



## IKEA - A global company



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IKEA is a Swedish multinational company that designs and sells ready-to-assemble furniture, kitchen appliances, home accessories and a large range of other goods. It has been the world's largest furniture retailer since 2008.

IKEA owns and operates 415 stores in 49 countries. In addition to the stores, IKEA also sells its products online through its website, with over 12 000 products available online.

IKEA's annual total sales revenue rose by 5.9% to £1.96bn in 2018. Online sales have been successful, with 199.3 million visits to IKEA's website, an increase of 13.4% from 2017. Website sales grew by 14.4% and represent 15.5% of total sales in 2018.

IKEA has been investing heavily in online, logistics and distribution in a move to reduce its home delivery times from one-to-two weeks to three-to-four days. IKEA say that this investment is a response to changing consumer demands.



IKEA is adding 4 000 staff to its global workforce, as part of a plan to open mini stores in city centres. The new jobs will be created at smaller stores, called Touchpoints. Around 30 new smaller stores are planned. Customers can visit these shops for more complicated purchases, such as whole bedrooms and kitchens, and then order online. The new stores allow people to browse items and discuss home decor plans without visiting out-of-town stores. Customers wanting smaller items will still have to visit the larger out-of-town stores.

IKEA's UK boss, Javier Quinones, said "We know that the role of the store is changing. People want to shop in a number of different ways and count on brands to offer them services that reflect the way they live."

Despite IKEA's rise in sales, Mr Quinones said UK retailing was "a tough economic environment".

"Consumer confidence has gone down in the last couple of years," he said, but pointed out that people still wanted to improve their homes. IKEA posted a 9% increase in home decoration sales, during the year, while sales of living room seating increased 8%.

He said IKEA was working on contingency plans ahead of Brexit, but did not disclose details. "There is a working group in the UK looking at scenarios," he said.

IKEA imports most of its products, and the fall in the value of the pound over the last couple of years had hit profit margins. "We didn't pass on all of the costs," he said.

Source: BBC.co.uk <https://www.bbc.co.uk/news/business-46061330> and <https://www.bbc.co.uk/news/business-46289849>



## Questions

1. State what is meant by a multinational company. (1) (AO1 1)
2. Discuss the impact of multinational companies, such as IKEA, of setting up and operating in the UK. (6) (AO1 2, AO3 4)
3. Calculate IKEA's sales revenue from online sales in 2018. (2) (AO2 2)
4. State what is meant by logistics. (1) (AO1 1)
5. Explain why it is important for IKEA to have effective logistics. (4) (AO2 2, AO3 2)
6. Evaluate the benefits and drawbacks to IKEA of introducing their new "Touchpoints" stores. (8) (AO1 2, AO2 3, AO3 3)
7. Explain how a "tough economic environment" will impact on retailers in the UK. (8) (AO1 2, AO2 3, AO3 3)