**Group Project Part A (GP-A)**

**IKEA: Home Furnishings & Home Goods**

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**Abstract**

IKEA is the world’s largest furniture retailer. Established in 1943, IKEA is a Swedish company based in the Netherlands. IKEA designs and sells ready-to-assemble furniture, kitchen appliances, home accessories, and various other goods. It is mainly known for its modern designs, simple DIY (Do It Yourself) furniture, and various appliances that are easily accessible and affordable to the common people. IKEA provides customers with low-priced yet attractive goods which can be easily assembled and used in every house.

IKEA has enormous stores around the globe which are immensely popular in many households. As of 25th August 2022, there are 474 IKEA stores in 64 marketplaces. They have about 70000 employees that operate in 42 countries. In the US, IKEA had a successful fiscal year in 2020 as it pushed its transition, with excellent sales and performance, saving total sales of $4.7 billion with an increase in e-commerce sales of 32%.

The company was founded by Ingvar Kamprad, at the age of 17, initially as a mail-order sales business. Five years later, he began to sell furniture. The name IKEA originated from the initials of the founder Ingvar Kamprad, the name of the farm – Elmtaryd, and a nearby village named Agunnaryd. By 1973, IKEA expanded to such an extent that its resources were insufficient as compared to its demand. Fast forward to today, when IKEA has its largest store in the Philippines which measures a massive 700,000 sq ft (about twice the area of the Lincoln Memorial Reflecting Pool).

IKEA’s vision all this while has been “Creating a better everyday life for many people” by supplying a wide range of well-designed, functional home products at a very affordable price. Keeping the vision in focus, IKEA puts its efforts into producing customer-centered content marketing to make sure that its message reaches all its customers. It also focuses on the value of supplying affordable furniture to its customers. One exceptional fact about IKEA is that the company first decides on the price of the product and then makes use of reverse engineering to make the product. IKEA uses low-cost materials for modern designs having unified style, production, distribution, and marketing functions.

**Who, Why, What, Where, When, and How for IKEA?**

**Who –** IKEA is a multinational Swedish company located in the Netherlands that manufactures furniture, kitchen appliances, and accessories needed in every household. The headquarters of IKEA is based in Delft, Netherlands.

**When –** IKEA was founded in 1943, by Ingvar Kamprad near his family farm named Elmtaryd as a mail-order sales business. He first started selling matches, pens, watches, wallets, and belts. In 1953, they started IKEA’s first showroom for customers to view the furniture.

**Where –** IKEA started in Almhult, Sweden in 1958, with the name Mobel-IKEA (Mobel means furniture in Swedish). The first store outside Sweden opened in Norway in 1963 followed by Denmark in 1969. As of today, there are a lot of outlets and manufacturing units around the globe. IKEA has its largest store in the Philippines which measures a massive 700,000 sq ft.

**Why –**The main vision of IKEA is to sell a wide range of furniture options to customers focusing mainly on the cost. They aim to provide affordable yet good quality products to customers. IKEA sells almost all household amenities at a very affordable price which are attractive yet simple. IKEA is trying to transform online and move products from large cities to smaller towns.

**How –** From a mail-order business, IKEA started concentrating on interior design, furniture, kitchen appliances, and other home accessories. They started expanding their range of products from matches to furniture. In 1976, Ingvar started the vision “to create a better everyday life for many people”.

**What –** Ingvar came up with the idea of making furniture and furnished products. The reason behind the birth of IKEA is the presence of fewer manufacturers in Smaland where Ingvar lived. He started investing some amount in furniture in the 1950s. In 1953, IKEA started the flat pack policy, to make transportation easy. Products were sold without assembling the parts and providing detailed instructions in the product package.

**Competitors of IKEA**

The main competitors of IKEA are Walmart, Amazon, Home Depot, etc. All these companies have their unique way of transforming digitally by reinventing their business models under great leadership.

**IKEA’s Digital Transformation**

**Progress:** Increasing eCommerce revenue by 4 times over the span of 3 years. They are rapidly expanding data and analytics for better decision-making. Exploring digital ways to do business and new ways to bring offers to customers.

**Achievements:** Satisfying the ever-changing needs of customers and parallel digging under the surface which will have a much bigger scope and opportunities. Following a multi-layer strategy by enabling features like ‘Shop & Go’ which is operating in a few countries with which users can scan items on their mobile, pay, and skip the check-out line in the store. Their tech landscape is being completely reengineered and modernized.

**Vision in its DNA:** The operating model is going to progress and change at a rapid pace keeping a consistent vision in its DNA. Reinventing the entire business to be future-ready. Embedding all the necessary aspects with customer-centric technology like ethical behavior, respect for diversity, and treating people fairly without bias. Focusing more on what we should do with the data rather than what we could.

**Opportunities for Transformation and Deployment**

**New tools, New Channels, and Acquisitions:**

* Every year it prints paper brochures up to 200 million copies. This was saved due to covid outspread and this money was invested in digital channels like the acquisition of Geomagical Labs, a specialized provider of 3D imaging. Their Artificial Intelligence (AI) powered solution IKEA Kreativ and IKEA Place app with AR/VR additions can be used to create a 3D representation of a room, can delete the existing furniture, and virtually add new pieces. This tool will be integrated into the Ikea website and its various applications.
* Acquired TaskRabbit, a platform that allows consumers to connect to individuals who will assemble their IKEA furniture which gave its customers a way to avoid the DIY trauma.
* Space10 is IKEA’s research hub and design laboratory which explores the future of living.

**Challenges Ahead:**

* Having large stores which are away from the city might be very inconvenient for many people, but IKEA can come up with some accessible stores in urban areas with self-checkout options and live track the sales of products and services.
* They can also create a pickup option for customers where they can scan their mobile at the pickup point by placing their order at home using the website or mobile application
* Opting for cloud solutions like SAP Extended Warehouse Management which will digitize their complete distribution center operations into the cloud and get rid of logistics issues.
* Monitor customers' interests and data and come up with feasible and quick solutions.

**Operational Management**

IKEA has a self-service strategy rather than assigning salespeople to assist clients. Additionally, it emphasizes inexpensive, modular, and ready-to-assemble furniture. Customers are given the merchandise in a flat-packed style. These flat-packed forms of products boost the organization's supply chain because they are convenient for both suppliers and customers to transport. By offering flat packages, the cost of shipping, storing, building, and putting everything together is reduced. Additionally, it offers more warehouse and transportation facility capacity.

The company is particularly environmentally sensitive because it uses a lot of wood as a raw material to make its products. IKEA needs to keep reviewing its current tactics to adapt to the changing environment and make use of new technologies. To apply new production techniques, create advanced analytic skills, and execute more effective end-to-end processes, businesses must transform. To achieve operational excellence, IKEA should also implement methods to reduce the distance between customers and suppliers.

IKEA gives its consumers great check-out options by informing them about the product details and the company's services. IKEA offers products at reduced prices which have made it very difficult to maintain the quality to satisfy the requirements set by other countries. The services offered by IKEA have also been impacted by the decreased prices for goods in addition to their quality. By giving employees the appropriate training, this issue can be resolved, and the product quality will increase. IKEA should conduct adequate market research as its advertising campaigns struggle to capture the attention of its intended audience. Because the company is concerned about costs, there is very little market research. By paying close attention to the traditions and customs of the nation where the advertising campaigns are being run, IKEA can overcome this problem and achieve operational excellence.

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