

Retail

Head of Ikea unpacks plan to 'claim the city centre'

Brodin lines up improved delivery and big change to model amid online threat

RICHARD MILNE — OSLO

Ikea's chief executive promised change at the flat-pack furniture group in response to shifting shopping habits and a move to online sales that are disrupting traditional retailers.

Jesper Brodin, in charge of the largest furniture retailer by sales since September, said that under its three-year strategy, Ikea would have full digital solutions in all countries, including home delivery "at an affordable price".

He said the retailer would make a big move away from out-of-town stores to those in city centres.

Ikea would look at ideas such as lending furniture to customers instead of selling it; using virtual reality to help people plan interiors; and different store formats, especially in city centres.

"We are going to look into a transformation of our business. We are at a point where it is less business than usual than we have experienced in the past. The speed of change going forward will be incredible."

Ikea has long relied on a model that has pushed down costs by getting customers to drive to its stores, pick out the furniture, and assemble it at home. But it is facing the challenge of city dwellers without cars, increasing competition from online participants such as Amazon, and shoppers prepared to pay extra for home delivery and assembly.

Mr Brodin stressed the need for urgency in Ikea's response, and had shifted its traditional five-year plans to a 2019-21 strategy.

"It's about the mindset: we are not going to have 10 years to gradually change and plan."

One of the biggest shifts is Ikea's newly discovered love of city centres, as more and more people move to urban areas.

"We are going to claim the city centres," he said, expanding earlier commitments to better cater to urban consumers.

Ikea would start by targeting 10 megacities, such as London, New York and Tokyo, through a number of experiments of smaller shops.

It had trialled a kitchen-only store in Stockholm and one focused on wardrobes and mattresses in Madrid.

"These three years will be exceptional when it comes to change, entrepreneurship, testing and trying and exploring new ways forward," the chief executive said.

Mr Brodin described Ikea as "hungry for growth".

Online shopping accounts for 5 per cent of its €34bn retail sales. In the UK it is about 10 per cent.

The group was conducting research in the UK into how it could rent out furniture.

"It's our ambition to explore that," Mr Brodin said.

