

CLOSING CASE

IKEA Entering India, Finally!

The Swedish home-furnishings giant IKEA finally entered India in 2018 after more than five years of preparation (the final two years spent building stores). Nevertheless, the question lingers: Can IKEA adapt to the aesthetic wants and needs of Indian customers, and can the company motivate Indian customers to buy into the do-it-yourself bug 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 box. And no one knows what to call that L-shaped tool, incidentally—however, there is an official IKEA emoji for it for smartphones, even a keyboard app for iOS and Android phones that uses 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? And how is it working so far?

India became the 51st country that IKEA, the largest furniture company in the world, entered since its founding in 1943. Over the decades, IKEA has become a \$43 billion company in sales annually, which has been the envy of the furniture industry and the benchmarking model for companies across several industries around the world. The flat packaging, high quality for the price you pay (i.e., great value), and 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 only minimal changes made to that model so it could work on a much larger scale, and IKEA has seen rapid growth almost every year.

The IKEA business model and the company's assortment of products are now set to take over India, as they have in other countries. After all, IKEA's market entry into China in 1998 went reasonably well. IKEA now has 3 stores in Shanghai, 2 in Beijing, 2 in Chengdu, and 1 store each in Tianjin, Guangzhou, Shenzhen, Nanjing, Dalian, and Shenyang, as well as 11 more stores across smaller cities in China. For India, IKEA initially plans to open 25 stores, and the company is looking at 49 Indian cities where they may build 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 400,000 square-foot store—at a cost of \$110 million.

To prepare its Indian customers' mindsets before IKEA opened the store in 2018, the company unwrapped its first experiential center, IKEA Hej (Hello) Home, close to the IT hub of Hyderabad, as a way to coax Hyderabad customers into the IKEA model. The Hej Home small-scale store provides some insight into IKEA products and solutions, offering items to Indian customers that they 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 offers unique home-furnishing solutions for Indian homes. It showcases the IKEA food and room settings based on its understanding of "life at home" for Hyderabad families.

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 it does, sent one of its top design executives, Marie Lundström, to India on a mission to understand the Indian mindset and aesthetic. IKEA had decided that it needed to learn everything it possibly could about its Indian customers by studying a variety of Indian homes, places, and settings. IKEA's entry into China in 1998 went well, but it was done before the era of global social media that we now live in. The company knew that they could not afford to go wrong in India; their brand depended on it.

Marie Lundström didn't leave a single stone unturned, to use a common cliché! She visited a couple hundred Indian homes across the vast landscape of India, and spent countless hours interacting with Indian family members. IKEA also handed out typical customer surveys to a large cross-section of potential customers. In all, under Lundström's leadership, IKEA found some important characteristics of Indian customers that could be effectively used by the company to make sure their market entry in 2018 was as successful as it could possibly be. For example, some of the findings indicated that Indians love color. Also, Indians' family lives center around the couch. They watch TV while eating, similar to the lifestyles of Americans and that of other nationalities. Still, this finding was helpful in understanding India, the country's customers, and their characteristics. Unfortunately, customers in India are not big fans of the IKEA trademark of "do-it-yourself."

Taking all of this into account, IKEA could now plan accordingly. The company went about meticulously arranging its large-scale store design and product selection for one of the largest economies in the world, with one of the largest potential customer populations. In some ways, it is remarkable that it took IKEA only five years to accomplish all this, from initial conception to opening its first store in Hyderabad. It has been a fascinating journey for IKEA, and a significant deviation from the normal practices of a company that prides itself on being Swedish in its processes, product names, and the food served in its restaurants! To date, IKEA has about 400 employees in India, with plans to increase that number to 15,000

workers by 2025, half of them being women.

Sources: Rathna Bhushan, "Ikea Betting on New Markets; Will Open Stores in India Next Year," *The Economic Times*, April 27, 2017; Ashish Gupta, "Is India Ready for IKEA?" *Fortune India*, March 24, 2017; Natasha Lomas, "IKEA Does Emoji," *Tech Crunch*, February 11, 2015; V. Rishi Kumar, "IKEA Opens First Hej Home in India At Hyderabad," *Business Line*, November 22, 2017. Saurabh Singh, "IKEA's India Plan: To Hire 15,000 Co-Workers with Equal Representation from Women," *EnTrackr*, December 7, 2017.

Case Discussion Questions

1. Did IKEA enter India too late in its evolution? The company started in 1943 and was already in 50 countries. Should operations in India have started sooner? If you could decide for them, what other country markets would you have IKEA enter, and why?
2. To prepare Indian customers' mindsets before IKEA opened its first store in 2018, the company unwrapped its first experiential center IKEA Hej (Hello) Home close to the IT hub of Hyderabad as a way to ingratiate Hyderabad customers into the IKEA model. How can this experiential model be used in other countries?
3. Entry into India has been a fascinating journey for IKEA, and a deviation from its normal Swedish-aligned business practices. Should IKEA become less Swedish when entering new international markets, as they did in India, or should IKEA stay Swedish as much as possible?

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