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Introduction

IKEA, the world's largest retailer of style-to-assemble and ready-to-fabricate furniture, applications, and equipment. It was formed in Sweden in 1948 and has been growing since then. To construct 433 stores, employ 211,000 people in 50 countries, and generate \$1 billion in sales in 2019. IKEA is ranked as 39th most valuable brand in the world with a net worth of \$15.3 billion (forbes, 2020). The company has started franchising, which will boost the company's revenue.

The potential to expand globally while maintaining an associate entrepreneurial atmosphere, and so the power to safeguard. Fundamental concept and serving the general public's prime likes (IKEA, 2020).



1951



1954



1967



1981



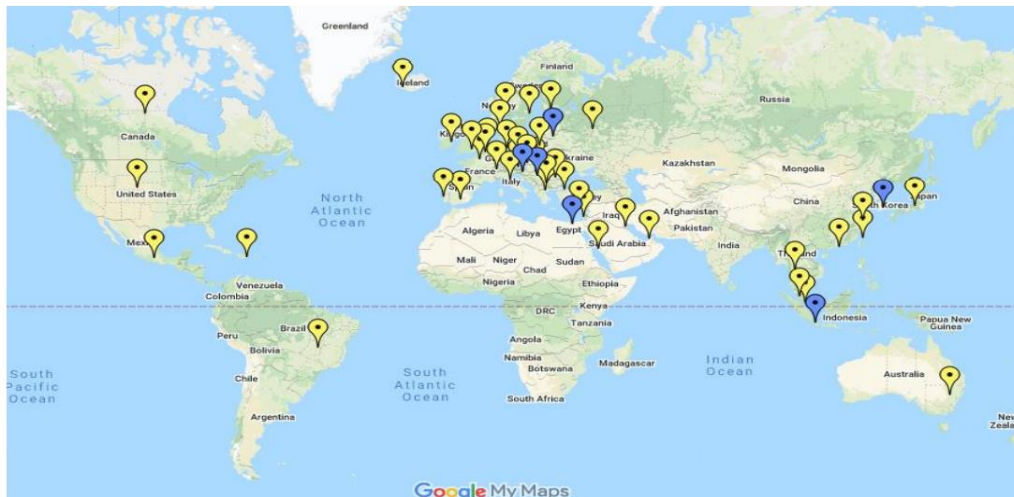
1983



2019

Source: (ikea, 2020)

They now own and employ stores in 24 countries; the rest are their franchisees (Shoulberg, 2018). As per third-dimensional franchise' yearly wage IKEA.



Source: (maps, 2020)

The franchising approach has helped IKEA to expand their concepts, establish a strong foundation for their brand, and increase market sales to 41.3 billion euros in 2018 and 41.3 billion euros in 2019, while also using economic scale to manage and maintain IKEA's engaging costs and global reach (Ikea, 2020). In addition, IKEA has a strong supply chain management which contains 1,800 distributors in more than 45 nations and uses about 42 mercantilism industries globally (Tradegecko, 2020)

IKEA is not just a retailer; IKEA group operates in different sectors to support the group business	
1	IKEA Systems B.V. and its subsidiaries. Inter IKEA Systems B.V., it is the franchisor and owner of the IKEA Brand.
2	IKEA Supply AG, IKEA Industry AB and related businesses make IKEA Core business Range that is responsible for developing and designing the overall IKEA product range.
3	IKEA Supply AG to source and distribute IKEA products to IKEA franchisees. IKEA Industry AB, a strategic IKEA manufacturer owned by Inter IKEA Group, is closely integrated with Core Business Supply.
4	IKEA Group functions for legal, finance and other activities To support the core businesses, like IKEA Älmhult AB that owns and operates the IKEA Hotel and Museum.
5	Other IKEA Group support businesses that support goup activities locally and globally.

IKEA GROUP ACTIVITIES

IKEA's aim is to make the next standard of living for customers; they are drawing the next every day for all public compact with their merchandising by delivering a vast range of stylish, functional house furnishings products at costs so cheap that everyone can afford them. (Market, 2020)

1. PESTLE

For the purpose of gaining an understanding of IKEA's business position, we will make use of market audit tools such as PESTEL Analysis and SWOT Scrutiny to determine how external factors control the organisational operations.

<https://www.stratechi.com/pestle-analysis/>



(stratechi, n.d.)

Below may be a presentation of IKEA's external atmosphere using **PESTLE**

PESTLE is an acronym that stands for social, financial, political, technology, legal, and environmental variables. It is an analytical technique that firms can use to determine how different factors affect their performance and contribute to the marketplace's high level of competitiveness. (Hall, 2021)

Political factors- unfavourable

Taiwan and China have extensive economic links with one another. China unquestionably claims Taiwan as its territory, although there is a commercial dispute.

When IKEA printed Taiwan as an independent country, the Chinese government and public reacted angrily. Despite this enormous setback, IKEA continues to operate in both nations.

Political Stable: Generally, corporate organisations benefit from a stable political context. Indeed, it plays a critical function in the corporate sector. It establishes an efficient supply chain and networking infrastructure in any country. A robust social group with a well-developed system is necessary for commercial groupings.

Economic Factors – Favourable

While it is common knowledge that IKEA has a significant international presence in more than 50 countries, it is vital to understand how the company operates within each country's specific set of laws. International economic conditions are crucial for profitability and growth, and IKEA addresses these concerns even during economic downturns. In business, high inflation, rate of interest, and economic recessions all play a significant role. Another critical factor to consider is the buyer's purchasing capacity. IKEA seeks to create a stronghold in wealthy nations. On the other hand, it is also effective in countries with low purchasing power. They achieve this by reducing profit margins.

Economic World after Pandemic

The Covid-19 outbreak may be a case in point of a recent economic collapse. It is not, however, a true economic recession, as it provided an incredible chance for a few corporate organisations. For example, some online platforms like eBay, Amazon witnessed record-breaking sales during this time period. Without a doubt, the pandemic had an effect on purchasers' purchasing power worldwide, but there are numerous feasible solutions to this problem.

Currency Exchange

The US dollar is a powerful currency. A dollar's, Euro's, or other currency's worth influences an economy's fate. IKEA is based in Sweden and trades in both US currencies and Euros. So it focuses on the rate of exchange of both currencies. That doesn't mean the exchange rate has no impact on IKEA's business performance. It

seeks to regulate the charge per unit's ups and downs using sound financial practises.

Competitive fringe of Affordable Prices

The best thing regarding IKEA is the price. It keeps furniture costs stable. Administration seeks to keep costs low. This is often essential to stay competitive. ADAS and Walmart are IKEA competitors. It is to compete by giving high-quality products at low prices.

Social Issues - Unfavourable

Many consumers are aware that homosexuality is tolerated in Russia. It is allowed in several Russian states. Most Europeans believe it is wrong. IKEA has used a photograph of a lesbian pair for product promotion. It drew a lot of flak in Europe and America. People regard it as a negative image, particularly throughout the geographic region of Asia and the Americas. As a result, IKEA was criticised in countries where homosexuality is legal. In contrast, IKEA used a female model to promote their products in Saudi Arabia. This had a significant negative impact on the firm. This occurs because Asian nations consider the usage of female photographs for marketing or other purposes. IKEA also deleted this image; however, the western media was not pleased.

Trends

IKEA must stay up to date on the latest product and repair trends in each country. This is a sensible option if you want to stay in society. Indeed, each country has its own set of social and cultural customs. Marketing initiatives must adhere to societal standards. Before developing marketing strategies and campaigns, IKEA must comprehend cultural and societal values.

Lack of data about Customs:

IKEA's most recent contentious marketing campaigns. The picture of a Russian lesbian pair and a Saudi woman in an advertising aroused outrage in the media. This shows a lack of understanding of the country's socioeconomic institutions. Alternatively, it may decide that the firm does not follow local customs and trends. To avoid difficulties, IKEA must observe local customs.

Bad Reviews:

Users who browse for IKEA reviews on Google may encounter several concerns. The majority of people rated IKEA with one star, which may be an all-time low rating. To prevent issues, the firm must promote customer service and customer interactions. This is frequently required in order to form strong ties with the customers.

Horrible Delivery System:

In contrast, the delivery procedure for moving furniture is dreadful. Furthermore, IKEA got multiple complaints from consumers concerning missing pieces with their purchases. Consumers cannot build furniture without missing components like screws and nuts.

Technological Factors-favourable

This organization, as we all know, has several outlets in various parts of the world. They must provide everyone with a once-in-a-lifetime experience. IKEA is achieving this with the help of efficient production and business management. Nowadays, social media increases the visibility of enterprises, manufacturers, and retailers. Everyone may easily argue about the benefits and drawbacks of social media products. IKEA efficiently markets its products and services using social media. However, access to IKEA's digital accounts is severely limited.

Ecommerce:

The covid-19 epidemic has strengthened the internet business and retail industry. To change with the times, IKEA has established an ecommerce store. This firm has many fans all around the world. It would be a wise move to ensure that all buyers have access to an ecommerce site where they may browse for furniture. The only thing IKEA needs to worry about is the delivery method. It must strengthen its distribution method in order to attract more loyal clients.

Customer Satisfaction:

Satisfied customers or satisfied with a company's products or services are the foundation of its success. During this time, IKEA has kept a low profile. It is because of the ineffective distribution method. They must concentrate their efforts on supply chain management. The company's global reputation must be improved in the eyes of customers. This might result in the firm receiving a five-star rating.

Legal Issues Labour Laws - unfavourable

In this regard, IKEA has a poor track record. Several employees of this firm filed charges against the company's management for unsatisfactory working conditions.

This is a well-known brand and one of the most effective among furniture producers. Their labour regulations, on the other hand, are appalling. This is frequently where IKEA could place more effort and think about implementing a tight staff management system. To maintain its reputation, management must learn from prior failures.

Inferior Quality:

IKEA's prices have been sharply reduced in terms of growing competition from other shops. As a result, the items were of low quality. IKEA is generally lowering the quality of its products. Several consumers complained about the furniture failing within a few days. This situation is unacceptable to users and harmful to the company. These reports should not be ignored by the corporate. The management must interact with the customers by providing them with high-quality items.

Environmental Issues - Favourable

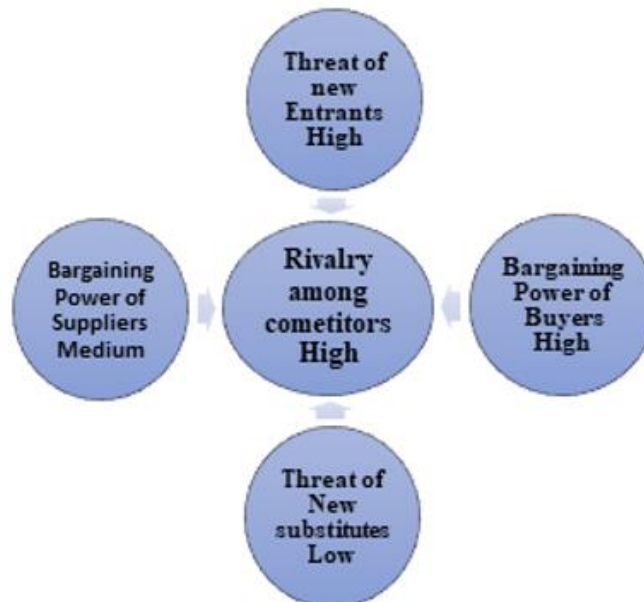
Eco-friendly services and goods have become popular across the globe. Everyone wants to adopt environmentally beneficial items. This might be one of the causes why most factories and businesses are launching renewable energy strategies. IKEA is also investing \$1 billion towards the environment, with a focus on underdeveloped countries where infrastructure must be improved. The brand also promotes sustainable raw materials such as organic cotton and wood.

Following a thorough examination of IKEA's PESTLE Analysis, the company's profile has several legal consequences. The brand must be known for its high-quality production and manufacture. On the other side, it must enhance the supply chain, delivery system, and customer service.

2. Porter's Five Forces

Porter's Five Forces are frequently used by businesses to assess their industry ranking, its repercussions, and influence on direct stakeholders and their interrelationships. Porter's Five Forces is a model that is used to study an organisation's business structure and the role of collaborators in affecting each sector. (Davis, 1980).

The Five Forces model will be used to illustrate IKEA's industrial structure and its consequences in this context.



source (biznewske, 2020)

Competitive Rivalry - HIGH

In 2021, the global revenue of the Furniture sector will exceed €1,214,915m, indicating its enormous size. IKEA is the world's fourth largest retailer, with €39.6 billion in revenue in fiscal year 2020. IKEA operates in 52 countries and has local competitors in each of them with a significant presence in the same strategic group. IKEA competes with a slew of other companies on a global scale, including Walmart, Ashley Furniture Industries, Wood Mark, Tesco, and Wayfair. For example, Walmart, IKEA's main competitor, sells a wide variety of furniture at reasonable prices. The presence of numerous strong local and global corporations has increased rivalry in the furniture industry (Adamkasi, 2019). Strong competition may lead to a price war, reducing the profitability of existing businesses. (Jeyarathnam, 2008).

The Bargaining Power of Suppliers- MEDIUM

In addition to the Rivalry Among existing competitors of this Sector, IKEA encounters a medium bargaining power of suppliers. Even though IKEA has a solid relationship with its suppliers, the danger of suppliers remains since they have multiple possibilities for selling their raw materials, whether to local or foreign producers or by implementing a forward-vertical integration plan. Supplier bargaining power continues to be a danger, affecting all industry participants. According to (Davis, 1980), a dominant supplier has the ability to raise costs or reduce product quality. This power, however, acts as an entrance barrier for new entrants, limiting the number of IKEA's rivals and increasing the firm's profits. To minimise the strength of this drive, IKEA must enter more long-term partnerships or use more backward vertical methods.

The Bargaining Power of Buyers-HIGH

Consumers are therefore direct stakeholders in an industrial system, wielding bargaining power over businesses As per (Jeyarathnam, 2008), consumers are regarded as a threat if they impose price cuts or demand higher-quality services. IKEA has been experiencing a price war dilemma as a result of the present rivalry within its strategic group. The firm that has already adopted a low-cost approach may be obliged to drop its pricing, resulting in a decrease in earnings.

The threat of New Entrants - HIGH

New entrants are drawn to new sectors where IKEA has chosen to expand and compete. China and India, for example, are ideal locations due to their low labour costs and rapid development rates, which contribute to the furniture industry's reputation as one of the most appealing industries. In IKEA's situation, the danger of new entrants is substantial. Under unforeseeable business conditions, the Swedish-based corporation would struggle to maintain its competitive edge in these areas (Adamkasi, 2019).

The Threat of New substitutes-LOW

New entrants are drawn to new sectors where IKEA has chosen to expand and compete. China and India, for example, are ideal locations due to their low labour costs and rapid development rates, which contribute to the furniture industry's reputation as one of the most appealing industries. In IKEA's situation, the danger of new entrants is substantial. Under unforeseeable business conditions, the Swedish-based corporation would struggle to maintain its competitive edge in these areas (Market, 2015)

3. SWOT analysis

SWOT analysis is a technique for evaluating a business's strengths, weaknesses, opportunities, and threats in order to assist businesses in establishing a comprehensive understanding of all the factors that influence business decisions (Schooley, 2019).

IKEA's SWOT analysis position exploitation is shown in the following.

Strengths	Innovative and functional designs; products standardization; long-term planning, huge automated distribution centres; ability to furnish the entire home; adapting local market tastes; aggressive approach to sustainability; cost leadership; economies of scale; strong franchising system; long-term relationship with suppliers; strong global brand, direct interaction between design and manufacturing teams.	Weak marketing-advertising-promotions techniques; poor balance of low-cost products and good quality; limited Visibility, remotely located locations; relatively complicated furniture assembly; high delivery and assembly prices.	Weaknesses
Opportunities	Brand visibility improvement; strengthen their marketing activities; strengthen their online shopping experience; creating a platforms for furniture assembly training; worldwide demand for greener products; more demand for low prices; possible worldwide expansion; opportunities in R&D and innovation.	Emergence of substitute products; increased competition; increased trade barriers; shifts in consumer tastes; shortage of skilled workforce; damaged reputation due to a series of incidents, lack of differentiation, increasing costs of raw materials; global economics and financial crisis, economic impacts due to COVID-19	Threats

Due to a lack of brand awareness, unpredictable market conditions, and fundamentally different economic and environmental standards and limits, presenting a product to a replacement market is challenging. Additionally, the organisation's sales strategy and SWOT analysis must be considered. Following the preceding study, I believe IKEA should concentrate its efforts on the following areas (without ignoring other minor ones):

- Revolutionise sales operations to improve overall and product visibility, maintaining existing customers and acquiring new ones.
- Increase online sales by leveraging the net sales platform, social media, and mobile applications.
- Profit from the use of recycled and environmentally friendly materials and energy sources.
- Understand and respect cultural differences and avoid becoming involved in politics and controversial matters.
- Establish long-term relationships with intermediaries in addition to existing franchising systems to span a wide range of geographic locations.

- Improve the long-term and close remote ties with suppliers to optimise social science of scale and minimise costs.
- Increase your investments in automation, R&D, and innovation.
- Acquire, train, and retain local human resources.

4. Segmentation, targeting and positioning

As part of IKEA's segmentation, targeting, and positioning efforts, marketing decisions are organised according to the company's marketing strategy and broader business plan. This allows marketers to analyse, prioritise, design, and disseminate suitable messages and strategies that connect with a variety of consumers. (Ferrell, 2014). IKEA is directing certain items at specific markets in order to attract a specific market group (Steenkamp & Hofstede, 2002). They are positioning their products to satisfy market demands based on a segmentation approach that targets all consumers, particularly younger ones who are concerned with lifestyle and space-saving (Blome, 2015)

More data is displayed below:

Segmentation variables	Segmentation criteria	Targeted customer
Geographic	Region	The whole world
	Density	Urban areas
Demographic	Age	22 and older
	Gender	Male and female
	Life cycle stage	Young and single people
		Newly married
		Families of all sizes
	Occupation	Students, employee and professionals
Behavioural	Loyalty degree	Hard loyal, soft loyal and switchers
	Benefits sought	Cost effectiveness
	Personality	Easy going and determined
	User status	Non-users, potential first-time users and regular user
Psychographic	Social class	Lower class, working class and middle class
	Life style	Resigned, struggler, mainstreamer and explorer

5. IKEA's Marketing Mix

"According to 4P theory, the marketing mix - the combination of the 4Ps - is more than the sum of its parts." All aspects work together to make a product visible to customers, consumers, and other stakeholders so that they will take action on the brand



- **Product**

They have a catalogue of over 12,000 items, with over 2000 new goods added every year; they can furnish a home completely; and IKEA intends to be 100% circular by 2030, using renewable/recycled resources (IKEA,2020). It is also a service provider as they also offer restaurants and playgrounds.

- **Price**

IKEA's growth strategy depends on the notion of price leadership while maintaining a high standard of quality. In order to reduce costs, the company employs a variety of cost-cutting techniques, including economies of scale, intelligent design, flat packaging, long-term supplier partnerships, and the application of smart technology, R&D, and creativity (IKEA, 2020)

- **Place**

IKEA established its brand in 50 countries which comprises of 433 stores, and each showroom is huge and set in remote places, equipped with restaurants, food stalls, a Swedish market, and a kid's play area (IKEA, 2020). The global supply chain of IKEA is made of 1,800 suppliers located in 50 countries and 42 trading service centres (TradeGecko, 2018). China will manufacture around 22% of our range (IKEA, 2020). IKEA may also be found in the digital realm via online shopping and social media.

- **Promotion**

The IKEA brand is based on the principle of value for money. Rather than that, IKEA leverages a combination of online and offline marketing channels, including a physical and virtual catalogue, media, magazines, several social media portals, partnerships, and even a journalistic critical review.

Recommendations:

6. Ansoff's matrix

Using Ansoff's matrix, an organisation should be able to decide on its product and market growth and define how it obtains and retains market share by combining one or more of four distinct methods. The matrix of Ansoff Finally, IKEA should maintain a focus on areas such as appropriateness, innovation, research and development, and technology.



source: <https://www.antino.io/blog/grow-your-business-ansoff-matrix/>

An analysis of IKEA's promoting techniques exploitation of Ansoff's matrix.

- **Penetration of Market:**

IKEA can contribute more to CSR development initiatives, especially in the area of child slavery and eradicating poverty. IKEA need increased expenditure in social media marketing to reach younger generations, particularly in terms of sponsorships.

They can reach the community through the endorsement of well-known athletes.

Product development

Create products that are geographically relevant and in keeping with current trends. We frequently see things with solely European-style finishes; nevertheless, developing fresh innovative ideas and fostering local artists might make a difference. IKEA built the first ever store in India in Hyderabad in 2018, but despite 4000 visitors on the first day, sales were poor. Considering the possibility of producing furniture in accordance with regional tastes would be advantageous. For instance, furniture styles such as Mughal,

Persian nawab, and statehood arts such as Bidri Craft, Nirmal Painting, and Batik Painting (TourismTelangana, 2018)

7. CONCLUSION

Global furniture competition is fierce, owing to IKEA's well-established supremacy. Rather than concentrating on their flaws, IKEA should try to bolster their strengths while mitigating the negative consequences of their flaws. Additionally, they should keep an eye on their competitive market. While a great brand, sustainable practises, cost leadership, and delighted customers are all necessary, they are insufficient. IKEA's visibility, internet operations, and marketing activities must all be enhanced if the company wishes to compete and maintain its existing position. IKEA is on the correct path to long-term sustainability. However, with competitors competing for position, corporate exposure and promotion are vital. IKEA, in my opinion, is headed in the correct direction in terms of long-term viability. However, with rivals vying for the same spot, a company's ability to gain visibility and promotion is critical. Other suggestions include providing free shuttle buses between city centres and IKEA stores, given the most of its stores are occupied outside of cities. Finally, the company should maintain a focus on areas such as appropriateness, innovation, research and development, and technology.

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