

Read the questions carefully and justify all your answer.
You cannot use any class or personal materials.

1.

IKEA of Sweden has managed to transform itself from a small mail-order furniture company in the 1950s into the world's largest retailer of home furnishings. In 2010 over 316 stores in 39 countries with 699 million customer visits generated more than 23 800 million euros in revenues. The company sells simple Scandinavian design furnishings, charging 25 to 50 per cent less than its competitors.

A key to IKEA's success is the company's relationship with its customers. IKEA has drawn the customer into its production system: 'If customers agree to take on certain key tasks traditionally done by manufacturers and retailers – the assembly of products and their delivery to customers' homes – then IKEA promises to deliver well-designed products at substantially lower prices.' In effect, IKEA's customers become essential contributors to value – they create value for themselves through participating in the manufacturing, design and delivery processes. IKEA has made being part of the value creation process an easy, fun and pleasant experience for customers. The stores are set up with 'inspirational displays', including realistic room settings and real-life homes that allow customers to get comfortable with the furnishings, try them out and visualize the possibilities in their own homes. To make shopping easy, free pushchairs and supervised childcare are provided as well as wheelchairs for those who need them.

When customers enter the store they are given catalogues, tape measures, pens and notepaper to use as they shop, allowing them to perform functions commonly done by sales and service staff. After payment, customers take their purchases to their cars on trolleys; if necessary they can rent or buy a roof rack to carry larger purchases. Thus, customers also provide furniture loading and delivery services for themselves. At home, IKEA customers then take on the role of manufacturer in assembling the new furnishings following carefully written, simple and direct instructions.

IKEA prints catalogues in more than 25 different languages, making its products and instructions for their use accessible worldwide. In addition to tailoring its catalogues, another key to IKEA's successful global expansion has been the company's policy of allowing each store to tailor its mix according to the local market needs and budgets.

For example, in its China stores, layouts reflect the design of many Chinese apartments. Because many of the apartments have balconies, the stores have a selection of balcony furnishings and displays. And because Chinese kitchens are generally small, fewer kitchen items and furnishings are shown. Even IKEA's famous 'do it yourself' (DIY) assembly concept has also been adapted to some extent in China. Because fewer people have cars and therefore use public transport, IKEA has a more extensive delivery service in China than in most countries. And because labor is cheaper in China, many customers choose to have their furniture assembled for them rather than doing it themselves. Although IKEA has not abandoned its DIY strategy, it has been somewhat more flexible in China to suit customer realities in that country.

IKEA's success is attributable in part to recognizing that customers can be part of the business system, performing roles they have never performed before. The company's flexible implementation of this idea through clearly defining customers' new roles and making it fun to perform these roles is the genius of its strategy. Through the process, customers co-create their own experiences and contribute to their own satisfaction.

- a) Characterize IKEA positioning strategy in the home furnishings market. [5]
- b) The IKEA brand is very valuable. What are the sources of Ikea brand equity? [5]
- c) Ikea designs carefully its store to convey the right brand image and to enable an easy, fun and pleasant experience for customers. [5]
 - Why is the physical evidence so important in services?
 - Characterize the main dimensions of Ikea serviscape.
- d) Develop a service blueprint for the service provided to Ikea customers from when a customer enters a store to when the customer leaves. [5]