

Global Operations Business Plan



Furnishing The World

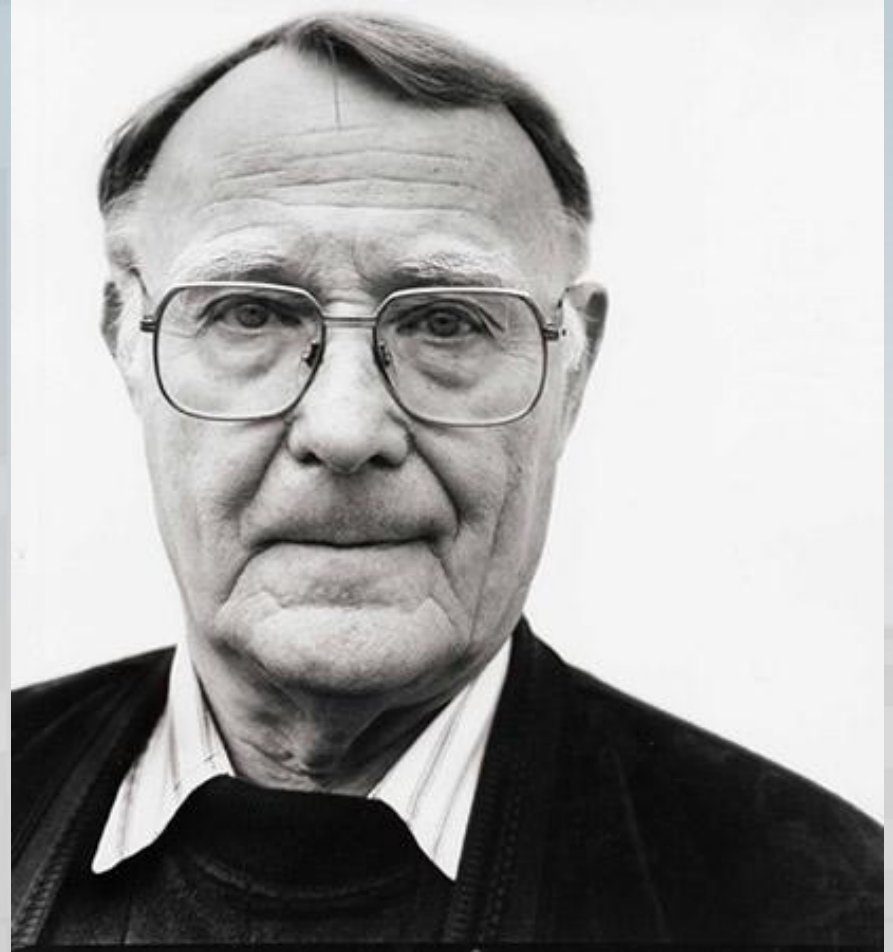
Group Members :

- **Nurul Aida Zulkafli – 1041104373**
- **Aminath Nazima – 1041109242**
- **Arefeh Verdinejad – 1041110149**
- **Faezah Abdullah Latiff – 1041109900**
- **Tai Yi Kwan - 1041109475**

Ingvar Kamprad Philosophies

“Most things still remain to be done - a glorious future! Time is your most important asset. Split your life into 10-minute units and sacrifice as few as possible to futurities”

“Simplicity and common sense should characterize planning and strategic direction”



HISTORY

- Founder : Ingvar Kamprad
- Based in Sweden
- Colors : The stores exteriors are painted bright blue and yellow as Sweden's national colors
- Before : Originally sold pens, wallets, picture frames, watches, jewelry and nylon stockings.
- Now : IKEA specializes in fashionable furniture and home accessories at low prices
- 1951 - The first IKEA furniture catalogue is published
- 1959 - Self assembly furniture begins and gradually develops as part of the IKEA concept; Flat package = less transport cost = lower prices
- Now IKEA has 254 stores in 35 countries; most of them in Europe, and in the United States, Canada, Asia and Australia

MISSION & OBJECTIVES

MISSION

- To create a better everyday life for the many people. They make this possible by offering 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

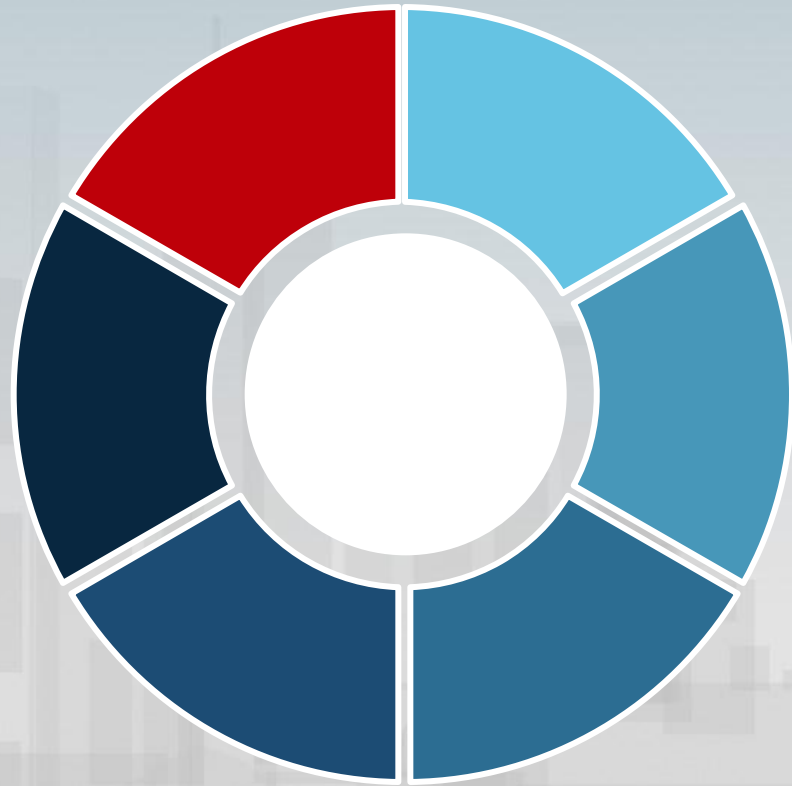
OBJECTIVES

- Identify target consumer types and geographic areas for distribution of catalogue
- Identify types and areas with poor sales potential
- Increase sales return on catalogue expenditure
- Develop business strategy

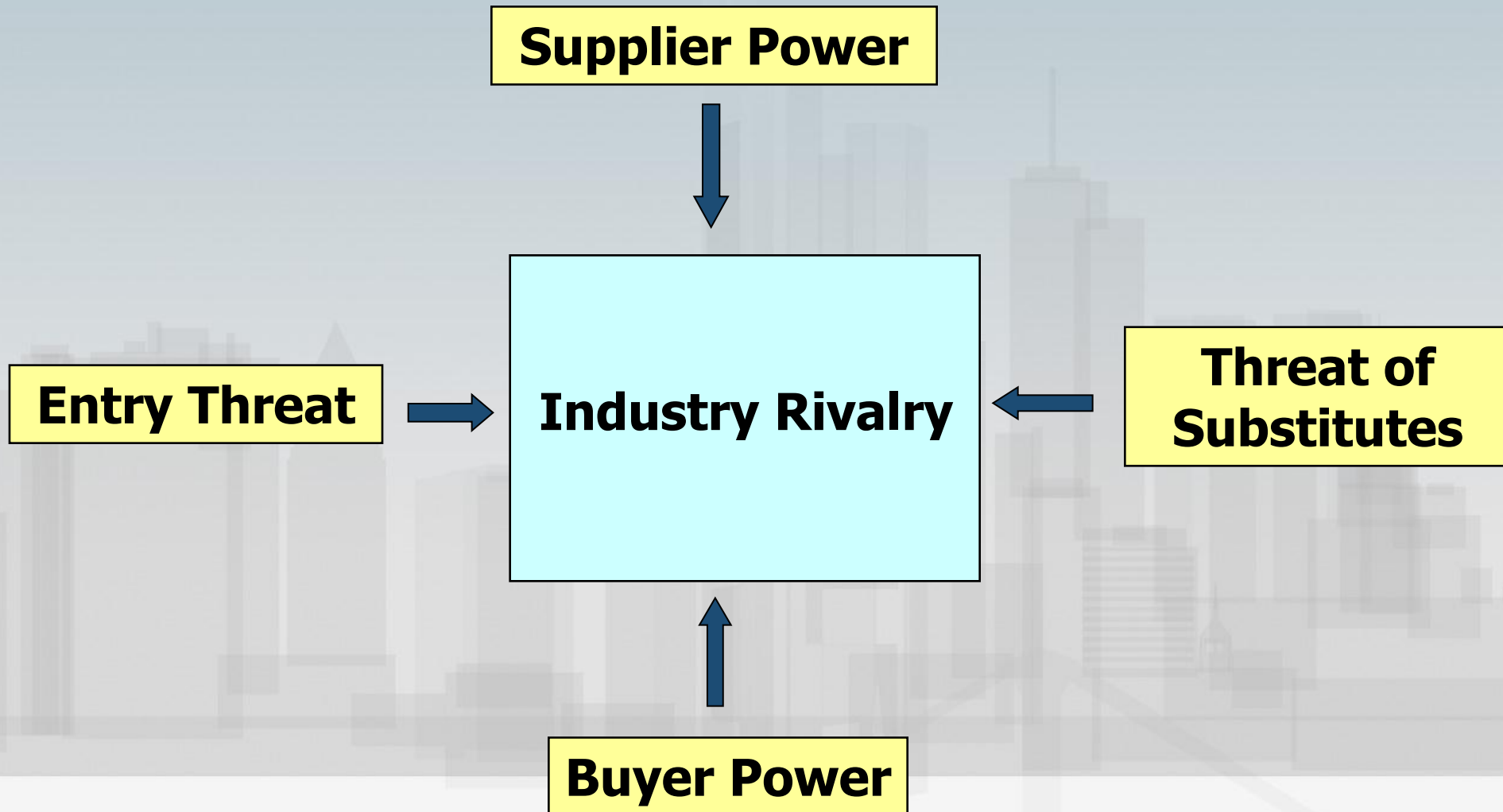
Global Operations

Why Decide to Go Global?

- Potential for profits are higher in some foreign markets than in domestic markets
- Economies of scale – possible with a larger customer base
- Market volatility and the risk of relying on one market
- Counter-attack global competitors in their own home markets.
- Migrations of company's customers



PORTER'S 5 FORCES ANALYSIS MODEL



PORTER'S 5 FORCES ANALYSIS MODEL

Buyer Bargaining Power

Little buyer bargaining power because:

- Little buyer bargaining because there are not many other low price options. As a retail chain, IKEA sells to fragmented group of individuals
- For kitchen wares and smaller items, buyers have many alternatives but for furniture consumers have limited alternatives choices because IKEA'S furniture is unique

PORTER'S 5 FORCES ANALYSIS MODEL

Supplier Bargaining Power

Low supplier bargaining power because:

- Ikea contracts with thousand of suppliers. These contracted suppliers have no brand names
- For some products, IKEA takes bids, while for others, it contracts with multiple companies to make the same products
- Because suppliers work mostly for IKEA and compete with other suppliers

PORTER'S 5 FORCES ANALYSIS MODEL

Rivalry

- No other store offers the complete package of IKEA in furniture and house wares - at least, not for the same low prices.
- IKEA'S market does not have intense rivalries, because IKEA has a large cult following, and high demand for its unique products.

PORTER'S 5 FORCES ANALYSIS MODEL

For furniture :

e.g.

- Crate & Barrel – furniture in a box, but at much higher prices.
- Ethan Allen and independents – higher prices, quality customer service and generally aimed at a more upscale market.
- Office Depot, OfficeMax, Staples – office furniture

For house wares :

e.g.

- Wal-Mart, Target, etc – big box/general store types have items, but don't have as much style

PORTER'S 5 FORCES ANALYSIS MODEL

Substitutes

- No practical product substitute for furniture
- IKEA has to keep up with the latest trends, to avoid becoming out of style
- IKEA could copy any new style fairly easily, and move the new product into its stores
- Used furniture is a major low-price substitute for new furniture.

PORTER'S 5 FORCES ANALYSIS MODEL

New Entrants

- Any new entrant would have to compete with IKEA'S universal brand name and excellent availability of furniture and house wares
- IKEA'S stores do not reach into many small towns. An entrant could move into small and midsize cities with smaller stores and less selection
- By not immediately moving into the same city as IKEA, a new entrant could establish itself before entering into direct competition

INTERNATIONALIZATION(MODE OF ENTRY)

FULLY SUBSIDIARIES EXPANSION

- Mostly in Europe and United States
- These subsidiaries are set-up by an expansion team from the central expansion group located in Sweden. This group is responsible for store location and layout, training, logistics and marketing
- Purpose is to ensure standardization, operational control and provide a smooth entry into a new market

INTERNATIONALIZATION(MODE OF ENTRY)

FRANCHISING

- In other part of the world
- Franchisees have to carry basic items, but have the freedom to design the rest of the product mix
- The centralized head office is involved in the selection process and provides advice.
- All products have to be purchased from Ikea product lines.
- In order to maintain service, quality and logistics standards, individual franchisees are periodically audited and compared to overall corporate performance.

INTERNATIONALIZATION(MODE OF ENTRY)

SUPPORTING ORGANIZATIONAL STRUCTURE

- Able to maintain centralized control over functional
- Take advantage of low cost and enhanced quality from international suppliers
- Control over strategic direction is enhanced and functional redundancies are minimized
- To ensure efficiency in the logistics process, IKEA has integrated purchasing and distribution processes under one umbrella function referred to as "Wholesale"

INTERNATIONALIZATION(MODE OF ENTRY)

BALANCE OF AUTONOMY AND STRATEGIC DIRECTION

Helps to focus strategy to respond to varying nation-level consumer groups.

To Avoid :

- The increase of complexity of the logistics system
- Difficulties to respond to national needs and cultural sensitivity issues.
- Franchisees demand more control over operations.

CREATING VALUE

Cost-Leadership

- Produce high quality products at a low price
- Provide quality product with components derived all over the world
- Work effectively when the organization can provide products or services at a lower cost than the competition



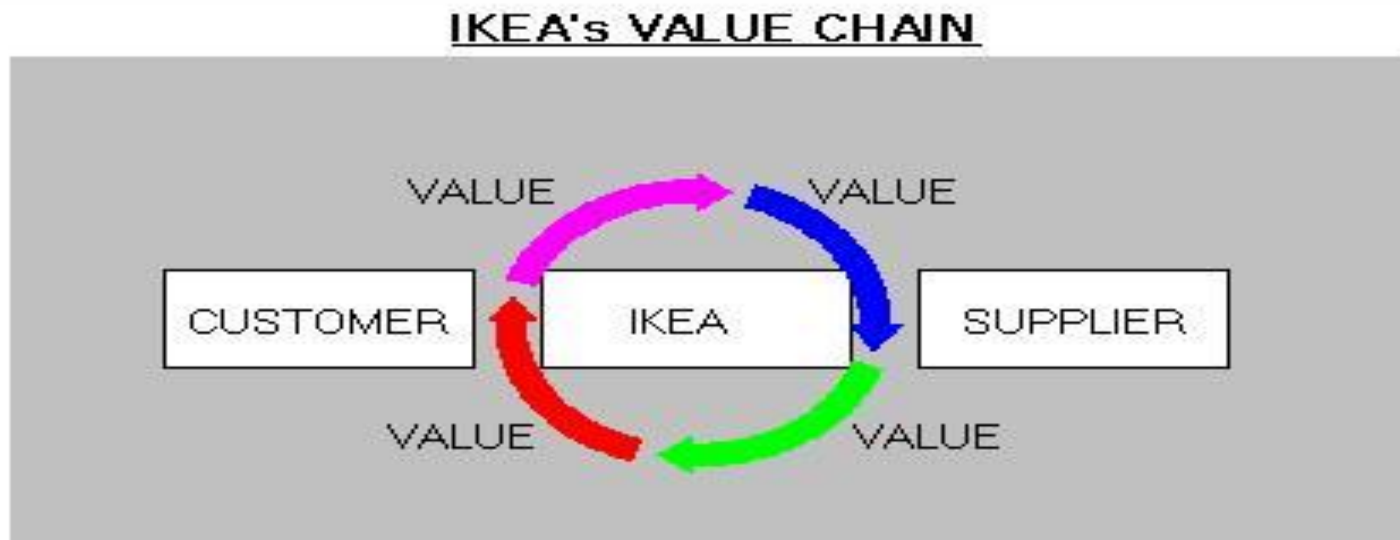
CREATING VALUE

Differentiation

- Find suppliers that can deliver high quality items at low cost per unit
- Aim to deliver products and services that are different from the product mix of the competition.



IKEA VALUE CHAIN



GLOBAL MARKETING STRATEGIES

- Using **subcontracted** manufacturers all over the world for supplies. All research and development activities are, however, **centralized** in Sweden
- Offer wide range of products
- **Home furnishing specialist**
- Suppliers are usually located in low-cost nations, with close proximity to raw-materials and reliable access to distribution channels
- To **facilitate shopping**, Ikea provides:
 1. Catalogs
 2. Tape measures
 3. Shopping lists and pencils for writing notes and measurements
 4. Car roof racks are available for purchase at cost
 5. Ikea pick-up vans/mini trucks are available for rental

GLOBAL MARKETING STRATEGIES CONT.

- Offer **one-stop store** and convenient shopping where they have a **simple returns policy**
- **Pro-sumers** - half producers, and half consumers
- **Strong in-stock position** and **depends on leading-edge technology**
- Focus on **low cost, standardization** and **quality**
- **Just-In-Time** concepts built into business.
- Utilizing **control points** in the distribution cycle

INTERNAL :

Strengths

- Wide range of products & styles at low affordable prices
- Global Outsourcing
- Trustworthy suppliers
- Advertising (catalogue, website, radio, word of mouth)
- Well communicated catalogues
- Good online presence
- Global buying power at low costs
- Self-Serve area
- One-stop shopping
- Model rooms
- A typical IKEA has a Restaurant, Grocery Store, Supervised play area & Baby care room

INTERNAL

Weaknesses

- Failure to establish well in some markets
- Assemble products yourself
- Few locations
- Store layout (store too big for some)
- It's difficult to understand foreign attitudes and tastes if you're not from the country
- Niche market – the minimalist design doesn't appeal to everyone
- Too strong of an emphasis on cost-saving could lead to cutting corners and negatively affecting safety
- Product and style selection is limited.

EXTERNAL :

Opportunities

- The budget shopper market is growing, especially among college students and in metropolitan areas
- In-store restaurants are popular, example: 15th largest food chain in America
- Now that product design has been tailored to other foreign country preferences, there is an opportunity to add “bonus” services to increase customer service and satisfaction
- Sell some of their furniture in other retail stores

EXTERNAL

Threats

- Plenty of competition. The furniture retail segment is highly fragmented and IKEA is flanked by competitors in high-end specialty retailers and low-end discount retailers.
- Discount retailers sell on the basis of price, bringing down margins and making it difficult to stay profitable

CONTROL & EVALUATION MECHANISM

1. IKEA's corporate social responsibility (CSR) such as social and working conditions, child labor, environment and forestry
2. In compliance to strengthen their Code of Conduct IKEA launch programs such as:
 - Development of control and reporting tools
 - Development and training of IKEA's internal auditors
 - On-site training at supplier's premises of IKEA's internal auditors.
 - Third party monitoring visits to randomly selected IKEA suppliers to ensure

CORPORATE SOCIAL RESPONSIBILITY

IKEA CSR (Corporate Social Responsibility) for:

- Children
- Better living
- Environmental projects