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“Home Sweet Home” – A Controversial Thought? A Case Study of IKEA in Japan



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Arigato gozaimas!

IKEA in Japan – A Case Study

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Abstract

Background The Japanese market has been an interesting market for foreign competitors since it opened its doors after their economic recession in the 1990s. Since then many international companies have tried to penetrate the market, many of them without succeeding. Even if this is the case, and many researchers claim that due to globalization, most markets around the world are becoming more homogeneous, resulting in converging consumer behavior.

Purpose The purpose of this thesis is to investigate how Swedish firms should adapt themselves to the Japanese market and its consumers in order to be successful.

Method By focusing on a qualitative approach we will use IKEA Funabashi in Japan as a case study in hopes to fulfill the purpose of this thesis.

Results IKEA Funabashi has overall proven itself to be successful since its establishment in Japan in 2006. They have chosen to adapt themselves to obligatory cultural aspects while still being able to standardize their products and keep what makes them special – their so-called “Swedishness”. Another reason for their success may be the fact that they do not have any direct competitors. We do however recommend them to focus more on PR and marketing in order to create a strong “first mover” advantage over other potential competition. Our overall conclusion is that since Japanese consumers have several unique qualities that differ from others, one can’t ignore taking them into consideration. Yet we think that a company has to find a good balance between adapting to a local culture and its consumers and being able to maintain their uniqueness to sustain a competitive advantage.

Keywords IKEA, consumer behavior, Japanese consumer behavior, culture, adaptation, standardization, customer loyalty, marketing, globalization.

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Chapter 1 – Introduction

This chapter is an overall presentation of our thesis and begins by explaining the reasons for our study area of choice. We then proceed by presenting the purpose and research question relevant to our investigation as well as the thesis' disposition and delimitation.

Research background

It is more and more common in today's growing globalization that firms seek to penetrate different markets all across the globe. This means that they are constantly dealing with different kinds of consumers. Some argue however that consumers across the globe have been following the growth of the firms, becoming more homogenized and seeking to satisfy the same needs. This in turn leads to the company's standardizing their products and services. One can also argue that this is not the case because many firms to this day have not managed to penetrate certain markets, for the simple reason that the consumers in that market have different consumption patterns. Therefore, when establishing oneself in a new market, one has to take into account the differences in cultural aspects concerning consumer behavior.

The Asian market today is one that is growing fast. Many outside firms are trying to establish themselves by joint ventures with local firms, or even trying at it on their own. We have chosen to focus on Japan since it has a long history of a relatively closed market, yet it has still one of the biggest in the world. Many internationally known companies have tried establishing themselves in Japan without succeeding. Only recently, since the economic recession in the 1990s, has Japan started to open up their market to the rest of the world, making it an interesting one for global companies. However, having an open market in Japan does not solve the foreign firms' establishment obstacles. There is still a certain quality standard that is obligatory to have in order to succeed. Many Japanese consider it very important to know where the products are manufactured; they think that this, along with the price, will help them in better identifying the quality of the products. If a company does not stay up to par or does not take into consideration these very important aspects, they may have little to no chance of surviving. The quality issue therefore can be considered as one of the many requirements to adapt to in order to succeed. Another aspect of the Japanese market opening up is that it will open the doors to more global and international competition, meaning both local and international companies will compete in the same market.

Purpose and research question

The initial interest in international business in Japan originates from our profound interest in the Asian continent. Being that one of us is Japanese and is currently in Japan studying, we saw this as a perfect opportunity for us to act on our Asian curiosity. As mentioned in the introduction, Japan's market is one that is fairly newly open, and many foreign companies are dying to get their foot in its door. However in order for a company to be successful in a country with a different culture requires that one gain a deeper understanding about the country's culture and consumers. Thus, our area of choice in this thesis is to learn more about Japanese consumer behavior and how one should relate to it. Hence, the purpose of this thesis is:

To investigate and study how Swedish firms should adapt themselves to the Japanese market and its consumers in order to be successful.

This will be done by answering the following question:

- Which aspects of cultural differences affecting Japanese consumers should management take into consideration in order to be attractive in the Japanese market?

To be able to get a deep understanding of our research area we have chosen to use a representative Swedish company as a case study, IKEA to be exact. The case study will be done through a management perspective. We do not aim to criticize IKEA and if it is doing the right things or not. Rather what we will try to do is relate IKEA's case study to the chosen theories in order to get a deeper understanding of how Japanese consumers behave. With the help of our expanded knowledge about Japanese consumer behavior, we hope to be able to contribute with further suggestions as to how IKEA as well as other Swedish companies can become even more successful in the Japanese market.

Disposition

The first chapter starts off with an introduction of the thesis. With the research background we want to help readers get a better understanding of our area of interest. We then continue by introducing the purpose of the thesis and the research question we intend on answering. A

presentation of the thesis' case study: IKEA, will follow. Finally, the first chapter comes to an end with the delimitations of this thesis. The second chapter explains the methods used and describes in more detail both the theoretical and empirical information gathered; this is followed by the thesis' strengths and weaknesses. The third chapter, the theoretical framework, starts off with theories about consumer behavior. It then continues with cultural theories related to consumer behavior, followed by theories concerning adaptation and standardization of global companies in local markets, and finally ends with customer loyalty programs. The fourth chapter consists of an analysis of our empirical data by relating it to the previously studied theories. In the fifth and last chapter we summarize and conclude our thesis and answer our research question. Lastly we reflect on our writings and suggest areas of interest for further studies.

IKEA and its Background

IKEA is a Swedish home furnishing company that was founded in 1943 by Ingvar Kamrad. Today IKEA has grown to be a big international company that has stores in more than 30 countries worldwide. The Swedish heritage can be seen in many of IKEA's characteristics: from the design of the furniture, which they mean is "modern but not trendy and functional but yet attractive" to the atmosphere of their stores. IKEA's vision is to:

"...offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them."

(<http://www.ikea.com>)

Since the prices of IKEA's product range are low, their customers have to do much by themselves such as picking up the furniture from the self-service area of the store, take them home and build them by themselves before they can use them.

IKEA's Philosophy

Ingvar Kamrad's will is to maintain what he called the "IKEA philosophy". In 1976 he wrote down his wills in the "The Testament of a Furniture Dealer". He wrote about the product range as their identity and the ambition to offer a range of functional "typical IKEA" products that cover the total home area. He also wrote about the "IKEA Spirit", which is the willingness to help each other, the goal to reach good results with small means, the simplicity,

the responsibility and enthusiasm in work. Even if the society as well as IKEA has changed through the history, Ingvar Kamprad meant that the true IKEA spirit could and should still be found in the company. (Salzer, 1994: 60)

IKEA in Japan

The First Try

Year 1974 IKEA decided to enter the Japanese market by joint venture with a Japanese company but it wasn't successful and IKEA had to make a withdrawal. According to the CEO of IKEA Japan, Lars Petersson (2007-04-10), the withdrawal depended on the collaboration with the Japanese partner that didn't work out well and that IKEA was a much smaller company with a less developed distribution system at that time. The former CEO of IKEA Japan, Tommy Kullberg, mentioned that IKEA couldn't live up to all the product adaptation requirements of the Japanese partner and that Japanese consumers were not ready for IKEA's concept at that time (<http://www.affarsvarlden.se>). A quote of today's CEO of IKEA Japan may be a good summary of IKEA's first establishment try in Japan;

“Japan wasn't ready for IKEA and IKEA wasn't ready for Japan” (CEO of IKEA Japan; Lars Petersson, 2007-04-10).

The Second Try

In 2006, IKEA tried to penetrate the Japanese market for a second time and opened two stores close to Tokyo, one in Funabashi and one in Yokohama. This time IKEA prepared itself by doing market surveys where they both visited Japanese households and studied roughly 25 000 pictures of them (Gustavsson 2007-04-13; <http://www.affarsvarlden.se>). On the opening day of IKEA Funabashi, the store had 35 000 visitors (<http://www.affarsvarlden.se>) and it still has 30 000 to 40 000 visitors on weekends (Petersson 2007-04-10). According to Jan Steiner, IKEA Funabashi had seven million visitors during the period of May 1st 2006 to April 30th 2007, meaning that they have approximately 19 400 visitors per day. This in turn means that IKEA Funabashi has the capacity to take on even more customers on weekdays. What we want to say with this calculation is that even if it may seem like IKEA Funabashi is very successful, which we don't doubt they are, they still have the possibility to be even more successful. But how? We hope to be able to answer this question later on in this thesis.

Together with the IKEA store in Chicago, IKEA Funabashi and IKEA Yokohama in Japan have the biggest floor area, 40 000 squared meters, among all the outlets of the company (<http://www.ikea.com>). The restaurant at the IKEA Funabashi store offers 730 seats and is the biggest IKEA restaurant in the world according to its store manager, Gordon Gustavsson. IKEA has plans to build at least three more stores in Japan in 2008 (Pettersson 2007-04-10).

Jan Steiner declared that the most important target group for IKEA in Japan is families with children. Customers in their 30s are the largest age target for them. The store manager of IKEA Funabashi said that they have younger customers in Japan compared to Sweden. The average household size among their customers is three people per household and the annual household income of their customers is 40 000 to 45 000 Euros per year (Jan Steiner 2007-04-24). About 65 percent of IKEA's customers are women. The CEO said that the fact that IKEA attracts more female customers was something they already knew. On answering the question of what IKEA's biggest challenge in Japan is, the CEO said that it was to make the home a more important aspect in the Japanese lifestyle. To the same question the store manager of IKEA Funabashi answered that it was to make people understand how it is to shop at IKEA, to keep their current customers and make new ones come back.

Delimitation

Our thesis will be based on a case study of the company IKEA. We see IKEA as a representative company of Sweden that possesses many typically Swedish characteristics. Our case study only focuses on IKEA Funabashi in Chiba, a prefecture close to Tokyo, Japan. We realize that there is a generalization in our purpose when we refer to "Swedish firms" and how they should adapt to the Japanese market and its consumers. Therefore, we recognize that the results from our case study cannot reflect the methods used by all Swedish companies established in Japan. We are also aware of the fact that IKEA is a company with a lot of international experience and marketing knowledge. Yet in our thesis we have chosen to look at IKEA Funabashi as a Swedish company due to the presence of a Swedish management style, the Swedish nationalities of the top managers and also IKEA's philosophy.

Chapter 2 – Methodology

This part is a description of the methodology used in the thesis. It starts off by an explanation of the approach used in the thesis and continues with a more detailed description of the theoretical as well as the empirical data presented later on.

Qualitative approach

We have chosen to apply the qualitative research approach because it makes it easier for us to go deeper in our area of interest. The alternative would be a quantitative approach, which wouldn't be appropriate for us due to its predetermined structure (Bryman 2004: 282). By a qualitative approach one can catch the research person's experiences and get a better understanding of his or her answers by letting them use their own words. In this way one can get a profound insight in the research person's view of the research area. Kvale writes that qualitative interviews have become common when doing market surveys that have the aim to examine and predict how consumers behave. He means that when researching consumer behaviors one has to include the hidden and symbolic aspects, which affect a consumer's choice of a product. (Kvale 2006: 70-71). We believe that the profound character of the qualitative approach has allowed us to go in to details in our research area in a way that wouldn't be possible if we used a quantitative approach. Apart from this, the qualitative approach has also allowed both our correspondents and us to be flexible during the whole process due to its open character.

Deductive vs. Inductive

We have been using a mixture of a deductive and an inductive approach when working with our theoretical and empirical data. A deductive approach is when one first formulates a hypothesis, on the basis of what has been studied from theories, and then decides how to collect the empirical data. An inductive approach is on the other hand, the opposite. Once the empirical data has been gathered, suitable theoretical data is then chosen. (Bryman 2004: 8) When formulating the purpose of the thesis, our point of departure was previously studied theories about Japan and their consumer behavior, mainly from the course "Intercultural Understanding and Management - East and South East Asian countries", as well as other relevant courses. However, we chose not to study these theories so deeply before the gathering of our empirical research so as to not limit ourselves to those theories. Working this way has made it easier for us to be more open and flexible from beginning to end. Thus, as a

result of the inductive approach, we had a certain assumption of how Japanese consumers behave, which leads us in to the discussion about objectivism and constructionism.

Objectivism vs. Constructionism

Objectivism is when social reality is independent from the surrounding environment and it's social actors, contrary to constructionism which is when the social reality is affected by it's social actors (Bryman 2004: 17). Bryman points out that when one uses a qualitative approach it can sometimes lead to one being more subjective (Bryman 2004: 20). Our ontology or standpoint in the discussion about objectivism and constructionism is in the middle of these two points of view. We agree with those who believe that the reality includes both objective facts as well as social constructions. Throughout the process of the thesis, our full intention was to be as objective as possible to improve the reliability of our research. Yet, because of the qualitative approach, we are fully aware of the fact that either our empirical research or us in our reflections may sometimes have acted in a more subjective way.

Case Study

In order to narrow down our field of research, we decided to focus on a case study. A case study is an accurate and detailed study of one particular context. A case can be a community, a school, a family, an organization, a person or an event. At the same time that a case study allows one to go deeper into one particular context, it can also cause problems when it comes to the external validity and generalization (Bryman 2004: 48-52). External validity is according to Bryman, "... whether the results of a study can be generalized beyond the specific research context" (Bryman 2004: 29). The company we chose to investigate for our case study is the Swedish company, IKEA. IKEA's establishment in Japan has received a lot of attention in the Swedish media, which is one of the reasons we became interested. The appealing part about it is that IKEA tried to establish themselves in Japan in 1974 but it didn't work and they had to pull out. Since then, they only managed to penetrate the market last year, with two stores opened in different areas around Tokyo. We wondered why such a big and successful company that has many stores worldwide had had such a hard time penetrating the Japanese market. Therefore, IKEA is a unique case in Japan and our intentions are to put this intensive examination of the company in relation to the studied theories. To be able to get a deeper understanding of our research area we decided to travel to Japan and investigate in person. The fact that one of us is originally Japanese gave us another possibility to get an even deeper understanding of the cultural matters.

Theoretical Data

Since our purpose is to investigate how firms should act toward Japanese consumers, it was an easy choice to bring up theories concerning consumer behaviors. The problem here was the huge amount of written material in this field. To be able to screen through all of these and find what is relevant for us, we decided to read several written theses from the database of Uppsök. We chose theses that had linkages to our area of interest, consumers in Japan, and in this way we could browse through references used. Articles were thereafter found via Lund University's search engine, ELIN. Since consumer behavior is a part of a national culture, we decided to use cultural theories as well. Here we relied on the guru in this area, Geert Hofstede and his four cultural dimensions. Since these theories are generalizations it is important for us to have a critical relation to them when handling and analysing these theories. This will be done by a continuous comparison with our own experiences (one of the authors, Hiroko Yokoi, is native Japanese). Apart from scientific articles, literature from previous studied courses such as "Internationalization of service oriented businesses" and "Intercultural understanding and management – East and South East Asian countries" have also been used.

Empirical Data

Primary Sources

Sampling

We came in contact with IKEA Japan via Ann-Charlotte Janhagen, our department's branch coordinator. We quickly got an e-mail address of the *store manager at IKEA Funabashi, in Tokyo, Gordon Gustavsson*. He has been working for IKEA for 21 years and been in Japan for four years. His task was to build up IKEA in Japan and help in its initial phase. Before that, he helped start up IKEA in China. His main area of responsibility is the whole operational business at IKEA Funabashi. Gustavsson in turn recommended us to contact *Lars Petersson who is the CEO of IKEA Japan*. Lars Petersson has been working for IKEA for 23 years and as CEO of IKEA Japan he has full responsibility for all of IKEA's business in Japan. When one gets in contact with one person through a recommendation from another person it is called snowball sampling (Bryman 2004: 304). We got lucky that both people who we had planned on trying to contact ended up being easier to get in touch with than we'd expected. The reason we wanted to interview them specifically was because the CEO takes care of the bigger, macro aspect of the organization, while the store manager takes care of the more local,

micro aspect. Besides interviewing two main people at IKEA, we also wanted to get an external perspective on the subject of Japanese consumer behavior. We thought that the Swedish Embassy in Japan could possibly help us find someone who would be able to contribute regarding this subject. They redirected us to the Swedish Trade Council where we then got in contact with *Sonny Söderberg, a project leader and business developer for the Swedish Trade Council in Japan*. The Swedish Trade Council helps Swedish companies do business abroad and Sonny Söderberg, who has been living in Japan for 11 years, is responsible for one of the consultancy groups available. The fact that our interviewees all have management positions is relevant to our thesis since we're doing our study from a management perspective. Although we have interviewed three important people with relevant information, we believe that it would have contributed more to our thesis if we had also had the possibility to interview a Japanese employee at IKEA in order to get another point of view.

We also had an e-mail contact, *Jan Steiner who works with IKEA Japan's statistics*. He gave us fundamental statistic information concerning IKEA's consumers, which made it possible for us to get a more correct interpretation of our empirical data.

The Interviews

Our interviews were semi-structured, meaning there were specific topics that we wanted to cover but since we did not have a very detailed structure, it allowed both us and our interviewees to be flexible when asking and answering questions (Bryman 2004: 321). Accordingly, we made a broad interview guide for ourselves, which enabled us during the interviews to change the order of the questions as well as add some when the timing was right. None of the interviewees knew in advance what questions they would be asked, the only information they had prior to the interviews were what the purpose of our investigation was. This was done deliberately so that our interviewees would come with an open mind to the interview sessions.

As our interviewees were all Swedish, we didn't have to worry about there being any language barriers when interviewing. All three interview sessions were carried out at the interviewees' workplaces and lasted for over an hour each. Before starting we always asked if we were allowed to record the interview. The advantage with recording an interview is that one can make a more detailed review afterwards (Bryman 2004: 330). We also felt that

recording gave us the chance to open up and pay more attention to our interviewees and also ask resulting questions. The transcriptions of the interviews were on the other hand very time consuming especially when we chose to make them as literal as possible. The interviews with Lars Petersson and Sonny Söderberg took place in quiet meeting rooms, while the interview with Gordon Gustavsson occurred when getting a tour of the store and its surroundings. The noisy environment during that interview made it a little hard for us when listening to the recording, but at the same time we felt that the tour was a great opportunity for us to get “behind the scene” of the store, which according to Bryman (2004: 296) doesn’t come easily for outsiders.

The Observations

We made observations both at the IKEA Funabashi store and other places in Tokyo and Kyoto during our stay in the country. In the IKEA store we acted as complete observers by walking around and observing without having any particular interaction with consumers (Bryman 2004: 301). Although we were wearing nametags (which suggested that we were “special guests”), it didn’t seem to affect the customers’ behavior in any way. Apart from this, we have done continuous observation throughout our stay in Japan. We have for example observed how service personnel interact with customers when shopping and we have also had short conversations with Japanese friends of ours, concerning IKEA and Swedish design. The conversations we had with our existing friends could be considered “convenience sampling”, which is when one is selecting research subjects that are most easily available (Bryman 2004: 100). Though this may be the case, we believe that these people represent the young target group of IKEA in Japan, which we will discuss later in the thesis.

Secondary Sources

Secondary empirical sources that we used were various articles about IKEA in Japan that we read as a preliminary investigation on the Internet before going to Japan. We have also been visiting the IKEA Japan website as well as browsed through their seasonal newspaper with advertisement to their customers.

Strengths and Weaknesses

The main reason why we chose to travel to Japan in order to do research for our thesis was because of our curiosity of Asia and its cultures. Our different biological roots (Canadian, Lao

and Japanese) have also had a big influence when it came to choosing cultural aspects as our primary interest of study. One of the strengths concerning the collection of our empirical research is that we actually went to Japan. This made it possible for us to get a better understanding of the Japanese culture and its people as well as giving us a realistic image of the country and its capital city, Tokyo.

As we mentioned in the first chapter of this thesis, one of us is currently studying abroad in Japan. This resulted in some communication difficulties when the other two of us came back to Sweden to continue with our writing process. Due to the time difference between Sweden and Japan, it became difficult for us when the time came to discuss our thesis. We do however believe that overall, we managed to make it work. With the use of MSN Messenger and Skype we were able to talk to each other. Being that all three of us study the Hotel and Restaurant line in the Service Management program, studying the retail sector was rather new to us which required therefore extra time to get better insight of this sector. As for our empirical data, it would have given us a wider perspective of the cultural issues related to IKEA if we could have interviewed some of their Japanese employees. We also believe that using primary sources such as interviews of Japanese customers could have provided us with a more accurate perception on the expectations they have of IKEA. This could have been one of the most valuable sources of information regarding a company's marketing strategy. Further research on the neighboring areas of IKEA Funabashi would also have contributed to a better understanding of the settings.

Chapter 3 – Theories

In order to fulfill our purpose on investigating how Swedish firms should adapt to Japanese consumers, it is necessary for us to explain what consumer behavior is, and more specifically, Japanese consumer behavior. We then continue by introducing cultural theories related to consumer behavior since they are closely related to each other. We then continue with a presentation of the adaptation vs. standardization establishment methods. Last but not least we touch base with customer loyalty in order to be able to give suggestions on improvements.

How consumers act and what influence their actions can be studied through theories concerning consumer behavior. By doing this one can better understand consumers, which in turn can lead to an increased knowledge about how to satisfy them. This thesis also touches consumers in a specific country, more exactly Japan. Therefore it makes it relevant to study cultural theories that are related and affect how Japanese consumers behave because consumer behavior is a part of a national culture. Geert Hofstede's theories concerning cultural dimensions will here be used as comprehensive explanation about cultural matters that are related to consumer behavior. Yet these theories are generalizations which are the reason why we tried to be critical by comparing them to our own experiences. Next part of this chapter will deal with theories concerning how companies should act toward the local countries and its consumers; whether one should choose the strategy of standardization or adaptation. The last part will bring up theories concerning customer loyalty. The reason for this choice, which will be shown in the previous part of this chapter, is that Japanese consumers value certain aspects over other things.

Consumer Behavior

Since the purpose with the thesis is to study how Swedish firms adapt to the Japanese market and its consumers it is necessary to have knowledge about consumers and especially Japanese consumer behavior. One person that is well known for being an expert in this area is Pierre Bourdieu. Bourdieu invented the concept *habitus*, which means that all social rules and feelings that we have been taught through one's family and education, in some way or other, affect our behavior (Aldridge 2003: 88, Wilk 2002: 10). Through discussions about these rules and feelings, people sometimes manage to manipulate them and in turn, can create different understandings of them. This can later on lead to new established rules and feelings

and finally become part of a new *habitus*. Bourdieu also claimed that people have different kinds of capital. Apart from the economic capital one can also have cultural capital. Economic capital is defined as one's monetary income and wealth. Cultural capital is described as a more symbolic capital, where one's knowledge about cultural, traditional, and artistic aspects are relevant. This knowledge varies depending on one's social background and education (Trigg 2004: 399, Wilk 2002: 10). Bourdieu also claims that consumption isn't just a way of using your economic capital but is also a way of showing your cultural capital to others (Warde, Martens & Olsen 1999: 105).

Another interesting aspect to look at is the way in which the need for consumption arises. McGowan and Sternquist (1998: 53) say that even if consumers purchase products and services which correspond to their tastes and likings, there are other factors that play a role in the purchasing decisions, such as the consumers' own experiences, needs and backgrounds. Individuals from certain groups can identify differences between social classes by examining other groups' tastes (Warde, Martens & Olsen 1999: 105). Simmel means that consumption is a factor that creates and sustains margins between different social groups such as countries, social classes and genders. He means that people consume to be able to fit into particular groups (Simmel 2004, in Wilk 2002: 7). Wilk continues by explaining that the media can emphasize the already existing characteristics of social groups and that advertisements can manipulate these characteristics by relating brands or styles to certain social categories. Numerous researchers believe that homogeneous consumer behavior is a result of converging income, media and technologies (Assael 1998: 501, Bullmore 2000: 48, Czinkota & Ronkainen, 1993: 67, Jain 1987: 229, in de Mooij & Hofstede 2002: 61).

Is it then possible to change the way that people consume? As mentioned earlier, Bourdieu believed that *habitus* can change when people are discussing or manipulating certain rules or feelings that are affecting the *habitus*. When Wilk writes about how to change consumption practices – in his case concerning environmental matters – he means that advertisement can help by relating certain things to each other, for example that gas consumption in a developed country can affect the energy supplies in a less developed country. Yet it is hard to create any bigger changes in people's values by only advertising, thus Wilk means that people need to become more educated (Wilk 2002: 8). According to Denton (1998: 85), all living creatures want to have command over their environment and they often do this by keeping things the

way they've always been. One tends to stick to what one knows and ones routines instead of wanting to change, even if these routines are bad.

The next important issue to cover while studying consumer behavior is the price factor. This factor is especially important in this thesis since IKEA often refers to their low prices as a marketing tool. McGowan and Sternquist (1998: 53) state that when a consumer is unfamiliar with a product, he/she will refer to the price as an indicator of the products' quality. As a consumer, one can easily assume that high price means one is getting a high quality product. Certain consumers are more willing to pay for something expensive if it means purchasing something prestigious and luxurious. Others think certain expensive items are just a way for companies to make money and are completely not worth the price they cost, thus high priced products are not attractive (McGowan & Sternquist 1998).

McGowan and Sternquist (1998: 63) argue that one cannot reason that market universal behaviors can be applied to all customer segments or product categories. When turning to Japanese consumers they claim that they are very price sensitive and consider it first above all other things (McGowan & Sternquist 1998: 50-51). Creghton says that a common perception of the Japanese is that they believe quality and price are related very closely. He also says that western consumers are less sensitive to the association between price and quality (Creghton 1988, in McGowan & Sternquist 1998: 52). According to a recent survey, 70 percent of the Japanese respondents preferred a reasonably priced product to an expensive but good quality product (Hoshino 1990, in McGowan & Sternquist 1998: 52). This supports a report that claims that Japanese consumers' luxury goods trend is losing its edge and that they are moving towards a more affordable products trend (Sakamaki 1994, in McGowan & Sternquist 1998: 51). Finding a good bargain is not something that is associated with lower-class income holders anymore since it doesn't mean that one lowers ones quality standard (McGowan & Sternquist 1998: 51). McGowan and Sternquist believe that the fact that Japanese consumers perceive price and quality to be equivalent shows that value for money is an important aspect of consuming goods. However they finally say: "it seems that value-consciousness is a possible marketing universal." One can possibly consider value as a universal marketing tool since it seems to matter to all types of consumers (McGowan & Sternquist 1998: 54).

Cultural Theories Related to Consumer Behavior

There are different theories regarding which elements influence the way people consume. Some research shows that economies are converging in different cultures, especially in developed countries, and even GNP per capita are converging. Yet, this doesn't prove that people's values are becoming more similar across the globe (de Mooij & Hofstede 2002: 62-63). On the contrary, cultural influences on consumption become more evident when countries become wealthier and people get more discretionary income (de Mooij & Hofstede 2002: 67).

Consumer behavior is strongly connected to cultural differences, which are intertwined with language, religion, education, social institutions, aesthetics and time orientation (Young & Javalgi 2006: 118). These cultural values in turn affect how products and services are adapted. Researchers mean that when consumer behavior is culturally bound, it is necessary to adapt one's organization and marketing strategy to the local market and the cultural values. (McGowan & Sternquist 1998: 49, de Mooij & Hofstede 2002: 63)

Hofstede's Cultural Dimensions

To further investigate what effects the cultural differences can have on consumer behavior, we use Geert Hofstede's study which compares and analyses work-related values based on statistical data using five different cultural dimensions (Hofstede 1991, 2001). These dimensions are: power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity, and long-term/short-term orientation. Starting with a short description of each dimension, we then try to give examples of how these characteristics can be manifested on consumer behavior.

Power distance

Power distance measures how the power in a society is distributed between its individuals and how much they tolerate power inequality. It affects hierarchical distance, how people relate themselves to others with more power and dependence in family, organization and society. Sweden scored 31 in this dimension while Japan scored 54. (Lee & Usunier 2005: 54, 58)

Uncertainty avoidance

This dimension refers to the degree of uncertainties and ambiguities that can threaten

individuals and make them try to avoid these situations (Hofstede 1991: 113). Here, Japan scored 92 which is a lot higher than Sweden's 29 (Lee & Usunier 2005: 54). People in cultures with strong uncertainty avoidance prefer well-defined rules and structure in their lives, and they also place a strong belief in experts (Soaresa, Farhangmehra & Shohamb 2006, de Mooij & Hofstede 2002: 64), which in turn can lead to a belief in familiar brands. Research made by de Mooij and Hofstede (2002: 64) shows that the need for being well groomed has a connection to this dimension, measured by the percentage of consumption expenditures. A similar relationship is found between uncertainty avoidance and expenditures on home furnishing. According to de Mooij and Hofstede (2002: 64) this is why IKEA who sells cheap furniture originates from a culture with weak uncertainty avoidance and expensive German or Italian design furniture come from strong uncertainty avoidance cultures. This statement, however, does not reflect the entire reality in a sense that countries like Sweden and Denmark (that scored 23 in this dimension) also have companies who sell expensive and well-designed goods like Volvo and Bang & Olufsen. Although it could be true that a larger part of consumers in some countries prefer familiar brands more than those in other countries, because they think familiar brands are more trustworthy and associate them with good quality or status.

Individualism/collectivism

This dimension describes how individuals are related in each culture. In individualist cultures, a society sees its people with individual identities, initiatives and goals and people tend to look after themselves and their immediate family only. In collectivist societies, on the other hand, individuals belong to groups where its people share the same identity and look after each other in exchange for loyalty (Soaresa, Farhangmehra & Shohamb 2006: 280, Lee & Usunier 2005: 55, de Mooij & Hofstede 2002: 63). Since people in individualistic societies regard each other as different, they tend to communicate more explicitly and verbally, whereas in collectivist cultures communication is more implicit (de Mooij & Hofstede 2002: 63). Differences can also be found when comparing what is regarded as a culturally appropriate way to cooperate with others from individualist/collectivist perspective (Lee & Usunier 2005: 55). According to de Mooij & Hofstede (2002: 64), privacy is a typical issue in individualistic cultures. Japan scored 46 while Sweden had 71.

This dimension has an impact on how individuals socialize in different cultural contexts. In collectivist cultures, people tend to get together in public places like parks and bars.

Researchers also suggest that companies should take into consideration how their products and services that are related to socializing will be used in different cultural contexts. (de Mooij & Hofstede 2002: 65-67) We should also take into consideration that the different seasons and weather as well as the access to nature affects where and how people get together to socialize. We know from our own experiences that many Swedes tend to enjoy picnics and parties in public areas like parks or sitting on the terrace of a café during the summer. It is also true that more and more young Japanese feel less resistance to invite friends to their own homes as a means of socializing.

Masculinity/femininity

Masculine societies typically favor achievement, assertiveness and showing off possessions such as luxury articles to manifest one's success. In feminine countries, on the contrary, the dominant values are caring for others and interdependence between people. (Soaresa, Farhangmehra & Shohamb 2006: 280, Lee & Usunier 2005: 58-59, de Mooij & Hofstede 2002: 65) Japan scored the highest 95 in this dimension, compared to Sweden that scored the lowest 5. Role differentiation can also be explained from masculine/feminine perspectives.

Long-term/short-term orientation

In long-term orientation cultures, people learn to value perseverance, thrift, future-oriented rewards, and peace of mind. They also deal with issues in a pragmatic and practical way rather than using theoretical and/or short-term approaches (Soaresa, Farhangmehra & Shohamb 2006, de Mooij & Hofstede 2002: 64). The Japanese score here was 80 while Sweden scored 33 (Lee & Usunier 2005: 54). We would however like to note that solving problems in a practical way could not only be typical in long-term oriented countries but also in short-term oriented ones. The way the Swedish pension policy changed some years ago seems to enforce its citizens to think their future economy to be more a long-term oriented. We have to remember that these kinds of political changes can have effect on people's attitudes towards future in a long run and also might have considerable effect on the overall lifetime consumption.

De Mooij and Hofstede explain that what retailing discounters offer are in fact short-term saving opportunities which might not necessarily be associated to values of thrift in long-term orientated cultures. Instead, saving opportunities such as saving stamps or collecting points would have better appeal to those in long-term societies, since they can build relationships

with a brand or a retailer. (de Mooij & Hofstede 2002: 66)

Although we need to note that Hofstede's cultural dimensions are generalizations of nations, they still have relevance in today's society. This depends on the fact that even if cultures change over time, such change is assumed to occur very slowly and would not be identifiable for a long period (Sivakumar & Nakata 2001, Hofstede 2001). This can be seen in countries and regions that belonged to the Roman Empire since they still share a number of common values (Soaresa, Farhangmehra & Shohamb 2006: 281, Hofstede & Usunier 1999: 120).

As a summary, in a retailing context, these five cultural dimensions can have an influence on issues such as innovativeness, service performance, information exchange behavior, advertising appeals, and sex role portrayals (Yeniurt & Townsend 2003, van Everdingen & Waarts 2003, Birgelen et al. 2002, Yaveroglu & Donthu 2002, Lu et al. 1999, Steenkamp et al. 1999, Milner & Collins 1998, Albers-Miller & Gelb 1996, Dawar et al. 1996, Lynn & Gelb 1996).

When it comes to purchasing national/global or private brands, some researchers mean that this phenomenon is related to some of the cultural dimensions we have mentioned above. "Famous" brands can be used to manifest one's status in society, which in turn affects those in high power distance societies. High power distance is also related to collectivist cultures where people seek harmony with each other. This might lead to the fact that many people in some societies prefer the same brands. Well-known brands also give customers extrinsic, more visible cues about its products/services and sometimes also expected quality. It is then possible to assume that consumers in high uncertainty avoidance cultures would have a higher degree of reliance on famous brands compared to private brands which only few people know about (Batra & Sinha 2000: 177, in de Mooij & Hofstede 2002: 65). McGowan and Sternquist (1998: 53) also confirm that Japanese consumers care more about what brand names they consume than American consumers do, even if it comes at a cost. According to de Mooij and Hofstede (2002: 65), private label brands are indeed more widespread in individualist cultures.

Adaptation vs. Standardization

One can find an abundance of literature concerning the subjects of adaptation and

standardization of multinational firms wanting to establish themselves in new markets. Some researchers have criticized the process of standardization and argue that the differing economies, cultures and political issues of countries all have an influence on the local market environments (e.g., Douglas and Wind 1987, Hill and Still 1984, Kashani 1989, Kotler 1986, Wind 1986, in Calantone, et al. 2004: 188). Thus, many authors agree that multinational companies should adapt to the local markets in order to be successful in the long run (Boddewyn, Soehl & Picard 1986, Hill & Still 1984, Quelch & Hoff 1986, Sorenson & Wiechmann 1975, Wind 1986, in Cavusgil, Zou & Naidu 1993: 480). According to Young and Javalgi (2006: 114), companies will only succeed if they focus on niche groups in the macro market, meaning they must specify which segments they will focus on and must thereafter fulfill their needs. Adaptation of a product can strengthen its competitive position in its market (Hill & Still 1984, in Cavusgil, Zou & Naidu 1993: 481-482). De Mooij and Hofstede (2002: 61) also argue that using the same retail strategies in different countries will not work without first adapting. Some even say that adaptation is inevitable when entering a new market. Sorensen, Wiechmann and Kacker argue that there are different types of adaptation, namely obligatory and voluntary adaptation. An example of obligatory adaptation is when a firm has to take into consideration governmental regulations before being able to penetrate a new market. Voluntary adaptation is when the firm itself decides to adapt in order to satisfy local consumers' demands (Sorensen & Wiechmann 1975, Kacker 1975, in Calantone, et al. 2004: 188).

Studies show that there is a positive connection between international experience and adaptation. The more experienced a firm is in international business, the more they tend to adapt to the local cultures (Cavusgil 1984, in Calantone, et al. 2004: 190). Thus, a global company values the differences perceived in different markets, making it easier for them to respond to the specific needs of each individual market, resulting in a competitive advantage (Cateora 1990, Terpstra 1987, in Cavusgil, Zou & Naidu 1993: 486). However, there have still been many international companies that have seen their profits diminish because the local aspects have not been taken into consideration (de Mooij & Hofstede 2002: 61). Furthermore, firms that lack international experience tend to choose standardization as their method of choice when penetrating a new market (Cavusgil, Zou & Naidu 1993).

All in all, depending on the type of market one has entered, the differentiation strategies may vary. If the market shows itself to be one where competition is tough, it may be necessary for

firms to differentiate themselves by customizing their products and services to match the needs of the local market (Hill & Still 1984, Jain 1989, in Cavusgil, Zou & Naidu 1993: 489). However, in a captive market setting, a company holding a leadership position can choose to standardize its range of products and services (Porter 1986, in Cavusgil, Zou & Naidu 1993: 489).

According to Theodore Levitt (1983, in Cavusgil, Zou & Naidu 1993: 482), factors that have influenced the globalization of worldwide markets are the increase in communication and transportation technologies as well as traveling. These factors have all become easily accessible and in turn have created global consumers. In order to sustain a competitive advantage in a global market, companies must be able to offer good quality products to an affordable price. The big international companies present in several markets around the globe have managed to do this by means of standardizing their range of products and services. Levitt also mentions that firms who have instead adapted their products to different markets will soon be disappearing due to the lack of innovation on their part (1983, in Cavusgil, Zou & Naidu 1993: 482, and in Calantone, et al. 2004: 188).

Murphy explains that western retail companies (mostly American and British) tend not to take the local cultures into consideration when expanding into foreign markets (Murphy 1999, in de Mooij & Hofstede 2002: 62). One can argue that multinational companies are able to market homogeneous products and services (i.e. standardized products and services) due to the fact that markets have become much more uniform (Hamel & Prahalad 1985, Levitt 1983, Ohmae 1985, in Cavusgil, Zou & Naidu 1993: 480). Terpstra means that since markets are so homogeneous, product marketing can also be standardized. Being an international company can create a powerful brand which can also become a powerful marketing tool in global markets. Since standardization automatically reduces costs, Terpstra believes it to be a tempting differentiation method for multinational organizations (Terpstra 1987, in Cavusgil, Zou & Naidu 1993: 483). Also, if a company offers a different or more unique version of a familiar product, there will be greater acceptance of the product, making it easier to standardize (Buzzell 1986, in Cavusgil, Zou & Naidu 1993: 489).

Other researchers have suggested that total standardization or total adaptation to a market is completely impossible and consider both to be “two extremes of the same continuum” (Jain 1989, Quelch & Hoff 1986, Walters 1986, in Cavusgil, Zou & Naidu 1993: 483).

Customer Loyalty

Since Japanese consumers value the softer aspect of products more, it is appropriate to discuss marketing tools that consider these aspects in order to catch and retain Japanese consumers' attention. In this section we have therefore chosen to present theories regarding customer loyalty, customer loyalty programs and its functions.

In recent years, loyalty and affinity programs have become increasingly popular as a way of building a relationship between a company and its customers as well as a way to secure profit. There are two major aims of such customer loyalty programs according to Uncles, Dowling and Hammond (2003: 294). On the one hand, a company seeks to increase sales revenues by raising purchase levels and/or increasing the product range bought from the supplier. On the other hand, companies try to maintain the current customer base by building a closer bond between its brand and customers (Uncles, Dowling & Hammond 2003: 294-295).

Researchers have found that it costs six times as much to find a new customer as it does to keep a loyal customer (Reichheld 1996, in Young & Javalgi 2006: 115). This proves that it is very important for organizations to invest in customer loyalty programs. Getting feedback from loyal customers is also important since it will help the company understand what customers want and thus, they will be able to improve their organization for the better. (Young & Javalgi 2006: 115)

There are several approaches to define customer loyalty. In this thesis, we have chosen to introduce three different approaches mentioned in the article *Customer loyalty and customer loyalty programs* by Uncles, Dowling and Hammond (2003: 295). One of them explains loyalty as being primarily connected to customers' attitudes, which lead to repeated patronage and sometimes even a relationship with the brand. These attitudinally-loyal customers are less sensitive regarding negative information about the brand and contribute to bigger revenue over time. This kind of partnership between customers and a brand can even become stronger when it is supported by others like family and friends (Dowling, Hammond & Uncles 2003: 296).

The second type of loyalty is defined by the pattern of actual purchase behavior over time and measured by repeated purchase. Consumers choose certain products/services because they have previously been satisfied by them and consider it not worth the time and effort to look for similar ones. Here, loyalty is derived from repeated satisfaction and not from customers' attitudinal preferences to a brand (Dowling, Hammond & Uncles 2003: 297).

In the third approach, a relationship between buying behavior and attitude is moderated by variables such as a buyer's characteristics (habits, the desire for variation and tolerance for risks), their current circumstances (budgets and time pressure) and/or a particular purchase situation (availability of products, promotions and usage occasions as a gift) in order to conceptualize customer loyalty. Here, individuals determine the future choice of brands by repeated satisfaction together with those contingency variables that a particular circumstance gives (Dowling, Hammond & Uncles 2003: 298).

When considering the implementation of customer loyalty programs or other kinds of measures regarding customer relationship management, the choice of theories is very important in order to make an appropriate analysis of which loyalty levels one's customers can be divided into. It is because the same marketing communication can have different effects depending on which of the three approaches a company uses to see its customers as. Most customers have a portfolio of several preferred and habitually bought brands. This portfolio gives us an assumption that a company's marketing communication such as advertising, promotions and loyalty programs can raise awareness and offer reinforcement. Researchers also mean that it can hardly be persuasive enough to change customers' attitudes and commitment, although it might have an effect on attitudinally-loyal customers (Dowling, Hammond & Uncles 2003: 299-300, Ehrenberg et al. 1998).

Furthermore, it should be mentioned that it is very difficult to interpret all the information a company gets when they launch a customer loyalty program as well as keeping the information updated and gather the right kind of data (Dowling, Hammond & Uncles 2003: 307).

Customer Satisfaction in Japan

When it comes to customer satisfaction, El Kahal says that it's something that normally isn't assured in Japan. In the West, the role of a salesperson is to satisfy the customer by trying to

persuade the customer of what he/she may need. While the Western salesperson is greeting a customer with the phrase “May I help you”, the sales person in Japan says “Welcome. Thank you for coming to our store”. In Japan, a salesperson’s task is to give advice and all the help a customer may need without persuading them. El Kahal means furthermore that even if the quality factor of a product may be important, it is not enough for a Japanese consumer. They set apart functional quality from emotional quality. The functional quality is connected to a product’s so called “zero defects” which is something that a Japanese customer always expects. The emotional quality is on the other hand connected to the softer elements such as image, brand and status. El Kahal means that it is the latter, softer elements that are crucial for the competition among companies in Japan (El Kahal 2005: 263-265).

Promotion Strategies in Asia Pacific

Even if there are differences among the countries in Asia Pacific, El Kahal has distinguished three elements that are important for the whole region while promoting ones products and services. The three elements are: concern for aesthetics, creating a prestigious image and enhancing quality perceptions (El Kahal 2005: 258-259).

El Kahal means that Asians in general appreciate colors and decorations. The Japanese specifically, value gardens, trees and flowers over other things. The next element is image, which is something very important for Asian customers because they link a positive image to prestige and status. El Kahal states that quality in Asia Pacific is often connected to service. No matter the price, an Asian consumer always expects some kind of service. In addition, she claims that service the Asian way is different from the Western way. For example when Western customers favor efficiency and time saving, an Asian customer would appreciate more personal attention. Furthermore she writes that since Asians are afraid of losing face they rarely make a straight out complaint to a company, instead they change to another company. A company that compares their quality with competitors can also be seen as losing face because they are “badmouthing” others. El Kahal therefore suggests communal activities such as sponsorships or public relations as much better administration activities for the image of a company (El Kahal 2005: 258-259).

We have presented above, a detailed description of the theories which are relevant to our purpose. Our purpose, as mentioned in our introduction, is to find out how Swedish firms

should adapt themselves to the Japanese market and its consumers in order to be successful. The theories explained about consumer behavior, cultural dimensions relevant to consumer behavior, adaptation strategies versus standardization strategies and customer loyalty, are all aspects that should be taken into account and studied thoroughly in order for a Swedish company to be successful on the Japanese market. In order to test these theories we will analyze our case study and the empirical data below and relate them to the relevant theories that were just presented.

Chapter 4 – Empirical Data and Analysis

This section presents our collected empirical research that was gathered during our stay in Japan. We start off with a presentation of IKEA's background in order to introduce the company used in our case study. We will then continue by relating the theories presented above with the empirical data below in order to be able to answer our research question and fulfill our purpose.

Consumer Behavior Analysis

Japan may be known as being a rich country in Asia but this in no way supposes that Japanese consumers are not price sensitive. According to Bourdieu, other factors have to be taken into consideration when analyzing consumer behavior, such as personal background, social environment and needs (Aldridge 2003: 88, Wilk 2002: 10). Sonny Söderberg, from the Swedish Trade Council, said that since Japanese homes are approximately only 50 to 60 squared meters it may be hard for household owners to make their homes beautiful, considering that they at the same time, have to have storage space for all of the family's belongings (Söderberg, 2007-04-12). Therefore a question arises: Do Japanese consumers really have the need to decorate their homes with fashionable furniture when there is little to no space available? Another aspect that comes to mind is when Bourdieu claims that consumption is also a way of showing off ones cultural capital (Trigg 2004: 399, Wilk 2002: 10). Söderberg mentioned that home furnishing in Japan traditionally hasn't been something important, that Japanese people don't spend much of their time on decorating their homes. Also, it is not in their nature to invite guests over to their homes. (Söderberg, 2007-04-12) Thus another question arises: If you don't invite others to your home, would home furnishing be a good way of exhibiting your cultural capital? Maybe this is also an explanation as to why Japanese people don't spend much money on home furnishing, according to IKEA Funabashi store manager, Gordon Gustavsson (2007-04-13). He said that home furnishing isn't even in the Top 10 list of things Japanese people spend the most money on. Personal fashion such as brand name bags from Prada or Louis Vuitton, cell phones and cars are all examples of commodities that Japanese consumers value over other things. As Simmel claimed, people consume to be able to fit into particular social classes (Simmel 2004, in Wilk 2002: 17). Since Japanese people traditionally have a tendency to socialize outside their homes, it is not strange that they spend more time and money on products and accessories that one can show off in society than on ones home where no one besides themselves get to see.

However there seems to be some sort of change in Japan now. Söderberg (2007-04-12) said that it has become more common that the younger Japanese generation have started to invite friends over to their homes. We have to remember however, that it is still unusual even if it has become more common. Furthermore, Söderberg believes that it is the younger generation that may be the link to a change in Japan. During our discussion with Japanese university students, they told us how much they liked IKEA's furniture and their design. It seemed like IKEA was a new and trendy brand for them. They also told us about other students who had traveled for hours from Kyoto to Tokyo just to shop at IKEA. Worth mentioning apart from the time that it takes to travel from Kyoto to Tokyo is that travel costs are very high in Japan. Since it is so costly for students to travel, the fact that IKEA has low prices is perhaps not the only thing worth going for. What the students pointed out was that not only were IKEA's products very affordable, but they were also very stylish and modern; and that, was worth traveling for (Observation, 2007-04-25).

Also the CEO of IKEA Japan, Lars Petersson (2007-04-10) meant that there is a positive change in Japan towards home furnishing. Until now, the home in Japan had been considered a place for people to store their belongings and sleep. Gordon Gustavsson, store manager of IKEA Funabashi, couldn't remember a Japanese employee ever saying that he or she had to go home after work (Gustavsson 2007-04-13). There were always other places to go to, but not home. However IKEA's CEO Lars Petersson (2007-04-10) said that IKEA would like to develop the idea of making a home more than just a place to sleep, and make Japanese consumers realize that with home furnishing one can make even small spaces more enjoyable. IKEA in Funabashi is trying to demonstrate this by displaying a 28-squared meters apartment in the store that includes everything: a kitchen, a bathroom, a sofa that turns into a bed, and several storage areas. The changing process is however going to take some time since the Japanese' view of their homes is embedded in their cultural roots. Petersson sees this as a great opportunity for IKEA to be a catalyst of the movement, although he realizes that it will not be possible for IKEA alone to make this big change.

“You can see it in different ways. A pessimistic person would wonder what we are doing here. A positive person would see it as a possibility if we come now in the middle of a changing process. And that is how we reason.” (CEO of IKEA Japan; Lars Petersson, 2007-04-10)

Söderberg (2007-04-12) mentioned another aspect that can be a consequence of the changing attitudes towards home furnishing in Japan. He thought there might be a chance that the average living space in Japan can increase when people from big cities decide to move to the outskirts just because they start to prioritize living space over location.

The former CEO of IKEA Japan, Tommy Kullberg, expressed that Japanese people are living an unhappy life. Japanese families rarely have time to be together since the men in families work all day and don't come home until late. He said that IKEA wanted to make a change here, which they tried to do by launching a big advertisement campaign in the initial phase of their opening in Japan 2006. The following three slogans were used: "The home is the most important place in the world", "Have you met your children today?" and "Stay at home today!" These became quite controversial in Japan; some people were shocked, others took it as some sort of sign that people should start refusing to go to work. The Keiyo Line, a subway line in Tokyo, even refused to put these advertisements in their trains (<http://www.konsultguiden.se>). This was a natural reaction according to Denton since he meant that it is rooted in human nature to have command over their environment by not changing things in their surroundings (Denton 1998: 85). Although Wilk wrote that advertisement could help in a changing process, he also wrote that only advertising wouldn't make any bigger changes in people's values (Wilk 2002: 8). However, according to Bourdieu, one way of changing people's *habitus* is by discussing aspects that are affecting people's consumption behavior such as social rules, even if they sometimes may be taboo (Aldridge 2003: 88, Wilk 2002: 10). Thus, we may say that even if IKEA hasn't been able to change or can change many Japanese consumers' opinions about their homes and home furnishing, it seems that they still have managed to start a discussion which has caught the attention of people. This in turn could be considered as being a part of the undergoing changes that are happening in Japan right now.

To return to our discussion with the university students, we mentioned that they considered IKEA as being a trendy brand. This is a good sign for IKEA, since a brand's perception is very important to Japanese consumers, according to the theories about customer satisfaction previously mentioned on page 28. Also Söderberg (2007-04-12) found that especially Japanese consumers are very fixated on brands. He thinks that for them, a well-known brand means quality as well as prestige. El Kahal (2005: 263-265) mentioned that a product's quality could be seen from two different perspectives in Japan. First was the functional

quality, which is when a product is free from any defects. The former CEO of IKEA Japan mentioned that there is another level of quality control in Japan. There is no tolerance for any lack of quality in a product, meaning that products with the tiniest defect have to be returned to the manufacturer immediately. It is not like in Sweden where defected products can be sold at a reduced price. (<http://www.affarsvarlden.se>) The second quality aspect according to El Kahal, which she claimed was the more important one in Japan, was the emotional quality, which consists of the brand and its image (El Kahal 2005: 263-265). Söderberg (2007-04-12) said that people rarely talk about quality in Japan; it is instead something that Japanese consumers take for granted. In his eyes, it is therefore pointless for companies to use quality as a marketing tool in Japan. On the other hand he stated that Japanese consumers usually relate a product's price to its level of quality. Therefore we think that IKEA marketing their low prices in relation to their good quality should create an advantage over other companies.

When talking about the quality aspect, it is relevant to bring up the price factor as well. One of the reasons for IKEA's success is their everyday low prices. Their vision, as mentioned, is to:

“... offer a wide range of home furnishing with good design and function at prices so low that as many people as possible will be able to afford them.”
(<http://www.ikea.com>)

How do Japanese consumers understand this statement and how important is the price for them? Söderberg (2007-04-12) thought that the phenomenon explaining the connection consumers have between high price and high quality is very common in Japan, even if it is a phenomenon that also can be found in many other cultures. The association between price and quality which Söderberg noticed is the same that McGowan and Sternquist (1998: 53) had found (page 19 of our thesis). Japanese consumers' high brand awareness has led to some companies' advantage. The famous Louis Vuitton bag for example sells even better when the price goes up. Yet Sonny Söderberg also mentioned, what he called, a polarization phenomenon that he thought was more common in Japan than other places. He said that a Japanese consumer could buy very cheap products from a 100-yen store, and at the same time spend a fortune on a pair of shoes from Prada. To answer the question if Japanese consumers are price sensitive or not, the CEO of IKEA Japan answered that there is no doubt that they are. He said:

“It happens that the same person [that has bought something in a 100-yen store] spends money on expensive hand bags, but that doesn’t mean that he/she isn’t price sensitive. The myth that Japanese consumers can spend money and that one can charge any price is all wrong.” (CEO of IKEA Japan; Lars Petersson, 2007-04-10)

He also stated that IKEA’s customers really appreciate their concept, which is Scandinavian design at a very low price. He meant furthermore that their customers think that they get value for their money at IKEA. These statements can be linked to previous studied theories on page 19, which showed that Japanese consumption of luxury products had begun to lose its edge and that Japanese consumers are now more aware of finding products where one gets value for money (Sakamaki 1994, in McGowan & Sternquist 1998: 51). Theories also claimed that finding a good bargain in Japan is no longer only an activity for people with low cost income. (McGowan & Sternquist 1998: 51)

Researchers McGowan and Sternquist (1998) believed that value-consciousness is a possible marketing universal since it seems to matter to all types of consumers. The store manager (2007-04-13) said that the IKEA concept relies very much on common sense; the common sense that people everywhere in the world want good quality products at cheap prices. This may be an important reason for IKEA’s worldwide success and hopefully it will also work well in Japan.

Cultural Theories Related to Consumer Behavior Analysis

Hofstede’s Cultural Dimensions

In a retailing context, Hofstede’s five cultural dimensions can have an influence on issues such as innovativeness, service performance, information exchange behavior, advertising appeals, and sex role portrayals. In this section we try to examine how these dimensions can be connected in the present situation of IKEA Japan and its customers.

Power distance

Advertising appeal is an important issue regarding consumer retailing that could be affected by the degree of power distance. IKEA has been in the public media several times through PR and they also try to invite journalists to their outlet from time to time. Petersson (2007-04-10) says it would have been absolutely too expensive if they had purchased airtime on television.

Except for the advertising posters that they had in certain subway stations during the opening period, they have only relied upon their IKEA catalogue which is sent to neighboring areas of both stores once a year, their magazine called *IKEA FAMILY LIVE* which is sent out to the members of their loyalty program *IKEA FAMILY*, and last but not least, their website which gets about 25 000 visitors per day (Petersson 2007-04-10).

The high score of Japan on power distance can lead to the fact that the Japanese are more likely to believe in information that comes from people holding power and/or authority, e.g. politicians, doctors, actors and other famous and well-known people. When these types of people release information, it is considered as a reliable source. Thus, when published in major newspapers or commented on by people with authority, PR might be an excellent way for IKEA to get publicity that in turn can lead to a positive image of the company. Also, the emphasis on the authenticity of Scandinavian design of their products as a sales argument (Petersson 2007-04-10), could be another reason that explains IKEA's success in Japan so far. All in all, IKEA's success in Japan is partly due to the rising popularity of Scandinavian design (Söderberg 2007-04-12) and partly due to the authenticity of their products combined with extremely cheap prices (Petersson 2007-04-10).

Uncertainty avoidance

As we have mentioned in the theoretical part of this thesis on page 21, uncertainty avoidance can have an affect on people's attitudes towards risk-taking. Through his 11 years of experience in Japan, Söderberg (2007-04-12) agrees to this by saying that many Japanese are often very conservative and that one shouldn't hope for rapid changes.

As for the actual shopping experience at IKEA Funabashi, Gustavsson (2007-04-13) and Petersson (2007-04-10) have noticed that their consumers come well prepared to the store, compared to Chinese consumers in China. For example, many customers visit IKEA with a list of store items which they printed out from the website and have gathered as much information as possible before coming to the store. It might be due to the fact that the way one shops at IKEA is unique in Japan, but it could also be due to the fact that it is a way of avoiding uncertain situations that might arise because of the lack of previous shopping experiences at an IKEA store, as well as when they at home have to build what they bought.

Another cultural issue that Gustavsson (2007-04-13) brought up was the attitude towards change. He explains that changes like “something that was true yesterday is not true today” make the Japanese employees feel uncertain and they need more time adjusting themselves to new ideas compared to other employees. However, Gustavsson (2007-04-13) also mentions that the time his Japanese employees spend on considering how they will cope with an issue is often time well spent and makes the next stage easier to adapt to. It is because once Japanese employees have understood a new idea and how to cope with it, they tend to stick to it and are no longer doubtful. In Sweden, on the other hand, people usually keep questioning the decisions after they have been implemented (Gustavsson 2007-04-13). With this aspect at IKEA Funabashi, we can confirm the fact that the Japanese have a higher degree of uncertainty avoidance compared to the Swedish but we should remember that this does not automatically mean that they are inefficient in using their time. We think this fact could be a result of the degree of power distance that generally is seen in Japan; those at the top of the hierarchy decide what their subordinates do, and many bosses might not expect the employees to question their decisions. However, not questioning at all after the implementation of a new strategy could also result in lack of innovativeness on the part of the employee.

Individualism/collectivism

One aspect of the Japanese society that does not quite fit in with Hofstede’s theory about a collectivist culture is the fact that people have not been keen on inviting others to their own homes. In fact, considering our interviewees’ opinions and our personal experiences, we can say that home for most Japanese is considered a very private place mostly for family and the closest of friends, but mostly a place for sleeping and for storage of the whole family’s belongings. However, it has become more and more common among younger people to invite others to their home (Gustavsson 2007-04-13; Söderberg 2007-04-12).

Another important aspect regarding a collectivist culture is connected to customer loyalty, which we will examine later in this chapter.

Masculinity/femininity

As a furnishing company, it is crucial for IKEA to have knowledge about who bears responsibility for home furnishing in Japan. As mentioned earlier, traditionally and still at present, it is mostly women who take care of their homes and families, and furnishing is not considered a matter for the entire family. This factor can be categorized as a typical

characteristic of a masculine society. According to Petersson (2007-04-10), this tradition is currently changing little by little and IKEA would like to be a part of this process because they want the Japanese to like home furnishing. As mentioned, IKEA also would like to show their consumers that even a small house can be something to be proud of. Since the Japanese in general only spend a quarter of the family budget on furnishing compared to the Swedes, Petersson sees an opportunity in the market.

In a masculine society like Japan, some try to show their success by showing off luxury possessions (Soaresa, Farhangmehra & Shohamb 2006: 280, Lee & Usunier 2005: 58-59, de Mooij & Hofstede 2002: 65). Söderberg (2007-04-12) agrees to this by mentioning, as we brought up earlier, that both brands and high prices can manifest quality and prestige in Japan. He brings up Louis Vuitton bags as an example and means that the term “exclusive” might have a different meaning in the Japanese society. The more expensive they become, the more people want to have them. This can be interpreted as people still think the bags are exclusive items; not in terms of uniqueness but because of the price.

Long-term/short-term orientation

IKEA’s customer loyalty program, *IKEA FAMILY*, offers several benefits to its members. As in Sweden, IKEA Japan also offers special prices on a range of products in the stores and on some meals at the restaurant. They also distribute a “members only” magazine called *IKEA FAMILY LIVE*. The members of *IKEA FAMILY* in Japan can get a free coffee or tea when they visit their outlets on weekdays. At the outlets, IKEA Japan holds special seminars only for its members where the customers can gather and get involved in different activities (Gustavsson 2007-04-13; <http://www.family.ikea.jp/> 2007-05-17). Themes of these seminars can be “Swedish Outdoor Life – Let’s have a picnic!”, “Easy Swedish Cooking” and “Easy Macrobiotic Cooking”. Most of these seminars are free for its members; otherwise there is a small participation fee. When we visited IKEA Funabashi to do an interview, we saw two employees and a customer sitting outside on the store’s outdoor summer furniture display, having a cup of coffee and snacking on some chips. Those employees who were explaining how a typical Swedish picnic takes place, are called *IKEA Ambassadors*. Normally they work in different sections of the store but those who want can voluntarily apply to be an ambassador every two weeks. According to Gustavsson (2007-04-13), it is their way of trying to build a relationship with their customers. If these meetings are successful, they can in turn lead to a relationship between the employees and the customers, and can result in customers

coming back. IKEA also wants to teach Japanese consumers more about Sweden and the Swedish culture, which is one of the important philosophies that IKEA has.

Looking from a long-term orientation perspective, it could possibly be an ideal marketing tool that IKEA's membership program offers not only discounts on items but also an opportunity for its customers to build a relationship with the company by human-to-human activities. We will further examine whether their customer loyalty program can be improved later in this section.

Adaptation vs. Standardization Analysis

No matter the market IKEA chooses to penetrate, they will always keep a certain level of standardization in their implementation. For example, all department stores around the world share the same concept, they all look more or less the same and the idea of the customers having to do a lot of the work themselves is still present. Other aspects which have been standardized are IKEA's range of products, their quality level and of course, their cheap prices. The famous IKEA culture is also the same, where everything should be as simple and human as possible. This aspect was something that the store manager said had tried to implement in every IKEA store he has worked in.

One can understand why IKEA has chosen to standardize most aspects of their organization, since if they were to change too much then they would no longer be the same unique IKEA, which it is so well known for. This contradicts the theory where firms that seem to lack international experience tend to choose standardization as their method of choice (Cavusgil, Zou & Naidu 1993). We don't think that IKEA is a company that lacks international experience and their choice to standardize is a means of keeping their culture and their "Swedishness". Söderberg (2007-04-12) means that Japanese consumers come to IKEA also because they want to experience something different. It's basically like leaving the country without needing your passport.

“.... one could believe that he [Tommy Kullberg] would answer other furniture companies, but he said Tokyo Disneyland. They see a trip to IKEA as a full day activity for the whole family; it takes almost the whole, or at least three quarters of a day, to go through the store and eat lunch, of course you buy furniture, but it is at the

same time a Sunday activity.” (Sonny Söderberg, 2007-04-12, explaining what Tommy Kullberg (former CEO of IKEA Japan) thought to be IKEA’s competitor)

If IKEA had chosen to adapt itself completely to the local culture, it would no longer be considered a special experience or even as “traveling to Sweden”.

It seems that IKEA on the other hand corresponds better to another theory, which we have stated above. Namely, that good quality products, at an affordable price will result in a sustainable competitive advantage. Offering these kinds of products would not be possible without standardization, and according to Levitt (1983) firms that choose to adapt to the local markets lack innovation and will at some point or other burn out and die (Cavusgil, Zou & Naidu 1993: 482, Calantone, et al. 2004: 188).

“I don’t think IKEA has come into the Japanese market thinking that they’re the biggest, best and most beautiful, but I do think they’ve done the most important adaptations in order to be able to keep their Swedish concept and use it as a means of marketing.” (Söderberg 2007-04-12)

Before opening their stores in Japan, IKEA chose to first develop long-lasting relationships with politicians, police, and stakeholders, among others. One can see this as a way of adapting to the Japanese culture. In Japan it is quite usual that one has to build a relationship with future business partners in order to show that one can be trusted. As we mentioned in the theory part, internationally experienced companies tend to adapt themselves and try to understand the local culture more than other less experienced companies (Cavusgil 1984, in Calantone, et al. 2004: 190). IKEA has also done a lot of market research in order to better get a feeling of what Japanese consumers want and need. These have in turn helped them to better understand what Japanese households look like as well as how Japanese families function in order to help them adapt to the local culture. This market research which IKEA has done agrees with the theories about a global company valuing the differences perceived in different markets which results in them being able to respond to the specific needs of each individual market (Cateora 1990, Terpstra 1987, in Cavusgil, Zou & Naidu 1993: 486).

IKEA in Funabashi has employed mostly Japanese people but has also been able to employ people with other nationalities. The fact that they have chosen to employ people from other

countries based on their ability to speak Japanese (Petersson 2007-04-10, Gustavsson 2007-04-13) is a way of showing the willingness to adapt to the local culture in Japan. Not only are they adapting in this sense, but they are also creating better communication channels inside the company. Another adaptation aspect can be the fact that Japanese employees working at IKEA Japan's head office in Funabashi must be able to speak English (Petersson 2007-04-10). In this case it is the Japanese employees who have to adapt themselves to the international environment and IKEA's culture. Also the fact that Sweden holds the record of having the youngest managers in companies worldwide has perhaps been taken into consideration when implementing IKEA in Funabashi. Most managers in the store had not surpassed the age of 50. This can be considered as a radical change towards the very traditional Japanese management age average.

IKEA's management style has not been adapted to the Japanese management style. In Japan, it is very usual that men are the ones who have the highest positions and that the majority of employees working for an organization are men. At IKEA on the other hand, they would like to have 50 percent of the employees being men and 50 percent being women. They also want them to come from different cultures and have different backgrounds so as to have a variety. Right now 60 percent of the employees are women, and 30 percent are managers. They're hoping that they will increase the percentage of female managers in the near future. Petersson explain that it may take some time for them to reach that level since most Japanese women have to choose between having a career or a family. It is still uncommon in the Japanese society that women can have both. Since most of their customers are married or single women they emphasize that it is important to have the same kind of women working for them. (Petersson 2007-04-10)

According to both the CEO and the store manager, Japanese consumers are quite in line with other worldwide consumers. The best selling products at IKEA Funabashi seem to be the same as at other IKEAs around the world. (Petersson 2007-04-10, Gustavsson 2007-04-13) Furthermore, the extra service offered such as assembling furniture is also used about as frequently as in other countries. Home delivery on the other hand is more common in Japan since many choose to take the train and subway to get to IKEA (Gustavsson 2007-04-13). This extra service is one that is considered to be expensive by consumers but since IKEA has managed to explain that they do not make any profits on home delivery, Japanese consumers seem to have a better understanding for the price level. Gustavsson compares Japanese

consumers to Chinese and finds that in Japan, customers are quieter when walking around the store (Gustavsson, 2007-04-13). Another difference in consumer behavior is that in Japan one tends to buy smaller amounts of products more often instead of going on a big shopping spree once in a while.

Gordon Gustavsson explains that globalization is in their case only positive and will help them in their standardization process (2007-04-13). This is also true according to the theories about multinational companies being able to market homogeneous products and services to globalized markets (Hamel & Prahalad 1985, Levitt 1983, Ohmae 1985, in Cavusgil, Zou & Naidu 1993: 480).

The IKEA Funabashi restaurant was like any IKEA restaurant around the world, meaning they served typically Swedish food. They did however also offer local specialties, and wine was also available to take from the restaurant. Besides the IKEA restaurant there was an additional coffee corner where they served sandwiches and snacks as well as an assortment of beverages. What can here be considered as an adaptation is the fact that IKEA is situated in an industrial area in the suburb of Tokyo where there are a lot of companies in the near surroundings. IKEA's restaurant and coffee corner have been especially important to these surrounding companies since there are not a lot of other eating options in the area. Gustavsson revealed that they took this factor into consideration when designing the store and therefore placed the restaurant near the entrance (2007-04-13).

One visible adaptation that IKEA Funabashi has done is the display rooms that have been adapted to the Japanese measures. It is the only IKEA store in the world where one uses local measures. Besides having tatami measures of all the display rooms, they also display the measures in squared meters. The display rooms in other IKEA stores around the world are usually four meters; in Japan they've been adapted to the more local size being two to three meters. This is probably not something that consumer's think of, but it is a way for IKEA to make their display rooms look more realistic in relation to Japanese style homes. (Gustavsson 2007-04-13) These types of adjustments are what Sorensen, Wiechmann and Kacker call voluntary adaptation. An obligatory adaptation that IKEA had to do was concerning their kitchens. All kitchen appliances such as sinks, taps, dishwashers, fridges, etc., must fulfill Japanese law requirements, meaning they had to use Japanese appliances. All their cabinets, etc., also had to be earthquake-safe.

Everything in Japan seems to be at a lower height, the doorknobs, toilet seats, washbasins, etc. Yet IKEA chose not to change the height of their kitchen counters and other furniture, and to their astonishment, Japanese consumers have not complained. Petersson explains that since everything is at such a low height (it is even low for Japanese people), it gives Japanese consumers a break from having to bend down all the time. He says that most of them probably think it is more comfortable and that so far they have not received any complaints about it (Petersson, 2007-04-10).

Even if IKEA has chosen to standardize their product range, Gustavsson means that they are still able to adapt to the local market in the sense that if a certain product does not sell well, there is no need to keep it in the product selection. Also, most of their furniture can be adjusted to one's preferred height. Gustavsson also said that their product range is so wide that there's something to fit every culture's needs (2007-04-13). Söderberg (2004-07-12) noticed that Japanese consumers have the capability to, in some way or another, adapt foreign products into their culture. IKEA's store manager also noticed this adaptation through the store's customers. For example they can use a chair cushion as a chair, and a coffee table as a dining table. It seems that Japanese consumers have the habit of adapting all furniture to their likings, no matter where the products come from. Therefore one can wonder: is it necessary for IKEA to do any adaptations at all since their consumers will still be able to incorporate them into their homes?

The service aspect of IKEA has caused some discussions in Japan since service is something that Japanese consumers deliberately expect to receive in all stores. (El Kahal, 2005: 258-259) IKEA Funabashi has chosen to have more personnel than they usually do in other stores around the world, but they have also chosen to limit themselves to the amount of service that consumers receive. That is to say that it is the customer who has to ask for help when needed, which is how it usually works at IKEA. We think that the fact that they have chosen to have more personnel is a big adaptation to the culture since we all know that employees are a costly part of every company. Yet IKEA's customers are still not used to receiving less service. This was identified through a customer survey that took place at IKEA Funabashi. Staff attitude was one of the aspects that scored very low in the results. Here IKEA's task is to either adapt even more to satisfy their Japanese customer complaints or to try and make their customers understand that in order for IKEA to keep their prices low, the normal amount of service that is expected in Japan is not possible. Gustavsson also explains that instead of welcoming

IKEA's customers with the typical phrase "Irasshaimase", meaning "Welcome", they have chosen to use a simpler greeting, namely "Konichiwa" which means "Hello". Even this small change has made it hard for the Japanese employees to adapt to, and has sometimes even created a misunderstanding on the consumers' part. (Gustavsson 2007-04-13)

As a conclusion, IKEA has both been able to adapt itself to the local market and also keep a certain level of standardization. We believe that it is probably impossible for any firm entering a new market to totally ignore the needs of the local consumers as well as it is perhaps very difficult for a foreign company to adapt itself fully to the local culture. Thus, we agree with the researchers who claim that adaptation and standardization are "two extremes of the same continuum" - one cannot choose one and completely avoid the other.

Customer Loyalty Analysis

As we have mentioned before in this chapter, IKEA Japan offers activity seminars to its members of their customer loyalty program (<http://www.family.ikea.jp/>). These seminars give IKEA the opportunity to interact with their customers and open up the possibility of getting primary feedback about consumers' needs, expectations as well as positive and negative aspects of the company. Getting feedback from current customers is according to Young and Javalgi (2006: 115) is a great way to gather information about what customers really want. We have no record of how many customers have participated in these seminars so far but we recommend that IKEA should try to make the most use out of these opportunities in order to improve their current situation. These customers are also the ones who will hopefully stay attitudinally-loyal to IKEA, but they are however, still just a small part of the entire target group.

It could also be an appropriate strategy for IKEA Japan to make sure they take good care of customers who live in the area. During our visit at IKEA Funabashi we saw many families and friends eating at the restaurant and the café. As there are still many housewives in Japan, there is an opportunity for IKEA to gain regular visitors if their female visitors from the close surroundings would choose to come to IKEA to have lunch or a cup of coffee and cakes. Being supported by their friends and family, the customers' relationship with the company could become even stronger and long lasting (Dowling, Hammond & Uncles 2003: 296). This aspect of customer loyalty is supported by a collectivism perspective, which explains that

people seek harmony with each other and are also affected by the behavior of close friends and family. The same thing can be said about gaining patronage from the children of the target customers.

However, only gaining attitudinally-loyal customers would not contribute to a company's success if we recollect the fact that most of the customers need to be satisfied repeatedly in order to be called "loyal" (Dowling, Hammond & Uncles 2003: 297). This is especially true for a company like IKEA which sells products at a relatively low price compared to other companies in the furnishing business. Thus, it becomes important that the company constantly tries to get information about the current needs of its customers in order to adjust their range of products and services offered to better suit their consumers' needs (Young & Javalgi 2006: 115).

As mentioned earlier, IKEA has positioned itself as a company which "offers a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them" (<http://www.ikea.com>). Considering both this company vision and our findings through the interview with Petersson (2007-04-10), we understood that IKEA sees its customers as rational buyers. According to the third aspect about customer loyalty mentioned in the theories chapter above on page 27, there are other variables that IKEA should take advantage of in order to attract new and existing customers. We think that periodical discounts and special prices given to members of IKEA's loyalty program could reinforce their decision of revisiting IKEA. We also believe that IKEA has an advantage over other companies in attracting people to their outlets, since they do not need to rely on public holidays as a means of attracting customers. This is not to say that IKEA should not use public holidays as a time to market themselves. What we mean is that they can create their own marketing "seasons" as an extension of the already existing ones. They can take advantage of graduation and back to school seasons, couples moving in together or separating, etc. We mean that since they have the ability to market themselves accordingly to different stages in consumer's lives, they don't have to compete with other leisure facilities such as Tokyo Disney Land.

Promotion Strategies

Gordon Gustavsson explained to us a new activity that they just started with at IKEA Funabashi: selling soft ice cream for the price of 50 Yen, which is approximately three

Swedish Kronors at the time of our visit in Japan. He said that the lowest price for ice cream he has seen in Japan is 100 Yen, at McDonald's. Being a pioneer of lowering prices, the store manager hoped that it would cause the same effect as it did in Sweden many years ago. When IKEA in Sweden lowered the price on their hotdogs from fifteen to five Kronors, hotdog stands all around the country had to lower their prices to at least ten Kronors. Otherwise there would be no way of explaining to customers why their prices were much higher. IKEA's store manager wanted this to lead to the talk of the town, attracting people to IKEA for the sake of being the cheapest place that serves ice cream. But will the cheapest ice cream really be an efficient marketing tool in Japan? According to El Kahal, a marketing strategy that doesn't work well in Japan is to compare oneself to other companies. She meant that it is more efficient to use marketing activities such as sponsorships or public relations. (El Kahal 2005: 258-259)

It seems that IKEA doesn't put much effort in marketing activities apart from the advertisement campaign during their opening phase in 2006. One channel is their website which they claim has many visitors per day. The IKEA catalogue that is sent to people in the neighborhood and the membership *IKEA FAMILY* newsletter to members are other channels. Petersson mentioned PR as one of the most effective marketing strategies that IKEA Japan is using. They try to invite journalists to their stores and even television stations have aired short films about IKEA. (Petersson 2007-04-10) The fact that PR seems to work well for IKEA in Japan stays accordingly to what El Kahal (2005: 258-259) states: that PR is one of the more suitable marketing tools to use in Japan. Still, it seems that the biggest marketing channel for IKEA Japan today is their website. We found that only the website was quite a weak way of marketing IKEA since the consumers have to first have an idea about the company, not to mention access to the Internet. Petersson said that their website already has 25 000 visitors per day. But the main reason for the low promotion activities seemed to be due to the high advertisement costs in Japan. He said:

"The hard thing is not to say what you want to say, but to get space in the media" (CEO of IKEA Japan, Lars Petersson 2007-04-10)

Apart from the aspects of quality and price, other factors may be useful as marketing tools for IKEA Japan. The fact that they originate from Sweden is an important factor since there is a wide appraisal of Swedish design in Japan right now. Söderberg has noticed that Japanese

people are good at discerning different countries' design from each other. He also thinks that Swedish design has gained so much popularity in Japan that it can even be used as a marketing tool. According to him the exposition "Swedish Style Tokyo" that started 1999 has also contributed a lot to the popularity of Swedish design in Japan today. The PingMag website calls the Swedish Style Tokyo event as "... certainly one – if not *the* – most popular of all events" (<http://www.pingmag.jp/2006/11/14/swedish-style-tokyo-2006/>). The CEO said that Swedish design is already something that IKEA has used when marketing towards their customers. He meant that the fact that they provide authentic Scandinavian designed furniture to a very low price is something that their customers appreciate a lot. Moreover the price of other companies' European or Scandinavian furniture is much more expensive than IKEA's. Yet Söderberg mentioned that IKEA's biggest competitors were not other furniture stores but attractions such as Tokyo Disneyland, as mentioned earlier. Petersson said that in Japan the price competition is even bigger than the competition between single furniture stores.

The shopping experience of IKEA is therefore another unique factor that IKEA's customers appreciated all around the world, including Japan. Petersson (2007-04-10) said that their consumers liked the atmosphere of IKEA stores. Yet Gustavsson acknowledged that their customers found it difficult to shop at IKEA. Ease of shopping was one of the aspects from their customer survey that got a negative result. Their Japanese customers found the whole system complicated and difficult to understand (Gustavsson 2007-04-13). Therefore IKEA has to explain their concept and system to their customers. According to Gustavsson (2007-04-13) they have written on their website that the IKEA shopping experience is different and that the customers have to do much more of the work on their own. If they are still getting a negative result about the ease of shopping at IKEA, something more should be done.

Another unique factor that concerns IKEA Funabashi is their location. Gustavsson told us that IKEA Funabashi's location today used to be the location of an indoor ski hill. Everybody in Tokyo knew where that landmark was located. Therefore everybody knows now where the new landmark (IKEA) is located.

Since El Kahal (2005: 258-259) suggested communal activities as a promotion strategy that works well in Japan, IKEA could use the fact that they hire Japanese housewives as a means of PR. The main reason IKEA has chosen to hire Japanese housewives is because they found out from one of their initial market surveys that Japanese housewives actually dreamt of a life

outside their homes. This and the shortage of workplaces led to an easy decision. This fact can also be used as a marketing tool in order to improve IKEA's overall image and their concern about Japan's social environment.

Chapter 5 – Conclusion

In our final chapter we will summarize our thesis and answer our research question in order to make clear which aspects should be taken into consideration in order for a Swedish firm to be attractive in the Japanese market. Last but not least we will suggest areas of further studies, which could be interesting to explore in the future.

The combination of IKEA and Japan seems to be one that doesn't match. On the one hand we have a home furnishing company and on the other hand we have a country where many people haven't put much effort and money in home furnishing. However from our studies we have found that there is a positive change towards the home and home furnishing in Japan right now. This could be one of the reasons for IKEA's success in its second establishment trial, compared to the first one in the 1970s.

Through our research we have found that the Japanese consumers expect higher service standards when purchasing products or services and that they also are well aware of the quality of products. The Japanese consumers' view towards lower priced products has become more positive over the years which helps support IKEA's concept. However IKEA still needs to work hard on pointing out that even if they sell cheap products, they still manage to deliver good quality. This contradicts theories claiming that it is pointless to talk about quality in Japan since they often take it for granted. It is especially important for IKEA to explain this since Japanese consumers still relate price to quality.

When it comes to standardization respectively adaptation, we discovered that IKEA has adapted to Japan in ways that haven't been done in any other countries. This fact points out the importance of considering the local culture and consumers when doing business in Japan. However IKEA hasn't done many bigger adaptations since they meant that their products are modular. The fact that they have adapted certain parts and left other aspects standardized is a way for IKEA to keep its uniqueness that they are known for. One important aspect that IKEA should work on is building up their brand since Japanese consumers' perception of brands is considered to be very important. It seems that when companies have established a strong brand in Japan the price of their products becomes less important.

IKEA should also emphasize that they stick out in a crowd. The fact that IKEA is a Swedish company should also be used in their marketing strategies since it is something that is considered to be very trendy and appreciated in Japan right now. However we must not forget that these kinds of trends could disappear pretty fast because Japanese consumers tend to follow new ones in a shorter cycle than compared to Swedish consumers. Another unique factor is their shopping experience which has attracted customers from all around Japan. However it has been shown that not all Japanese customers have understood IKEA's shopping experience. The fact that Japanese people have a high degree of uncertainty avoidance and fear of losing face may lead to them not showing how they really feel. To be able to keep these customers IKEA should work more on explaining how one shops at IKEA.

Considering how cultural characteristics of the Japanese, e.g. long term orientation, affect the customer-firm relationship and also employee-employer relationship is crucial as these aspects would give us important clues to face eventual management issues. One example of these issues could be that we need to have some more patience when the Japanese try to understand the current situation and to solve problems through discussions. These are the aspects that have to do with adaptation to the local culture.

Since it has also been shown that Japanese consumers are long term oriented, IKEA should concentrate more on creating long lasting relationships with their customers. To a certain extent they've already managed with the customer loyalty program – *IKEA FAMILY*. Apart from this we also think that IKEA has another advantage, being that they can make use of different steps in people's lives as means of marketing their products. This means that they do not have to rely on public holidays in order to attract customers.

To gain consumers' attentions in the Japanese market that is overflowed with well-made commercials and campaigns, our research has showed that public relations is a good way of marketing in the region that is considered trustworthy due to the Japanese's high level of uncertainty avoidance. We have found that IKEA doesn't put a lot of time, money or effort in marketing the company except for their website that they strongly believe in. We suggest that they should put more effort in using this marketing channel so that Japanese consumers will be more conscious about IKEA, especially when opening new stores in the coming years.

Even if our case study gives a better overall picture of what other big companies should take into consideration when establishing themselves in the Japanese market, we still agree that a large part of this can be relevant for smaller firms too. Some differences will always apply, such as the level of standardization and adaptation. Smaller sized companies will find it much harder to standardize their organization, thus leading them to further adapt to the local culture. We can also recommend smaller Swedish firms to contact the Swedish Embassy and the Swedish Trade Office for their help and advice on how to go about it.

Further studies

An area of interest which we could consider to study in the future could be the concept of having a “home”. Since this concept is not strong nor very important in Japan, it would be interesting to investigate possible ways as to changing this view that the Japanese have. Since this thesis is based on a case study, it would also be interesting to test these theories on other Swedish companies that are also established in Japan, related to each other.

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<http://www.ikea.com>, visited throughout the months of April and May 2007.

<http://www.family.ikea.jp>, visited throughout the months of April and May 2007.

<http://www.ikea-group.ikea.com/corporate/>, visited throughout the months of April and May 2007.

<http://www.pingmag.jp/2006/11/14/swedish-style-tokyo-2006/>, visited during the month of May 2007.

Interviews

Gordon Gustavsson, store manager of IKEA Funabashi, Tokyo, Japan. Interviewed Friday April 13th, 2007, from 11:00-12.20.

Lars Petersson, CEO of IKEA Japan, head office, IKEA Funabashi, Tokyo, Japan. Interviewed Tuesday April 10th, 2007, from 10:00-11:00.

Sonny Söderberg, project leader and business developer, Swedish Trade Council, Embassy of Sweden, Tokyo, Japan. Interviewed Thursday April 12th, 2007, from 10:00-11:00.

Jan Steiner at IKEA's head office in Funabashi, Japan. Answered some interview questions via e-mail on Tuesday April 24th, 2007.

Observations

Dinner at a restaurant in Kyoto on 2007-04-25 with university students.

IKEA Funabashi department store tour on 2007-04-13.