



IKEA

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Abstract

This report aims to show different aspects of IKEA as it is innovation laboratory where IKEA innovates for the future of affordable house. Also to show some Marketing aspects of the company regarding to the social media.

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1. Introduction & Business Model

IKEA is a worldwide known company founded in 1943, which despite the challenging economic times suffered, is the largest furniture sales company in the world, dedicated to the manufacture and retail sale of furniture and household objects, with presence in 48 countries. This work aims to study the strategy that IKEA has followed, where it will try to identify and value the success of a company that makes its products available to everyone. This study aims to reveal other aspects of IKEA, such as the competitive advantages that make it a leader in its sector, since it is not only a company with low prices but also a company with its own identity, which cares about its surroundings and is very involved with its workers.

Business Model

The company was founded to enable people to have a well-designed home-including those who cannot afford designer furniture. Ikea's main objective is to offer a wide range of products for home decoration, which are functional, well designed and at prices that are affordable for most people. Moreover, in the development of the product design, it aims to create a minimum impact of risk in the environment. Ikea's business model is therefore oriented towards a concept of functional design and cost leadership, with the aim that most of the middle classes can afford to buy this furniture. It is very significant that fundamental aspects of the sector such as transport and assembly, which have always been carried out by traditional furniture distributors, have been transferred to the final customer within the IKEA model, thus being able to apply an additional cost reduction, provided that the customer is qualified and wants to assume these activities.

IKEA is orienting its design towards production, by buying larger volumes, maintaining a close and long term relationship with its suppliers, optimising the transport of goods with its famous modular and flatpack, innovating in raw materials and design. Increase the number of local suppliers and involving the customer in the purchasing process (IKEA does its part and the customers do theirs). Moreover, all this while seeking a positive impact on the environment (IKEA, 2018)

This is an example of the business model of IKEA. This canvas of business model shows which are the main areas of interaction of IKEA. See also Appendix 1 for structure of IKEA business organization.

Key Partners	Key activities	Value Propositions	Customer relationship	Customer segment
<ul style="list-style-type: none"> • Wood producers/collectors • Fabrication firms • Carriers and shipping firms • Delivery companies 	<ul style="list-style-type: none"> • Designing modular furniture • Advertising and Marketing • Service 	<ul style="list-style-type: none"> • Affordable furniture, easy to assemble, easy to transport • The Ikea Experience, eating or dining at IKEA, childcare on site • Youtube channel • Website • App • Virtual reality • Concept Innovation with SPACE10 • Investigation with AI 	<ul style="list-style-type: none"> • Ikea Family, special discounts and offers for loyalty • Assembly and delivery • Restaurant and childcare • Website and customer service • Virtual reality • App 	<ul style="list-style-type: none"> • Cost conscious consumers • Small businesses • Students • First home buyers, young couples • Single first buyers or renters
	<p>Key resources</p> <ul style="list-style-type: none"> • Physical. Stores, trucks, tools, infrastructure • Labor. 		<p>Channels</p> <ul style="list-style-type: none"> • Stores • Catalogs • Subscriptions • Website • App 	
	<p>Cost Structure</p> <ul style="list-style-type: none"> • Raw material costs • Manufacturing costs • Advertising costs • Labor costs and transportation costs 		<p>Revenue Streams</p> <ul style="list-style-type: none"> • Furniture • Food and restaurant • Services fees for delivery or assembly 	

Figure 1 Business Model Canvas

2. Micro Environment Analysis

Analysis of the consumer and industry Channel Structures

Customers.

IKEA knows that the customer is the most important thing, and therefore works at affordable prices and produces design products according to their tastes and needs.

In 2019 the IKEA UK Group received 224 million store visits compared to 199.3 in 2018. Not only did the number of customers increase, but sales also

rose significantly. Sales from 2019 period were £2.120 billion, +8% than in 2018. Also, online sales increase +27% respect to 2018. (IKEA, 2018)

The bargaining power of IKEA customers is reliable, as competition is plentiful, and customers can choose from a variety of alternative options offered by furniture stores globally and locally. (Duvopisky, 2019)

The customer plays a fundamental role in the purchase of the products sold by IKEA, since he or she is responsible for walking around the store, writing down the product references, finding the location of the products in the warehouse, picking up the selected products, transporting them to his or her home or contracting transport with a transport agency and, finally, assembling them. So customers should be motivated for this operation. Moreover, this is why most of IKEA customers are:

- Cost-conscious consumers
- Small businesses
- Students
- First home buyers, young couples
- Single first buyers or renters

Suppliers.

IKEA currently has 978 furniture and furnishing suppliers in fifty countries, including external suppliers, who are spread around the world, from whom they purchase the 9,500 products offered by IKEA.

Sixty-four per cent of the suppliers who supply products to IKEA are manufactured in Europe, 33 per cent in Asia and 3 per cent in the United States, designs that carry the "Design & Quality IKEA of Sweden" label and their country of origin.

When choosing suppliers, IKEA applies the "The IKEA Way on Purchasing Home Furnishing Products" (IWAY). It sets out the requirements for wood used by IKEA on all products, including a ban on the use of illegally harvested wood (IKEA, 2018)

Some of the suppliers IKEA works with are

Heilongjiang Naili Woodm, who has produced 60% of IKEA curtains in the global market (HJNL, nd)

Suppliers have low bargaining power, as it has a multitude of suppliers, and many factories around the world have the capabilities and resources to work with this company although one of IKEA's strategies is to maintain long-term relationships with its suppliers by staying close to them.

Competitors

Rivalry among existing companies is high in the furniture market. However, IKEA is currently the market leader on a global scale.

The threat of new industry players is low, and the emergence of new competition is rare as the current market is saturated, and significant financial investment is required to overshadow this large multinational. Besides, the experience is needed in order to become a global discount furniture store.

Despite the threat of new entrants, IKEA has a large number of competitors in the furniture business, and although globally it has only a couple of companies competing, locally in each country the number of companies competing with IKEA is minimal.

The number of competitors is increasing, and this can be a big problem when it comes to entering a country.

The competition is divided into two types, current and potential. The current competition is that group of suppliers operating in the same industry, but also those other manufacturers who market their products as IKEA substitutes.

Moreover, potential competition is new companies that want to enter the industry and are a threat as they intensify current competition.

Within the current competition, due to the great variety of competitors, we can classify all competitors (both world and local) into two types when studying and analyzing the competition. IKEA's competitors can be divided into low and high price furniture competitors. Low-price furniture competitors are those who, like IKEA, sell low-quality furniture at a more competitive price, as they compete directly with a customer who goes to IKEA stores. Moreover, on the other hand, we find the competitors of furniture at a high price, which are those companies that sell higher quality furniture. However, at a higher price, and even though the customer profile is different, there may be customers who because of a bad experience with low quality furniture, or simply because they prefer more durable furniture, decide to go to this type of stores.

Competitors companies:

Even if Amazon is not only focused on the furniture market, it is also a competitor for IKEA because Amazon has its own furniture brand, is advertising other brands. IKEA sells its product in Amazon, but it is decreasing it is a range of products that are advertised in Amazon. Amazon has launched Rivet and Stone & Beam, both furniture companies.

Amazon utilizes the cloud innovation stage and is the biggest retailer on the planet which offers its types of assistance over the web. Amazon.com began by selling books, TV shows, and movies during their underlying long periods of administration. Palmer, A. (2020, January 10)

At present, Amazon offers a wide scope of furniture classifications for the clients. Amazon home takes into account the classifications in Kitchen furniture, room furniture, outside furnishings, lounge area furniture and capacity furniture.

Amazon offers different types of assistance to their clients in the type of payments, simple assembly, a free planned transport and 100% certified products. It additionally gives the high measure of markdown to the clients. Nevertheless, it is precisely in the shipping costs, where the most significant advantage of Amazon's product line lies. Amazon company offers free shipping for Prime users, while shipping costs for Ikea online purchases have always been high. In the UK the minimum price is £35. (IKEA, nd)

Value Analysis

Firm Infrastructure: Stores, megastores, shops and warehouses					Margin
Human Resources: Hire and selection of personal, skilled employees, trainee operations and training.					
Technology: Website, App, virtual reality, real stock control, concept innovation					
Procurement: Budgets and selection of raw material providers.					
Inbound logistic: Buy the wood, plastic and tools. Deliver the raw materials, keep the materials in	Operations: Cut and process the ray materials and wood into modular furniture	Outbound logistics: distribution to shops and stores	Marketing and sales: Catalogs, social media, Marketing, website, App.	Service: Customer service, post sales service, assembly service,	

Figure 2 Value Chain Analysis

Ikea reaches a global mass of citizens by making their lives easier that anticipates the success of a business proposal. This is what Ikea did by bringing design and reasonable quality furniture closer to the general public. IKEA can turn its business credibly around this value creation to create community and loyalty in customers and employees and build a viral brand image. Since every business is a mixture of invoicing by a margin, increasing the former makes it possible to act on the latter, at a lower level, completing the virtuous circle. IKEA gives priority to the one on the other side of the counter.

Differentiation through control of the value chain, products and prices, by bringing all woods arranged to handle in and selling modular furniture. IKEA has dissemination focuses in the UK, which supplies every one of its stores. The organization is known for deals with its store network and stock to make the item less expensive. Also, apart from the successful models referred above, IKEA is characterized by an exhaustive control of production and distribution, which allows for feedback on the management model from users. This interaction also helps to unify the brand message, facilitates rapid adaptation to changes in trends and contributes to providing exclusivity to the constant innovations on offer, combining the necessary design component with the price factor and a certain feeling of privilege for being able to enjoy the good in question.

IKEA has a laboratory where studies how people will be living in the next 10-15 years. The name of this laboratory is SPACE10; here, IKEA is creating value by exploring new ways to push the vision of creating a better everyday life for people. IKEA is experimenting with how to introduce popular designs principles by combining form, function, quality and sustainability all at a low price into new areas. (SPACE 10, nd)

Diversification and adaptation.

It would mean having enough flexibility to adapt this value proposal with a robust social impact. Combining essential elements associated with the corporate culture with the specific needs of the place of establishment is vital, as is having enough muscle to assume the risk of facing a long period of adaptation.

Long-term commitment to ownership. The existence of a visible, full-time owner with palpable leadership and effective control of his company is often crucial. Generates the adhesion of professional talent, limits the excesses that its executives may incur, encourages the assumption of controlled risks, empowers the company to systematically go ahead of the competition and safeguards the ultimate social purpose that inspires its activity.

Customer service

The Swedish firm has a series of guarantees that cover its products, such as 25 years for mattresses or 10 years for wardrobes, and of course, a free customer service line for any complaints, doubts or suggestions. They even have a series of technicians and video tutorials that can help customers if they have doubts when assembling a piece of furniture. On the other hand, the company's way of measuring the degree of satisfaction of its customers is through periodic satisfaction surveys carried out among IKEA Family club members. As an incentive for participation, the company draws gift cards among users who have responded to the surveys.

Marketing

One of the keys to the company's success is the world-famous IKEA catalogue, which year after year is one of the publications with the most significant global circulation. The catalogue itself has become part of the brand essence, and a marketing product in itself. IKEA ads, which are characterized by their sentimentalism and the concept of family, are usually launched during the Christmas season and convey the feeling of home and happiness that the company seeks. Besides, these ads are always strategically designed to be potentially viral, with social networks taking on great importance and prominence. Finally, the IKEA brand itself, the colours yellow and blue and the logo are intrinsic features that serve as self-marketing for the Swedish company.

IKEA Value Analysis focused on social media

IKEA is known for offering products that meet two conditions: they are simple, and they are affordable. IKEA is not about luxury or about elegant design, but about a practical solution. This is the core value on which the business is based.

The message is present in its Youtube channel and goes beyond the simple presentation of the products. IKEA, as a company, offers solutions because it knows how to solve the problems that arise in the home.

A clear example of this is the video that explains how to make the most of the storage spaces offered by the furniture.



IKEA: How to maximise your storage space

Figure 3

<https://www.youtube.com/watch?list=UUea45juw3IHS65aRSC4bdCw&v=Uxlijwn2Tss>

Short films are also offered that show the possibilities of IKEA products and their versatility.



Figure 4

<https://www.youtube.com/watch?list=UUea45juw3IHS65aRSC4bdCw&v=IXD0SL6Zu1I>

The third type of video aims to show the product more traditionally, although explaining its installation. In the case we are sharing, it is about the furniture of a kitchen.



How to install your IKEA kitchen

Figure 5

<https://www.youtube.com/watch?list=UUea45juw3IHS65aRSC4bdCw&v=BmEEOHplctc>

In all cases, Ikea manages to show a world in which a part of our lives is better thanks to ideas and solutions that are sometimes directly related to its products, but in other cases, they have to do with more general concepts. Moreover, best of all, the videos are useful, engaging, and usually last only a few minutes.

These videos are an example of how IKEA is not only advertising its products. Also it is engaging customers by providing advice or tricks on how to assembly or decorate houses.

3. Macro Environment Analysis

Economic factors

The sale of household furniture is an activity that is very affected in times of crisis, because, being durable goods, in a situation of economic recession, consumers tend to postpone this type of purchase.

During the economic crisis that began in 2007-08, companies in this sector have had to reduce their prices in order to remain competitive. In the case of IKEA, the company has been affected to a lesser extent because it has offered its products at low prices since its inception, which has led consumers to associate IKEA with low prices.

The sale of furniture also depends on the real estate sector, so if this sector experiences a downturn in its activity, the sale of furniture is affected.

According to the latest data showed in the website Statista, home sales in the UK are decreasing from previous years because of the Brexit factor. Brexit could mean a decrease in the demand for furniture. For example, IKEA has closed one store, and this could be a reason. (Partridge, 2020)

Social

Social values and attitudes, as well as its lifestyle, are something that changes over time. Today it is essential for a society that a company cares about the welfare of its workers, as well as their training.

IKEA does not only care about its customers, but its employees are also a crucial part of the company. That's why it cares about keeping its employees motivated, by offering them the possibility of changing jobs within the company, or teaching them how to do their job more efficiently. All these actions aim to make the employees feel proud of belonging to the Swedish company. Also, IKEA is sensitive to the needs of people all over the world, which is why the IKEA Foundation allocates part of its resources to helping those who are disadvantaged.

Technological factors

The technology sector is advancing by leaps and bounds, and this benefits all companies, whether or not they are in that sector. Thanks to this fact, people can access many services from anywhere via the Internet.

IKEA is aware of this and uses technology to provide services such as designing the rooms in any home using a mobile application. IKEA also uses technology in its customers' shopping process by making available another mobile application that offers, among other things, the ability to scan the barcodes on products in its stores and add them to their shopping list. It is on the lead of Virtual Reality for shopping online and with an App where customers can see the spaces and rooms in augmented reality.

Environmental factors

For years, concern for respecting the environment has grown. Both society and companies are increasingly involved in this task, promoting recycling as well as the use of renewable energy, among others.

IKEA is one of the companies that is most concerned with this issue. In 1990, it created its first environmental policy, in which it ensured that both the company and its employees would have a responsible and environmentally friendly attitude in carrying out their activities (IKEA, 2018). Besides, it is a member of the global forest certification organization Forest Stewardship Council (FSC).

The Swedish company also promotes sustainable living at home by marketing energy-saving light bulbs and encouraging its customers to change their light bulbs 60W incandescent by energy-saving bulbs, in order to reduce CO2 emissions.

Legal factors

Regarding legal factors, IKEA is one of the companies that has been following all the regulations in the UK. Nevertheless, IKEA has faced some legal problems with copyright in the USA. Some hereditary factors that IKEA will face in the future are regarding Brexit. IKEA is moving some manufacturing process into the UK to do not face legal problems in the future. (Morby, 2017)

4. Online Value Propositions (OVPs) and Ecosystems

OVPs: The strengths and weaknesses of the current customer-facing Website

To analyze the website is has used the 8 guidelines for exceptional web design, usability and user experience. (Devaney, 2018)

Simplicity

Both websites look simple, but IKEA is more organized and is only focused on the show what the customer needs. Amazon website has too many things related to other products that Amazon is selling and not only for the furniture. When the user scrolls down in Amazon website, it is clear that is only focused on furniture, in the other hand as soon as the customer open IKEA website it is just furniture and pictures with slogans making the website more tidy and neat

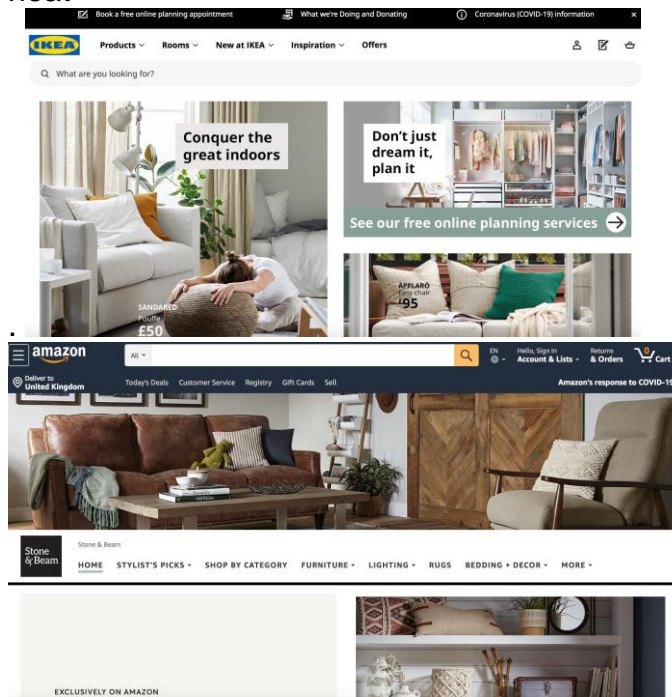


Figure 6 IKEA and Amazon Stone & Bean Home Page

Colours



Figure 7 IKEA website colour palette

IKEA website is predominant white and light colours, making the website clear and tidy. The website combines black and white for the font colour.



Figure 8 Amazon Stone & Bean website colour palette

Amazon website colours are more darker but when the user scrolls down it is changing to more light colours, the predominant colour is white and light colours. The most using font colour is black.

Visual Hierarchy/Navigation

So, at first glance, it is not able to deduce that at Ikea customer can buy online, unlike at Amazon. It would, therefore, be advisable to increase the size of the link and include a shopping cart icon to make it more visible. At first glance, it seems that Ikea offers an orderly structure through its main navigation bar, where customer can find the different types of products. When customer access the “products” section, the customer finds an infinite number of possibilities made up of types of products, advice, solutions and ideas and even offers that makes customers forget what they are looking for. So, the navigation to make our online purchase begins to take too long, many clicks and encourages our boredom. However, as a positive point of IKEA offers to filter the results by colour, relevance, name, price and news. The IKEA website has a virtual office design tool, which allows users to recreate their workspace, in dimensions, wall and floor colour, windows and doors, etc. On this space, it is possible to place a selection of furniture from the IKEA range in the way that best suits each need. This tool allows printing of the design made in 3D as well as the elaboration of the final budget.

The first step to indicate that from Amazon Stone & Bean website, it is possible to buy online, is to include an icon or a call to action that makes it evident and visible. Also shows were to deliver in the top left of the screen. In the case of Amazon, when the customer enters the home page of the website, the customer will quickly see the image of the shopping bag at the top right. The shopping bad indicates that currently, there are 0 items. Amazon has a better line out of the navigation and has a wide range of products, at the same time, Amazon can refer the customer to other brands, and IKEA cannot compete against this.

Analysis of how the business is exploiting the ‘search’, ‘social’ and ‘mobile’ ecosystems

For this analysis is used the Similar website. There was an attempt to analyse only the traffic on the website for United Kingdom but similar web hasn’t got any data to analyse.

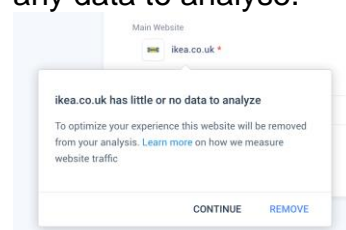


Figure 9 Screenshot showing no data

Search

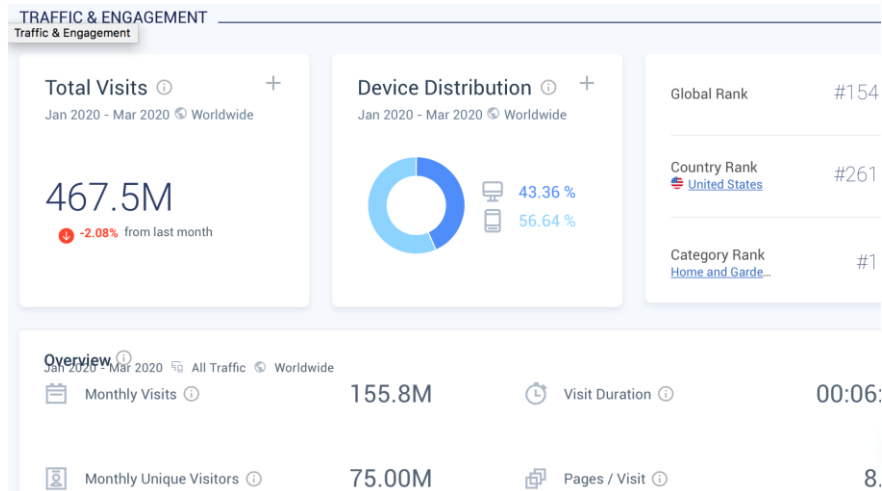


Figure 10 Traffic IKEA website

In the screenshot there is all the figures and data of IKEA website .
The ranking of IKEA:

- Global Rank - #154 ^[1]_[SEP]
- Country Rank - #261 in USA (data form UK not available)
- Category Rank - #1 (Home and garden) ^[1]_[SEP]
- Visitors Per Month (VPM) – 155.8M IKEA, with and average duration is 6 minutes per visit.
- Total Visits- 467.5M

IKEA website is in a high position #154 but Amazon position #4 (Amazon not only sells its own furniture and users can look up for more products, even IKEA products). It is easy to recognize the drop of users in the IKEA website due to the coronavirus situation from last month. Users reach IKEA website directly or as organic search. Can IKEA confirm that has a strong position in the market because most of the customers know already the company and get into the website? Maybe because it is not easy to engage with IKEA advertisement on the internet through banners or pop-ups (except Youtube).

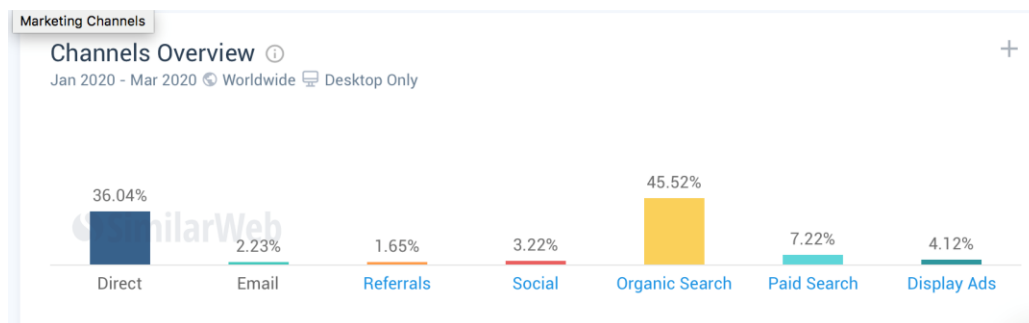


Figure 11 Channels overview IKEA

Social

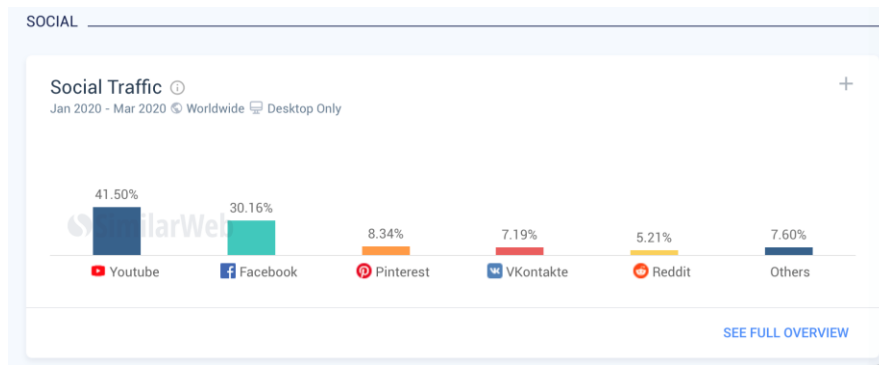


Figure 12 Social traffic IKEA

IKEA is famous for the commercials and is still advertising on the TV or Youtube making all the commercial famous. It is interesting that IKEA has a community in Reddit (the social news aggregation app/website). Unfortunately there is no data of this traffic through this community. Youtube has a strong position in social traffic because IKEA use this platform for its commercials. Also it is important to understand that IKEA uses Yotubue for its commercials and also for social engagement by making videos on how to assembly or repair furniture. This information was mention "IKEA Value Analysis focused in social media"

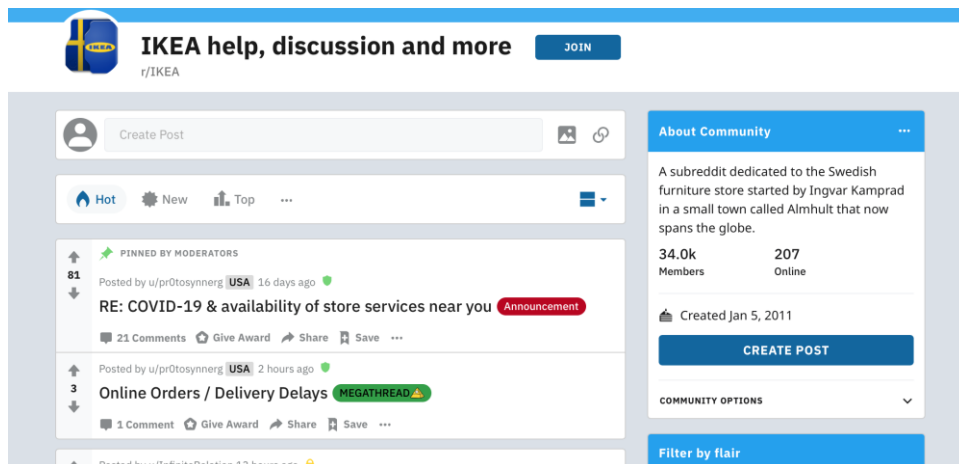


Figure 13 Reddit IKEA

Mobile

Here there is a comparison between IKEA and Amazon (only USA because there is no free data for UK). In both images Amazon is leading because has a wide range of products and there are more stores in Amazon market (there is no separated data for Stone & Bean, Amazon furniture brand). In the other hand IKEA numbers are quiet low. This doesn't mean that IKEA is not strong in the market but in the e-commerce and digital arena Amazon is stronger.

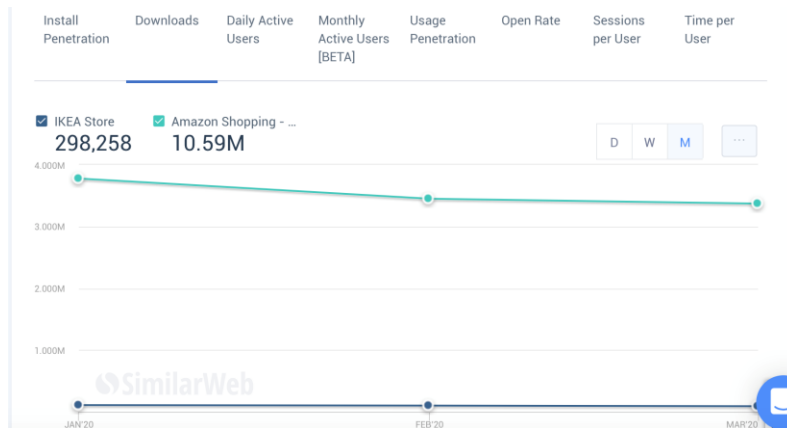


Figure 14 IKEA vs Amazon visits and download

Engagement ⓘ +
 Jan 2020 - Mar 2020 🇺🇸 United States

App	Install Pen...	Down...	DAU	MAU [BE...	Usage Pen...	Open...	Sessions p...	Time per User
IKEA Store	0.51%	298,25	9,036	93,239	0.01%	1.50%	2.869	00:07:11
Amazon Shopping -	46.07%	10.59M	6.855M	32.01M	5.81%	12.62%	3.015	00:09:07

Figure 15 IKEA vs Amazon engagement

5. Recommendations

IKEA promotes its products through a mix of various exercises, for example, publicizing and advertising (spots, TV advertisements, plugs, outside promoting, internet publicizing, indexes), advertising (promoting), deals advancement (cooperation in fairs, exhibits, rivalries) and direct marketing (sales, IKEA family promotion). Therefore, IKEA should revise the positioning on its product dependent on the nature of its items in light of the fact that, despite the fact that it is an incredibly famous organization, customers have the observation that the cost is low and this leads them to believe that the quality offered is likewise low.

The physical dimension of the Ikea stores has meant a completely innovative concept that has marked a significant difference from the rest of the sector from the beginning: on the one hand, it allows to have practically all the catalogue available, visible and tangible. There are many atmospheres, and all the product lines are displayed in their entirety, taking advantage of different product synergies from various lines that generate a multitude of up-selling and, above all, cross-selling situations.

The client is practically "forced" to visit and contemplate the entire exhibition, allowing it to be possible to avoid only some sections by using exits that jump to a later section. According to Ikea statistics, these short paths are used by less than 5% of visitors. (IKEA, 2018)

Finally these words, IKEA has an excellent opportunity with its augmented reality App because it allows customers to see the shop and how to decorate houses in real-time. The coronavirus situation has put over the table that customers will avoid to visit stores and maybe now IKEA should try to boost virtual reality and more AI technologies.

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Appendix

Appendix 1

Structure of IKEA business organization



(IKEA, 2018)