



Standardized marketing strategies in retailing? IKEA's marketing strategies in Sweden, the UK and China

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ABSTRACT

IKEA is often cited as an example of a 'global' retailer which pursues a similar 'standardized' approach in every market. This paper systematically assesses the degree of standardisation (and adaptation) of four commonly identified retail marketing mix activities – merchandise, location and store format, the selling and service environment, and market communication – within three countries. These countries – Sweden, the UK and China – represent different cultural settings and are markets in which IKEA has been operating for different lengths of time. The data upon which the comparison is based was generated from personal interviews, in-country consumer research, company documentation and third party commentaries. The conclusions drawn suggest that whilst IKEA operates a standardized concept, degrees of adaptation can be observed in customer facing elements, and in the supporting 'back office' processes which support these elements. These adaptations arise from differences in consumer cultures and the length of time, and subsequent exposure to and experience of, the market. This suggests that standardisation in international retailing should be considered from the perspective of replicating the concept, rather than replicating the activities.

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1. Introduction

One theme that dominates the international marketing literature is the degree of standardisation and/or adaptation of marketing activities, either employed by a company (e.g., Baek, 2004; Levitt, 1983; Theodosiou and Leonidou, 2003; Szymanski et al., 1993; Lim et al., 2006), or experienced by a consumer (e.g., De Mooij, 2004, 2005; De Mooij and Hofstede, 2002). This discussion has not, however, penetrated the field of retailing to the same extent which appears strange, as many of the research themes pursued in the retailing literature follow those established in international marketing. This may reflect the fact that retail internationalisation into more distant markets is a relatively recent phenomenon (Dupuis and Prime, 1996; Evans et al., 2000; Evans and Mavondo, 2002).

IKEA, the Swedish home furnishing retailer, has been active in foreign markets since 1973, when the company entered Switzerland. Today IKEA has stores in 37 countries and is expanding in many markets, not least in Asia where the company has only had a presence over the past decade. In broad terms,

IKEA has followed the 'traditional' pattern of internationalisation, first moving into neighbouring countries and markets with similar language and cultural traditions, before venturing into more exotic markets on other continents.

One of the characteristics that makes IKEA stand out amongst internationalising retailers is the (alleged) standardized approach taken to every market it enters. It appears to operate in the same way in every market—and is often referred to as a 'global' retailer. Existing analyses of IKEA's marketing strategy are either relatively old (Salmon and Tordjman, 1989) or take an overview perspective (Salzer, 1994, 1998; Mårtensson, 1981, 1987). Little emphasis has been placed upon analysing retail marketing activities in specific countries, and many studies lack a clear understanding of what marketing standardisation and adaptation might mean in a retail perspective. More recent studies (Edvardsson and Enquist, 2002; Edvardsson et al., 2006) take a service management perspective, rather than an overall marketing strategy perspective.

Amongst academics there has also been a growing debate over whether one of the key success factors in international retailing is the adaptation, rather than the standardisation, of customer facing marketing strategies (e.g., Cui and Liu, 2001; Dawson and Mukoyama, 2006; Rundh, 2003; Samiee et al., 2004; The McKinsey Quarterly, 2004, 2006a, 2006b). This seems to be especially true for retail internationalisation into geographically and culturally 'distant' markets. So where does this leave IKEA and

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its 'global' business model? Is the model something that works in Europe and North America, but requires greater adaptation for the very different Asian markets?

The aim of this paper is to examine IKEA's marketing strategy in three different countries: Sweden, the UK and China. IKEA's history and presence differs in each of these markets: Sweden is the home market where IKEA was founded in 1953 and the where first store opened in 1958; the UK was entered in 1987 and is now the fourth most important market in terms of sales volume; whilst China saw its first IKEA store in 1998. These markets also vary in terms of both the cultural and institutional setting: Sweden and the UK are essentially 'home' markets in these terms—Sweden naturally fulfils this role but the UK is an Anglo-Saxon market with similar consumer behaviour and business traditions; China is of course very different in this respect, but will IKEA's marketing strategy need to be different in recognition of this? Is there a need to recognise a more subtle gradation of the retail marketing mix, which takes into account a more constrained geographical focus—for example at a regional level? or which recognises the length of time in, and subsequent experience of, a market?

The paper starts with a brief review of some of the literature on the retail marketing mix to establish a generic framework. This framework is then used to present an analysis of IKEA's approach to the three different countries, based upon a combination of both primary and secondary data from these markets. Finally, the implications for existing conceptualisations of globalisation and standardisation/adaptation in an international retail context form the conclusion.

2. Conceptual framework

What is standardisation and adaptation really about? There is (as Ryans et al., 2003 have pointed out) no common consensus amongst researchers. However, the core elements of standardisation are generally seen as

...the offering of identical product lines at identical prices through identical distribution systems, supported by identical promotional programs in several different countries (Buzzell, 1968, p. 103).

This definition is grounded, as with much of the literature, within the four P's classification of marketing activities. Standardisation thus refers to how and if marketing activities relating to product, price, place and promotion are adapted across the countries or markets in which a company operates. One of the best known advocates of strategy standardisation, Levitt (1983), argues:

The modern global corporation contrasts powerfully with the aging multinational corporation. Instead of adapting to superficial and even entrenched differences withering and between nations, it will seek sensibly to force suitably standardized products and practices on the entire globe (p. 65).

Levitt argues his case in broad terms. No products or markets are exempt from his vision of globalisation, and he identified technology and converging consumer demands as key driving forces. Although extremely influential and extensively debated, the weakness of the Levitt proposition lies in its generalistic perspective. It can be argued that from that 'distance' – the general overview perspective – everything tends to look the same.

In the other 'corner' of the debate we find those who argue for adaptation from a national culture perspective (e.g., Hofstede,

2001; De Mooij, 2004, 2005; De Mooij and Hofstede, 2002). Here the view is the reverse

Ignoring culture's influence has led many companies to centralise operations and marketing, which instead of increasing efficiency resulted in declining profitability. Several large multinational firms have seen their profits decline because centralised control lacks local sensitivity (De Mooij and Hofstede, 2002, p. 61).

From this perspective it is obvious, though again usually not backed with anything other than illustrations and anecdotal evidence, that the world is 'spiky' (Florida, 2005), rather than 'flat' (Friedman, 2006); the business landscape is not homogenous but instead heterogeneous which makes adaptations necessary, at least when the view is international and when working in culturally diverse markets. While Levitt and his fellow 'globalists' suggest that the world, driven by technology and converging tastes, is moving closer together, de Mooij and her supporters argue that although the world is moving, some things do not change.

Although the debate surrounding the appropriateness of the standardisation or adaptation of marketing activities has generated a large volume of research, there is little specifically on this topic in the international retailing arena despite the centrality of this theme in internationalisation. We find some discussions about specific aspects of international retailing, for example retail image (e.g., Burt and Carralero-Encinas, 2000; Burt and Mavromatis, 2006; McGoldrick, 1998; McGoldrick and Ali, 1994; McGoldrick and Ho, 1992) but very little relating to the overall marketing activities of retailers. Image mainly concerns itself with the effects – from a consumer perspective – of marketing activities, not with the marketing activities per se.

Some authors (e.g. Sternquist, 1997) discuss standardisation in retail internationalisation in general terms, particularly in relation to the categorisation of different internationalisation approaches. IKEA has often featured as an example of a 'global' retailer in classifications of retail internationalisation. In Salmon and Tordjman's (1989) classic article, IKEA is reported to have a centralised approach to management systems but adjusted marketing activities (in dimensions like assortment, pricing and promotion). However, the IKEA discussed by Salmon and Tordjman is 20 years old, and based upon a company with 13 years of international experience, operating 74 outlets all based within Western Europe and North America. Mårtensson (1981) uses IKEA as an example of innovation diffusion in international retailing. She provides a much more detailed picture of a centralised retailer, and suggests that promotion is basically the only variable in the marketing mix that is adapted to different markets. Whilst this is a more in-depth case study of IKEA, it is now also close to 30 years old and follows a company that was essentially a European company at the time of writing. Finally, Treadgold (1991) categorises various international retailers along the dimensions of local responsiveness and benefits from integration. Global retailers – such as IKEA – are argued to achieve high benefits from integration and display low levels of local responsiveness. The discussion of marketing activities in his paper is again at a very general level and little detail is provided about different marketing activities. As well as limitations in the level of detail provided, inherent in all of these studies is the time context. IKEA today is a much more experienced international operator, both in terms of length of time in the market and in geographical scope.

When analysing marketing strategies of individual firms there is a need to employ some form of classification of the different marketing activities. The marketing activities of retailers have been described in the literature in many different ways. Almost every source generates its own specific categorisation, but the

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