

IKEA Entering India, Finally!

opening case

The Swedish home furnishings giant IKEA has finally entered India in 2018 after more than five years of preparation (including the last two years building the stores). The question still lingers though, can IKEA adapt to the aesthetic wants and needs of Indian customers and can the company motivate the 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 flat box. And no one knows what to call the L-shaped tool—although there is an official IKEA emoji for it on smartphones and a keyboard app for iOS and Android phones for 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? How is it working so far?

India became the 51st country that the largest furniture company in the world, IKEA, entered since its founding in 1943. Since its founding, IKEA has become a \$43 billion company in sales annually (€35 billion), 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 very minimal changes except for being implemented on a much larger scale—growing rapidly almost every year.

The IKEA business model and the company's assortment of products are now on the move to take over India like they have been doing with other countries. After all, IKEA's market entry into China in 1998 went reasonably well. IKEA has three stores in Shanghai, two stores in Beijing, two stores in Chengdu, and one store each in Tianjin, Guangzhou, Shenzhen, Nanjing, Dalian, and Shenyang, along with eleven more stores across smaller cities in China. For India, IKEA initially plans to open 25 stores but has marked some 49 Indian cities that have potential to get 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 and is a 400,000 square-foot store at a cost of \$110 million.

To ease Indian customers into the IKEA model before the store opened in 2018, the company unwrapped its first experiential center IKEA Hej (Hello) Home close to the IT hub of Hyderabad. The Hej Home small-scale store provides some insight into IKEA products and solutions, which future Indian customers 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 Page 358 understanding of life at home in India and its unique home furnishing solutions, including food and room settings, for Indian homes.

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 they do sent one of its top design executives, Marie Lundström, to India with a mission to understand the Indian mindset and aesthetic. IKEA had decided that it needed to learn everything it possibly could about the Indian customers in a variety of Indian homes, places, and settings. The entry into China in 1998 went well but was also undertaken before the social media world we now live in. India could not go wrong for IKEA; the brand depended on it.

Marie Lundström didn't leave a single stone unturned. She visited nearly 200 Indian homes all across the large landscape of India. She spent countless hours interacting with Indian family members. IKEA also did the customary customer surveys with a large cross-section of the potential customers. In all, under the leadership of Marie Lundström, IKEA found some important characteristics of the Indian customers that could be effectively used by IKEA to make sure that their market entry into the country in 2018 was as successful as it could possibly be. Some of the findings indicated that Indians love color. Indians' family lives center around the couch. They watch TV while eating, which is not much different than Americans and many other nationalities, but nevertheless a finding that was helpful to understand India, the country's customers, and their characteristics. Unfortunately, customers in India are not also big fans of the IKEA trademark of do-it-yourself.

Taking all of this into account, IKEA could now plan accordingly. The company meticulously planned its large-scale store design and product range for one of the largest economies in the world with one of the largest potential customer populations. It is a remarkable journey that took IKEA through five years from initiation of the idea of entering India, to three years of detailed planning and research, and a couple of years of actually building the first store

in Hyderabad. It is a fascinating story, journey, and a deviation from normal practice for IKEA—the company that prides itself on being Swedish in its processes, product names, and food served in its restaurants! To date, IKEA has about 400 employees in India and the company has plans to increase that number to 15,000 employees by 2025, with half 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; and Saurabh Singh, “IKEA’s India Plan: To Hire 15,000 Co-Workers with Equal Representation from Women,” *EnTrackr*, December 7, 2017.

Introduction

This chapter is concerned with two closely related topics: (1) the decision of which foreign markets to enter, when to enter them, and on what scale; and (2) the choice of entry mode. We covered strategic alliances in [Chapter 12](#) when we discussed the strategy of international business, which also has implications for entering foreign markets. Specifically, a company can engage in a strategic alliance to enter a foreign market, and this becomes the company’s internationalization strategy. However, most companies are not strategic and instead choose a market entry mode that requires lower levels of commitment and involvement. This includes choices between entering foreign markets by exporting, licensing, or franchising. Strategic alliances, like joint ventures, which we also cover as a market entry form in this chapter (in addition to the material we covered on strategic alliances in [Chapter 12](#)), require greater involvement and commitment.

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At the basic level, any firm thinking about foreign expansion must first struggle with the issue of which foreign market or markets to enter and the timing and scale of entry. The choice of which markets to enter should be driven by an assessment of the potential for relative long-run growth and profit. For example, in the opening case, how to go about entering a foreign market is a major issue with which IKEA wrestles even today.