



IKEA: REVOLUTIONIZING THE FURNITURE RETAIL INDUSTRY

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ABSTRACT:

IKEA is a well-known international retailer of furniture and home items that has become well-known throughout the world for its distinctive business strategy, reasonable prices, practical designs, and dedication to sustainability. IKEA was established in 1943 in Sweden and has since expanded to operate in many nations, ranking among the biggest furnishing merchants worldwide. The secret to the business's success is its ability to provide ready-to-assemble furniture and home accents, which saves consumers money by letting them transport and construct the goods themselves. IKEA has demonstrated its commitment to sustainability by using renewable resources, reducing waste, and supporting environmental issues. The company's marketing tactics, which are distinguished by creative advertising campaigns and captivating in-store encounters, add to its appeal. IKEA's commitment to satisfying its customers' changing requirements and preferences is seen in its continuous growth and product diversification. With its distinctive business model, creative marketing approaches, and dedication to sustainability, Swedish multinational furniture retailer IKEA has revolutionized the furniture retail sector. This case study explores their remarkable success story and looks at IKEA's main strategies, the challenges it has encountered, and their impact on the world market.

KEYWORDS:

IKEA., STRATEGIC MANAGEMENT, SUPPLY CHAIN, PEST ANALYSIS, SWOT ANALYSIS

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1. INTRODUCTION

IKEA is a multinational furniture and home goods retailer founded in Sweden in 1943 by Ingvar Kamprad, started as a small mail-order business selling pens, wallets, and picture frames. Over the years, it evolved into a global powerhouse in the furniture retail industry, known for its affordable and stylish products. It has become one of the world's largest furniture retailers, known for its affordable and functional products. The company operates in numerous countries and has a strong presence globally. One key aspect of IKEA's success is its unique business model. The company designs and sells ready-to-assemble furniture and home accessories, allowing customers to transport and assemble the products themselves. This

approach helps reduce costs and enables IKEA to offer competitive prices to its customers. IKEA also focuses on sustainability and environmental responsibility.

The company strives to use renewable materials, minimize waste, and promote energy efficiency in its operations. Additionally, IKEA has implemented various initiatives to support social and cause of environmental, such as investing in renewable energy and supporting local communities. In terms of marketing, IKEA is known for its innovative and creative advertising campaigns. The company emphasizes the idea of creating a better everyday life for its customers through well-designed and

affordable products. IKEA stores are designed to provide a unique shopping experience, with displays showcasing various room settings and solutions.

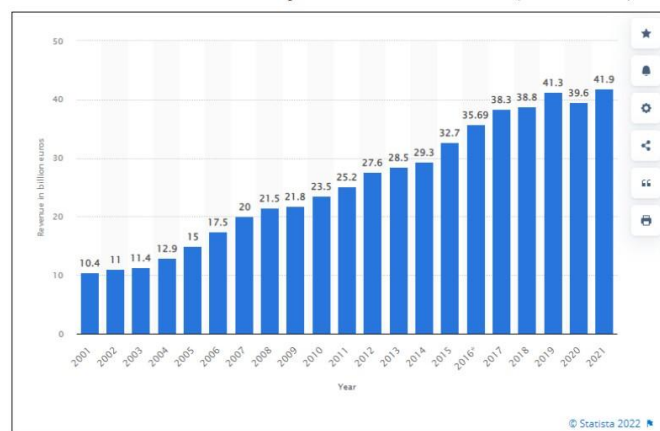
IKEA's vision is to create a better everyday life for many people. This vision encompasses the belief that everyone deserves access to well-designed, functional, and affordable home furnishings and solutions. IKEA strives to make a positive impact on people's lives by offering products that improve their everyday experiences and contribute to a more sustainable and inclusive world.

IKEA's mission is to offer a wide range of well- designed, functional, and affordable home furnishing products that meet the needs and aspirations of people around the world. The company aims to provide solutions that enable customers to create a comfortable and personalized home environment. IKEA is committed to continuously improving its products, operations, and services to ensure sustainability, affordability, and accessibility for all. By embracing innovation, efficiency, and social responsibility, IKEA seeks to inspire and enable people to live a better life at home.

The objective of IKEA is to provide affordable and well-designed furniture and home goods to a wide range of customers, while also promoting sustainability and environmental responsibility. The company aims to offer functional and aesthetically pleasing products that enhance the everyday lives of its customers. Additionally, IKEA strives to create a unique shopping experience through its innovative store layouts and displays. By continuously expanding its product range and global presence, IKEA seeks to meet the evolving needs and preferences of its diverse customer base. Ultimately, the objective of IKEA is to be a leading global retailer that combines affordability, quality, sustainability, and customer satisfaction.

A decade's worth of IKEA's annual revenue, from 2001 to 2021, is shown in Figure 1. A company's profitability attracts investors since increased revenues translate into more shares and dividends. On the other hand, having shareholders benefits the company because the invested funds may be utilized to fund operations. According to Stein, the mutually beneficial relationship between the company and its investors creates an opportunity for investments to increase significantly, a sign of a successful business [1]. As it gives information about the company's financial situation and potential for profit, the ability of the business to generate income is essential to the interests of its shareholders.

Annual revenue of the IKEA Group worldwide from 2001 to 2021 (in billion euros)



* Source: Statista. IKEA – Statistics & Facts. 2022.

FIGURE: 1 IKEA REVENUE 2001 TO 2021

In a Forbes 2022 study, IKEA ranked fourth in the retail category and 40th overall in the list of Most Valuable Brands. The report made clear how highly regarded IKEA is because of its dependability and transparency with its customers. The recent year's percentage increase in its value indicates that its customers have a strong sense of preference and trust shown in Figure 2.

The World's Most Valuable Brands 2022

Rank	Brand	Brand Value	1-Yr Value Change	Brand Revenue	Industry
19	Walmart	\$20.5 B	12%	\$341 B	Retail
34	Home Depot	\$19.2 B	6%	\$110.2 B	Retail
40	IKEA	\$15.8 B	3%	\$46.2 B	Retail
41	Zara	\$14.7 B	9%	\$21.9 B	Retail
55	CVS	\$10.3 B	-40%	\$97.2 B	Retail

*Source: Forbes (2022).

FIGURE: 2 THE WORLD'S MOST VALUABLE BRANDS 2022

Katie Thomas of the Kearney Consumer Institute said in a Danziger (2021) study that "people are looking for and still desire institutions that strive for the greater good." Companies that have successfully attracted and gained the trust of their clients are those who have chosen the appropriate message that aligns with socially conscious values and is dependable, truthful, and open [2]. Even more so, those founded on trust can use this to their advantage to improve customer relationships and gain a competitive edge. The act of continuously demonstrating to the public that a company's ideals and actions are aligned is known as brand image.

2. GENERIC STRATEGY USED IN IKEA

IKEA utilizes a combination of generic strategies to maintain its competitive advantage in the furniture retail industry. These strategies include cost leadership, differentiation, and focus.

IKEA is well-known for its cost leadership strategy. The company focuses on offering affordable products to a wide range of customers. By leveraging economies of scale, efficient supply chain management, and flat-pack packaging, IKEA can keep its production and operational

costs low. This allows them to offer competitive prices while maintaining reasonable profit margins. Numerous merchants are engaged in a direct pricing war, and IKEA is directly competing with numerous businesses that import goods from China. Customers now have a lot of options and choices, which gives them a lot of bargaining power because they have more options.

Customers themselves have a significant amount of influence over IKEA's product range and strategy. For instance, as the history records, IKEA created the idea of "flat packaging" at the request of customers to make it more convenient for them. According to Wire Business, the improvement in the hospitality industry and ongoing progress in commercial and residential real estate projects have helped the economy, which has increased demand for furniture [3].

Additional reasons that have fuelled the market's rise include the rising demand for upscale and high-end furniture for 8 investments and infrastructure improvements. IKEA will continue to grow regionally because of growing customer demand, the IKEA Group has a total of 280 stores in 26 countries illustrated in Figure 3. With a total value of over € 82 billion in 2008, the European furniture industry alone produces half of all furniture produced worldwide. The worldwide furniture market has experienced exponential growth due to its strong demand and fast-paced business, with a valuation of a whopping \$637.26 billion in 2021.



FIGURE 3. IKEA GROUP STORE WORLDWIDE

While IKEA emphasizes cost leadership, it also differentiates itself through its unique product design and customer experience. The company offers a wide range of well-designed and functional furniture and home goods that cater to various customer preferences and lifestyles. IKEA's products often feature innovative solutions for space-saving, organization, and sustainability. Additionally, the company invests in creating inspiring and interactive store layouts, where customers can explore room settings and find design inspiration. IKEA stores are designed to provide an immersive and inspiring shopping experience. Customers can explore fully furnished showrooms, interact with products, and visualize how they would fit into their own homes. The layout encourages

customers to spend more time in the store, increasing the likelihood of making additional purchases.

IKEA also employs a focus strategy by targeting specific customer segments. The company identifies and understands the needs of different customer groups, such as young professionals, families, or students, and tailors its product offerings and marketing efforts accordingly. This allows IKEA to effectively meet the specific demands of these segments and build strong customer loyalty.

By combining these generic strategies, IKEA has been able to establish a strong market position and maintain its competitive edge in the furniture retail industry. The company's focus on cost leadership, differentiation, and customer segmentation enables it to offer affordable, well-designed products while appealing to a wide range of customers.

2. SWOT ANALYSIS

SWOT analysis is a great way to understand its strengths, weaknesses, opportunities, and threats. IKEA has a strong brand reputation and a wide range of affordable and stylish furniture options, making it one of the leading furniture retailers in the world. Ikea's business model of offering self-assembled furniture allows for cost savings, which are passed on to customers in the form of competitive prices. IKEA has made significant efforts to promote sustainability, using renewable materials, reducing waste, and investing in renewable energy. Additionally, IKEA stores are designed to provide an immersive and interactive shopping experience, with room displays and a layout that encourages exploration which leads to a unique shopping experience.

Moving on to weaknesses, IKEA has faced criticism for its low-quality products and complicated assembly instructions. While the self-assembly model helps reduce costs, it can be a challenge for some customers who may find the assembly process time-consuming or difficult. IKEA's products are typically designed with a focus on functionality and affordability, which may limit customization options for customers seeking more unique or personalized furniture. This has tarnished its reputation and resulted in a decrease in customer satisfaction. Moreover, the company heavily relies on its European suppliers, which may lead to quality control, supply chain disruptions, or labor issues and affect their timely delivery.

In terms of opportunities, IKEA has the potential to expand its presence in emerging markets such as China, India, and Brazil. These markets have a growing middle class and a high demand for affordable furniture. Furthermore, with the rise of e-commerce, IKEA can increase its online presence and reach a wider customer base.

Lastly regarding the treats, IKEA faces competition from both traditional furniture retailers and online retailers. This can lead to a decrease in market share and profits. Additionally, the company may face challenges in maintaining its sustainable and environmentally friendly image, as it continues to expand globally. IKEA's sales and

profitability can be influenced by economic downturns or fluctuations in consumer spending patterns.

In conclusion, IKEA's strengths and global presence have made it a successful company, but it also faces challenges in terms of quality, competition, and maintaining its brand image. However, with the right strategies, the company can overcome these weaknesses and capitalize on its opportunities for growth.

3. PESTEL ANALYSIS

A) POLITICAL FACTORS:

IKEA operates in various countries, and it must comply with different government regulations related to labor laws, product safety standards, and environmental regulations. Changes in trade policies, such as tariffs or trade agreements, can impact IKEA's supply chain and international operations. Political instability in certain regions can affect IKEA's ability to operate smoothly and expand into new markets.

B) ECONOMIC FACTORS:

Second, IKEA's performance is influenced by factors like economic growth, inflation rates, and consumer spending patterns in the countries where it operates. Fluctuations in exchange rates can impact IKEA's costs, pricing, and profitability, especially since it sources products from various countries. IKEA's target market consists of consumers with different income levels, and changes in disposable income can affect their purchasing power.

C) SOCIAL-CULTURAL FACTORS:

Thirdly, IKEA needs to consider factors like population growth, age distribution, and household sizes to tailor its product offerings and marketing strategies accordingly based on the demographic trends.

Changing consumer preferences for sustainable products, convenience, and customization influence IKEA's product development and marketing efforts and commitment to social responsibility and sustainability aligns with the growing importance of ethical and environmentally friendly practices among consumers.

D) TECHNOLOGICAL FACTORS:

Moreover, IKEA can leverage technology to enhance its operations, supply chain management, and customer experience, such as through online shopping platforms and smart home solutions. For instance, the adoption of automation and robotics in manufacturing and warehousing can impact IKEA's production processes and workforce requirements. Utilizing data analytics can help IKEA gain insights into customer behavior, optimize inventory management, and personalize marketing efforts.

E) ENVIRONMENTAL FACTORS:

IKEA's focus on sustainability, renewable materials, and energy efficiency aligns with increasing environmental awareness and regulations. IKEA aims to reduce its carbon emissions and promote renewable energy sources, which can positively impact its brand image and appeal to

environmentally conscious consumers. IKEA's efforts to minimize waste and promote recycling align with growing concerns about waste management and circular economy practices.

F) LEGAL FACTORS:

IKEA's designs and trademarks need legal protection to prevent infringement and maintain its brand identity. IKEA must comply with consumer protection regulations regarding product safety, warranties, and fair advertising practices. IKEA needs to adhere to labor laws, including minimum wage requirements, working hours, and employee rights, in the countries where it operates.

It's crucial to remember that the PESTEL analysis framework is merely one tool for assessing external factors [4]. By considering these factors, IKEA can proactively identify potential risks and opportunities, enabling effective supply chain planning and decision-making.

4. STRATEGIC MANAGEMENT ISSUES

One strategic management issue that IKEA faces is maintaining its competitive advantage in the global market. As a well-known brand, IKEA must continuously innovate and differentiate itself from competitors to stay ahead. This involves addressing several key challenges:

1. Expansion and Market Saturation: IKEA has already established a strong presence in many countries, but expanding into new markets while avoiding market saturation can be a challenge. The company needs to carefully analyze market potential, and cultural differences, and adapt its offerings to meet local preferences.

2. Sustainability and Environmental Impact: While IKEA has made significant efforts to promote sustainability, it faces ongoing challenges in reducing its environmental impact. This includes finding ways to further reduce waste, increase the use of renewable materials, and improve energy efficiency throughout its supply chain.

3. Supply Chain Management: IKEA's global supply chain is complex, involving numerous suppliers and distribution centers. Ensuring efficient and sustainable operations while maintaining quality and cost-effectiveness is crucial. Managing logistics, inventory, and supplier relationships requires ongoing attention and optimization.

4. E-commerce and Digital Transformation: With the rise of e-commerce, IKEA needs to adapt its business model to meet changing consumer preferences. Enhancing its online presence, improving the user experience, and integrating digital technologies into its operations are essential for staying competitive in the digital age.

5. Talent Management and Employee Engagement: As a large organization, IKEA must effectively manage its workforce and ensure employee engagement. Attracting and retaining top talent, fostering a diverse and inclusive workplace, and providing opportunities for growth and development are critical for maintaining a motivated and

skilled workforce.

6. Social and Political Factors: Operating in multiple countries means IKEA must navigate various social, cultural, and political factors. Adapting to local regulations, addressing social issues, and managing public perception are important considerations for the company's long-term success.

As many issues have been encountered at IKEA, however, this paper only focuses on talent management and employee engagement issues.

5. DISCUSSION

Talent management and employee engagement are critical factors in the success of any organization, and IKEA is no exception [5]. However, like any other company, IKEA also faces challenges in these areas. One issue is the retention of top talent. With its global presence and strong brand image, IKEA attracts a large pool of talent. However, retaining top performers can be a challenge for the company. The high turnover rate can be attributed to a lack of career growth opportunities and a competitive job market. This not only affects the company's productivity and performance but also adds to the cost of hiring and training new employees.

Another issue is diversity and inclusion in the workplace. IKEA has been criticized for its lack of diversity in its workforce, especially in leadership positions. This can lead to a lack of diverse perspectives and hinder innovation and decision-making in the company. Moreover, it can also result in a lack of representation and inclusivity for employees from underrepresented groups. Employee engagement is also a concern at IKEA. Due to the company's flat-pack concept, employees are often required to work long hours and perform physically demanding tasks. This can lead to burnout and low morale among employees, which can ultimately affect their productivity and overall satisfaction with their jobs.

A major global issue that IKEA faces is a high flow of visitors. IKEA can certainly lead to problems if there is a lack of manpower to handle the influx. The first issue that arises from a high flow of visitors is long wait times. With a limited number of staff, customers may have to wait longer to receive assistance or check out their items. This can lead to frustration and a negative shopping experience, potentially resulting in a decrease in customer satisfaction and loyalty.

Another problem that can arise is a decrease in store efficiency. With many customers, it can be challenging for a limited number of staff to keep up with restocking shelves, maintaining a clean store, and providing timely assistance to customers. This can ultimately affect the overall shopping experience and may result in a decrease in sales.

Moreover, a lack of manpower can also lead to safety concerns. With a high flow of visitors, it is crucial to have enough staff to ensure the safety of customers and prevent any accidents or injuries. If there are not enough staff members to monitor the store, it can put both customers

and employees at risk.

In conclusion, a high flow of visitors can certainly cause problems at IKEA if there is a lack of manpower to handle the influx. It is essential for the company to address this issue and find ways to improve. Based on the challenges faced by IKEA in talent and employee management, this paper offers the following recommendations and suggestions to address the issue of a high flow of visitors leading to problems caused by a lack of manpower to handle the influx at IKEA.

6. RECOMMENDATION

The issue of a high flow of visitors causing problems due to a lack of manpower at IKEA is a pressing concern that needs to be addressed and implemented in several solutions.

a) Increase staffing levels: Hire additional employees during peak hours or days to ensure sufficient manpower to handle the increased number of visitors. This can involve hiring temporary or part-time staff to meet the demand.

b) Cross-train employees: Provide training to existing employees across different departments or areas within the store. This allows for flexibility in reallocating staff to areas experiencing high traffic, ensuring that customer needs are met efficiently.

c) Implement technology solutions: Utilize technology to streamline processes and reduce the need for manual intervention. For example, self-checkout kiosks can be introduced to expedite the payment process, reducing the burden on staff.

d) Optimize store layout: Analyze the store layout and flow of customers to identify bottlenecks or areas of congestion. By reorganizing product displays or creating separate pathways for different sections, the movement of visitors can be better managed, reducing the strain on available staff.

e) Improve customer communication: Enhance communication channels to provide visitors with real-time updates on wait times, available assistance, or alternative shopping options. This can be done through digital signage, mobile apps, or in-store announcements, ensuring customers are informed and can make informed decisions.

e) Implement crowd management strategies: Develop and implement crowd management strategies to ensure a smooth flow of visitors. This can involve assigning staff to specific areas to guide customers, managing queues effectively, and implementing crowd control measures during peak times.

f) Collaborate with external resources: Explore partnerships with local agencies or organizations to provide additional manpower during peak periods. This can involve collaborating with temporary staffing agencies or engaging with community organizations to source additional support.

By implementing these solutions, IKEA can better manage the high flow of visitors during peak times, ensuring a positive customer experience while minimizing the impact of the lack of manpower.

5. CONCLUSION

In summary, IKEA's success can be attributed to its unique business model, cost leadership, immersive store experience, and commitment to sustainability. By continuously adapting to changing market dynamics and customer preferences, IKEA has remained a dominant player in the furniture retail industry. The case study of IKEA serves as an inspiration for businesses seeking to revolutionize their industries through innovation, customer-centricity, and a strong brand identity.

As a well-known brand, IKEA must continuously innovate and differentiate itself from competitors to stay ahead. To address these strategic management issues, IKEA should continue to invest in research and development, sustainability initiatives, and digital transformation. Regular monitoring of market trends, consumer preferences, and competitor strategies will also be crucial for making informed strategic decisions. Additionally, fostering a culture of innovation, collaboration, and continuous improvement within the organization will help IKEA stay agile and responsive to changing market dynamics.

It's critical to assess pricing tactics to strike a balance between market reach and profitability. Finally, IKEA

strategy management serves as a valuable case study for businesses aiming to achieve long-term success through innovation, customer-centricity, and effective execution.

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