

Enlightened businesses usually avoid low price strategies because they tend to commoditise their offerings and squeeze margins. But home furnishings retailer IKEA uses low prices to fulfil its brand mission, cultivate loyal customers, and sustain profitable growth. The company is designed and operated "to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them."



Following are the key pillars of IKEA's business model:

- While most retailers use design to justify higher prices, IKEA designers work in exactly the opposite way. They conceive each IKEA product by starting with a functional need and a target price and use innovative manufacturing processes to create functional products.
- IKEA controls its product assortment and leverages its international footprint to purchase large volumes of raw materials, which pushes prices down even further. It follows a design philosophy based on offering products so they can be transported in flat packs and assembled at customers' homes. This lowers prices by minimising manufacturing, transportation, and storage costs.
- IKEA also keeps prices low by empowering customers to make most purchase decisions themselves. It makes it easy for customers to choose the right products by displaying them in situ, with all specifications. It packages them for immediate self-service pickup and offers a simple return policy.
- IKEA stresses the importance of product quality and minimises the company's impact on the environment. Reducing the amount of packaging for its products reduces carbon emissions, energy usage, and waste. Even its store design reflects this. For example, newer stores make more use of skylights, which reduce energy costs, improve worker morale, and give a better impression of the products.
- IKEA has done an exceptional job of extending its brand mission to its thousands of global suppliers through "The IKEA Way"(IWAY). IWAY sets out a clear list of standards for everything from environmental practices to employee working conditions.

IKEA uses its brand as a management tool that fuels, aligns, and guides everything the company does. This is why IKEA has thrived, while so many other big box retailers have failed.

This is what great brands do.

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