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Case Studies in Innovation to Produce Lower Prices: IKEA, ING DIRECT, Mercadona and Privalia

4.1 IKEA

Company Fact Sheet:

Turnover 2009: €22.713 billion
Employees 2009: 130,000
Established in Spain: 1996
Operations in: 39 countries, including Saudi Arabia, China, Russia and Thailand.

When Marino Maganto, Director of the Badalona IKEA store and head of the planned opening of the centre at Gran Vía 2, looked at the ad agency’s storyboard, he nodded. He liked aggressive advertising and this proposal was just that. In spades. He was just about to open the second IKEA centre in Barcelona’s Metropolitan Area, and the advertising campaign was going to be intense.

As in all the countries where it had started, the IKEA group’s first opening in Barcelona was Habitat. Once that furniture retail model – similar to IKEA’s but with a price mark-up – had proven successful, the green light was given to set up in Spanish territory. The first store opened in 1996 in Badalona, at the Montigalà commercial park, only a few kilometres from Barcelona, and was an immediate success. People came from all over Catalonia every Saturday to pick up the little pencils and stroll round the store, touching, looking, asking questions.

Eleven years later, IKEA decided to open a second centre in the Barcelona Metropolitan Area: the Gran Vía 2 branch, on the outskirts of Barcelona, towards Hospitalet. The new store had not been conceived to simply complement the Badalona store, it was going to be
absolutely identical to it – and to the 250 other stores all over the world. So how would the opening affect the Montigalà store? Would it take customers away? How would the 4.5 million people in the Barcelona area be divided up? Would the customers realise that both centres would meet exactly the same needs? The ad agency took a humorous approach to all these concerns: half of Barcelona should go to the Gran Vía 2 store, and the other half to Badalona. Families would break up, couples would break up, obliged to go to different IKEAS; Mariano Maganto was convinced.

4.1.1 The IKEA group

The IKEA group was the brainchild of one visionary man, Ingvar Kamprad, who opened his first store in Sweden in 1958, and spread out from Scandinavia from 1973 onwards, eventually opening over 300 stores across the world which are visited by around 550 million people every year. It all began when he saw the serious transport problems that the customers at the furniture store where he worked were having, trying to get the furniture they had bought out to their vehicle, and then home. Seeing that was enough to make him realise that logistics needed to be part of design; so he began a business project that in the intervening years has grown into the largest furniture emporium in the world. Like all great visionaries, Kamprad exercises considerable influence on the company, defining both its main strategies and its values. Strong personal convictions have produced a very specific company vision, where people are central to every consideration: the motto is “to create a better everyday life for the many people” – employees, suppliers and customers. This vision is achieved through quality functional Swedish design at prices within everybody’s reach. The “Swedish” angle is very important here because it has played a major role in the store’s development. “Swedishness” permeates every aspect of IKEA, from the colour of the logo to the food in the cafeteria, via the design and the product names. IKEA is Swedish and proud of it. The company perception is that the image Sweden transmits to the world is neutral, friendly and clean, which means it emanates positive value.

IKEA is divided into three large groups:

IKEA itself, dedicated to furniture retail
Inter IKEA Systems BV, the owner and franchisor of the IKEA concept
IKANO, which is in charge of financial services, real estate and asset management.