

A Case Study of the Factors that Affect Consumer Behavior in IKEA

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ABSTRACT

Consumer behavior is the study of consumers and the processes they use to choose, apply and dispose of products and services, including consumers' emotional and behavioral responses. IKEA is a multinational home furnishings company founded in 1943 in Sweden that has grown rapidly. They manage to produce their products and services more widespread not only based on price but create a unique shopping experience. This study aims to examine the factors that affect consumer behavior in IKEA. Various factors like social factors, wide products assortment, price and others are investigated to analyze consumer behavior of IKEA's customers. Likert Scale was used to get the final results from the questionnaire filled out by the respondents. The questionnaires were distributed to 250 respondents who use IKEA products. The Likert scale will be used to measure a person's perception and attitude or opinion. The results showed that they chose IKEA due to the cost-advantages and wide products assortment as there has uniqueness over IKEA and cannot be compared with other retailers.

Keywords: Consumer Behavior, Cost-advantages, Furniture Retailer, Multinational

INTRODUCTION

IKEA is the world's largest supplier of furniture and utensils, with 331 self-owned and franchised shops in 41 countries, stretching from Sweden to the United States, from Britain to Israel, Saudi Arabia, Indonesia, Russia and China. IKEA is founded in Sweden, in 1943, by Ingvar Kamprad, who began by peddling useful items to neighbors on his bicycle.

Since its inception, IKEA's vision has been to create a better everyday life for many people by offering a wide range of well-designed, functional home furnishings at low-price that many people can afford their products. IKEA foundation initially focused only on architecture and interior design. They believe that home is the most important place in the world. Over the years, IKEA becomes active in addressing the root causes of child labor as well as endeavors with major partners to promote children's right and education. (IKEA Foundation, 2020).

Corporate culture reflects on the behavior of the company as a whole. In other words, this means that their culture and values are how they want the world to see them. Like

IKEA, there are 8 key values of IKEA, which are togetherness, caring for people and planet, cost-consciousness, simplicity, renew and improve, different with a meaning, give and take responsibility and lead by example (about.ikea.com, n.d). IKEA believes that every individual has something valuable to offer and strives to have the same values in the way that works.

As there are many people who can afford a beautiful and functional home, IKEA constantly takes challenges to produce more without compromising on quality. This enables more consumers to choose IKEA as their choice to purchase products and services. IKEA is also constantly looking for new and better ways forward because they believe that whatever they do today, they can do better tomorrow. Finding solutions to almost impossible challenges is part of their success and a source of inspiration for them to move on to the next challenge (about.ikea.com, n.d).

As one of the largest furniture retailers in the world, the most important thing that ensures IKEA is always one step ahead of its competitors is the quality of the products they produce. IN order not to be eliminated from the global market, the company continues to develop new products which are of interest to consumers and at the same time to catch up to the market. Therefore, there is a wide variety of products and services produced by IKEA.

As a one-stop-company for furniture, IKEA has every single thing that consumer need and provides them in different styles, from vintage to modern. The categories of products provided by IKEA include outdoor and indoor furniture, kitchen appliances, laundry and cleaning products, pots and plants, home smart, home electronics, home improvement tools, safety products, leisure and travel products. The variety of products with a reasonable price. This plays an important role in influencing consumer behavior in choosing IKEA as their destination for shopping for household appliance (Etukudoh, Joe & Joe, 2019).

The services provided by IKEA might also be a strong factor that influenced consumers' behavior towards IKEA. First, the online platform provided by IKEA brings convenience to the customer (Kibe & Sondén Karestrand, 2019). It provided information, listed on products and services, buying guide, tracking service and a platform for customers to connect with the company. The return policy of IKEA provides 365 days return period with proof of purchase for a full refund may also be a factor which affects consumer behavior. Next, IKEA also offered planning tools. Planning Tools to fulfil the demand of customers who wish to design an office but have no idea and online planning services to customers who wish to have a home sweet home. Nevertheless, there are still plenty of services provided by IKEA which consumers can find on their official website.

In conclusion, the quality, design, and the cost advantages of the product produced by IKEA and the variety of useful services applied by IKEA is playing an important role in influencing consumers' behavior in choosing IKEA as their optimum furniture brand.

IKEA was chosen for the analysis of market opportunities in this study because the company is engaged in textile and furniture, and has operations in more than 38 countries around the world. Apart of having a high demand in global market, IKEA also has a high demand in US market and is currently successful. However, IKEA has not been able to overtake the competition in the domestic furniture market as is the case in other countries. IKEA products are known for being of lesser quality and because they cannot live up to greater quality expectations, other companies now have the opportunity. To move up the competition ladder, the company should review the strategies, which is very important in the market. Larger urban areas of the country are more prosperous markets for IKEA. The company must only focus on to expand in these urban areas and it should not lose energies on the other sectors.

IKEA as a multinational company operating across more than 41 countries is subjected to political factors. The political stability of a country is significant as it is beneficial to IKEA's political environment (Frue, 2018). In contrast, the political instability of the country can lead to a disruption to the business environment. Political factors have a major impact of the operations of companies. For example, different regulations and trade relations between countries can affect to companies' business activities (Wulff, Kee, Halttunen, Kara, & Pakarinen, 2019). The political factors in every country affect the businesses of IKEA as they have their own set of policies and regulations on taxation, tariffs and trade restrictions. For instance, the tax in posed by the United Kingdom (UK), United States (US) and Japan is 30%, 35%, 42% respectively of the business profit (pwc.com, n.d). Therefore, the regional profits of IKEA are facing regional tax laws. Apart from the corporate tax, tariffs and trade restrictions also influence the business of IKEA. The purposes of imposing trade and tariffs are to protect local employment, new industries and national security. The price of imported goods will increase when tariffs are imposed on these goods which will bring benefit to the local manufacturers. In the case of IKEA, a company who relies on the local manufacturers for its inventory allows them to sell the products at the price of the local market. Thus, the imposition of trade barriers and tariffs has a low impact on the company's profit.

Besides, the condition of the world economy determines the profits and revenues of the businesses will be earned. IKEA has to be concerned about the economic condition of the market as the company's performances will be affected by economic factors such as inflation rates, interest rates, wage rates, and minimum wage legislation. These economic factors will affect the pricing in particular regions and areas. For example, a country with a rapidly growing economy provides a high standard of living. The income of consumers increases in pace with their purchasing power. Therefore, the demand for the products also increases as well as the company's profits.

Social factors play a vital role as can have a deep impact on a business and its profits. It is important for IKEA to respect the social and cultural value of the market. Andreassen and Lindestad (1998) claimed that by being exposed to information as well as gaining experience, customers develop a corporate image in their mind. Corporate image is important when being successful in attracting and retaining customers, especially when companies within the same industry are becoming more and more similar (Isaksson & Suljanovic, 2006). Customer satisfaction and customer loyalty can be influenced by the corporate image. For example, IKEA has successfully introduced a concept of do-it-yourself (DIY) culture amidst its consumers, which means that they need to assemble different pieces of the product by themselves. IKEA realized that understanding the local culture is important because Chinese people hate the DIY concept and Indians likely do so even more (Chu, Girdhar, & Sood, 2013).

In the 21st century, technology has become central to nearly everything. The technology factor such as Artificial Intelligence has enabled the retailers to understand consumer behavior better and provide them with a brand-new experience. IKEA uses information technology to provide better service to their consumers as IKEA has an up-to-date website from which consumers can browse online catalogues, check for stock availability before visiting the store, order online and communicate with the customer service team. According to Gehrt and Yan (2004), in terms of time-spent to finding a certain product, a store that offers catalogues was regarded as the most efficient. The other technological factors include automation, technology incentives, and Research and Development (R&D) activities. In order to produce a high-quality product at the lowest price, IKEA involves the diverse aspects of management, production process and innovation.

According to Forbes, IKEA had received 957 million store visits in 2018 and 2.5 billion to IKEA stores. It also ranked 40th in the World's Most Valuable Brands in 2020. IKEA holds three main principles which are self-service with appealing informative catalogues,

disassembled furniture that is reassembled by the customers and a cash-in-carry concept for suburban stores as innovations in the furniture retail category (Arnold, 2002). IKEA also has unique strategic positioning because they make products and services that are really stand out from the competition and valuable to customer (Czinkota & Ronkainen, 2004)

From this research, we could get inputs from customers in real life problems. For example, the quality of the products they purchase and also their purchasing or shopping experience. Consumer behavior is affected by situational factors such as physical, social and temporal influences (Gehrt and Yan, 2004). IKEA always offers an immediate satisfaction and a pleasurable shopping experience to the consumers (Arnold, 2002) so we could find out the reason how IKEA satisfies their consumers and make themselves known as one of the top brands in the world.

RESEARCH METHOD

The methodology for this study was conducted based on the primary research method and the secondary research method. In this study, we used the survey as primary data to collect data so that our research project could be carried out. We have prepared questionnaires by using Google Form to ensure the respondents can easily access the questionnaires. Through the primary method, we distributed 250 sets of questionnaires to consumers of IKEA in India, Indonesia and Malaysia to get their views. Meanwhile, we also conducted research through secondary data such as reference materials (book, magazine, newspaper, article, and journal) and internet networks. In this chapter, we have selected some suitable study designs to facilitate access to information and respondents and data collection. Organized and strategic research procedures, processes and methods are important to get the solution to the problem under study.

We use cross-sectional study to allow us to answer research questions. A cross-sectional study is a type of study in which data are collected only once. The advantage of using cross-sections is that it requires lower costs to carry out because the data collection process takes place over a limited period of time and the rate of decline response can be reduced. However, there are also shortcomings in using this method to conduct our research. We are unable to make comparisons among survey results all the time because data is only collected once.

In addition, we provide structured questionnaires and distribute them to respondents. In our questionnaire, we used the Likert Scale to get the final results from the questionnaire filled out by the respondents. The Likert scale will be used to measure a person's perception and attitude or opinion. The Likert Scale has five scale options, Scale one, Scale two, Scale three, Scale four and Scale five. Scale one is strongly disagreeable. Scale two is disagreeable. Scale three is neutral. Scale four is agreeable and Scale five is strongly agreeable.

RESULTS AND DISCUSSION

A set of questionnaires is created to investigate the factors that affect consumer behavior in IKEA. The questionnaire consists of several sections such as the background of respondents, the feedback after visiting IKEA and the opinions on the shopping experiences in IKEA. The questions are created in various forms such as dichotomous questions, multiple-choice questions and rate order scaling questions by using the Likert Scale to analyze the collected data.

Table 1. Summary of Respondents' Demographics (N = 250)

Responses	Frequency	Percentage (%)
Age		
Below 18	9	4
18 – 24	98	39
25 – 34	67	27
35 – 44	43	17
45 – 54	25	10
Above 55	8	3
Gender		
Male	130	52
Female	120	48
Nationality		
Malaysia	170	68
India	45	18
Indonesia	35	14
Occupation		
Student	104	42
Business	56	22
Home Maker	11	4
Professional	54	22
Other	25	10

Table 1 indicated that the responses are collected from 250 respondents which consists of different age groups, gender, nationality and occupation. There are 98 respondents (39%) are from the age between 18 and 24. The age group between 25 and 34 consists of 67 respondents (27%). This age group which is above 55 is only 8 respondents (3%). Besides, the male respondents which stated 130 is more than the female respondents which stated 120. Next, the most respondents are from Malaysia which is 170 (68%) and the respondents from India and Indonesia are as many as 45 respondents (18%) and 35 respondents are (14%) respectively. Besides, most of the respondents are students, as many as 104 (42%). The business respondents and professional respondents are as many as 56 respondents (22%) and 54 respondents are (22%) respectively. The least respondents are home makers which amount of 11 respondents (4%).

Table 2. Survey on Consumer Behavior of IKEA's Customers

Responses	Frequency	Percentage (%)
often do you visit IKEA?		
More than once a week	4	1.6
Once a week	10	4.0
Once a month	50	20.0
Occasionally	89	35.6
Seldom	97	38.8

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2. What are the products you mostly purchase from IKEA? (Can choose more than one)		
Furniture	113	45.2
Household appliances Kitchen appliances home decorations Foods	101	40.4
	92	36.8
	110	44.0
	124	49.6
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3. Why do you purchase the products in IKEA instead of in other shopping malls? (Can choose more than one)		
Cheaper products Variety of products good quality of products IKEA environment	98	39.2
	161	64.4
	156	62.4
	97	38.8
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4. How comfortable are you when shopping at IKEA instead of at any other stores?		
1 – Very unsatisfied 2 – Unsatisfied – Neutral – Satisfied – Very satisfied	4	1.6
	0	0
	37	14.8
	128	51.2
	81	32.4
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5. What makes you comfortable when shopping at IKEA?		
Prices Quality Both prices and quality Other	17	6.8
	69	27.6
	155	62.0
	9	3.6
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6. Did you buy any product at IKEA that you had to assemble yourself?		
Yes No Maybe	141	56.4
	70	28.0
	39	15.6
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7. Did you use the IKEA catalogue before or during your visit?		
Yes No Maybe	104	41.6
	118	47.2
	28	11.2
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8. You choose to go to IKEA because of the cost advantage that IKEA claims to have compared with other furniture stores.		
Yes No Maybe	151	60.4
	44	17.6
	55	22.0
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9. The design of the shopping environment at IKEA gives you the possibility to save time.		
1 – Very unsatisfied 2 – Unsatisfied – Neutral – Satisfied – Very satisfied	2	0.8
	11	4.4
	38	15.2
	133	53.2
	66	26.4
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10. The self-service at IKEA where you go to the large storerooms and get your own products is convenient for you.
 Yes No Maybe

157	62.8
48	19.2
45	18.0

Based on Table 2, there are 97 respondents (38.8%) who rarely visit IKEA and 89 respondents (35.6%) visit IKEA occasionally. As many as 50 respondents (20%) visit IKEA once a month, while 10 respondents and 4 respondents visit IKEA once a week and more than once in a week respectively.

The results showed that most of 124 respondents (49.6%) buy foods from IKEA. The food sold in IKEA is variety and affordable for customers. As many as 113 respondents (45.2%) purchase furniture. There are many types of furniture and are very durable. There are 110 respondents and 101 respondents purchase home decorations and household appliances from IKEA respectively. The results showed that as many as 92 respondents (36.8%) purchase kitchen appliances.

Based on Table 2, as many as 161 (64.4%) mentioned that they purchase the products in IKEA instead in other shopping malls because of the variety of products. As many as 156 respondents (62.4%) purchase IKEA products because of the good quality of products. There are 98 respondents and 97 respondents purchased in IKEA because of the cheaper products and IKEA environment respectively. There are a variety of products available in IKEA, therefore the customers may have more choices when purchasing in IKEA.

Furthermore, there are 81 (32.4%) respondents feel comfortable when shopping in IKEA and as many as 128 respondents (51.2%) feel satisfied to purchase product from IKEA. There are 37 respondents (14.8%) who voted a neutral response in this question, while there are only 4 respondents (1.6%) who felt uncomfortable when shopping in IKEA.

The factors which make respondents comfortable when shopping at IKEA includes prices and the quality of products. As many as 17 respondents (6.8%) suggested that only the prices of IKEA's products will make them feel comfortable, while 69 respondents (27.6%) suggested only the quality of IKEA's products make them feel comfortable. As many as 155 respondents (62%) suggested that both prices and quality of product are the main factors that make them feel comfortable, while only 9 respondents (3.6%) said that there is another factor that makes them feel comfortable when shopping in IKEA.

Some products from IKEA might need to be assembled by customers. There are 141 respondents (56.4%) bought products that need to assemble by themselves, while 70 respondents (28.0%) never bought any IKEA's products that need to assemble by themselves. There are also 39 respondents (15.6%) who answer 'maybe' in this question.

IKEA's catalogue is designed to give visitors more specific products information. Table 2 indicated that 118 respondents (47.2%) mentioned that they do not use IKEA's catalogue before or during their visit in IKEA. This may because they enjoy window shopping instead of purchasing something at IKEA, thus they do not use the catalogue. Besides, 104 respondents (41.6%) used IKEA's catalogue while shopping in IKEA. Consumers were able to receive the invaluable source of product information, the details on how to get to the nearest IKEA store and store operating hours through the catalogue as IKEA had provided all the important information in the catalogue.

Cost-effectiveness is one of the solid bases of IKEA's competitive advantage. IKEA as a global furniture retailer is able to offer low prices of products to consumers. There are 151 respondents (60.4%) who agreed that they visit IKEA due to cost advantage that IKEA advocates to have compared with other furniture retailers. Consumers choose to visit IKEA because their products are generally cheaper than other furniture retailers and they can get a lot of products for less money. In addition, IKEA has a great range of products enables the company to have a competitive advantage.

Alan Penn, Director of the Virtual Reality Centre for the Built Environment stated that IKEA's store layout is a psychological weapon used to confuse and disorientate shoppers into spending more. Table 2 showed a majority of respondents (79.6%) agreed that the design of the shopping environment at IKEA gives them the possibility to save time. The result illustrated that the shopping experience of consumers at IKEA is positive. IKEA has various types of products for a home under one ceiling and enables consumers to have the possibility to save time because they do not have to visit other furniture retailers. When consumers visit IKEA, they can find lots of details on the price tag of the products regarding the products' information including the shelf number. The details enable consumers to collect the item from the self-service furniture area or information on where to collect it at the furniture pick-up area of IKEA.

Based on the data in Table 2, there are 157 respondents (62.8%) agreed that the self-service in IKEA where they go to the large storerooms and get their own products is convenient for them. Self-service can be a positive in that consumers often prefer to do things in their own way or method. For instance, consumers can pick up the products from the self-serve furniture area or large storeroom using the shelf number that they have noted down when they visit the showroom and market hall of IKEA. This is because most IKEA products and furniture are flat-packed and these enable consumers to transport them by themselves.

CONCLUSIONS

Based on the result and discussion, every business should not only focus on their business main product. IKEA is known as the largest furniture retailer in the world but the most popular product is food. Due to the cheap and nice food sold by IKEA, it will attract more consumers to visit IKEA and spend more time in IKEA after having the meal. In addition, IKEA offered products with good quality and affordable prices. Consumers always hope to spend the least money to buy decent and good products from IKEA. Most of the consumers prefer to visit IKEA because of the cost advantage that IKEA advocates to have compared with other furniture retailers. We can learn that no matter what business strategy used by company, the best strategy is to have products that have good quality, affordable price and also cost-advantage.

IKEA's advertising and promotion is dominated by the catalogue, a marketing instrument that is unusual for an international retailer but at the core of IKEA's marketing strategy. Consumers could know the details of the product and the new product of IKEA. We learn that catalogue is one of the promotion strategies to give more exposure about the products to consumers.

IKEA store layout is always a plus-point to attract more consumers. IKEA has various types of products for a home under one ceiling and enables consumers have the possibility to save time because they do not have to visit other furniture retailers. Consumers to collect the item from the self-service furniture area or information on where to collect it at the furniture pick-up area of IKEA after they have finished visiting all the showcase of furniture. We can learn that the environment of a store is very important as it could keep the consumers to save more time to get what they need or spend more time visiting the store. IKEA is based on the self-serve concept and most of the consumers

like this concept. They prefer to visit the store and make their own decisions by themselves. For instance, consumers can pick up the products from the self-serve furniture area or large storeroom using the shelf number that they have noted down when they visit the showroom and market hall of IKEA. It is important to give the consumers the freedom to make their own decisions and choose their products.

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