



JÖNKÖPING UNIVERSITY
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IKEA marketing entry strategy in China

Master thesis in Business Administration

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ABSTRACT

Nowadays, with the big background of economic globalization, economic isolation became impossible, therefore, internationalization is necessary for development of enterprise. IKEA is a Swedish multinational group which was founded in 1943. Under the big background of economic globalization, IKEA sizes every opportunity to entry foreign markets And nowadays IKEA had already become the world wide largest furniture retailer since 2008. IKEA actually has already entered into Chinese market as early as 1998 .The success of IKEA in Chinese market is very outstanding. But it's not difficult to find on IKEA strategy map of China that the most retail stores are concentrate distributed in the first-tier cities, such as Beijing, Shanghai, Guangdong. And there are very less retail stores in Chinese inland cities and some of areas are still the market vacancy. China as a country who has the most population on the world is never lack of purchasing power. Therefore, a reasonable marketing strategy should be analyzed to help the expansion of IKEA in Chinese market.

The research purpose of this thesis is to analyze a reasonable marketing entry strategy of IKEA for the further expansion in Chinese market. This research would follow the classical foreign market entry strategies analysis with three steps. And the research focus on answering these three questions: Where should be selected as new target market location of IKEA in China? Which entry mode of IKEA should be applied in the future Chinese market? Which factors would influence IKEA timing of entry in Chinese market? Which is through the multi research method.

Summarizing IKEA marketing entry strategy in China is a gradual process. IKEA should firstly select the market location in the areas with lower cultural distance and high level of GDP and GDP per capital, and then gradually expand in to the areas with relatively higher cultural distance and relatively lower level of GDP and GDP per capital. And in general, this process also could be viewed as the expansion from the eastern costal area to the inland cities of China. And the gradual "internationalization" of IKEA in Chinese market also reflected on the entry mode choice. From the "joint venture" run to the coexisting of "joint venture" and "wholly owned subsidiary", and finally run to the "wholly owned subsidiary" as the only entry mode of IKEA in Chinese market. Finally, as for the timing of entry, IKEA should catch the "window of opportunity", accumulate "near market knowledge" and pay attention to "word-of-mouth" to remain the good reputation of IKEA in China to complete the earlier entry as a gradual process with the "stepwise internationalization" into Chinese new target market.

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1 INTRODUCTION

The first section is to give a brief and clear introduction through the background to research topic. Problem discussion is followed the background in the order of introduction. Research purpose and research questions are designed in the problem discussion.

1.1 Background

This study attempts to explain a reasonable marketing entry strategy of IKEA in China based on the existing literatures. The starting point of this master thesis is the background. And it is necessary to mention economic globalization and enterprise internationalization when to analyze marketing entry strategy of multinational enterprise. Because all of the multinational companies reach the goal of realize enterprise internationalization under the big background of economic globalization, and internationalization is a necessary process for enterprise to expand their business into foreign market. Later on, IKEA as a multinational enterprise which has already entered into China will also be introduced with the successful business entry ideas and the future development tendency in China.

1.11 Economic globalization, enterprise internationalization and international marketing entry strategies.

Economic globalization

George (2007) aimed that economic globalization is one of the four dimensions of globalizations, as well as the other three dimensions: political globalization, cultural globalization and financial globalization. James (2007) aimed the components of economic globalization includes: labor markets, international capital markets, and international commodity markets. And according to Gao (2000) economic globalization is an inevitable trend of social development.

“Economic globalization refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies.”

Gao (2000,P.1)

Economic globalization usually operationalize in three different kinds of variables: foreign trade, foreign direct investment and foreign portfolio investment (George, 2007). From the perspective of enterprises, the process of economic globalization influenced the competition and interdependence, because enterprise always has to found new markets (Hartungi,2006). Kotler and Armstrong (2001) emphasized the obligato importance of expansion to new international markets. The expansion of international market could help with the promoting enterprises' development and competitive capacities (Zahra, 2000).

Enterprise internationalization process

Nowadays, with the big background of economic globalization, economic isolation became impossible, therefore, internationalization is necessary for development of enterprise. The concept “internationalization” was came up by Johanson and Vahlne earlier in 1977 with their UPPASLA mode, which explains how enterprise gradually increase their business activities participation in foreign markets base on the analysis of Sweden enterprises. And the mode mainly aims that “internationalization” is as a gradual process (Johanson and Vahlne ,1977). In the process of “internationalization”, firstly, enterprise should accumulate market knowledge and international experience from domestic market to international market, as well as from international market with low “psychological distance” to those international market with higher “psychological distance”(ibis). Johanson and Vahlne (1977) also came up the concept “psychological distance”, which is defined as a concept composed with a series of factors, for example, life style, language, education..... Secondly, in the process of “internationalization” market knowledge would cause market commitment (ibis). Johanson and Vahlne (1977) also pointed the mutual relationship between the market knowledge and market commitment. The more knowledge towards market obtained by the enterprises, the more valuable of enterprises’ resources would be. Therefore, enterprises should have a strong level of market knowledge and market commitment. Third, “internationalization” is aimed as a process also because market knowledge and market commitment have interplay with enterprise activities and commitment decision. Johanson and Vahlne (1977) indicated that the current activity is very important, because market knowledge always gained in the process of implement current activities through the experiences. Enterprise catch opportunities through knowledge and experience, sometimes, will cause market commitments (ibis). The level of risk and opportunities always influence the commitment decision, and awareness of risk and opportunities always relay on the experiences from market activities. Not only the risk and opportunities from experiences will influence the decisions taking, but also the existing and future risk which could be calculated. Therefore, internationalization is generally operated as a process.

Kotler and Armstrong (2001) also defined “internationalization” as a process but in different dimension with Johanson and Vahlne (1977). And according to Kotler and Armstrong (2001) multinational enterprise usually solve internationalization process in five stages. First, enterprise should decide whether to expand their business abroad. Second, enterprise should decide where to entry, and this is about the international target market location. Third, enterprise should decide how to entry, and this is about the operation mode abroad. Fourth, enterprise should decide to advance their business in a global level. Fifth, enterprise should decide to set up global marketing organization. Corresponding to the research of Kotler and Armstrong (2001), Erissson et al boosted their findings in 1990 and proposed the importance of entry timing. They consider that in the process of internationalization always faced a lot of difficulties, for example, too early foreign entry would cause negative influence for enterprise (Erissson et al,1990).

International marketing entry strategies

“To say that a company cannot afford to plan an entry strategy is to say that it can not afford to think systematically about its future in world markets”

Root (1994,P.3)

According to Osland, Taylor and Zou(2001) that under the big background of economic globalization, enterprise

have to develop and expand their business into new international target markets in these years, therefore, international marketing entry strategies for enterprise is quite important . As for the importance of international marketing entry strategies, Hollensen(2011) has already stated in his studies, and evaluated as “key” issue of enterprise development. The mainstream of studies proposed the “international marketing entry strategies ” with three different questions to solve : where to entry , how to entry and when to entry (Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009)

1.12 IKEA in China

IKEA is a Swedish multinational group which was founded in 1943. IKEA mainly designs and sells ready-to-assemble furniture, appliances of kitchens and home accessories. Under the big background of economic globalization, IKEA sizes every opportunity to entry foreign markets and continuously improves level of enterprise internationalization. And nowadays IKEA had already became the world wide largest furniture retailer since 2008(Loeb, Walter, 2017). The business idea of IKEA is-“*To create a better life for many people* (IKEA , 2017)” as well as “*To offer a wide range of home furnishings with good design and function at prices so low that as many people as possible will be able to afford them* (IKEA ,2007)”. Not only that, but IKEA also provide positive shopping experience –experiential marketing.

IKEA actually has already entered into Chinese market as early as 1998 when opened the first retail store in Shanghai which also firstly implemented enterprise internationalization process in China. After the first entry in Shanghai, IKEA is expanding in Chinese market with an average annual rate of increase a retail store. In the global plan of IKEA opening 5 retail stores every year, and one of them is located in China. Through the efforts of nearly 20 years, by the end of 2016, IKEA has opened 21 retail stores in China (IKEA China, 2017). Among the ten largest retail stores of IKEA in the global, China accounted for eight. The success of IKEA in Chinese market is very outstanding. But it’s not difficult to find on IKEA business map of China that the most retail stores are concentrate distributed in the first-tier cities, such as Beijing, Shanghai, Guangdong. And on average each of these big provinces has two or more retail stores. And there are very less retail stores in Chinese inland cities and some of areas are still the market vacancy for IKEA. China as a country who has the most population on the world is never lack of purchasing power. And good design, function and low price-the business idea of IKEA is highly conforms to the consumption habits of nowadays Chinese. Therefore, a reasonable marketing strategy could help the expansion of IKEA in Chinese market.

1.2 Problem Discussion

“Internationalization” is common regarded as a process by most existing researches (Johanson and Vahlne ,1977, Kotler and Armstrong ,2001.....). IKEA as a multinational enterprise also expand its business as an “internationalization” way to achieve the goal of entering into different foreign markets and opening more retail stores in global wide. However, internationalization is as a process in which multinational enterprise expand to foreign market and involves a great deal of risks (Welch & Loustarinen, 1988). Internationalization process for multinational enterprise is not always peaceful and always takes a great deal of risks. Therefore, a reasonable international marketing entry strategy is very important for multinational enterprise to develop in foreign market.

This paper would follow the classical foreign market entry strategies analysis with three steps to analyze IKEA

marketing entry strategy in China: where to entry, how to entry and when to entry (Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009).

IKEA has already successful expand into Chinese first-tier cities such as: Beijing, Shanghai, Shenzhen, Chengdu in the past two decades. However, there are still market vacancy of IKEA in Chinese small or medium cities. Selecting reasonable international target market location is also very important for IKEA in China, therefore, it is necessary for IKEA to analyze potential target market and solve the question of “where to entry”. Ojala and Arto(2007) explained international target market selection should take three different factor into the consideration : cultural distance, geographical distance and market size. And also according to Ojala and Arto(2007) target market with low cultural distance , low geographical distance and big market size would be a good target market location for multinational enterprise. The question in this part is to make certain which factor will really influence the target market location of IKEA in China.

There are two different entry mode of IKEA in China: “wholly owned subsidiary” and “joint venture”. According to the studies of Isoble and Robin (2008) that there are three different measurement index to distinguish the two international marketing entry mode: degree of risk, level of control, and flexibility. To deal with the question of “how to entry” in Chinese market is necessary to choose a reasonable entry mode for IKEA.

Timing of entry is associated with four different dimensions of factors: window of opportunity, stepwise internationalization, near market knowledge and word-of –mouth (Yannick and Khoa, 2014). In the case of IKEA deeply entry into Chinese market in the future, the timing influence factors should also take into the consideration.

1.3 Research Purpose

The research purpose of this thesis is to analyze a reasonable marketing entry strategy of IKEA for the further expansion in Chinese market.

1.31 Research Question

This thesis devotes into answer these following questions:

RSQ1. Where should be selected as new target market location of IKEA in China?

RSQ2. Which entry mode of IKEA should be applied in the future Chinese market?
“Wholly owned subsidiary” or “joint venture”?

RSQ3. Which factors would influence IKEA timing of entry in Chinese market?

1.4 Delimitation

This research is consisted with three different concept aspects: market selection, entry mode and timing of entry. And the delimitation is narrowed down with these three parts. This research is focus on answering the three different questions in order to formulating the IKEA marketing entry strategy in China. And another delimitation factor is that this research is concentrated only on Chinese market rather than the market in global wide. Therefore, the delimitation has been narrowed down from the logical perspective and geographical perspective.

2 FRAME OF REFERENCE

In this section, this thesis would be devoted to frame of reference to clarify relevant existing literature for marketing entry strategies. And it will provide readers with three mainly part to analyze and formulate reasonable marketing entry strategies. The starting point is “international market selection”. And international market entry modes will be introduced in a form of comparing. Timing of entry is discussed in four different kind of dimensions. Finally, at the end of this part will present a through view with conceptual model from perspective of managerial.

“Firms face three interlocking questions with regard to international expansion: what market to entry (entry location) ? How to entry (mode of entry) ? And when to entry (timing of entry) ?”

Gaba and Pan (2002,P.39)

There are many researches have already certification that the expansion of enterprise into new foreign target market usually face three mainly questions : where to entry , how to entry and when to entry (Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009)

2.1 International market selection

Selecting a right international market location is quite important for enterprise business activities, and also when to decide a market position multinational enterprises should evaluate all the factors in detail (Camile and Luige,1996).According to the classic selecting market location theories(Weber,1909 ; Lambooy,1997; Bell, Jim ,1995) that transportation, competition, resources ,entrepreneurship should be taken into the consideration of market selection. Most of these theories are narrow and unilateral. Johanson and Wiedersheim (1975) and Johanson and Vahlne, (1977) dedicated the scientific approach relatively complete, and they aim that cultural distance geographical distance and market size have a significant impact on the multinational enterprise target market selection as well as the importance of these factors. Based on Johanson and Wiedersheim (1975) Johanson and Vahlne(1977) theory, Ojala and Arto(2007) systematic put for ward in their studies the internal relationship of these three factors and how they influence the multinational enterprise target market selection.

Firstly, according to Ojala and Arto(2007) that geographical distance always strongly associated with cultural distance, and sometimes they are difficult to be distinguish. Usually the relationship of these two factors is presented proportional relationship. In another words, the small distance of geographical the little cultural distance will be. But in some special conditions, the proportional relationship does not set up according to the empirical, for example, UK and Australia (Dow, 2000), which could clearly explain and separate cultural distance geographical distance. Also according to empirical research and general argument in the business of multinational enterprises, such as the studies of Johanson and Wiedersheim (1975) when enterprises firstly entry into foreign market, they should choose those target markets with low degree of cultural differences and low geographical distance with home country and larger market size in order to accumulate international experiences, and the further expanding of target market should after the first entry step (Johanson and Wiedersheim ,1975).

2.11 Cultural distance in target market selection

Cultural distance is considered as one of the most important aspect when selecting a target market location, because cultural distance will influence the sales volume of product and service with the consumer needs and wants (Ojala and Arto,2007). Under the view of Ojala and Arto(2007), it's helpful to firstly grasp the definition of "cultural". Culture is a shared value in a common society, and cultural will not only effect the consumer behavior in market, but also influence the implementation of enterprise market strategies. And according to Johanson and Wiedersheim (1975) that different language, level of education, political, and development all of these factors will influence the cultural.

Brouthers(2002)stated that it is a good start to take the variate which was caused by cultural into the consideration of foreign market entry decision. Hollensen (2011) defined the social cultural distance as the difference of code conduct and values between enterprises' home country and business expanded foreign countries. A previous research of Singh (1998) also takes a similar opinion towards national social cultural distance, and according to him this concept is as a level of cultural standard when measure the business home country and host country, and Singh (1998) also aims that the far social cultural distance will influence the market entry in a lower control level. According to Hollensen (2011) in some case social cultural distance could take more influence than any other factors, and it would be a consideration of religion for this point. Life style, language, tradition, and religion ...these are all the part of cultural, but Hollensen (2011) aims that none of the cultural aspect could compare with religion in the cultural distance influence factor. Through the analyze of previous research ,consequently, the more far distance between the enterprise home country and host country , the more flexibility and less resource commitment of market entry.

There are a great deal of studies have already confirmed the importance of cultural distance between home country and target market. Firstly, the concept of "cultural distance" or "physical distance" was come up by Beckerman (1956). But the concept really became popular in the studies of Johanson and Wiedersheim (1975) and Johanson and Vahlne, (1977). Especially became popular after the proposing of Uppsala mode (Johanson and Vahlne, 1977). The mainly idea of this study is to define "internationalization" as a process in which enterprise is trying to increase their international activities participation. The mode which came up by Johanson and Vahlne (1977) explains how enterprises gradually increase their activities participation in foreign markets on the basis of analysis internationalization process of Sweden enterprise. The mainly characteristic of the Uppsala mode (Johanson and Vahlne ,1977) firstly aims that the firm should accumulate the marketing experience and market knowledge in the domestic market and foreign market with less cultural distance, and then they should apply these successful experiences and knowledge in those markets with more cultural distance. And the Uppsala mode (Johanson and Vahlne, 1977) firstly came up the concept of "psychological distance" (defined the concept : as a gather of factors which could influence the information flow to the market , for example, language ,education.....) . And the study also aims that the multinational enterprise should expand their foreign operation gradually from those cultural closer areas to those target market areas which has more cultural difference. After the coming up of these traditional studies, there are a great amount of researches following up on the concept of "cultural distance" or "psychological distance"

According to Ojala and Arto(2007), there is not a fixed measurement of cultural distance, and the concept of "cultural distance " is various, but there is really lack of agreement towards the definition of this concept. Hofsted(1980) aims that cultural is in different dimensions which came up with a framework of cross-cultural

communication, and the Hofstede's cultural dimensions theory(1980) also described how does the society cultural effect it's members. But Kogut (1988) take a disagreement with Hofstede(1980) and set up composite index. And there are also many researches a trying to explain the incorrectness of evaluating the culture value with cultural distances. As well as Edwards and Buckley (1998) announced that comparing with other measurements of cultural distance, the cultural familiarities would be more approachable. And in order to confirm their studies, they made a clear comparison of UK and Australian to support their studies. Robertson and Wood (2001) proposed in their studies that cultural environment in target market is the most important factor which influence the multinational enterprise to select market and make decisions. Although these studies are different from each other in detail, but all of the studies are trying to explain the relationship between the cultural distance with the target market selection. Consequently, according to the summary study of Ojala and Arto(2007) could summarize as this :

Multinational enterprises would like to select target market with low cultural distance.

2.12 Geographical distance in target market selection

Ojala and Arto(2007) also aims that, geographical distance is also one of the most significant factor to consider when multinational enterprise selecting a target market location, because this is mainly from the perspective of geographical distance will influence the transportation cost of production(Clark and Pugh,2001).As the importance of geographical distance will influence the international trade was paid a high attention by Srivastava and Green (1986) in their studies.

And also according to traditional theory of Johanson and Vahlne (1977) "internationalization" is as a process, and enterprise should operate their internationalization process from those target market with smaller geographical distance to those target market with bigger geographical distance. For most enterprises "internationalization" is a necessary strategy process (Melin, 1997), and this process usually operated from low geographical distance to high geographical distance. Because market knowledge and international experience usually obtained and gained in this process, and there is more common language culture and business style in the low geographical distance market, and it would be a good way of accumulate international experience and international market knowledge (Johanson and Vahlne ,1977).

And following up, Dow (2000) also confirm the veracity of Johanson and Vahlne (1977) in his own studies. But besides the process of obtaining market knowledge and experience, Dow (2000) also aims that low geographical distance will help multinational enterprise to reduce the cost of operation, such as: transportation, management.....

Summing up, according to the literatures above, that multinational enterprise usually tend to select target market in a low geographical distance at first, and this is mainly because of two reasons. Firstly, the business operation of multinational enterprise could be more frequently in a target market with low geographical distance, and the experience and knowledge will be more easier to be obtained by multinational enterprise in a target market with

low geographical distance (Johanson and Vahlne ,1977). Secondly, business operation is a target market with low geographical distance will help to deduce the cost of enterprise, and these cost usually form transportation, management..... (Dow,2000). Consequently, also according to the summary study of Ojala and Arto(2007) could summarize as this :

Multinational enterprises usually select target market with low geographical distance.

2.13 Market size in target market selection

According to Ojala and Arto(2007), market size as well as cultural distance and geographical distance is one of the three mainly factors which would influence the multinational enterprise to select target market location. And this is mainly because of multinational enterprises' major objective, which is to expand to the foreign market in a depth level with providing a variety of production and service (Ojala and Arto,2007). According to Johanson and Vahlne (1977) there are two factors will influence market the amount and degree for commitment. Johanson and Vahlne (1977) in their studies aimed the importance of market size as well as the resources as one of the two factors, because the market size will influence the multinational enterprise to make a decision of market commitment. In generally, the more resources and the bigger size of target market, the higher degree of commitment of enterprise will be (Johanson and Vahlne, 1977). Therefore, multinational enterprise would tend to operate their business in a target market which provides more opportunities and have a bigger market potential (ibis). Also according to the theory of Johanson and Vahlne (1977) the internationalization of multinational enterprise is as a process, that the enterprises' business activities is developed from the domestic market to those foreign market with relatively larger market size. And also according to Hollensen(2011) market potential is the size and growth of a market in which multinational enterprise desire to explore (Hollensen, 2011). In general, the larger size markets usually have convenient resources exploitation. But on the other hand, sometimes those big size markets have already reached market saturation, so, it also won't be profitable for enterprise to expand target market. So before multinational enterprises decide to select a new foreign market, they have to make a long-term planning first. In additional according to Hollensen (2011) market growth stability is another concern of market size. If a foreign market growth rate is in a high speed but not sustained, then it will also take a negative influence to the multinational enterprise (ibis).

There are many studies are trying to explain, that the measurement of market size is usually related to the index of GDP (Ojala and Arto, 2007; Clark and Pugh,2001 ;Terpstra and Yu,1988.....). Ojala and Arto (2007) aimed that when multinational enterprise choosing a target market and analyze the market size should take GDP into the consideration. Terpstra and Yu(1988) also proposed in their studies that sometimes FDI could reflect a county's GDP from the side. And also Clark and Pugh(2001) pot forward in their studies, in which it seems to be more convincible to measure market size with GDP per capita than just from the measurement of GDP. And many researches have already confirmed the importance of GDP of GDP per capita to the market selection. Multinational enterprises always prefer to entry those markets with a bigger market size. This seems to be a consensus for most studies.

Consequently, according to the literatures above when multinational enterprise selecting a foreign market, it is necessary to consider the market size, and the measurement of market size is usually the GDP index and GDP per capital (Ojala and Arto,2007). And according to the summary study of Ojala and Arto(2007) could summarize as this:

Multinational enterprise tends to select international market with high level of GDP and GDP per capital.

2.2 International market entry modes

Foreign markets' operations of international enterprise always are dependent on its entry mode choice. Selecting a befitting entry mode is of great importance for an enterprise when to entry into a new foreign market (Herrmann and Datta, 2002). Once enterprise chooses an entry mode, and then the entry mode would be put into administration in a long term, because entry mode is unmodifiable in a short term (Petersen and Pedersen,1999). As well as Hollensen, Boyd and Ulrich (2001) also aimed that entry mode choosing is quite important decision which would influence the future prospect of enterprise on foreign market.

Peng and Mike (2008) categorized the entry mode in two different categories: equity mode and non-equity mode. And also there are two mainly types of entry mode (Peng and Mike,2009) : joint venture and wholly owned subsidiary which are divided through the measurement index- equity modes category. Managers usually start a venture in new international market with these two different entry mode options.

2.21 The comparison of “wholly owned subsidiary” and “joint venture”

If an enterprise once decided to expand its foreign market share and reach more target audiences, and this enterprise has to make an available guide as entry mode (Carazo & Lumiste, 2010). There are many studies have already researched the factors which would influence the market entry mode choice. According to Buckley (1998) there a serious of factors will influence the foreign market entry mode, and the factor would be the business cost in abroad, as well as including other factors which respectively are market location, internalization, variability of finance , cultural aspects and market competitive strategy. All of these studies in the aspect of classified have certain deficiency. But among of these studies, Isoble and Robin(2008) would be the most reasonable and rational. According to Isoble and Robin (2008) that different entry mode is distinguished by these three mainly factors: degree of risk, level of control and flexibility (Isoble and Robin,2008). These three mainly factors would be made a brief introduction in the follows paragraph.

Factor 1: Degree of risk

According to Isoble and Robin (2008), when to choose an entry mode at the process of enterprise internationalization, one of the most important factors to consider is the degree of risk at foreign market. Holensen (2001) also aims that risk level as a mainly influence factor of entry mode selection should be taken into the consideration of entry. And also Risks are from different aspects such as the political stability and currency fluctuations of host country (ibis). Wholly owned subsidiaries take higher risks than joint venture. Because the risk is shared by more than 1 enterprise in a joint venture. As for the wholly owned subsidiaries, the parent enterprise at abroad will take the full risk by itself. While if the operation of business will take any failure, then the risk should be separated to be taken by different enterprise in the joint venture.

Factor 2: Level of control

Rajan and Pangarkar(2000) evaluated that enterprises require a certain level of control to guarantee its operation at foreign market entry mode. Because of the different ownership structure between joint venture and wholly owned subsidiaries, the level of control is also different. Joint venture is set up and controlled by two or more than two enterprises, and the relationship between the companies may be equal control or one of the enterprises takes more control towards business activities. However, the wholly owned subsidiaries are controlled by the only enterprise. So the level control of wholly owned subsidiaries is higher than joint venture.

Factor 3: Flexibility

Multinational enterprises always faced many uncertain factors in foreign market, therefore, it is necessary for multinational enterprise to recognize the change of market environment, and then adapt to these changes of market environment (Hitt,2004). These adaptations of international market environment require enterprises have a certain of flexibility. At the entry mode of wholly owned subsidiaries will have more flexibility than joint venture, and this is also because of the ownership structure.

Table 2.1: Comparison of Foreign Market Entry Modes (Isoble and Robin,2008)

Entry mode	Degree of risk	Level of control	Flexibility
<i>Wholly owned subsidiary</i>	Higher	Higher	Higher
<i>Joint venture</i>	Lower	Lower	Lower

Wholly owned subsidiary would be the most expensive method of entry mode for multinational enterprise to entry into foreign market, because of the high risk high control and high flexibility (Isoble and Robin,2008).Enterprise which uses this entry mode usually takes a term view at foreign market (ibis). These enterprises believe their product or service will have a long-term market potential at a relatively political and currency stable foreign market (ibis). And the full ownership of wholly owned subsidiary will provide a higher level of control and flexibility in the foreign market business operation (ibis). The evaluation of “expensive method of entry mode”, which is not only because of high level of control, but also because of the high degree of risk (ibis). Risk as a subsequent withdrawal will make enterprise cost extremely. These cost not only in terms of finance, but also in terms of reputation in international and domestic market. Isoble and Robin(2008) also aims wholly owned subsidiary entry mode usually requires enterprises have a certain market knowledge which

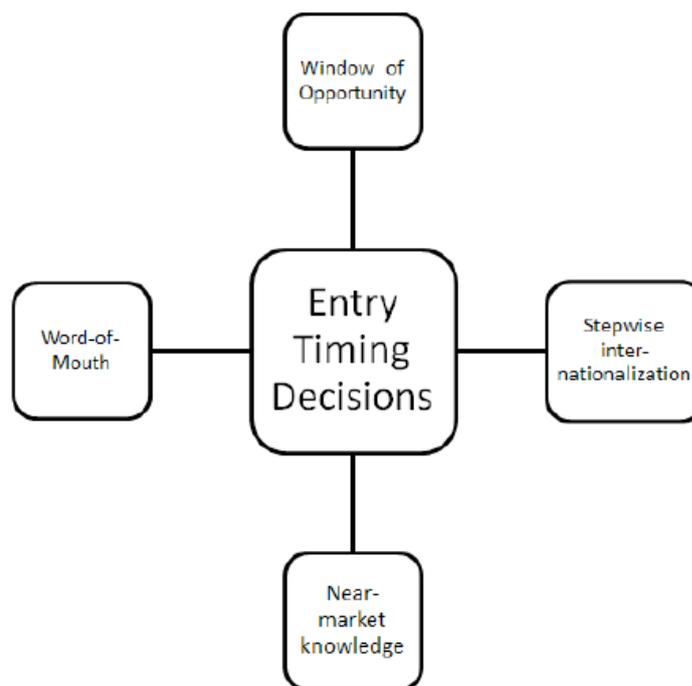
includes customers, competition, location selecting such as these international experiences, before making this entry mode selection, and a sufficient of market knowledge always are obtained within at least 5 years or even more (ibis).

Isoble and Robin(2008) defined joint venture as a cooperate relationship between more than one enterprise, which occurs in exploiting a common bushiness opportunity. And these enterprises will contribute complementary resources into the joint enterprise (ibis). One of the significant advantages of this entry mode is a unique competitive advantage (ibis). And the mainly advantage of joint venture for the multinational enterprise is a better way of gaining local market knowledge, as well as a risk sharing (ibis). However, there are also some significant disadvantages of joint venture as an entry mode. These disadvantages are often because of the ownership structure. A joint ownership will always come up with some disagreements among the participant. The lower degree of control and flexibility will usually cause disagreement and even business failure (ibis).

2.3 Timing of entry

Comparing with other two questions of entry strategy: entry mode and market selection, timing of entry seems to be paid less attention (Gaba and Pan, 2002). Timing of entry is also one of the most significant concepts, which will influence the multinational enterprise to formulate marketing entry strategy (Yannick and Khoa, 2014). The successful timing of entry will take enterprise considerable income (ibis). And many researches have already confirmed this (ibis). As well as, Yannick and Khoa (2014) also summered up 4 different dimensions, which would be a better way of measure timing of entry (Figure 2.2).

Figure 2.2: Timing of marketing entry decisions influence factors in the study of Swedish firms (Yannick and Khoa, 2014)



2.31 Window of opportunity

“A strategy window occurs when the best fit arises between a market’s key success requirements and specific firm competencies.”

Fornell and Sullivan (1992,P.609).

According to Yannick and Khoa (2014) that the “window of opportunity” could be also explained as “strategies window”. Therefore, when to analyze the opportunity of multinational enterprise, it is necessary to consider external influence factor, such as the target market competition intensity, and country risk (Ruth ,2016). And the internal factors of multinational enterprise should also take into the consideration of timing of new target market entry from the aspect of production and firm size (Yannick and Khoa ,2014). “Strategies window” here is devoted to explain the timing opportunity of fit balance between the target market and enterprise itself (ibis). By doing the inductive approach of the internal external influence factors and two mainly reasons which was summarized by Yannick and Khoa (2014), the following part is trying to explain how does the “window of opportunity” associates with the timing of entry.

First is to consider about multinational enterprise itself from the perspective of size itself (Yannick and Khoa ,2014). Size of firm emphasizes the availability of firm’s resources, which in general including economic resources and personnel resources (Koch ,2011).When multinational enterprise entry in to a foreign market needs abundant economic or financing resources and personnel resources as the guarantee of entering into host countries(Wrona,Trapczynski,2012).And relevant research indicated firm size as a internal factor will influence timing of foreign market entry with the firm resources(Hollensen,2011). And also cording to Albaum and Duerr(2011) product and services of the enterprise will influence it’s foreign market entry strategies ,because of enterprises’ brand awareness qualities volume and even packaging of product or services ,and sometimes will also refers to after-sale and services. Therefore, multinational enterprises usually catch the “window of opportunity” through the way of control the firm size at host country (Yannick and Khoa ,2014).

Second is to consider about multinational enterprise from the external perspective, such as target market competition intensity, and country risk (Yannick and Khoa ,2014). Once a multinational enterprise decide to entry in a foreign market, it is necessary for them to realize their possible local competitors (Hollensen, 2011).Multinational enterprise really face great pressure to compete with local enterprise. So, multinational enterprises should strive to exploit their competitive advantage to compete with host country enterprises (Albaum and Duerr,2011). According to Hollensen(2011) multinational company has more uncertainties in foreign market than in domestic market. When choosing a foreign market to entry, enterprises always have to evaluate the risk of country. And these risks are in different levels. In general these levels are appraised in these two different levels: political risk and economic risk (Agarwal and Ramswami, 1992).The stabilization of political will influence the enterprise to make more resources commitment, and favorable policy of government will also reduce the risk of multinational enterprise when entry into foreign market (Dunning, 1998).While economic risk is obviously more complex than political risk, enterprise has to analyze the economic situation of foreign country which desire to entry, such as effect of inflation rate and exchange rate (Hollensen, 2011), and it’s very difficult for a multinational company to manage their business operation at the foreign market in which has a very high inflation rate. And according to Yannick and Khoa (2014), the less competition and low country risk would provide

“window of opportunity” to the multinational enterprise for earlier entry in target market.

Consequently, also according to Yannick and Khoa (2014): there is not an accurate definition of the concept “window of opportunity”. But when to analyze the timing opportunity of foreign market entry, it would be a better way to consider external and internal factors, which could cause the opportunities (ibis). The best opportunity for multinational enterprise to entry into the foreign market is at the time of “fit balance” between the firm size in host country and target market (ibis). Conclude above:

Reasonable opportunity of entry time for multinational enterprise is to meet the balance between firm size at host country and the state of target market.

2.32 Stepwise internationalization

According to Yannick and Khoa (2014), the stepwise internationalization related to the timing of entry is because “internationalization” is as a step-by-step process for multinational enterprise to gradually expand their business to the foreign market. Nowadays more and more enterprises are starting to exploit foreign market and exporting their product to extensive foreign customers, and also devoting to foreign direct investment (Paola, 2016). And there has appeared a lot of research towards the topic of enterprise internationalization. “Internationalization”-this concept has been put forward 30 years ago. But “Internationalization” is really a complex concept, and currently there is even not a common agreed definition for it (Bell and Young, 1998) or even for the international entrepreneurship (Young et al., 2003). However, also according to Welch and Loustarinen (1988) viewed the “Internationalization” as a process of increasing involvement at outside country markets. Beamish (1990) defined internationalization.

“The process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries”

Beamish (1990,P.148).

All of these definitions provide the concept- “internationalization” in many different kinds of dimensions. According to all of these dimensions Gao (2008) in his research summarized the concept in three different kinds dimensions: first, the internationalization is a process which usually includes a lot of firm’s strategies and decisions, then the internationalization is including international transfer of products, service, and resources, finally enterprise and firms usually influence internationalization with different factors(Gao, 2008). The most common definition of concept would be the “Internationalization” as a gradual process.

According to the research that “internationalization” is as a gradual process, in which multinational enterprise entry into the foreign market (Johanson and Vahlne,1977). When entering a new foreign market abroad, it is necessary for enterprises to have knowledge of market, resources, and a powerful market commitment, and there are also some additional factors (Mitra ,2002) such as market selection which is including the size and population

of the entry country and economic development level (Buckly 1998) even time for entry and competitive strategy. In these years, mainly feature for most enterprises is the development of globalization and internationalization towards a higher level and degree. The process of enterprise's internationalization includes the decision and determination of foreign markets in which enterprise expect to operate (Carazo and Lumiste, 2010). The timing of entry is associated with stepwise internationalization is mainly because, "internationalization" is a gradual process in the aspect of time. In this process, firstly, it is necessary to analyze the enterprise's strategy needs and strategy direction, and then make the viable foreign market choice. After choosing which market to entry, the enterprise must clear their further operations in detail (Kumar, Stam and Joachimsthaler, 1997). Conclude above:

Multinational enterprises develop their "internationalization" as a gradual process in the perspective of time.

2.33 Near market knowledge

Yannick and Khoa (2014) explained the concept "near market knowledge" as the enterprises' knowledge which is not only accumulated from the domestic market, but also the international market knowledge accumulated from the near market of similar market (from the aspect of geography location or cultural). And also according to Yannick and Khoa (2014) that "near market knowledge" is related to the timing of entry. Mitra (2002) also defined the concept "near market knowledge" as the knowledge was obtained from the multinational enterprises' near market business operation. Yannick and Khoa (2014) amid that near market knowledge is important for an enterprise to decide when to entry a new target market.

A sufficient of international market knowledge and experience is the guarantee of correct foreign market choice. According to Johanson and Vahlne (1977) market knowledge and experience includes general knowledge and specific knowledge. The appearing of specific knowledge is because of the difference of country cultural, market system, and business environment..... Blomstermo (2002) made a definition for the concept "International experience" which is enterprise acquires market knowledge from existing foreign markets for a long-term. Hardly and Wilson (2003) also aims that, foreign market knowledge and experiences will cause enterprise desire continue develop international market. International experiences could help enterprise to reduce unnecessary cost and interference factors when entry into a new market (Hollensen, 2011). The increase of international experience will make multinational enterprises' perception towards opportunities and threat on foreign market more sensitive, and international experience will improve enterprises' competitiveness as well as adapt to the environmental change (Koch, 2011). Also according to Johanson and Vahlne (1997) International experiences will help multinational enterprise to open a new subsidiary corporation. So, it is very important for multinational enterprises to collect and accumulate market knowledge and gain international experiences on the existing market for the future application on new entry markets (Koch, 2011). And also according to Johanson and Vahlne (1997) the more knowledge and international experience towards market obtained by the enterprises, the earlier entry into target market of enterprise will realize. Therefore, enterprises should have a strong level of market knowledge and accumulate a plenty of market knowledge in order to early entry into the target market.

According to the existing studies of Yannick and Khoa (2014) and Mitra (2002), the empirical studies could be concluded like this: the near market economic and cultural knowledge from the successful foreign market entry could help multinational enterprise to earlier entry into the new target market. Conclude above:

Near market knowledge could cause multinational enterprise earlier entry into the target market.

2.34 World-of-mouth

According to Dichter (1966) in marketing, world-of-mouth is the communication flow between the user of product or service. Therefore, World-of-mouth is always related to product or service of enterprise (Godes,2004) . According to Yannick and Khoa (2014) world-of-mouth also would be a more persuasive communication channel than any other channels for the most potential consumers. The study of world-of-mouth has been studied for many years, and according to Lang and Hyde (2013) there are several impetus could drive world-of-mouth, such as consumers' trust consumers' satisfaction and brand commitment. Yannick and Khoa (2014) also aimed that world-of-mouth could influence the consumer's attitude towards the brand as an informal branding commitment process. Therefore, firms usually update their market knowledge and adjust their business activities with the information flow of world-of-mouth (ibis), and this could explained by the theory of Johanson and Vahlne (1977) , which aimed pointed the mutual relationship between the market knowledge and market commitment.

As for the relationship between the world-of-mouth and timing of entry, Yannick and Khoa (2014) aimed that world-of-mouth could be an advantage of earlier entry into the new target market in the field of entry order studies. Good brand reputation is really important for the market entry, and if a multinational enterprise desire to earlier entry into a new target market, it is necessary for them to have a good communication flow towards the product or service information in the market(ibis). Conclude above:

A good influence of world-of-mouth causes the earlier entry of multinational enterprise into new target market, and vice versa.

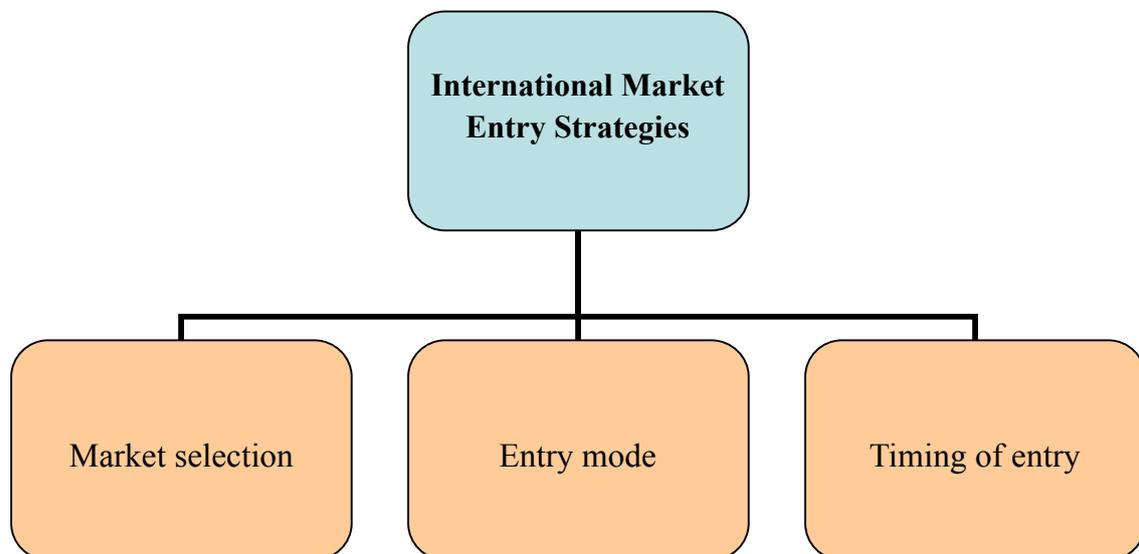
2.4 Conceptual Framework

According to the existing literatures that marketing entry strategy is a big and inclusive concept which has different associating factors, and these factors also have different analytical dimensions. To select a reasonable target market location requires multinational enterprise analyze the cultural distance and geography distance between the local market and host market, as well as the target market size should also take into the consideration of international market selection. "Wholly owned subsidiary" and "Joint venture" are two mainly different kinds

of entry mode which are usually operated by multinational enterprise to entry into new target market. And these two different entry modes are usually chosen by these three mainly different measurements -“degree of risk”, “level of control” and “flexibility”. Timing of entry is distinguished by 4 different dimensions “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “world-of-mouth”.

The conceptual model is built basing on the background of theoretical framework. This mode combines the target market selection, entry mode at foreign target market and timing of entry to help multinational enterprise to generate foreign market entry strategies. In the following part, the theoretical framework will be analyzed with empirical findings to formulate reasonable market entry strategies of IKEA in China.

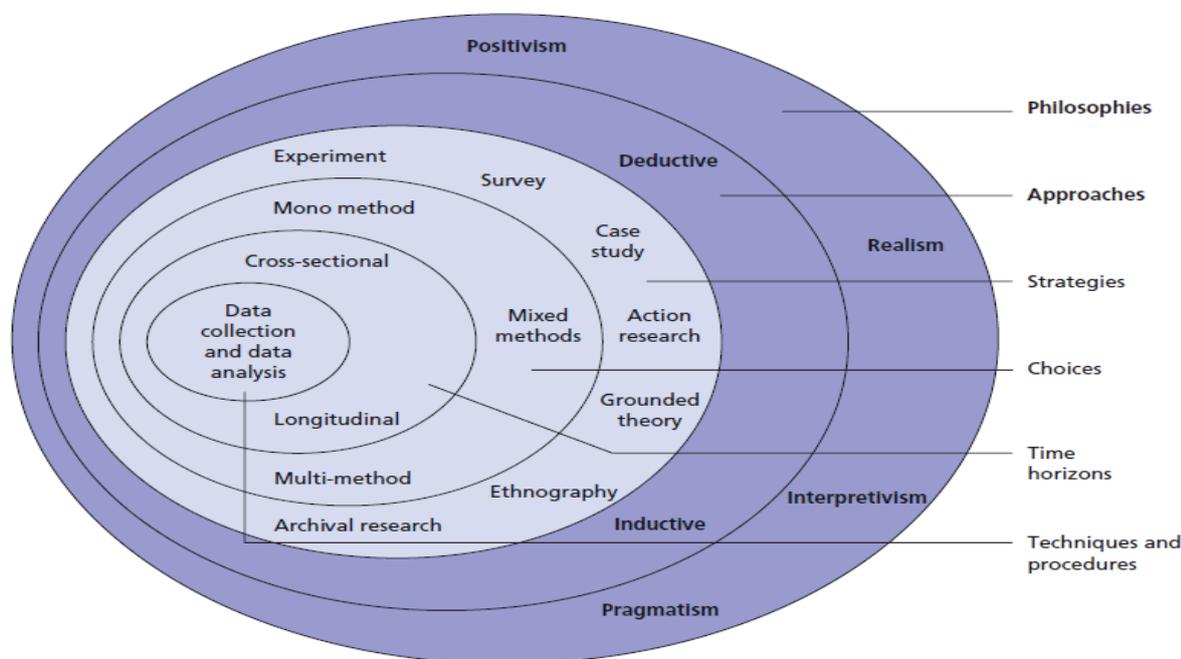
Figure 2.4: Conceptual Model



3 METHDOLOGY

The third section of this research is to revel the specific methodology and method which could be applied in the empirical findings and analysis. The methodology and method design would follow the scientific research methodology design and follow the steep of research philosophy- research approach- research strategy-research method-time horizon-data collection and data analysis. And the research ethics also would be mentioned as the important part of research. Finally the summary of whole methodology would be design in a brief form of table.

Figure 3.1: The Research “onion” (Saunders, Lewis and Thornhill,2012)



The whole part of methodology design is following the research “onion” of Saunders, Lewis and Thornhill (2012)

3.1 Research philosophy

The purpose of the whole research is to identify and examine a pragmatic marketing entry strategy of IKEA in Chinese future market. Therefore, the aim of “practicability” of this research is really important. Because the researcher of this thesis really hopes it could be helpful and useful for IKEA further entry in Chinese market.

Research philosophy is extremely important and could even be regarded as the key point of research (Saunders, Lewis and Thornhill,2012), and this is mainly because research philosophy plays the role of “relates to the development of knowledge and the nature of that knowledge” and “developing knowledge in a particular

field ”(ibis). It is obviously viewed on the (Figure 3.1) that type of research philosophy is consisted by positivism, realism, interpretivism and pragmatism (ibis). According to Saunders, Lewis and Thornhill (2012), positivism is a kind of research philosophy in the perspective of natural scientist. Remenyi et al.(1998) also defined the concept of “positivism” as “*working with an observable social reality and that the need product of such research and be law-like generalizations similar to those produced by the physical and natural scientists*”. Interpretivism is as another type of research philosophy was introduced by Saunders, Lewis and Thornhill (2012) which is based on the understanding of human nature as social actors. Pragmatism is also a type of research philosophy claims the research question is the key factor of research philosophy (ibis).

“Pragmatism argues that the most important determinant of the epistemology, ontology and axiology you adopt is the research question –one may be more appropriate than the other for answering particular questions”

Saunders, Lewis and Thornhill (2012,P.109).

Pragmatism is the choice of core research philosophy of this thesis. The advantage of pragmatism (Tashakkori and Teddlie,1998) is that this way of research philosophy would help to avoid drop into senseless and pointless debates of truth and reality. And the relationship of positivist and interpretivist is continuum rather than contradictions in pragmatism (Tashakkori and Teddlie,1998). These advantages would provide author with a clear and specific research idea and directly focus on the research questions. The issue of research would focus on the reasonable marketing entry strategy of IKEA in Chinese future market. The research would be carried out from the business side, and research question is in three different parts: target market selection (Where should be selected as new target market location of IKEA in China?), entry mode (Which entry mode of IKEA should be applied in the future Chinese market?) and timing of entry (Which factors would influence IKEA timing of entry in Chinese market?). However, these three parts are also divided in different potential influence factors according to the traditional international marketing entry strategy analysis. But may be not all of these factors really does influence in the marketing entry strategy of IKEA in China. Therefore, the pragmatism would help the research to avoid the unmeaning study and efficiently precisely answer the research questions.

3.2 Research approach

Also viewed from the research “onion” (Saunders, Lewis and Thornhill, 2012) on the (Figure 3.1) that there are two different research approach-deductive and inductive. Saunders, Lewis and Thornhill (2012) also aimed the mainly difference between these two research approach: deductive firstly make a clearly theory at the beginning of study and then explain and text with the specific theory, however, inductive develops theory with existing literatures into new explanations (ibis). To explain more precisely, inductive is a kind of research approach developing and basing on the existing theories and then to obtain new theory from empirical data collections (ibis).

Choosing an appropriate research approach based on this background, and the author of this thesis would use both deductive and inductive, and this is mainly because that the whole research design would follow the theory of traditional analysis of international marketing entry strategy, therefore, the “deductive” would be referred. However, “inductive approach” has a specific advantage from the perspective of empirical findings and final analysis, because it is necessary to conclude and summarize the data collection, and not all of the theory could be

confirmed as a truth in the case study of IKEA marketing entry strategy in China.

The existing literature of marketing entry strategy is in three different parts: target market selection, entry mode and timing of entry, and each part could be divided in different dimension of measurements. These measurements of theory would be tested and explained with empirical data collection of IKEA specific business operation in China. The part of “target market selection” would be analyzed with the theory of “cultural distance” “geographical distance” and “market size”, and the part of “timing of entry” would be measured with the theory of “window of opportunity” “stepwise internationalization” “near market knowledge” and “word-of-mouth”. Therefore, the deduction could be refereed in this research by the way of testing the theory in IKEA business operation analysis. However, the aim of this thesis is to formulate and find specific and appropriate marketing entry strategy of IKEA in future Chinese market. And this would be a kind of new knowledge, which is corresponded with the aim of inductive approach-“*to find something new*” (Saunders, Lewis and Thornhill,2012). Summarizing and analyzing useful data and the getting the specific knowledge are very corresponding with the purpose of inductive. Therefore, in the view of whole research design, the two research approach would be used.

3.3 Research strategy

According to Yin (2003) there are many different kinds of research, which could be used in the exploratory of research. And also viewed from the research “onion” (Saunders, Lewis and Thornhill,2012) on the (Figure 3.1) that research strategy could be in the form of experiment, survey, action research, grounded theory, ethnography, archival research ,case study, and case study is the last but not least (ibis).

“Case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple source of evidence”

Robson (2002,P.178)

The case study usually has these characteristics according to different researches. Yin (2003) aimed that the context and the phenomenon being used doesn't have evident boundaries in the case study research strategy. And corresponding with this viewpoint, Morris and Wood (1991) also aimed that case study usually contains gaining understandings in the research process. The most important is that “case study” research strategy is usually used in the exploratory researches (Saunders, Lewis and Thornhill, 2012). And this is mainly because that, case study strategy has a certain ability of formulating questions of “Why”, “How” and “What” (ibis). The data collection technique in case study research strategy is in the form of combination, which usually includes “*interview, observation, documentary analysis and questionnaires*” (ibis,P.146).

Case study research usually depends on the desire of understanding the complicated social phenomenon. The author would select “case study” as the research strategy of this thesis, and this is mainly because the whole thesis is going in the form of exploratory and it is a research of single enterprise - IKEA. And usually the case study tends to develop the research in-depth, and marketing entry strategy of IKEA in China could be developed from the traditional international marketing entry theory and mode which have already concerned in the theory part

above. And also according to the “pragmatism” as the research philosophy, which has already chosen in the first part, that the research should clearly and directly answer the research questions, and these research questions are mainly concerned with the questions of “What” and “How”. Then the traditional marketing entry strategy is in three different dimensions: target market selection, entry mode and timing of entry, and these dimensions would be analyzed with different kind of data collection in a combination form. Finally, this research of IKEA very conforms to that case study usually contains the gaining understanding- the specific marketing entry strategy of IKEA in China.

3.4 Research method

There are three research method choice: mono method, mixed methods and multi method (Saunders, Lewis and Thornhill,2012) which is also viewed form (Figure 3.1). According to the research philosophy research approach and the research strategy, which have already referred above, that the thesis would be implemented traditional “marketing entry strategy” (Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009) in three parts to analyze the particular “marketing entry strategy” of IKEA in China. However, each part is also analyzed with different factors. In the part of “target market selection” of IKEA in China, the research would deeply analyze with the measurement of “cultural distance”, “geographical distance” and “market size”. International market entry mode is referred in this thesis with two different forms “wholly owned subsidiary” and “joint venture”. Timing of entry is also in four different kinds of dimensions: “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “word of mouth”. And also as mentioned that the research is going as an exploratory, and the data collection could be in the form of combination. Multi method could be used with both qualitative and quantitative data collection (Saunders, Lewis and Thornhill,2012) in order to answer different research questions in this thesis. This is mainly according to Saunders, Lewis and Thornhill (2012) that the strategy of case study usually prefers to use “multi method” to answer questions. Quantitative data collection is used to analyze the “market size” to conclude quantitative data with GDP index in the first research questions. And other research questions would be analyzed with qualitative data collection in the form of interviews and observation.

3.5 Time horizon

Cross-sectional is different from longitudinal from time aspect (Saunders, Lewis and Thornhill,2012). However, they are all time horizons for the research design (Figure 3.1). It is difficult to do a quality longitudinal study in limited time schedule, and this is mainly because Saunders, Lewis and Thornhill (2012) aimed that the data collection from “longitudinal” study could be taken into the research at least for one year as a research period. Cross- sectional is chosen as the time horizon of this thesis. All of the interviews and observations were collected from March to April 2017, this is mainly because that “cross-sectional” study also has a time limitation, and the data collection should be current. However, quantitative data collection part, in which is used to analyze “market size” of IKEA international market selection in China, and this part would use the data of GDP of China in 2016. This is because that the real official and authoritative data of GDP from Chinese State Statistics Bureau (NBS) could just be published the year before. This means that the most up to date official GDP data collection could be viewed in this year-2017 is the data of 2016.

3.6 Data collection and Data analysis

3.61 Data collection

Primary data and secondary data could be collected in order to answer the research questions (Saunders, Lewis and Thornhill,2012). And Saunders, Lewis and Thornhill (2012) defined the primary data as a new data which was collected by the researchers themselves for the research. Secondary data would be the data which has already existed, but was collected by other researchers and concluded by the specific researcher again (ibis). However, Saunders, Lewis and Thornhill (2012) also aimed that the most reasonable and scientific way of collecting data is in two steps: first step is to review the existing data which is related to the research topic from other existing researches or website and then make them as secondary data, and second step is to collect the primary data which is corresponding to the research topic by the researchers them own-selves from the interviews or other form of collections. This research will also follow these two steps at the empirical analysis part with the combination data of secondary and primary.

3.611 Secondary data collection

Saunders, Lewis and Thornhill (2012) also aimed that “*secondary data includes both raw data and published summaries*”(P.256), which was collected and concluded by organizations and enterprises from their own operations, and “*Government departments undertake surveys and publish official statistics covering social, demographic and economic topics*” (P.256)also included in the secondary data collection.

View essential information of IKEA in China

Therefore, the secondary data collection could be viewed and acquired from these different channels. First, on the official website of IKEA in China the author of this research could view some essential information of the enterprise, such as specific production information, operation principle and distribution of IKEA retail stores in China.....

Collect GDP data from Chinese NBS of 2016

Second, the official and authoritative GDP data from Chinese State Statistics Bureau (NBS) in 2016 of each IKEA retail store’s distributed province also would be collected in order to do the quantitative data analysis. Firstly, the GDP ranking of each province in China of 2016 would be presented to observe whether the provinces ranked by front have located IKEA retail stores. Secondly, the average GDP per person in China would be compared with GDP per person in each province which has already distributed IKEA retail store.

3.612 Primary data collection

Primary data could be collected from observation, interviews and questionnaires (Saunders, Lewis and Thornhill,2012). In the consideration of research questions which should be corresponded with research philosophy in pragmatism research (ibis) this research will make interviews and do the observation deeply connected with research questions.

Do observation on IKEA strategy map

The method of observation will be used at the part of “geographical distance in target market selection”, because it would be obvious on IKEA strategic map (retail stores distribution) to observe geography distance between the retail stores of IKEA in China and the home country-Sweden.

Make interviews from managers of IKEA in China

According to the secondary data collection the author of this research learned about some basic information of IKEA in China, there are totally 21 retail stores which are distributed in different cities and different provinces in China. The specific interviews would be conducted with different perspectives: the Chief Executive Officer (CEO) of IKEA China- Ms. Zhu and the sales managers of each retail store of IKEA in China. This is mainly because the research is in different part and different dimensions, and some deep of level questions could not get any answer from the sales managers with such relative lower position. However, the specific information of sales or operation in details also could not be explained very clearly by the senior manager. Therefore, the different perspective of interviews would be conducted to do the qualitative data analysis.

3.613 In-depth interview and Semi-Structure interviews

As mentioned above that the specific interviews would be conducted with different perspectives: the Chief Executive Officer (CEO) of IKEA and the sales managers of each retail store of IKEA in China. And according to Saunders, Lewis and Thornhill (2012) that there could be more than one type of interview in an interview design- to use multiple methods, and the semi-structure interviews and in-depth interviews are available to be used together in the exploratory research. All of the interviews are trying the best to use the format of Face-to-Face interview, although most of them via the modern media communication. Face-to-Face interviews could make interviewer and the interviewees better understand each other with facial expression and body language.....However , some of the interviewees were busy with their own world and didn’t have time to give an interview more than 20 minutes, and these interviewees received the interview questions in the written form via Email. Although the answers of interview questions are not as high-quality as the answer which was gotten from the Face-to-Face interview, some valuable interview answers are still existing.

In-depth interview

The in-depth interview was adopted with the Chief Executive Officer (CEO) of IKEA China. This is mainly because that in the exploratory research, in-depth interviews could help to formulate new insights towards the research questions (Robson,2002). Interview with the manager who has a necessary experience and high level of perspective could provide the in-depth interview with high-quality and useful information. And the in-depth interview with the Chief Executive Officer (CEO) of IKEA China is conducted towards the topic of this research: IKEA marketing entry strategy in China.

Table 3.613 (1): In-depth interview from Chief Executive Officer (CEO) of IKEA China

Position in IKEA	Date	Duration	Format
Chief Executive Officer (CEO)	02.04.2017	106 min	Face-to-Face(Video)

Semi-Structure interviews

The primary qualitative data collection of semi-structure interviews from different IKEA sales managers in Chinese different cities also would be the main source of whole research. This is mainly because the method of semi-structure interviews also has a variety of benefits in the exploratory research (Robson,2002). It is necessary to built a guild of interview in the semi-structures and this will help the researcher to stick to the central topic and avoid to deviate from the research questions(Saunders, Lewis and Thornhill,2012), and this point is very correspond with this research philosophy- pragmatism. However, the semi-structure interview also have the advantage, which could make the interview to be covered in more detail (Saunders, Lewis and Thornhill,2012). And also according to Krale and Brinkmann (2014) a ready interview questions design could make the conversation more organized and coincidence logic. The interview questions are also divided in two big part, which is designed according to the research question: target market selection and timing of entry (entry mode part could not get effective information from managers with position relative lower)

Table 3.613 (1): Semi-structure interviews from different sales manager in different cities of IKEA China

Chinese IKEA store	Position	Date	Duration	Format
Beijing Siyuanqiao	Sales manager	02.04.2017	42 min	Face-to-Face(Video)
Chengdu Gaoxing store	Sales manager	10.04.2017	-----	E-mail
Chongqing store	Sales manager	13.04.2017	-----	E-mail
Foshan store	Sales manager	06.04.2017	24min	Telephone
Hangzhou store	Sales manager	15.04.2017	-----	E-mail
Ningbo store	Sales manager	08.04.2017	26 min	Face-to-Face(Video)
Shanghai Beicai	Sales manager	10.04.2017	28 min	Face-to-Face(Video)
Shenzhen store	Sales manager	02.04.2017	34 min	Face-to-Face(Video)
Suzhou store	Sales manager	12.04.2017	29 min	Face-to-Face(Video)
Wuxi store	Sales manager	11.04.2017	47 min	Face-to-Face(Video)
Xi'an store	Sales manager	10.04.2017	39 min	Face-to-Face(Video)
Beijing Xihongmen	Sales manager	02.04.2017	25 min	Face-to-Face(Video)
Chengdu Chenghua	Sales manager	06.04.2017	15 min	Telephone
Dalian store	Sales manager	07.04.2017	47 min	Face-to-Face(Video)
Nanjing store	Sales manager	05.04.2017	21 min	Telephone
Guangzhou store	Sales manager	10.04.2017	35 min	Face-to-Face(Video)
Shanghai Baoshan	Sales manager	09.04.2017	-----	E-mail
Shanghai Xuhui	Sales manager	09.04.2017	29 min	Face-to-Face(Video)
Shenyang store	Sales manager	04.04.2017	23 min	Face-to-Face(Video)
Tianjin store	Sales manager	10.04.2017	45 min	Face-to-Face(Video)
Wuhan store	Sales manager	12.04.2017	-----	E-mail

3.62 Data analysis

The frame of reference would be connected with empirical findings within the data analysis. In this research the

data analysis was conducted with the multi-method: quantitative and qualitative, and this is mainly because the frame of reference is also in different part. And according to the classical international marketing entry strategy in which usually includes three different parts: market selection, entry mode and timing of entry(Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009).

The quantitative method would be used in the part of analysis “market size” in “market selection” of IKEA in China. And others part of research data analysis will be selected qualitative. According to Saunders, Lewis and Thornhill(2012) that the quantitative data is always in a “*raw form*”(P.414) before was analyzed, therefore, these “raw data” really pass very limited information to researchers. So, the processing of data is really required in the quantitative data analysis in order to be useful and meaningful (ibis). And this processing could be regarded as the transformation between the “*raw data*” to “*useful information*” in the quantitative data analysis (ibis, P.414). And these “processing” usually include the techniques of “*graphs, chart and statistics*” to help the exploratory (ibis, P.414).

In the first part of analysis “market size” in “market selection” the GDP index of all Chinese provinces and GDP per capita in 2016 of each province which has already distributed IKEA retail stores would be collected. And two different data table would be made to help with the analysis. First data table would be made as a ranking of GDP index of each province in China in order to analyze whether the GDP will influence IKEA market selection in China. Second data table would be a comparison of GDP per capital of China and GDP per capital of each province which IKEA retail store have already distributed. And this is in order to observe whether the GDP per capital of these provinces are higher than the GDP per capital in China, thus to analyze whether the GDP per capital will influence IKEA market selection in China.

Also according to Saunders, Lewis and Thornhill (2012) that the analysis process of qualitative data includes summarizing, categorization and structuring of meanings using narrative or a mix of these process. According to Saunders, Lewis and Thornhill (2012) the summarizing would be the key point of the activities which were taken by researchers, such as interviews, observation, and written notes..... And the summarizing is the process to make long statement to the short brief and meaningful statement (Kvale, 1996).

As mentioned above that the observation on IKEA strategy map in China and interviews from IKEA managers in China would be collected as the qualitative data collection and the process of these data collection are also very important for the data analyze. By observing the IKEA strategy map in China (distribution of IKEA retail store in China) could help to analyze and summarize the “geography distance” in first part target “market selection”-whether IKEA tend to select the target market with low distance between the existing target market(or retail store location) and home country(Sweden).

And also as mentioned above that the interviews would be conducted with different perspectives: the Chief Executive Officer (CEO) of IKEA is an in-depth interview and the interviews from sales managers of each retail store of IKEA in China are semi-structure interviews. Summarizing and categorization are especially important in “in-depth interview”. The in-depth interview with the Chief Executive Officer (CEO) of IKEA China was conducted towards the big topic of: IKEA marketing entry strategy in China, therefore, the summarizing the useful information for the research analysis is very necessary. The qualitative data of in-depth interview with CEO of IKEA China would be summarized to analyze the “cultural distance” in first part “market selection” and the second part “entry mode” and the third part “timing of entry”. Among the three parts, the “entry mode” part

would be completely analyzed from the in-depth interview with CEO of IKEA China. As for the “cultural distance” in first part and the third par “timing of entry” would be summarized with both “in-depth interview” and “semi-structured interview” which was conducted from different IKEA sales managers in different retail store in China to do the analysis. After analyzed each influence factor in each part, a summarized holistic reasonable marketing entry strategy of IKEA would be presented.

3.7 Research ethics and Trustworthy

According to Preissle (2008), the issue of ethical should always be taken into the consideration of whole research. And this master thesis also paid a highly attention to ethical principles. And the following ethical principles was aimed by Saunders, Lewis and Thornhill (2012,P. 185-186). Firstly, the participants are voluntaries and no one adopt the measurement of force, and each participant has the right of realize the purpose of research. Secondly, every participant has the right of removing anytime to avoid the awkward questions and the privacy which is unwilling to be touched. Finally, the interviews are anonymous, and the most of participant retail store managers of IKEA China are unwilling to refer to their name in the research. However, considering the validity and authority of this research and the agreement of the Chief Executive Officer (CEO) of IKEA China- Ms. Zhu Changlai herself, the name of her would be mentioned in the thesis. And the ethics of this point also follow the ethical principle of respect the right of participant.

As for the research trustworthy which also could viewed from the research ethics that the participants are voluntaries and no one adopt the measurement of force, and each participant has the right of realize the purpose of research, therefore, the research couldn’t rule out the possibility of being told lies and facing the silence. And another factor which really influenced the data quality is because of the misunderstanding of “localism”, because some of the sales managers of IKEA retail stores are from the cities which speak very serious localism, but not nandarin. And the researcher really missed some information.

3.8 Summary of methodology

In order to present a clear and brief important content of methodology, the summary of methodology is designed as a form of table (Table 3.8).

Table 3.8: Summary of methodology

Research philosophy	Pragmatism
Research approach	Inductive and Deductive
Research strategy	Case study
Research method	Multi-method
Time horizon	Cross-sectional

4 EMPIRICAL FINDINGS

This section of research is to present the empirical results through the multi research method. And all of the empirical findings are designed according to the previously introduced conceptual model, which is also in three main parts: market selection, entry mode and timing of entry. And applied theories in the conceptual mode to make the in-depth investigation, which is in order to find valuable information to answer the research questions. The way of doing observation on IKEA Chinese strategy map, making interviews from IKEA managers in China and collecting quantitative data of Chinese GDP would be used as the method of collecting empirical findings.

4.1 Market selection of IKEA in China

The starting point of this section according to the conceptual model (Figure 2.4) would be the empirical findings of target market selection of IKEA in China, which was expressed by the interviews observation and quantitative data analysis. And this is mainly because that international target market selection should be concerned from different dimensions: cultural distance, geographical distance and market size.

4.11 Cultural distance in target market selection of IKEA in China

Firstly, through summarizing and organizing the in-depth interview with the Chief Executive Officer (CEO) of IKEA China, the researcher finds cultural distance really plays a great importance in target market selection of IKEA in China.

“There are many cultural differences between the East and West as we known. China is a traditional eastern country with long history, however, IKEA is a typical internationalized enterprise of Sweden. And of course it is necessary for IKEA to consider the influence of cultural difference in selecting location of target market in China. These three decades years with the speeding up of globalization and the expansion of Chinese policy- the reform and opening-up ,China is gradually accepting the western cultural, and this is especially obviously in some area of China, such as the political and cultural center –Beijing, the economic center-Shanghai, the special economic zones-Shenzhen, and some coastal open cities.... And IKEA retail stores firstly have already distributed in these relatively developed cities with deeper western cultural infiltration, and IKEA China also has the intention to expand retail stores in other market void cities, and this would be a gradual process in a long-term. Only to be confident is not enough, we must to be patient for this”.

(Ms. Zhu –CEO of IKEA China)

In China, inland cities usually have lower level of accepting western cultural than those eastern costal open cities. And also according to Ms. Zhu that comparing all of the Chinese IKEA retail stores which are distributed in different cities, two of them which are respectively located in Chengdu and Xi’an and these two retail stores in the middle part of China have the most small scale and footfall. However, comparing with this, there are more than one IKEA retail stores in Beijing and Shanghai, 2 in Beijing and 3 in Shanghai, and Ms. Zhu also express that IKEA doesn’t rule out the possibility of continued expansion in these two cities. From the perspective of time sequence, Ms Zhu also aims that IKEA really firstly consummately entered into those cities with lower cultural

distance then expand to those cities with relatively higher cultural distance, for this point the entry time table of IKEA China could explain: the top ten appeared retail stores all located in Beijing, Shanghai, and Guangzhou. For example, the first retail store appeared in Shanghai in 1998, the second one is in Beijing in 1999, and the third one is also in Shanghai in 2003.....

Secondly, some of the retail store's managers also expressed his or her perspective on the topic of "How does the cultural distance influence the sales performance in each retail stores". Some of them have the similar idea, therefore, it's not necessary to repaid the answer. And the sequence of these statements would be in order form higher influenced level to those lower influenced level retail stores.

"According to my working experience in IKEA for many years, I can say that it could be a universal phenomenon in our city: most of the consumers don't have the habit of investing home furnishing. In another word, most of them once purchase the furniture then they tend to use it in a very long period and even forever. Even if the furniture was broken, they would like to fix it rather than renewal."

Sales manager of Chengdu IKEA retail store

"IKEA as a Swedish brand was also influenced by different cultural background in our retail store. And this is mainly reflected in preference of selecting the style of home furnishings. The contracted Nordic style is gradually accepted by consumers, however, some traditional western decoration style are very difficult to be accept by customers, such as the traditional European-style and American-style. However, the business idea of IKEA is to provide a wide range of home furnishings, regardless of those decoration styles popular in our city or no. We sell it all the same. But, believe me as a sale manager, I can responsibly say that they are really not profitable in our store"

Sales manager of Xi'an IKEA retail store

"I cannot think of any influence of cultural difference on sales performance of IKEA home furnishings at once. But I can provide you some valuable information from IKEA restaurant- "IKEA FOOD". The customers in our store seem not very like the traditional Swedish food such as the Nordic salmon and Swedish Meatballs and western staple food- smashed potato, and may be sometimes because of the curiosity the customers will be willing to have a try first. But for the next time, they will prefer to order the Chicken and rice, which meet the Chinese taste. And there is one more interesting thing, that you know the Swedish licorice jelly? We almost don't have any sales volume for this kind of traditional Swedish sweet."

Sales manager of Dalian IKEA retail store

"May be as a densely populated capital, different style and different kind of product is preferred by different kind of people. Larger population in Beijing usually takes our store huge sales. As for the influence of cultural difference, however, it is also precisely because of the larger population with different educated level and different social ethics. The experiential marketing of IKEA provide some uncivilized people a free place to prevent sunstroke, have an appointment and even some beggars sleeps on the sample bed. This kind of phenomenon doesn't appear in any other country of IKEA retail store. I can't totally say it's because of the cultural difference, because we are all Chinese, but sometimes it's really dependent. This uncivilized phenomenon badly influenced the operation of our store."

Sales manager of Beijing Siyuanqiao IKEA retail store

IKEA retail stores in China are really influenced by cultural difference in different level. However, in China the area with lower cultural distance with western cultural would be less influenced. And also view from the entry time-table, on which IKEA firstly entered into those cities with lower cultural distance and then expand to those cities with cultural distance relatively higher.

4.12 Geographical distance in target market selection of IKEA in China

Figure 4.12: The strategy map of IKEA in China 2017



From doing the observation on IKEA up to date strategy map(Figure 4.12) (some of the cities are located more than one retail store , but was presented by only one red mark), the researcher finds that IKEA retail stores mainly distributed on the east part of China and several of them also located in the middle part of China. And most of the stores concentrated distributed in the Chinese eastern coastal areas. However, also viewed from the strategy map, that the western part of China with relatively lower geographical distance to Sweden is a totally market vacancy of IKEA. Through the observation, the researcher didn't find any IKEA retail stores at the west part of China. However, on the contrary, the eastern part of China with relatively higher geographical distance to Sweden was distributed a majority of 21 IKEA retail stores in China.

The CEO of IKEA China Ms. Zhu also aimed in the interview that the geographical distance seems does no matter on the location of target market selection of IKEA in China. For this phenomenon, the CEO Ms. Zhu explained with three mainly reasons. Firstly, the closer geographical distance didn't take any similarity of cultural or business style between the western part of China and home country- Sweden, because the permanent resident population in the western area is Chinese national minority. And comparing with the Chinese traditional Han nationality (which is mainly distributed in the eastern part of China), the national minority in western part of

China seems to be more difficult to accept foreign cultural and mix with their own national psychology. Therefore, IKEA as a foreign home furnishing retailer which is mainly with the Nordic style seems to be more difficult to be accept by these Chinese national minority in the western part of China. Secondly would be the consideration of transportation. The closer geographical distance between the western part of China and Sweden didn't take any transportation advantage. The CEO Ms. Zhu explained that there are many foundries of IKEA in China and all of them located at the eastern coastal part of China, the closer distance between the retail store and foundries could reduce the cost of transportation. As well as some of the productions are not made in China but were made in other countries. And these productions would be transported through marine transportation but not through the road transport to China. The port and dock are also all located in the eastern part of China, and also could help the eastern retail stores reduce the cost of transportation. However, as for IKEA entering into the western part of China, it is necessary for IKEA consider the additional road transport cost from eastern foundries or port to the western part of China. The last but not least, the CEO Ms. Zhu explained the reason with economic development and population distribution. There are great east-west differences in regional economic development of China, and the western area obviously falls behind national average level. And the population of China mainly distributed in the eastern part of China, and the western region of China really lack of purchasing power.

Both from the observation and the interview with IKEA CEO Ms. Zhu, all of the powerful information indicated that the geographical distance with home country- Sweden doesn't influence the target market selection of IKEA in China.

4.13 Market size in target market selection of IKEA in China

GDP and GDP per capital could be used to measure the market size (Ojala and Arto, 2007; Clark and Pugh, 2001; Terpstra and Yu, 1988.....). There are 21 retail stores of IKEA in China (IKEA China, 2017), which are separately distributed in 17 different cities of 11 provinces. And these 11 provinces respectively are: Beijing, Shanghai, Guangdong, Sichuan, Chongqing, Zhejiang, Jiangsu, Shanxi, Liaoning, Tianjin and Hubei. Some provinces among of these 11 not only have one retail stores: 2 in Beijing, 3 in Shanghai, 3 in Guangdong, 3 in Jiangsu, 2 in Zhejiang and 2 in Liaoning.

Table 4.13(1) : The GDP ranking in each province of China (Data from Chinese NBS, 2016)

	Province	GDP 2016 (100 million Yuan)		---	---
1	Guangdong	79512.05	17	Jiangxi	18346.4
2	Jiangsu	76086.2	18	Guangxi	18245.07
3	Shandong	67008.2	19	Tianjin	17885.4
4	Zhejiang	46485	20	Chongqing	17558.8
5	Henan	40160.01	21	Heilongjiang	15386.09
6	Sichuan	32680.5	22	Jilin	14886.23
7	Hubei	32297.9	23	Yunnan	14869.95
8	Hebei	31827.9	24	Shanxi	12928.3
9	Hunan	31244.7	25	Guizhou	11734.43
10	Fujian	28519.2	26	Sinkiang	9550
11	Shanghai	27466.2	27	Gansu	7152.04
12	Beijing	24899.3	28	Hainan	4044.51

3	Anhui	24117.9	29	Ningxia	3150.06
4	Liaoning	22037.88	30	Qinghai	2572.49
5	Shanxi	12928.3	31	Tibet	1150.07
6	Nei Mongo	18632.6			

The yellow part of data table (Table 4.13(1)) presented the GDP ranking of provinces which have already distributed IKEA retail stores. Through the observation on the Table4.13, the researcher finds that all of the IKEA retail stores distributed in the top 20 GDP ranking provinces. And the top 2 GDP ranking provinces – Guangdong and Jiangsu respectively have 3 IKEA retail stores, and the fourth ranking –Zhejiang has 2 stores. However, the ranking after top 20, the rest 11 provinces didn't distributed any retail store of IKEA so far.

Table 4.13(2) : The comparison of GDP per capital in national average of China and GDP per capital in each province which has already distributed IKEA retail stores of China (Data from Chinese NBS, 2016)

GDP per capital in China 2016	4.9992 (10 thousand Yuan)
--------------------------------------	----------------------------------

Ranking	Province (IKEA retail store distributed)	GDP per capital(10 thousand Yuan)
1.	Tianjin	10.8
2.	Beijing	10.65
3.	Shanghai	10.38
4.	Jiangsu	8.8
5.	Zhejiang	7.76
6.	Guangdong	6.75
7.	Liaoning	6.54
8.	Chongqing	5.23
9.	Hubei	5.07
10.	Shanxi	4.76
11.	Sichuan	3.86

Comparing GDP per capital in China 2016 and GDP per person of each province which has already distributed IKEA retail stores on data table 4.13(2), firstly the researcher finds that the majority of provinces have a common characteristic - GDP per capital are higher than GDP per capital in national average of China4.9992 (10 thousand Yuan). However, there are still 2 exceptions at the ranking of final 2 places- Shanxi, Sichuan. And these two provinces are coincidentally the place which distributed the retail stores mentioned above in 4.11- Chengdu and Xi'an IKEA retail store. Chengdu is the city of Sichuan province and Xi'an is the city of Shanxi province. And also mention above in chapter 4.11 that according to the interview from the managers of IKEA China the researcher finds that these two IKEA retail stores have the most small scale and footfall among the 21 IKEA retail store in China, and were comparatively have more cultural distance to the home country-Sweden than any other cities which have already distributed IKEA retail stores in the eastern part of China. Then the researcher also finds that at the ranking of data table 4.13(2) the provinces on 2nd, 3rd, 4th, 5th, 6th, 7th palaces not only have one retail store.

The CEO of IKEA China Ms. Zhu also aimed that the GDP index or GDP per capital are the two mainly measurement of market location selection in China. In general, these two measurement would be take into the overall consideration, but not single consider. Some province has very low level of GDP per capital, but the ranking of GDP in whole province in China is at very front position, such as Sichuan, Shanxi and Hubei. And this could well explain why IKEA chose to locate Xi'an retail store and Chengdu retail store respectively in Shanxi and Sichuan province which have relatively lower level of GDP per capital and longer cultural distance with home country-Sweden. But the ranking of GDP in whole provinces are very front, therefore, IKEA also selected these area as the target market location. And some provinces which have higher GDP per capital, but the performance of GDP in whole province is not to be very outstanding. But it doesn't means IKEA would give up operating retail store in this kind of area. And the typical instance is Tianjin, which has relatively lower GDP level in whole province, but Tianjin occupied the first ranking of GDP per capital comparing with other provinces. And IKEA also distributed one retail store in Tianjin, but only one. And Ms. Zhu explained this phenomenon in detail. Because when GDP per capital in this province is in a very high level but the ranking of GDP in whole province is very low, and sometimes it could be in the reason of less population. However, Tianjin is also this kind of province. Comparing with Beijing, Shanghai and Guangdong these provinces with larger population, the population of Tianjin seems to be very less. Although the ranking of GDP per capital of Tianjin occupied the first place, however, in general the purchasing power is quite smaller than Beijing, Shanghai, and Guangzhou in which have more than one retail stores. Therefore IKEA operated only one retail store in this province. And also viewed the data table 4.13 (1) that the 3rd place of GDP ranking in China is Shandong province. However, there is not any IKEA retail store in this province, and for this point Ms. Zhu indicated that in this year-2017, IKEA Chian anticipate the 22nd retail store in Shandong province.

Viewed from both quantitative data collection and the information the researcher finds that the GDP and GDP per capital all are important measurement of IKEA target market location selection in China.

4.2 Entry mode of IKEA in China

The following point of this section according to the conceptual model (Figure 2.4) would be the empirical findings of entry mode of IKEA in China. And also according to the empirical findings that IKEA once used two different kinds of entry mode entered into China, and they are respectively "wholly owned subsidiary" and "joint venture". However, currently IKEA only operates the retail stores with the mode of "wholly owned subsidiary", and changed all of the stores' operation of "joint venture" when primitively entered into Chinese cities. Therefore, nowadays the only entry mode of IKEA is "wholly owned subsidiary".

Through summarizing and organizing the information from the interview with the CEO of IKEA China-Ms. Zhu, the researcher finds that the entry mode of "joint venture" was only applied by IKEA to enter into China in two cities: Shanghai and Beijing. The first retail store of IKEA China was operated in 1998 in Shanghai, and this is Shanghai Xuhui retail store. In the early entry of IKEA into China, the "joint venture" was used as the entry mode of IKEA. IKEA accounted for 60% Unit of Shanghai Xuhui IKEA retail store and another Chinese enterprise Shanghai Shenrui accounted 40% Unit. Another IKEA retail store which was used in the entry mode of "joint venture" was Beijing Siyuanqiao retail store and operated in 1999. And Beijing Siyuanqiao IKEA retail store is the second IKEA store in China, and IKEA accounted 75% Unit and anther Chinese enterprise is Beijing Beirui

enterprise which accounted 25% Unit of the Beijing Siyunaqiao IKEA retail store. And after IKEA firstly and secondly entered Beijing and Shanghai all of the other IKEA retail stores in China are applied the entry mode of “wholly owned subsidiary”. And respectively in 2006 and 2010 IKEA bought back the 25% Unit and 40% Unit from Beijing Beirui and Shanghai Shenrui, and also became the “wholly owned subsidiary”. Therefore, the only existing entry mode of IKEA in China is “wholly owned subsidiary”.

Aim at the early entry mode “joint venture” of IKEA in China and subsequent changing into “wholly owned subsidiary”, Ms. Zhu explained this is with two mainly aspects. First is because of lacking the local market knowledge in the early entry, and a local strategy partner not only could help IKEA to understand the market knowledge, but also could together take operational risk of IKEA in Chinese market. Because for a foreign brand at the new target market, it couldn't avoid to face of one sort or another problem, such as overcoming the localization, competition with local competitors.....and a domestic strategy partner could help to improve this disadvantageous situation. Second this could be explained with the Chinese local policy. China's accession into WTO was in 2001. However, IKEA firstly and secondly entered into Shanghai and Beijing in 1998 and 1999. Before China's accession into WTO the local policy for protecting the local enterprise had very serious disadvantage for multinational enterprise in China. Therefore, the domestic partner is very necessary for IKEA for the first entry into Chinese market, and the earlier entry mode “join venture” could be very reasonable in the early entry in China.

However, after viewing the advantage of “joint venture” in the earlier entry Ms. Zhu also pointed why IKEA choose the “wholly owned subsidiary” as the subsequent entry mode for all of the following IKEA retail store in China. The accumulation of local market knowledge, policy advantage and the sharing “risk” would be the advantage of the “joint venture”. However it is also precisely because of the “sharing”, and it's not only reflected in the aspect of “risk”, but also reflect of the sharing of retail store's operation and management. Because that there is more than one enterprise in the joint venture. And sometimes it seems to influence IKEA to do some of decisions for the retail store and lack of flexibility.

“The change of IKEA retail store's operation mode was the only matter of time, and the cooperative enterprises also known about this. On the first day of our cooperation IKEA was facing problem of buying back the remaining stake, and the cooperative enterprise also got ready to sell equity to IKEA in the future. ”

(Ms. Zhu –CEO of IKEA China)

As we known that IKEA always tends to buy the land by it own self and enters into the North American and European markets with the enter mode of “wholly owned subsidiary.” However, the decision of the earlier entry into Chinese market is quite different. Ms.Zhu also aims that it's tightly connected with the quiet different cultural background. After obtained a certain market experience understand the local market and met the opportunity of policy advantage in China, IKEA bought back the remaining stake, and change the “joint venture” into “wholly owned subsidiary” of the retail stores which were firstly and secondly entered into China- Shanghai Xuhui IKEA retail store and Beijing Siyuanqiao retail store. And when was asked the negative influence of changing the “joint venture” into the “wholly owned subsidiary”. Ms. Zhu indicated that it was really existed in a very short time, but just in a short time, however, this had already passed for ten years, and everything has turned back to the normal situation. The tow retail stores are normal operating. Therefore, the negative influence was really slight and even could be ignored.

“IKEA has already realized the fully invested in China. And as for the future entry of IKEA in Chinese market, the “wholly owned subsidiary” would be the only entry mode. And this is mainly viewed to its level of control and flexibility in the business operation of IKEA retail stores in the situation of gained a ripe market experience and market knowledge.”

(Ms. Zhu –CEO of IKEA China)

All of the information above presented the different IKEA entry modes which were used in Chinese market, and the future entry mode “wholly owned subsidiary” which could be always applied by IKEA in China.

4.3 Timing of entry influence factor of IKEA in China

The final point of this section concerning the conceptual entry mode (Figure 2.4) would be the empirical findings of timing of entry influence factors of IKEA in Chinese market. And also according to Yannick and Khoa (2014) that there are 4 different dimensions could potentially influence the timing of entry of Swedish firm (Figure 2.2). And they respectively are “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “world-of- mouth”. And IKEA as a typical Swedish multinational enterprise in China would be tested with these 4 potential influence factors in Chinese market, and find form the empirical findings what could really influence IKEA “timing of entry” in China future market.

4.31 Window of opportunity

“From the timing entry aspect, IKEA really tends to seize all kinds of opportunities to complete the expansion in Chinese market in these two decades. And these opportunities could be the policy advantage or competitive advantage. Specifically speaking these two different kinds of opportunities, firstly IKEA completed the large-scale expansion was after 2001 when China accessed into WTO. The reduction of trade barriers took to IKEA with policy advantage for entry into Chinese market. As for the opportunity of IKEA competitive advantage in the timing of entry, for example, before IKEA entered into China in 1998 there was not any home furnishing experiential marketing in Chinese market and IKEA coincidentally seize this opportunity and successfully entered into Chinese market and filled the market void, and became the biggest scale of home furnishing retail stores in China. And once the situation formed, it could be not easy to change. Therefore, the appropriate opportunity is quite important for IKEA to entry into new target market in China”

(Ms. Zhu –CEO of IKEA China)

And also according to Ms. Zhu that IKEA catching the “window of opportunity” also reflected in way of control the size of IKEA retail stores in different cities and at different time. In the situation of lacking market knowledge and experience IKEA would select to build the retail store with relatively small scale in China. Shanghai Xuhui as the fist retail store of IKEA in China which business area is only 8000 square meters in 1998 (extension in 2003). However, in 2013 IKEA operated in Beijing the second retail store- Xihongmen retail store which has the biggest business area in China- 50811 square meters. And also viewed another adverse situation which is lack of purchasing power, IKEA also takes the measurement of narrow the business area. For example, the business area of Xi’an IKEA retail store is 24000 square meters. Therefore, viewed the above information that the selection of business area of IKEA in China is not only related to the timing of entry but also rely on the market size. Finally, for the “window of opportunity” of timing of entry Ms. Zhu also aimed that the most ideal entry situation or opportunity for IKEA in China would be keeping the balance of controlling retail store business area and market

states of different cities. And the states of target market would be measured from different perspective, such as market size and policy.....

4.32 Stepwise internationalization

Also according to Ms. Zhu that the expansion of IKEA in China is really a gradual process no matter in the perspective of target market selection from the eastern costal area cities to the inland cities or in the perspective of entry mode from the joint venture to the wholly owned subsidiary. Viewed all of these in the timing aspect that IKEA as a Swedish multinational enterprise really achieved the stepwise internationalization in Chinese market in the process of accumulating local market knowledge and market experience. Besides these two general orientations, Ms. Zhu also explained some operations of the retail store in detail which are related to the stepwise internationalization in timing aspect.

“Facing the problem of excessive-priced housing and high land prices the consistently strategy of buying land and build the retail stores of IKEA is not quite reasonable especially in Beijing, Shanghai and Guangzhou these cities with whopping land price. Also as well as the development of online shopping, the first Pick Up & Order Point (PUP) of IKEA in the world wide appeared in Beijing in 2016. This is Beijing Wukesong IKEA PUP.”

(Ms. Zhu –CEO of IKEA China)

And also according to Ms. Zhu that IKEA PUP is a new kind of mini retail store which operated very little business area. And Beijing Wukesong IKEA PUP only occupied 3000 square meters. And IKEA changed the strategy of buying land in the past and adopts the way of leasing. And the rent of IKEA Wukesong PUP for one year is only 6 million Yuan. Customers order the IKEA production on line first. And after that costumers could chose to pick up by themselves or chose home delivery service. The reason why IKEA PUP occupied that small square is mainly because that there is not experiential marketing in PUP, but just the product display. IKEA PUP is still in the period of trial operation. Ms. Zhu also indicated that IKEA doesn't rule out the possibility of popularization and application PUP in Chinese market. Because the successful of IKEA PUP not only will help IKEA to reduce the cost of investment but also conform to the trend of nowadays internet development.

4.33 Near market knowledge

As mentioned above for many times from the interviews with IKEA China CEO Ms. Zhu that the accumulation of market knowledge and market experience in very important for the expansion of IKEA in Chinese market, and the market knowledge is not only domestic but also international. The market experience and knowledge which was earlier accumulated from the IKEA retail store in Chinese eastern costal areas really draws the reference function to the following entered retail store in inland areas. And the accumulation of market knowledge helped IKEA accelerated entry into inland cities. However, as for the international market knowledge, Ms. Zhu aims that the international market knowledge of IKEA which could be applied into Chinese market is very limited. This is mainly because that IKEA firstly entered into Asia market was in China. Therefore, the market knowledge and experience of business operation in China was mainly from the European and North America market. However, the market situation of China and European North America are quite different, therefore, the market knowledge and experience existed but really limited. But by the way, Ms. Zhu aimed that the accumulation of successful market knowledge and market experience in Chinese market really played great importance for IKEA entered into Japanese market and Singapore market.

4.34 World-of-mouth

“We have to always maintain a good reputation of IKEA in Chinese market, because you can never imagine the consequences of reputation damaged. The painful lesson which was bought by it we don't want to experience for the second time”

(Ms. Zhu –CEO of IKEA China)

For this Ms. Zhu explained that in 2016 IKEA recall back the 35.6 million cabinets (Malm series) which had huge potential safety hazard, but was just in North America market. However, these series cabinets are still selling in Chinese retail stores. For this IKEA headquarters in Almhult Sweden explained that this series cabinet is accord with Chinese standard of security. And Chinese customers were really raged for this explanation. For a while, the turnover of IKEA in China reduced for a substantial amount. And the influence of damaging reputation not only reflected on the reduction of turnover, but also made IKEA to cancel the plan of operating the new retail store in Harbin and Tsingtao in 2016 and delay to 2017. Therefore, the researcher finds that the problem of reputation really influences the timing of entry of IKEA in China. And with the regard to change the adverse situation, the method was adopted by IKEA China was free on-site repair and reinforce. And after that the reputation of IKEA is gradually recovering.

Therefore, according to the empirical findings that “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “world-of- mouth” are all the factors would influence IKEA timing of entry in Chinese market.

5 ANALYSIS

In this section of research the empirical findings would be analyzed and the connection between the theoretical framework and empirical findings would be built and presented. And the main goal of this section is to analyze a reasonable marketing entry strategy of IKEA in Chinese market with answering three research questions combining the theoretical framework and empirical findings: Where should be selected as new target market location of IKEA in China? Which entry mode of IKEA should be applied in the future Chinese market (“Wholly owned subsidiary” or “joint venture”)? Which factors would influence IKEA timing of entry in Chinese market?

According to Osland, Taylor and Zou(2001) that under the big background of economic globalization it is necessary for enterprise to develop and expand their business into new international target markets in nowadays tendency, therefore, international marketing entry strategies for enterprise is quite important. Therefore, the formulating of reasonable marketing entry strategy is necessary for IKEA further expansion in Chinese market. Before entering into new target market in China IKEA usually takes a variety of elements into the consideration. The traditional analysis of international marketing entry strategy is usually in three different dimensions: market selection, entry mode and timing of entry. And these dimensions tends to answer these three questions: where to entry , how to entry and when to entry (Kim,1992; Woodcock and Beamish ,1994; Gaba,pan,2002; Gallego,2009). And IKEA marketing entry strategy in China in this research would be comprehensively analyzed according to these three different dimensions.

5.1 Where should be selected as new target market location of IKEA in China?

Viewed the conceptual model (Figure 2.4) and also according to Camile and Luige(1996) that international market selection is really important for enterprise business activities, and also multinational enterprises should evaluate all the factors in detail when to decide a market position. The classic theory of Johanson and Vahlne, (1977) put for ward that cultural distance, geographical distance and market size have a significant impact on the Swedish multinational enterprise target market selection as well as the importance of these factors. IKEA as a typical Swedish enterprise was also collected the empirical data according to these three different influence factors in at the section of empirical findings.

5.11 The area with comparatively lower cultural distance

According to Ojala and Arto(2007) that cultural distance is the most important aspece when selecting the international market location, because cultural distance will influence the sales volume of product and service with the consumer needs and wants under the different cultural background. IKEA really firstly focus on the “cultural distance” between the target market and home country when evaluating to choose a new target market in Chinese.

And also according to the UPPSALA mode of Johanson and Vahlne (1977) that the mainly characteristic of this mode to aim that the gradually process of international marketing entry of Sweden firms should firstly enter into the target markets with relatively lower cultural distance and then accumulate the marketing experience and market knowledge then apply the successful experiences and knowledge in those markets with more cultural

distance. Edwards and Buckley (1998) announced that comparing with other measurements of cultural distance the cultural familiarities would be more approachable. Because of the economic globalization and the expansion of Chinese policy- the reform and opening-up China is gradually accepting the western cultural especially in Beijing, Shanghai, Guangzhou and some coastal open cities....And these cities have the relatively lower cultural distance with western cultural. The first IKEA retail store in China appeared in Shanghai in 1998, the second one is in Beijing in 1999, and the third one is also in Shanghai in 2003.....And after two decades, the 21 IKEA retail stores are distributed in 17 cities of 11 provinces in China. The general entry process into these cities is really from the area with relatively lower cultural distance such as the eastern costal area to the inland cities with cultural distance relatively higher.

Singh (1998) also aims that the far social cultural distance will influence the market entry in a lower control level. And this is proved by the IKEA China sales managers which are from different IKEA retail stores distributed in different cities. From the statement of these sales managers of different cities' retail stores, that the higher influence level of cultural distance is usually in those inland cities' IKEA retail stores, however, the eastern costal opened cities are seems to be very less influenced by the cultural distance. And especially in Beijing Shanghai these kinds of cities with deep infiltration of western culture.

Considering the above two points, the expansion and internationalization of IKEA in Chinese market is achieving in a gradually process- from the area with lower cultural difference to those areas with cultural difference relatively higher such as the inland cities. Therefore, the reasonable target market selection of IKEA from the "cultural distance" aspect is that firstly to select the location of target market with comparatively lower cultural distance such as the eastern costal area, and then gradually expand to the inland cities.

5.12 Geographical distance does no matter

Also according to Ojala and Arto(2007) that geographical distance also could be another influence factor to consider when multinational enterprise selecting a new international target market location, because this is mainly from the perspective of geographical distance will influence the transportation cost of production(Clark and Pugh,2001). However, though the observation on the IKEA strategy map (Figure 4.12), and the "geographical distance" really was another different kind of situation.

According to the Figure 4.12 that IKEA retail stores mainly distributed on the east part of China but not distributed in the Chinese western part which has the lower geographical distance with the home country – Sweden. And there are only several of the retail stores located in the middle part of China. And Most of the IKEA retail stores concentrated distributed in the Chinese eastern coastal areas. The closer geographical distance didn't take any similarity of cultural or business style between the western part of China and home country- Sweden, because the permanent resident population in the western area is Chinese national minority. And they are more influenced by their own national cultural and seem to be more difficult to change than the Han nationality which is mainly distributed in the eastern costal area.

Clark and Pugh (2001) aimed that selecting target market with closer "geographical distance" could help the multinational enterprise reduce the transportation cost of production. However, in the case study of IKEA marketing entry strategy in China is a quite opposite situation. The closer geographical distance between the western part of China and Sweden didn't take any transportation advantage. First is because that the distance

between the foundries and western part of China is larger than the eastern coastal part of China. Second is because that some of the productions are not made in China but were made in other countries and these productions would be transported through marine transportation but not through the road transport to China, therefore, port and dock are also closer to the eastern part of China. The last but not least is that the western part of China is really population and purchasing.

Therefore, comparing with the “cultural distance” in Chinese market, the “geographical distance” really dose no meter in the location of target market selection of IKEA in China.

5.13 The area with high level of GDP and GDP per capital

Ojala and Arto(2007) aimed that the market size is also a mainly factor which would influence the multinational enterprise to select international target market location in which multinational enterprise desire to enter in-depth with the production and services. When IKEA decide to enter a new target it is also very important to consider the “market size” on the new target market. GDP and GDP per capital are two mainly measurement to evaluate the market size (Ojala and Arto, 2007; Clark and Pugh,2001 ;Terpstra and Yu,1988.....)

All of the IKEA 21 retail stores in China are all distributed in the provinces with high GDP level (Table 4.13(1)). IKEA not only selected the area of high level of GDP as the retail stores’ location, and IKEA is also used to operate more retail stores at the same place which has very high GDP level. For example, at the top 2 GDP ranking provinces (Table 4.13(1)) – Guangdong and Jiangsu IKEA respectively have 3 retail stores, and the fourth ranking –Zhejiang has 2 stores. However, IKEA at the area of lower GDP level at the final 11 GDP ranking provinces haven’t distributed any retail store so far.

Clark and Pugh(2001) proposed that it seems to be more convincible to measure market size with GDP per capita than just from the measurement of GDP. Most of the GDP per person of the provinces which have already distributed IKEA retail stores are higher than the GDP per capital in China (Table 4.13(2)). Also at those top ranking GDP per capital provinces most of them not only have one IKEA retail store. IKEA really tends to select those target market with high level of GDP per capital, however, this is in general but not absolutely.

However, there are still 2 exceptions at the ranking of final 2 places GDP per capital lower than in whole China-Shanxi and Sichuan (Table 4.13(2)) which distributed Chengdu IKEA store and Xi’an retail store. According to Johanson and Vahlne(1977) the more resources and the bigger size of target market, the higher degree of commitment of enterprise will be, vice versa. Therefore, these two IKEA retail stores have the most small scale and footfall among the 21 IKEA retail store in China.

GDP and GDP per capital are two mainly measurement of IKEA to evaluate the market size in China. And IKEA really tends to firstly select the target market from those markets with high level of GDP and GDP per capital and then to expand to those markets relatively lower level which is also viewed as a general process.

5.2 “Wholly owned subsidiary” as IKEA entry mode in Chinese future market

Also viewed from the conceptual model (Figure 2.4) and also according to Carazo & Lumiste (2010) that entry mode is also a part of formulating international market entry strategy.

Carazo & Lumiste (2010) proposed that once enterprises decide to expand its foreign market share and reach more target audiences, and this enterprise has to make an available guide as entry mode. For IKEA the reasonable entry mode is also very important for its retail store operation. And IKEA once used two different kinds of entry mode to enter into Chinese market, and they are respectively “joint venture” and “wholly owned subsidiary”.

There are many studies have already researched the factors which would influence the market entry mode choice, and according to Isoble and Robin (2008) that different entry mode is distinguished by these three mainly factors: degree of risk, level of control and flexibility. And the selection of entry mode of IKEA enters into Chinese also view these three factors.

Also according to Isoble and Robin(2008) that mainly advantage of joint venture for the multinational enterprise is the sharing of risk, because joint venture as a cooperate relationship between more than one enterprise, which occurs in exploiting a common bushiness opportunity, and these enterprises will contribute complementary resources together. And another advantage of this kind of entry mode is that joint venture for the multinational enterprise is a better way of gaining local market knowledge. When IKEA firstly entered into Chinese market in 1999 and 1998 was in the entry mode of “joint venture” also viewed its two mainly advantage: the risk sharing and gaining the local market. For that time IKEA entered into Chinese really lacking of local market knowledge and experience and the policy for the FDI didn’t occupied any advantage, therefore, the local strategy cooperate partner is necessary for IKEA in China at that time. For a while IKEA profited from this cooperative form. However, there are also some significant disadvantages of “joint venture” which are also viewed from its ownership structure (Isoble and Robin,2008). The lower degree of control and flexibility will usually cause disagreement and even business failure (ibis). And IKEA at that time also faced those different kind of problems in the situation of accumulated a certainty local market knowledge and experience and also subsequent policy advantage (China access to WTO).

Isoble and Robin(2008) also pointed that the “wholly owned subsidiary” would be the most expensive method of entry mode of multinational enterprise, and this is mainly because of the high risk and high control in this entry mode. However the “wholly owned subsidiary” also takes the advantage of high control level and high flexibility (Table 2.1). And this is really important for IKEA retail store business operation in Chinese market. And IKEA really believes that their product or service will have a long-term market potential at Chinese market, and the facts have proved that it’s so within two decades. Therefore, changing the entry mode from “joint venture” into “wholly owned subsidiary” is a really important process for IKEA in Chinese market. After IKEA firstly and secondly entered Beijing and Shanghai all of the other IKEA retail stores in China are applied the entry mode of “wholly owned subsidiary” nowadays. And this is also mainly because the advantage of high control level and high flexibility in “wholly owned subsidiary” in the situation of mature local market experience and policy advantage in Chinese market. However, Isoble and Robin(2008) also aims wholly owned subsidiary entry mode usually requires enterprises have a certain market knowledge which includes customers, competition, location selecting such as these international experiences, before making this entry mode selection, and a sufficient of market knowledge always are obtained within at least 5 years or even more. The third retail store of IKEA in China was in Beijing in 2003 with the entry mode of “wholly owned subsidiary” which is differ from the first and second IKEA retail store in China with the entry mode of “joint venture” in 1998.And viewed from the time aspect from 1998 to 2003 happens to be 5 years. IKEA through 5 years of accumulating the market knowledge successfully entered into Chinese market with the entry mode of “wholly owned subsidiary”. And the first and

second IKEA retail stores in China which were applied the entry mode of “joint venture”, and respectively in 2006 and 2010 IKEA bought back the 25% Unit and 40% Unit from local cooperative enterprise, and also became the “wholly owned subsidiary”. Therefore, the only existing entry mode of IKEA in China is “wholly owned subsidiary”. And also according to the CEO of IKEA China- Ms. Zhu that the entry mode of IKEA in Chinese future market would be “wholly owned subsidiary” in a long period.

5.3 Which factors would influence IKEA timing of entry in Chinese market?

According to the conceptual model (Figure 2.4) and Yannick and Khoa (2014) that the “timing of entry” influence factors would be the final part of formulating international market strategy. And Yannick and Khoa (2014) also proposed the “timing of entry” influence factors in four different dimensions “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “world-of- mouth”.

5.31 Window of opportunity

“Window of opportunity” could be also regarded as “strategies window”(Yannick and Khoa,2014) and usually occurs at the time of balance between the market requirement and the firms competencies (Fornell and Sullivan ,1992). Yannick and Khoa (2014) aimed that the less competition would provide “window of opportunity” to the multinational enterprise for earlier entry in target market. IKEA coincidentally entered into Chinese market which is without any home furnishing experiential marketing. Also according to Ruth (2016) when to analyze the opportunity of multinational enterprise, it is necessary to consider external influence factor, such as the target market competition intensity, and country risk. IKEA successfully opened the Chinese market filled the market void of experiential marketing and this is mainly benefit from the appropriate entry timing- as the earliest seized market. Also according to the CEO of IKEA China Ms. Zhu that once the situation formed, it could be not easy to change. And after the past two decades, IKEA still remains the first place of home furnishing retailer in Chinese market. Therefore, the appropriate opportunity is quite important for IKEA to entry into new target market in China.

And the internal factors of multinational enterprise should also take into the consideration of timing of new target market entry from the aspect of production and firm size (Yannick and Khoa ,2014). And also according to Ms. Zhu that IKEA catching the “window of opportunity” also reflected in way of control the size of IKEA retail stores in different cities and at different time. In the situation of lacking market knowledge and experience IKEA would select to build the retail store with relatively small scale in China. And also viewed another adverse situation which is lack of purchasing power, IKEA also takes the measurement of narrow the business area in these target market with relatively lower level of purchasing power.

Therefore, when to analyze the “window opportunity” from the timing aspect, it is necessary to consider both of the internal and external potential influence factors the policy and market size in new target market and enterprise it self....And the reasonable entry opportunity of IKEA into new target market viewed from the timing aspect should meet the balance between the situation of new target market and IKEA it self. And IKEA in China also could complete the earlier entry into new target market through the way of control square meters of IKEA retail store operating area.

5.32 Stepwise internationalization

Also according to Yannick and Khoa (2014) the stepwise internationalization related to the timing of entry is because “internationalization” is as a step-by-step process for multinational enterprise to gradually expand their business to the foreign market. And research Uppsala mode (Johanson and Vahlne,1977) of Swedish multinational enterprise also proposed that the “internationalization” is a gradual process. no matter in the perspective of target market selection from the eastern costal area cities to the inland cities or in the perspective of entry mode from the joint venture to the wholly owned subsidiary. Viewed all of these in the timing aspect that IKEA as a Swedish multinational enterprise really achieved the stepwise internationalization in Chinese market in the process of accumulating local market knowledge and market experience.

When entering a new foreign market abroad, it is necessary for enterprises to accumulate knowledge and experience of market in order to make a reasonable market commitment in the gradual “internationalization” process (Mitra ,2002). Ms. Zhu also explained some operations of the retail store in detail which are related to the stepwise internationalization in timing aspect. Also in the process of accumulating market knowledge experience of IKEA in Chinese market, IKEA is continually making the different market commitment at the different kind of new target market. At the process of IKEA continually expands in Chinese market, the first Pick Up & Order Point (PUP) of IKEA in the world wide appeared in Beijing in 2016. This is Beijing Wukesong IKEA PUP. The successful of IKEA PUP not only will help IKEA to reduce the cost of investment but also conform to the trend of nowadays internet development. IKEA PUP is a new kind of mini IKEA which was appeared corresponding with the trend of time. The appearance of IKEA PUP could cause the earlier entry into new target market of IKEA in China. Therefore, from the time aspect that IKEA in Chinese market is really realizing the expansion in a step-by-step process.

5.33 Near market knowledge

Yannick and Khoa (2014) and Mitra (2002) also explained the concept “near market knowledge” as the enterprises’ knowledge is both the accumulation from the domestic market and international market. And also according to Yannick and Khoa (2014) that “near market knowledge” is related to the timing of entry. Johanson and Vahlne(1997) also aimed that the more knowledge and international experience towards market obtained by the enterprises, the earlier entry into target market of enterprise will realize . Therefore, enterprises should have a strong level of market knowledge and accumulate a plenty of market knowledge in order to early entry into the target market. As for in the case study of IKEA marketing entry strategy in China, the market experience and knowledge which was earlier accumulated from the IKEA retail store in Chinese eastern costal areas really draws the reference function to the following entered retail store in inland areas, and caused acceleration the expansion of IKEA in Chinese market. However, the international market experience and knowledge of IKEA in China as the first entry of IKEA into Asia market was really limited, but accumulation of successful market knowledge and market experience in Chinese market really played great importance for IKEA entered into Japanese market and Singapore these Asia market. Therefore, from the timing aspect the accumulation of near market knowledge could cause the earlier entry of IKEA in Chinese new target market.

5.34 World-of-mouth

According to Dichter (1966) in marketing, world-of-mouth is the communication flow between the user of product or service. Therefore, World-of-mouth is always related to product or service of enterprise (Godes,2004). Yannick and Khoa (2014) also aimed that world-of-mouth could influence the consumer's attitude towards the brand as an informal branding commitment process. Good brand reputation is really important for the market entry, and if a multinational enterprise desire to earlier entry into a new target market, it is necessary for them to have a good communication flow towards the product or service information in the market(ibis), vice versa. Ms. Zhu –CEO of IKEA China also aims that maintain a good reputation of IKEA in Chinese market is quite important. Because the consequences of reputation damaged is really serious viewed from the event of 2016 in Chinese market. And also because of the event of 2016 with IKEA brand reputation damage in Chinese consumers' mind, IKEA delayed the expansion into Chinese new market in 2016, and planed to operate the new retail stores delayed to 2017. Therefore, the influence of world-of-mouth really could influence IKEA timing of entry in Chinese market.

6 CONCLUSION

The final section is the discussion and conclusion. The design of the front section is following the structure of answering the research questions, and then the summarizing of IKEA market entry strategy is presented. The latter part is the summarizing of conclusion.

6.1 Discussion

The research purpose of this thesis is to analyze a reasonable marketing entry strategy of IKEA for the further expansion in China. The empirical findings and analysis section fulfill the research purpose with the traditional marketing entry strategy analysis with three main parts according to the conceptual model (Figure 2.4): market selection, entry mode and timing of entry, and answering these three research questions from different dimensions.

RSQ1. Where should be selected as new target market location of IKEA in China?

In order to answer the research question, the empirical findings of this part is carried out from three different dimensions, and firstly is to find the reasonable location of future target market location of IKEA in China. And the measurements are respectively the cultural distance between the different target market of IKEA in China and home country- Sweden; the geographical distance between the different target markets which have already distributed by IKEA in China and home country -Sweden; and market size with the measure index of GDP of each provinces and GDP per capital of each province. However, the data collection from interviews, observation on IKEA strategy map in China and the GDP index of each province in China GDP per capital index of each province which have already been distributed IKEA retail stores, and all of these empirical findings prove that IKEA should select the location of future target market in China at the areas which have lower level of cultural distance with home country- Sweden, as well as the areas which have high level of GDP or GDP per capital. However, the geographical distance really does no meter in the location of target market selection.

RSQ2. Which entry mode of IKEA should be applied in the future Chinese market?

“Wholly owned subsidiary” or “joint venture”?

Secondly, the reasonable marketing entry mode of IKEA in Chinese future new market would be the “wholly owned subsidiary”. And also according to the empirical findings the accumulation of market knowledge and market experience in Chinese market of IKEA is in the mature state, and the “wholly owned subsidiary” comparing with “joint venture” has the advantage of high level of control and flexibility in IKEA business operation in Chinese market. Therefore, the entry mode selection of IKEA in Chinese future market would remain to be the “wholly owned subsidiary” in a long term.

RSQ3. Which factors would influence IKEA timing of entry in Chinese market?

Finally, also was proved in the empirical findings that the timing of entry of IKEA in Chinese market is really influenced by the “window of opportunity”, “stepwise internationalization”, “near market knowledge” and “world-of-mouth”. Catching the appropriate opportunity could help IKEA complete the earlier entry into Chinese new market. Viewed the business operation of IKEA in Chinese market in the past two decades was really in a gradually step-by-step process. The sufficient market knowledge also could help IKEA to complete earlier entry in Chinese new target market. And it is also necessary to pay more attention on the reputation of IKEA in China. Because a good reputation also could help IKEA to complete the earlier entry in Chinese market.

6.2 Conclusion

Summarizing IKEA marketing entry strategy in China is that the expansions and internationalization of IKEA in Chinese market is a gradual process with the continually accumulating market knowledge and experience, and then to make the appropriate market commitment. And this gradual process not only reflects on the aspect of the change of market commitment on Chinese market, but also reflects of the market selection of IKEA in China. IKEA should firstly select the market location in the areas with lower cultural distance and high level of GDP and GDP per capital, and then gradually expand in to the areas with relatively higher cultural distance and relatively lower level of GDP and GDP per capital. And in general, this process also could be viewed as the expansion from the eastern costal area to the inland cities of China. And the gradual “internationalization” of IKEA in Chinese market also reflected on the entry mode choice. From the “joint venture” run to the coexisting of “joint venture” and “wholly owned subsidiary”, and finally run to the “wholly owned subsidiary” as the only entry mode of IKEA in Chinese market. Finally, as for the timing of entry, IKEA should catch the “window of opportunity”, accumulate “near market knowledge” and pay attention to “world-of-mouth” to remain the good reputation of IKEA in China to complete the earlier entry as a gradual process with the “stepwise internationalization” into Chinese new target market.

6.3 Limitation

The limitation of the whole research mainly reflected at the part of “timing of entry”. Because in the view of the fact that the researcher is not the internal staff of IKEA, therefore, it is difficult to set a specific timetable for entering retail store into different target cities in the situation of lacking the IKEA internal financial and operation information. Therefore, the “timing of entry” part could only be presented with the factors which would potentially influence the “timing of entry” of IKEA in Chinese market.

6.4 Managerial implication

This research reveals from the case study of IKEA marketing entry strategy in China that multinational enterprise entering into Chinese market should consider these following aspects. First, the realizing of “internationalization” in Chinese market is a gradual process. Then, it is necessary to consider the cultural distance between the target market and home country, as well as the GDP index and GDP per capital when to choose the market location in China. The appropriate entry mode is also important for multinational enterprise when to entry into Chinese market. Finally, for the timing of entry into Chinese market, multinational enterprise should consider the potential influence factors as detail as possible.

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