

## Why IKEA Took China by Storm, While Home Depot Failed Miserably

**Author: Kim Bhasin - Business Insider Retail**

**Published: September 14th, 2012**

Home Depot's big box stores have bombed in China, and lots of analysts and pundits have attributed the failure to the difference in culture — the Chinese simply don't like do-it-yourself.

That's true, but it's not the whole story. It's not that simple.

Look at IKEA. The furniture retail juggernaut from Sweden is killing it in China, and it's famous for making its customers put everything together themselves.

In fact, CEO Mikael Ohlssen said in late 2011 that sales in China are growing faster than at the company as a whole.

So, if the Chinese don't like do-it-yourself, what's the difference between Home Depot and IKEA?



(AP Photo/Elizabeth Dalziel)

Helen H. Wang, an author and consultant on China's middle class, explained the concept in a column at Forbes last year:

"In the last fifteen years, home ownership has gone from practically zero to about 70 percent. However, many people have little sense of how to furnish or decorate a home. They are very eager to learn from the West. This is one of the reasons that IKEA is very popular in China. Their Western-style showrooms provide model bedrooms, dining rooms, and family rooms showing how to furnish them. Their stylish and functional modern furniture is particularly appealing to young couples.

... Chinese consumers need to be educated as they have no role models. They are eager to learn but they need guidance. Companies that invest in educating the market can expect to reap handsome rewards."

When you go to Home Depot, you're asking for help to solve an existing problem that you have — you want to install a ceiling fan, you want to put new windows in or you want to build a deck. The staff is helpful, and they'll help you figure out what you have to do for the project, but the project in it of itself isn't necessarily packed with Western culture.

IKEA, on the other hand, teaches the consumer how to decorate their home, and thereby experience Western culture. The project — and the payoff, for that matter — lets consumers experience that culture.

There's an opportunity there, and perhaps that's why Home Depot hasn't completely given up. It's keeping a couple specialty stores — one paint and flooring, along with one decor — and a research and development team in the country.

Retailers often don't realize how complex things are in China. There are so many subcultures — after all, there's more than 1.3 billion people there — and so many things beyond a company's control. For instance, most Chinese live in condos and don't have garages to stockpile tools, points out Wang.

Dan Harris, an attorney who specializes in Chinese law, explained at China Law Blog the lessons he learned about consumers there:

"I have engaged with many true experts in the field and all that allows me to make one point and one point only: China's retail is incredibly complicated. My law firm has clients unbelievably successfully selling products in China that I would have thought had absolutely zero chance of success and other clients who have failed to succeed with products that everyone thought were sure winners. Like consumers just about everywhere else in the world, China's are fickle, mercurial and unpredictable."

**Link:** [www.businessinsider.com/ikea-home-depot-china-failed-2012-9](http://www.businessinsider.com/ikea-home-depot-china-failed-2012-9)