

CASE STUDY
on
Ingvar Kamprad and IKEA

By,
Abhishek Minda
A-45
MBA General

Overview of the Case Study

- Various challenges faced by Managers after 1990's
- Changes in demographic were causing some to question IKEA's historical product line policy
- Widespread concern about the future of the company without its founder, strategic architect, and cultural guru, Ingvar Kamprad.

IKEA Background & History

- The IKEA story begins in 1926 when founder Ingvar Kamprad is born in Småland in southern Sweden. He is raised on 'Elmtaryd', a farm near the small village of Agunnaryd. Even as a young boy Ingvar knows he wants to develop a business.
- IKEA is an acronym for the initials of the founder, Ingvar Kamprad, his farm, his country.
- Founded: 1943 in Almhult, Smaland, Sweden
- Headquarters: The Netherlands
- Parent Company: INGKA Holding
- Industry: Retail
- Product: Self Assembly Furniture
- Chain of Product: Restaurant, Manufacturing, Housing,
- Revenue: €23.1billion (2009)
- Employees: 127,000 (2009)
- Area Served: Multinational
- 316 stores (2010)
- 699million visitors (2010)

Geographical Scope



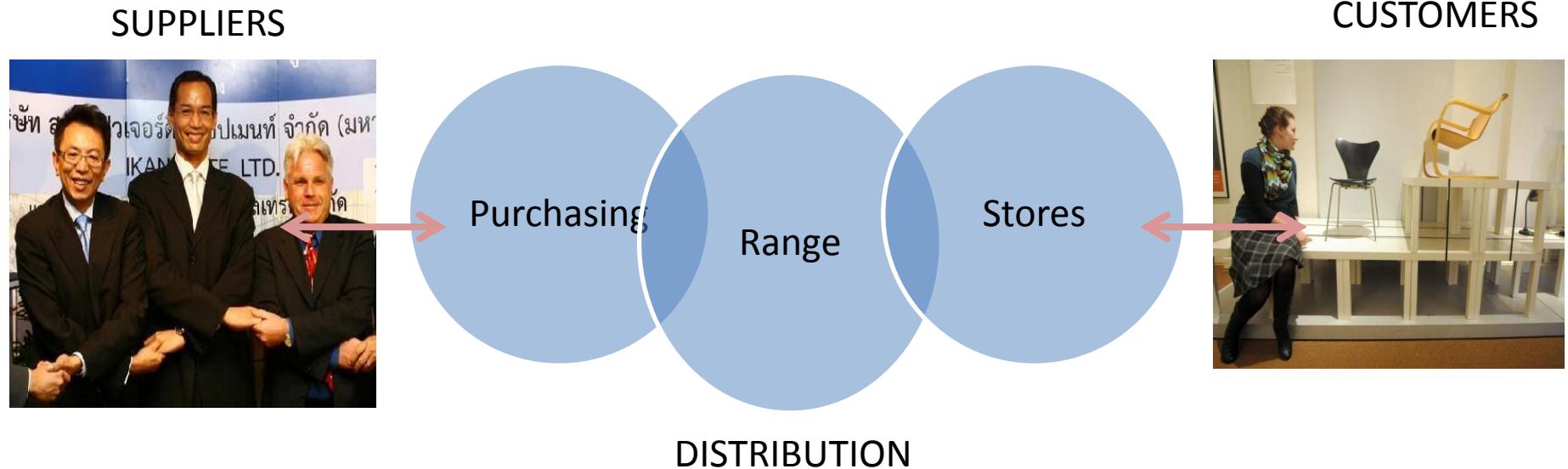
SALES BY REGION

Europe – 81%, North America -16% and Asia & Australia -3%

TOP SUPPLIER COUNTRIES

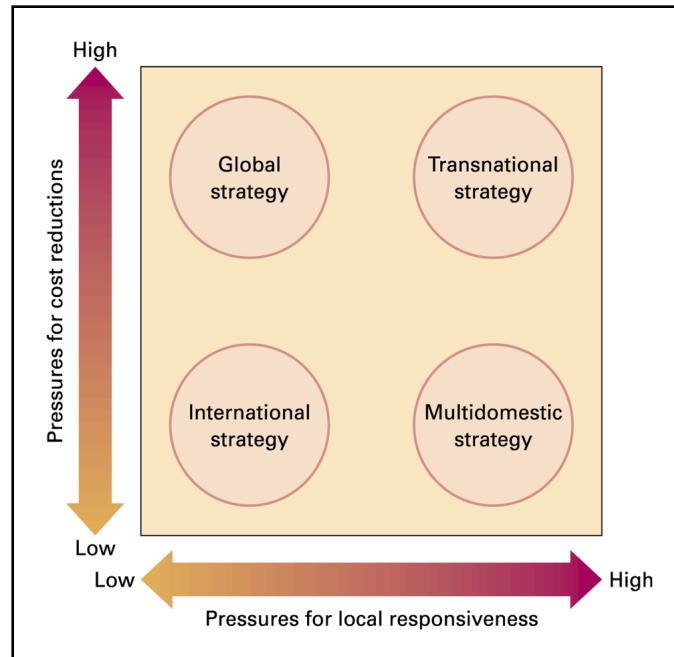
China -18%, Poland- 12%, Sweden -9%, Italy -7% and Germany -6%

Value chain of IKEA

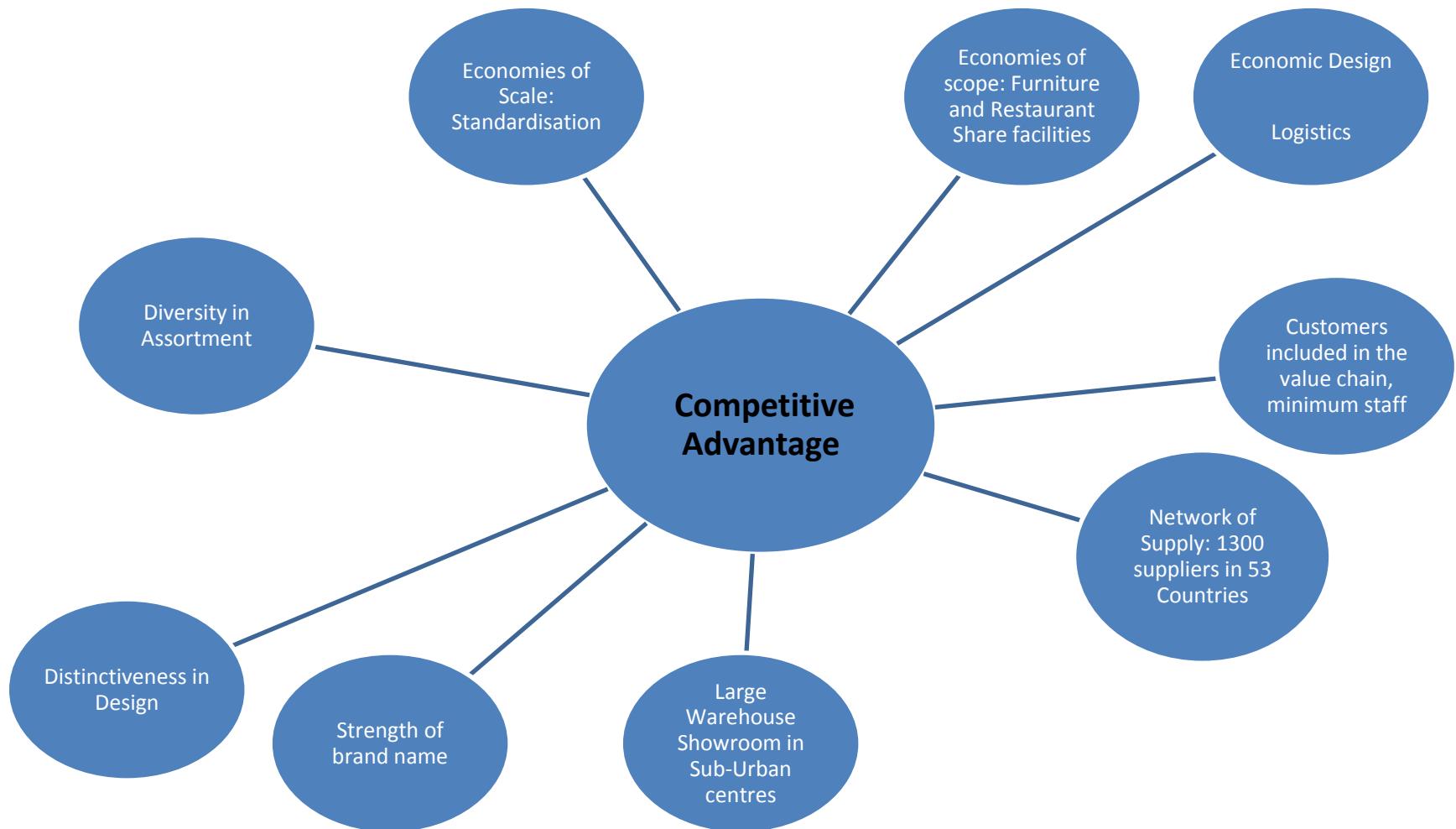


Transnational Strategy

- Pressure for global Integration
 - Standardising whenever possible
 - 90% of product line is similar across in more than 12 countries
 - IKEA's marketing is centrally developed at headquarters
- Pressure for local responsiveness
 - Adapting when necessary
 - Modification of its furniture to suit individual countries e.g longer hangers in Italy and deeper wardrobes in USA
 - Implementation of local adjustments in marketing to suit language and catalogue.



Business Strategy





Ikea & the Environment

- Use of wood-recyclable, biodegradable and renewable material
- Select wood that is from verified, well-managed forests that have been certified
- Free disposal of light bulbs
- Minimize costs by reducing wastes-saving raw material, energy and other resources
- Selecting the right environmental friendly products
- Use leftover material from one product to another
- Employees are “environmental co-ordinators” working in different ways to increase environmental awareness

Marketing Mix

- ## Product

- Everything for the home
- Kitchens, bathrooms, sofas, chairs, beds and textiles, rugs, floors, lamps, plants, and everything in between
- Displayed to show design possibilities with IKEA products
- Assembled by the customer

- ## Place/Distribution

- Merchandise sold in 254 Free Standing IKEA stores in over 44 countries as well as on the internet
- Exclusive distribution plan

- ## Promotion

- THE IKEA CATALOGUE is the most important marketing channel. 2007's catalogue was printed in 175 million copies in 55 editions and 27 languages.
- Other promotions include their seasonal sales, internet deals and television advertisements
- IKEA Credit Card

- ## Price

- Low to moderate pricing depending on item
- Prices range from \$9-\$19.99 for simple lamps to over \$4,000 for complete rooms

Marketing Strategy

The IKEA vision, business idea and market positioning statement provide a framework for all IKEA marketing communication worldwide.

The IKEA vision is "**To create a better everyday life for the many people.**"

The IKEA business idea is "**To offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.**"

The IKEA market positioning statement is "**Your partner in better living. We do our part, you do yours. Together we save money.**"



Future Challenges for the IKEA Group

- The complexity of the logistics system will increase.
- It will be more difficult to respond to national needs and cultural sensitivity issues.
- Franchisees may demand more control over operations.
- With all these challenges emerging, it will be very difficult to maintain a global organizational structure. The best approach to meet these challenges is to find the proper balance between country level autonomy and centralized intervention.



Conclusion

- Since IKEA's target consumers are the middle-class, they should extend their retail services to Emerging Market Economies where Middle class population is rapidly increasing.
- IKEA should increase sourcing its supply from emerging markets, which are characterised by low cost labour to sustain its competitive advantage.