

PART 2 — STP & MARKETING MIX (≈1,700 WORDS)

3. Segmentation, Targeting and Positioning (STP)

3.1 Segmentation

Segmentation is a key component of international marketing, allowing firms to divide a broad market into smaller groups of consumers with similar characteristics. For a global retailer such as IKEA, segmentation is particularly important due to differences in income levels, lifestyles, and cultural preferences across countries.

In Germany, IKEA segments its market primarily based on demographics and lifestyle. The company targets middle-income households, young professionals, and families who are seeking affordable yet functional home furnishing solutions. German consumers are typically practical and value durability, efficiency, and sustainability. As a result, IKEA's segmentation strategy in Germany focuses on consumers who prioritise value for money and long-lasting products.

Psychographic segmentation also plays an important role in Germany. Consumers tend to favour minimalist design and environmentally friendly products, which aligns with IKEA's Scandinavian design philosophy. Additionally, behavioural segmentation is evident in the preference for DIY furniture, as German consumers are generally comfortable assembling furniture themselves.

In contrast, segmentation in China is more complex due to the diversity of the population and the rapid pace of economic development. IKEA targets not only middle-income consumers but also the growing urban middle class and younger consumers who are influenced by modern lifestyles and global trends.

Chinese consumers often have different living conditions compared to their German counterparts. Urban living spaces are typically smaller, which creates demand for compact and multifunctional furniture. This has influenced IKEA's segmentation strategy, as the company focuses on urban residents who require space-saving solutions.

Additionally, younger consumers in China represent a key segment. They are more open to Western brands, highly influenced by social media, and more willing to experiment with new designs. This contrasts with German consumers, who tend to be more conservative in their purchasing decisions.

Critically, segmentation strategies differ significantly between the two markets. While Germany represents a relatively homogeneous and stable market, China requires a more flexible and dynamic segmentation approach to address diverse consumer needs.

3.2 Targeting

Targeting involves selecting the most attractive segments identified through segmentation and developing strategies to meet their needs.

In Germany, IKEA adopts a concentrated targeting strategy, focusing primarily on middle-income households and families. The brand appeals to consumers who are price-conscious but still value quality and design. This segment is large and stable, making it an ideal target market for IKEA's cost leadership strategy.

The company also targets environmentally conscious consumers by promoting sustainable products and practices. This aligns with the increasing importance of sustainability in the German market.

In China, IKEA adopts a broader targeting strategy. In addition to middle-income households, the company targets younger consumers, urban professionals, and first-time homeowners. These consumers are often in the early stages of their careers and are looking for affordable and stylish furniture.

Furthermore, IKEA targets aspirational consumers who are attracted to Western lifestyles and modern home design. This reflects the cultural shift in China, where consumers increasingly associate Western brands with quality and modernity.

However, the targeting strategy in China must also consider regional differences. Consumer behaviour can vary significantly between cities and regions, requiring a more localised approach.

Critically, the difference in targeting strategies reflects the level of market maturity. In Germany, the focus is on maintaining customer loyalty and market share, while in China, the emphasis is on growth and customer acquisition.

3.3 Positioning

Positioning refers to how a brand is perceived in the minds of consumers relative to competitors.

In Germany, IKEA is positioned as a provider of affordable, functional, and sustainable home furnishing solutions. The brand emphasises practicality, efficiency, and value for money. This positioning aligns well with German consumer preferences and reinforces IKEA's competitive advantage.

In China, IKEA's positioning incorporates additional elements of modernity and lifestyle aspiration. The brand is not only seen as affordable but also as trendy and innovative. For many Chinese consumers, IKEA represents a modern Western lifestyle, which enhances its appeal.

The company also positions itself as a provider of solutions rather than just products. For example, IKEA stores in China often showcase fully furnished rooms to inspire customers and demonstrate how products can be used in real-life settings.

Critically, while the core positioning of IKEA remains consistent globally, it is adapted to reflect local cultural values. This highlights the importance of balancing global brand identity with local relevance.

◆ 4. International Marketing Mix (7Ps)

4.1 Product

IKEA's product strategy focuses on offering affordable, functional, and well-designed furniture. The company's products are standardised to a large extent, which allows for cost efficiency and consistency.

In Germany, product offerings are closely aligned with consumer preferences for durability and sustainability. Products are designed to be practical and long-lasting, reflecting the values of German consumers.

In China, however, IKEA adapts its product range to suit local needs. For example, furniture is designed to fit smaller living spaces, and additional products such as storage solutions are emphasised. The company also introduces products that reflect local tastes, including different colours and styles.

Critically, while IKEA maintains a standardised product strategy, it incorporates selective adaptation to meet local requirements.

4.2 Price

Pricing is a central element of IKEA's strategy. The company adopts a cost leadership approach, offering products at affordable prices.

In Germany, pricing is highly competitive, as consumers are price-sensitive and have access to a wide range of alternatives. IKEA's ability to offer low prices while maintaining quality is a key competitive advantage.

In China, pricing strategy is more complex. While IKEA aims to maintain affordability, prices may be higher due to import costs and operational expenses. However, Chinese consumers often perceive IKEA products as offering good value for money compared to other international brands.

Critically, price perception differs between markets. In Germany, IKEA is seen as a budget-friendly option, while in China, it may be perceived as slightly premium compared to local brands.

4.3 Place (Distribution)

IKEA's distribution strategy is based on large retail stores located in accessible areas.

In Germany, stores are typically located in suburban areas with good transport links. Customers often visit stores as part of a planned shopping trip.

In China, IKEA stores are located in major cities and are often integrated into shopping centres. Additionally, the company has expanded its online presence to meet the growing demand for e-commerce.

Critically, distribution strategies are adapted to reflect differences in consumer behaviour and infrastructure.

4.4 Promotion

Promotion strategies vary significantly between the two markets.

In Germany, promotion focuses on functionality, affordability, and sustainability. Advertising is often straightforward and informative.

In China, promotion relies heavily on digital marketing and social media. Platforms such as WeChat and influencer marketing play a key role in engaging consumers.

Critically, promotional strategies must be localised to reflect cultural and technological differences.

4.5 People

Employees play a key role in delivering the IKEA experience. Staff are trained to provide assistance and support customers throughout the purchasing process.

In China, customer service expectations are higher, requiring more personalised interaction.

4.6 Process

The purchasing process is designed to be efficient and user-friendly. In Germany, this includes self-service and DIY assembly.

In China, IKEA has adapted its processes to include delivery and assembly services, reflecting different consumer expectations.

4.7 Physical Evidence

Store layout and design are important elements of IKEA's brand identity. Stores are designed to provide a complete shopping experience.

In China, stores are often more experiential, encouraging customers to spend time exploring products.