

An analysis of IKEA and the impact E-commerce has on its business strategies

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Abstract—IKEA is a well known low price home furniture and house article company with stores located around the world. In this essay, we will study IKEA's business as a whole and analyze how the digital market has affected IKEA's business strategy. Everything is getting digitized nowadays, and this is something businesses have to adapt to. We will use economic theories and models to analyze this, focusing on network effects, business models, competition, path dependence, lock-in mechanisms, and switching costs. These models and theories cover various topics related to digital businesses and give us a great insight into IKEA's business strategies, especially in the context of digitalization.

I. INTRODUCTION

The Internet, social media, and E-commerce have grown to be important innovation drivers that call for new approaches to trade management. By better integrating online and offline channels, the furniture industry responds to shifting consumer behavior and ensures greater customer satisfaction. One of them is IKEA. With an estimated 400 billion NOK in yearly sales, IKEA is the largest furniture store in the world [1]. The name of the business is made up of the founder's initials, Ingvar Kamprad, and the initials of the farm and town where he was raised. To analyze IKEA's role in the market and especially in the digital market, we will look at various theories that describe what a company like IKEA faces when choosing its strategy. First, we have to define how IKEA interacts with the digital market.

A. Is IKEA a digital company?

In this analysis, we explore IKEA as a participator in E-commerce. E-commerce is a complex term meaning 'electronic commerce'. It is part of e-business and generally encompasses electronic commerce the advertising, buying, and selling of goods and services on the Internet. E-commerce has become an integral part of present-day business models. A typical example of E-commerce is online shopping. However can IKEA be considered a digital company? IKEA is well known for its big warehouses with all types of products for your home. In 2020, due to the coronavirus, IKEA invested a lot in developing an online market for ordering, paying, and picking up products. Already in 2021 more than a quarter of IKEA's sales were through online transactions. [2] They have transformed their stores to fit the digital market. So-called "out-of-town" distribution centers have been preferred over new super-stores in the big cities. This is to reach more people outside the big cities and be able to deliver goods

that are ordered online to a larger area. Moreover, IKEA has stopped selling its famous printed catalogs and switched to a digital catalog found on their website. Although the majority of sales are still through physical, in-store transactions, IKEA is developing a digital service that provides customers with the possibility of a more convenient and streamlined shopping experience.

II. NETWORK EFFECTS

A. IKEA's network effects

A positive network effect occurs if the market feedback causes an increase in value/customers that stimulates a further increase in value. [3, p. 127] An increase in IKEA's customers will produce more value/customers on both the IKEA application and at physical stores. The effect will be negative if the market feedback causes a decrease in value that stimulates a further decrease in value. [3, p. 128] This effect is not relevant for IKEA since IKEA's value won't decline after growth in usage or scale. Direct network effects take place when users induce value on other users by the means of direct interaction between the users. This effect may be relevant for IKEA if customers give each other tips and experiences about IKEA's products and services while at a physical store or if the application allows some kind of chat future in the future. [3, p. 135] Same-side network effects occur when an increased number of users lead to an increase in value for other users in the same user group. Same-side network effects are relevant for the IKEA application. The more people see other people use the application, the greater the urge to download and use the application will become. Similarly, more users on the application will lead to more feedback on products and services and hence more value. IKEA has an indirect network effect since aggregated behavior of users affects the value of other users. IKEA allows users to send feedback through their website and they encourage them to share as many details as possible so that they can come up with the best solution or improvement. The customers may not be happy with the products they have purchased or, there might have been something wrong with how the products were delivered to their address. To inform IKEA about these issues, customers can use the user-friendly feedback system found on the website. Feedback can be detailed and include suggestions for improvement. If IKEA values its customers it will take these feedback and suggestions seriously, and it will use them

as a tool to improve its services and products to satisfy its customers.

IKEA also has a mobile application that customers can use for a lot of things. They can browse and search for products, they can use it for payment for their purchases instead of using a physical checkout. Customers can also use the application to make checklists and to choose a delivery option. Users can also provide IKEA with feedback on each product through a 5-star rating system and an optional comment. Similar to the website users will motivate IKEA to improve their service quality and induce value on the other users.

Another type of network effect is the cross-side network effect. This kind of effect occurs when users on one side of a market benefit from an increase of participants on the other side of the market. [3, p. 135] In this situation, one side can be defined as the customers who shop at physical stores and the other side is the customers doing their shopping on the application. The cross-side network effect can be observed through how the mobile application makes the physical checkouts less crowded. Through the app, you can choose between various options based on your post number. These options can include getting the products delivered to your door or your nearest pick-up option in your area for some extra money. You can also show up at IKEA physically and pay for your products on the app (given that the chosen products are available to pick up there) and skip the physical checkout. The popularity of these methods may vary between different age ranges given how familiar and comfortable they are with technology and the digital world. In this way, more users on one method will make free space in the other methods (less crowded physical checkout for example) and produce more user-friendliness hence more value for the users there.

These effects are strong since the increase in the number of users will bring more value. The argument here is that more users equal more feedback, and this feedback will hopefully improve IKEA's services and products.

B. Winner-take-all-market

A winner-take-all-market is not a new phenomenon; some examples go back to the 1800s. [4, p.45] Nevertheless, the term was first introduced by Robert H. Frank and Philip J. Cook in 1995. It can be applied to many fields, like sports and politics, but also a product or service. According to Frank and Cook, one can also look at it as "those-near-the-top-get-a-disproportionate-share markets." [4, p.3] To answer the question of whether IKEA has created a winner-take-all-market or not, one has to consider the term winner-take-all-market within the context of economic markets. An economic system is considered a winner-take-all-market when the available rewards are split evenly among the high competitors, leaving the other competitors with very little. The top 10 furniture brands in the world have reaped outstanding profits as a result of the phenomenal growth of the global furniture market. By 2024, the global furniture market share is projected

to be worth 4720.30 billion NOK and grow at a CAGR of 5.2%. Significant demand from the younger generation is the main driver of market expansion [5]. IKEA is by far the number one and is constantly growing in fact since 2008 the world's largest furniture retailer and one of the world's largest privately-held companies with 433 stores in 52 countries [6]. This is also strengthened by the huge gap between IKEA and all the other competitors in the top ten rankings. While IKEA has a Revenue of 454.5 billion NOK, Ashley HomeStore is the second biggest furniture brand worldwide with a Revenue of 30.3 billion NOK, which is 15 times less than IKEA [5]. Therefore, IKEA has seemingly already created a winner-take-all-market with respect to the popularity of warehouses.

III. BUSINESS MODEL

IKEA's business model is mainly focused on low prices for decent furniture and house articles. With their business idea: "To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them," [7] they attract the whole customer spectrum due of their low price strategy. In digital economics, we usually use models to describe a firm's business strategy. 'A business model describes how an organization creates, delivers, captures, and keeps value.' [3, p. 283]. To analyze this we will use the nine blocks of the business model canvas. We will include all of the nine building blocks; however, the main focus will be on customer segments, value propositions, and pricing strategies.

A. Business model Canvas

Customer segments identify the different customer groups targeted by the company's value propositions. [3, p. 286]. Demographic: Historically, IKEA's main target group is young middle-class people at the stage in life of establishing a family and buying their first home. Moreover, whether you are a small business-owner or a family member, IKEA certainly has many furniture options offered at low prices. However, IKEA fits everyone, and the customer segment is one of the main factors of IKEA's success. Geographic: In 2022 there are 456 IKEA stores 62 markets around the world. 70% of IKEA's stores are in Europe. They are mainly located in industrial countries. [7]

Value propositions: describe the values and benefits created by a company for the customer segments. [3, p. 286]. IKEA created a business within an industry that always has potential for innovation and development. This is perhaps a keystone brick in any company strategy- to ensure service or offer a product that will always be in high demand. Continuous demand for goods and/or services can assure a company's longevity. However, another important value proposition is the customer's feeling of building something by themselves. An easily understood manual makes it easy for everybody in the family to participate. In contrast, IKEA also developed services like self-service, delivery, or "Click and Pick" (where customers can order goods using the online store and

<u>Key Partners</u>	<u>Key Activities</u>	<u>Value Propositions</u>	<u>Customer Relationships</u>	<u>Customer Segments</u>
<ul style="list-style-type: none"> - Designers - Material manufacturers - Transportation 	<ul style="list-style-type: none"> - Logistics - Design - PR 	<ul style="list-style-type: none"> - Low price strategy - Flat-packing-system - DIY products - Reducing ecological footprint 	<ul style="list-style-type: none"> - Self service - Feedback on social platforms 	<ul style="list-style-type: none"> - Middle class people - Families - Age 18 – 35 - Small businesses - <i>Big customer mass</i>
			<u>Channels</u>	
			<ul style="list-style-type: none"> - Website and app - Catalogues (outdated) - Stores 	
<u>Cost Structure</u>		<u>Revenue Streams</u>		
<ul style="list-style-type: none"> - Cost efficient - Staff 		<ul style="list-style-type: none"> - Sales of goods 		

Figure 1. The business model canvas of IKEA

picking up in-store). These additional services make it easier for customers under time constraints or who highly value convenience. Easy transporting by flat packing the furniture is another value proposition. You could fit your new kitchen inside an average family car. IKEA's vision is to "make a better everyday life for many people." [7]. This includes having a positive impact on the planet as well. Using renewable resources reduces the company's ecological footprint. By 2030 they have committed to reducing more greenhouse gas emissions than the IKEA value chain emits while growing the IKEA business.

Channels: Describe how the value propositions are being brought out to the customer segments. [3, p. 286]. We will distinguish between the physical and the digital channel platforms. The most important physical channel is the stores which are always big and located within the big cities. It's the most important channel to fulfill their business idea: "to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them." [7] In addition, the physical stores also contain restaurants, playgrounds for children, and even a market with groceries produced by IKEA. In-store IKEA interacts directly with their customers which is important for maintaining customer relationships. In the past several years there has been an increase in investments in the digital platform. Before the digitization of the economy, IKEA used catalogs to advertise its products. This was a huge success in the past, but as climate changes are more relevant and digital

solutions are taking over the markets, they have discarded the physical catalogue. [8]. As mentioned, they have developed digital tools to make the customer experience easier and more efficient. Both the website and the IKEA app make it possible to pay for orders over the internet and pick them up at the nearest IKEA warehouse. The "Shop and Go" feature in the web app makes it possible to use your mobile phone to scan, pay for your items and skip the checkout line. You can also get your order delivered directly to your doorstep. Furthermore, IKEA uses social media to interact with their customers and receive feedback based on experience from their customer base.

Customer relationships: Defines the company's relationship with the customer segments. [3, p. 286]. If IKEA wants to keep the low prices, which is their main business idea and the reason their customers are loyal, they have to deal with a high degree of self-service. However, this is something the customers expect, and understand the reason behind it. Customers can also give feedback to IKEA via their website or the app. This strengthens the relationship and also works as a positive network effect.

Revenue streams and cost structure: Describe how the customer segments contributes to the company's income. [3, p. 286] Sales of goods are the only income IKEA has. This includes online sales, the restaurant and the IKEA groceries store. However, the latest years IKEA has seen a huge growth in online sales with 73% growth since the pandemic started. [9]. The cost structure contains human resources, warehouse,

purchasing of materials and products, and PR. IKEA is very cost-effective so they can be able to maintain their low prices. Economies of scale are the cost advantages a company obtains by increasing the number of units sold. [3, p. 79]. This is closely linked to IKEA's cost structure, where they produce a large number of goods and transport them to warehouses in bundles.

Key activities, key resources and key partners: Their key activities are for example logistics, design, flat-packing, and PR. The key activities are important to maintain the value propositions formed by the company. For example, design competence leads to good design which is important to make quality products. Design competence is a key resource, design is the key activity and quality goods are a part of the value propositions. To ensure both the key resources and the key activities, key partners are an important part of a business. Designers, raw material firms, transport firms, etc. are all contributing to a best possible value.

B. IKEA's low price strategy

"Pricing strategy include the multiple methods used to set product prizes and maximize your profit.". [10, p. 15]. It often depends on the business model. As mentioned previously IKEA's business model builds on the business idea: "A wide spectrum of goods for low prices" [7], and therefore attracts middle- and low-class customers. This means that customers are highly sensitive to price changes. A small increase in the price will result in a large decrease in the quantity demanded. We have an elastic demand curve as illustrated in figure 2. The figure illustrates an increase in the price from 50p to 60p. This results in a reduction of quantity demanded from 100 units to 50 units. This depends on the slope of the demand curve. An inelastic demand curve is less sensitive to a price change, and the slope is steeper than an elastic demand curve. The conclusion is that IKEA has to base its price strategy on the elastic demand curve. They have to set the prices low, to maintain their monopolistic position in the market. Furthermore, it's worth mentioning the low-cost strategy as well. By producing their products in bulk and a high quantity they manage to reduce the costs to a minimum.

IV. PORTERS FIVE FORCES

Porter's five forces is a strategic evaluation of both tangible and digital, goods and services. [3, p. 111]. The model deconstructs the industry market down to five forces of competition as illustrated in figure 3. Furthermore, it can be used to analyze the amount of power one business has in a market, based on how much competition there is within the market. The five forces are:

Rivalry among existing competitors refers to the number of rivals in the market. The larger amount of competitors in the market, the less probability for a monopolistic "winner take all" market. This is the one force that consists within a market, and not an external force. IKEA has a large number of competitors like Walmart in the USA and Galiform in

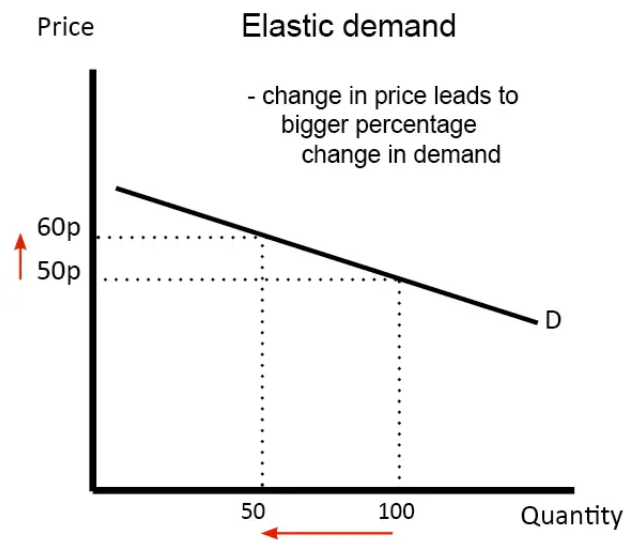


Figure 2. Elastic demand curve reflects IKEA's customer demand curve

England, but no other international furniture company has the same scale of production. By expanding their business to the most competitive markets in the world like China and Japan, they also gained a worldwide reputation and strengthened their position in the market.

Threat of new entrants into the market. The fewer resources it takes a company to join the market, the more probability for the existing companies to be weakened. If there are large fixed costs in the industry and strong entry barriers, the existing companies will have more market power. The IKEA way of running a furniture company is unique and hard to copy by other newcomers, but their stores are mainly located in the bigger cities making it possible for newcomers to enter the markets in the smaller cities. Therefore, expanding the business to smaller places is an ongoing process, and something IKEA invests a lot in these days. [11] [2]

Bargaining power of suppliers is the third force. It addresses how easily a supplier in the market can drive up the costs of raw materials or transportation. The fewer suppliers of key resources within the market, the easier for the existing suppliers to drive the business costs up. On the other hand, if there are low switching costs between suppliers or many suppliers with key resources, the more cost-efficient market. IKEA places high-volume orders from many suppliers, and for some suppliers, IKEA is the most important ally which favors IKEA in their bargaining with the supply chain. In addition, the large number of suppliers decreases the bargaining power of each supplier.

Furthermore, *bargaining power of buyers* is another force in the model. It describes the power customers have to drive the prices down. This depends on the number of customers, how

significant the customer base is, and how easily a company could replace its customer base. The smaller a client base is, the higher power the client base holds to negotiate lower prices and better terms. IKEA lacks a product ecosystem that can retain customers cause of switching costs. Therefore, customers can switch easily between companies which increases the bargaining power of buyers. As mentioned, IKEA also has a price-sensitive customer base which also increases the possibility of customers choosing alternative products.

Threat of substitute products or services is the fifth competition force. Substitute goods are similar products that can be used for the same purpose by the same customer. [3, p. 112] If a company produces a unique product only sold by them, they have more market power because there are no substitutes. As mentioned, IKEA has a lot of competitors with substitutes. However, the strong business model and solid customer base make IKEA able to keep strong position in the market.

A sixth force was added later on to Porter's theory of competitive strategy. It consists of three alternative interpretations that have an impact on the company's strategy:

1. *Complementors*: Companies that produce and sell goods which where the demand for one product is positively correlated to the demand for another given product. [3, p. 114] For example, hardware and software. You need both services to provide a complete product and the services depend on each other. One example of a unilateral product is IKEA's web app and ISPs for internet access. IKEA depends on ISPs, but ISPs do not depend on IKEA.

2. *Government*: regulates the amount of competition in the market. [3, p. 114] Laws, licenses, taxes, etc. are just some of the tools the government can use to regulate the amount of competition in the economy. Competition is good for pushing prices down and maximizing social-economic profit.

3. *The public*: Every society has rules that influence the market. For example, ethical rules like; no company shall sell products derived from child labor or cause large emissions. It is cheaper to produce without thinking about these factors, but the loss in customer mass and reputation weighs more. [3, p. 115]

A. Porter's model applied to IKEA's E-commerce section

As mentioned in the intro, in the past few years IKEA has heavily invested in its digital platform. One of the reasons for this is to strengthen their ability to compete as well as maintain their strong position in the market. The growth in online stores for physical goods has been a huge factor throughout the Covid pandemic. Many companies converted to digital solutions. IKEA also followed the trend, mainly to maintain its ability to compete in the digital market. The competitive rivalry in the digital market can also be between companies with different products. For example Facebook and Google. They compete for money in the advertisement

business. The fact that more companies in various industries are developing their digital solutions increases the demand for digital services and goods. This is something IKEA must adapt to, and is the first reason for IKEA's investment in its digital platform.

There has also been an increase in digital companies providing home furniture goods. For example, Amazon which is one of the biggest E-commerce stores in the world. They have now established their department for home furniture and house articles. Home furniture industries contain high entrance costs if you want to build physical stores and big warehouses, but if you only want to compete within the digital furniture market, the fixed costs are way lower. IKEA is the biggest physical home furniture store, but not within the digital market. As more and more digital services provide the same articles IKEA provides, substitutes increase, switching costs decreases, and IKEA's competitiveness decreases. Therefore IKEA has to not only keep its market power in the physical market but also develop digital solutions so that the customer base does not divert its consumption to another company with simpler solutions.



Figure 3. *The Five Forces that shape industry competition.*

V. PATH DEPENDENCE

A. Definition

Nowadays, constantly changing environmental conditions require a high degree of organizational flexibility to remain competitive in the market. However, especially within digitization, the focus is on standardization to ensure a high degree of repetition and stability in the execution of tasks [12, p.371]. Management is therefore permanently tasked with ensuring a healthy balance between stability and flexibility. Nevertheless, strong resistance to change often arises in organizations. The

reasons for this can be identified at the individual level (fear, social standing) and also at the organizational level (wage system, taboos) [12, p.373]. The theory of path dependence emphasizes resistance to change, which is mainly linked to system history, to the extent that past decisions influence future decisions. In this process, so-called self-reinforcing mechanisms (increasing returns) solidify the chosen path [13] and significantly limit organizational options for action. In the most extreme case this path leads to a Lock-In, (i.e. certain action patterns are constantly reproduced although it leads long ago to inefficient solutions.) In this state, alternative options for action are no longer recognizable for the organization [14, p.694]

B. The three stage model of path dependence

The path dependence theory describes the narrowing of the scope for action over time. In the beginning, companies have a wide range of options. After a certain point, however, past decisions shape future decisions to such an extent that companies fall back on or reproduce the old patterns again [15, p.23] For a more detailed portrayal, the three-stage model was introduced, which has divided the path development process into three phases (cf. Figure 4).

1. Initial Phase The first phase of path-dependent processes - which is not yet recognized as such - is characterized by a general openness to future development. In a certain sense, of course, this phase is also already predefined by general social and historical-cultural developments. The transition from Phase I to Phase II is determined by a „critical juncture“. This is the first occurrence of an event that exerts a sustained self-reinforcing effect, i.e., positive feedback occurs for the first time. Whether, when, and with which strength such an event occurs, cannot be determined ex-ante, but is rather random. The "critical juncture " is usually triggered by small events. Other developments are still possible. Whether a small event becomes a path-triggering event, can therefore only be determined ex-post, but not at the time of the event itself. If we apply this first phase to our example, we can say that IKEA has been in it for a long time, starting in 1958, when it was founded. There was no competition for the company yet, which is why it was able to develop freely and thus received positive feedback early on [15, p.23].

2. Self-reinforcement Phase In the second phase of path-dependent processes, the actual path formation occurs. These are the reason for the shift of the probability distribution towards the enforcement of a certain process result. The stronger the positive feedback effect and the more frequently the probability distribution changes in favor of a process outcome, the greater the probability that this process outcome will be enforced. Due to the positive feedback effects, path-dependent processes in the second phase are not only self-restrictive and directed but also tend to have a stable process result. This is because after a certain point in time, due to the continuous probability shift in favor of a certain process result the realization of an alternative result becomes more and more improbable. The self-reinforcing processes are therefore the

decisive drivers of the path development. The most common self-enforcers are Economies of scale, direct and indirect network effects, complementarities, and learning effects (learning curve) [15, p.23-24].

In our example of IKEA and under the aspect of E-commerce this phase is the most relevant one right now. As mentioned before more and more companies are shifting to E-commerce. And companies such as IKEA also have to keep up with their competitors. Which is not as easy as it would have been in the first phase. A shift to an only-online market would not be possible for IKEA at that point, due to the immense logistic efforts it would take, as there are over 400 stores worldwide with more than 200.000 employees. Nevertheless, IKEA can adjust to these changes. Even their catalog has been available in a digital format since 2000. Competitors such as Amazon with an online home furniture sector, therefore, don't seem to be a threat to IKEA.

3. Path Dependence Phase At the beginning of the third phase, the closure of the development process occurs. The point from which the path closes is called lock-in. From then on, no alternatives are open to the action system, because it is bound to the reproduction logic of the path. The action system freezes in the sense that it uses the same pattern again and again. The extent of this binding nevertheless varies in practice; only rarely will a complete lock-in occur. In this respect, the path dependence phase should be understood more as a "corridor" with strongly limited options for action in terms of organizational and strategic paths, and only in exceptional cases as a completely determined state.

Taking these aspects into consideration one can say that path dependencies can be a trigger for lock-ins. But it is important to mention that IKEA is one of the few companies that probably will be not affected by that issue; as they are by far the most successful warehouse company worldwide. Even under the aspect of digitalization, the number of IKEA stores is still expanding [15, p.24].

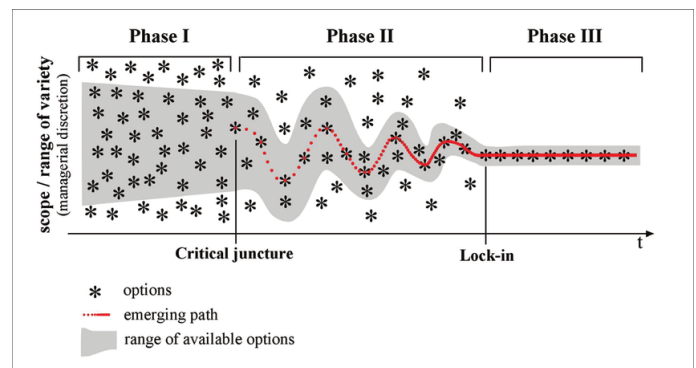


Figure 4. The three stage model of path dependence.

VI. LOCK IN AND SWITCHING COSTS

A. Loyalty program

Loyalty programs are common in the modern industry, where customers can gain various goods in exchange for

their loyalty. The main purpose of loyalty programs is to make customers stay rather than join competitors by enhancing customer experience. It can provide companies with making “Sometimes Customers” into consistent ones. One common good that customers can get is club memberships and their various benefits and advantages that are not available for non-members. Maybe one of the most known methods that have been used since the early days is stamp cards but unfortunately, the loyalty program system has changed and gotten more complicated over time, and stamp cards don’t cut it anymore. “IKEA Family” is a known Lock-in mechanism used by IKEA. It is one of the world’s largest customer clubs and was first launched in the Linköping warehouse in 1984. However, the main idea was established already in 1952 when IKEA’s founder, Ingvar Kamprad, created the first IKEA customer club “Silverklubben”. Customers do not have to pay to become a member of the IKEA family. After becoming a member of the IKEA Family, a customer will get various benefits such as discounts on some products. Further, they will get guidance and courses on for example home decorations through closed/private events and seminars. Customers will also get informed about discounts, products, and events through costumer newsletters by mail. [16] Furthermore, IKEA can give single members a discount based on their previous purchases and personal information, and members can choose to not share this kind of information and hence will not receive this kind of discount anymore. Lastly, loyalty membership customers get free coffee at the restaurants of any IKEA warehouse. This loyalty program may awaken the loyalty of customers, and this will aid IKEA in its battle with competitors. IKEA claims that they treat their members like family members, so in that way, they can establish a psychological connection that may make customers stay a member.

B. Potential Loss of Information

Potential loss of information is another lock-in method companies can use to hold on to their customers and it can be done in many ways. According to IKEA’s webpage members can end their membership at any time. In the case of ending a membership, the customer will not receive any information about discounts and marketing. IKEA states that customers, unfortunately, won’t be able to retrieve their content and purchase logs should they choose to part ways. [17] This kind of information loss may create a kind of fear in some customers that may interfere with the membership cancellation, hence locking them in. But it doesn’t necessarily mean that the company has to remove customers’ information to lock them in; the customers need only the belief about losing their information to get locked in, independent of the fact that their information gets lost or not.

C. Switching costs

Switching costs refer how to the direct and indirect costs for a supplier and customer to capture new customers and switch to a new supplier, respectively. For example, customers may be tied to some kind of binding where they should pay for a

chosen period even if they cancel their membership. The cost for IKEA customers for switching to a new service/product supplier is almost non-existent. According to IKEA’s website, it cost nothing to cancel an IKEA Family-membership. On the other hand, IKEA has set low switching costs for potential new customers and can make up for the lost customers. [17]

VII. CONCLUSION

It is important to keep in mind that this analysis only gives a small insight into IKEA’s business strategy and what influences it. Nevertheless, we have found a couple of results that are interesting to highlight. IKEA’s main strategy is probably its low prices and easy access to it, which makes it attractive to many people around the whole world.

IKEA has a strong business model that consists of consumers, the logistics department, designers, digital platforms, cost and revenue structures, etc. All the nine blocks of the business model canvas are important building blocks for IKEA to achieve the highest possible profit.

Their success can also be explained and seen by their network effects. It should be stated that they have Indirect and Cross-side network effects. The effect is strong since the increase in the number of customers will bring more value. Their local program, IKEA Family is one of their lock-in methods. They also use the Potential Loss of Information method by stating that user users won’t retrieve their logs and purchase logs after ending their membership.

In addition to this, IKEA of course also has competitors, which we analyzed by the use of Porter’s five forces model. Competition in the household industry has developed to become more digital after the Covid pandemic and after the digital development, we have seen in the world over the past 30 years. IKEA has also jumped on the technological wave by developing a digital platform that makes them even more competitive in the digital industry as well.

When analyzing IKEA, one should also consider investigating the Path dependencies, as these can lead to existentially threatening situations for companies if not recognized or counteracted at an early stage, even if the probability in our case currently seems very low.

Nevertheless, the Covid Pandemic had an immense impact on E-commerce and has affected a lot of companies, including IKEA. The pandemic can be considered a drive for increasing E-commerce, which is not reversible, and now that they have converted a lot of their trade to online shopping they will probably maintain it, as even without a pandemic and lockdowns it is still more convenient for a variety of costumes. Digitalization is happening every day and will continue, and so does the E-commerce sector.

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