# Brand Analysis: IKEA

Riley Atwell

Professor Chris Cooney

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#### **Executive Summary**

In assessing Ikea, we will examine the brand, its competitors, the brands effectiveness, brand strategy and customer views. After getting its start in 1943, Ingvar Kampard was determined to develop and deliver not only quality products to his customers but at low costs. Now 70 years later the brand is still deliver those promises, and have developed a strong customer following. Ikeas target audience is mostly made up on young adults and college students, this puts Ikea in competition with store such as Target and Walmart, and other low cost furniture stores. Ikea hold strong in this running by remaining customer focused. Their in house designs, low cost and customer focused stores keep the customers coming.

Ikeas personality and brand beliefs hold strong. Ikea has a large focus on not only its customers but its communities and planet. They vow to remain sustainable and are as earth friendly as they can be, constantly working to do all they can. They have run several campaigns and work hard to give back to those in need. Ikea may have areas they could improve on, but are so far successful in their market.

#### Introduction

Company story

Ikea was founded in 1943 by Ingvar Kamprad, the brand name was created using the founders initials (IK) as well as (EA) to represent the names of the farm and village where he grew up, Elmtaryd and Agunnaryd. The focus of the company was to meet customer needs with products at reduced prices. The original products included pens, wallets, jewelry and nylons. It was not until five years later did they add furniture, which they are now most known for.

In the 1950's the first furniture showroom was opened in Almhult, Sweden, this allowed lkea to demonstrate the function and quality of its low priced products. The 1950's also brought the idea of flat packs and self-assembly. This idea came when a worked removed he legs from a table to fit in a car and avoid damage during transport. Later the first lkea store opened in Sweden and was the largest furniture display in Scandinavia.

As the company grew they began expanding outside of Sweden in in the 1960's they opened a store in Norway, as well as opening a self-serve warehouse, which is a key part of Ikeas concepts. It was here in the 60's and 70's that the company really began to take shape and we saw some of the popular Ikea products such as POÄNG,

KLIPPAN and BILLY bookcase. Ikea also makes its way to Canada in 1976, opening a store in Vancouver. I was not until 1985 that Ikea made its way to the US.

In 1986 Ingvar Kamprad retires from Group Management to become an advisor to the



parent company INGKA Holding B.V. Anders Moberg then becomes President and CEO of the IKEA Group. The company continues to grow and thrive and in 1990 the IKEA Group develops an environmental policy to ensure that the company and its co-workers take environmental responsibility for all activities conducted within the business.

In 1997 www.IKEA.com is launch. This same year lkea

launches children's furniture. Ikea made the claim that they view children as the most important people of the world and work with experts for create products to help support children's development such as coordination, social skills and creativity. These same children's products are still offered today and Ikea even aims to



accommodate children in its stores offering play areas, baby areas and special meals in its restaurants.

Ikea is very busy in the 2000's, they focus a lot on environment acts and sustainability, while still growing the brand. They partner with UNICEF, initiating a broad community programs in northern India to address the root causes of child labor. The project includes 500 villages and will benefit more than 1 million people, providing more than 80,000 children with an opportunity for an education. At, present, the project covers a range of initiatives, such as providing alternative learning centers, health and nutrition, education, empowering women and forming women's self-help groups. They also join in forest protection and issue their first environmental report in 2004

#### IKEA Group at a glance 2014

North America 51 stores
Europe 222 stores
Asia 23 stores
Russia 14 stores
Australia 5 stores
Total sales EUR 28.7 billion
Stores 315 in 27 countries
Products About 9,500 in the range

Co-workers 147,000
Suppliers 1,002 home furnishing suppliers in 51 countries
Store visits 716 million
Web visits more than 1.5 billion
Catalogues 217 million printed in 30 languages
IKEA Food EUR 1.46 billion yearly turnover
Production 59% of our production is in Europe

#### The management team

Retail & Expansion	Martin Hansson
Human Resources	Petra Hesser
Range & Supply	Jesper Brodin
Sustainability	Steve Howard
President and CEO	Peter Agnefjäll
Corporate Communications	Helen Duphorn
IKEA Industry	Leif Hultman
CFO	Alistair Davidson

## **Customer Story**

Ikeas focus of offering quality products at affordable prices leads them to focus on a few different factors when segmenting the market. The basic that Ikea chooses to focus on are income level, age, family life cycle, and lifestyle. Ikea furniture is better known for its cheap prices rather than its quality. This is why Ikea focuses in the demographic of age, income level, and family life cycle. Ikea is basing their stores strategy around bringing in young, lower income individuals. Both college students and young adults are a large target for Ikea. These are often the individuals who are looking to buy furniture for the first time, they are looking to save money while getting a product that will work for the time being. They are unsure of their futures and don't want to make too big of an investment.

The other big demographic Ikea focuses on is family life cycle. Ikea is aware that young families starting off in a new home need furniture, but don't have a lot of money. Ikea not only offers low priced quality products for every room in the house, but they also offer kid friendly stores, with supervised play rooms, parents can check their kids in whole they shop in peace.

Lastly, Ikea looks at lifestyle. Ikea targets people with a "do it yourself and save money doing it" attitude. These are the people who don't mind traveling to find an Ikea store and assembly the furniture in order to save money.

The customer relationship with the brand seems to be strong, Ikea is a customer centric company. Their products are design to make the lives of its customers better while saving them money. Even the stores are set up to make the customers shopping experience the best it can be. Ikea also aims to show its customers that they care about our world, they are a green company being environmentally friendly and focus on sustainability. Ikea also shows support for people around the world, being a charitable organization, showing support for communities and outreach for those in need. Ikea works hard to let its customers know they appreciate them and will continue working hard for them,

## **Brand Inventory**

#### **Brand Promise**

Ikeas main focus is to help more people live a better life at home. They aim to accomplish this by being a customer centric company. All products are design with a customer need in mind. The concepts starts with offering affordable products to all. By combining function, quality, design and value, always with sustainability in mind. The Ikea concept exists in every part of their company, from design, sourcing, packing and distributing through to our business model.

#### **Brand Personality**

The Ikea brand prides itself on offering quality products at affordable prices, as well as always keeping their customers as their primary focus. With being a customer centric company, Ikea customers feel happy and comfortable when shopping with them. They know they will be receiving a quality product at a great price as well as enjoying their shopping experience, with fun stores, kids play areas and even food courts. Ikea has such loyal customers it has become known as Ikea Cult(ure).

Ikea also connects with its customers by giving back, other people with likeminded goals appreciate Ikeas efforts to remain earth friendly, sustainable and charitable. Customers what to buy products from a company that they can feel good about giving their money to, because they know Ikea is doing good for our communities.

Some points of differentiation for Ikea are their large stores, set up for families to enjoy the shopping experience, including food courts. Their flat pack packaging and unassembled furniture.

#### **Brand Elements**



The Ikea logo has remained virtually unchanged since 1967, and is well recognized around the world. Ikea has upheld its brand image and goals to bring customers great product and cheap prices since it began, and is what it is most known for. They are also well recognized

for their flat pack packaging and products you must put together on your own.

Ikea has done several campaigns to bring awareness to their commitment to being a sustainable and earth friend brand. Advertisements such as the second hand campaign. where Ikea

#### THE SECOND HAND CAMPAIGN

#### CHALLENGE

When someone buy a new IXEA sofa, the old one is likely to end up on the junk yard even if if 's still good. We think it 's sad because w love furniture. And even if we want people to buy our new furniture we don't like to see old furniture go to waste, We wanted to raise sustainability waveneess, through trapeting a narrow group; people about to buy new furniture. We decided to help our customers sell their old furniture in national ment; in actional ment.

#### IDEA

We asked customers about to buy new IKEA-furniture: "Can we help you self your old furniture". It is of people said yes, and we chose apprax. 50 real people for the campaign, and started collecting their old furniture. Then we produced print ads, TVC spots and banners for these old products featuring the sellers phone numbers. For 8 weeks we shared all of IKEA's a divertising space with our customers. We turned IKEA's facebook page into a digital filea market where people could sell their old products every sunday.

#### RESULTS

Selling single pieces of lof furniture in national media, and sharing the advertising space with our customers, sends a powerful message of sustainability. We showed that we mean business in finding new homes for old softs, cabinets and chairs, by putting them before our own. Yet we had a 40% increase in our sales of the new products online. Sales in stores increased by 5,5 %, All add setured the new IKEA-catalogue as packshot, and the number downloaded catalogue apps increased from 115 000 to over 200 000.

And hey, all the old products were sold as well.





selected used Ikea furniture donated by customers to be resold and raise sustainability awareness on a national level.

#### **Brand Portfolio**

Ikeas primary product is furniture but they also offer storage solutions, kitchen accessories, and although the association is weak, food products. All with low prices and good quality. Ikea offers unique and practical in house designs that attract a broad range of customers. They keep prices low by recycling, waste reduction, minimal packaging, and in house design.

Ikea products are organized into categories based upon function and are further divided into many different series, each with its own unique name. For example, under just the Living Room Category there are about 36 series or individual brands listed on the U.S. Website.

## **Current Brand Strategies**

Ikea has always kept its traditional catalog printed in 17 different languages. They also have website for convenient ordering for those not near a store. Stores are set up with displays to act as selling points while helping customers choose design and function.

Key marketing element used by Ikea marketing communicators

- The Ikea concept
- The Ikea product range
- Home furnishing specialist
- Low price
- Function
- The right Quality
- Convenient shopping
- Day out for the family

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#### Social Media



Facebook: <a href="https://www.facebook.com/IKEAUSA">https://www.facebook.com/IKEAUSA</a>

- 4,518,405 Likes
- 2,195,636 Visits

Twitter: @IKEAUSA

- 15.3k Tweets
- 365k Followers

Pinterest: <a href="https://www.pinterest.com/lKEAUSA/">https://www.pinterest.com/lKEAUSA/</a>

- 5.8k Pins
- 231.4k Followers

## **Competitor Analysis**

Top Competitors and Important Brand Attributes

	Brick and Mortar Stores	Assembled Furniture	Personal Customer Service	Multiple Brand Selections	Investment Pieces	Web Orders
1	lkea					Х
2	Target			Х		Х
3	Ashley Furniture	X	Х			Х
4	Rooms to go	Х	Х	Х		Х
5	Wal-mart			Х		Х
6	La-z-boy	Х	Х		Х	
7	Ethan Allen	Х	Х		Х	

## **Target**

#### "our purpose

We fulfill the needs and fuel the potential of our guests. That means making Target your preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional experiences—consistently fulfilling our Expect More. Pay Less.® brand promise."

Target stores offer a wide variety of household goods, including those similar to Ikea. They share many similarities to Ikea such as similar furniture styles, aimed at young customers (dorm rooms, first homes). These include fun and funky designs and cheap price point, not investment pieces. They do offer multiple brand selections which Ikea does not.

#### Walmart

"The secret of successful retailing is to give your customers what they want. And really, if you think about it from your point of view as a customer, you want everything: a wide assortment of good-quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience."

## - Sam Walton (1918-1992)

Walmart is another top competitor aiming for the same target audience. They also offer cheap furniture geared towards those on a budget and dorm rooms. Like Target, they offer multiple brands in their stores as well as a variety of other none furniture products.

#### Rooms to go

Mission statement could not be found\*

Rooms to go offers furniture options at what they consider "everyday low prices", but these prices are far different from those you would find at Ikea. The pricing may be low in comparison to other furniture store, but seems to be closer to investment pricing, but not quite. The stores offer assembled furniture, personal customer service and multiple brands, all of which Ikea does not, but at a slightly higher price point. Their target audience would be geared at more established individuals and families in comparison to young adults and college students.

#### Insights and recommendations

## **SWOT Analysis**

Strengths      Global Brand     Strong brand image     Sustainable     Wide product range that appeals to broad market	Weakness     Consumer perception of cost vs quality     Locations are not always accesable
Opportunities  Current economy has demand for low priced products  Increased demand for sustainable products  Online sales	Threats  Economic slowdown could decrease store traffic  Lack of convenient urban stores

#### Recommendations

## **Complex Product Names**

Consider changing product names to fit the market.

- Take from Globalization to Localization
- Easier to remember

• Easier to start buzz about product

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## Measure Effectiveness of Recommendation using Conjoint Analysis



Do you like "DUGTIG" as the name for this product?

Do you like "TEA TIME" as the name for this product?

## **Shipping rates**

Ikea may look into offering adjustments or promotions to their shipping rates, as they are currently fairly expensive.

Possible offers could include:

- Free shipping on purchases over \$100.00
- Loyalty programs to earn free shipping

## **Current shipping cost**

Merchandise Total	Weight Range	Estimated Shipping Cost
\$0.00 - 20	1-6.9 lbs	\$19.15
\$20.01 - 40	7-9.9 lbs	\$20.12
\$40.01 - 60	10-15.9 lbs	\$21.33
\$60.01 - 80	16-31.9 lbs	\$21.33
\$80.01 - 100	32-38.9 lbs	\$21.89
\$100.01 - 150	39-44.9 lbs	\$22.58
\$150.01 - 200	45-55.9 lbs	\$45.25

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