*Page 1211- 1219*

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# An Analysis of IKEA's Global Positioning

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**ABSTRACT**

*IKEA is a multinational company that designs and markets ready-to-assemble kitchen appliances, home accessories, and furniture. The company has grown rapidly since its inception in 1943, and it is currently one of the largest furniture retailers in the world, with more than 400 stores in over 50 countries. This research paper examines IKEA's global positioning strategy, which has contributed to its success in the international market. The study analyses the company's market segmentation, target market, product positioning, marketing mix and various global marketing activities.*

***Keywords:*** *IKEA, global, positioning.*

## I. INTRODUCTION

IKEA is a multinational furniture and home furnishings company that was founded in Sweden in 1943 by Ingvar Kamprad. The company's name is an acronym made up of Kamprad's initials (I.K.) and the first letters of Elmtaryd and Agunnaryd, the farm and village where Kamprad grew up. Initially, IKEA sold pens, wallets, picture frames, and other small items through mail order catalogues. However, in 1948, IKEA began selling furniture after Kamprad noticed that furniture was expensive in Sweden and decided to make stylish and affordable furniture available to everyone. The company quickly gained popularity for its flat-pack furniture, which allowed customers to assemble their own furniture at home using simple instructions and tools. This approach also enabled IKEA to save money on transportation and storage costs, allowing them to keep prices low.

In the 1960s, IKEA began expanding internationally, opening stores in other European countries, and eventually making its way to North America in the 1980s. Today, IKEA has more than 400 stores in 52 countries, and its catalogue is one of the most widely distributed publications in the world.

Over the years, IKEA has also become known for its innovative and sustainable approach to design and manufacturing. The company has invested heavily in renewable energy, and its products are designed to be as eco-friendly and energy efficient as possible. Additionally, IKEA has introduced initiatives like its "Buy Back" program, which allows customers to sell back

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their used IKEA furniture in exchange for store credit.

Despite its success, IKEA has faced some controversies over the years. In the 1990s, the company was accused of using forced labour in its supply chain, and more recently, it has faced criticism over the environmental impact of its disposable furniture and the labour conditions of some of its factory workers. However, the company has worked to address these issues and has made significant strides in improving its sustainability and social responsibility efforts.

## II. COMPETITIVE ADVANTAGE

IKEA's competitive advantage is based on several factors, including its approach to product design, marketing, supply chain management, and cost leadership. IKEA has a unique business model that allows it to offer quality products at low prices, making it accessible to consumers across different income levels. The company's focus on sustainability has also been a key factor in its competitive advantage, as consumers across the world are becoming increasingly conscious of environmental issues.

IKEA's competitive advantage is mainly based on two factors:

Cost leadership: IKEA is known for offering stylish and functional furniture at a low cost. They achieve this by using economies of scale to keep production costs low and by optimizing their supply chain to minimize transportation costs. Additionally, IKEA often uses less expensive materials such as particleboard and MDF rather than solid wood to keep prices down.

Unique design: IKEA's furniture designs are distinctive and recognizable. The company employs a team of product designers who constantly create new designs and improve existing ones. The designs are often modular and customizable, so customers can create their own unique combinations that fit their specific needs. This approach has enabled IKEA to establish a strong brand identity in the furniture industry.

Together, these two factors have enabled IKEA to differentiate itself from competitors and achieve high levels of customer loyalty.

### (A) Brand Reputation

Another critical factor in IKEA's competitive advantage is its brand reputation. IKEA has built a strong brand based on its unique business model, product design, and commitment to sustainability. The company's brand has become synonymous with quality, affordability, and stylish design, making it a top choice for consumers across different regions of the world. IKEA's brand reputation has been built on its commitment to providing affordable and stylish furniture and home accessories that meet the needs of consumers across different regions. The

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company's focus on sustainability has also played a significant role in its brand reputation, as consumers worldwide are becoming increasingly environmentally conscious. IKEA's marketing strategy is also crucial in building and maintaining its brand reputation. The company's marketing campaigns are creative, engaging, and innovative, and they appeal to a broad demographic of consumers. IKEA also utilizes social media platforms to reach its target audience, creating a strong digital presence and building a strong brand image.

## III. IKEA'S SEGMENTATION, TARGETING AND POSITIONING

IKEA's market segmentation and targeting strategy is based on demographic, psychographic, and geographic factors. The company targets young and middle-aged consumers who are looking for affordable yet functional furniture and home accessories. The company's products are designed to appeal to consumers who value simplicity, functionality, and affordability. IKEA's target market is also characterized by a preference for modern and minimalist designs. Here are some of the key segments that IKEA targets:

1. Young Professionals: IKEA targets young professionals who are just starting out in their careers and may be living in smaller apartments or houses. This segment values functionality, affordability, and modern design.
2. Families: Families are a key segment for IKEA as they tend to have larger homes and need furniture and home accessories that are durable and practical. IKEA offers a range of products that are designed to meet the needs of families, including kid-friendly furniture and storage solutions.
3. Students: IKEA targets students who are looking for affordable and functional furniture for their dorm rooms or apartments. This segment is also interested in products that can help them organize their space and make the most of their small living areas.
4. DIY Enthusiasts: IKEA appeals to DIY enthusiasts who enjoy assembling furniture themselves and customizing it to their liking. This segment values affordability and uniqueness.
5. Green Consumers: IKEA targets environmentally conscious consumers who are looking for sustainable and eco-friendly products. IKEA offers a range of sustainable products, including furniture made from recycled materials and energy-efficient lighting solutions.

Overall, IKEA's segmentation strategy is designed to target a wide range of customers who are looking for affordable and stylish furniture and home accessories. The company offers a range

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of products that are designed to meet the needs of different customer segments, while maintaining its focus on affordability and sustainability.

**(A) Product Positioning:**

IKEA's product positioning at a global level is based on its core values of affordability, functionality, and sustainability. The company's products are designed to be stylish and modern, yet practical and adaptable to different lifestyles and living spaces. IKEA positions itself as a company that offers good quality furniture and home accessories at affordable prices. The company's products are designed to be priced competitively, making them accessible to a wide range of customers. In terms of functionality, IKEA's products are designed to be versatile and adaptable to different living spaces and needs. The company offers a range of products that can be customized and combined in different ways to create personalized solutions for customers.

Sustainability is also a key part of IKEA's product positioning. The company is committed to using sustainable materials and production methods in its products and has set ambitious targets for reducing its carbon footprint. At a global level, IKEA's product positioning is consistent across its different markets. The company offers a range of products that are designed to meet the needs of customers in different countries and cultures, while maintaining its core values of affordability, functionality, and sustainability.

Overall, IKEA's product positioning at a global level is focused on offering good quality, stylish, and sustainable furniture and home accessories at affordable prices, while also providing customers with customizable solutions that can be adapted to their unique needs and lifestyles.

**a. Positioning in India**

“Ghar Aa Jao”, (Come home) to IKEA, is the new brand positioning that IKEA India introduced with a coordinated marketing effort across various markets. The new positioning aims to build a stronger cognitive and emotional relationship with the target audience. The

ad campaign creates a connection between the brand and the traditional Indian ethos of having guests over to celebrate and make memories on any occasion. It emphasizes that IKEA, home is at the heart of everything they do. The campaign's goal is to make it easier for people to celebrate special occasions, host social gatherings at their homes, and develop a sense of community with those around them. Four slice-of-life TV commercials showcasing IKEA employees evoking the warmth, love, and sense of "Living at Home" while shopping at IKEA stores bring the spirit of Ghar Aa Jao to life.

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## IV. IKEA'S MARKETING MIX ( 7 P'S)

According to Philip Kotler, "marketing mix is the mixture of controllable marketing variable that the firm uses to pursue the sought level of sales in the target market".

IKEA's marketing mix is as follows:

**1. Product:**

IKEA offers a wide range of products including furniture, home decor, kitchen appliances, and more. They can equip a home from scratch and offers 12,000 products, with around 2000 new and innovative products added each year. By 2030, IKEA hopes to use only renewable and recyclable materials in all its products (IKEA,2020). Since that IKEA has restaurants and playgrounds, we can conclude that they are also a service provider.

**2. Price:**

IKEA's pricing strategy is to offer affordable products that are accessible to a wide range of customers. The company uses cost leadership and economies of scale to keep prices low, flat packaging, innovative designs, top-down pricing, long-term supplier connections, savvy technology use, R&D, and innovation. (IKEA, 2020)

**3. Place:**

IKEA operates through a network of retail stores that are in various countries around the world. IKEA has 433 stores throughout fifty countries, all of which are spacious showrooms with amenities like restaurants, grocery stores, a Swedish market, and play areas for kids (IKEA, 2020). The global supply chain for IKEA uses 42 trading service offices and 1,800 suppliers in 50 different countries (Trade Gecko, 2018). The company also sells products through its website and catalogue.

**4. Promotion:**

IKEA's promotion strategy includes advertising, public relations, and sales promotions. The company uses advertising to promote its products and brand image, while public relations is used to create a positive image of the company. IKEA also offers sales promotions such as discounts and loyalty programs.

**5. People:**

IKEA's employees play a crucial role in the customer experience. IKEA's culture emphasizes the importance of providing excellent customer service. They are trained to be knowledgeable and helpful to customers. IKEA also values diversity and inclusivity in its workforce.

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**6. Process:**

IKEA's streamlined shopping process is designed to make it easier for customers to purchase products. This includes features like the showroom layout and self-serve shopping.

**7. Physical Evidence:**

IKEA's stores are designed to provide customers with an immersive experience. They have a distinct layout and atmosphere, and IKEA also creates attractive product displays that enhance the shopping experience. The clear and informative signage helps customers navigate easily through their stores, find the products they need, and make an informed purchase. The distinct yellow and blue colour scheme, company logo, and the catalogue's unique format are also part of the brand's physical presence and also plays a huge role in branding of the company. The IKEA staff also wears distinctive uniforms with bright blue and yellow colours, which help them stand out and provide a consistent brand image. The company's e-commerce website provides another form of physical evidence for their business, with detailed product descriptions, high-quality product images, and customer reviews.

**(A) Global Marketing**

Global marketing is defined as "the firm's commitment to coordinate its marketing activities across national boundaries to find and satisfy global customer needs better than the competition" (Hollensen, 2017). By giving customers a distinctive experience both inside and outside the showroom, Ikea is setting the bar for stakeholder engagement and worldwide marketing campaigns. Ikea uses the following strategies:

**a. Experimental Marketing:**

Ikea has been known for its innovative and experimental marketing strategies. The experimental marketing strategy are design to create a unique an engaging experience for customers while also promoting the brand and its products. The use of pop-up stores to create a unique shopping experience for customers typically located In high traffic areas like shopping malls or city centres, and they offer a limited selection of products. These pop-up stores are designed to attract new customers and create buzz around the IKEA brand. They also use virtual reality to allow customers to experience its products in a new and immersive way. the companies we are app allows customers to explore virtual rooms and try out different furniture combinations before making a purchase. Augmented reality is also used by the company to create interactive experiences for customers as the AR app allows the customers to see how Ikea furniture would look in their own homes before making a purchase.

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### b. Campaigns and Collaboration

IKEA uses social media platforms to launch creative campaigns that engage with customers. For example the company's " Where Life Happens" Campaign encourage customers to share photos of their homes on Instagram using the hashtag #IKEAatmine. The social media campaigns are designed to showcase the brand products in creative and engaging ways, while also promoting the IKEA lifestyle and brand values. These campaigns have help IKEA connect with customers establish strong social media presence. The company has collaborated with artists, designers, and other brands to create limited edition products and collections. These collaborations create buzz around the brand attract customers who might not otherwise shop at IKEA.

### c. Relationship marketing

IKEA's relationship marketing strategy is focused on building long term relationships with its customers. The company recognises that building customer loyalty is key to success and it has implemented several strategies to achieve this goal. the IKEA family program, is a loyalty program that offers members exclusive discounts, free coffee and tea IKEA restaurant, special events, and more. By offering these benefits to customers, the company encourages them to return towards stores and become regular customers.

The company also uses data analytics and customer segmentation to personalise its communication with customers. For example, the company might send targeted emails to customers who have shown interest in a particular product category or who have made a purchase in the past. They also emphasis on customer feedback and uses this information to improve its products and services. it also offers a range of services to help customers before and after purchase. These services include product assembly, delivery, and installation as well as a generous return policy.

## V. CONCLUSION

IKEA's global positioning strategy has contributed to its success in the international market. The company's focus on offering functional and affordable products that appeal to its target market has helped it establish a strong brand image. The company's market segmentation, product positioning, and marketing mix strategies are designed to create value for its customers. As IKEA continues to expand its retail footprint in key markets, its global positioning strategy will continue to play a crucial role in its success. There are several strategies to improve the company's position globally. IKEA can still emphasise their efforts in lowering their carbon footprint and encouraging sustainable practises even though they have already adopted a strong

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approach to sustainability. They can also use eco-friendly materials in their production and business practises. The business should also put more effort into customising and localising its products so that they consider distinct cultural and geographic variations in their offerings, store layouts, and marketing strategies.

Additionally, IKEA can strengthen its global positioning by enhancing its online presence, providing a user-friendly website and online shopping experience, and extending its digital marketing methods as e-commerce continues to gain popularity. By concentrating on providing excellent client experiences, IKEA can also improve its global positioning. Companies can do this by enhancing the shopping experience in-store, developing a user-friendly mobile application, and providing customer loyalty programmes to reward their users.

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