

Journal of Strategic Management



ISSN Online: 2616-8472



Stratford
Peer Reviewed Journals & books

IKEA Strategic Management Plans in Europe

Brown Miller & Davis Smith

ISSN NO: 2616 - 8472

IKEA Strategic Management Plans in Europe

Brown Miller, Linköping University
Davis Smith, Linköping University

How to cite this article: Miller B. & Smith D. (2021): IKEA Strategic Management Plans in Europe. Journal of Strategic Management. Vol 5(2) pp. 1-7.

Abstract

IKEA is a home-furnishing store founded by Ingvar Kamprad in Sweden in 1943. IKEA uses a franchising business format in order to reach as many people as possible with their products. Their franchise system allows for the company to expand internationally while protecting the IKEA Concept. IKEA sells furniture, electronics, beds and mattresses, and every other tool and appliance that is required in a home. IKEA's vision is to create a better everyday life for the most people. Its mission is to offer a wide array of functional and well-designed furnishings for homes at low prices that are affordable to everyone. IKEA's goals are in keeping with its mission. Its objective is to provide an array of home furnishings that are of good quality and that are well designed and well-functioning at low prices that are affordable to the majority of people. To achieve this goal, IKEA uses strategies such as marketing its products to individuals rather than to the masses, using a standardized selection of retailers, using country-specific management styles to optimize the way IKEA stores are managed, instead of opening large mall-like stores. Just like any other business, IKEA faces challenges in its journey to make the business profitable while delivering affordable products. One of the biggest challenges facing IKEA is an increase in the number of competitors that are adopting IKEAs low price strategy, this in addition to the rise in prices of raw materials which led to IKEA hiking up its price for the first time in five years. In conclusion, IKEA is a widely recognized global brand with stores all over the world. It needs to assess its SWOT analysis statistics and its competitors in order to make sure it always stands out in its market. IKEA's need to stay true to its mission sets it apart from most of its competitors; it always strives to offer its customers a large array of high-quality, low-cost products. All its systems, from production to delivery, shows the business's commitment to stay environmentally friendly. One of the ways it reduces its carbon footprint is by using designs that allow more items to be packaged in a crate that is usual, thereby reducing the delivery journeys. IKEA is focused on becoming a leading example in developing a sustainable business. It refuses to compromise doing good business and being a good business. It always aims more towards making life better for most people rather than a profit or having a good reputation. IKEA has stayed true to the vision of its founder, and it is clearly working for the business, as shown by its success and prestige.

Keywords: *IKEA, Strategic Management Plans & Europe.*

1.1 Introduction

IKEA is a home furnishing store founded by Ingvar Kamprad in Sweden in 1943. Kamprad began his business by using his bicycle to peddle useful goods to his neighbors. Kamprad is a transformational leader as he founded his company in order to provide furniture to as many people as possible at prices that they could afford. He wanted to make as many people as possible have furniture that would make everyday life better. Kamprad gave his company to the Stichting INGKA Foundation in 1982 to make sure that IKEA would always use some of its profits to help make a better life for those in need. He also wanted IKEA to remain an independent company even after he was gone and could no longer look after the business. Kamprad wanted to help families that lived in poverty around the world. He was especially concerned with children and youth and wanted to use the foundation to help them have secure homes, access to good education, and have a home with a regular source of income (Batarfi & Attia, 2021).

IKEA uses a franchising business format in order to reach as many people as possible with their products. Their franchise system allows for the company to expand internationally while protecting the IKEA Concept. The company uses Inter IKEA Systems B.V. as their franchisor who constantly develop the IKEA systems and guarantee that it is implemented in all markets. As of 2019, IKEA employs 211 000 workers in 433 stores all around the world. The company was named the most valuable furniture retailer in the world by Millward Brown Optimor's 'Barndz Top 100 Most Valuable Global Brands 2019' being valued at almost 19 billion US dollars (Wu, 2020). IKEA makes sure all of its suppliers take care of their employees and use wood sparingly. The IWAY, which means the IKEA way of purchasing products, materials, and services, uses international documents and conventions to ensure that human rights regulations are adhered to, environmental protection is always a priority and that work safety is ensured. IKEA makes sure that direct and indirect workers of its suppliers, whether migrants or citizens, are treated equally and fairly and strongly condemns all forms of forced labor or human trafficking (Vergassola, 2019). IKEA sells furniture, electronics, beds and mattresses, and every other tool and appliance that is required in a home. IKEA's vision is to create a better everyday life for the most people. Its mission is to offer a wide array of functional and well-designed furnishings for homes at low prices that are affordable to everyone.

1.2 SWOT Analysis

IKEA makes use of SWOT analysis in its journey to reach its objectives. One of IKEA's major strengths is that it has a strategic aim to use only the required material for each item it produces. Additionally, its product plans are designed to make maximum use of recycled materials and waste. One of IKEA's products, known as OGLA chairs, are made from wood waste collected from sawmills. Other IKEA strengths include: IKEA promises and delivers a stable global brand that delivers consistent quality products in its worldwide stores, and that ensures that the business has loyal consumers. Its concept of offering its customers a range of well-designed products at low prices (Edvardsson & Enquist, 2011). From the very beginning of designing a product, IKEA

makes sure that all of its products match in all aspects. All products are meant to be balanced in quality, design, function, and price. IKEA's vision to create a better life for many people is also a huge point in its favor as it attracts customers from all walks of life and further solidifies their loyalty. IKEA is socially responsible. IKEA's main objective means that the business is always supporting charities all over the world. It supports UNICEF, World Wildlife Fund, and Save the Children. IKEA aims to diversify its workers to give opportunities to as many as possible. Once it expanded to India, IKIA India noted that only 20% of its workers were women. IKEA saw this as an opportunity for them to appeal to women to join their workforce. The business made encouraging women and supporting them in their chosen career paths. This attracts customers to buy IKEA products to support a brand that is in line with their values. IKEA uses volume commitments to create and maintain long term partnerships with its suppliers. These relationships also help the business negotiate for lower prices. It also enjoys economies of scale as it buys all its supplies in bulk (Daunfeldt et al., 2017) IKEA products are delivered directly to the IKEA stores from suppliers and saves the business cost of handling and lowers its carbon footprint. IKEA uses new technologies to reduce its costs and the amount of raw materials needed for its products (Edvardsson & Enquist, 2011). All successful businesses use their strengths to take full advantage of the opportunities presented to them. IKEA's conduct of being environmentally focused will always lead it to make good returns no matter how price-sensitive markets get. Using its agenda of sustainability, IKEA takes advantage of the following opportunities: trends of customers opting for lower-priced goods, the shift of customer demands to greener products and the rise in the number of consumers who prefer products that leave a low carbon footprint in the world (Wu, 2020). IKEA provides its customers with a large amount of climate-positive products and solutions to making more sustainable homes. They produce LED lamps, fridges, freezers, and washing machines that save a lot of energy and reduce water usage in homes with their water-saving faucet (Edvardsson & Enquist, 2011).

IKEA has some weaknesses and threats that need to be addressed before it can fully reach its objectives. These include its size and scale; the fact that IKEA is a global business makes it hard to always be able to control the quality and standards of its products. In some countries where IKEA products are manufactured, management doesn't always ensure the implementation of the legislation to control working conditions, which may influence how consumers view IKEA products. IKEA's need to produce low-cost products. It might be hard to ensure both quality and low prices, which is IKEA's main objective while still needing to differentiate itself from its competitors. All these goals might be difficult to meet and still make a business profitable. IKEA needs to give constant updates on its environmental projects. The size of the business makes communicating with its stakeholders difficult, and IKEA opts to use TV and radio to communicate to its stakeholders (Goel & Garg, 2018). A business needs to be open with all its stakeholders by having good communication with its workers, press, consumers, and opinion formers. Threats include a reduction in the number of first-time homeowners, which is one of IKEA's major markets. An increase in competitors producing low priced house furnishings. IKEA needs to set itself apart from this competition by always providing its customers with high-quality products and sticking to its environmentally conscious methods of production. Economic factors like the recession, which reduces the amount of disposable income available to consumers hence reducing their spending (Wu, 2020).

1.3 Goals

IKEA's goals are in keeping with its mission. Its objective is to provide an array of home furnishings that are of good quality and that are well designed and well-functioning at low prices that are affordable to the majority of people. To achieve this goal, IKEA uses strategies such as marketing its products to individuals rather than to the masses, using a standardized selection of retailers, using country-specific management styles to optimize the way IKEA stores are managed, instead of opening large mall-like stores, IKEA instead has small retail stores all over the world. IKEA also strives to be diverse in business. The business also offers a self-assembly feature that enables customers to put their furniture together, which saves IKEA on transportation and operation costs. IKEA is also extremely environmentally conscious and aims at inspiring as many people as possible to become more climate-friendly (Hagberg & Sterner, 2019). It is leading by example by using renewable and recycled materials, changing the design of their products to make them last longer, switching to energy-efficient LED lighting.

1.4 Progress

Just like any other business, IKEA faces challenges in its journey to make the business profitable while delivering affordable products. One of the biggest challenges facing IKEA is an increase in the number of competitors that are adopting IKEAs low price strategy, this in addition to the rise in prices of raw materials which led to IKEA hiking up its price for the first time in five years. IKEA needs to find ways to differentiate its products from the new competition in order to keep its customer base and attract new customers. Another challenge IKEA is facing is the need to maintain its corporate image through social and environmental responsibility. IKEA needs to keep its stakeholders and potential stakeholders aware of the steps it takes to remain environmentally friendly and to make sure that all of its workers have safe working conditions. The business needs to have more online presence through social media to reach as many people as possible instead of relying on TV or radio campaigns. The business is building an online presence that focuses on home improvements due to the fall in the housing market. The recent economic crisis has greatly affected the number of people with the ability to invest in furnishing. Western Europe, one of IKEAs largest market accounting for over 70% of its sales, has been greatly affected by the depression leading to a massive decline in its sales. To combat this, IKEA needs to ensure that it keeps its low prices to ensure that people low-income groups can still buy their products even in a depression (Cosmo & Yang, 2017). It also needs to keep its quality standards fairly high to entice those with higher budgets to purchase from IKEA.

There are so many reasons that make IKEA so popular, for example, cooperating with the suppliers from all over the world, high-efficiently of logics, using "life system" to find what customer need, and so on. Follow the concept, IKEA try their best to give the customers what they promised: low price, well-design, creating a better everyday life for many people. As a world famous international company, IKEA is like a fresh air in to new target markets such as: Middle East Australia and China market. It not only brings new strategy and model to their competitors, but also brings the new life style and service to the customers. For the dilemma of IKEA in China market right now, IKEA should try to change the supply base to "supply- product- sale" base. Though the centralized

procurement, flat-package, and more cooperation with local suppliers, IKEA can get more cost leadership. Therefore, IKEA can reduce the price and get the virtuous circle of “reduce price-increase demand- scale effect- reduce price”. IKEA already understand Middle East Australia and China markets more than before. With accelerating the speeds of expand, IKEA will get more customers; the success of IKEA in these markets is only the problem of time.

1.5 Conclusion

In conclusion, IKEA is a widely recognized global brand with stores all over the world. It needs to assess its SWOT analysis statistics and its competitors in order to make sure it always stands out in its market. IKEA’s need to stay true to its mission sets it apart from most of its competitors; it always strives to offer its customers a large array of high-quality, low-cost products. All its systems, from production to delivery, shows the business's commitment to stay environmentally friendly. One of the ways it reduces its carbon footprint is by using designs that allow more items to be packaged in a crate that is usual, thereby reducing the delivery journeys. IKEA is focused on becoming a leading example in developing a sustainable business. It refuses to compromise doing good business and being a good business. It always aims more towards making life better for most people rather than a profit or having a good reputation. IKEA has stayed true to the vision of its founder, and it is clearly working for the business, as shown by its success and prestige.

References

- Bartlett, C. A., & Nanda, A. (1990). Ingvar Kamprad and IKEA.
- Batarfi, S., & Attia, A. (2021). Measuring the Effect of Quality Management Practices on Company Financial Performance-A Case Study on IKEA. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 18(15), 113-121.
- Cosmo, D. E., & Yang, K. (2017). A Further Strategic Move to Sustainability—A Case Study on IKEA. *Journal of Strategic Innovation and Sustainability*, 12(2).
- Daunfeldt, S. O., Mihaescu, O., Nilsson, H., & Rudholm, N. (2017). What happens when IKEA comes to town?. *Regional Studies*, 51(2), 313-323.
- Edvardsson, B., & Enquist, B. (2011). The service excellence and innovation model: lessons from IKEA and other service frontiers. *Total Quality Management & Business Excellence*, 22(5), 535-551.
- Goel, R., & Garg, S. (2018). India as a Marketplace: A Case Study of IKEA. Available at SSRN 3282924.
- Hagberg, H., & Sterner, H. (2019). A study about possible digitalization of a product development process: A business case at IKEA of Sweden.
- IKEA.(2019).Retrieved from:
http://www.ikea.com/ms/en_GB/about_ikea/press_room/student_info.html
- IKEA. (2019). from: http://www.ikea.com/ms/nl_BE/pdf/yearly_summary/Welcome_insider_2010_update.pdf
- Kim, S. Y., & Lee, S. M. (2020). Vying with IKEA: HANSSEM's Competitive Advantage at Marketing Frontier. *Asia Marketing Journal*, 22(2), 87-98.
- Maheshwari, A., & Marriaga Diaz, D. (2021). An Exploratory Study of Sourcing Options for Alternative Materials to Leather-A Case Study at IKEA of Sweden.
- Sandybayev, A. (2017). Strategic Supply Chain Management Implementation: Case Study of IKEA. *Noble International Journal of Business and Management Research*, 1(1), 5-9.
- The official board. (2011). Retrieved from: <http://www.theofficialboard.com/org-chart/ikea>

- Vergassola, I. (2019). Prerequisites and outcomes of glocalization of marketing strategies by international retailers: the case study of IKEA and home depot in China.
- Wu, Y. (2020, February). 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.