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**IMPACT OF CONSUMER MARKET PREFERENCES ON EXPAN-  
SION STRATEGIES**

**Strategies Used by IKEA in the International Market**

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**ABSTRACT**

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<p>The thesis aimed to examine and discuss the impact of changing consumer markets on the strategies used by multinational corporations (MNCs) in international markets. The thesis focused on how changes in consumer markets have influenced standardization and localization as well as the impact the shift has on management practices, marketing, and human resource management.</p> <p>The thesis used primary and secondary data from relevant studies on the topic in the post-recession era in a bid to understand the change in consumer behaviours and tact of MNCs. The thesis applied a quantitative research design to develop inferences on the strategies IKEA uses in the Chinese market compared to the Finnish market. A comparison was made between the approaches used in China and Finland to understand essential aspects of international expansion, marketing and integration.</p> <p>Consumer markets vary from preferences to choices with the changing times and innovations as well as development in technology. Changes in the markets pose a challenge to corporates globally and shape the marketing strategies of MNCs in different regions. The thesis answered the research question of how the changes in consumer markets may affect international corporations and how the shift in the expansion approaches used by IKEA affects critical business areas of marketing, management practices, and human resource. It, moreover, examined how replication, together with other strategies like localization, and standardization blend in with different cultures and environments, thereby citing how IKEA managed to enter into different markets successfully.</p> <p>The thesis used valuable literature and accurately attained data in analysing the marketing strategies employed by IKEA in China, as well as gathering information on cultural influences on consumer groups and the influence they have on market entry.</p>		

<p><b>Keywords</b> Changing Consumer Markets, IKEA, International corporations, Localization, Standardization</p>
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## **CONCEPT DEFINITIONS**

**S&P Global 1200:** An index that shows efficient exposure to the world equity market and captures approximately 70% of market capitalization worldwide.

**EU** European Union

**GDP** Gross Domestic Product

**GNI** Gross National Income

**ILO** International Labour Organization

**WB** World Bank

**MNE** Multinational Enterprise

**MNC** Multinational Corporation

**ABSTRACT****CONCEPT DEFINITIONS****CONTENTS**

<b>1 INTRODUCTION.....</b>	<b>1</b>
<b>2 IMPACTS OF THE CHANGING CONSUMER MARKETS ON THE MARKETING STRATEGIES OF IKEA.....</b>	<b>4</b>
<b>2.1 IKEA Marketing Strategies in International Markets.....</b>	<b>4</b>
<b>2.1.1 Replication Strategy in International Markets.....</b>	<b>4</b>
<b>2.1.2 Standardization and Adaptation in International Markets .....</b>	<b>5</b>
<b>2.1.3 Localization Marketing Strategy .....</b>	<b>6</b>
<b>2.1.4 Cost-Leadership Strategy .....</b>	<b>7</b>
<b>2.1.5 Transnational Strategy in International Markets .....</b>	<b>9</b>
<b>2.1.6 External and Internal Cultural Differences.....</b>	<b>12</b>
<b>2.1.7 Cultural Intelligence and Awareness .....</b>	<b>13</b>
<b>2.2 Cultural Awareness in International Markets .....</b>	<b>13</b>
<b>2.3 Changing Consumer Markets .....</b>	<b>17</b>
<b>2.3.1 IKEA Challenges and Change of Position in China .....</b>	<b>18</b>
<b>2.3.2 Impacts of the Changing Markets on Management Practices at IKEA .....</b>	<b>21</b>
<b>3 METHODOLOGY.....</b>	<b>22</b>
<b>3.1 Research Approach Used In the Study .....</b>	<b>22</b>
<b>3.2 Data Collection in Finland and China .....</b>	<b>22</b>
<b>3.2.1 Questionnaires, Design, and Format.....</b>	<b>23</b>
<b>3.2.2 Administration and Collection .....</b>	<b>24</b>
<b>3.2.3 Sample and Inclusion Criteria .....</b>	<b>24</b>
<b>3.3 Data Analysis .....</b>	<b>24</b>
<b>4 FINDINGS.....</b>	<b>25</b>
<b>4.1 Results and Findings .....</b>	<b>26</b>
<b>4.2 Sample Distribution.....</b>	<b>26</b>
<b>4.3 Consumer Feedback .....</b>	<b>28</b>
<b>5 CONCLUSION AND DISCUSSION.....</b>	<b>36</b>
<b>REFERENCES.....</b>	<b>40</b>
<b>APPENDIX A.....</b>	<b>45</b>
<b>TABLE 1. Different Types of Cross-Cultural Risks and Mitigation Strategies.....</b>	<b>19</b>
<b>TABLE 2. Population Distribution .....</b>	<b>26</b>

<b>FIGURE 1. The geographical representation of the respondents. ....</b>	<b>28</b>
<b>FIGURE 2. Gender Distribution of Participants.....</b>	<b>28</b>
<b>FIGURE 3. China Approval on IKEA furniture Layout.....</b>	<b>29</b>
<b>FIGURE 4. Finland approval of IKEA's furniture layout .....</b>	<b>30</b>
<b>FIGURE 5. China Approval per aspect.....</b>	<b>31</b>
<b>FIGURE 6. Consumer Perceptions on IKEA .....</b>	<b>32</b>
<b>FIGURE 7. Areas IKEA should improve per region .....</b>	<b>33</b>
<b>FIGURE 8. IKEA rating on product, service, promotion and design.....</b>	<b>34</b>
<b>FIGURE 9. IKEA Cultural Integration.....</b>	<b>35</b>

## 1 INTRODUCTION

The growth and development of multinational enterprises (MNEs) in the modern global economy have been rapid and widely successful. The growth has been facilitated by globalization, which promotes better international trade coupled with practical strategies of foreign trade and expansion. With increased globalization, MNEs utilize different strategies in expansion to foreign markets and growth in global markets (Romaniuk, Dawes & Nenycz-Thiel 2018, 41). For most MNEs in international markets, standardization and localization have been critical strategies of trade that have guaranteed sufficient growth and expansion in the foreign markets (Haron 2016, 2). Through standardization, the MNEs have been able to establish guidelines on strategic aspects such as store layouts, merchandise mixes, and operation frameworks that have proved to be effective over time (Resvik & Vegborn 2019, 34). Localization, on the other hand, ensures a specific product is more accessible to different audiences. However, with the diversification of markets, MNEs have to move beyond standardization and localization to utilize strategies that explore and create value through consumers (Haron 2016, 7).

Global expansion strategies comprise market entry approaches including crucial decisions on the target markets, determination of target customer and channel strategy, resource allocation, product and service value offerings, brand positioning, and creation of an operating model (Haron 2016, 7). To successfully venture into international markets, MNEs are dependent on the ability of market strategies to meet the changing needs of consumer markets (Romaniuk, Dawes & Nenycz-Thiel 2018, 43). While MNEs have limited control over macro-economic conditions that impact trade, and the aspects of culture that influence consumer habits and markets, they have to suitably and efficiently leverage corporate resources to penetrate markets and attain sustainable and profitable growth (Song, Cao, & Wang 2019, 3).

IKEA is a Swedish multinational corporation that deals with furniture with unique designs and of top quality offered affordable prices. The company was founded by Ingvar Kamprad in 1943 and has then grown to become a successful retailer across the globe. As IKEA reported, by the fiscal year 2010, the company had already sold products worth 23.1 billion dollars and managed to spread across 46 countries by 2016 (Cosmo & Yang 2017, 5). In addition to 12,000, and more products it has accumulated to its product listings, the firm operates a website that offers the same services to its clients globally. The firm uses unique marketing strategies to keep it afloat as well as in localizing itself and its products in foreign countries (Saraswati 2019, 4).

To explore how MNEs approach international markets and adapt to changing consumer markets, this thesis performs a study on IKEA. First, the thesis aims at providing an in-depth understanding of how the international expansion strategies are designed and modified to suit diverse markets and changing consumer markets. Secondly, the master's thesis is aims at providing an analysis of the effects that the changing consumer markets have on the marketing strategies used by IKEA. The thesis delves into designing a research problem that answers how the changes in consumer markets may affect international corporations. The thesis also discusses replication, standardization, localization, cost leadership, and transnational strategies applied by firms to help grow and enlarge their scale of operation within the foreign markets. The thesis focuses on IKEA's case in China, where the company had lots of challenges in localizing its business in its market but had to devise ways of fitting in, which led to its success in China. Included herein are the efficiencies of the strategies and how MNEs can utilize them to adapt to the changing consumer markets.

In the analysis, the thesis addresses the following research questions;

- 1 How will the strategies used by IKEA in the international market be affected by the change in consumer markets?
- 2 What strategies did IKEA implement, and how have they affected marketing and business to other big international corporations as well as local competitors where IKEA is considered foreign?

The thesis analyses findings of quantitative research performed to establish insights that MNEs can use to gain success. It examines the performance of IKEA in international markets despite the low growth global trade environment in recent years. Further, the paper will contribute to the literature that examines the integration of MNEs in foreign markets with different trade environments and cultures. The thesis uses valuable literature and collected data in analysing the marketing strategies employed by international markets, IKEA in this case, as well as gathering information on consumer behaviour and response towards the strategies used by IKEA in the presentation.

The master's thesis uses a quantitative approach centred on the inductive technique, which allows the market research to build a theory from the data collected. The quantitative research provides descriptive data on shifts in consumer markets and IKEA in different foreign markets. The data will be gathered through surveys and questionnaires that target loyal IKEA customers in China and Finland. It will be analyzed, variables examined and inferences developed to provide insights on the challenges of using different expansion strategies and the critical approaches IKEA can take in international markets. The thesis will use primary data collected from the surveys and secondary data attained through company

filings and studies that examine how MNEs approach foreign markets. This makes the study limited to the variables used in the surveys and statistical analyses, leading to identified results. Hence, the limitation was in the method of collecting data leading to issues with the sample.

Chapter 2 discusses marketing strategies used by international corporations in foreign markets using IKEA as a critical example of limiting the strategies to those done by only it. The chapter shall also present the consumer behaviour change and how it can affect the marketing strategies used by IKEA when trading in the foreign markets. The chapter also analyses IKEA's marketing strategy and the company's focus in international markets, mainly in China. The chapter will focus on replication and localization and how they impact the economy. Chapter 3 presents the approaches used in conducting the research. The chapter presents the research design used and the data collection method. It also offers extensive detail on the approach for data analysis. Chapter 4 discusses the findings of the research. It presents information on the foundations of different variables. Chapter 5 provides the recommendations accrued from the study in line with literature and data on the approaches to venture into international markets.



## **2 IMPACTS OF THE CHANGING CONSUMER MARKETS ON THE MARKETING STRATEGIES OF IKEA**

In this chapter, the stratagems employed by international markets are assessed in marketing, most especially IKEA. Besides, analyses on the impact on the changing consumer markets on IKEA and other international firms are presented and well elaborated in this chapter focusing on localization, cost leadership strategy, standardization and adaptation, customer research, and replication. The chapter further discusses why consumer markets are changing. Also, the chapter will provide the impacts of the changing markets on marketing and management practices in general.

### **2.1 IKEA Marketing Strategies in International Markets**

IKEA is a Swedish company and the world's largest furniture retailer as per 2017 (Goel & Garg 2018, 3). As of 2018, the company was present in 55 countries and had over 172,000 employees around the globe (IKEA 2018, 5). The global market leader has achieved its success because it understood the needs of the customer and target prospects as well as took note of the potential of its segment and modified its niche since 1943 (IKEA 2017, 2). In international markets, IKEA analyses marketing aspects and uses different strategies to venture into the market. The marketing strategies have ensured IKEA successfully ventures (Harapiak 2013, 3).

#### **2.1.1 Replication Strategy in International Markets**

As noted by Van Wijk, Jansen, & Lyles (2008, 43), firms set up replicas in foreign countries in the effort of expanding their businesses. IKEA is one among other prominent international corporations like McDonalds and Starbucks that have fully implemented this strategy. The replication is done with beneficial considerations, for instance, brand recognition as well as economies of scale. Van Wijk, Jansen, & Lyles (2008, 43), further emphasize that replication done in the theoretical context of international business is regarded as a fundamental business strategy. Also, Van Wijk, Jansen, & Lyles (2008, 43), assert that companies can replicate the whole value chain globally even though replication predictably

means that there is the creation of entirely new and extremely comparable retails, which sell typically the same commodity.

All through IKEA's history, since 1943, when it was only a family-owned, but a family-owned business into a large grown global furniture company, Kamprad's dream has always been the expansion of it (Goel & Garg 2018, 2). By 2009, IKEA had earned itself the popularity it deserved across many nations. Today, 2019, the company has reached and stabilized the business in 53 countries and making sales of not less than 45.5 billion dollars (Clifford 2019, 21). It has also managed to undertake other business opportunities seriously and is doing well in the food industry as well as it does in furniture (Clifford 2019, 23).

### **2.1.2 Standardization and Adaptation in International Markets**

Going international with a business has several outcomes that can be either be both negative and positive. Those who support the approach argue that expanding to foreign nations can give entity access to better rates on labor and raw materials (Cheyins, Daviron, Djama, Fouilleux, & Guéneau 2017, 283). On the other hand, those opposed to the move feel that expanding to multiple nations kills jobs and is rather unpatriotic (Liu, Perry, Moore, & Warnaby 2006, 359). Before expanding to a new location, a business must decide on the approach or the technique to use. One such method that has been used is standardization.

IKEA is regarded as a highly standardized corporation globally in that some of the marketing strategies it employs are well recognized worldwide, which has had it outstanding from all other organizations of the same profile and operate in the same regions as it does. The company has been in existence for more than six decades now. It is this approach, standardization that makes it stand out from the rest. Standardization in that regard is defined as how and if marketing activities such as pricing, product, place, and promotion are well modified (or not) across all borders within which a given firm operates. Many companies globally operate contrary to this definition. Instead, they choose to standardize their operations on a global scale than adapting to difference within nations, which is the complete opposite wat is practiced by IKEA (Burt & Thelander 2011, 4).

Standardization of operations is based on a technique that tries to make all the activities similar across the different regions in which a company operates. Hence the rules are made at the headquarters and passed on to the various branches. The scholars that have supported this argument feel that it can enhance performance by saving on expenditure (Fan, Cui, Li, & Zhu 2016, 187). On top of that, there is a high level of consistency within the international markets. Standardization ensures that quality is not compromised (Liu, Perry, Moore, & Warnaby, 2006, 358). Most of the big established brands have been able to use the technique to get an edge over their competitors. For instance, most of the food and restaurant business such as KFC and McDonald ensure that their methods of cooking and serving food are standardized.

Burt and Thelander (2011, 4) additionally insist that when these international companies and operations ignore the influence of culture from foreign countries, centralized profitability decline or stagnate as opposed to the expected increases. Many corporations have had a decline in profitability for having disregarded cultural influence due to the lack of sensitivity in centralization (Burt & Thelander 2011, 4). IKEA, as opposed to many other firms, takes culture seriously and adapts to it intending to satisfy all needs of locals as per their desires and norms (Burt & Thelander 2011, 5). Learning from IKEA as an example, standardization and adaptation are considered favorable to multinational corporations for the success of their operations and the future as in business in the respective regions of operations.

### **2.1.3 Localization Marketing Strategy**

Initially, IKEA succeeded by selling one single design to all consumers globally through ‘one-design-suits-all’ approach, but later, experts in the industry doubtfully wondered if all culture would embrace the approach or if it would provide culturally diverse commodities that would offer continued demand for their products across different communities in its existence (IKEA's Globalization Strategies and its Foray in China 2017, 2). That is when the company fully embraced localization for the first time. The company traded the Middle East, which accounted for only 4% of it, for a considerable period before considering to enter the Far East market, where it faces numerous challenges but did not give in. The firm had standardized much of its operations where it sold its products on the Do It Yourself (DIF) principle in China but had to drop them and adapt to what locals would be satisfied with (IKEA's Globalization Strategies and its Foray in China 2016, 2). The firm did that had been keen on increasing future existence in China. Quoting from IKEA-China’s retail manager at the time, “We need time to learn and

change in the (Chinese) market in order to become a success” (IKEA's Globalization Strategies and its Foray in China 2016, 2). In that regard, localization for any multinational firm that has the objective of surviving foreign markets, in the long run, is essential unless otherwise.

#### **2.1.4 Cost-Leadership Strategy**

The cost-leadership strategy is one of IKEA's strongest attributes. The approach is based on Porter's five by Michael Porter. IKEA, in that regard, looks for suppliers from whom they gather well designed ready to assemble products that it later delivers to its clients who, in this case, acquire them at affordable rates as compared to having bought readymade (Clifford 2019, 24). The method saves producers and consumers a lot more from the costs of delivery, which happens to be the company's strongest point of focus amongst its scripted strategies. In order to keep it up and running, the firm accentuates many activities so that the low cost of commodities is maintained. The strategy ultimately rendered IKEA the winner of the market has been able to deliver high-quality products at cheap rates (Clifford 2019, 34). Also, it is worth noting that IKEA's audience is and has always been the younger generation that is always up to something trendy and stylish, which IKEA offers without compromise (Clifford 2019, 35). In most cases, this kind of generation is considered to have not much amount of money to afford highly expensive staff, but, in this case, IKEA has covered their weak points and worn them over others. Customers at IKEA are often involved actively in the shopping experience (Clifford 2019, 25).

Product catalogues are of additional value to the business. Product catalogues are marketing tools that can influence buyer decisions. They come in useful designs and efficient in a multi-channel strategy for a company and have the ability to affect sales by 29%. In most cases, customers look at the product catalogue first before venturing into a big box retail shop. IKEA has been a global trendsetter in the big box retailer category. In 2017, the company printed 203 million product catalogues in 72 versions catering to diverse cultures. The product catalogue has 324 pages that describe, illustrates and show products offered at IKEA stores all over the world. The lists that widely consider the culture of each country were released after the company conducted 18 months of research that included actual visiting of real homes in those countries and took note of the variations (Samaha, Beck, & Palmatier 2014, 6). These variations were included in the catalogue.

The main variations were in the size of the houses, the arrangement, the colors, the activity the participants were undertaking, and the number of participants. For instance, the Swedish copy showed a picture of a lounge with IKEA products along with three males and one female designer. However, in the Saudi Arabia version, the woman was omitted (Taher 2019, 23). The company shows regard to the culture of Saudi by recognising the guidelines of their culture. In the Kitchen section, the German version has male and female participants assisting in meal preparation while in the Saudi division, they did away with the models and only displayed the kitchen (Abdul-Hamid, Hinson, Mahmoud, & Yaw 2017, 20). The difference in marketing images between the two countries shows the recognition of different cultural values. The company recognizes the different cultures and the rules within the culture and thus uses different photos for marketing (Abdul-Hamid et al. 2017, 21).

Apart from product catalogue variations, the product also varies along with their prices. The prices range based on economic conditions and IKEA's placing in the market (Clifford 2019, 34). However, the products are the same but have small differences such as size, shape, and shapes. In Europe, products are supplied from a single manufacturing centre in Poland and only vary size and name. Thus, to keep the production cost low, the company provides the nearer stores with one product despite the country. However, the bed sizes vary in the UK and Netherlands as well as in the Middle East. Furniture layouts also differ in Finland and China. The products may bear a resemblance but, the design, layout and colors vary. An aspect that makes local buyers relate to IKEA products (Clifford 2019, 34).

The company still receives competition from local retailers and supermarkets. In the business idea of the company, the owner notes that low rates are the concept behind the company. Thus, the company focuses on the low cost of furniture for houses and offices and promotes cost control through efficient cost control measures. Therefore, to keep the prices low, the company focusses on low distribution costs and low operational costs (Clifford 2019, 34).

In 2016, 70% of IKEA's marketing revenue was used in the publication of over 200 million copies of the product catalogue (Cosmo & Yang 2017, 4). This publication overpasses any company that uses lists in the world. In addition to this approach, the company promotes itself through advertisements on TVs, online ads, and billboards. The criteria vary in each country. For instance, in Israel TV advertisements are more conservative and have clips of children reading a religious text, while in the UK, the clip is more open and depicts a western home. The promotion has a significant role to play in IKEA's plan, and its usefulness is vital in all countries (Cosmo & Yang 2017, 4).

The distribution strategy used in IKEA is part of its marketing mix. The company has over 25 distribution centres, which reduce transportation costs to stores. The extensive distribution network features flat packages that are important for increasing the value to weight ratio (Mohammad 2015, 12). The company also conducts online sales. The segment allows customers to make orders and receive them at any location with specified countries.

The company has managed to succeed in different markets because of its ability to give people an integral role in the firm's set up. The people include its customers and employees who are well valued by the company. The employees are experts in home furnishing and also offer straightforward advice to customers. Customer satisfaction is a primary goal for the company. Employee composition is not discriminate against race, ethnicity, and religion. The employees have team bonding activities and training programs that enhance their knowledge of home furnishing and customer relations.

The company has 44 production units scattered all over in 12 countries. The company makes its wood through sawmills it owns, thus allowing it to control raw materials quality. The production facilities have a high technological integration that ensures efficiency. The supply chain is unique, and inventory management is elaborate. In essence, the designs are differentiated with pricing and location. The company obtains products from 1800 suppliers but sets the rules and guidelines for its manufacturers on quality and environment. The delivery of finished products is done in pieces to be assembled by the client. This technique not only reduces costs but also allows room for more production.

IKEA has more than 350 stores in more than 55 countries. The store layouts are similar in almost all countries with slight modifications based on country culture — the layouts are designed for the customer to have a worthwhile shopping experience. Restaurants, baby handling areas, and ample parking lots are features of almost all IKEA stores. The stores have a segment for used or returned items which are on discount.

### **2.1.5 Transnational Strategy in International Markets**

Transnational strategy depicts a model that emphasizes a multi-domestic approach that prioritizes global efficiency and local responsiveness most of the corporations utilizing the transnational strategy aim at global efficiency and international flexibility. Moreover, the strategy aims at exploiting and securing a

significant segment of the international market. Multinational companies strive to balance their standardization level and the scope to which they should integrate customized regional requirements to their services or products. Transnational policies are followed by the main objective of attaining global learning, worldwide flexibility, and international learning (Soprana 2017, 102). Flexible and integrative processes, distributed interdependent skills, and multidimensional perceptions exemplify the three primary attributes that denote transnational strategies.

The attribute focuses on national subsidiary management that encourages firms to establish a partnership. The parent corporation has the mandate to formulate laws and regulations that their partners should comply with within the foreign markets that a company has ventured. Consequently, a reliable national subsidiary management process will be useful in catering to specific needs associated with a particular country. The subsidiary management approach will enable a parent company to analyze and pinpoint any market changes or shifts (Meyer & Su 2015, 150). Establishing reliable subsidiaries provides a competitive advantage since firms get to acquire a comprehensive understanding that enables them to address a country's systems, preferences, views, and culture (Wong, Turner & Stoneman 1996). Most of the subsidiaries have an in-depth perception of the market's demand to initiate a proactive response when it is mandatory. Transnational firms aim at nurturing a participative framework that inspires the subsidiaries and parent corporation to collaborate to attain their objectives and mission.

Once a transnational company isolates a specific country's needs, it must ascertain the significance of those necessities to respond promptly and effectively. Hence, the parent company must comprehend vital and strategic societal concerns. A centralized decision-making strategy in most multinational corporations provides an exceptional universal strategy process. However, it is very challenging to react appropriately and swiftly to various demands across the globe. Companies should centralize their organizational processes to enhance their multinational expertise and operations (Rugman 2013, 105). Managers should consider national subsidiaries as a potential opportunity for improving their board view on the international market. The transnational strategy approach should serve as an integrated network with domestic subsidiaries that supplement the supply chain of an organizational commodity (Barros, Bortuzzo, & Soares, 2012). As a result, executives should view national subsidiaries as a source of skills, ideas, and proficiency that can boost corporate operations included in their delivery network.

Integrative and flexible organizational activities prioritize socialization, formalization, and centralization. The parent company should make decisions that define and influence its centralized corporate processes. Likewise, supervisors should delegate and assign tasks from subsidiaries to instil accountability

among their employees. Cooperation and socialization are essential in every national subsidiary to promote expertise and share information within the entire network. Transnational firms aim at attaining equilibrium between customization and standardization in their processes and products. Numerous dynamic factors compel corporations nowadays to adjust their strategies to integrate a transnational approach. Each nation differs from another in several different ways. Any element can influence a decisive aspect that might lead to market failure among multinational retailers, for example, customer preferences and needs, the existence of product classifications in different product life cycle phases, or various competitors (Qu 2012, 129). Some countries are endowed with resources that other nations lack. Therefore, multinational corporations should analyze critical factors to ensure that they exploit the current opportunities in the international market.

Implementing an effective transnational strategy is a very challenging undertaking since the process is usually established on a global matrix structure. Hence, firms that intend to exploit a transnational approach should integrate a hierarchical configuration. The hierarchical structure should comprise an intra-organizational trade system that promotes knowledge transfer and strategic coordination between the headquarters and subsidiaries in various countries (Qu & Zhang 2015, 919). The subsidiaries are interdependent on their operational and strategic processes. Therefore, an efficient global matrix system needs to consist of product and functional expertise that are incorporated into distinct units. The approach guarantees swift response to various dynamics and shifts associated with the international market. The global matrix structure enables multinational organizations to be flexible in executing their operations (Rugman 2013, 109). The flexibility allows for them to provide proactive responses or design tailored products that cater to various needs of their clients from different geographical regions. The headquarters should establish an active communication channel with its constituent outlets in multiple countries (Othman 2017, 3). Even if the multinational organizations adopt a complex global matrix structure, the administration should ensure that cross-functional teams have a specific manager to address their organizational issues. The decision-making process might be challenging due to the intricate reporting hierarchy. Therefore, the fundamental aspect of the global matrix structure is establishing reliable coordination units to share knowledge across and within international teams.

Managing and implementing a global matrix structure is difficult and expensive. Hence, firms using transnational strategies need complex frameworks and structures to incorporate an influential culture that coordinates value-creation activities. Insufficient cultural awareness impedes the implementation of an effective cross-border strategy. Identifying the precise degree of localization and standardization of a commodity range is a challenging endeavour (Meyer & Su 2015, 153). One of the leading challenges



that directors in multinational firms experience is deciding on the products that should be adapted or standardized. For that reason, teams associated with the delivery network must operate consistently and transparently. High transparency levels create an ideal impression on equality among all employees regardless of their location globally. The integration of consistent policies simplifies the execution of administrative activities by improving operational efficiencies.

Knowledge transfer is the key aspect of competitive advantage that creates trust among the value chain associates. Corporations should invest in emerging technologies to ensure they interact with their subsidiaries effectively (Qu 2012, 131). Consistent electronic data interchanges guarantee that information is shared relatively fast, and less knowledge is lost while communicating.

### **2.1.6 External and Internal Cultural Differences**

The implementation of transnational policies faces numerous cultural challenges. Managers need to be aware of their external and internal cultural differences to address them in their strategic resolutions. Managers must include differences in preferences, tastes, beliefs, and opinions in their organizational strategy schemes. An in-depth understanding of organizational needs ensures that directors allocate sufficient resources to conduct a proper market search to enable them to act proactively to sudden market demand changes (Nobre & Silva 2014, 140). Cultural differences might lead to conflicts, but it is a crucial factor that stimulates creativity that is important for firms operating in the modern business environment that is changing rapidly. Therefore, multinational organizations should conduct extensive market research to acquire a better overview of their target customers and to be prepared to handle various situations that might arise.

Multinational corporations need to overcome their external and internal cultural differences to establish an effective system that can be used in many countries factoring local differences to sustain global consistency. Global consistency utilizes reliable approaches to cater to local changes despite the numerous challenges supervisors encounter when implementing transnational strategies in the competitive international markets (Soprana 2017, 102). It is essential to embrace inclusive cross-border strategies that enable the administration to endorse precise adaptation mechanisms to enhance their cultural awareness.

### **2.1.7 Cultural Intelligence and Awareness**

When a multinational corporation opts to endorse a transnational approach, cultural preferences and differences should be analyzed since each market has diverse values. Moreover, cultural awareness emphasizes cultural differences and knowledge sharing, adaptation, and standardization to boost business relations (Samaha, Beck, & Palmatier 2014, 23). The customers' cultural experiences, values, and background influence the unconscious decisions they make that stipulate their purchasing power (Nobre & Silva 2014, 148). Inadequate knowledge on the cultural awareness or a deceptive similarities projection on a particular country might lead to the customers misbehaving to a specific multinational brand. Managers need to be keen to avoid cultural differences and misinterpretations since they can lead to unwanted situations caused by culture-related issues. As a result, directors should nurture cross-cultural intelligence and awareness when interacting with persons from different cultures.

Cultural intelligence enables managers to hone their ambiguity tolerance and language skills that empower them to be appropriately tuned to culture-based attitudes from their customers. Supervisors in multinational corporations should foster a continuous learning policy to gain conscious and unique knowledge through working with people from different ethnic backgrounds. Cultural diversity might be challenging to some managers and teams, but over time cultural awareness in a multinational company improves gradually to increase organizational synergy (Skarmeas, Zeriti, & Baltas 2016). Currently, societies are industrialized and sophisticated leading to constant cultural challenges that are presumed to be an essential part of cultural innovation. It is necessary to review a service or product regularly to see if it caters to new market dynamics and its relative advantage (Qu & Zhang 2015, 920). Cultural diversity might become a challenge if multinational companies have to coordinate in their organizational decision-making. An increase in complexity and confusion levels makes it difficult to devise swift corporate decisions (Steenkamp 2001, 4). Nonetheless, cultural diversity has its benefits when a firm institutes diverse transnational strategies on organizational problems and to expand its solutions by involving the creation of valuable knowledge and skills.

## **2.2 Cultural Awareness in International Markets**

Exploiting a new market has its challenges, and erroneous assumptions by multinationals on their products and services are the main factor leading to their failure on the international market. Some of the

managers assume that they will prosper in the foreign market since they have dominated in their local market. However, cultural values differ in other nations, and executives must understand the different cultural preferences, habits, and behaviours to secure a significant market share in the foreign market (Nobre & Silva 2014, 145). Research has revealed that some of the typical business failures in international markets are linked to technical incompetence that has led to an inability to comprehend local thinking perspectives. Issues arise in business collaborations across cultures if participants cannot understand culturally predefined tradition differences that stipulate thinking processes and communication practices in the planning stages. General management needs an understanding of corporate issues, global perspectives, multinational firms' interactions, and cross cultures.

Managers must predict which services, products, and ideas that are more likely to be endorsed by foreign markets. For instance, in the recent past, IKEA launched various tables and textile accessories with a particular print. The print design has an iconic emblem, made by the designer Olle Eksell, which has children playing football. One of the kids is white while the other is black, who are playing together to illustrate its inclusive racial objective. Consequently, every IKEA local and global outlets endorsed the distinctive logo, but an American IKEA co-worker was offended by the drawing. The worker claimed that the black kid's facial expression was not drawn precisely as the other kid's. The complaint exemplifies probable cultural differences that might arise from comparable commodities (Meyer & Su 2015, 154). As a result, the brand was withdrawn from the American market.

The IKEA example shows that external and internal cultural differences are critical since the company needs to integrate cultural awareness in their daily business. Cultural intelligence and awareness are necessary for multinational corporations that intend to dominate the international market (Qu & Zhang 2015, 4). Besides, business communication across various cultures should be addressed cautiously, and it is essential to understand the intended message. Sharing knowledge of cultural differences and preferences is significant to empower multinational firms to compete in international markets while updating administrations on emerging changes (Sheth & Sharma 2005, 4). Cultural awareness is a polemical issue among multinational corporations that are integrating transnational strategies to prioritize local adaptation as an essential aspect of organizational prosperity.

The company has been able to make progress in foreign countries because of its high regard for culture. The company has a food market policy that ensures each IKEA store has a restaurant. In Swedish IKEA stores, the restaurants serve local delicacies such as potatoes with Swedish meatballs. This feature is similar to IKEA stores in China, Saudi Arabia, Kuwait, UAE, and Qatar that have restaurants that offer local delicacies to their customers. IKEA has managed to capture both European markets and Eastern

markets by recognising the essence of a culture in customer behaviour. Most companies are faced with hostile conditions in the Middle East as they are termed as foreign and labelled western. This label does not benefit the companies who are already considered outsiders. However, the approach induced by IKEA takes note of the already existing attitude of the customer and uses a fusion of its own culture and the local culture to deal with it (Baraldi 2008, 12). Thus, the company customizes its culture to fit this particular society. The fact that the restaurants offer local Chinese food shows the customer that the company respects their culture and their food. In Europe, the same principle is applied in each country. The food offered in U.K. stores is customised to fit the people of the country with Russian IKEA stores providing Russian food.

In addition to the restaurant, each store has a play area near the entrance where parents can leave their children before going to shop. After the shopping experience, the parents pick their children before leaving. The incentive is a marketing strategy that works on building the quality of service offered (Parmentola 2017, 3). Such incentives improve the shopping experience of the parents and thus maximize the performance of IKEA in any country. The delivery service is also an after service that gives IKEA a competitive advantage. Despite the bulky nature of furniture, IKEA packs its products in a flat package and offers delivery services.

IKEA has been in Finland since 1996. The company has four stores in the country, and its target market is mainly women in families aged 25-45 and middle class. Even though this varies with products and product groups, it is the brand's central target market. The marketing in Finland tries to portray a low price image but a high-quality product. It seeks to assure the customer's value for their money. In Finland, the company uses an advertising campaign through TV, print, online ads, and billboards. The advertisements in this concur with the culture — for instance, a recent advertisement focusing on the innovative designs of IKEA at a relatively lower price (Parmentola 2017, 3).

The movement of IKEA to Asia was encouraged by the success the company achieved in foreign markets such as the United States. The Middle East economy has grown over the years due to high industrial growth as well as a rising number of middle-class societies. This growth has attracted companies such as IKEA to the region. In this area, the company is more focused on adapting to the culture rather than prices. In China, IKEA has narrowed the consumer group to young adults and families from the age of 25 to 35 years, which accounts for up to 30 million people (Randheer & Al-Aali 2015, 4). Even though the average Chinese consumer buys less than the average IKEA consumer, the consumer visits more often compared to other markets. To effectively utilize the advantage, IKEA in China especially Shanghai is rearranged close to seven times annually to display new products or to reflect different holidays

and promotions. Gu & Han (2016, 10) characterize the consumer group as being impulsive, natural to influence, very social, and committed to foreign consumer brands.

In recent years, the shopping experience has been a factor that many retailers are considering. With the rise of e-commerce, many brick and mortar shops are keen on providing a shopping experience that makes have a good interaction with the goods, the staff and the environment (Papadopoulos & Heslop, 2014). IKEA traditionally places itself in out of town locations, locations that offer the customer an unforgettable experience. The out of town stores allows IKEA to keep its Architecture, design and use of internal space. Through this, the firm has managed to maintain its trademark store that befits its culture and arrangement of products (Sinclair & Wilken 2009). Therefore, IKEA stores are similar in almost all countries. The stores are bold, and an exciting place to shop as they have restaurants and children playing parks at the entrance. Thus, the shopping experience in an IKEA store is a leisure activity that lifts burdens off the customer. In addition to the fact that IKEA offers home appliances and furniture that require proper decision making, the location of the store suits a typical IKEA target customer (Nataraja et al. 2015, 5). For example, in the UK, the target customer is a middle-class mother; thus, the mother can enter the shop, leave her child at day-care, shop around with ease and collect the child and go even without buying anything (Maerkle, & Abbasi, 2017, 32). This experience is only attainable at out of town facilities. The positioning and location of IKEA stores is an element that makes it different and is a tool that builds customer loyalty.

Marketing research does not seem to change despite the efforts keyed in by researchers on device new ways of reaching potential clients. There are so many fascinations and with innovation that has come along the run, but still, it only leads back to the old ways (Liu, Perry, Moore, & Warnaby 2006, 358). For instance, IKEA uses a chatbot to engage potential clients online. The only disadvantage that comes with the chatbot is that it cannot adequately handle clients as a human would (Liu et al. 2006, 358). The chatbot is advantageous in many ways. In that, it gains insight and converses with clients. It is also easier to use as it does not work as the olden survey strategy did. It contains a variety of questions, styles, and types and still engaging in conversations.

Additionally, the chatbot, depending on the language used, can collect as much information as possible in one session. Additionally, researchers have come to terms that social media marketing is as worthwhile as any other and have taken it seriously (Haron 2016, 7). Even though clients do not so many welcome surveys, research knows well enough that they enjoy having conversations, and as such, they have devised ways to do surveys through engaging consumers in conversations.

### 2.3 Changing Consumer Markets

As Spelman (2013, 12) puts it, the consumer market is rapidly changing in a directly proportional way in which populations and technology are growing and evolving, respectively. Spelman (2013, 12) uses a projection from stock markets to suggest that companies should develop fast in order to meet the future demand that shall have probably changed. According to an analysis done by Accenture plc (Spelman 2013, 14), non-financial firms within the S&P Global 1200, solely, should be able to acquire five trillion US dollars annually in order to remain intact with the predicted growth target. Until recently, no one has been able to figure out how that kind of growth can be realized by businesses of this generation. No business can now ride the wave of the whole or even having the market increase stalled. On the other hand, it is observable from existing evidence that the consumer market could grow tremendously in the near future (Spelman 2013, 11).

Possible consumer change can be foretold from the recently published global survey, where statistics show that nearly 73% of consumer admits using technology, and most notably, the internet in making purchases online (Spelman 2013, 13). Consumers also confirmed that many of them are connected and have at one point or the other considered and switched dealers and shopped elsewhere. Spelman (2013, 14) states that social media use affects the consumption pattern significantly as well as their loyalty patterns; hence, new commercial communities are born, which leads to recreation of the purchase process. Slightly more than fifty percent of consumers worldwide admit being influenced by the environmental impact of commodities or industrialists before making any purchases (Szmigin & Piacentini 2018, 6). The same parentage only rises to less than two thirds when emerging markets are surveyed (Spelman 2013). Szmigin & Piacentini (2018, 6) suggest that firms do not have the ability, as of now, to determine who buys their commodity, where, and how. It is clear enough that they have failed to attract the upcoming markets and have let them roam free and find them or those of their choice in particular. Firms should focus extensively on addressing the 'how' as well as the 'why' question in order to get things back in line (Szmigin & Piacentini 2018, 6). The often networked client is the potential answer to 'how' and the free and autonomous customer and socially diligent is the potential answer to 'why.'

### 2.3.1 IKEA Challenges and Change of Position in China

Before joining the Chinese Market, IKEA had one way of operation but was later forced to change its ways in order to survive the market have a prolonged business relationship with the natives. The revenue of the firm tremendously increased when it decided to open more branches in Shanghai and Beijing (Guinta 2016, 83). A good example is back in 2004 when its returns increased by forty percent as compared to the previous year; its first stores were not that profitable. Conversely, the firm still experienced tough moments that made it doubt the possibility of its continuity in the region. One of the top issues was pricing (Wei & Zou, 2007, 4). Prices regarded as affordable in America and Europe were exceedingly expensive to an average Chinese. On the contrary, price tags for Chinese made furniture were below IKEA's solely because cheap labor was all over as well as raw materials, and so were the nil charges to their design costs (Wei & Zou 2007, 5). The situation made IKEA directors feel like entering the Chinese market was of poor thinking in terms of pricing, but still, they had to find a way out.

To IKEA's advantage, the furniture considered of low pricing in China was astonishingly higher to a Chinese middle-class (Liu, Perry, Moore, & Warnaby, 2006, 5). That sounded like a breakthrough to IKEA since its vision since the first day of service was to deliver high-quality products at affordable prices. Unfortunately, IKEA's costs were still not low to middle-class Chinese, which was the firm's only targeted audience (Wei & Zou 2007, 7). The purchasing power of Chinese natives was considerably lower than the counterpart in Europe and other countries where IKEA existed previously. Many Chinese customers were often turned down by the prices even though a significant number of clients from China, especially the younger generation, admired the company's commodities (Guinta 2016, 23). On the contrary, the prices were not within the consumption pattern of Chinese upper classes that could purchase foreign staff for a status show but not for use domestically.

In such an area, foreign businesses were perceived as aspirational brands. In that manner, low pricing was an all-day policy; IKEA pricing and positioning were inappropriate and invaluable to its prospects. Besides, the Chinese culture visualized IKEA's concept as alien to its social and traditional norms. Unimaginably, there exists a Chinese saying that goes "*Hǎo huò bù piányí piányí méi hǎo huò*" which meant that lowly priced items are of low quality and highly-priced commodities are of good quality (Guinta 2016, 25). It is presumably possible that it could have been the reason as the old Chinese natives despised IKEA's product and resisted strongly. On realizing that, the firm centralized its focus only on the young middle-class Chinese natives. These kinds of individuals are considered learned, exposed, and of higher earnings as well conversant with the different styles, most notably, from the west (Guinta 2016,

26). Targeting this group supported IKEA in branding itself as a brand from the western part of the globe. The shift in target positively impacted the company as it continued to target the rest of the world massively. Nevertheless, its entry into the Chinese market came at a cost.

Since the year 1999, IKEA has been making efforts to remain eco-friendly, and as such, it has always sold plastic bags at a price, requested for green products from dealers, and has always actively used renewable energy in its bases (Liu et al. 2016, 9). Tactlessly, China never seemed to respond positively to such efforts. Cost-conscious Chinese buyers were often irate when asking for extra pay for carrier bags when they had failed to carry their own to the store (Liu et al. 2016, 9). Additionally, technology in China did not favor supplying plastic bags that matched the quality of IKEA. As such, IKEA had no other option but to keep operating at low costs in order to remain relevant in the market. The firm also learned that growing economies are not suitable for all kinds of business. Guinta (2016) points out that high pressures from rivals, together with high import tariffs, made it harder for IKEA to minimize its costs significantly. As a result, the company collected fewer profits during the first year of service in China (Guinta 2016, 11).

For IKEA to continue operating in China, it had to lower its costs. Miller (2004, 5) reports in a Chinese business review that IKEA sales elevated to 35% after reducing its costs by 10%. The sales grew up to 50% within the first four months of the subsequent year, 2004 (Miller 2004, 5). IKEA, after that, made sure that it built a couple of factories in China in order to maximize the domestic sourcing of resources (Wei & Zou 2007). As of now, about 30% of IKEA's range emanates from China, and approximately 65% of materials are locally sourced (Wei & Zou 2007). The cost of production was tremendously reduced by this strategy and helped in solving the problem of unaffordable import taxes.

TABLE 1. Different Types of Cross-Cultural Risks and Mitigation Strategies (Maruping, Venkatesh, Thong & Zhang 2019, 14)

<b>Risk</b>	<b>Nature of the risk</b>	<b>Mitigation of risks</b>
<b>Cultural differences: the language barrier</b>	Clients had no idea of what the brand name meant and, as such, could not easily relate to it.	IKEA considered translating its brand name into Chinese that meant contented and family.



<b>Cultural differences: Concession patterns</b>	Prolonged negotiations, as well as creation of trust in china, are a well conserved notion.	IKEA studied the Chinese personalities and trained its managers on how to handle them and treat them in accordance with their cultural beliefs.
<b>Cultural differences: Decision making styles</b>	The Chinese workforce is not well motivated and is afraid of taking risks with the fear of losing looks.	IKEA made sure that all employees at its base in China got enough training and were well versed with IKEA culture prior to commencing work.
<b>Cultural differences: personality</b>	Cultural differences impact on personalities of the respective persons from any given cultural group.	<p>IKEA mentored its team before releasing them to China.</p> <p>Managers received full support from above on their first arrival and few months of stay in China.</p> <p>Chinese workforce was tutored and made familiar with the Company's policies and culture.</p>
<b>Cultural difference: Health Measures</b>	Introducing this in China proved troublesome but was globally applied by IKEA Company.	About three-quarters of specialists in forestry got tasked to the field since China processed wood from Russia.
<b>Cultural difference: Code of practice</b>	Changes in environmental, security, and health policies in China. Issues with translation, which meant much more information was lost.	In order to acquire a complete understanding of issues globally, one must become familiar with the local government officials to ease the process.
<b>Cultural difference: Moral practices</b>	Previous IKEA dealers stealing IKEA ideas and copies of its furniture in order to sell them online.	The company grew an ignorant back on that and asserted that they trusted their clients for their loyalty.

From the circumstances above, it is clear enough that consumer markets are changing with the changing times, technology, and massive growth in population globally (Solberg 2017, 12). This could be problematic if IKEA does not shift fast enough in order to find more clients and maintain the existing one.

### **2.3.2 Impacts of the Changing Markets on Management Practices at IKEA**

IKEA has been at the top of the untouchable, the globes go-to home supplying store that had things to offer to every individual. The year 2018, on the other hand, seemed different as compared to the previous at IKEA Company (Kwun 2018, 12). As Kwun (2018, 11) states, IKEA faced a downshift in profits of up to 40 between the years 2017 and 2018, and just recently, in 2018, the world's most prominent furniture firm was restructuring and firing about 7,500 staff members in the process. Additionally, in September 2018, its mediagenic head of design quit his job after making several attempts to rescuing the company from losing it is long embraced marketing strategies (Kwun 2018, 12). The year 2018 is, in many ways, one that has seen IKEA firm destabilizing losing its long-treasured dominance in the industry (Kwun 2018). This could supposedly be as a result of the changing consumer behaviour and markets. The company has always maintained its location and has not embraced technology as much as it should have. In a world where delivery is done to every doorstep and even as far as overseas, while orders are made online, IKEA remained comfortable in serving from small physical stores in the urban markets (Kwun 2018, 14). Notably, IKEA's online shopping is in dire need for improvements in order to have its standard within the digital platforms to compete with other top companies of its calibre

IKEA, in that regard, should aim at understanding and accounting for the consumer markets changes in the fast-changing consumer market. It should be able to at least remain at its already self-set level (Kwun 2018, 17). Additionally, IKEA has had problems with quality more than once, and the issues should have been well addressed in order to ensure that client trust is not lost. It is so unfortunate that the company has had mixed records with quality, and the issue repeatedly happened (Kwun 2018, 21). Those quality issues ought to have offered a better warning to the company itself as well as all others in the industry. In that manner, it is essential to note that usability and safety are standard, but not an objective. So it is vital that despite any strategy used in marketing, a firm should focus on making quality products first because the changing times and consumer behaviour might not favor deception.

### **3 METHODOLOGY**

The chapter focuses on the research design used in the thesis. The research approach is clearly defined with the methods of data collection, sample selection, inclusion criteria, and data analysis is comprehensively explored. The chapter provides a framework for the attainment of both primary and secondary data, how it was analyzed, and set precedence for a discussion of the findings.

#### **3.1 Research Approach Used In the Study**

The thesis used a quantitative approach which applied descriptive statistics in examining aspects of research questions. The quantitative approach was best suited for the research as it allowed market research which gathered information, investigated variables and provided a more in-depth understanding of marketing in international markets and the strategies MNEs use to meet the needs of geographically and culturally distinct consumer groups (Creswell & Creswell, 2017, 34). The main characteristic of quantitative market research is that it allowed comparisons of trends in the data to be easily found and understood (Creswell & Creswell, 2017). The standardized questions, quantitative market research are a more structured market research process and can, therefore, involve a more significant number of respondents to participate in the research.

The thesis described and explored how the changes in consumer markets may affect international corporations and how the shift in the expansion approaches used by IKEA affects critical business areas of marketing, management practices, and human resource (Jonsson & Foss, 2011, 12). It, moreover, examined how replication, together with other strategies like localization, transnational, and standardization blend in with different cultures and environments, thereby, citing how IKEA managed to enter into different markets successfully.

#### **3.2 Data Collection in Finland and China**

The thesis used both primary and secondary data to examine the markets and consumer groups. Data collected for the specific purpose of the thesis was attained through a questionnaire, while secondary data will be reached scholarly studies that examine the themes of the study. Primary data was collected through a questionnaire formulated to investigate the strategies used by IKEA in China, and the reactions consumers have on the strategies. The questionnaire provided in Appendix B allows the respondents to respond openly and effectively.

Questionnaires are an efficient method of collecting primary data, especially from large numbers of respondents. Large amounts of information can be collected from a large number of people in a short period and in a relatively cost-effective way. Furthermore, questionnaires can be carried out by the researcher with limited effect to its validity and reliability, and the results of the questionnaires can be quickly and easily quantified by either a researcher or through the use of a software package. The data collection tool is highly suitable when coupled with the correct consumer group, has an appropriate response format and is not time-consuming.

The questionnaires will be distributed through technological means, making it easier to reach out to a larger consumer group. Besides, secondary data will be obtained from marketing journals, company reports, and recent information on customer trends and the retail environment of IKEA. The data will also cover the strategies used in Finland and China by IKEA and the global performance of the company.

### **3.2.1 Questionnaires, Design, and Format**

The questionnaire had eight questions based on the consumer's reaction to the strategies IKEA uses locally and how IKEA approaches to appeal to the consumer. The questions also included the layout, products, and services of IKEA and how the consumer perceives the appropriateness of these areas. Furthermore, the survey also investigated whether the products IKEA offers fit in their local homes and how IKEA could configure or modify their products. The questioning also factored in the customer's experience with IKEA through a Likert scale. Other questions included the duration the consumer has used IKEA products, the medium through which they heard about IKEA or any new products, how IKEA met their cultural needs and alignments and the areas that IKEA needs to work on to meet their needs more.

### **3.2.2 Administration and Collection**

The data collected was classified as confidential, and no names were stated on the question paper. The general information collected was on gender and the name of the branch. The craft of the survey was illustrative and highly segmented.

### **3.2.3 Sample and Inclusion Criteria**

The validity and reliability of the data collected and quantified narrows down to the design and sample selected for the research. The sample, in quantitative research design, has to be relevant to the study, relate to the purpose of the research, and offer information on the aspects of the study. In this case, the inclusive criteria denoted that the respondents have to be in Finland and China, be regular customers of IKEA with more than three visits in the last one year, and have a good understanding of the activities of IKEA in the particular country and being in IKEA loyalty program is a desirable characteristic. The respondents have to be within IKEA consumer target group in the specific region.

The thesis collected samples of customers within China and Finland. In both countries, the thesis collaborated with local IKEA stores. Hence, it was possible to distribute 300 questionnaires in three stores in Finland, mainly in Tampere, Helsinki, and Raisio. In China, the 400 questionnaires were distributed to consumers in Nanjing, Beijing, Shanghai, and Shenzhen stores. The cooperation with IKEA was instrumental in this process as the questionnaires were sent via email randomly to consumers that met the inclusion criteria and were within the IKEA loyalty program.

The questionnaires were compiled after one week. The questionnaires were formulated to fit the culture and translated with the help of international students, and IKEA China. However, the questions were the same for both demographics. Instructions for electronically filling the questionnaires were conveyed to the respondents.

## **3.3 Data Analysis**

On quantitative analysis, the project used descriptive statistics to analyze the strategies used by companies in foreign markets (Creswell 2013, 12). Data analysis includes coding and evaluation of data using SPSS. Data coding will be facilitated by data coding sheets, which will then be evaluated and analyzed for inferences. The analysis focused on frequency distribution, cross-tabulations, measures of central tendencies, and measures of dispersion.

#### **4 FINDINGS**

The chapter presents the results and findings of the research. The primary findings of the research are presented through graphical representations and elaborated in the chapter.

## 4.1 Results and Findings

The research sent 400 questionnaires to IKEA China customers and 300 questionnaires to IKEA Finland customers. Within a week, the research had received 620 questionnaires, with 280 coming from Finland and 340 coming from IKEA China respondents. The questionnaires were aggregated per country, then classified by gender with Finland having a high number of female respondents who accounted for 130 out of 180 respondents out of 300 and China 230 out of 280 female participants. Both IKEA China and IKEA Finland have higher numbers of women compared to men.

## 4.2 Sample Distribution

TABLE 2. Population Distribution

Country	Male	Female	Average Age	Respondents	Total
China	120	220	25-35	340	400
Finland	110	170	23-36	280	300
Total	230	390	23-34	620	700

Table 2 provides a summary of the characteristics of the sample population. From the two countries, China and Finland, the average age is 23 to 34 years for the 620 questionnaires. Female respondents were more than male respondents indicating that IKEA has more female shoppers in both china and Finland. The response rate is higher in Finland compared to China even though China has more respondents.

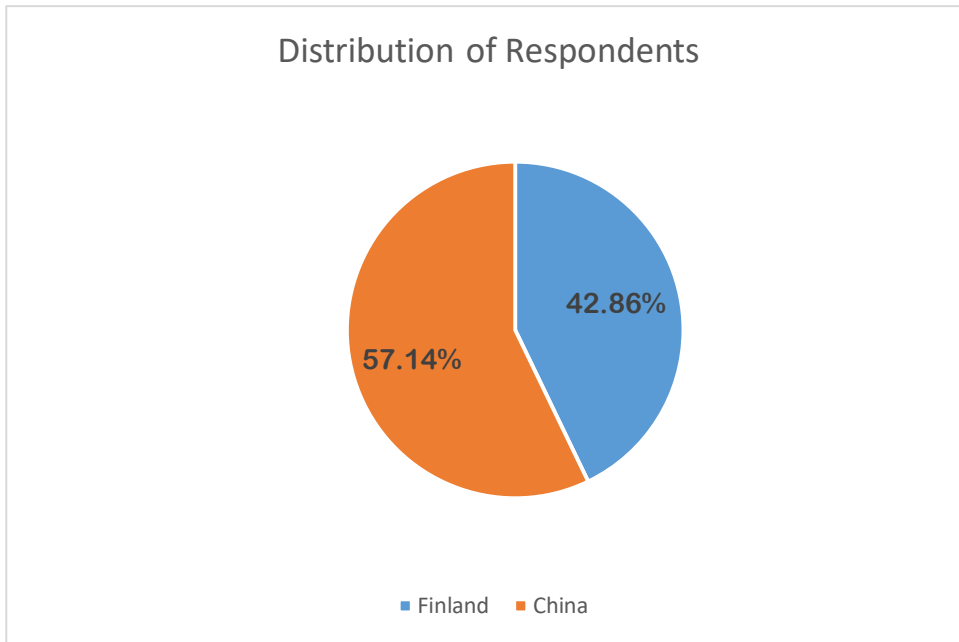


FIGURE 1. The geographical representation of the respondents.

More respondents come from China, which has a significantly higher number of consumers compared to Finland despite IKEA's greater brand awareness and reputation in Finland.

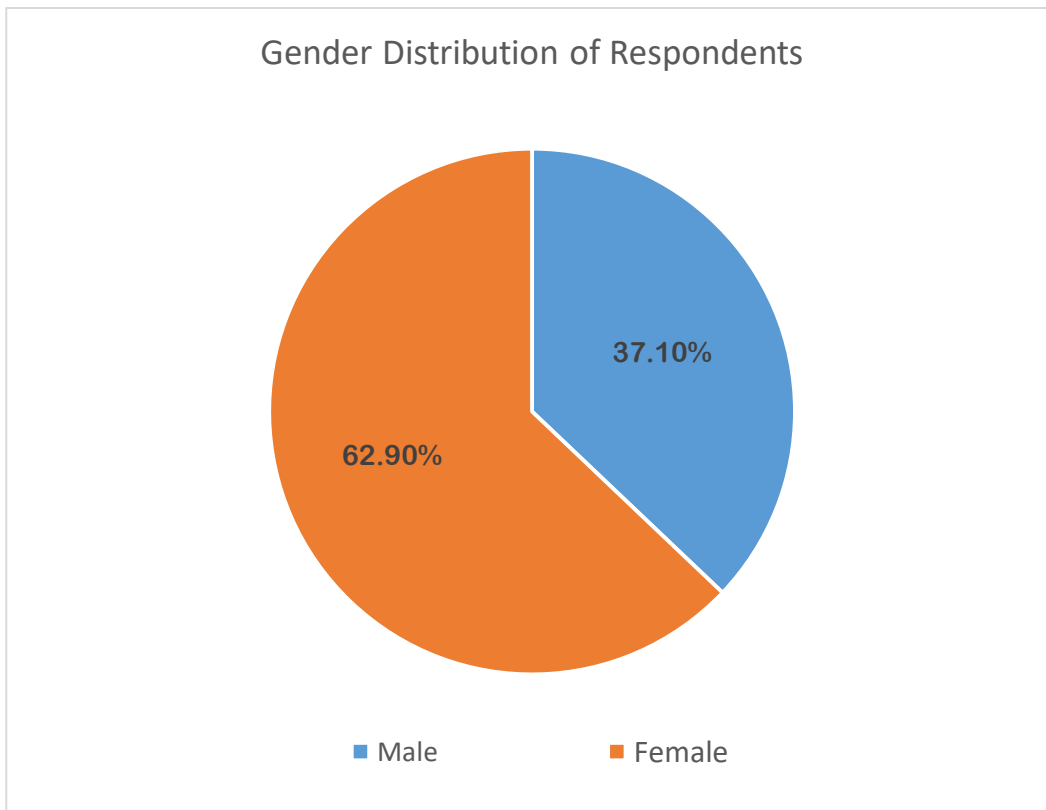


FIGURE 2. Gender Distribution of Participants



From figure 2, more than 60% of the respondents who participated in the research were women signaling that IKEA has more women consumers compared to men. This was the case in both China and Finland. The figure shows that in both countries, the number of women respondents is higher compared to men.

### 4.3 Consumer Feedback

In the research, 63% of the respondents from China noted that they had first seen an IKEA advert on contemporary forms of advertising such as social media as well as home furnishing magazines. In Finland, 53% of the respondents indicated that they know of new IKEA products from printed media, primarily home furnishing magazines. Of the Finnish respondents, 65% noted that the layout of the stores was efficient and productive.

In China, 55% of the respondents approved the layout of the stores as contemporary and ‘non-traditional.’ In China, 67% of the respondents found IKEA to be innovative, compared to 43% of Finnish respondents. The Chinese respondents highlighted the critical areas of innovation to be the products catalogue 56%, the design of the shop 24% and the product combinations 20% provided by IKEA. The Finnish respondents noted the comprehensive catalogue 40%, the competitive prices 25%, and the designs 20%. In China, the design of the stores was applauded for ease of access 32%, easy navigation 23% and added advantages such as child area 20% as a primary influence on their decisions.



FIGURE 3, China Approval on IKEA furniture Layout

As shown in figure 3, 55% found the customized furniture layouts used for lounges and bedroom set up to be culturally appropriate, making it easier for them to purchase from IKEA. As figure 3 shows that in Finland, IKEA's innovative designs were more approved by 66% compared to traditional products. Most of the Chinese respondents, 76% agreed that IKEA had made furniture that was contemporary but also culturally acceptable.



FIGURE 4. Finland approval of IKEA's furniture layout

The IKEA design of basic furniture such as chairs, tables, and beds stood out for 57% of the respondents. On the other hand, 36% iterated that the design of the furniture had a European influence and lacked Chinese integration, especially in accessories such as carpets and linen and square tables. Among the population, Men, 72% complained more about European influence, compared to women consumers. In Finland, 63% of Finnish consumers noted that IKEA incorporated new product designs that still had the Finnish imprint of culture

On the question of why consumers select IKEA products, compared to other local retailers, respondents in China noted the design of IKEA products and its contemporary approach (51%) to be most influential, followed by the full range of products (25%), and quality of products (12%).



FIGURE 4. IKEA'S Approval in Finland per aspect

In Finland, IKEA's competitive pricing (45%) stood out, followed by the innovative designs it offers as well as the ease of accessing products 25%. Figure 6 shows a more comprehensive graphical representations of the data. Finnish respondents were inclined to price (45%), while 51% % of the Chinese chose the design. However, the choices seemed to vary with gender with more women. In China, the approval rate of the design was 78% compared to 62% of men. On the other hand, more men approved quality (65%) compared to 45% of women.

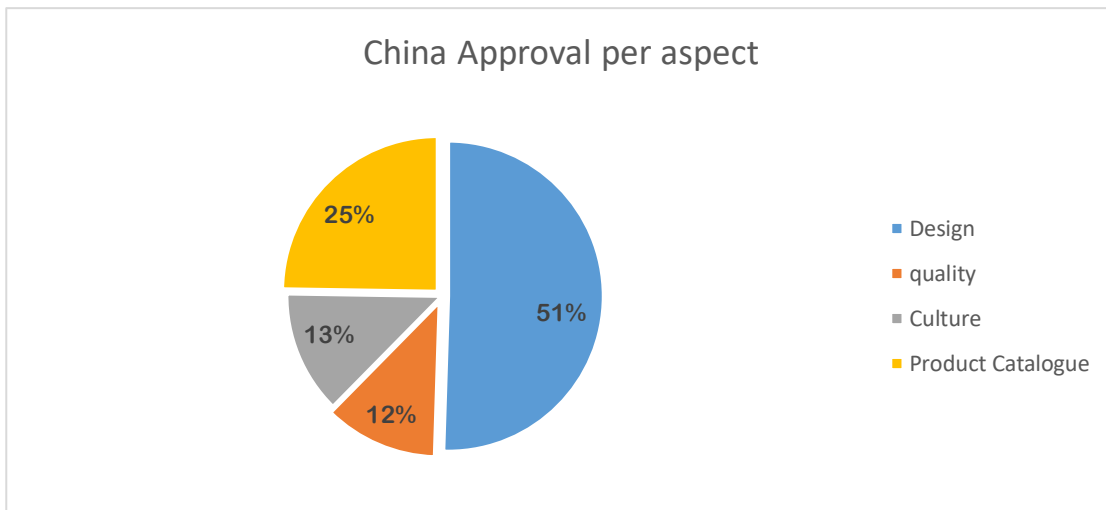


FIGURE 5. China Approval per aspect

In China, 45% of the respondents approved the services offered by IKEA, with 72% saying they were satisfied. More women found the services of IKEA satisfying in both countries compared to men. In Finland, the numbers were lower at 31%, with the satisfaction rates being lower at 53%. This corresponds to the thoughts on IKEA's respect for local values, where 71% of Chinese respondents agree that IKEA respects their values and culture compared to 51% of Finish respondents. Furthermore, only 34% of Finish respondents thought products offered at IKEA were different from local competitors as well as regional competitors, while 78% of Chinese respondents noted that these products were different from local competitor products.

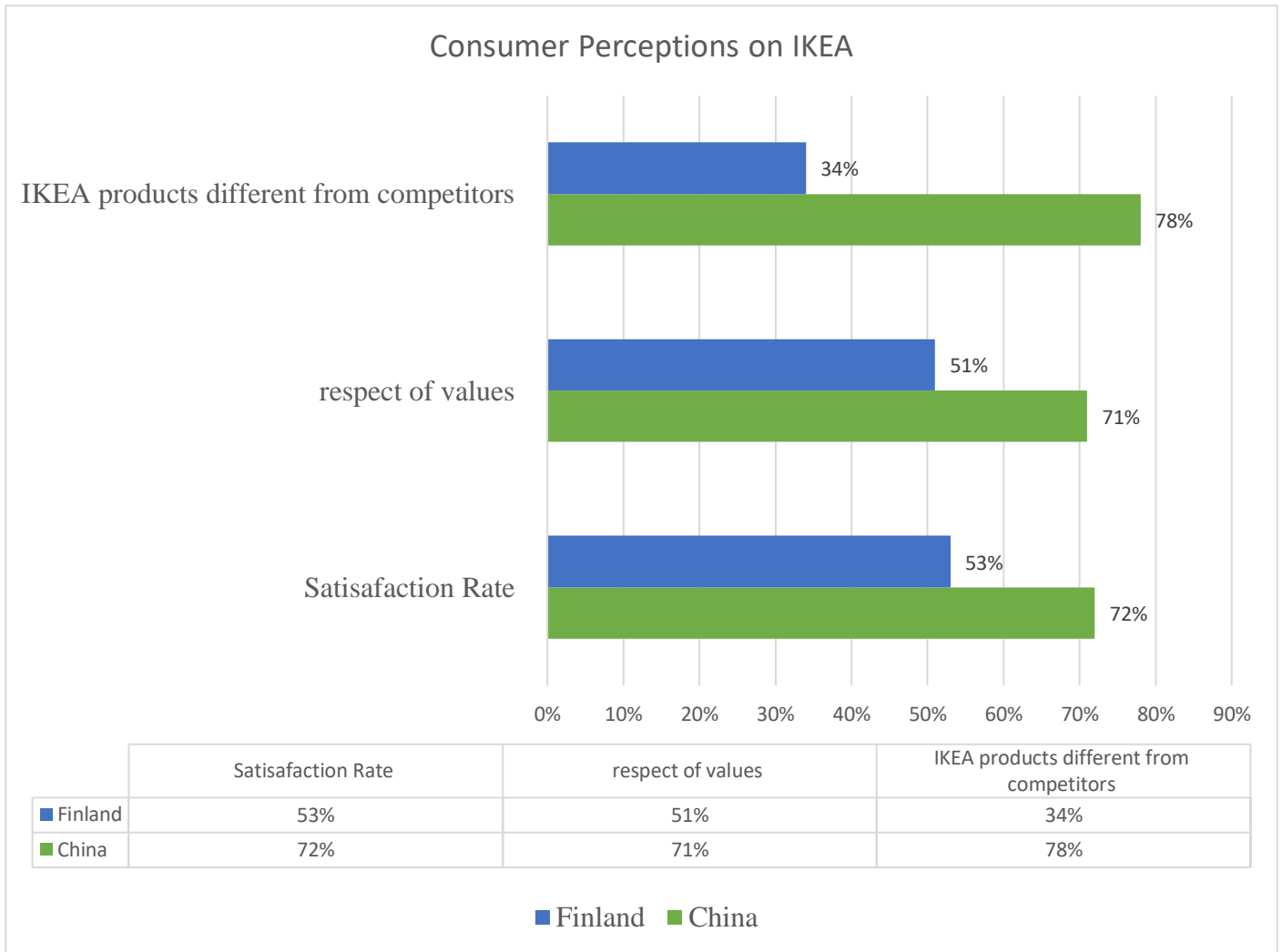
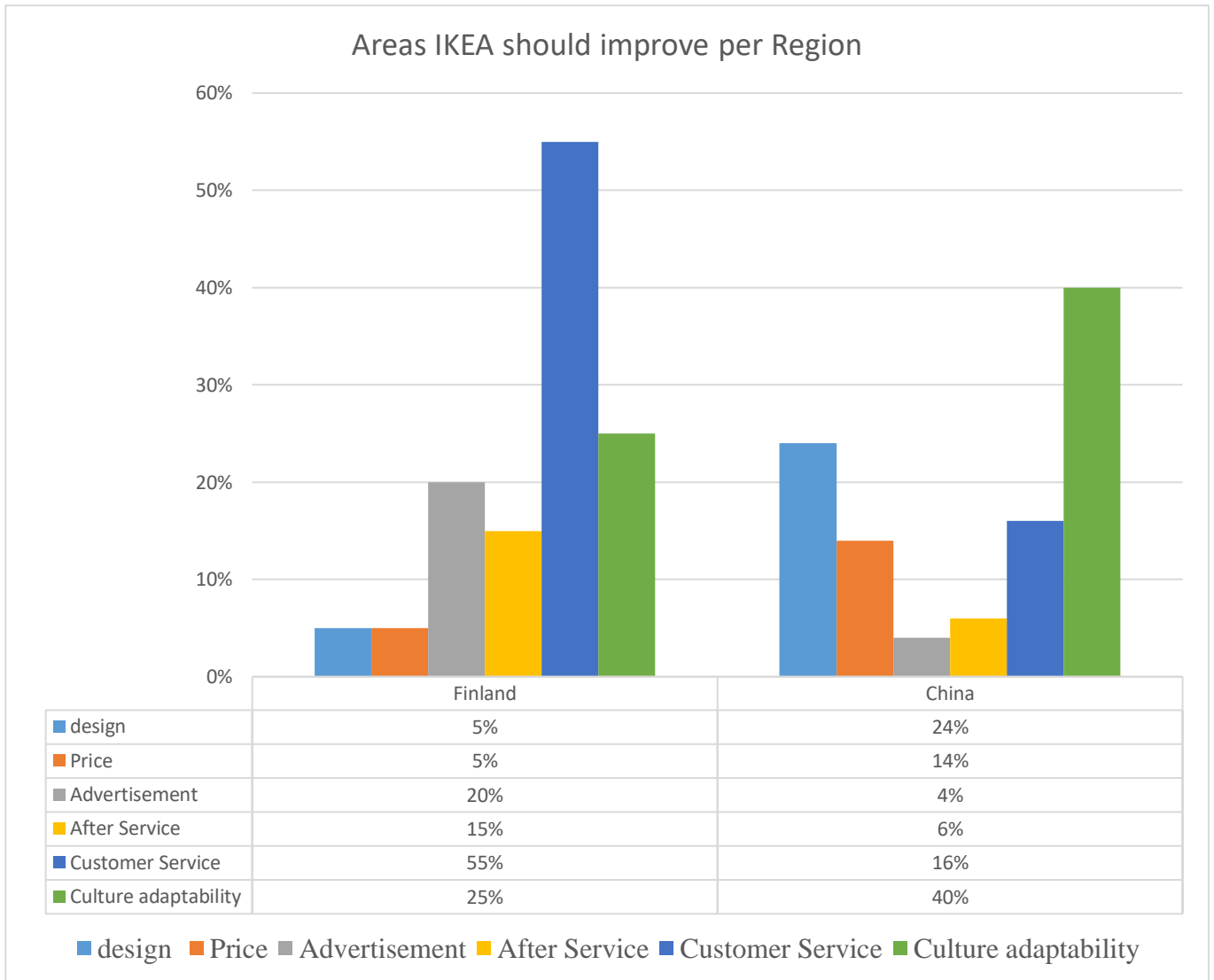


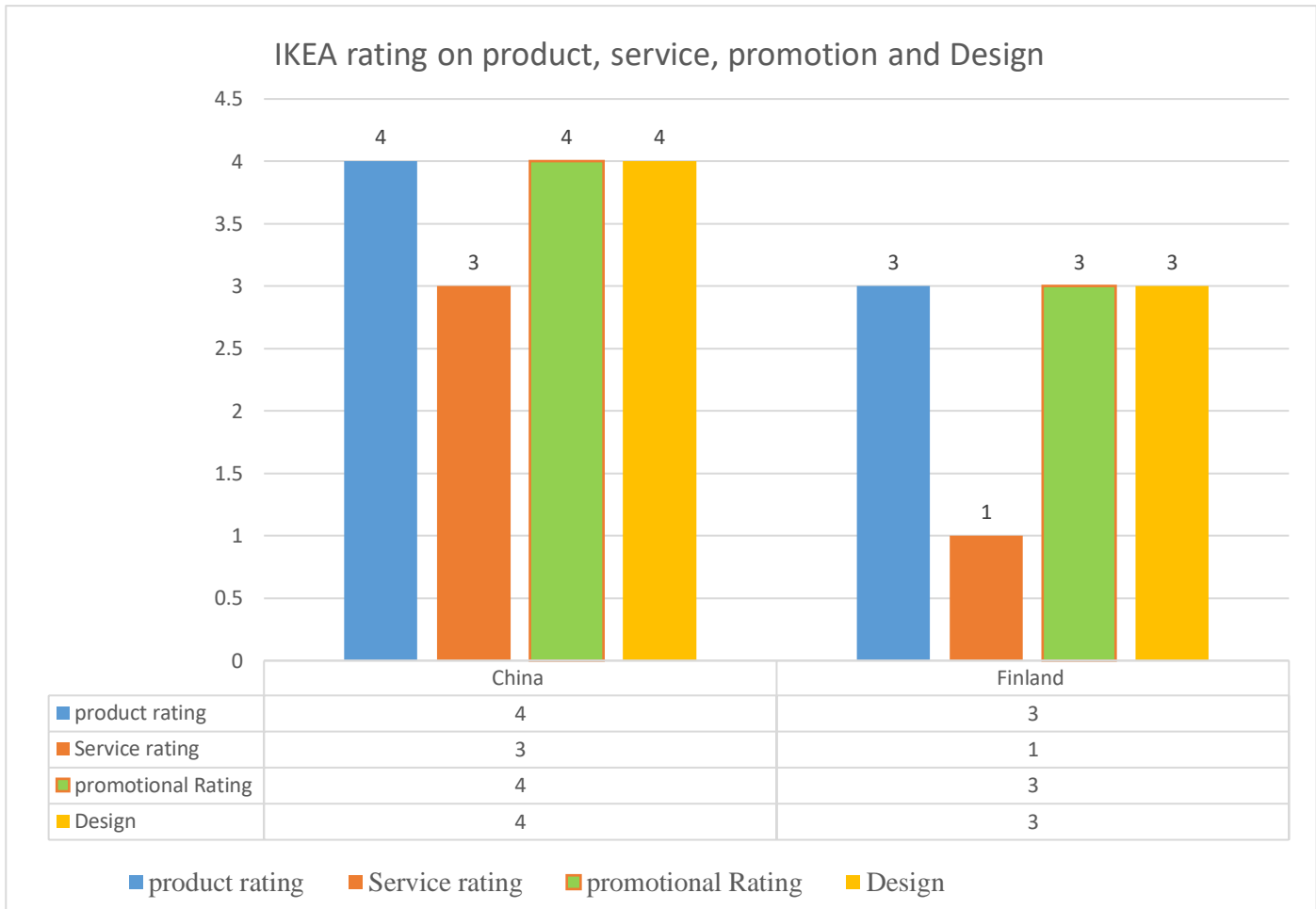
FIGURE 6. Consumer Perceptions on IKEA

In Finland, 55% of the respondents recommended that IKEA work on the customer service, 15% chose the after service, 20% their advertisement and 5% their price, 3% design, and 3% their product. In China 40% selected cultural integration as the areas to improve, 25% their design, 16% customer service, 15% advertisement and 6% after service, 5% product and 4% the price.



**FIGURE 7.** Areas IKEA should improve per region

On the products, the ratings were 3/5 in Finland and 4/5 in China, for service 1/5 in Finland and 3/5 in the Middle East, and on the extent of promotion, the ratings were 3/5 in Finland and 4/5 in China. IKEA China had higher ratings on design with 4/5 compared to IKEA Finland's 3/5.

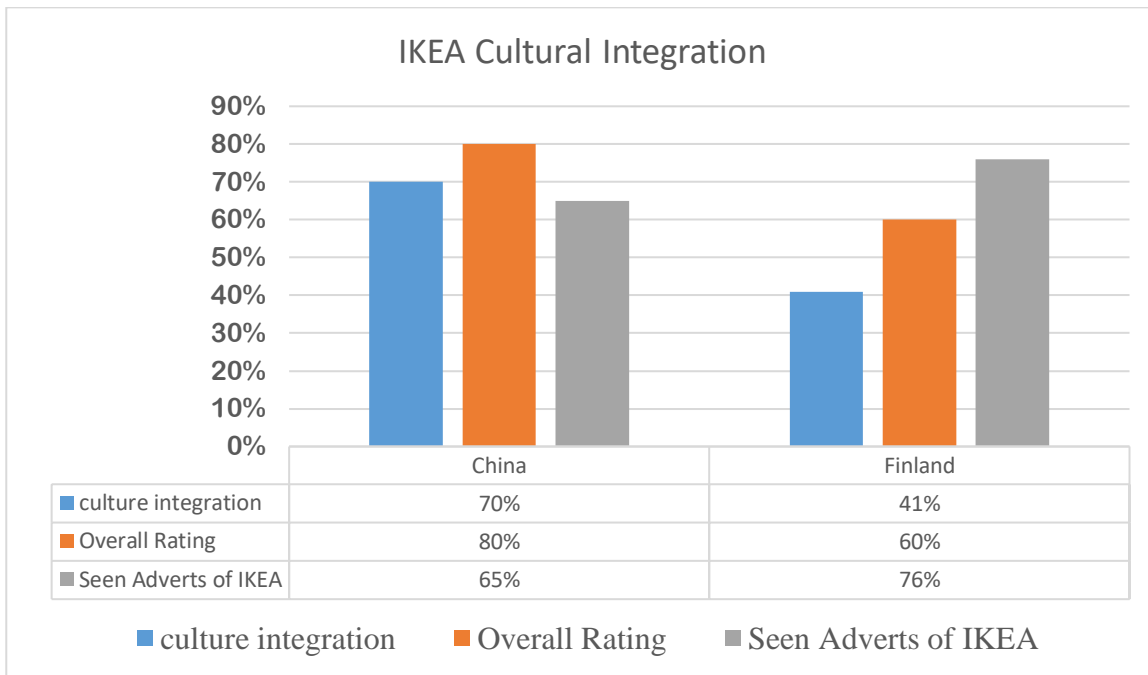


**FIGURE 8. IKEA rating on product, service, promotion and design**

Gender was a key variable on the rating of IKEA both in China and Finland. 74% of women gave IKEA a rating of over four as compared to 44% of men. The high rating among women can be attributed to the higher participation of women, cultural norms, and IKEA consumer targets. Amenities such as babysitting and the restaurants made it easier for women to engage more with IKEA.

In China, 61% of respondents thought that IKEA's integration to their culture through products, advertisements, product catalogues in their language, and product manuals in their languages made it easier for them to select the brand. Even though IKEA was perceived to be a foreign retailer, this was a competitive edge as more consumers were inclined to different designs and concepts. 61% of respondents thought IKEA had managed to integrate with their culture by using contemporary designs that value their culture.

The Chinese consumers, however, underlined the need for innovative Chinese approaches coupled with European styles. The overall rating of IKEA in China was 4/5, while the score in Finland was 3/5.



**FIGURE 9. IKEA Cultural Integration**

The findings provide a comprehensive understanding into the approaches IKEA applies in China and Finland and how the two markets differ. The findings highlight that more respondents from Finland approve the layout used by IKEA in stores compared to Chinese respondents. While service is a major factor in Finland, more Chinese respondents prefer design as one of the stand out features of IKEA. The findings on preferences and main considerations indicates that the two markets lean towards different areas necessitating different marketing approaches. Besides, the findings underline how IKEA focuses on design more in China, compared to Finland.



## 5 CONCLUSION AND DISCUSSION

This chapter provides an in-depth illustration of the findings of the study. It examines the findings and provides an extensive discussion on the inferences made from the study. As per the results, it is evident that the marketing strategies employed by IKEA, as well as many other MNCs in foreign markets, might be affected by the changing consumer markets. The relevance amid the information collected and the suggested theories is indisputable.

The thesis analyzed the approaches MNCs use in international markets and how the aspects of the consumer markets influence the strategies. Using quantitative approaches, the thesis collected and analysed research findings on the consumers' perspectives and feedback on the strategies used by IKEA. The thesis aimed at providing an in-depth understanding of how the international expansion strategies are designed and modified to suit diverse markets and changing consumer markets. Secondly, the master's thesis is aimed at providing an analysis of the effects that the changing consumer markets have on the marketing strategies used by IKEA. The thesis delves into designing a research problem that answers how the changes in consumer markets may affect international corporations.

The findings of the research elaborate that contemporary marketing strategies are productively applicable to foreign markets. A good example is in the findings quantified in percentages from China and Finland that show a higher number of consumers in China compared to Finland, at 63% and 53%, respectively. Hence pursuing different markets can help increase the market reach of a company. Furthermore, MNCs can, therefore, find it insightful to employ different mechanisms when pursuing foreign markets. As previously discussed in chapter 2 of the study, MNCs, for instance, IKEA, when using localization as a marketing strategy, consider employing the most commonly used forms of communication media in fetching their potential prospects, conducting market surveys and in promotion (IKEA's Globalization Strategies and its Foray in China 2016, 2). The company adds that it has to continually analyze the local market in order to attain success in the market effectively.

Still on localization, following the findings, it is evident that a majority of Chinese respondents tend to appreciate culturally appropriate layouts of the contemporary furniture IKEA offers. 55% noted that the layouts were culturally appropriate. IKEA, in that regard, is making efforts to fill the gap to maximize its sales. On design, the cultural appreciation of IKEA's product in China is high as most respondents

acknowledged that the products were acceptable. IKEA in China is, therefore, advantaged since its product is well accepted in the market, and the consumer groups appreciate the efforts the MNC has made with its products.

Additionally, it is undeniably clear that IKEA has achieved a significant objective is satisfying 76% of respondents who approve that its contemporary products are culturally acceptable. In contrast to this, in the Finnish market the majority of 66% of the respondents prefer contemporary furniture as opposed to traditional products. The findings coincide with Burt and Thelander (2011, 4), who conclude that standardization should be accompanied with cultural sensitivity in order for a company to attain profitability in an international market.

IKEA, nonetheless, is expected to revise its layout design on basic furniture such as chairs, in China. This is since many Chinese respondents (36%) believe that the designs have a European background and taste. This belief can negatively impact the IKEA localization strategy of marketing in China, which would be a tremendous drawback to its excellence in the market. IKEA, just like any other MNC, should make localization a priority and practice with the utmost keenness and with maximum local involvement. As underlined in IKEA's Globalization Strategies and its Foray in China (2016, 2), IKEA China has to engage local designers to improve innovation, cultural integration, and consumer preferences. The Finnish markets on the same note, with a percentage of 63%, appreciate the introduction of fresh products with a touch of culture in them, which places IKEA in a strategic position for prosperity. However, a significant proportion of the Finnish respondents did not respond positively to the designs and product catalogs of IKEA. Evaluating the current consumer attitudes towards IKEA products and designs as well as the changes of consumer markets within the Finnish market, will assist IKEA in repositioning itself within the market.

The findings further indicate the better performance in innovation, promotion as well as a range of products in comparison with the local firms. For instance, in China, for IKEA to improve its market share, it has to continue enhancing and improving its product catalog, improve on quality as well as promote its products extensively. With the changing markets and customer choice that is also primarily affected by the recent emergence of customer research, MNC's success in international markets depends on whether the company has revised and up to date market strategies. An analysis of IKEA China showed that it changes the layout of stores quarterly due to the regular visits by consumers (Cosmo, & Yang 2017, 4). By creating strategies backed by consumer data on visits, IKEA can maximize its market share.

Also, the company has to pay much more attention to gender preferences within its consumer groups. The data shows that 62% of the respondents were women, and in both the Finnish and Chinese market, more women took part in the study compared to men. In the Chinese market, 78% of women approved the designs of IKEA, while only 62% of men supported the designs. Finland, on the contrary, had more men approving of quality as compared to women with the respective percentage of 65% and 45%. As highlighted by Qu (2012, 129), it is imperative to analyze the customer preferences of each consumer group and classify the needs of the demography. This will help the MNCs meet the demands and needs of the consumers and maintain a competitive edge.

The most critical part of IKEA is its cost-leadership strategy. Here, as earlier mentioned in chapter 2, the organization majors in trading high-quality products at prices lower than other firms of its kind. Findings of this study, on the other hand, show that respondents from Finland and China advised that IKEA should work on their prices at respective percentages of 5% and 4%. This point weighs heavily on IKEA since it is its key strategy to win in international markets. Should the company fail to attend to the matter, its competitors, in this case, the locals will gain much more relevance in the market and will have IKEA displaced. It is imperative noting that quality and price go hand in hand, and so the firm has to give its best. This should be done with the consideration that IKEA's primary audience in the market is the younger generation who are into trendy goods and styles, as highlighted in the second chapter. This audience can be easily swayed away and out of IKEA's reach as they tend to change minds without much thought.

Other critical areas of focus and improvement for IKEA would be the after service. As confirmed by 15% of Chinese respondents, IKEA tends to lag in one way or the other as compared to its rivals in terms of after-sale services. An excellent example of after-sale services would include transportation as well as packaging. If locals who provide the goods of similar quality at affordable rates have better after-sale services as compared to IKEA, its development in the industry is threatened. The company must, therefore, set its bar higher than its competitors to win.

In addition to the buyer, as mentioned above, the catalog is an advertisement. The results show that IKEA is not doing badly on advertisement though it has to relook into the approaches it applies to the same. As suggested by 20% and 15% of respondents from China and Finland, respectively, the organization has to put more effort into ensuring that they are well advertised across the foreign market for its significance in the industry to last longer. Since a more significant portion of the audience consists of the young and trendy, the company should embrace the use of social media in marketing. Taking the

diversity of the media into concern, MNCs, most specifically, IKEA, should delve into finding ideal platforms suitable for their advertisement. As per the results of the study in Finland and China, print media and social media were successful in reaching out to a considerable count number of respondents respectively.

The data in China indicated that consumers appreciate layout designs that combine Chinese approaches with European approaches. These inferences indicated a shift in consumer group preferences. IKEA's strategies of incorporating local designers and material enable it to explore and utilize the changes in the market. Further, approaches such as regularly changing store layouts indicate a clear understanding of the market and its preferences. Conducting such market analysis facilitates a company's investment into any foreign markets and ensures the company remains competitive. Hence, MNCs have to design products as well as promotional material in the locals' languages for them to find it easy to choose a brand just as in the Chinese market.

IKEA, through localization, standardization, cost-leadership approach, among many other strategies, has managed to maintain its relevance in China. However, as discussed above, MNCs have to utilize a combination of different strategies and techniques in order to be better and thrive in different regions. The firm, as well as many other MNCs, should be willing to change their marketing strategies in line with the changes in consumer groups and preferences. They have to pay attention to technology and the growth of the internet, which is bringing forth changes to the markets. Today, clients purchase online and expect deliveries of quality products. Shops are well developed for displays that keep prospects intrigued and attracted to them simultaneously. Firms, therefore, might incur much more costs in meeting such standards and demands. As more firms venture into international markets, there is a need for effective use of expansion strategies in line with changes in consumer markets. The findings indicated that MNCs can attain success in international markets if they apply appropriate strategies and frameworks suitable for the market. However, the strategies have to be accompanied by regular market analysis to inform the strategies used by the MNC in the market on changes within the consumer markets.

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**APPENDIX A**

## Questionnaire

The questionnaire focuses on your experiences and interactions with IKEA. Thank you for participating.

**1. General Information (Mark One)****i. Age**

- A. [15-19]
- B. [20-23]
- C. [24-28]
- D. [29-38]
- E. [39-49]
- F. [ over 50]

**ii. Gender (Mark One)**

- A. Male
- B. Female
- C. Other

**2. For how long have you been shopping at IKEA?**

- A. Less than 2 years
- B. 3-5 years
- C. 6-9 years
- D. 10 years or over

**3. Where did you first see the IKEA advertisement in your country? (can mark more than one choice)**

- Never seen
- TV and other media sources (radio)
- Billboard, magazine, newspaper
- Social media platform

**4. What makes the products of IKEA different from other retailers? (can mark more than one choice)**

- Service

Culture

Price

Design

**5. Does the products of IKEA fit into your local home?**

A. Yes

B. No

**6. The company works hard to achieve customer satisfaction. Do you think it has managed to keep customers satisfied?**

A. Yes

B. No

7. Does IKEA respect local values? Yes  No  Do not know

**8. Are the products offered by IKEA different from local competitors?**

A. Yes

B. No

**9. What area do you think IKEA should improve?**

Product

Culture adaptability

Design

Price

Advertisement

Customer service

After service

**10. Please give IKEA a product rating. (mark you desired rating)**

1, 2, 3, 4, 5 (1-poor, 2- acceptable, 3-moderate, 4- good, 5- very good)

**11. Please give IKEA a service rating. (mark you desired rating)**

1, 2, 3, 4, 5 (1-poor, 2- acceptable, 3-moderate, 4- good, 5- very good)

**12. Please give IKEA a promotional rating. (mark you desired rating)**

1, 2, 3, 4, 5 (1-poor, 2- acceptable, 3-moderate, 4- good, 5- very good)

Commentary box for additional comments (optional)