

Quality in customer focussed operations

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Abstract

This paper highlights on the operational issues of IKEA. The operational process followed by this company has been discussed in this paper. In addition, the paper has also critically analysed the role of quality management practices in meeting the expectation level of the customers. Based on this discussion, it has been found that IKEA has effectively followed the quality management practices to increase its operational efficiency.

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IKEA

IKEA is regarded as the largest furniture retailer in the world as per the records of 2008. It is a Swedish company, which is registered in Netherlands and sells appliances, customized furniture and home accessories. The company was founded by a 17 years old boy, Ingvar Kamprad, who now happens to be the richest person in the world, in the year 2013. The company is well-known because of architectural designs that they provide their customers for all kinds of furniture and appliances. They also provide interior design work, which is attached with eco-friendly simplicity. Its cost control techniques, details of operational process and incessant product development, along with the corporate attributes, have aided the company to maintain a lower price for customers. During the period of global expansion, it has lowered price of products on an average of 2%-3%. As of January 2014, the company owns around 349 stores across 43 countries. It has been recorded that the company had sold products, amounting to \$23.1 billion, in 2010. It is identified that sales of the company has increased by 7.7% from the previous year. The company website displays over 12,000 products to customers, along with clear pictures of IKEA range of products, in order for the latter to gain interest in the company products. The number of visitors, who visit IKEA's website every day, has been recorded to about 470 million in 2013. It has been identified that in 2013, IKEA has been the largest user of wood, as the company has been noted to use about 1% of the total wood available on the earth.

Product

IKEA concentrates on selling wide range of products. The company sells nearly everything, which are required for furnishing a home, including furniture, plants, toys, kitchens and many more. The products, which are provided by them, have unique styles and the function of good quality and style is complimenting products to become most attractive and satisfy customers need. The company accepts the challenge of producing products at a lower price. Any company can make higher quality products at a high price, but IKEA provides its customers with the best quality, along with the lowest price possible, on the product. To provide high quality products at low prices, the company has undertaken cost effective and innovative techniques, which have made them strong enough to rule the retail market with confidence. The whole production process has been reviewed by designers, which has brought in new packing methods and such, thereby reducing cost of manufacturing.

Main customers

The main customers of the company are the households and businesses. However, the company has tried its best to transform the whole mass into their customers. Customers of the company are offered the lowest price that is prevalent in the industry.

Order Qualifiers and order winners

The companies are operating in highly demanding market place and are competing against each other to retain their respective customers. They are also interested in increasing their client base by attracting customers of their rival brands. Thus, companies invest a lot of effort to understand their unique position in the market, where they are operating in. They also spend a lot of time in creating new customer value, so that increasing number of customers are attracted to their products and services and remain loyal to the brand. The business uses the understanding for aligning processes, actions and resources, in accordance with strategies taken by the companies. Thus, these company strategies include the impact of the order qualifier and order winner and also, ways to manage the process design, human resources, supply chain, capacity, quality and innovation (Heung and Ngai, 2008).

The order winner is the specific attributes that helps a company to attract more customers for their products and services. They are also regarded as competitive advantage of the company. The order winners actually concentrate on strategic initiatives, which relates to quality, delivery, speed and reliability of the delivery.

The order winners of IKEA can be elaborated as the following:

- 1) Quality
- 2) Lowest price
- 3) Product packaging
- 4) Brand name

Order qualifiers are identified as those competitive attributes, which a firm foregrounds to remain competitive in the market place. The following are order qualifiers of IKEA:

- 1) Service level
- 2) Delay in the services
- 3) Flexibility

Operational processes

IKEA have concentrated on their operation management for success. The company understands its customer and the market as a whole. The way of controlling the network of operation and delivery of products are very important for the company, so that they can rightly position their product in the market, at the right time. The operations of IKEA consider the following activities:

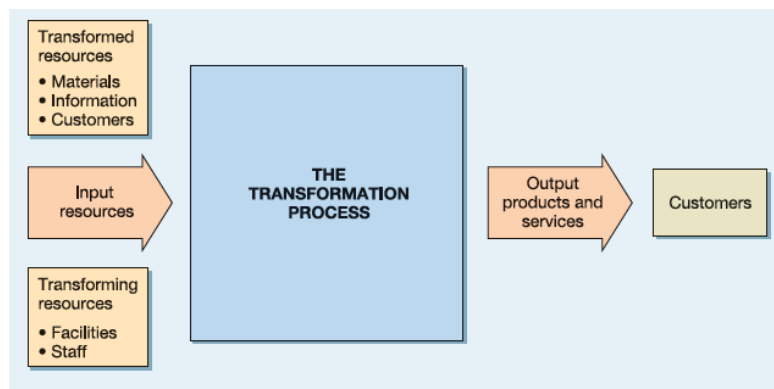
- 1) The stores' layout is arranged in such a way that it can manage smooth and efficient flow of customers, which is also known as the process design.
- 2) The company stresses on designing their products in a stylish way, so that customers are attracted by the packaging. This is known as product design.
- 3) The company ensures that all employees contribute equally in the success of the company. This is known as job design.
- 4) The company locates its stores in places close to their target market in order to easily supply their goods to suppliers as well as customers. This is otherwise known as supply network design.
- 5) The company focuses on the delivery of products to their stores and this is also known as the supply chain management.
- 6) The company emphasises on the fluctuations of demand. The method is known as the capacity management.
- 7) The company also focuses on safety of storage and cleanliness of the area, where it is operating in. The process is known as capacity management.
- 8) The company monitors and enhances the quality of services that are provided to the customer. These are quality management (Gentile, Spiller and Noci, 2007)

9) The company avoids the chance of running out of product and thus, maintains a particular level of inventory. This is known as inventory management. The activity forms a small part of the total operation of the management of IKEA and also, foregrounds the way in which the operation process contribute to the business success.

Input – transformation-output process

The operational process transforms inputs into outputs, which are products and services that are served by companies to their customers. The process is shown in the figure below:

Figure 1: Input-Transformation- Output



(Source: Meyer and Chwager, 2007)

Input to the processes

The set of inputs in the process is called transformed resources. The resources are, hence, treated and transformed in the process. These are basically the combination of the following:

- 1) *Materials*: They undergo transformation in their physical properties. Many other transformations are related to the change in location, like, retail operations.
- 2) *Information*: The process transforms information and changes their properties in order to access those.
- 3) *Customers*: In this case, the transformation is related to the human being and the process changes the look of the same.

Output Products/Services

The products and services are different from the output, which is obtained after the transformational process. The reason behind this is that the output obtained goes through a series of process, where the same is packed properly. Thus, the outputs, only after undergoing transformational changes, are termed to be products. The services and products are different in the form. The products are tangible in nature, whereas services are intangible. The products can be stored for a long period of time and the life of service is much shorter, in the sense that it gets exhausted after its application.

Process hierarchy

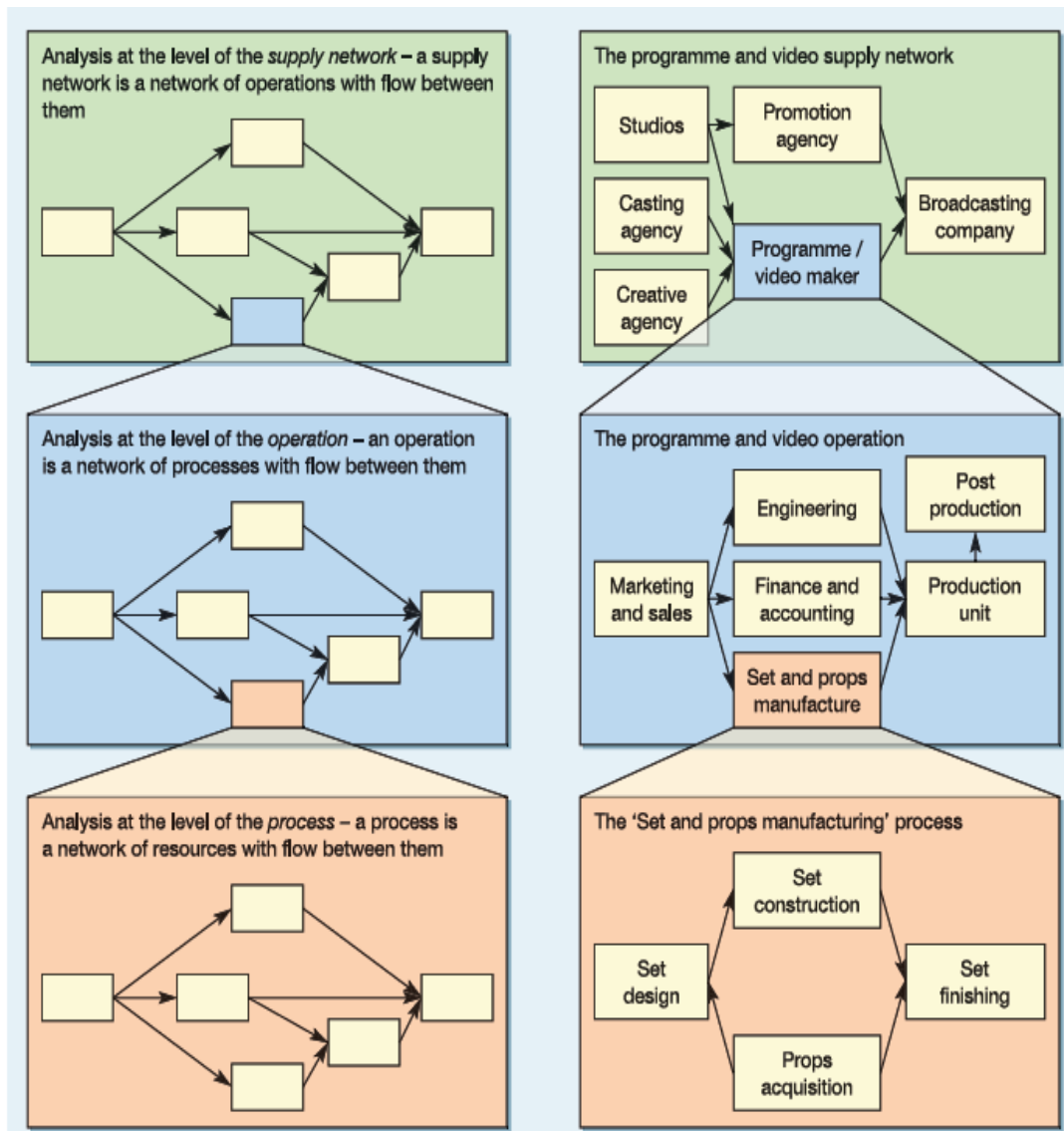
The operation consists of a number of processes, which are interacting with each other to form a network. Each of the process takes into account a smaller version of the entire process, in which it is just a part. Within the processes, mechanisms are set in such a way that it facilitates inputs to get transformed into outputs. Therefore, a process can be defined as an arrangement of resources that creates a mixture of services and products. They become the building blocks for operations and form an internal network within the same. The processes are the internal suppliers and customers for the same set of processes. The concept of internal customer gives rise to a model, which analyses internal activities of the operation. The main issue is that, by considering an internal customer in the same manner as external ones, effectiveness of the operation is improvised.

The processes consist of networks of individual units of resources, like, individual items and individual people. The transformed resources flow between the units of transforming resources. Thus, it can be inferred from the above discussion that any process is build up with a number of network of resources. Any operation can be seen as a part of the greater network of operations. The operations supply with the needed products and services and unless the process is dealt with rightly, end customers will not be satisfied. An operation can have a number of suppliers as well as customers and these may lead to competition with companies which employ the same operations and produces the same services or products. Therefore, it is known as the supply network. Input–transformation–output model is used at different levels of the analysis. The idea of analyzing business levels at the three levels, given in the figure below, indicates to an

improved system of transformation of inputs into outputs. The different levels are elaborated as: the operation, the process and the supply network.

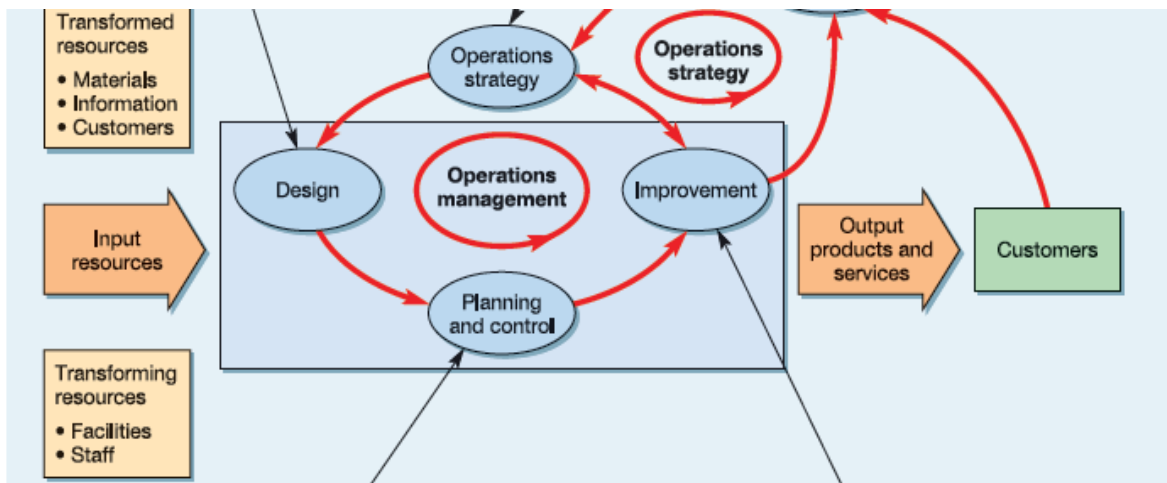
Analysis of the levels of supply network is an examination of the network which flows between processes. This carries the output to different destinations of the process and helps in assembling of the product. Analysis of the levels of operation includes the network of process that flows between transformational processes. The analysis of process levels indicates to a network of resources that flows within the system.

Figure 2: Analysis of three levels



(Sources: Teixeira, et al., 2012)

Figure 3: Structure of the Operation Process



(Sources: Teixeira, et al., 2012)

The figure given above demonstrates the structure of the operation process. The figures indicate that operation management requires proper designing of the product, along with planning and controlling. The strategic operations develop the whole process that transforms input resources into output resources, which are ultimately sold to customers. The inputs, undergoing changes, require activities that will make the system stronger and relevant enough to transform the input into end products.

Literature Review on Quality management as a reflection of customer expectation

The expectation of customers comes in the form of after-sales services and quality of the product itself. If the customer experiences higher quality product, it is advantageous for the company to draw future sales and post-purchase resonance, in that case, in nil. Service quality is considered as the main attribute to attract the attention of customers and their experience relates to future sales of the company. So, for a company, quality management becomes an essential step. The two main dimensions, related to quality management of the product, are linked to customer satisfaction and experience. The experience and satisfaction, also, depends on the quantity of products, since price plays an important attribute over there. However, both the concepts are regarded from separate perspectives and are judged according to their functions (Meyer and Chwager, 2007).

The service quality of a product is evaluated by the way it is delivered to the customer. The process of service delivery includes definition of the working process as well as training manual for operation, which are regulated under supervision of the enterprise. The quality of products and services, that the company provides their customers, puts emphasis on the perception of the company about their customer service. The customer experience is judged by the customer itself, after receiving all their deserved services, following the purchase of a product. Depending on the need of customers and benefits of products, expectations of the former change from time to time. These changes are to be adapted by companies, so that they can offer the best quality of product and also, after-sales services (Wiele, Hesselink and Iwaarden, 2005). If a customer chooses the company over and over again to invest in their required products, then it is said that he/she has recognized value of the brand. When the customer experiences high quality product, his expectation from the company increases, as far as after-sales service is concerned. They expect the service quality to be high and also, to meet the requirement of customers (Nunes and Cespedes, 2003).

The service manipulation method lies in hands of the service personnel, who are recruited through human resource management of the company as well as the prevalent regulatory system, for controlling the level of service quality provided (McLuhan, 2010). It is not always true that services, provided by the company's personnel, are in accordance to the actual decision taken by the management, since these personnel often fail to consider all vital attributes of a good quality service. Thus, customers are not always satisfied with services that they end up receiving (Yin, 2008).

The quality of products is dependent on the type of operational functions that are employed. The manufacturing system gives a clear picture of the product quality and thus, machineries and processes used by the company are as important as the products that are served to customers (Palmer, 2010).

The quality movement, over the years, has undergone transformation. For past few years, controlling the quality of the product was examined through the inspection of specifications of the same; in terms of customer friendliness. Alteration of the product from the prevention mode to inspection mode is considered important in establishing the quality of the product from very beginning of the process of manufacturing. The transformation of the process enhances quality of

the product, which is associated with performance of the firm. Therefore, a dramatic shift is observed in management of the quality, which, in reality, focuses on the manufacturing process apparent in the company's wide activities.

There are various benefits of implementation of the quality initiatives, which assist different researchers to identify a set of critical factors that are considered for successful implementation of the quality management. The reason for identifying these factors provides a way to develop customer satisfaction and also, their experiences. The critical factor responsible for success of the company is considered to be Total Quality management (TQM). The implementation of TQM takes into account the combination of soft and hard quality factors. The soft quality factors include the intangibles and are very difficult to measure. These are primarily related to employee involvement, which helps in increasing the quality of products and services. The hard quality factor defines the system, techniques and tools, which create impact on internal efficiency of the processes. The internal efficiency refers to the quality management system, statistical process control and cost of quality. The external effectiveness refers to surveys regarding customer satisfaction and benchmarking (Wilson, 2001).

Conclusion

It can be concluded that the operation process of IKEA is strong enough to bring high revenues, as has been the case over the years. The years of success is not only governed by successful operation system, but also by best quality products that are served to customers of the company. The process of operation that comprises the input, transformation and output is powerful enough for the company to produce high quality products. Though the products are of high quality, they are sold at quite low prices. The prices are set in order to compete in the given competitive market. The quality of products is quite high and thus, it creates a differentiation among the products, which are sold in the same market.

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