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# **MARKETING ACROSS CULTURES:**

## **A case study of IKEA Shanghai**

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## **Abstract**

The past century saw rapid growth of multinational companies around the globe. Along with the tide of globalization, these companies are compelled to deal with customers cultivated in different cultures. China, boasting a remarkable economic growth in the past two decades, stands out under the spotlight of international business. Being amazed by the huge business potential posed by a population of 1.3 billion, many multinational companies have joined the competition to attract Chinese customers. There have been losers and winners. IKEA is now on the right track.

IKEA entered the Chinese market in 1998 by first opening a shop in Shanghai, the financial centre of the country and are now ready to expand further. The thesis presents a case study of IKEA Shanghai's marketing performances from a cultural perspective, following the model of the marketing mix (the 4Ps). The findings convey an important message in terms of international marketing—the company must think globally and act locally in hope of building long-term customer relationships and capturing customer value. In marketing decisions, culture does not hold an ultimate status but still calls for due attention as much as other factors, such as the marketing environment and the company's strategic plan.

Key words: IKEA, marketing strategy, culture, cultural studies

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## **Foreword**

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## **1. Introduction**

China's reform and opening-up policy since 1978 has brought profound changes of the country's economic landscape. Boasting an average Gross Domestic Product (GDP) growth rate of 9.4% per year in the past 26 years, China's annual per capital GDP growth rate has still reached 8.1% even with a large population of 1.3 billion (China Development Research Foundation and UNDP 2005). In addition, after 15 years of negotiations, China's entry into the World Trade Organization (WTO) was officially approved on 11<sup>th</sup> November 2001. China has committed to further integrate into the world's multilateral trading system by opening up its wide market. Hence, multinational corporations suddenly found themselves standing at the doorstep to a new arena—the Chinese market. Due to globalization, some Western companies tended to assume Asian consumers have similar tastes and preferences, but reality might have shown a different picture. The world might have become a “global village” but the impacts of various languages and cultures should always be taken into consideration, especially when multinational companies design their marketing strategies for different markets.

### **1.1 Research question and aim of the research**

Usunier (2000) points out that in today's increasingly interdependent world, barriers to trade and international exchanges are constantly diminishing. However, the dimension of culture remains the single most enduring feature that is necessary to be integrated in marketing strategies and in their implementation, especially when they focus on international markets. Inspired by the above notion, this thesis presents a case study of IKEA Shanghai in China with reference to IKEA Malmö in Sweden, examining how IKEA conducts its marketing strategies to appeal to customers cultivated in a different culture from the country of its origin and how the company combines its global marketing strategy with local culture-based marketing activities.

Originating from a small village in the south of Sweden in 1943, IKEA has grown into the biggest furniture retailer with 253 stores in 37 countries and territories around world. The company's attempts in the Chinese market started from Shanghai

in 1998, when its first store in Mainland China was opened. During the next 9 years, IKEA took its time, getting to know the Chinese customers. A series of prudent experiments have been proven effective. IKEA's sales in China increased 500% from 2000 to 2005. At the same time, price has also been paid for a lesson on how to balance global marketing strategies and local marketing activities. Ian Duffy, IKEA's CEO of Asia-Pacific region, admits in an interview that IKEA has made little profit since entering the Chinese market (Song 2005 translated by the author). Therefore, for multinational companies like IKEA, who want to proceed in different markets with distinctive cultural characteristics, the research on IKEA Shanghai's marketing performance provides useful information on how to think globally and act locally.

## **1.2 Structure of the thesis**

In order to demonstrate the central topic, how IKEA integrates its global marketing strategies with its local marketing activities taking culture differences into consideration when designing marketing strategies for the Chinese market, the thesis proceeds as follows. Part 1, Introduction, raises the research question and proposes the importance of the research to multinational companies as whole. It also introduces the thesis structure and summarizes previous research on similar topics. The second part discusses the research's methodological points of departure—a case study. The whole process involves the interaction of qualitative and quantitative approaches as well as hermeneutics to interpret and analyze the collected data. Part 3 accounts for the key theoretical concepts applied in the research. Theories concerning marketing and marketing process are illustrated with IKEA's global marketing concepts, followed by the development of the culture concept and discussion of the Chinese culture. The interdisciplinary feature of cultural studies enables the author to examine marketing strategies from a cultural perspective, providing a theoretical support for further arguments in the case of IKEA Shanghai. Part 4 begins with the story of the IKEA saga as a cultural background introduction of the Swedish home-styling company, especially its earlier experiences of struggling in the USA and Japan. It then moves on to the case study of IKEA Shanghai. The model of the marketing mix, i.e. the 4Ps—product, price, place and promotion, is followed to discuss the cultural concerns shown in the company's marketing activities. The research shows culture's

influences on the implementation of marketing strategies in China in the times of globalization. Last but not least, the conclusion accounts for the whole research on IKEA Shanghai's marketing performances and culture's impacts on international marketing. Multinational companies should try to balance their global strategies and local tactics in order to build long-term customer relationships and capture customer value when dealing with customers cultivated in different cultures.

### **1.3 Previous research**

IKEA has been deemed as a legend in the contemporary history of business. Therefore, there has been a lot of research on IKEA from various perspectives. Some of them show great interest in IKEA's founder, Ingvar Kamprad, although half-retired but still the soul leader of the corporation (*Business Strategy Review* 2004, Daniels 2004). Others recall the history of IKEA's success, arguing IKEA's unique business idea and corporate culture lead the company through its ups and downs (Kippenberger 1997, Edvardsson and Edquist 2002, Barthelemy 2006). A few articles discuss IKEA's performances in a specific country but usually an established market like a European country or the USA (*The Economist* 1994, Howell 2006, *Marketing Week* 2007). China is a relatively young market for IKEA but it is attracting more and more attention from scholars and consumers alike (Moller 2006). There has been study on IKEA China in general but not really focusing on culture's influences on marketing strategies (Miller 2004). Hence, hopefully, this thesis can initiate discussions on how multinational companies like IKEA should deal with cultural variations when designing marketing strategies for different markets. It starts with the author's methodological concerns and choices of theoretical concepts follow.

## **2. Methods and Selection**

By definition, methodology means a set of methods and principles used to perform a particular activity (Oxford Advanced Learner's Dictionary 2005). In social science, methodology is deemed as a set of theories and tools adopted to approach the reality in a scientific way. According to Yin (2003), the case study is one of the several ways of doing social science research, which includes experiments, surveys, histories, and

the analysis of archival information. Each of them has particular advantages and disadvantages. The case study is the preferred strategy when a “how” or “why” question is being asked about a contemporary sets of events, over which the investigator has little or no control. The strength of the case study lies in its ability to deal with a full variety of evidence—documents, artefacts, interviews, and observations.

Hence, in order to solve the research question—how IKEA designs marketing strategies for the Chinese market, integrating its global marketing strategies with culturally-based marketing activities—conducting a case study is a sensible selection. First of all, since IKEA’s establishment in 1943 at a small village in the south of Sweden, the company has stood the test of time alongside the world’s economy’s ups and downs in the past few decades and developed into the world’s No. 1 furniture retailer; secondly, the author plays a role of an observer and analyst during the research, who has no control or influence on designing IKEA’s marketing; last but not least, data and facts can be collected from a wider range of sources, therefore, the findings are more likely to avoid bias and approach reality. Based on the above understandings, the author conducted a case study, focusing on IKEA Shanghai while referring to IKEA Malmö in terms of the 4Ps model, tracing culture’s influences on the company’s marketing decisions in China. Some first-hand information was gained by the author’s own observations during the fieldwork in both shops. Other evidence was collected from all kinds of publications, from academic writings to official websites of IKEA.

The issue of qualitative versus quantitative methods has been a heated topic in social science for a while. Attempts have been made to bridge the gap between the two. Kvale (1996) believes qualitative and quantitative methods are tools, and their utility depends on their power to bear upon the research questions asked. In the case of this thesis, the whole research process involves the interaction of qualitative and quantitative approaches. The research question is initiated by a qualitative analysis of IKEA’s performances in China and the concepts of associating marketing with culture studies. The following phase of data collection and analysis also sees qualitative and quantitative methods intermingle. The final conclusion of the research is mainly qualitative but it does not mean qualitative method is given priority in general. As

tools, qualitative and quantitative approaches are selected for the purpose of approaching the reality hidden underneath the research question.

According to Alvesson and Sköldbörg (2000), hermeneutics has two main approaches: objectivist and alethic hermeneutics. The former advocates the part-whole circle in the process of interpretation whilst the latter supports the preunderstanding-understanding circle. The debate between the two schools has been intense, however, the intensity also implies the two approaches are complementary rather than mutually exclusive...Hermeneutics presupposes a general preunderstanding as a basic, harmonious unity in the parts of the work, a unity which expresses itself in every single part: the postulate of the absolute foundation in the shape of uniform meaning. This hidden, basic precondition will then express itself in the interpretation, and in our analysis we reach via a circular route that we had presupposed...namely the harmonious, basic wholeness (ibid). Marketing theories and cultural studies are both independent disciplines. However, when marketing strategies are studied from a cultural perspective, the two disciplines are combined into a bigger theoretical circle of understanding, i.e. how IKEA deals with cultural differences in terms of marketing strategies. In this way, a general pre-understanding of marketing and culture respectively develops into a further understanding of culture's influences on marketing in international business.

### **3. Key Theoretical Concepts**

As its title indicates, this part of the thesis presents the key theoretical concepts to be applied in the case study of IKEA Shanghai in Part 4, including theories concerning marketing and concepts concerning culture. Marketing theories summarized in Section 3.1 are based on Armstrong and Kotler's (2006) understanding of marketing and marketing process and illustrated with IKEA's global marketing concepts. The importance of designing a customer centered marketing strategy and the implementation of such a strategy through the marketing mix (the 4Ps model) are also discussed. The development of the culture concept and cultural studies depicted in Section 3.2 explains the feasibility of associating marketing theories with cultural

studies, which serves as the theoretical foundation for studying IKEA Shanghai's marketing performances through a cultural approach.

### **3.1 Marketing and marketing process**

Marketing, among all business functions, is most down-to-earth in terms of dealing with customers. As ordinary customers, every one of us already knows about marketing. After all, it is all around us. Many people may be under the impression that marketing is only selling and advertising, i.e. what we can see. However, Armstrong and Kotler (2006) argue that selling and advertising is only the tip of the marketing iceberg. There exists a massive network of people and activities, competing for customers' attention and purchases. In today's marketplace, marketing must be understood in the new sense of satisfying customer needs. They define marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

On the basis of the above definition, Armstrong and Kotler (ibid) move on to describe the marketing process in detail and divide it into 5 steps. The first 4 steps create value for customers and build customer relationships. At first, the company has to understand the marketplace and customer needs and wants. Therefore, the company needs to research its customers and the market place in order to collect and manage marketing information and customer data. The second step, designing a customer-driven marketing strategy, takes place once the market place and customers are fully understood. The company will select which customers to serve through market segmentation and targeting. A value proposition will also be decided through differentiation and positioning. After deciding on its overall marketing strategy, in the third step, the company is ready to construct a marketing programme, which transforms abstract strategies into real value for customers. The programme is also known as the marketing mix which consists of 4 elements (the 4Ps)—product, price, place and promotion. The fourth step, which is actually throughout the whole marketing process, is to build profitable relationships and create customer delight. To achieve the goal, the company must establish strong relationships with marketing partners as well.

The fifth step is when the company can finally reap the fruits of its strong customer relationships by capturing value from customers in return. Once the company has created satisfied and loyal customers, it can capture customer lifetime value with a result of increased share of market and customer. However, in order to succeed in today's changing marketplace filled with competitors, the company also has to take into consideration the new features of the marketing landscape: advanced technology, globalization and social responsibility. International companies like IKEA have to transform challenges posed by the new marketing environment into opportunities, which echoes Armstrong and Kotler's earlier argument—a good marketing strategy is a must.

### **3.1.1 Designing a marketing strategy**

As it mentioned previously in Section 3.1, marketing strategies should be made in the second step of the marketing process based on a thorough understanding of the market and customers. Only when this condition is fulfilled, one may expect a winning marketing strategy from marketing management. According to Armstrong and Kotler (ibid: 49), marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives. Marketing strategies are decided by marketing management (ibid: 9), which is the art and science of choosing target markets and building profitable relationships with them. This kind of art and science follows certain orientations, namely, the production, product, selling, marketing, and societal marketing concepts. The evolution of the above concepts can be traced in the development of IKEA's global marketing concepts.

IKEA's business actually started from the production concept, which holds that consumers will favour products that are available and highly affordable (ibid: 10). In its earliest days, IKEA was selling products which Kamprad thought would be popular and bought in bulk from Stockholm. The goods were delivered by the local milk van to the train station and then the buyers. In this way, the products were easily available to his customers and at low prices. Because of its competitors' jealousy and hostility, IKEA had to design its own products and search cheaper suppliers in

Poland, when the product concept was proved worth trying. The product concept holds that consumers will favour products that offer the most in quality, performance, and innovative features (ibid). Nowadays, in order not to impress its customers as it is sacrificing quality when charging low prices, the company has been working on quality assurance even at low prices. The work remains one of the company's focuses in 2007 (IKEA Facts and Figures 2006).

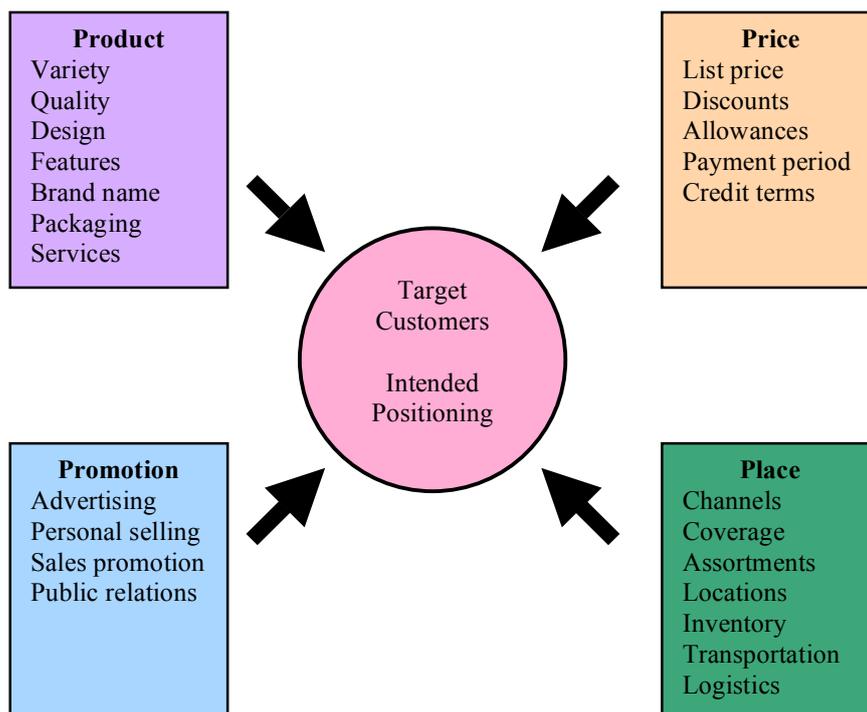
The other by-product of being boycotted by its rivals and suppliers in Sweden resulted in IKEA's inability to follow the selling concept for long. Instead, it found the marketing concept more useful. The selling concept contrasts with the marketing concept that the former starts with the factory, the existing goods and focuses on selling and promotion to make a profit; the latter starts with a well-researched market, focuses on customer needs and gains profits by satisfying customer needs through integrated marketing (Armstrong and Kotler 2006: 11). In recent years, the world sees a rising trend calling for more ethics and social responsibility. Hence, the rise of the societal marketing concept, i.e. a principle of enlightened marketing that holds that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-run interests, and society's long run interests (ibid: 12). Companies, which ignore ethical issues and social responsibilities, may not be well received in international business. IKEA has realized that and taken actions. The company joined forces with The United Nations Children's Fund (UNICEF) to implement the UNICEF-IKEA Project to combat child labour and was praised as an example of how the private sector can do business in developing countries in a socially responsible manner (UNICEF 2005).

As one can see in the development of IKEA's global marketing concepts, marketing strategies must suit the marketing environment and most importantly always centre on customers. Hence, customer-centred marketing strategy has been chosen as the company's overall strategic plan. Guided by the marketing strategy, the company designs a marketing mix made up of factors under its control—product, price, place and promotion (the 4Ps).

### 3.1.2 The Marketing Mix (the 4Ps)

A marketing strategy remains only on paper without detailed planning of the marketing mix. According to Armstrong and Kotler (2006), the marketing mix is one of the major concepts in modern marketing. It is the set of controllable tactical marketing tools—product, price, place, and promotion (the 4Ps)—that the firm blends to produce the response it wants in the target market. One should notice that the 4Ps model is a framework under which marketers can design marketing programs more systematically. It does not overlook those marketing activities whose names do not start with P. In stead, the non-Ps can usually be subsumed under one of the 4Ps. As one can see in Figure 4.1 there are various marketing tools under each P.

Figure 3.1 The 4Ps of the marketing mix



Source: Armstrong and Kotler (2006) *Marketing: an introduction*. New Jersey: Pearson Education, Inc.

The marketing mix starts with product strategy. Product covers more than the physical goods the company wants to sell. It is the goods-and-service combination the company offers to the target market (ibid). Thus, IKEA offers a whole range of

products, almost everything you need for your home. The same category of products, for example, sofas, IKEA designs models with different features. Some sofa models are even provided with different covers to choose from. IKEA is positioned as selling at affordable price and offering reasonable quality. In order to cut down the costs, IKEA does not wrap its products fancily but with simple and environmental friendly material. Here we see again the societal marketing concept takes into effect. Concerning services, IKEA encourages its customers to do-it-yourself (DIY) but it also provides technical help if needed.

Price is the amount of money charged for a product or service, or the sum of all the values that customers give up in order to gain the benefits of having or using a product or service (ibid). As shown in Figure 4.1, in terms of pricing, changing list price is complemented by offering discounts or allowances and altering the payment period or credit terms. Every now and then, IKEA reduces the price of certain products because if they are popular among customers then IKEA can make a bigger order, which leaves the profit margin wider so suppliers can quote lower offers. The company also offers various payment options and credit terms to choose from for the customers. Hence, IKEA handles pricing quite well that its pricing policy emphasizes customer values and integrates with the other 3Ps.

Place includes company activities that make the products available to target customers (ibid). Related activities are listed in Figure 4.1, such as channels, coverage, assortments, locations, inventory, transportation and logistics. Over the years, IKEA has established an efficient network of delivering its products from the suppliers to its customers. Several logistics hubs around the world are now transporting the products to different countries and territories. IKEA's flatpacks play an important role in transportation to keep the costs low. Locating the shops in the suburbs of cities also helps to cut down the costs.

Like the marketing mix, promotion is a mix of tools as well. It is also called marketing communication mix, consisting of the specific blend of advertising, sales promotion, public relations, personal selling, and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships (ibid). Ideally, the company integrates the above tools to communicate

well with its customers. Apart from advertising on TV, newspaper and delivering brochures with the latest offers to people's home, IKEA pays a lot of attention to environmental and ethical issues. IKEA's cooperation with NGOs such as UNICEF ([www.unicef.org](http://www.unicef.org)) and World Wide Fund For Nature (WWF) ([www.wwf.org](http://www.wwf.org)) contributes a lot to building a favourable corporation image and good public relations.

In a word, an effective marketing programme blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers (Armstrong and Kotler 2006: 53). However, multinational companies, such as IKEA, operate in various markets facing customers from different cultural backgrounds. Hence, to blend the 4Ps into a coordinated programme in each of its world markets, companies must understand how culture affects consumer reactions; understand local traditions, cultural preferences, and behaviours.

### **3.2 Culture and cultural studies**

The definition of culture is essential to cultural studies. Unfortunately, the concept of culture has always been contestable. Williams (1976) states that culture is one of the two or three most complicated words in the English language...because it has now come to be used for important concepts in several distinct intellectual disciplines and in several distinct systems of thought. Section 3.2.1 discusses the evolution of the culture concept and the Chinese culture referred to in the context of this paper. In Section 3.2.2, cultural studies is defined, providing the grounds for further studying marketing strategies from a cultural perspective.

#### **3.2.1 The Concept of Culture and Chinese culture**

Given the fact that culture has been proven to be difficult to define, it is necessary to trace how the concept evolves over the time and the dimensions of culture expand along with the development of human society. Smith (2001) traces the evolution of culture and argues it helps delimit the scope of the concept. At its early stage, culture was referred to the 'cultivation' of animals and crops and with religious worship

(hence the word “cult”). From the 16<sup>th</sup> century until the 19<sup>th</sup> people started associating the term with the improvement of the individual human mind and personal manners through learning as well as the improvement of society as a whole, sharing the same meaning with “civilization”. However, with the rise of Romanticism in the Industrial Revolution, culture began to be used to designate spiritual development alone and to contrast this with material and infrastructural change. Romantic nationalism in the late 19<sup>th</sup> century brought accented tradition and everyday life as dimensions of culture. Expressions like “folk culture” and “national culture” emerged around this time.

Williams (1976: 80) also analyzes these historical shifts and summarises them into the following 3 current uses of the term “culture”, among which the third usage gradually takes over and remains central to today’s cultural studies:

- To refer to the intellectual, spiritual, and aesthetic development of an individual, group, or society.
- To capture a range of intellectual and artistic activities and their products (film, art, theatre). In this usage culture is more or less synonymous with “the Arts,” Hence we can speak of a “Minister of Culture.”
- To designate the entire way of life, activities, beliefs, and customs of people, group, or society.

Kroeber and Kluckhohn (1952) manage to gather over 160 definitions of culture. Thus, it is important to understand culture correctly in different contexts. In the context of this paper, Terpstra and David’s (1985) understanding of culture in international business serves the best. They define culture as learned, shared, compelling, interrelated set of symbols whose meaning provides a set of orientations for members of a society. These orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable. Fan (2000) takes a step further on the basis of the previous findings when trying to classify Chinese culture. He examines Chinese culture at the level of national culture, which is best embodied in the values held by its people. A value system is seen as a relatively permanent perceptual framework that influences an individual’s behaviour (England 1978). Fan (2000) proposes the Chinese cultural value system is so unique that it distinguishes Chinese culture from Western cultures and the other Eastern cultures.

The contemporary Chinese culture is composed of traditional culture, communist ideology and most recently, western values, which can be classified into 8 categories and 71 core values (ibid, see also appendix).

This thesis does not intend to go through all of the 3 elements of Chinese culture. Instead, traditional culture's influences shown in IKEA Shanghai's marketing performances are studied in detail. It is due to the fact that the traditional Chinese culture has stood the test of time and remained fundamental in the interactions with ordinary Chinese people. Croll (2006) recalls the search for "Chinese Identity" during the reform and opening-up era in China and points out that the appropriation of Western goods and practices was subject to a more discerning eye as many increasingly looked to China's own cultural roots. Chinese people believe the uprooting of Confucian precepts was to be blamed for China's current loss of distinctiveness and continuity. Hence, the late 1990s saw a revival of China's cultural roots or Confucianism (ibid). It is also the period when IKEA Shanghai is involved.

The key to understand the traditional Chinese culture is Confucianism. Having competed with the other schools of thought in history, such as Taoism, Buddhism, etc., Confucianism is undisputedly the most influential thought, which forms the foundation of the Chinese cultural tradition and still provides the basis for the norms of Chinese interpersonal behaviour (Pye 1972). The basic teaching of Confucius, the Five Constant Virtues: humanity, righteousness, propriety, wisdom and faithfulness (Ch'en 1986), underlies the interactions among Chinese people in every aspect of their life. Confucianism is considered as a repository of myths, symbols, heroes, art forms, custom values, rites, artefacts, festivals and institutions which can act as markers defining Chinese culture (Croll 2006).

### **3.2.2 Cultural studies**

Cultural studies by definition is an interdisciplinary or post-disciplinary field of inquiry which explores the production and distribution of cultural products and practices. An engagement with the institutions, organizations and management of cultural power (Parker 2000: 383). The past few decades has seen a global growth of

cultural studies in the academic world. Ien (2005) believes the above phenomenon is an indication of the increasing significance and contentious nature of the dimension of “culture” in contemporary life and society, with the rise of globalization in particular.

On the basis of Williams’ (1976) summarization as well as Kroeber and Kluckhohn’s (1952) collection of culture’s definitions, Smith (2001: 3) further isolates the following core points of culture within the current field of cultural theory:

- Culture tends to be opposed to the material, technological, and social structural.
- Culture is seen as the realm of the ideal, the spiritual, and the non-material.
- Emphasis is placed on the “autonomy of culture”.
- Efforts are made to remain value-neutral.

Smith’s findings serve as a theoretical support of examining marketing programmes from a cultural perspective in this thesis. First of all, culture covers more than an “entire way of life” as Williams (1976) believes. Secondly, although the concept of culture is very abstract, empirical relations exist between culture and various aspects of the society. Thirdly, one must understand culture as an autonomous set of meanings with its own logic rather than being determined by the economic forces. Culture’s autonomous nature explains that while economic and cultural homogenization are certainly in evidence, of equal significance is the place of heterogenization and localization (Parker 2000). Finally, culture is not confined to the Arts but pervades every aspect and level in the society.

Hence, to investigate culture’s influences on marketing, it is feasible to examine the marketing tools (the 4Ps) chosen accordingly when designing marketing strategies for delivering customer value in a specific market. Despite an acknowledgement of global interconnectedness, the emphasis is yet on fragmentation, diversity and the local games of language and living (Hannerz 1992). Internationalization, as all social change, takes place on the local scene. It is from the actions localized in and adjusted to specific places that the process takes off (Garsten 1992). In the view of the fact that IKEA Shanghai deals with Chinese customers with distinctive language, culture, income, etc. from the international corporation’s other customers, it might be unwise to completely copy the marketing tools proven successful in the other markets. In

order to provide an answer to the above doubts, the paper presents a case study of IKEA in Part 4, including the story of the IKEA saga and IKEA Shanghai's marketing activities.

## **4. Marketing Across Cultures: IKEA Shanghai**

### **4.1 The IKEA saga**

The story of the IKEA Group is not new in the academic world. Business scholars have studied IKEA from various perspectives. Previously in Part 3, IKEA's global marketing strategies are mentioned to illustrate how to design a customer centred marketing strategies and the tools of the marketing mix. However, that is not sufficient to construct a complete empirical level (Alvesson and Sköldbberg 1999 quoted in Edvardsson and Edquist 2002) for the thesis, it is necessary to retell the IKEA saga dating back to 1943, when it was established. The new version is based on extensive literature review, including academic articles, case studies and official material from IKEA.

The name of IKEA indicates the origin of the world's furniture retail giant. It stands for the initials of the founder Ingvar Kamprad, his home farm Elmtaryd and his home village Agunnaryd. Edvardsson and Edquist (2002) account for the IKEA story following the timeline of 3 Acts. In Act I, IKEA's core concepts were formed as a result of adapting to the market circumstances. The important moments during this period were publishing the first IKEA catalogue in 1951, opening the first furniture showroom in Älmhult in 1953, introducing flat packages in 1956 and finding the key for low cost production in Poland in the early 1960s. Act II is considered as the enormous expanding internationalization period, which also became a simultaneous consolidation period later (ibid). IKEA reached out to its Scandinavian neighbours first in the 1960s. Since the 1970s, the company had penetrated further into a few European countries, Australia and Canada. One can see IKEA's development from Figure 4.1 the timeline of the IKEA saga.

**Figure 4.1 The Timeline of the IKEA Saga**

Act I

1943 IKEA founded	1947 Furniture introduced	1951 First IKEA catalogue	1953 Älmhult showroom opened	1955 Starts designing own furniture
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Act II

1956 Begins testing flat pack	1963 First shop outside Sweden	1973 First shop outside Scandinavia	1974 First shop Japan	1975 First shop Australia	1976 First shop Canada	1985 First shop USA	1986 Withdrawal from Japan
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Act III

1998 First shop Shanghai China	1999 First shop Beijing China	2005 First shop Guangzhou China	2006 First shop Chengdu China	2006 Re-entering Japan
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*Source:* Based on IKEA Group’s website and Edvardsson and Edquist (2002).

In 1985, IKEA arrived at the world’s No. 1 consumer market—the United States where “the American Lesson” has been learnt over 20-year’s time that North America is not like Europe (ibid). Torekull (1998) depicts the situation as slowly but surely, the staff in both Älmhult and IKEA North America have begun to understand the potential benefits of working together. The clash of cultures, not seen in the beginning, is now examined in detail, and the resulting decisions affecting IKEA in both directions across the Atlantic.

As for Act III, Edvardsson and Edquist believe at the time (2002), there were few stories to tell. A new generation took over in 1999 and the audience would have to wait and see. In the author’s opinion, IKEA is experiencing a further international expansion in Act III and IKEA’s arrival in China as well as re-entering Japan are the most important breakthroughs of the company in the recent years. President and CEO of the IKEA group, Anders Dahlvig, also considered the opening of an IKEA shop in Japan as one of the high points in 2006 and announced expansion as one of IKEA’s new target in 2007 (IKEA Facts and Figures 2006). Japan was the other market than the USA where IKEA learnt its lesson the hard way. The company had to withdraw from the Japanese market in 1986 after a 12-year operation through franchises. It took IKEA 5 years to prepare for re-entering the country. IKEA Japan claimed to have conducted research on more than 100 Japanese homes in order to understand their

way of living and their needs in everyday life. Therefore, IKEA is able to make twists and changes to fit with the Japanese consumer perception. As Dahlvig said at a press conference, "Today, it's a totally different situation where we have a presence in Asia...We have supply centers and warehouses. You know it's a different IKEA today".

IKEA's earlier endeavours show its efforts to keep a balance between global generalization and local resistance. The core of the IKEA way remains intact but may take a different form at certain occasions. The exterior design of the shop is always blue and yellow, the colours of the Swedish national flag. In the restaurant attached to each shop, Swedish meatballs and gravad lax (pickled salmon) are always on the menu with the local dishes. The modern Scandinavian design of furniture emphasizes simplicity and nature. When customers go to 253 IKEA shops in 34 countries or territories, they walk through the showrooms, see and try out the goods before making a choice, pick up flat-packed items and enjoy assembling them themselves.

As one can see from the IKEA saga, the company's success can be attributed to its ability of turning problems into opportunities. The lessons are less about models and more about the ability to adapt, sensitivity to customers and being sensible with suppliers (Kippenberger 1997). In the time of globalization versus localization, IKEA is also involved in diversely demographical markets. However, IKEA's vision and business idea have managed to co-exist harmoniously with the local cultures whilst the company keeps its Scandinavian origin at heart.

## **4.2 Cross-cultural marketing: case study of IKEA Shanghai**

Moving on from the discussions of the research methods, key theoretical concepts and IKEA's experiences in different markets, this section is devoted to IKEA Shanghai's marketing performances from a cultural perspective, referring to Usunier's (2000) method of adopting a cultural approach to international marketing. He believes that culture penetrates our inner being subconsciously and at a deep level. World cultures share many common features. Nevertheless they all display a unique style when certain common elements are combined. Globalization is in progress but as far as

consumer behaviour and marketing environments are concerned, natural entry barriers related to culture will diminish very gradually and only over a long period. Hence, his approach is based on the recognition of diversity in world markets and on local consumer knowledge and marketing practices. He demonstrates in an increasingly interdependent world where barriers to trade and to international exchanges constantly diminish, cultural differences remain the single most enduring feature that has to be taken into account for localizing marketing strategies. The above notions are about to be tested in the case of IKEA Shanghai later in this section.

In order to argue more systematically, Armstrong and Kotler's (2006) model of the marketing mix (the 4Ps) is followed and explored in the section, adding culture's impact on designing a marketing strategy centred on Chinese consumers. The study demonstrates how IKEA Shanghai manages to act in accordance with the IKEA group's business idea around the globe. At the same time, how the company keeps a balance between global standardization and local adaptation. It is costly to assume that every variation between the Chinese market and IKEA's other markets is due to cultural differences. After all, special treatment of a single market adds extra expenses. On the other hand, it is highly risky to ignore the potential influences generated by distinctive Chinese culture on marketing outcomes. It can lead to embarrassing mistakes, or more importantly, little rewards after all the efforts on marketing.

Before 2005, there were only two IKEA stores in Mainland China. IKEA Shanghai is the first IKEA store opened in China. At the beginning, it was located in a building with 8,000 square meters sales area and a restaurant with 50 seats. It was a rather small store, which soon could not fulfil the needs of shoppers at IKEA. In 2003, IKEA Shanghai moved to a new, redesigned, two-floor building with 33,000 square meters of sales area offering more than 7900 products and a restaurant seating over 500 diners. What's more, it has a car park with 800 free parking lots and 170-square-meter children's play room. The new store attracted over 80,000 visitors on its opening day. This is also where the author went in September 2006 and conducted the case study.

At first sight, IKEA Shanghai looks very similar to IKEA Malmö. The building is painted blue and yellow on the outside. Customers step onto an escalator to the first floor and walk through the showrooms where they can see and try the products before making a decision on which ones to take home. After making up their minds, customers make notes of the details for collecting the products. The rest of the job is to find the products in flat-pack in the warehouse on the ground floor according to the correspondent aisle and shelf numbers. Once it is paid for, customers can choose to transport the shopping themselves or have it delivered by IKEA at a cost. It seems that the IKEA way is no different after being replanted in a different country. For instance, the idea of showrooms, flat-packed products and do-it-yourself remain intact. Whereas, the author does notice some twists. In brief, IKEA Shanghai tries to fit the products into a Chinese home. IKEA Shanghai's showrooms still include living rooms, storage, dining rooms, kitchens, offices, bedrooms, hallways and bathrooms, however, water fountains, chopsticks and mosquito nets on display show the company's attempt to convey the message that IKEA's style can go along with a Chinese home. IKEA China's marketing campaign seems to take effect. Chinese customers start to appreciate the simplicity of light-coloured, Scandinavian style and even consider going to IKEA as experiencing another culture.

Strategic management has to be global, whereas marketing management largely needs to be tailored to local contexts; therefore, an intercultural orientation to international marketing best serves a global strategic view (Usunier 2000). IKEA Shanghai begins to contemplate the notion when designing marketing strategies and trying to appeal to the local customers. The company tries to look for the best possible compromise between large-scale operations and adaptation to local markets. The following sections discuss how and to what extent IKEA adapts its marketing strategies in China for the sake of culture, probing into IKEA Shanghai's marketing mix one by one, namely, product, price, place and promotion.

#### **4.2.1 Product**

Product is the central element in the market offering. Ian Duffy, IKEA's CEO of Asia-Pacific region, once said IKEA's localization in China is to appeal to Chinese

customers' taste. For example, the range of products offered in the Chinese market should match the customers' preference. The showrooms should be designed and arranged in accordance with a Chinese style (Song 2005 translated by the author). In fact, IKEA's product policy pays much attention to the Chinese style and integrates the set of product attributives (Armstrong and Kotler 2006) accordingly and effectively.

According to IKEA Shanghai's website, it offers over 7,900 products compared with around 10,000 in Malmö, Sweden. Both shops roughly categorize their products into 21 ranges. Interestingly, the whole range of flooring material is missing at IKEA Shanghai whilst Swedish food stands out as a respective category. Although not produced by IKEA, Swedish food and drinks successfully differentiate IKEA from its competitors in the Chinese market. While emphasizing its Swedish origin, IKEA also takes into consideration the Chinese style of cooking and eating. IKEA Shanghai provides 3 kinds of meat cleavers and 3 kinds of chopsticks together with Western style of knives and forks. Anders Dahlvig, IKEA's CEO, points out in an interview that 5% of the products IKEA sells in China is for China only, in contrast to 1% in IKEA's European market (China-CBN 2005).

In contrast with the traditional Chinese furniture, which is darker and sometimes with fancy carvings, IKEA's design introduces a lighter and much simpler style. Simplicity is a virtue, stated by IKEA. Given the fact that IKEA designs all its products, the company can be flexible when trying to fit its products to the Chinese market. In the past few years before Chinese New Year, IKEA would release a series of products as a nod to the coming lunar year. Chinese New Year is called The Spring Festival in Chinese, which is the most important festival for the Chinese people and is when all family members get together, just like Christmas in the West. Chinese people decorate their homes featuring an atmosphere of rejoicing and festivity (Ministry of Culture, P. R. China). At the beginning of 2006, a red rooster appeared on many IKEA products, greeting the year of the Rooster. This move had won IKEA many customers. The victory was to be resumed from December 2006, the products of series FANBY featuring red pigs went home with many Chinese customers who wanted to bring a new look to their home, welcoming the coming year of the Pig. The colour red has been carefully chosen for the Chinese New Year series because red

suggests good fortune in China (Copeland and Griggs 1986) and is commonly used in decorations to bring good luck. It is worth mentioning that the FANBY series are limited editions only available in the Chinese market. It is reasonable to believe that IKEA will carry on such friendly gestures to its Chinese customers.

Brand new designs for a single market may be very effective in terms of delivering customer value for a specific market. Whereas, it cannot be applied to a wide range because the costs shoot up, which certainly does not match with the IKEA way of being cost conscientious at every step. Hence, slight alterations of product features are much easier, less costly and as effective. Taking the SULTAN HÖGBO series of sprung mattresses as an example, the SULTAN HÖGBO sold in Malmö is divided into categories of 80 × 200 cm, 90 × 200 cm, 140 × 200 cm, 160 × 200 cm and 180 × 200 cm. In China, different kinds of the SULTAN HÖGBO series are marked as single, double, standard double and big double. The difference is due to the fact that in Sweden, people are used to put two single-sized beds together to form a double-sized bed. IKEA even proposes that this ensures a good night sleep free from the disturbance by the person you share the bed with. However, this idea is not very well received by Chinese couples because in Chinese culture, sleeping on two separate beds symbolizes a bad relationship between the couple and is believed to bring bad luck. An important traditional wedding custom is arranging a double bed for the newly-weds according to Feng Shui (Ministry of Culture, P. R. China).

The last physical attributive of the product policy is packaging, which involves designing and producing the container or wrapper for a product (Armstrong and Kotler 2006). In China, many consumers tend to assume that packaging should match the goods inside. Hence, fancy packaging wraps great products and so-so products only deserve simple wrappings. Therefore, IKEA's not-so-appealing packaging could be a disadvantage. As part of the marketing solution, it tries to assure the Chinese customers it is for their own sake that IKEA uses simple and recyclable wrappings. In IKEA's new brochures issued in China, the company always emphasizes (e.g. 1 page out of 40 in the 1<sup>st</sup> Sept -10<sup>th</sup> Dec 2006 brochure) IKEA's effort to be environmental friendly while producing, transporting and protecting the products. For one thing, its packaging rescues customers' money from some fancy wrapping; for the other,

environment-friendly material benefits everyone. Hence, IKEA does not change its simple and cheap style packaging for the Chinese market, which shows the company's bottom line in terms of adapting to the local market. As cost conscientious as IKEA, the company has to ponder potential expenses and turnover of adaptation to decide which way serves the company best.

Services, by definition, are a form of product that consists of activities, benefits, or satisfaction offered for sale (ibid). One type of services IKEA Shanghai provides and differentiates the company from a dozen Chinese competitors in the same district is a restaurant and café attached to the store. Diners can choose the Swedish meatballs or pickled salmon if they are feeling adventurous. For conservative customers, fried chicken chip with dried chilli and beef ribs in soy sauce are also on the menu and served with rice. IKEA Shanghai's efforts of providing Swedish and Chinese style of cuisine at the same time show its appreciation of an important part of the Chinese culture—the importance of food. As Cervellon, M.-C. and L. Dube's (2005) research demonstrates Chinese people's resistance to food acculturation due to the reason that cultural influences are at play in shaping the underlying structure of food attitudes.

Comparing with the other services provided by the Chinese furniture retailers, such as free delivery and installation, IKEA Shanghai is not in a good position. Chinese customers are very used to free delivery and installation, which are assumed to come with a piece of furniture. Hence, IKEA Shanghai provides services of delivery and installation but at a certain cost. It is difficult to judge how well Chinese consumers accept this solution. However, the company's reducing the delivery cost from 50 RMB to 30 RMB and the installation fee from 4% to 2.5% gives away IKEA Shanghai's compromise under the pressure from its local competitors.

IKEA's effort to attract customers in China starts with branding. In China, brand names with a nice meaning win. The Chinese name of IKEA—宜家 (Yi Jia) means suitable or comfortable home, which not only resembles the sound of IKEA but also has a nice touch of ancient Chinese culture. The name is supposed to be subtracted from *Shi Jing* or *the Book of Poetry*, dating back to 11<sup>th</sup> Century B.C. A nice name gives IKEA a good start in the Chinese market. The country of its origin also

contributes to IKEA's brand image. The image of a country does not equate the image of their products but the former may influence the willingness of foreign consumers to purchase products from the country (Usunier 2000). Anders Dahlvig, IKEA's CEO, believes that Sweden, as IKEA's country of origin, helps to create a positive image of IKEA worldwide (Kling and Goteman 2003). This explains why IKEA only simply transliterates the names of the products in Chinese, apart from the concern of extra cost on proper translations.

IKEA's product policy in China conveys an important message: whether to standardize or adapt products for different markets is not a dichotomous choice, multinational companies should standardize their products as much as feasible and the products customize as much as needed. However, marketers should bear in mind a well sorted product policy does not guarantee a winning marketing strategy. It must coordinate with the other 3 Ps of the marketing mix in hope of the best effect.

#### **4.2.2 Price**

One normally associates price with digits. And usually digits are assumed to have little to do with culture. Usunier (2000) argues that price is a significant element of communication and a decisive element in the social interaction between buyer and seller. It endorses their agreement and shapes their relationship, immediately and in the long term. For customers, price is a means of evaluating products in terms of social representations strongly akin to culture. However, the author's research on IKEA Shanghai's pricing finds the above statement lack of sound proof.

Reducing prices has been the most effective method for IKEA Shanghai to attract customers. Ian Duffy considers cutting prices the No. 1 strategy to increase sales. When IKEA first entered China, its target market fell into the category of people with top-tier urban income, which is between 5,000-8,000 RMB per month (Moller 2006). IKEA became a middle-class brand in China. Although IKEA was not lack of well-off customers before it slashed down the prices, the company still decided to compromise the prices for Chinese customers to retain its corporate image. After several rounds of price reduction, Ian Duffy claims that IKEA now aims at

Chinese families with a monthly income of 3,350 RMB. From 2000 to 2005, IKEA Shanghai has reduced the general price of its products by 46%. Some items' prices have shrunk up to 70%. For instance, the tray BAGN, which is used when eating in bed, cost 89 RMB in 2000 compared with 29 RMB in 2007.

At the beginning, most of IKEA's products sold in China were imported, which added a lot of import tax and transportation cost. For once, IKEA lost its worldwide image of affordable. When Ian Duffy visited IKEA Shanghai, he noticed many customers left with an empty hand. He decided to restore IKEA's corporate image starting from selling ice cream at 1RMB. To continuously lower prices of its products without sacrificing the quality, various cost-saving methods have been taken. The most effective one is to source locally. Now 70% of IKEA's products sold in China are made in China (Song 2005). Under pressure to cut costs and in order to report newly reduced prices immediately to its Chinese customers, IKEA Shanghai replaced its well-known, thick, yearly catalogue with cheaper, thinner and smaller brochures from September 2006. These booklets are released 5 times a year and each with a different theme. So far, this series of promotional material have featured IKEA style of nice home furnishing, dream bedroom, getting-together for Chinese New Year, creative living room and relaxing home. In this way, IKEA Shanghai gains more flexibility to change prices (AFX News Limited 2006).

As one can see, IKEA Shanghai treats pricing as a key strategic tool for creating and capturing customer value. The company's pricing policy is cost oriented as well as customer-value oriented but not necessarily culturally based. IKEA Shanghai's priority lies in capturing the most customer value at the lowest cost, which is achieved by sourcing locally. Usunier's argument about culture's influence on pricing seems a little weak. Pricing is a big problem facing many marketing executives. What's more, the rest of the marketing mix must be taken into account while international marketers decide how to price.

### 4.2.3 Place

Usunier (2000) states from a cultural perspective, the choice of place or distribution is one of the two elements of the marketing mix, which are essential in pushing the product towards the customer. Due to the reason that distribution forms subtle relationships with consumers by means of direct contact, it also plays a role as a cultural filter. To distribute products cheaply to final customers, IKEA China has worked on establishing an efficient and economic network of logistics and distribution. As mentioned in 4.2.2, this efficiency contributes to every percentage of reduced price and increased sales.

IKEA's efforts of improving its distribution systems are shown in building 2 logistics centres in Shanghai. After finishing the first logistics centre in Song Jiang District in December 2005, IKEA is building the second one in another district, Feng Xian. The latter is IKEA's first logistics centre with a quality control centre attached to it. Once it is finished in 2010, both logistics centres can hold 300,000 cubic metres of products. Before these products are distributed to the IKEA shops in the Asia-Pacific region, they will undergo a series of quality control tests (Chen 2006 translated and summarised by the author).

A well-established network of logistics only takes care of the products from the suppliers to the local shops. It is the features of the retail units pulling the customers in. The location of IKEA Shanghai is considered as non-IKEA when IKEA's business idea is concerned. Unlike the IKEA stores elsewhere, IKEA Shanghai is built in one of the most expensive districts downtown Shanghai, Xu Jia Hui District, where there is convenient public transportation and opens from 10am to 10pm daily, which is due to the limited owners of private cars and Chinese customers' expectation of opening hours.

Distribution systems in China are quite scattered in the view its size. With a large population of 1.3 billion and an inadequate distribution system, most companies can only access a small part of the population in the most affluent cities. This also explains why IKEA only had 2 shops in Shanghai and Beijing before 2005. Based on

the experience gained through running stores in Beijing and Shanghai together with the support from a more and more efficient distribution system, IKEA has opened another two shops in Guangzhou and Chengdu. Ian Duffy also declares adequate expansion in China as the next strategy—by 2010, customers in China will be welcomed at 10 IKEA stores around the country.

The above findings of IKEA Shanghai's distribution methods do not really echo Usunier's argument at the beginning of this section. Culture is confined to traditional Chinese culture in the thesis and shopping in big stores is a modern phenomenon. IKEA Shanghai's prominent location is mainly due to the fact not very many Chinese people have their own cars. The efforts of improving the distribution system are made because it reduces the transportation cost so the company is in a better position to lower prices and reach out to more customers, and in a long term benefits the company's development in the whole country as well as the Asia-Pacific region. Hence, the local marketing environment and the company's long-term strategic plan decide IKEA Shanghai's moves on distribution.

#### **4.2.4 Promotion**

The promotion mix is the most culture-bound element of the marketing mix. Promotion in the local market has to adapt for language and cultural reasons (Usunier 2000). A company's total promotion mix—also called its marketing communication mix—consists of the specific blend of advertising, sales promotion, public relations, personal selling and direct-marketing tools. The company uses the set of tools to persuasively communicate customer value and build customer relationships. Ideally the company will carefully coordinate these promotion elements to deliver a clear, consistent, and compelling message about the organization and its products (Armstrong and Kotler 2006).

Among the above tools, IKEA is well known for not encouraging personal selling in general. It would like the customers to make their own choices. If more information needed, customers can refer to the labels attached to the products first. If that is not enough, they can also go and ask IKEA's staff. It is hard to say which

appeals to Chinese customers more, with shop assistants following around or wandering around and looking for information by oneself. In the author's opinion, it is more about individual preference than shared cultural characteristic among Chinese people.

However, cultural considerations shown in the other promotion tools are not hard to account for. First of all, advertising is proved to be a very effective way. IKEA Shanghai advertises on the local new papers or on TV of its upcoming sales and other activities. Internet is another source if customers actively search for IKEA. Apart from the selection of media, timing is another concern, such as IKEA's promotion for Chinese New Year series mentioned in its product policy. On the occasion of IKEA Shanghai's 8<sup>th</sup> anniversary in April 2006, IKEA decided to offer free delivery for purchase over 3,000 RMB during April. It may be obvious but still worth mentioning that all advertising has to be done in Chinese. Language cannot be equated with culture but there are empirical relations between the two (Risager 2006). Cultural relevance in promotion ensures that messages are sent to target customers effectively. Putting a local face in an advertisement is useful to get customers' attention (Mummert 2007). Hence, characters in IKEA's commercials are mostly Chinese trying to show that IKEA (宜家) is suitable for a Chinese home.

The aim of advertising is often to inform the customers of sales promotion, which provides short-term incentives to encourage purchase or sales of a product services. It plays the most important role in the total promotion mix (ibid). IKEA Shanghai always sells umbrellas 50% cheaper on rainy days than sunny days (Jin 2006 translated by the author), which is not only useful to attract customers to come on a bad weather day but also helpful to build a positive image in the long term. Selling umbrellas cheaper when they are needed the most shows IKEA's awareness of Chinese cultural values in terms of business philosophy (Fan 2000)—not guided by profits and attaching importance to long-lasting relationship not gains. The latter is explained more clearly in IKEA Shanghai's attempts of building good public relationships.

Public relations (PR), by definition, is to build good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or head off unfavourable rumours, stories, and events (ibid). Related examples of IKEA in general have been given earlier when the author discusses the societal marketing concept in 3.1.1. In China, IKEA cooperates with World Wide Fund For Nature (WWF) on forest projects. The company promises to foster the supply of certified wood products in China by identifying high conservation value forests in key wood producing regions; educating and training relevant actors; and promoting legal compliance at all points within domestic and international supply chains (WWF China). In terms of environmental issues, IKEA shows its determination of building and maintain a good corporate image in order to build a long-lasting relationship.

IKEA Shanghai another marketing activity from 22<sup>nd</sup> January to 25<sup>th</sup> February 2007 (the month of preparing for and celebrating Chinese New Year), was that it promised to donate 10 RMB to UNICEF China for any soft toys sold during that period. Besides another proof of IKEA's sense of ethical and social responsibilities, it can be also considered as IKEA's understanding of Chinese cultural values in interpersonal relations (Fan 2000)—reciprocation of greetings, favour and gifts as well as repayment of the good that another person has caused you. There has not been further report on how many funds IKEA raised from the activity but for IKEA's Chinese customers, the company has made a good gesture.

The IKEA catalogue is almost equated with THE IKEA tool of marketing. This method of direct marketing is under experiment in China. As mentioned earlier as part of IKEA's pricing strategy and being cost oriented, IKEA Shanghai started distributing thin booklets 5 times a year instead of its traditional thick catalogue in 2006. Another advantage of issuing cheaper promotion material in China is more potential customers can be reached without increasing the overall costs. There is one interesting detail in the booklets that Ian Duffy, the leader of IKEA in China, addresses himself with his Chinese name (杜福延 / Du Fuyan). One may argue it is not important if Chinese customers remember IKEA's leader's name. However, when Chinese customers open an IKEA catalogue, the name 杜福延 / Du Fuyan certainly

serves better in terms of fulfilling Chinese people's sense of cultural superiority (Fan 2000) and shortening the psychological distance between a Scandinavian brand and customers brought up in Chinese culture.

In a word, IKEA Shanghai's marketing performances illustrate one principle when designing the marketing mix—the company must integrate each one of the 4Ps (product, price, place and promotion) co-ordinately and pay due attention to various factors that contributes to effective marketing. Usunier's approach of examining marketing strategies from a cultural perspective has been enlightening but his conclusion of culture's ultimate influences on marketing decisions is still questionable. Multinational companies like IKEA face more complicated marketing environments when dealing with customers cultivated in different cultures in the times of globalization. There exist other concerns apart from culture, such as the local marketing environment, the company's long-term strategic plan, etc. The message is: be culture conscientious, performing locally as well as be customer value oriented, holding a global view.

## **5. Conclusion: the IKEA Saga Continues**

Ian Duffy, IKEA's CEO of Asia-Pacific region, once commented on IKEA China that IKEA China is like a little child in the IKEA family, it is young but will surely grow bigger and bigger. This remark can also be used on the IKEA group as a whole. When Ingvar Kamprad started the company in 1943 at a small village in southern Sweden, nobody foresaw its growing into the world's No. 1 furniture retailer with over 250 shops around the globe. IKEA stumbled once or twice when exploring the world markets but it managed to turn problems into opportunities and become even stronger. And now it is ready to explore and expand in the Chinese market a little more.

IKEA's achievements in China are built on a well designed, customer centred marketing strategy. The designers of IKEA Shanghai's marketing tools blend the 4Ps (product, price, place and promotion) smoothly. Paying due respect to the distinctive Chinese culture as well as keeping a balance between its global strategic plan and

local marketing activities, IKEA Shanghai adapts the 4Ps to appeal to the local customers while maintaining a uniform corporate culture. The case of IKEA Shanghai conveys an important message to other multinational companies that the key to successful international marketing is adequate cultural awareness in various markets. Culture has certain influences on marketing decisions but it is surely not the ultimate factor. Multinational companies must carry out thorough market research, paying due attention to every aspect to get a complete picture of the market and customers.

On the other hand, this kind of interdisciplinary research method brings a broader horizontal from an academic point of view. The thesis shows that combining marketing theories with cultural studies provides deeper insights into a company's marketing performances. Given the complex nature of culture and the fact that traditional Chinese culture has been challenged by the prevalence of globalization (Croll 2006), the case study does not suggest an ultimate status culture holds in marketing decisions but this does not mean cultural variations can be neglected. On the contrary, culture calls sufficient attention in designing marketing strategies for a specific market. For marketers in international business, the dilemma exists between too much cultural consideration may undermine the company's global strategy and too little cultural awareness may undermine local consumers' loyalty.

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## Appendix: Chinese Culture Values

### National Traits

1. Patriotism
2. A sense of cultural superiority
3. Respect for tradition
- \*4. Bearing hardships
5. Knowledge (education)
- \*6. Governing by leaders instead of law
- \*7. Equality / egalitarianism
8. Moderation, following the middle way

### Interpersonal Relations

9. Trustworthiness
10. Jen-ai /Kindness (forgiveness, compassion)
- \*11. Li / Propriety
- \*12. People being primarily good
13. Tolerance of others
14. Harmony with others
15. Courtesy
16. Abasement / Humbleness
17. A close, intimate friend
18. Observation of rites and social rituals
19. Reciprocation of greetings, favour and gifts
20. Repayment of both the good or the evil that another person has caused you
21. Face (protecting, giving, gaining and losing)

### Family / Social Orientation

22. Filial piety
23. Chastity in woman
- \*24. Kinship
- 2\*5. Veneration for the old
26. Loyalty to superiors
- \*27. Deference to authority
28. Hierarchical relationships by status and observing this order
- \*29. Conformity / group orientation
- \*30. A sense of belonging
- \*31. Reaching consensus or compromise
- \*32. Avoiding confrontation
33. Benevolent autocrat / Paternalistic
34. Solidarity
- \*35. Collectivism

### Work attitude

36. Industry (working hard)
37. Commitment
38. Thrift (saving)
39. Persistence (perseverance)
40. Patience

41. Prudence (carefulness)
42. Adaptability

### Business Philosophy

43. Non-competition
- \*44. Not guided by profit
- \*45. Guanxi (personal connection or net working)
- \*46. Attaching importance to long-lasting relationship not gains
47. Wealth
48. Resistance to corruption
49. Being conservative
- \*50. Morality

### Personal Traits

- \*51. Te (virtue, moral standard)
52. Sense of righteousness / Integrity
53. Sincerity
54. Having a sense of shame
- \*55. Wisdom / Resourcefulness
56. Self-cultivation
57. Personal steadiness and stability
58. Keeping oneself disinterested and pure
59. Having few desires
- \*60. Being gentleman anytime
- \*61. Obligation for one's family and nation
- \*62. Pragmatic / to suit a situation
- \*62. Contentedness with one's position in life

### Time Orientation

- \*64. Past-time oriented
- \*65. Continuity / time viewed as circular rather than linear
- \*66. Taking a long rang view

### Relationship with Nature

- \*67. The Way (Tao)
- \*68. Fatalism / Karma (believing in one's own fate)
- \*69. Yuarn
- \*70. Harmony between man and nature
- \*71. Unity of Yin and Yang

Source:

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