

IKEA Builds Changes

Furniture chain offers an assembly service in India, where shoppers often shun such work

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IKEA built a global empire selling affordable furniture that people assembled themselves. For its first store in India, the Swedish retailer is upending its business model.

The India store, set to open next month in the southern city of Hyderabad, will feature IKEA's first in-house furniture-assembly team, with 150 full-time employees. IKEA created the optional service after research indicated many Indians would be unlikely to buy bookshelves and tables they had to screw together.

The store also will have items tailored for Indian preferences, such as lunchbox sets to carry multiple-course meals, pans to cook Indian flatbread and mattresses containing coconut fibers, which many Indians find cooling. The outlet's 1,000-seat restaurant will be IKEA's biggest to date, serving samosas and biryani as well as Swedish meatballs made with chicken or vegetables because most Indians don't eat beef or pork.

"This is the moment of truth," said Juvencio Maeztu, the company's deputy chief executive, who spent the past six years preparing for the India launch. "India is an opportunity to make the next 75 years of IKEA."



The Swedish retailer made more than 1,000 home visits to learn about In

IKEA, like many big Western retailers, is betting that India's mushrooming middle class and young population will spur demand for the company's products. Roughly half of India's 1.3 billion people are under the age of 25. While only a small minority can afford an IKEA bed or table set today, incomes and aspirations are rising. The country's home-furnishings market expanded more than 90% over

the past six years to \$34.45 billion as of March, according to Indian retail consultancy Technopak.

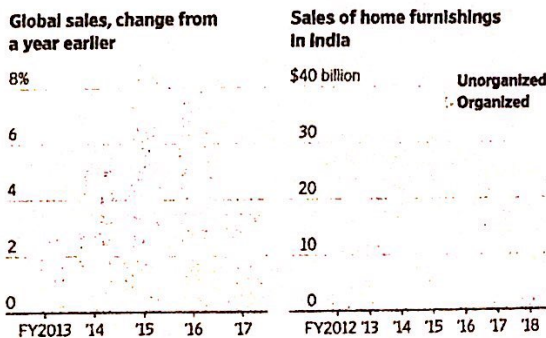
Among the retailer's potential customers is Nitin Pai of Bangalore. Mr. Pai liked the IKEA bookcases he bought in Singapore so much that he looked for a local carpenter to copy the design. Until IKEA makes its debut in Bangalore, the 44-year-old hopes the company's arrival in India will create better options. "Higher expectations will cause domestic competitors and those elusive carpenters to raise their game," he said.

Getting India—the world's second-most-populous country—right has never been more important for IKEA. Its global sales growth has slowed sharply in recent years, while its profit has been squeezed by heavy investments in e-commerce.

IKEA has considered doing business in India for years, having first established a presence in 2007 only to run into a

Getting Organized

India's home-furnishings market is largely served by informal mom-and-pop outfits—so-called unorganized retailers—but bigger companies are increasingly gaining share.



Note: IKEA'S fiscal year ends Aug. 31; India's fiscal year ends March 31.
Sources: the company (global sales); Technopak (home furnishings)

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raft of regulations limiting foreign investment in the country's retail sector.

In the past month, the announced date of the company's India opening has been delayed twice. A spokeswoman

said IKEA still has more work to do on the store.

The Swedish retailer spent years studying India to understand what makes its residents tick. It set up a makeshift IKEA store near New Delhi and

watched how invited families interacted with its products. Its employees have been on over 1,000 home visits to figure out how Indians eat, sleep, relax and entertain. In preparation for its Hyderabad opening, IKEA flew 75 Indian employees to Sheffield last year to help open a store in the English city. It also opened a pop-up shop in Hyderabad to start introducing its products to potential customers.

Many things in the 400,000-square-foot Hyderabad store will be the result of that research. Dining-room furniture will have a prominent role after home visits showed the dining table is "not only a place to eat but to discuss," Mr. Maeztu said.

The new IKEA will have hundreds of items the average Indian can afford, including a \$2.16 jewelry box, shoehorns for 70 cents each and doormats that say "welcome" in different Indian languages for about \$5. Roughly 800 of the 7,500 products on sale in the Indian outlet will cost less than \$3. It also will offer a sewing service so customers can buy fabric to have curtains made in the store.

IKEA spent weeks training its in-house team, which includes 75 women, to assemble its furniture. In addition to its full-time employees, the company has separately trained carpenters available on UrbanClap, a Bangalore-based online marketplace for freelance labor, to assemble its furniture.

Low labor costs mean many Indians are used to hiring carpenters to make furniture or even just hang pictures.

Elsewhere, too, IKEA has been working to be more convenient. Last year it acquired Silicon Valley startup TaskRabbit—the online marketplace that connects people with freelancers willing to run errands and do odd jobs—saying it would use it to for furniture assembly.

One of its biggest adaptations in India is a plan for smaller, city-center stores. Indian cities are traffic-filled, making it unappealing to travel long distances. And consumers are used to shopping in much smaller stores than the sprawling big-box chains of the West.

"India is an opportunity to leapfrog," Mr. Maeztu said. "We cannot penetrate Mumbai or Bangalore only with a blue box in the outskirts."

IKEA's main domestic competition will be the thousands of tiny furniture shops and roadside carpenters who build to order. There are only a few national furniture brands and websites.

A few miles from the IKEA in Hyderabad is Ashish Singh's Furniture Point store. He knows IKEA is coming, but said he isn't worried. Although both venues will compete on price, Mr. Singh maintained that IKEA can't match the quality of materials or customization his store allows.

"We deal with Indian teak; they deal with plywood," he said.