charitable foundation, has owned the IKEA Group. Many estimates peg the foundation as one of the world's wealthiest charities—worth an estimated $36 billion. INGKA Holding B.V., also based in the Netherlands, is the parent company for all IKEA Group companies. The IKEA Group includes IKEA of Sweden (which designs and develops all IKEA products), Swedwood (which makes all IKEA furniture), the sales companies that operate IKEA stores, and all purchasing and supply chain functions. This type of ownership is unique in that the foundation is a nonprofit organization designed to promote innovation in architectural and interior design. Some criticize IKEA's ownership as an arrangement that leverages the uniqueness of Dutch law to avoid taxes and prevent a hostile takeover attempt.

Today, IKEA is Sweden's best-known export. The company had 2009 worldwide sales totaling $32 billion and an annual growth rate of 7 percent (down from 14 percent in 2008)—the company's slowest growth rate in more than 10 years. Roughly 80 percent of IKEA's sales come from operations in Europe, with North America and Asia/Australia contributing 15 percent and 5 percent, respectively. The company has 123,000 employees (down more than 5,000 since 2008) and more than 301 IKEA stores in 25 countries, with 267 of these stores belonging to the IKEA Group. The remaining stores are owned and operated by franchisees. There are currently 36 U.S. stores, with plans to open two more. IKEA had originally planned to have 50 stores operating in the United States by 2010, but the recent worldwide economic recession slowed IKEA's plans. Worldwide, the company plans to open 26 additional stores within the next year.

The IKEA Concept

The backbone of IKEA's success is "The IKEA Concept." IKEA's vision statement reflects this core operating philosophy:

> *Our vision is to create a better everyday life for the many people. Our business idea is to offer a wide range of well-designed, functional, home furnishing products at prices so low that as many people as possible can afford them.*

To fulfill its vision, IKEA provides stylish, functional, low-cost home furnishings that customers must assemble themselves. Furniture products are shipped in flat packs to save money on manufacturing and distribution, which IKEA then passes on to customers in the form of lower prices at retail. To compensate for the customer having to "do it yourself," IKEA offers other services that make this proposition a little more attractive. These extra services include in-store child-care and play areas, restaurants, and longer store hours. To help visitors prepare for this experience, IKEA provides its customers with pencils, paper, tape measures, store guides, catalogs, strollers, and shopping bags. IKEA even offers delivery for the bulky items that customers cannot carry themselves. For those who want to carry their own bulky furniture home, IKEA rents car racks for convenience. IKEA stores are designed as a circle so that everything can be seen no matter in what direction the customer is headed. The aisles are wide to reduce traffic congestion that could occur when customers stop to look at different showrooms and displays.

Production

IKEA's key objective regarding production is to establish and maintain long-term supplier relationships. When designing new products, IKEA actually begins with a target retail price in mind, and then works with roughly 1,400 suppliers in fifty-four countries to find the lowest cost way to manufacture that product. Its oldest suppliers are Swedish; however, other major suppliers are located in China (21 percent), Poland (17 percent), Italy (8 percent), and Germany (6 percent). IKEA accounts for up to 10 percent of the furniture market in each country where its products are manufactured.

One strategy that IKEA has implemented is to place 41 trading offices in 30 countries around the world to localize its operations. This gives IKEA leverage to increase production capacity (that is, labor hours and purchasing materials) when needed. The strategy also allows IKEA to closely monitor manufacturing performance. Producing high-quality products at the lowest possible cost drives IKEA's production mentality. In addition to local trading offices, IKEA also manages production through long-term contractual relationships based on bulk buying. Committing to high-volume purchases over a longer time frame allows IKEA to dramatically cut costs. Additionally, IKEA is in a position to offer its suppliers financial assistance if necessary. This optimization is key to achieving the low-cost business model that IKEA wants to maintain.

Cost consciousness dominates all aspects of IKEA's operations. In land acquisition, IKEA locates stores on property just outside of target cities. In production, the remnants of fabric and wood used for products are used to create more products. IKEA uses natural colors to cut production costs and increase social responsibility to the environment through the manufacturing process. Across its 27 distribution centers in 16 countries, flat packages are used to efficiently transport the large bulk of products from suppliers to IKEA stores. The use of flat packages lowers warehousing and distribution costs and the environmental impact throughout the supply chain.

Marketing

IKEA's marketing program has four focal areas: product design, catalogs, advertising, and public relations/promotions. IKEA's product designs are arguably the most important part of its brand image. Customers love the clean lines, frugal styling, and caché that ownership affords. IKEA admits that creating stylish and inexpensive products is a challenging task. To fulfill its vision, the company's full-time and freelance designers work closely with in-house production teams to pair the appropriate materials with the least costly suppliers. Though the work is tedious, IKEA is well-known for its product innovation.

IKEA's main marketing focus is its printed catalog, where the company spends the majority of its annual marketing budget. The 376-page catalog is produced in 52 different editions in 27 languages. In 2008, 200 million copies were put into circulation. The online catalog and website feature product information and free