

Analysis of Influencing Factors and Optimisation Strategies of Digital Transformation in the Home Furnishing Industry - Taking IKEA as an Example

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Abstract:

In a situation where digital transformation is redefining business landscapes, IKEA has emerged as a frontrunner in increasing the power of digital management to enhance its operations and customer engagement. It needs to be noticed that IKEA was founded in 1943. It has grown from a small Swedish mail-order company into a global retail giant renowned for its affordable and stylish home furnishings. This evolution has been significantly increased by IKEA's strategic use of digital technologies, which has allowed the company to streamline its supply chain, improve inventory management, and create a seamless omnichannel shopping experience. The aim of this study lies in its exploration of how IKEA's digital management strategies contribute to its operational efficiency, customer satisfaction, and competitive advantage. By analyzing IKEA's digital transformation journey, this paper is going to provide insights into the practical applications of digital tools in the retail sector, offering valuable experience for other businesses aiming to thrive in the digital situation. Finally, the purpose of this study is to examine the various facets of IKEA's digital management, from e-commerce innovations and supply chain optimizations to customer experience enhancements, and to assess the overall impact of these strategies on the company's success.

Keywords: Digital; management; IKEA

1. Introduction

In today's dynamic and competitive retail market, digital transformation has become a key strategic imperative for companies to maintain and improve their market position. IKEA, as a global leader in the furniture and home furnishings industry, is an example of how digital management can change traditional business models. First, it is important to trace the background of IKEA. Founded in Sweden in 1943, IKEA has grown from a small mail-order catalog business to a multinational corporation known for its innovative designs and cost-effective solutions. In recent years, IKEA has strategically integrated digital technologies into all aspects of its operations. These behaviours have also become important measures for IKEA to make strategic digital changes. This paper provides insights into the various ways in which IKEA has used digital management to optimise its supply chain, enhance customer experience and maintain a competitive advantage. By examining IKEA's digital transformation journey, this study aims to reveal the key strategic and technological advances that have propelled IKEA to the forefront of

the retail industry. In addition, this study hopes to provide valuable insights and practical lessons for other organisations that are dealing with the complexities of digitalisation in the modern business environment.

2. Literature Review

2.1 The Definition of Digital Management

Karlskrona, Sweden states in his article that 'It is defined as a process of shifting an organisation from an old approach to new ways of working and thinking using digital, social, mobile, and emerging technology [1]. Digital management is the application of digital transformation to the management and maintenance of a business. Firstly, the concept of digital management encompasses a wide range of practices and technologies designed to optimise business operations, enhance customer experience and drive innovation through the use of digital tools. This paper will therefore delve into the basic theories and definitions of digital management and trace the evolution of digital management. By analysing key concepts such as digital transformation, digital strategy and digital maturity, it is

possible to gain a basic understanding of how organisations can use technology to gain a competitive advantage. Highlighting the process of transformation from manual processes to automated systems, the paper illustrates the transformative impact of digital technology on a wide range of industries.

2.2 Digital Management in Retail

Nowadays, the retail industry is undoubtedly at the forefront of digital transformation, constantly exploring and leading the industry in new directions of change. In this paper, we have discussed the digital management practices of the leading retail giants, including IKEA [2], and the digital management practices of the leading retail giants. This paper compares the digital management practices of leading retail giants and identifies common strategies and unique approaches that have achieved significant results. Firstly, the study covers the use of e-commerce platforms, omnichannel strategies, and the use of big data and analytics to customise the customer experience. By exploring these case studies, the report provides a comparative framework that places IKEA's digital management practices in a broader retail context, highlighting best practices and potential pitfalls for other companies in the industry.

Next, the focus shifts to a detailed examination of the gaps between IKEA's digital management strategy and those of other prominent retailers. This section examines the specific technologies and initiatives that differentiate IKEA from its competitors, such as the innovative use of Augmented Reality (AR) in product visualisation, the seamless integration of online and offline shopping experiences, and advanced supply chain management systems. Thus, through this comparative perspective, the analysis identifies the strengths and weaknesses of IKEA arising from its digital management, providing insights into its success factors. Moreover, this comparative analysis not only highlights IKEA's leadership in digital innovation but also provides insights into potential areas of improvement and further innovation.

By grounding the analysis in a strong theoretical framework and integrating IKEA's digital management practices with the wider retail industry, this paper provides the basis for an in-depth look at the specific strategies and outcomes of IKEA's digital transformation journey.

3. IKEA's Digital Transformation Journey

3.1 History and Evolution

Long before the concept of digital management became a buzzword in the business world, IKEA had already embarked on a digital transformation strategy. Haraldsson, Tobias discussed IKEA in his journal 'IKEA are

one of many companies which have decided to embark on a digital journey and re-shape their business strategy' [2]. Since 1943, when IKEA started a small mail-order catalog company in Almhult, Sweden, IKEA has actively used innovation as a driver of business growth and commitment to customer satisfaction [3]. IKEA has long recognised the power of digital technology to streamline its vast operations and enhance the customer experience. In the late 1990s and early 2000s, IKEA started to get involved in e-commerce, with an online website that allowed customers to browse and buy products online. This early experimentation served as the basis for IKEA's more comprehensive digitalisation initiatives over the next few decades.

As digital technology evolved, IKEA accelerated the process of digital transformation. This process began with the launch of IKEA's powerful online shop, which provided customers with a convenient online shopping experience. Secondly, IKEA integrated mobile applications to further enhance user interaction and engagement. Finally, IKEA also adopted advanced data analytics to gain deeper insights and accurately meet customers' needs. In the mid-2010s, IKEA first strengthened its focus on digital innovation by introducing features such as Augmented Reality (AR) apps, which allow customers to visualise how furniture will look in their homes [3]. All in all these initiatives have not only enhanced the shopping experience but have also made IKEA a forward-thinking leader in the retail industry.

3.2 Current Digital Environment

Currently, IKEA's digital ecosystem is a complex network of interconnected platforms and tools, this web of digital technologies provides a seamless customer experience and optimises operational efficiency. Also, a cornerstone of IKEA's e-commerce is its website and mobile apps, which provide customers with a more user-friendly interface, personalised recommendations, and a comprehensive product catalog. As these platforms are updated and iterated, IKEA's digital platforms incorporate new features such as Augmented Reality (AR) and Virtual Reality (VR) capabilities, which enable customers to visualise products in their rooms before making a purchase.

In addition to these customer-facing digital platforms, IKEA has implemented advanced supply chain and logistics management programmes. Firstly, the application of a real-time inventory management system enables efficient inventory monitoring and replenishment. In addition, data analytics tools provide insights into consumer behaviour and demand patterns. IKEA's ability to integrate technology into all aspects of its business ensures that it can react quickly to market changes and customer needs.

Important milestones in digital transformation. There are several other important milestones on IKEA's digital transformation journey, each of which represents an increase in IKEA's digital capabilities. In 2017, IKEA launched the IKEA Place app, an AR-powered tool, software that enables customers to visualise the furniture in their homes using their smartphones [3]. This innovation changed the way customers interact with products and bridged the gap between online and offline shopping experiences.

Another noteworthy milestone was the development of IKEA's Global Digital Hub, a central repository for all digital initiatives and innovations. It facilitates collaboration and knowledge sharing across the organisation and ensures that the digital strategy is aligned with business objectives and thus consistently implemented in different markets.

The second point is that IKEA's goals for sustainability are also supported by digital programmes. IKEA can use digital tools to enhance its sustainability efforts, such as using blockchain technology to track the origin of materials and ensure ethical sourcing.

Ultimately by continually using digital innovations and integrating new technologies into its operations, IKEA is not only able to maintain its competitive edge, thus also setting a new standard for the retail industry. In the end, IKEA's digital transformation journey proves its ability to adapt and evolve in a rapidly changing business environment.

4. Digital Management Tools

4.1 E-commerce Platform

First and foremost IKEA's e-commerce platform is one of the key components of its digital management strategy, and it is the company's main interface for communicating with customers online. Because the platform offers a comprehensive product catalog, user-friendly navigation, and personalised recommendations, the customer's shopping experience is significantly improved. And because the platform is constantly being updated with new features and functionality, such as the integration of Augmented Reality (AR) functionality, this allows customers to visualise how a product will look in their home before making a purchase. Therefore, during the follow-up survey, it was found that this AR feature of IKEA produced significant results in terms of reducing product returns and increasing customer satisfaction.

Secondly, due to IKEA's leading position in the industry and its large customer base, IKEA's e-commerce platform is designed to handle high volumes of traffic and transactions, thus ensuring a smooth and reliable shopping experience even during peak times. The platform's

robust architecture and scalability play an important role in supporting IKEA's global operations and expansion into new markets. To further enhance the online shopping experience, IKEA has also integrated multiple payment methods, such as bank cards, paypal, and Apple Pay, and streamlined the checkout process to make it easier and more convenient for customers to complete their purchases.

4.2 Mobile Applications

In terms of mobile devices, IKEA's mobile apps extend the functionality of its e-commerce platform to smartphones and tablets, changes that improve shopping convenience. In addition, these mobile apps are designed with user-friendly interfaces and intuitive navigation, which makes it easy and intuitive for customers to find the products they want. Combined with the online platform's AR technology, IKEA can help customers improve their buying experience and after-sales service, such as simplification of the shopping process through digital technology and real-time online human or robotic customer service at the end of the shopping process. Response. Ultimately, these apps not only feature personalised product recommendations but also integrate useful tools such as shopping list management and real-time order tracking, ensuring that IKEA customers enjoy an excellent logistical experience even after the shopping process is over, thus maintaining a high level of satisfaction with the overall shopping journey.

IKEA's IKEA Place app, launched in 2017, is a prominent example of how mobile technology can enhance the shopping experience. Making full use of AR technology, the app allows customers to virtually place furniture in their homes to see how it fits and looks in their space. This innovative feature has been well received by customers, helping them make more informed purchasing decisions and reducing the likelihood of returns.

4.3 Supply Chain Management System

In addition to management tools for the customer experience, IKEA employs an effective supply chain management system, Karlskrona, Sweden (2022) states in his article that 'A supply chain is the backbone of the retail business'[1]. IKEA employs advanced supply chain management systems, which use real-time data to track inventory levels, monitor supply chain activity, and forecast demand. These supply chain management systems ensure that products are available when and where customers want them. In other words, SCM is significantly impacted by artificial intelligence (AI) and digital transformation, which also raises productivity, efficiency, flexibility, and standards of quality [4]. These digital technologies not only provide accurate and up-to-date information about

product availability, which enables IKEA to manage its inventory more efficiently, but also reduce out-of-stocks and over-stocks.

By deeply integrating data analytics into supply chain management, IKEA has been able to precisely optimise its supply chain operations, significantly improving operational efficiency and, in turn, customer satisfaction. By carefully analysing massive amounts of sales data and customer behaviour patterns, IKEA can formulate smarter inventory control strategies and product display plans, ensuring that customers are offered the most relevant products at the best possible time and that the supply chain responds efficiently to their needs, and the customer experience is enhanced.

4.4 Customer Relationship Management

After completing the entire customer buying process, IKEA's customer relationship management systems can also play a vital role in managing customer interactions and building long-term relationships. These systems can collect and analyse customer data to gain insights into customer preferences, behaviour, and feedback. The information gained from CRM systems can then be used to personalise marketing campaigns, improve customer service and develop targeted promotions that resonate with customers. This improves the relationship with the customer.

Secondly, IKEA's CRM system also enables the company to respond quickly to customer inquiries and problems, providing timely and effective support. This not only improves after-sales service but also provides a more personalised and consistent experience across all touchpoints by providing a comprehensive view of each customer's interaction with the company. This customer-centric approach therefore plays an important role in building customer loyalty and driving repeat business.

5. The Impact of Digital Management on IKEA's Performance

5.1 Operational Efficiency

The first thing worth noting is that the implementation of digital management tools has greatly improved IKEA's operational efficiency. Through the implementation of a real-time inventory management system and the use of advanced supply chain analytics, IKEA has been able to greatly streamline its operational processes, effectively reducing the incidence of out-of-stocks, while at the same time precisely controlling inventory levels and minimising the risk of overstocking. This not only improves resource utilisation efficiency but also reduces operating costs. Through features such as big data and predictive analytics, IKEA can more accurately forecast demand and ensure

that products are available when and where they are needed. This technology can also have a significant impact in reducing inventory pressure. This level of operational efficiency is why IKEA has been able to expand its global operations and stabilise its position as a global headline brand in the home furnishings industry while maintaining high service standards.

5.2 Customer Experience

The second point is that IKEA's digital transformation has greatly improved the customer experience. As mentioned before, the use of digital technologies, such as AR, in the IKEA Place app can greatly enrich the customer's purchasing experience, and personalised recommendations based on customer data can help to create a tailored shopping experience and increase customer satisfaction and loyalty [3]. In addition, smooth integration across digital platforms ensures that customers receive a consistent experience, with equal levels of service of equal quality, whether they are shopping online on a mobile device, or in-store. In the end, by focusing on customer-centric digital solutions, IKEA has succeeded in meeting the changing expectations of the modern consumer and thus adapting faster to a changing market.

5.3 Sales and Revenue Growth

Thirdly, advances in digital management have directly contributed to IKEA's sales and revenue growth. Most notably, e-commerce platforms and mobile apps have expanded IKEA's reach and enabled it to attract and serve a larger customer base. A smooth and efficient digital shopping experience can also contribute to a significant increase in online sales. Finally, the ability to personalise marketing and promotions through the CRM system. All these measures have had a very important impact in expanding the customer base and ensuring the customer experience. As a result, IKEA has experienced significant sales growth by utilising digital tools to increase customer engagement and streamline operations.

5.4 Sustainability Initiatives

Finally, digital management has also strengthened IKEA's commitment to sustainability. Rehan Liaqat (2022) talks about how 'IKEA's objective is to attain 100 percent sustainability by 2030, and they're working to make their products least hazardous' [5]. IKEA uses blockchain technology to track the origin of materials, thus ensuring ethical sourcing and transparency in the supply chain. These digital tools also enable IKEA's operations to achieve more efficient energy management and waste reduction. IKEA's integration of sustainability strategies into its digital transformation strategy not only reduces its environmental impact but also meets the growing consumer de-

mand for eco-friendly products. As a result, these digital management initiatives have not only felled IKEA's long-term growth but also actively supported its sustainability goals and strengthened IKEA's brand reputation as a highly responsible and forward-thinking company.

6. Limitations and Challenges

IKEA has created many pitfalls and drawbacks while using digital management techniques for its very own positive impact. Schwertne also considered this problem in his article that 'The survey suggests that the primary risks preventing their wider adoption are data security issues, lack of interoperability with existing IT systems, and lack of control [6]. Firstly, ensuring data security and privacy is a major challenge for IKEA. As the amount of customer data collected continues to grow, it is vital to protect it from disclosure and ensure compliance with regulations such as GDPR (General data protection regulation). Robust cybersecurity measures and transparent practices are therefore essential to maintain customer trust. This became the most important point for IKEA to consider, as data breaches due to hacking are not uncommon in the world.

The second point is that IKEA has its regulatory environment and consumer behaviour as it operates in multiple countries, each of which has its own regulatory environment and consumer behaviour. However, to reduce operational costs and not break the laws and regulations of different countries, IKEA needs to coordinate a unified digital strategy across different markets, while maintaining a consistent global brand experience. To do this, IKEA needs to put in a lot of effort and flexibility.

The third point is that invoking new technologies and processes into IKEA will inevitably encounter internal resistance and challenges. IKEA will need to carry out a comprehensive training and change management program to ensure that employees are aligned with the transformation and can make effective use of the new digital tools.

The fourth point is that the home retail industry is highly competitive and rapidly evolving. To adapt to this changing market IKEA has to continuously innovate and adopt new technologies so that it can stay ahead of its competitors. Therefore this requires IKEA to invest heavily in R&D and to try new business models. This is the only way to adapt faster to this kind of market.

As a final point, with the onslaught of technology, integrating emerging technologies such as AI, ML, and IoT into existing systems is a challenge that almost all companies looking to make a digital transformation face. Ensuring that these technologies work seamlessly with existing platforms and deliver tangible benefits requires careful

planning, testing, and gradual rollout to mitigate implementation risks.

7. Conclusion

In conclusion, IKEA's digital transformation journey highlights its ability to adapt and innovate in an increasingly digital world. By implementing an advanced e-commerce platform, mobile apps, and inventory management system, IKEA has significantly improved operational efficiency and customer experience. At the same time, the integration of technologies such as AR has changed the way customers interact with products, providing an immersive and personalised shopping experience.

However, there are still challenges to this transformation. Data security and privacy issues, management of the global digital infrastructure, resistance to change, and the need to remain competitive in a rapidly evolving marketplace are all formidable obstacles. Addressing these challenges will require sustained technology investments, strong cybersecurity measures, comprehensive employee training, and flexible management strategies. All these measures can have a very important impact in addressing the issues mentioned earlier.

Despite these challenges, IKEA remains committed to using digital tools and technologies, which provide a solid foundation for future growth. Also by focusing on innovation and sustainability, IKEA is not only meeting the changing needs of its customers but also setting new standards for the retail industry. In these ways, digital reform is something that every large business needs to think about, and IKEA's ongoing digitalisation process is a model for other organisations looking to thrive in the digital age.

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