

“Standardized” Marketing Strategies of IKEA? The Challenges of China

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Abstract. The Swedish furniture company IKEA, implementing similar “standardized” marketing strategies all over the world, is often used as a successful global retail example. However, since entering the Chinese market, IKEA has not been able to achieve the same positive results as before with its standardization. As a consequence, IKEA has to reconsider another approach to adapt its business in China. This paper examines the challenges IKEA faced while expanding its market share in China. Using glocalization (globalization-localization) to analyze possible solutions for IKEA in the Chinese market. As well as shows the impact of local forces on developing marketing strategies in the international market.

Keywords: IKEA; Marketing Strategies; Standardization; Glocalization; China.

1. Introduction

IKEA was founded in 1943 in a small village in southern Sweden called Småland by Ingvar Kamprad, who is only 17-year-old at the time. Today, IKEA has grown from a one-man mail-order company to one of the largest furniture retail multinational companies in the world. At the end of the 2021 financial year (31st August), the Ingka Group expands IKEA to 32 countries to provide good value-for-money furniture products [1]. Operating more than 400 IKEA stores and shops, as well as worldwide eCommerce. In addition, IKEA is committed to providing consumers with low-cost but good-quality furniture, helping more middle-class families improve their happiness. For decades, IKEA has been expanding its international business footprint, achieving great success in European and establishing itself as a leader in the furniture industry. After the 1990s, IKEA gradually turned its attention to Asia and found the right business opportunity. The Chinese market experienced rapid growth after the policy of Reform and Opening up, which spearheaded the rise of the middle class in China.

IKEA opened its first store in China in 1998 and keep similar marketing strategies with other countries. However, the financial situation of IKEA China is not promising in the coming years and the “standardized” marketing strategies are not adapted successfully in the Chinese market as usual. This is mainly because the Chinese market has huge demographic differences and a variety of consumer cultures. Especially in the millennium age, Chinese traditional values and western culture merged, which makes the Chinese market complex and unique. It comes thus that loads of challenges were showed to the standardization of IKEA and in order to succeed in China that IKEA has to improve its marketing strategies in line with the Chinese market.

Among academics, there is a growing opinion favor that one of the necessary factors in international marketing is that make localization strategies rather than keeping standardization strategies. Moreover, in the development of globalization and localization, a new view called “glocalization” appeared, which is analyzed as providing global production or service but with localization marketing strategies. In this case, should IKEA change its “standardization” marketing strategies? How has its business model changed?

The objective of this paper is that use glocalization (globalization-localization) to analyze possible solutions for IKEA in the Chinese market by examining the challenges faced by IKEA while it expands the market share in China. Compared with the previous papers, this paper shows the impact of local forces on developing marketing strategies in the international market as well. The paper will conclude with a synthesis of findings, an assessment of the limitations of this case study, and future directions that should be considered.

2. Conceptual Framework

2.1 IKEA “Standardised” Marketing Strategies

In fact, there is no consensus among researchers on the definition of “standardized” marketing strategies. However, according to Buzzell, it shows that the company uses the same marketing model to sell the same series of products at the same price in different countries, which stresses the four P (Product, Price, Place and Promotion) classification as other papers to analyze marketing strategies. Therefore, this paper uses this module to express IKEA “standardized” marketing strategies as well (see Table 1).

It is necessary to understand IKEA “standardized” marketing strategies by starting with its business ideas and vision: “The IKEA business idea is to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them and our vision is to create a better everyday life for the many people [2].” IKEA refers to the statement while developing its marketing strategies and guides work in the same way over the world.

Table 1 Four P Analysis of IKEA “Standardized” Marketing Strategies [3]

Product	Price	Place	Promotion
Providing the same merchandise over the world	Adopting a low-price model in the world	In most cases, the IKEA stores are located away from the city center, on the edge of the city	IKEA catalogue is main part and advertising
Centralizing procurement of materials		Generally two floors with a large car park and restaurant	Only on sale at Christmas and few certain times
Purchasing of bulk goods from nearby areas			

The senior management argued that standardization provides advantages in marketing and managing. It not only keeps IKEA’s unique competitiveness to attract consumers but also makes IKEA easier to control their stores and shops in different countries. Indeed, IKEA has captured the lion's share of the furniture market worldwide with this “standardized” marketing strategies.

2.2 Glocalization

Glocalization is a fusion of globalization and localization, which originated in Japan as a business strategy. It is used in English and is attributed to Professor Roland Robertson, a sociologist from the University of Pittsburgh, USA. As he learned about and studied the development of Japanese society, he discovered the use of this term that used by marketing experts in Japan [4]. This term is based on the Japanese word dochakuka, which originally meant that agricultural techniques should be adapted to local environmental conditions and used as “glocalization” in the business world [5]. With the development of study progressed, Robert and other sociologists interested in globalization noted that “glocalization” was intended to indicate that some products, although produced in different parts of the world, had a clear tendency to be localized in many social practices like marketing [4].

To be more specific, when companies apply “glocalization” to marketing, a distinctive feature is the adaptation or development of marketing strategies that are tailored to local consumer behavior. Compared with standardization, this approach requires time to research the local market and consumers which makes the process of developing marketing strategies relatively difficult. However, it can effectively avoid the misleading effects of "uniformity" on unique markets [6].

3. The Challenges IKEA Faced in China

3.1 Price

Although IKEA is known worldwide for offering low-priced furniture, it was relatively expensive for Chinese consumers when IKEA first in to China, which is mainly because of the reasons below. Firstly, there is still a gap between the purchasing power of Chinese consumers and that of European consumers since China is still a developing country. To put it in another way, the differences in income and consumer perception lead to different consumer behavior. For example, Chinese consumers have a deeply ingrained thrifty mindset since slow economic growth and poor income, which leads to Chinese consumers preferring to choose low-priced or discounted production in all respects. McKinsey Company China Consumer Report 2020 (2019) pointed that because China's rapid economic rise, although many Chinese consumers have experienced a rapid growth in incomes and purchasing power, many people are still maintaining a lifestyle of relative frugality and poverty [7]. As a result, consumers are afraid of falling back into poverty and are paying extra attention to their spending habits.

In addition, the exchange rate between the RMB and the Euro is relatively high. It results in products of the same price being inexpensive in European countries, but if the goods want to be sold in China, they need to be priced by the exchange rate, which has resulted in their pricing in China being higher than the original pricing.

Moreover, IKEA did not choose to cooperate with some local factories at the beginning, and most of the products sold are produced overseas. In this case, there is an increase in transport and high import duties, which makes the products in China more costly. Therefore, in order to be profitable, IKEA has no choice but to raise the price of its products, which means that IKEA loses its competitiveness in price in the Chinese market.

Furthermore, IKEA faced challenges on price from local furniture companies in the Chinese market as well. The popularity of the IKEA style in China has led some competitors to emulate its style in producing their furniture. These cottage manufacturers take advantage of their low costs, making the goods available at prices lower than those of IKEA, which makes the consumers abandon buying IKEA products because of price [8].

3.2 Promotion

Before entering the Chinese market, IKEA already had a high profile worldwide. However, after entering China, IKEA was not as popular as in other countries, and most middle-aged and older consumers did not even know about the brand. It is because IKEA prefers its promotion approach of "standardized" marketing strategies that use catalogues to inform consumers about its products. For Chinese consumers, they favor knowing about a product from television or the internet, even from conversations with others [9]. Therefore, IKEA catalogues are limited in their promotional impact in the Chinese market.

Moreover, the advertisements of IKEA are rarely seen on television. This is because IKEA's philosophy is "to offer a wide range of home furnishings that are affordable to the public", and it uses low prices to attract consumers and gain a competitive edge. From a cost-containment perspective, IKEA does not place a lot of advertising in the Chinese market because of the high advertising placement fees. To put it another way is that Chinese consumers will have fewer opportunities to learn about IKEA and its brand awareness will not be high.

In addition, IKEA's other promotion approach is about discounts. In fact, it rarely sells discounted products because the original price of its products is already very low. In other countries, IKEA only sells at reduced prices at Christmas or during a few specific discount seasons [3]. However, some merchants run promotions of varying degrees monthly in the Chinese market, so most local consumers are used to buying goods when they are on sale even if the price is not so cheap. As a result, the discounts of IKEA products are less frequent than equivalent local products, which means IKEA becomes less attractive to Chinese consumers.

3.3 Online Service System

With the development and popularity of e-commerce and online shopping in the Chinese market, Chinese consumers prefer the time-saving and effort-saving option of online shopping in an increasingly fast-paced lifestyle. IKEA has followed the market trend and developed delivery services as well as e-commerce services. As IKEA has not previously focused on this aspect of its business, it clearly lacks experience compared to other established e-commerce platforms. One obvious feature of IKEA's imperfect online sales system is the immaturity of its logistics system.

IKEA first tried to offer online shopping in 2016 and by 2018, it was offering this business in nearly 200 cities in China and had distribution centers in the Chinese market. However, the logistics and delivery offered by IKEA are not very efficient, with packages generally taking 3-7 days to be received by consumers. IKEA's logistics system is extremely inefficient compared to the Chinese e-commerce market, which is known for its efficient delivery capabilities. That means that consumers have to wait longer than one of the original reasons for choosing to shop online to save time would be meaningless. Therefore, the longer the wait time, the lower the satisfaction with IKEA. On the other hand, some local furniture companies in China have extremely comprehensive logistics systems to deliver furniture efficiently to meet the needs of local consumers, which certainly appeals to more Chinese consumers to buy their products rather than choose IKEA.

4. The Solutions IKEA Made

4.1 “The world's lowest price” and cooperation

In response to the fact that IKEA does not show a price advantage in the Chinese market. IKEA can use the theory of “glocalization” to develop specific marketing strategies tailored to the Chinese market, based on local consumer behavior and habits.

IKEA adopts “the world's lowest price” approach to pricing for its Chinese business, which pushes the price of some products down to 70% below the price in IKEA shops outside of China. For example, IKEA's single-seat Ektorp armchair retails for \$112 in China, 67% less than in the US [10]. On the other hand, IKEA products in China are regularly on discount, even outside of public holidays, which is rarely used by Western retailers. For instance, IKEA has more than a dozen promotions a year in the Chinese market, including participation in discounts on some local Chinese e-commerce platforms, which is in contrast to other countries where discounts are only available at certain times. This lowest price and heavy discounting effort are unique to China and clearly will adapt to suit the thrifty culture of the Chinese market.

Moreover, In the face of high transport costs and competition from local businesses, IKEA can mobilize all available resources and implement a local sourcing and production strategy. For example, IKEA could source raw material suppliers and finished furniture manufacturers in China, thus reducing high international shipping costs and avoiding various tariffs, which means reducing the cost of its products and allowing the brand's price advantage to be reflected. To put it another way, cooperate with local furniture companies to avoid the loss of price advantage brought about by unhealthy competition to a certain extent.

4.2 Online promotion

IKEA can use the power of the local Chinese network to promote its products and create new promotional models to suit the special circumstances of Chinese consumers who are not used to reading IKEA catalogue. According to a report released by the China Internet Network Information Centre (CNNIC), the number of Internet users in China is 829 million, and the growth rate is increasing year by year [11]. That means that the Chinese market has the basis for online promotion and IKEA has the potential to increase brand awareness through online promotion.

To be more specific, IKEA can promote its products or publish its ideas through influential Chinese social media platforms such as WeChat or RedBook. Moreover, it can use influential

bloggers to introduce its products and offer discounts to its fans as appropriate, leveraging its fan base to achieve increased brand awareness and revenue as well. In an era when streaming media is all the rage in China, IKEA's online promotion not only saves on high advertising costs, but also inspires potential consumers.

4.3 Improve logistics system

Based on this requirement Chinese consumers are used to efficient logistics for online shopping. IKEA must improve its logistics system in order to survive in the Chinese market. First, it can choose to cooperate directly with established e-commerce platforms, such as Alibaba, and rely directly on its established logistics system for its online services. But this means a good and stable relationship between IKEA and the e-commerce platform, which could lead to the collapse of IKEA's entire logistics system if the relationship between the two were to falter.

Another approach is to choose to work with a logistics company. However, when working with logistics companies, IKEA needs to carefully select the best ones by comparing them in terms of price, efficiency, safety, and many other aspects. In addition, IKEA and logistics companies need to provide forecast information for a series of logistics links, such as sales and delivery, for different regions and seasons, as well as for different consumers' consumption abilities, so that logistics information and status can be adjusted promptly, which improves efficiency.

5. Conclusion

This paper argues that for IKEA to be successful in China, it needs to redefine its marketing strategies in China based on the principle of “glocalization”. To put it in another way, IKEA needs to rely on Chinese unique local culture and consumer behavior rather than continuing with its “standardized” marketing strategies.

In conclusion, IKEA has discovered that Chinese buyers frequently like to buy things when they are on sale or at a cheaper price. In response, IKEA products are always on sale and are available for “the lowest price in the world” in China. Moreover, Chinese consumers are more likely to gain information online rather than from catalogue as in other countries, so IKEA needs to change its promotion model from the standardization to online promotion that is more relevant to the Chinese market. Furthermore, in order to keep up with the development of the Chinese market, IKEA developed its online service. However, since IKEA has fewer experiences with e-marketing, there are still many areas that need to be improved, and one of the more important ones is to improve the logistics system.

Other international businesses looking to break into the Chinese market can benefit from these insights and advice. Global businesses in particular should focus on how to develop their international marketing strategies to local contexts rather than relying on “standardized” approaches to their operations and learn from IKEA's “glocalization” strategies.

Despite this, there are a few restrictions. Due to the inherent contradictions in the cultural identities of other industries, this approach might not be easily applied to them. For instance, LinkedIn and Google tried to fit in with the local cultures but ultimately decided that the Chinese censorship standards were too strict for them to follow as a Western corporation that strives to advance independence and freedom. Additionally, the tactic might not be appropriate for businesses that want to use their foreign character as a competitive advantage. For the purpose of projecting an image of wealth and elegance, foreign luxury companies like Hermes and Chanel promote their foreign character. Thus, adapting to local cultures has its limits. Future research should therefore focus on how multinational corporations may better strike a balance between their local identities in each overseas market and their core global identities in their home markets.

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