

INTERNATIONAL MARKETING

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Introduction

With the advancement in technology and increase in globalisation trends, businesses are rapidly expanding in foreign markets and exploiting growth opportunities to gain maximum market shares as well as to achieve competitive edge (Lin, et al., 2020). However, along with the new market opportunities, organisations may face potential threats resulting from different regulations, cultural and political structure (Czinkota, et al., 2011). Therefore, to achieve success in the foreign market, organisations need to have a good understanding of possible differences and similarities in the markets of their operation and should effectively plan its international market entry strategy to gain maximum competences in the overseas country (Medina, et al., 2020).

This report aims to identify the similarities and differences that IKEA may encounter when conducting its business in the international market of the United Kingdom (UK) and India. Further, the report also investigated the global market entry strategy that IKEA can adopt to achieve its marketing objectives and gain business success in the new market.

Company Background

IKEA is the largest home furnishing brand with a global net income of around €287 million as of 2022 (Statista Research Department, 2023). It was founded in 1943 in Sweden by Ingvar Kamprad who initially sold products like pens and wallets, and later in 1953 introduced the concept of ‘flat pack’ home furniture that can be assembled by the customers in their house (IKEA, n. d.). This helped the company to reduce its business cost and keep the price of this products low while maintaining its quality.

Today, IKEA operates its business through its 460 stores in 62 countries worldwide. The vision of IKEA is to offer *a better everyday life* to maximum individuals. In order to achieve this vision, its mission statement is to offer an extensive range of home furnishing goods that are highly functional, well-designed, cost-effective and affordable for more customers globally (IKEA, n. d.).

IKEA's Macro Environment Analysis

Macro environment is the outer or external environment which includes different forces (as shown in Fig. 1) that creates opportunities and/or threats to the organisation. These forces create PESTLE conditions that needs to be considered when operating business across international markets (Whittington, et al., 2020).

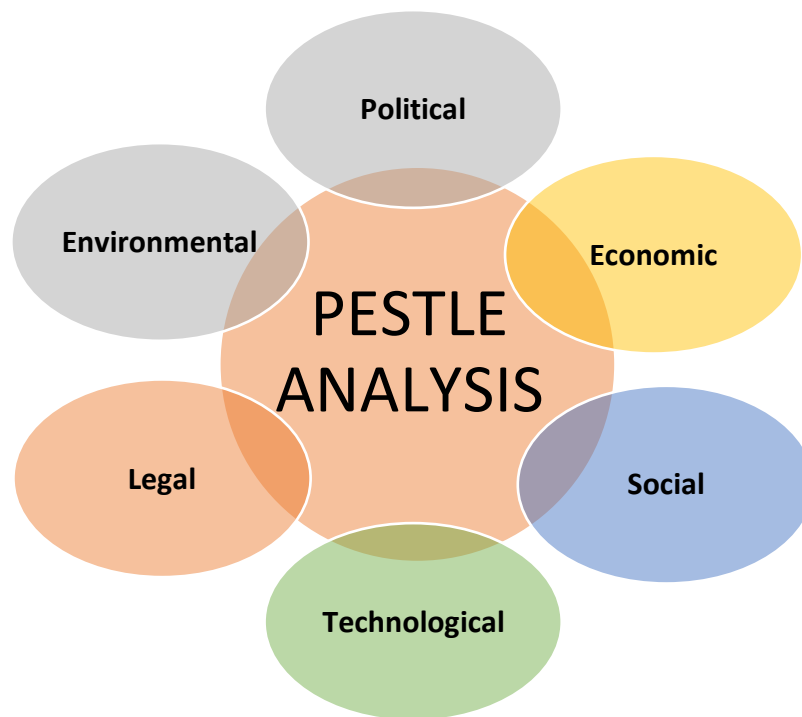


Fig. 1: Elements in Macro Environment

PESTLE Analysis

Political

UK

The political instability in the last few years in the UK in relation to the BREXIT (exit from the European Union [EU]), resignations and appoints of new government personnel, change in the government policies and taxation following the recent pandemic and economic crisis, can created unfavourable condition for IKEA. However, trade liberalisation and easy market access between EU and UK can create future opportunities and favourable situations for foreign direct investment (European Commission, 2021).

India

India has a stable political environment which can create positive impact and attract new business ventures to the country. However, cultural and religious differences, poverty, and increasing rate of corruption and bribery can impact the seamless business operation of foreign brands like IKEA. However, availability of cheap labour and fast growing economic conditions can offer favourable opportunities to IKEA to expand its business in the Indian Market (The World Bank, 2023).

Economic

UK

Post-Covid-19 pandemic, there has been a sharp increase in inflation rate (6.5% as of May 2023) in the UK and this has resulted in high cost of living fall in the household income (4.3% as of March 2023) of British (Office for National Statistics, 2023; Francis-Devine, et al., 2023). Thus, the current economic condition in the UK is unfavourable for IKEA as high cost of living and low disposable income can affect the spending habits of UK consumers for IKEA products which can further hamper the company's sales and profitability.

India

In India, the robust economic growth (around 6.9% in the fiscal year 2022/23) and affordable cost of labour (minimum daily wages of around ₹178, equivalent to £1.69 as of August 2023) creates a favourable condition for IKEA to invest in Indian market (Karamchandani, 2023; Shira, 2023; The World Bank in India, n. d.). However, weak Indian currency in comparison to British Pound and Euros as well as increasing inflation (4.81% in June 2023 as compared to 4.25% in May 2023) may prove unfavourable for IKEA as weak currency may result in lower profit and high inflation may reduce the purchasing behaviour of Indian consumer for IKEA's home furnishing products (Pradhan, 2023).

Social

UK

Brands need to understand the socio-cultural factors prevailing in the market of its operation as changes in the social and cultural trends like needs, habits, lifestyle, etc. can affect their business functioning (Begolli, 2020). DIY (do it yourself) culture is highly distinctive in the UK. According to the YouGov report, 82% of the British prefer assembling and installing furniture by themselves (Ibbetson, 2019). As a result, the UK market can be favourable for IKEA to conduct its 'flat-pack' home furnishing business.

India

On the other hand, India lacks DIY culture due to the availability of cheap labour (Goel and Garg, 2018). Further, decorating and furnishing homes is an essential social event for Indians and most homeowners prefer furniture that complement their home décor (Soliman, 2016). Additionally, upper social class Indians purchase expensive international furniture whereas middle-class or lower-class Indians prefer local carpenters or local furniture shops thus making the Indian market highly unfavourable for IKEA brand having a DIY business model and a no delivery and no furniture assembling service (IKEA, 2021).

Hofstede Cultural Dimension Model

The Hofstede model is a six dimensions framework (as shown in Fig. 2) that helps businesses to understand the cultural differences existing between different groups of people on the basis of its cultural values, beliefs and norms (Hofstede Insights, n. d.). Using this model, the management of IKEA can not only have a better knowledge about the cultural difference between British and Indians but also enhance their communication and cooperation with people from both the UK and India.

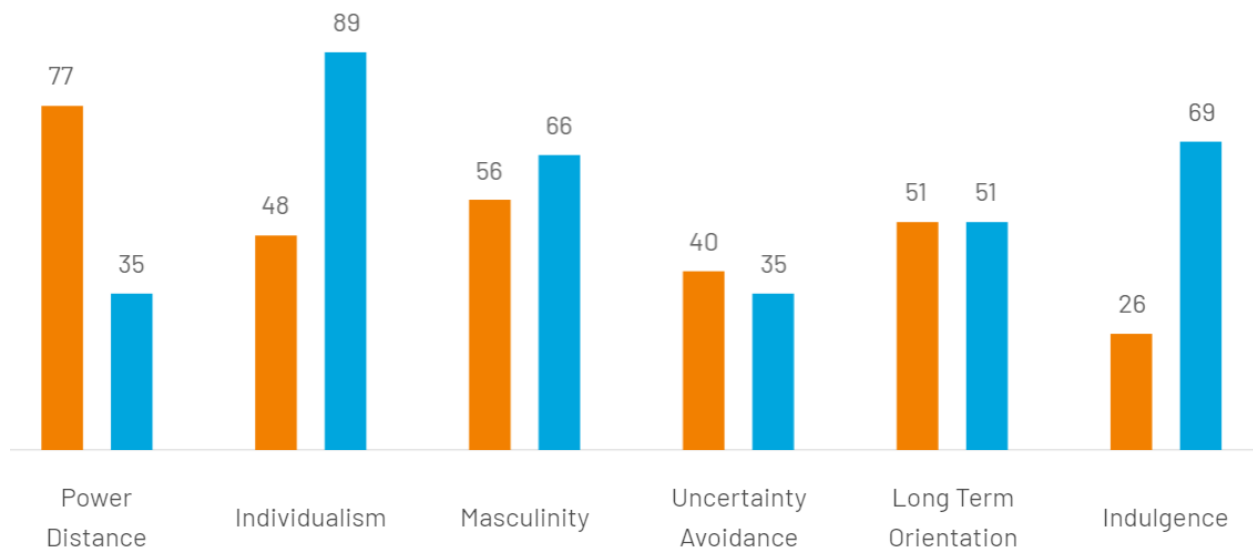


Fig. 2: India and UK Cultural Comparison (Hofstede Insight, n. d.)

Power Distance focuses on unequal distribution of power within the society. In this dimension, the **UK** had a low score of 35 as the British community believes that inequality among individuals should be reduced and they should be treated equally. Power distance score of **India** was 77 which demonstrates that Indian community and businesses have top-down or hierarchical structure wherein increased power wherein people at a higher position are power holders and those at lower-level depend on them for direction and feedback.

Individualism highlights the level of interdependence among the people of the community. This dimension explains that in a society there are either individualistic people who are more concerned about themselves or collectivist people who have a sense of belonging and loyalty towards their group. A high score of 89 for the **UK** means that British have an individualistic and private attitude and are taught from childhood to be self-sufficient and to focus on their personal goals and fulfilment. **India** had a medium score of 48 which indicates that Indians have individualistic traits as they have a dominant religious philosophy of Hinduism, as well as collectivist traits as they prefer to be in their own social group and their opinions are influenced by family, peers and other networks in the society.

Masculinity index signifies that a society in which people focus on achieving success and gaining competitive advantage is considered masculine whereas those people focusing on quality of life and liking the work undertaken belong to feminine society. According to Hofstede Insight (n. d.) **UK** is a masculine society as it scored 66 and this means that British are success oriented and have a clear performance goal. At the score of 56, **India** is also a masculine society wherein people visually showcase their success, power and materialistic

achievement both in personal life and at work. However, they are also very spiritual people with strong cultural values of humbleness and abstinence.

Uncertainty Avoidance dimension deals with the level to which people in the community embrace future uncertainty and ambiguity and how they cope with the anxiety during such a situation. The **UK** scored low (35) in this dimension which suggests that British are happy and comfortable in unknown and ambiguous situations and they readily accept new information or change in plan that occurs in the emerging environment. **India** had a medium-low score of 40 which indicates that Indians try to avoid uncertainty, yet they accept imperfection and highly tolerate unexpected situations and may circumvent rules if needed.

Long-term Orientation index stands for how people connect with the past events when dealing with present and future challenges. Low score on this dimension indicates normative society holding traditional norms and belief, whereas high score signifies pragmatic society that encourages future changes and modernisation. Both the **UK and India** scored 51 which means that it is difficult to identify the dominating preference in both the cultures and they are neither normative nor pragmatic. However, Indians are very religious and have philosophical viewpoints.

Indulgence index describes the degree to which people fulfil their needs and control their impulses. In this dimension, the **UK** had a high score of 69 which means that British are highly indulgent and optimistic and they engage in satisfying their impulses and needs, spending leisure time and money and enjoying life to the fullest. On the other hand, **India's** low score of 26 indicates that Indian society has a restraining culture and Indians are pessimistic, control their needs and focus less on leisure time.

(Source: Hofstede Insight, n. d.)

Advantages of Hofstede Model

- It gives a detailed information about difference in culture, society and practices existing in different countries
- Good understanding of culture differences can help in designing effective cross border marketing and promotional strategies
- It may help in better understanding consumers and their needs which may further aid organisations to segment and target their consumers.

(Source: Eringa, et al., 2015)

Disadvantages of Hofstede Model

- It may not be application to all target market having different opinions and revolutionised thinking
- This traditional model may contain outdated information
- It overlooks innovative trends and changes taking place at global level.

(Source: Shaiq, et al., 2011)

Technological

UK

IKEA has considerably invested in its e-commerce website to enhance the shopping experience of the customers. With the increase in digital technologies, IKEA uses augmented reality (AR) and virtual reality (VR), through its IKEA Place app, to help customers design their living space with virtual IKEA products (IKEA, 2017). Further the company also embraces artificial intelligence (AI) and machine learning technologies to identify consumer's needs, predict the latest trends, customise the shopping experience and offer automated customer service (IKEA, 2021).

India

In India, IKEA had invested in digital technology, like click and collect, automated home furnishing consultancy and virtual home planning in August 2019 (Sharma, 2020). This online strategy helped the company to survive in the tough period of pandemic that had resulted in store closure at national and international levels. Like the UK online website, the e-commerce site of IKEA in India is also using 3D visual AI to give the same shopping experience to the customers at the comfort of their homes (Pahuja, 2021). Thus, in both the market, technology factors are considered favourable for IKEA.

Legal

UK

IKEA should follow the legal rules and regulations of every country of its operation. Being a home furnishing company, IKEA needs to ensure that its products are safe and of good quality. Failure in this may not only lead to product damage and injuries to customers but also fines, lawsuits and negative impact on brand reputation if the situation worsens. Besides, IKEA should abide by labour laws and import and export rules especially after the Brexit and trade disputes between UK and Europe (Goel and Garg, 2018).

India

In the Indian market, IKEA needs to follow similar rules related to product safety and quality as well as those concerning labour's safety and security. Besides, as per the Indian government regulation, IKEA needs to source at least 30% of its inventory or raw materials from local suppliers in order to keep the price of its products low and to avoid heavy import taxes (Patnaik, 2018). Overall, if IKEA abides by legal rules and regulations in both the countries, they may prove favourable for the company.

Environmental

UK

IKEA has created 2030 sustainability goals of reducing climate footprint by around 70 percent per product and of limiting its greenhouse gas emission across its value chain. In addition, it is committed to using renewable and recycled raw materials, improving energy efficiency and obtaining materials, like wood, cotton, plastic and metal from sustainable sources. Additionally, IKEA in the UK offers sustainable food options and encourages people to lead a sustainable lifestyle (IKEA, n. d.).

India

Similar to the UK market, the sustainable strategy of IKEA in India also focuses on achieving a circular economy and climate positivity by 2030 as well as on using renewable and recyclable materials. Furthermore, the company aims to inspire 1 billion local people to lead better lives and to contribute to the company's initiative of saving water and energy and of managing waste (Retail in Asia, 2021). Thus, IKEA's eco-friendly approach in both the UK and the Indian market can be favourable to enhance the brand image and reputation of the company.

Similarities and Differences in PESTLE Analysis of IKEA

On analysing the PESTLE factors, the main **similarities** identified in the UK as well as Indian market are with regards to the political and economic factors. The stable political structure in India, and trade liberalisation between the UK and Europe creates favourable conditions for IKEA. Monetary policies designed by both countries' governments help to fight inflation and can be favourable for IKEA. Additionally, legal and environmental policies as well as use of digital technologies in both the countries can also create a favourable situation for IKEA.

The major **difference** is in the social factor of two countries that can impact IKEA's business. India has a higher power distance than the UK which can lead to inequality between different social classes and the low indulgence dimension of Indian than British can result in Indians controlling their needs and spending in leisure activity, like furniture shopping.

Porter's 5 Forces Analysis

In 1980, Porter had developed a five forces framework to analyse the competitiveness of an industry and to identify its profit potential on the capital invested. These five competitive forces are the actors (as shown in Fig. 3) that have capabilities or are interested in the industry (Hollensen, 2014).

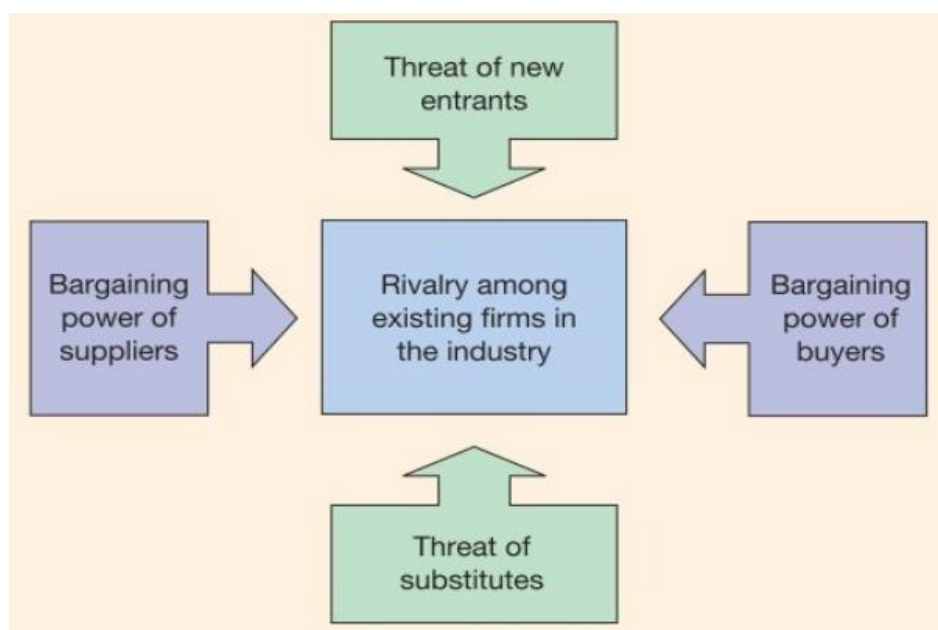


Fig. 3: Porter's Five Forces (Hooley, et al., 2012)

Bargaining power of suppliers

In the **UK**, IKEA currently works with around 1,600 suppliers and is constantly expanding its supplier base through its online portal (IKEA, 2023). With the increasing number of suppliers, IKEA can increase its power over them thus **lowering** the overall bargaining power of suppliers in the UK.

In **India**, IKEA has approximately 65 suppliers and over 500,000 people working in the Indian supplier chain (IKEA, 2022). However, it is mandatory for IKEA to source 30% of the raw material from local Indian suppliers (Patnaik, 2018) and this gives **moderate** power to suppliers over IKEA in India.

Bargaining power of buyers

The **high** bargaining power of buyers in the **UK** forces IKEA to produce good quality products, provide better customer service and keep the price of its products lower than the competitors. Besides, customers have a choice of other furniture shops like Argos, Tesco, Amazon, Wayfair, etc. which they can select if IKEA's products do not meet customers' demand and budget.

Similar to the UK market, the bargaining power of **Indian buyers** is also **high**. In **India**, a lot of customers prefer local furniture shops or local carpenters who manufacture a range of furniture at affordable price and who provide free assembling or delivery services (Biswas, 2022).

Threat of substitutes

Furniture is a basic necessity of every household and there are no major substitutes, except for variation in size and appearance, for the wide range of furniture and home appliances products and services offered by IKEA. In the **UK**, the flat pack furniture range of IKEA is highly preferred by British people who like to assemble their own furniture (Ibbetson, 2019). Therefore, IKEA has a low threat of substitutes in the UK market.

In **India**, IKEA's product has a **moderate** threat of substitution, as most Indians may prefer buying second-hand furniture (27%) from local carpenters or from online sellers, like OLX (Fernandes, 2023). However, some Indians may prefer customising their furniture based on

their home décor and functionality of the product (Indian Retailer, 2022) and may therefore opt for IKEA's flat pack furniture.

Threat of new entrants

In the **UK** market, IKEA faces **moderate** threat of new entrants. The company's increasing sales growth (13% as of 2022), large number of suppliers (1,600 as of 2023), and good brand recognition can restrict the entry of potential furniture firms in the market (IKEA, 2023).

However, increasing in online trends and constant evolution of home furniture and accessories can attract new entrants to enter the market with innovative product-line for niche consumers, thus impacting the market growth of IKEA (Rangaswamy, et al., 2022).

In **India**, there is **moderately high** threat of new entrants as approximately 90% of the Indian furniture market is unorganised and is ruled by the carpenters and local furniture stores (Financial Express, 2018). It is easy for the potential carpenters and new furniture stores to enter the Indian market and attract the local consumers through affordable pricing strategy and customised furniture designs.

Rivalry among firms

In the UK as well as in **India**, the rivalry among the furniture firms is **high**. IKEA UK needs to compete with firms, like Argos, Tesco, B&Q, Price-rite, Franc franc, etc. (Global Data, 2022) as the demand for flat pack furniture and innovative home accessories increases among the consumers. Although major competitors of IKEA in India are Amazon, Pepperfry, Godrej, Nilkamal, etc., the company also has to compete with unorganised rivals, like carpenters and street-side local furniture shops (Goel and Garg, 2018).

Similarities and Differences in Porter's Analysis of IKEA

In both the countries the key similarities are the high bargaining power of the consumers and increasing rivalry between the firms. High consumer power is because consumers' needs and demands are constantly changing with the change in furniture trends. This creates intense rivalry between the firms to attract maximum consumers' attention and to boost their sales and revenue.

On the other hand, the main differences in both markets with regards to Porter's analysis are bargaining power of suppliers, threat of substitutes and threat of new entrants. The differences in this parameter has resulted from the increasing monopoly of unorganised competitors in India that can easily enter the Indian market and can offer second-hand furniture at an affordable price. Also, to keep the product price low in India, IKEA needs to rely on 30% of the local suppliers which increases their power.

SWOT Analysis of IKEA

SWOT analysis will evaluate the potential strengths, weaknesses, opportunities and threats experienced by IKEA in both the UK and the India's market.

Strengths		Weaknesses	
UK	India	UK	India
Sale growth of 13% for the year ending August 2022	Revenue increased 73% for the fiscal year 2022	22 stores all over the UK with many pick-up points	Only 5 stores across India
1,600 suppliers currently and more suppliers are attracted through its online portal	65 suppliers and over 500,000 people working in the Indian supplier chain	Products may not be appealing for the customers who do not follow DIY culture	Products may not be appealing for the customers who do not follow DIY culture
Diversified product portfolio of over 10,000 home furniture and appliances products are offered	Diversified product portfolio of more than 9,500 products of home furnishing are offered	No assembling or delivery service and for some customers, assembling process is complex, tedious and time consuming	No assembling or delivery service and for some customers, assembling process is complex, tedious and time consuming
Great online presence and use of latest technology like AI, VR and AR to enhance	Great online presence and use of latest technology like AI, VR and AR to enhance	Impact to brand image due to negative customer review about poor quality products	Racism allegation against IKEA in Hyderabad which had an impact on its brand reputation

customers' experience	customers' experience		
11,728 employees as of August 2022	There are around 3,000 co-workers as of 2022	Increasing dependency on big store format	Big store format can be an issue in overcrowded and congested cities of India, like Delhi, Mumbai and so on.
Renewable and recyclable raw material, like sustainable wood, plastic, metal and cotton is used	Renewable and recyclable raw material, like sustainable wood, plastic, metal and cotton is used		
Specialised in flat-pack furniture	Specialised in flat-pack furniture		

Opportunities		Threats	
UK	India	UK	India
To expand its growth in terms of number of stores and suppliers-base	To open more outlets across different states in India	Increasing inflation rate (6.5% as of May 2023) can lead to fall in consumer spending	Increasing inflation rate (4.81% in June 2023) can lead to fall in consumer spending
Improve the brand image by offering good quality products	Improve the brand image by offering good quality products	Change in trade policies between the UK and the Europe	Increase in import duties and taxes can affect the product price
Focus on providing more products	Focus on providing more products	Intense competition from key players	Intense competition from key players

online with 248.8 million visitors as of 2022	online with 35 million visitors as of 2020	like Argos, B&Q, Franc-franc, etc.	like Amazon, Neelkamal, Godrej- and many local furniture shops and carpenters
Offer customisation and personalisation offer to meet the varying home décor needs of the consumers	Offer customisation and personalisation offer to meet the varying home décor needs of the consumers	Supply chain disruption due to issues like bad weather condition, pandemic, earthquake	Supply chain disruption due to issues like bad weather condition, pandemic, earthquake
Opt for small-size store concept	Opt for more pick centres, like in the UK and small store concept	Change in consumers' furniture needs and requirements	Change in consumers' furniture needs and requirements
Partnership with designers to offer limited-edition and contemporary art products to attract high income group people	Partnership with designers to offer limited-edition and contemporary art products to attract high income group people		
Expand the grocery business and include more options	Expand the grocery business and include more options		

IKEA's Market Segmentation Strategy

Segmentation

Segmentation is the process of segregating market or target customers into groups based on common characteristics, like age, geographical location, needs and preferences, etc. so that

companies can better focus on them, create target products and service, and enhance their experience (Hooley, et al., 2019).

The segmentation strategy of IKEA in both the **UK and Indian market** is similar as they have the same target audience and similar product portfolio, like home furnishings accessories with some difference in design and style. **Demographically**, IKEA offers its products to both male and female, in the age range 16-35 years, who are staying alone, married couples with or without children, old age people, students, professionals, and so on (Zhang and Li, 2016). The company's main target is middle-class people having medium to high disposable income. **Geographically**, IKEA in India targets consumers living in urban areas and having modern space, whereas in the UK it targets people from country-side as well as the city (Tuli, 2020). **Psychographic** target segments of IKEA include consumers who like to assemble their own furniture and décor their living space, and those with frequent buying **behaviour** (Crockett, 2022).

Targeting

Targeting is the process of identifying specific market or target audience who can be the active consumer for the company and for whom the company can design its marketing strategies as well as its products and services (Schlegelmilch, 2016). There are generally three types of targeting- **undifferentiated marketing** which focus on the same promotional message for the entire market, **differentiated marketing** which involves different promotional messages for different consumer segments, and **concentrated marketing** which targets small customer groups (Kotler, et al., 2013).

With regards to IKEA, it follows **undifferentiated target marketing in both the UK and the Indian market**. IKEA's cost-effective products as well as its offline and online marketing strategies are for all its target segments which includes different age consumers having different furniture needs (Hugel, 2022).

Positioning

Positioning is the strategy of cultivating a positive brand image in the minds of the consumers and ensuring that the brand emerges better than the competitors (Hooley, et al., 2019). There

are various positioning methods considered by IKEA in the **UK and the Indian market**. Firstly, the company uses an effective **positioning** strategy in both the market which focuses on designing a compelling marketing strategy that conveys how the brand will meet consumers' needs and solve their problem (Kosteljik and Alsem, 2020). Using this strategy IKEA provided a memorable and distinctive shopping experience to its consumers through its AI-support visual home décor option on its online portal which gives a better idea to the consumers about what furniture to purchase (IKEA, 2017). Besides, IKEA uses a competitive **positioning strategy** which focuses on differentiating the brand from the competitors and creating value for the consumers (Hooley, et al., 2019). IKEA's high quality products at low-price and value for money strategy are the major differentiators that helps the brand to attract maximum consumer attention.

The quality and price element of IKEA against its competitor is explained in the perceptual map as shown in Fig. 4 and 5. According to Doyle (2016), a perceptual map is a graphical representation of how a brand is positioned in the market as well as in the minds of the consumer relative to its competitors.

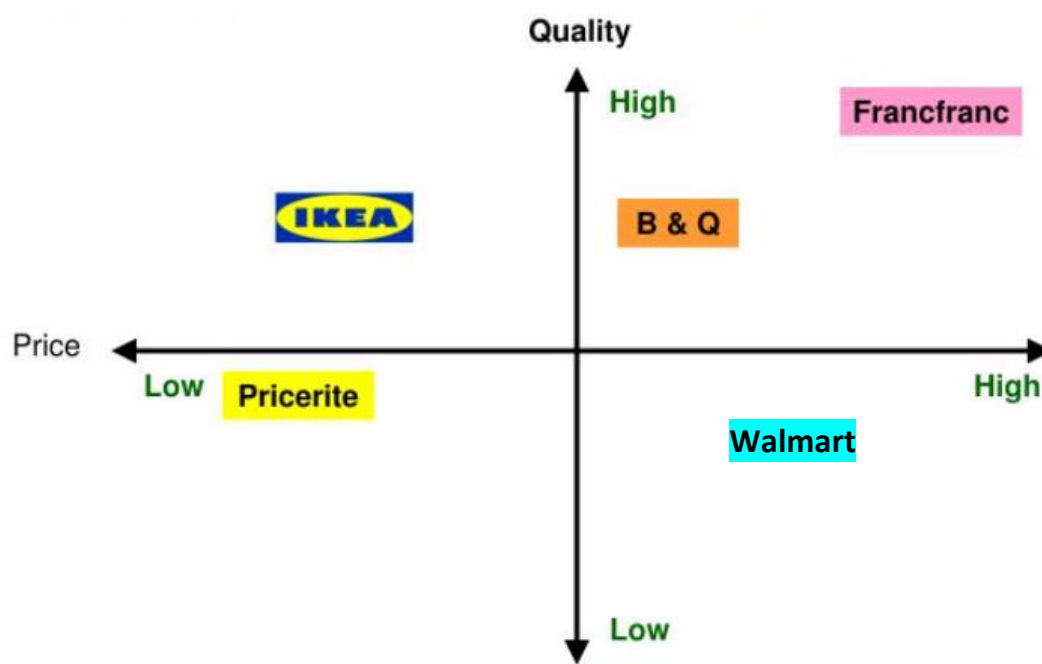


Fig. 4: Perceptual Map of IKEA in the UK (Author's creation)

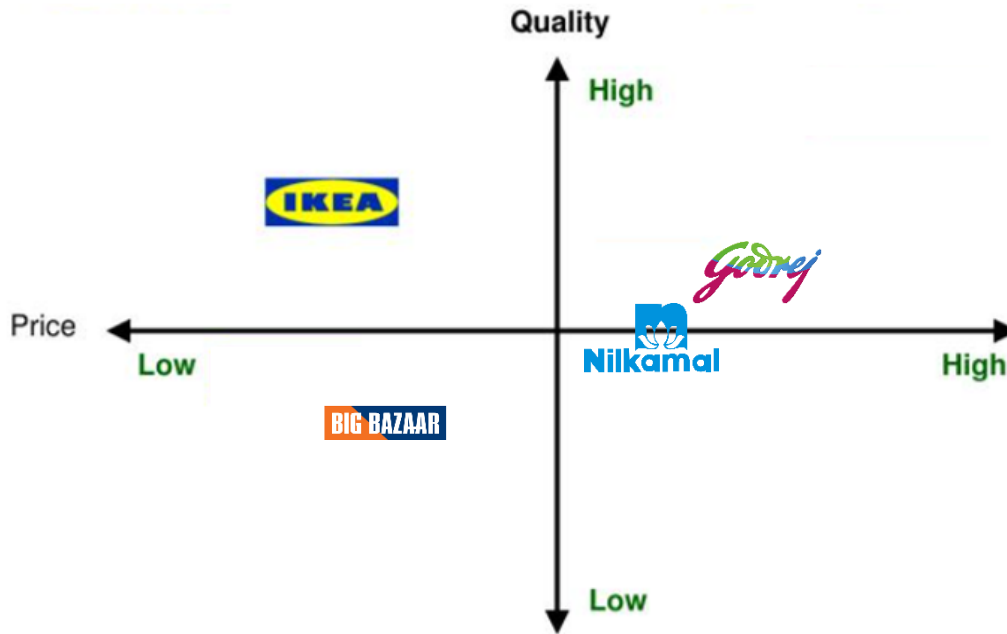


Fig. 5: Perceptual Map of IKEA in India (Author's creation)

Similarities and Differences in Market Segmentation Strategy of IKEA

IKEA's segmentation, targeting and positioning strategy in the UK market as well as Indian market have major similarities. In both markets, IKEA focuses on the same segment of consumers (16-35 years age) with its wide product range. Additionally, the brand targets its audiences through undifferentiated marketing strategy. Furthermore, its effective and competitive positioning strategy helps IKEA to position itself as a cost-effective brand in both the markets.

The only difference in both the market is with regards to the geographical segmentation wherein in India, the brand segments urban and city consumers whereas in the UK, it segments both urban and country-side people.

Marketing Mix of IKEA

Marketing mix refers to 4Ps and an extended 3Ps of marketing tools to make 7Ps of marketing mix as shown in Fig. 6. These 7Ps are essential factors which companies can use to

market their products and services and to influence the customers to make a purchase (Czinkota, et al., 2011).



Fig. 6:7P's of Marketing Mix (Modified from Czinkota, et al., 2011)

Product

Czinkota, et al. (2011) stated that products are the tangible or physical goods and services offered by the company to its consumers that ultimately creates revenue and profit for the company.

IKEA, in the UK as well as the Indian market, offers a wide range of home furnishing products and appliances. This includes sofa, tables, glassware, kitchen appliances, bed and beddings, and so on. In the UK, there are around 10,000 products and almost 9,500 products In India, as of 2021 (IKEA, 2021). Also, 1000-2000 new products are added every year to the existing list of products in both the markets. Additionally, the brand is also known for offering 'flat-pack' furniture that customers can easily assemble in their home-space (IKEA, n. d.).

Price

Price element in the marketing mix indicates the monetary value paid by the customers for the products and services of a company. It is an important factor to be considered as it determines an organisation's survival and profitability (Dibb, et al., 2019).

In India as well as in the UK, IKEA uses economic or **competitive pricing strategy**. It is defined by Dibb et al. (2019) as a process of setting price for the products and services of a business in relation to the competitors to gain maximum price advantage. Using this strategy IKEA sets its price lower than its competitors in both the market. For example, In India, IKEA charges 199 rupees for a table lamp whereas the same product is charged 425 rupees by Amazon (CNBC, 2018). Similarly, in the UK market, IKEA charges £69 for a garden patio set with 2 chairs, whereas the same is charged by B&Q at £92.99 on sale (Marshall, 2023).

Promotion

This includes different marketing methods used by an organisation to attract its consumers, to communicate with them and to accomplish specific marketing objectives. Different promotional tools include sales promotion, sponsorship, direct and digital marketing, advertising, etc. (Ferrell, et al., 2021).

IKEA uses **creative advertising campaigns** in both the UK and India to connect with its customers and to persuade them emotionally towards the brand. For example, IKEA's new advertisement in the UK, with a slogan '*til it feels like you*', promotes the significance of decorating home in such a way that it reflects a person's individuality (Nichols, 2022). On the other hand, IKEA's advertisement campaign in India, with a slogan '*ghar aa jao*' (*come home to IKEA*), was designed to create emotional bonds with the customers and to give them a memorable experience in the homely atmosphere of the store (IKEA, 2022). Besides, the brand also uses **print media and social media campaigns** to attract various target groups.

Place

The place element in the marketing mix includes the location, both offline and online, where the consumer discovers the products and services of a company or from where they make a purchase. It also refers to the entire process from the time the product is manufactured till it

reaches the end-users as well as any distributors or wholesalers included in the process (Dibb, et al., 2019).

IKEA's wide range of products are available on the company's online websites as well as in its physical stores. In the UK, there are 22 physical stores of IKEA and several pick-up points, like self-served collection lockers, mobile pick-up points at Tesco's car park. Convenient stores, post offices and DPD pick-up points for online orders (IKEA, n. d.). However, in India there are only 5 stores where consumers can access and purchase IKEA products.

Market Entry Mode

There are various market entry modes, like franchises, strategic partnership, joint venture, and so on, which IKEA adopts to expand its product and service reach for the consumers in different markets. IKEA uses a franchise system to offer its products to maximum consumers and for long-term growth and development of its business. Currently, all IKEA stores, except one in the Netherland (IKEA Delft), are functioning as franchise businesses and paying 3% fee to Inter IKEA Group in exchange of its trademark (IKEA, n. d.).

IKEA also engages in **strategic partnership** with Tata Community Initiatives Trust (TCIT) in India to train and develop new employees through skill and behavioural development training as well as through short-term courses (IKEA, 2021). Another partnership exists between IKEA in India and HDFC to provide instalment options to consumers on purchasing IKEA products (Indian Retailers Bureau, 2023). IN the UK, IKEA has a collaboration with Ellen MacArthur Foundation to increase the transfer to a circular economy (IKEA, 2020).

People

According to Ferrell, et al. (2021), people include all those who are directly or indirectly associated with the business of an organisation. These are **employees, human resource department, customer representatives, marketing and designing team**, etc. With regards to employees, there are a total of 3,000 co-workers of IKEA, as of 2022, in India and around 11,728 employees as of August 2022 in the UK.

Process

Process in marketing mix is the actions taken by an organisation to market or sell its products and services to the customers (Dibb, et al., 2019). IKEA follows a similar business process in both the UK and India when it comes to marketing and selling its products. In other words, the brand uses persuasive marketing campaigns to emotionally connect with its consumers and to attract them to the business. When selling IKEA's wide range products, it uses a similar product portfolio and 'flat-pack' furniture system in both markets. With regards to online features, IKEA uses AR, VR and AI-supported technology to offer personalised shopping experience to both the UK and Indian consumers. However, in the UK, IKEA offers additional 'pick-up the online order' service at near-by post-office, Tesco car park or self-served collection lockers (IKEA, n. d.).

Physical Evidences

This includes all the tangible and physical resources that the customers can see when communicating with the brand (Czinkota, et al., 2011). For IKEA, in both the UK and India, physical evidence includes the brand's well-known blue and yellow logo and its large store layout. The large layout of the store is designed in such a way that the customers can spend their entire day and can easily navigate from one section to another through its physical arrow system. Additionally, these stores on both the market have restaurant facilities and baby handling areas (IKEA, n. d.).

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Similarities and Differences in the Marketing Mix of IKEA

The key similarities between the marketing mix elements of IKEA in India and in the UK includes its wide product range and addition of new range every year, competitive pricing strategy, creative advertising campaign as well as print and social media campaigns, market entry modes of franchise and strategic partnership, and in the physical evidence elements of IKEA.

However, the main difference in marketing mix lies in the number of physical stores of IKEA in the UK (22) and in India (only 5). Further, there is a pick-up process for online orders available within the UK market and the same service is absent in the Indian market.

Directional Development Strategy of IKEA

According to West, et al. (2015) directional development strategy refers to the most strategic option that a company chooses to grow in terms of products and services, performance, revenue or other business achievements. There are various development strategies, such as Boston Consulting Group Matrix, Ansoff matrix, and Porter's Generic Strategy which every small or large organisation can choose based on the scope and focus of its business (Johnson, et al., 2017). However, Ansoff matrix will be used in this report to explain the directional development strategy of IKEA

Ansoff Matrix

Ansoff matrix is a strategic planning framework that helps an organisation to successfully grow in 4 strategic directions (as shown in Fig. 7). These directions are, market penetration focusing on existing market with existing products and services, product development emphasising on existing market with new products and services, market development concerned with entering new market with existing products and services, and diversification which involves entering new market with new products and services (Kotler, et al., 2020).

	Existing Products	New Products
Existing Market	Market Penetration	Product Development
New Market	Market Development	Diversification

Fig. 7: Ansoff Matrix (Adapted from Kotler, et al., 2020)

For IKEA, the two most essential growth directions, in both the UK and India's market, include market penetration and product development.

Market Penetration

Using this strategy, IKEA can earn high market share by encouraging customers to buy existing products available in the existing market. This can be achieved by offering quality products and services to the customers which can further lead to gaining their trust and loyalty and building strong long-term relationships with them. According to a YouGov survey, around 27% of Indians are price-sensitive and approximately 62% of consumers await sales and offers as per Kantar study (Shah, 2023; Mukherjee, 2022). Thus, IKEA can attract Indian consumers through periodic offers and discounts. Additionally, IKEA can penetrate the minds of young British and Indian adults by focusing on social media and content marketing. The brand can use celebrity endorsement and promotion through influencers to grab the attention of consumers and to persuade them to make a purchase.

Product development

This is the most strategic option which IKEA can adopt to introduce a new product range in its existing market of UK and India. IKEA currently has more than 10,000 products in the UK market and almost 9,500 products in the Indian market and every year the company adds nearly 1000-2000 new products to the existing range (IKEA, 2021). The company can introduce new products, in both the market, based on the needs and preference of the consumers. For example, IKEA can introduce designer furniture or limited-edition products to attract the high earning and upper-class social group in both the UK and India. Furthermore, IKEA can expand its product range by introducing more smart-home appliances, like wireless lamps and lighting, automatic heating and cooling mattresses especially for UK weather, automatic extension tables to suit the compact Indian homes, etc. Such innovative home appliances can help to attract today's smart-age and techno savvy consumers in both India and UK.

Recommendations

Recommendations will be presented through TOWS analysis (as shown in Fig. 8) to help IKEA enhance its strengths, work on its weaknesses, consider opportunities to its full potential and overcome threats in the UK and Indian market.



Fig. 8: TOWS Analysis (Dieffenbacher, n. d.)

IKEA in both the market should focus on strength to opportunities or maxi-maxi strategies that focus on improving strengths by developing new opportunities. IKEA is making sales and revenue growth in both the market. This strength can be utilised to meet its potential opportunity of expanding its store presence and range of product offerings in both the markets. Working with a large group of suppliers can help IKEA to improve its product quality and design as well as product innovation. The latest technologies, like AI, AR and VR, can be further used to full potential to offer more range of products on online platforms. Additionally, partnership with latest designers can help to create limited editions and diversify the product range to attract high-class consumers.

Conclusion

IKEA is a well-known brand that has expanded its business across various geographical locations. This report had analysed the two main markets of IKEA's operation, i. e., India and the UK. It was identified that although both markets are favourable for IKEA, there is a major difference in their socio-cultural aspects which IKEA needs to consider when adopting a long-term growth strategy of market penetration and product development. Besides, there is high competition in India for IKEA as there are many local and unorganised furniture shops that offer products at cheaper price and with delivery and assembly service. Therefore, IKEA should consider free delivery and assembly options to overcome threats from existing rivals and new entrants. Nevertheless, IKEA should use appropriate segmentation strategy and marketing mix elements to improve its growth and profitability.

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