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Marketing Excellence IKEA

IKEA was founded in 1943 by a 17-year-old Swede named Ingvar Kamprad who sold pens, Christmas cards, and seeds out of a shed on his family’s farm. The name IKEA was derived from Kamprad’s initials (IK) and the first letters of the Elmtaryd farm and the village of Agunnaryd where he grew up (EA). Over the years, the company grew into a retail titan in home furnishings and a global cultural phenomenon, inspiring *BusinessWeek* to call it a “one-stop sanctuary for coolness” and “the quintessential cult brand.”

IKEA inspires remarkable levels of interest and devotion from its customers. Each year more than 650 million visitors walk through its stores all over the world. Most need to drive 50 miles round-trip but happily make the effort in order to experience IKEA’s unique value proposition: leading-edge design and functional home furnishings at extremely low prices.

IKEA's Scandinavian-designed products are well made and appeal to the masses. To stay relevant and fashionable, the company replaces approximately one-third of its product lines each year. Most have Swedish names, such as HEKTAR lamps, BILLY bookcases, and LACK side tables. Kamprad, who was dyslexic, believed it was easier to remember product *names* rather than codes or numbers.

Besides featuring fashionable and good-quality products, IKEA stands out in the industry because of its bargain prices. The company's vision is and always has been "to create a better everyday life for the many people." As Kamprad said, "People have very thin wallets. We should take care of their interests." A high percentage of its customers are college students and families with children.

IKEA continuously seeks out new ways to run its businesses more efficiently and pass those cost savings on to the customer. In fact, it reduces prices across its products by 1 percent to 3 percent annually. How can it do so? For starters, IKEA engages the consumer on many levels, including having the customer do all the shopping, shipping, and assembly.

IKEA's floor plan is designed in a winding, one-way format featuring different inspirational room settings, so consumers experience the entire store. Next, they can grab a shopping cart, pay for the items, visit the warehouse, and pick up their purchases in flat boxes. Consumers load the items in their car, take them home, and completely assemble the products themselves. This strategy makes storage and transportation easier and cheaper for the store.

IKEA has also implemented several company-wide strategies to keep operational costs low. The company buys in bulk, controls the supply chain, uses lighter packaging materials, and saves on electricity through solar panels, low-wattage light bulbs, and energy from its own wind farms in six

different countries. Its stores are located a good distance from most city centers, which helps keep land costs down and taxes low.

When IKEA develops new products, its designers and product developers start with a low price tag first and then work with one of their 1,350 suppliers around the world to develop the product within that price range. Designs are efficient, and waste is kept to a minimum. Most stores resemble a large box with few windows and doors and are painted bright yellow and blue—Sweden's national colors.

Many of IKEA's products are sold uniformly throughout the world, but the company also caters to local and regional tastes. For example, stores in China stock specific items for each New Year. During the Chinese Year of the Rooster, IKEA stocked 250,000 plastic placemats with rooster themes, which quickly sold out. When employees realized U.S. shoppers were buying vases as drinking glasses because they considered IKEA's regular glasses too small, the company developed larger glasses for the U.S. market. After IKEA managers visited European and U.S. consumers in their homes, they learned that Europeans generally hang their clothes, whereas U.S. shoppers prefer to store them folded. As a result, IKEA designed wardrobes for the U.S. market with deeper drawers.

Showrooms in each country or region vary as well. For example, managers learned that many U.S. consumers thought IKEA sold only European-size beds. Beds are very important to U.S. consumers, so IKEA quickly changed its U.S. showrooms to feature king beds and a wide range of styles. After visiting Hispanic households in California, IKEA added more seating and dining space to its California stores, as well as brighter color palettes and more picture frames on the showroom walls. In China, IKEA set up its showrooms in small spaces to accurately reflect the small size of apartments in that country.

As the company expands globally, it is learning that attitudes towards its core DIY (do it yourself) delivery and assembly business model vary. In China, for example, consumers do not want to assemble products themselves and will pay a significant amount for home delivery and assembly. As a result, IKEA

has added these services, and sales in Asia have taken off. The company plans to implement the same strategy in India, where DIY is also less common.

IKEA is known for its quirky marketing campaigns, which help generate excitement and awareness of its stores and brand. It ran a campaign inviting customers to be the “Ambassador of Kul” (Swedish for “fun”), but in order to collect the prize, the contestants had to live in an IKEA store for three full days before it opened, which they happily did.

Thousands of people will line up for a chance to win prizes and IKEA furniture. In Sweden, IKEA launched a Facebook page for the manager of a new store. Anyone who could tag his or her name to an IKEA product on the profile page won that item. The promotion generated thousands of tags.

IKEA has evolved into the largest furniture retailer in the world, with approximately 350 stores in 43 countries and revenues topping €27.9 billion, or \$36 billion, in 2013. The majority of sales still come from Europe, but the company has aggressive plans to expand the \$11 billion brand further into Asia, India, and the United States.