

# The Observations of IKEA in Chinese Market

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**Abstract:** This paper aims to study the marketing strategies adopted by the global brand IKEA. This paper takes the Swedish furniture brand IKEA as the research object and the China market as the research market for discussion. This paper first introduces the IKEA brand of Swedish furniture, then summarizes the strategy of furniture industry, then studies the macro-environment of China furniture industry, and finally studies the influence of Sweden, and finally summarizes and comprehensively analyzes IKEA's marketing strategy and its adaptability in new fields. After determining the marketing effect of the global brand IKEA in China market, it gives a summary and suggestions.

**Keywords:** Marketing Strategy, Furniture industry, IKEA

## 1. Selected brand overview

De Marchi et al. (2013, p:304) showed that “The Swedish-based global company IKEA is by far the largest furniture retailer worldwide”. In 1943, IKEA was created by Ingvar Kamprad in a teeny Swedish town called Almhult in 17 years old(Hultman et al., 2009)[1]. From the website of IKEA (appendix 1), at that time, IKEA mainly sold small items such as pens, photo frames and wallets. At the same time, IKEA sells products through IKEA catalogue. The reason for why IKEA used IKEA catalogue to sell goods was because it is difficult for IKEA to touch the potential customer in large city. As a result, in 1951, when the catalogue of IKEA was born, Ingvar Kamprad had decided that IKEA would sell good furniture at a low price(Hultman et al., 2012)[2]. The reason for why IKEA's household goods remain unique is because the concept of IKEA is doing work in a different way. Ingvar Kamprad was grow up in Småland. Although the local residents live in poverty, they live hard. Therefore, Smaranders is considered to be frugal and innovative and also uses a serious approach to solving everyday problems. “Affordability through low cost is the core of the company’s business idea”(Hultman et al., 2009, p:9)[3]. From the website of IKEA (appendix 1), the IKEA showroom was transformed from an old workshop, because the price of the first IKEA catalogue was low and people suspected the quality of IKEA products, so Ingvar Kamprad built a furniture showroom. Customers can view and try out the merchandise in the showroom before ordering IKEA furniture. IKEA’s approach to displaying merchandise through showrooms has continued into modern times. The packaging of IKEA goods is also special, because it is easy to cause damage to the furniture by distributing the complete furniture. At the same time, distributing the complete furniture is expensive. Therefore, IKEA products have been distributed in self-assembly and flat packaging since 1956. Today, IKEA has become one of the most renowned house furnishings brands in the world. IKEA has approximately 1 million staff worked around the world (including supplier), and currently IKEA has 424 stores around the world. From the website of IKEA (appendix 1), IKEA utilize a franchise business model. IKEA's franchise system can help IKEA expand internationally while protecting the IKEA concept[4].

## 2. Industry overview

Innovation is extremely significant to the house furnishings business. With the development of information technology, new technologies would spread in the furniture industry at a faster rate (Bullard, 2002). Therefore, the development of innovative technologies is remarkably important for the furniture industry. In other words, furniture companies that have mastered innovative technologies can succeed in competing with competitors. At the same time, the furniture industry also needs to consider environmental and sustainable development issues. Furniture companies should have responsibility for the environmental results of all activities related to items (De Marchi et al., 2013)[5]. This is because the furniture industry itself needs to use a large number of raw materials to manufacture furniture. In the process of making furniture, it may cause environmental pollution, so the development of the furniture

industry need to pay attention to environmental protection. IKEA has developed a corresponding environmental strategy. The environmental strategy also helps IKEA save costs. In different circumstances, the house furnishings industry is also able to produce goods during the use of degradable and alternative unprepared materials (Iritani et al., 2015)[6]. For example, “accounting to corporate documentation, in 2012, 9% of the material used in IKEA's products were renewable, recyclable or recycled” (De Marchi et al., 2013, p: 306). Using eco-friendly raw materials may make the furniture industry developing rapidly. Using environmentally friendly materials at the same time may enhance the competitiveness of companies, as customers may be more willing to purchase sustainable products. The current furniture industry has also changed in the number and size of physical stores. “From 1992 to 1997, for example, the number of furniture-related business establishments declined by almost 10%, while the average size of establishment increased significant” (USDC Census Bureau 2000, cited in Bullard, 2002, p: 5). The larger the scale, the more the types of goods are, and consumers may be more willing to buy as much furniture as possible in the same furniture store. At the same time, the furniture industry is now approaching the fashion industry, and furniture manufacturers produce furniture products that express fashion and express individuality (Leslie and Reimer, 2003)[7]. In other words, customers can buy furniture that is more in line with own style, and customers can express their individuality in both clothing and furniture. In other circumstances, the current house furnishings industry also look for partners. Finding partners can help furniture manufacturers get local raw materials and designers (Bullard, 2002), helping furniture manufacturers adapt to the local environment as quickly as possible. Therefore, finding a partner can help furniture manufacturers to develop better[8].

### 3. Selected Country [macro environment]

According to Cao et al. (2004), China's current house furnishings industry reflects the following characteristics. First, China is a remarkably significant country for exporting furniture. Guangdong Province and Fujian Province account for a large number of the proportion of furniture exported (Cao et al., 2004). From another perspective, China is still an exceedingly important country producing different furniture materials (Ivarsson and Alvstam, 2010)[10]. China can produce parts and lighting products for furniture. Furniture parts would be used for domestic sales after production and will also be used for export. “In terms of ownership, at least 90 percent of Chinese furniture companies are not state owned; there is a diversified range of ownership types, including foreign owned, domestic Chinese privately owned, stock-holding companies, as well as various joint ventures” (Cao et al., 2004, p:14). Foreign furniture companies may consider working with Chinese furniture suppliers to sell own goods (Ivarsson and Alvstam, 2010). Working with Chinese suppliers can decrease the price of transporting furniture for foreign furniture companies and further reduce the price of goods to a certain extent (Burt et al., 2011). This means that foreign furniture companies can work with Chinese furniture suppliers to reduce the cost of producing furniture. At the same time, working with foreign furniture companies, Chinese furniture suppliers can not only improve own visibility, but also learn the skills of foreign furniture companies (Ghauri et al., 2008)[11]. Therefore, the current trend of cooperation between Chinese suppliers and foreign companies can help foreign furniture companies and Chinese furniture companies. China's current furniture industry also produces goods for different target customers (Johansson and Thelander, 2009). In the case of IKEA, IKEA sells high quality and low price furniture products abroad. But in China, IKEA is mainly located in Guangzhou, Shanghai and Beijing. It is noted that Guangzhou, Shanghai and Beijing have many high-end consumers and are considered to be important target markets (Cao et al., 2004). At the same time, IKEA is also considered a relatively high-end furniture brand in China (Burt et al., 2011)[12]. This means that IKEA's target consumers in China may differ from target consumers in other countries around the world. The situation of different target consumer may also occur in other furniture brands which entering the Chinese market. Finally, according to a recent study (Cao, 2004; cited in Cao et al., 2004, p: 22), “current innovation activities within the Chinese furniture industry are mainly based on incremental improvements of existing products and technologies, rather than aggressive Breakthroughs”. Therefore, China's furniture industry also needs innovation.

### 4. COO [country of origin] significance

From the website of IKEA (appendix 1), the origin of IKEA is a small town in Sweden. The country of origin Sweden is important for IKEA. At the first, IKEA mark the Swedish name of the product on the goods, and the Swedish name can be seen on almost all goods (Johansson and Thelander, 2009). This shows that IKEA put Sweden, the country of origin, in a critical position. At the same time, this also shows that IKEA products have a certain degree of unity. Therefore, the Swedish name displayed on the

label of the IKEA product reflects the significant of Sweden, the country of origin, to IKEA. At the same time, IKEA currently has 20 stores in Sweden. IKEA would give priority to countries with similar language and culture to open stores, and then open stores in countries with different languages and cultures (Burt et al., 2011)[13]. The choice of IKEA for the country where the store is opened also indicates the importance of Sweden, the country of origin, for IKEA. This choice may also help IKEA reduce risk. Then, the Swedish furniture industry itself has also changed. In the past, the furniture industry was relatively conservative, and each furniture company was characterized by suspicion, introversion, and risk avoidance (Melander and Nordqvist, 2001)[14]. But as furniture manufacturers became aware of the problems in the furniture industry, furniture companies also worked together to help the Swedish furniture industry recover quickly (Melander and Nordqvist, 2001). As a Swedish furniture brand, IKEA has tried to solve its own conservative problems through cooperation, so the country of origin Sweden is very important for the development of IKEA. From another perspective, IKEA's target customers in the country of origin have also changed. The target customers of IKEA are mainly women with children between the ages of 20 and 49, but now the economically well-being group over the age of 55 is an important target customer of IKEA (Burt et al., 2011). Because IKEA may be more familiar with Swedish furniture and customers, the identification of target customers may be more accurate. Therefore, the change in IKEA's choice of target customers in Sweden may also help IKEA identify target customers in different countries in the global market. Finally, "Although Sweden today has only about 1% of the world's forest land, it is the second largest exporter of forest industry products with a total annual value of approximately €13 billion" (Sandberg et al., 2014, p: 354). At the same time, a large amount of wood is the same as the production of furniture billets (Roos, 2002), which also shows the importance of Sweden, the country of origin, to IKEA, because Sweden is able to produce quality raw materials for furniture.

## **5. Global marketing strategy**

IKEA of Sweden is an important leading unit in business and develop a long-term global marketing strategy (Baraldi, 2008). IKEA's marketing strategy has the following points. At the first, IKEA adopt a standardized approach. IKEA's standardization is reflected in the style of the product, the way of working, and the layout and color of the store (Johansson and Thelander, 2009). This means that standardization is an important feature in IKEA's marketing strategy. IKEA's standardization enables IKEA's image to be remembered by consumers, and standardization has made IKEA familiar to consumers all over the world. Therefore, consumers may prefer to purchase IKEA products. "The marketing relationship between IKEA and the customers is at its strongest when customers visit the stores" (Gummesson, 1994, p:6)[15]. IKEA stores have standardized renovations. When entering the IKEA store, customers can see how the furniture is applied to the actual room in the IKEA display area. When customers see through the IKEA display area, they can not only clearly understand the furniture of IKEA, but also observe the overall furniture mix. This marketing method may help IKEA sell more products because consumers also tend to buy as many items as possible in the same place. Moreover, since IKEA products require customers to assemble by themselves, customers may prefer IKEA products during the assembly process (Norton et al., 2012). Because the process of assembling IKEA furniture can meet the individual needs of consumers. Then, the IKEA catalogue is an important marketing tool for IKEA, and the IKEA catalogue is published in many countries (Johansson and Thelander, 2009). Customers can visually see IKEA's new products and product prices through the IKEA catalogue, thus it is convenient for customers to purchase furniture goods. At the same time, price-cutting have always become an important marketing strategy for IKEA (Burt et al., 2011). The use of price-cutting as marketing tools is also match IKEA's own characteristics. Finally, patiently deal with the relationship between customers may increase customer loyalty (Gummesson, 1994). IKEA mainly provides membership services through IKEA family. "IKEA Family, a club which in 1994 had two million customers as members, entitling the members to a series of benefits" (Gummesson, 1994, p:6). Customers who join the IKEA family can get information about IKEA and love IKEA[16].

### **5.1. STP [ segmentation, targeting and positioning] issues**

In China, the special points of IKEA's STP are mainly reflected in the difference in target customers and the positioning of product prices. The target customers of IKEA in the market of China are different from other countries. From the geographical distribution of target customers, IKEA mainly opens stores in developed large cities in China, and targets large cities as significant market with a large number of high-end customers (Cao et al., 2004). From the age of the target customer, "The core customer is around

30 years old. Many from IKEA's target group, are what in China are known as 'the little emperors' and in literature they are also labeled 'the me-generation' or 'the lifestyle generation'" (Schu'tte and Ciarlante, 1999, p. 139; cited in Johansson and Thelander, 2009, p: 208). As can be seen from the above, IKEA's target customers in the Chinese market and other country are different. At the same time, the price of IKEA products are differently in China. IKEA's products are defined as relatively high-end furniture brands in China (Burt et al., 2011). China itself has relatively low-priced furniture products, so low-price strategy in IKEA is also a big venture in the market of China (Johansson and Thelander, 2009). It can be seen that the reasons for Chinese consumers to choose IKEA products are also different from those in foreign markets[17].

## **5.2. Branding and advertising issues pertaining to cultural and visual aspects of the chosen brand**

IKEA often refers to the values and designs associated with Sweden, the country of origin of IKEA (Baxter and Landry, 2012). Because the birthplace of IKEA is Sweden, the culture associated with Sweden is displayed in the IKEA brand. At the same time, the brand culture of IKEA is also reflected in IKEA's concern about corporate social responsibility (CSR) issues. Edvardsson and Enquist (2011) showed that CSR issues can affect a company's income, especially in innovative companies like IKEA. Therefore, IKEA also pay attention to social responsibility issues in the process of production. It is worth noting that the brand image of IKEA is standardized (Johansson and Thelander, 2009), and the appearance of IKEA stores also use yellow and blue, as yellow and blue are the representative colors of IKEA (Baxter and Landry, 2012). In other words, the representative color of IKEA can be reflected in various places in IKEA. This also allows consumers to become more familiar with IKEA, so that the image of IKEA is remembered by more customers. IKEA has its own Chinese name in China, meaning a comfortable home (Johansson and Thelander, 2009). The Chinese name of IKEA is also a sign, IKEA's Chinese name and IKEA itself give Chinese consumers the same feeling, so more Chinese customers recognize IKEA[18].

## **6. Performance of the brand in the selected country**

IKEA itself maintain own standardization characteristics, and maintaining standardization would make IKEA more familiar and remembered by customers in new areas. However, while maintaining standardization, IKEA also adapt to the local market where the brand is located. First, IKEA would adapt to local needs in product classification. For example, IKEA provide Chinese customers with furniture that can be used on the balcony, as many Chinese families have balconies (Johansson and Thelander, 2009). In other words, IKEA would offer different products according to the characteristics of the local room type, which enable Chinese customers to purchase the furniture that is suitable for the balcony. At the same time, it also expresses the intimacy of IKEA, because IKEA consider the needs of Chinese customers. Chinese customers are able to find the goods they need at IKEA, so IKEA is well known in China (Burt et al., 2011). From another perspective, depending on the country, IKEA also offer different content in its own product catalogue. The cover of IKEA catalogue would be designed differently (Johansson and Thelander, 2009). Different product recommendations may be available for different countries. When customers see the IKEA catalogue, customers can find the right product for them faster. This not only facilitates the customer, but also makes the IKEA products better promoted and sold[19].

## **7. Conclusion**

In conclusion, the global the IKEA's marketing strategy is generally successful. The marketing strategy used in IKEA is generally standardized and also adapt to local needs in different countries. The marketing of IKEA in China, the target country of this report, is also doing well. A large number of Chinese customers are familiar with IKEA products and are willing to choose to pick up IKEA goods. Finally, it is recommended that IKEA can cooperate with more Chinese furniture suppliers to further reduce the price of IKEA furniture in China. Make IKEA in the market of China more in line with the low price of IKEA itself.

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