



Value chain analysis of IKEA

List of the cost of the company:

There are 4 types of Cost :

- fixed cost : rent of the office...
- variable cost : travel expenses...
- direct cost : raw material and labour
- Indirect cost : the costs of administration, marketing, or rental of premises.

We can separate the cost in several categories that traces the production chain :

- employees : seller, adviser, consumer service
- Space : office, store , stockage place hangar, factory...
- Creation : designer, prototype
- Fabrication : pay subcontractor, material
- Wrapping
- Stockage : storage
- Distribution / transportation : stuff to prepare de delivered, machine, truck
- Promotion : add, marketing, campaign, add space, media.
- All the tools to run a business : computer...

Primary activities of the value chain :

1 Inbound logistics :

- Raw materials from 1002 suppliers located in 51 countries globally and relationships with supplier are maintained via 42 trading offices around the world
- More than 9,500 product rang and about 20-25per cent of employees in each store deal with logistics
- the economies of scale
- The presence of strategic relationships with suppliers
- Do it yourself assembly principle
- Good delivery

Cost of inbound logistic : Receiving, storage and internal handling costs.

2 Operations :

- Operation in more than 40 countries, 208 companies operated stores in 26 countries while remaining stores operated by franchises.
- The cost benefits by locating the massive chunk of its manufacturing units in Eastern Europe and China.
- They use the latest and sophisticated technologies in manufacturing processes with the positive implications on operational efficiency.

Cost of operation : cost of processing materials and sub-assemblies into finished products : material, pay subcontractor, labour, raw material

3 Outbound logistics :

- IKEA has 22 Pick-up and Order Points in 11 countries, 41 Shopping Centres in 15 countries and 38 Distribution sites in 18 countries
- They offer two types of delivery services
- Delivery of goods to customers directly without any intermediaries
- Preferred method for customer to transport their product themselves.

Cost of outbound logistics : cost of the activity of delivering goods and services to the customer : tracking, packaging, transportation, track, employees

4 Marketing and sales :

- An effective utilization of traditional, paper-based IKEA catalogue
- Family and friendly store environment
- Low price
- Target : families, single, student
- They use print and media advertising, sales promotion, events and experiences, public relations and direct marketing techniques

Cost of marketing and sales : Cost of all means and methods used to publicize the company's offer, to make it appreciated and to trigger the purchase : add space, specialist of marketing, promotion, catalogue printing ...

5 Service :

- The primary activities of the value chain of Ikea
- Online and telephone customer service
- Guaranteed exchange and refunds of good.

Cost of service : costumer service : employees , tools : phone computer, office.

Support activities of the value chain :

1 Infrastructure :

- Large scale stores in size
- Hierarchical organisational structure

Cost of infrastructure : Cost of the Directorate-General and other accounting and legal functions...

2 Human ressources management :

- Hight level of commitment to HR practices
- Effective Staff training and development programs

Cost of human resources management : cost of all recruitment activities, remuneration, motivation, training, career management...

3 Technology development :

- Research and development activities initiated in Sweden.

- Extensive use of information technologies in various business processes and research and development.

Cost technology development : Cost of information systems that R&D, knowledge management...

4 Procurement :

- No need for raw material as Ikea does not produce own brand products
- Long strategic relationships with all suppliers.

Cost of procurement : Cost of computers, software, tools to carry out activities related to the purchase of materials, goods, miscellaneous supplies, but also means of production

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