

Standardized marketing strategies in retailing? IKEA's marketing strategies in Sweden, the UK and China

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Abstract

IKEA is often cited as an example of a “global” retailer which pursues a similar “standardized” approach in every market. This paper systematically assesses the degree of standardization (and adaptation) of four commonly identified retail marketing mix activities – merchandise, location and store format, the selling and service environment, and market communication – within three countries. These countries – Sweden, the UK and China – represent different cultural settings and are markets in which IKEA has been operating for different lengths of time. The data upon which the comparison is based was generated from personal interviews, in-country consumer research, company documentation and third party commentaries. The conclusions drawn suggest that whilst IKEA operates a standardized concept, degrees of adaptation can be observed in customer facing elements, and in the supporting “back office” processes which support these elements. These adaptations arise from differences in consumer cultures and the length of time, and subsequent exposure to and experience of, the market. This suggests that standardization in international retailing should be considered from the perspective of replicating the concept, rather than replicating the activities.

Key Words :

IKEA, retail internationalization, retail marketing mix, standardization, Sweden, the UK, China

Introduction

One theme that dominates the international marketing literature is the degree of standardisation and/or adaptation of marketing activities, either employed by a company (e.g., Baek, 2006; Levitt, 1983; Theodosiou & Leonidou, 2003, Szymanski & Bharadwaj, 1993; Lim, Acito & Rusetski, 2003), or experienced by a consumer (e.g., de Mooij, 2004; 2005; de Mooij & Hofstede, 2002). This discussion has not, however, penetrated the field of retailing to the same extent which appears strange, as many of the research themes pursued in the retailing literature follow those established in international marketing. This may reflect the fact that retail internationalisation into more distant markets is a relatively recent phenomenon (Dupuis & Prime, 1996; Evans, Treadgold & Mavondo, 2000; Evans & Mavondo, 2002).

IKEA, the Swedish home furnishing retailer, has been active in foreign markets since 1973, when the company entered Switzerland. Today IKEA has stores in 37 countries and is expanding in many markets, not least in Asia where the company has only had a presence over the past decade. In broad terms, IKEA has followed the “traditional” pattern of internationalisation, first moving into neighbouring countries and markets with similar language and cultural traditions, before venturing into more exotic markets on other continents.

One of the characteristics that makes IKEA stand out amongst internationalising retailers is the (alleged) standardized approach taken to every market it enters. It appears to operate in the same way in every market – and is often referred to as a “global” retailer. Existing analyses of IKEA’s marketing strategy are either relatively old (Salmon & Tordjman, 1989) or take an overview perspective (Salzer, 1994; 1998; Mårtensson, 1981; 1987). Little emphasis has been placed upon analysing retail marketing activities in specific countries, and many studies even lack a clear understanding of what marketing standardisation and adaptation might mean in a retail perspective. More recent studies (Edvardsson & Enquist, 2002; Edvardsson et al 2006) take a service management perspective, rather than an overall marketing strategy perspective.

Amongst academics, there has also been increasing debate over whether one of the key success factors in international retailing is the adaptation, rather than the standardisation, of customer facing marketing strategies (e.g., Cui & Liu, 2004; Dawson & Mukoyama, 2006; Rundh, 2003; Samiee et al, 2004; The McKinsey Quarterly, 2004; 2006a; 2006b; Yip & Luk, 2004). This seems to be especially true for retail internationalization into geographically and culturally “distant” markets. So where does this leave IKEA and its “global” business model? Is the model something that works in Europe and North America, but requires greater adaptation for the very different Asian markets?

The aim of this paper is to examine IKEA’s marketing strategy in three different countries: Sweden, the UK and China. IKEA’s history and presence differs in each of these markets: Sweden is the home market where IKEA was founded in 1953 and the where first store opened in 1958; the UK was entered in 1987 and is now the fourth most important market in terms of sales volume; whilst China saw its first IKEA store in 1998. These markets also vary in terms of both the cultural and institutional setting: Sweden and the UK are essentially ‘home’ markets in these terms - Sweden naturally fulfils this role but the UK is an Anglo-Saxon market with similar consumer behaviour and business traditions; China is of course very different in this respect, but will IKEA’s marketing strategy need to be different in recognition of this? Is there a need to recognise a more subtle gradation of the retail marketing mix, which takes into account a more constrained geographical focus – for example at a regional level ? or which recognises the length of time in, and subsequent experience of, a market ?

The paper starts with a brief review of some of the literature on the retail marketing mix to establish a generic framework. This framework is then used to present an analysis of IKEA’s approach to the three different countries, based upon a combination of both primary and secondary data from these markets. Finally, the implications for existing conceptualisations of globalisation and standardisation\adaptation in an international retail context form the conclusion.

Conceptual Framework

What is standardisation and adaptation really about? There is (as Ryans et al, 2003 have pointed out) no common consensus amongst researchers. However, the core elements of standardisation are generally seen as:

“the offering of identical product lines at identical prices through identical distribution systems, supported by identical promotional programs in several different countries.” (Buzzell, 1968, p 103)

This definition is grounded, as with much of the literature, within the four P's classification of marketing activities. Standardisation thus refers to how and if marketing activities relating to product, price, place and promotion are adapted across the countries or markets in which a company operate. One of the best known advocates of strategy standardisation, Levitt (1983), argues:

“The modern global corporation contrasts powerfully with the aging multinational corporation. Instead of adapting to superficial and even entrenched differences withering and between nations, it will seek sensibly to force suitably standardized products and practices on the entire globe” (pp 65)

Levitt argues his case in broad terms. No products or markets are exempt from his vision of globalisation, and he identified technology and converging consumer demands as key driving forces. Although extremely influential and extensively debated, the weakness of the Levitt proposition lies in its generalistic perspective. It can be argued that from that 'distance' – the general overview perspective – everything tends to look the same.

In the other 'corner' of the debate we find those who argue for adaptation from a national culture perspective (e.g., Hofstede, 2001; de Mooij, 2004; 2005; de Mooij & Hofstede, 2002). Here the view is the reverse:

“Ignoring culture's influence has led many companies to centralise operations and marketing, which instead of increasing efficiency resulted in declining profitability. Several large multinational firms have seen their profits decline because centralised control lacks local sensitivity.” (de Mooij & Hofstede, 2002, pp 61).

From this perspective it is obvious, though again usually not backed with anything other than illustrations and anecdotal evidence, that the world is 'spiky' (Florida, 2005), rather than 'flat' (Friedman, 2006): the business landscape is not homogenous but instead

heterogeneous which makes adaptations necessary, at least when the view is international and when working in culturally diverse markets. While Levitt and his fellow ‘globalists’ suggest that the world, driven by technology and converging tastes, is moving closer together, de Mooij and her supporters argue that although the world is moving, some things do not change.

Although the debate surrounding the appropriateness of the standardisation or adaptation of marketing activities has generated a large volume of research, there is little specifically on this topic in the international retailing arena despite the centrality of this theme in internationalisation. We find some discussions about specific aspects of international retailing, for example retail image (e.g., Burt & Carraleros-Encinas, 2000; Burt & Mavromatis, 2003; McGoldrick, 1998; McGoldrick & Ali, 1994; McGoldrick & Ho, 1992) but very little relating to the overall marketing activities of retailers. Image mainly concerns itself with the effects – from a consumer perspective - of marketing activities, not with the marketing activities per se.

Some authors (eg Sternquist, 1997) discuss standardisation in retail internationalisation in general terms, particularly in relation to the categorisation of different internationalisation approaches. IKEA has often featured as an example of a “global” retailer in classifications of retail internationalisation. In Salmon & Tordjman’s (1989) classic article, IKEA is reported to have a centralised approach to management systems but adjusted marketing activities (in dimensions like assortment, pricing and promotion). However, the IKEA discussed by Salmon & Tordjman is twenty years old, and based upon a company with thirteen years of international experience, operating 74 outlets all based within Western Europe and North America. Mårtensson (1981) uses IKEA as an example of innovation diffusion in international retailing. She provides a much more detailed picture of a centralised retailer, and suggests that promotion is basically the only variable in the marketing mix that is adapted to different markets. Whilst this is a more in-depth case study of IKEA, it is now also close to thirty years old and follows a company that was essentially a European company at the time of writing. Finally, Treadgold (1991) categorises various international retailers along the dimensions of local responsiveness and benefits from integration. Global retailers – such as IKEA – are argued to achieve high benefits from integration and display low levels of local

responsiveness. The discussion of marketing activities in his paper is again at a very general level and little detail is provided about different marketing activities. As well as limitations in the level of detail provided, inherent in all of these studies is the time context. IKEA today is a much more experienced international operator, both in terms of length of time in the market and in geographical scope.

When analysing marketing strategies of individual firms there is a need to employ some form of classification of the different marketing activities. The marketing activities of retailers have been described in the literature in many different ways. Almost every source generates its own specific categorisation, but the common ground seems to be some version of the traditional four P's approach. Generally, the manipulation of these marketing activities is one way that the seller – in this case the retailer – can adjust the offer to the local market. This is how marketing activities will be interpreted in this paper.

Although an empirically grounded, research based, classification of marketing activities would have been preferable, the classification used here is based upon the common ground found in several established retail marketing textbooks (Ferne, Fernie & Moore, 2003; Sullivan & Adcock, 2002; Freathy, 2003; Levy & Weitz., 2007; Cox & Brittain, 2004; Varley, & Rafiq, 2004; Gilbert, 2003; McGoldrick, 2002; Omar 1999; Kent & Omar, 2003; Davies & Ward, 2001). Four retail marketing activities are commonly identified: merchandise; location and store format; the selling and service environment; and market communication.

Merchandise is a broadly defined marketing activity and involves the creation of an attractive assortment of products for the consumer to buy in the store. This activity includes the selection of national and retailer brands, the depth and width of the product range, together with the pricing strategy and the setting of product prices. *Location and store formats* refers mainly to where retailers establish their outlets/stores. As we will not engage in a detailed locational analysis in this paper, location here is seen as where – in relation to the city centre – a store is located. Store format encompasses other dimensions involved with the general set up of the store such as scale and physical characteristics. The *selling and service environment* of the store involves several dimensions, which contribute to the in-store environment. This incorporates the overall layout and the

atmospherics in the store. We also include service and service levels in this criterion as these are integral to creating the selling environment. Finally, *market communication* involves traditional tools, such as advertising (TV, print and outdoor) and promotion (different types of sales promotion), which are widely used by retailers to communicate with customers. Direct marketing, catalogues, and the internet as an information source are included in this group of activities.

Methodology and Approach

Based on these four criteria the remainder of the paper assesses how IKEA presents its retail marketing mix activities in different markets. We first start with an assessment of the “corporate” approach as outlined by IKEA before looking at the Swedish, British and Chinese markets in turn. The corporate approach is taken to represent the “ideal” perspective assuming a standardised “global” approach. By using the same four criteria to present the material for each of the three countries, we illustrate the extent to which practice “on the ground” in these markets either conforms to or deviates from the “ideal”.

The corporate and country cases draw upon primary data comprising interviews with senior managers at IKEA both in the corporate office and in the national markets over the 2005-2008 period, consumer research conducted in some of these markets, and secondary data drawn from company documentation, consultancy reports, newspapers and magazine articles, and academic case studies from a number of sources including HBS and ECCH. This range of material, whilst at times drawing on the anecdotal and other narratives, provides several perspectives on retail marketing activities.

IKEA’s Marketing Strategy

At the end of the 2009 financial year (31st August), the IKEA Group operated 267 stores in 25 countries. A further 34 stores were operated by franchisees. (IKEA Facts & Figures 2009). At January 2010 the total network comprised 304 stores in 37 countries,

with stores due to open in the Dominican Republic and Israel by the end of March. To understand IKEA's marketing strategy it is necessary to start with the business concept as formulated in IKEA's vision:

The IKEA vision is to create a better everyday life for the many people. We make this possible by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible can afford them. (IKEA corporate web site).

The marketing strategy and associated activities emanate from this statement, including the alleged standardised approach: IKEA has as a fundamental guiding principle to work in the same way and to be perceived in the same way in every country. This provides operational advantages and makes it possible, so it is argued by senior management, to keep prices low and attractive for as many people as possible.

To relate IKEA's marketing strategy to the retail marketing mix classification discussed above, the starting point is the *merchandise*, i.e., the product range and the prices of products. These are supposed to be the same, with very small adaptations, for all countries and in all stores. The brand and sub (product) brands are the same. The pricing of products is intended to be low in comparison to what consumers can find in competing stores: the basic aim is to deliver high value at low price. The *location and store format* employed by IKEA involves large stores located on the outskirts of major cities making access by car the preferred mode of customer transportation. The format comes in three different sizes with accompanying assortments ranging from 7,500 to 10,000 items. The assortment differs little between the same store formats across countries. The *selling and service environment* in the stores is intended to be basically the same in terms of core features: layout and design, number of departments, display and colours, service levels etc. This allows the same shopping experience regardless of where the store is located. The room-setting displays are adapted to reflect local housing and living conditions, rather than following a centralized formula. This might, for example, mean smaller rooms in some countries and more cultural cues in others. Service levels are intended to be the same around the world with similar staffing levels everywhere. The core IKEA concept which requires the customer to play a role in contributing to low prices has important implications for the levels of service: to have low prices the consumer must contribute – by picking items up in the store, carrying them to their cars, taking the items home, and

assembling the items themselves - even though home delivery and assembly services are now widely available for a fee. IKEA's *in-market communication* is dominated by the catalogue: a method that is unusual for an international retailer but which is at the core of IKEA's marketing strategy. This is the most important marketing tool employed by the company, accounting for 70% of the annual marketing budget. Almost 200 million copies are published, in 56 different editions and in 27 languages. These adjustments are made from a standardised base (same products, same overall information etc), to minimise country/region adjustments. The cover of the catalogue may change to some extent, and in "newer" markets there is more information about IKEA, the concept, and how to shop at IKEA, but again these are relatively minor deviations from the core template. IKEA Family, the loyalty scheme, is not yet available in all markets but the plan is to extend it around the world, as it is seen as an important tool in creating long-term relationships with IKEA customers. Market communication is the marketing activity that can be amended by the national organisations. Based upon central guidelines establishing the market position that IKEA wants to hold in the market, the national offices can adjust the detail of communication messages and adapt offers to fit local tastes and the local competitive situation.

From this brief review of IKEA's retail marketing mix, as presented by the company in both documentation and interviews, the main conclusion to be drawn is that IKEA (at least in theory) employs a highly standardised approach. The same marketing instruments are employed in the same way around the world, and individual countries and stores have only limited opportunities to adjust to what are perceived as fundamental national and local market needs. From IKEA's point of view, such standardisation is logical as it makes it possible to deliver a strategy of low prices '*for the many people*' in a way that a more adaptive strategy would not. Whilst company "rhetoric" is one thing, what happens "on the ground" in the markets is another. The next sections shall explore the extent to which the retail marketing mix elements are replicated or adjusted in three markets : Sweden and the UK, representing established "European" markets and China – a culturally and geographically "distant" market. These markets are chosen to reflect differences in experience (time in market) and cultural and psychic distance.

IKEA in Sweden

The first IKEA's store in the world, was opened in 1958 in Älmhult, in Småland (a county characterised as having a barren landscape, and as inhabited by people who are extremely stingy). IKEA Sweden now has 17 stores and is, not surprisingly, a major player in the home decoration market, having been so for many years. IKEA's mission statement to make furniture for '*the many people*' is very evident in Sweden. Product penetration is very high, much higher than in other markets. Swedes have extensive knowledge about IKEA – the products, stores and the company - and most Swedes have experienced IKEA for generations. This, from a company perspective, presents a recognised challenge - as IKEA has, for some, become associated with “boring” furnishing styles popular with older generations.

While '*the many people*' is an accurate description of the IKEA consumer base in Sweden, in actual marketing terms the target market is a more focused: namely women, 20-49 years old, often with children. In addition, an important target group in recent years has been the 55+ age group who no longer have children at home, and who are in a good financial position.

Merchandise. Although the total IKEA assortment is around 10,000 products, in Sweden the stores are relatively small and only carry 6-7,000 items. Adjustments are made at the local level by the stores who have the authority to adjust the range in response to local competition. In recent years, the stores have also developed more local marketing initiatives than was previously the norm. Price is a core aspect of market positioning in Sweden - IKEA is known for its low prices. This is achieved by having a low price promise, and by offering low prices in comparison to competitors in different areas. In recent years, here as in most parts of the IKEA world, cutting prices has been a major part of the marketing strategy. Prices have been reduced by some 20% over the past 8 years. Sourcing for all the larger, heavier and bulkier products is done in Europe, and Sweden itself is one of the largest sourcing countries for IKEA outside of Asia, accounting for circa 6% of group purchases.

Location and store formats: In Sweden IKEA stores are located as in much of the IKEA world: outside city centres, with a focus on consumers using their own cars to travel to and from the stores. IKEA receives regular propositions from different municipalities who want to open a store. One recent, and much publicized store opening, was in Haparanda Tornio, in the far north of Sweden on the border with Finland. The launch of this store was regarded as a major success, not only for IKEA, but for the whole community where depopulation had been a major problem. However, even though it is relatively easy to find places to establish IKEA stores in Sweden, there is still competition with other retailers for the best locations.

As mentioned above, IKEA stores in Sweden have traditionally been relatively small, in terms of floorspace and the number of articles offered – the exception being the Kungens Kurva store in Stockholm, which is the largest IKEA store in the world. There are plans to refurbish existing stores and make them larger, and new stores are always bigger than the older ones. The format of the store follows the standard IKEA design of a two storey building with a large parking lot outside, although some of the new stores, like that in Malmö, are to be built on pylons to provide a car park under the store (as in Shanghai).

The selling and service environment: The stores are an important marketing tool for IKEA Sweden, as this is where the customers come into contact with the company and where they can see what the IKEA concept is all about. As the Swedish stores have been relatively small in many places it has been difficult to expose customers to the full width and depth of the assortment. The newer (and larger) stores now being built allow customers access to the full IKEA product range.

The stores in Sweden are laid out in a fairly standard way. The common store blueprint is used as a starting point. As in all IKEA countries, the furniture section on the upper floor always starts with five room settings, although these are adjusted to the national market. A Swedish IKEA store for instance often has a kitchen island (a stand alone unit integrating cooking, washing up and eating spaces) in the kitchen setting, and large walk-in closets in the bedroom settings.

To Swedes, the DIY element of the concept is accepted: customers collect their flatpacks, carry them home, assemble them, and in return they pay a lower price. Still, in recent years IKEA Sweden has added home delivery and assembly services for a fee. IKEA's own Customer Satisfaction Index (CSI) – a standardised customer survey carried out in every country at XX monthly intervals - identifies the major “problems” for IKEA Sweden as waiting times and stock availability, which is something that IKEA Sweden has improved in recent years. IKEA Sweden still scores well in the survey for innovation and the low prices.

Market Communication: In Sweden the catalogue is the most important promotional tool. It makes IKEA unique and is a source of inspiration for customers. In Sweden the launch of the new catalogue is a major PR event – for example to support the launch of the 2008 edition, IKEA furnished the waiting hall of the Stockholm train terminal – and all major newspapers carry lengthy reviews and commentaries.

The IKEA Family scheme was first launched in Sweden and was at the time one of the first loyalty programmes in the country. Today it is still one of the larger ones with 1,7 million members and has become an important marketing tool for IKEA Sweden. The web is also an important means of communication, especially for new customers, to

prepare customers for the store visit, and to make different planning tools accessible at home eg the kitchen design tool.

IKEA's approach to the Swedes in terms of advertising and promotion is intended to be youthful and different, fun and surprising, emphasising that nothing is impossible, but that the company also is very honest and human. At the moment IKEA Sweden is in a 're-launch' phase. Although being well known is often an advantage, it also brings problems: consumers become very familiar with the company. IKEA Sweden is in a particular stage of the IKEA lifecycle, where homes are already filled with IKEA furniture and accessories, and where IKEA is the market leader for kitchens etc. In these circumstances, it becomes more challenging for IKEA to make itself appear new and exciting. The advertising strap-line for 2008 was *'Decorate the home as you want to live'* and *'Long live diversity'*.

A good example of how IKEA typically addresses Swedish customers is from a campaign that is now a few years old. Recognising that within the IKEA target group there were a growing number of divorced parents, the campaign focused on how IKEA could contribute to these circumstances with the slogan *'Better divorce for everybody'*. IKEA has also focused campaigns on the ethnic diversity of the Swedish population, by showing different ethnic groups as customers, and one of the best known and longest running campaigns was *'Not for the rich but for the wise'* – implying that IKEA offered high quality for low prices, and that “clever” customers realised this.

IKEA in the UK

In the UK, IKEA has a twenty-three year history, having entered the market in 1987 and now operates from 18 stores. Expansion plans include a further 7 stores in the near future. The UK is one of IKEA's major markets, and the recently retired IKEA CEO, Anders Dahlvig, was the country manager during much of the 1990s when the brand was repositioned in the UK. The target group in the UK is primarily middle class women aged 25-45 with families. This then varies for different products and product groups.

Merchandise: Overall the assortment in the UK stores is no different from anywhere else in the IKEA world. There are some small quirks to the product range. For example, the beds are larger than is normal in the UK, but this is something that IKEA tries to make into a positive selling point - and from a company point of view it also means that no adjustment needs to be made to the product. Apart from the plugs on electrical products, there are no other adjustments made to the merchandise sold in the UK. The normal supply chain is used and bulkier products are sourced in Europe whilst accessories are sourced in other parts of the world. IKEA UK also has a low price image : low prices but good quality. In recent years, as elsewhere one of the main marketing focuses has been on cutting prices and reinforcing the price position of IKEA. As in Sweden prices have allegedly been cut by more than 20% over the past 8 years.

Location and store formats: The fact that IKEA UK has only 18 stores serving around 60 million inhabitants, whilst IKEA Sweden has 17 stores and 9 million inhabitants suggests that UK retail planning laws make it difficult for big box out of town retailers like IKEA to open new stores. This problem has been a major concern for IKEA UK for many years, and has forced some new thinking about the design and layout of the IKEA store format. This has led to a new concept store in Coventry, which trades from three storeys and is located closer to the city centre, thereby taking up less space. Whether this adjusted format will become a solution for IKEA UK in the future is not yet clear. Most of the other stores in the UK are set up the standard way in out of town locations.

The selling and service environment: UK customers are said to be very demanding and do not mind airing their problems with IKEA. The British generally live in houses which they own and are again not alien to the DIY concept. Here, as in Sweden, services removing some of the DIY elements have been offered – eg home delivery and home assembly services.

IKEA UK has however struggled with some elements of the selling and service environment. From the company's perspective this all relates to having only 18 stores to service a population of 60 million when the UK is one of IKEA's largest markets – i.e., IKEA is very popular in the UK and this leads to problems that are reflected in the IKEA

CSI. Access to stores and product availability are the main areas of concern picked up by this survey. Customers say that it is difficult and time consuming to get to the stores, and there is a risk of not being able to take products home if they are out of stock. These are aspects that IKEA has responded to, through the long term ambition to establish more stores, and through improved personnel planning - which is difficult in itself as IKEA UK has a fairly high level of staff turnover. The CSI results suggest that British consumers are satisfied with the price position and feel that prices are low for the quality provided.

Market Communication: The catalogue dominates the marketing effort in the UK. It accounts for 70% of the marketing budget, although efforts are being made to lower this proportion as it is very expensive to distribute in high population markets like the UK. It is also believed that the catalogue is no longer as effective a marketing tool as it once was.

One of the most noticeable things about IKEA UK's advertising is the daring and challenging approach that has been used over the years. The IKEA and St Luke's campaign '*Chuck out the Chintz*' from 1996 is famous (indeed even Tony Blair referred to it), as is the '*Stop Being So English*' campaign. In the UK, more than in most markets, IKEA has challenged the existing norms and attitudes of the market and its customers. The preferred message is '*being different*' – but to do so in a way that connects to the fact that IKEA sells home furnishings. According to the IKEA message, British consumers should appreciate their homes more (and spend more time there) and IKEA can help with low prices, good products and good design, coupled with 65 years of experience in home decoration.

The opening of the IKEA store in Glasgow, Scotland, provides a good example of adjusting the campaign to the local market whilst sticking to the main IKEA '*be different*' message. The store opening campaign focused on two Glasgow "hard men" – who "go soft" talking about pink pillows and house plants purchased from IKEA (see picture 1).

Insert picture 1 about here

The web is a very useful communication tool in the UK, as there are so few stores and there is a need to provide information on product availability. IKEA Family was introduced in 2007, and is reported to be very successful in the UK where loyalty schemes are well established.

IKEA in China

For IKEA the step into the Chinese market was an important one, maybe as significant as the first move onto foreign soil at Spreitenbach in Switzerland in 1973 (Torekull, 1999). IKEA, however, targets a different customer group in China than in other countries which are at a later stage in the IKEA 'life cycle'. The Chinese customer group is typically aged 25-35 (the core customer is around 30), and many are '*little emperors*': the generation born into the One Child Policy (now between 15-27 years old). This segment of the population comprises 30 million people and is characterised as being impulsive, easy to influence, very social, and committed to foreign consumer brands (Gunnarsson, 1997). This group is well educated, lives in the large cities, and with increasing salaries, is growing every year.

The customer in China buys less when they visit the store than the average IKEA customer. But in Shanghai for example, the core customers visit IKEA more often than anywhere else in the world : 33% come to the store every month. This means, amongst other things, that there needs to be regular changes to the displays in the store. The Shanghai store for example rearranges the room settings at least seven times a year to display new products or to reflect different holidays and promotional campaigns etc.

IKEA's offer reflects the core mission - to supply affordable solutions to Chinese customers. However, the overall image of IKEA is different from this (see below), forcing IKEA to offer other forms of value to their Chinese customers. In the primary market area of the Shanghai store, the monthly household income of core customers is 6000 RMB. This is high by Chinese standards but not in the IKEA world: IKEA compares different countries by using a typical IKEA basket of goods. A Swiss consumer only has to work for two months to purchase the basket, whereas a Chinese consumer would have to work for 18 months.

Merchandise : Some of the key challenges facing IKEA are summed up in the citation below:

“When Ian Duffy was first put in charge of IKEA’s China stores four years ago, he spent hours at the checkout line observing customers. He didn’t see many. Instead, he saw plenty of people crowding the Beijing store for freebies – air conditioning, clean toilets and even decorating ideas. Adding insult to injury: shops right outside were offering copies of IKEA’s designs at a fraction of the cost. So, to lure shoppers, the Englishman launched what could be the cheapest IKEA non-sale items in the world: a scoop of vanilla ice cream in a cone for 12 cents. Thus began IKEA’s strategy to beguile the finicky Chinese consumer by slashing prices in China to the lowest in the world – the opposite approach of many Western retailers.” (The Wall Street Journal, March 3, 2006)

IKEA is used to being perceived as having low prices within the market, and as discussed above, this is one of the competitive cornerstones of the whole IKEA concept. However this is not the case in China, where the perception of IKEA is that of a fairly exclusive western retailer and as a store for the higher middle class (Lewis, 2005). To the Chinese, Billy (the inexpensive, high selling book case) is perceived as a luxury item (Jungbluth, 2006).

In response IKEA has accepted that to some extent, the main approach must be to cut prices, and to do that, IKEA China has been allowed to ‘break’ some of the established operating codes in the organisation. China is a major sourcing country for the IKEA group, accounting for 20% of total company purchases. Yet, for many items, IKEA China initially sourced products from the same places as all the other IKEA countries, for example Poland. This centralized approach placed severe constraints on the low price policy and on service levels as products brought into the country were subject to import taxes (22%) and originally involved lead-times of 12 weeks (now down to 5 weeks). To be able to cut prices in the Chinese market, IKEA China has been allowed to expand the proportion of products sourced locally. Some commentators say that half of the products now found in an IKEA store in China are made in China (The Wall Street Journal, 2006), whilst IKEA claims that the figure is 30%, although the local trading office is now looking for Chinese suppliers for an additional 500 items. According to IKEA, these changes to the sourcing model have resulted in a real lowering of prices in the market.

Prices have fallen by at least 30% since 2003, and for some products the price has dropped as much as 90%. IKEA's single-seat Ektorp armchair retails for 112\$ in China, 67 % lower than in the US (The Wall Street Journal, March 3, 2006).

IKEA, like many other companies doing business in China, is vulnerable to copying. One observer noticed that many Chinese shoppers in IKEA were drawing pictures of the furniture and scribbling down descriptions of the products but not necessarily buying them. (Lewis, 2005). Copying is made easier by the presence of the catalogue and the in-store product line leaflets, which in many cases even provide measurements. IKEA style home furnishing has, in some areas, become a holistic concept in its own right, outside the control of the group. A search on baidu.com, a local Shanghai search engine, for 'IKEA style' will generate more than 39,000 hits. To counter this, IKEA has tried to focus on the broader concept of delivering help in home decoration, rather than on individual furnishing products as such. The company believes this is one way to achieve a market position that is not as easily copied: eg it is easy to copy the Karlanda, but less easy to replicate the home decorating ideas and skills provided by the company in the store, on the web site, and in the catalogue.

As price will not, in the foreseeable future, be the main source of competitive advantage, IKEA China tries to position itself as a company with unique competences in interior design. Helping customers with interior design has become the core message, rather than selling individual products at low prices. The focus has also been on selected issues, like storage. Most Chinese live in small apartments and IKEA argues that it can help with smart solutions for storage that make life easier. IKEA's claim is very much about function, which contrasts with the traditional Chinese furniture manufacturers where everything is about tradition.

From experience IKEA managers know that markets run through some kind of life-cycle: when stores open in a new country most customers buy market-hall products, i.e., everything but furniture. In established countries the proportion is said to be 65:35 between furniture and market hall products. Although the ratio varies across the IKEA stores in China, China has matured relatively fast with the furniture: market hall proportions fast approaching those found in older markets like Sweden and Germany.

The Chinese view IKEA products as innovative and non traditional - for example square tables (as opposed to the usual round ones) and the colours used by IKEA.

According to the company, the 'IKEA' brand is well known - in Shanghai, 96% of the catchment area of the store are aware of the brand, and the first Fortune Cookies opinion poll in China showed that 75% of those with a monthly income of more than RMB 2500, living in urban areas, and aged 15-55, knew of IKEA. (Dagens Industri, 05/05/2006). The meaning of 'IKEA' in Chinese has positive connotations: the Chinese translation means 'desirable for home living/comfortable home', and it is pronounced "*Yi Jia*", similar to the English pronunciation of IKEA.

The core assortment in an IKEA China store is very similar to elsewhere, although a few minor adaptations have been made to reflect local culture. In 1998 three products were introduced just for China - chopsticks, a wok with a lid, and a cleaver – but these items are now available in almost every store around the world. The IKEA China stores also have a special set of tea cups for the Chinese New Year, and 500,000 plastic placemats were produced to commemorate the year of the rooster (Business Week, 15/11/2005). Currently, in mainland China, as well as in Hong Kong, the beds sold are shorter (190cm) than standard-sized beds (200cm), although this is under review. Many Chinese live in apartments with balconies and this space is very important to the Chinese. Consequently, IKEA has provided a "room" setting in the store which show how a balcony can be furnished, and a special balcony section exists in the stores (Lewis, 2005).

Location and store formats: The big-box IKEA format is unusual in China where shopping is traditionally done locally and through specialist stores. The IKEA stores in China are located closer to the city centre than is normally the case in other parts of the world, although the location is not exactly down-town. Lower levels of car access in China make out-of-town locations unpractical. Instead stores have to be located close to public transportation hubs to ensure a high volume of customer traffic. A good example is the Shanghai store which is very close to several bus lines and one of the metro lines. However, as the Shanghai store also has 700 parking places under the store, IKEA is expecting Chinese shopping patterns to change in the future.

Customer reliance on public transport is a contributing factor to service levels: home delivery services are more common and more extensively used. Also, outside the stores in China local entrepreneurs can be found offering transportation and home assembly services.

In the new Beijing store – the largest IKEA store after the Kungens Kurva’ store in Stockholm – a further adjustment to the store format can be found in the form of wider aisles, to cater for the fact that IKEA stores in China have up to three times the volume of visitors than IKEA store elsewhere in the world (The Wall Street Journal, 2006).

The selling and service environment: Although the products available in the Chinese stores are basically the same as in any IKEA store in the world, the stores do not look the same inside. IKEA tries to create room settings that are relevant to Chinese customers with realistic room sizes and kitchens. The in-store room settings reflect those of Chinese apartments. One obvious example, mentioned earlier, is the incorporation of balconies. (The China Business Review, July-August, 2004). So even with the same products, the room settings in the store in Shanghai look and feel very different from the store in Malmö. The outcome is basically the same product range – but adaptation in the store through the presentation of goods and types of home solutions offered.

The shopping experience is also different. As other customers are an important part of the shopping experience, the way the store is used by Chinese consumers - not only as a shop but also as a social area - is recognised and accepted. Initially, Chinese consumers

came not to shop but to socialise in a pleasant atmosphere, which was much “freer” than that found in other furniture shops in China, where you are not allowed to touch the merchandise. This is still true – people can still be found in the Shanghai store who appear to be asleep on the beds, having a nap on a sofa, or reading books with their feet on one of the tables in the room settings – but IKEA tolerates this “being at home” behaviour as they hope that these people will return as customers. In store communication is not just aimed at the younger target market. For example, one in-store sign portrays an older couple whose child has just moved away from home to attend college. The couple discuss how IKEA can help them to convert their son’s bedroom into a new room for their own use.

The Beijing store expects to receive 20,000 visitors a day, and at weekends the crowds are so large that staff use megaphones to keep control. This equates to around 6 million visitors each year, compared to the IKEA store ‘norm’ of 2 million visitors/year. As staffing levels are the same as in other countries there are inevitable consequences for service. IKEA’s own CSI shows that - expect for service and the shopping experience – IKEA China scores below the IKEA average, although it still scores highly for product range and fashion. Given the number of people that visit the stores in China it is no surprise that the overall satisfaction levels are lower than normal. Today overall satisfaction in China is argued to be equal to the rest of the world, despite a lower score in some areas. For the criteria of inspiration, waiting times, and helpfulness of staff, IKEA China scores above average on the CSI.

Another element of the IKEA business concept which confuses Chinese customers is the added labour that the customer has to put in. As well as the self service concept throughout the store, including having to visit the warehouse to pick up products – the fact that the customer then has to assemble the products at home is alien to the Chinese. Although one does not need many tools to do this, as China does not have a DIY culture, few customers have even the most common tools at home. When the Chinese need something done in the house they employ someone, as labour is inexpensive. Explaining and justifying the DIY concept – which is at the heart of the IKEA business model – is hard work in China. IKEA provides home delivery, for both long and short distances, as well as an assembly service for a low fee (eg short haul home delivery for RMB 50, and

assembly of a single item for RMB 40). IKEA has also created – although not intentionally– an industry of delivery drivers that help to assemble IKEA furniture : these pick-up trucks and their drivers are lined up outside the stores (Lewis, 2005). However, this service is already included in the purchase price at other stores. In Europe and in the US the product price is so low that consumers can see the benefit of doing these activities for themselves, but in China where the price of IKEA products is seen as high and then the customer is expected to do these things that no other retailer makes them do....this causes resentment and confusion. IKEA acknowledges this, and provides information in the stores, on the website, and in the catalogue to prepare the Chinese consumer for the IKEA store experience. They also employ shopping hostesses to walk around the store explaining how the concept works to customers. IKEA representatives argue that this aspect is progressing, but slowly.

As indicated above, consumers in China are very demanding when it comes to service. They expect, if not world class service, that there are at least people to help them with all kinds of tasks. The IKEA self service concept and the DIY concept in general is hard for the Chinese to accept. It is also difficult to gain an impression of the level of service orientation amongst staff in the IKEA store. IKEA uses mystery shoppers to gain some information, but taking into account 50 years of dictatorship, state rule, state owned enterprises with little scope for the individual etc – how service minded can one expect the Chinese to be? IKEA tries, as everywhere else in the world, to implement a staff strategy that regards everybody as co-workers rather than employees. However, this is theoretically at conflict with the established cultural behaviours, in a country regarded as having high power distance relationships. IKEA argue that service levels and the service mentality is improving as conversion rates – consumers visiting stores that buy something - are improving, and are now above 41 %.

IKEA also has another challenge that affects service. Many products – despite the increased level of sourcing in China – still have long lead times in terms of shipping from Europe and other markets. This has historically made it necessary for the Chinese stores to “push” products ie sell what they have available in the store, rather than what is in the catalogue but not necessarily in the store. A lot of effort has been put into improving this situation – eg increasing domestic production, a new warehouse in China etc – and it is

claimed that availability in China is now almost the same as for the rest of the IKEA group.

Market Communication: One of the major differences when it comes to communication with the consumer in China compared to the rest of the world is the role of the catalogue. In China it is impossible, cost and reach wise, to distribute it in the same way as in other countries. The catalogue is distributed in the store and in some of the primary market areas, but there is a greater reliance on smaller brochures which are sent out several times during the year. These brochures are produced by the same people in Älmhult in Sweden that produce the catalogue in order to make sure that the brochures have the same layout and IKEA ‘feel’.

IKEA is known for its ‘out of the box’ thinking when it comes to creating an interest in IKEA and its products, and IKEA China is no exception. One example is a campaign which involved the transformation of 20 elevator interiors in less affluent residential districts in Beijing. The purpose was to create a nice environment in a dull place, to reach untapped markets, with the broad message that ‘*change is easy*’. Other PR activities include taking Chinese journalists to Sweden and Älmhult, to teach them about Sweden, IKEA, and the roots of the company, and IKEA is supposed to have started or sponsored a TV-show in which viewers are offered lessons in home decorating

IKEA has run many different advertising campaigns in China, through TV, newspaper and print media. The general theme in these campaigns are the same as everywhere in the world but with a Chinese twist (be different, break tradition). The IKEA advertising line in China may be viewed as being a little ‘softer’ than in other places - more humble advertising which does not stand out very much, with a friendly focus upon home furnishing solutions, education of the consumer, and the offer of a partnership for the future. The advertisement featured below (picture 2) is typical:

Insert picture 2 about here

The message in this advert is '*small changes, a refreshing new life*'. Life can be made better, easier and nicer through small changes. '*Small changes*' is a key phrase in IKEA advertisements and in-store communications. Other campaigns that IKEA have run use the theme "*don't be like your parents*", and are designed to speak directly to IKEA's target group of younger women (Lewis, 2005).

The web sites of the different stores in China are also viewed as an important communications vehicle, as the internet is an important information source for the target group. The internet is also used to educate customers about the IKEA concept and the shopping experience in particular before customers come into the stores. The IKEA Family loyalty scheme was introduced in China in 2007.

Summary

When comparing IKEA in general (ie how the company portrays itself) with how the company marketing strategy is implemented in the three countries under discussion (see Figure 1), we observe a retailer with a standardised retail concept and working principles, but one which has had to adjust to local market conditions through specific aspects of the retail marketing mix. The IKEA product assortment is the base from which country operations assemble their *merchandise* assortment. Whilst there is evidence of some minor adaptations to individual products, in general the assortment is so wide that there is the scope for every market to adjust by finding something that fits. One area where we can, however, observe more a significant difference is in the focus on a low price position - which is less clear and more difficult to achieve in China. Although low price is a cornerstone of the IKEA concept, this is an example of where the realities of local markets have had the better of the generic strategy and associated policies. With respect to *location and store formats*, the main store format remains an out of town, car based format and only minor adjustments have been made to the established model. However, we are now seeing changes in this model, initially arising from markets where planning regulations constrain expansion (the UK, China), and these physical changes might come to other markets as well, making for a more adapted way of looking at the store format within IKEA. In terms of the *selling and service environment* this area seems, from the IKEA perspective, to be a standardised element allowing for very few

adjustments, beyond culture based adaptations to the room settings on the first floor. How the store is shopped by consumers – how they react to this environment – is a different matter. In most markets there is evidence of a gradual implementation of a wider range of supporting services such as home delivery and assembly, and the IKEA Family loyalty card. Finally, in *market communications* we see another major difference - in the use of the main marketing tool, the catalogue. The usual dependence on this mechanism has had to be adjusted in China to relate to conditions in the marketplace. Also outside Sweden, where the catalogue has iconic institutionalised status, the effectiveness of the catalogue in its present form may be an issue. Advertising and promotion appears to be the area where IKEA allows for a much greater level of local adaptation. Adaptation of this part of the marketing mix is not uncommon in international markets. Whilst IKEA should be seen as being different and challenging and providing home solutions, how this is communicated through the message in particular, is based on local conditions.

Insert Figure 1 about here

Conclusions

In this paper we have analysed IKEA's marketing strategies in three countries from a standardisation/adaptation perspective. What have we found? We are dealing with a standardised retailer that wants all markets – and continents – to conform within a given frame. Compared to several other global retailers operating out of a large store format – Tesco, Wal-Mart, Carrefour – we have observed much less adaptation in how the market offer is constructed and portrayed. This in part reflects the fact that IKEA is, to some extent, a niche retailer, but it also reflects the centrality of the business model and a desire to hold onto what made the company successful. The view of senior IKEA managers is that sticking to the established business model – low price, centralised sourcing, new design and self assembly/self service retailing – is what has made IKEA successful, and that this will continue to be a successful formula, rather than allowing uncontrolled adaptation just because a particular market does not like self service etc. The IKEA

argument is that markets will learn and see the benefits of the IKEA concept as a whole. In essence, the retailer will drive market change and the market will ultimately adapt to the retailer (Tarnovskaya et al, 2008).

When IKEA has journeyed further afield onto new continents (in this case represented by China) some of the very different market conditions seem to have come as a surprise. However, should an experienced retailer really have been surprised to find that the Chinese have a lower standard of living, so the concept of price and value may differ, and that big-box retailers are rare ? On the basis of the evidence from China, it appears that IKEA took a very European ethnocentric approach to this inter continental move. This approach is characterised by Usunier & Lee (2005) as exhibiting self reference criteria, meaning that we tend to think that what works here (Europe) will work in other cultures as well (or others will adjust to our “superior ways”). If IKEA had not added other support services (home delivery and assembly) in China and if the proportion of local sourcing had not been increased, to keep prices down, China might well have provided IKEA with the same experience that it had in another distant market, Japan, in the late 1970s.

In the case of retailing, it is often argued that “back room” processes can be standardised, but customer facing elements may need some adaptation. Whilst this would appear to apply in the case of IKEA, the country cases also reinforce how important some of the “invisible” aspects of the retail business, for example the supply chain and sourcing approach, are in the ultimate delivery of the market proposition. The focus in retailing, and particularly in the globalisation debate, is often on the customer facing “front” end of the retail operation in isolation, and less attention is paid to the contribution – and one may argue the key role – performed by underlying systems and processes. For example, if IKEA had persisted with the standardised approach of sourcing merchandise from Europe, Chinese customers would have been faced with untenable market prices and out of stock situations. This suggests that the contribution of “back room” functions and activities in retailing, which are perhaps taken for granted at home, is magnified when trying to do business in more distant markets on a different continent.

Of all the retail marketing mix activities, intra-country and intra-continental differences appear to be the most magnified with respect to communications both with and in the market. In general, communication appears to be the one area where some divergence from the standard approach is *expected*. Whilst the company's view of its market position is to be respected, and the message should reflect a similar theme (ie different from the norm), the way that this is expressed reflects and reacts to the local context and behavioural norms in the host market. Also the tools used to communicate the message show some variation. The IKEA catalogue is not so sacrosanct in some markets as one might believe.

Finally, another consequence of doing business globally is the opportunities and challenges which arise from the organisational learning experience, and the role of the length of time spent in the market. Whilst in China the internationalisation challenge has been about introducing a business concept that is – at least in some parts – very different to what customers are used to, in Sweden and the UK the different contextual situations have also impacted upon the approach taken to these markets. Swedes have fifty years of experience of IKEA, and the risk in this market is one of over-exposure – the concept and activities become so familiar that they are perceived as boring, establishment, and even old-fashioned, if innovation is not maintained. For a “standardised” retailer continual innovation needs to somehow be found from within the established business concept. British consumers have over twenty years of experience of IKEA, so the challenge here is also to continue to be innovative whilst becoming more and more part of the establishment.

From a theoretical retail standardisation and adaptation point of view, the IKEA case shows that it is possible to operate internationally through a fairly standardised concept in markets that are very different from that where the business concept originated. However, the case also shows that there are limits to retail standardisation. In the IKEA case it is clear that some adaptation is needed to be true to the business concept. This also suggests that in future research it may be more beneficial to focus on whether or not a retail company is true to its business concept, rather than if it is using the same marketing strategies all over the world (Burt & Mavrommatis, 2006). The challenge, therefore, becomes one of replicating the concept, rather than the activities, so

the emphasis on standardisation switches to the business concept. It is the retail business concept that is exported and in order for the concept to be the same all over the world, the marketing strategies sometimes need to be adapted to achieve concept standardisation.

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Picture 1. IKEA print advertisement in China



Picture 2 IKEA print brochure in the UK (Scotland)



Figure 1. IKEA Retail Marketing Mix Activities

	IKEA in general	IKEA in Sweden	IKEA in the UK	IKEA in China
Merchandise	Brandname is IKEA Basically same products (95%) Increasing local sourcing in few markets (Russia), otherwise centralised sourcing and supply Cutting prices in all countries	Brandname is IKEA Basically same products (95%) Centralised sourcing and supply of bulky products from nearby areas Cutting prices	Brandname is IKEA Basically same products (95%) Centralised sourcing and supply of bulky products from nearby areas Cutting prices	Brandname is IKEA Basically same products (95%) Increasingly local sourcing for all products in the assortment Cutting prices dramatically
Location & Store format	Location in most cases well out of city centre, out of town location (adjusted for car use) Two floors, parking outside store, restaurant, Sweden shop	Location in most cases well out of city centre, out of town location (adjusted for car use) Two floors, parking outside store, restaurant, no Sweden shop. Here also signs of changing formats for stores (ala China)	Location in most cases well out of city centre, out of town location (adjusted for car use) Two floors, parking outside store, restaurant, Sweden shop - but increasing retail planning laws but focus on innovation concerning format (ala China)	Location closer to city centre, closer to public transport etc Two floors, underground parking, restaurant, Sweden shop, wider aisles in store
The selling environment & service	The room settings are adjusted to fit with local tastes, size of rooms etc of customers in countries were IKEA work DIY etc concept of IKEA is increasingly accepted – the DIY etc is the ‘price’ you pay for low prices	The room settings are adjusted to fit with local tastes, size of rooms etc of Swedish customers DIY etc concept of IKEA is increasingly accepted – the DIY etc is the ‘price’ you pay for low prices	The room settings are adjusted to fit with local tastes, size of rooms etc of British customers DIY etc concept of IKEA is increasingly accepted – the DIY etc is the ‘price’ you pay for low prices	The room settings are adjusted to fit with local tastes, size of rooms etc of Chinese customers More visitors than in other IKEA stores in the world – with the same staff level DIY etc concept is alien in a country where labour is less expensive – with prices that are not perceived as generally low.
Market Communication	Catalogue is the base, advertising to fit the IKEA concept to local tastes, humour and position, promotion increasingly run from stores, IKEA family is rolled out across countries, web is a tool that increasingly is used on new markets as information tool to increase knowledge of IKEA concept to new IKEA customers	Catalogue is the base, advertising to fit the IKEA concept to local tastes, humour and position, promotion increasingly run from stores, IKEA family is well established, web is an information tool to increase knowledge of IKEA concept, for planning the visit.	Catalogue is the base (but its efficiency is somewhat questioned) advertising to fit the IKEA concept to local tastes, humour and position, promotion increasingly run from stores, IKEA family was introduced in 2007 and is spreading, the web is an information tool to increase knowledge of IKEA concept, for planning the visit and for giving access to IKEA planning tool (fx kitchen)	Catalogue is minor part, adjusted (smaller) brochures are the concept, advertising to fit the IKEA concept to local tastes, humour and position, promotion increasingly run from stores, IKEA family was introduced in 2007, the web is a tool that provides opportunity to increase knowledge of IKEA concept to new IKEA customers