The Key to IKEA’s Success

Executive Summary

IKEA is the largest furniture retailer in the world. Founded in Sweden in 1943 by Ingvar Kamprad, they sell ready-to-assemble furniture, appliances, and home accessories. As of January 2014, IKEA owns and operates 303 stores in 26 countries, with total global revenues exceeding 40 billion Canadian dollars. The report identifies various factors that contributed to IKEA’s success, specifically how this furniture giant came to dominate the industry and became a household name.

This report begins with a description of IKEA’s company mission, vision and values. The company strives “to create a better everyday life for the many people” and this vision goes beyond home furnishings, by attempting to reach out to society at large. IKEA’s unique corporate structure, which is designed to ensure independence and long-term sustainable growth, is owned by both for-profit and not-for-profit entities. The company is managed in classic Scandinavian egalitarian style as IKEA refers to all employees as coworkers, and relationships between co-workers are informal, open and caring. IKEA employs an adaptability culture with a strategic focus, always willing to change in order to meet the fluctuating needs of the customer. A SWOT analysis was also conducted, and it was determined that IKEA employs a low-cost leader strategy as their competitive advantage.

The second part of the report delves into some IKEA’s core competencies that enable success. The competencies selected for discussion are their marketing, innovation and global expansion strategies. Firstly, IKEA employs a relatively sophisticated marketing strategy in order to maintain and increase their customer base. By offering a variety of products to suit any taste, keeping prices low, minimizing the costs of inventory and distribution through flat-packing and implementing a wide range of promotional marketing activities, the company is able to maintain its level of success. In addition, innovation is at the core of IKEA’s business model. Product development, manufacturing and technology innovations contribute to the success and prosperity of this international powerhouse. Lastly, in order to increase profit margins and establish international recognition, IKEA has a well-thought out global expansion strategy that serves them well on their quest for global domination.

In conclusion, IKEA has achieved success through a variety of endeavours and continues to adapt its strategy given changing market conditions and customer needs.