

NAME : Rohit Pansuriya

STUDENT NUMER : 2211326

LECTURER : Tushara Balendran

PROGRAMME : Masters of Business Administration

MODULE CODE : LCMB7001

MODULE NAME : Marketing Management

ASSIGNMENT TITLE : Marketing Management Assessment 2 (25%)

WORD COUNT : 2000

COMPANY NAME : IKEA

Table of Contents

<i>Executive Summary</i>	<i>3</i>
<i>Introduction.....</i>	<i>3</i>
<i>PESTLE Analysis of IKEA.....</i>	<i>3</i>
<i>Justification of whether each factor of PESTLE is favorable or unfavorable with reasons.....</i>	<i>5</i>
<i>Porter's 5 Forces Model.....</i>	<i>5</i>
<i>Justification of Whether Each Force is High, Medium, or Low with Reasons</i>	<i>7</i>
<i>SWOT Analysis of IKEA</i>	<i>7</i>
<i>Segmentation, Targeting, and Positioning of the IKEA.....</i>	<i>9</i>
<i>Target</i>	<i>9</i>
<i>Positioning.....</i>	<i>9</i>
<i>4Ps Marketing Mix Strategies of The Company.....</i>	<i>10</i>
<i>Conclusion.....</i>	<i>12</i>
<i>Recommendations For Future Marketing Strategies of IKEA.....</i>	<i>13</i>
<i>Reference List.....</i>	<i>14</i>

Executive Summary

It is not easy to establish a reputable global brand, and it is not as simple as having a publicly available website. IKEA as a quality and price leader in product offerings may aid market penetration, but they do not guarantee long-term success in the absence of brand building and product marketing because of the theft of local players. IKEA creates a distinct vision, needs to adapt the branded product to diverse cultures, completely lines up all strategic options, continues to maintain continuous success, ensures long-term development, and cultivates a group of believers. This discussion will look at and evaluate IKEA's tactics and marketing strategies in order to analyze its place in the market of UK for its own current design, the Sofa Cum Bed.

Introduction

IKEA is a Swedish company now running a business in more than 50 countries. They sell varieties of luxurious household decorations and other types of equipment, and furniture at a reasonable cost (IKEA, 2022). IKEA runs its business globally and some of its items are available everywhere, while some unique or culturally specific are available at some specific places only. IKEA is a difficult brand to understand. It acts as a one-stop store for each of your household needs. It's also frequently brought up in the media. It is occasionally completed because of cultural insensitivity. Other times, it's the consequence of a single faulty item injuring or even killing a customer.

IKEA offers lot many innovative items, which can be used in multiple ways and also save space as well as cost. IKEA launched a new product Sofa Cum Bed in the market. The main motto is to offer something special to its customer within their budget range (Peng, 2022). If you have unexpected overnight guests, don't be concerned about an additional bed; IKEA offers sofa cum beds, and you can quickly transform your living room into a bedroom. This smart sofa cum bed is manufactured to provide maximum comfort while taking up as little space as possible.

PESTLE Analysis of IKEA

Political Factor: the UK Government's support is very important for the success of any business. Same IKEA began operations without too many complications now they are operating a business

in more than 50 countries (Nikolaevic, 2021). For surviving in a particular country, they follow the Laws of that country, in the UK IKEA follows the country's existing taxation rules and demands on companies. Simultaneously, export, import, and other significant laws must be considered.

Economic Factors: IKEA's operation in the United Kingdom can be considered a desirable option. It is currently one of the most effective models in the world because in the UK although the economy was affected by Brexit (Fragouli and Nicolaidou, 2020). But the per capita income of consumers is high so they are frequently investing money in luxury and better living standards, so it would be an advantage for IKEA too.

Social Factors: In the UK people have more expenditure power and they are ready to pay for a better lifestyle, they believe in the demonstration and want to highlight their uniqueness and attitude toward decoration (Sin et al. 2021). This is a favorable situation for IKEA's growth in the UK. IKEA is able to meet the current demand of the community.

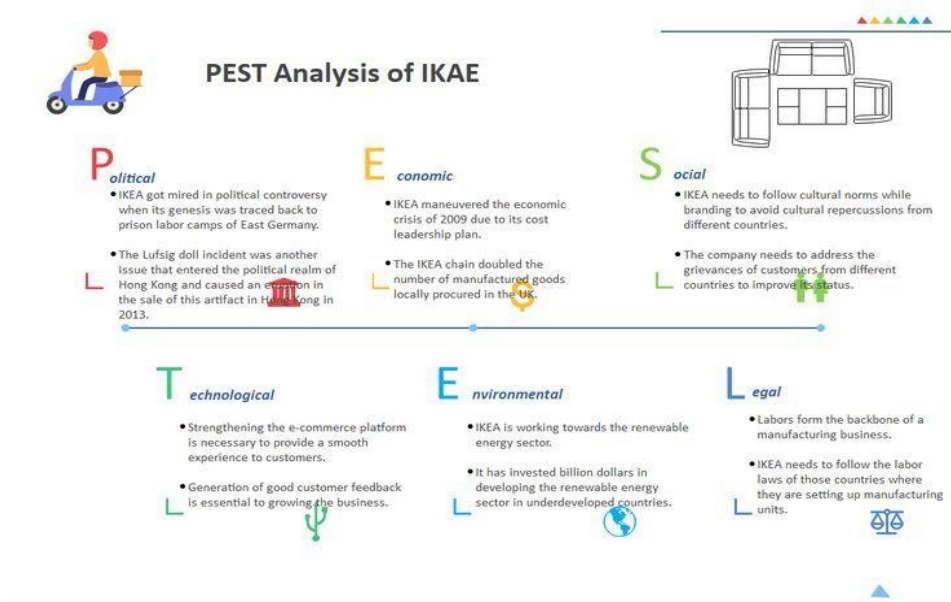


Figure 1: PESTLE Analysis of IKEA

(Source: [Edraw Max Online](#), 2020)

Technological Factors: IKEA understands the critical role of technology in its success and effectiveness. As previously stated, IKEA is attentive to marketing its products to the younger

generation who are more tech-friendly (Goel, R. and Garg, 2018). As a result, the company capitalizes a noteworthy portion of its funds on the progress of technical inducements. As a result, technology can be viewed as leverage for the brand's growth in the UK.

Legal Factors: To avoid legal claims, IKEA should keep a close eye on several issues. First and probably most important, it should create effective working conditions for workers of facilities in the UK to make sure that they meet market demand (Sharma et al. 2021). They follow all labor laws and avoid using children in their organization.

Environmental Factors: IKEA maintains high levels of sustainability, most of its products are made from eco-friendly, sometimes recyclable raw materials. The company's goal in developing solar and wind panels for replacing traditional and nonrenewable resources with renewable ones (Bu-Shakra, 2019). This step of IKEA also contributes to the brand image of the company.

Justification of whether each factor of PESTLE is favorable or unfavorable with reasons

As a result, the PESTLE analysis of IKEA demonstrates that its position in the UK remains stable. All the PESTEL factors appear to have a distinct competitive advantage over its competitors in the UK, due to the absence of certain negative factors that could limit its future growth and advancement. Only environmental factors are the most challenging, and IKEA keeps on working on that. As a result, one can forecast the firm's future empowerment and dominance in the chosen market segment.

Porter's 5 Forces Model

Power of the Buyers: IKEA's exciting quality products provide many alternatives from high to low price ranges which distinguishes IKEA from its competitors (Kremer, 2019). Furthermore, the company's low-cost strategy with good quality is another way to attract customers.

Power of Supplier: IKEA has millions of vendors or suppliers from Asia, Africa, and some other regions of the globe who set standards for delivering materials. There are many suppliers IKEA has which enables the company to minimize its suppliers' bargaining power (Al-Zghool, 2021).

Because of its low-priced strategy, IKEA's profit margin is influenced more by raw material prices than by labor prices.

Threats of Competitor: IKEA offers various styles and functionality at reasonable prices, indeed there are many competitors but they do not offer as many varieties. In the UK market, IKEA has a very significant market image for low-cost products with excellent quality (Fragouli, 2019). IKEA is the utmost effective in providing a complete package for customers, which reflects weak rivals.



Figure 2: IKEA's 5 Forces Model Analysis

(Source: Wall Street Mojo, 2021)

Threats of Substitutes: No product category can be used as a substitute for furniture, but IKEA must have it to stay current with fashion. One more advantage is that thanks to IKEA's cutting-edge technology, the company can fairly replicate any new style and move each item into its store locations (Bouhia, 2022).

Threats of New Entrants: IKEA is the best company for delivering furniture and housewares. IKEA and other competitors do not cover many outer places, this gap creates a chance for rival companies to expand into the medium as well as small city areas with small shops and fewer varieties (Agrawal et al. 2021). Thus, new entrants can establish a significant supply chain and develop a distinctive brand name at low prices.

Justification of Whether Each Force is High, Medium, or Low with Reasons

Using the information from the IKEA 5 forces analysis within the UK, there are many different factors inside of all of the 5- forces model of Porter's model that affect the profits of the company. affect. IKEA wields considerable power over a number of factors, including the use of substitute materials in products and the bargaining power of customers and distributors (Liu, 2022). Currently, the company has little control over its competitors, but it still has little control over new entrants. Based on this, a profit margin evaluation of the furniture industry can be generated and used in future strategic planning.

SWOT Analysis of IKEA

Strengths	Weaknesses
IKEA creates a global brand image and promises the same quality all over the world that attracts the customers The core concept of IKEA's model is to give a vivid variety of well-designed items at a reasonable cost(Lindholm, 2022). IKEA uses almost 75% recyclable materials in its manufacturing process for maintaining sustainability (Elizaveta,2021). IKEA's vision is to maintain long-term relationships with its suppliers and customers as well, also to achieve economies of scale with more business expansion. International presence with a huge catalog of products makes IKEA different from others.	Growing demand for low-cost, environmentally friendly products and economic slowdown affect the business in 2022. Huge gap in consumer perception towards cost versus quality, especially in developing countries where a large number of customers are from middle-income groups (Singh et al. 2021). Communication gap with local players and customers too.
Opportunities	Threats
IKEA reduces energy usage in terms of reducing travel expanse, less waste in	Maintain a balance between low-cost and high-quality products with innovative and sustainable products.

packaging, and focuses more on renewable power. IKEA plans to adopt a green transportation strategy. Increasing social accountability in terms of charity and donations for social welfare (Wee, 2022). IKEA provides tips and many other facilities online, which is preferred by the customers. IKEA can enter the new market of Asia and Africa. Future prospects in the expansion of online business (Liaqat, 2022).	There has been a significant decrease in the number of first-time buyers in the housing market (Benzaghta et al. 2021). More competitors are entering the low-cost household and furniture markets at the local level. Sometimes legal barriers like, restrictions and bans by the government in some countries (Vergassola, 2019).
--	--

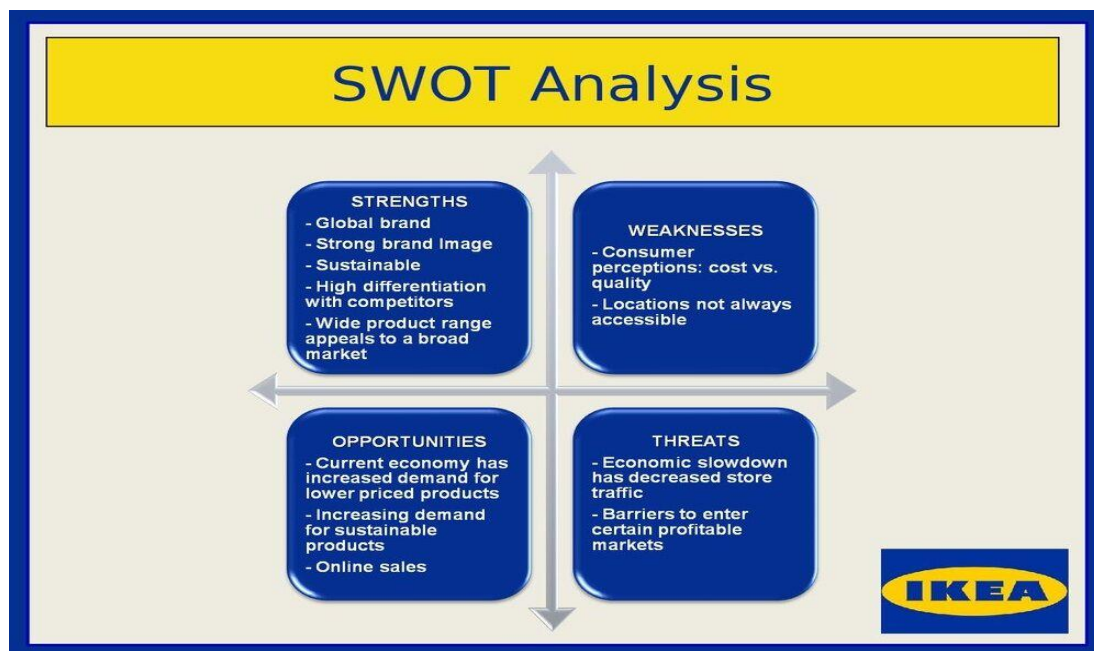


Figure 3: SWOT Analysis of IKEA (Bohat Ala, 2021)

Segmentation, Targeting, and Positioning of the IKEA

Segmentation

IKEA operates its business in over 50 countries globally, and its major market expansion is in European, American, Asian, Australian, and Russian countries. They are generally covering the urban market instead of the local or rural market only (Yadav, 2020). They are generally focused on youths who are recently started working or are married and are going to settle in a new home, they also focused on those who are focused on a better lifestyle. In terms of social class, IKEA caters to consumers from the lesser, working, and middle classes because it is mainly concerned with cost-effectiveness. In a nutshell, IKEA caters to all males and females over the age of 22, from bachelors to married people, working staff, and educators (Burt et al. 2021). As a result, the company primarily serves educators, professionals, and employees. Customers' primary concern would be cost-effectiveness. They want to begin serving the relaxed people who may be or first replicate consumers after they believe they will retain and make them loyal.

Targeting

IKEA provides unique services; it is more than just furniture where customers come in, shop, and leave. But IKEA must do a lot of things in order for the customer to choose IKEA as their first choice. provide a wide variety of very well, workable home furnishings at affordable prices (Schlegelmilch, 2022). IKEA focuses on all ages, genders, and geographical locations but in general targets young age customers over the age of 22, who are from middle and low-income groups, and tries to attract them with their innovative products at a reasonable price (Roy, 2020). Likewise, their Sofa cum Bed which is an innovative idea for those who are living in a nuclear family and concerned about hosting their guest or living in small homes and looking who sometimes can fulfill their need in a minimum area.

Positioning

IKEA creates a market image that offers branded and unique products which are completely new, high-quality, and inexpensively produced. They also provide numerous varieties under a single roof, eco-friendly products flat-packed to reduce transportation and assembly costs (Yang et al. 2022). IKEA purchased in bulk to reduce costs and make them more affordable in comparison to

their competitors. To make a good position in customers' minds IKEA also uses different marketing communication tools like public relationship management, digital marketing and advertising in various modes, social media promotion, sponsorship, influencers, content marketing, SEO, mobile and web marketing, and many others (Kotler et al. 2019).

4Ps Marketing Mix Strategies of The Company

Product

IKEA has almost 12000 product lines, and the company's product line is updated annually. Each year, the company develops approximately 2000 new products (Kenková, 2020). IKEA products are designed both in-house and by outside designers. IKEA promotes democratic design. The furniture maker follows the democratic design aspects of shape, quality, feature, durability, and low cost. To maintain its cost-leadership strategy, IKEA products are linked with no-frills simplicity. Furthermore, some items, including such homewares, are not gathered and ready for use by the customer.



Figure 4: Marketing Mix of IKEA

(Source: CEO Pedia, 2009)

Price

IKEA has an efficient pricing policy as one of the 4 Ps of the marketing strategy. They pursue a cost-cutting strategy, but their own prices vary depending on location. IKEA's vision, business model, and principles all revolve around low prices rather than customers. IKEA produces low-cost decor for both businesses and homes. It is concerned with reducing costs and improving organizational effectiveness. This allowed IKEA to reduce expenses during a period of global growth from 2000 to 2010. Martin (2018). From Monday to Saturday, IKEA not only offers lower prices but also a diverse range of providers to their clients at the IKEA cafe.

Place

The allocation and place strategy employed by IKEA is excellent. IKEA has a global distribution network that is extensive. It has a high manufacturing volume and flat packages, which aid in increasing the value-to-weight ratio. IKEA operates in over 50 countries and has over 25 distribution centers. Marsh and Kanngiesser (2002). Over 12,500 items are available from over 350 IKEA stores. Among IKEA's strategies is the acquisition of materials to decrease storage and transport costs. IKEA stores receive their merchandise directly from manufacturers. Ikea's warehouses are linked to their retail outlets. When it concerns sustainability, they also consider carbon footprints and eco-friendly products.

Promotion

IKEA places a high value on marketing. In its marketing mix, IKEA employs sales promotions such as television, print ads, internet advertising, and billboards. In the United Kingdom, the company launched a nationwide marketing campaign called "Residence the Most Important Location," which included signs also with the phrase "Not for Sale" published on them (Yuting, 2019). The campaign's premise would be that socially constructed buildup causes conflict, which IKEA claims can be avoided. Meanwhile, digital advertising, television, and outdoor media are IKEA's most appropriate advertising tools.

Conclusion

IKEA has primarily served the furniture market since 1943 now they are running the business in more than 50 countries in the world with more than 3000 innovative products (Pang et al. 2022). Besides furniture stores, IKEA opened some cafes inside the stores and operates their own extensive delivery facilities, baby care, and daycare facilities but they are not in the hospitality or food and beverage industries although IKEA's niche is only furniture. IKEA believes in providing a better service or customer experience of the customer in the furniture industry they also expanding their online business too. As a result, IKEA serves a limited number of markets only. In the UK IKEA has captured a good market share. Their new product Sofa cum Bed is also a point of attraction for their customers not only in developed counties but even in developing too.

Recommendations for Future Marketing Strategies of IKEA

For making IKEA's products the first choice of the customers and for making a good brand image company should maintain a good relationship with the customer, employees, and suppliers as well.

- IKEA should maintain good public relations practices and try to communicate IKEA's vision, innovative models, and business ideas, product design, brand image to customers and other stakeholders.
- IKEA is famous for its innovative and good quality items at affordable prices, it should also expand its market to Asian and African regions for getting more profit with economies of scale.
- IKEA should keep constantly working on sustainability and eco-friendly items. IKEA should also use low-cost items in original ways and minimize manufacture, distribution and delivery, and retail costs.
- IKEA should keep on working and exploring more in online business over the globe with more innovative products so that they can find more market gaps and try to bridge them.

Reference List

Agrawal, G., Chhikara, R., Garg, R. and Ahmed, J.U., 2021. Pepperfry: Challenges Ahead With Growing Competition in the Indian Home Furnishings Market. In *SAGE Business Cases*. SAGE Publications: SAGE Business Cases Originals.

Al-Zghool, M., An evaluation of IKEA's global position and marketing standing. Available on: https://www.researchgate.net/profile/Mohammed-Alzghool/publication/346059671_An_evaluation_of_IKEA's_global_position_and_marketing_standing/links/5fb94628458515b7975d11a8/An-evaluation-of-IKEAs-global-position-and-marketing-standing.pdf

Benzaghta, M.A., Elwalda, A., Mousa, M.M., Erkan, I. and Rahman, M., 2021. SWOT analysis applications: An integrative literature review. *Journal of Global Business Insights*, 6(1), pp.55-73.

Bouhia, G., 2022. Applying the circular economy concept to a sustainable business model for large retailers: the case of IKEA. *International Journal of Competitiveness*, 2(3), pp.212-233.

Burt, S., Dawson, J., Johansson, U. and Hultman, J., 2021. The changing marketing orientation within the business model of an international retailer—IKEA in China over 10 years. *The International Review of Retail, Distribution and Consumer Research*, 31(2), pp.229-255.

Bu-Shakra, D., 2019. Marketing strategy for “sustainable design” company in Finland: Case Company: Start-up Whaly. Available on: https://www.theseus.fi/bitstream/handle/10024/265809/Bu-Shakra_Daria.pdf?sequence=2

Elizaveta, S., 2021. Sustainable innovations of IKEA company. Available on: https://dspace.spbu.ru/bitstream/11701/30844/2/reviewSV_Otzyv_NR_2021_E.Safronova.pdf

Fragouli, E. and Nicolaidou, Z., 2020. Risk management of multinational companies (MNCs) in rising economies. *International Journal of Information, Business and Management*, 12(4), pp.237-267.

Fragouli, E. and Nikolaidou, Z., 2019. A Case Study Approach for Managing Risks & Challenges When Expanding to Emerging Markets. *Risk and Financial Management*, 1(1), pp.p44-p44.

Goel, R. and Garg, S., 2018. India as a Marketplace: A Case Study of IKEA. Available at SSRN 3282924. Available on: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3282924

Kotler, P., Manrai, L.A., Lascu, D.N. and Manrai, A.K., 2019. Influence of country and company characteristics on international business decisions: A review, conceptual model, and propositions. *International Business Review*, 28(3), pp.482-498.

Kremer, K., 2019, June. Operations Strategy: Literature Review and Case Study of Ikea. In *Proceedings of FEB Zagreb International Odyssey Conference on Economics and Business* (Vol. 1, No. 1, pp. 606-616). University of Zagreb, Faculty of Economics and Business.

Krenkova, M., 2020. IKEA founder Ingvar Kamprad as one of the leading entrepreneurs of the 20th century. Available on: <https://otik.uk.zcu.cz/handle/11025/41232>

Liaqat, R., 2022. Digital marketing plan: Case IKEA. Available on: <https://www.theseus.fi/handle/10024/783076>

Lindholm, Y., 2022. Cultural awareness for competitiveness in the global market IKEA's Japan adventures as case study. Available on: <https://www.diva-portal.org/smash/record.jsf?pid=diva2:1633759>

Liu, Y., 2022. A Review of the Basic Theory of the Great Michael Porter's Positioning School. In *Proceedings of the 5th International Conference on Economic Management and Green Development* (pp. 265-271). Springer, Singapore.

Wozniak K. (2009), Marketing Mix of IKEA, (Available on: https://ceopedia.org/index.php/File:The_Four_P_Components.png/) (Accessed on: 18/12/2022)

Marsh, L.E., Gil, J. and Kanngiesser, P., 2022. The influence of collaboration and culture on the IKEA effect: Does cocreation alter perceptions of value in British and Indian children?. *Developmental psychology*, 58(4), p.662.

Martin, O., 2018. Marketing Influences through Strategic Campaigns and Sustainability. Available on: https://scholarcommons.scu.edu/engl_176/23/

Nikolaevic, U.S., 2021. Market choice for foreign market entry for an innovative start-up Volts Battery Ltd. Available on: https://dspace.spbu.ru/bitstream/11701/30886/2/Yurchanka_Sviataslau_Diploma.pdf

Pang, Z., Pu, Y. and Ahmad, R.N.Z.B.R., 2022. Brand Attitude, Brand Experience, Brand Love and Word of Mouth: Evidence from China and Malaysia's IKEA. *International Journal of Tourism and Hospitality in Asia Pasific (IJTHAP)*, 5(3), pp.76-91. Available on: <http://ejournal.aibpmjournals.com/index.php/IJTHAP/article/view/1890>

Peng, Y., 2022. An Analysis of Experiential Marketing Strategy—Taking IKEA as an Example. In *Proceedings of the 5th International Conference on Economic Management and Green Development* (pp. 643-666). Springer, Singapore. Available on: https://link.springer.com/chapter/10.1007/978-981-19-0564-3_64

Max E. (2020), PESTLE Analysis of IKEA, *Edraw_Max Online*. Available on: <https://www.edrawmax.com/article/ikea-pestel-analysis.html/> (Accessed on: 19/12/2022)

Vaidhya D. (2019), Porter's Five Forces Model Analysis, *Wall Street Mojo*. Available on: <https://www.wallstreetmojo.com/porters-five-forces/> (Accessed on: 19/12/2022)

Roy, D., 2020. Impact of Consumer Market Preferences on Expansion Strategies: Strategies Used by IKEA in the International Market. Available on: <https://www.theseus.fi/handle/10024/334652>

Schlegelmilch, B.B., 2022. Segmenting targeting and positioning in global markets. In *Global marketing strategy* (pp. 129-159). Springer, Cham. Available on: https://link.springer.com/chapter/10.1007/978-3-030-90665-8_6

Sharma, R.R., Kaur, T. and Syan, A.S., 2021. Sustainability Marketing Strategy Formulation. In *Sustainability Marketing* (pp. 211-226). Emerald Publishing Limited.

Singh, P., Rao, K.S., Xuan, L., Kee, D.M.H., Min, F.J., Xuan, T.Y., Ing, T.S., Malhotra, K. and Pandey, R., 2021. Key Determinants of International Retail Success: A Case of IKEA Retail. *International journal of Tourism and hospitality in Asia Pasific (IJTHAP)*, 4(1), pp.18-33.

IKEA. (2021), SWOT Analysis of IKEA, *Bohat Ala*. Available on: <https://bohatala.com/ikea-financial-analysis/> (Accessed on: 19/12/2022)

Vergassola, I., 2019. Prerequisites and outcomes of glocalization of marketing strategies by international retailers: the case study of IKEA and Home Depot in China. Available on: <http://tesi.luiss.it/24896/>

Wee, F.Y.Z., 2022. *A Comprehensive Study On The Pre-Fabricated Modular House* (Doctoral dissertation, UTAR). Available on: <http://eprints.utar.edu.my/4423/>

Wu, Y., 2020. The Marketing Strategies of IKEA in China Using Tools of PESTEL, Five Forces Model and SWOT Analysis. In *International Academic Conference on Frontiers in Social Sciences and Management Innovation (IAFSM 2019)* (pp. 348-355). Atlantis Press.

Yadav, N., 2020. IKEA Inc.: the India way. *Emerald Emerging Markets Case Studies*. Available on: <https://www.emerald.com/insight/content/doi/10.1108/EEMCS-05-2019-0098/full/html>

Yang, R., Nguyen, T.P., Park, S.H. and Yoon, J., 2022. Automated picking-sorting system for assembling components in an IKEA chair based on the robotic vision system. *International Journal of Computer Integrated Manufacturing*, 35(6), pp.583-597. Available on: <https://www.tandfonline.com/doi/abs/10.1080/0951192X.2021.1992658>

Yuting, G., 2019. Experience Marketing Strategy Affects Chinese Consumer Buying Behavior. Available on: <https://www.theseus.fi/handle/10024/261208>