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# The changing marketing orientation within the business model of an international retailer – IKEA in China over 10 years

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## ABSTRACT

The paper reports an interview-based study that considers market driving and market-driven activities within the disaggregated components of the business model. The empirical study is of IKEA in China over a 10 year period. Market orientation is considered as a position on a continuum rather than as binary positions. The components of the business model are developed from the Osterwalder and Pigneur structure. Over the study period, the balance between driven and driving orientations within components of the business model changed in multiple ways. This article's contribution is the illustration of disaggregating the market orientations of driven or driving activities and associating these with the particular components of the business model and so studying what happens to the driven-driving balance over time. The approach has wider applicability for attempts to understand the dynamics of international retailing.

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IKEA; China; business model;  
market orientation;  
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## Introduction

Retail internationalisation has been a major focus in the scholarly treatment of retailer strategy over the last 20–25 years (e.g., Alexander and Doherty, 2010; Burt et al. 2008; Burt, Johansson, and Thelander 2007, 2010, 2011a, 2011b; Chan, Finnegan, and Sternquist 2011; Dawson 1994, 2001, 2007; Dawson and Mukoyama 2014; Jonsson and Foss 2011; Lowe and Wrigley 2010; Pellegrini 1991; Salmon and Tordjman 1989; Swoboda and Elsner 2013; Swoboda, Berg, and Dabija 2014; Yu and Ramanathan 2012). In this research two features are evident. First, in common with other literature on international marketing (e.g., Gebrekidan, Hoc, and Syeda-Maosoooda 2019; Pavlinek and Smith 1998; Rao-Nicholson and Khan 2017; Schmid and Kotulla, 2011; Theodosiou and Leonidou 2003; Yanik and Midgley, 2019), a recurring theme has been the standardisation and adaption of activities in foreign markets with a dichotomous view relating standardisation and adaption to issues of the roles of head office and local operations. Secondly, despite internationalisation being recognized as a process taking place over many years, few studies, with the notable exception of Coe and Lee (2006, 2013) analyses of Tesco in Korea, explore

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the internal dynamics of the retailer over an extended time period, preferring either a cross-sectional approach or limited comparisons of individual events at specific points in time. Given the previous work, there is an opportunity to extend research to take a more nuanced view of standardisation and adaption, by relating it to the more dynamic market-driven and market-driving processes, within a framework of the long-term dynamics of the business model underpinning the internationalisation processes.

Despite the importance of the business model of the retailer to the success or otherwise of its international activity, there are few analyses of how, within this model, value is created for customers. Discussion has been undertaken more generally (e.g., Afuah, 2004; Amit and Zott 2001; Eriksson et al. 2008; Osterwalder and Pigneur 2010; Zott and Amit 2010; Zott, Amit, and Massa 2011) but there is limited research on business models in retailing (for an exception, see Haas 2019; Sandberg 2013; Sorescu et al. 2011; Yrjölä, 2014) and in international retailing (for an exception, see Burt, Johansson, and Dawson 2016, 2017). Within a consumer-facing and market-orientated industry, a retailer's business model has to address particular challenges in internationalisation. Such challenges can be formulated in business model terms along the following lines: will the value that has been delivered successfully to customers in the home market be created abroad or will an alternative orientation be needed to deliver value to the customers in the foreign market? Which routines and actions associated with the various components of the business model can be transferred and which have to be changed? And, how do processes change, in terms of the marketing orientation, as the retailer, over time, operates in the new market?

The adaption vs. standardisation and market orientation paradigms are linked (e.g., Kohli and Jaworski 1990; Narver and Slater 1990; Slater and Naver, 1994) but take a different perspective on the nature of the changes. Whilst the adaption vs. standardisation perspective focuses on the results of activities the marketing orientation is more related to the processes that generate the various activities. (e.g., Day 1994, 1999; Jaworski, Kohli, and Sahay 2000; Kumar 1997; Kumar, Scheer, and Kotler 2000). The marketing orientation paradigm with its focus on the processes and routines involved is useful to highlight the complexity and interactions of processes and can be considered at different levels of disaggregation and abstraction. Being market driven, in our context, means adopting processes that result in aspects of the retail business model being adapted to the local market and local tastes, while market driving means transferring, relatively unchanged, established processes and routines in the retailer's business model. This general market-driven – market-driving distinction has been explored in research on international retailing (Elg et al. 2011; Ghauri, Tarnovskaya, and Elg 2008; Tarnovskaya, Elg, and Burt 2008). This article's contribution is based on the need to disaggregate the driven or driving activities associated with the particular components of the business model and also studying what happens to the driven-driving balance over time.

We focus in this study on one retailer's activity in one market over an extended period. The research question addressed is: *How do the components of the retail business model and their marketing orientation perspectives change over time?*

The retailer in focus is IKEA, known not least for its alleged standardised and market-driving approach to home furnishing retailing around the globe. This article has a longitudinal perspective and builds on data collected concerning IKEA's business model in China on two occasions, one in the early 2000s (2005–2008) and the latter

with a focus on 2014–2017. IKEA was one of the first big-box retailers to enter the Chinese market. Data from the first period have previously been published (Burt, Johansson, and Thelander 2011a,b; Johansson and Thelander 2009) with a different focus (broad analyses of marketing strategy) and interviews have been recorded to create this longitudinal study of a major retailer's business model over time. Hereby, new knowledge is created on the development and evolution of a business model – and market orientation – over some 10 years.

The time period has been an important one in the development of the Chinese market, and provides important insights into how retail firms adapt or retain established processes. China, as a large, growing and changing market affected by significant trade liberalisation and institutional change, has been a major focus for research on different aspects of international retailing (e.g., Colla and Dupuis, 2002; Chung 2003; Goldman 2000, 2001; Hang and Goldley, 2009; Hendon 2008; Jia and Wang 2013; Siebers 2011; Tacconelli and Wrigley 2009; Zang and Wei 2015; Zhuang 2013). None of these studies has explored integrating the concepts we use to gain understanding of the changes undertaken by a large retailer over an extended period operating in a foreign market.

The paper comprises four sections. First, we review relevant studies within the business model and marketing orientation literature and present the business model framework within which we evaluate market orientation processes. The research method is then described. The results of interviews that relate changes in marketing orientation to the several stages of the business model then follow. A final section discusses the results and indicates potential areas for future study.

## **Theoretical framework**

To understand the dynamic nature of a retailer's internationalisation we apply an approach that combines a business model framework with the components considered through the lens of marketing orientation. This framework enables disaggregation of the market driving-market driven activities across the business model. By considering the components of the business model we can identify whether the retailer seeks to change market conditions to create a new market in order to exploit specific firm advantages (market driving) or to adjust the business model in order to adapt and respond to market conditions (market driven). The combined framework provides an approach that allows us to structure and analyse the dynamics and change in international retailer practices over time.

### ***Business models***

The concept of a business model provides a framework to capture and structure the complexity of the methods for value creation in a firm. Since the early 2000s, analysis of business models has become an established theme within research on strategy and has a substantial literature (e.g., Amit and Zott 2001; Baden-Fuller and Morgan 2010; Casadesus-Masanell and Ricart 2010; Chesbrough 2009; Hedman and Kalling 2003; Johnson, Christensen, and Kagermann 2008; Magretta 2002; Markides and Charitou 2004; Richardson 2008; Shafer, Smith, and Linder 2005; Smith, Binns, and Tushman 2010; Teese, 2010; Yip 2004; Zott and Amit 2008, 2010; Zott, Amit, and Massa 2011).

Despite the large number of studies, relatively few address the conceptualisation of the business model beyond a general definition identifying and characterising the elements involved. For the business model to be used as an analytical tool, there is a need to specify the constituents of the model – its concepts, variables, internal and external relationships and particularly its various dynamics – and to apply these in an empirical context. Sorescu et al. (2011) conclude that there is no commonly accepted definition of a business model but, drawing on Zott and Amit (2010), they suggest:

*A business model is a well-specified system of interdependent structures, activities, and processes that serves as a firm's organizing logic for value creation (for its customers) and value appropriation (for itself and its partners). (p 4)*

Amit and Zott (2002) suggest similarly, but from a market-driven perspective, that:

*[...] a business model is a bundle of specific activities — an activity system — conducted to satisfy the perceived needs of the market, along with the specification of which parties (a company or its partners) conduct which activities, and how these activities are linked to each other. (p 18)*

Central in both, as in other definitions of business models (e.g., Osterwalder and Pigneur 2010), is that the business model aims to capture how an organisation creates or captures customer value, and how interdependent activities in the organisation are organised to create value. In one of the few studies of retailer business models, Cao (2014) argues that a business model should include at least three essential value-based premises: a value proposition, how value creation and delivery is performed, and value appropriation, particularly from innovation, but says little about the nature of the processes that link these aspects of value. Trkman, Budler, and Groznik (2015), addressing business models from a supply chain perspective, see products, partners/suppliers, employees, customers and processes as different parts of a business model, all in the context of what they call business environment. Osterwalder and Pigneur (2010, see also Osterwalder et al, 2005, 2014), discussing new types of business models, conceptualise a business model in a more nuanced way as comprised of nine different, interdependent parts; value proposition, relationship (to customers), customer segment, channels (of communication), revenues, key resources, key activities, key partners and costs. This conceptualisation of a business model has been applied in the retail context (Burt, Johansson, and Dawson 2016).

Chesbrough and Rosenbloom (2010) suggest similar components as Osterwalder and Pigneur but add the structure of the value chain required to create and distribute the offering and complementary assets needed to support the competitive strategy of the firm. While the relationships in the chain are encompassed by key activities and key resources in Osterwalder et al. (2005; 2014), competitive strategy is an addition. Our view is that strategy is the result of the business model, not part of the business model (e.g., Casadesus-Masanell and Ricart 2010; Teece 2010). Sorescu et al (2011, p 85–86) specifically focus on retail business models, and argue that a business model for a retail firm incorporates three components: retailing format; i.e., specific structures of organizing the retailing activities into coherent processes that provide the customer experience, retailing activities; acquiring, stocking, displaying and exchanging goods and services that fulfill the customer experience and finally retailing governance; the actors involved in creating and delivering customer experiences, as well as the mechanisms (such as

contract and incentive systems) that motivate these actors to carry out their roles in fulfilling the customer experience. This is useful but we feel more disaggregation of the model is required to fully understand the dynamic aspects.

Clearly, there are similarities among these conceptualisations of a business model but a notable absence is any consideration of the dynamics of the development of the model. Most authors seem to agree that within a business model's conceptualisation there is a 'front' – customer facing – element including the offer as well as the target groups of customers and interactions with them. Secondly, there are elements to denote the resources and activities necessary to produce the value offer. Finally, most authors also recognise that governance processes exist, to determine which parts of the business model are executed inside or outside the firm. This threefold division is useful and provides a basis on which to explore more disaggregation. Developing this earlier work, particularly that of Osterwalder and Pigneur (2010) we define the key components of a business model as:

- (1) a customer facing value proposition, which describes the offer in terms of products and services and also what is to be gained (or avoided) by customers through the products and services sold.
- (2) a range of relationships with customers which can range from being very close, engaged and personal to impersonal and distant.
- (3) channels of communication which are the different ways the firm tries to reach the customer at various stages in the total customer buying process.
- (4) different customer segments of the target market to which the value proposition, customer relationships and communication efforts are aimed.
- (5) governance arrangements which control resource allocations across functions with potentially multiple governance forms and actors involved.
- (6) key resources including human capital, knowledge, physical assets for example stores and inventory, and protected know-how, for example, brands, merchandising concepts, training programmes, etc.
- (7) key activities which deliver the business model and the promise(s) set out in the customer-facing side.

Revenue and cost components are included in several business model frameworks, but are not considered here as we view them as an outcome or financial expression of the business model. The focus in this article is not the financial end result of a business model but rather the parts that express the offer to the market, how that offer comes across and how it is produced by company activities, resources and partners.

### **Market orientation**

The concept of market orientation has a long pedigree of antecedents (Pfeffer 1978; Zeithaml and Zeithaml 1984). The concept became more central to marketing strategy through Kohli and Jaworski (1990), Narver and Slater (1990) and Jaworski and Kohli (1993). While the emphases of subsequent work differed somewhat, the core theme remained as the firm's ability to gather and manage market intelligence, and use it internally in the firm. Slater and Narver (1994) extended the concept to make a clear distinction between

a market-driven orientation, in which the firm responded to market conditions, and a market-driving orientation, in which firms created and changed the market. Subsequent studies (e.g. Kumar, Scheer, and Kotler 2000; Day 1999; Jaworski, Kohli, and Sahay 2000; Kumar 1997) refined the distinction between the two orientations, and explored their role in shaping marketing strategy. Market-driven behaviour reflects the core marketing responsiveness concept of listening to customer demands and then responding, whilst the active market-driving behaviour requires a different strategic approach and exploits the malleability of the market. Jaworski, Kohli, and Sahay (2000) explain the difference by pointing to market-driven behaviour taking market structure as well as market behaviour as given, while market driving seeks to influence and shape market structure as well as market behaviour. Kumar et al (2000, p 132) argue that market-driving firms share certain common features, claiming they are:

- guided by vision rather than traditional market research
- characterized by radical innovation rather than incremental innovation
- managing sales growth through customer education
- changing the game by destroying industry segmentation and channel configuration

Many of these discussions on the contrast between market-driving and market-driven orientations suggest the distinction is binary. We suggest that, for the current study, the contrast can more usefully be seen as a continuum between two, possibly, extreme positions. This becomes evident when we disaggregate the actions to which these orientations apply. Additionally, there can be fluidity in this continuum with changes in the actions of the firms as they change their policies. Specific actions can become increasingly or decreasingly market driving or driven.

Several empirical studies have used a market-driving/market-driven framework with some exploring the concepts in a retail context (e.g. Beverland, Ewing, and Matanda 2006; Ghauri, Tarnovskaya, and Elg 2008; Hills and Bartkus 2007; Hills and Sarin, 2003; Elg et al. 2011; Schindehutte et al, 2008; Tarnovskaya 2007; Tarnovskaya, Elg, and Burt 2008; Tuominen, Rajala, and Möller 2004). One general conclusion from this retail-specific empirical work is that market-driving strategies seem to be an efficient way of getting a foothold in foreign markets, especially markets where the type of market-driving retailing in question is a new addition to the market place. From studies cited above, it seems clear that a market-driving strategy can help restructure existing consumer markets and, for example, develop a more efficient supplier network as a part of its market-driving strategy (Elg et al. 2011; Ghauri, Tarnovskaya, and Elg 2008). Through working with a market-driving brand strategy, a retail firm can influence the actions of internal stakeholders as well as relationships with external stakeholders, and influence and drive local market level activities (Tarnovskaya, Elg, and Burt 2008). In contrast, international marketing has long argued for the need to adapt and embed market strategies when entering and trying to establish a position in new foreign markets. The emphasis is on the need to become 'local' rather than thinking what works on the home market can be replicated through an essentially market-driven approach. Most studies generally take a holistic view of either approach with firms being market-driven or market -driving across all aspects of their business model.



Much of the research literature on business models and the market-driven/market-driving orientation is cross-sectional in its approach. In respect of both these streams of literature, the nature of change is frequently lacking. In order to understand the ways that the business model and marketing orientation change, the inter-connections between these two conceptual streams require study. It has been suggested that market-driving and market-driven perspectives are related to the degree to which a firm is established in the market, with a change to these perceptions taking place as the firm becomes more embedded in the market. If this is the case, then the business model will similarly evolve to accommodate the changed market orientation perspective, but in turn changes in the business model will reflect back into the change in market orientation. The absence of studies on the nature of change is clearly a problem, as it impedes a deeper understanding of market orientation and business model performance, not least because individual firms are at different points in their evolving relationship with the market. The focus on considering the business model and market orientation holistically also generates problems for a deeper understanding of market relationships. Whilst different aspects of the business model are likely to exhibit different degrees of driving and driven behaviour, different marketing activities and resource configurations also are used as tools for market-driving or market-driven activity.

## Research method

Through in-depth longitudinal case study research (Pettigrew 1990; Yin 2013), it is possible to generate unique insights into the complexity of business model and market orientation development over time. In our empirical investigation, we present a structured attempt to capture IKEA's development in the Chinese market longitudinally, as a process of change over the 10 years from 2006 to 2017. Guided by our research question – how do the components of the retail business model and market orientation perspective change over time? – we use the framework discussed above that combines research on business models and research on marketing orientation, to frame our analysis of IKEA's approach to the Chinese market over this decade.

IKEA was considered a suitable case, since previous studies of the firm have shown it to have a clear approach to business model principles and its market orientation has been widely discussed (e.g., Ghuari et al. 2008; Elg et al. 2011; Tarnovskaya 2007; Tarnovskaya, Elg, and Burt 2008). We limit the study to the activities of IKEA in a single market, China, because this market has been subjected to substantial change in the 20 years since IKEA entered. Wang (2014) and Siebers (2011) point to relaxations of the tight state control over foreign retailers around 2004 that provides us with a reference year from which change can be assessed. A further reason for the research design is the long-standing co-operation of IKEA with members of the research group, which has regularly allowed frequent high-level access to executives and company documentation. In addition, tacit knowledge has been acquired during previous research projects.

This paper is based on data collected during interview programs in 2005–2008 and 2014–2017 (appendix 1) with other informal interviews in intervening years. Data collection methods for 2005–2008 and analysis were reported in previous publications (Burt, Johansson, and Thelander 2011a,b; Johansson and Thelander 2009). As those publications had a different focus (marketing strategies of an international retailer) data from these



articles have been re-coded to fit the current analysis of a retailer's business model. The data generated in 2005–2008 were broad enough to make re-coding possible. It encompassed primary data (interviews with some 10 managers at IKEA, see Appendix 1 for details on which job functions were interviewed), secondary data, both the type found in business and trade journals, but also internal documents from the retailer in question. Observation studies of stores were also completed and are included in the data material. These data provide a reference point for the follow-up study of 2014–2017, and can be said to represent the situation in China with regards to IKEA around 2006.

The data collected in 2014–2017, to create the later reference point in the longitudinal study, reflects IKEA in China in 2016. This data included, as in the initial study, data from different sources. The primary data source was 14 interviews, with senior (global) managers at IKEA in Sweden and with managers in China (11 persons in total as a couple of informants were interviewed more than once). During fieldwork in China, stores were visited regularly, to observe merchandising, store layout and customer interactions, and as with the data collected in 2005–2008, secondary data was also collected. This included data from business and trade press but also a number of key internal company documents.

Using data from different sources makes it possible to triangulate data (Miles and Huberman 1994; Silverman 2006), i.e., having multiple datapoints for different areas of study. This in itself ensures higher validity than if only one type of data was used.

In the 2005–2008 interviews (which also included interviews with both global managers based in Sweden and managers responsible for different aspects of the business in China), the main focus was on IKEA's 'marketing strategies' in China. For the current paper, this data needed to be re-coded to capture the different aspects of the business model. As the data collection was relatively broad – and as secondary data also existed – it was possible to re-code the data.

In the interviews in 2014–2017, we also adopted a broad approach. We started with open and general overview questions with regards to the IKEA business in general and then the business in Asia and more specifically China. We then focused more specifically on the different parts of a business model as well as aspects of market orientation. The interviews conducted in China included both strategic management (country manager, retail manager etc.) and operational management (PR manager, marketing manager, store managers etc.) with detailed knowledge of IKEA's current marketing strategies. Interviews were conducted in Swedish and in English. All interviews – both from 2005 to 2008 and from 2014 to 2017 were transcribed. The specific quotations in this paper are drawn from interviews in 2014–17.

With regard to the analysis of the data, we were – as is often the case in qualitative studies – looking for patterns. The different areas and variables in the framework (for example, around business model; value proposition, relationships, channels, customer segments, etc.) were taken as the starting point. King's (2007) template analysis was applied to the interviews. We coded relevant mentions relating to different concepts in the framework. Key words and phrases/expressions were used to facilitate the coding (mentions of customer and areas relating to customers were coded as being about customer segments but could also relate to other parts of the business model, e.g., customer relationships, value proposition, etc.). Our approach can best be described as a process that is iterative in nature, with a constant moving back and forth between data

and theory (Bryman and Bell 2015). This is often an abductive approach, which is well suited to explorative studies. Previous research is used as a starting point that is then combined with emerging patterns during the analysis (Dubois and Gadde, 2002).

## Business model dynamics

By 2018, IKEA's annual turnover had reached €38.8 billion from 422 stores worldwide, including those operated by franchisees. The international expansion of IKEA began in 1963, but increased substantially in the 1970s and 1980s. The business idea that has consistently driven the firm has been to offer affordable home furnishings at prices that allow as many people as possible to afford them. Availability through low prices is the core of the company's business idea. IKEA had been sourcing products in China from the early 1970s and opened stores in Shanghai and Beijing in 1998. By the end of 2006, IKEA had four stores in China, the original Shanghai and Beijing stores having been remodeled and extended to reflect the 'standard' IKEA format and new stores opened in Chengdu and Guangzhou. At this time, Shanghai was becoming IKEA's main hub in the Asian market, particularly important with the pending re-entry into the Japanese market. By 2016, IKEA had grown its presence in China significantly, to 20 stores, including a pick up and order outlet in Wenzhou serviced from the Ningbo store, and with a seemingly stable growth rate of 2–3 new stores per year. Although stores were still concentrated in the metropolitan areas along the east coast and in the north, a few stores had been established in central China. With the substantial growth of the Chinese middle-class, the home-furnishing market had grown and matured. Our analysis of the business model of IKEA in China around 2006 and 2016 is structured using our theoretical framework.

## Value proposition

Initially in China IKEA was offering a value proposition that constituted something completely new in the market. The offering in the early years was basically the same as in all other IKEA markets. For Chinese consumers, the proposition contained a substantive market-driving aspect in that IKEA was presenting an offering to the market, rather than responding to consumer voices, expressed through the established corporate statement;

*IKEA offers a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible can afford to buy them. (IKEA.com)*

The underlying market-driving value proposition of IKEA in China is essentially the same in 2006 and 2016. By 2016, however, there is evidence of market-driven trends. Services had become increasingly important in the offering providing one example of how IKEA needed to adapt to the new market. Home delivery was in its infancy in 2006, but by 2016 was as high as 60% for furniture in stores in 1<sup>st</sup> tier cities. Several services have been added; home delivery, home assembly, removal and replacement of old kitchens and wall mounting services in a market unfamiliar with the concepts of self-assembly and DIY.

Whilst service provision can be seen as a market-driven adjustment, the assortment strategy has remained market driving through Scandinavian (non-Chinese) design but tactically the detail of product ranges has market-driven adjustments.

*It is our goal to be leader in providing a good life at home. Our value position on the market is to make the life better for our customers . . . And this means that we have to open up and listen to the market also, what do they need, not just provide our own solutions. (Region Manager IKEA Group Asia 2016)*

China followed the global IKEA category structure on assortment range; a base assortment, a selected range and a market-specific local range. Market-driven changes were made because apartments in Shanghai, being much smaller than the average European apartment, meant that some of the bigger wardrobes, beds, kitchen fittings, and sofas were not part of the assortment. In addition, the product range needed to reflect special Chinese rooms like the balcony, which is often used as an extra living room or storage room. For China, the local range by 2016 contained about 500 products, mostly in kitchenware (e.g., chopsticks, cooking utensils, steamers, bowls, containers for products that are bought in bulk and stored at home) but also in beds (same sizes as European beds but harder mattresses and harder and higher pillows). By 2016, merchandise ranges showed more local adaption compared with 2006. The part of the assortment that can be adapted for local markets has grown to around 6–7% in China. Senior managers interviewed in the Chinese IKEA head office envisage further adaption ahead with an increasing need to localise the range available in the market hall.

*Adaption of range has increased but we need a more relevant range for example in market hall. Because the Chinese has like 12 different bowls, one bowl is for rice, one bowl is for pickles, one bowl is for soup, the other one is for hot beverages. And they are different. They have different sizes, different shapes, and we, Ikea, are very ignorant giving them the same size and shape of bowl in six different colors and patterns. We are not respecting, for whatever reason, their rice bowls need to be different. (Marketing Manager IKEA Group China, 2016)*

The location of the stores in China is typically closer to core metropolitan nodes and public transport complexes than the edge-of-town destination big boxes found in Europe and the US. The initial focus in 2006 was to establish stores in areas (and cities) where there was a potential for substantial population growth. The potential to drive the market was believed to be more likely in areas of rapid population growth. In Shanghai, IKEA established two more stores during the review period, one in a similar location to the first store (closer to city centre than 'normal' IKEA stores) and the second one on the outskirts of the city (on the way to Pudong airport), in an area where the population is expected to increase rapidly.

*The Pudong store is probably further out than our other stores in Shanghai, but on the other hand, you can also see that it's also an area with a lot of residential development. As the city grows, a lot of people are moving out to that area. But it is not really highly accessible now by public transport but probably will be as more people move there. (Market Intelligence Manager IKEA Group China, 2016)*

Whilst store location has reflected a market-driving approach, the in-store configuration has been adapted over time and reflects market-driven changes. The shopper is still met by room settings, but designed to be relevant for Chinese consumers. While the balcony as a living space was part of the room plan in 2006, the hallway had been added by 2016. In many Chinese homes, the hallway is a narrow corridor that is difficult to use as effective space. IKEA tries to help furnish that space and shows examples in the room settings.

*The difference in store set-up between general IKEA store and store in IKEA China is mainly that the hallway – which in many Chinese homes is not a square but a corridor that is difficult to do anything really good with – and the balcony is additions in focus. These are furnished, showing how IKEA furniture can make better use of these for many Chinese important spaces. (Country Manager IKEA Group China, 2016)*

A further market-driven change in the store configuration is a smaller self-service area, which is an adjustment to higher real estate prices in China (and higher productivity of store space) as well as reflecting the proportion of customers who opt for home delivery. Another difference in merchandising by 2016 was the increased price-focus throughout the store, with clearer signalling of price and more total price solutions for products displayed in a given setting. Increased space had also been allocated to the restaurants with more seating and a more prominent featuring of the food offer.

The philosophy underpinning the IKEA value proposition remained consistent over the 10 year period; market driving the standardized IKEA concept has remained the strategic overarching focus. Operational processes and implementation routines to deliver the value proposition, however, have changed in several ways including a change in the role of services, and changes in the use of space in merchandising designs and room settings. These reflect aspects of adaption of the core value proposition linked to introducing a more market-driven tactical orientation over time.

### **Customer relationships**

The relationship of customers to IKEA in China is similar to the rest of the IKEA world, being essentially through a market-driving store format with IKEA customers required to participate in self-service, learning and understanding the logic of the store. With room settings on the first floor, and the market hall and self-service pick-up area on the ground floor before the checkouts, the store format demands that customers, as IKEA phrase it, '*do their part*', whilst IKEA's part is providing the total offering, involving unique design and low prices. The customer relationship in the store context means customers have to navigate the store on their own, understand how to pick things up and carry them around the store until finally paying at the checkouts. Even before 2006, IKEA had recognised that they needed to be more market driven with more support for Chinese customers throughout the store visit, with additional store staff compared to other markets and by offering different services like home delivery and home assembly. An IKEA manager commented in an interview in 2005:

*[...] a middleclass Chinese does not own a screwdriver or have any experience, or urge, to carry around and assemble big furniture. Here, you always buy that service if you have the money. (Country Manager IKEA China, 2005)*

Before IKEA started to offer additional services to its Chinese customers, the entrepreneurial spirit of the Chinese resulted in chauffeurs and handymen flocking to the store to offer their services. The rigidity of the initial market-driving customer relationships generated the opportunity for these externally supplied services, which were only later taken in-house as a market-driven change.

The customer relationship element of the IKEA business model of 2016 shows that while there are more services and more staff in the stores compared to IKEA stores in

other markets, the underlying customer relationships remain the same; IKEA's stores are driven by the principle of self-service. Visitor numbers have always been high in Asian countries, and IKEA China is no exception. Despite increasing the number of staff per store, the staffing level per visitor remains lower than in Europe and the US due to high visitor numbers. The introduction of the IKEA Family scheme, which now has approximately 10 million members in China, is also an indication of a closer relationship between IKEA and its customers, although market-driving mass-customisation is still the basis of the business model in China.

*We probably have more staff in the stores in China than in, for example, Europe but we also benchmark the productivity on the global level. Of course in general, China productivity is low, that is one of the reasons we need to have more visitors in the store. But what we also, and particularly this store, what we try to do is, of course when we are looking at our productivities also looking at when and where our visitors are coming. Then we try to match at least those patterns, particularly comparing between weekdays and weekends.* (Store manager, IKEA Group China, 2016)

Cultural issues still remain within the workforce with efforts to encourage Chinese staff to engage for fully with customers in a market-driven way:

*We are trying to work with our co-workers in the stores to be more active viz a viz customers: do you need help? Do you have some questions? And we are investing a lot in training for co-workers at store level to achieve this. They need to be more active and do selling, active selling, in the storage systems, living room storage systems etc. We are investing in kitchen planners and also we call it greeters, in the kitchen room settings.* (Deputy Country Manager IKEA Group China, 2016).

Over the decade, a new aspect to the relationship between customers and IKEA has emerged namely a digitally facilitated relationship. Whilst the store-based relationship remains strong it has been supplemented by online activity that helps strengthen the store-based relationship.

*IKEA is now working on many channels with communication to the customer; catalogue, on-line media, on-line TV (YouTube type) commercials, web etc etc. Still, the store is the main medium as there is a need to build home furnishing interest and competence. That is best done in the store.* (PR and External Communication Manager IKEA Group China, 2016)

The customer relationship component of the core business model has remained essentially a market-driving one. The additional services constitute a necessary adaption and have been added over the period of the study to support the underlying relationship. The market-driving approach to customer relationships is such a central tenet of the IKEA model that has remained a standardised feature despite the massive cultural difference in consumer values between China and Scandinavia. The market-driven adaptations are modest and supportive of the underlying driving nature of the relationship.

### **Channels of communication**

The different channels of communication employed to build the customer base were initially those in the IKEA manual that summarizes a market-driving approach; the store, the advertisements (with adaption to fit the tone of voice in the market) and the catalogue. As discussed above, the stores in China were initially merchandised in the

same way as elsewhere but by 2006, due to customer demands and high visitor numbers, additional staff were introduced and services began to be added. Local advertisements in 2006 were designed to create an interest in the home and home furnishings and focused on making small changes (rather than major changes to the home and lifestyle). The local advertisements sought to educate consumers about IKEA values and to create a market for the IKEA value proposition and as such could be regarded as a market-driving tool although inevitably execution was driven by local culture. For decades, the IKEA catalogue has been the major cornerstone of IKEA's communication activities. In 2006, IKEA's market-driving policy was that the catalogue should be delivered to the PMA (primary market area), which for the Shanghai store meant over a million people. It turned out to be very difficult to implement this policy, as homes in Shanghai either did not have postboxes that were big enough to accept the catalogue, or were not regularly checked by the resident. This was recognized quickly as a problem and the catalogue was only sent to parts of the PMA, and handed out in the stores. Brochures, reminiscent of the catalogue but smaller in size and suited to the Chinese market, were created as a market-driven solution.

Until 2006, IKEA had always been very analogue in terms of communication channels, and the use of the Internet for communication purposes was lagging in all markets. But with the launch into the very digital and Internet-prone Japanese market, IKEA realized that it needed to explore web communication in China. Not least because for the young target customer that IKEA had come to serve in the Chinese market, the web was an important information source with market-driving potential. IKEA also realized that it could use the web to prepare Chinese customers for the store visit; explaining how the store was set up, what was sold at the store and not least how it was sold (self-service with added services).

By 2006 it was clear that the catalogue was not the optimal (marketing) instrument in the Chinese market so new approaches were necessary. By 2016, distribution of the catalogue was increasingly described as 'a struggle' by managers and it was recognised that it was not an effective communications tool. The catalogue does, however, contain home furnishing ideas and suggestions, so it is still seen as a tool to build interest in home furnishings and develop the market. The Chinese version of the catalogue was increasingly adapted for the market; it was more 'functional' containing more pictures and explanations of things that might be taken for granted in markets with a higher level of interest and knowledge in home furnishing. Various experiments, including more frequent production (5 per year) were tested to allow wider distribution and greater scope for in year price adjustments. Consequently, the value of the catalogue has become widely questioned by managers.

*A global catalogue is not relevant to us in this market. There are two other important jobs relating to the catalogue from a Chinese perspective and that is to secure distribution (which is very difficult). And the other challenge is the copywriting. That we have to deliver the right wordings or use IKEA tone of voice to say certain sayings in the catalogue. But I have to say, sometimes the global version with English expressions is a little bit abstract. (PR and External Communication Manager IKEA Group China, 2016)*

*Well the catalogue has been on and off, it is not really something that fits the Asia market generally anymore. . . . . for some time in China we did a smaller one (four edits in a year, also*

*an adaptation to a more changing market), but we have since left that version ... digital is taking over.* (Region Manager IKEA Group Asia, 2016)

Over the decade, IKEA increased the number of communication channels used to reach the customer: catalogue, on-line media, on-line TV (YouQue), web, etc., as the customer market in China, as elsewhere in the world, moved towards different channels to shop and to get information about products and companies. As in other IKEA markets, social media and third-party sites for furnishing products are increasing and the demand for e-commerce is also growing.

*Of the marketing/promotion tools IKEA China use most of the traditional IKEA tools, including IKEA Family and the catalogue. The latter is useful but there are other more useful tools, the catalogue builds home furnishing interest and inspiration but can not be used in the PMA the way that central IKEA prescribes, it just does not work. The web, on-line TV, social media etc through phone are increasing in importance.* (Country Manager IKEA Group China, 2016)

*By 2018 e-commerce will be possible. This is a big frustration point as it is more than 2 years away and the market is moving so fast towards on-line that IKEA risks being left behind. The stores will still be the main point but being able to also offer other alternatives is very important to not be left behind. 2018 is to far away, IKEA China needs to do something faster than that.* (Country Manager IKEA Group China, 2016)

Whilst by 2016 IKEA's main communication channel activity remained based on the catalogue and new stores, with these two continuing as the market-driving channels, several new communication channels had been introduced over the previous decade. The use of the complete catalogue as a market-driving mechanism had been reduced, as new channels were introduced with some being market-driven responses but also some of the new digital channels were starting to be used as market-driving tools.

### **Customer segments**

In 1998 few foreign retailers operated in China. Ingvar Kamprad wanted to enter China earlier, due to 'the many people' in the Chinese market with low incomes. Whilst initially targeting the whole consumer market, IKEA realized by 2006 that due to low disposable incomes, most consumers could not afford to buy anything in the store. Although IKEA lowered its prices after the initial launch, the prices still did not fit with the original value proposition. With low local production costs and an ability to copy designs a 'low price' proposition was unobtainable in China. Additionally, Western products and brands carried a certain kudos so prices were expected to be higher than in the local market. Consequently, the target consumer segment changed from 'the many people' to a smaller high-end segment; well-educated, 25–35-year-old consumers living in or close to the major cities with stores – Shanghai and Beijing at this time. These consumers were often those born under the One Child policy, sometimes labeled as 'the little emperors' due to parental indulgence of their only child. For this target customer, interest in home furnishing was driven by the 'event' of moving into a new home, not by self-expression through exploring home design ideas to create aspirational, rather than functional, homes.

By 2016, the core customer segment was still aged 25–35 with a household income well above average. Most customers were couples, with or without a small child, and



increasingly the core customer in this target group was female. Even for this target customer, the home-furnishing interest is still primarily driven by new home or changing home events, rather than by ongoing renovations and refurbishments. Also, as IKEA has opened a significant number of stores in China since 2006, the geographical market has expanded from the more cosmopolitan 1st tier cities like Shanghai and Beijing to include some large second 2nd tier provincial capitals and coastal cities, such as Tianjin, Chongqing, Chengdu, Wuhan, and Xiamen.

*The income segment for IKEA is really clear, we have a highly emerging middle class, being quite affluent, so we are saying that everyone underneath 2000 RMB per month, will not buy home furnishing at the moment. . . . . Chinese customers do not believe in this democratic brand thing, as western people. So we have to say in China, if you want to be for everyone, you are for no one.* (Marketing Manager IKEA Group China, 2016)

The target market, whilst becoming larger due to store openings and a wider geographical reach, has not changed fundamentally over the decade but implementation makes it different from the espoused corporate target of IKEA. There has been a market-driven response in China to accept the reality of income levels and cultural aspects of lifestyle resulting in a more constrained target market, driven by different motivations and attitudes to home furnishings than in the west.

### **Governance arrangements**

IKEA has always sought to control the brand all the way from sourcing to the customer carrying product out of the store (Dahlvig 2012). IKEA's model of retail operations governance is to operate under franchise from Inter IKEA Systems B.V. The largest franchisee is INGKA Group (often referred to as IKEA Group), operating around 80% of stores worldwide. Control of the brand is central in IKEA's business model; products are developed in-house, distributed around the world by IKEA owned purchasing organizations using IKEA's global supply chain, sold through IKEA branded stores and all products (except food products before 2010) carry the IKEA brand. The need to provide additional services in the Chinese stores required the involvement of third-party suppliers for home delivery, assembly, etc. But in 2006, most activities in IKEA China were operated under the governance of the IKEA Group. Thus, governance was for the most part within the IKEA Group but third-party service providers were being invited to help deliver services and support. This trend started before 2006 and has continued albeit relatively slowly. Control of the brand generates a consistency in the governance processes over to the 2006–16 period with the brand itself remaining a strong market-driving factor.

Control has been maintained over the supply chain. The supply chain was a challenge on entering China, as products had to be imported from Europe and elsewhere and were subject to heavy import duties. By 2006, IKEA had turned around the supply chain and about 70% of product was sourced from Chinese suppliers (unique in the IKEA world). By 2016 however, IKEA China mirrored the 'normal' IKEA supply chain and local sourcing had decreased to 40% and some Chinese suppliers had entered the IKEA global supply network. The need for local sourcing to ensure low prices and availability, essential in the early years in China, was now less important. General price decreases, for example, the price of Billy bookcase has halved over the decade, owing to work on the supply chain in

other locations, and Chinese price rises due to increased costs, have contributed to this situation. IKEA of Sweden (IOS), the product development organisation within IKEA, has opened a development facility in Shanghai. This helps with product development for the Chinese market but also contributes to the whole IKEA group developing products in China that can later be produced in other markets across the world. China has changed from being the exception, in having local sourcing, to being a normal part of the general IKEA global supply chain.

Initial market-driven moves to increase local sourcing in the immediate post entry period have been reversed and market-driving activity has increased with more standardised processes and routines introduced over the 2006–16 period. This has reduced the market-driven aspect of supply chain processes in China in favour of the market-driving approach evident across IKEA global supply chains.

### **Key Resources**

From a key resource perspective, as in all markets the main resources are the store, the merchandise and the people. The dependence on these three resources has not changed, but the nature and exploitation of the resources has changed substantially. The store, with its unique look, layout and merchandise, was key to making an initial impact with the target group. Over time, as noted above, some adaptations to store layout have been made to reflect local market expectations and behaviours. In 2006, the IKEA merchandise was a major key resource as Western and Scandinavian design was new to many of the target consumers. As the customer moved towards new channels in search of information on products so IKEA responded with more products designed for the China market. There is also increasing competition in the Chinese market, making the merchandise offer less unique than before and more open to price competition.

In respect to human resources, IKEA has a flat company culture with an emphasis on employees taking responsibility and showing initiative. This resulted in problems in the immediate post-entry period and was still considered a problem in 2006. Interviewees commented that Chinese culture did not emphasize these characteristics, but was constructed around a hierarchical structure and focused on executing instructions. Initially, all main positions at the Chinese IKEA office were held by managers from the 'old' IKEA world; Sweden, Germany, and the UK. By 2016 almost all key positions, including store management, were filled with Chinese professionals, who were able to adapt to the IKEA organizational culture alongside local culture and traditions. With around 2,000 new employees required each year in order to meet the store target of 30 by 2020 it has become essential to have some adaptations to Chinese workplace lifestyles.

*In Harbin we opened a year and a half ago and the people that opened that store have been training at other stores but they were recruited from Harbin because they are going to work there eventually when we open the store there. We want the local talent, the local knowledge, we do not believe in the expats system other than for some exceptions at service office. If the competence is available in China, we get it from here. (Region Manager IKEA Group Asia, 2016)*

*Recruiting the right people is still a big challenge in China. Competences is a big challenge, home furnishing interest, and coworkers a big challenge, (Marketing Manager IKEA Group China, 2016)*

*where (do) we find people who are educated, who are smart but also willing to be down to earth and take the step, and work with normal people, work with customers, work with the details. So I think that is one of the challenges* (PR and External Communication Manager IKEA Group China, 2016)

The three key resources (store, merchandise, people) underpin the market-driving philosophy but the use of these resources has become slowly more market-driven as IKEA has expanded within China and resource management has become gradually adapted to the Chinese market. The market-driving philosophy remains but is being tempered by operational necessity.

### **Key activities**

The objectives of IKEA identified in the 2006 research remained in 2016, but implementation has changed. The objectives are those of any retailer: attracting customers to the store, getting them to shop, taking care of them and making sure they come back. However, the key activities to meet these objectives have changed over the decade. Several key activities were stimulated by what the IKEA interviewees considered as a lack of Chinese consumer interest in home furnishings – which needed to be encouraged for IKEA to be successful in the long run. Activities in store and on the web tried to create and nurture this interest. Key activities were very much about finding the right channels and the right message for the target group in China. A web presence needed to be initiated and developed, and the catalogue made into something that could work in the Chinese market. IKEA's positioning was less about price (unlike in most IKEA markets), and more about making a new home. Initially, building local supply chain relationships was essential in order to control costs and have affordable prices.

Observing the position in 2016, key activities have changed. As the Chinese market matures, greater use is made of traditional market research methods, i.e., listening to and building on market data, to adjust the customer offer. This entails the targeting of important customer groups and segments, attempts to understand what their interests are, what media they use and what their incomes and behaviours are, etc. The emerging focus is on new as well as old channels. As the message, compared to 2006, is now more about price competition (as market competition has increased), the methods to communicate the best offer and the best deals for the target groups becomes more important. Another key activity is managing information dissemination to an increasingly digital and demanding customer.

With consumers becoming more conversant with how IKEA operates, market-driving activity in the key activities has been less apparent. At the same time, however, market driving through the use of digital media has increased in importance thus changing the nature of market-driving activities. Additionally, the employment of more marketing research methods has enabled IKEA to become more market driven through traditional targeted market segmentation approaches.

### **The business models of 2006 and 2016**

IKEA is often reputed to be an exemplar of a global retailer that is market-driving through a strong vision and business idea, yet there was an immediate post-entry need to change

or adapt some of the 'standard' elements of the IKEA business model to local conditions in order to get a foothold in the market. Whilst the focus on *'the many people'* with low priced yet good quality products, is still a strong value within IKEA, in the case of China, adjustments to the original vision had to be made, making it more market-driven rather than market-driving.

The launch of the 'big blue and yellow box' was undoubtedly market-driving in 1998, and was still so in 2006. But by then, the Chinese market had become accustomed to foreign retailers with similar big-box concepts. Although a different target customer segment emerged, the set-up of the store, the focus on self-service and self-assembly was primarily market driving. Whilst there was also evidence of a lot of market-driving customer education, eventually responsive 'adjustments' (services) were required that were more in line with being market driven. The big box, to some extent, reconfigured the channels for home furnishing in the Chinese market that were dominated by traditional furniture retailers, working very much with bespoke solutions and traditional Chinese style furnishing designs. The IKEA store was a new concept, changing furniture buying, in particular offering everything for the home in one place, not in many different local shops. There are stories of how IKEA with its new store concept overwhelmed expectations of how home furnishing retailing operated in China and what products the consumer could buy for their home.

While the established IKEA business model called for low price, centralized sourcing, new design and self-assembly/self-service retailing in non-central locations, IKEA China in 2016 has both adapted that model in some areas but has reinforced and even strengthened it in other ways. Market research seems to be a major new addition to the marketing function within IKEA China, with a focus on a segmentation approach, the orientation seems more market driven than market driving. As IKEA searches for new markets by opening stores in major cities with over a million inhabitants, it reinforces the need to introduce and educate more customers to the IKEA way of home furnishing. Also, in these new locations, channels for home furnishing are being reconfigured by the entry of IKEA, as was the case in Shanghai and Beijing in the early years. With the growth of 'new' channels of communication like social media and the fact that IKEA has been in the Chinese market for 20 years, IKEA's 'cult' status is likely to travel to the new locations, possibly creating a buzz around the brand, the stores and the products. With the concept increasingly well known within the Chinese market and with consumers increasingly accustomed to Western retailers and their store concepts the potential for providing an overwhelming 'new' customer experience becomes more limited.

## Discussion and conclusions

IKEA's expansion in China has been substantial. Two decades after market entry, several of the largest IKEA stores in the world were in China. The business model of IKEA in China, through incremental change, has become quite different from that found in Europe and the US. The original 'twist', on entry to the market, with more services and store personnel to support the self-service model was implemented more fully over the 10-year period under review. Also, the range has been adjusted steadily with the addition of new Chinese home furnishing products or adaptations to better fit the Chinese market. The supply chain for the Chinese market initially was standardised on the IKEA model, then became more

local and then became more integrated into the 'normal' global IKEA supply chain. The nature of the market orientation associated with the various components of the business model changed over the decade under review. Some components, formerly with a market-driving orientation, became more influenced by market-driven behaviour whilst in others the initial orientation was reinforced as IKEA became established in the market.

An important observation is that the physical IKEA store remained the main customer contact point with adaptations to the Chinese living style, although the urban environment is very different from most IKEA countries and China is a market that is rapidly moving from analogue to digital, with a fast-growing consumer demand for e-commerce solutions. Here the IKEA business model now faces future challenges. To maintain interest amongst existing customers, IKEA's response to an increasingly digital society has to be an important addition to the future business model but it is unclear whether these digital moves will be viewed as market driving to create new markets or as a market-driven response with digital solutions being a channel response to consumer demands. The IKEA catalogue is increasingly being adapted to suit the demands of the Chinese market; however, the question is if these adaptations will solve the problem presented by a greater demand for digital solutions to purchasing. The catalogue, as much as the large physical store, is a unique feature of the IKEA market-driving proposition, but that does not mean that it works in all markets or that it cannot change in response to local markets.

The generic business model of IKEA is place driven, with the model based on key resources that are operated and implemented in a physical place. The store, the assortment and the people all contribute in creating a unique customer offer. This offer underpins customer relationships and ways of creating customer value. IKEA shares this place-based business model with many other retailers. Increasingly the business model is affected by changing consumer demands where place is less important. If competitive advantage is created or encapsulated in a place, the future may hold some challenges as place is becoming less important to customers, as they are less willing to physically visit the place to buy things. The market advantage of having a highly efficient, essentially market driving, sales operation within large fixed physical spaces becomes less important. This issue was becoming apparent by 2016. IKEA is not unique in responding to this issue with other retailers potentially having to evaluate the components of their business model and evaluate the changing nature of their marketing orientation within that model. The approach, as illustrated for IKEA in this paper, has potentially wider applicability for research on retailers with expansion strategies in rapidly changing markets.

From the study of IKEA in China, several conclusions can be drawn. Market behaviours used by a retailer to establish itself in a market are either not accepted by the market or are accepted and become part of the prevailing market norm. This is the case wherever these activities lie on a perceived continuum between market-driving and market-driven behaviour. When market-driving behaviour and activities become accepted as successful they continue but change and develop whilst remaining market-driving. The accepted market-driven practices evolve continuously in response to local market changes. The relative strength and balance of market-driving and market-driven activities change. Many of the previous studies in this area of marketing strategy have not considered changes in practice over time, pointing to a static dichotomy between market-driving and market-driven approaches. Rather than considering a firm in this binary way the dynamic

reality is more complex with differences in the degree to which driving and driven activities operate and interact. Discussions of market-driving and market-driven approaches need to have a time element included and be seen in terms of a continuum of behaviours if they are to be of value in academic discussion or in managerial practice.

In addition to considering the time dimension, identifying the market-driving and market-driven activities in the different parts of the business model is important. At any one time, there is a balance between driving and driven activities across the firm. This is very evident in IKEA which often is suggested as a market-driving organisation but as we have shown IKEA has parts of its business model which are clearly market-driven. Whilst intangible aspects, for example, governance, brand and corporate values, etc., may be consistently market-driving the more tangible operational aspects, for example, customer relationships, shop floor layout, assortment ranging, etc. become more market-driven as IKEA becomes more embedded in the market. Disaggregation of the business model is essential therefore if the market-driving paradigm is used to evaluate marketing orientation or used to justify managerial routines in a management context.

These findings raise questions over the dangers of generalised use of the market driving-driven paradigm when used for the analysis of the internationalisation of retailing, and potentially other customer-facing sectors. The changes in the business model that occur in the internationalisation process are more complex and nuanced than the dichotomous representation these paradigms often suggests. This is not to argue that the paradigm has no value but the value may be in encouraging a more dynamic and disaggregated analysis of the internationalisation process. Exploring the market-driving activities in retailing can also provide some redress to the overly passive view of retailing as having to be utterly responsive to consumer demands and foibles, as happens in some approaches to use of the standardisation vs adaption paradigm.

IKEA is a dominant retailer in many markets, particularly in Europe where it has operated over several decades. In rapidly growing markets, such as China, and culturally very different markets, such as Japan, IKEA has a weaker market share. Nationally based retailers, for example, Red Star Macalline in China and Nitori in Japan have built large market shares and strong brand recognition through responsiveness to local market demands. Although their business models are very different from IKEA, for example, Nitori has around the same number of stores in Japan as IKEA has worldwide and Red Star Macalline has a strong online presence additional to the stores, nonetheless the form of analysis we have used in this paper, of disaggregating the components of the business model and evaluating the market orientation of these components, is applicable in these other contexts.

In this paper, we show how a deeper understanding of the change of an international retailer's marketing strategies and practices can be obtained through a research approach combining analysis of business model components and the market driving/driven paradigm. We have applied this approach, using IKEA in China as our empirical basis to move analysis away from the dichotomy of the standardise-adapt framework. We limited our study to focus on a period of rapid expansion after the initial entry and prior to complete market cover. We also limited our study to China which we selected as illustrative of a market undergoing rapid development. Despite these limitations, the approach has wider applicability. In its use, we present new insights into the dynamics of international

retailing and show the value of an approach that considers the changes that occur when we disaggregate a retail business model.

## Note

In 2018 IKEA Group changed its name to Ingka Group whilst retaining the IKEA brand on stores. In this paper we have used the corporate terminology, IKEA, that existed when the interviews were undertaken.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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## Appendix 1: Interviewees

### 2005-2008

- (1) CEO IKEA Group
- (2) Former CEO IKEA Group
- (3) Region Manager IKEA Group Asia
- (4) Country Manager IKEA Group China
- (5) Marketing Manager IKEA Group China
- (6) Deputy Marketing Manager IKEA Group China
- (7) Communication Manager IKEA Group China
- (8) Distribution Manager IKEA Group China
- (9) PR Manager IKEA Group China
- (10) Store Manager XuHui Store, Shanghai IKEA Group China

### 2014-2017

- (1) Retail and Expansion Manager IKEA Group (responsible for all retail operations in IKEA Group) (first interview)
- (2) Retail and Expansion Manager IKEA Group (responsible for all retail operations in IKEA Group) (second interview)
- (3) Customer Experience Manager IKEA Group (responsible for customer experience in all IKEA Group stores) (first interview)
- (4) Customer Experience Manager IKEA Group (responsible for customer experience in all IKEA Group stores) (second interview)
- (5) Region Manager IKEA Group Asia (first interview)
- (6) Region Manager IKEA Group Asia (second interview)
- (7) Country Manager IKEA Group China
- (8) Deputy Country Manager IKEA Group China
- (9) Marketing Manager IKEA Group China
- (10) PR and External Communication Manager IKEA Group China
- (11) Market Intelligence Manager IKEA Group China
- (12) Store Manager XuHui Store, Shanghai IKEA Group China
- (13) Store Manager Pudong Store, Shanghai, IKEA Group China
- (14) Store Manager Baoshan Store, Shanghai, IKEA Group China

Stores in operation in China as of 2019

City	Date of opening
Shanghai (Xyhui)	1998 (closed and replaced 2003)
Beijing Siyuangiao (Chao Yang)	1998 (closed and replaced 2006)
Guangzhou (Panyu)	2005
Chengdu (Gaoxin)	2006
Shenzhen	2008
Nanjing	2008
Dalian	2009
Shenyang	2010
Shanghai (Beicai)	2011
Tianjin	2012
Wuxi	2012
Ningbo	2013
Shanghai (Baoshan)	2013
Beijing (Xihongmen)	2013
Chongqing	2014
Wuhan	2014
Xi'an	2015
Hangzhou	2015
Chengdu (Chenghua)	2016
Suzhou	2016
Jinan	2017
Nantong	2016/17
Harbin	2017
Guangzhou (Tianhe)	2017/18
Beijing (Wuesong) experience centre*	2018
Xu Zhou	2018

\*originally pick up and order point.