

# IKEA Entering India, Finally!

The Swedish home furnishings giant IKEA has finally entered India in 2018 after more than five years of preparation (including the last two years building the stores). India had been on IKEA's radar screen for some time, but the company had been hesitant to invest until 2012, when India changed the laws governing foreign investment into its large and growing retail sector, for the first time allowing single brand foreign retailers to establish 100 percent owned operations in India. Up until 2012, retailers like IKEA were only allowed to establish stores if they entered into a joint venture with a local Indian partner, something IKEA was reluctant to do.

Questions still linger, though: Can IKEA adapt to the aesthetic wants and needs of Indian customers, and can the company motivate the Indian customers to buy into the do-it-yourself philosophy that is a symbol of the IKEA brand? After all, many customers around the world think that IKEA's success was built on the "L-shaped" metal IKEA tool used to put together virtually all of IKEA's furniture after you get the pieces out of the flat box. And no one knows what to call the L-shaped tool - although there is an official IKEA emoji for it on smartphones and a keyboard app for iOS and Android phones for IKEA emoticons (the meatball plate with a Swedish flag at the top looks interesting)! But is this a style, emoji, emoticons, and lifestyle that will work in India? How is it working so far?

India became the 51st country that the largest furniture company in the world, IKEA, entered since its founding in 1943. Since its founding, IKEA has become a \$43 billion company in sales annually (€35 billion), which has been the envy of the furniture industry and the benchmarking model for companies across several industries around the world. Flat packaging and high quality for the price you pay (i.e., great value), as well as global supply chains, make IKEA a superbly efficient company with a very effective business model. Amazingly, the business model has been in place ever since Ingvar Kamprad founded IKEA, with very minimal changes except for being implemented on a much larger scale - growing rapidly almost every year.

The IKEA business model and the company's assortment of products are now on the move to take over India like they have been doing with other countries. After all, IKEA's market entry into China in 1998 went reasonably well. IKEA has three stores in Shanghai, two stores in Beijing, two stores in Chengdu, and one store each in Tianjin, Guangzhou, Shenzhen, Nanjing, Dalian, and Shenyang, along with 11 more stores across smaller cities in China. For India, IKEA initially plans to open 25 stores but has marked some 49 Indian cities that have potential to get an IKEA store in the future. The 25-store plans call for an investment of about \$2 billion over 15 to 20 years. As we said in the opening, IKEA began its India market entry planning in 2013 and started building in 2016. The first construction took place in Hyderabad, a high-tech center where companies like Microsoft have their Indian headquarters. The Hyderabad store is 400,000 square feet and cost \$110 million to build.

To ease Indian customers into the IKEA model before the store opened in 2018, the company unwrapped its first experiential center IKEA Hej (Hello) Home close to the IT hub of Hyderabad. The Hej Home small-scale store provides some insight into IKEA products and solutions, which future Indian customers could buy before the store opened in Hyderabad. This also eased the market entry into India and helped point out glaring problems that IKEA management could tackle before opening the actual large-scale IKEA store. The Hej Home, designed and built over a six-month period, highlights what IKEA

stands for and what to expect. Ikea Hej Home reflects IKEA's understanding of life at home in India and its unique home furnishing solutions, including food and room settings, for Indian homes.

The preparation to get to the IKEA Hej Home concept - and, ultimately, to the first large-scale store opening in Hyderabad - was a long, research-oriented endeavor. The Swedish home furnishings giant with a reputation for being very Swedish in almost everything they do sent one of its top design executives, Marie Lundstrom, to India with a mission to understand the Indian mindset and aesthetic. IKEA had decided that it needed to learn everything it possibly could about the Indian customers in a variety of Indian homes, places, and settings. The entry into China in 1998 went well but was also undertaken before the social media world we now live in. India could not go wrong for IKEA; the brand depended on it.

Marie Lundstrom didn't leave a single stone unturned. She visited nearly 200 Indian homes all across the large landscape of India. She spent countless hours interacting with Indian family members. IKEA also did the customary customer surveys with a large cross-section of the potential customers. In all, under the leadership of Marie Lundstrom, IKEA found some important characteristics of the Indian customers that could be effectively used by IKEA to make sure that their market entry into the country in 2018 was as successful as it could possibly be. Some of the findings indicated that Indians love color. Indians' family lives center around the couch. They watch TV while eating, which is not much different than Americans and many other nationalities, but nevertheless a finding that was helpful to understand India, the country's customers, and their characteristics. Unfortunately, customers in India are not also big fans of the IKEA trademark of do-it-yourself.

Taking all of this into account, IKEA could now plan accordingly. The company meticulously planned its large-scale store design and product range for one of the largest economies in the world with one of the largest potential customer populations. It is a remarkable journey that took IKEA through five years from initiation of the idea of entering India, to three years of detailed planning and research, and on to a couple of years of actually building the first store in Hyderabad. It is a fascinating story, journey, and a deviation from normal practice for IKEA-the company that prides itself on being Swedish in its processes, product names, and food served in its restaurants! To date, IKEA has about 400 employees in India, and the company has plans to increase that number to 15,000 employees by 2025, with half being women.

## Case Discussion Questions

NRI - non resident indian (indians abroad)  
hyderabad - silicon city of india  
mumbai - commercial capital of india  
samosa - most common appetizer in india

1. What do you think are the attractions of India to IKEA?
2. Why did the company choose Hyderabad as the location for its first store opening?
3. What are the biggest challenges IKEA faces in growing its Indian operation?
4. IKEA entered India by establishing a wholly owned subsidiary. Why do you think the company chose this entry mode over other entry modes, such as franchising the IKEA concept or a joint venture?

1. india is a giant market with more than a billion inhabitants and its growing and prospering and opening to the west

2. because many headquarters of international companies, the people are more likely to accept western products because there are more western companies already located there; the citizens of those cities know the business model, because they have been abroad and shopped there

3. indians are very different from europeans (indians dont like to set their furniture); they may need to hire additional people; minimalistic design of ikea may contrast with the colorful wants of indian people; usage of the furniture is very different to usage in the western world and the furniture in india is usually constructed and planned specially for the rooms

4. they want to learn a lot from their entry into the indian market (therefore close contact is needed); additionally the company wanted a lot of controll and therefore a joint venture (spilling of secrets) and franchising and licensing (less control)