

IKEA

Attack your competitors with innovation;
reward your customers with value

AN ENTREPRENEURIAL STREAK WAS PULSING THROUGH THE veins of Ingvar Kamprad from an early age. At five, he was selling matchboxes door-to-door. By seventeen, dyslexic Kamprad was selling pencils, an enterprise that developed into a mail-order business also selling soap, seeds, and stockings. This venture was so successful that Kamprad registered the company name IKEA: an acronym where I stands for Ingvar, K for Kamprad, E for Elmtaryd (the name of the farm Kamprad grew up on), and A for Agunnaryd (the Swedish village he grew up in). IKEA started in a shed that had been used for storing milk churns. His strategy was to seriously undercut his competitors, and by twenty-three, after serving a carpenter's apprenticeship, he had turned his attentions to a furniture business. He had very big plans.

Today, IKEA has 225 stores in more than thirty countries, an annual turnover of more than \$17 billion, and 90,000 employees. Kamprad is one of the richest men in the world with a personal fortune of \$18.5 billion. Kamprad revolutionized furniture retailing by making what was once a luxury more accessible to more consumers. Now, instead of spending many years' salary to furnish a home, IKEA customers can deck out their homes with only a few months' salary.

In 1953, the first IKEA showroom opened in Almhult, a railway town in Sweden. The first showroom was a huge success, leaving other Swedish furniture retailers particularly unhappy with Kamprad's ability to undercut competitors. When the Swedish

National Association of Furniture Dealers boycotted him, Kamprad was forced to look outside the country for suppliers and to design pieces in-house.

Around the same time, Kamprad stumbled on the idea of flat-packing furniture when a coworker took the legs off a table for easier transport. Bingo. Because of the boycott, IKEA began manufacturing in Poland and, to save on shipping and storage costs, designed pieces that could be flat-packed for delivery back to Sweden. Instead of assembling the furniture once it arrived, Kamprad sold it from the warehouse straight to customers, who could easily take the flat packs home in their cars and assemble it themselves. The concept for what is now the world's largest furniture retailer was born.

Other IKEA stores appeared throughout Sweden with the flagship store in Stockholm opening in 1965. Other megastores followed in Norway, Denmark, Germany, Australia, Canada, the Netherlands, Britain, and the United States.

The company, where titles and suits and ties are rare, remains privately owned through a web of private trusts and charitable foundations. Profits have never been revealed, but Swedish analysts estimate that IKEA's profits are around 6 to 7 percent of total sales. The company ethos encourages its more than 90,000 staff to be known as coworkers, and all must follow Kamprad's nine commandments that center on themes of enthusiasm, humbleness, questioning the status quo, responsibility, self-analysis, simplicity, and thrift. (For more on Kamprad's doctrine, read his 1976 *The Testament of a Furniture Dealer*—the retailer's answer to Chairman Mao's *Red Book*.) Company policy also extends to a blanket ban on extravagance, favoring economy class airfares and public transport rather than taxis. Waste is a mortal sin to Kamprad, from leaving the lights on to time-wasting. He recommends dividing the day into ten-minute blocks.

Throughout the evolution of the IKEA store, Kamprad has been obsessive about market research. A former group chief executive,

Anders Moberg, remembers Kamprad spending a seven-hour train trip to France asking passengers what they thought of his company. “He was unstoppable,” he said. This focus on customer needs dates back to the 1950s. After noticing that customers were leaving his Stockholm store around lunchtime because they were hungry, Kamprad introduced an inexpensive café to keep his customers in the store. Similarly, he introduced childcare and play areas to attract young families.

According to *Forbes* magazine, Kamprad is one of the ten richest people in the world. He moved into tax exile in Switzerland in 1974, and IKEA is owned by Kamprad’s charitable foundation, Stichting Ingka Foundation, based in the Netherlands. His business empire is a complex one, with accounts being lodged in Ireland, Luxembourg, and the Netherlands, according to Swedish economist Stellan Bjork.

A confessed alcoholic for thirty years (Kamprad says he learned to consume copious quantities of vodka during Polish business trips), he now regularly attends Swedish health farms to dry out. His darkest hour was in the late 1990s when he confessed to being a Nazi sympathizer in his adolescence, something he deeply regrets.

Looking ahead, IKEA is hoping that an aggressive rollout of stores in Asia, particularly in China and Japan, and also its Russian store rollout will continue to boost annual sales above the current \$17 billion.

Kamprad has been gradually toning down his input in day-to-day operations since 1986 and there is much speculation as to his succession plans, with all three sons, Peter, Jonas, and Mathias, involved in the running of the company and already established on the board of IKEA. Kamprad’s official title with the company now is senior adviser.

Despite Kamprad’s fortune, he eschews luxury. He still flies economy, drives a non-descript Volvo, never wears suits and catches public transport. Legend has it that Kamprad waits until closing time at his local market in Lausanne in order to drive hard bargains

with stallholders. But Kamprad is not completely obsessed with savings in his old age. The billionaire admits: “From time to time, I like to buy a nice shirt and cravat—and eat Swedish fish roe.”

NOTES

“**He was unstoppable . . .**” Heller, Richard. “The Billionaire Next Door,” *Forbes*, 8.7.00, reprinted in *BRW*, 8.25.00, p. 84.

“**From time to time . . .**” Brown-Humes, Christopher. “The Bolt That Holds the IKEA Empire Together,” *Financial Times*, 8.12.02, p. 11.

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Torekull, Bertil. *Leading by Design: The Ikea Story*. HarperCollins, 1999.

The Age, Australian Financial Review, BRW, BusinessWeek, Daily Telegraph, The Economist, Fast Company, Financial Times, Forbes, The Guardian, New York Times, The Observer, Sunday Times, Sydney Morning Herald

RE/MAX

Dogged determination is a great asset

IT IS VERY POSSIBLE THAT BILLIONAIRE DAVE LINIGER IS THE SORT OF person who would have been successful at whatever he did; he knew from when he was a little boy growing up in Marion, Indiana, mowing lawns for twenty-five cents an hour that he wanted to get rich. He dropped out of college, married young, served in the Vietnam War, and, after successfully buying and selling “fixer-uppers,” he fell into a career in real estate. After failing to sell a single house in his first six months on the job, a motivational talk shifted the mindset of this short, square-shouldered man. With newfound confidence, Liniger started selling houses like no one’s business. He even brokered a deal on the way home from that very