International Strategies Of IKEA

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Introduction

International strategy enables a company to extend its capabilities beyond the home market, but expansion succeeds only when the firm understands which elements of its business model should remain consistent and which must be adapted. IKEA provides a useful case because its global identity depends on a recognizable combination of functional design, low prices, flat-pack distribution, self-service retail, and a distinctive store experience. At the same time, homes, income levels, transportation systems, shopping habits, and expectations about assembly differ considerably across countries. IKEA’s experience in China compared with North America demonstrates that internationalization is not a simple act of exporting a successful domestic formula. It is a continuing process of learning, local sourcing, product adaptation, channel development, and protection of the brand’s core value proposition (Baird, Lyles, & Orris, 1995; Chu, Girdhar, & Sood, 2013).

Question 1: Why Firms Pursue International Strategies

Companies internationalize for several connected reasons. The first is market growth. A firm that faces a mature or highly competitive domestic market may seek customers in countries where demand is expanding or where the category remains underdeveloped. The second is scale. Larger sales volumes can spread design, technology, purchasing, advertising, and administrative costs across more units. Scale can strengthen bargaining power with suppliers, but it does not automatically create lower costs when logistics, tariffs, compliance, and adaptation are expensive (Baird, Lyles, & Orris, 1995).

A third motive is access to resources and capabilities. Foreign operations may provide materials, specialized labor, design knowledge, technology, or partnerships that are unavailable or more expensive at home. A fourth is risk diversification. Revenue from several markets can reduce dependence on one economy, although internationalization also introduces new currency, political, legal, and supply-chain risks. Finally, foreign markets can generate learning. Products or retail formats developed for one country may later improve operations elsewhere. For IKEA, smaller urban formats, digital planning tools, delivery services, and more flexible assembly options have become relevant beyond the markets that first demanded them (Baird, Lyles, & Orris, 1995; IKEA, 2025, *FY25 year in review*).

International strategy should therefore be evaluated by more than sales growth. Management must ask whether the company has transferable advantages, whether customers value them, what adaptation will cost, how the operation will be controlled, and whether the organization can learn faster than competitors. Entering many countries without these capabilities can increase complexity faster than revenue (Baird, Lyles, & Orris, 1995).

IKEA's Transferable Competitive Advantages

IKEA's main transferable advantage is a coordinated system rather than one product. The company designs a broad range around affordability, functionality, and a recognizable Scandinavian aesthetic. Flat packaging reduces storage and transportation requirements. Customers traditionally participate in the process by selecting, transporting, and assembling products, which helps lower retail costs. Large stores combine room displays, a warehouse, food, and an extended visit that allows customers to imagine products in use (Miller, 2004; IKEA, 2025, *FY25 year in review*).

This system also creates constraints. The model assumes that customers have sufficient space, transportation, assembly ability, and willingness to perform part of the work. It assumes that store locations are reachable and that prices remain low relative to local income. When those conditions do not exist, IKEA must adapt without undermining the promise of affordable design. That tension explains many differences between its development in North America and China (Chu, Girdhar, & Sood, 2013; Miller, 2004).

IKEA's Strategic Entry in China Compared with North America

Price Positioning and Purchasing Power

In North America, IKEA could position itself as an affordable alternative to traditional furniture retailers, especially for students, renters, young households, and customers attracted to modern design. In China, early imported products and operating costs made items that were inexpensive by European or North American standards appear costly to many consumers. The company therefore had to lower prices through local sourcing, supply-chain development, product redesign, and scale. The strategic lesson is that "low price" is relative to local purchasing power and competitor prices. A global company cannot assume that the same nominal price communicates the same value in every market (Chu, Girdhar, & Sood, 2013; Miller, 2004).

Housing and Product Dimensions

North American homes, vehicles, and suburban retail environments often accommodate larger furniture and bulk purchasing. Many urban Chinese customers live in smaller apartments and may use rooms for several purposes. Product dimensions, storage solutions, and room displays must therefore reflect compact living. Adaptation is not merely cosmetic. A wardrobe, sofa, kitchen, or dining table must fit the physical constraints of the customer's home. IKEA's room displays become more persuasive when they reproduce typical local floor plans rather than an idealized European interior (Chu, Girdhar, & Sood, 2013).

Transportation and Store Accessibility

The traditional IKEA format was well suited to car-owning customers who could travel to a large suburban store and transport flat-packed goods. In Chinese cities, many customers depend more heavily on public transport or delivery. Stores needed access to metro or rail networks, while delivery and assembly became more important parts of the offer. This difference weakened the assumption that customers would complete every stage themselves. The company could preserve flat-pack efficiency while adding paid or bundled services for customers who valued convenience (Chu, Girdhar, & Sood, 2013; Miller, 2004).

Do-It-Yourself Expectations

DIY assembly was familiar to many North American customers and consistent with IKEA's low-cost model. In China, assembly was less likely to be viewed as a desirable customer contribution. Some consumers interpreted service as part of the value expected from a retailer. IKEA therefore needed to offer assembly options and clearer support. The broader lesson is that customer participation is culturally and economically interpreted. A practice that signals savings and independence in one market may signal incomplete service in another (Chu, Girdhar, & Sood, 2013; Miller, 2004).

Cultural Adaptation Without Losing the Brand

Adaptation should begin with how customers live rather than with stereotypes. China is not a single, uniform market, and preferences vary across cities, generations, income groups, and household structures. Reliable adaptation requires research on home visits, shopping behavior, digital usage, product returns, customer service contacts, and local competitors. IKEA can then adjust room settings, product sizes, communication, payment methods, delivery, and store formats while retaining the core promise of functional design at an accessible price (Chu, Girdhar, & Sood, 2013).

Brand consistency remains important. If adaptation changes the offer into conventional full-service furniture at a high price, IKEA loses the system that differentiates it. The challenge is selective adaptation: localize the parts that prevent customers from receiving value while protecting the design philosophy, quality expectations, and efficient supply network. This principle also applies to online retail. Digital channels should make IKEA more accessible without reducing the experience to a list of products that competitors can easily imitate (Baird, Lyles, & Orris, 1995; IKEA, 2025, *FY25 year in* *review*).

Question 4: Counterfeiting, Sourcing, and Competitive Risk

Counterfeiting and imitation are serious concerns because furniture designs, store concepts, and visual merchandising can be copied. Patents, trademarks, design registrations, and enforcement are necessary, but legal protection alone is insufficient. Many product ideas can be imitated after protection expires or altered enough to avoid direct infringement. IKEA must therefore compete through a constantly renewed range, reliable quality, trusted safety standards, an integrated shopping experience, and supply-chain efficiency. These capabilities are harder to copy than the appearance of one item (Miller, 2004; Baird, Lyles, & Orris, 1995).

Local sourcing can reduce tariffs, transportation distance, lead times, and currency exposure. It can also help the company meet local price expectations. However, localization introduces quality, labor, environmental, and supplier-governance risks. A lower purchase price is not beneficial if it creates product failures, unsafe working conditions, illegal timber sourcing, or reputational damage. IKEA's supplier standards and auditing therefore form part of the international strategy, not a separate compliance activity (Chu, Girdhar, & Sood, 2013; IKEA, 2025, *FY25 year in review*).

Supply chains must also be resilient. Concentrating production in one region may reduce unit cost but increase exposure to disruption, geopolitical tension, transport bottlenecks, and sudden regulation. A balanced approach can combine strategic local sourcing with diversified global capacity. Product designs that use materials efficiently and can be manufactured across qualified suppliers provide additional flexibility (Baird, Lyles, & Orris, 1995).

Omnichannel Expansion and the Changing IKEA Model

IKEA's current global results show how the company is moving beyond dependence on the traditional large store. In financial year 2025, global retail sales were reported at €44.6 billion, and online sales represented 28 percent of total sales. The company also opened new sales locations in multiple formats. These developments matter because international growth increasingly involves websites, apps, planning studios, smaller urban stores, pickup points, delivery, and services as well as full-size stores (IKEA, 2025, *IKEA reports stable sales*; IKEA, 2025, *FY25 year in review*).

Omnichannel expansion addresses several problems seen in China. Customers can plan a room before visiting, order products that are not carried in a small location, arrange delivery, and receive assembly support. Yet online growth raises new challenges. Furniture is a high-consideration purchase, and customers still need confidence in dimensions, materials, comfort, returns, and delivery. Digital tools should therefore connect with physical showrooms and accurate inventory rather than operate as a separate system (IKEA, 2025, *FY25 year in review*).

Evaluation of Brazil as a Further Market Opportunity

The original essay proposed Brazil because of its population, consumption growth, and potential openness to foreign investment. The logic remains plausible, but a market recommendation requires deeper analysis. Brazil offers a large urban population and significant demand for home furnishings, yet companies face regional income differences, complex taxation, logistics over long distances, currency volatility, and strong local competitors. Housing patterns, installment payments, delivery expectations, and local design preferences would require careful study (Baird, Lyles, & Orris, 1995).

IKEA should not enter merely because a country has a large population. Management would need to select an entry mode, evaluate franchise or direct investment options, establish local sourcing, test price acceptance, and determine whether large stores or digital-first formats are more appropriate. A phased approach could begin with e-commerce, planning points, or a limited regional network before committing to extensive property and inventory. The same analytical framework can be applied to any prospective market (Baird, Lyles, & Orris, 1995).

Strategic Recommendations

IKEA should continue to protect affordability as the central promise while measuring it against local household income, not only global cost targets. Product development should incorporate compact living, modularity, durability, and the ability to disassemble and move furniture. Local research teams should have authority to adapt room displays, communication, payment, and service packages. Digital and physical channels must share inventory, customer data, and service standards so that the brand feels consistent (Chu, Girdhar, & Sood, 2013; IKEA, 2025, *FY25 year in review*).

The company should also treat sustainability and circularity as sources of competitive advantage. Designs that use fewer materials, support repair, and can be resold or reassembled may reduce environmental impact while strengthening customer value. Supplier diversification and traceability should accompany local sourcing. Finally, international performance should be evaluated through customer retention, delivery reliability, product availability, returns, and profitability rather than store count alone (IKEA, 2025, *FY25 year in review*; Baird, Lyles, & Orris, 1995).

Conclusion

IKEA’s international strategy demonstrates that global success depends on combining a stable core with disciplined adaptation. The company’s design philosophy, flat-pack logistics, and affordability are transferable advantages, but their value changes with purchasing power, housing, transportation, service expectations, and digital behavior. China required lower prices, more local sourcing, smaller-space solutions, accessible locations, delivery, and assembly options. North America was more compatible with the traditional car-based and DIY model, although it too is shifting toward omnichannel service. Counterfeiting, supply-chain risk, and cultural difference cannot be solved by standardization alone. IKEA’s strongest path is to preserve the system customers recognize while adapting the points where local conditions prevent that system from delivering genuine value (Chu, Girdhar, & Sood, 2013; Miller, 2004; IKEA, 2025, *FY25 year in review*).

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