

**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]

Marketing concepts	Application to case
Value proposition	<p>They understood that to be successful they need to offer a compelling value proposition and not just a product. Customers are offered “well-designed products at substantially lower prices, easy to transport, that can be assembled at home”</p> <p>Points of parity: similar to other offers, affordable furniture, transportation and assembling services</p> <p>Points of difference: huge variety of products for the home, Scandinavian design, easy to transport, shop experience</p>
Points of difference	
Points of parity	

b) The IKEA brand is very valuable. What are the sources of Ikea brand equity? [5]

Marketing concepts	Application to case
<p>Brand equity is the added value endowed on products and services because of the brand.</p> <p>Explain the sources of brand equity</p> <ul style="list-style-type: none"> <li>– Brand loyalty</li> <li>– Brand awareness</li> <li>– Perceived quality</li> <li>– Brand associations</li> <li>– Proprietary assets such as patents and trademarks</li> </ul>	<p>Ikea is very successful worldwide, and was able to develop a well know brand and increasing market share, expanding to new countries and new stores</p> <p>brand loyalty –company is able to keep and attract new customers</p> <p>brand awareness - Well-known brand worldwide</p> <p>perceived quality- has a good quality-relationship perception, able to provide good customer experience</p> <p>Brand associations- association to a country (Sweden) through identification of product origin</p>

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 importance in services?
- Characterize the main dimensions of Ikea servscape.

Marketing concepts	Application to case
Explain the intangibility of services and the importance of the physical evidence to facilitate the process of service delivery, signal quality and	<p>Explain how the physical evidence of ikea is a key element of the service experience and service positioning to transmit the service quality.</p> <p>Physical evidence impacts behavior so all elements are</p>

<p>position, differentiate and strengthen the brand, facilitate service encounter and enhance both service quality and productivity.</p> <p>Address the different elements of physical evidence:</p> <ul style="list-style-type: none"> <li>• Ambient conditions</li> <li>• Spatial layout and functionality</li> <li>• Signs, symbols and artifacts</li> </ul>	<p>designed to facilitate the flow of customers inside the stores and an easy and great experience.</p> <ul style="list-style-type: none"> <li>• Ambient conditions: temperature, colors, lightning, noise,...</li> <li>• Spatial layout and functionality: very important to facilitate navigation inside the stores, how the different sections are organized, the way the products are displayed, display of kitchens and bedrooms to show how products look together and facilitate purchase</li> <li>• Signs, symbols and artifacts: arrows on the floor , and display of store maps to facilitate customers flow inside stores</li> </ul>
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- 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]

Use of marketing concepts	Application to case
<p>Explain what SB is and its main components:</p> <ul style="list-style-type: none"> <li>• Developing a service blueprint involves mapping all activities in service provision, and how they are linked. The SB focus on the service and the customer. The SB clarifies the service concept and systematizes the way the service is delivered. <ul style="list-style-type: none"> <li>– All activities that are key in the service delivery process.</li> <li>– The participation of each actor (customer, service representative, support employee)</li> <li>– Fail points- Points where something can go wrong in service delivery, with a negative impact on the customer experience.</li> <li>– Waiting points- Points where the service provision can be delayed, with a negative impact on the customer experience.</li> <li>– Line of interaction between the customer and the service employee/ technology enabled interface</li> <li>– Line of visibility- separates frontstage from backstage</li> </ul> </li> </ul>	<p>Apply the SB to a customer purchase: enter the store, choose furniture, ask for employee help, goes to cashier, pays, choose or not transportation and assembling, leaves the store</p> <p>The elements of the SB should all be represented.</p> <p>A short explanation should be provided, identify:</p> <p>Frontstage</p> <p>Backstage:</p> <p>Line of interaction</p> <p>Line of visibility Backstage</p> <p>Represent all activities:</p> <p>Fall points:</p> <p>Waiting point</p>