

Case Study #3: IKEA

Since its 1943 founding in Sweden, IKEA has offered home furnishings of good design and function at low prices so most people can afford them. Due to economics of scale and advanced technology, IKEA can offer standard products of reasonable quality at a low price to their customers, without comprising function or design. With more than 9,500 products in stock in every store, the supply chain needs to be efficient and flexible to meet customers' expectations. In terms of inventory management, stores decide how much they should order and are then supplied with that amount of goods. The supply chain for IKEA is very complex with hundreds of companies involved in every step of the way from the collection of natural resources to the finished products.

Today, IKEA has three different replenishment solutions to deliver goods from suppliers to the customers. The main selling point for IKEA is stores. However, with the rise in online sales the use of customer distribution centres that are used for online shopping orders has increased. Stores and customer distribution centres (CDC) are together termed selling units. CDC are warehouses that looks like DCs on the outside, but the goods are picked for individual customer orders. The goods can be transported directly from suppliers to the selling units, this replenishment solution is then called Direct Delivery. Goods can also be cross docked at an IKEA distribution centre without any storage, it is called Transit Delivery. Additionally, the goods can be transported from suppliers to an IKEA distribution centre where the goods are stored until any selling unit request them, this solution is referred to a centralized distribution centre delivery.

Regarding their network, distribution centres play a critical role in the chain, since each retail unit has a warehouse on the premises so they can store large quantities of products and reduce the frequency of replenishment. More and more products can be directly delivered to the stores and IKEA phased out wooden pallets during shipping. In this case, trucks and containers can be filled more efficiently. IKEA constantly redesigns products to get less space. It can bring the benefits not only on cost saving, but also care about environmental problems. Ikea ensure that the replenishment at the retailer stores is done every night 365 days a year to ensure that customers can find the product they are looking easily as they are an integrated part of the Supply Chain.

Even though customers demand met is based on their respective orders, IKEAs meet such demand based on their already stocked inventory and hardly does it produce from scratch based on such individual customised orders. Sometimes customer's specifications are met individually, for example when building a kitchen based on a customer 's measurement and arrangement, but IKEA only make an adjustment in already produced kitchen stocks available in the shop.

Since the border between online and offline has become thinner than ever, Ikea as making several efforts to operate both physical and digital stores to fulfil customers' needs. The group has an intuitive app interface that works as an engaging ecommerce mobile platform. But, in addition, they also infuse Virtual Reality technology to let users visualize furniture in their own home — without ever having to enter an Ikea store. Yet, the consumer experience in stores is just as carefully executed. Customers can get lost in their many staged showrooms, using the app to add items they like onto a shopping list that informs users exactly where in the store to pick up the goods. This is the on-going IKEA's goal, offering their clients the best product but also the best tools and experience when buy it.

Due to the on-going pandemic, IKEA plans to fortify their network with the introduction of omni-channel approach after expansion slows down in India. Considering the country as a very important market, the company aspires to continue its expansion through the new channel and explore more Indian cities. The company strikes a clear balance between physical and digital world and aims to open 25 stores in nine India cities, by 2025. IKEA faces a future challenge in distribution, meet an increasing demand of customers that expect to have remote shopping over phone and internet. In November of 2019, Ikea opened a Customer distribution centre in Greenstate Industrial Park, Russia, to reduce the Internet orders delivery time for the residents of St. Petersburg to one day. Given the information provided and the previous knowledge you have on the company, please discuss the following topics:

1. Discuss the most appropriate integration strategy to apply in this supply chain.
2. Discuss the distribution strategies that are implemented by the Group.
3. Discuss the challenge adopted by Ikea in the past few years to increase customer's satisfaction.