' KEA. Green ' KEA. What KEA advocated is that to live a green life so this can be a good point which attracts customers. Threats of KEA Professional malls. Some big professional malls such as professional bathe mall, professional kitchen mall maybe one big threat, customers may prefer the professional mall when they just buy bathroom or kitchen products. Other brands. There are many household brands in Chinese market now, such as B, Mescaline, etc.

Some of them are local brands so they know Chinese market better than ' KEA. Change of customers needs. Customers needs will not be the same all year long, KEA have to research frequently and find out what is profitable in order to make profits. 5. 2 Environmental Analysis of Host Country- China Political system China is a socialist country powered by the Communist Party and a new People's Republic of China was established in 1949. In 1978, China initiated the " reform and pen" policy which emancipated the mind of Chinese people and make them become innovated in the future.

The year when KEA has first entered Chinese market was 1998 and it was just the 20th anniversary since Chinese " reform and open" policy in 1978.

As a developing socialist country, China is fresh to most people and groups in rest of the world and it is really of great potential because it was more and more independent as China is developing day by day, many international groups have realized how potential the China market would be and then started to locate there branch companies in China at that time.

As a developing country, China will always persist in taking the positive attitude towards all the advantageous investments from abroad. In the incoming year 2001 China accessed to the World Trade Organization successfully, which makes China a more open country and market.

Economical environment in China There are 8 cities (in 6 provinces) (one of the eight is opening soon) in China where KEA Group located its retail stores. Beijing, Shanghai, Loaning, Jungian, Gudgeon, Chuan, etc.

The forms below are showing the contrast of economical phenomenon between these locations and the rest. From the appendix 7 we can see the national disposable income per capita in the six locations are mostly far more than the average figure. This means KEA positioned itself in a more economic developing area while its target customers have higher total income and disposable income. Appendix 8 is part of the household consumption expenditure by region in 2008. It is clear that the six KEA retail locations are all at the higher level of the consumption of expenditure than other areas.

The high consumption expenditure in these six locations shows more buying potential to products. Appendix 9 is part of the total investment in fixed assets in the whole country by status of registration and region in 2008. Most

of the foreign investment in six provinces (Beijing and Shanghai are direct-controlled municipalities) are higher than other areas where KEA didn't locate its retail stores at. This illustrates that the more the foreign investment an area has the more open the area will be, the more easily the people accept the foreign products and ideas.

Social environment Demographics Population and Density China has the largest amount of population in the world. In other world, it is the suggest potential market in the world. The eight cities where KEA located his stores in all have large amount of population, especially Shanghai& Jungian& Gudgeon because they are all along the coast in China. Places along the coast in China always have high density of population for there are more chances to get money and good development for individual at those places.

Population stands for the purchasing power while more population means more potential purchasing power. Living standards Youth in China are more open minded than before, they will after whatever they like from abroad. As the development of economic and the quickening pace of life some so-called "white collars" in China don't have much time and money to buy some luxurious furniture and KEA is a good choice for them because what KEA initiates is simple, durable and affordable furniture. In China, it is a fashion action to buy furniture from ' KEA. . 3 From the perspective of KEA

International Group KEA located its Chinese headquarter in Beijing at the beginning when it came to China but in 2003 the headquarters moved to Shanghai because KEA regards Shanghai a central city of China for it has the convenient sea transportation as well s the air transports which are advantages for ' KEA, an international group couldn't live without transport.

KEA relocated its Asian headquarter from Singapore to Shanghai which shows the great appreciation to large potential market in China. 6.

International Marketing Objectives According to the previous analysis, the advantages and disadvantages for KEA to develop in China are clear. Now KEA have to make its marketing objectives in China market according to the analysis above. KEA has high reputation among Chinese youth; word of mouth can be a good way of advertising so its targeting audience would be young person. In this case, lower the cost of operating a retail store is what should do next. The products in KEA China are good but the delivery fee is terribly high.

This will reduce the loyalty of customers. There are eight (one of the eight is opening soon) KEA retail stores in China till 2010, as the World Exposition is coming, outside the central Shanghai next year would be better. As the previous analysis we can see there are still some cities have the potential to run a KEA retail store so KEA could take a few cities into account such as Hangout, Tannin, etc. 7. Foreign Market Entry Strategy Having done all the analysis about china's market penetration, we are now facing the decision of which foreign market entry mode to use.

Several factors need to be given full scrutiny before we choose from the grouping of entry modes. Internal factors are the deciding roles here in the strategy which should be considered with priority. They are mainly concerned with the firm itself. Ownership advantages It can be understood as asset-based advantages which include the firm's resource ability, reputation, origin of country, potential of future growth and so on.

Apparently, Kea Group has both the tangible and intangible resources to enter Chinese market, even the brand name itself is a huge selling point.

What the brand stands for are creative design, durability and functionality, and all of the three are not quite transferable, thus the transaction cost here is high, so we recommend Joint venture as its entry mode further into Chinese market. Location How the furniture be shipped from A to B onto the shelf for display is important, since it has much to do with the cost of the business. Since Kea has entered into china, most of the furniture is imported from Sweden. Undoubtedly, this approach increases cost dramatically.

Cooperate with local partner can help Kea build good relationship with local suppliers. Further more, furniture manufacturing industry shows the tendency of transfer the production facilities to developing countries which offers relatively low labor cost, huge consuming market and stable political and economic environment (Chippendale, Lie & Angola 2007) From this point of view, Joint venture is a better choice which offer a great time and opportunity for Kea boost its future plan of turning China into the supply center of in Asia. (Carpel 2006)

Internationalization Experience & Global Strategy toward China According to Kea website, up until August 2009, it had 267 stores and had trading service offices in 26 countries and 28 distribution centers and 11 customer distribution centers in 16 countries. (<http://www.Kea>.

[Com/ms/en_KGB/about_Kea/facts_and_figures/index](http://www.Kea.Com/ms/en_KGB/about_Kea/facts_and_figures/index). HTML). Kea opened its first store in China in 1998, and in the past 12 years it had up to 7 stores in

mainland China, most of which are Joint ventures. Shenanigan Store is coming soon, planed to open in the middle of the year.

Kea expects to have 10 large stores up and running in China by 2010. The China business review, 7-8, 2004) It strongly proves that Kea has confidence and ambition in China. However, it is easier said than done. To accomplish its expectation, Kea still got two more stores to construct. It should speed up in this plan. Considering this background, China's market penetration can greatly reduce cost and risk. External factors should also be given careful consideration. They are basically having things to do with the overall target market environment. Social-cultural Factor When carry out the penetration plan, marketers should be cautious about China's pacific features, such as the diverse cultures which is bred by the vast territory, various kinds of business practice, different consuming philosophies, and all of these size, rate of market and potential purchase power shall be the determinant parameters, so a local helper is needed. Political/ Economic Factor Before china entered WTO, government requires all foreign company to cooperate with local partner in order to help domestic enterprise to develop their business and learn the advanced management skills [1].

Although the regulation had already been ended, not many firms shifted from Joint venture to wholly owned store. Although the trend for future stores is wholly owned mode, it is still too soon to risk all the Kea stores switch to this mode. From all the above, we strongly recommend the next few stores to open in the east part of China use the entry mode of Joint venture to further expand its market, and strengthen its place in China. 8.

Product/Service Mix Preparation Product and service are the essential elements in the development of company, the product of KEA is designed by the purpose of simplifying, and the service believes the rule of do-it-yourself. However, with the special culture, economy and life style in China, KEA should take some necessary change on its product, strategy, brand and service.

8. 1 Product adaptation First, it is the endurance and practicability of product need to strengthen.

Though KEA has its own requirement and test on the quality of product, according to the latest research (Lie 2009), it seems Just aim at some special product, such as bedroom furniture, chair. Meanwhile, the equipment of kitchen class and bookcase are not as good as them. Thus, KEA should pay attention to their entire product, every product needs to be test by certain standard. Second, KEA has too much product, which sakes the table of contents be also long. As there is too much choice for customers, it makes them nervous on how to choose the most suitable one.

That is to say, KEA needs to condense the table of product and makes it clear and simple, the customer would find the product they want first.

8. 2 Product publicity KEA used a lot of advertising in Europe and the United States, but there are so few in China and these ones are simple and bored, it makes large number of people know little about its product. On the other hand, the product of KEA use environmental protection of materials and advanced ones, but most customers do not know them, cause KEA has few actions to explain it in China, while it is doing enough publicity in Europe.

Therefore, KEA should put more energy and time on advertising and publicity, such as television advertising, as there is a very large population watching TV. Moreover, it is useful to support some event, for example, Chuan Earthquake. Also it is important to make them interesting and attractive, it would give the design concept of DID to the customers. 8. 3 Product price KEA is well known as good quality and cheap price because of its centralized purchasing and professional logistics, and it makes most people have ability to buy hem. But in China, the price is higher than others, this makes most customers Just look them.

So there are some useful ways help KEA reduce the high price. First, it is necessary to build a new production base in China, as now the production base is in Malaysia, which provides the product to the Asia. This way would avoid the import tariff, because the import tariff in China is a big one. Second, it also helps KEA number. Third, there are many small finished factories in China, KEA should take more material from them, not in overseas. What is more, KEA should give them a retain size of order, this helps make the price lower for competition. 8. New product development As it is known that there is a too lager population in China, it makes the house of China be smaller than other countries, it means that there are limited spacing for putting the furniture. Thus, a good idea for KEA is to develop the new product that can be folded, it saves the space for customers, and this also makes the customers would buy more products due to it needs little space. 8. 5 Market expansion In 1998, KEA came into the Chinese market first in Shanghai, from then to now, it has asset twelve years, but the

number of KEA place in China is only 7, meanwhile, it has 240 ones in the world.

From the data, you can know the speed of its development in China is so slow. It loses much choice. Hence, KEA should build many new shopping places in the important cities, such as the southeast of China, because the cities in this area develop fast and the consumption capacity of customers is suitable for ' KEA. 8. 6 service Mix The service in Europe is do-it-yourself, but the situation is not the same in China, most people in China do not have cars, so customers need KEA provide home livery service, KEA do it, but the charge of it is high.

For example, a customer buys a small chair of 79 Yuan, but the cost for delivering is 60 Yuan, it is not worth for customers. Therefore, KEA should reduce the rate of delivering charge, and it is effective to provide the installation for free, as almost all of the competitors support the free installation. Another strategy is using some staffs to introduce and recommend the product for customers, because Chinese people is different from others, they like someone talking the information to them, sometimes they also accept the staffs' selection on the product. . Conclusion To sum up, KEA has become a successful international company with a wide range of products, and its global experience and unique strategy has led it occupy the large market share. But there are also some problems blocking its development in other countries because of the different culture, economy and lifestyle. So it is time for KEA to carry out the new strategy on balancing its brand, product, service and management in order to expand new market,

and take more advantages in the competition. Appendix 1 Appendix 3

Appendix 5 [pick] [pick]