

# An analysis of market segmentation of ikea and bandq marketing essay



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In 1958, Ingvar Kamprad founded the first IKEA store in Almhult, Sweden. So far, IKEA is the largest and most international furniture emporium, globally. (IKEA, 2010 a). As the biggest competitor of IKEA, B&Q is a leading company in home decoration and gardening in Europe. It was founded by Richard Block and David Quayle in Portswood, Southampton in 1969. Presently, there are above 60 stores around the world, among which, the largest one in Beijing. (B&Q, 2010 a)

## 1. 2 Theory

Market segmentation is classifying consumers into groups according to their characteristics (Hall et al, 2008) and set certain groups as targets. Market segmentation consists of four types, including geographic, demographic, psychographic and behavioral type. (Hall et al, 2008).

Another concept concerned with market segmentation is marketing mix. It is important in marketing strategy, with a goal of satisfying consumers' needs. It is also recognized as the 4Ps, consisting of product, price, place and promotion. (Hall et al, 2008).

## 1. 3 Aims

The objective of this report is to analyze how IKEA and B&Q deal with marketing mix and marketing segmentation. In addition, the emphasis of this report is how these two companies differentiate products to different targeted segments, as well as how they combine market segmentation with marketing mix to make profits.

## Findings

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## Market Segmentation

IKEA targets young and fashionable people as its main consumers; in particular those love modern furniture and accessories. Therefore, its products are more colorful and novel. In addition, IKEA fixes the products' prices at a lower level, which is quite attracting for the average consumers, such as white-collars. (IKEA, 2010 b)

Different from IKEA, B&Q is specialized in one stop shopping, in which, customers can buy most decorations and accessories they want in one store. Furthermore, B&Q has professional teams to help customers designing and decorating in their own styles. The aim of this service is to provide convenience for customers who do not have much time to deal with decoration. (B&Q, 2010 b)

### 2. 1. 1Comparison

In comparison, IKEA's targets are mainly young people who love innovative items, while B&Q focuses on one stop shopping with people who have not much spare time as its major consumers. Furthermore, the IKEA products are mostly shown as models, which are fixed and limited. However, customers are able to buy raw materials from B&Q and make any product.

## Marketing Mix

### 2. 2. 1 Product

As a “ total concept”, product refers to all merchandises and services provided by a business. Therefore, product is more than physical stuffs sold

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by stores (Hall et al, 2008). IKEA's major products are furniture, such as kitchen modules, bathroom facilities, lighting equipment, sofas and textiles. (IKEA, 2010 b) It has outstanding quality and a special name to every product, and offers a wide range of home furnishings with best aesthetic designs and functions at reasonable prices. (IKEA, 2010 b)

B&Q stores supply with around 40, 000 products for home fittings, such as lights, door handles and lawnmowers. (B&Q, 2010a) Its selling point is a variety of products for home decoration. Moreover, B&Q has professional teams to help personalized designing. (B&Q, 2010 c)

### 2. 2. 1. 1 Comparison

The products of Both B&Q and IKEA are complementary. They provide a full range of products, as well as professional designers. However, a most significant difference between them is that, IKEA only sells finished products, whereas B&Q provides raw materials as well.

### 2. 2. 2 Place

There are around 330 IKEA stores in 38 countries. (IKEA, 2010d) For all of them, the products are displayed in a clear and scientific classification. Further, there are floor painted arrows to lead consumers quickly find the items they need. For example, all the products for a room are shown visually by being placed a single model room. (Guangzhou IKEA, 2010) Besides entity stores, IKEA also allows consumers to do e-shopping on its website with an easy reviewing of the details of the products.

As for B&Q, there are 371 stores in total, with 41 stores in China. According to statistical data, there are over three million customers walking into B&Q per week. In addition, it has a website for consumers to search the details of their products. (B&Q, 2010a) Moreover, B&Q's operating system is GMS (General Merchandise Store), thus all products in B&Q are placed on shelves for consumers to choose freely. (B&Q, nd)

### 2. 2. 2. 1 Comparison

Both of two companies sell products mainly in stores. Besides, they both open stores in areas with large population. Moreover, the two companies have websites to offer online shopping. On the other hand, one of the differences is their operating modes. The IKEA stores have scientifically classified all products so that consumers can quickly and easily find what they need. In contrast, the B&Q stores are the GMS (General Merchandise Store) mode.

### 2. 2. 3 Promotion

Promotion is to propagandize products through all measures available (Hall et al, 2008). The basic promotional tool of IKEA is its free catalogue with a list of its products. The IKEA Catalogue includes commodities' details, such as colors, sizes and prices. (IKEA, 2010 e) It is worthy to mention that, IKEA also established a group named Social Initiative, aiming at strengthening the relationship between IKEA and the society. This group works together with UNICEF and Save the Children, with the purpose of giving all children a better life. (IKEA, 2010 f)

Discount is an effective promotion B&Q uses to attract consumers. Similar to IKEA, B&Q also has policies to show its social responsibility. As for this, B&Q makes great efforts on environment protection in the procedures of product design, packaging and the use of materials. To some extent, advocating environmental products is also a useful promotion skill of B&Q. (B&Q, 2010 e)

#### 2. 2. 3. 1 Comparison

Both IKEA and B&Q construct their own websites to introduce their commodities and offer consumers with e-shopping service. B&Q's most frequently used promotional measure is discounting, while IKEA publicizes its products by free catalogue. In order to fulfill their social duties, they both have actions in making contribution to the society. Although their promotional measures are different, they have the same purpose to create more profits.

#### 2. 2. 4 Price

The price is simply the amount of money that consumers pay to gain the benefits of the product (Hall et al, 2008). The prices of IKEA's products are set reasonably. It adopts innovative manufacturing techniques to products at a lower cost. Consumers' choosing, assembling and transporting products by themselves can reduce the price. (OPPAPERS, 2010) One method IKEA uses is mantissa pricing, fixing the prices with 9s, such as 299, 699 and 799 yuan, giving customers an impression of cheapness. (Guangzhou IKEA, 2010)

B&Q fixes most commodities with appropriate prices for the average consumer. Besides, it also offers discount to attract consumers. Furthermore, B&Q offers installment payment service, which is another effective promotion strategy. (B&Q, 2010 c)

#### 2. 2. 4. 1 Comparison

According to OPPAPERS (2010) and B&Q (2010c), both of them set the prices of their products reasonable and appropriate. The prices of B&Q products are a little lower than IKEA's. However, IKEA's consumers do not need to pay extra charges for assistance and transportation, which is a quite attracting policy. In contrast, B&Q has more beneficial services such as discounting and installment payment.

#### Conclusion

##### 3. 1 Summary

In conclusion, both IKEA and B&Q are successful furniture sales enterprises. They divide their consumers into groups in accordance with types of market segmentation: demographics, psychographics and behavioral. The differences in 4Ps between IKEA and B&Q were also discussed in the paper. Moreover, although the IKEA products' prices are higher than B&Q, their products and locations are similar. Besides, they both have various promotional skills, such as discounting and installation service.

##### 3. 2 Recommendation

Although both of these two companies have large sales volumes, it is still a necessity to enhance marketing mix, for their installation service charges are slightly higher than people's expectation. The sales volume could be better if they can reduce the price to some extent. On the other hand, it is suggested that B&Q's products could be more fashionable and colorful in order to attract younger consumers. It is also recommended that the two companies perform routine market research so as to know well of consumers' feedbacks.