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**A creation of competitive advantage by using differentiation of company's strategy actions. The case study of IKEA Sweden with experiences on Chinese and French markets.**

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# Introduction

This thesis is a presentation of Ikea's marketing strategy, and to be more precise – this work shows three market places, that was taken into account, and stresses the differences in strategy actions taken under the pressure of various and often complicated factors on each market.

The choice of the Ikea Company is accurate for the authors because of several reasons. First of all the aim of the work was to focus on an international, or what would be even better – a global company and to investigate the marketing issues of it. At the beginning also the main thought was to find out how much flexible a company has to be to make it sure that the strategy on this or that market will bring the success. So ongoing development connected with some market information updating was a fierce issue. As the authors was at the time in Sweden, the choice of a Swedish company was somehow obvious, specially that in the state many companies were established, which are now international, e.g. Volvo, Saab, Ericsson, Ikea. Authors thought that the Ikea Company will be among all the best choice, because of authors' personal experiences with it and the data availability.

Several markets where the company has been already present were discussed to decide which one it is worth to focus on. Finally Swedish, French and Chinese were chosen. Sweden – first of all because of the company's origin to see and understand the products range. Furthermore the basic concepts of the general strategy was also born in Sweden, so knowing better the company's underlying it is more likely to understand the company's conduct abroad. France is the next country, because of national approach to fashion issues, and also because of possessing in some sense values like taste, quality or beauty, which are deeper and more intensive among French society than in any other European country. The last market is the Chinese one. The authors were considering Asian customers' preferences and thought that thanks to the complex values set conditioned by the historical aspects (dissimilar than in Europe for example), differences between the European and Asian company's strategies will be more noticeable.

In the theory part, the authors presented definitions concerning micro and macro environment of a company. Both were taken into account because of various factors that influence and shapes company's strategies on a marketplace. To understand better each market authors decided to focus first on PEST analysis. The analysis shows political, economical, socio-cultural and technological aspects that belongs to the macro environment of a company, by that the reader can easily see what are main factors with a company has to

struggle sometimes, sometimes just to adjust to them. As the general environment was described, the authors went deeper to investigate the topic issue, which was to find out what kind of differentiation the Ikea company had to make to adjust to French and Chinese markets by usage of the marketing mix theory. As the underlying of the PEST analysis was already investigated the authors were more likely to understand why company did or did not differentiation in each of marketing mix actions. To support their perception of understanding different socio-cultural aspects they used for example the Hofstede theory. On the end the theory of standardization and differentiation theory were used to see the company's intentions of developing its strategy on French and Chinese markets.

Having the theoretical framework the authors became the investigation on given topic. The methodology part explains what techniques were used to achieve the set objective in order to present valid and reliable findings. The PEST analysis were done through government's and different organizations' webpages. For marketing mix comparison the authors used Ikea catalogues as the fundamental source of knowledge and moreover the company's official Internet websites, articles, books and thesis previously done concerning the topic.

The comparison between Ikea's marketing mixes in Sweden, France and China is the final part of given work. This part presents similarities and dissimilarities in product, price, promotion and place areas over mentioned markets that the authors were able to notice.

## ***Problem***

Authors found that interesting to investigate will be the need of the company's adjustment to different market, which may depend on various numbers of factors, but are essential to be taken into account whenever a company is going international. Specially nowadays, when borders between countries are being forgotten (e.g. European Union) to enable efficient good flows, and when the distance is not a problem. As it was stressed before, the world became the global village. In that case the authors would like to investigate the company's adjustment aspect and is it still needed. And if it is needed, what kind of tools the company is using to achieve sufficient level of differentiation.

## ***Purpose***

The purpose of the work is to investigate and show differentiation of the basic company's strategy to find out how the company conducts on Swedish, French and Chinese market. To make it possible we determined some small aims by which we will be able to answer the main question. Mention aims set includes e.g. what kind of tools the company used according to the variety of customers' needs and their ongoing evolution; what barriers had to be broken to enter the market or what the company had to do to adapt its marketing mix to achieve success. In more general aspect the authors will use (as already mentioned above) PEST analysis to see what are conditions for macro environment on each market, and then, having the general look, the deeper investigation will be presented done by usage of marketing mix theory with support of differentiation theory. This will be done to clearly see how Ikea operates on each market and what its strategy to adjust to the market circumstances. The comparison of marketing mix aspects is the final intension.

## ***Delimitations***

The authors found some delimitations for their work that may be seen as small obstacles to see clear picture of the results. First of all the Chinese market was seen as distant, and they have concerns about the data collection from there. Finally good collaboration and sources available on the Internet gave sufficient results. One thing that occurred and could not be removed was that they could not receive Chinese catalogue as it is printed in China, because of delivery costs that they could not afford (approximately 800 SEK). In that case the analysis about Chinese marking mix was based on the on-line catalogue. On the end they found it even as a good thing, because of that they were able to see that the catalogue has different configuration and presents Ikea's products in a different way than Swedish and French versions, which are the same on-line and in printed version.

# The theoretical framework

## *Social and cultural aspects*

Social and cultural factors influence all aspects of consumer and buyer behaviour. The differences between these factors in different parts of the world can be a central consideration in developing and implementing international marketing strategies. Social and cultural forces are often linked together.

Ralph Linton(1945)<sup>1</sup> “A culture is the configuration of learned behaviour and results of behaviour whose component elements are shared and transmitted by members of a particular society”, “The way we do things around here ”. In relation to international marketing, culture could be defined as: ‘The sum total of learned benefits, values and customs that serve to direct consumer behaviour in a particular country market’. Culture is made up of three essential components:

- **Beliefs:** A large number of mental and verbal processes which reflect our knowledge and assessment of products and services.
  - **Values:** The indicator consumers use to serve as guides for what is appropriate behaviour. They tend to be relatively enduring and stable over time and widely accepted by members of a particular market.
  - **Customs:** Overt modes of behaviour that constitute culturally approved or accepted ways of behaving in specific situations. Customs are evident at major events in one’s life e.g. birth, death and at key events in the year e.g. Christmas, Easter, Ramadan, etc.
- Layers of culture<sup>2</sup> (Hlfstede 2001 within a national culture):

- A national level according to one’s country which determines our basic cultural assumptions;
- A regional/ethnic/religious affiliation level determining basic cultural beliefs;
- A gender level according to whether a person was born as a girl or as a boy;
- A generation level which separates grandparents, parents and children;
- A social class level associated with educational opportunities, a person’s occupation or profession.

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<sup>1</sup> Isobel Doole and Rrobin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P66 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)

<sup>2</sup> Isobel Doole and Rrobin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P67 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)

Terpstra and Sarathy (2000)<sup>3</sup> identify eight components of culture which form a convenient framework for examining a culture from a marketing perspective:

- **Education:** The level of formal primary and secondary education in a foreign market will have a direct impact upon the ‘sophistication’ of the target customers.
- **Language:** Two major elements—the spoken languages of vocal sounds in patterns that have meaning and Silent Language which is the communication through body language, silences and social distance.
- **Religion:** A major culture effects marketing strategy. The identification of sacred objects and philosophical systems, beliefs and norms as well as taboos, holidays and rituals is critical for an understanding of a foreign market.
- **Values and attitudes:** The consumers’ values from different countries seriously affect not only the products offered but also the packaging and communication activities.
- **Aesthetics:** The local culture’s perception of things such as beauty, good taste and design and dictates what is acceptable or ‘appealing’ to the local eyes.
- **Law and policies:** The legal and political environments in a foreign market are often seen as consequences of the culture traditions of that market. Legal and political systems are often a simple codification of norms of behaviour deemed acceptable by the local culture. Cultural sensitivity to political issues in international markets is of utmost importance.
- **Technology and material culture:** Relates to the local market’s ability to handle and deal with modern technology.
- **Social organizations:** How the culture considers kinship, social institutions, interest groups and status systems. The role of women and caste systems are easily identifiable examples.

There are several important ways in which the various components of culture influence a consumer’s perception, attitude and understanding of a given product or communication and so affect the way a consumer behaves in the buying process. Jeannet and Hennessey (2002)<sup>4</sup> identify three major processes through which culture influences consumer behaviour. Culture is seen as being embedded in elements of society such as religions, language, history and education (cultural forces). These elements send direct and indirect

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<sup>3</sup> Isobel Doole and Robbin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P68 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)

<sup>4</sup> Isobel Doole and Robbin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P74 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)



messages to consumers regarding the selection of goods and services (cultural message). The culture we live in determines the answers to such questions as: Do we drink coffee or juice at breakfast?

Cultural forces	Cultural message	Consumer decision process
Religion History Family Language Education Arts	Symbols Morals Knowledge Rules of behaviour	Selecting Prioritizing wants Decision making

Table 1.

Cross-cultural classification approaches could be either mere lists or incredibly theoretical complex structures to develop ways to compare and contrast consumers, market segments and buyers across cultures.

### Hall's high/low context approach

Hall's (1987)<sup>5</sup> main thesis was that one culture will be different from another if it understands and communicates in different ways. They therefore say languages as the most important component of culture. Low context cultures rely on spoken and written languages for meaning. Senders of messages encode their messages expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message.

High context cultures use and interpret more of the elements surrounding the message to develop their understanding of the message. In high context cultures the social importance, knowledge of the person and the social setting add extra information and will be perceived by the message receivers. The greater the contextual difference between those trying to communicate the greater the difficulty firms will have in achieving accurate communications.

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<sup>5</sup> Isobel Doole and Robin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P81 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)

## Hofstede's cultural dimensions

Hofstede (2001)<sup>6</sup> was primarily interested in uncovering differences in world related values across countries. He originally identified four dimensions of culture: individualism, power distance, uncertainty avoidance and masculinity, as well as later added dimensions as Confucian dynamism, culture/communication typologies, and cross-cultural/diffusion and learning matrix. These dimensions, it was argued, largely account for cross-cultural differences people's belief systems and behaviour patterns around the globe.

## ***PEST Analysis theory***<sup>7</sup>

The PEST Analysis is a tool that helps determine the further company's environment. By presenting political, economical, social and technological aspects the tool give the full on the factors that influence the company, but it cannot provide against them.

Marketing decisions are strongly affected by developments in the political environment. The political environment consists of laws, government agencies and pressure groups that influence and limit various organizations and individuals in a given society. It includes: Legislation Regulating Business, Growth of Public Interest Groups, Increased Emphasis on Ethics and Socially Responsible Actions. Moreover: ecological/environmental issues, current legislation home market, future legislation, European/international legislation, regulatory bodies and processes, government policies, government term and change, trading policies, funding, grants and initiatives, home market lobbying/pressure groups, international pressure groups, wars and conflict .

Economic environment consists of factors that affect consumer purchasing power and spending patterns. Marketers should be aware of the following predominant economic trends. It includes: Income Distribution and Changes in Purchasing Power, Changing Consumer Spending Patterns. Moreover: home economy situation, home economy trends, overseas economies and trends, general taxation issues, taxation specific to product/services, seasonality/weather issues, market and trade cycles, specific industry factors, market routes and distribution trends, customer/end-user drivers, interest and exchange rates, international trade/monetary issues.

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<sup>6</sup> Isobel Doole and Rrobin Lowe, International Marketing Strategy-Analysis, development and implementation, the fourth edition, P82-85 at [www.thomsonlearning.co.uk](http://www.thomsonlearning.co.uk)

<sup>7</sup> Principles of Marketing, 2<sup>nd</sup> edition, Philip Kotler and others, Prentice Hall Inc. London 1999

Cultural (social) environment is made up of institutions and other forces that affect society's basic values, perceptions, preferences and behaviours. People grow up in a particular society that shapes their basic beliefs and values. They absorb a world-view that defines their relationships with others. The following cultural characteristics can affect marketing decision making. Marketers must be aware of these cultural influences and how they vary across societies within the markets served by the firm. It includes: Persistence of Cultural Values, Shifts in. Secondary Cultural Values. Moreover: lifestyle trends, demographics, consumer attitudes and opinions, media views, law changes affecting social factors, brand, company, technology image, consumer buying patterns, fashion and role models, major events and influences, buying access and trends, ethnic/religious factors, advertising and publicity, ethical issues.

Technological environment are the forces that create new technologies, new products and market opportunities. It includes: Fast Pace of Technological Change, High R&D Budgets, Concentration on Minor Improvements, Increased Regulation about the product safety. Moreover: competing technology development, research funding, associated/dependent technologies, replacement technology/solutions, maturity of technology, manufacturing maturity and capacity, information and communications, consumer buying mechanisms/technology, technology legislation, innovation potential, technology access, licensing, patents, intellectual property issues, global communications.

### ***Marketing Mix theory<sup>8</sup>***

Once the company has chosen its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. The marketing mix is one of the dominant ideas in modern marketing. It is defined as the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The many



Figure 1. Marketing Mix components.

<sup>8</sup> [http://www.uark.edu/gmsstutor/mr\\_mix.html](http://www.uark.edu/gmsstutor/mr_mix.html), 20.04.2007

possibilities gather into four groups of variables known as the 'four Ps': product, price, place and promotion.<sup>9</sup> The figure above present the inside connection between each “P”.

#### Product<sup>10</sup>:

- What products the firm offers?
- What foreign needs does the product satisfy?
- How competitive is the product be?
- Should the firm adapt or modify the product to the foreign market?
- Should it develop a new product for the foreign market?
- Does the product need different packaging, colour, size, brand, etc.?

#### Price<sup>11</sup>:

- At what price should the firm sell the product in the foreign market?
- Should the prices differ among market segments?
- What pricing options are available if cost increases/decreases?
- How are prices going to be viewed by a foreign government?
- Is the price competitive?
- Does the price reflect quality?

#### Place<sup>12</sup>:

- Where should the product be stored?
- What are the physical distribution costs?
- What form of transportation should you use?
- Which distribution channels are used by competitors and are they successful?
- Is there a need to develop a reverse distribution system (i.e. refurbishing or recycling)?

#### Promotion<sup>13</sup>:

- What are the communication needs of the foreign market?
- Should the firm use an advertising agency?

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<sup>9</sup> Principles of Marketing, 2<sup>nd</sup> edition, Philip Kotler and others, Prentice Hall Inc. London 1999

<sup>10</sup> <http://www.unzco.com/basicguide/c7.html>, 20.04.2007

<sup>11</sup> <http://www.unzco.com/basicguide/c11.html>, 20.04.2007

<sup>12</sup> [www.unzco.com](http://www.unzco.com), 20.04.2007

<sup>13</sup> [www.unzco.com](http://www.unzco.com), 20.04.2007

- What are the legal requirements?
- Are there foreign laws against competitive advertising?
- How many salespeople should the firm have?
- How does the sales force compare with that of the competitors?

Marketing mix			
Product	Promotion	Price	Place
Variety	Advertising	List price	Channels
Quality	Promotions	Discounts	Coverage
Design	Personal selling	Allowances	Assortments
Features	Publicity	Credit terms	Location
Brand name			Inventory
Packaging			Transport
Services			
Warrantie			
↓	↓	↓	↓
Target market			

Table 2. Marketing mix tools under each “P”.<sup>14</sup>

## *The theory of standardization*

What is a standard?

A Standards is "A document for common and repeated application that provides rules, guidelines or characteristic features of activities or the results of these activities. The document has been drawn up by consensus and adopted by a recognised body. The objective is to achieve optimal order in a given context".

According to Kotler (1999) standardized marketing mix is an international marketing strategy for using basically the same product, advertising, distribution channels and other elements of the marketing mix in all the company's international markets.

There are various types of standards: product standards (indicating product requirements, marking requirements, etc.), testing standards (indicating methods to, for

<sup>14</sup> Principles of Marketing, 2<sup>nd</sup> edition, Philip Kotler and others, Prentice Hall Inc. London 1999

example, show that product requirements are complied with), management standards (for example ISO 9000) and terminology standards (describing, for example, the terminology of a field).<sup>15</sup>

The success of some companies is sometimes due to their original concept which met a customer segment expectation in their original market. The exportation of this unique concept in other markets could reveal that this concept was adapted as well to those foreign markets, even if those ones present different particularities.

### ***The theory of differentiation***

The definition of differentiation strategy: “Your differentiation strategy is an integrated set of action designed to produce or deliver goods or services that customers perceive as being different in ways that are important to them. It call for you to sell no standardized products to customers with unique needs”<sup>16</sup>

It is not just a matter of being different; success comes from being different in a way that customers want. That is why a company has to achieve a competitive advantage which is an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.<sup>17</sup>

It is important to note that the success of some companies, in comparison with the theory of standardization, is due to the different concept that they launch on different markets in order to meet the different costumers expectations. The company offers different products categories adapted to the different target market needs and characteristics.

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<sup>15</sup> [http://www.ebst.dk/publikationer/national\\_standardisation\\_strategy\\_of\\_denmark/html/chapter03.htm](http://www.ebst.dk/publikationer/national_standardisation_strategy_of_denmark/html/chapter03.htm), 15.05.2007

<sup>16</sup> [http://www.1000ventures.com/business\\_guide/differentiation\\_strategy.html](http://www.1000ventures.com/business_guide/differentiation_strategy.html), 15.05.2007

<sup>17</sup> Principles of Marketing, 2<sup>nd</sup> edition, Philip Kotler and others, Prentice Hall Inc. London 1999

## The methodology

The methodology part explains what kind of technique was used to investigate the research problem. It describes procedures and gives explanation why exactly this approach is thought to be the with given problem.

### *Deductive and inductive method*

The thesis will be written by using the deductive method, which considering preceding debate, is supposed to be the most adequate for proposed topic of the work. The deduction method, in general, is based on development of mental process, which takes place from the most general issues and ends on a very particular ones. To come up with completed set of premises, this process of logic thinking leads to a specific conclusion. At the same it rejects these parts, which appearance would be considered as cause of constructive logical conclusions building imbalance.<sup>18</sup>

The biggest disadvantage of this method is that it closes inside its own assumptions. These assumptions are based on the *ceteris paribus* rule, which means that empirical verification, and what next the correctness of created theory cannot be guaranteed. In this case historical data can confirm conclusions, but social, behavioural and economical changes can affect with not predicted force. Taking into account what was presented, it is largely questioned, that deduction is completely void of realism.<sup>19</sup>

As for advantage it may be recognized the fact that the scale of some occurrences is so large that the empirical verification of their impact is just impossible. It is also better to not implement all theories to real life, because it may cause high costs and economical losses, but not only. Losses may have place also in social and cultural areas, where consequences, very often, are hardly changeable. That is why there is a possibility to use many different variables, and the base for that can be previous observations. It does not need a creation of new names, items or statements, whose existence would be dependent on an induction proves or an empirical verification. The biggest advantage of the method is it does not need taking into account any axioms, because the method is based on the collected data (to verify their cohesion) discussion rule. It means that „if the argumentation is correct, and the set of

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<sup>18</sup> “Economic methodology: an inquiry”, S. C. Dow, Oxford University Press Inc., New York, 2002

<sup>19</sup> “Economic methodology: an inquiry”, S. C. Dow, Oxford University Press Inc., New York, 2002

premises does not contain false statements, so conclusions taken as a result of deduction thinking have to be true and they cannot be, in general, questioned”.<sup>20</sup>

By usage of the economical deduction abstraction to the real world of situations, the precision of the implementation lies in a very specific definition of the given case for which the solution is trying to be found. But it might be useful to keep in mind words of Hartcourt, who said: „it is better to have some imprecise right, than to be in precise mistake”.<sup>21</sup>

The second approach is the inductive one. This method can be summarized by the sentence that the author follows the rule: from the empirical research to the theory. The researcher can start with as many expectations as is needed, then collects the information and on the end classify the data. The advantage of this approach is that nothing should limit the ability of data collection. The disadvantage is that the researcher may fail by presenting the reality only on the given sample and then formulating the theory.

The construction of this work is based on deductive approach. The authors believe that the given problem may occur too wide for the inductive method. That is why it is better to present the general aspects that are related to the problem and then step by step, in this case by the marketing mix theory and the culture aspects, formulate specified conclusions.

### ***Quantitative and qualitative method***

The exploitation of the research problem may be done by two different methods, namely quantitative and qualitative. The method choice depends on wide range of factors e.g. the research purpose, data availability or the sample that is going to be investigated.<sup>22</sup>

Quantitative methods are used mostly for measuring, because of what they generate new knowledge in a very limited way. Quantitative research may be done in the situation, when the researcher understands the phenomenon very well, when he/she wants to take a measure of the phenomenon occurrence, otherwise there is a high probability of failure.<sup>23</sup> This method gives answers for following questions: how much, how often, in what proportion, in what volume etc.

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<sup>20</sup> “Economic methodology: an inquiry”, S. C. Dow, Oxford University Press Inc., New York, 2002

<sup>21</sup> “Economic methodology: an inquiry”, S. C. Dow, Oxford University Press Inc., New York, 2002

<sup>22</sup> <http://www.mareco.pl/metody.htm>, 11.05.2007

<sup>23</sup> <http://www.pbssopot.com.pl/x.php?x=135/Metody-ilosciowe.html>, 10.05.2007



Qualitative methods allows to investigate the reasons of given phenomenon occurrence. They are applied to receive wider look on the research problem and to know it better.<sup>24</sup>

For this investigation both methods will be used. First of all the quantitative method will help to understand some aspects of PEST analysis by showing graphs and figures, usually among economic conditions. The qualitative method will explore theories that are used in the work.

### ***Data collection***<sup>25,26</sup>

The data collection is a very important part of all investigation process. The author must choose the way how results should be presented, also the technique of collecting information, in order to give the answer for the research question that will be compatible with the research purpose.

### **Primary data**

Primary data is an information that has never been generated before. The research makes investigation for the first time among the literature, so that the results may be considered in an innovative way, if only the work gives new and useful knowledge. In this work primary data was generated by investigating and comparing the company's catalogues and websites according to the given problem.

### **Secondary data**

Secondary data can be characterised by that it has been already generated by some authors, scientists etc. It may be e.g. existing statistics, previous research. This work is also based on an information that was found on the websites about political, economical, social,

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<sup>24</sup> <http://www.pbsdga.pl/x.php?x=134/Metody-jakosciowe.html>, 10.05.2007

<sup>25</sup> Kaczmarczyk S., Zastosowania badań marketingowych : zarządzanie marketingowe i otoczenie przedsiębiorstwa, Warszawa : Polskie Wydawnictwo Ekonomiczne, 2007

<sup>26</sup> Churchill Gilbert A., Badania marketingowe : podstawy metodologiczne, Warszawa, Wydaw. Naukowe PWN

cultural, technological and other issues that the research problem includes. The books information from Halmstad University Library and Gothenburg University Library concerning the problem were also taken into account. ASI database was used to find articles about the company, it's strategy and other important for the work information.

### ***Evaluation of the empirical data***

#### **Validity**

Validity means that something is strong enough to convince somebody, it may be also understood as something acceptable. That means the empirical work must be about the research problem, must be precise and go straight to the point. This work is considered to be valid thanks to careful investigation and by giving required information. The data collection was based on the company's catalogues and websites, that is why information is considered to be valid. Of course the authors cannot take the responsibility for the company's mistakes, but think that mistake occurrence is less probable. Also relevant literature that use to build the theory framework and to support empirical findings make the work more trustful.

#### **Reliability**

Reliability means that something is trustworthy. If the research can be repeated in the future by another researcher, scientist etc. about the same problem, and will give the same answer as current study, then it is reliable. In that case the work cannot be considered as reliable, because the investigated field is changing all the time. Of course some aspects will stay the same, but some, like the company's strategy, product offer, communication, consumers' behaviour are highly probably to evolve. But as for current conditions the work is reliable as it shows the current reality.

## **PEST analysis about Sweden**

### ***Political aspects***

Sweden is a monarchy. Political conditions are stable, and the environment eases conditions for many market possibilities both domestic and international, enables (in general) efficient flow goods and services, provides also a wide range of regulations, which give an opportunity for establishing entrepreneurial activities. All these factors contribute to increase of profits generated by companies. Nevertheless it must be stressed that in some cases regulations that were created to ease market activities, in reality are just redundant deadwood. They make unnecessary obstacles which eliminate high and fast increase of country's GDP, launching of innovative solutions or ongoing development of research programmes.

Policy of transparency, which is present in all Scandinavian countries, also in Sweden is significant. It's presence and the fact that it is really respected by politicians and society, makes that all political activities, most markets activities and some aspects of private life is available for the wide audience. This kind of approach makes that customers are less vulnerable on trick and cheating used by companies. Also frauds are less popular than in other countries, as Sweden has one of the highest accountant standards on the world.

### ***Economical aspects***

To built it's sustainable development Sweden set up four national strategies: building sustainable communities, encouraging good health on equal terms, meeting the demographic challenge and encouraging sustainable growth. It is highly important information because shows that the country is oriented on economical and medical conditions enhancement for the society. Moreover the country state on the development thanks to which it will be possible to built strong competitive economy. This approach is also favourable for companies operate on the market. In contrary to this situation there is wide discussed the issue of trade unions rights. Especially in Scandinavian countries these are very vast. This makes sometimes impossible for a company to start its activity on the market or makes it at least much difficult. What also negative about that is it stops, to some extend, direct investments and push cheap, foreign work force to emigrate and take work places on the market, doing the same job but being paid less than domestic one.

Economic conditions primarily show in what shape the economy is, so speaks about e.g. the GDP rate, the inflation rate, export and import strength, tax ration, and also what kind of possibilities are available on the market to finance an own market activity.

According to the information given by Finance Ministry of Sweden, the GDP rate in 2006 was at level of SEK 2 838 billion. The estimates for 2007 and 2008 are SEK 3 018 billion and SEK 3 187 billion respectively. For years 2007-2008 the growth tendency is estimated to increase, but there should be no panic about a recession on the market. This trend is influenced probably by the import increase, which since 2006 was lower than export but now it is estimated to be higher. For companies which import more on the Swedish market this situation is considered to be favorable and create possibilities to generate higher profits.

According to monetary policy of Riksbank (national bank of Sweden), the inflation objective was sat at the level of 2 percentage points with the 1 percentage point fluctuation possibility. The assumption is efficient enough to control the inflation rate by allowing for fluctuations, which introduce some flexibility from the financial point of view. Also a floating exchange rate plays an important role in the economy. Until 90s previous century Sweden had a fixed exchange rate, what led to economic recession. According to Finance Ministry of Sweden, the inflation rate circulate around 2 percent level, addition the forecast for next two years inform about the increase of inflation rate. If the increase was high and fast it would not be favourable for the economy, but slow and balanced brings the development.

The employment rate in Sweden is at a very high level, which brings the thought that if the society works, it has money that may be widely spent.

Tax ration is still the highest on the world. Together with generous welfare benefits create the occasion for unemployed to be passive in searching for new job. A fired person receives from government 80 per cent of her/his last salary for three after. Slowly the tax situation is getting change, but still the level remains about 48 per cent, but it is extremely difficult to cut taxes at once. The society will not let that happened. On the one hand this situation is favourable for a company that import its goods or services on the Swedish market, because even unemployed can afford large number of products although these products are not the first need ones.

Sweden with its international trade policy is a country where transactions are done clear and without difficulties. Mostly they are highly formalized, but the government prepare amendments that are considered to ease arrangements formulation and establishing. Also Sweden's participating in European Union is a huge advantage, it makes it easier for free flow of goods, services, people and assets. Moreover general conditions of legislation are at the

same level among whole organization. Unfortunately Sweden did not join the European Monetary Union, which involves some disadvantages, as e.g. higher cost in international arrangements and therefore for imported and exported products; a cost of exchange rate changing; a cost which is treated as a profit in organizations as banks and other financial institutions that insurance international arrangements against unfavourable exchange rate and much more.

Issues concerning the competition in Sweden should be transparent and clear for all market players. Therefore all, without exceptions, must follow the rules and make sure that the activity that they conduct is compatible with ethics norms. Thanks to that conditions are favourable for everyone on the same extent, so everyone has the same chance, which is the result from one of the most popular and obeyed rule, namely – the rule of equality.

### ***Social aspects***

The Swedish society is a very tolerant one. It is confirmed not only by high manners, but also by some general rules, laws and the government activities. One among these activities is the national cultural policy, which promote such values as expression freedom, possibility of participation in cultural life or encourage to exchange among different cultures by wide range of available domestic and foreign programmes.

Human rights are the next aspect, which is very important in Sweden. As the statement from Universal Declaration of Human Rights says: "All human beings are born free and equal in dignity and rights." Sweden as a member of United Nations tries to make sure that all international arrangements that were signed are respected.

Also equity between women and men is respected very strict, which the following sentence is speaking about: "women and men shall have equal power to shape society and their own lives". According to what was said both woman and man must be treated with the respect of the same rules, which means e.g.: an equal distribution of power and influence, economic equality between women and men (women and men shall have the same opportunities and conditions with regards to education and paid work that provide life long economic independence), an equal distribution of unpaid care and household work (women and men shall take the same responsibility for household work and have the same opportunities to give and receive care on equal terms) and women and men, girls and boys, shall have equal rights and opportunities to physical integrity.

The most obvious inherent characteristic of Swedes that relates to design is practicality. For centuries, the home had been the focus in Scandinavian life – partly as shelter from the hostile climate, with its nine months of dark windy cols, and partly because it frames family life. Historically life has been a struggle in Scandinavia, with a limited range of raw materials. This led to a culture of mineralising waste wherever possible. Similarly a Swedish society for craft and design called Svenska Slöjdföreningen, founded in 1845, was guided by the conviction that design could and should be used as a catalyst for social change.<sup>27</sup>

The social democratic vision in Sweden means you are not supposed to be better than anyone else. It is not polite to brag, it is not polite to be better or richer.<sup>28</sup> „Jungte Lavin” was written by a Norwegian writer in the 1930s. The book sets out how no one should be seen to be better than anyone else. There is also Swedish word „odmjukhet” which implies humility, modesty and respect for fellow humans – another important quality for Ikee.<sup>29</sup> Many people associate Sweden with a fresh, healthy way of life.

In the late 1800s, the artists Carl and Karin Larsson combined classical influences with warmer Swedish folk styles. They created a model of Swedish home furnishing design that today enjoys world-wide renown. In the 1950s the styles of modernism and functionalism developed at the same time as Sweden established a society founded on social equality.<sup>30</sup> In Sweden, nature and the home both play a big part in people's lives. In fact, one of the best ways to describe the Swedish home furnishing style is to describe nature – full of light and fresh air, yet restrained and unpretentious.<sup>31</sup>

## ***Technological aspects***

Among technological aspects there are such as: the main industry of a country, transport, communication, IT, research development and innovations. According to the information given by the Ministry of Enterprise, Energy and Communications, the main industry of Sweden is forestry, which support both country's export and import. This is

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<sup>27</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.76

<sup>28</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.79

<sup>29</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005,p.144

<sup>30</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>31</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

favourable condition for companies which products are made of wood or have large connection with it.

Thanks to developed communication routs Sweden has many kilometres of high ways and dual carriageways. It is a very good communicational potential. Also trains are good means of transport. Transport policy, which was set by the government, is concerned about: an accessible transport system, high transport quality standards, safe transport, a good environment, favourable regional development, a transport system that is managed by and serves the interests of women and men equally. Transport policy includes road and railway systems, road traffic, railway traffic, shipping and aviation. It also includes issues relating to transport infrastructure, research in specific sectors, and procurement of inter-regional public transport.

Regulations in this area are harmonised with the rest of the EU as a joint step towards an information society. The objective of electronic communications policy is to ensure that individuals and government agencies have access to efficient and secure electronic communications. These electronic communications should be the most worthwhile possible in terms of choice of transmission services, price and quality. The Electronic Communications Act is based on EU regulations.

The goal for IT policy in Sweden is that "Sweden must be a sustainable information society for all". This implies an accessible information society with a modern infrastructure and IT services of public benefit, so as to simplify everyday life and give women and men, young people and old in every part of the country a better quality of life.

Research and development for an innovative business sector. Research is a growth factor of strategic importance to business and industry. For favourable development, it is important for collaboration between universities, colleges, research institutes and the business sector to function smoothly.

The Government's policy regarding R&D covers two policy areas: business and industry on the one hand, and research on the other.

The Government intends to pursue a research and development policy oriented towards business and industry. The following research fields enjoy priority:

- technical R&D, in which the strategic areas of IT, biotechnology and materials technology have a major bearing on development and modernisation of the business sector. Other key fields are engineering and medical technology,
- transport and communication research, in which efficient systems of transport and communication are highly significant in economic terms,.

- research on testing and measurement techniques is required to permit introduction of new techniques, product development and quality assurance.

## Marketing mix – Ikea on the Swedish market

### *Product*

IKEA was founded when Sweden was fast becoming an example of the caring society, where rich and poor alike were well looked after. The product range is child-friendly and covers the needs of the whole family, young and old.<sup>32</sup>

Ikea's Swedishness isn't just skin deep: it prides itself on its typically Swedish management style: "Everything is done by agreement," Bill Agee, Ikea's external marketing communications manager, says. Which means that flat packaging is one that kind of agreements made between the producer and a customer.<sup>33</sup>

The Ikea product range is wide and versatile in several ways. First, it's versatile in function. Ikea gathers plants, living room furnishings, toys, frying pans, whole kitchens - i.e., everything which in a functional way helps to build a home - in one place. Second, it's wide in style. The romantic at heart will find choices just as many as the minimalist at Ikea. There is one thing Ikea doesn't have, and that is, the far-out or the over-decorated. They only have what helps build a home that has room for good living. Third, by being coordinated, the range is wide in function and style at the same time. No matter which style you prefer, there's an armchair that goes with the bookcase that goes with the new extending table that goes with the armchair. So their range is wide in a variety of ways.<sup>34</sup>

The company offers products that fit to different customers' lifestyles and expectations. Needs in term of arrangement and home equipment vary according to the different stage of life potential customers, e.g. being a teenager, a student or married. In each situation, the company tries to correspond to a need for specific furniture. For that reason, Ikea determined 11 situations of life generating homogeneous needs:

1. first equipment,

<sup>32</sup>

IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>33</sup>

GREAT NORDIC CONQUERORS; Anonymous. Campaign. Teddington: Apr 22, 2005. pg. 34, 2 pgs

<sup>34</sup>

IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005



2. settle down together,
3. first child,
4. the child entries at the school,
5. the adolescence,
6. a new house / new family situation,
7. a second home,
8. make the shuttle,
9. work at home,
10. live in little space,
11. being senior.

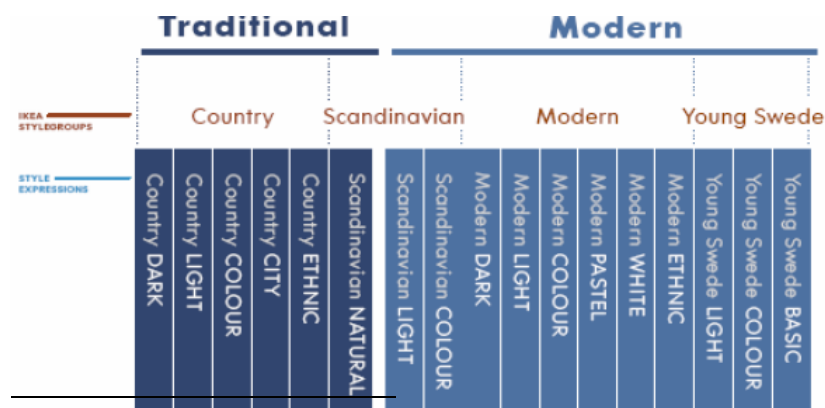
Ikea adopted a strategy of “democratic design” (Function + Design + Low Price = democratic design) for all its products. That is a new vision of the design which has three aspects of:

- function,
- design,
- price, which means that every project has to involve these features.

The assortment can be considered as the Ikea identity. The idea for Ikea is to offer a big range of aesthetic and functional furniture at low price in order to enhance as much customers as possible.

The assortment is defined by IOS. IOS means Ikea Of Sweden and is in Älmhult. IOS is the heart of the development of the assortment, from the idea of the product to its distribution.

IKEA proposes an assortment adapted to various inside styles: country (traditional), Scandinavian country (the Scandinavian style), the modern ( the modern, international style) and the young Swede (young, Scandinavian style).



Pic.2. Ikea's various inside styles.<sup>35</sup>

<sup>35</sup> [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_3\\_4.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_3_4.pdf), 20.04.2007

Here are some examples of Ikea furniture styles. Ikea offers these standards of styles in each country, but each one is more or less adapted to each market expectations.



Country City Style.<sup>37</sup>



Modern Light Style.<sup>36</sup>



Young Swede Colour Style.<sup>38</sup>

## Products line according to the catalogue in Swedish version

In general all products that are available were divided into eleven main categories. And these are:

1. **Kitchen living;** this part shows kitchens furnished in different ways and styles; e.g. on the page no. 25 there may be found: cupboards, kitchen lamps, kitchen table, chairs, flowers, carpet, kitchenware, pots, frying pans, trash bin; there is also food, like bread and fruits, which are natural, additional decoration for the picture, like if it was taken in somebody's real kitchen; although there is different design (according to different wideness of the kitchen) on each picture, everywhere is seems to be



36 [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_3\\_4.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_3_4.pdf), 20.04.2007

37 [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_3\\_4.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_3_4.pdf), 20.04.2007

38 [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_3\\_4.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_3_4.pdf), 20.04.2007

cosy, safety and comfortable; it also may be seen, that single furniture pieces, that should receive more attention from potential customer, are showed separately.

2. **Cookware;** this part shows all available cookware, moreover it shows them in the middle of preparing the food, so that the functionality of products is stressed; some pictures demonstrate the table with full tableware, prepared as for dinner or different kind of meal.
3. **Living room;** the same like with the case of kitchen catalogue part, this part present fully furnished but living rooms; all kind of products are presented, some are grouped on one picture so that they create the room, others are just shown separately; it must be say, that designs are adjusted to different kinds of room, some are for houses, some for flats; depending on who is supposed to be the user of the living room (the same rule is used for kitchens) it contain different furniture in different colours; e.g. the living room presented on the page no.100-101, looks a student flat with a modern design, sofa with green and white flowers, white armchairs with black flowers, simple bookcases, table and chairs.



[http://www.ikea.com/ms/sv\\_SE/local\\_home/kalmar.html](http://www.ikea.com/ms/sv_SE/local_home/kalmar.html)

4. **Bedroom;** the same rule as for kitchens and living rooms is used; e.g. the picture on the page no.174-175 shows small bedroom, which is situated in the attic, furniture that were used are mostly made of wood which perfectly corresponds with pink colour of walls, there is also a wattle bin, to make the design more romantic Ikea's pictures were hanged on the wall, and small lamps were used.
5. **Bed textiles;** this group presents different kinds of textiles which are available in the store; that includes: pillows and duvets covering, sheets, beddings, blankets, curtains, net curtains, carpets, fitted carpets in various designs, kinds and colours.
6. **Bathroom;** different bathrooms present variety of styles, furniture and other bathroom equipment; like this on the page no. 256 where white and black style was applied, which includes: bookcase for towers and other things, a wattle chair and a wattle bin, wall cabinets, a flower and Ikea's pictures and obligatory accessories.



[http://www.ikea.com/ms/sv\\_SE/local\\_home/kalmar.html](http://www.ikea.com/ms/sv_SE/local_home/kalmar.html)

7. **Children's Ikea;** this part contain all furniture and accessories that my be helpful to furnish a child's room; pictures follow the previous rule, so that e.g. on the page no.296 it may be found: children's beds with special, more colourful design, a carpet that present a city with roads and houses, so it may be considered useful when children play with small cars; moreover some toys are also there, a table and chairs, a blackboard for drawing and a funny furniture for all children's thing called frame and storage boxes.
8. **Work at home;** the group that contains: desks, tables, chairs, swivel chairs, armchairs, blackboards, trash bins, work lamps, letter trays, pen cups sets, laptop tables, boxes with lids, drawer units on castors, file units, handles or knobs.
9. **Home organization;** products that may be found in this part: shoe cabinets, hat and coat stands, hangers, storage tables, wardrobes, storage combinations, wall shelves, boxes, hanging organizers.
10. **Decoration;** every thing that be considered to make a flat or house more cosy, like: posters, basket sets, pictures, frames, stools, decoration trees, mirrors, candles, plants, vases, bowls.
11. **Lighting;** all kinds and sorts of lamps, available in almost all colours, single ones or in a set of few, night lamp, lamps for living room, for bathroom, bedroom, hanging and standing, made of glass, plastic, wattle, paper, metal; simple and complicated, with modern design.



[http://www.ikea.com/ms/sv\\_SE/local\\_home/kalmar.html](http://www.ikea.com/ms/sv_SE/local_home/kalmar.html)

## Ikea style

The Swedish lifestyle is reflected in the Ikea product range. The freshness of the open air is reflected in the colours and materials used and the sense of space they create: blond woods, natural textiles and untreated surfaces. In a climate that is cold and dark for much of the year, these light, bright living spaces create the sensation of summer sunshine indoors all

year round.<sup>39</sup> The Ikea product range – modern, functional yet attractive, human-centred and child-friendly – carries on these various Swedish home furnishing traditions.<sup>40</sup>

## **Quality**

Quality is not compromised for the sake of cost. Sweden has an international reputation for safety and quality you can rely on, and Ikea retailers take pride in offering the right quality in all situations.<sup>41</sup> To convince customers, the company offers guarantees that are particularly long, which also help to distant the company from competitors. The numerous tests made on products prove that products will be serving for a long period.

Products have to be conformed to the European Union and national norms. To achieve that IKEA has experts and a test laboratory in Sweden which realise more than 50,000 tests a year. In that case, it is possible for the company to guarantee e.g. kitchens with 10 years and mattresses with 25 years guarantee.

## **Differentiation**

Ikea largely ignored the retailing rule that international success involves tailoring product lines closely to national tastes and preferences. Instead, Ikea stuck with the vision, articulated by the founder that the company should sell a basic product range that is "typically Swedish" wherever it ventures in the world.<sup>42</sup> Ikea philosophy is – if you can't change the product you've got to change people.<sup>43</sup>

Whether we are in China, Russia, Manhattan or in London, people buy the same things. We have the same range everywhere – we do not adopt to local markets. If were to adopt, we would just became another retailer in that region or city. The whole idea is to be unique – uniquely Scandinavian and uniquely Ikea – Anders Dahlvig, Ikea president in 2001.<sup>44</sup> As soon as Ikea starts changing things it adds cost.<sup>45</sup> But, as a matter of fact, the

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<sup>39</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.144

<sup>40</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>41</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>42</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>43</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.123

<sup>44</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.157

company is doing differentiation because their products are different compared to the conventional ones already in the market. They defy the norms in terms of furniture style. They go with furniture with simple design.<sup>46</sup>

The company remained primarily production oriented; that is, the Swedish management and design group decided what it was going to sell and then presented it to the worldwide public, often with very little research as to what the public actually wanted.<sup>47</sup>

### **Furnishing and house building at the same time**

BoKlok (Smart Living) is a cooperation between Ikea and Skanska. By 2000 thanks to that was built over 1000 prefab apartments across four Scandinavian countries, bringing democratic design to a local conclusion.<sup>48</sup> Unless you happen to live in Sweden, Norway, Finland or Denmark. There, the one stop home decor shop goes one step further. It will sell you not only stuff for your house, but the actual house itself. Ikea has moved into real estate. You can buy a BoKlok home in which to put your Billy the bookcase and Ivar the cabinet. "We have a price policy," says BoKlok marketing manager Ewa Magnusson. "The apartment should be affordable for a single nurse with a child." BoKlok homes in Sweden can cost as little as \$16,000; a one-bedroom, 50-sq.-m apartment has a monthly living cost of \$750.<sup>49</sup>

### **Promotion**

First of all, the product names are done according to some precise rules which demonstrate the Ikea Swedish identity.



The name Ikea is formed with the company's founder (Ingvar Kamprad) initials, with the farm and the village where he grown up, Elmtaryd and Agunnaryd. All products are sold

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<sup>45</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.162

<sup>46</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005

<sup>47</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005

<sup>48</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, 96

<sup>49</sup> A house for Ivar, Billy, and you; Sarah Elton. Maclean's. Toronto: Apr 17, 2006. Vol.119, Iss. 16; pg. 36, 2 pgs

under the brand Ikea, the registered trademark at the world dimension. This name appears on every product and on packaging.

Most of products lines have a name, products of each line are then identified by a first name or an indication of feature (door, table). There is a system – bathrooms are named after Norwegian lakes, kitchens are named after boys, bedrooms are named after girls, and beds after Swedish cities.<sup>50</sup> Products names are the same all over the world: thus it is necessary to know if the name has not any negative connotation in the 40 spoken languages countries in which Ikea is present. Examples of product line names:

- MINNEN – children product,
- SULTAN – mattress,
- 365+ – kitchen accessories,
- MYSA – braid,
- JULEN – Christmas assortment.

Ikea is anti-marketing brand. It never asks its customers what they want, but tells them instead.<sup>51</sup> Around 8% of budget Ikea takes for advertising. In comparison, competitors take around 30%.<sup>52</sup> The catalogue is where the lion's share of the marketing budget is invested. It is the crown jewel of Ikea's communications. In 1951, the first catalogue is printed, because Ingvar Kamprad thought to distribute furniture at a large scale level. In 2004, 145 mln copies of the catalogue was printed in 48 editions and languages. The catalogue proclaims: „Possessions, like rabbits, have a habit of multiplying. The trick is to be able to find what you want, when you want it. With stylish storage and organizing gizmos gloire from Ikea, life on earth is just so much better round.” The entire catalogue is shot at the Ikea studio in Älmhult, the largest photographic studio in Europe. It is 8,000 m2 (square meters) and can hold 96 different room sets.<sup>53</sup>

The catalogue shows all products that are available in Sweden among all stores. As it was said it is the catalogue is the most important and powerful means of communication that Ikea has. It is not only about products and selling, it is about giving the idea how a customers can be better with Ikea's furniture. That is why all stuff for a photo is prepared as if it was somebody's living room, bedroom or child's room. There are fresh fruits in a bowl, there are

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<sup>50</sup> Ditto, p.68

<sup>51</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.23

<sup>52</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005,p.122

<sup>53</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005,p.134



people preparing food in cookware, toys all thrown all over the room. Everything is done to give the feeling that Ikea is so close to a customer like if the company had lived with her/him.

The catalogue looks the same in reality as an electronic version, which means that both have the same number of pages and on chosen page the same products occurs.

IKEA may be global, but it does not use one global advertising network to create its marketing. Relationships are more likely to be forged with small, independent agencies that are able to tap into local customs and humour. It's fantastic that a brand which uses cookie-cutter approach in its business model and retail environment, prefers to stay local in its advertising.<sup>54</sup> But even though the company emphasized its Swedish roots in its international advertising, even going as far to insist on a "Swedish" blue and yellow colour scheme for its stores.<sup>55</sup>

The picture on the right shows the Ikea advert in Sweden. The translation of the text is: Tired of boring lightening? By using "boring lightening" here the company claims that its lightening is better, unusual, exciting and never boring.

Source of ad: <http://www.fb.se/flash/fb.asp?lang=en>



## ***Price***

The Ikea business idea is to offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them, and still have money left! The company targets the customer who is looking for value and is willing to do a little bit of work serving themselves, transporting the items home and assembling the furniture for a better price. The typical Ikea customer is young, and low to middle income family.<sup>56</sup>

A low price is linked to the happiness of finding just what you need for your home – the joy of being able to own it without having to forsake everything else. That's why Ikea designers, manufacturers and purchasers spend most of their days finding solutions that result

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<sup>54</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005,p.120

<sup>55</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>56</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005



in a low price, then, buy big volumes to make it even lower. The customers help, too, by choosing the furniture, getting it at the warehouse, transporting it home and assembling it themselves, to keep the price low.<sup>57</sup> Ikea's way of shopping, of putting your stuff together and taking it home – this is an innovation that IKEA owns.<sup>58</sup>

You get a sense of the company's price policy at one of Ikea's main offices, in Helsingborg, Sweden. At the doorway, a massive bulletin board tracks weekly sales growth, names the best-performing country markets, and identifies the best-selling furniture. The other message that comes across loud and clear: cut prices. At the far end of the Helsingborg foyer is a row of best-selling Klippan sofas, displaying models from 1999 to 2006 with their euro price tags. In 1999 the Klippan was \$354. In 2006 it will be \$202.<sup>59</sup>

With a network of 1,300 suppliers in 53 countries, Ikea works overtime to find the right manufacturer for the right product. It once contracted with ski makers – experts in bent wood – to manufacture its Poang armchairs, and it has tapped makers of supermarket carts to turn out durable sofas. Simplicity, a tenet of Swedish design, helps keep costs down. The 50 cents Trofe mug comes only in blue and white, the least expensive pigments. Ikea's conservation drive extends naturally from this cost-cutting. For its new PS line, it challenged 28 designers to find innovative uses for discarded and unusual materials. The results: a table fashioned from reddish-brown birch heartwood (furniture makers prefer the pale exterior wood) and a storage system made from recycled milk cartons.<sup>60</sup>

In 1990 Ikea was producing around 242,00 tables and selling them for 25,70 EUR, but by 2004 Ikea was producing 2 million tables and was able to sell them for just 9,90 EUR. Ikea differs from most retailers because it passes its savings onto the consumers.<sup>61</sup> Any architect can design a desk that will cost 5,000 krona. But only the highly skilled can design a good functional desk that will cost 100 krona.<sup>62</sup>

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<sup>57</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

<sup>58</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.24

<sup>59</sup> IKEA; Kerry Capell, with Ariane Sains in Stockholm, Cristina Lindblad in New York, Ann Therese Palmer. Business Week. New York: Nov 14, 2005., Iss. 3959; pg. 96

<sup>60</sup> IKEA; Kerry Capell, with Ariane Sains in Stockholm, Cristina Lindblad in New York, Ann Therese Palmer. Business Week. New York: Nov 14, 2005., Iss. 3959; pg. 96

<sup>61</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.93

<sup>62</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.84

In Sweden the stores and the uniforms were always red and white because it signals low price.<sup>63</sup>

As Ikea adopted the concept of “democratic design” for all assortment that is created, the price plays a very important role in the whole production process. The process starts with an idea, then is a design, searching for the cheapest way of manufacture the product, but to not loose the quality, and on the end the distribution comes up.

## *Place*

The queues at the weekend, the lack of stock in warehouse. Ikea in Sweden used to struggle with its image. It was thought to be cheap and poor quality.<sup>64</sup>

The route from supplier to customer must be as direct, cost-effective and environmentally friendly as possible. Flat packs are an important aspect of this work: eliminating wasted space means they can transport and store goods more efficiently. Advantages of this solution:

- allows to facilitate the storage, save place in warehouses and then to save money,
- reduces packaging, in order to reduce the costs and to participate to the environment protection,
- facilitates transport,
- reduces the breakage: pieces of furniture packaged in a kit can resist better to the shocks than furniture in one piece.



Pic.1. Flat package.<sup>65</sup>

Since efficient distribution plays a key role in the work of creating the low price, goods routing and logistics are a focus for constant development. Now 25 regional distribution centres in 14 countries are responsible for supplying goods to Ikea stores.<sup>66</sup>

Ikea's supply chain is very depended on it. Some of Ikea's suppliers have little choice but to lower their prices. The key to Ikea's success is logistics. Ikea also always doubles up its

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<sup>63</sup> Ditto, p.69

<sup>64</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.79

<sup>65</sup> [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_3\\_2.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_3_2.pdf)

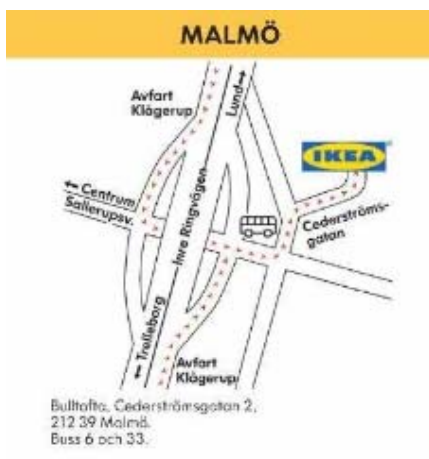
<sup>66</sup> IKEA the Leader in home furnishings sales Uploaded by PR on Dec 8, 2005

production facilities across different countries – Poland, Bulgaria, China, Russia, Sweden and Hungary – to make sure there's less risk of running out of products.<sup>67</sup>

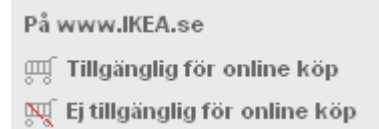
Stores in Sweden are placed on cities' suburbs, usually near a highway or other main city road. Ikea's store and parking place, in addition, need a huge parcel, it is much more cheaper to avoid city centres, where one square meter cost few times more than on suburbs.

## Distribution of products

Ikea store is the most popular place where customers can look, touch and yet purchase a product. The next mean of distribution is a catalogue, which has on the end a purchase card, where a costumer fill in a blanket with information about her/himself (name, surname, post



address) and products requirement, where a product number, volume, a product name, a price and total price must be written. There is also opportunity to purchase products by the Internet. Unfortunately not every product may be purchased by this way. A costumer can easily notice if it is possible to put a product into “the trolley” or not.



Pic. Ikea store location in Malmö<sup>68</sup>

[http://www.ikea.com/ms/sv\\_SE/our\\_products.html](http://www.ikea.com/ms/sv_SE/our_products.html)

<sup>67</sup> „Great brand stories. Great IKEA! A brand for all the people.”; E. Lewis; Cyan Communications Limited; 2005, p.94

<sup>68</sup>[http://www.ikea.com/ms/sv\\_SE/local\\_home/handla\\_hemma.html](http://www.ikea.com/ms/sv_SE/local_home/handla_hemma.html)

# **PEST analysis about France**

## ***Political aspects***

### **Generalities**

- France is a democratic republic,
- The Prime Minister of France is head of the government,
- The Executive power is done by the government,
- The legislative power is vested by the government, the Senate and the National Assembly,
- The judiciary power is independent of the executive and legislative ones,
- Since about 50 years, the country has been governed either by a left-wing coalition recently or a right-wing.

### **Business politics in France**

About external affairs, on May 29/2005, French voters in the referendum on the Treaty establishing a Constitution for Europe turned down the proposed charter.

One of the great questions of current French politics is economic liberalism, as opposed to government intervention in the economy

### **Social pressure groups**

- Workers' unions:  
=>“Confédération Générale du Travail”(général confédération of work) or CGT, FO (force ouvrière)...
- Employers' unions
- Students' unions
- Peasants' unions

## ***Economical aspects***

- France is the sixth largest economy in the world in USD exchange-rate terms,
- In 2006, the country has a GDP (gross domestic product) of 1.7 trillion euros.

## **Production sectors comparison**

Sectors show the importance of a country's economy activities. A company like Ikea will be placed in a „Customer goods industries” sector, where production raised about 1,9% in 2005 with the comparison of the year of 2004, and in 2005 productivity in the sector was an amount of around 123,916 millions euro.<sup>69</sup>

## **Export and import**

The table below presents trade balance of previous three years. We can see that even if the value of the exportation and importation of the consumer's goods rising, the balance is still negative and even highly negative for 2,6 euro billion after 2 years. That seem to be good for Ikea, because it means that the country imports more consumer's goods among this segment than exports.

Trade balance by product group

	euro billion, CIF- FOB			
	2002	2003	2004	2005
Consumer goods				
Exports	50,7	49,8	51,9	55,1
Imports	56,6	56,5	59,7	63,6
Balance	-5,9	-6,7	-7,8	-8,5

Table 1. Trade balance by product group.<sup>70</sup>

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<sup>69</sup> <http://www.insee.fr/en/ffc/figure/NATTEF08110.XLS>, 19.04.2007

<sup>70</sup> <http://www.insee.fr/en/ffc/figure/NATTEF08403.XLS>, 19.04.2007

## ***Social aspects***

France is a country with a long history and therefore there are many events and festivals to celebrate throughout the year. Almost all towns and villages, big or small, celebrate their special “Saint’s Day”.<sup>71</sup>

The most important date on the French events and celebrations calendar is July 14th when the French celebrate Bastille Day, to commemorate the French Revolution. Other important events include the Cannes Film Festival, the French Open at Roland Garros Stadium in Paris and the Tour de France. There are also a large number of music festivals, from opera to open-air jazz and rock concerts.<sup>72</sup>

## **Consumer behaviour**

French people are known as fashion consciousness peoples, with sense of value like taste, quality or beauty which is deeper and more intensive among French society than in any other European country. But the French economical and political events have made the French purchase power lower than 20years ago. Today some social classes still have a good financial situation. But whatever the social class, French people are always looking for the cheapest purchase. Even if they have quite a good purchase power, they still have this feeling that they don’t want to pay more if it’s possible to pay less.

This behaviour has already caught the attention of more than one marketer, and that’s why, most of the distributions companies try to give demonstrate their company as the cheapest one. The fast development of low cost supermarket (e.g. LIDL) in France shows this tendency. The position of Ikea on the low cost furniture is an advantage for the company according to the French consumer behaviour.

## **Social welfare**

Social protection in France is based on the principle of solidarity: the commitment is declared in the first article of the French Code of Social Security. The idea is to refer to co-operative mutual support. Some journalists apply the term in relation to 'mutualism' groups

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<sup>71</sup> [http://www.sprachcaffe.com/english/study\\_abroad/countries/france/french\\_lifestyle.htm](http://www.sprachcaffe.com/english/study_abroad/countries/france/french_lifestyle.htm), 8.05.2007

<sup>72</sup> [http://www.sprachcaffe.com/english/study\\_abroad/countries/france/french\\_lifestyle.htm](http://www.sprachcaffe.com/english/study_abroad/countries/france/french_lifestyle.htm), 8.05.2007

(friendly societies) and emphasise that people insured within national schemes (les assurés sociaux) are called to contribute and benefit on an equal benefits. Solidarity is usually understood, in terms of common action, mutual responsibility and shared risks.

### ***Technological aspects***

In 2007, The French budget plan for in industrial research and innovation is about 648 115 796. There was a priority given to scientific research, technological development, industrial restructuring, and the development of national energy sources. The establishment of a ministry of research and industry by the socialist shows their commitment to the belief that basic research is closely linked to industrial prowess.

The social and cultural roots of research in France have long kept the French scientific community away from the question of the use and economic exploitation of knowledge. The globalization of exchanges and cooperation, which has been accelerated by the speed of electronic data transfer as well as by the support of the European Union to R & D projects, has changed this tradition.

<b>Funding and execution of R &amp; D in France (Source : MJENR-DPD/C3)</b>			
	<b>In millions of euros and %</b>	<b>2000</b>	<b>2001(e)</b>
<b>FUNDING OF RESEARCH</b>	<b>National R &amp; D Expenditures</b>	31 438	32 654
	Share of R&D in GDP in %	2,22	2,23
	Annual growth rate in volume [%]	4,4	2,4
	Funding by administrations (1)	14 272	14 871
	Funding by private firms	17 166	17 783
	Funding by administrations R&D expenditures in %	45,4 %	45,5 %
	<b>Internal R&amp;D Expenditures</b>	30 954	32 227
<b>EXECUTION OF RESEARCH</b>	Share of R&D in GDP in %	2,19	2,20
	Annual average growth rate in volume [%] (2)	1,2	2,6
	Execution by administrations (1)	11 605	12 105
	Execution by private firms	19 348	20 122
	Execution by private firms R&D expenditures in %	62,5 %	62,4 %

(1) Public and private administrations (State. Institutions of higher learning and not-for-profit institutions).

e : estimate

Figure. France expenditure in R&D terms<sup>73</sup>

<sup>73</sup> <ftp://trf.education.gouv.fr/pub/rechtec/brochure/rdtfen.pdf>, 15.04.2007

## Marketing Mix – Ikea on the French market

### *Product*

The company, by its products tries fit into the different French customers' lifestyles and expectations. As for the Swedish market, Ikea France know that the needs in term of arrangement and home equipment vary according to the different stage of life potential customers, e.g. being a teenager, a student or married. That's why the company keeps its strategy as for the Swedish market by, for each life situation, trying to correspond to a need with specific furniture.

In that case the Company keeps the same concept of democratic design about products delivered on the French market.

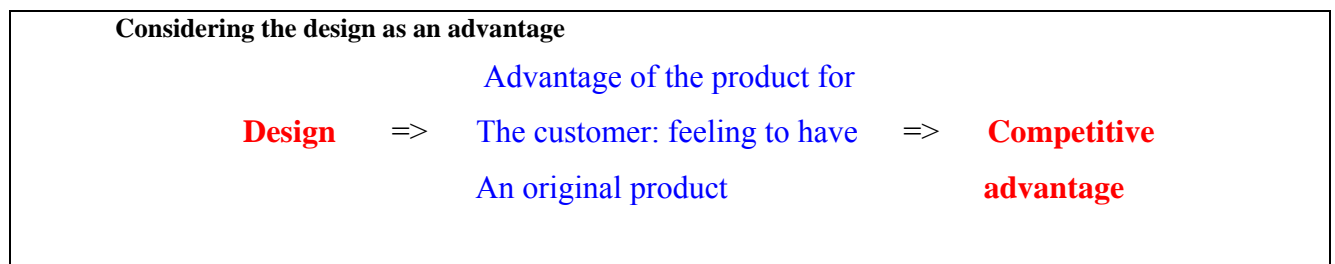


Figure. "Democratic design"= notion of function, design and price in the same time.<sup>74</sup>

### **The products quality**

In France Ikea is viewed as a company which offer cheap furniture of course but with the particularity that those furniture are able be useful for quite a long time. The Ikea guarantees offered are particularly long. Products have to be conformed to the European Union and national norms. To achieve that IKEA has experts and a test laboratory in Sweden which realise more than 50,000 tests a year. In that case, it is possible for the company to guarantee kitchens for 10 years and mattresses for 25 years.

<sup>74</sup>

[http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/P/P\\_2\\_3.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/P/P_2_3.pdf), 18.04.2007



## The products lines

According to the French website, that's every products lines that the company offers on the French market:

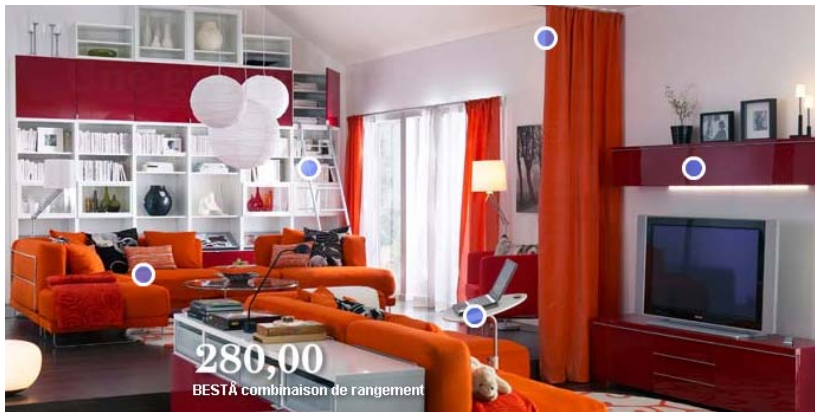


Figure. Products lines on French market.<sup>75</sup>

After that, the products can be seen as well on the French catalogue. By reading this one, we can see that every different product lines are presented by putting them in functional situation every time. For example, a sofa would be presented in a living room with others Ikea furniture, in that case we can make a idea on what does this sofa would look like in our living

<sup>75</sup> [http://www.ikea.com/ms/fr\\_FR/our\\_products.html](http://www.ikea.com/ms/fr_FR/our_products.html), 11.05.2007

room. We can take as example this sofa presented on the page no. 90 of the catalogue.



Here are all the rubric from the book which show every Ikea products lines:

- **Kitchen and dining room:** the rubric contains appliances, Built-in kitchen, kitchen lighting, kitchen organisers, kitchen textiles, sinks and taps, Trolleys & serving tables, worktops.
- **Cookware** as Food storage, Kitchen accessories, Kitchen textiles, Knives & accessories, Pots pan & ovenware. As well dining tables, chairs different stools as bar stools are offered in this section of the catalogue. Here is the presentation of the kitchen showing how products can be organized (the French catalogue, page no. 25).
- **Living room:** This rubric contain Armchairs, Fabric sofas, Footstools & puffs, Leather sofas, TV and media solution as TV benches and media furniture, Bookcase and storage, cabinet, Shelves and Small storage solutions. Here is the example of the living room organization according to the French catalogue, page no. 98.
- **Bedroom:** In this rubric it can be founded Bed accessories, Bed textiles, Bed & bed side tables, Children's bed & mattresses, Mattresses, Sofa-beds, cabinets and storage solutions. On the right side there is an example of a bedroom from French catalogue, page no. 189.
- **Textiles & rugs:** This rubric offers Bathroom textiles, bed



textiles, children's textiles, curtains & blinds, Cushions & throws, dining textiles, fabrics, kitchen textiles, rugs.

- **Bathroom:** This rubric shows Bathroom furniture, Bathroom lighting, Bathroom storage, Bathroom textiles. On the right the example of a bathroom, the French catalogue, page no. 256.
- **Children's Ikea:** In this rubric can be founded Baby, Children's accessories, Children beds and mattresses, Children's furniture, Children's lighting, Children's series, Children's storage, Children's textiles, Soft toys & toys.
- **Work area:** Computer solutions (tables etc.), desk accessories, desks & tables, table top & legs, Work area series, Works area storage, Work chairs, work lamps. Here there is the example of a working place, the French catalogue, page no. 256.
- **The house organisation:** This rubric shows solution for Halls and entrances by offering Clothes and shoes organisers, but as well solution for secondary storage as laundry and clothes care, Shelves, small storage, storage system, Chest of drawers, Children's storage, Wardrobes.
- **Decoration:** In this Rubric are shown Bowls, dishes & vases, Candles & candles holders, Clocks, Decorations & baskets, Gift wraps, Mirrors, Plant accessories, Posters & fames. On the right there is the example of products for home decoration.
- **Lighting:** This rubric contains Bathroom lighting, children's lighting, lighting accessories, lighting series, outdoor lighting, specially lighting, work lamps, table lamps, wall lamps.



The French assortment has to be considered as the Ikea identity. Furthermore, Ikea cannot offer product to a small customer expectations, so in that case in order to satisfy the most of the French customer's expectations, the company offers a big range of aesthetic and functional furniture at low price in order to enhance as much customers as possible. The French assortment is defined by IOS which means Ikea Of Sweden and is in Älmhult.

Ikea France offers an assortment adapted to various inside styles: country (traditional), Scandinavian country (the Scandinavian style), the modern ( the modern, international style) and the young Swede (young, Scandinavian style).

The Ikea products assortment offered on the French market is very wide. First of all, it covers a lot of functions. It allows the consumer to buy furniture for the whole apartment in the same store: desks, sofas and even complete kitchen set. Whatever is your favourite style, Ikea will always have a compatible armchair on the design point of view with the library, itself compatible with the table which naturally is compatible with the armchair in question

## ***Promotion***

The company keeps the name Ikea for doing business in France. Most of products lines have a name; products of each line are then identified by a first name or an indication of feature (door, table). Names given are often Swedish names from natural elements such as rivers, mountains. The company keeps the Swedish products names on the French market, which are the same all over the world (MINNEN, JULEN 365+, MYSA, SULTAN)

## **Media communication.**

Ikea chose all existing media support to communicate by advancing its identity about the products design, small prices, friendly and pleasant stores. The company uses existing



media supports such as Cinema, television, the press, the hoardings, the radio and of course Internet.

Hoarding about the “Complete Bedroom” campaign.<sup>76</sup>

Translation:” there is maybe a better way to tidy up your closes, isn’t it?”

## **Internet**

On the webpage [www. IKEA.fr](http://www.IKEA.fr) , the company informs customers about Ikea products and prepares their visit to the store by giving them the idea of what they are looking for. In that way, every store has its own webpage where is presented its offer.

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<sup>76</sup> [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/cerpet2/M/M\\_2\\_1.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/cerpet2/M/M_2_1.pdf), 17.04.2007

Recently, Ikea has launched a website (<http://www.adieu-la-grisaille.com/>) on which a customer can personalise its home inside; this website is named 'Adieu la grisaille' ("Good bye the darkness").

## **Non media communication**

The media communication, with its impersonal aspect is not adapted to all the communication situations. That's why Ikea uses others kinds of communication, customized and targeted:

- Events: Ikea participate at different events' operations in order to increase its notoriety. There are local operations such as shows, advertisements on buses, furnish a TV program.
- The catalogue: The role of the catalogue in a way, is to prepare customers for a visit in a store and gives them inspiration for looking their own Ikea style. The catalogue is more than just a presentation of the major part of the product range, the catalogue is also a reference book about prices, materials and colours. People often receive for free by the post, so customers can plan their purchases in peace and quiet at their homes. In the first pages of the French catalogue there is the products promotions with the new products...After that, we can find a summary of the the catalogue, which divide this one in 14 different parts. The first part is about the kitchens and dining rooms, the second one about the living rooms, the third one about bedrooms, the fourth one is about the textiles, the fifth one about the bathrooms, the sixth one about the children's products, the seventh one about work area, the eighth one propose management solutions of the house, the ninth one is about the house decoration, the tenth one is about lights, the eleventh is a purchase guide, the twelfth one give alternatives information about the company, services, stores..., the thirteenth one describe some products concepts, and finally, the Fourteenth one propose the limited offers.
- E-mailing and newsletters: Internet users can be registered on a monthly newsletter which allows them to receive information about national events and about the closest store. This newsletter is made by the Ikea France executives and can be completed by local information supplied by the stores. Ikea can send regularly information to their

customers as a low cost operation to a receptive public. 400,000 newsletters are sent each month.

## ***Price***

The objective is to offer products as cheap as possible; also the concept is based on a partnership with the customer who has to assemble by her/himself or with help of somebody else.

As it was said for the product, Ikea adopted the concept of “democratic design” (= notion of function, design and price in the same time) for all its products, which means that price is one of the most important issues in the process of coming up with ideas, designing, manufacturing and distributing products. In order to respect its engagements in terms of price for the product development, IKEA has to respect following objectives:

- study every element of the production cost, e.g. many mugs are in white and blue colour, because these are the cheapest pigments,
- find cheap techniques of production or cheaper manufacturers, e.g. in China,
- Eliminate any additional cost in the production, the transport and the management
- Make a customer participate, self – assembling and self transport of furniture.

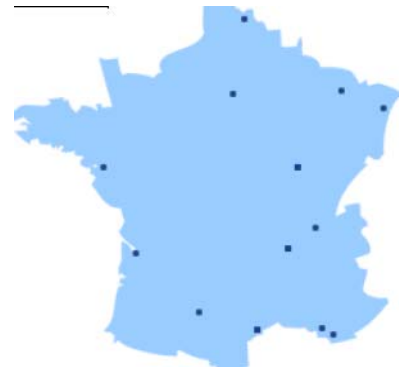
Also the strategy of flat package allows to cut cost of transportation, as products do not need so much space, as they normally would need, and therefore to set lower prices for customers.

Through the catalogue, we can see that the company wants that the customer view the Ikea products as cheap ones. The price is always written in big on every page and even on the endpaper, as it would be the first customer preoccupation.

In the French society, Ikea is not view as a low cost furniture company, but as a normal priced company. This position is done since every French person think that the Ikea prices are not really cheap but viewed as normal prices. For example a complete Ikea kitchen is about between 400 and 1500 euros, in that case, those prises are viewed as normal for most of the most of the French population which won't pay much more than this for a kitchen. The same for the mattress situated between 80 and 400 euros according to the French catalogue.

## Place

In France there are 19 cities in which Ikea has a store, 19 cities in which 7 stores are in the Parisian region and 12 in province. On the page no. 364 of the French catalogue, all the French stores, are showed and their access plan is even given there. Here a map which shows us the spread ness of the Ikea stores on the French territory.



Ikea stores are situated in business areas close to freeways. Here a plan of access to a Ikea store which show its position with a freeway.

Stores in France.<sup>77</sup>



Picture Pic.4. A plan to find the store in Metz.<sup>78</sup>

## Store organization

The store is organized on 2 sides: 1<sup>st</sup> side: products expositions and restaurant  
2<sup>nd</sup> side: self service market and furniture While the customer visit the store, this one follow a circuit in the store called “Lay out” This circuit guides the customer in the store in order to make him knowing the whole store assortment. While the customer is visiting the store the “Lay out” makes him having a circuit. That’s a circuit which shows him different parts of the store:

<sup>77</sup> [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/erpet2/D/D\\_1.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/erpet2/D/D_1.pdf)

<sup>78</sup> [http://www.ikea.com/ms/fr\\_FR/about\\_ikea/erpet2/D/D\\_1.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/erpet2/D/D_1.pdf)



1<sup>st</sup>: Living room

2<sup>nd</sup>: dining room

3<sup>rd</sup>: Home works +Ikea companies

4<sup>th</sup>: bedrooms

5<sup>th</sup>: Halls and secondary spaces

6<sup>th</sup>: Kitchen

7<sup>th</sup>: Childrens

At the cash point, before the customer will pay there is an business area for impulsive buys or promotional offers.

## The store signalisations



[http://www.ikea.com/ms/fr\\_FR/about\\_ikea/erpet2/D/D\\_3.pdf](http://www.ikea.com/ms/fr_FR/about_ikea/erpet2/D/D_3.pdf)

The signalisation is defined at the international level. The customer guidance is always done by the blue colour.

## Distribution

The company offers to buy products via ordinary post. On the page 362 of the catalogue the requirements for doing this kind of purchase are written. It is also possible to purchase products directly from the French Ikea website. But not all products are available like that. If in the left down corner the small trolley is crossed out, that means the online purchase is not possible for that particular product.





## PEST analysis about China<sup>79, 80, 81</sup>

### *Political aspects*

Generally speaking, since China, the biggest communism country in the world, adopted Reform and Opening-up Policy in 1978, it has developed series of laws and regulations in promotion or attraction of foreign investment to the Chinese market and wider opened its property and retail markets and regarding to recent development, China has been much open to the outside world and closer to the international society. At present, especially in the mainland area, it is undergoing the transition period from planning economy to market economy; the whole Chinese market will be fully open up to foreign investment and free market completion, abiding by the opening terms of China's entry into WTO. Therefore, policies in the fields of economy and trade have strong influence to all the business and trade activities, as well as to guide the foreign investment.

Prior to China's accession to the World Trade Organization, foreign retailers had to accept a host of restrictions on their operations designed to slow their rate of growth. However, since 2002 most restrictions have been eased and multinational retailers enjoy unprecedented freedom, including the option to establish wholly-owned foreign enterprises (WOFEs) rather than operate through a joint venture (JV). As a result, confidence has increased and foreign retailers are growing both organically, by opening new stores, and also through M&A, by buying existing chains. A decision by the Ministry of Commerce (Mofcom), the industry regulator, to devolve responsibility for approving small-and-medium sized foreign-invested retail operations from Beijing to local provincial Mofcom entities from 1 March 2006 further eases the process for multinational retailers (governmental regulations).

### *Economical aspects*

China has become the fourth largest global economy with a total GDP of US\$ 2,229 billion, which surpasses Italy and France and slightly exceeds Britain, according to the 2005 Global GDP Situation, issued by the World Bank (report from the Word Bank) and the GDP

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<sup>79</sup> <http://home.focus.cn/news/2007-04-04/71589.html>, 15.04.2007

<sup>80</sup> Feb. 2007 China Furniture, episode from the White Book of Science and Technology of Chinese Furniture Industry

<sup>81</sup> <http://www.cftc.org.cn/cn/zhuantu/view.asp?id=1802>, 15.04.2007

growth is at 10.1% in 2004, 10.2% in 2005, and 9.5% in 2006 (National Bureau of Statistics of China, ADB Financial Report). The broad thrust of China's economic policy over the last 20 years has been to develop manufacturing, particularly export-orientated manufacturing. The modern retail trade did not emerge from the central planning system until the mid-1990s, and so to allow local firms time to develop sufficiently to be able to meet foreign competition, foreign access to domestic retail and distribution markets was only gradually permitted. During these 20 years, China's astonishing economic growth and increasing openness to the outside world have led to the rapid emergence of an urban middle class of increasingly sophisticated consumers who are demanding higher quality, variety and innovation from their retailers.

The reform of the housing system and the speed up of urbanization in the 1990s led to the birth of a true property market and promoted the construction of residence houses and the development of relevant industries as furniture retailers or construction raw materials providers, with ex-state employees given the opportunity to buy their rented homes and huge volumes of higher-quality new housing being built for first-time buyers. Most buyers still look to buy new apartments, most of which are sold as empty concrete shells which owners have to decorate for themselves. Retailers are vying for the mid- to high-end section of the market, where better-off homeowners need to buy everything from coatings to coat hooks in one intense three-month period when their new apartment is decorated for the first time by teams of decorators. This market is referred to as the 'Buy-it-Yourself' market, as the job is too large to be done by apartment owners themselves, whose role is reduced to choosing the materials which the decoration team uses. Every year, the average construction area finishes is around 12 billion square meters per year, 6 times of the amount in the Whole Europe, within which 500 million square meters are residence area in city or town. Take 100 square meters per family; it indicates that 5 million families are buying furniture for the new house each year, which also outlined the great potential of the furniture market in China.<sup>82</sup> In 2005, the total revenue of furniture industry is about 340 billion RMB, 2.83 times of 120 billion in 2000, with the compound increase rate at 23.16% in five years. Among them export ranks 30% of the total revenue, with the annual compound increase rate at 30.77%. With the increase in domestic demand and international industry shift, we could presume that the entire industry will increase will surpass 30%.

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<sup>82</sup> China Furniture Association

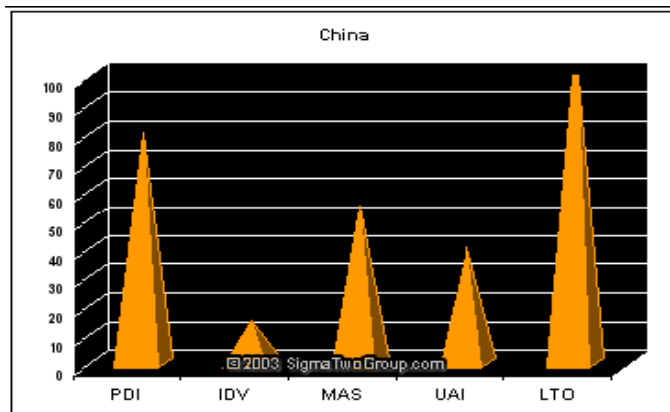
In the context of economic globalization, furniture manufacturing, as typical labour-intensified industry is shifting to some developing countries which have relative foundation and comparatively low cost. China is one of the most suitable markets, which has more advantages in market of scale, and other elements of production as low-cost but good quality labour, land and intelligence, etc. Further more, its political situation is stable, economy is booming.

- Shifting international industry: the export of domestic furniture amounts 20% of the total international trade at around 13.7 billion USD, ranking the first in the world. It is predicted that, the international furniture market will increase at an annual rate of 3% and international trade at 9% in the coming 3 years. Meanwhile, the enhancement of the domestic furniture manufacturing technology and product facilities, will further reduce cost and speed up the industry transfer from the international. The increase of the total export will surpass 30%.
- Increase in domestic demand: in 2005, the total domestic demand is 226.1billionRMB, increased above 26%. The domestic consumption per capita is around 17 USD, only amounts 1/18 of developed countries. Large potential could be recognized.

### ***Social aspects***

The potential of the Chinese market is fully observed and attracting to the foreign companies, however, to enter into the market is headed by encountering mostly the conflicts from social and cultural dimensions. As it is known to all that, China is the biggest developing country in the world with a total population of around 1.3 billion, and 11.9% of the total population are middle class, which is rapidly increasing to 290 million to 2011 (Statistic Report 2006, National Bureau of Statistics of China).

To get knowledge on important factors about the Chinese market, by studying on Hofstede's cultural dimensions and applying the knowledge gained from the studies of de Mooij, we can discover what has a high appeal in this culture, and which values represents the desired and the desirable. De Mooij (1997) has through her research made some assumptions on appeal connected to Hofstede's five cultural dimensions. The results of these can be applied to a culture to try to understand customer behaviour.



Hofstede's cultural dimensions, scores for China (www.geert-hofstede.com, 2005).

China is a culture with high power distance, reflecting that there is a large difference between people's social status. According to the research done by de Mooij (1997), this indicates that status symbols are important in China. Independence and individuality is desired, while the desirable is belonging to a group. Being a collectivistic culture, family and belonging somewhere is very important in China. Approaching the consumers in an indirect way would be the right way for a company to target the consumers (ibid de Mooij, 1997).

The masculinity index is not especially high in China, but there is also no total equality between the sexes in the society. This is reflected traditionally through most Chinese preferring to have a son instead of a daughter because a son is a better security for the future (Scholtz, 2005). China is definitely not a culture where the feminine values are dominant. One can assume that demonstrating some kind of social status through consumer habits is important (de Mooij, 1997). This was as mentioned also a result of China having high power distance.

The score for uncertainty avoidance is not particularly high or low, indicating that Chinese people is neither welcoming nor very reluctant to changes. Considering consumer behaviour, it is difficult to make assumptions according to the score in this dimension. China was the country which made Hofstede introduces the dimension of long-term orientation, and the very high score indicates that Chinese people have a lot of respect for tradition, and find long-term obligations important. This indicates that consumers are very concerned with the price of products, because they want to save money for later (de Mooij, 1997).

The most characteristic considering Chinese culture is the high scores in the power distance and long term orientation dimensions, and the low score in the dimension for individualism. In general, it is easier to make assumptions on affect of the cultural values when there is a clear tendency of high or low scores in the different dimensions. To really get

a good picture of consumer habits and what has appeal in a country; a market research is the safest way to go. This is especially important in China, where there are large differences between consumers living in different regions. (Kennedy, as quoted in Coyler, 2005 and Ann, 2004) The characteristics of Chinese customers found from the analysis above can still be important indicators of customer behaviour which companies can use when entering the Chinese market.

The first Ikea store in China opened in Shanghai in 1998 (Björk, 2000). The Beijing store opened in 1999, and re-opened in new locations in 2006, making the Ikea store in Beijing the second largest in the world, covering 43 000 square meters. (China Economic Net, 2004) In October 2005 Ikea opened their so far latest store in China, situated in Guangzhou, (Ikea home page, 2005) and future plans are to open more than 5 new stores in China in the following 6 years (China Economic Net, 2004). In 2004 (the fiscal year dating from September 1 2003 to August 31 2004), turnover for Ikea in China grew by 40 %. Ian Duffy, President of Ikea China stated in 2004 the because of the rapid economic development in China and people's increasing living standards, China will be of increasing importance for Ikea in the future. (People's Daily Online, 2004) China is estimated to become Ikea's largest market in 10 to 15 years (China Economic Net, 2004).

When Ikea opened their first store in Shanghai, the brand was seen as an expensive western brand by the consumers (Lewis, 2005). Since then, prices have dropped with 10%, resulting in a raise of sales with 50 % during the first quarter of 2004. (People's Daily Online, 2004) Ikea's sales manager in China, Jerome Deloix, said in 2003 that Ikea after conducting a survey in China wanted to target families earning around US\$5000 a year (China Daily, 2003). Ikea's Problems in China Ikea seems to be a big success in China (Lewis, 2005), but how does the Swedish company really fit with the cultural dimensions and customer appeal in China? Ikea's strategy of selling the same product range wrapped in a Swedish culture package is the same all over the world, also in China. Introducing Ikea to Chinese consumers, some problems has occurred for the company.

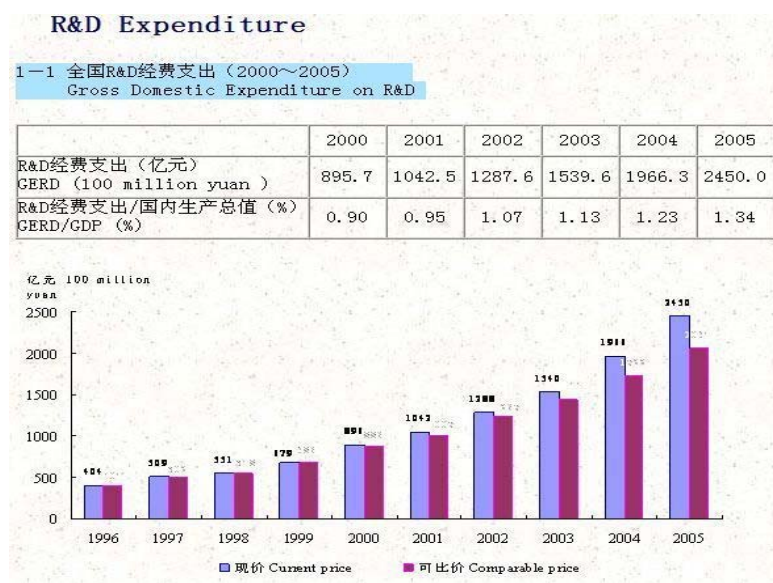
Language barriers are one of the challenges mentioned when western companies enters the Chinese market. (Schmidt, 2005, Ho, 2005, Li as referred to in de Mooij, 2004, Trompenaars and Woolliams, 2004) Ikea has chosen to translate their name to Chinese using the strategy of pronounce-oriented names. (Li as referred to in de Mooij, 2004) The author has been explained by Chinese Industrial Design students that Ikea's Chinese name consists of two Chinese characters which can be translated into the words comfortable and family. The characters are pronounced Yi Jia, which has no actual meaning in Chinese. The characters

represents Ikea, their product stock and corporate identity, and this is important considering Chinese customers relying more on visual representations than phonological (De Mooij, 2004). Phonetically, the name may appeal to young people with its western sound, but would have been more memorable if it resembled to an expression with actual meaning (Trompenaars and Wooliams, 2004). Going back to the meaning of the Chinese characters describing Ikea, family is an important word connected to the values in a collectivistic culture as China (de Mooij, 1997). The world comfortable may not fit equally well in the Chinese tradition, where it is common that furniture is designed with the purpose of not making people too comfortable (Shei, 2005).

### ***Technological aspects***

Generally saying, in 1900, China had no modern science and technology at all - fewer than 10 people in all of China understood calculus. Now, in the early 21st century, the gap in high-technology research and development between China and the world's advanced countries has visibly shrunk; 60 percent of technologies, including atomic energy, space, high-energy physics, biology, computer and information technology, have reached or are close to the world advanced level. On October 15, 2003, the successful launch of the "Shenzhou V" manned spacecraft made China the third country to master manned spaceflight technology. According to the Moon Probe Project started in February 2004, China will launch unmanned probes to the moon before 2010, and gather moon soil samples before 2020.

It is the tenet to throb China's development in education and science & technology. In recent years, great efforts and inputs have been attached to S&T Research. According to the statistics of the Ministry of Science and Technology, Beijing is the core of S&T Research in China, holding more than 3000 research institutes and academies, in which China Academy of Sciences is the largest and most authorized. In 2005, the total government S&T appropriation is 133.49 billion RMB, increased 56.9% compared with 57.56 billion RMB in 2000, with an annual increase rate at 11.7%. The R&D Expenditure shows an increase rate at 63.4% within 5 years, compared the expenditure in 2005 and 2000 (see fig bellow).



In the field of furniture industry, the civic development started in Ming and Qing Dynasty which is featured with exclusive Chinese culture and manufacture technique, after centuries of refinement. Since the Opening-up and Reforming, furniture industry has gone through the transit from mainly hand-made manufacturing to mechanized and automated industry, primarily realized industrialization and march forward to be more improved and modernized industry. Meantime, new technology and management knowledge have been introduced to coastal area like Guangdong Province, form furniture manufacturer in Taiwan, which has firmly enabled the international compositeness of furniture industry in China.

China's further opening up the furniture manufacture and retail industry and adoption of new investment preferential policies have created a stable and sound macro-economic environment and further promoted foreign direct investment into the Chinese market. With China's fast growing economy, a new merging middle class has been increasing in population dramatically and formed the new consumer group, but they are just around 11% of the total population, and the rest of potential consumers are more influenced by Chinese tradition and their consumer behaviour are more related to culture influence, since family orientation and long-term orientation is typical Chinese culture, therefore, Ikea has to introduce much more localized products into the Chinese market and further reduces its cost to lower unit price, as its product price is relatively higher than most of the domestic furniture products in China. At present, the Chinese market is more a manufacture base of Ikea products instead of consumer market as it is show that the total sales rate in China is less than 10% of its total sales in the global market, due to the two nations' common history and technology in wooden furniture manufacturing.

## Marketing mix – Ikea on the Chinese market

### *Product*

Ikea has been criticized for selling the exact same products on the total global market (Björk, 2000, Lewis, 2005). In China, only small products like chopsticks and cleavers have been introduced as products designed for the Chinese market; however more and more localized product has been designed for the Chinese market.

- **Kitchen wares:** Wok is sold in kitchen wares serious as that is the normal Chinese pan used every day for cooking; Apron with Chinese representative pictures on;
- **Dinning room:** Special decorations have been put on during occasions as Chinese New Year, the Spring Festival and Christmas time, etc. (Also with a typical Chinese feature presenting three generations together from the room of family orientation in Chinese culture), and Chinese tableware are used as chopsticks and Chinese porcelain, etc; Chinese furniture stores have a broad range of tables with table tops made of glass, and these are also available in Ikea. Picture below shows a table available at Ikea Shanghai, where you can see a circle surrounded by a square through the table top made of glass, which is the most common material used for table tops in China. For a western consumer it looks like a normal small table, but for a traditional Chinese consumer there is obviously something wrong. In



China a circle represents the sky, while a square represents the earth. Putting the sky into the earth makes no sense, and therefore a circle in a square should be avoided when designing products for the Chinese market. (Thrane Carlsen, 2005).

- **Sitting room:** Sofa is clothed with pictures of Chinese symbols as read peony which is kind of national flower during the feudal period, as well as traditional wooden wardrobe and carpet with Yinyang picture are also noticed. The latest sitting room is dominated by fashionable and colourful design as the lead of new life style;





- **Bedroom:** Wardrobe with mirror in middle and two doors at both sides are very typical Chinese furniture. While the Chinese are used to hard beds, IKEA sell the same beds in China as they do in Sweden – soft and very comfortable, would be a little bit difficult to reach mass sales.



China being a culture where long term orientation is a very important dimension makes it of crucial importance to be aware of the content and value of traditions. Some special product series have been introduced to the Chinese market in some special occasions, like the traditional Spring Festival. Picture below is the plate set sold during the Spring Festival time and according to the traditional animal year, 2007 is the year of Pig, which means prosperity and fortune.

## Promotion

Chinese customers are get used to have lots of servants or salesman in the shop, where it is very easy to consult and have feedback information, and also prefer the have the product delivered home for free. The price for delivering has been sharply reduced. Within some distance, it is delivered for free, and beyond the distance just charge a few cost. Prolong its return period from 14 days to 60 days.



## **Reduce delivery cost**

All IKEA products could be viewed in catalogue or website, but must purchase in the store. As Chinese customer are used to have furniture directly delivered to home for free. IKEA's charged delivery has meet great challenge at the beginning of entering Chinese market. Therefore, some promotion has been introduced during the 8 anniversary in Beijing. During April 12 to 22 in 2007, delivery will be free of charge if the purchase cost has surpassed 3888RMB. This is the first time that IKEA delivery products for free after 8 years entering into Chinese market. Although it is just a promotional mean, could be predicted the future policies.

## ***Price***

Long term orientation is important in China, and this is reflected by consumers being very concerned with the price of what they buy (de Mooij, 2004).

Ikea is known to be a furniture company selling products with low prices. For the Chinese customers, this was not the case when Ikea opened its store in Shanghai in 1998. As earlier mentioned, Ikea has lowered their prices in China to fit a family income of US\$ 5000 a year (China Daily, 2003), but is still considered as expensive by many of the Chinese. It is important to remember that an income of US\$3000 per year is considered to be good in China (Colyer, 2005) and also that many people earn less than this (Scholz, 2005). Klanda sofa cover is sold at 1199 in 2007 compared 2299 before. Junzc cushion sold at 49 instead of 199.

## ***Place***

In China, four exclusive stores have been built in Beijing (picture below), Shanghai, Guangzhou and Chengdu. All these stores are located nearby the downtown area or city centre (except the new one in Beijing), instead of suburbs in most of the developed countries, due to several aspects, the most important one is the Chinese consumers do not have private cars, would be prefer convenient transportation to the shop; in order to attract more visitors to further open up the Chinese market. The first standard store in Shanghai was located in

Xuhui District, one of the most economic booming city centres. The new store in Beijing is IKEA's second largest one in the world.



Pic. 6. IKEA's store in Wangjing, Beijing. An exclusive shop in China from [www.home.focus.cn](http://www.home.focus.cn)

### **Store organization**

In Beijing Store, the general layout is almost the same as all the other IKEA store in the world, but of bigger scale. The total area is 43,0000 m<sup>2</sup>, consists of three floors, with the first floor mostly are products display according to functions as Living room; dining room; Home works +Ikea companies; bedrooms; Halls and secondary spaces; Kitchen; Children. On the second are 77 sample rooms and the third is restaurant where Swedish food and Chinese food are sold. There are rest rooms on each floor and three levels of parking place in the basement.

## **Marketing mixes comparison**

### ***Product***

According to Ikea management statements they did not do any differentiations among their product ranges and way of conducting when going international, in this case – on French and Chinese markets.

As it is the matter of Swedish and French products, we could not see major differences between products. The authors found out that all of those were the same ones (Kitchen and dining room, Living room, Bedroom, Textiles & rugs, Bathroom, Children's Ikea, Work area, The house organisation, Decoration, Lighting, etc.). Even if the precise commodity was not presented exactly at the same page in the catalogue, it could be found in other place – some pages before or after when comparing catalogues. There were only two dissimilarities that could be seen, namely:

- The French catalogue offers cupboards in much more variety of size than Swedish one,
- The French catalogue presents wider range of available to purchase mattresses.
- The Chinese catalogue has been divided into 5 volumes for increasing purchase; and with an increased number of localized products in the Chinese market.

It is obvious to see that there are much more localized products in Chinese market in kitchen wares, as Wok, Chopsticks, porcelain, Chinese textile, etc. The product range is wider in China than in Sweden and France. In China, the company keeps more or less the same strategy as for the French market. But only small range of new products are introduced on the market, as it is well known that every change costs money. Other element different as for the European market, some special product series have been introduced to the Chinese market in some special occasions, like for the traditional Spring Festival. We can take the example this table described in the Chinese 4Ps analyse, with a circle surrounded by a square through the table top made of glass which for a traditional Chinese consumer is obviously something wrong. In China a circle represents the sky, while a square represents the earth. And putting the sky into the earth makes no sense. That was a mistake made by Ikea on the market.





The child's bedroom also has some differences. While in Swedish one there is almost everything in some kind of mess and blue colours is a dominant one, in French one there is order and the dominant colour is green, and pink in the Chinese one.

Product			
	Sweden	France	China
Quality	the same		
Product range	the same		wider
Package	the same		
Guarantee	the same		
Brand	the same		

As we seen trough our analyse Ikea keeps its flat packaging strategy and its “democratic design” (Function + Design + Low Price = democratic design) strategy on every market. The products lines have on every situations be considered as the Ikea identity, that is why the product concept is done according to the IOS which means Ikea Of Sweden.

Whatever the country on which Ikea sells its product, all of them have to be conformed to the European Union and national norms, which means that even China is not in EU the company sends products with EU quality standards. Thanks to that regulation, the company offers high quality e.g. kitchens with 10 years and mattresses with 25 years guarantee.

Also the thing that differ Swedish, French and Chinese Ikea is that in Scandinavia, Ikea with Skanska offer not only products but whole apartments, which are furnished by Ikea. These are considered to be at least 75% cheaper than average apartment or flat in a Scandinavia.

## **Promotion**

Ikea does not spend a lot on promotion, but even though it tries to use all the time different communication forms to promote and advertise its furniture. Among these forms may be found: media advertising (television, Internet), Ikea catalogue or guerrilla advertisements, like bedroom-car riding all over USA or big square Ikea's table in Rome.

The brand name “Ikea” is kept on each of three markets, and as we said, every product is sold under the Ikea brand, the registered trademark at the world dimension. This name appears on every product and on packaging. On every market, the company still gives to most of products a name, products of each line are then identified by a first name or an indication of feature (door, table). Products names are still the same on the three markets.

In September 2002, a 8-minute TV show, Ikea Wonderful Life, was put on show the same time in Beijing and Shanghai, which is the first time that Ikea use media to make promotion. In September 2002, a 8-minute TV show, Ikea Wonderful Life, was put on show the same time in Beijing and Shanghai, which is the first time that Ikea use media to make promotion. All Ikea products could be viewed in catalog or website, but must purchase in the store. As Chinese customer are used to have furniture directly delivered to home for free. Therefore, some promotion has been introduced during the 8 anniversary in Beijing. During April 12 to 22 in 2007, delivery will be free of charge if the purchase cost has surpassed 3888RMB. This is the first time that Ikea delivery products for free after 8 years entering into Chinese market.

## **The catalogue**

On the cover of Swedish version of the catalogue there is a mother with a child playing with some game in the living room. The room is big, joint with the kitchen, highly lighted, white and pastel colours are dominant at the picture. What characterized is that everything is simple and functional at the same time, everything has its place and fits perfect to the family atmosphere. The cover of catalogue promote Swedish way of living and values about that: a lot of light, much open area, simplicity, functionalism, harmony. The next page present the



whole family and the dog. Everyone seems to be very happy, they enjoy themselves and the moment. Another accent to emphasise the family values and to show how much relatives are important in Sweden.

On the French catalogue cover there is a girl, who is playing in some game in the living room. The room is smaller than the Swedish one, the walls are painted with dark beige colour, instead of white in Swedish version, there are some paintings and windows have two layers of curtain – transparent and dark one. This kind of layout present and promote some how French way of living – not so big rooms, darker colours, art sensitiveness. The second page shows a mother with a daughter sitting together, while a girl is reading a book. Another picture on the page shows only a mother resting or relaxing in an armchair with closed eyes and small smile on her face. Somehow it symbolize the value of independency and enjoying also moments when a person is alone. The last picture shows two paintings, which may be consider as a thing which is a common among French people – art loving.



The case with Chinese catalogue is not so simple, as far as the company launches five separated parts, where each part contains different group of products. So it is difficult to decide which cover of which part should be presented here. As there are five parts the authors decided to put at least two of available covers to show also differences between them. On the first cover are a mother and a child in a cosy room, while mother is reading some fairy tails to the child. Products on the cover are: wooden bed and a lot of soft pillows with colourful designs. It is mostly come from Chinese family orientation and Ikea's policy of comfortable home.



While the Swedish catalogue first pages are about the family and other Scandinavian values, the French one shows another face of the society preferences like very dark colours, contrasts and of course joint meals with other family members or friends. The case in China is a mixture; we could see very traditional cover with three generations together celebrating traditional festivals, the same time very western modern cover. It is the way to respect the local culture the same time introducing new value concept into the Chinese market.

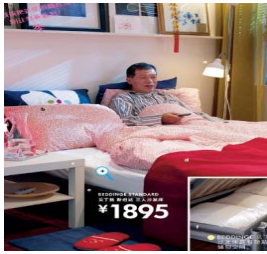


Sweden	France	China
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Differences might be seen not only in the kitchen or living room decoration but also in the bedroom. The Swedish one of based once ageing on large areas which are highly lighted, bright colours are dominant, a couple is sitting on the bed and there is a lot of children pictures. In French bedroom we see rather dark colours, only few accents in white and a woman lying on the bed and reading a book. Once ageing there is a distinguish of Swedish and French basic values about their life and homes. The style of bedroom is also varied in the Chinese market, but always with decoration in couple, as two lamps on top and the wardrobe has two doors by both sides of the mirror, which indicating a couple being together forever.

Sweden	France	China
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Advertisement			
	Sweden	France	China
TV	We do not know	yes	yes
Press/ Magazine	Yes	yes	yes
Radio	We do not know	yes	We do not know
Billboard	Yes	yes	yes
Cinema	We do not know	yes	We do not know
Internet	Yes	yes	yes
Mail	Yes	yes	We do not know
Events	Yes	yes	yes
Newsletters	We do not know	yes	We do not know

Nowadays Ikea has completely different way of communicate with its customers. The way according to the time is more modern as the people are as well. That is way adverts are mostly shown on the website and present not only furniture but also involvement in latest techniques in computer science. On the website are placed to different adverts but made in the same way, one is presenting kitchens designs and second one – living rooms designs. The case is that you have a mouse to click either on the left side or right side of the picture and then everything is starting to move. You can see e.g. the kitchen which is moving in 180° with all furniture that are there and with people, but they do not move. When you move further you see different kitchen design with different people and music. So you can see designs like if you were in somebody's house. The technique that Ikea used was basically the same as in the Matrix movie – approximately 20 different cameras were taking a picture of the same scene and after that pictures were taken all together and made in one.

The main differences were also seen on special page which promote only one chosen element of furniture, as a shelf or a sofa. Sometimes products were only dissimilar in colours, but sometimes there were different ones. Because of the construction of Swedish, French and Chinese catalogue, and the fact, that the construction of Chinese one differ in many ways, this part of comparison “the blue pages” was only possible between Swedish and French version.

SWEDISH VERSION	FRENCH VERSION
A hanging shelf with several horizontal selves, made of beige wood, very simple but practical at once, page no.61	A small box with a metal handle for carrying some things for a kitchen or a garden, made of beige wood, page no.61
A kitchen set – two white chairs and a white, square table, available only in this colour, 69	A chair just like in Swedish version but black, without table, available only in black colour, 69
A wok, which was specially designed for a Chinese market, now available also in Sweden, 79	A frying pan, normal, European style, 79
A sofa for two persons, available only in white colour, 127	A sofa for two persons, available only in red colour, 127
Some sofas for two, but wider choice can be made among sofas for three persons, 129	Wider choice in sofas for two, only few models for three persons, 129
A simple sofa for two without arm holds, teenage style in blue, white, green and black stripes, 133	A black sofa with arm holds, simple but elegant and tasteful, 134
A bookshelf, an improved version of Billy the Bookshelf – with thicker horizontal shelves and thicker sided walls, with 30 cm high legs, made of beige wood, 157	French version of Billy the Bookshelf – without back wall, sided walls are thick, while horizontal shelves inside are thin, made of dark wood (taste of avangarde), 159
A modern, made of metal shelf for TV set with four small wheel can be easily moved, 163	A long and sort shelf for a TV set, made of wood with thick walls, available in beige and black colour, 165
A wooden bed for two, old fashion style, very simple, in beige colour, 193	A modern black metal bed, which has three walls, for one person, 195

A medium size shelf with three closed drawers, made of beige wood, 223			A wardrobe divided vertically on three equal parts with a mirror on the main part, made of light brown wood in old but elegant style, 225
Six different colour pillows, 241			Six different colours blankets, 243
A bathroom cupboard in white colour, very simple, 261			A bathroom shelf, made of black metal with glass horizontal shelves, without sided walls, the top has elegant curves and small metal balls, 263
Three shoes shelves in different colours, without any ornaments, simple as much as possible, 317			A laundry bin, made of flax and metal, 319
A transparent flower vase, very Swedish design – simple but functional, 325			A set of candles and stands, in different colours to choose, to make a romantic atmosphere, 327
Pictures to put on the wall, 331			Frames to put some pictures in, 333
A set of three pans, made of metal with covers; on the back cover of the catalogue			A kitchen table, white, functional – may be use as a square table or triangle one; on the back cover of the catalogue

## ***Price***

In every market, the company keeps its strategy about prices by offering a wide range of products with stylish design, good quality and with prices so low that many people can afford them. Although the situation in China is still a little bit different, because of economical conditions, these are seem to be better and better.

As it was said for the product comparison, the concept of “democratic design”, which concerns the price also, is kept on everyone of the three markets. And according to the functions of this democratic design, and thus to respect its engagements in terms of price for the product development, Ikea respect those following objectives for providing furniture as cheap as possible on those different markets:

- study every element of the production cost, e.g. the colour of mugs,
- find cheap techniques of production or cheaper manufacturers, e.g. in China,
- Eliminate any additional cost in the production, the transport and the management, e.g. to pack products in flat packages
- Make a customer participate, self – assembling and self transport of furniture.

Ikea tries to keep the same prices all over its shops, and mostly it succeed, but not always. We found out, that taking into account the flow rate exchange and some price changing process which is rather on going one, the prices in catalogues are similar. But in some cases they are extremely different. Unfortunately we could not find out why differences are so huge. The exchange rate was take from the forex.se website, date: 2.05.2007.

Furniture description	Price		
	Sweden	China	France
GALANT the table for writing	2 630 SEK	921 SEK	3156 SEK
GALANT the desk	895 SEK	644 SEK	1257 SEK
PAX STORDAL the wardrobe	5 080 SEK	3507 SEK	3621 SEK
CEDER the blanket	279 SEK	306 SEK	456 SEK
SOLSTA OLARP the armchair	399 SEK	438 SEK	270 SEK

## ***Place***

In Sweden and in France Ikea is situated outside the city or just on the border, where plots are cheaper and prices may be kept low. Ikea do not provide any transport of furniture. In Sweden, in several cities there are buses by which a customer may go to a shop, but in many cases he/she has to have own means of transport. In China, four exclusive stores have

been built in Beijing (picture below), Shanghai, Guangzhou and Chengdu. All these stores are located nearby the downtown or city centre (except the new one in Beijing), instead of suburbs in most of the developed countries, due to several aspects, the most important one is the Chinese consumers do not have private cars, would prefer convenient transportation to the shop; in order to attract more visitors to further open up the Chinese market.

French and Swedish stores are quite similar to each other from the organization point of view and also because they are easy to find, easy to access, close to freeways. The buildings are blue and yellow that increases the Swedish image. And finally for giving a favourable picture about the company to the consumer, it should be easy to find a place on the parking place, the exterior has to be clean and maintained, and parking are equipped with information boards.

Distribution Form			
	Sweden	France	China
TV	No	No	No
Store	Yes	Yes	Yes
Telephone	No	No	No
Catalogue	Yes	Yes	Yes
Internet	Yes	Yes	Yes

Ikea with its original market in Sweden could do this strategy as well in order to break into foreign markets. In that case the Ikea 4P's strategy would not be changed at all in order to go on foreign markets.

In that case, by using this strategy, Ikea would differentiate its offered product on the French market from the Swedish products. The products offered would be designed, and built according to the French customer's expectations and according to their needs which are perhaps different than the Swedish customer's ones.

## Final conclusions

Through PEST analysis and 4P analysis, we have gain a much better insight of the international marketing strategy of Ikea in the Swedish, French and Chinese markets. Studying on the comparison of 4Ps in the three countries, we came to some conclusions at different aspects as following:

- Unification: Ikea sells most the same product with the same standards, the management and communication models are almost the same expanding the image of Sweden world wide, which is also the company culture created, know as Ikea model.
- Adaptation: Guided by the theory from how culture difference influence customer behaviour, Hofstede's cultural dimensions and PEST, we could notice that Ikea has undertaken a few adaptations in its product design and sales promotions, etc, with different focus according to the feature of target market. As Chinese market is of relatively low cultural content and much more dimensions, therefore, more localized products are introduced to the Chinese market; and long-term orientation is one of the core Chinese cultures, people are more concern about the quality and price, so Ikea need to further reduce its price in the Chinese market. However, price could never be a problem in Europe, as Ikea's product is always of good quality and lower price, so Ikea focus more on sales promotion to gain the market share in Europe. When selling product to the French market, must bear in mind that the French people's high taste of art, and take serious consideration of product design and colour shade, etc. and the effective product communication strategy.

Up till now, Ikea's business is successful in Europe, but it has met lots of challenges in the Chinese market. After 8 years' entering into Chinese market, it has opened only 4 shops, and the sales portion in the Chinese market is less than 10% of its whole; Even its principle to sell good but cheap products is been challenged in the Chinese market, as it's prices are far more expensive than Chinese domestic furniture. Ikea has been encountered much more problems when entering into the market in developing countries, meanwhile needs more adaptation without giving up the originality in the foreign market. And the result still need time to prove.

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