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2015

# Marketing mix of a specific company

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# MARKETING MIX OF A SPECIFIC COMPANY

By

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Bachelor of Science in BUSINESS ADMINISTRATION

Neapolis University Pafos

Pafos, Cyprus

2015

Submitted to the Faculty of SCHOOL OF BUSINESS

in partial fulfillment of

the requirements

for the Degree of

BSc in Business Administration

# MARKETING MIX OF A SPECIFIC COMPANY

Dissertation

*Advisor*

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# **Abstract**

In our century everybody lives in the process of selling and buying some services, products or ideas. A proper marketing strategy is one of the most important and long-life parts in the success of any companies. Within many marketing strategies for the firms to select, marketing mix 4Ps is a well-known marketing strategy that is applied widely by many companies. These 4Ps elements transforms the marketing strategy into real value for customers. Regarding to marketing mix, a company must match these conditions in order to sell its product successfully.

The purpose of this bachelor dissertation is to analyze marketing mix of a specific company. The theoretical part of this research deals with role of marketing mix and explains each element of marketing mix. The aim of analytical part is to analyze elements of chosen company's marketing mix and based on the analysis, to suggest some recommendations.

Keywords: marketing mix, marketing, price, place, product, promotion.

# Acknowledgements

After four years of studying at Neapolis University of Pafos, this bachelor dissertation concludes my studies and directs me toward future achievements. I would like to express my deepest gratitude to all the persons that have contributed to the completion of this bachelor dissertation.

First of all , I would like to thank all professors of Neapolis University who helped me throughout the university years and gave me basic knowledge in business administration.

Additionally , I would also like to thank my parents and grandparents who supported and encouraged me with their best wishes. Finally, I would like to thank my supervisor, Mr Andreas Masouras , who helped me to choose the topic of my research and provide the necessary guidance.

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# INTRODUCTION

Marketing has always been a part of any business ,from the start of the industrial revolution to 21st century ,organizations selling and producing goods and services. The history of marketing evolved through the four eras: the production , sales, marketing and now the relationship era. The production philosophy was : "A good product will sell itself" This production era continued before the 20th century . After it gave way to sales era which philosophy would be summed up by the remark , " Creative advertising and selling will overcome consumers' resistance and convince them to buy." The next era which called marketing began in the 1950s, and their slogan was : " The consumer is king. Find a need and satisfy it. " But in the 1990s , the marketing changed to the relationship era which continues to this day. The philosophy of relationship era is : " Long-term relationships lead to success."

In the 21st century , the marketing science is becoming more and more attractive for multinational companies. Marketers are concerned about building long-term customer relationships through effective marketing. The best marketers in the world have to anticipate consumers needs and wants before those needs surface. Marketing in our society is more than just selling, it is the art of creating strong customer value. Generally, marketing includes a wide range of different approaches. Among them , the 4 P's approach which is an integral tool in building an effective marketing strategy. This is the reason why I chose marketing mix analysis as a topic of my bachelor dissertation. This study examined the meaning of marketing mix in an organisation. The present research consists of two main parts: theoretical part and analytical part.

The theoretical study begins with understanding the meaning of marketing concept in order to define the role and function of the marketing mix. I then explain the elements of marketing mix: product, price, place and promotion in detail and be aware of their importance in developing a marketing strategy. The purpose of the analytical part is to create a marketing mix analysis of a chosen company . The company of investigation is :IKEA Ltd. I chose this company because it is one of the largest and well-known firm in the world. The analytical study begins with the introduction of company and marketing environment analysis . I then explain and analyze the marketing mix of Ikea ltd. In conclusion, I recommend possible actions that can improve 4Ps of the Ikea Ltd based on the analysis.



# CHAPTER 1: MARKETING IN GENERAL

In this section, the meaning and importance of marketing will be discussed. Also, the aim of this paragraph is to explain concepts such as marketing strategy and marketing planning in order to give scope of the marketing process in general. Through this research , it will be easy to understand the concept of marketing mix and what type of role it plays in marketing . The theoretical section of the bachelor dissertation will serve as a basis for the analytical section.

## 1.1 Definition of marketing

"Marketing is a race without a finishing line" .

-Philip Kotler

Before discussing about the marketing mix, it's very important to understand the meaning of marketing. The marketing concept is a business philosophy that a company should satisfy human and social needs ,in order to achieve a competitive advantage over other firms. According to the American Marketing Association, marketing is " an organizational function and a set of processes for creating ,communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders". From the definition, it seems that marketing can be understood as the link between the people and organisation who use and buy its goods and services. Major marketing functions are :exchange functions, physical distribution functions and facilitating functions .

## **1.2 Marketing strategy and marketing planning.**

Marketing covers market research, market analysis, market planning and the "marketing mix". Marketing definition is based on the following concepts: needs, wants, demands, markets, change, transaction and relations, satisfaction and value, products, services and experiences (Kotler & Armstrong, 2004, p.8).

### **Developing the marketing strategy.**

A good marketing strategy is the key activity of any company to achieve their goals. As William Pride mentioned in his book, "A marketing strategy is a plan that will enable an organization to make the best use of its resources and advantages to meet its objectives". A marketing strategy include two parts: analysis of a potential target market and the creation of an appropriate marketing mix to satisfy the chosen market.

### **Developing the marketing plan.**

A marketing plan is a document that specifies an organization's objectives, resources ,and implementation efforts to be used in marketing product group. The marketing plan includes information about the marketing budget , the target market, revenue and sales goals and the schedule for implementing the elements of the marketing mix. The marketing plan is a key component of a organization which gives us information about company's current position and describes how company will attempt to achieve their goals.

Depending on marketing process , we can make a decision on what type of marketing mix it should suggest to its target market. This decision is called a marketing strategy. The next step is a marketing plan and after that we can implement a marketing process. As a result of this process, the importance of marketing can be different for each company and individual depending on their goals. (Kotler & Armstrong, 2004, p.24).

# CHAPTER 2 : MARKETING MIX

The purpose of this chapter is to understand the concept of the marketing mix elements and identify the unique role of each element. The marketing mix consists of four elements to fit the preferences and needs of a specific target market. The success of marketing depends not on the four strategies but also on their correct combination. The term "marketing-mix" was first coined by Neil Borden, the president of the American Marketing Association in 1953. The marketing mix is the set of tactical marketing tools that the company blends to produce the response it wants in the target market. The marketing mix consists of product itself, the price of the product, the promotion of the product and also the means chosen for its distribution. The marketing mix include everything the company can do to influence the demand for its product.

When a company choose their target customers ,they need to introduce their product to the market. At this point, the company has control over finances, information and also organizational resources. However, the company's marketing activities are affected by controllable and uncontrollable factors. The forces that a firm can control are called marketing mix. The forces which are uncontrollable are included in marketing environment . These external and generally uncontrollable forces include : legal and regulatory, technological, economical, political ,competitive and sociocultural forces. All these forces influence decisions about marketing-mix ingredients.

## **2.1 The marketing mix: Product.**

The authors of the paper: "Marketing. Explanatory Dictionary" (Florescu, et al., 2003, p.537) define product policy as a decision adopted by manufacturing or commercial companies regarding the size, structure and evolution of the range of goods and services (Lefter, et al., 2006, p.375, 405). The product means goods -and-services combination to meet a specific customer need or demand.

All products follow a logical product life cycle from development to decline . The product life cycle shows the sales of a product over time. This is useful for marketers for understanding and planning marketing strategies. Generally, the product life cycle consists of 5 steps: development, introduction, growth, maturity and decline.

### **The development stage**

The research and development (R&D) department develops the product. The marketing department does market survey. So, new product development has a high failure rate. This is because there's often not enough demand, or because the business can't make the profit cheaply enough to make a profit.

Sometimes companies can extend the life cycle by dropping the price of the product, increasing promotion of the product, adding value by altering the product and launching the product in a new market.

### **The introduction stage**

In the introduction stage, business often tries to promote the product heavily to build sales. At this stage, business needs to make sure they've got enough resources and capacity to meet the demand that promotions create. The initial price of the product may be high to cover costs, and consumers are primarily people who want to be "the first" to own the new product.

### **The growth stage**

In the growth stage, sales increase quickly as new customers and repeat customers are purchasing the product because it becomes well known. Economies of scale mean the price of manufacturing a unit goes down the more company makes. This means that business begins to earn profits on the new product. Other competitors may be attracted to the market with similar offers and price competition develops.

### **The maturity stage**

The sales reach a peak and profitability increases because the fixed costs of development have been paid. Later in this stage, sales start to decline and lead to a drop in profit. The price is often reduced to stimulate demand, which makes it less profitable. At this stage, there aren't many new customers and some products are forced out of the market.

### **The decline stage**

At this moment, the product doesn't appeal to consumers anymore. During the decline stage, sales fall rapidly and profits continue to fall. Sales fall for many reasons, including technological innovations, increased competition and shifts in consumer preferences. Sometimes the product may just stay profitable if promotional costs are low enough. If sales carry on falling, the product is withdrawn or sold to another business. This is called divestment.

### **The product conception**

The product conception of the marketing mix includes decisions about the packaging, brand name, trademarks, product image, customer service, product's design ,warranties , new-product development and the like.

### **Product line and product mix**

A product line is a group of related products intended for a similar market and differ only in relatively minor characteristics. This means, the products within a product line are related to each other in the way they are used, produced and marketed.

A product mix is the assortment of product ranges and individual services and goods that a company offers for sale to business users and consumers. Four "dimensions" are often applied to a firm's product mix. The width of a product mix is the number of different product lines the firm contains. The depth of a product mix is the total number of individual products within each line in the mix. The depth of a product mix is the amount of variants are offered by a business within a particular line of products. The consistency of the product mix describes how closely related the various product lines in the end of use , distribution channels ,production requirements or some other way.

### **Managing the product mix**

To provide products and services that satisfy people in a target market ,a marketer must develop an effective product mix ,control changing consumer wants and needs and ensure a company growth . To be competitive all the time ,marketers must find the gaps in their production lines and fill them with new offerings or modified versions of existing products. There are some major ways to improve a product mix: develop a new product/service , delete a product/service, or change an existing product/service. In other words, the product mix must be used to bring about improvements in the mix.

## **2.2 The marketing mix: Price**

### **The meaning of price**

The price of a product is the amount of money a seller is willing to accept in exchange for the product at a given time and under given circumstances. Price is a market instrument and an index of the economic and social reality (Lester, et al., 2006, p.449). Pricing is basically setting a specific price for a product or service offered. In a simplistic way, Kotler and Armstrong (2004) refer to the concept of price as the amount of money that customers have to pay to obtain the product.

## **Pricing objectives in the marketing mix**

The five basic categories of pricing objectives are :

- **Survival objective.** A firm may have to price its product to survive -either as an organisation or as a player in a particular market. This usually means that the firm will cut its price to attract customers , even if it then must operate at a loss. Because price is such a highly visible component of a firm's marketing mix, business may be tempted to use it to obtain an advantage over competitors.
- **Profit maximization .** Many firms state their goal is to maximize profit .Companies can maintain prices and increase profitability by working more efficiently or by modifying the product to make it less costly to produce.
- **Target return on investment .** The return on investment (ROI) is the amount earned as a result of that investment .
- **Market-share goals .**A firm's market share is its proportion of total industry sales. This approach based on on pricing decisions , the percentage of a market controlled by a certain company or a product.
- **.Prestige objectives .** Prestige pricing establishes a relatively high price to develop and maintain an image of exclusiveness and quality.

## **Pricing methods**

Once a firm has developed its pricing aims , it must choose a pricing method to reach that goal . In this section, we look at three kinds of pricing methods :

### **Cost -based pricing uses production costs to work out price.**

- **Full -cost-based or cost-plus pricing** takes direct and indirect costs of production into account, and adds a fixed percentage called the mark-up.
- **Marginal pricing or contribution pricing** sets the price to be more than the variable costs per unit. The price of each unit makes a contribution towards the fixed costs. If there are enough sales, the product will make a profit -even if it's only selling for a tiny bit more than the variable costs. This means that firms can lower prices temporarily, and can offer special low prices for special orders.
- **Absorption pricing** allocates a proportion of the fixed costs to each unit, so the price is based on the variable costs per unit plus a slice of fixed costs per unit. It's called absorption pricing because the price of each unit absorbs part of the fixed costs.
- **Target-based pricing** sets the price based on the target profit that the firm decided they needed to make when they set their objectives .The price has to cover variable costs, fixed costs per unit and the target profit.

### **Market-based pricing uses market demand to work out price.**

- Penetration pricing is when a product has a low initial price to get into the market. As the volume of sales goes up, the price is increased. A company might start with a low initial price to get consumers buying it.
- Price discrimination is when different prices are charged for the same product . Different groups of customers can be charged different prices.
- Price skimming or creaming means starting with a high price and reducing it later. The price can go down when the product has achieved economies of scale.
- Psychological pricing bases the price on customers' expectation about what to pay.

### **Competition -based pricing sets price based on competitors' prices.**

- Price makers or price leaders set the price , and other business follow. Market leaders often use this strategy.
- Competition reduces prices. In very competitive markets, buyers dictate the price, and sellers have to take whatever price the buyer is willing to pay.
- Destroyer pricing vs predatory pricing is when a business deliberately lower prices to force another business out of the market -e.g. in price wars some companies cut the price of their own brand goods to incredibly low levels. Predatory pricing is a gamble- the predatory business usually makes a loss on the product. They either need to be making enough profit on other items to cover the loss, or their rival needs to go out of the market pretty darn quick so the price can go up again.

## **2.3 Marketing mix: Place**

Placement under marketing mix involves all company activities that make the product available to the targeted customer (Kotler and Armstrong, 2004). Place is concerned with various methods of transporting and storing goods, and then making them available for the consumer. Getting the right product to the proper place at the right time involves the distribution system. The type of distribution method will depend on a variety of circumstances.

### **There are different channels of distribution :**

- Producer to consumer. Direct selling is a zero-level channel of distribution -there are no intermediaries. Practically all services and a few consumer goods are distributed through a direct channel. It's more profitable to sell direct , there are no intermediaries to take a cut of the selling price. Firms that sell direct can offer lower prices, because they don't have to pay for premises or staff. The fewer intermediaries in the distribution chain , the more control the manufacturer has over how the product is promoted, and what the final selling price will be .
- Producer to wholesaler to retailer to consumer . This is the traditional distribution channel used for fast moving consumer goods. It's a two-level distribution channel ,there are two intermediaries between the manufacturer and the consumer. It's less hassle to sell through wholesalers. Wholesalers take care of distributing the product to lots of retailers. Wholesalers break bulk for business . They buy a large quantity of goods and pay for them up front, which increases the manufacturer's working capital.
- Producer to retailer to consumer. A retailer is a middleman that buys from producers and sells to consumers. Producers sell directly to retailers when retailers may buy in large quantities.
- Producer to agent to wholesaler to retailer to consumer. Producers may use agents to reach wholesalers. Agents are functional middle person that do not take title to products and that are compensated by commissions paid by producers. Often these products are inexpensive, frequently purchased items .
- Producer to business user . In this direct channel, the manufacturer's own sales force sells directly to business users.
- Producer to agent middleman to business user. Manufacturers use this channel to distribute such items as operating suppliers, accessory equipment, small tools , and standardized parts. The agent is an independent intermediary between the producer and the user.
- Using multiple channels. Often a manufacturer uses different distribution channels to reach different market segments.

### **2.4.Marketing mix : Promotion**

Each of four elements of a marketing mix has some objectives and the promotion does, too. Informing, persuading, and reminding (Cannon, Perreault and McCarthy 2008) are the three basic objectives of promotion. Promotion is communication about an organization and its products that is intended to inform, persuade, or remind target -market members. A promotion mix is the particular combination of promotion methods a firm uses to reach a target market. The promotional mix consists of two components : personal and nonpersonal selling. Personal selling is the most basic form of promotion : a direct person-to-person promotional presentation to a potential buyer. Non Personal selling consists of advertising, sales promotion, direct marketing , and public relations.



Advertising is the best-known form of nonpersonal selling, but sales promotion accounts for about half of these marketing expenditures. Advertising uses various media ,e.g. TV, radio or the internet. The choice of media depends partly on the number of target customers who will see the advertisement. The aim of advertisement is to be seen by as many of the target market as possible. Advertising costs a business money. The cost of an advertising campaign must be worth it in terms of the extra sales it creates. Mass media marketing means things like ads on TV channels or in national newspapers , which can be seen by million of people . It's mainly used to advertise mass market consumer goods and services.

### **Types of advertisement:**

The two basic types of ads are product and institutional advertisements. Product advertisement consists of messages designed to sell a particular good or service. Institutional advertising involves messages that promote concepts, ideas, philosophies, or goodwill for industries , companies , organisations , or government entities. "Advertising isn't a science. It's persuasion. And persuasion is an art" -William Bernbach (1911-1982).

### **Below-the-line promotion is everything else apart from advertising:**

- Sales promotions are non personal marketing activities other than advertising, personal selling, and public relations that stimulate consumer purchasing and dealer effectiveness. Sales promotions can be aimed straight at the customer to raise awareness or increase sales.
- Direct mail means mailshots sent to customers. Firms keep information about their customers on a database and target mail to particular consumer groups.
- Public relations (PR) is a firm's attempt to put out a good message about itself and its products or services. PR includes press releases sent to the media and special promotional events .
- Sponsorship or events makes consumers aware of a firm and their products. It also gives the firm a good image.

### **Objectives of promotional strategy:**

- Providing information . A major portion of advertising is information oriented.
- Differentiating a product. Promotion can also be used to differentiate a firm's offerings from the competition. Applying a concept called positioning , marketers attempt to establish their products in the minds of customers
- Increasing sales. Increasing sales volume is the most common objective of a promotional strategy.
- Stabilizing sales .Sales stabilization is another goal of promotional strategy. Firms often use sales contests during slack periods, motivating sales people by offering prizes , and cash to those who meet certain goals.
- Accentuating the product's value. Some promotional strategies enhance product values by explaining hidden benefits of ownership

# Chapter 3 : Introduction of company

## Company background

**Name :**IKEA International Group

**Logo:** Ikea

**industries served:** Retail

**Geographical areas served:** Worldwide

**Founder:** Ingvar Kamprad

**Founded:** Almhult , Sweden (1943)

**Type:** Privately held company

**Industry:** Furniture retailer

**Main competitors:** Argos, Ashley furniture home stores, B&Q, Bob's Discount, John Lewis, Pier 1 Import, Rooms To Go and many other companies.

IKEA is a multinational group of companies that designs and sells furniture . Ikea owns and operates 373 stores in 42 countries and employs more than 131,000 people worldwide. The company was founded by Ingvar Kamprad in 1943 when he was 17 years old. The unique formula of Ikea =low price +function +design . The first IKEA store opened in Sweden 1958, outside Scandinavia the first store opened in 1973 (Switzerland).

## The world's five largest Ikea stores are:

Stockholm Kungens Kurva, Sweden

Shanghai Baoshan , China

Shanghai Pudong Beicai, China

Wuxi, China

Ningbo, China

## Statistics of IKEA:

Total sales EUR 28.7 billion

Co-workers 147,000

Suppliers 1,002 home furnishing suppliers

IKEA Food EUR 1.46 billion yearly turnover

Production 59% of the production is in Europe

**The most interesting and incredible facts about IKEA :**

- 1)Ikea uses approximately 1% of the world’s entire commercial supply of wood.
- 2)Ingvar Kamprad, the founder of Ikea, has a net worth of \$4.2 billion.
- 3)There are approximately 9,500 home furnishing products in the Ikea range.
- 4)In 2012, there were an estimated 655 million visitors to Ikea stores.
- 5)Ikea has lowered its prices by an average of 2% each year since 2000.

**3.1The structure of company**

**The structure of IKEA.**

The IKEA group has a complex corporate structure and is controlled by several foundations based in the Netherlands, Luxembourg and Liechtenstein. Figure ? illustrates the structure of the company. IKEA is owned and controlled by a complicated array of for-profit and not-for-profit corporations. The corporate structure is divided into two main parts :franchising and operations .Most of IKEA's operations , including supply and purchasing functions, the manufacture and design of its furniture ,the management of the majority of its stores are controlled by INGKA Holding . The INGKA Holding is a private, for-profit Dutch company. While most IKEA stores controlled under the Ingka Foundation and the Ingka Holding, the IKEA trademark is owned by an entirely separate Dutch company "Inter IKEA Systems". This company registered in Luxembourg. Every IKEA store, including those controlled by Ingka Holding, pays a franchise fee of 3% of revenue to Inter IKEA Systems.

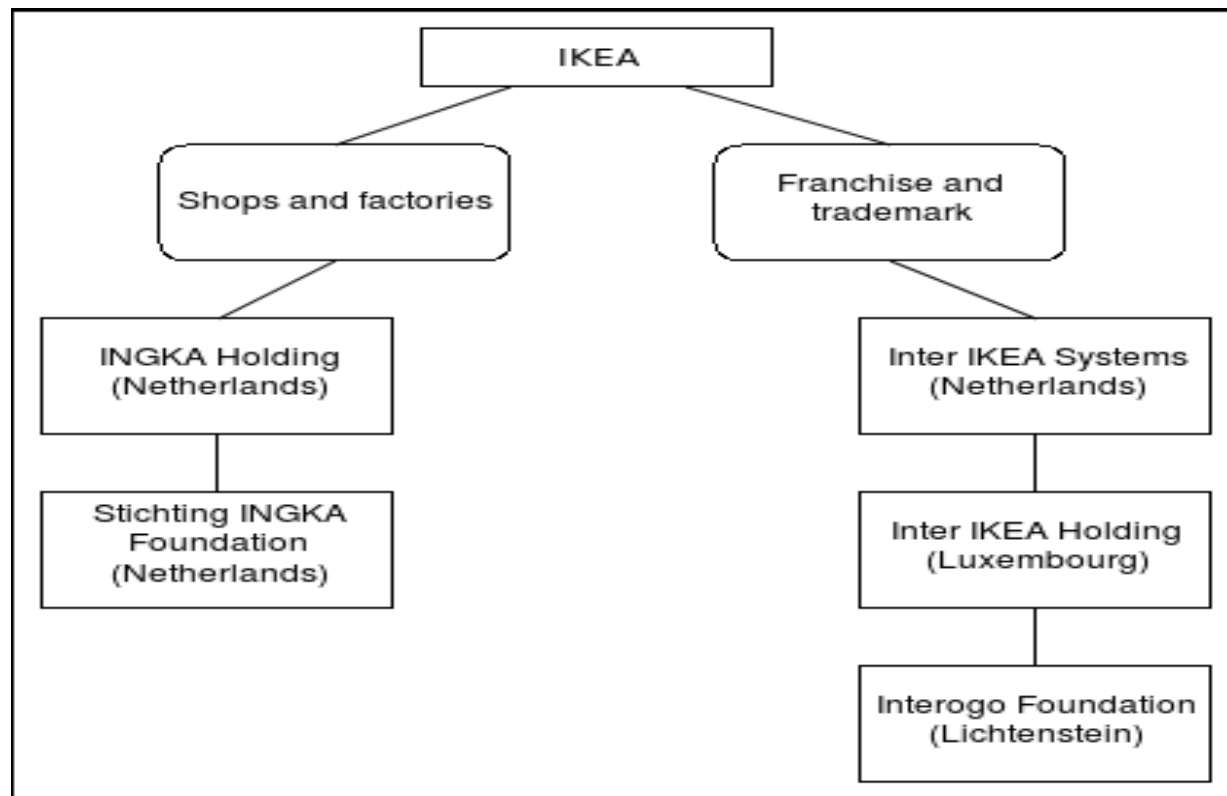


Figure 1 :The structure of ikea company

## **Vision of IKEA**

"At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering 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."- Swedish employee representative insider.

## **The concept of IKEA**

The IKEA concept starts with the idea of providing a range of home furnishing products that are available to the many people as possible. It is reached by combining function, quality, design and value with sustainability in mind. The IKEA concept exists in every sector of the company, such as : design, sourcing, packing and distributing . Their aim is to help more people live a better life at home.(official website of Ikea)

## **Bringing the IKEA concept to life**

The IKEA concept comes to life in many ways: through their worldwide stores, in the IKEA catalog, via the web, and most importantly in millions of homes around the world.(official website of Ikea)

## **3.2 Situation analysis**

It is very important for any company to analyze its marketing environment to be able to adapt to any change in the market. Also it is necessary if company need to create marketing mix for target consumers. Marketing environments divided into two parts: internal and external environments. The purpose of this paragraph is to describe internal and external marketing environments of Ikea .

### **External marketing environment :**

- **Social Factors:** These factors are unchangeable and effects consumer's preferences, lifestyle and expectations. The company understand that customers have their own preferences and tastes. Products of Ikea are different in their style and design. For example, they have 83 designs for only fabric sofas and 50 designs for only leather. Some of the products are very simple in design while some are fancy.
- **Demographic Factors:** Ikea sells their product to all age customers: babies, kids , teenagers and adults.

- **Ethnicity Factors:** The production line of Ikea is very simple and modern ,so that they fit into almost all lifestyles. Also, consumers can assemble parts and create their own products.
- **Economic Factors:** The product price range of Ikea is wide so that from people with high buying power to ones with low buying power can buy their products.
- **Technological Factors:** The mission of Ikea in technology area is to make energy they use 100% renewable, so they have made solar energy and wind turbine teams to cover up the energy they use.(official website of Ikea)
- **Political and Legal Factors :**IKEA has a lot of lawyers all over the world so that their products do not violate the laws.

**Internal marketing environment:** SWOT analysis is one of the most important tool that can assess the internal marketing environment. The following SWOT analysis briefly describes strengths, weaknesses , opportunities and threats of Ikea company.

- **Strengths:** wide product range, strong brand name, global brand, high differentiation with competitors.
- **Weaknesses:** locations not always accessible.
- **Opportunities:** online sales, increased demand for sustainable products, current economy has increased demand for low price products.
- **Threats:** barriers to enter certain profitable markets, economic slowdown has decreased store traffic.

# Chapter 4 : Marketing mix of the company.

The analysis of Ikea marketing mix is based on information from the theoretical part and the information from Ikea website . As above mentioned , a marketing mix is a concept of what company offers to the target consumers. Therefore, it's necessary to describe target consumers of Ikea company. The reason why the company need to focus on target customers is that the company can develop a marketing mix which satisfies consumer wants better than other firms.

## **TARGET MARKET ANALYSIS of Ikea company**

The basic market segmentation based on age factor, income level , lifestyles family life cycle and benefit seeking. IKEA furniture is described as “start up furniture” .The company focuses on young, lower income individuals who buy their furniture for their first home. The big target market for Ikea are young adults and college students .Another large demographic that IKEA focuses on is family life cycle. The company knows that new families need furniture to fill their new houses, but don't have a lot of money to do so. Another target market based on benefit segmentation and lifestyles of customers. IKEA based on people with a “do it yourself and save money doing it” type of lifestyle. Also the company targets consumers who are looking to benefit from the value of the furniture. Consumers benefit from the quality of the furniture for a very low price.

## **4.1 The marketing mix: Product**

There are about 12,000 products in the total IKEA product range. The product range is wide in several ways. First of all, it's wide in function: customer can find everything he/she need to furnish his/her house , from garden and bedroom to kitchen and toys. Secondly, its wide in style : every customer with minimalist or romantic preferences can find what he/she looking for.

### **Product strategy of Ikea**

Ikea is a very standardized retailer , which offers almost similar product range with little adaptation in different national markets. All products are created with shipping, cost effective packing, and distribution process in mind. This strategy focus on low cost while providing stylish and innovative products for their consumers .IKEA focus their marketing communication strategies on their price point, customization and diversity of products.

### **Product identification. The story behind the name .**

A brand is a name, symbol, design , sign, term or any combination of these used to identify a sellers products and to distinguish it from other sellers' products. The brand name , such as IKEA is known around the world. The IKEA name combines the initials of IKEA founder, Ingvar Kamprad, (IK) with the first letters from the names of the farm and village where he grew up - Elmtaryd and Agunnaryd (EA). The IKEA logo has hardly changed during the firm's history and the 1967 version remains a strong symbol of the IKEA business.

### **Description of physical goods**

The IKEA produce living rooms, children's rooms, bedrooms, kitchens and bathrooms. The product mix of company covers: coffee tables, side tables, TV solutions, DVD storage, shelves, sideboards, bookcases, sofa beds & mattresses, armchairs, leather sofas and fabric sofas, desks ,TV solutions , DVD storage, shelves, sideboards ,bookcases, mirrors ,bathroom storage, chairs and armchairs ,clothes storage ,decoration, storage furniture ,textiles & rugs, small storage, lighting, kitchen cabinets & appliances , tools & hardware, Swedish food, as well as many other products.

**Product names :**All products of Ikea are described by one -or -two word names. Almost all names are Scandinavian in origin. The most product names are based on a unique naming manner developed by IKEA. The list of names:

**Upholstered furniture, coffee tables, bookshelves:** Swedish place names

**Beds, wardrobes, hall furniture:** Norwegian place names

**Dining tables and chairs:** Finnish place names

**Bookcase ranges:** Occupations

**Bathroom articles:** Scandinavian lakes, rivers and bays

**Kitchens:** grammatical terms

**Chairs, desks:** men's names

**Fabrics, curtains:** women's names

**Garden furniture:** Swedish islands

**Carpets:** Danish place names

**Lighting:** terms from music, chemistry, meteorology, seasons, months, days

**Bed Linen, bed covers, pillows:** flowers, plants, precious stones

**Children's items:** mammals, birds, adjectives

**Curtain accessories:** mathematical and geometrical terms

**Kitchen utensils:** spices, herbs, fish, mushrooms, fruits or berries

**Boxes, wall decoration, pictures and frames, clocks:** colloquial expressions

## Description of services.

All information below from official website of Ikea. Ikea offer a range of services to help customer with their purchase. The list of services:

- **Picking with delivery service.** They can offer a combined in-store picking and delivery service.
- **Furniture recycling.** They can recycle old furniture with the lowest environmental impact.
- **Finance service.** They can offer a range of finance options if you need spreading the cost. The company can suggest personal loan or interest free credit. With an IKEA personal loan everyone can borrow between £150 and £1,500 and spread the cost over 12 to 60 months.
- **Assembly service.** Most IKEA products are designed in such a way that they can easily be assembled to customers. But if customer prefer, he can leave the assembly of his purchase to the professionals.
- **Kitchen & bathroom installation service.** The installers uphold the highest standards of trust, quality and craftsmanship and they are committed to getting the job done professionally and efficiently.
- **Curtain making and alteration service**
- **Design services** .During the appointment they will take an accurate measurement of the house area and discuss with customer how to optimise the space so that they can plan the perfect space to suit everyday needs.
- **Recycling of electrical and electronic equipment service**
- **Food service.** The IKEA restaurant and Swedish food market are the two elements which together make up IKEA food services .They offer quality food products at low prices. At the same time they want you to know that we source food products in a responsible manner. They are working in all parts of the food chain, from the farm to the IKEA store, to be able to offer food that customer can trust. The IKEA also support and encourage organic farming by offering organic food to the customers.
- **Child care service.** The service is offered completely free of charge.



**The Ikea determined 11 situations of life generating homogeneous needs:**

- .first equipment
- settle down together
- first child
- . the child entries at the school
- the adolescence
- a new house / new family situation
- a second home
- make the shuttle
- live in little space
- being senior

**The advantages that distinguish the company's product mix from others are:**

- high quality of products
- low cost of product
- well-known brand with good reputation
- wide-range of products
- modern style of high standard
- balanced and harmonized lifestyle
- shows innovative side of products
- well-designed products

**Developing and producing product.**

First of all, Ikea design the price tag and then develop the product to suit that price.

**Quality level of products.**

Ikea has an international reputation for safety and quality of their products.

In their work with quality they are focusing on 3 areas: customer quality perception, costs of poor quality and secure compliance . IKEA have a quality compliance standard. The quality standard must be implemented in order to become an IKEA supplier. It secures that IKEA suppliers understand and fulfil all IKEA requirements. Ikea method to quality is : "Every customer counts . Every product counts. I am responsible."

IKEA home furnishing products must be safe, from both a health and environment perspective. Their designers, product developers and technicians take into account safety, quality and environmental impact at every stage of the new product development. The main raw materials used in IKEA products are wood, cotton, metal, plastic, glass and rattan and they work towards using as many renewable and recyclable materials as possible. IKEA's products respond to eco-efficient requirements. Approximately 50% of IKEA's products are made from wood or wood fibres and its aim is to recycle 90% of materials (official website of Ikea). Also, each year thousands of tests and assessments are carried out on IKEA products during the development stage.

### **Product differentiation of IKEA .**

IKEA has a strong product differentiation strategy that makes them stand out from the competition. Clever marketing and branding makes customers see the product as special, or particularly suited to them and their needs. They allow a company to get a competitive advantage over rival firms. The Ikea philosophy is: "if you can't change the product you've got to change people."

### **Franchise of Ikea**

In the early 1980s, Ingvar Kamprad realized he needed to protect the concept of Ikea as part of the company's growth to have total independence and a long-term ownership structure. Also he realized that all the firm's operations had to build resources before they could expand. So, the IKEA franchise system was established. Today all IKEA stores operate under franchise agreements. Inter IKEA Systems B.V. is the owner of the IKEA Concept and worldwide IKEA franchisor.

### **Designing a product**

For IKEA, good design is the right combination of form, function, quality, sustainability and a low price. The product developers and designers have to find the right balance of all these elements when the design process starts. It's a unique challenge that keeps innovative strategy.

### **High-quality testing**

The IKEA tests all of materials and products during the product development phase. For them, good quality is based on the needs of customers, how they use their furniture and their lives at home. The two IKEA test labs in Sweden and China are also training centers for co-workers and suppliers.

### **Innovative production**

What makes it unique is the ability to work side by side with individual suppliers directly at their factories. With their help, they're able to use the most efficient, cost-effective and creative ways to bring company designs to life. It's this special spirit of togetherness that allows them to make advances in smart product design and packaging.

### **Brand preference**

Brand preference occurs when a consumer chooses one firm's brand over a competitor's. At this stage, the consumer usually relies on previous experience in selecting the product. Furniture and other home furnishings fall into this category. A shopper who purchased an IKEA table and bookcase and was satisfied with them is likely to return to purchase a kitchen cabinet

### **Brand insistence**

Brand insistence is the ultimate degree of brand loyalty, in which the consumer will look for it at another outlet. Shoppers who insist on IKEA products for their homes may drive an hour or two-making a day excursion of the venture -to visit an IKEA store. IKEA also installed the clever showpiece, meant to look like a bus stop, in New York city during design week. The retailer of affordable, well- designed contemporary furniture enjoys brand insistence-the ultimate expression of brand loyalty.

### **Packages and Labels**

Packaging and labels are important in product identification. They also play an important role in a firm's overall product strategy. IKEA was the first company in the world to realize the benefits of flat pack furniture in 1956. The Swedish management style is: "Everything is done by agreement," Bill Agee, Ikea's external marketing communications manager, says. Which means that flat packaging is one that kind of agreements made between the producer and a customer. Packaging affects the image, durability and convenience of an item. IKEA has also been recognized as one of the world's most successful retailers and its success has been described as a result of a winning packaging and logistics strategy (official website of Ikea).

### **Warranty of Ikea products**

If any customer will have some problems with the quality of Ikea product, they have legal right to return this back. The Ikea have their return policy in these cases. IKEA will examine the product and decide if it's covered under this warranty. And then, at its choice, either repair the defective product or replace it with the same or a comparable product or they return money back.

## **4.2 The marketing mix: Price**

Ikea establishes price firstly and then finds retailers to sell raw materials and manufacturing at this price, so that they don't have surprises in the final price(official website of Ikea). The main price concept of Ikea are the low prices which available to everyone .IKEA product developers and designers work directly with suppliers to guarantee that making the low prices starts on the factory level.

### **The main financial principle**

The basic financial rule of Ikea group is to grow by using their resources. The slogan of Ikea is : " We earn money before we spend it " This principle makes it possible for them to build long-term investments for the future. Ingvar Kamprad, Senior Advisor & Founder said: "I decided that the stock market was not an option for IKEA. I knew that only a long-term perspective could secure our growth plans and I didn't want IKEA to be become dependent on financial institutions. "This means that the vision of Ikea is the foundation for company growth. They re-invest a majority of firm profits in present and new IKEA stores, as well as in product development, sustainable solutions and by continuously lowering prices to the consumers (official website of Ikea).

### **Price objective:**

The main price objective of Ikea is to produce and sell things cheaply. The cost objective affected by the speed, effectiveness of quality, dependability and flexibility. Ikea reduces cost and time to re-do things using their high quality operations. Fast operations system improves flow of consumers, which can help to rise sales and decrease cost of overheads.

Also Ikea uses dependable and flexible operations to produce and sell their products more efficiently than other companies. Dependable operations increases operational efficiency and predictability, while flexible operations adapts to change and can regulate operations to response to the customer' needs without extra costs. Ikea also uses other approaches to achieve their cost objective. The main warehouse in Sweden is highly automation with only three employees and the self-service concept requires less employees and this can precisely reduce costs. The global sourcing decreases costs of the company because no big investments required.(official website of Ikea). In addition , the stock control system used as management information systems to monitor the sales pattern in order to react fast in an unexpected circumstances. Fast reaction is very important for Ikea in order to save their costs.

**To be competitive on the market all the time and to have low prices, Ikea found out some of the cost-saving strategies. All information below from official website of Ikea store. The list of strategies:**

1) The recovery strategy . The recovery department recoups parts from damaged items, making spares available to customers who need them . Products not suitable for sale at the full price because of damage or return are placed for sale in AS-IS.

2)In-house design . The Ikea products are designed by in-house designers which means there are no large design commission to be paid.

3)The recycling strategy. The recovery department is responsible for sorting and recycling all recyclable materials .

4)Waste reduction . Ikea's engineers and designers strive to reduce the amount of material used and waste in production .

5)Transportation . All transportation of Ikea products is by cargo container rather than by more expensive air transport. Transportation costs are also minimized by carefully locating distribution centers and stores for optimum travel efficiency.

6)Minimal packaging. Ikea created an innovative packaging programme that is simple, cost-efficient and environmentally conscious (saving significant amounts of cardboard).Printing wordless instruction materials also saves money to translate the written word to the native languages of the many nations in which Ikea retails.

7)Economies of scale .IKEA have lowered their average long run costs over the years by exploiting technical EOS, and one example of this is through increased specialisation. There are various marketing EOS that IKEA has benefited on from over the years too. 'Bulk buying' is the term most people think of when considering the advantages of a company exploiting EOS and IKEA is no exception. Due to the size and power of the company, it can secure long-term contracts with various manufacturers and reduce costs of raw materials through bulk buying. This is because IKEA can demand materials at lowers prices from the materials as the manufacturers can afford to give them it in return for the steady income that they will receive. Finally, IKEA heavily benefits from managerial economies. IKEA employs specialist managers, trained in particular areas, to help them run various departments and to reduce the running costs.

8) Auomatic selling. Ikea is a warehouse store designed to maximise customer self-sufficiency with minimal reliance on staff assistance. Cost saving from reduced wages, training costs and lower design, maintenance and outfitting costs associated with the marketplace and warehouse areas of the stores.

9)Thriftiness strategy. Stores encourage employees to turn out lights in offices, turn off computers and reduce overall energy consumption by using compact light bulbs .

10)Strategic placement . Ikea stores are strategically placed in high-density areas to guarantee store traffic and along highway/interstate routes to maximize visibility. Expansions plans take into account the proximity to a highway and also the distance from a distribution warehouse- this minimizes the expenses associated with stocking the warehouse.

### Flexibility of Ikea

The operating system of Ikea is possible to change very fast to consumer requirements in order to have a flexibility advantage. Because of flexibility, company can introduce new products/services to the market. They can also serve to the expectations from their target groups and are likely to response to changing customers' needs and wants .

### Global pricing strategy of Ikea.

Internal production efficiency must be greater than the competitors in order to maintain cost leadership in the market. Under Ikea's global strategy, suppliers are generally located in low-cost nations, with proximity to raw-materials and reliable access to distribution channels. These suppliers produce extremely standardized products intended for the global market, which size provides the company with the opportunity take the advantage of economies of scale factors. The role of Ikea is not only integrate operations but also to find an effective combination of low-cost, ,standardization ,technology ,and quality. In the case of Ikea , the company is responding to globally emerging consumer tastes and preferences.

**In conclusion of this paragraph**, it's important to mention that because of the price strategy their sales are increased. Sales for the IKEA Group for the financial year 2009 increased by 1.4 per cent to a total of 21.5 billion euros.

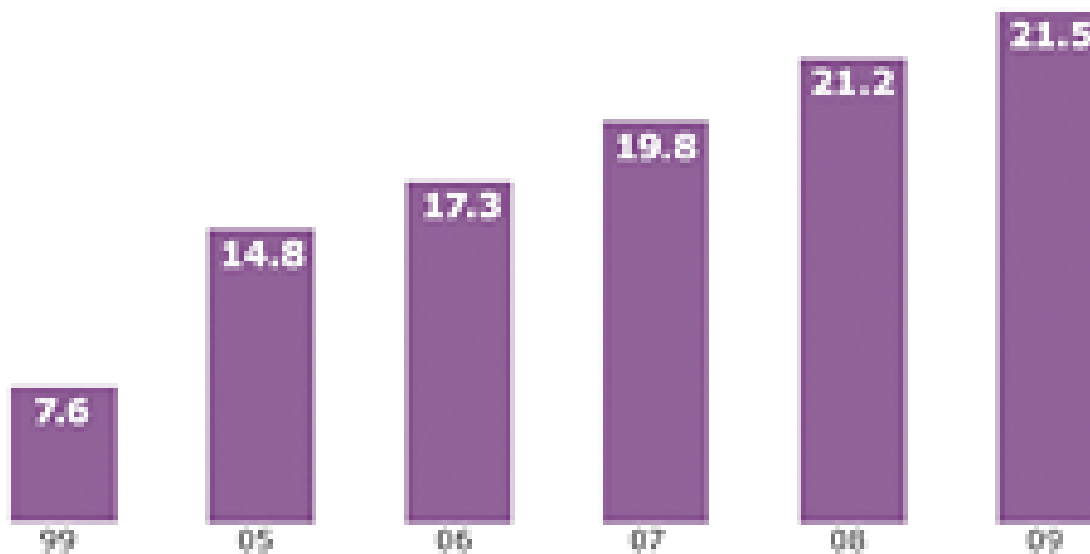


Figure 2 : Sales of Ikea

### **4.3 The marketing mix: Place**

Place is concerned with making available the products at a place where it demands. The biggest priority for company is to find the right location for its stores and the right price in major cities , with easy access to public transport and good work network.

#### **The location of store**

The Ikea stores are located outside city centers and focused on consumers who using their own cars. This is much more cheaper to avoid city centres, where one square meter cost few times larger than on suburbs

#### **The store formats**

The format of Ikea store is the standard layout with parking lot outside and a two floor store. The store is arranged on 2 parts: 1st part: products expositions and restaurant and 2nd part: self service market and furniture . When the consumer come to the store, this one follow to the “Lay out” guide. This guides need in order to make him/her knowing the whole store assortment. At the cash point, before the customer will make a purchase , there is an business area for promotional offers or impulsive buys. Also the outlets include a showroom, a market hall, a self-service warehouse and a restaurant. The stores are very large and many of them have food shops and a Swedish market.

#### **Franchising rules of Ikea**

The company grants rights to become a franchisee in markets where rights have not already been given, thereby supporting their uniqueness. When selecting franchisees, IKEA evaluates the following factors:

- Corporate culture and values
- Financial strength of a country
- Experience
- Local market knowledge and presence

#### **Logistics:**

The key to Ikea’s success is logistics.

**IKEA is present in the following countries across the globe.**

- Europe
- België | Belgique (Belgium)
- България (Bulgaria)
- Česká republika (Czech Republic)
- Danmark (Denmark)
- Deutschland (Germany)
- Eire (Ireland)
- Ελλάδα (Greece)
- España | Espanya | Espainia (Spain)
- France
- Hrvatska (Croatia)
- Ísland (Iceland)
- Italia (Italy)
- Κύπρος (Cyprus)
- Lietuva (Lithuania)
- Magyarország (Hungary)
- Nederland (Netherlands)
- Norge (Norway)
- Österreich (Austria)
- Polska (Poland)
- Portugal (Portugal)
- România (Romania)
- Россия (Russia)
- Schweiz | Suisse | Svizzera (Switzerland)
- Slovensko (Slovakia)
- Suomi (Finland)
- Sverige (Sweden)
- Türkiye (Turkey)
- United Kingdom
- North America
- Canada
- United States
- Middle East



- (Egypt) جمهورية مصر العربية
- (Israel)
- (Jordan) المملكة الأردنية الهاشمية
- (Kuwait)
- (Qatar)
- (Saudi Arabia)
- (United Arab Emirates)
- Asia Pacific
- Australia
- (China)
- (Hong Kong)
- Indonesia
- (Japan)
- Malaysia
- Singapore
- (South Korea)
- (Taiwan)
- ประเทศไทย (Thailand)
- Caribbean
- República Dominicana (Dominican Republic)

**Top five sales countries:**

Germany 16%, USA 11%, France 10%, UK 7%, and Italy 7%.

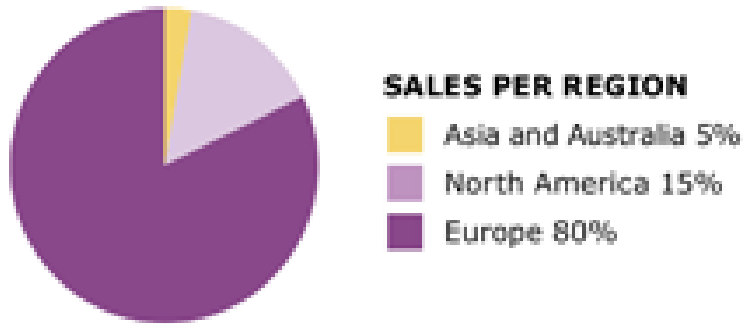


Figure 3 : Sales per region

**Top five purchasing countries:**

China 20%, Poland 18%, Italy 8%, Germany 6% and Sweden 5%.

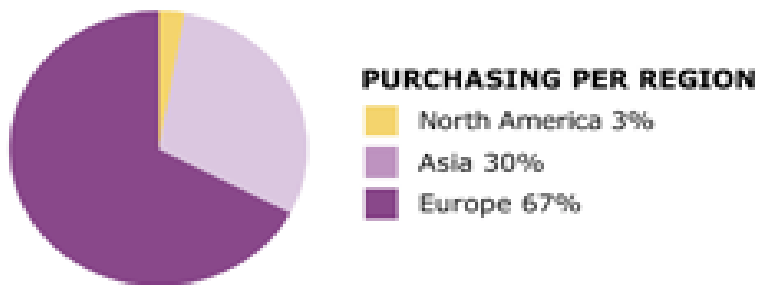


Figure 4 : Purchasing per region

## 4.4 The marketing mix: Promotion

Ikea has a very active policy on promotion. It plans its promotional activities monthly. The company is a consumer durable brand which uses all forms of promotions .

### **Promotion approach of Ikea**

The company method in promotion is intended to be honest and different , surprising and youthful , emphasizing that nothing is impossible . As they have a presence in different geographical places , the communication strategy is also different. The company focus on localised communication in the advertising cause they need to connect to the local audience. For example, in North America were more witty advertisements than in UK which use more straight-forward method. However, in overall Ikea is a clever marketer and their product itself speaks volumes.

**The objectives of Ikea in promotion strategy are :** attract customers to the store and to increase the awareness of Ikea brand.

**Media communication.** Ikea promote their products through all existing media support to show its identity of product, small prices, comfortable and friendly stores. They uses traditional media supports such as internet, television, radio , hoardings, cinema and press. Around 8% of budget Ikea takes for advertising. In comparison, competitors take around 30%.

Ikea has their own webpage ( [www. IKEA.fr](http://www.IKEA.fr)"), where the firm informs customers about Ikea products and helps them to find what they are looking for. So, every store in each city has its own webpage where the Ikea presented its offer. Recently, the company has launched a website where a consumer can personalise its home inside; this website is named ‘Adieu la grisaille” (“Good bye the darkness”).

Also Ikea have their profiles on facebook, twitter, google , instagram and pinterest page. This company is very popular in internet network. For example, at facebook Ikea has some pages and the largest has collected just under 1 300 000 "likes". Moreover, IKEA YouTube channel exist with about 3000 subscribers and divides this channel into several parts depending on geographical segmentation.

### **Non media communication**

The company can't use only media communication in their promotional mix cause its aspect is not adopted to all the communication situations. This is the reason why Ikea have to use another kinds of promotion . Non media communication includes: events, the catalogue and emailing.

**The catalogue:** The Ikea catalogue is the most important promotion tool which makes it unique . it's a source of inspiration and also important printed marketing tool .The catalogue shows all products which are available in country among all stores. But the role of it is more than just a presentation of the product range it's also a reference book about materials, prices and colours. IKEA prints an annual catalogue, first published in Sweden in 1951.In 2010, Ikea published 197 million catalogues and sixty one editions in twenty languages. This is considered to be the main marketing tool of the retail giant and consuming 70% of the company's annual budget. The catalogue is distributed by mail and also in stores. In the 2013, catalogue is smartphone available, containing photos and videos that can be accessed via an app by scanning the catalogs pages. The concept of catalogue is not only about selling the product , it is about giving the idea how consumers can feel better with Ikea's furniture. This is the reason why all photos are made as if it was somebody's bedroom , living room or child's room. Everything in this journal is done to give the incredible feeling that Ikea is so close to a consumer like if the company live with her/him. The catalogue proclaims: „Possessions, like rabbits, have a habit of multiplying. In the sum , the catalogue is where the lion's share of the company budget is invested and it's the crown jewel of Ikea's communications.

**Events:** Ikea participate at different types of events in order to increase its popularity . There are local operations such as TV programs, some shows and advertisements on buses . Also they provide social media campaign in which all major politicians , celebrities and writers are invited.

**E-mailing and newsletters:** Any customers can be registered on a monthly newsletter which allows them to receive information about the range of products in the closest store and also about provided events .

**PR activities :** Public relations are also very important part of a company. Ikea invites journalists from different countries to Sweden , teaching them about the roots of the company. Ikea uses PR actions to build good relations with the company's various publics by obtaining favourable publicity and also building up a good corporate image. In terms of environmental issues, IKEA demonstrates its determination of building and support a good corporate image in order to build a long-lasting relationship.

**Loyalty cards and clubs:** Today it is still one of the bigger club with 1,7 million members and it's very important marketing tool. In common with other marketers , IKEA has launched a loyalty card which called "IKEA family". This card is free of charge and can be used to get discounts on a special diapason of products found in each IKEA store.

**The store outlook.** The stores are the marketing tool of Ikea, where the customer comes and where they spend their time to consume something.

So even with the same product range, the purpose is to make each store different inside . For example, in China the store layouts reflect the layout of many Chinese apartments with size of rooms that are realistic by their standards.

**The Ikea logo:** The company's yellow logo serves to support the brand.

**Personal selling:** Ikea's concept is known for not encouraging personal selling in general. The customers can make their own choices. If they need more information about any product ,they can refer to the labels attached to the products first. If that is not enough, they may also ask IKEA's staff. Typically, personal selling takes a lot of effort and money. Therefore, personal selling is taken in account only during certain holidays.

**Ikea pencils :** The IKEA store is also known for the free IKEA pencils, whereby some people consider it as a sport to pick as many as they can during their visit. So , this is also the promotional tool which reminds about Ikea when customers find these pencils at home.

**Sales and trade promotions :** This is one of the most effective way to promote the product. Ikea uses price discounts, coupons , free festival promotions and also ensures that consumers get regular advantages from various deals .

**Life examples of interesting advertisements :**

1)In 2008, IKEA paired up with the makers of popular video game "The Sims 2"make a stuff pack called The Sims 2 IKEA Home Stuff, featuring many IKEA products.

2)In November 2008, a subway train decorated in IKEA style was introduced in Novosibirsk, Russia.

3)In March 2010, IKEA developed an event in four important Metro stations in Paris, in which furniture collections are displayed in high-traffic spots, giving potential customers a chance to check out the brand's products.

4)In September 2010, IKEA launched an advertisement for UK & Ireland called "Happy Inside" which had 100 cats lying on IKEA furniture in the flagship IKEA store in Wembley, London.

Anna Crona, marketing director at IKEA United Kingdom and Ireland, explained: "We are committed to understanding how our customers live life at home so we can provide solutions to make life happier." Press adverts will also support the campaign, as will a handbook entitled "Peace, Love Storage"

# DISCUSSION & CONCLUSIONS

The marketing mix analysis of Ikea company , was conducted based on information from official website of Ikea . The result of marketing mix analysis of Ikea company , and recommendations are introduced below.

Based on Ikea product information, it seems clear that Ikea company chose furniture items as their major offering to the market. As for the Ikea product mix , it provides over 12,000 types of products.

Based on Ikea price information, it seems that the company's price objective is to sell things cheaply and continuously lowering prices to the consumers.

Based on Ikea place information, it seems that the distribution channel is one of the most important factors that will help its product to stay closer to the customers.

Based on Ikea promotion information, it seems that Ikea equally focuses on all elements of its promotion mix. As a result, customers will be continually reminded about its products.

## **Recommendations**

These recommendations are aimed at improving the firm's marketing strategies in order to continue performing at the optimum level.

Ikea have to focus on environmental and economical side of advertising as the world issues are becoming very important for society. Instead of focusing on specific issues , Ikea may state how the company is helping these issues. Then the society will feel sense of responsibility after this advertising strategy and will consume Ikea products in order to make a difference. This unique concept of advertising can attract an inflow of new consumers. Also Ikea have to focus on their website cause it's one of the most important assets .They need to provide more detailed images of each product in order to encourage buyers online. Each product can be shown in different styles and from many angles.

Ikea company is successful business in many urban cities , but they also may create their shops in rural areas. From the customer research , it has been found that people are travelling hours in urban cities in order to make their purchase at Ikea. This concept with new shops in rural towns would be cost - effective type of testing their products and also would attract new target audience.

Ikea can expand its product line by producing high quality of products. IKEA's target market has been the middle class to lower middle class people. This strategy has been operated for a long time but IKEA never thought about how they can survive in the future. IKEA may develop products that are developed for the high class people who are sensible about the design and quality and do not care about the price of product. Therefore, Ikea can implement another pricing strategy which will be focused on high-income consumers in order to expand their target group.

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# APPENDICES

The elements of a firm's marketing program (Cannon, Perreault and McCarthy 2008,43)





Elements of Marketing Mix ( Cannon, Perreault and McCarthy 2008,36)

PRODUCT	PRICE	PROMOTION	PLACE
Physical good	Objectives	Objectives	Objectives
Service	Flexibility	Promotion Blend	Channel types
Features	Level over product	Sales people	Market exposure
Benefits	Life cycle	Advertising	Kinds of middle men
Quality level	Geographic terms	Sales promotion	Kinds and location of store
Accessories	Discounts	Publicity	How to handle transporting and storing
Installation	Allowance		Service levels
Instructions			Managing channels
Warranty			
Product lines			
Packaging			
Branding			

