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IKEA Looks to Further Penetrate the U.S. Market

CASE 10

Synopsis: *IKEA is known around the world for its stylish, quality, and low-cost furniture and home furnishings. The company's success is based on a strategy of operational excellence in production, supply chain operations, and marketing. IKEA—wildly popular in Europe—has leveraged its brand reputation to penetrate markets in other countries. However, its penetration of the U.S. market has been hampered by a weakened economy and the inconsistency between the traditional U.S furniture market and IKEA's low-cost operating philosophy. IKEA must find a balance between its operational excellence strategy and U.S. consumers' demands for customization, good service, convenience, and quality.*

Themes: *Operational excellence, target marketing, product design, branding strategy, positioning, global marketing, pricing strategy, supply chain strategy, retailing, implementation, customer relationships, SWOT analysis, strategic focus*

When 17-year-old Ingvar Kamprad founded IKEA in 1943, he could not have imagined that his company would become one of the world's most popular and iconic brands or the world's largest home furnishings retailer. The IKEA name is a combination of Kamprad's initials (IK) and the first letters of the farm (Elmtaryd) and village (Agunnaryd) in southern Sweden where he grew up. From the beginning, IKEA was founded on different principles—namely, frugality and low cost. Most furniture companies offer personalized service and advice in lavish showrooms where salespeople compete for sales commissions. Kamprad, however, recognized that customers were willing to trade off typical amenities to save money. Today, the no-frills frugality is the cornerstone of the IKEA caché and one of the reasons for its immense popularity.

IKEA operates under a unique corporate structure. When Kamprad founded the company, he wanted to create an independent organization that would be sustainable for the long term. Since 1982, the Stichting INGKA Foundation, a Netherlands-based

Christin Copeland, Florida State University MBA Class of 2006, and Michael D. Hartline, Florida State University, prepared this case for classroom discussion rather than to illustrate effective or ineffective handling of an administrative situation. Kimberly Gaskin, Amy Minkewicz, and Mandy Walz, Florida State University MBA Class of 2010, provided research support during the case revision.