

IKEA - Phygital Transformation in Furniture Manufacturing Industry

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Abstract: IKEA was formed in a remote corner of Sweden, where it was difficult to contact potential clients in larger towns. Is currently serving over 775 million clients worldwide and has a presence in 35 countries IKEA is the best illustration of phygital transformation having the combination of Physical plus digital, i.e., merging digital experiences with physical ones. Technology is a requirement of the twenty-first century. IKEA has established a physical and digital presence using technology. IKEA mixes AR (Augmented Reality) and VR (Virtual Reality), which is a fundamental cause of the company's success. This is the case study with a strong emphasis on sustainability development with the emerging phygital transmission of IKEA. The entire research is based on secondary data.

Keywords: Furniture Manufacturing, IKEA, Phygital Transmission, Sustainability Development.

1 INTRODUCTION

IKEA was founded by a carpenter Ingvar Kamprad at the age of seventeen in a remote corner of Sweden in 1943. IKEA was named after the first letters of the founder's name, the farm on which he grew up, and the village where the farm was located which are Ingvar Kamprad, Elmtaryd, and Agunnaryd respectively [1]. Initially started by selling Pens, Wallets, and Jewelry at the most affordable prices. In 1948, IKEA brought in the furniture. Currently serving over 775 million clients worldwide and has a presence in 35 countries. IKEA sells its products at far lower prices than any other retailer. IKEA has a massive product line of over 9500 products and over 350 shops. IKEA invested 800 crores in India. IKEA has a plethora of mobile apps [2].

Swedish consumers believe IKEA will be the most sustainable brand by 2022. IKEA has lofty goals for 2030. IKEA is dedicated to addressing climate change, wasteful consumption, and inequality, and to better the lives of numerous people. The use of this idea goes beyond interior design. IKEA wants to make a positive difference in the world, whether it's in the local areas where its raw materials are produced or in the ways that its products help consumers lead more sustainable lives at home [3].

2 PHYGITAL TRANSFORMATION OF IKEA

The convergence of physical and digital spheres is gaining traction and demonstrating its utility across industries. 'Phygital' strives to provide a seamless and richer consumer journey by merging digital features into physical interactions, boosting simplicity, convenience, and autonomy. It has become the norm in daily life, and now it's the time for businesses to capitalize on its potential [4]. IKEA is an example of the 'Phygital' change, having recognized the value of augmented reality (AR) and virtual reality (VR) in improving the in-store customer experience.

2.1 Augmented Reality - IKEA Place

IKEA Place first appeared on iOS in 2017, and it is now accessible on Android. The App is one of the most useful developments to hit the Homeware market and was designed to help consumers make decisions before purchasing at stores. The main notion was that customers could photograph their homes and virtually place IKEA products in them before making a purchasing decision [4]. This technology is similar to a trial technology that allows users to virtually test things without having to purchase them. Lenskart employs a similar method.

2.2 Virtual Reality of IKEA

IKEA unveiled its virtual reality kitchen application in 2016. Virtual reality is yet another great application of technology. IKEA makes great use of virtual reality while most people are too busy playing games with it. Customers can view the appearance of the furniture thanks to IKEA's virtual reality technology. For instance, you could test out a modular kitchen in a virtual reality headset before making a purchase. The ability to practice cooking and gain practical knowledge is the most amazing feature [5]. The simulation is a terrific method to engage customers and could be a future trend, allowing shoppers to have a feel for the furniture before purchasing it. The longer a consumer plays the game, the stronger their affinity and emotional attachment to the brand. IKEA even made the software available on famous gaming websites.

2.3 Experiential Shopping

Consumers all over the world have shifted towards online purchasing, and even when they do shop in stores, their expectations have shifted. Transactional shopping has given way to aspirations of more immersive shopping in 'smart' retail venues. The rise of affordable, scalable IoT (Internet of Things) and AI (Artificial Intelligence) technologies is assisting in the development of momentum [5].



Fig. 1. Augmented Reality used by IKEA [6]

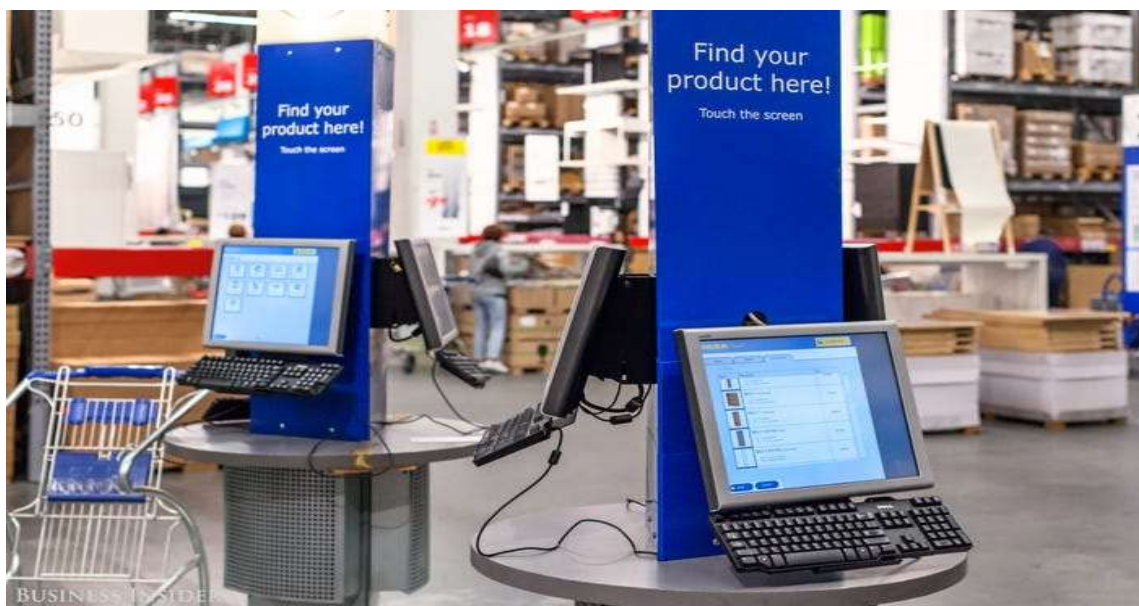


Fig. 2. Virtual Reality & Join IKEA Program Promotion [7]

2.4. RFID in IKEA

Around the early 2000s, IKEA began experimenting with radio frequency identification (RFID) technology. However, it took several years for IKEA to fully understand the technology's potential benefits and begin using it more generally. IKEA has been known to use RFID technology in various ways to optimize its operations as of September 2021 [8].

- Inventory Management
- Self-Checkout Systems
- Product Information
- Anti-Theft Measures

3 MARKET STRATEGY

3.1 The IKEA Effect - Value of Product α Engagement

IKEA plays with the psychology of people as they had the notion that if a person puts effort into something, they value that thing the most. Based on this, they played a subtle move by introducing the DIY concept. The primary aspect of IKEA's DIY approach is the assembly of furniture by the customers themselves. Each product comes with a manual containing detailed step-by-step instructions and illustrations on how to assemble the product [9].

This self-assembly concept helps IKEA reduce labour and production costs, contributing to lower prices for the customers [9].

3.2 An exceptional in-store engagement

IKEA uses the best lighting systems to display its products in a beautiful way that boosts sales. To promote impulsive purchases and inspire décor, it thoughtfully organizes best-matched items in replica rooms. To make a lasting impression and entice customers to come back for more, the business also offers outstanding customer service [10].

3.3 The Choice Overload Effect

This theory suggests that while some variety is beneficial, too much variety will overwhelm buyers and create a sales barrier. According to EPiServer's study, 46% of buyers have failed to complete an online transaction owing to too many options. Compare that to Procter & Gamble, which discovered that reducing the range of Head & Shoulders shampoos resulted in a 10% gain in revenue [6]. The negative consequences of a decision can be even greater than a lost transaction. According to research, when customers have too many options, they become uncomfortable, withdraw, and may even become depressed [11].

3.4 Sunk Cost Fallacy in Store Locations

According to the Sunk Cost Fallacy, people are more inclined to commit to an activity if they have made a big financial or time commitment to it. For example, a company may spend millions of dollars developing a product that customers do not desire. However, because a middle manager has committed funds to the project, the product launch is carried out [12].

According to research on the IKEA customer experience, most consumers plan their journey – some customers even must spend the night away to visit the store. That makes IKEA appear to be a getaway from everyday life, a mini vacation. Once buyers arrive at IKEA, they spend a significant amount of time exploring the store and discovering new things. Customers feel obligated to make the most of their trip due to the sunk expenses of so much time, money, and effort. In other words, if people see something that appeals to them, they are more likely to purchase it.

4 CONCLUSIONS

IKEA is a furniture retailer known for its affordable prices and ready-to-assemble furniture. Over the years, IKEA has embraced technology and embarked on a Phygital transformation, combining physical and digital experiences to enhance the customer journey. One of the significant technological advancements is the use of augmented reality by the IKEA arrange app, which allows users to virtually arrange furniture in their homes before completing a purchase. Additionally, IKEA has embraced virtual reality to provide buyers the opportunity to interact with its products, such as trying out a kitchen design. IKEA's marketing strategy revolves around the IKEA Effect, where customers value products they assemble themselves, providing a sense of engagement. The company also focuses on providing exceptional in-store experiences, avoiding choice overload, emphasizing affordability and sustainability, and utilizing the sunk cost fallacy in store locations. Regarding global impact, IKEA has taken steps to prevent and eliminate child labour in its supply chain through partnerships with child rights organizations. The company has implemented programs to raise awareness, promote school enrolment, and improve the economic status of rural women. IKEA's strategy places a strong emphasis on sustainability, with particular attention paid to fair and equal treatment, circular economy, and climate-friendly practices. By 2030, IKEA wants to employ materials that are sustainably generated, renewable, or recycled, and it wants to promote biodiversity.

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