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**Global Marketing through Local Cultural Strategies:
A Case Study of IKEA**

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MA Programme Euroculture Declaration

I, Karineh Abrahamian hereby declare that this thesis, entitled *Global Marketing through Local Cultural Strategies: A Case Study of IKEA*, submitted as partial requirement for the MA Programme Euroculture, is my own original work and expressed in my own words. Any use made within it of works of other authors in any form (e.g. ideas, figures, texts, tables, etc.) are properly acknowledged in the text as well as in the List of References.

I hereby also acknowledge that I was informed about the regulations pertaining to the assessment of the MA thesis Euroculture and about the general completion rules for the Master of Arts Programme Euroculture.

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List of Abbreviations and Acronyms

DIY	Do It Yourself
GDP	Gross Domestic Product
IM	International Marketing
MNC	Multi-National Corporation

Chapter 1. Introduction

Most academic literature on internationalization agrees that the most overwhelming and strenuous activity for business entities seeking to expand around the world is the need to gain a deep understanding of new markets. Companies need to study customers' habits, traditions, culture, and customs as the most shaping elements of their purchasing behavior and shopping patterns. For example, offering cheap prices, although effective in many markets, is generally linked to low quality in the world's two large markets of Japan and Germany. To prevent such misunderstandings, marketing departments of most major companies use a technical tool called Marketing Mix¹ to observe the characteristics of their target customers and to measure the fundamental features of their new markets.

In practice, the activity of entering foreign markets is like a coin with two sides. On one side of the coin, paying attention to cultural differences and observing these differences strengthen the need for adaptation and adjustment of marketing strategies. And on its other side, this smart policy reduces the chance of practicing globally fixed and standardized strategies which normally bring unity, simplicity, and cost savings for international companies.

To discover which side of the coin is more driving and significant, my analysis focuses on the four constructing items of Marketing Mix as the primary activities of any marketing department of global companies. Questions raised in the thesis evolve around the field of marketing which has inseparable relation with target customers and a very influential impact on sales results. To explain the problem, it could be helpful to take an example of very well-known American chain hypermarkets of Wal-Mart² which has faced with many cultural barriers during the procedure of localization in other countries. For instance, the very successful American experience of "Wall-Mart greeters" who welcome the shoppers at store entrances was a completely wrong policy in Germany where people do not admire it culturally and instead, consider that advertising action very annoying.³ The unfavorable experience

¹ This is one of the key technical terms of this paper. For more information, read page 14.

² Wal-Mart is the world's largest retail company which was founded in 1945.

³ For more information, read: Anna Jonsson, *Knowledge Sharing Across Borders: a Study in the IKEA World* (Lund: Lund Business Press, 2007), 2.

of Wal-Mart and similar cases of other world companies underlie the two opposite tendencies for globalization and localization. Through localization, companies do not only produce locally but also match their products and processes with local target markets. This is while; globalization refers to unification of both products and processes. In other words, while localization causes heterogenization of different markets by respecting local tastes, globalization results homogenization of all markets through having a very wide global view.

As overviewed above, there are interesting contradictions concerning the study of business activities in terms of anthropology and social studies. Although many business scholars and economic researchers such as Matti Aistrich, Massoud M. Saghafi, and Anders Dahlvig have studied this subject, there are still a lot of questions to answer and things to discuss. My study explores in particular the feasibility of what are called glocalization processes for world companies which tries to gain global methodologies by practicing local cultural adaptation on the basis of localization and globalization of their products and processes.⁴ By this means, international companies follow the primary slogan of Glocalization as ‘Think global, Act local’ with the purpose of not only meeting the demands of both opposite sides of the coin but also being benefited from all possible advantages.

The central problem explored in this thesis is the fact that international companies face cultural differences as one of the most challenging issues in their business activities and as the greatest potential barrier to their success, profitability, and even survival. This problem is intricate and puzzling because every single market has its own economical and cultural features which vary from other markets.

I presume that the first step for global companies to cope with this dilemma is to investigate typical features of each target market and get know their cultural characteristics. This action is like how well a chef knows about his clients’ desired tastes and the preferred regional cuisine. Having this information helps him to decide about what sort of raw materials and cooking equipment he needs.

⁴ Each pair of terms Localization and Localisation, Globalization and Globalisation, Glocalization and Glocalisation are interchangeably used in this paper as two possible correct spellings of each term.

After examining a market, international corporations may have the ability to decide between either implementing their own standardized marketing policies or adapting their products and procedures based on the cultural particularities of their foreign target markets. Of course, the solution is not only answered by one of these two approaches. In some cases, it might be even smarter to mix these two policies and create a middle road strategy which respects some features from both approaches.

My assumption about these two approaches is that, in spite of the necessity for adaptation, global business managers generally tend to implement standard formats instead of adjusting their marketing activities. As Burt et al argue for the application of globally standard patterns, ‘The main reason is that it gives operational advantages and makes it possible to keep the prices low and attractive for as many customers as possible. Another reason is that they want to create the same image everywhere.’⁵ I think that primary justifications behind the reasons explained by Burt et al are spending less expense and making more profit. I suppose that while observing both policies is inevitable for the internationalization process of global companies, the necessity of standardization is prerequisite and dominant. Moreover, its consequences are so tantalizing that this makes the need for compatibility seem less important.

In line with the subject of my thesis, I attempt to investigate if and how cultural features can force an international company to adjust its activities in each local market instead of practicing unified policies. I endeavor to find an answer about how cultural differences are crucial for global business entities. For this reason, I analyze the international activity of the Swedish home furniture retailer IKEA to run a realistic study. To make it measurable, I compare the four elements of Marketing Mix at IKEA in three culturally different markets located in Europe, Asia, and North America. The selection involves IKEA’s foreign markets of Germany, China, and Canada. By means of these three case studies, I try to reveal how cultural awareness really works for IKEA and to what extent IKEA adapts its strategies in its different foreign markets within and outside Europe. Taking three examples helps to have a wider and more valid perspective toward IKEA’s various local strategies, to test different examples, and to sustain and validate the final outcome.

⁵ Steve Burt et al., *Consuming IKEA : Different Perspectives on Consumer Images of a Global Retailer* (Lund: Lund Business Press, 2010), 55.

To explain the problem, I do take the position of Trompenaars and Hampden-Turner who argue in their book of *Riding the Waves of Culture* that “As markets globalize, the need for standardization in organizational design, systems, and procedures increases. Yet managers are also under pressure to adapt their organizations to the local characteristics of the market, the legislation, the fiscal regime, the sociopolitical system, and the cultural system. This balance between consistency and adaptation is essential for corporate success.”⁶ To investigate this problem, I will examine three cases of how one major company, IKEA, responds to this problem.

The core of this paper is an examination of the international marketing strategies of the global European company IKEA in three international markets, in order to examine the relationship between capitalist business and cultural identities in today’s globalizing world.

The thesis contextualizes the key role of cultural awareness through the international marketing activities of IKEA which has expanded its activities beyond the borders of its country of origin. This paper studies the operation and policies of IKEA which is very thriving and profitable around the world. IKEA has had very challenging experiences in these three markets as neither Germany, with shared European identity, nor China and Canada have similar cultural features with IKEA’s own Swedish ones. Besides my personal reasons which comes in (2.2.2 *IKEA as a Sample Case*), IKEA is a suitable example of a globally expanded company which has many interesting experiences of coping with various local barriers at its different foreign markets.

The thesis begins by clarifying the terminology of reference points and explaining the selected methodological approach. To shape sufficient knowledge about my theoretical framework, *Chapter Two* studies how close and twisted are the relationships between business and culture. In order to make readers more familiar with the research area, I offer basic explanations about the four models of foreign business. This chapter provides definitions on the expression of International Marketing and explains what Marketing Mix stands for. In terms of methodology, this

⁶ Fons Trompenaars and Charles Hampden-Turner, *Riding the Waves of Culture: Understanding Diversity in Global Business* (New York: McGraw-Hill, 2012), 5.

chapter covers why examining IKEA's international marketing activities can offer a useful case study for serving the final purpose of this thesis.

Chapter Three reviews how the latest technologies and developments form converged consumer tastes worldwide. The general debate is about the fact that the two irreconcilable tendencies of local and global transitions have brought new ideologies for this very complicated living situation. The headings of this chapter outline the concepts of localization, globalization, and also the two opposite approaches of standardization versus adaptation. After all, it introduces glocalization as the recent working solution practiced by the most global business entities.

The *Fourth Chapter* is a summary about IKEA's interesting history and a brief review of IKEA's global vision and mission. Then, it describes IKEA's so-called "Blue Ocean" business strategy and explores the cultural characteristics of this retailer. The information of this chapter, which is a combination of some general and technical features of the selected company, provides an overall picture of IKEA's portrait.

The task of *Chapter Five*, which is the main research part of this thesis, is to compare IKEA's marketing strategies in the foreign markets of Germany, China, and Canada through providing actual examples of IKEA's local marketing activities. Each case study consists of two sub-sections named "Basic and Economic Conditions" and "IKEA's Local Structure and Policy".

Through the first sub-section of "Basic and Economic Conditions", there comes a brief description of IKEA's history in that specific region and also a figural description of Annexes (1) and (2) which compares basic demographic and economic characteristics of Sweden (as the original domestic market of IKEA which acts as the early measuring tool in this paper) with the parallel characteristics of these three understudy countries of Germany, China, and Canada (as its selected three foreign markets here). This sub-section is more quantitative and assumed to be needed as the very clear ground to reveal the general type and style of target customers (showing their educational, cultural, economical, and financial status) and to understand customers' purchasing behavior in each foreign market.

The next subsection of this chapter, “IKEA’s Local Structure and Policy”, provides actual examples of IKEA’s marketing activities in each target country. This section, which contains qualitative information, investigates if and how IKEA attempts to replicate its standard norms or to adjust its procedures locally. Given instances reveal that IKEA, regardless of its magnitude and grand scale, is usually forced to find a middle-road by modifying its standard policies to achieve the best result and attract as many customers as possible worldwide.

Finally, *Chapter Six* provides conclusion of three case studies and a general outcome as well. The assumption and hypothesis are that IKEA’s success is very dependent on the level of its awareness and knowledge about cultural differences of its foreign markets. To support my supposition, I initially bring various actual examples of IKEA’s local policies and then convert them to four Ps of Marketing Mix. This creates similar formats and parallel data which are possible to be measured and compared. Case studies of *Chapter Five* evidence that while IKEA prefers to stick to its regular marketing styles in all new markets, it is obliged to adjust them with the local principles of foreign markets. Generalizing this result to other global companies suggests that *culture* is the forcing power which makes world companies go against their general tendency to standardize their policies and instead, forces them to adapt their structural rules to local conditions, or to combine the policies of global standardization and local adaptation.

Besides all investigations about the relationship between culture and business, this thesis aims also to show how a European capitalist business also responds to the issue of European identities. It tries to prove that although a global corporation is forced to adjust its own original national concepts of marketing activities based on the cultural diversity of foreign target markets, an international European corporation can still act as an important representative of European identity around the world and may even have the power to make some slight changes on the culture of its foreign target customers.

This thesis adopts the view that generally business activities are not culture-free. On the contrary: at its highest levels, the international business process depends on the amount of awareness and knowledge about cultural issues. To be sure, examining three samples of the actions of one company cannot generate a

comprehensive conclusion, but it can help to generate and support a hypothesis and make the proper empirical framework for further studies in the future.

Chapter 2. Theoretical Framework

This chapter is divided into two sections of *Reference Points* and *Methodological Approach*. It aims to explain the terminology and the methodological approach applied to this research.

2.1 Reference Points

This section outlines the relationships between culture and business as the very fundamental concern of this paper. Since this research is dedicated to the academic master program of Euroculture, it seems necessary to find out how these two items are related to each other and to uncover how close and twisted they are together. Having this section is vital because to an ordinary person and even to some experts in the business field, the relationship between culture and business can seem very vague and uncertain.

The next sub-parts outline different kinds of foreign business and describe what marketing is in fields of international cooperation. The last sub-part introduces the four constructing units of *Marketing Mix* which are known as the most crucial elements of international marketing activities. These four units which are called *four Ps* are the fundamental items of this thesis especially because the major structure of this paper is shaped on the comparison of the features of these units in three sample markets of IKEA.

2.1.1 Culture and Business

Culture is generally defined as a series of values, ethics, habits, thoughts, beliefs, rules and standards in the minds of every individual member of a society or community. As Strömbom mentions, ‘Culture is a collective programming of the mind.’⁷ While culture is produced out of a set of collective moral concepts, it is not exactly appearing similarly in every person of a society. In contrast, it is a very flexible element which varies from one person to another because it has the ability to be

⁷ Bo Strömbom, *Globalization and MNCs: Globalization and Management of Multinational Companies* (Göteborg: BAS Publishing, 2010), 49.

shaped specifically in every individual. Due to this flexibility, Hofstede labels culture as ‘the software of the mind’⁸, patterns of thinking, feeling, and potential acting which are learnt throughout every person’s lifetime.

Going back to creation date of the term “culture”, we discover a remarkably changing and dynamic history about the originally of this Latin word. It was initially used by the Roman philosopher, Marcus Tullius Cicero⁹, who used it first as “cultura animi” as a metaphor for “cultivation of the soul”. Then, during the eighteenth and nineteenth centuries, it was used in the fields of agriculture to refer to a process of cultivation. During the two centuries of nineteenth and twentieth, this word has travelled a long journey through many European languages and has got numerous modifications regarding to its spelling and meaning to reach its current definition as a primary concept in anthropology. According to R. Williams, ‘culture is one of the two or three most complicated words in English language because of its intricate historical development.’¹⁰

Today, this term has very broad and active descriptions. It is a product of mind which is indeed an inseparable substance that lies on the base of every human mind. In everyday life, most people use this term to simply refer to series of mental products including literature, art, film, music, sports, and food. For behavioral scientists and anthropologists namely Edward B. Tylor¹¹, culture includes all those ‘capabilities and habits acquired by man as a member of society.’¹²

Having described the term “culture”, now it is time to discover the connection between culture and business. In this regard, we should confess that while business managers used to consider both processes of supply and demand in a pair, their great concentration was basically more on increasing sales figures through improvement of supplying conditions and customers’ purchase. In practice, there have been very little focus and few studies on customers’ purchasing behavior which is mainly shaped out of their language, beliefs, thoughts, tastes and desires. Thanks to recent improvements

⁸ Geert Hofstede, *Cultures and Organizations : Software of the Mind* (London: McGraw-Hill, 1991), 4.

⁹ For more information, read: www.vocabulary.com/dictionary/culture

¹⁰ Raymond Williams, *Keywords: a Vocabulary of Culture and Society* (London: Fontana, 1988), 87.

¹¹ Edward Burnett Tylor is the pioneer English anthropologist of nineteenth and twentieth centuries who wrote the book of *Primitive Culture*.

¹² Palomar College website about What is culture?, http://anthro.palomar.edu/culture/culture_1.htm (accessed 5 March 2013).

in anthropology, culture is now known as the hidden fragrance of every process involved by human beings. This is why the economists and business scholars turned to study the impact of culture on business field. This fact made marketing managers look into their customers' culture because they found that a good promotion is much grounded on the proper knowledge of customers' real requirements and their purchasing behavior.

2.1.2 Foreign Business and International Marketing

Any sort of company has a defined nationality and country origin. While companies do firstly begin their business activity in their own national borders, this naturally brings specific set of local cultural features and styles of working procedures. Logically, many successful national companies plan to enlarge their room of activation. They go through their expansion to reach more possible customers and get more profit as well.

As national companies seek for more potential customers, they start searching for foreign markets to import their products out of their domestic business areas. As Jonsson summarizes from Bartlett and Ghosel¹³, corporations are categorized as Multi-National Corporation [MNC], Global Company, International Company, and Transnational Corporation. 'MNC develops a strong local presence through responding to the different national varieties. Global Companies treat all markets the same and seek for centralized global-scale operations. In comparison, International Companies transfer knowledge from the parent company and adapts it to new markets, implying the local units have more influence than in a global company but less in a multinational. And finally, Transnational Corporation is not a specific organization form but more as a management mentality. Emphasis in the transnational corporation is on knowledge development and knowledge sharing worldwide in order to manage global competitiveness.'¹⁴ In terms of this research paper, although the definition of international company seems relevant, the other two terms of multinational and global companies are used interchangeably due to their very close

¹³ For more information, read: Christopher A. Bartlett, *Managing across borders: The Transnational Solution* (London: Hutchinson Business, 1989), 14-17.

¹⁴ Jonsson, *Knowledge Sharing Across Borders*, 3.

definitions and because of the fact that in everyday life, we do also use them with less attention to differentiating original descriptions of each term.

Although growth of business area is a positive result desired by all companies, it does not happen by itself. Besides professional studies and well-grounded experiences, this type of growth requires International Marketing [IM] as well. IM is a general term used by global corporations for the application of marketing principles to more than one market and/or country. By the means of IM, global companies investigate whether or not their own set of styles and operating procedures can be consistently used in other foreign markets commonly or if they should adjust their policies.

2.1.3 What is Marketing Mix?

Marketing Mix is a technical instrument used by marketing department of global companies to define the four constructive cornerstones of their marketing activities. It is often synonymous with the four Ps' of product, price, place, and promotion.¹⁵ While the idea of marketing Mix has been initially created by James Culliton and Neil Borden from Business Schools of Harvard and Notre Dame Universities since 1948, the codification of “four Ps”¹⁶ which is also known as “four Cs”¹⁷ was developed to its current existing definition by the American marketing professor, Edmund Jerome McCarthy, in 1960.

One of McCarthy's four Ps or Cs stands for *Product or Commodity* and refers to a tangible good or an actual service like tourism. *Product* can be an actual item which exists physically or a service needed by a customer. For sure, producing a unique product with fixed features cannot attract and satisfy global audience. Issues like brand name, design, quality, functionality, safety, and packaging are some of those features that are studied under this broad element.

¹⁵ In recent times, the 'four Ps' have been expanded to the 'seven Ps' with the addition of process, physical evidence, and people. Interested readers can find more information in below article: Matti Aistrich et al., “Strategic business marketing developments in the New Europe: Retrospect and prospect.” *Journal of Industrial Marketing Management* 35 (2006), 421.

¹⁶ Four Ps stand for Product, Price, Place, and Promotion.

¹⁷ Four Cs stand for Commodity, Cost, Channel, and Communication.

Price or Cost is one of the other important cornerstones which is directly influenced by other three elements of Marketing Mix. As we use this term in our everyday life, *price* is the amount a customer pays for his required product or service and includes the sum up of finished cost plus profit margin. While all the other Ps are considered themselves as a constructive part of cost, this *P* creates sales revenue as well. *Price* should not only be competitive with the similar products of the other brands but also be elastic as it highly impacts on the rate of demand and sales.

The third *P* symbolizes *Place or Channel*. This *P* refers to distribution of product at a place and at the time which is convenient and accessible for end-user. This *P* comprises all logistic issues such as warehousing, inventory management, order processing, and type of transportation.

The last element of Marketing Mix is *Promotion or Communication*. This *P* represents all possible communicational tools to inform target audience about the existence, availability, and some other information of product which helps customer to make purchasing decision. Promotion, which involves ‘advertising, public relations, personal selling, and sales promotion’¹⁸, is currently a very strong aid used massively to compete with other competitors.

The package of the aforesaid four elements builds the marketing activities of each global company and assists that company to understand its customers properly, interact with them suitably, and sustain its overseas and even local business successfully.

2.2 Methodological Approach

This section introduces the applied approaches and methods for gaining the final conclusion of this thesis. While the nature of the research part, which shows up in *Chapter Five*, is base on a comparison of real operational examples of IKEA in three different foreign markets, there are some quantitative data for supporting central suppositions and hypotheses. While many researchers do believe that giving numerical figures increases the amount of accuracy and reliability, these figures can

¹⁸ Ross Gordon, “Re-thinking and Re-tooling the Social Marketing Mix.” *Australasian Marketing Journal (AMJ)* 20, no. 2 (May 2012), 123.

be considered as the most influential factors which have both direct and indirect impacts on the finance and marketing of IKEA's business model within selected marketplaces. As Jonsson cites from Silverman, 'Reliability, validity, and generalizability are concepts that will help the reader evaluate if the study is credible.'¹⁹

Moreover, I support my research by definite examples. Since I believe that comparing realistic examples serves best for examining theories and ideas and because I do personally feel that true case studies are more credible and challenging, I choose this strategy as the main method of my academic research. By presenting both qualitative and quantitative approaches, I do follow Tony Fang who believes that 'both qualitative and quantitative methodologies are valuable in theory-building and knowledge production.'²⁰

2.2.1 Four Ps of Marketing Mix

Although the structure of *Chapter Five*, which is the research part of this paper, is based on statistics and realistic cases of IKEA's local policies in my three selected foreign markets, my outcome and the skeleton of my conclusion are shaped in the form of IKEA's four marketing Ps. With the aid of this comprehensive package, I plan to test how consistent or compatible is IKEA's marketing mix in terms of culturally different markets.

Because providing true examples causes disunity and incompatibility of information, using this marketing instrument helps to transform and reshape my data in a comparable form. The added value of this conversion is that the translated data is apparent, coherent, and easy to measure. Getting advantage of this rebuilt data, the conclusion is more explicit, convincing, comprehensible, and constant for any kind of reader.

¹⁹ Jonsson, *Knowledge Sharing Across Borders*, 113.

²⁰ Tony Fang, *Chinese Business Negotiating Style: a Socio-cultural Approach* (Linköping: Univ., 1997), 165.

2.2.2 *IKEA as a Sample Case*

Besides my own personal curiosity in this global company, accessibility of various types of primary and secondary materials including hundreds of previous academic papers, journal articles, and TV promotions encouraged me to select IKEA. Moreover, my own access to IKEA's various stores in Sweden and also my medium level of Swedish language knowledge were of the other advantages helping me to shape a basic personal interpretation and gather some practical knowledge about IKEA before coping with this paper. Having personal experience and background about the selected sample company facilitates both processes of doing research and generalizing the findings from case studies.

In my opinion, IKEA is indeed an adequate sample for serving the concept of this paper because it is not only the world's largest furnishing retailer but also very thriving in international expansion. Although Jonsson claims that 'IKEA's strategy is to use replication²¹ as its major strategy for internationalization, i.e., that a standardized concept and range should be implemented in all markets regardless of cultural differences'²², I explore whether or not it really is possible for any world company including IKEA to become global and prosperous internationally if it ignores local cultural factors. For this very reason, IKEA is a satisfactory sample to examine the operation of the two opposite marketing strategies of standardization or adaptation and to see if and how culture is dominant in the fields of international business.

Case studies of IKEA assist to generate a broad consequence which is applicable for any other desired international company. This investigation reveals that although IKEA has mostly the same products in all markets, it still does adopt to the cultural differences in its different markets in various ways.

²¹ As Jonsson explains in her footnote, "Replication" may not always mean that something has to be replicated precisely but that small adjustments are made in the process.
Jonsson, *Knowledge Sharing Across Borders*, 113-114.

²² *Ibid.*, 93.

Chapter 3. Business Expansion in a Glocalized World

3.1 Current World Trend: Local or Global

Nowadays, the world has got both opposite identities of global and local at the same time. It has become such global that different local cultures meet one another and interact. Instead of national identities, there exist world citizens with collective identities who create common markets and complicated networks of relations. ‘The citizens of the current world are cosmopolitans who are free from local, provincial, or national ideas, and who easily move beyond borders, feeling just as home in New York as in Singapore. Euro-Kids share the same MTV-images as the young people they meet on their inter-rail trips in the integrated European community.’²³ World citizens tend to share their experiences and personal interests by using common products and services such as Italian Pepperoni pizza, Korean Samsung TVs, Chinese noodles and green-tea, mobile phones of Finnish Nokia, hamburgers of American McDonalds, Thai massage, German Mercedes-Benz, Spanish dance style, Brazilian coffee, and Swedish furniture of IKEA.

At the same time, although globalization has paved its way to our daily life and made the previous unachievable world as a small and attainable village, the world is still such local that awareness of regional cultural patterns is inevitable. XXX

3.2 Localization versus Globalization

For business entities, the question of reaching more customers makes the proper motivation for looking towards new markets and internationalization on one hand and on the other hand, the case of producing cheap leads them into the process of localization. While it seems that these two solutions can easily solve the general problem of running a successful business, these are in fact very hard to apply.

²³ Miriam Salzer, *Identity Across Borders: a Study in the “IKEA-world.”* (Linköping Studies in Management and Economics. Dissertations, Linköping: Univ., 1994), 5.

Localization is plainly a smart foreign policy applied by international companies to adjust the general and/or specific or even the technical features of their products and/or processes based on the real demands of local customers and/or clients of any target foreign market in order to convince all those potential customers to go through purchasing process. This strategy has very tangible consequences including producing cheap and compatibility of final products with local tastes. Economically, a lot of expenses are saved in production process namely for shipping and storage costs. In most cases, developing countries have large population and high consumption rate. In these markets, labor charge is very low due to accessibility to manpower. Countries like China, Bangladesh, or Malaysia are good examples of this type of markets where sweatshops are even very common. Many of international companies that origin in developed countries have got strong tendency to localize their products in developing countries for this very convincing reason.

In accordance with the website of Multilizer Translation Blog, 'Localization is like translation but with a cultural twist and a rewrite attribute.'²⁴ In fact, localization is the most fundamental and irrevocable must for companies which follows the ambition of becoming global.

In most manufacturing industries like car manufactures, localization technically means producing goods locally in the same market where they sell their final product. As it outlined above, this brings a lot of facilities and cost savings indeed, but in this paper, I do more tend to use the general sense of this term as adjusting the features of not only final products but also factors of marketing process with the dominant tastes and desires of target market.

The policy of globalization and entering new markets is truly a very challenging and risky process. Today, the matter of producing more profit for most companies is not only the case of enlargement of store size or having more branches within the territories of their home market, but also travelling beyond the borders of their own nationals for reaching foreign markets to gain international fame and to access to more customers worldwide. 'Localization can be linked to globalization in a sense that successful globalization can be based on clever localization.'²⁵

²⁴ <http://translation-blog.multilizer.com/what-is-localization/> (accessed 7 December 2012).

²⁵ Ibid.

Globalization, which is also known as *Internationalization*, means “homogenizing on a world-wide scale.”²⁶ As the British sociologist Roland Robertson explains, ‘Globalization is a concept refers both to the compression of the world and the intensification of consciousness of the world as a whole.’²⁷ It is not just fruitful due to causing more harmony, but it has some other vivid outcomes as well. According to Strömbom, ‘Globization has some results for individuals. One clear consequence is that Globalization reduces the income gap between countries.’²⁸ Thanks to globalization, international companies outsource²⁹ and off-shore³⁰ their products and also their processes not only to their target markets but also to cheap expanding countries like Malaysia and India. ‘Outsourcing can be used both for achieving lower cost and for higher capacity/quality in various segments of the value chain (from production to retailing).’³¹ As a result, it is desired to have more quantity of products with better quality and cheaper finished production cost.

Globalization is a process which is not only very linked and twisted to localization but also an intermediary one. ‘It entails processes of both homogenization and hetrogenization: it makes us more similar and more different at the same time.’³² In other words, globalization tries to adjust the features of a source product to create an international end product for presenting in more than the original domestic market. ‘Many of the tensions and conflicts resulting from globalization are based on a contrast between universalizing standardization and local alternatives or resistance.’³³

As Gannon and Smith describe, ‘Globalization refers to the increasing interdependence among national governments, business firms, nonprofit organizations, and individual citizens.’³⁴ Moreover, they define ‘three primary mechanisms which facilitate globalization: (1) the free movement of goods, services, talents, capital, knowledge, idea, and communications across national boundaries; (2)

²⁶ Jean-Claude Usunier, *International Marketing : a Cultural Approach*. (New York: Prentice Hall, 1993), 169.

²⁷ Roland Robertson, *Globalization : Social Theory and Global Culture*. Theory, Culture & Society (London: Sage, 1992), 8.

²⁸ Strömbom, *Globalization and MNCs*, 8.

²⁹ Outsourcing means moving out activities to an outside supplier.

³⁰ Off shoring means that activity is moved abroad.

³¹ Strömbom, *Globalization and MNCs*, 67.

³² Thomas Hylland Eriksen, *Globalization: The Key Concepts* (Berg, 2007), 14.

³³ *Ibid.*, 68.

³⁴ Martin J. Gannon and Robert H. Smith, *Paradoxes of Culture and Globalization* (London: SAGE, 2008), 4.

the creation of new technologies such as the internet and highly efficient airplanes that facilitate such free movement; (3) the lowering of tariffs and other impediments to this movement.’³⁵

3.2.1 Standardization versus Adaptation

Within international companies, marketing departments are responsible for studying the characteristics of domestic and foreign markets, finding the similarities and differences of markets, and defining proper strategies suitable for each market. ‘In the face of scenarios of economic integration and global homogenization, we are seeing a revitalization of the interest in national identities and local cultures.’³⁶ In other words, there is general tendency to localize and homogenize when understanding the growing world turns to a complicated matter. ‘To do business worldwide, it is not enough to apply a one-style-fits-all universal business model. You also have to empathize with a country’s culture. This means understanding how your clients and suppliers see and do business, and recognizing that their processes may be very different to yours.’³⁷

It is very paradoxical that along with the globalization of a company, the necessity and requirement for harmonization grow. There is a direct connection between the two facing approaches of standardization and adaptation.

For the marketing department of international companies, creating a balance between standardization and adaptation is a difficult criterion. First, there has always been strong tendency toward application of standard and shared procedures. Second, scholars and managers of business field do not exactly know the proper level of employing these two opposite approaches because there is no clear and specific border line between the two concepts of standardization and adaptation of marketing activities in culturally diverse markets.

³⁵ Ibid.

³⁶ Salzer, *Identity Across Borders*, 6.

³⁷ Barry Tomalin and Mike Nicks, *The World’s Business Cultures and How to Unlock Them* (London: Thorogood, 2007), 3.

3.3 Glocalization as the Working Solution

Since neither pure localization nor total globalization were able to provide proper answers for the issues of global companies, a new term was created by Japanese economists in the Harvard Business Review since the late 1980s. *Glocalization* is a combination of both globalization and localization. It is a technical word for “the customization of a product or service for the locality or culture in which it is sold.”³⁸

Considering the fact that the world has currently a mixture of global and local qualities, there appears a challenging situation in the marketing area of each business field. According to Salzer, ‘The often suggested solution for balancing the needs for global coordination and local responsiveness is being both global and local at the same time, something which can be called the Glocal Company.’³⁹

Glocalization is a key item for global companies which should adapt local cultural strategies of their target countries as a vital property guarantying their overseas survival. Companies need to learn the basics of product and process localization in a particular region through understanding the language, customs and culture of the area to adapt a product and process which fit into a specific demographic. As per Richard Tiplady, *Glocalisation* is ‘the way in which ideas and structures that circulate globally are adapted and changed by local realities’⁴⁰.

³⁸ <http://searchcio.techtarget.com/definition/glocalization> (accessed 25 August 2013).

³⁹ Salzer, *Identity Across Borders*, 27.

⁴⁰ Richard Tiplady, *World of Difference*, 2003.

Chapter 4. Snapshot of IKEA

Today, we can barely find a person who has not had the experience of shopping from IKEA or at least visiting it. In fact, IKEA's reputation and fame is such universal that even people of those countries where IKEA has not entered yet have heard its name.

4.1 IKEA's Brief History

IKEA is the largest retail company which designs and sells variety of home furnishing products worldwide. Today, it is an international retailer which actively operates in all continents. The name of IKEA is 'an acronym comprising the initial letters of the founder's name, Ingvar Kampard, the farm and hometown where he grew up, Elmtaryd, Agunnaryd'⁴¹ ⁴².

The first IKEA store was opened in Älmhult, Småland of Sweden in 1953. After ten years period, the first stores outside Sweden were opened in Oslo (1963), the capital of Norway, and then in Denmark (1969). Afterwards, IKEA took its steps out of Scandinavia and established its stores first in Switzerland (1973) and then in Germany (1974). Subsequently, IKEA entered non-European markets, 'including Japan (1974), Australia and Hong Kong (1975), Canada (1976) and Singapore (1978), France and Spain (1981), Belgium (1984), the United States (1985), the United Kingdom (1987), and Italy (1989). The company expanded into more countries in the 1990s and 2000s. However, the company has thus far not shown much of a presence in the developing countries.'⁴³

IKEA's five largest stores are respectively located in Stockholm with 55,200 square meters, Shanghai with 49,400 square meters, Shenyang and Tianjin in China with 47,000 square meters and 45,736 square meters, and Berlin Lichtenberg with 45,000 square meters⁴⁴.

⁴¹ Agunnaryd is a district in Småland province at south Sweden.

⁴² Christopher A. Bartlett and Ashish Nanda, *Ingvar Kamprad and IKEA* (Harvard Business School, 1996), 5.

⁴³ IKEA's website on Facts and Figures:

http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/facts_figures.html (accessed 14 March 2013).

⁴⁴ Ibid.

To shape a clear image about IKEA's business growth, *Table and Chart (1)*⁴⁵ provides some information regarding IKEA's facts and figures within 54 years of activation since 1958 to 2012.

IKEA's Facts and Figures	1958	2008	2009	2010	2011	2012
IKEA stores	1	285	301	316	325	338
IKEA co-workers (thousands)	0.1	135	134	145	151	154
IKEA retail square meters (millions)	0.007	7.7	8.3	8.7	9.0	9.5
IKEA sales turnover (Billions EUR)	0.003	22.5	22.7	23.8	26.0	27.5
IKEA store visits (millions)	0.05	632	660	699	734	776
IKEA website visits (millions)	-	473	585	737	904	1 060
IKEA application downloads (millions)	-	-	-	-	3.5	5.7
IKEA catalogues (millions)	0.3	199	199	198	208	212

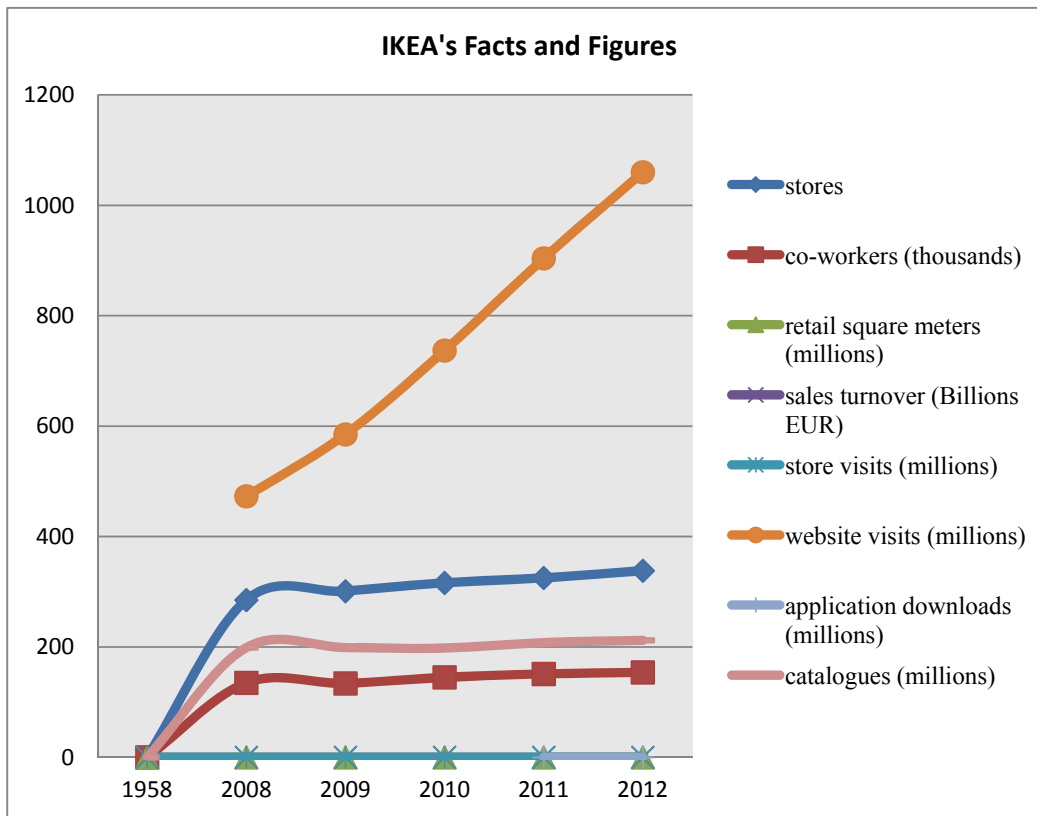


Table and Chart (1): Facts and Figures about IKEA's Business Growth

⁴⁵ This table is made out of the information provided through the Inter IKEA System's website as below: <http://franchisor.ikea.com/facts.html> (accessed 7 April 2013).

4.2 IKEA's Business Strategy: Vision and Mission

Every trading entity has a specific business strategy which determines its values, platforms, directions, goals, and future programs. This strategy shapes companies' vision and mission which is also known as companies' business plan.

IKEA's global business vision and trade mission is 'to create a better everyday life for the many people 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.'⁴⁶

When entering new markets, IKEA dispatches a group of Swedish skillful managers, who are known as 'bombers' crew'⁴⁷, to operate as expatriates for a time range of around six months to one year period. Afterwards, most of them hand over their tasks to local managers. This policy, which is very common and useful among international organizations, makes homogenization of working processes, sets a confirmed model of procedures, and builds up an acceptable package of working culture in every single country.

Many business scholars believe that IKEA is conducting its policies through the process of trial and error. For instance, IKEA changed its general appearance and symbol based on its business experience in German's market. Initially, all IKEA outlets were in red and yellow with a figure of a moose their roofs. But after entering the market of Germany, IKEA found its customers more interested in the moose rather than the IKEA itself. So, to change their point of curiosity and to make sustainable links between IKEA and its originality from Sweden, IKEA omitted its figure of moose and changed its colors to blue and yellow to symbolize the colors of Swedish flag. By this means, it hoped to remind high quality of products and prevent the general misunderstanding of low prices as poor quality. This is the most vivid example of IKEA's trial for improving its strategies on the basis of its marketing experiences.

⁴⁶ http://www.ikea.com/ms/en_GB/about_ikea/the_ikea_way/our_business_idea/index.html (accessed 14 March 2013).

⁴⁷ Salzer, *Identity Across Borders*, 181.

4.2.1 IKEA's Blue Ocean Strategy

While there are different types of business strategies, they can be generally divided into two large categories of 'Red Ocean' or 'Blue Ocean' strategies⁴⁸. Red Ocean represents the known, the companies' market and industries that exist today. It is based on competition among actual market space and focuses on existing customers. Pursuing this strategy, companies make lot of efforts and huge investments to grab the existed market through fighting each other in a limited boxing ring and pushing each other out of the actual match. The absolute result is a win-lose situation in a scene of a bloody ocean where more powerful sharks resist through beating weaker ones.

In opposition to Red Ocean strategy, Blue Ocean is a strategy which concentrates on new markets and non-users with unmet demands. It focuses on reconstructing the market by creating demand in clear waters of non-existed markets instead of staying in definite limited markets and fighting with other competitors.

IKEA is one of the initiators of Blue Ocean strategy. As it was outlined in the previous section (*4.2 IKEA's Business Strategy: Vision and Mission*), IKEA's business plan is found on providing innovative, simple, and easy solutions by affordable prices. As per this strategy, IKEA shrinks its investments and gets the whole organization engaged in its policies. By this means, IKEA tries to be unique and the only in what it does rather than striving to do better than its competitors.

4.3 IKEA's Organizational Culture

Every single company has its own particular organizational culture with which it is distinguished from other companies. Organizational culture of each company is a set of its own values, beliefs, habits, symbols, common rules and structures of that specific company.

Since the collection of organizational culture defines the way of interacting with internal and external groups and/or individuals including company colleagues, customers, clients, partners and suppliers, it is significant to examine IKEA's most

⁴⁸ For more information, read: W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Boston, Mass.: Harvard Business School Press, 2005).

dramatic norms and systems. Although many IKEA managers tried to define IKEA's organizational culture based on their own points of view and personal experiences, there are some general strong features which were noted by most of them. An accumulated idea of many of those managers was outlined by Anders Dahlvig, who is the former president of IKEA. He summarized IKEA's cultural characteristics in his book about IKEA as 'simplicity in behavior, delegating and accepting responsibility, daring to be different, striving to meet reality, and cost consciousness.'⁴⁹

From my point of view, my studies and readings made me believe that the most driving aspect of IKEA is its primary and constant slogan of "as many as possible". This is almost its worldwide policy which targets all customers without considering their gender, age, educational level, social class, and amount of income. In order to attract more number of customers, IKEA tries to be affordable and in access of the majority through applying unique pricing policy. By this means, IKEA considers a specific package of its products as a desired purchasing basket. While entering every market, IKEA studies how many monthly salaries are needed by a middle-class customer of that specific country to buy that particular package of products. This strategy not only provides IKEA with a wide perspective on purchasing power of the most people of that market but also helps IKEA to adjust its profit margins to logical amounts suited to its target customers' purchasing behavior.

The other unique feature of IKEA which has a key role in its self-view creation is the appearance of its stores. The symbolic colors for IKEA are currently blue and yellow which represent the colors of Swedish flag. IKEA has a fixed layout for its both outside and inside store areas. Generally, IKEA is located in outskirts of big cities. It is made of a very large building with few windows⁵⁰ in one or two floors. In those markets, where the price of land is cheaper than the costs of making a two-floor building (likewise in Sweden), the store is made of one single floor together with a parking lot beside it⁵¹. It has separated entrance and exit. The customer is being guided from his first entering step by simple arrows drawn on the floor. The guiding path is counter clockwise and one-way with very few shortcuts between some

⁴⁹ For detailed description of each item, read: Anders Dahlvig, *The IKEA Edge: Building Global Growth and Social Good at the World's Most Iconic Home Store* (New York: McGraw-Hill, 2012), 19-21.

⁵⁰ Recently, IKEA stores have more glasses to use more natural light and to decrease energy costs.

⁵¹ In the countries with high land price, stores are made in two levels with warehouse downstairs.

showrooms. By this means, no customer can miss the opportunity of visiting all various divisions of a store. In showrooms, customer can touch and even try products (like furniture, beds, and sleeping stuff). Usually, showrooms are the actual shopping place of small-sized products (like kitchen items). IKEA tries many different decorations to provide its customers with smart and new ideas for interior decorations.

IKEA restaurant is one of IKEA's most beloved and crowded parts. It serves cooked breakfast, breakfast pastries, different dishes, sandwiches, children packages, various types of coffee, tea, and sweet treats. While the menus are not fixed universally, most IKEA restaurants serve traditional Swedish meals including meatballs with lingonberry jam and mashed potatoes, princess cake, and Swedish apple cake with vanilla sauce. As the type of food is one of the very cultural characteristics of every region, serving some typical Swedish food by IKEA in its most markets is a vivid example proving the fact that major global companies like IKEA can make changes on cultural habits of their target foreign customers. It seems that if global companies can attract a local inhabitant to be a visitor or luckily a customer of their brand, they have the possibility and power to gain their trust for rendering them a totally new cultural product namely food as well.

Specific kind of dress code is also thriving in IKEA because due to its very unique model of business, the most business activities including selling, purchasing, and even warehousing are located in one big shared location where customers are inevitably interacted with local workers and each other as well. In this regard, the necessity of distinguishing insiders from outsiders has been always a serious issue for IKEA. According to Salzer, 'defining the "we" involves defining the "others"'. Constructing an identity thus becomes a process of drawing borders between the self and the outside world. The "we" embraces all Ikeans who are insiders and shape the collective "we". Everybody else, who is not part of the self of the organization, becomes the "others".'⁵²

Based on this logic, IKEA has made it compulsory for employees of all hierarchical levels to wear equal uniforms with a printed name tag on them. This homogenization turns as a visual symbol which helps customers to recognize Ikeans from other visitors. 'The dressing style is one of the material artefacts that can be

⁵² Salzer, *Identity Across Borders*, 186.

found within an organization. The way of dressing is a means for marking one's cultural habitat; which group one belongs to or identifies with.⁵³ Having similar uniforms also encourages a stronger sense of togetherness in every individual employee. It is worth saying that while IKEA is neither the first nor the only company which has unique uniforms, its model of informal and non-hierarchical uniform spreads the very Swedish cultural concept of equality and prevents discrimination among the people of both sexes and/or different working grades.

Another identical aspect of IKEA, which produces its primary ego, is the exceptional features of its products. IKEA's products are simple, clean, beautiful, and inexpensive. Based on the idea of most non-Swedish and non-Scandinavian customers, they are very modern. Excepting general appearance of IKEA's products which is light and blond, the specific production share of customers is very tangible for IKEA. Most of IKEA products have flat packaging and require Do It Yourself [DIY]⁵⁴ skills. While DIY feature is not just used by IKEA, it is one of IKEA's vivid features which helps IKEA to reach its final goal of producing cheap. By this means, it saves money for extra manpower and extra production process and increases profit. Moreover, every single piece of IKEA furniture has a specific name mostly with Scandinavian origin. These names are created based on a regular naming system made by IKEA and are uniquely used in all IKEA's markets and catalogues. The primary reason for creating such naming system is that generally remembering names is easier than remembering product codes. For example, Swedish place names (e.g., Klippan⁵⁵) are used for upholstered and rattan furniture, coffee tables, bookshelves, media storage, and doorknobs; Finnish place names refer to dining tables and chairs; Norwegian place names (e.g., Oslo) are for labeling beds, wardrobes, and hall furniture; birds and adjectives (e.g., Duktig⁵⁶) are for children's commodity; occupations are for bookcase ranges; and women's names for fabrics and curtains.⁵⁷ The crucial point is that the products themselves are highly standardized and do not vary across different national markets.

⁵³ Ibid., 129.

⁵⁴ DIY stands for "Do It Yourself" and refers to a certain group of products which require assembly or a kind of manual operation by its final user(s).

⁵⁵ Klippan is an area in Skåne county of Sweden.

⁵⁶ Duktig is a Swedish adjective means clever and smart.

⁵⁷ The examples are derived from IKEA's catalogue and Wikipedia, <http://en.wikipedia.org/wiki/Ikea> (accessed 6 December 2012).

Besides the features of products themselves, the shopping process of massive goods is very extraordinary in IKEA as customers should actively participate in a special “Cash-and-Carry” self-service system. This process, which is a universal form of trade, requires that customers note down the product code and storage place from a label hanged from each sample product, go to the right shelves of warehouse, find their selected product, take it to cashier, and carry the goods away to their own place all by themselves. This system is not true for small-sized products which are picked up directly from the showrooms.

From the very beginning, IKEA has mostly had unusual commercials and funny advertising style. IKEA’s most centralized marketing tool has been its annual catalogues since 1951 when the first IKEA catalogue was printed in Sweden. IKEA has also had commercials through public media. Although IKEA tries today to insist on its slogans namely “IKEA for all” and “Better everyday life for all”, it has always had a tone of humor in its promotions, campaign posters, and TV commercials. It makes jokes of its own features and symbols. At the beginning of its establishment, IKEA was focused on funny and casual concepts. ‘As for example in the big ad of the thumb in bandage with cartoon symbol for expressive oaths – “even if your thumb gets blue, you’ll save money!”’⁵⁸ In its early years of operation, IKEA got advantage of its symbolic figure of moose to make comic and entertaining commercials.

And the last but not the least, “IKEA Family” is a very cultural factor created by IKEA for both groups of its insiders and outsiders. For the insiders- who are employed Ikeans- while the concept of IKEA Family is not similarly executed in its all markets, IKEA runs some collective programs (especially in its home market of Sweden). These programs, which consist of celebrating Christmas or even birthdays and weddings of IKEA personnel, spreads a kind of collective feeling of togetherness and we-ness among Ikeans. For no doubt, these types of relationship are what normally cared among the members of an actual family. This concept is concentrated more among the Ikeans’ of one outlet and is not universally shared. Moreover, for customers who are outsiders, there is a membership service called “IKEA Family”. This orientation is a standard form of membership with very slight facilities including discount offers for products or assembling services, free cup of tea or coffee,

⁵⁸ Salzer, *Identity Across Borders*, 195.

discounts in IKEA's restaurant, free product insurance, member events and home furnishing workshops, special offers from other companies which are IKEA's partners, newsletter and live magazine. Although this does not bring any customer to the internal community of Ikeans, it simply circulates a sense of companionship among its customers.⁵⁹

While the above items cannot describe IKEA completely, they cover the most distinguishing cultural features of this international organization. The most identifying factors of IKEA including its informal dress code, serving Swedish food at its different markets, selling almost the same products with their fixed names, and its specific shopping process are very standard and to some tangible extent Swedish in global market. This reveals the fact that although IKEA is today rich by a lot of international experiences and is truly aware of the importance of adaptation, it still appreciates applying its standard norms and structures globally.

⁵⁹ For more information, read: chapter 11 of Salzer, *Identity Across Borders*, 157-167.

Chapter 5. Case Studies of IKEA Abroad

As it was outlined in (4.1 IKEA's History), IKEA's first experience of foreign trade was in Oslo in 1963 which is ten years after IKEA's establishment and operation within Sweden. Having experienced the capitals of its two neighboring countries of Norway and Denmark and having had twenty years of working experience, IKEA went beyond the boundaries of Scandinavia and entered Switzerland and then Germany. As Burt et al define, 'IKEA has followed the traditional pattern of internationalization, first moving into neighboring countries and markets with similar language and cultural traditions, before venturing into more exotic markets on other continents.'⁶⁰

5.1 IKEA in the Market of Germany

After almost twenty years of working experience, IKEA started its business in Germany in 1974⁶¹. In comparison with Sweden, German market has been always about ten times as large as Swedish market. 'The German market for the furniture is the most important market in Europe because it is not only the largest producer but also the largest importer and exporter of furniture.'⁶²

Germany has been a potential market for IKEA from the beginning of its entrance to German market. As Mårtenson explains, 'after the Second World War and parallel with the building of new houses, the demand for furniture increased very much. This was the post-war demand, a demand which should replace the damages of the war.'⁶³

⁶⁰ Steve Burt et al., "Standardized Marketing Strategies in Retailing? IKEA's Marketing Strategies in Sweden, the UK and China," *Journal of Retailing and Consumer Services* 18, no. 3 (May 2011), 183.

⁶¹ IKEA's website on Facts and Figures:
http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/facts_figures.html (accessed 14 March 2013).

⁶² Rita Mårtenson, *Innovations in Multinational Retailing: IKEA on the Swedish, Swiss, German, and Austrian Furniture Markets* (Gothenburg: Förf., 1981), 226.

⁶³ *Ibid.*, 226-227.

5.1.1 Basic and Economic Conditions

Based on annex (1)⁶⁴, the comparison table of basic characteristics of Sweden and Germany shows that while the country size of Sweden is even larger than Germany by a million square kilometers, the population size and density of Germany are ten times as large as the ones for Sweden. On the other hand, while the average number of persons per household is equal for both countries, the divorce rate is for around 43% higher in Germany which causes more single inhabitants and small sized living styles. The rate of adult literacy is similarly very high (99%) in both countries. With ignorable partial difference, life expectancy is also the same in both countries.

Comparing the economic figures of Sweden and Germany in annex (2)⁶⁵ shows that the GDP⁶⁶ and the GDP per heads or capita⁶⁷ are higher for Sweden. These two indicators are economical tools for representing the economic production and growth by measuring the total national activity and the increased economic production. The unemployment rate is higher in Sweden in comparison with Germany. In the scenario of export, although both countries use almost similar strategies and directions, there are some slight differences as firstly, Sweden has raw material exportation as one of its major export types and instead, Germany practices food and drinks export. While the main export destination for Sweden is within Europe and the United Kingdom (UK), Germany has exports to USA. In contrast, while the main types of import are exactly the same for both countries, Sweden is operating again within Europe and the UK. This is while Germany has imports to Europe and China additionally.

5.1.2 IKEA's Local Structure and Policy

When IKEA started its business in Germany, it preferred to practice its original and standard type of advertisement which sounded strange to German consumers. Although IKEA's Swedish model of advertising was unusual to Germans, this helped

⁶⁴ See page 54 of this paper.

⁶⁵ See page 55 of this paper.

⁶⁶ GDP stands for Gross domestic product which refers to the total dollar value of all officially recognized final goods and services produced within a country in a specific time period. For example, if the annual GDP of a country is up 5%, this means that the economy has grown by 5% over the last year. For more information, read:

<http://www.investopedia.com/ask/answers/199.asp#ixzz1uIE2N06z> (accessed 25 April 2012).

⁶⁷ GDP per heads or capita is usually regarded as an index of a country's standard of living.

it to become famous among them. Jan Aulin, one of IKEA's executive staff in East Europe, gives a strategic explanation about IKEA's behavior in Germany. 'If not different by nature, difference can be created. If you are unknown but do crazy things, you will become well-known. And, independent of your real nationality, the way you act, dress, etc will determine the impression you give other people. And finally, if you are a foreigner, you are an outsider and you do not have to follow the same rules as the local firms; the borderline strategy.'⁶⁸

The experience of German market was not all of success for IKEA. In the contrary, there have been many cases of serious failure and reactions against IKEA's marketing activities in German market which harm IKEA's reputation and success in that country. As it was explained in (4.2 IKEA's Vision and Mission), IKEA's initial symbol of a moose was a seriously unsuccessful factor for IKEA which forced the company to omit it.

Another example of IKEA's local failure in the German market was when IKEA opened a new store and tried to attract more customers to its inauguration ceremony by offering breakfast during the early morning hours of that store. Unfortunately, because this promotional decision was not culturally well-studied, it caused IKEA to be taken to court. The central reason was simply because Germans do culturally consider eggs to be served as a major part of their breakfast. So, IKEA was blamed for cheating its customers because its breakfast did not include eggs. In the end, IKEA won the dispute because a continental breakfast does not include eggs.⁶⁹

As another case, IKEA decided to celebrate its first birthday after accomplishing one year business in German market. To have such a celebration, IKEA gave presents to its customers and offered some low prices. In Germany, while companies are permitted to celebrate their annual birthdays, they are just allowed to spread gifts for celebrating the 25th birthday. So, this action led to another legal case against IKEA in Germany.

In 1989, IKEA launched a new store on the skirts of Hamburg. It announced that it was the largest local furniture store in Hamburg. But, based on the fact that

⁶⁸ Mårtensson, *Innovations in Multinational Retailing*, 249-250.

⁶⁹ For more detailed information and other examples, read: *Ibid.*, 274.

IKEA establishes its stores out of city areas, IKEA had, technically speaking, made a false announcement and was consequently sued again.

The above legal problems and business failure of IKEA shows that Germany has very strict rules on advertising and business field. Moreover, it reveals that in most foreign markets including Germany, non-national companies like IKEA are generally an unwelcomed outsider which can potentially threaten the business of local traders. For this reason, international companies namely IKEA are under constant magnifying glasses by national authorities of each target country. Because the system of trial and error can cause seriously non-compensable damages, a proper local marketing analysis which covers cultural, legal, economical, and even political issues are very vital for entering a new market.

In addition, IKEA's main marketing strategy of providing low prices has caused serious debates for IKEA's business in Germany because Germans, like Japanese⁷⁰, are very quality-oriented who do normally consider that low priced products have low quality. To solve this problem and reset this idea in the minds of German customers, IKEA provided two new strategies as proper solutions. First, IKEA announced that customers could return their purchased products and get back their money instantly if they were not satisfied by their products by any reason. And second, IKEA created the tags of "furniture facts"⁷¹ guarantee tags. These tags were designed to show that any furniture model has passed specific quality tests and fulfilled defined levels of requirements. But, as it was not clearly mentioned on the tags that the tests were not done for every piece of furniture but only for every furniture model, IKEA was accused of having deceived its customers to believe so. After yet another court case, IKEA was forced to stop using the Möbelfakta tags under a penalty of 500,000 DM⁷².

IKEA's experience in Germany suggests therefore that cultural consciousness and knowing about accepted norms and values are decisive factors for making accurate marketing decisions. Examining the above examples convinces me that

⁷⁰ Likewise German market, cheap prices are also automatically linked to bad quality in the market of Japan. But the reason for such perception is very different in these two foreign markets. Dissimilarly to German market, the main reason for such thinking in Japan is due to the existence of thousands of very popular "100 yen stores" which sell all types of consuming products with very low quality.

⁷¹ They are originally called Möbelfakta.

⁷² For more information, read: Mårtenson, *Innovations in Multinational Retailing*, 265-272.

having this information helps companies to decide about either applying replicated or adjusted strategies or innovating new typical solutions (like the case of guarantee tags).

The interesting example of IKEA's standard advertizing is very informative in the fields of comparing the two opposite policies of adaptation and standardization. Surprisingly, this experience proves the point that marketing activities are not similar to mathematics where two plus two is always equal to four. Various marketing strategies can cause different results in various markets depending on the application period of time and the general conditions of that specific market. Based on this example, in some particular cases, being successful is not all about cultural adaptation, but the fact that even disobedience to existing cultural systems can sometimes bring better results in attracting customers' attention. This is why IKEA's unconscious incompatibility and unwilling opposition of general policies could luckily end to more advantageous consequences. Although, I do not suggest this strategy but I mean while this incompatibility caused many serious problems for IKEA, it finally helped it to become famous in Germany's market. By this means, precise study of the marketing features of any unique market is stressed before entering that market because as it was discovered; there can never be an absolute outcome for a unique strategy globally.

5.2 IKEA in the Market of China

IKEA started its business in Beijing, the capital of China, in 1998. Comparing to other countries and markets, IKEA has had slow progress and expansion in Chinese market because China and concepts of Far East have been culturally very different and unknown to IKEA.

Nonetheless, the fact that IKEA's three out of five largest outlets are today located in China reveals that this country is a very potential and important market for IKEA.

5.2.1 Basic and Economic Conditions

Reviewing figures of annex (1) reveals very unlike data between China and Sweden. The size of Chinese land and population density is incomparably high for China. While the land area is twenty-one times larger for China, the population size is around a hundred-fifty times larger for China. Life expectancy of both genders in China is around eight years lower than the ones for Swedish male and female. For Chinese society, as the higher figure of average per household and the lower divorce rate reveal, family is in core attention and normally made of more members. This is valid evidence proving the idea that 'Confucianism, which is a term expressing that the family is the basic unit of the society, is a key organizing principle in Chinese society.'⁷³

Furthermore, analyzing the facts and information of annex (2) uncover more dissimilarities in the scope of economic status of these two countries. Alike to Germany's case, while the GDP and the GDP per heads are higher for Sweden, the unemployment rate is not only higher but also doubled in Sweden in comparison with China. In the case of export and import, the types of products are unlike and the destination and origin of Chinese business are mainly concentrated on its neighboring far-east countries namely Japan, South Korea, and Hong Kong area. Besides, China does business with USA and European countries as well.

⁷³ Tomalin and Nicks, *The World's Business Cultures and How to Unlock Them*, 158.

5.2.2 IKEA's Local Structure and Policy

Since Chinese market has very different cultural specifications, IKEA adjusts its local policies dramatically to satisfy Chinese public tastes. IKEA's universal motto of "as many as possible" and its global strategy of targeting all customers do not work in China. As Burt et al argue, 'As around 65% of all customers are women in China, IKEA's Chinese target customers are not based on its worldwide policy of "as many people as possible", but "young females" who are aged between 15 and 27 as the ones who decide about furniture and home decoration.'⁷⁴

Besides, IKEA's major competitive feature of having low prices is not accurate in China because the income level is itself very low for most Chinese people. 'In the opposite, the perception is that IKEA is a fairly exclusive, western retailer and the store is for the higher-middle class.'⁷⁵

While IKEA fights against this undesired fancy image and tries to be cost-conscious and economical for everyone, it faces the big challenge of how to resist against domestic copycats. As there are no severe rules for copyrighting in China, IKEA has decided to handle this unfair competing system by offering very low prices through producing locally and largely (high volume). Although IKEA has previously had the experience of facing with copycats in Japan, Japanese people tried to take ideas and improve them to produce better products than the real original ones. As a general consequence, the possibility of having exactly similar products in the same market is reduced by their own act of copycats. The problem of copycatting forced IKEA to reduce its importation of products and instead, it concentrated on increasing the rate of localization and developing its products.

On the other hand, high import taxes and some problems with public authorities of Chinese government are of the other two crucial reasons why IKEA fail to offer cheap prices in this market. Increasing the rate of localization⁷⁶ and cutting export rate are two of the many adjusted solutions IKEA have taken to overcome the local obstacle of high duty rate for importation. But still the unfamiliar style of

⁷⁴ Burt et al., *Consuming IKEA*, 59.

⁷⁵ Ibid., 61-62.

⁷⁶ Localisation rate is one of the critical targets for every INC which operates in foreign markets. These companies plan to boost the annual percentage of their locally produced commodities in their foreign markets because an increased annual ratio is translated as the progress and improvement of those companies and decreases the import rate in those specific foreign markets.

interacting with Chinese government and with authorities is maintained with no clear clue for IKEA⁷⁷ as Chinese administrative bureaucratic system is very complicated for IKEA and causes long delays in most cases.

In China, IKEA has three times more visitors than its most crowded stores in Europe. In this order, IKEA stores have wider aisles to include more number of visitors in this market. Besides, stores are located in city centers because people use more public transportation rather than personal cars.

Chinese behavior is very unique as IKEA's most visitors are not basically customers who do purchase. Similarly to the market of Japan⁷⁸, Chinese do mostly visit IKEA for taking advantage of clean toilets, relaxing on sofas, air conditioning, and even getting ideas of interior design. They are generally very service demanding customers to whom self-service systems of cash-and-carry and DIY seem odd. Chinese live in small apartments with small balconies which is very important to them. So, IKEA China adapts its room settings to smaller sizes. As Chinese are not tall, IKEA even adjusts its beds and sleeping stuff to shorter sizes.

Investigating above examples evidences that market of China has been very challenging to IKEA especially since China has a few cultural similarities with the home market of Sweden where the original concept of IKEA was shaped, established, and developed. In contrary to other markets of the world, IKEA's marketing activities have been dramatically adjusted to the local characteristics of Chinese market and its local customers' purchasing behavior. In respect of IKEA China, I take the outlook of Burt et al who explain that 'In relation to culture and other competitors, it is proposed

⁷⁷ As the same as Chinese market, there exist very high import duties and problems with public authorities in the Russian market. At the beginning, Russia's government did consider IKEA as a strategic investor and special import duties were given. However, Russian industry put pressure on the government and the previously import duties have increased. These forced IKEA to reduce its importation of products and instead, it concentrated on increasing the rate of localization and developing its products.

Jonsson, *Knowledge Sharing Across Borders*, 256.

⁷⁸ It might be interesting to know that marketing in two neighboring countries with very common cultural roots and traditional backgrounds is even not all of similarities. So, INC cannot fully rely on their regional marketing results. As an example, there are some similarities and dissimilarities between the two close foreign markets of China and Japan. For instance, the basic problem of facing with small inner spaces and crowded families is true for both markets of China and Japan. So, the issue of convincing customers of both countries to buy new products is such a serious marketing problem for IKEA of both markets. But in contrast to Chinese market, Japanese market is very competitive as land and labor are extremely expensive in Japan. Moreover, product packaging is very significant for Japanese customers as their buying decision is highly dependent to this feature.

that IKEA's consumer image must be quite different because it is based on other product sources and adapted strategies and, in turn, the customer responds to all the adaptations.⁷⁹

⁷⁹ Burt et al., *Consuming IKEA*, 68-69.

5.3 IKEA in the Market of Canada

For Canada's market, IKEA has first entered Vancouver with its well-known moose figure since 1976. 'In December 2011, IKEA opened its largest store of Canada in Ottawa with an area of 39,670 square meters.'⁸⁰

5.3.1 Basic and Economic Conditions

According to the facts and figures of annex (1), land area of Canada is twenty-two times larger than Sweden. Comparing population of both countries show that although the population size is more than three times larger for Canada, its population density is seven times lower than Sweden thanks to its larger land area. Life prospect, educational measure, and divorce rate of both countries are exactly the same. Due to larger population size, Canadians have higher average per household in comparison to Swedes.

Studying the economical characteristics of *Comparison Table* of annex (2) displays that while the GDP and the GDP per heads are higher for Sweden, the unemployment rate is exactly equal for both countries. Unlike to Sweden, Canada's main concentration for both cases of export and import is on energy products and industrial supplies from and to USA. While Sweden deals mostly with European countries and the United Kingdom, Canada has a slight trading relation with European countries but instead it works largely with China, Japan, and Mexico especially for the case of importation.

5.3.2 IKEA's Local Structure and Policy

In the market of Canada, although IKEA has been known as a company with well-designed, functional and sustainable products suitable for middle class, it is something very different from what it is in Sweden and in any other markets.

Contrary to Sweden and most IKEA stores which are product-oriented, IKEA's concentration in Canada is not on its products but on its customers. As

⁸⁰ IKEA's website on Facts and Figures:
http://www.ikea.com/ms/en_GB/about_ikea/facts_and_figures/facts_figures.html (accessed 14 March 2013).

Canadians are very demanding buyers, IKEA's most focus is on its customer service. Providing some special facilities in its Canada's market namely home delivery and product assembling services are those marketing activities IKEA represents in its Canadian market. Notably, there even does exist customer service award in Canada's IKEA.⁸¹

Besides IKEA's extended efforts for gaining Canadian customers' satisfaction, IKEA has had a problem with Canadians more conservative and traditional taste of home furniture. As Salzer defines 'although Canadians openly use most of IKEA's products in their kitchen and children's room, they find that its stuff for the living room are too modern for them as they prefer red-brownish, oak tree-colored, and ornate home furnishing style. So, IKEA's simply beautiful, blond and light style does not match with Canadian traditional desire.'⁸²

As far as it concerns to IKEA's products, it is not just about Canadians' different cultural taste and traditional preferences but it also deals with Canada's different living styles as well. According to Salzer, 'IKEA has not only faced with the problem of having different bed sizes and sleeping stuff, but it also had difficulties with translating its metric measurement in North America.'⁸³ In order to respect customers' living standards and meet their demands, IKEA changed its own metric system in Canada.

As everything which deals with everyday life is considered as a part of human's life style, different can be also counted as a local problem for IKEA.

To Canadians, the other extraordinary feature of IKEA was that it ventured into advertising. As IKEA was seriously trying to show itself as a "serious home furnishing company" in Canada, its TV commercials and advertisements made it more as a funny company which had very Swedish ideas. For instance, 'one of IKEA's old and famous TV commercials showed Ingvar walking through a non-moving product conveyor belt trying to render a finished product to its customers from A to Z.'⁸⁴

⁸¹ For more information, read: chapter 6 of Salzer, *Identity Across Borders*, 106.

⁸² *Ibid.*, 116.

⁸³ *Ibid.*, 118.

⁸⁴ *Ibid.*, 120.

IKEA's dressing style was the other big challenge of IKEA in the market of Canada⁸⁵. The idea of wearing very simple and informal "red shirts-and-no ties" uniform, which matched with IKEA's initial brand colors, was very inconvenient and strange for Canadian workers. This was while workers of other companies in Canada traditionally wore "suit-and-tie".⁸⁶

Based on the above examples of IKEA's local operation in Canada, I conclude that despite IKEA's global preference for applying its standardized policies worldwide, it treats very flexibly in Canada to satisfy the local tastes of its target customers. Due to cultural differences, a high degree of adjustment is noted. By the way, IKEA follows its standard strategies through replication of its general concepts rather than its activities.

⁸⁵ The same challenge was happened in the market of France with even worse conditions. French co-workers were addressing their dress code as "Euro-Disney". Ibid., 126.

⁸⁶ Ibid., 129.

Chapter 6. Conclusion

6.1 Conclusion for the Three Case Studies

Generally, what IKEA has practiced in Germany is in line with and even mostly the same as the majority of its other foreign markets. However, 'IKEA's successful resume in Germany is mostly because the early German consumers' profile matched with IKEA's policy of attracting price conscious consumers who suffered from crisis and a period of depression, and were more prepared for changes associated with price advantage.'⁸⁷ For the case of China, while IKEA has had tough experiences and slow expansion, it has created a prosperous resume in that market. In Canada's market, IKEA could become successful through strengthening its customer service facilities.

Annex (3) of the last page summarizes the results of IKEA's marketing activities in the three under study countries. It illustrates the four cornerstones of IKEA's marketing mix in the shape of a simple table. The items listed for Germany and Canada are considered as the actual marketing aspects of the majority of IKEA's foreign markets. The table is described as below:

As the table of Annex (3) demonstrates the first *P*, products use the brand of IKEA and their original Swedish names in all markets. Although they mostly include the same types everywhere, there are some adaptations for China and Canada due to Chinese cultural demands and Canadians' different living style. In both markets, there are adjustments for size of beds and sleeping materials. Besides this, the modifications in China include of presenting some special products namely chopsticks, a wok with a lid and cleaver, a special set of teacups for the Chinese New Year. Furthermore, IKEA tries hard in China to increase the rate of localization in order to cut the high import tax and also to shorten the long shipping lead time of products from Europe.

The *P* of *Price* clarifies that although IKEA does its best to cut costs and achieve the lowest possible selling prices in its all markets, its products are fairly well purchased by the higher-middle class of Chinese society and special groups of Canadians. On the other hand, DIY and cash-and-carry concepts are welcomed neither by Chinese nor Canadian customers because they are very service demanding and the

⁸⁷ Ibid., 247.

fact that in China, the very low labor charge makes no sense for customers. As IKEA was established in Northern Europe after the Second World War, its marketing mix of *Price* was originally figured base on cutting extra packaging and production costs especially in terms of labor charge which was very expensive in Europe in that period. In this respect, while IKEA's primary idea matched completely with German customers' economic situations, this concept did not work successfully in China and Canada where the basic economic conditions of IKEA have never been existed. In China, the labor charge is very cheap and in Canada, people do not appreciate cutting such services in terms of saving money. Instead, Canada's customers prefer to have the final product be carried to their place and assembled by the selling company itself. In these two markets, customers are not truly convinced of such self processing cooperation as they are not used to such selling process and their own involvement in DIY process does not have a considerable impact on their financial conditions. To meet these expectations, Canada's IKEA renders extra customer service for assembling and transportation of products. However, IKEA China does not provide such services by itself; instead many small companies render such services at such low prices that IKEA chooses not to compete. They carry all types of IKEA flat packs and assemble them with very low fees. This policy can be compared to the symbiotic relationship of some animals like crocodiles and birds. They both get benefits from sharing such a mutualistic relationship. The bird profits from the food available among the crocodile's teeth and the crocodile gains from getting its teeth cleaned. While IKEA had no decision on the creation of such small personal businesses, it welcomed the copied strategy of symbiotic relationship because the problem of providing fast and cheap service is solved by the help of these companies.

For the factor of Place, while IKEA's outlets are normally located at outskirts of main cities (as well as German and Canadian markets), they are centralized in city centers of Chinese market to facilitate public transportation. Although the concept of having lower land prices out of city areas is also true for China, it does not work there and attracts fewer Chinese customers because Chinese do not have access to personal cars like Germans and Canadians. By the way, the stores are provided with underground parking for the future use of customers. To be matched with the characteristics of Chinese market, IKEA China adjusts its room settings (smaller sizes with smart storage solutions), its furniture (has changed the standard length of beds),

and also its showroom plans (wider aisles and adjusted parts of house like having balcony area).

The P of *Promotion* defines that while catalogue is the basis of advertising in most markets, IKEA prefers to mostly use public media like TV and newspaper and also small sized brochures in China. Generally, there are a lot of efforts to adapt and match the advertising with local tastes of customers in all markets. By the way, experiences from German and Canadian markets showed that using standard style of advertising can sometimes make a sense of strangeness which is a fruitful point for attracting the attention of public audience. IKEA tries to introduce its website as an accessible and useful instrument to its customers for getting visual and technical helps. The facility of free IKEA Family membership is being presented worldwide.⁸⁸

6.2 General Conclusion and Suggestions

In relation to the overall aim with the thesis, this paper contributes to our understanding of knowledge about globalization of marketing through focusing on IKEA's three foreign markets in terms of international marketing activities. In this order, it is crucial to understand if and how global firms learn from their experiences from entering international markets.

In practice, the act of entering foreign markets is very hard, expensive, and time-consuming. The most challenging barrier is to recognize the economical, political, legal, technological and cultural conditions of new markets. As Jonsson has argued, 'The very common reason for the failure of some firms when entering international markets is that they have failed to understand the new market and that they are not able to meet the specific challenges, i.e., unable to adjust the marketing-mix to meet the specific consumer demands.'⁸⁹

To interpret the importance of culture in the field of globalization of marketing activities, it is favorable to remind the statement of Jean Monnet, the founder of the European Community, who 'declared that "If I were again facing the challenge to

⁸⁸ For more information about 4P's, read: Burt et al., *Consuming IKEA*, 61-67.

⁸⁹ Jonsson, *Knowledge Sharing Across Borders*, 1.

integrate Europe, I would probably start with Culture”.⁹⁰ While he meant to emphasize on the fundamental role of culture in the alliance of European countries and formation of European Union, his quote proves strong impacts of culture on all types and aspects of human beings’ unification.

In the sense of international corporations, culture does exist as a dominant factor influencing the 4Ps of Marketing Mix. Culture is considered as one of the most constructional roots of any successful business even at the regional and local level which has the least fluctuation of various tastes and insights. At any rate, this element is more effective in terms of global companies which expand and practice their operation overseas. As Salzer describes about the function of culture in global business field, ‘international corporations are thus said to face the needs of being locally adapted to the cultural differences across borders, and at the same time taking advantage of the economic gains to be found in global coordination.’⁹¹ In this respect, Hofstede Franke et al believe that ‘With business becoming more and more international, profiles of national culture can become tools for strategic choices in corporate board-rooms. Sensitivity to cultural variables will be needed for decisions as to what to do in which country.’⁹²

My major finding from IKEA’s three market studies is that while IKEA is generally known as an international retailer with intense desire to apply standardization, the policy that is really practiced by IKEA globally is replication of concepts rather than sole duplication of standard activities. This means that although IKEA’s cultural features which were discussed largely in (4.3 IKEA’s Organizational Culture) are generally replicated in its all markets; it considers some modifications and adjustments to match its marketing mix with the local tastes and actual requirements of target markets. For instance, while IKEA’s store appearance including identifying colors, showroom layout, and counter clockwise customer path with guiding arrows is almost unchanged in its different markets, it has wider aisles and smaller room settings in China just because this matches more with local customers’ need and situations. This simply shows how IKEA duplicates its own concepts and adjusts its policies with local dominant conditions.

⁹⁰ See for example: <http://www.cerium.ca/L-Europe-et-la-culture> (accessed 26 April 2012).

⁹¹ Salzer, *Identity Across Borders*, 7.

⁹² R.H. Hofstede Franke et al., “Cultural Roots of Economic Performance: A Research Note,” *Journal of Strategic Management*, Vol. 12, Special Issue: Global Strategy (Summer, 1991), 172.

In light of the factors set forth in this paper, I deduce that while global companies like IKEA try to execute their own copied routine systems in order to simplify and facilitate their marketing activities worldwide, adaptation and adjustment to local strategies and methods at the level of nations are inevitable for the success of their marketing and business activities. In other words, as Mooij explains, ‘Marketing knowledge has spread across the world, but its use has supported localization of products and services rather than standardization.’⁹³

In this sense, IKEA’s experiences in Germany, China, and Canada can be illuminated by the so-called 80/20 rule. ‘Devised by the Italian economist Vilfredo Pareto in the early 1900s, the 80/20 rule noted that 20% of effort in any activity yields 80% of result. Based on Richard Koch’s theory, 20% of a company’s business produces 80% of its profit. The 80/20 rule also applies in cultural relations. In other words, 20% change in your behavior will trigger an 80% difference in your respondent’s attitude and actions.’⁹⁴ I conclude that while replication of standard concepts helps global corporations to fulfill low prices and look unique and homogenized everywhere, the adaptation approach is a must to survive and become successful. Surprisingly, I also assume that in some cases, like the very interesting examples of IKEA’s standard advertising in Germany and Canada which were strange to Germans and Canadians, keeping standard strategies can cause more attraction and bring more successful results. Thus, companies can even benefit from applying unadapted activities and opposing cultural features of foreign markets in some special cases.

This paper links national culture and economy. Although IKEA practices little cultural adaptation and it considers culture very limitedly just when diversity has strong negative impacts on its business results, it can create a common sense of togetherness among the inhabitants of all continents. IKEA, as a European business entity, can shape and spread the image of a European identity throughout the world. Working on this topic, I try to approach the concept of a European identity -if not a single identity, a collective one at least- from the perspective of business field. Over all, I propose that global European corporations are potential representations of

⁹³ Marieke de Mooij, *Global Marketing and Advertising: Understanding Cultural Paradoxes* (Thousand Oaks, Calif.: SAGE, 2010), 3.

⁹⁴ Tomalin and Nicks, *The World’s Business Cultures and How to Unlock Them*, 71.

European identity within and outside Europe even if they do not consider themselves to be contributed in this process.

In the example of IKEA, the three case studies show that there is no single image of IKEA worldwide. IKEA in Germany is known for being funny and crazy, in China for a different western company with new interior designs practical for small rooms, and finally in Canada as too modern and exotic for their more traditional tastes. By the way, the general characteristics of IKEA including most of its policies and strategies are very Swedish and Scandinavian. There are many exclusive features and differentiating factors which makes IKEA unique and unexampled. IKEA inspires a sense of modernism, comfort, and simplicity. If not famous for spreading European culture among its customers worldwide, IKEA is popular for promoting Swedish living style through being natural, functional, cost-conscious, informal, and simple in nearly its most markets. Selling flat packages and offering DIY process to the customers of all markets are proper evidences of how IKEA applies its standard policies in its all markets and expects its worldwide customers to match their purchasing habits with IKEA's own concepts.

Finally, I hope this paper highlights the strong link between culture and business and encourages doing further research on the topic of the importance of cultural awareness as the basic required knowledge for global companies like IKEA to define the real demands and requests of their customers in their foreign markets.

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Annexes

*Annex 1: Comparison Table of Basic Characteristics*⁹⁵

Countries in Figures		Sweden	Germany	China	Canada
Land Area (sq.km)		449,964	357,021	9,706,961	9,984,670
Population (million)		9.54	81.8	1,347	33.5
Population density (per sq.km)		21	230	140	3.4
Life expectancy (years old)	Men	80	78	72	79
	Women	84	83	76	84
Adult literacy		99%	99%	94%	99%
Average per household		2.1	2.1	3.4	2.6
Divorces per 1,000		2.1	3	1.6	2.1

⁹⁵ This table is made out of the information provided through the websites below:
Wikipedia, <http://en.wikipedia.org> (accessed 15 November 2012)
World Business Culture, <http://www.worldbusinessculture.com> (accessed 10 November 2012).

Annex 2: Comparison Table of Economical Characteristics ⁹⁶

The Economy	Sweden	Germany	China	Canada
Currency	Swedish Krona	Euro	Yuan	Canadian Dollar
GDP	\$406bn	\$3,330bn	US\$1,932bn	\$1,336 bn
GDP per heads	\$43,650	\$40,670	US\$1,470	\$39,600
Employment (% of total)	Agriculture 2%	Agriculture 1%	Agriculture 41%	Agriculture 3%
	Industry 22%	Industry 26%	Industry 46%	Industry 22%
	Services 76%	Services 73%	Services 43%	Services 75%
	Unemployed 8%	Unemployed 6%	Unemployed 4%	Unemployed 8%
Main Export Types	Machinery & Transport Equipment	Machinery & transport equipment	Office equipment	Motor vehicles & parts
	Chemicals	Chemicals	Clothing	Machinery & industrial equipment
	Mineral fuels	Food & drink	Telecoms equipment	Industrial supplies
	Raw materials	Mineral fuels & lubricants	Electrical machinery	Energy products
Destinations (% total)	Norway 11%	France 10%	USA 18%	USA 75%
	Germany 10%	USA 7%	Hong Kong 14%	UK 14%
	UK 7%	Netherlands 7%	Japan 8%	China 3%
	Denmark 7%	Italy 6%	South Korea 4.5%	EU27 8%
	EU27 59%	EU27 63%	EU27 19%	
Main Import Types	Machinery & equipment	Machinery & transport equipment	Electrical machinery	Machinery & industrial equipment
	Chemicals	Chemicals	Petroleum products	Motor vehicles & parts
	Mineral fuels	Food & drink	Professional & instruments	Industrial supplies
	Food & drinks	Mineral fuels & lubricants	Metal ores & scrap	Consumer products
				Energy products
Main countries of origin	Germany 18%	Netherlands 13%	Japan 13%	USA 51%
	Denmark 9%	France 8%	South Korea 10%	China 11%
	Norway 9%	Belgium 7%	Taiwan 8%	Mexico 5%
	Netherlands 6%	China 7%	USA 8%	Japan 3%
	UK 5%	EU27 65%	EU27 13%	EU27 12%
	EU27 53%			

⁹⁶ Ibid.

Annex 3: Comparison Table of IKEA's 4P's⁹⁷

4Ps	IKEA in China	IKEA in Germany and Canada (and most of other markets)
Product	<ul style="list-style-type: none"> - Brand name is IKEA. - Basically same products (95%) - Increasingly local sourcing for all products in the assortment. 	<ul style="list-style-type: none"> - Brand name is IKEA. - Basically same products (95%) - Increasingly local sourcing on few markets (Russia), otherwise centralized sourcing and supply.
Price	<ul style="list-style-type: none"> - Cutting prices dramatically. - DIY and Cash-and-Carry concepts are alien in as customers are service demanding and labor is less expensive with prices that are not perceived as generally low. 	<ul style="list-style-type: none"> - Cutting prices in all countries. - In Germany, DIY and Cash-and-Carry concepts are increasingly accepted to have low prices but in Canada, these concepts are alien as customers are service demanding.
Place	<ul style="list-style-type: none"> - Location is closer to city center and public transport. - The room settings are adjusted to fit with local tastes, size of rooms etc. of Chinese customers. - Two floors with underground parking, wider aisles in store (different store format), restaurant, Sweden shop - More visitors than in other IKEA stores in the world - with the same staff level. 	<ul style="list-style-type: none"> - Location in most cases is well out of city center, out of town location (adjusted for car use). - The room settings are adjusted to fit with local tastes, size of rooms etc. of customers in countries where IKEA works. - Parking outside store, restaurant, Sweden shop
Promotion	<ul style="list-style-type: none"> - Catalogue is minor part, but adjusted smaller brochures are the main concept. - Advertising to fit the IKEA concept to local tastes, culture and position. - Promotion increasingly runs from stores, IKEA family is rolled out 2008 in China. - Web is a tool that provides opportunity to increase knowledge of IKEA concept to new IKEA customers. 	<ul style="list-style-type: none"> - Catalogue is the base. - Advertising to fit the IKEA concept to local tastes, culture and position. - Promotion increasingly run from stores, IKEA family is rolled out across countries. - Web is a tool that increasingly is used on new markets as information tool to increase knowledge of IKEA concept to new IKEA customers.

⁹⁷ This table is adopted from Burt et al., *Consuming IKEA*, 71, and then is completed based on authors' more information provided in chapter 3 of the same book.