

Poland led kea case study

Business



Kampala started the company at his home as a mail order company. He sold goods which he purchased from low priced sources and then advertised in a newsletter to local shopkeepers. In 1948 he added in his catalogue furniture. Furniture was a success so he gave up the small items and focused only on furniture.

In 1951 he opened the first display store in nearby Almqvist where the customers could preview and inspect products and then order from the catalogue. This was also an immediate success as people traveled even from Stockholm to visit the store.

This led KEA to stop accepting mail orders. Now, the KEA strategy is to publish a yearly catalogue, distribute it to the clients and encourage them to visit the store name (Bartlett, Shoal, & Beaming. 2008). The sales take off in the late 50s led KEA to look abroad for new sources of supply as the local industry could not respond to the demand.

In 1961, KEA outsourced production to furniture factories in Poland. Poland became SKI's largest source and lowered significantly the production costs. This allowed KEA to reduce its prices even more.

The success in Poland led KEA to adopt a general principle that it should not own its means of production but should look for suppliers with whom it should develop close long term relationships. Building on the first store's success, the first store in Stockholm opened in 1965.

Even before that, in 1963, KEA operated a store in Oslo. Other countries followed and today KEA operates 313 stores in 38 countries, most of them in

Europe, North America, Asia and Australia (KEA, 2010). Some of SKIES competitive advantages are that the brand is associated with simple, low cost, KEA case study 3 stylish products.

The concept was furnishing products and house-wares that had did appeal too variety of markets and segments, both consumer and the business market exclusively. Both markets were looking for well styled, high quality furniture that reasonably priced and readily available.

Also, KEA developed a model for the business, where it was able to keep costs low. From the customer point of view, they were able to do low cost Turnstile, even though they had to assemble and collect the flat-packed furniture from stores. KEA was able to reduce costs, as this costly part of the value chain was carried out by the customer.

Adding to that, KEA promoted the Swedish lifestyle. Many people associate Sweden with a fresh, healthy way of life. This Swedish lifestyle is reflected in the KEA product range.

The freshness of the open air is reflected in the colors and materials used and the sense of space they create: blond woods, natural textiles and untreated surfaces. Also KEA stores promote Swedish food and products. SKIES low-priced restaurant and grocery shop have made KEA Sweden's leading food exporter. However, global expansion was not without problems for KEA.

During the sass's environmental robbers arose with some of SKIES products and during the sass's KEA was accused that its suppliers were using child

labor. In the sass's the formaldehyde regulations passed in Denmark caused problems to ' KEA.

After the discovery that some of its products emitted more formaldehyde than the legislation allowed the company was fined. The company responded and established stringent requirements regarding formaldehyde emissions. Even though, the problem did not vanish as in 1992 a German investigation team found that an KEA bookcase had higher emissions that the ones allowed by the German law.

Since then, KEA has improved its procedures to evaluate the environmental impact of its products. Currently, KEA uses a tool called the ' e-Wheel' to evaluate the environmental impact of its products.

The e-Wheel helps KEA to analyze the four stages within the life of a product. This also helps suppliers improve their understanding of the environmental impact of the products they are supplying (The Times 100). KEA case study 4
Next, the issue with child labor arose in 1994 when a Swedish television documentary showed children in Pakistan working at weaving looms.

KEA was one of the several Swedish companies that were mentioned as importers of carpets from Pakistan. KEA was unaware of the problem and tried to respond by sending a legal team to Geneva for input and advice from the International Labor Association(LOL). KEA discovered that child labor was not illegal in these countries so the only way to handle the problem was by adding a clause for child labor in their contracts and outsource the monitoring of this clause to a third party company.

But it seems that this measure was not effective enough, as in 2007, Enders Dahlia, the lit-nationals Chief Executive Officer, admitted that some of the company's products were still produced using child labor (Headwords, 2007).

Key Issues and Players The key players in this case are the KEA company and its suppliers. In order to keep its competitive advantage KEA outsource its product manufacturing to third party suppliers throughout the world. But, this practice is often the source of many issues.

Many times the legislation in these countries does not match the standards and the ethical values of the western developed countries which are the main customer base of the company.

This fact can cause issues like weak environmental policies or child labor. Tanat nurture ten puddle Image AT ten company . I Nils NAS alert erect on ten company's sales. **Problem** The main problem that KEA faces nowadays is the uncontrolled child labor in countries which supply the company with carpets. Child labor in countries like India and Pakistan is a common phenomenon. The company lacks effective ways to control its suppliers in these countries.

At the same time, child labor is socially acceptable in these places as poverty pushes people to find ways to survive.

So the company Anton rely on the local authorities for help. Also, any attempts on behalf of KEA to control this issue didn't seem to succeed.

Alternative Solutions KEA case study 5 A possible solution for controlling the child labor for KEA is to cancel any contracts with suppliers in countries that do not adopt the convention 138 of ILL, that deals with the child labor issues.

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This way KEA will be able to get assistance for child labor issues from local authorities since it will be prohibited by local laws.

Another solution would be to come to more strict agreements with the suppliers and launch intensive intros for the effectuation of the agreement.

Selected Solution The selected solution is KEA to enhance its agreements with the suppliers and intensify its controls against child labor. The company should appoint inspectors in these countries that would inspect the suppliers and report the situation on frequent basis

Results and Rationale of the Solution The cancellation of the contracts does not seem a rational choice at the moment because it will have a big cost for the company.

The company will need to find new suppliers in other countries with higher labor cost and doubtful product quality. This is a move with higher risk and cost than the selected solution.

Positive and Negative Results The positive results of the selected solution are that the child labor issues will decrease and the company's profile will be protected. The negative results are that the company's cost will increase as inspection staff will be hired to perform the inspections and some contracts will need to be canceled due to failure to adhere to the conditions of the contract by the suppliers

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