

# **IKEA**

## **BRAND AUDIT PROJECT**



## **Charles Laffiteau**

# Brand Inventory

## History

- Founded in 1943 by Ingvar Kamprad from Småland in southern Sweden.
- The name IKEA is formed from the founder's initials (I.K.) plus the first letters of Elmtaryd (E) and Agunnaryd (A), the farm and village where he grew up.
- Began with sales of pens, wallets, jewelry, and nylon stockings with the goal of meeting customer needs with products at reduced prices. Five years later introduced furniture.



# Brand Inventory

## History (cont'd)

### 1950's

- First furniture showroom opened in Älmhult, Sweden allowing IKEA to demonstrate the function and quality of its low-price products.
- Began designing furniture for flat packs and self-assembly. Idea came when a worker removed table legs so it would fit in a car and avoid damage during transit.
- First store opens in Sweden and is the largest furniture display in Scandinavia.

### 1960's

- Began expanding outside of Sweden with a store in Norway
- Opened a self-serve warehouse, which was an important part of the IKEA concept



# Brand Inventory

## History (cont'd)

### 1980's & 1990's

- First store opened in the USA in Philadelphia.
- Children's IKEA was launched as IKEA feels that “kids are the most important people in the world”

### 2000's

- IKEA e-commerce was launched
- IKEA launched its own food label covering about 30 percent of the 150 products in its food range.



# Brand Inventory

## Hiring Process 4-steps



# Brand Inventory

## Brand Elements

- Single brand element is the simple and bold typeface logo
- Simplicity is reflective of the products sold at IKEA -- simple in design but visually appealing
- Colors are the same yellow and blue national colors of Sweden, the birthplace of the founder
- Is a registered trademark which means unauthorized use is subject to legal action
- Consists of simple geometric shapes and text, and does not meet the threshold of originality needed for copyright protection



Flag of Sweden



# Brand Inventory

## Brand Architecture

All IKEA products sold at the IKEA store and online are named with a single word to make the names easier to remember.

- **Children's items** named after mammals, birds, adjectives

*Example:* DUKTIG is a line of children's toys and means “good, well-behaved”

- **Kitchen utensils** named after foreign words, spices, herbs, fish, mushrooms, fruits or berries, functional descriptions

*Example:* SKÄRPT is a line of kitchen knives and means “sharp or clever”



# Brand Inventory

## Brand Architecture (cont'd)

Expanded product line to include:

- **Flat-Pack Houses: “BoKlok”**
  - Created to help first time buyers in Sweden in 1996
  - Sold in the Nordic countries and the UK
  - Functional, High-Quality homes built inexpensively
- **Virtual Mobile Phone Company**
  - Launched “Family Mobile” in the UK in 2008
  - Teamed with T-Mobile



IKEA Flat-Pack Houses





# Brand Inventory

## Description of Attributes

**IKEA wants to be viewed as:**

- Affordable
- “Do-It-Yourself”
- Having Well-Designed, Functional Products
- Innovative
- Entire Family-Friendly



# Brand Inventory

## Profile of Competitive Brands

Company	Direct/Indirect	Points of Parity	Points of Difference
<ul style="list-style-type: none"> <li>▪Walmart</li> <li>▪Target</li> <li>▪Tesco (British)</li> <li>▪Carrefour (French)</li> <li>▪Argos (British)</li> <li>▪Conforama (French)</li> </ul>	Direct because these retail stores also sell low-priced home products, including furniture, accessories, bathroom and kitchen items, which could be substitutes.	<ul style="list-style-type: none"> <li>•Offer reasonably priced alternatives for the mass market</li> <li>•Sell other home products besides just furniture</li> <li>•Lack the notion, upon which IKEA built its reputation, that they provide innovative and stylish home product designs</li> </ul>	Offer a broader range of general merchandise, such as groceries, electronics, sports & fitness items, apparel, jewelry, etc.
Pier 1 Imports	Indirect because it does not claim low prices & has a slightly narrower home product range.	Sells furniture & other home products	Offers unique, imported items & inspired furniture from around the world
Pottery Barn	Indirect because it does not claim low prices & has a slightly narrower home product range.	Sells furniture & other home products	<ul style="list-style-type: none"> <li>•Offers home furnishings with exceptional comfort, style, and quality</li> <li>•Complimentary design services</li> </ul>



# Brand Inventory

## Hierarchy & Brand Product Matrix

- IKEA products are organized into categories based upon function and are further divided into many different series, each with its own unique name. For example, under just the Living Room Category there are about 36 series or individual brands listed on the U.S. Website.
- Each series name applies to only one product category, while the IKEA name is applied across all of the different product categories. The IKEA name, therefore, functions as the family brand as well as the company brand, and the two levels collapse to one.



# Brand Inventory

## Hierarchy & Brand Product Matrix (cont'd)

Brand Name	Product 1	Product 2	Product 3	Product 4	Product 5
<b>Benno</b>	CD/DVD Shelf Unit	DVD Tower	TV Bench with Panel	TV Unit with Casters	N/A
<b>Klingsbo</b>	Glass-Door Cabinet	Bigger Glass-Door Cabinet	N/A	N/A	N/A
<b>Leksvik</b>	TV/Storage Unit	TV Unit	Bookcase	Bookcase with Doors	Bookcase / Storage Combination
<b>Trollsta</b>	Cabinet with 2 Drawers	Side Table	Sideboard	Tray Table	N/A

- Because there are too many brands under IKEA to present in this chart, four samples were chosen from the “Living Room” category of products to help explain the firm’s *brand extension strategy*.
- Each *brand line* contains similar products to provide variations of one product type to customers rather than extending the brand name across a variety of product categories.
- Instead of consolidating products from different categories into a small number of *family brands*, IKEA utilizes many different *individual brands*, each of which is restricted to products within one category.



# Brand Inventory

## Market Share

- **Market Share in 4 largest markets by sales**
  - First in Germany with 23%
  - Eleventh in US furniture market (not including housewares) with 3%
  - First in France 26 stores with 16.3% vs Conforama 180 stores with 14%
  - Second in UK with 6.1% vs Argos with 6.4%
- **Market share in new emerging markets**
  - First in fast growing China market with 43% of housewares market



# Brand Inventory

## Profitability

- Privately held company – complete financial statements are not published.
- With the economic downturn in 2008 – 2009, discretionary incomes were negatively affected thereby potentially threatening IKEA sales as furniture is a discretionary product and is their key product.
- Recorded revenues of €21.5M (\$29.1M) during fiscal year ending August 2009, an increase of 1.4% over 2008.
- For 2010, forecast is that profit will remain steady.



# Brand Inventory

## Pricing

- IKEA pricing strategy is to maintain good quality and design while keeping cost as low as possible.
- 10 keys to IKEA's low pricing
  1. Recycling
  2. AS-IS
  3. Waste Reduction
  4. Automatic Selling
  5. Thriftiness
  6. In-house design
  7. Economies of scale
  8. Transportation
  9. Strategic Placement
  10. Minimal Packaging



# Brand Inventory

## Distribution Channels

Connecting Supplier and Customer





# Brand Inventory

## Distribution Channels (cont'd)

### Unique Advantages

Large volumes

Flat packages

Common transport network

### Modes of Transports

By road	76%
By rail	10%
By short sea	3%
Combined Transport	11%



# Brand Inventory

## Supporting Marketing

- The IKEA brand builds on a relationship with the consumer.
- The vision, business idea and market positioning statement provide a framework for all IKEA marketing communication worldwide.
- IKEA marketing communication utilizes key principles to build the relationship with the customer and give an understanding of how they meet customers needs.



# Brand Inventory

## Product Range

- Unique, diverse and practical
- Target different segments of the market (broad audience)

## Store

- Useful displays act as selling tool when customers walk through store
- Displays are distinctive concept that helps customers physically use and visualize

## Catalogue

- Main international marketing and sales tool.
- Over 100 million catalogues are distributed in 38 editions and 17 languages for 28 countries

## Advertising, PR & Other Communication

- Complement the product range, the store and the catalogue to create awareness and market penetration
- Use print, TV, radio, and internet based communication to promote the company and its products



# Brand Inventory

## Brand Personality

Reflected by the Brand Elements and Existing Marketing Mix



# Brand Inventory

## Alternative Marketing Communication



# Brand Exploratory

## Brand Mental Map



# Brand Exploratory

## Brand Associations

### Brand Exploratory Questionnaire

Group 4 conducted a Survey Monkey poll with over 100 respondents in order to gauge IKEA's brand equity and core associations in the mind of the average consumer.

- **FREE ASSOCIATION:** When asked to answer on core brand associations, respondents associated IKEA with the following:
  - ☐ Cheap; Bachelor Pad; Dorm and Apartment Furniture
  - ☐ Visual appeal and unique, modern design
  - ☐ Challenging assembly
  - ☐ At times, questionable quality and service
- **PRODUCT ASSOCIATIONS:** Respondents indicated that the brand is:
  - ☐ Strongly associated with furniture, house ware, and storage
  - ☐ Moderately associated with kitchen accessories and décor
  - ☐ Weakly associated with food service

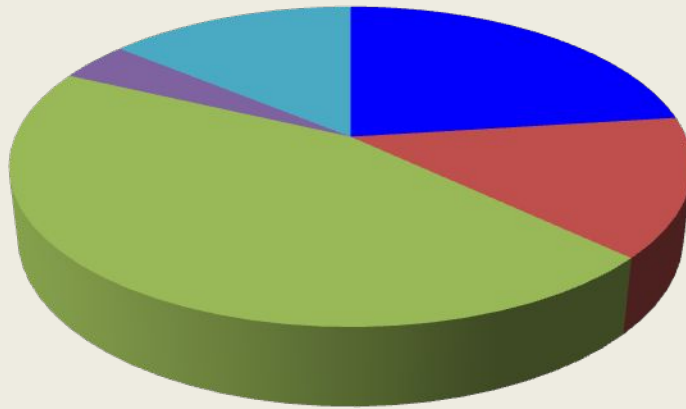


# Brand Exploratory

## Awareness & Favorability

Brand Exploratory Questionnaire

Shopping at IKEA is:



- Fun
- Unique
- No Different
- Inconvenient
- Disappointing

- **IKEA Brand Awareness:** 99%
- **Favorability:**
  - 66% of those surveyed held a positive perception of the brand, with 11% negative and 23% neutral/not sure
  - 78% would recommend IKEA to others
  - 59% identified IKEA's service and product quality as consistent
- **Buying Habits:** 49% of those surveyed shopped at IKEA 1-3 times per year

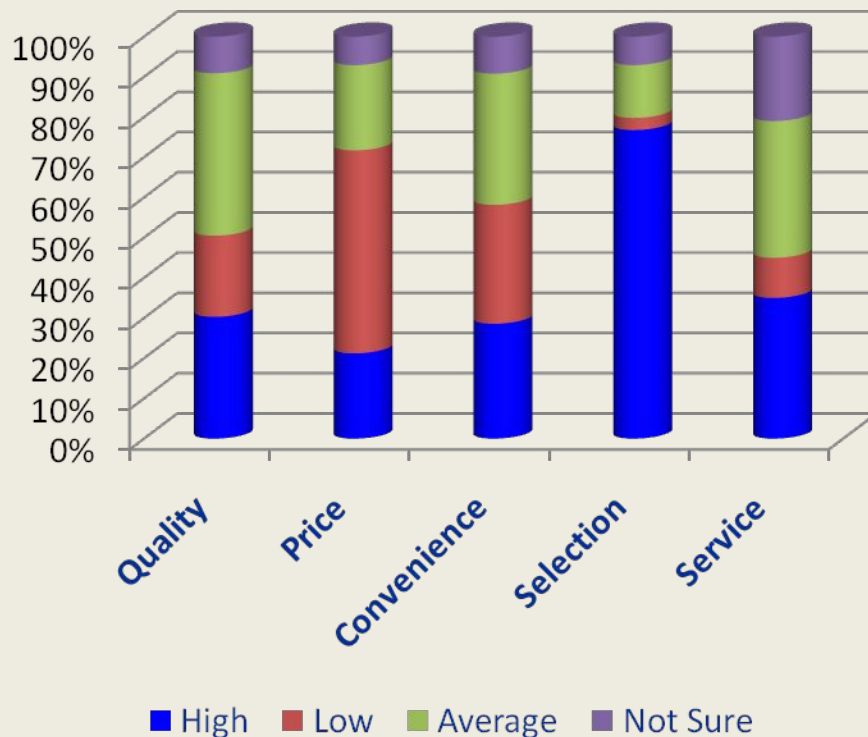




# Brand Exploratory

## Brand Dimensions by Rating

Brand Exploratory Questionnaire



### Brand Dimensions

- Quality: Average (40%)
  - Pricing: Low (50%)
  - Convenience: Average (32%)
  - Selection: High (76%)
  - Service: Average (34%)
- Results indicate that most respondents perceive that IKEA offers a wide selection of products at a low price.
  - There were mixed results for product quality, convenience, and service indicate areas of opportunity for improvement.



# Brand Exploratory

## Sources of Brand Equity

- Cult like following of customers
- Common customer experience globally
- Modern and stylish home furnishings
- Self assembly = quality goods for lower cost
- Shared global middle class buying habits
- Middle class market growth opportunities\*
- Fun but frugal internal corporate culture



# Brand Exploratory

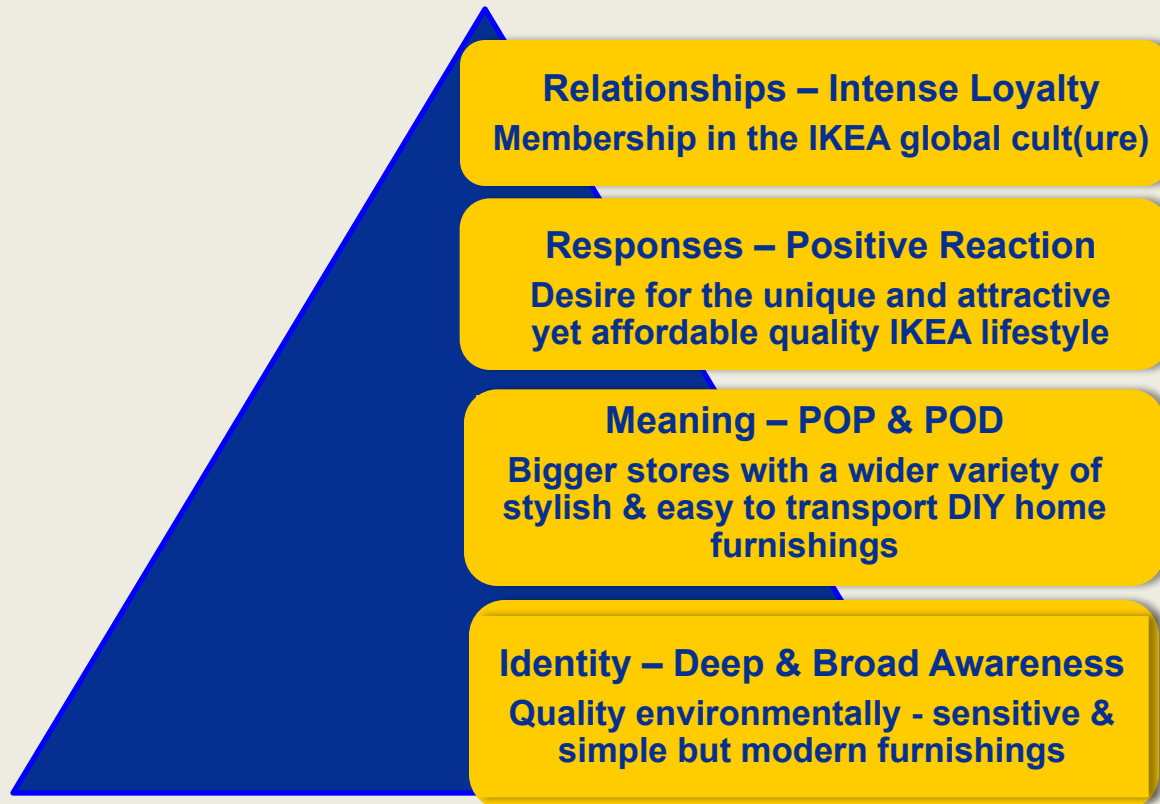
## Possible Threats to Brand Equity

- Changes in the internal corporate culture due to aging of leader & many employees
- Aging of middle class target market customers in largest markets – Europe and to a lesser extent in the United States & Canada
- Lack of convenient urban store locations
- Growth and competition could lead to the loss of its high design and low cost image



# Brand Exploratory

## Customer Based Brand Equity Pyramid



# Brand Exploratory

## Problem: Perception vs. Market Reality

- Increasing price (Target), style (Pottery Barn), and convenient location (Wal-Mart) competition
- Little or no growth in primary EU & US markets
- Shut out of emerging markets middle class in countries such as India
- Less homogeneity among consumers in some of its aging global middle class markets
- Loss of cult status with 18-44 year target market



# Brand Exploratory

## The Customer

- According to our research, about 50% of consumers go to IKEA 1-3 times per year
- Dorm furniture: college students
- Kid's rooms: parents/children
  - Babies-Teens
  - Teenagers
- Starter furniture
- Bachelor pads: young men 18-25



# Brand Exploratory

## The Customer - Profile

- Fun
- Modern
- Funky
- Good design
- Flat packaging – unassembled – good for DIY
- Suburbs & large cities



# Brand Exploratory

## The Customer - Buying Behavior

- Shops for a Bargain
- Prefer Inexpensive / cheap
- Likes that mixes well with investment pieces
- Plan day around visit to store
- Allow time for longer shopping experience
- Expect minimal customer service





# Brand Exploratory

## Depth & Breadth of Brand Awareness

### The Numbers

99% surveyed are familiar with the IKEA brand

65% surveyed have a positive opinion of the brand

80% recommend to friends

### The Ingredients

Brand Name: simple, easy to pronounce, different

Visual Elements: distinctive form, colors

Slogan: affordable solutions for better

Logo: rectangle with yellow oval



# Brand Exploratory

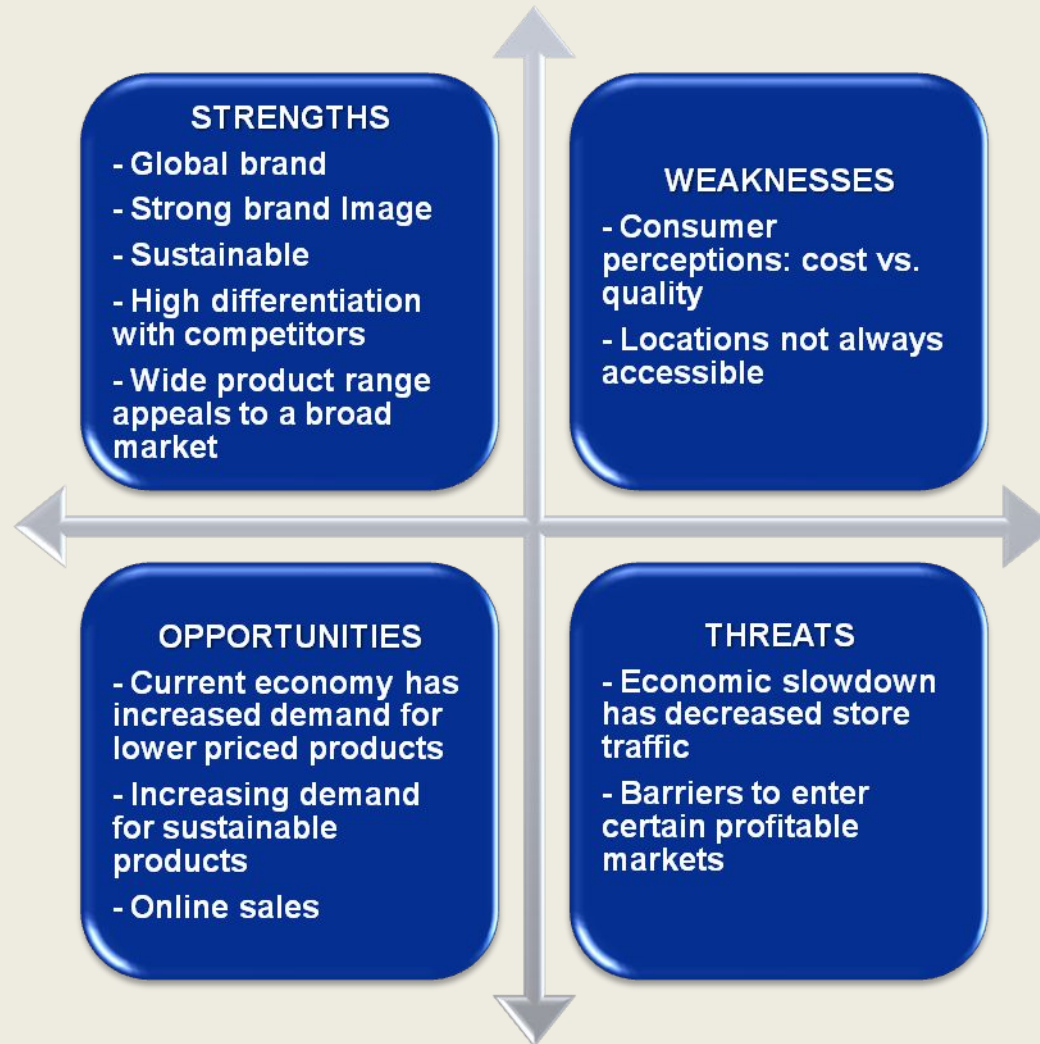
## Perceptual Map

	Top 10 Brick & Mortar	Assembled Furniture	Personal Customer Service	Multiple Brands Selection	Investment Pieces	Web Orders
1	IKEA					✓
2	Office Depot			✓		✓
3	Target			✓		✓
4	Ashley Furniture	✓	✓			✓
5	Rooms to Go	✓	✓	✓		
6	Wal-Mart			✓		✓
7	La-Z-Boy	✓	✓		✓	
8	JCPenney	✓	✓	✓	✓	✓
9	Haverty's	✓	✓	✓	✓	
10	Ethan Allen	✓	✓		✓	

Shows the brand and its main competitors along the most important brand attributes



# SWOT Analysis



# Positioning



## Suggested Positioning Statement

“IKEA is a leading international retailer of a wide assortment of well-designed, economical, and practical home furnishings to fit any style or budget.”

- The above positioning statement incorporates the original IKEA business idea which has successfully positioned the brand as a leader in value-priced, practical design.
- Additional verbiage identifies an international customer focus driven by localized style and taste.

## Brand Mantra

“To create a better everyday life for the many people”

This message is the essence of the IKEA brand and does not need to be further refined.



# Recommendations

## Expensive e-commerce Shipping

### Promote a Temporary Discount on Shipping Rates

- Free shipping for items under \$100
- Sign up for loyalty program and get free shipping

### Measuring Effectiveness

If the promotion is successful, it will generate additional online sales.

Current online shipping rates:

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



# Recommendations

## Complex Product Names

### Change Product Names to Fit the Market

- Take from Globalization to Localization
- Easier to remember
- Easier to start buzz about product

### Measure Effectiveness of Recommendation using Conjoint Analysis

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

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



# Recommendations

## Perception of Brand – Cheap vs. Value

- Our brand exploratory survey indicated that a large portion of respondents associate the IKEA brand with cheap “starter” furniture for young people.
  - These associations are not favorable to a brand built around the idea of quality design at a low price.
  - In this case, inexpensive works against the brand, signifying product quality issues rather than everyday value pricing.
  - IKEA’s diverse and expensive product line features products appropriate for all ages but consumers are failing to perceive the value because of the brand’s youthful design and product durability issues.

### Recommendations

- Use Brand-Based and Marketing Based comparative methods to isolate negative brand associations and perceived quality gaps.
- Enhance segmentation efforts to design marketing programs that appeal to broader demographics.



# IKEA Brand Audit

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