

# Food in IKEA: A Strategy to Support the Core Business

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## Abstract

This work moves from the idea that new and atypical marketing techniques can support commerce. These devices are useful because they answer to a new kind of relationship between business and consumer. One such unconventional approach is demonstrated in the example of a specialty furniture company. The multinational company IKEA implemented a food-marketing policy as collateral service to the core business. The strategic importance of this policy was demonstrated through the resulting boost in sales. The empirical evidence was gathered through measurement and analysis of consumer expenditure. This was monitored under various purchasing conditions. Analysis presents the dimensions resulting from such a successful strategy, showing how the most effective promotional technique is carried out within a single store.

**Keywords:** Traffic driver, Food, Brand strategies, Promotion

## 1. Introduction

The 21<sup>st</sup> century is deeply affected by global information sharing and broadening individual knowledge, an age marked by the capability of computers and communication networks to merge the local and the global. The role of the consumer in the market has undergone a profound transformation. No longer the simple end-user of a product or service, the consumer has become an atypical stakeholder. The company must now approach the consumer in a new way and with enhanced content. In accepting that the client can be the object of a raid by the advertising companies, it is undeniable that his contractual power has increased. This is proved in several ways. On the one hand, greater knowledge and the commitment of the individual in the process of "thinning" information asymmetries support this increase in power, while it can also be proven by unwittingly involving the consumer.

Actions of rival companies in the market determine a strong review of the competitive paradigm, in which there is a need to gain a dominant position according to an innovative method. "The need to remain competitive and to intercept a growing target of customers drives companies to modify their strategies, in order to become not only suppliers of products, but also - and increasingly - of services" (Pace and Schirone, 2011). This goal can be reached by focusing, not so much on the product itself, but on shifting the focus onto the way the product is presented to the consumer. The capability of identifying the factors that influence the purchasing decisions of consumers turns out to be highly functional in order to formulate a marketing strategy profitable for business (Perchinunno and Schirone, 2012).

This therefore shows that the monopoly of a new market is basically tied to a company's ability to manage an innovative relationship with its customers; in this sense one has to consider that the universe of consumers is numerically complex and qualitatively varied. Each marketing plan is based, therefore, on the analysis of consumer behavior: this phase is the actual starting point for the definition of "the policy of product, price, communication, distribution and sales" (Dalli and Romani, 2000).

The competition is no longer strictly tied to a logic of the 'traditional' offer, but requires a strategic plan in terms of pre and post-sales. This means a "premium price corresponding to an effective higher value recognized by customers"

(Spano, 1996). In this sense, Montemerlo's insight (Montemerlo, 2005) is shared according to the outcome of a competitive strategy depending "on the harmony between the three macro variables," including the product system, the competitive system, and corporate resources.

This intuition demonstrates the need to combine the company's internal and external elements according to the principles of coherence and creativity (Giaccari, 2003). This strategy assumes some relevance on the way to saturation in mature industries; where the collateral-offered services are inherent to the main product. However, it is more interesting to wonder whether this insight translates into other market situations which are not necessarily affected by saturation. It is also important to understand whether the spread of a product on the market is enhanced by the availability of collateral services closely related to it, or by taking advantage of other atypical ways to drum up business. The case study seeks to answer this question if compared to the core business of the company. The aim of this paper is, therefore, to verify whether there is a connection between purchase intent of the individual consumer and the supply of ancillary services to the core business offered by the company. The research was developed through a survey conducted in the IKEA's store in Bari. Seven hundred respondents were asked to answer to short closed questions. The significance of the sample was insured by the duration of the investigation carried out throughout the whole working week.

## **2. Food in IKEA: Which business strategy?**

The megastore analyzed is the Italian branch of IKEA in Bari. The outlet of the Swedish multinational business contains multiple self-branded eateries. An objective was established through the analysis of sales trend within the furniture megastore. The goal is to calculate whether the offer of the restaurant service, collateral compared to the business mission, can provide a driving force capable of increasing sales. The alternative could be to find out that the impact of food collateral is physiological or is at least minimal compared to the original overall intent. It must be determined if this can be described as an elaboration of the highly evolved 'promotional' component of the marketing mix. Although the traditional approach is intended to be closely linked to the product offered on the market, unavoidably recalling to mind that generically, a promotion "identifies the set of promotional tools variously directed to create the image of the enterprise" (Giaccari, 1993). For this reason, it may suggest that this commitment is not bound simply to the advertisement of a single product or service. But it also represents an unusual method to promote the company system in its entirety. So conceived, the individuals purchases are strongly influenced by external factors, such as the perception that the consumer has of the bidder. This perception is considered as a process of gathering and interpretation of the information from the external, which translates into purchasing decisions (Pellicelli, 1996). Thus, consumer behavior plays a key role in assessing the overall offer of the supplier. This is an evaluation carried out with regard to the ultimate goal of satisfying their own needs (Camino, 1993). It has concretely been achieved through the mere execution of purchase or through the effective use of the product (Engel, 1987).

It is also important to note that in this particular case, as well as considering the promotional component of the aforementioned activity, one has to deal with a strategic business area (SBA); which is by its very nature, a "sub company distinguished by its own specific mission in terms of products offered and markets served (Parolini, 2005). One cannot exclude that the analysis could lead to considering the possibility that the parallel activity can evolve independently and could even emancipate itself from its ancillary role with respect to the core business. Nevertheless, the analysis must take into account another considerable aspect. Megastores are increasingly developing a configuration similar to that of traditional malls. They are no longer simply places of traditional business negotiations, but are becoming an attraction that is a form of entertainment for the whole family. If it is true, it could be inappropriate to consider these places as potential competitors of locations traditionally perceived as places of entertainment. On the other hand, one cannot deny that they leverage the same psychological mechanisms upon the consumer, perpetuating certain behaviors even in these megastores, which deeply affects the propensity to buy.

This scenario is not only intended to measure the extent of the contribution of this food-marketing strategy on the total sales, but to see if it is even possible to formalize this strategy through a methodology ad-hoc. The concept of 'customer loyalty' itself deserves further analysis. Could the use of the food as a promotional tool be counted as an implement for cementing the supplier-consumer relationship?

## **3. The Survey**

### *3.1 Methodology*

The questionnaire was administered in November 2010 over seven consecutive days. Seven hundred customers of IKEA's store located in Bari (Italy) were surveyed. There are multiple catering areas in this store, including restaurants, bars, and fast food joints. After the surprising socio-demographic characteristics of the sample, the study

will seek to monitor the behavior of the persons concerned through the analysis of the average receipt of those who made purchases of furnishings. The second step is to see if the propensity to consume for those who did use the catering service differs from those who did not partake. The possible differences in shopping habits between the occasional customers and loyal customers, who hold rewards cards will also be inspected.

Interviews were conducted using a random sample, which was formed by systematic sampling (Girone, 2004), following a few basic instructions:

- The interviewee was approached in the final stage of the buying process, next to the main;
- Respondents were chosen regardless of gender, but necessarily of adult age, excluding children and teenagers;
- Employees of the mall were excluded from the survey;
- The choice of the interviewees was made with a predetermined frequency (one in every ten visitors met), i.e. through a mathematical recurrent process instead (Robert and Casella, 2004);
- The dynamics of choice were not affected in any way by physiognomic sympathies;

Spontaneous applications have not been considered.

### *3.2 Socio-demographic analysis of the sample*

The analysis conducted shows that 78% of participants surveyed were female. The family group size is at least doubled on the weekends at about 4.2 individuals per receipt. Whereas on working days it remains around 2,39 individuals (Table 1). This figure confirms that the megastore has become a preferred form of weekend family entertainment.

This concept is additionally supported by the age demographics of clients interviewed. As one can see from the table below, all those sampled form a relatively equal representation of ages of 25 through 54 years old (Figure 1).

Out of the total of respondents, 64% are permanent employees of either a private enterprise or public administration (Figure 2).

The income bracket most represented was that of the medium-to-low income class, as evidenced in table n.2.

Indeed, more than half of the sample has a gross income of between 10,000 and 25,000 Euros a year. While only 5% are in the high income bracket at an average of more than 50,000 Euros yearly (Table 2). Consequently, the target of the megastore is reflected in its heterogeneous audience.

### *3.3 The influence of Food on purchasing habits: IKEA's results*

Among the 700 customers surveyed, about 70% asserts having rested and used the catering service. The remaining 30% of customers self-limited to only making purchases in the megastore. As evident by the chart below, the total expenditure on furniture and home accessories made by those who had previously rested at the refreshment areas is four times greater than those who had not. The amount of in-store expenditure is shown as the sum of receipts recorded at the bank. Those who purchased at the refreshment areas spent an average of 58,282 Euros; while those who did not averaged a 13,496 Euros bill (Figure 3).

It is important to note that because of the greater weight of the purchases made by customers in the refreshment areas, the data must be made unbiased and given a unit of measure that is genuinely representative of the driving effect that food exerts on the average receipt of furniture and furnishings. In this regard, the average receipt will be calculated between two categories (Figure 4).

A further demographic division functional to the inquiry appears between the customer fidelity card holders and those are just occasional shoppers. Because of this delineation, it is interesting to note the distribution of the accumulated expenditures between loyal customers and those who bought occasionally in refreshment areas.

While analyzing those who have purchased at the refreshment areas; one learns that the loyal customer generates spends an average of 145.72 Euros, which is 31% higher than a "non-loyal customer". Occasional shoppers spend about 99.72 Euros on average (Figure 5).

Given that half of those interviewed were served at the refreshment areas also own a loyalty card; one may record an increase of 15% on the average store receipt so as to offset the price change cause by the card.

The correlation in the data of loyalty and attendance of the refreshment areas certainly highlights the average spending of loyal Food consumer customers, resulting in a higher propensity to purchase than with the typical buyer. Indeed, the increase found in the average spent of this type of consumer is about one sixth above average, suggesting promotion in

this direction. The company's goal is linked to its ability to increase the purchasing power of its customers through both loyalty and participation in *the Food store experience*.

#### 4. Conclusions

Thanks to the analysis conducted is possible to highlight that promotional incentives have a strategic value in enhancing the economic income of the business. Maintaining multiple dining areas within a megastore is highly attractive for family groups. During the peak weekend days, the purchasing group doubles, attesting to the attractiveness of having varied products and services offered to the public. Such circumstances go beyond the mere commercial vision of the traditional store. So conceived, the store becomes a center of attraction, targeting not just a single type of customer, but also widening the demographic target by both age and income.

The use of food as a promotional incentive augments consumer demand by affecting the dynamics of the consumer mindset, creating the need to buy. Measuring average spending of customers who have previously used the catering service, shows that the break assumes an additional purpose. Taking this dining break serves to subvert the idea of a frenetic 'race to buy'; the highly sought after perceptive and sensorial stimuli, both improving the shopping experience as well as stimulating the birth of the consumer needs. The latter allows the consumer to regain his sense of rationality that was temporarily inhibited by impulsive purchasing. The quality and type of purchase increases both the supply and demand.

The empirical data produces a significant effect; the evolution of promotional incentives from instrumental and supporting activities, into core business practices and assets of an independent company. The role food plays is not limited to simply strengthening the starting business, it creates a self-supporting business both identified and supported by customers. Establishing that the company's target demographic is, without a doubt, the 'loyal client' came as an unexpected result. While simultaneously protagonist to promotional drivers, this type of customer guarantees better performance with repeat business for the company. It is even encouraged to target this new idea of consumer as a replacement for the traditional customer demographic because of the exclusivity of its features.

Despite the success of the research, many questions still need to be dispelled. The obtained results were probably influenced by the type of shopping experience taking place in IKEA; customers, who attend the store of the Swedish multinational, stay inside the store for several hours since products to be purchased (mainly furniture) require a significant temporal commitment. For this reason, the positive connection between refreshment areas and propensity to buy might appear obvious. It will be interesting to investigate in further research the same dynamics in a different commercial context, where the time spent by the consumer in the megastore is significantly lower.

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**Notes**

Note 1. The contribution is the result of joint reflections by the authors, with the following contributions attributed to D. Schirone (chapter 3 and 4), to G.. Torkan (chapter 1 and 2).

Table 1. Numerical composition of the buying group during the week.

Day of survey (Peak day)	Number of components of the group size
Monday-Friday	2.39
Saturday	2.87
Sunday	4.19

This table represents the composition of the group surveyed during the week(elaboration of data collected by authors).

Table 2.Distribution of persons from the sample according to their obtained income

Income classes	Percentage of respondents
10.000 - 25.000	52 %
25.000 - 40.000	36 %
40.000 - 50.000	7 %
Over 50.000	5 %

This table represents the composition of the sample distributed according to their income (elaboration of data collected by authors).

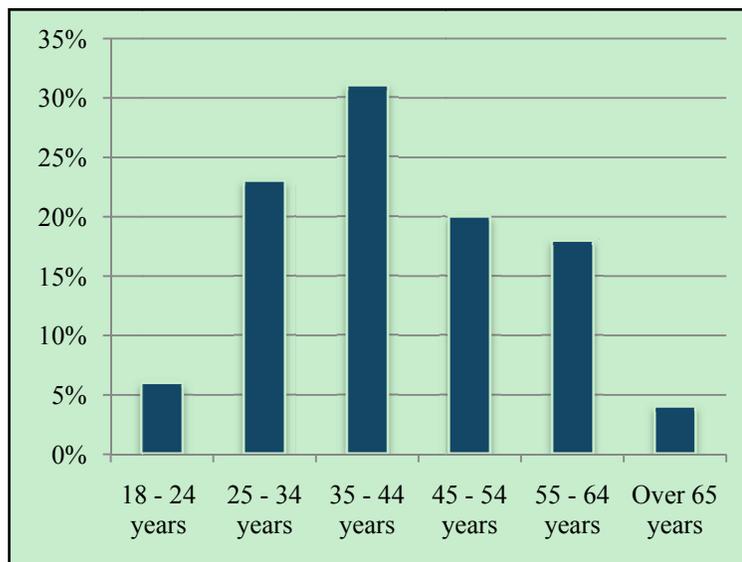


Figure 1. Breakdown of the age demographic

In this figure it is possible to analyze the composition of the surveyed sample, distributed by age (elaboration of data collected by authors).

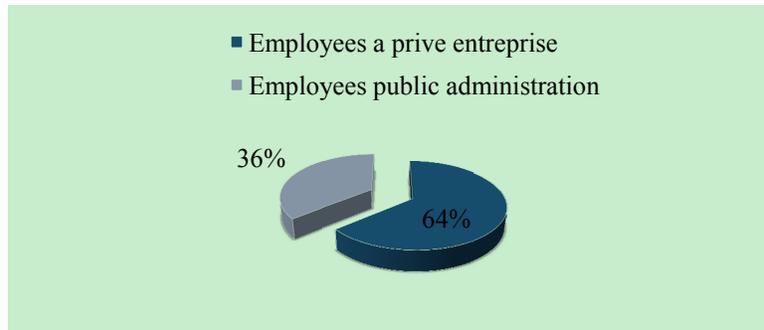


Figure 2. State of employment of customer

This is the breakdown of respondents according by kind of their work (elaboration of data collected by authors).

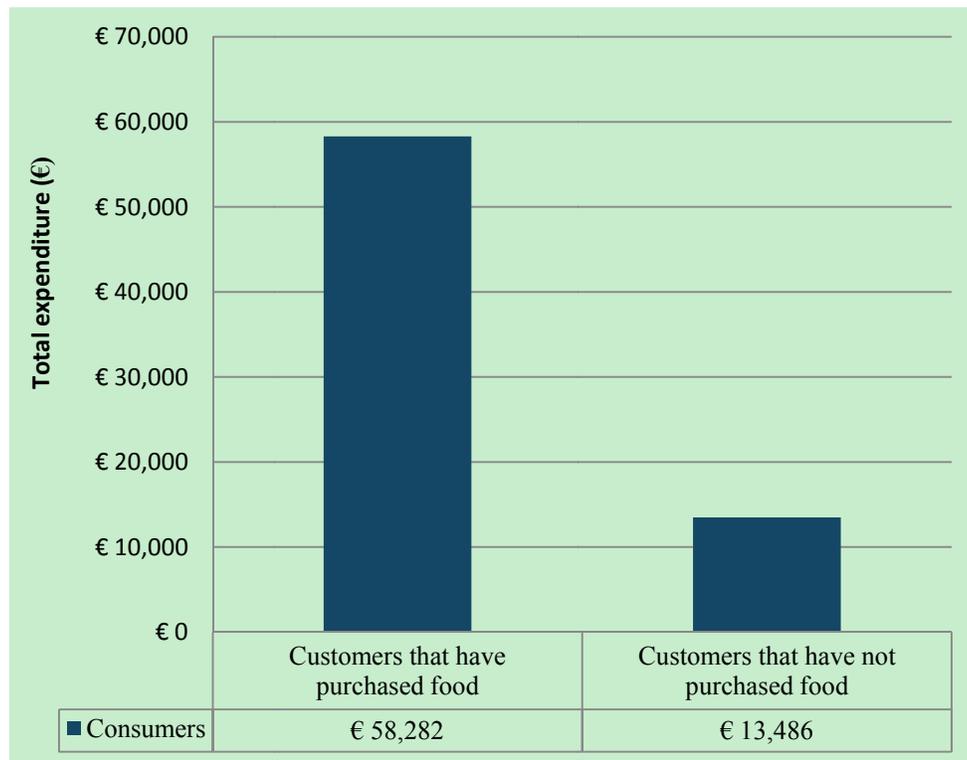


Figure 3. Overall in-store spending, values expressed in euro

In the fiscal year of reference, it is evident that customers, who have purchased food in IKEA' eateries, have spent approximately four times more than customers who didn't purchase food (elaboration of data collected by authors).

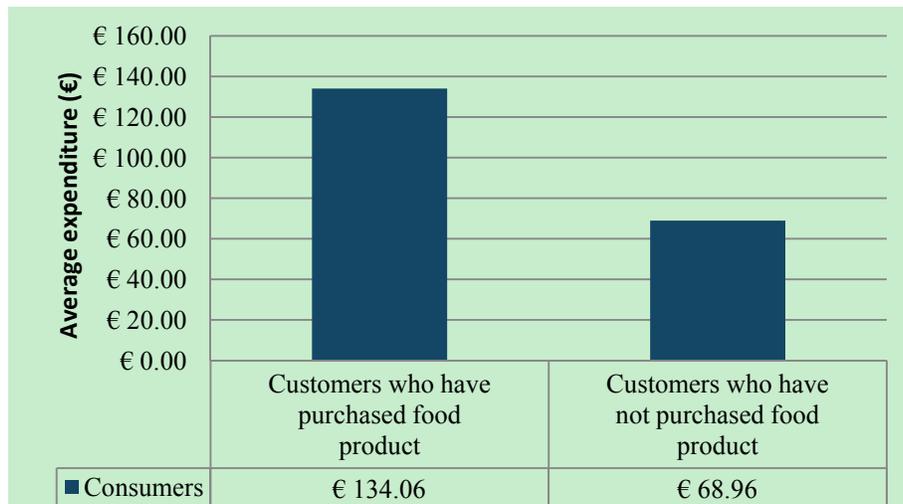


Figure 4. Average receipt in store (Food/No Food), values expressed in euro

In this chart, the previous data has been reworked in order to analyze the average receipt of the two categories of customers (elaboration of data collected by authors).

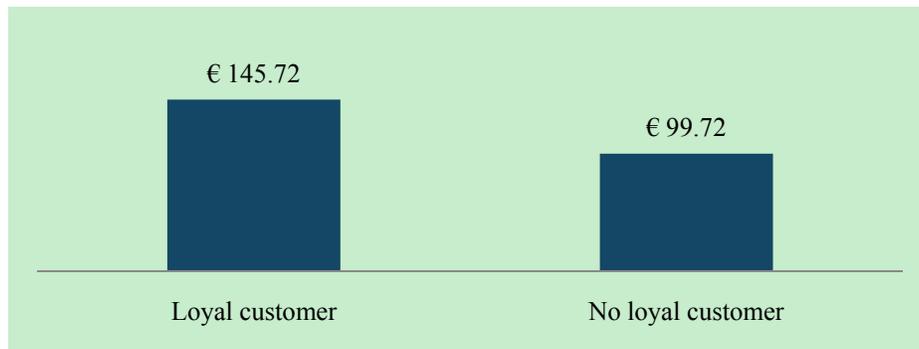


Figure 5. Average spending in Euros (Loyal customer v. Occasional customer)

Those customers who possess a “fidelity card” spend more than occasional customer; for IKEA, therefore, loyal customer are a further category of clients to be investigated (elaboration of data collected by authors).