

Freedom to Establish

IKEA's Experience

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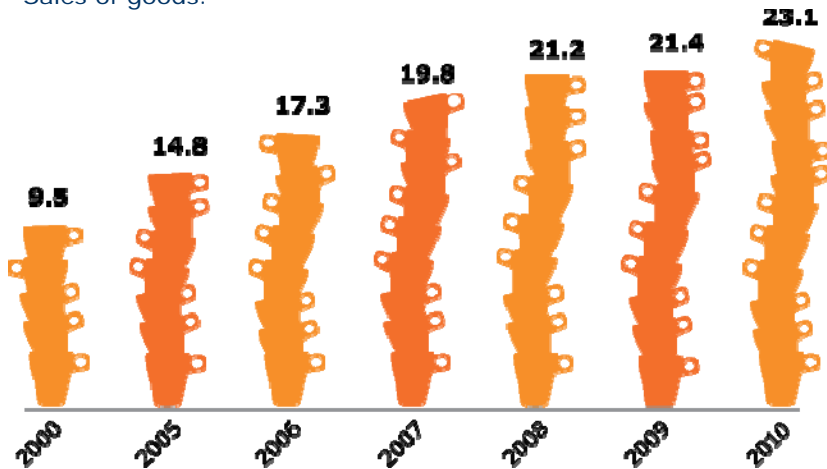
IKEA® at a glance FY10

IKEA GROUP STORES WORLDWIDE

In FY10, the IKEA Group opened 12 new stores, in 8 countries. On 31st August 2010, the IKEA Group had a total of 280 stores in 26 countries.

ANNUAL SALES FIGURES, BILLION EURO

Sales of goods.



SALES PER REGION, %

- Asia & Australia: 6%
- North America: 15%
- Europe: 79%



PURCHASING PER REGION, %

- North America: 4%
- Asia: 34%
- Europe: 62%

TOTAL SALES FY10: 23.1 BILLION EURO
Sales increased 7.7% FY10 compared to FY09.

IKEA FOOD SERVICES TURNOVER FY10
Turnover for IKEA Food was 1.1 billion EURO.

THE IKEA GROUP

The IKEA Group had operations in 41 countries – 29 Trading Service Offices in 25 countries and 27 Distribution Centres and 11 Customer Distribution Centres in 16 countries.

INDUSTRIAL GROUPS

Swedwood, an industrial supplier within the IKEA Group, had 15,500 co-workers and 41 production units in 9 countries. Swedspan, an industrial supplier within the IKEA Group, had 500 co-workers and 5 production units in 5 countries.

SUPPLIERS IN 2010

IKEA had 1,074 suppliers in 55 countries.

PRODUCTS IN THE RANGE

The IKEA range consisted of approximately 9,500 products.

IKEA GROUP STORE VISITORS IN FY10

The IKEA Group stores had **626 million visitors**.

VISITS TO IKEA WEBSITES IN FY10

IKEA websites had **712 million visits**.

PRINTED CATALOGUES, LANGUAGES & EDITIONS

The IKEA catalogue was printed in more than **197 million** copies in 29 languages and 61 editions.

CO-WORKERS IN FY10

127,000

CO-WORKERS PER FUNCTION

Purchasing, distribution, wholesale, range & other: 14,500
Retail: 96,500
Swedwood: 15,500
Swedspan: 500

CO-WORKERS PER REGION

Asia & Australia: 8,000
North America: 15,500
Europe: 103,500



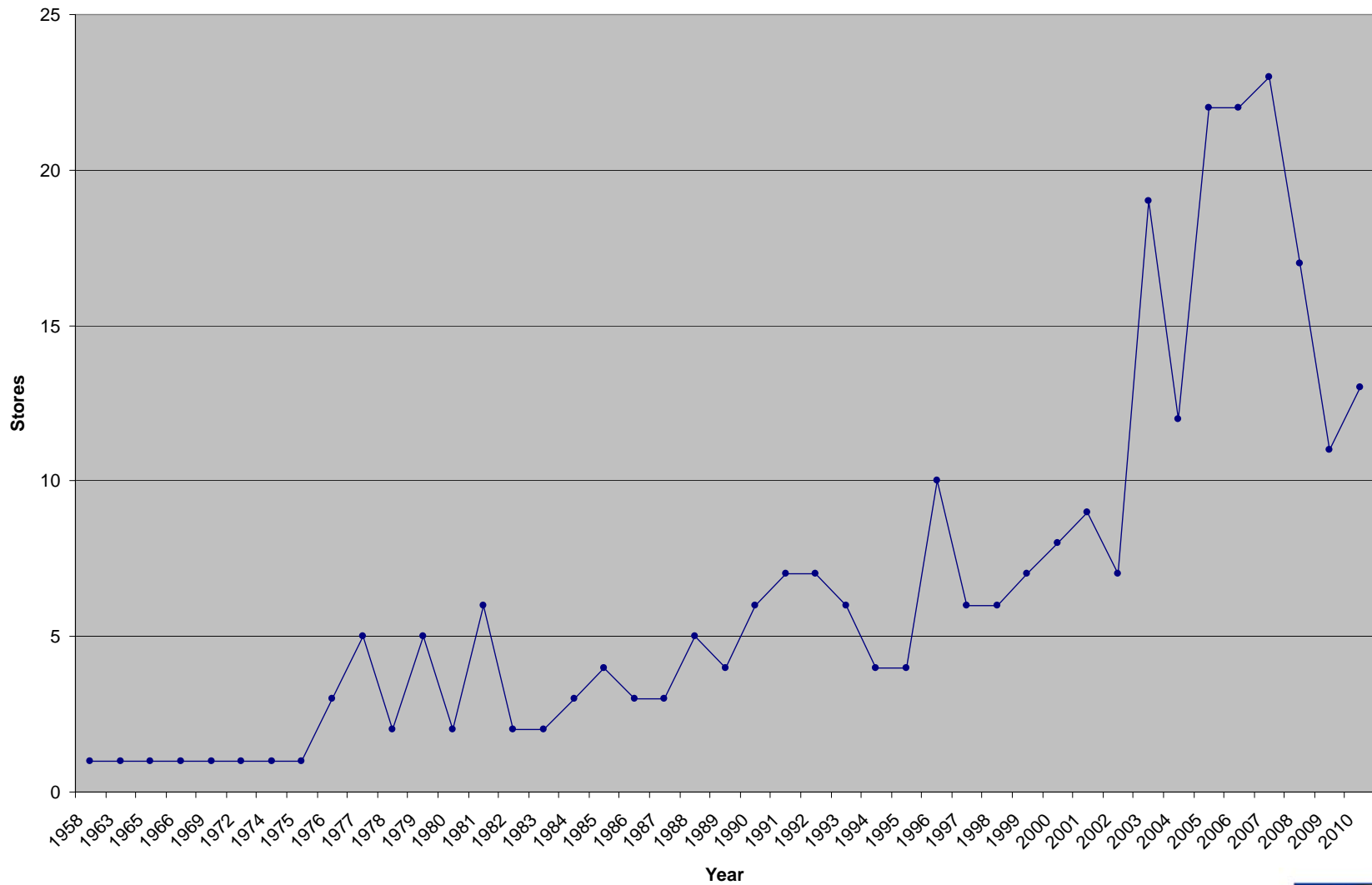
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Our business idea:

"We shall offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them"

IKEA & Establishment

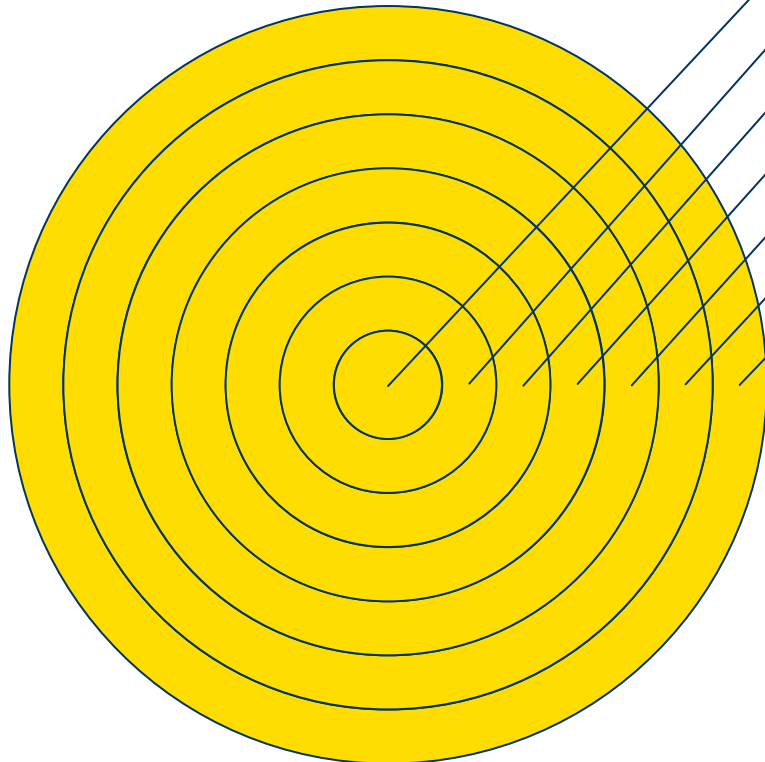
IKEA Store development



IKEA & Establishment

- IKEA would like to build 30 new stores and hire 15000 new coworkers in Germany, in the next 10 years.
- Today, establishment rules makes this almost impossible.
- Why such dramatic drop in establishment possibilities? What has changed?

City Center First



Goal: Viable City Center

How: Ensure certain income levels for established merchants

By: Limit purchase power outflow from City Center merchants

How: Limit LSR outside City Center

And: Limit store size

And: Limit floor size for products also sold in City Center

Intended result:

Added viability for City Center merchants
via higher margins and consumer prices.

Effects that are not proportionate to
its intended result.

-and even makes the city center less
viable.

-That could have been achieved with
less limiting actions

Limits & Effects

- **Market share/purchase power limits**
 - Concerns market structure and consumer choice
 - Competition is limited to purchase power strength; thereafter a cap –a cap on market economy

Limits & Effects

- Restrictions on size, range and location
 - Appropriate and proportionate to its intended aim of consumer, social or environmental protection?
 - That could have been achieved with less limiting actions
 - Size: Limited Shelf space - less variety, Smaller volumes - higher price levels
 - Range: No possible to deliver the IKEA concept with a full range to customers. Demands for breaking up of stores to accommodate size limits

Proactive cities: an engine for regeneration

IKEA effect on cities:

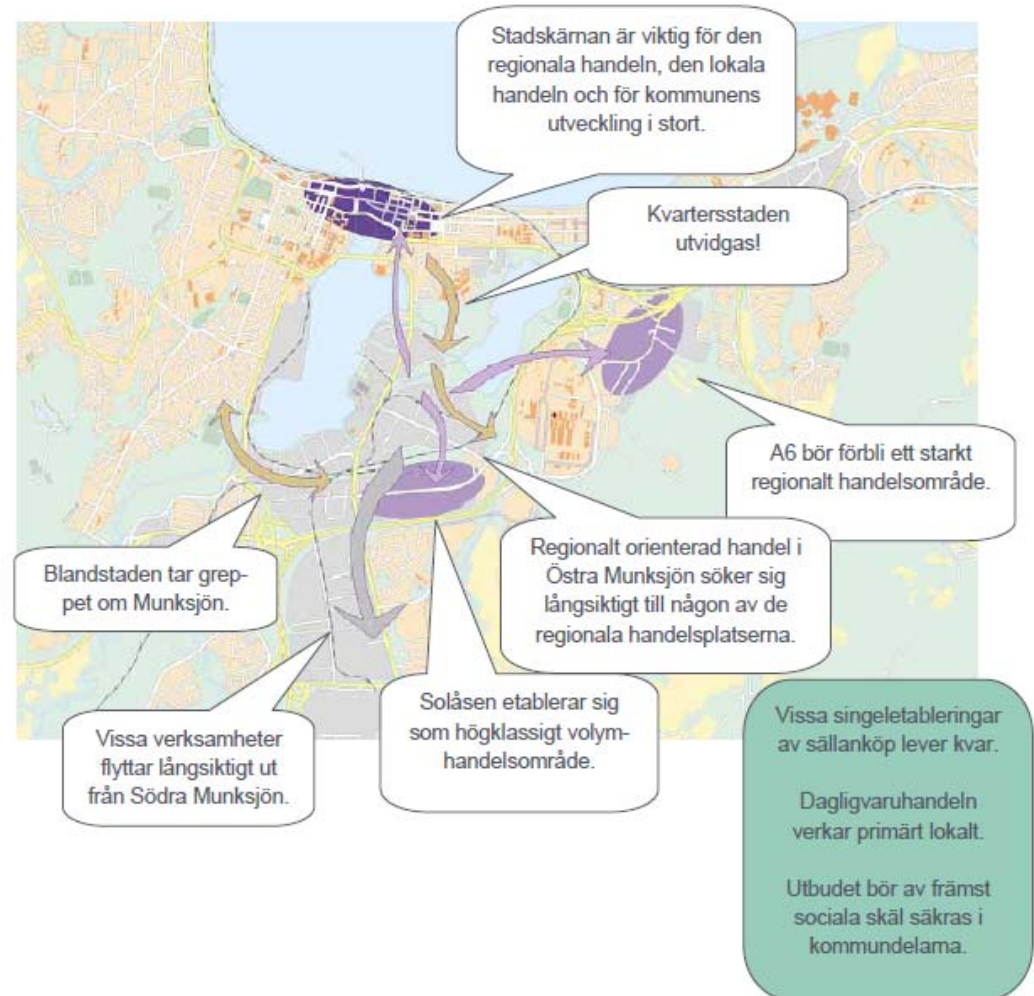
Case: Freiburg, Germany

- More than 40% of the interviewees visit both periphery and city center
- In general the probability of visiting both locations increases with the distance of the customers domiciles from IKEA's location and also the vicinity of IKEA to the inner city.
- The inner cities of centers where able to defend and even to strengthen their standing, despite the settlement and expansion of IKEA stores.
- On the whole, fringe product ranges of IKEA furniture stores somewhat increase competitive pressure on the inner city retail locations and their local specialized shops. However, at the same time there has been an increase in sales space for these product ranges in recent years.
- Considering fluctuations of sales floors in the inner city it is evident that the settlement of IKEA has not led to decline. – On the contrary: new outlets have used their opportunities in the marketplace.

Proactive cities: an engine for regeneration

Case: Jönköping, Sweden

- A thriving city center and two external regional shopping areas complementing each others expansion and development.
- City & Region working actively to strengthen the attractiveness of the town centre and region
- Municipality, region and its merchants uses the marketplace opportunities without protectionism – with good results



Summary

- Actions needs to be proportionate to its intended goals.
- Competition is needed for Europe to be competitive
- Cities, regions and member states needs to be proactive and build competitive framework conditions.
- That uses the marketplace opportunities without protectionism

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Home is the most important place in the world