

A Comparative Analysis of Standardized Inputs and Adaptation Innovation Strategies of Aeon Group and IKEA

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Abstract: Aeon Group and IKEA, as the first foreign retail enterprises to enter the Chinese market, entered the market with the innovative competitive advantages of “standardized” business modes. Finally, a “re-standardized” business model was formed, and the chain expansion was developed. This paper studies and analyzes the development process of their localization explorations so as to explore effective ways for multinational companies to carry out long-term development of localization in China. The author summarizes and compares their respective development paths through a thorough SWOT analysis of IKEA and Aeon. Similarities lies in many aspects of these two companies, such as brand building, cooperation with locals, marketing strategies and so on. However, differences can be seen mainly through their respective ways to solve the problems due to their own existing circumstances which obeys their backgrounds. In general, both experienced standardized inputs and innovation strategies on adaptations in accordance with local policy, marketing circumstances, customer preferences and other factors are essential to these enterprises and a brand-new localized strategy is needed.

Keywords: IKEA, aeon, multinational companies, standardization, SWOT

1. Introduction

In the process of overseas expansion, multinational enterprises ought to choose the standardized mode formed in the home market or adopt the localized mode according to the analysis of the marketing surroundings of the host country, that is, “standardization -adaptation”, which is an important topic that scholars and enterprise managers pay attention to. Around this debate, the more traditional standardization school and the more radical adaptation school are defined and formed [1]. According to phased strategic action theory, multinational retail companies adopt standardized strategies, effectively reduce operating costs and risks through transnational allocation and management of operating resources, and achieve an initial foothold and expansion [2]. By mastering factors such as the local market environment and consumer characteristics and combining them with the enterprise’s own operating characteristics, they conduct localized operation adjustments and then carry out chain operations, which means that they successfully achieve the process from standardization to adaptation to re-standardization. Whether this development path is also universal and effective for multinational retail companies in China? Many scholars have already made such research on the key factors leading to adaptations of these successful enterprises in China. Foreign scholars conduct research on the operations and developments of multinational

enterprises on international human resources management in China through their perspectives [3]. Similarly, Chinese scholars made an analysis taken General Management (China) as an example [4]. However, here taking IKEA and Aeon Group as examples, the two with different backgrounds, by describing the development process, analyzing the development strategies, and finding out key factors, the paper makes an effort to explore some ideas and inspirations for other multinational companies, and furthermore be beneficial to the same kind of enterprises or even others in other fields based on current situations and predicted future environments by offering feasible suggestions.

2. Backgrounds of Aeon Group and IKEA

Aeon Group is Asia's leading integrated retail and services conglomerate, and now has become the large-scale retailer to represent Japan [5]. The business scope of the enterprise is mainly focused on comprehensive retail (general merchandise store) and it is committed to the construction of commercial complexes in the cities. In addition, it is also engaged in specialty stores, property services, convenience stores and other businesses and the establishment of its own brands. Its overseas expansion began in the early 1980s in Southeast Asian countries such as Thailand, Malaysia, Singapore and so on. Then, in the mid-1990s, the company applied the experiences it had accumulated in Southeast Asian countries and took Hong Kong as a springboard to expand into the Chinese mainland market. Until now, its major markets are in East and Southeast Asia.

Ikea, which was originally a country furniture shop established in 1934 in Sweden, adhering to the business philosophy of "providing a wide variety of beautiful, practical and affordable household products", has become the world's largest multinational household products group with 460 stores in 46 markets and total sales of 44.6 billion euros [6]. Since opening its first overseas store in Norway in 1963, IKEA has built up an overseas business presence from Europe to North America and then to Asia, from the northern hemisphere to the southern hemisphere in 50 years. By exemplifying Aeon and IKEA, multinational enterprises that consider the Chinese mainland as their target market are able to find saving graces or even solutions for their further development.

3. Aeon

3.1. Entry — Global Standardization Strategy

Based on its own operating advantages and overseas operating experiences accumulated in Southeast Asia, Aeon entered the Chinese market in its standardized mode, which is embodied in self-service marketing, commodity display, management, the service concept, marketing and other aspects.

In January 1998, Aeon Group opened its first store in Qingdao, Shandong, which was the first large suburban shopping mall in mainland China. The shopping mall is located in the eastern part of Qingdao, a suburban area of the city that is still in its primary modernization stage without commercial facilities gathering or consumer groups providing support. However, within a short time after it opened, it successfully attracted and won the favor of local consumers. The first reason is the full adoption of Aeon Group's standardized management strategy in its operation, which was marked by great innovation and intense competitiveness simultaneously. For instance, they take novel marketing activities such as member appreciation days and holiday promotion, compound EDLP (Every Day Low Price) marketing strategies, weekly advertising promotion lists, regular advertising, and so on. Taking compound EDLP marketing strategies as an example, it means that the company maintains daily low prices and margins to operate to attract a large number of customers instead of regular low-price strategies as promotion. At the same time, they actively cooperate with domestic companies for the logistics network to purchase and deploy commodities,

which largely minimizes the cost of commodity procurement and logistics, and actively introduce information systems such as computers and POS machines to improve the efficiency of commodity marketing. Secondly, the stores are set up in full accordance with Aeon Group's business standards to create a modern shopping environment. The 23,500-square-meter store is modeled after the Aeon Shopping Center in Matsuzaka, Mie Prefecture, Japan. Everything from hardware conditions such as store decorations and product display to market conditions such as self-service shopping and marketing services is built according to the standard. Thirdly, the store is fully functional and able to meet consumer shopping needs.

3.2. Adjustment — Adaptions in Accordance with Domestic Market

The successful operation of this store is a milestone in the development history of the Chinese retail industry. It not only sets up a good example for the subsequent multi-store expansion, but also brings a revolutionary impact on the local retail enterprises that adopt traditional marketing methods, and successfully sets off a wave of retail transformation exploration. Under the backdrop of the success of the first store, Aeon opened its Liaoning Road store in the old district on November 18, 2000. However, the second store suffered a failure. Under the same standardized operation mode of the same enterprise, the successful operation of the eastern store was opposite to the closure of the store in Liaoning Road.

After reflecting on its failure at the Liaoning Road store and considering its eastern store as a sample, Aeon Group opened another store, the Huangdao store, on the other side of Qingdao in December 2005 in the new development zone. Due to the complexity and diversity of consumer market, even in the same city, the market environment in different regions is always not the same. The Huangdao store, which copied the standardized management model, suffered from sluggish business at the beginning of its operation. This is mainly caused by the differences of consumer groups. Huangdao Store is located in the newly developed development zone of Qingdao, where young people come to work or start businesses. The mall is mostly surrounded by young consumers with lower incomes, which contributes to the worse operation performances. After the tragedies, Aeon had to adjust its standardized business model. Therefore, the Huangdao Store to reverse the management predicament, the store operation mode of localization adjustment. Its measures mainly have the following three components: First, an accurate assessment of the domestic circumstance and adaptation of the business strategy; Second, focusing on personnel appointments and training. Thirdly, reinforcing stylish business services and establishing a closer connection with target consumers. For instance, customers could enjoy complimentary shuttle bus service and regular customer care and feedback.

3.3. Scale Expansion — Re-standardization in China

With the "re-standardization" business model, Aeon Group expands the Chinese market in a way of chain-operation. Simultaneously, it has enriched business forms and expanded business areas. Up to now, it has operated more than 400 stores of different business types in China. The business covers a variety of fields such as general department stores (GMS), food supermarkets (SM), integrated finance, commercial real estate development, services, specialty stores, and functional companies to meet different development needs [7]. As shown in Table 1, some changes have been made during the process [8].

Table 1: Aeon Group’s Re-standardization strategies in China.

Business forms	Core retail formats: shopping centers and department stores	Core retail formats: shopping centers	Core retail formats: shopping centers, general department stores, food supermarkets, CVS
Marketing strategies	Compound EDLP; Commodity diversity; Shuttles for guests; Membership system; own brands	Compound EDLP; Commodity diversity; Shuttles for guests; Membership system; own brands	Compound EDLP; Commodity diversity; Shuttles for guests; Membership system; reinforcement of own brands
Business pattern	Suburban site selection; Unified and standardized management	Localization of operation and management	Target customer aggregation; urban area
Logistics strategy	Self-owned or fixed cooperative logistics	Cooperate with local logistics companies	Cooperate with local logistics companies; Large-scale transportation

4. IKEA

In terms of market share, China has become IKEA’s largest developing market worldwide. However, in the face of such a huge market full of potential, IKEA’s development in China is not satisfactory. In the past decade of rapid upgrading of the Chinese consumer market, IKEA’s average sales in the Chinese mainland accounted for only about 3% of IKEA’s global sales. A considerable gap between the sales of the European market and those of the Asian market could also be seen. To figure out the underlying causes, this paper includes a SWOT analysis of IKEA’s standardization development in China’s mainland market.

4.1. The SWOT Analysis of Primary Ikea

4.1.1. Strength

Firstly, IKEA has high brand value. For enterprises, brand value, as a kind of intangible asset, is embodied in the future incremental income brought by the brand to the enterprise, which depends on the broad sense of customer loyalty [9]. Inter-brand, an international brand consulting company, has released a list of the world’s most valuable brands in 2023. Ikea ranks 26th, with a brand value of 17.836 billion U.S. dollars, leading similar companies [10].

Secondly, IKEA is featured for its full range of unique style and humanized design. Ikea covers the whole house products. At the same time, IKEA adheres to the therapeutic Nordic style of “simple, natural and fresh”, which is brand new to the Chinese market and is in line with the aesthetic and consumption tendency of young and middle-aged consumers. In addition, IKEA also provides unique model of shop-style shopping and Swedish restaurant, scene immersive shopping experience and after-dinner to meet consumers’ consumption habits, while extending consumers’ duration of stay to promote product sales.

Thirdly, Ikea takes a modular approach to furniture design and fully capitalizes on the “Ikea effect.” Ikea has abandoned the common method of merchants assembling furniture for customers in favor of self-assembly or pay-per-appointment assembly, which not only saves costs but also allows customers to create their own furniture. Ikea also created the “flat pack” design concept, which can be disassembled, folded, and assembled to reduce storage and transportation costs. At the

same time, IKEA only offers limited service, which exactly reflects its adoption of experiential marketing instead of sales guides in the stores and its replacement of free in-store assembly with paid assembly by appointment, which greatly reduces labor costs.

4.1.2. Weakness

Firstly, the cultural differences between the East and the West. As a European enterprise, IKEA's design style and furniture features still retain the consumption habits of European consumers, which to some extent deviates from the traditional consumption concepts and aesthetics of many Chinese consumers at that time.

Secondly, the price positioning is not accurate. At the beginning of IKEA's entry into the Chinese market, its price positioning was based on the consumption level of consumers in developed European regions. However, there was still a considerable gap between the purchasing power level of mainland China and those of developed countries, which meant that its target customer group was very small. At the same time, this is inconsistent with IKEA's promotion of cheap and fine quality and its inherent price positioning strategy.

Thirdly, the inconvenience of transportation and assembly. At that time, IKEA mostly adopted the self-sourcing mode, and most of its stores were located in suburban areas, which directly led to the loss of corresponding customer groups in the Chinese market where private car ownership was relatively low at that time. At the same time, furniture parts are transported in flat packaging and assembled by consumers in accordance with instructions, which is difficult to meet the diversified needs of the Chinese market and the traditional shopping habits of Chinese consumers for these consumption items.

4.1.3. Opportunities

Firstly, the demand for household products has increased and shopping habits have shifted over the past few decades. With the rapid development of China's economy, the personalized consumption of Chinese consumers has gradually become more prominent, and the demand for high-quality and durable goods has increased. At the same time, the degree of acceptance of foreign brands and production and management concepts has greatly improved, which undoubtedly provides opportunities for the sale of IKEA products. Nowadays, when people select furniture, they prefer a well-matched series rather than separate pieces. So Ikea can make full use of its different series to meet customers' demands. In addition, the need for convenience and the joy of purchasing coexist. Customers these days are willing to shop in a more relaxing and diverse atmosphere, which includes more resting zones and other facilities like restaurants. Malls like Ikea perfectly reach these standards. Secondly, Ikea's product style is consistent with the idea that we adhere to the path of sustainable development and low-carbon economy implemented in China, which contributes to the development of IKEA in China in a smoother way.

4.1.4. Threats

Firstly, competition from local Chinese brands The real estate industry in China, a hot topic, has promoted the development of the furniture industry. As Red Star Macalline, Easyhome, Quanyou Furniture, and other local furniture star enterprises develop rapidly, they occupy a considerable share of domestic furniture enterprise products. Secondly, total costs are rising. With the rapid growth of China's economy, the rise in raw material costs, operating costs, labor costs, and manufacturing costs will also lead to a rise in total costs, which will sharply cut its profits and delay its steps toward further development. Thirdly, with the sequential development of online shopping, Chinese furniture enterprises take advantage of local advantages to sell on the Internet, and through

direct communication between stores and customers, they can better complete a series of supporting services from pre-sale to after-sale. Some whole-house customization brands like OPPEIN and HOMEKOO have been established, and relevant services have been provided. Whole-house customization has been a new trend, especially as a favorable choice for high-quality customers.

4.2. Adaptions Ikea Made

Based on the analysis of the setbacks faced by IKEA in its early development in China, the deep-rooted reasons lie in the deviation of its standardization strategy and Chinese market conditions. To achieve long-term development in China, IKEA further strengthens the balance between standardization and localization strategy, and forms a new localization development strategy in China [11].

4.2.1. Optimizing Services in Light of Local Conditions

Based on the specific situation of the Chinese market, IKEA, a Nordic enterprise that has always adhered to the global unified strategy, has carried out comprehensive optimization management on its services to better adapt to the needs of Chinese consumers.

Ikea began offering paid delivery and home assembly to customers. Even in the Chinese market where the number of private cars has greatly increased, door-to-door delivery and installation services are still widely needed as traditional and customary services in China's home improvement market. At the same time, the service can also improve its competitiveness compared with local furniture enterprises, attract potential customers and avoid their loss. Therefore, in recent years, IKEA's local stores in China have also cooperated with third-party delivery service providers such as SinoExpress and HomeExpress to provide paid delivery services for Chinese customers.

At the same time, to adapt to the new requirements of the home improvement market, IKEA began to provide paid kitchen measurement and kitchen design services for IKEA kitchen cabinet products around 2011. On July 8, 2019, IKEA established an IKEA China Digital Innovation Center, which is contracted to customize the whole house, and can use the digital form to develop various styles of the house for sale. Another noteworthy action of IKEA is to layout small stores, reduce the space by making extensive use of digital virtual exhibition rooms, and explore the possibility of central stores.

4.2.2. Precise Price Reduction for Target Customer Groups

At the same time, to win a wider market in China, IKEA's commodity prices are constantly adjusted and segmented, and its products in China are reduced at an average rate of 10% a year. From 2001 to 2005, IKEA in Shanghai even cut prices by an average of 46% [11]. Ikea has made price adjustment to return to the public, and segmented the market through different series, raw materials and other links, successfully satisfying different consumption levels and purposes.

4.2.3. Strengthened Brand Building

Ikea not only relies on hard advertising and marketing means, such as product brochures, discount coupons, TV ads, etc., to increase exposure and enhance brand awareness, but also relies more on hidden brand communication methods, such as public welfare, social affairs, word-of-mouth marketing, etc., to improve social reputation and build IKEA into its own sense of social responsibility and public awareness.

5. Discussion

According to analysis done before, it's noteworthy that some similarities and differences exist between them. Here, several manifest ones are selected to make further discussions and comparisons and display the outcomes in a table.

Table 2: Similarities and Differences between Aeon and IKEA.

	Aeon	IKEA
Locations and operating forms	Initially located in suburban areas in forms of large-scale malls; Gradually located in urban areas in forms of city center complexes or small stores; Online shops	
Marketing strategies	Optimizing services based on aimed customers and market	
	Free shuttle service for distant guests, regular customer care and self-contained membership system; Compound EDLP; Reinforcement of self-owned brands	delivery and home assembly provided; More consultants equipped; Handouts and brochures; Commodity diversity; Adjusted and segmented price.
Logistics strategy	Cooperate with local logistics companies; Large-scale transportation	
Brand building	Strengthening brand building by engaging in social affairs and enhancing brand reputations	

Some experiences are able to be used as references by other multinational enterprises. Firstly, locations and operation forms and methods could be continuously explored simultaneously with the pace of time. Secondly, marketing strategies could get changed or innovated by companies in accordance with their own characteristics, new market trends, preferences, and so on, to meet shoppers' needs or expand their customer group. Thirdly, beneficial cooperation and integration with local organizations should be addressed to accelerate their localization. Lastly, building up responsible, kind, and warm brand images and raising its brand values is also an extremely important part of localization.

6. Conclusion

Both Aeon and IKEA can be regarded as myths in the field of transnational development around the world, although they suffered from the dilemma of delayed expansion due to adherence to standardization in the early stages. In the process of developing the Chinese market, it is not a small challenge for multinational enterprises to adapt to and overcome the special culture and operation mode of the Chinese market. They encounter the trade-off between standardization and localization, which is also an unavoidable problem in the international business processes of all enterprises. Referring to it, standardized inputs and innovation strategies to adapt to new markets are definitely irreplaceable parts, and for further development, "re-standardized" business model and chain expansion are also crucial. Similarities are shown in many aspects of the two, such as brand building, cooperation with locals, marketing strategies, and so on. However, differences mainly exist in their exact attitudes or solutions due to their own fields or backgrounds. As a multinational enterprise, it should not only have the ability to cope with the competition of local enterprises but also fully understand its own advantages and opportunities provided by the market, create favorable conditions suitable for its own development, take advantage of the trend, expand the market share, but also highlight the improvement of brand value, and create more possibilities for long-term development. However, some shortages still remain. The paper mainly focuses on two companies,

which both focus on similar fields with relative business activities. As a result, it might cause some limitations and biases. To resolve these problems, collecting more statistics and data and getting them deeply analyzed should be given priority. Besides, enterprises in various fields with different business modes could be delved into deeply and compared for more full-scale outcomes.

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