



**HOW IKEA SHOULD ENTER IN THE COLOMBIAN MARKET?**

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**THESIS – BACHELOR IN BUSINESS ADMINISTRATION**

**ANDREA CORREA JARAMILLO**

**TYPE OF DOCUMENT:**

**DISSERTATION TO OBTAIN THE DEGREE OF BACHELOR IN  
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**APROVED BY UNIVERSIDAD DEL ROSARIO  
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**TUTOR :  
ZGOULLI Saloua**

**INSTITUCION:  
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## **DEDICATION**

*I dedicate this dissertation to my parents, my sister and Julio. People who have always been there to support me, congratulate me, and show me always the best path to follow. To my parents, I will never finish thank you for everything you do every day for my sister and me. To Julio, who has been in all these years, not only my boyfriend, but also my unconditional friend.*

## **ACKNOELEDGEMENTS**

*This thesis would not have been possible without the generous collaboration of the following individuals:*

*My parents and sister, who have always believed in me and supported my dreams and specially in this opportunity, my bachelor. Thank you, for teaching me how to stand up in front of challenges and difficult situations.*

*Special acknowledgements to my teachers and tutors for encourage me to investigate and to want to know more, and always try to do my best in every work. And for give me the tools to be an excellent professional in all the ways.*

*Special appreciation to my boyfriend Julio, who gave me the strengths when I needed the most. Who has always been there emotionally to support my professional goals even though sometimes those goals mean being away each other.*

*Special acknowledgements to my dear friends and roommates Fergie, Katherine, Viviana and Guillermo to support me during the time we spend in France. Thank you for being excellent friends and family.*

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## ABSTRACT AND KEY WORDS

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IKEA is one of the biggest enterprises selling products for home in the world but it hasn't opened a store in Colombia yet. Therefore, this work of research will evaluate not only the general factors that will influence the opening of an IKEA store, but also the internal factors.

On the first part, it will be developed an investigation of the principal strategic and marketing concepts that will be useful throughout this research work.

On the second part, some methods will be used to answer the problematic, such as an interview to actual Colombian clients of IKEA, and a Porter's SWOT analysis. Once the results of the previous methods are presented in the third part, the final part will illustrate the opportunities and threats that IKEA will face when opening a new store in Colombia.

As a result, this work will allow knowing if it is good for IKEA to come into the Colombian market and also knowing the best strategy that IKEA would have to implement to compete, and succeed in one of the more attractive markets in Latin America.

**KEY WORDS:** IKEA, Business, Colombia, Marketing Strategy, Michael Porter, SWOT Analysis, Competition Map, Porter's Framework, Supply Chain Analysis.

## RESUMEN Y PALABRAS CLAVE

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IKEA es una de las empresas más grandes en el mundo que produce y comercializa productos para el hogar, sin embargo, todavía no tiene una filial en Colombia. Por esta razón, este trabajo de investigación se dedicará a evaluar no solo los factores generales que influenciarán la apertura de una tienda IKEA en Colombia, sino también los factores internos.

En la primera parte, se desarrollará una investigación acerca de los principales conceptos en estrategia y mercadeo que serán necesarios a lo largo del desarrollo de este trabajo.

En la segunda parte, se utilizarán varios métodos para resolver la problemática, como una encuesta a clientes colombianos de IKEA y el análisis DOFA de Michael Porter. Una vez se presenten los resultados de los métodos en la tercera parte, la parte final ilustrará las oportunidades y amenazas que IKEA tendrá que enfrentar en caso de abrir una filial en Colombia.

Consecuentemente, este trabajo va a permitir obtener una visión de la apertura de una filial de IKEA en el mercado colombiano y además definir la mejor estrategia que IKEA tendría que implementar para competir con éxito en uno de los mercados más atractivos de Latinoamérica.

**PALABRAS CLAVE:** IKEA, negocios, Colombia, Estrategia de Mercadeo, Michael Porter, Análisis DOFA, Mapa de Competencia, Diamante de Porter, Análisis de la Cadena de Valor.

## RESEARCH QUESTION

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## INTRODUCTION

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IKEA in a developing Latin American country? That is a possibility for the future of one of the biggest companies building and selling home furnishing products. IKEA's strategy has been one of the most commented one, compared to other companies. Thanks to that strategy IKEA has been able to go abroad and to have more than 300 stores in more than 35 countries.<sup>1</sup>

This work will be focus not only on the strategy of the company, but also on how it might work at the Colombian market. This investigation will be made with the objective of figure out what is the best strategy for IKEA to enter into this market. And to solve this question it is necessary to investigate in depth, the external and the internal factors around IKEA and its possible performance in Colombia.

Is it a good idea for the company to open a new store in Colombia? Is this market attractive to go abroad? Does IKEA's strategy match the customers' behaviour? These are some of the questions that will be solved through this investigation. To do that, First there will be presented some general information about the company, necessary to analyze afterwards the internal environment.

Second, there will be used tools as the SWOT Analysis, the Porter's Framework and the Supply chain, among others. These administrative tools will clarify the business model of the company and its main characteristics. In addition, there will be investigated the customer factor using some main points of the marketing planning and a questionnaire make to Colombians customers of IKEA.

As a second point, there will be presented the questionnaires' results through some figures. Fourth, the results of the administrative tools previously mentioned, will be analyzed and explained in detail.

Once this data is collected and analyzed, the point is to combine the information, to answer different issues: How would react Colombian customers' if

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<sup>1</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=concept3>

IKEA opens a new store in Colombia?, Are they interested in having a IKEA store in their country? Are the core competencies of IKEA enough to compete at the Colombian market?. To finally conclude whether it is good or not for IKEA to enter into the Colombian market, and what the best way to do that is in terms of strategy.

## Part I General Concepts and Facts

---

### 1.1 GENERAL FACTS OF IKEA

#### 1.1.1 Core business of the company:

IKEA is a Sweden company founded by Ingvar Kamprad in 1943 that builds and sells home furnishing products. The vision of this firm is "to create a better everyday life for the many people"<sup>2</sup>. From the vision we can say that IKEA is a massive store that wants to get to as many people as they can. This fact is very important for this investigation because it means that the company from its bases seeks to expand in the market and sell its products to most people.

IKEA's Core business is "based on 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."<sup>3</sup>

The importance of this company is in fact the concept mentioned before: Thanks to IKEA's objective to offer home furniture to everyone, the company has developed a low cost concept from production to distribution and sales that doesn't affect the quality of the products but allows it to compete in the home furniture industry at a very low price with very high design.<sup>4</sup>

IKEA's concept also includes a very unique way of shopping and arrangement its stores that makes the firm really successful. Every IKEA's store is designed to make people walk all around and see the different products displayed within the realistic rooms in which they give some decoration ideas to the customers.

IKEA's prices are very low compared to the others thanks to the fact that customers choose, collect (from the warehouse), transport and assemble the products themselves.<sup>5</sup> Letting the customers doing that lowers the price by

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<sup>2</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=range5>

<sup>3</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=concept2>

<sup>4</sup> Available On World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=concept3>

<sup>5</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=store2>

minimizing costs in transportation and storage.<sup>6</sup> This is part of the low price concept which also complements the high-design-product factor and makes IKEA's products very attractive.

### 1.1.2 Where does IKEA sell?

Today IKEA is a leading home furnishing brand around the world with more than 300 stores in more than 35 countries.<sup>7</sup>

- Australia
- Austria
- Belgium
- Canada
- China
- Cyprus
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Hong Kong
- Hungary
- Iceland
- Ireland
- Israel
- Italy
- Japan
- Kuwait
- Malaysia
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russia
- Saudi Arabia
- Singapore
- Slovakia
- Spain
- Sweden
- Switzerland
- Taiwan
- Turkey
- United Arab Emirates
- United Kingdom
- United States

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<sup>6</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfId=range3>

<sup>7</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfId=concept3>

IKEA has already opened stores in three of the five continents: Asia, Europe and America. But it's necessary to clarify that in America the firm makes presence in Canada, U.S. and recently in Dominican Republic, which means that they have not opened yet a store in South America where they could have good opportunities in countries like Colombia.

Nevertheless, IKEA's vision is directed towards selling their products to everyone. And once opened a store in a country the company also offers franchise opportunities for independent entrepreneurs. This shows even more IKEA's intention to open more stores in more countries and this fact crucial when analyzing the possibilities of opening a new store in Colombia.

### **1.1.3 Who are the customers?**

Since the firm was created, it had the purpose of selling home furniture to everyone, which means at accessible price so every person could buy at the store.

Thus from the suppliers to the customer service the company is saving money in everything but quality and design, making their products very competitive in the market. Saving costs in assembling makes a really subtle segmentation in the customers because like that, people who buy at IKEA need to be dynamic and active enough for not caring about those facts. For example, young people, who usually concern about design and even more about price, would find irresistible saving costs in assembling and would not be bothered if they have to do it themselves.

But in general IKEA's target is every person in middle class who care about price and are looking for design and distinction in their home's decoration.

#### 1.1.4 What are the core competences of the company?

Establishing IKEA's core competencies is crucial for this investigation, because it will allow me to understand what IKEA's market position would be in the industry if it opens a store in Colombia. Also the core competencies represent a tool to determine the strategy of a company and how it would act in different markets. Once the core competences are defined is necessary also to determine their value in the market and if the company can win position with those competences or not. This means if, in the case of Colombia, clients there give the same importance to a specific competence than other company where IKEA is already positioned.

Identifying IKEA's core competencies is thinking about what makes this company special compared to the others. That or those factors, that make the firm special should also give value to the final product and differentiate the company from other firms.

According to Michael Porter, the best way to determine the core competencies of a company is creating an activity-system map "in which clusters of activities and processes which support the core competencies are linked".<sup>8</sup>

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<sup>8</sup> Available on World Wide Web <http://www.b2binternational.com/library/whitepapers/whitepapers24.php>

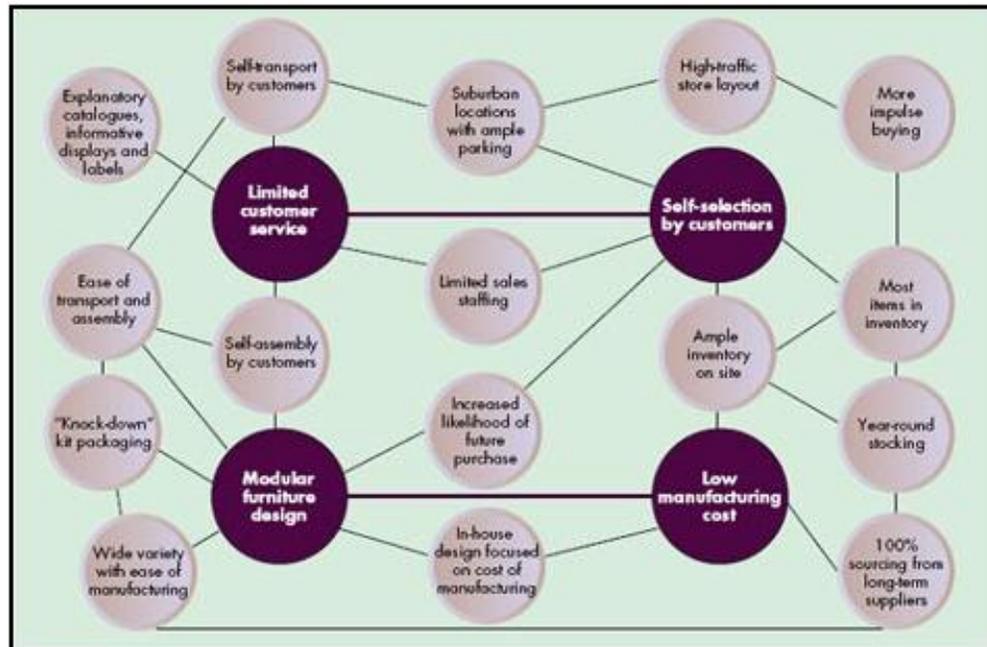


Illustration 1 Activity System map for IKEA<sup>8</sup>

As it's showed in this activity-system map for IKEA, there are some activities that allow the company to differentiate and compete in the market but not all of them are core competencies. Only the ones in dark purple are identified as core competencies because they affect directly the firm's position in the industry.

Like IKEA's vision say, the company focuses on reducing every possible cost except the ones linked to the quality of the product. As a consequence, IKEA main competencies are centered on cutting costs in the whole process, and thereby compete for price and design. The main competencies are:

- **Limited Customer service:** related to the work force reduction in the store by, for example, having clear catalogues and informative labels and self transport and assembly.
- **Self Selection by customers:** related to how customers pick the products by themselves even from the warehouse.

- **Low manufacturing cost:** one of the principal goals for designers is creating products with low cost and high design.
- **Modular furniture design:** Furniture created with high design, low cost and with clear labels and information so clients can put everything together by themselves.

## 1.2 STRATEGY GENERAL CONCEPTS

### 1.2.1 SWOT Analysis

The SWOT Analysis is a very important tool for formulate the strategy of a company. It is an acronym of Strengths, Weaknesses, Opportunities and Threats and represents a careful evaluation of an organization's internal strengths and weaknesses as well as its environmental opportunities and threats.”<sup>9</sup>

Using this tool to determine IKEA's strategy will allow me to evaluate IKEA's core business and Colombian market all together, and establish advantages and/or disadvantages of getting in the Colombian market.

- **Strengths:** “are skills and capabilities that enable the organization to conceive of and implement its strategies.” [...] “a distinctive competence is a strength possessed by only a small number of competing firms.”<sup>10</sup>
- **Weaknesses:** “are skills or capabilities that doesn't enable an organization to choose and implement strategies that support its mission”<sup>11</sup>

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<sup>9</sup> GRIFFIN. Ricky W. Fundamentals of Management. Fifth Edition. Page 67.

<sup>10</sup> Ibid Page 68

- **Opportunities:** “An area in the environment that if exploited, may generate higher performance”.<sup>12</sup>
- **Threats:** “An area that increases the difficulty of an organization’s performing at a high level”.<sup>13</sup>

### 1.2.2 Competition Map

The competition map is a diagram which collects the information about the competitors and expresses how the companies are located within a industry in regard to two main competences that could be price, quality, technology factor etc...

The importance of this competition map is that helps understanding which main factor the competitors are developing, so a firm like IKEA can choose where to go to have success in an industry. For example, if the biggest competitor in Colombia is competing towards price, and location, IKEA should evaluate if it has all it takes to compete in design and also in price as the big competitor.

### Competitors Analysis Components

The next diagram presents more clearly the components that I am going to take into account to analyze IKEA’s competitors in Colombia in order to build the competition map.

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<sup>11</sup> Ibid Page. 68

<sup>12</sup> Ibid Page 68.

<sup>13</sup> Ibid Page 68.

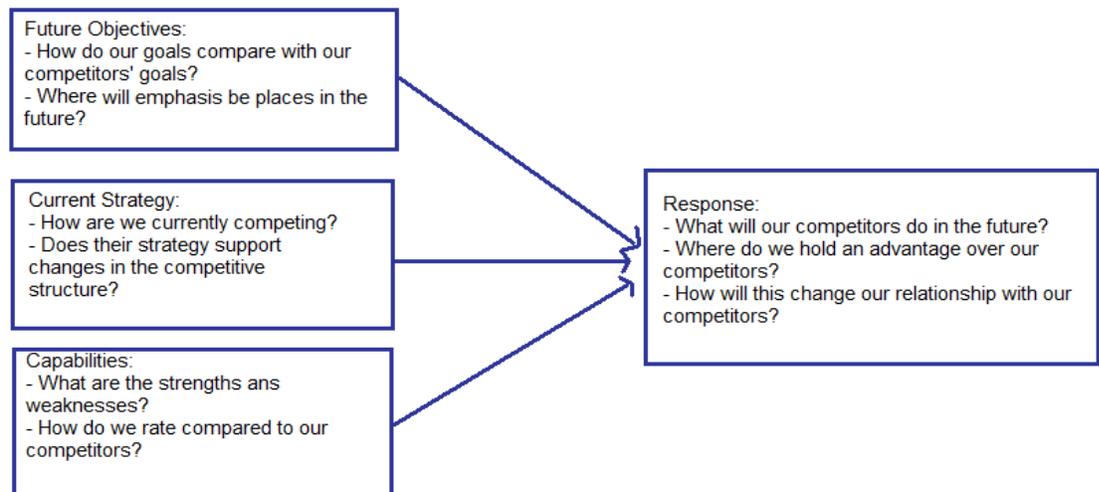


Illustration 2: Competitors Analysis Components<sup>14</sup>

### 1.2.3 Porter's Framework

Porter's framework is composed by: Threats of new entrants, power of suppliers, power of buyers, product substitutes and Intensity of rivalry.

- The **threats of entrants** make reference to the challenges that any company should face by entering into that industry.
- The **power of suppliers** is the influence that suppliers have in the industry in terms of bargaining.
- The **power of buyers** is the influence that the customers have in the industry in terms of making a choice of where to buy, and also bargaining.
- The **product substitutes** are all the products that can replace the good which the firm is offering.
- The **Intensity of rivalry** involves the quantity of competitors, how the good or service of the firm can compete in the market, in which terms is the competition developing within the industry (if it's by price, by location etc...)

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<sup>14</sup> Ibid Page 59.

# Porter's Five Forces Model of Competition

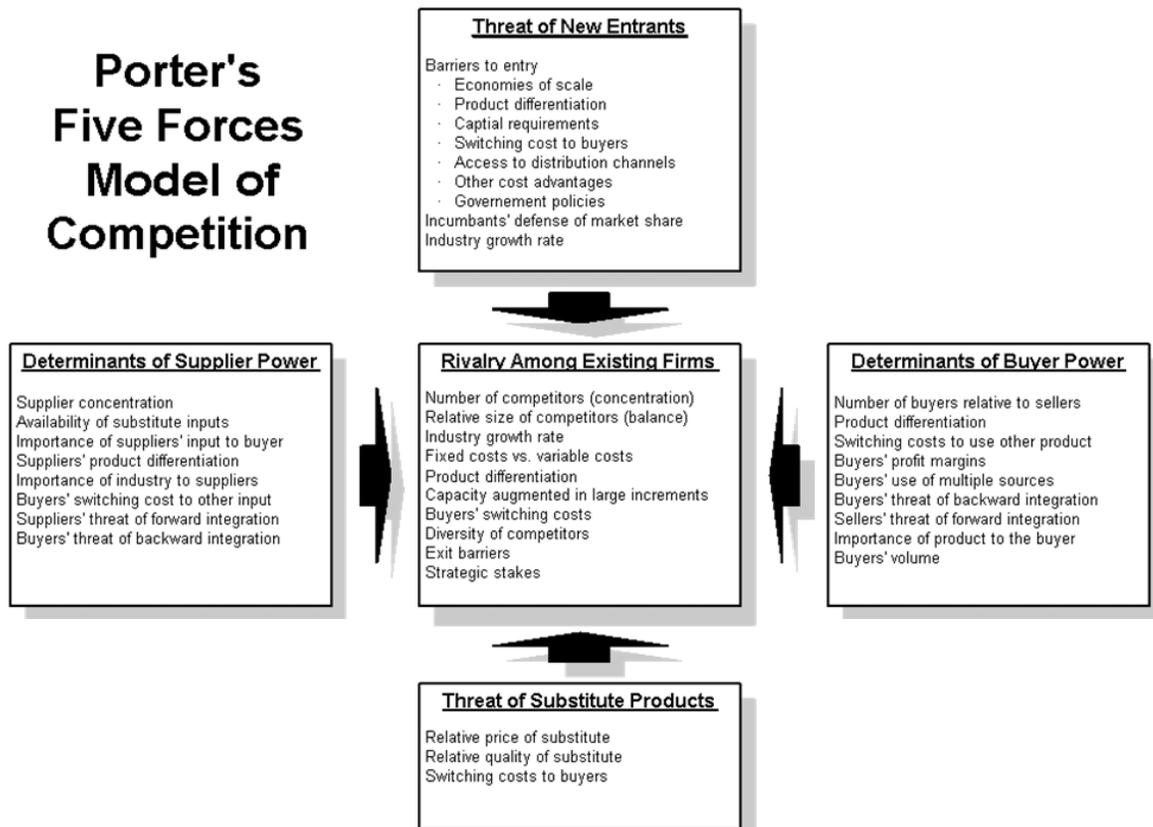


Illustration 3: Porter's Five Forces Model of Competition<sup>15</sup>

The advantage of using the Porter's five forces model or framework is that we can consider all of points of view on the industry which is very important when making a strategic analysis for a company that wants to go abroad. This model gives important tools to determine if an industry is attractive or not.

The last part of the analysis is the **Competitor environment** which is a studio focused on the firms which the company competes with in an industry.<sup>16</sup> This analysis is very important to evaluate possible IKEA's performance in Colombia, because it is crucial to take into account other existing companies which core business is the same and that are already positioned in the market.

The principals factors that this analysis seeks to understand are:

<sup>15</sup> Available on World Wide Web [http://software--porter-five-forces.smartcode.com/images/sshots/software\\_\\_porter\\_five\\_forces\\_18378.gif](http://software--porter-five-forces.smartcode.com/images/sshots/software__porter_five_forces_18378.gif)

<sup>16</sup> Ibid Page 58.

- Competitor's future objectives: where the competitors are going.
- Current Competitor's strategy: What the competitor is doing and can do.
- The competitor's strengths and weaknesses<sup>17</sup>

Getting information about these factors will allow IKEA to consider entering in the Colombian market and analyzing what the possibilities of real success are, anticipating their competitors moves at the time it will open a new store in Colombia. This competitor intelligence allow the firm "to gather intelligence not only about its competitors, but also regarding public policies in countries around the world. Such intelligence facilitates an understanding of the strategic posture of foreign competitors."<sup>18</sup>

#### 1.2.4 Supply Chain analysis

"Porter was the first introducing the concept of the value added chain, defining it as the succession of various operations that progressively incorporate new value elements into the product, ending with the commercialization of the final product on the market."<sup>19</sup>

The value chain analysis is crucial for the firm to create value in all the activities that it's not differentiating from others companies. Even though IKEA has been an example of an innovative enterprise, the value chain analysis will clarify even more where the *innovation* is created. And will allow me to evaluate the possible reaction of clients to this way of managing business.

A firm's value chain is divided into two principal activities: **Primary activities**, which involve the physical part of the product creation from the suppliers

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<sup>17</sup> Ibid Page 58.

<sup>18</sup> Ibid Page 59.

<sup>19</sup> ASHOK Ranchhod, CALIN Gurau. *Marketing Strategies a contemporary approach*. Prentice Hall. 2<sup>nd</sup> Edition. Page 38.

to the post service area, passing through the production, sale and distribution.<sup>20</sup> On the other hand, the **Support activities** are the ones that “provide the assistance necessary for the primary activities to take place”.<sup>21</sup>

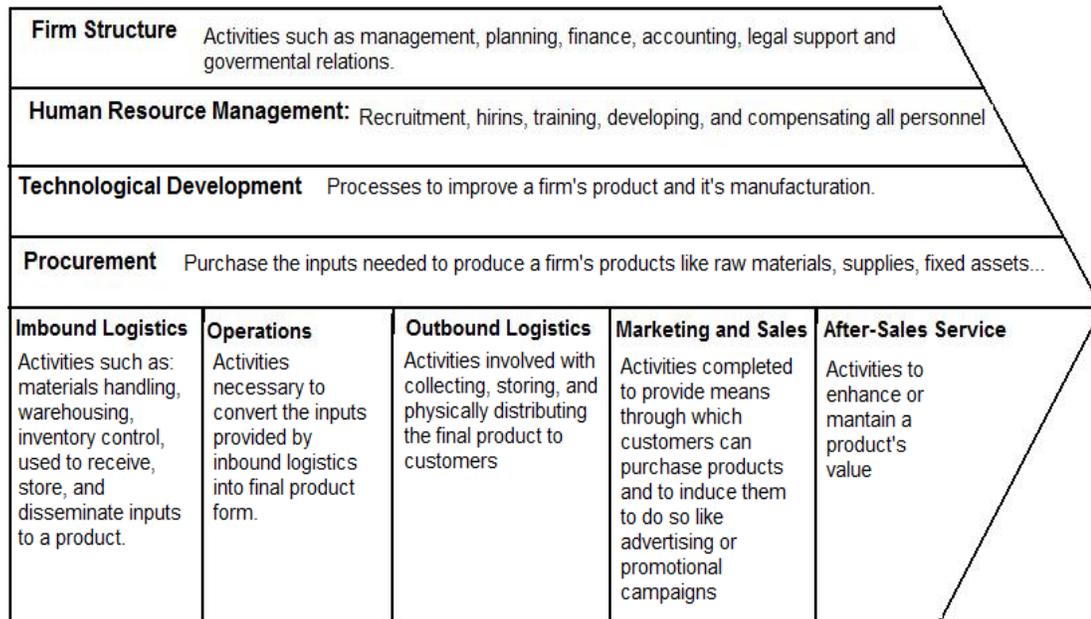


Illustration 4: Supply Chain Diagram<sup>22</sup>

## 1.3 MARKETING GENERAL CONCEPTS

### 1.3.1 Marketing Planning

“The marketing planning is the structured process that leads to a coordinated set of marketing decisions and actions, for a specific organization and over a specific period, based on:”

<sup>20</sup> IRELAND/HOSKISSON/HITT. *The Management of Strategy. Concepts and Cases*. International Student Edition 8<sup>th</sup> Edition. Page 84.

<sup>21</sup> IRELAND/HOSKISSON/HITT. *The Management of Strategy. Concepts and Cases*. International Student Edition 8<sup>th</sup> Edition. Page 84.

<sup>22</sup> IRELAND/HOSKISSON/HITT. *The Management of Strategy. Concepts and Cases*. International Student Edition 8<sup>th</sup> Edition. Page 86

- “An analysis of the current internal and external situation, including markets and customers.”
- “Clear marketing direction, objectives, strategies and programs for targeted customer segments.”
- “Support through customer service and internal marketing programs.”<sup>23</sup>

The marketing planning is very important for the analysis of the IKEA entering into the Colombian market because it will allow me to describe the marketing strategies that will support IKEA’s performance in Colombia. Specially explaining how IKEA should act to captivate the market and compete successfully in that country.

In addition, the marketing plan is crucial for this work because it will be focused on customers and how they will react and what the company can do for them<sup>24</sup> so it will complement the previous parts which were, until now, external and internal analysis of the company and the environment.

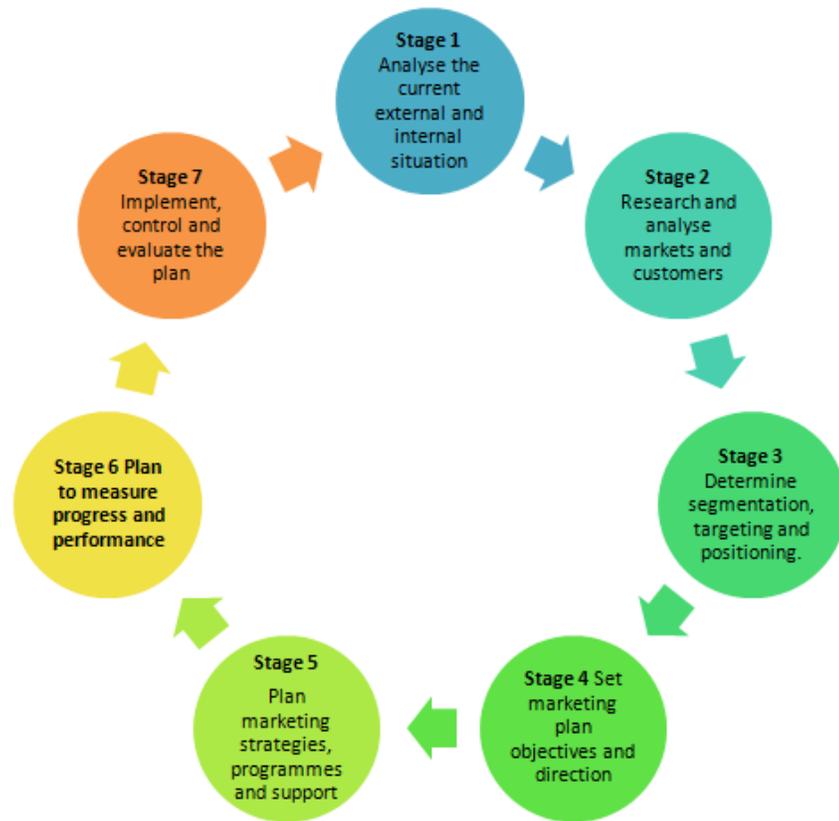
The following gives a brief explanation of each of the stages focusing more on stages two and three with the aim of linking them to the next part of the investigation.

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<sup>23</sup> BURK Wood’s Marian. *Essential Guide to Marketing Planning*. Prentice Hall. Page 3

<sup>24</sup> BURK Wood’s Marian. *Essential Guide to Marketing Planning*. Prentice Hall. Page 4.

**Figure of the Marketing Planning Process**



**Illustration 5: Marketing Planning Process<sup>25</sup>**

### **Stage 1: Analyze the current situation**

Using an internal audit, the firm will be evaluated from aspects such as the mission and vision statements, resources, offerings etc...<sup>26</sup> Also, using an external audit, the environmental aspects are evaluated in the PEST analysis (Political, Economical, Social-cultural and Technological).<sup>27</sup>

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<sup>25</sup> Ibid. Page 5.

<sup>26</sup> Ibid. Page 6

<sup>27</sup> Ibid. Page 6.

## **Stage 2: Research and analyze markets and customers**

The next step is about customers' needs, perceptions, expectations... It's about investigating trends of the market, answering who my principal customers are, why they are buying the products. All this investigation at this stage is about creating a plan for relationship marketing which "starts with the premise that when organizations look beyond the immediate transaction to build trust and meet customers' long-term needs, customer are more likely to remain loyal."<sup>28</sup>

## **Stage 3: Determine segmentation, targeting and positioning**

To define who the principal customers are, it is crucial to organized advertising, promotion, production and everything else around clients' needs.

First, it is necessary that the firm group the "customers into segments based on characteristics, behaviours, needs or wants that affect their demand for, or usage of, the product being marketed".<sup>29</sup> Next it is required to decide the targeting approach. This is defined as "a very specific group of potential customers, usually defined by one or more of: age, lifestyle, gender, socio-economic position, income"<sup>30</sup>.

It is essential that the company formulates the positioning, "which means using marketing to create a competitively distinctive place (position) for the product or brand in the mind of targeted customers".<sup>31</sup>

## **Stage 4: Set marketing plan direction and objectives**

The goals of the marketing plans are set<sup>32</sup> according to the firm's mission and vision statements. But in general the most common objectives of a marketing plan are: "penetrating existing markets, expanding within existing markets, offering

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<sup>28</sup> Ibid. Page 6

<sup>29</sup> Ibid Page 7

<sup>30</sup> [www.enterprisesaskatchewan.ca/glossary](http://www.enterprisesaskatchewan.ca/glossary)

<sup>31</sup> Ibid. Page 7

<sup>32</sup> Ibid Page 7

existing products, modifying existing products and offering entirely new products”.<sup>33</sup> However, these are not the only objectives, a firm could also run a marketing plan for sustainable position in the market or protect its current profit situation<sup>34</sup>.

### **Stage 5: Plan marketing strategies, programs and support.**

At this point, the firm has to set the basics of the marketing strategies such as the marketing mix (product, price, place and promotion). Also determine “how to support the marketing effort with customer service and internal marketing”.<sup>35</sup>

The product offering includes not only a tangible good but could be also intangible services that gives the product an added value and can improve a firm’s positioning. The brand, the benefits, the quality perceptions and related services could also be other intangibles to consider in the planning product strategy.<sup>36</sup>

The strategies previously mentioned, include the price as well. The price also involves how much the customers are willing to pay for the product, its perceived value, how the costs and revenues affect the profitability.<sup>37</sup>

“The channel and logistics or the “place strategy” is concerned with how customers gain access to the product offering.”<sup>38</sup> The success of a product involves the distribution, and the relationships with suppliers and transporters which can make a difference in cost and influence the final price.

### **Stage 6: Plan to measure progress and performance**

The measures before implementing a marketing plan includes: the budgets, forecast, schedules and responsibilities for all marketing programs.<sup>39</sup> All this

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<sup>33</sup> After Alan R. Andreasen and Philip Kotler, *Strategic Marketing for Non-profit Organisations*. 6<sup>th</sup> Edition. Upper Saddle River, N: Prentice Hall. Page 81

<sup>34</sup> BURK Wood’s Marian. *Essential Guide to Marketing Planning*. Prentice Hall. Page 8

<sup>35</sup> Ibid Page 9

<sup>36</sup> Ibid. Page 9

<sup>37</sup> Ibid. Page 9

<sup>38</sup> Ibid. Page 9

<sup>39</sup> Ibid Page 12

evaluations are necessary to verify the success of the plan, and compare what the results with the previous expectations.

### **Stage 7: Implement, control and evaluate the plan**

It is necessary to have first the objectives that the firm has set with the marketing plan. And second have different methods of measure through the progress of the plan to take corrective actions on time.<sup>40</sup>

## **1.4 EXAMPLES OF QUESTIONNAIRES**

Linked with the marketing plan previous explained, it is important to know what Colombians think about IKEA and what they think about IKEA entering into the Colombian market. This tool will allow me to know details about Colombians preferences and how Colombians IKEA's clients would react to IKEA in Colombia.

Therefore, There are seven steps to set the form and design a questionnaire that are the following:

**Step 1:** Identifying the most general information needed particularly the research questions and hypothesis. It is necessary to have also a clear idea of the target population.<sup>41</sup>

**Step 2:** "Identifying the type or interviewing method"<sup>42</sup>.

**Step 3:** Determine the content of individual questions avoid ambiguous or double-barreled questions.

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<sup>40</sup> Ibid Page 13.

<sup>41</sup> NARESH K. Malhotra *Marketing Research an applied orientation*" 5<sup>th</sup> Edition. Malhotra Page. 321

<sup>42</sup> NARESH K. Malhotra *Marketing Research an applied orientation*" 5<sup>th</sup> Edition. Malhotra Page. 321

**Step 4:** “Design the questions to overcome the respondent’s inability and unwillingness to answer”: It’s necessary to filter participants in terms of familiarity according to their past experience. Also minimize the effort required of the respondents.<sup>43</sup>

**Step 5:** Decide on the question structure:

- “Use open-ended questions for exploratory research”.
- “In multiple-choice questions, the response alternatives should include the set of all possible choices and should be mutually exclusive.”
- “In a dichotomous question, if a substantial proportion of the respondents can be expected to be neutral, include a neutral alternative”.<sup>44</sup>

**Step 6:** “Determine the question wording”:

- “Use ordinary words.”
- “Avoid ambiguous words.”
- “Avoid implicit assumptions.”<sup>45</sup>

**Step 7:** Arrange the questions in proper order: start with the interesting and simple questions ending by the most difficult and complex ones. Go from general to specific<sup>46</sup>.

**Step 8:** “Identify the form and layout” Questions should be numbered and the questionnaire should be precoded.<sup>47</sup>

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<sup>43</sup> NARESH K. Malhotra *Marketing Research an applied orientation* 5<sup>th</sup> Edition. Malhotra Page. 321

<sup>44</sup> Ibid. Page 321

<sup>45</sup> Ibid. Page 321

<sup>46</sup> Ibid. Page 321

<sup>47</sup> Ibid. Page 321

**Step 9:** Reproduce the questionnaire: the questionnaire should have a professional appearance.<sup>48</sup>

**Step 10:** Pretest to evaluate: Evaluate the questionnaire with different interviewers each time and with people with the same prototype as the ones that are going to take the questionnaire.<sup>49</sup>

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<sup>48</sup> Ibid. Page 321

<sup>49</sup> Ibid. Page 321

## Part II Method's development

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### 2.1 Strategy Analysis

#### 2.1.1. SWOT Analysis

This method was chosen because it is one of the tools that compares the external and the internal environment. Therefore, it is easier to predict the performance of a company as IKEA in a new market or even define if that market is attractive and appropriate for that company or not.

The information used for the development of this tool was analyzed according to each of the four points on the SWOT analysis. Therefore, the core competences of the company were used as strengths at the SWOT analysis but with some modifications taking into account Colombian cultural factors and market issues. As a consequence, some of the strengths ended being weaknesses, as it will be seen in the subsequent analysis.

For the external part, (opportunities and threats) there were considered economical, political, social, and cultural factors influencing the Colombian market and the behaviour of the industry in general.

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Low manufacturing costs.</li> <li>• Variety in Products → well done design.</li> <li>• Store strategically design to walk it all over.</li> <li>• Good relationship with suppliers.</li> <li>• Internationally known brand.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited customer service → long term relationships with clients.</li> <li>• Low cost → sometimes traduced as Medium quality.</li> <li>• Self selection by customers</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Taking advantage of its brand → expanding through South America.</li> <li>• Colombia has seven cities with more than 500.000 habitants.*</li> <li>• Economic stability: 2,5 % of growth in economy in recession time.</li> <li>• Flexibility in work force: according to the World Bank Colombia has the second most flexible work force regime.</li> </ul> <p>*Taken from:  <a href="http://www.colombiaspasion.com/index.php/es/asi-es-colombia/26-colombia-en-cifras/289-opportunidades-de-inversion-por-sectores.html">http://www.colombiaspasion.com/index.php/es/asi-es-colombia/26-colombia-en-cifras/289-opportunidades-de-inversion-por-sectores.html</a></p>	<ul style="list-style-type: none"> <li>• Big direct and indirect competitors already positioned in the Colombia's market such as: Homecenter.</li> <li>• Bad image of the country → Guerrilla.</li> <li>• Economical: reduction of the purchasing power in the last year of 0,6% for 2008.*</li> <li>• Regional different tastes → Logistics costs.</li> <li>• Positive trade balance for the Furniture manufacture industry.</li> </ul> <p>*Taken from  <a href="http://www.tusalario.org/colombia/Portada/salario-minimo/el-poder-de-compra-del-salario-minimo-se-redujo-0-6-en-un-ano">http://www.tusalario.org/colombia/Portada/salario-minimo/el-poder-de-compra-del-salario-minimo-se-redujo-0-6-en-un-ano</a></p>

**Ilustración 6: IKEA's SWOT Analysis**

IKEA is a company with principally four leading core competencies which allow the company gaining even more markets and grow as a global company.

Since Colombia is a developing country, the purchasing power of the population in general are not high enough to afford buying furniture with designed at the existing stores. As a consequence, it is a good opportunity for IKEA to compete for price and design and win the market to competitors such as Homecenter.

Despite the bad image of the country based on insecurity and political issues, Colombia is one of the South American's countries with an economic sustainable growth and has enough population in seven cities to open a big store like IKEA.

However, there are some important weaknesses of the company to take into account. For Colombians it is very important to have a good customer service and people most of the times is willing to pay for it, so even when the prices are low, the culture might not be appropriate for the “Self Selection by customers” that’s why even though this factor is considered for experts as a core competence of the company could be in Colombia a weakness.

Even though IKEA has a very known brand that could compete against other positioned stores, there are some other cultural factors that IKEA may not be able to affront only with a well known brand; Colombia is divided in five different regions with different climates and tastes, so even when some articles could be the same all over the country, there should be some products specially for each region and that could represent an extra cost in logistics for IKEA. In addition, Colombia has had a positive trade balance in the furniture making industry in the last years according to the official site of National Planning. This means that this country is not only supplying its domestic market but also exporting.

### **2.1.2 Competences map**

This method is used principally because it helps to see more clearly what competitors are doing in the actual market and in this sense clarify the strategy that IKEA can use to compete at the Colombian Market.

The Colombian clients of IKEA, who were interviewed, identified as the most important competitors: Homecenter and Home sentry. Using the competitors’ analysis components, these two stores will be analyzed in order to define its position and market share at the furniture industry. Hence, this position will be displayed at the competitors’ map.

#### **Competitors’ analysis components:**

For this analysis it is necessary first to answer three questions about IKEA, so afterwards I can compare to the competitors:

IKEA	
<b>Future Objectives</b>	<ul style="list-style-type: none"> <li>• Getting to more people</li> <li>• Explore other markets</li> <li>• Improve E-Commerce sells</li> </ul>
<b>Current Strategy</b>	<ul style="list-style-type: none"> <li>• Offer furniture with high design and low cost.</li> <li>• Reducing costs at production and work force that guaranteed low costs.</li> </ul>
<b>Capabilities</b>	<ul style="list-style-type: none"> <li>• Limited customer service → work force reduction.</li> <li>• Self selection by customers → People can interact with the products.</li> <li>• Low costs products.</li> <li>• Modular design.</li> <li>• Innovative store designed</li> </ul>

**Illustration 7: IKEA's Components Analysis**

Once these factors are identified, the next steps is answering how the competitors are doing in the market, and compare their strategies to IKEA's strategy and core competences. In order to do this, it is pertinent to collect information about both competitors: Home Sentry and Homecenter, and make the same figure that we previously made for IKEA.

**Homecenter:** This store belongs to SODIMAC Colombia, company established in 1993. The 51% of the company belongs to Corona Group (Colombian) and the other 49% to the organization Falabella Chile. Homecenter began as retail for construction tools and products in general, but then diversified its offer, selling also furniture for houses and offices.

Nowadays Homecenter is one of the top 40 biggest companies in Colombia with fifteen stores in seven of the most populated cities.<sup>50</sup>

<sup>50</sup> Available in <http://www.homecenter.com.co/homecenter/quienesSomos/resena.aspx>

HOMECENTER	
<b>Future Objectives</b>	<ul style="list-style-type: none"> <li>• Keep its position in the market</li> <li>• Win more market in Colombia and in Latin America</li> </ul>
<b>Current Strategy</b>	<ul style="list-style-type: none"> <li>• Offer solutions in three different commercial formats: Home, Construction and enterprises. For the remodeling of the interior and exterior.</li> </ul>
<b>Capabilities</b>	<ul style="list-style-type: none"> <li>• Leaders in the “Home improvement and Construction” category in Colombia.</li> <li>• Variety in products for construction and decoration.</li> <li>• Customer service in charge of experts at each store.</li> <li>• Financing facilities.</li> <li>• Low prices</li> </ul>

**Illustration 8: HOMECENTER's Components Analysis**

**Home Sentry:** Company established in 1953 as MECANELECTRO Society S.A. First, was created to the purpose of meet the needs of industrial machines, but in 1995 was open the store as a retail selling household items such as: Furniture, lights, decoration in general, tools for the garden, security and others. At the moment, Home Sentry has four stores in Bogota, the capital of Colombia.<sup>51</sup>

HOME SENTRY	
<b>Future Objectives</b>	<ul style="list-style-type: none"> <li>• Getting to more people through the expansion of its offerings in the different markets.</li> </ul>
<b>Current Strategy</b>	<ul style="list-style-type: none"> <li>• Offering articles in different areas like: home, decoration, furniture, lights, electronics... with an excellent professional advisors at every area.</li> </ul>
<b>Capabilities</b>	<ul style="list-style-type: none"> <li>• Variety in different areas of households and others.</li> <li>• High Design in products.</li> <li>• Customer service → advisors with experience along the store.</li> </ul>

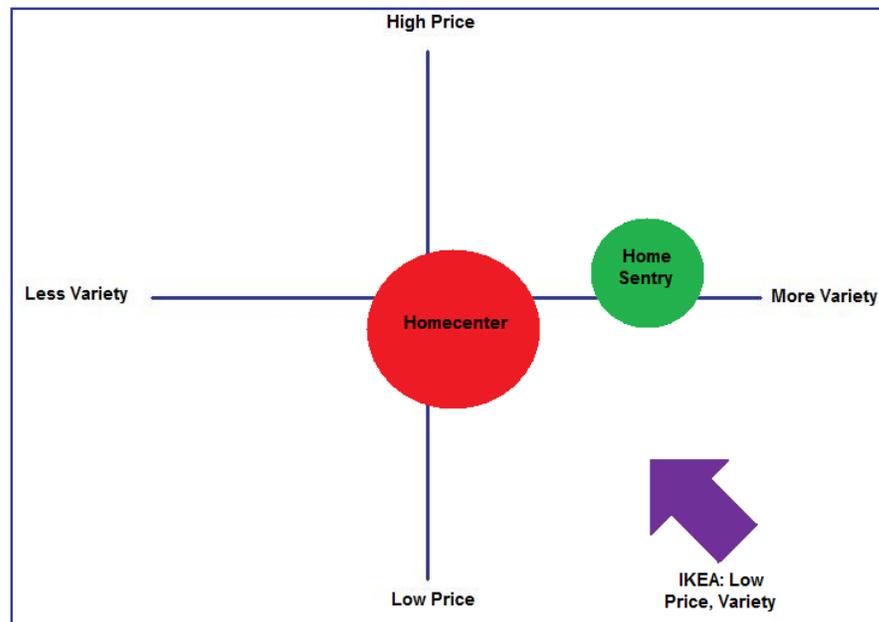
**Illustration 9: Home Sentry's Components Analysis**

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<sup>51</sup> Available in <http://www.homesentry.net/>

### Competences map

The previous information is going to be used at the competition map. For this tool it is necessary to choose two main competitive factors within these three companies. The selection of these two main competences is made from the principal interests of the clients in this market and the main capabilities that the companies compete with. Therefore, the main two main factors chosen are: Variety, which is crucial in any decoration market, and price, because we are talking about big enterprises that compete for volume.



**Illustration 10: Competences Map**

As it's shown at the competition map, there are two representative competitors at the house products market: Homecenter and Home Sentry. Homecenter is located in a medium -low price position for price and in a medium position for variety. This means, that even when this company has more stores and is already positioned in the market, it does not have the same capabilities as IKEA for competing in price or variety.

On the other hand, Home Sentry is located in a position where it has more variety than Homecenter and IKEA, but its strategy is not offering low prices products but high design products with a big variety in different areas.

IKEA for its part is represented by the purple arrow, meaning that if this company would enter into the Colombian market it would compete principally on low prices and variety in products. This area is located in the lower right quadrant, where there is not competition, at least not completely.

### **2.1.3 Porter's Framework:**

The Porter's framework of five forces model of competition, was used to analyze de most important forces influencing the behaviour of the market, including besides the external factor, the role of customers and suppliers.

The market of the decoration has as a most important threat of new entrants, the Capital requirement specifically related to economies of scale. Although this is not a representative threat for IKEA since the company has develop low costs thanks to its way of saving expenses in production and distribution. Producing high volumes is not a problem for IKEA, that's why this threat is not as representative as it is for other companies that plan to enter into the market. Nevertheless, IKEA should care about logistics because it might be a challenge to distribute different products to different regions within the country, as I mentioned before at the SWOT analysis.

The rivalry within this market is really strong in terms of variety and already positioned companies such as Homecenter and Home Sentry. But also it is strong in terms of medium and small retailers that produces furniture and also exports, this means that have also an international quality to compete directly or as suppliers of bigger companies.

Colombia has seen how the basic salary has decreased in the last year; as a consequence, the furniture is not a first necessity product and can be removed from the regular budget of consumers. Even though there are substitutes in terms

of variety and design, there are not important competitors who offer low prices and high design products, so this represents a good opportunity for IKEA at the Colombian market.

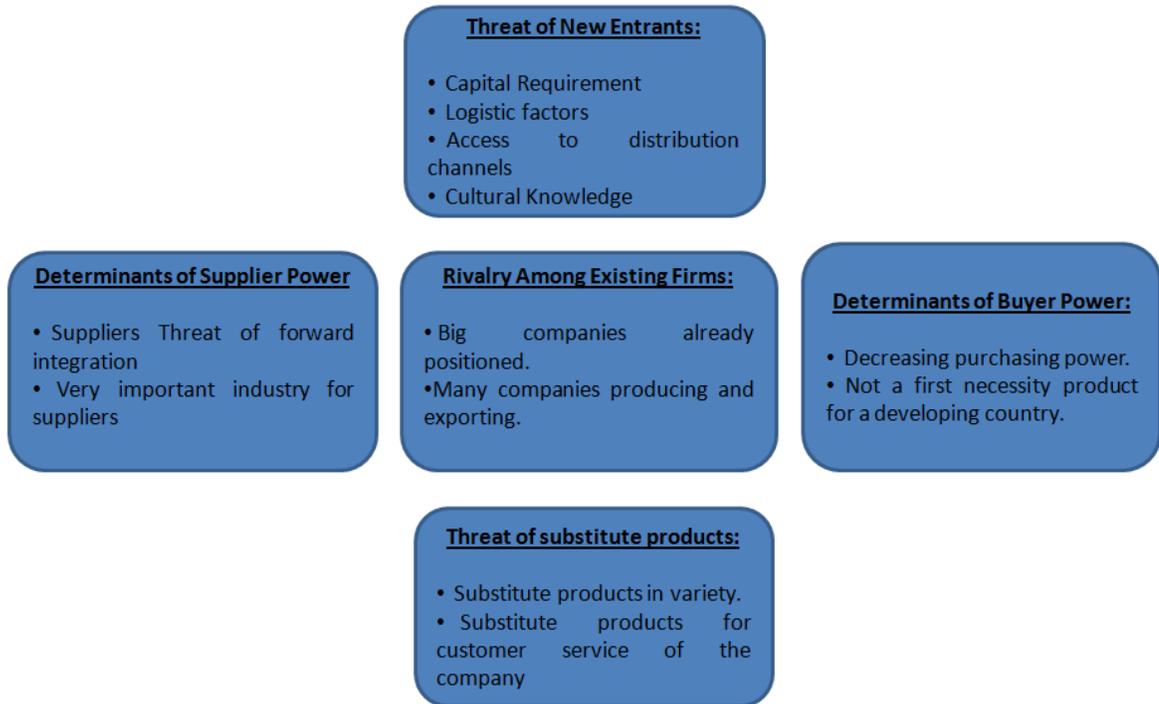
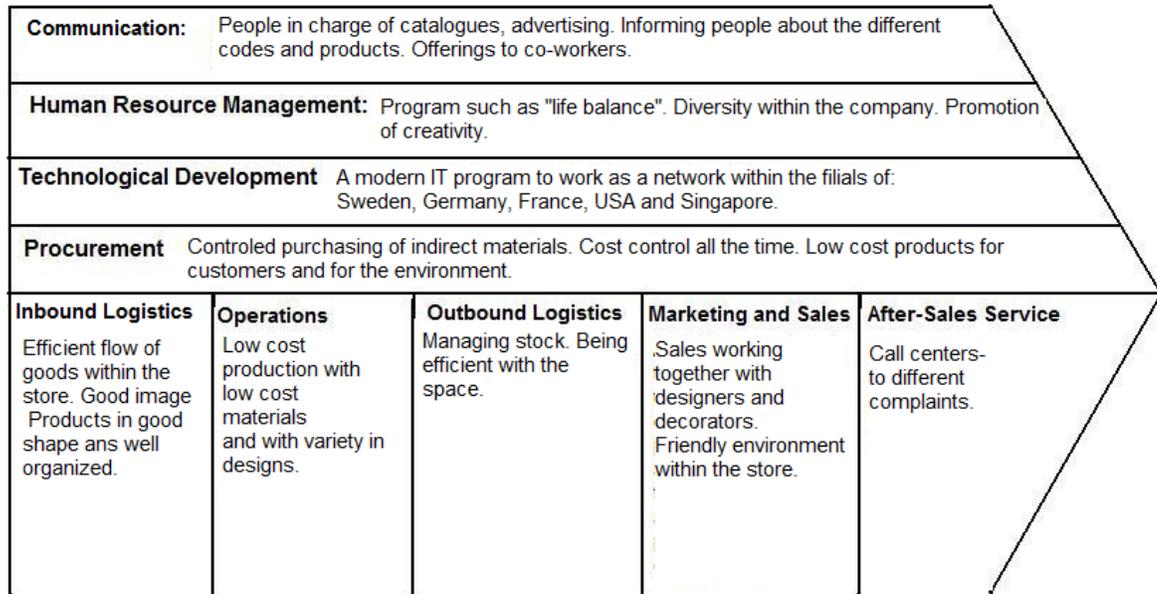


Illustration 11: Porter's Framework

## 2.1.4 Supply Chain Analysis



**Illustration 12: IKEA's Supply Chain Analysis**

The supply chain analysis was proposed for this investigation with the objective of clarify the capabilities inside the company and what IKEA really has to offer in terms of products and services.

Innovation is the key to succeed and IKEA has that very clear. But where its innovation is located? That's one of the questions that I am going to answer with this method.

As I mentioned before, the Supply chain is divided into primary and support activities. The **Support activities** at IKEA are characterized for:

- **Communication:** This activity is the responsible of producing the catalogues which goes out to 250 million homes.<sup>52</sup> The catalogues for

<sup>52</sup> Available on [http://www.ikea.com/ms/en\\_US/jobs/business\\_types/support\\_functions/index.html](http://www.ikea.com/ms/en_US/jobs/business_types/support_functions/index.html)

IKEA are really important because people need to know all the products and their codes to be able to serve themselves at the store.

- **Human Resources:** This Swedish company has had positive practices talking about Human Resources. In 2000, they began a practice called “life balance” in which the management began to take care of the employees, improving their motivation and commitment to the company.<sup>53</sup>
- **Technological Development:** IKEA has a modern Information Technology program (IT) to improve its communication and work as a network through the different countries.<sup>54</sup> This tool makes sure not only that the communication is the same within the different filials, but also that the strategy is aligned over each stores.
- **Procurement:** The indirect purchasing of materials is made in a controlled way so the company can save costs all the time.<sup>55</sup> This represents one of the many measures the company takes to save costs “in everything but quality”. The direct purchasing is also committed to low cost, but not only for the customer but also for the environment.<sup>56</sup>

On the other hand, the **Primary activities** are defined by:

- **Inbound Logistics:** One essential part of IKEA’s success is the way they manage the products. A low cost way of receiving the products at

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<sup>53</sup> Available on

[http://www.icmrindia.org/casestudies/catalogue/Human%20Resource%20and%20Organization%20Behavior/Ikea%20Innovative%20Human%20Resource%20Management-Work%20Culture-Case%20Studies.htm#Human\\_Resource\\_Management\\_Practices](http://www.icmrindia.org/casestudies/catalogue/Human%20Resource%20and%20Organization%20Behavior/Ikea%20Innovative%20Human%20Resource%20Management-Work%20Culture-Case%20Studies.htm#Human_Resource_Management_Practices)

<sup>54</sup> Available on [http://www.ikea.com/ms/en\\_US/jobs/business\\_types/support\\_functions/index.html](http://www.ikea.com/ms/en_US/jobs/business_types/support_functions/index.html)

<sup>55</sup> Available On [http://www.ikea.com/ms/en\\_US/jobs/business\\_types/support\\_functions/index.html](http://www.ikea.com/ms/en_US/jobs/business_types/support_functions/index.html)

<sup>56</sup> Available on [http://www.ikea.com/ms/en\\_US/jobs/business\\_types/purchase/index.html](http://www.ikea.com/ms/en_US/jobs/business_types/purchase/index.html)

the store is the result of a good relationship with suppliers. It is not only about receiving the products but also make the store “commercially attractive”<sup>57</sup> for customers.

- **Operations:** The commitment to the environment and the low cost is complemented at this activity with the designed required for every product sold at IKEA. At this part is where logistics efforts and creative and functional designed joined to create a competitive advantage.
- **Outbound Logistics:** At IKEA, the outbound logistics join the customer service at the warehouse. This means that since the customers have to serve themselves to take the products, the outbound logistics needs to be efficient with the space, the image and the variety.
- **Management and Sales:** The principal factor at this point is that IKEA’s co-workers needs to have a good knowledge about the store and being friendly and proactive.
- **After Sales service:** As after service IKEA only has call centers for receiving the complaints. So it’s a saving of costs but some customers may translate this as bad service.

## 2.2 Marketing Planning

The supply chain management analyzes the whole process of how the product is made. But to make a correct evaluation of How IKEA would enter in the Colombian market it is necessary to specified more in the customer issue. That’s the reason why the marketing planning is important for this investigation: because

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<sup>57</sup> Available on [http://www.ikea.com/ms/en\\_US/jobs/business\\_types/stores\\_retail/logistics.html](http://www.ikea.com/ms/en_US/jobs/business_types/stores_retail/logistics.html)

it brings more information about cultural aspects that could represent threats or opportunities for a new business.

Since the principal objective is to focus on the customer part, the analysis will be focused on stages two and three. Therefore, those analyses can be linked and compared to the interviews made to the Colombians clients of IKEA.

Once the current situation is examined, the second stage will be developed.

The **Second Stage** is **Research and analyze markets and customers;** and answers to the customer' needs, perceptions and expectations.

The house's decoration is not a first necessity for most of Colombians, but for people from middle class and high class things are different. People who buy at Homecenter and Home Sentry, the two principal competitors for IKEA in Colombia, can afford changing the decoration of their houses and invest in well design furniture. Middle class care about how their houses look and expect to find unique products at reasonable prices while high class does not care that much about prices but gives priority to design.

As a consequence, middle class would be the principal customer for IKEA, not only because they can afford the products but also because they care about design and about decoration. These people would buy at IKEA for the simple reason that would be cheaper but still attractive, and because some of them may already know the store.

The **Third Stage** is **Determine segmentation, targeting and positioning;** and responds to what the target market is. This means segmenting the customers by groups according to some factors like age, gender, economic situation etc...

Since IKEA is a big store, and needs a big warehouse, the first segmentation that should make is selecting the most populated cities in Colombia and where there is space to establish. So these cities would be: Bogota, Medellin, Cali, Barranquilla and Cartagena.

Then from these cities IKEA should select the location according to where the middle class is. According to a study by the Chamber of Commerce of Bogota, the Middle class represents in this city the 50.6% of the population<sup>58</sup>. This means that IKEA would have a relatively large target market, at least in Bogota.

### **2.3 Questionnaire for the interview to the Colombian clients:**

This questionnaire was made to two principle purposes: evaluating how customers would react if IKEA opens a store in Colombia, and linking the segmentation previously made to what this group of customers thinks.

On grounds of convenience, the questionnaire was made to fifteen Colombians from both genders that have already been in IKEA and know the way the store works. The questionnaire that these clients answered was designed as followed:

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<sup>58</sup> Available on <http://saulomonf.spaces.live.com/Blog/cns!B12D25C100CA1243!173.entry>

**Questionnaire No. 001**

**EIM**  
**Satisfaction Questionnaire about IKEA**

The following questionnaire has the purpose of collecting information about what Colombians IKEA's clients think about this company. This research also seeks to know the opinion of customers about the entrance to Colombia and predict the possible reaction of the Colombian market related to IKEA.

**Name:**

\_\_\_\_\_

—

**Age:** \_\_\_\_\_ **Gender:** \_\_\_\_\_ **Nationality:**

\_\_\_\_\_

**PART 1: ABOUT THE STORE**

Please answer the following questions by putting an **X** at the answer you choose:

1. Have you been in IKEA before?

**Yes** \_\_\_\_\_

**No** \_\_\_\_\_

If yes, please continue, if not, thank you for your time.

2. Please rate each of the following statements based on your experience in the store, with numbers from 1 to 5, being 1 the less satisfactory and 5 the most satisfactory:

<b>Statement</b>	<b>Qualification</b>
------------------	----------------------

1. Variety of products	1 ___	2 ___	3 ___	4 ___	5 ___
2. Price of the products.	1 ___	2 ___	3 ___	4 ___	5 ___
3. Location of the company	1 ___	2 ___	3 ___	4 ___	5 ___
4. Service	1 ___	2 ___	3 ___	4 ___	5 ___
5. Quality of products	1 ___	2 ___	3 ___	4 ___	5 ___

**PART 2: ABOUT IKEA IN COLOMBIA**

3. Do you think that what you buy at IKEA you can find it in Colombia?

Yes \_\_\_\_\_

No \_\_\_\_\_

**If your answer is yes please go to question 5, if your answer is no please go to the question 7.**

4. At which store you can find the same product?

\_\_\_\_\_.

5. How would you qualify IKEA in general compared to other companies selling similar products in Colombia?

Better \_\_\_\_\_. Equal: \_\_\_\_\_. Worse:\_\_\_\_\_.

6. Indicate the reason why you cannot find the same product in Colombia?

- There are not stores selling the same.

\_\_\_\_\_

- The stores selling the same don't have the variety.

\_\_\_\_\_

- The products are the same but more expensive

\_\_\_\_\_

- Products sold in Colombia are not as multifunctional

\_\_\_\_\_

- Other:

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**7.** Do you think that if IKEA would open a store in Colombia, people would buy there?

Yes \_\_\_\_\_

No \_\_\_\_\_

**8.** Would you like to have an IKEA store in Colombia?

Yes \_\_\_\_\_

No \_\_\_\_\_.

## Part III Presentation of the Results:

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### 3. Results of the Interview

#### **QUESTION 1: Have you been at IKEA before?**

This question were proposed with the objective of selecting the appropriate people to answer the questionnaire, being sure that every person had had the experience of being at the store and had the knowledge of IKEA's products and the mode of operation of the store.

**QUESTION 2: Rate the following statements from 1 to 5 being 1 the less satisfactory and 5 the most satisfactory.**

More of the 90% of the people interviewed qualified as very satisfactory the factors **Price** and **Variety** of the products. On the other hand, the **Location of the company** point, were qualified as medium (or 3) for the 47% of the population, while 27% qualified with 2 and a 14% with 1. The opinion about the **Service**, were divided as well with a 47% with a rate of 2, followed by a 27% with 4 and a 13% for both 3 and 1. In the case of **Quality of Products**, more than half of respondents (53%) rated this item with 4. While the 6% qualified it with 1 and 20% of the people rated this item with 2, and it got the same rate for 3.

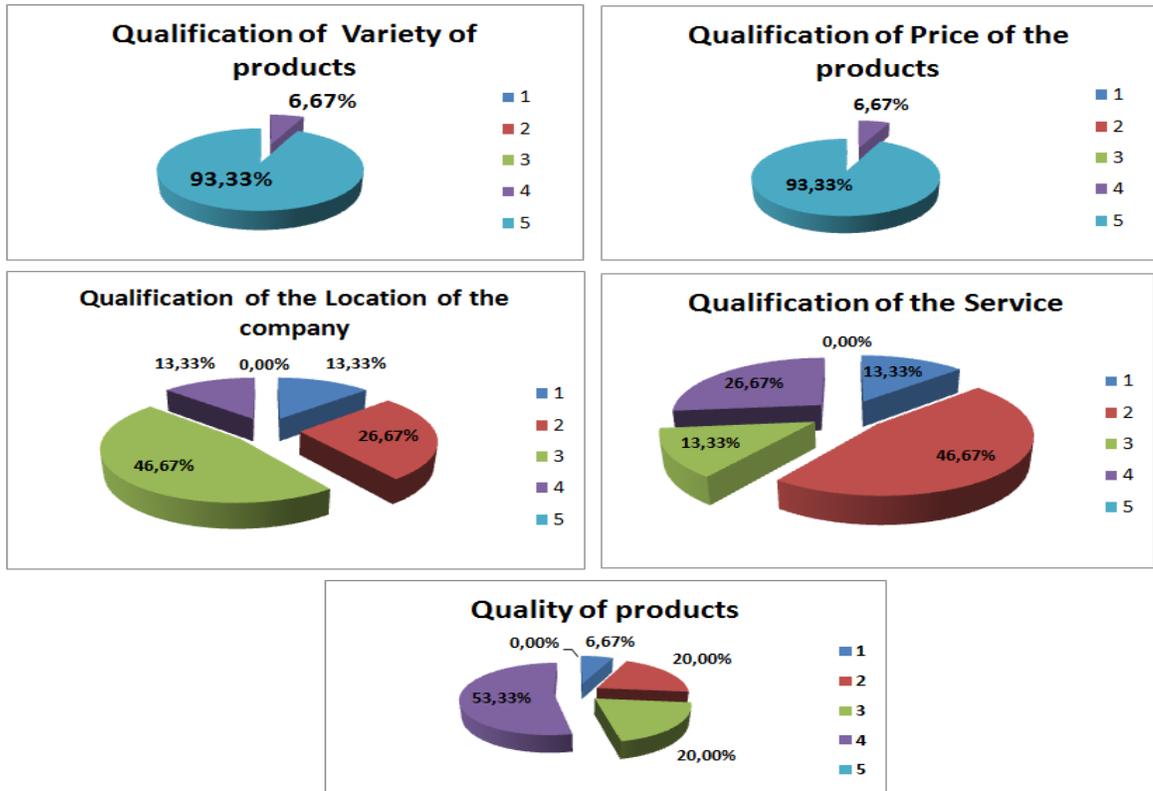


Illustration 13: Results Question 2

**QUESTION 3: Do you think that what you buy at IKEA you can find it in Colombia?**

For this question the 67% of the people answered no, and the other 33% answered yes. For the people who answer yes had to pass to the fourth question, the ones who said no had to pass to the fifth question. That's why the figures are presented all together for these three questions.

**QUESTION 4: At which store you can find the same product? (This question was exclusively for people who answered yes in the last question). The**

percentage of the stores mentioned by the four people is: Homecenter, with the 75% and Home Sentry with the 25%.

**QUESTION 5: Indicate the reason why you cannot find the same product in Colombia.** There are five options for the answer of this question but for convenience reasons were summarized, for the whole question please refer to the annexes.

In this question the most important reason (with the 50%) is that stores that are selling the same do not have the same variety as IKEA. The next most important reasons, each one with 20%, are: stores in Colombia sell the same but more expensive, and also, not as multifunctional as IKEA's products. Finally a 10% of the respondents answered that there are not stores in Colombia selling the same.

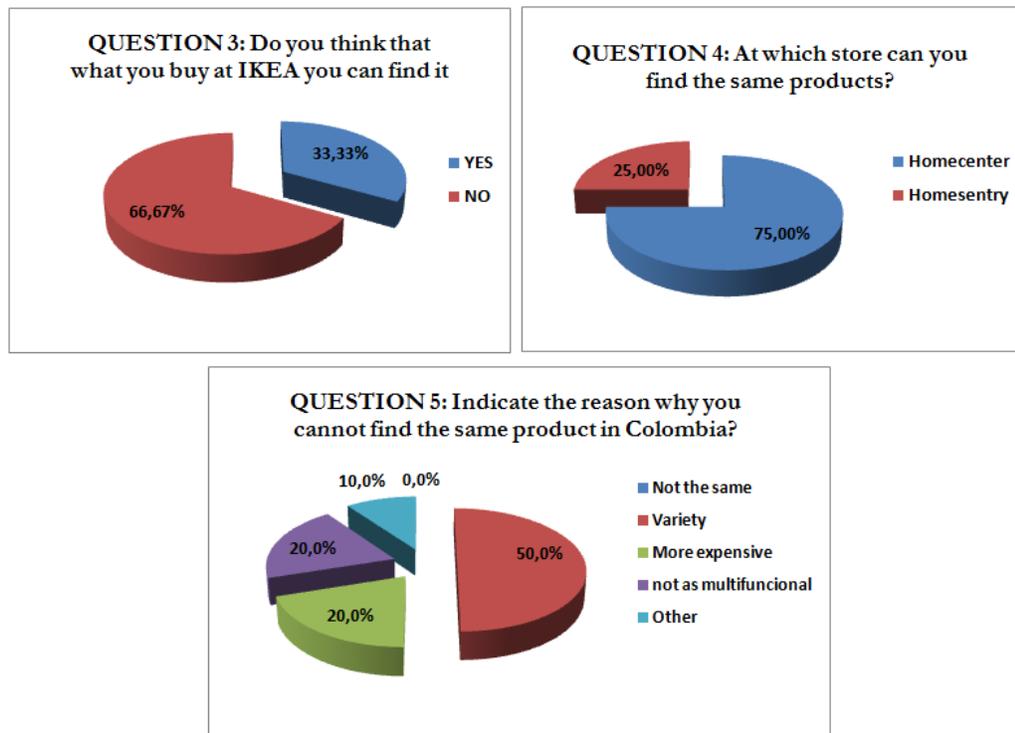


Illustration 14: Results Questions 3, 4 and 5

**QUESTION 6: How would you qualify IKEA in general compared to other companies selling similar products in Colombia?**

The 73% of respondents said that IKEA is better than the stores that already exist in Colombia. While the 27% of people said that IKEA is equal, in general terms, compared to others.

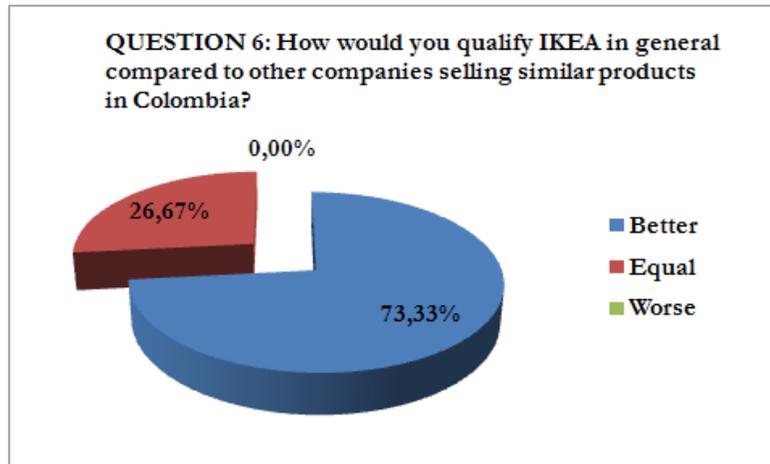


Illustration 15: Results Question 6

**QUESTION 7: Do you think that if IKEA opens a store in Colombia, people would buy there?**

The 100% of respondents answered that people would buy at IKEA if it exists in Colombia.

**QUESTION 8: Would you like to have an IKEA in Colombia?**

The 80% of the respondents answered that they would like to have IKEA in Colombia.

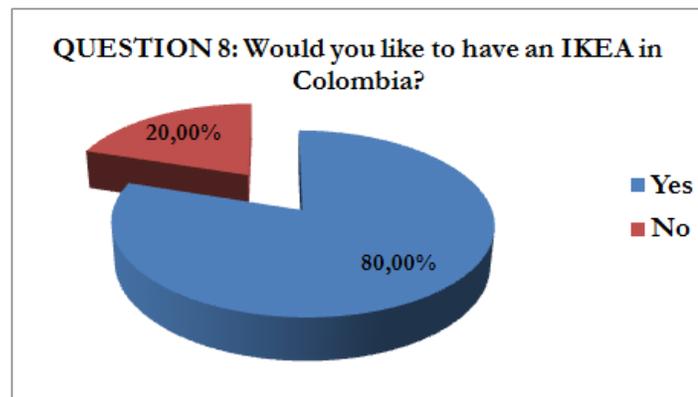


Illustration 16: Results Question 8

## Part IV Analysis of the Results:

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In order to answer how IKEA should enter into the Colombian market it is necessary to consider internal and external implications. This means that first I should analyze the external environment to evaluate the company's possibilities in the market and the internal factors to consider how IKEA is going to compete within the market.

According to the SWOT analysis and the Porter's framework I can deduce that nowadays, Colombia is one of the most stable countries in Latin America in economic terms. In addition it has the population in seven cities to have IKEA. If this company would decide to go to Colombia, it would create jobs for the country most of them in low qualified work force, which is what we have the most. And also it could be benefited from the flexibility in the work force and facilities given by the government to who decide to invest.

However not everything is good. Even when it would create new jobs for people, IKEA would also enter to compete very strong against middle and small enterprises that depend on the furniture making. In addition, the competition wouldn't be only from IKEA to them but vice versa as well. This congregation of enterprises produces not only for the domestic market, but also for the external market making a positive trade balance in the furniture construction industry.

Besides this group, there are two strong competitors in Colombia recognized and already positioned: Homecenter and Home Sentry. The first one has already fifteen stores in seven of the most populated cities in Colombia and the second one is well known in the capital, Bogota.

So, why would IKEA would like to enter into a country where it would have such competition? The reason is that in fact, there are some opportunities in this market. First, as I showed at the competition map, none of these two could compete at the low price, high variety, which is the market at which IKEA would enter. Even when they are already positioned, they have different markets and its

core competencies are focused more on different segments. Homecenter, sells more products for house's reconstruction and only some furniture, and Home Sentry sells furniture with high designed and variety but not at low prices.

In addition, the segment made at the marketing planning should be also considered as an opportunity. In Colombia most of the people has low incomes, but the middle class and high class have the income needed to decorate their houses and invest in design. Since the high class is a small percentage in the population, and invest more in luxury articles would not enter into the IKEA's segment. As a result, IKEA would focus on the middle class which represents in Bogota, the 50.6%.

In order to know even more the opinion of the middle class, and the reaction of the customers, it was made an interview to fifteen Colombians who have been and bought at IKEA before and also belong to the middle class. The interviews yielded the following results: The 94% of the respondents qualified with very satisfactory the variety of products and the prices at IKEA. This means that both of the main competencies that IKEA would use to captivate the Colombian market are well recognized and perceived by clients from that country.

On the contrary, the quality was qualified with satisfactory, and for service and location the results were not that encouraging: the 47% of the respondents gave a low qualification to service and 47% gave a medium qualification to location of the company. The variety of IKEA's products was evaluated once again asking if they think they would find the same products in Colombia. The 67% of people say no, meaning clients recognized that in Colombia there are not competitors selling the same, so they perceive a unique characteristic at IKEA's products. The principal reason why they think they cannot find the same products in Colombia is that existing stores in that country do not have the same variety, with the 50%.

For 33% of people who answered that they could find the same products, they identified two main stores: Homecenter and Home Sentry. That is one of the reasons why these two companies were taking into account as big competitors to IKEA. On the other hand, when I asked the respondents how would they qualified

IKEA compared to other companies selling similar products in Colombia, the 73% of respondents answered better, and only 27% equal. These results indicate that the awareness of the store, the brand, the service and in general the products have an added value perceived as better, in comparison with existing stores in Colombia.

Once I asked the customer if they think Colombians would buy at IKEA, the 100% of respondents answered positively. This implicates that people who have cultural knowledge of the country, but also who know the store, consider that IKEA would work.

Even though the 100% of the respondents answered that they think IKEA would work, the 80% of them said yes to the question if they would like to have an IKEA in Colombia. The 20% that said no, indicated that they wouldn't like that because it would represent a strong competitor for small and middle enterprises and also because they don't want more foreign companies in Colombia.

Since people interviewed are from middle class, which is the segment that IKEA would get, these results represent positive outcomes from the cultural evaluation. Colombians clients of IKEA perceived an added value that would give a key success factor to this firm performing in that country.

This added value previously mentioned was evaluated with the Supply chain management in order to identify exactly where the innovation is created within the company.

IKEA has support activities through the whole organization and the most important filial around the world. Therefore, it has an IT program to share information and connect the organization. This allows the company to have an aligned and sustainable strategy also to the primary activities. About this part, as the mission say, every single IKEA's operation is about lowering cost in everything but quality and designed. From the raw materials and its relationship with suppliers they are thinking of being as efficient as possible in terms of space, time, work force and materials.

IKEA's innovation model lies on the activities of inbound logistics, operations, out bound logistics and sales. By managing a reduced work force at the store, transportation, assembling and installation of the furniture they save costs and create its own business model. However, this work force reducing factor might be traduced for the clients as a lack of service. The store is designed in a way so the customers have to cross through every area, but sometimes there are not people helping to locate people. Customers sometimes get lost and this cannot be solved with catalogues as IKEA may believe. So at this point I think they might have a flaw in the service part and this is crucial if they are entering into the Colombian market.

The main strategy of IKEA might work in Colombia in terms of variety and prices, but if it decides to open a store, it would be necessary to make some modifications in order to captivate the Colombian customers.

One of the modifications that the strategy would need is in terms of customer service. Colombians give great importance to this factor, not only at big stores but in every single business they visit. Colombians are not used to pack their purchases at the supermarket or any other place, because there are some people paid for doing that. Even when IKEA would be an attractive store for Colombians, it should at least implement more people helping and improving the customer service at the store. This represents an extra cost for the company that they might not be willing to pay.

So the question is not what the best strategy for IKEA is, but if the company is interested in adapting its strategy to another culture with the risk or having extra costs. Since its mission is to reducing costs at every expense, I would say that IKEA wouldn't be interested in compete at the Colombian market. The principal reasons are that they would have to invest in more people to improve its customer service, and they would not incur in an extra cost for a market that can be risky because of other competitors.

Even though within the vision of the company they don't have the intention to go to Latin America, this year opened a new store in Dominican Republic. This

could be a beginning to the inclusion in the Latin American market. And a test of its strategy so they might consider get into other countries in Latin America such as Colombia.

## CONCLUSION

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IKEA is a Sweden company founded by Ingvar Kamprad in 1943 that builds and sells home furnishing products. IKEA's core business is offering products well designed, functional and at the lowest possible price. Following this statement, this company has developed an outstanding innovative strategy based on low cost concept from production to distribution and sales. This innovation of its strategy lies on the fact that customers "choose, collect, transport and assemble the products themselves."<sup>59</sup>

Nowadays IKEA has more than 300 stores all around the world, but in Latin America its presence reduces to one store opened this year at Dominican Republic. Based on that fact, one of the objectives of this work was to evaluate the possible performance of IKEA in a Latin American country like Colombia, which is now one of the most stable countries in that continent, economically talking.

However, every company needs a strategy to go abroad, and that is exactly the center of this work: What would be the best strategy for IKEA to enter into the Colombian market? In order to answer that question it was necessary to investigate external and internal factors that could affect the performance of the firm in that country.

Using tools like the SWOT analysis, Porter's Framework, and the competition map the external environment was analyzed with some positive and negative results: Colombia is a country that has the population to have such big stores as IKEA, flexibility in work force and one of the most stable economies of the region. However, there are already two big companies selling furniture: Homecenter and Home Sentry, the first one is positioned in seven of the most populated cities and the second one is recognized in the capital.

About the internal environment, there were used tools like the supply chain analysis which helped to identify key success factors of the company and

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<sup>59</sup> Available on World Wide Web <http://franchisor.ikea.com/showContent.asp?swfld=store2>

weaknesses. As a result, IKEA's core competences like variety in products, low manufacturing costs, and well designed goods would be crucial in its performance at the Colombian market but its saving costs in customer service might be a weakness. This means that culturally talking, Colombian customers are used to have people who pack, and choose from the warehouse for them, so this would be an extra cost that IKEA might not be willing to pay.

Being more specific about the customer factor, there was used the stage two and three for a marketing plan and this two stages were linked to an interview made to fifteen Colombians who are IKEA's customers.

To make the segmentation of Colombia's population, I took into account that IKEA's strategy is a low cost and large variety of products, while in Colombia the other competitors (Homecenter and Home Sentry) are competing or in low cost or in variety but not in both. So this fact is crucial to make the segmentation of the market because Colombians who can afford decorate their houses and still care about prices, are middle class.

Based on that fact people who answer the questionnaire were Colombians who have bought before at the store and belonging to middle class. This questionnaire had positive results for the company in terms of image, and perceived value. Most of people positively highlighted the variety and prices of the company and said that they would like to have an IKEA store in Colombia. However, aspects like service, and location were criticized.

Combining all this information with the strategy of IKEA I got to the point that the question is not what the best strategy IKEA would have to enter into the Colombian market, because even when its strategy needs to be modified, the main aspects of innovation which characterized IKEA can remain the same. The cultural aspect to be modified is the customer service but, as I explained before, this would represent an extra cost that IKEA might not be willing to pay. Improving the customer service by implementing more people would mean increasing costs and go against its own mission of reducing costs in everything but quality.

As a consequence, this investigation may help understanding IKEA's strategy but also what the company should do to enter into a country like Colombia. However, this year at Dominican Republic, would represent a new experience for the company in a new continent, where its strategy and way of doing business will be tested.

On the other hand, the results of this investigation are limited in two ways. First, the interview made was only to a symbolic group and would be necessary doing it again to a bigger and more variety group in demographic terms. Second, a budget designated to an adaptation of its strategy might be possible but it is confidential data, so the final decision of entering into a market, depends on what the company is willing to sacrifice to gain more market or go abroad.

Finally, since IKEA's vision is to get as many people as possible, they should take into account a continent as Latin America as potential market for its business, but always taking care of the cultural part.

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