

# Will Ikea Bring In The Ideas?

IKEA, the Swedish home furnishing giant, has cemented its position in India and has big plans for the Indian home furnishing market. Will that change the position of the home-grown brands? **Tanya Krishnan** finds the answer

Swedish home furnishings' retail giant, IKEA, has already entered India and is all set to open its first store in Hyderabad in early 2018 with an investment of Rs 1,000 crores. A global leader in home retail, with a presence in 27 countries, it will be setting up its India contact centre operations with a capacity of 250 people in Hyderabad and its centralized distribution hub in Maharashtra soon. Will this grand entry have any impact on Indian players in the segment?

## IMPACT OF INTERNATIONAL INVASION

Subodh Mehta, Head - Home Furniture Business, Godrej Interio, asserts, "IKEA is one of the first companies in India to get approval for setting up 100% FDI in single brand retail. We surely see IKEA entering the Indian market as an important event. It will have a big impact on every Indian player." On the flip side, Mehta also points out that 85% of the home retail market is unorganized in India and hence "there is enough space for everyone to stretch by organizing the unorganized part."

However, Tanay Agarwal, Director, Skipper Furnishings, states, "Being an international brand with products of global standards, the concept of IKEA is still very new to the middle-class sector. IKEA should be now focusing on understanding the Indian people's way of living, which differs from state to state. This will help them not only in assessing living situations but also in understanding frustrations, needs and aspirations."

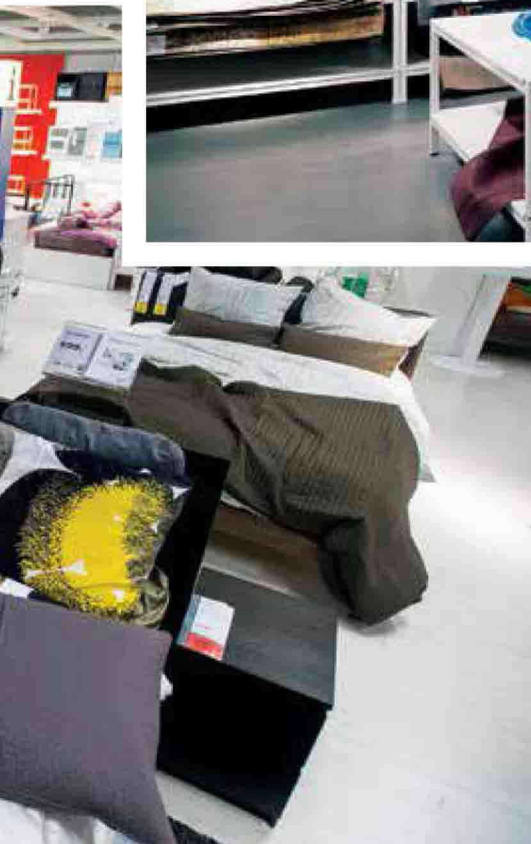
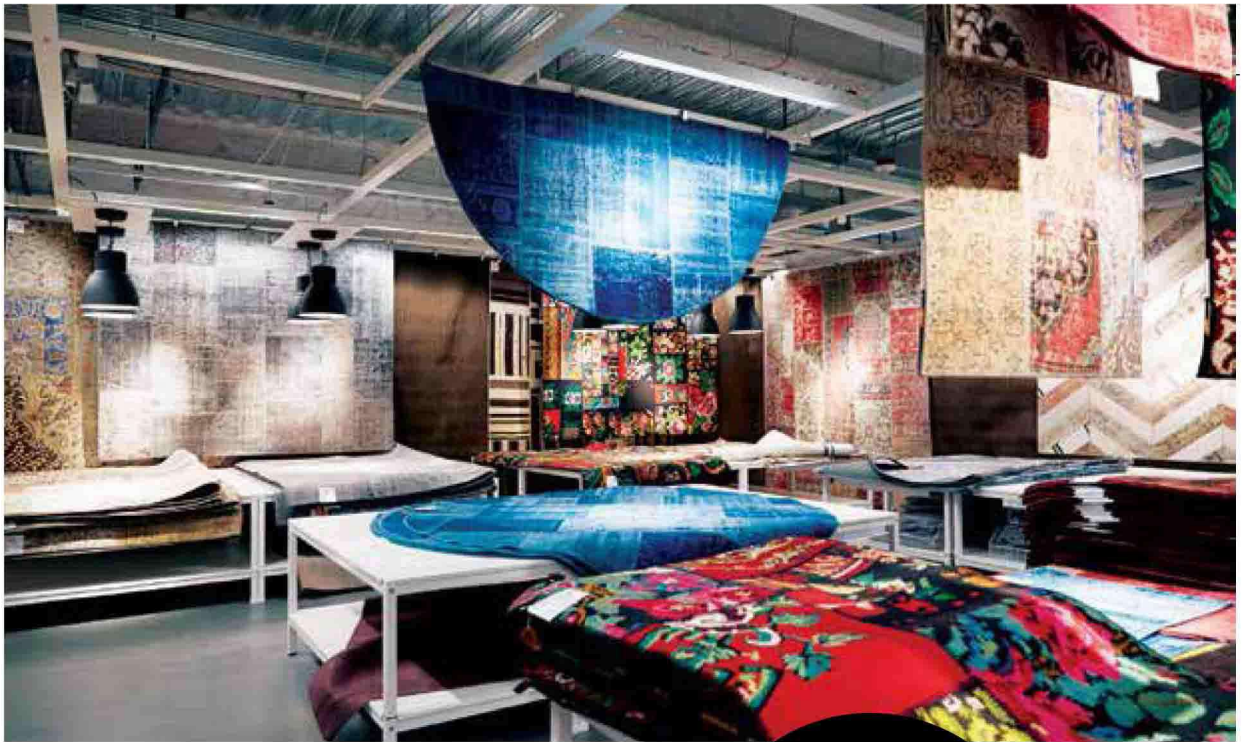


Elaborating about the effects it will have on home brands, Subodh Mehta says, "With IKEA in the scenario, the overall competitiveness of the market will increase, which will lead to better offerings by every organized player in order to stay relevant. With this, the users will truly benefit. Given the size of the market and the format in which different players are working, IKEA entering India will have a different effect on different players." Agarwal from Skipper Furnishings too feels that the entry of this retail giant will

help further improve the market.

He asserts, "The home brands will have to buck up with better and premium quality of products and services in order to compete with this Swedish international brand. The entry would entail the mark of better quality of products and honest services in the industry, and at the same time with a lot of investment in marketing and promotion it will definitely induce the consumers to spend more on homes, thus increasing the overall size of the market."





### CONSUMER PREFERENCES

Beautifully designed home furnishings are usually not affordable and most people can just dream about them. IKEA's business idea is to offer a broad array of innovatively designed, stylish home furnishings at prices so low that as many people as possible will be able to afford them. Also, India has now become more open to spending on quality products. Deepikka Jindal, Executive Creative Director and MD, Arttd'inox, affirms, "Today,

the Indian customer is design-conscious and willing to pay for a piece that he or she likes, with the price being no hindrance."

Mehta from Godrej Interio also agrees, "With increase in exposure to international brands and design, consumer preferences are shifting to better quality and intelligent designs. We see the price sensitivity for this segment decreasing over time and people willing to spend on brands. Also, people are open to try experimental designs and products, which is a good thing for the whole industry. The average ticket size for us is around Rs 45,000 that has increased over the past five years."

IKEA has also geared itself to tap this opportunity derived from changing consumer spending behaviour. The retail giant's product assortment is extensive in several ways – with no dearth of stylish and quality options, it caters to the romantic at heart and also those who like to keep it minimal. Agarwal from Skipper Furnishings maintains that the consumers of today are well-versed with what they want and how much they should be paying for something. "With

**85% OF  
THE HOME RETAIL  
MARKET IS UNORGANIZED  
IN INDIA AND HENCE  
THERE IS ENOUGH SPACE  
FOR EVERYONE TO  
STRETCH BY ORGANIZING  
THE UNORGANIZED  
PART**

high standard of living and justified disposable incomes, families today are willing to purchase high-end and premium products. Having said that, we are still way behind the more developed countries where design and quality is the king," he says.

### THE WAY FORWARD

Though IKEA is yet to start its retail operations in India, it is not new to the country. It has been sourcing from India for 30 years for its stores around the world. It works with 50 suppliers in India, engaging 45,000+ direct co-workers and 4,00,000 co-workers in its extended supply chain. Also, with the rise of awareness for home fashion among Indian consumers and also frequent demands for theme-based furnishing and decor products, a player like IKEA that is committed to offer quality and innovative products is here to stay. And this will, according to the home-grown brands, ultimately attract more people to home furniture, furnishings and decor as well as boost up the organized sector. 📸