

## IKEA CUEGIS analysis

IKEA is a multinational group, headquartered in the Netherlands that designs and sells ready-to-assemble furniture, kitchen appliances and home accessories. It has been the world's largest furniture retailer since at least 2008. Founded in Sweden in 1943 by then-17-year-old Ingvar Kamprad.

IKEA is known globally for its low prices and innovatively designed furniture. In China, however, it faced peculiar problems. Its low-price strategy created confusion among aspirational Chinese consumers while local competitors copied its designs. This case study analyses how IKEA adapted its strategies to expand and become profitable in China. It also assesses some lessons the company learnt in China that might be useful in India, where it plans to open its first store by 2014 and 25 stores in 10 to 15 years.

IKEA's more than 15,000 U.S. employees (whom the company calls co-workers) enjoy perks such as full benefits for anyone working 20 hours a week or more, tuition reimbursement, and a minimum wage that ranges from \$10 to \$14 per hour.

Ikea's forward-thinking strategy made it the top furniture seller in the world. It also changed retail forever, analyst Warren Shoulberg writes on industry website The Robin Report. "There is perhaps no other retailer on the planet that has moved its basic model into so many places with so much success," Shoulberg writes. The furniture store has an impressive 298 stores in 26 countries, selling \$36 billion a year.

- Before Ikea existed, people saw furniture as an investment for the next 20 years. This resulted in a lot of anxiety and indecision, according to Shoulberg. "They created products that were nicely designed, if not particularly durable, that were intended to be used immediately... and disposed of when they wore out or, more likely, when the user had moved on to a different taste level or purchasing strata," he writes. "It's a seminal change in the home business and one that conventional furniture stores are still trying to come to grips with."
- Ikea resonates with young people, according to Shoulberg. The products are clean, with a simple aesthetic and "whimsical" names. Ikea is also known for paying workers a living wage and being transparent about the production process. "They have Gen Y written all over them," he says.
- Ikea's price point is perfect, according to Shoulberg. While prices are cheaper at deep discounters like Aldi, shoppers feel they are getting a good value at Ikea. Still, Ikea is much cheaper than competitors like West Elm and Bed, Bath & Beyond.
- Flat pack furniture has two great virtues: it ships with absurd efficiency and its cost to produce relative to furniture that requires, say, real wood is much lower. The tradeoff, of course, is that the customer must assemble it somehow. No biggie – people trade convenience for affordability all the time.