

Is IKEA the Most Influential Retailer of the Past 25 Years?

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Let me cut to the chase. Yes.

Because say what you want about Walmart SuperCenters, H&M, Uniqlo, Restoration Hardware or even Amazon, none of them— not one—would exist in their present form if Ikea hadn't come along to totally change the rules of retailing.

Ok, you're saying, Shoulberg, you've been downing too many of those Swedish meatballs and have clearly lost your retail smarts. That may be true, but I stand by my Ikea statement.

And I've got the proof to back it up. But first, a quick refresher course on this Nordic retail operation that doesn't easily fall into conventional models. Started in Sweden in 1943 by a 17-year-old named Ingvar Kamprad, named after a typical Scandinavian mash-up of his name and the farm and town where he grew up (take that, Macy's and Walmart), the company opened its first American store in 1985 in the King of Prussia, Pennsylvania, area.

Kamprad is still around today, but he has passed on management to others—though you can find him on the company website espousing the company philosophy... which is formidable. Today it has 298 stores in 26 countries and does about \$36 billion a year worldwide. It is the largest seller of furniture in the world and, with 49 stores in North America, is the second largest in the US. It's an amazing operation; there is perhaps no other retailer on the planet that has moved its basic model into so many places with so much success. That alone would make Ikea a leader in the retailing business, but that's not what I'm talking about here. Ikea's influence is really about its merchandising model, products, pricing, store siting, marketing, sourcing, and even its convoluted name. And that's not even talking about the meatballs.

Let's look at these seven influences individually:

1. Merchandising: Live for today, forget about tomorrow This is the single biggest piece of the company's influence on retailing today. Ikea came into a business—furniture and furnishings—where the model had always been that a customer was making a purchase that would last 20 years

or longer and it could even be passed down from generation to generation. “Felaktig,” says Ikea... which if my Swedish translation app is correct means, “No Way Sven.”

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.

Suddenly the paralysis that had gripped every generation of furniture buyers — am I making the right decision and can I live with this purchase for the next 20 years?—had become moot. Ikea was like Xanax for home furnishings, instantly relieving the stress and anxiety of making a big-ticket purchase. It’s a seminal change in the home business and one that conventional furniture stores are still trying to come to grips with... for the most part unsuccessfully.

But it is outside the home business where the Ikea model has had its most influence. The entire fast fashion business—H&M, Zara and their ilk—plus stores like Uniqlo that go after the same customer base—is really just using Ikea’s strategy. The shopper has been conditioned to buy inexpensive, fashionable merchandise without worrying about its shelf life. They know most of these items are not meant to be used for years... hell, some of them barely make it through a season or two. No matter, the customer gets the equation and is perfectly happy with how it works.

2. Products: Targeting Millennials... before there were Millennials.

The products themselves are tied in directly with merchandising at Ikea. They are clean, basic and bordering on the simplistic. This is exactly the design aesthetic that every store in America is going after today and Ikea has been there for decades. They often have whimsical names, which never hurts when appealing to this demographic, but more importantly, they have an honesty and transparency that other brands can only wish about. They have Gen Y written all over them.

3. Pricing: Inexpensive but not cheap.

There are stores that sell products for less than Ikea, like dollar stores and deep discounters like Aldi. But you often feel like you are buying cheap crap at those stores, inferior goods that may not be worth it regardless of the cost. You don’t get that feeling when you buy Ikea products. They are insanely inexpensive when compared to similar products at stores like West Elm, CB2 or even Bed Bath & Beyond. More importantly, as an everyday-low-pricer, you aren’t caught up in high-low pricing, coupons, one-day sales and all the other contrivances many retailers put you through. Yes, Walmart made ELP its model before

Ikea really picked up traction in the US, but it remains perhaps the purest advocate of this strategy in the country today.

4. Stores: There are destinations... and then there are Destinations.

When Ikea opened that first store in King of Prussia, it was someplace that people drove hours to get to. I know because I was one of them. Today with fewer than 50 stores, its locations remain places where people go on purpose with the intent of buying. They are not walking the mall or visiting a lifestyle center downtown for dinner. Its stores are often sited right off major highways as stand-alone properties. There is no mistaking why you are there.

And the stores themselves are big statements... and not just in size. There are great display vignettes, lots of selling floor excitement and all kinds of multiple assorting so that even if you miss something the first time, you’ll see it three or four more times before you’re done. The maze-layout of the showroom is an amazing floor plan, and while Stew Leonard’s is one of the few other retailers who have picked up that trick, it is an effective tool.

The store-as-flagship idea is gaining today. Look at an operation like Restoration Hardware. After opening a lot of average-size mall stores, it has pulled back to high-profile flagships where the destination strategy is a key component. This is exactly what you will see more retailers doing in the Internet Age. They won't need countless regular stores, but what they will need are high-profile showplaces where shoppers can see the products in person and then go home and make their purchase online. It's why Amazon will eventually open stores while today's in-store operators will continue to cut back locations.

5. Marketing: The catalog is not dead after all.

Right from the start, Ikea made its printed catalog the centerpiece of its marketing "efforts. It came out annually, like the old Sears and Wards books, and—hey, maybe there's a pattern here—like Resto's multipart catalog today. Ikea does little traditional advertising, maybe some TV once in a while, or a bit of print for something special. But no Sunday circulars, no massive Black Friday campaigns plastered all over TV. Williams Sonoma knows the value of printed catalogs, even if it's sometimes hard to draw a straight line from the book to an actual order. About half of the WS business today is done outside its stores so this kind of marketing is proven to be effective. The Ikea catalog is also a terrific vehicle to showcase its products beyond serving as a directory of individual items. There is page after page of romance, giving shoppers decorating ideas, design direction and lifestyle imaging. You can't do that in a 30-second TV commercial or a Sunday tab.

6. Sourcing: Verticalis virtuous

Yes, Sears was the originator of the vertical model, owning all or portions of many of its major suppliers. This model goes back a long time in home. Fieldcrest towels were, after all, once made by Marshall Fields. But over the years, many retailers got away from this program. Not Ikea. While it doesn't own all its manufacturing, it has a very integrated system that is largely seamless. It buys virtually nothing off the shelf and designs just about everything you see in its stores. Again, it's similar to how H&M and Zara operate, though they layer on the extra step of being able to get their fashion merchandise into their stores at an ungodly speed. That's not part of the Ikea M.O.

7. Name: A store by any other name...

It's amazing how many ways you can pronounce a name with just four letters, but no matter. Ikea is a distinctive, easy-to-remember name that works in most any language, not being one of those words that means diarrhea in Bengalese. Zara knows that. So does H&M. And so does Amazon. So, that's my case for why Ikea has influenced more of American retailing today than any other single retailer.

And I haven't even mentioned the meatballs.

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