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IKEA SWOT & PESTLE ANALYSIS

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Company Name : IKEA

Company Sector : Retail (Furniture)

Operating Geography : Europe, Sweden, Global

About the Company : IKEA is a Swedish multinational retail giant that specializes in ready-to-assemble furniture, kitchen appliances and home accessories. IKEA, started first from Almhult, Sweden, it was founded in 1943 by Ingvar Kamprad, and currently has presence with over 430 stores across 50+ countries. The Company started off as a mail order sales business, which soon moved into selling furniture before opening its first physical store in Smaland in 1958 and thereafter expanded aggressively into Europe and other countries. Currently headquartered in Leiden, Netherlands, it is one of the world's largest furniture retailers. IKEA is an acronym standing for Ingvar Kamprad Elmtaryd Agunnaryd, acquired from the initials of its founders and hometown. Today IKEA Co. has a global presence by providing franchises to companies and (or) individuals, with franchisee operations spread over 29 countries.

In Europe, Romania has the highest potential for IKEA Company, and it plans to have 9 stores in that region, which is the highest number so far.

IKEA Group's vision is "to create a better day to day life for maximum people" and IKEA's Mission is "to be able to provide great designs and huge range of home furnishing products at the lowest price possible so that maximum people can afford to buy them". The USP or Unique Selling Proposition of IKEA is that they promote D.I.Y or Do It Yourself culture, by supplying ready to assemble furniture which can be easily constructed by a commoner or non-professional. This is how IKEA manages to cut down the cost and adhere to their vision and mission statements and give customers great value on every purchase they make.

Revenue :

EUR 24,945 million - FY ending 31st August, 2019 (YoY growth negative 2.2%)

EUR 25,516 million - FY ending 31st August, 2018

SWOT Analysis :

The SWOT Analysis for IKEA is given below:

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> 1.Global brand reputation for low-cost sleek furniture 2.Vast and numerous networks of ultra-modern stores 3.Integrated approach to manufacturing and supply chain 4.Strong revenue growth and profitability | <ul style="list-style-type: none"> 1.Stores located away from city centers 2.High lead time for planning of new stores 3.Standard product portfolio across the globe 4.Controversies regarding safety and durability of furniture |
| Opportunities | Threats |
| <ul style="list-style-type: none"> 1.Expansion to emerging economies with potential for low-cost manufacturing 2.Exploring locally sourced raw materials 3.Popularity of e-commerce and pick-up formats | <ul style="list-style-type: none"> 1.Competition from e-commerce and furniture rental services 2.Entry barriers, laws and regulations in unexplored markets 3.Price wars and diversification strategies of competitors |

PESTLE Analysis :

The PESTLE Analysis for IKEA is given below:

| | |
|---|---|
| <p style="text-align: center;">Political</p> <p>1.Impact of political controversies affecting the brand</p> | <p style="text-align: center;">Economical</p> <p>1.Currency impact due to Brexit may result in increased prices</p> <p>2.Emerging economies set for moderate to strong economic growth</p> |
| <p style="text-align: center;">Social</p> <p>1.Initiatives with local organizations for training and creating jobs for refugees</p> <p>2.Paradigm shift in attitudes of ultra-mobile youth</p> | <p style="text-align: center;">Technological</p> <p>1.Investments in Augmented Reality and VR set to transform sales</p> <p>2.Usage of data analytics to shape customer journey and experience in retail</p> |
| <p style="text-align: center;">Legal</p> <p>1.Criticism over tax evasion in many countries</p> <p>2.Entry barriers and regulations in new markets like India</p> | <p style="text-align: center;">Environmental</p> <p>1.Focus on sustainability and social responsibility</p> <p>2.Committed investments in renewable energy</p> |

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