IKEA @ RETAIL WEEK

Transforming an Iconic Brick-and-Mortar Retailer into a Multichannel Leader

Björn Johansson, IKEA
Benedikt Furrer, IBM

IKEA

IKEA®

Creating
a better
everyday life
for the many
people
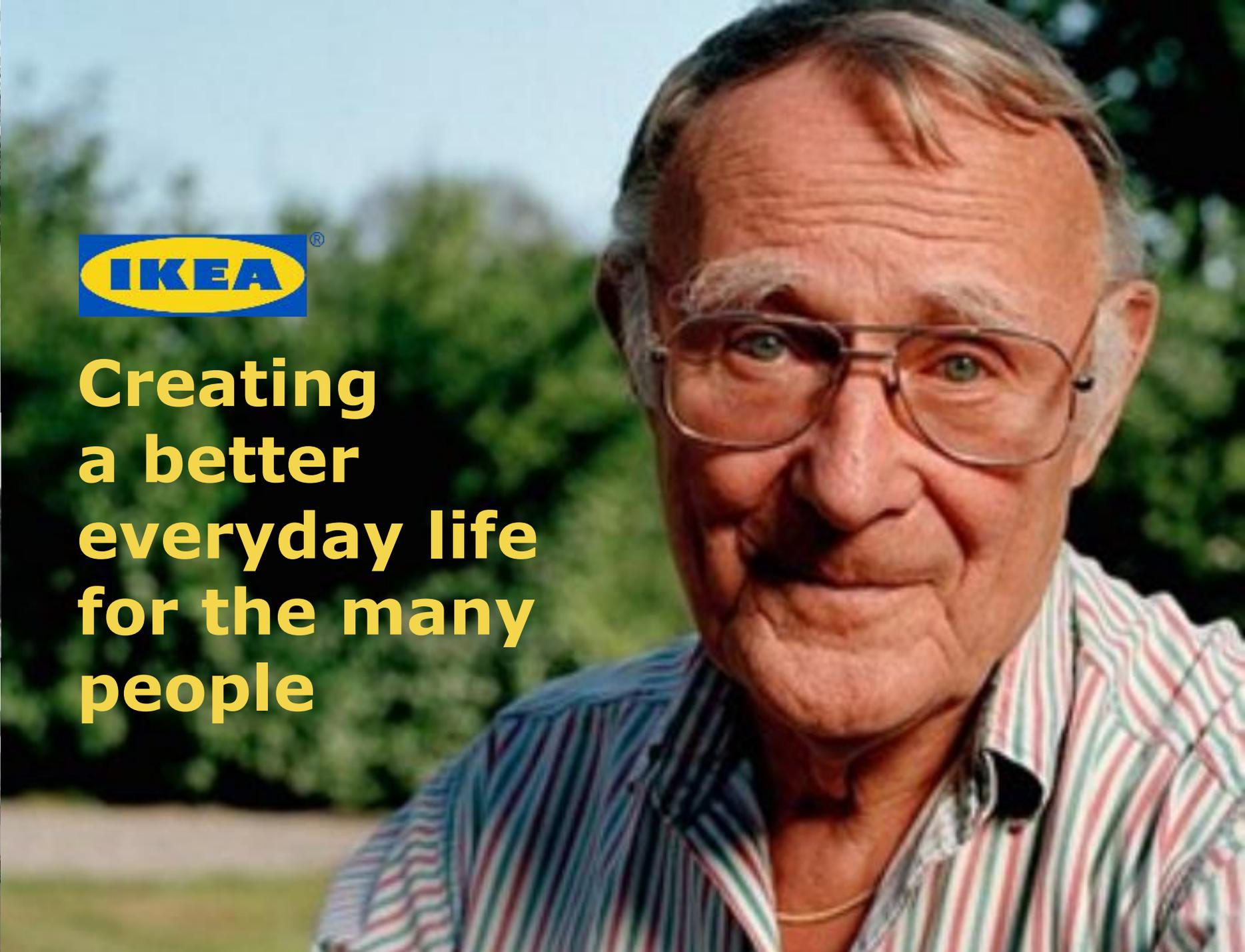
IKEA
at a Glance

EUR
38.8
billion total retail sales

EUR
2.1
billion net profit

208,000 co-workers

Retail sales per type

2% 5%

2.5 billion
website visits

93%

+ 957 million store visits and
19 new stores worldwide

■ E-Commerce   ■ New stores FY18   ■ Existing stores

EUROPE
285+2 Stores
27 Customer
Distribution Sites

NORTH AMERICA
60+2 Stores
13 Customer
Distribution Sites

ASIA PACIFIC
74 Stores
11 Customer
Distribution Sites

WORLWIDE
424 Stores
51 Customer Distribution Sites
in **52** Countries

+4.5%
total growth

+31%
e-commerce growth

Digitalisation

Increasing reach

**New ways to interact**

Convergence of physical and digital

Disruption

airbnb

Uber

amazon

Urbanisation

New market potential

Changing buying behavior

Increasing demand for convenience
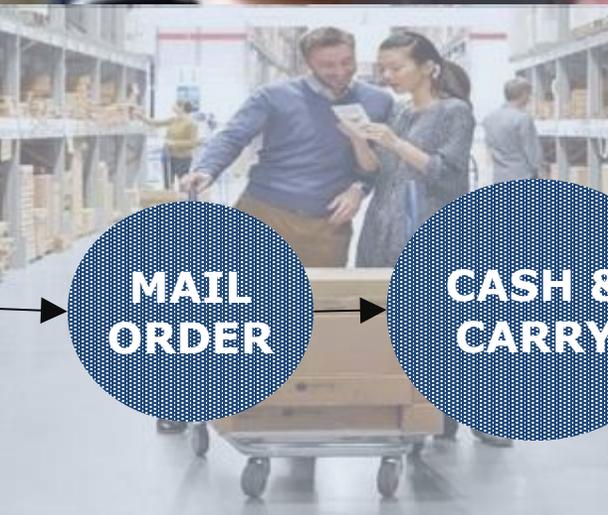
MAIL ORDER → **CASH & CARRY**

The IKEA Business Model was disrupted

~~E-COMMERCE~~ BUSINESS OBJECTIVES
MULTICHANNEL

MAIL ORDER → **CASH & CARRY** → **MULTICHANNEL** → **WORLD LEADING MULTICHANNEL RETAILER IN HOME FURNISHING**

- **Increase accessibility to IKEA –** An **IKEA online** that **complements the IKEA store**

- **Improve convenience options** for the customers

- **Secure and expand customer fulfilment capabilities** to keep customer promise

IKEA MULTICHANNEL IMPLIES THAT...

however, wherever customers choose to engage with IKEA

leverage IKEA fulfilment network **cost-efficiently implying shortest, possible lead time**

deliver conveniently to customer selected location at **affordable price**

Digital Touchpoints

Pysical Touchpoints

50+ Distribution Centres

400+ Stores

Collection Point

Store

Customer Location
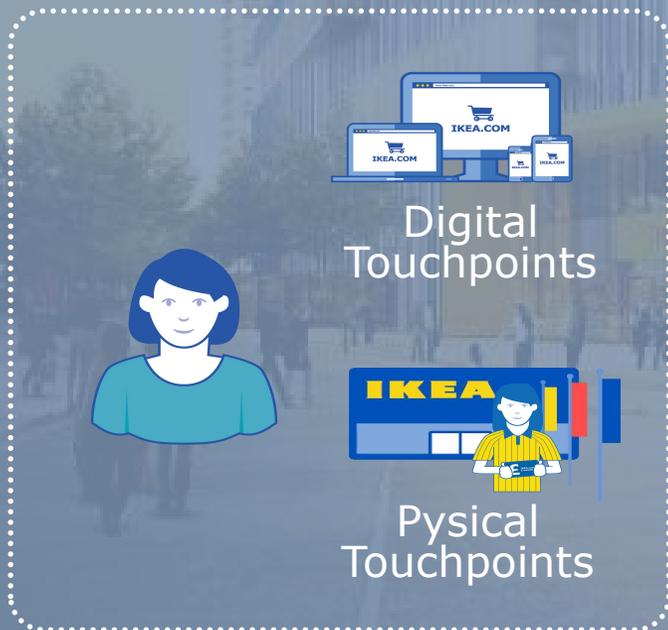
MULTICHANNEL IT SOLUTION OBJECTIVES

MULTI-CHANNEL

DECOUPLED

GLOBAL SCALE

GRADUAL TRANSITION
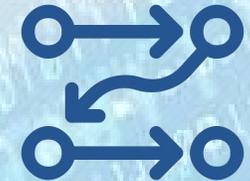
Joint Order Capture
Online & Store

Multiple Digital Touchpoints

Single Global Solution
(Codebase)

Enable Coexistence
Old vs. New

Optimal Fulfilment
Distribution Centers and Stores

Rapid Expansion
of Fulfilment Network

Global Solution Topology

Multiple Local to **Single Global** Solution

HIGH LEVEL SOLUTION OVERVIEW

Local Web Solutions	Global Web & Mobile	Planner Applications	Store Kiosk	Selling Application

Online & Store Order Capture (ENHANCED & NEW)

Sales Order Creation (ENHANCED)

Legacy Order Mgmt N America	**Legacy** Order Mgmt Europe	**Customer Fulfilment Backbone (NEW)**
		Sales Order Management — Delivery and Provided Services

Legacy (Local) Integrations Points	**Warehouse Integration (NEW)**
	Inventory Consolidation — Order Enrichment

Warehouse Management (ENHANCED)

Customer Distribution Sites	Central Parcel Units	Fulfilment Store	Third Party Warehouses

Corporate Systems

OPTIMIZED GRADUAL SOLUTION DELIVERY...

Basic Inventory Visibility and Sales Order Mgmt for **Central Fulfilment**

Home Delivery as Fulfilment Option

Global Inventory Visibility and Sales Order Mgmt for **all Central Fulfilment**

Basic integration between Order and Delivery Mgmt for **Last Mile**

Global Inventory Visibility and Sales Order Mgmt for **both Central and Store Fulfilment**

Click & Collect as Fulfilment Option

Basic **Provided Services**

Basic support for customer initiated **Returns and Exchanges**

Enhanced integrated Order and Delivery Mgmt for **Trunk Line and Last Mile**

Provided Services via **Community platforms**

Enhanced support customer initiated **Returns and Exchanges**

Optimized **Order Sourcing, Scheduling and Fulfilment**

Predictive Deviation Mgmt

Cognitive Customer Filfilment

STEP 5:
Adaptive Sales Order Fulfilment and Delivery

STEP 4:
Coherent Delivery and Service Mgmt

STEP 3:
Integrated Sales Order, Delivery and Service Mgmt

STEP 2:
Integrated Sales Order and Delivery Mgmt

STEP 1:
Global Sales Order Mgmt Foundation

Customer Fulfilment Backbone

IBM Order Mgmt
Distributed Order Management
Global Inventory Visibility

Centiro Solutions
Carrier Mgmt
Delivery Capacity
Service Capacity
Delivery Lead Times

...COMBINED WITH THE PROGRAMME ROADMAP

Assessing **Business Benefit vs. Entry Barriers for a specific rollout market** (Business Roadmap) against the **preferred, gradual build-up of the IT solution** (Technical Roadmap).

Market Entry Barriers:
- ✘ Business Readiness
- ✘ Logistics Readiness
- ✘ Employment Legislation Complexity
- ✘ New Payment Methods
- ✘ Finance Complexity
- ✘ Additional Languages
- ✘ Legacy Integration Complexity
- ✘ Infrastructure and Scalability
- ✘ Existing e-Commerce Market

Barriers to Entry vs. Business Benefit

High Barrier to Entry

High Business Benefit

Country Sequence
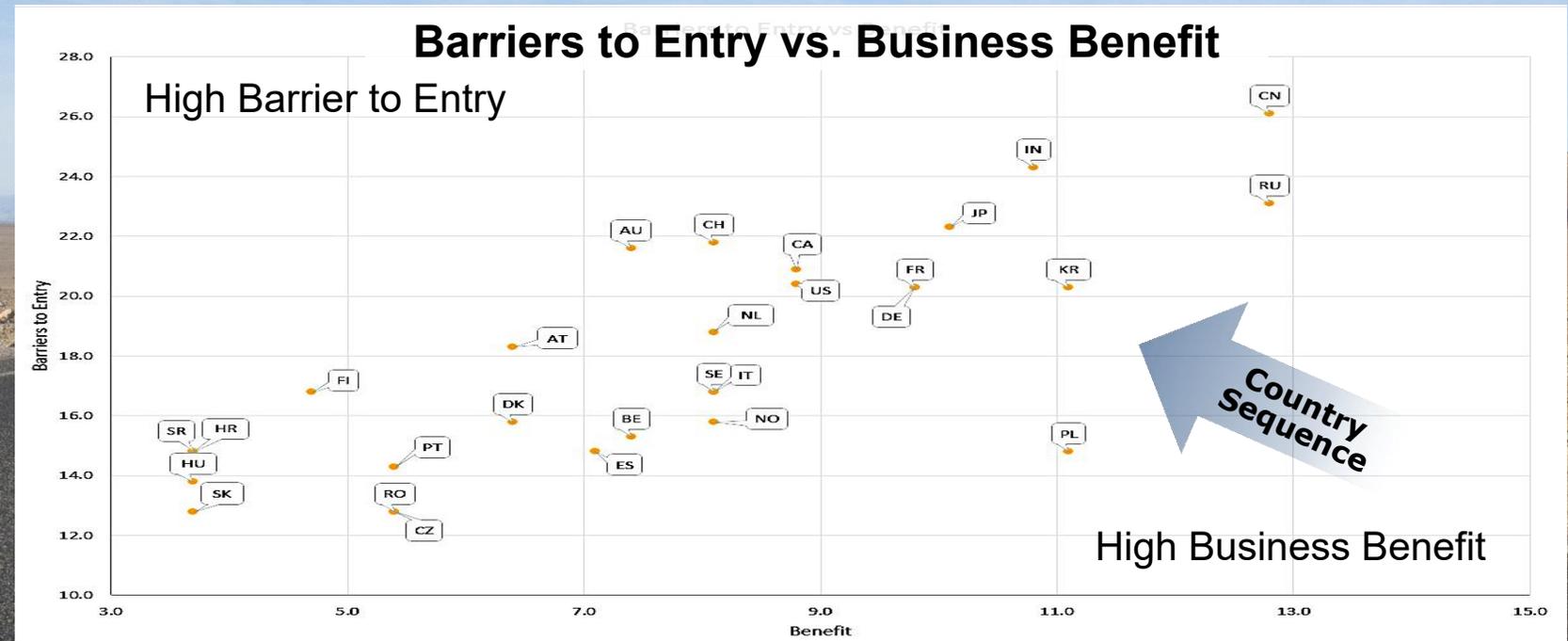
Elements of Business Benefits:
- ✓ Commercial Sales
- ✓ Fulfilment Options & Capacity
- ✓ Cost Avoidance/ Asset Utilisation

GRADUAL SOLUTION BUILD-UP vs. MARKET LAUNCH PLANNING

Optimized, Gradual Build-up of IT Solution

STEP 5:
Adaptive Sales Order Fulfilment and Delivery

STEP 4:
Coherent Delivery and Service Mgmt

STEP 3:
Integrated Sales Order, Delivery and Service Mgmt

STEP 2:
Integrated Sales Order and Delivery Mgmt

STEP 1:
Global Sales Order Mgmt Foundation

Barriers to Entry vs. Business Benefit

High Barrier to Entry

High Business Benefit

Country Sequence
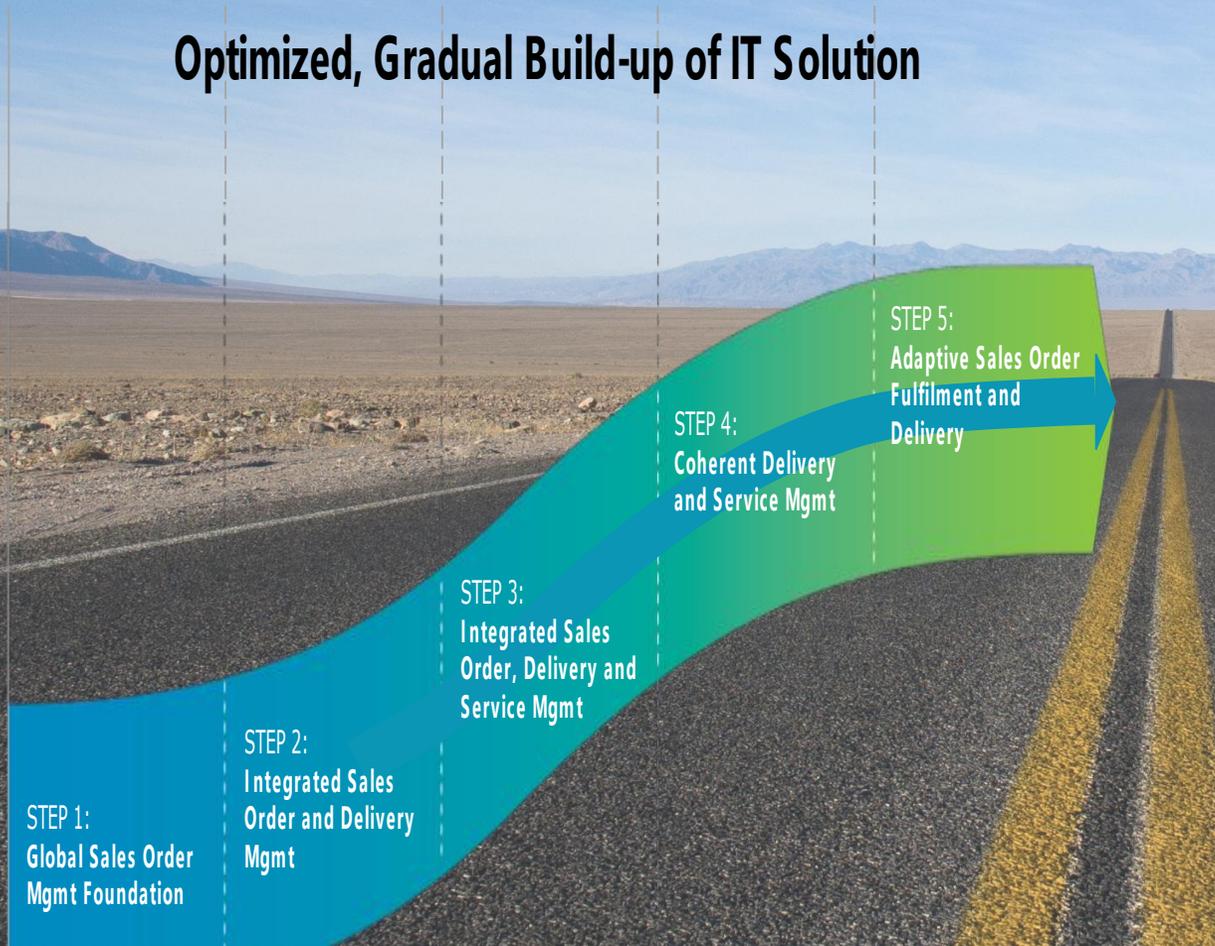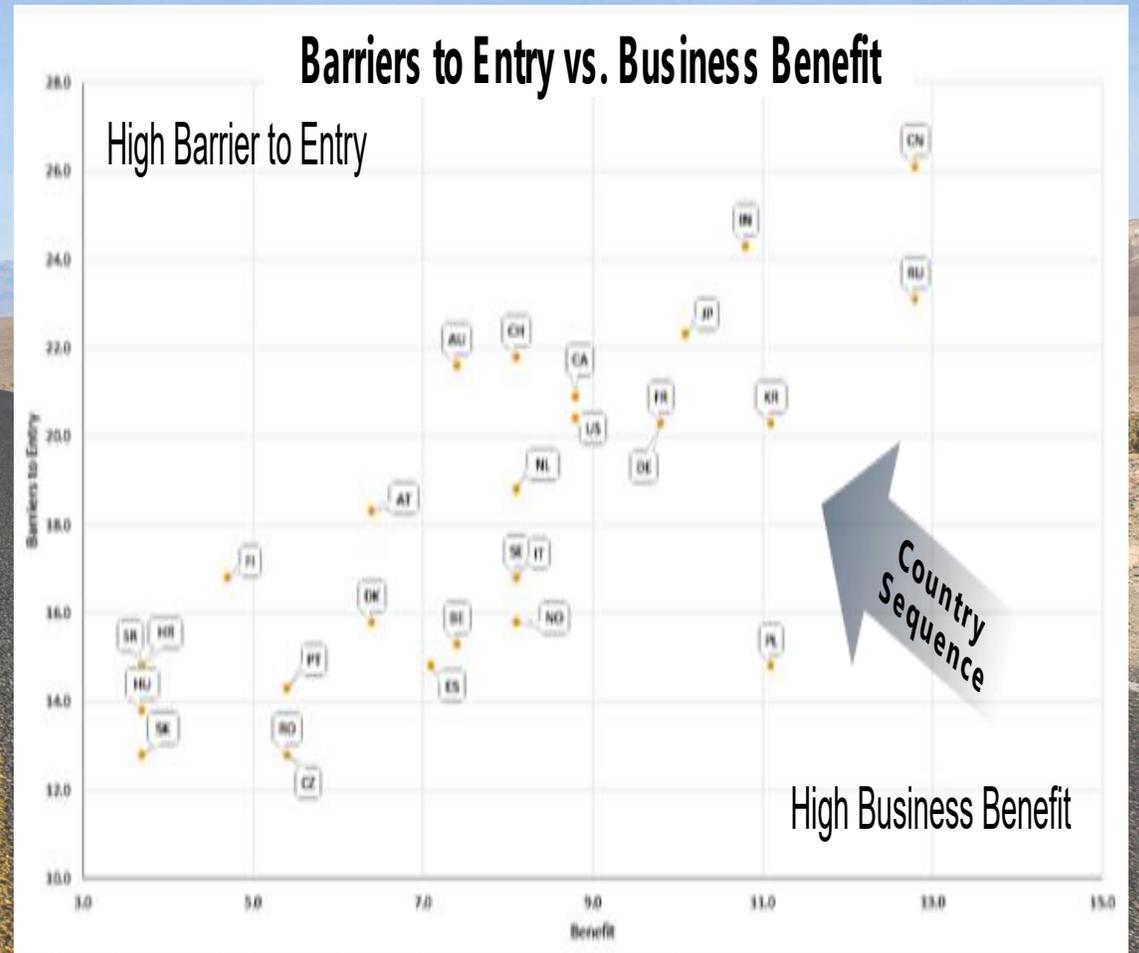
MILESTONE VIEW OF THE JOURNEY

Pilot
Launch 🇮🇪

2015

Multichannel Solution Pilot 🇬🇧

Integrated Distributed Order Management
vs. Delivery & Service Management

Rollout Multiple Tactical Commerce Solutions

2016

Enable Use Multiple
of Fulfilment Units

Truck vs. Parcel

Start Multichannel Solution Rollout
🇮🇪 🇧🇪 🇵🇱

2017

Establish & Pilot
Solution Foundation

Initiate Rollout

2018

Multichannel Rollout
to Asia Pacific
🇰🇷 🇦🇺 🇨🇳

Rollout of Store Orders solution
across Europe in 3 months

🇪🇸 🇵🇹 🇳🇴 🇩🇰 🇫🇮 🇸🇪 🇫🇷 🇩🇪 🇮🇹 🇦🇹 🇳🇱 🇨🇭 🇧🇪

Accelerate Rollout

2019

Launch Shoppable App & Enable Store Fulfilment

Complete eCom Rollout across Europe

Multichannel Rollout to Asia Pacific 🇮🇳 🇯🇵
and to North America 🇨🇦 🇺🇸

LESSONS LEARNED

STRONG EXECUTIVE SPONSORSHIP & PROGRAMME GOVERNANCE

EFFECTIVE DECOUPLING OF PLATFORM AREAS

CROSS-CAPABILITY LEADERSHIP, TECHNOLOGY & DELIVERY MGMT

COMPREHENSIVE PROGRAMME ROADMAP

PROACTIVE AND INTEGRATED SERVICE MANAGEMENT OF PRODUCTION

IKEA®

Much remains to be done – A glorious future

Thank You!

IKEA®

ABOUT THE SPEAKERS

Björn Johansson

Lead Programme Architect
for Multichannel Transformation

Lead Platform Architect
for Customer Fulfilment

bjorn.johansson5@ikea.com
+46732321454

Benedikt Furrer

Lead IBM Programme Architect
for Multichannel Transformation

benedikt.furrer@se.ibm.com
+46707935561