

INTRODUCTION

When it comes to the global furniture industry, IKEA is unquestionably number one. With 267 stores in 25 different countries and a reported \$31.7 billion dollars in sales last year, IKEA is unmatched as the top furniture manufacture in the world.ⁱ Last year, IKEA had 590 million visitors to their stores and another 561 million hits on their website.ⁱⁱ However, it took IKEA about 80 years to get to where it is today. In 1930, at the tender age of 5, Ingvar Kamprad started selling matches to his neighbors in Smaland, Sweden. As he got older, Kamprad began selling a wider variety of product like pens, wallets, picture frames, table runners, watches, and jewelry- meeting needs with products at a reduced price. He developed a catalog, added a furniture line and made personal deliveries to all of his customers. However, the business soon outgrew Kampard's ability to accommodate for all of his customers, so in 1953, he opened his first furniture showroom in Almhult, Sweden. Customers loved Kampard's showroom because of his great prices. They were ecstatic that they were finally able to buy quality furniture at a low price. Kampard came up with the idea that he would sell all of his furniture in unassembled in flat boxes. This allowed him to cut cost and provide very cheap prices for the consumers. This idea caught fire for consumers who were willing to do a little extra to save money and the rest is history.ⁱⁱⁱ IKEA blew up into a multinational corporation with stores all over the world.^{iv}

MARKET ENVIRONMENT ANALYSIS

There are many external environmental forces that have contributed to the success of IKEA's College Park store. The social forces that affect IKEA are American values and the growth of component lifestyles. The four basic American values are self-sufficiency, upward mobility, work ethic, and conformity all of which are apart of IKEA's vision.^v Customer's who are willing to work hard and put together his or her own furniture will experience the benefit of not paying a high price. The growth of component lifestyles is affecting IKEA because people

with a wide variety of interests are able to find almost anything they want in IKEA due to their extensive product mix. A demographic force that affects IKEA—College Park is generation Y. IKEA’s biggest target market is the members of generation Y because they are the young adults that will be buying furniture for their new homes. The characteristics of generation Y like being family oriented, inquisitive, diverse, opinionated, and street smart fit right in with IKEA’s overall business strategy of offering a wide variety of self-assembly furniture. Another demographic force that affects IKEA—College Park is the growing ethnic market. College Park is a very diverse area and IKEA is able to accommodate for all different ethnicities because of their experience in many different countries and cultures. By having stores all over the world, IKEA has been able to learn about different ethnicities and help fulfill their specific wants and needs.^{vi}

There are also a lot of technological forces that are affecting IKEA’s external environment. With the growing number of blogs on the Internet, IKEA is able to find out what the customer thinks about their stores without having to conduct any formal research. IKEA can gain information on their customers while spending little money. IKEA is always reading blogs and using the Internet to gain information on their consumer base.^{vii}

TARGET MARKET ANALYSIS

With IKEA’s strategy of offering quality furniture at cheap prices, they really focus on a couple of different factors when segmenting their market. The basic market segmentation bases that IKEA uses are income level, age, family life cycle, lifestyles, and benefit seeking. Even though IKEA doesn’t have the best quality furniture, it has a great value because of its incredibly cheap prices. IKEA furniture at times is referred to as “start up furniture” meaning furniture one buys for their first home.^{viii} This is why IKEA focuses on the demographics of age, income level, and family life cycle when they are segmenting their market. IKEA is basing their stores strategy

around attracting young, lower income individuals. College students and young adults, who tend to be in the low-income category, are a big target market for IKEA because these are the individuals who are looking to buy furniture for the first time. They are not looking to spend a lot of money because they are still unsure about their futures. College students and young adults are just looking for good, cheap furniture that will work for the time being. IKEA is able to take advantage of this target market in College Park, MD because there are many low income, college students and young adult in the area.

The other big demographic that IKEA focuses on is family life cycle. IKEA knows that new families need furniture to fill their new homes, but don't have a lot of money to do so. With that being said, IKEA really caters to these types of young families far beyond their product selection and cheap prices. IKEA's stores are completely kid friendly. They have supervised play areas where parents can check their kids into so the parents can shop in peace while the kids play. Also, IKEA offers a cafeteria where parents can bring the kids for a bite to eat after the shopping.^{ix} IKEA makes sure that when a family comes to shop, everyone leaves happy.

The other bases for which IKEA segments their market in the lifestyles psychographic and benefit segmentation. IKEA targets people with a "do it yourself and save money doing it" kind of lifestyle. IKEA focuses on people with this lifestyle because they are the ones that are not going to mind traveling a little bit and assembling the furniture on their own in order to save some money. IKEA further segments the market through benefit segmentation. IKEA targets consumers who are looking to benefit from the value of the furniture. Customers greatly benefit from the value of the furniture because it is decent quality furniture for a very low price.

MARKETING MIX

IKEA has been so successful because of its unique marketing mix. IKEA appeals to a wide range of customers because of its extensive product line. IKEA offers over 9,500 different

home furnishing products so there is something for everyone.^x According to IKEA's website, "The IKEA product range is wide in several ways. First, it's wide in function: you'll find everything you need to furnish your home, from plants and living room furnishings to toys and whole kitchens. Second it's wide in style. The romantic at heart will find just as much as the minimalist. And finally, by being coordinated, the range is wide in function and style at the same time, and at all times. No matter which style you prefer, there is something for everyone."^{xi} IKEA's goal is to offer the widest range of products to accommodate all tastes, styles, and personalities.

Even though it's the variety of products that brings the customers to IKEA, it's their prices that keep them coming back. IKEA offers prices that are far below the competition because of their unique strategy. All of IKEA's furniture comes in flat boxes and customers must assemble it themselves once they get home. However, this ultimately benefits the customers because this is what allows IKEA to sell their furniture at unbelievably low prices. IKEA's website notes that, "Our flat-packs and our customers' willingness to assemble products themselves enable us to reduce labor, shipping and storage costs. IKEA designs furniture so that it can be packed unassembled. Ultimately, this means that we are able to offer our customers products at low prices."^{xii} IKEA's build-it-yourself strategy may seem like a customer turn off, but the prices just can't be ignored.

Since IKEA customers don't mind putting in a little extra effort to save some money, IKEA further develops this strategy by locating their stores in suburban areas. By not locating in urban areas, IKEA is able to save a lot of money on building expenses, which they can directly put towards lowering their prices even further. People are willing to go out of their way and drive to IKEA because they know their troubles will be compensated with the low prices of

IKEA's products. IKEA knows its customers want quality products at cheap prices, and they do just about everything they can to make this happen.

In order to keep its existing customers informed and attract new customers to the stores, IKEA takes part in a wide range of promotional strategies. IKEA runs TV commercials to let people know that they are having sales. They also have a yearly catalog that can be mailed to a customer or viewed online. However, since their catalog only comes out annually, IKEA developed a mailing and email newsletter that lets customers know in advance of special deals, news and events.^{xiii} IKEA also attracts new customers by putting coupons in local newspapers and online.^{xiv}

CONCLUSION

Even though IKEA—College Park does very well and even averages over 31,000 visitors a week, there are still some key areas where they could improve.^{xv} The first area where improvement should be made is in the quality of the products. It's great that their prices are cheap, but some of their products are just horrible quality. IKEA should do a better job with quality control because it will come back and hurt them if enough people have bad experiences with their products. Another key area where IKEA—College Park could improve on is their promotional strategy. They could attract a lot more customers if they did a more advertising on TV and other media outlets. IKEA doesn't really need to focus on price discount promotions because their prices are already so cheap. IKEA should use that money and work on improving the quality of some of their products. Also, an annual catalog just seems like it isn't going to cut it. People need to be reminded more often than once a year of the products that are in the store. A seasonal catalog would help remind people of the stores new products and just keep IKEA fresh in their minds.

Endnotes

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