

# MARKETING MANAGEMENT

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## IKEA Pets Brand Extension

Marketing is a cornerstone of organisational success, encompassing the strategies, processes, and actions designed to connect products or services with consumers, ultimately driving demand and fostering brand loyalty (Kotler & Keller, 2021). In today's dynamic marketplace, companies leverage brand extensions to diversify offerings, tap into new customer segments, and enhance competitive positioning. This report examines IKEA's strategic entry into the pet care market through its new brand extension, "IKEA Pets." Known for its affordable, stylish, and functional home solutions, IKEA is poised to extend its expertise into pet furniture and accessories, targeting the growing population of pet owners worldwide. This report provides a comprehensive overview of IKEA, including its mission and vision, and explores how IKEA Pets aligns with the company's core values. It further details the segmentation, targeting, and positioning (STP) strategy, alongside a robust 7Ps marketing mix, to illustrate how this extension creates opportunities for IKEA. By addressing consumer trends, such as urbanisation and sustainability, IKEA Pets aims to carve a niche in the £270 billion pet care industry, projected to grow at a compound annual growth rate (CAGR) of 6.1% by 2025 (Grand View Research, 2023).

## Company Overview (IKEA)

Established in 1943 by Ingvar Kamprad in Sweden, IKEA has evolved into a global leader in home furnishings, operating over 450 stores across more than 50 countries. With annual revenues exceeding €40 billion and a workforce of approximately 225,000 employees, IKEA's success stems from its commitment to affordable, stylish, and functional design (IKEA Annual Report, 2024). The company pioneered the flat-pack furniture concept, reducing costs and empowering customers to assemble products, a model that revolutionised the industry. IKEA's product range spans furniture, home accessories, and kitchen appliances, catering to a diverse audience, from young adults furnishing their first apartments to families seeking practical, long-lasting solutions.

IKEA's physical stores are complemented by a robust online presence, with e-commerce accounting for a growing share of sales. In 2023 alone, IKEA welcomed over 800 million store visitors and 4 billion online interactions, reflecting its intense market penetration (Statista, 2024). The company's marketing blends traditional in-store experiences, such as immersive showrooms, with digital innovation, including social media campaigns and a user-friendly website. Sustainability is a core pillar, with

initiatives like using renewable materials and aiming for carbon neutrality by 2030 appealing to eco-conscious consumers.

**Mission and Vision:** IKEA's mission, "to create a better everyday life for the many people," emphasises accessibility, quality, and affordability. Its vision extends this ethos to sustainability, aiming to inspire positive change for people and the planet. These principles guide IKEA's operations and set the stage for innovative extensions like IKEA Pets.

## New Brand Extension

IKEA Pets has launched a curated line of pet furniture and accessories for modern pet owners. The range includes modular pet beds (£30-£50) featuring adjustable frames and washable cushions, multi-functional scratching posts (£25-£40) with replaceable sisal panels, and elevated feeding stations (£40-£60) that come with storage drawers and pet supply organisers. Accessories such as organic cotton toys and recycled plastic bowls (£5-£15) complement the collection. Premium models even offer app-controlled feeding timers (£70-£80). Utilising IKEA's flat-pack approach, these products are made from sustainable materials—80% recycled wood, organic cotton, and non-toxic finishes—aligning with environmental goals.

The global pet care market was valued at £232 billion in 2022 and is projected to reach £270 billion by 2025, fueled by increasing pet ownership and spending (Grand View Research, 2023). In the UK, 57% of households (16.2 million) own 38 million pets, with urbanisation driving demand for compact and stylish products (APPA, 2024). In the U.S., 68% of households have pets, including 90 million dogs and 94 million cats, with annual spending averaging £1,200 per pet. Millennials are a key demographic, with 70% of them owning pets and considering them part of the family, and they are willing to invest in quality products (Pet Industry Trends, 2023).

IKEA Pets specifically targets urban pet owners aged 25-45, especially millennials who are tech-savvy, design-conscious, and value sustainability. Modular designs, such as pet beds that double as side tables or feeding stations with hidden storage, cater well to apartment dwellers. Features like app-controlled feeders appeal to the 62% of millennials using smart home devices (Deloitte, 2024). The calming colours and ergonomic designs tap into the wellness trend, enhancing overall pet comfort.

Compared with Petco, Pets at Home, Pet London, Chewy, and Zooplus, IKEA Pets stands out through affordability, design, and sustainability. The global pet furniture segment is growing at a CAGR of 5.8%, highlighting the market's potential (Market Research Future, 2023). IKEA's economies of scale and supply chain efficiency allow for competitive pricing, while its commitment to sustainability gives it an edge over less eco-friendly rivals.

## Opportunities for IKEA

**IKEA Pets offers multiple strategic advantages:**

**Brand Alignment with Lifestyle Needs:** Pets are integral to modern households, and IKEA's focus on enhancing daily life extends logically to pet care. This builds on IKEA's reputation for practical, family-oriented solutions.

**Sustainability Leadership:** Using recycled and renewable materials reinforces IKEA's 2030 sustainability goals, attracting 73% of consumers willing to pay more for eco-friendly products (Nielsen, 2023).

**Market Diversification:** Entering the pet care sector diversifies IKEA's portfolio beyond human-centric furnishings, mitigating risks from furniture market saturation and boosting revenue potential.

**Cross-selling synergies:** IKEA Pets integrates with existing products, e.g., pet storage fits into KALLAX shelving, encouraging bundled purchases and increasing average order value.

**Global Reach:** With stores in 50+ countries, IKEA can scale IKEA Pets internationally, adapting designs to regional pet ownership trends (e.g., smaller products for Japan's compact homes).

Challenges include competition from established pet brands and educating consumers about IKEA's pet offerings. However, IKEA's brand equity and loyal customer base (83 % of shoppers return annually (IKEA Insights, 2024) provide a strong foundation for success.

## UK Financial Considerations

The UK pet care market is valued at £7.8 billion in 2024 and is projected to grow at a compound annual growth rate (CAGR) of 4.5% through 2028. This growth is driven by a pet ownership rate of 57% and rising disposable incomes (Mintel, 2024). On average, UK pet owners spend approximately £1,500 annually, with millennials spending 20% more on premium and eco-friendly products (Pet Industry Trends, 2024).

IKEA Pets offers products priced between £5 and £80, targeting middle-income households with annual incomes of £30,000 to £80,000, which account for 65% of the UK population (ONS, 2024).

IKEA's 28 stores in the UK generate £2.1 billion in revenue, benefiting from economies of scale that result in 25-30% profit margins, compared to competitors' margins of 15-20% (IKEA UK Report, 2024; IBISWorld, 2024). However, the UK's VAT of 20% and import tariffs of 2-5% on non-EU materials increase costs. Local sourcing, such as partnerships with KALLAX suppliers, can reduce expenses by 10% and help mitigate tariff impacts (Supply Chain UK, 2024). Seasonal promotions, including 20% discounts for Black Friday, align with 70% of UK consumers looking for deals, boosting sales volume (Statista, 2024).

IKEA operates over 500 urban delivery hubs, ensuring shipping within 2-3 days while maintaining cost efficiency. Click-and-collect services and delivery options ranging from £5 to £20 cater to urban pet owners, representing 80% of the target market (Statista, 2024). IKEA preserves its profit margins by prioritising direct sales over third-party platforms like Amazon while leveraging its four billion annual digital interactions to drive online sales (Statista, 2024).

# Segmentation, Targeting, and Positioning (STP) for IKEA Pets

| Segmentation Type | Segment Criteria  | IKEA Pets Target Segment                                                                               |
|-------------------|-------------------|--------------------------------------------------------------------------------------------------------|
| Geographic        | Region            | Urban areas globally (e.g., North America, Europe, Asia)                                               |
|                   | Density           | High-density cities and suburban neighbourhoods.                                                       |
| Demographic       | Age               | 25-79 (Baby Boomers, Millennials and Gen X)                                                            |
|                   | Gender            | Male and Female                                                                                        |
|                   | Income            | Middle-income (£30,000-£80,000 annually)                                                               |
| Psychographic     | Lifestyle         | Pet-centric design savvy, urban, suburban, Boomers: empty-nesters, retirees seeking pet companionship. |
|                   | Values            | Sustainability, practicality. Affordability. (E.g. Boomers prioritise quality and durability.          |
| Behavioural       | Loyalty           | Ikea Loyalists, new Pet Owners                                                                         |
|                   | Purchase Occasion | New pet adoption, home moves, and gifting.                                                             |
|                   | User Status       | Experienced pet owners, regular buyers, and first-time pet shoppers.                                   |

Table: This segmentation reflects urban pet owners' needs for space-efficient, stylish, and quality products, which align with IKEA's ethos.

**Targeting:** IKEA Pets aims to reach urban pet owners aged 25-45, balancing career demands with pet care. Millennials comprise 35% of pet owners globally and are a focal point for this demographic due to their £200 billion spending power and preference for sustainable brands (Forbes, 2023). These consumers often live in apartments, necessitating compact solutions, and are 50% more likely to purchase eco-friendly

products than older generations (Statista, 2024). IKEA will also target new pet owners, such as those adopting pets during life transitions like moving and those seeking affordable, ready-to-assemble options. By offering products priced under £80, IKEA ensures accessibility while maintaining quality, appealing to both loyal IKEA customers and newcomers.

**Positioning:** IKEA Pets is positioned as "Affordable Style for Pet Living," blending functionality, aesthetics, and sustainability. Unlike premium pet brands like West Paw, which charge £100 or more, IKEA offers comparable quality at lower costs, disrupting the market. Marketing efforts will emphasise ease of assembly (e.g., "5-minute setup"), space-saving designs, and eco-credentials with slogans like "Green Living for You and Your Pet." In-store displays and online tools like virtual room planners will showcase how products integrate with home décor. Social media campaigns featuring real pets will enhance emotional appeal, positioning IKEA Pets as a practical and stylish alternative to bulky, expensive competitors.

## Positioning Features:

- **Quality:** Durable, non-toxic materials (recycled wood, organic cotton) ensure pet safety and longevity, matching competitors like PetsatHome at lower costs.

- **Price:** Value-based pricing (£5-£80) undercuts Petco (£50+ beds), targeting 65% of UK middle-income households (ONS, 2024).

- **Sustainability:** Deep commitment includes 80% recycled materials, 100% renewable energy in production, and a take-back program for recycling used pet products, aligning with IKEA's 2030 carbon neutrality goal. This resonates with 73% of UK consumers willing to pay more for eco-friendly products (Nielsen, 2023). Partnerships with UK recycling firms ensure closed-loop systems, reducing waste by 15% compared to industry standards (Green Alliance, 2024).

**Accessibility:** It is available in 28 UK stores, online with 2–3 day delivery, and click-and-collect, reaching 80% of urban pet owners. Assembly videos and intuitive designs cater to first-time buyers (Statista, 2024).

## 7Ps of Marketing Mix Strategy

**Product:** IKEA Pets offers a versatile range of products:

- Modular Pet Beds: Adjustable frames with washable cushions, priced at £30-£50.
- Scratching Posts: Stackable designs with replaceable sisal panels, priced at £25-£40.
- Feeding Stations: Elevated platforms with storage drawers, priced at £40-£60.
- Accessories: Organic cotton toys and recycled plastic bowls, priced at £5-£15.
- Innovative Options: Premium models with app-controlled feeders costing between £70 and £80.

These products prioritise sustainability (with 80% recycled materials), durability, and minimalist design, ensuring they complement IKEA's furniture aesthetic.

How are the products -> good quality, easy to assemble

**Price:** IKEA Pets employs a value-based pricing strategy, with products ranging from £5 (toys) to £80 (smart stations). This approach reflects affordability while signalling quality, undercutting competitors like Petco, which charges £50 or more for beds. Seasonal bundles, such as a bed plus a toy for £45, enhance perceived value. Dynamic pricing during events like Black Friday, offering 20% discounts, will help clear inventory and attract price-sensitive buyers. This pricing strategy aligns with IKEA's "low price, high value" ethos, targeting middle-income pet owners.

**Place:** IKEA Pets will be sold both in-store and online. Urban stores will feature dedicated sections with interactive displays, while rural locations offer a more limited selection. Ikea.com will integrate the Pets line into its platform, providing delivery options (priced at £5-£20) and click-and-collect services. Leveraging IKEA's 2,000+ delivery hubs ensures 2-3 day shipping in key markets. Partnerships with third-party platforms, such as Amazon, may expand its reach; however, IKEA will prioritise direct sales to maintain profit margins.

**Promotion:** A multi-channel strategy will include:

- **Social media:** Campaigns on Instagram and TikTok featuring pet influencers (with 1 M+ followers) showcasing product assembly and use, targeting 80% of pet owners who are active online (Sprout Social, 2024).

- **In-Store Events:** Pet adoption days and assembly workshops in flagship stores.

**Digital Ads:** Google Ads and email blasts with pet care tips drive 15% higher engagement (HubSpot, 2023).

**Collaborations:** Co-branded toys with NGOS like ASPCA, boosting goodwill. Promotions emphasise affordability, sustainability, and pet happiness, using hashtags like #IKEAPetsLove.

**People:** IKEA is committed to training over 10,000 staff globally on its IKEA Pets features, ensuring they provide knowledgeable service. In-store pet experts and online chat support aim to enhance customer trust. Employees will receive incentives, such as 5% sales bonuses, for promoting the pet product line, which fosters enthusiasm among the team. This approach aligns with IKEA's people-centric culture, where employee engagement is known to drive 20% higher customer satisfaction (IKEA Insights, 2024).

**Process:** The online ordering system features intuitive navigation, 3d product previews, and assembly videos to enhance the user experience. In-store self-checkout and clear signage streamline the purchasing process. Delivery options include same-day service in cities (via over 500 urban hubs) and standard shipping within 3-5 days, with tracking available through the IKEA app. The return policy accepts used pet items for recycling, reinforcing IKEA's commitment to sustainability. This efficient process contributes to a 90% customer satisfaction rate (IKEA Survey, 2023).

**Physical Evidence:** IKEA Pets sections in stores display assembled products, while the packaging emphasises eco-friendly credentials (e.g., "80% recycled"). The website offers virtual pet zones that allow customers to visualise their setups. With physical stores in over 50 countries and approximately 4 billion annual digital visits (Statista, 2024), IKEA provides tangible proof of its commitment, enhancing brand trust.

## Conclusion

IKEA Pets positions the company to capitalise on the £7.8 billion UK pet care market, which is driven by a 57% pet ownership rate and a compound annual growth rate (CAGR) of 4.5% (Intel, 2024). By targeting urban millennials with affordable, high-quality, and sustainable products, IKEA differentiates itself from competitors like Petco and Pets at Home through its pricing (ranging from £5 to £80), accessibility (with 28 stores and online shopping), and eco-innovations, including the use of 80% recycled materials and recycling programs.

IKEA's financial strengths in the UK include 25-30% profit margins, local sourcing that saves 10%, and alignment with deal-seeking consumers, as 70% actively look for discounts. Despite the competition, IKEA boasts an impressive 83% customer retention rate, a robust omnichannel presence, and effective cross-selling opportunities, contributing to its success.

IKEA Pets not only diversifies revenue streams but also reinforces the company's leadership in sustainability. It fulfils IKEA's mission of enhancing everyday life for pets and their owners, solidifying its position in the market.

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