

INDIAWOOD In-Focus

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In an exclusive conversation with

Kavitha Rao,

Country Commercial Manager - India, IKEA Group



Ms. Rao leads the furniture and home furnishing retail business of IKEA INDIA to deliver long term sustainable profitable growth. She is Responsible for Sales, Marketing, Home Furnishing, Customer Experience and Food business across physical formats and e-commerce.

Q: IKEA Retail has been expanding its footprint in the Indian market through retail and online experience. What factors were taken into consideration while finalising your go-to-market strategy?

India is a very large market with immense potential, but we also know that India is a very diverse market, where no average works. Taking that as a foundation and base, we decided to focus on the macro-picture. When we first came to India back in 2013-14, the endeavour was to understand the potential of the Indian market and how could we possibly tap into it.

Taking the home furnishing segment as an example, one of the most important things for us was to understand the consumer and what happens in people's everyday life; how do different furniture and home furnishing products contribute to support our consumers in their daily life.

We wanted to understand how people use different spaces within their homes, what challenges do they face, and because of that, what are their needs. On the other hand, we also wanted to understand what demands and aspirations they have, when it comes to home furnishing. So, in fact, even before we opened our first store in India, we had visited close to 2000 homes to really understand the life at home, and the role of furniture and home furnishing in people's lives.

The second important aspect from the consumer standpoint has also been to understand, how people shop. This is an area which has seen a significant change, with online shopping gaining wider prominence. Interestingly, even before COVID, there was a very positive change with more people starting to look at categories such as home furnishing online, but of course, in recent times, we can see that COVID has accelerated the online and the e-commerce-based approach, and this has been an interesting development.

We are also constantly trying to understand what are their expectations, let's say for example, when shopping on our website, what kind of information do people look at when they want to make a choice. Indian consumers, for example ask a lot of questions about material, which we do not see from consumers across the world, and the second important aspect for them is durability. So all of these are interesting nuggets of information, which have really helped us create a more catered and curated experience.

So from a macro perspective, we have tried understanding the social, technological, environmental, economic and political development that has been happening within the country.

If you look at the long-term potential, India is expected to be one of the top three economies of the world by FY-30*. The number of Indian cities, which have a population of over 1 million, is already about 50, which then brings us to the question that where do we start, this is why we felt the starting point needed to be the mega cities, and the largest cities in India, and then over time, we look at other cities across the country. In the last year and a half, we've had to make many adjustments because of COVID, some of which have also been new opportunities, which we have incorporated into our approach for making IKEA more accessible in the Indian market.

* <https://www.indiatoday.in/business/story/india-will-overtake-japan-in-2030-to-be-world-s-3rd-biggest-economy-report-1753356-2020-12-26>



Q: What kind of changes did the pandemic usher in terms of changing the shopping patterns of the customers ?

One of the positive aspects which emerged during the pandemic and the whole “stay at home” situation, was the amount of attention people started paying to their homes, because suddenly our homes assumed centre-stage. During the first wave of the pandemic, we actually saw consumers going all out for work from home furniture, this included study tables, ergonomic chairs and so on. This was very interesting, because in general in most Indian homes, we could see that a study table was not an essential item, but in the last year and a half it has become a priority piece of furniture. The second important trend was with reference to products that could actually enhance the well-being and mood at home.

As people spent all their time at home, they started focusing on enhancing their home décor, outdoor spaces, the various nooks and corners, cooking and eating became a big product area in the absence of going out or ordering in.

Another interesting pattern was people switching to online shopping in a much stronger sense. In the past, when it came to a high value purchase, the tendency was to go to the store, check it out, but today big purchases are also being made online and this is a trend, which is here to stay.

Q: The Indian market is diverse and complex, what have been your learnings so far and how is the customer experience being curated along this journey ?

If I had to sum it up in one sentence, it would be, to be aware of the fact that no average works in India. It's been a very interesting journey, right from when we opened our first store in Hyderabad.

Homes in Hyderabad are large, the city is going through a significant change, with a lot of growth happening in the backdrop of the technology sector, so we can clearly see, that it gets reflected in terms of how people take to home furnishing. So the solutions that we put together in our first store were very much customized to what the Hyderabad consumer would want to look at.

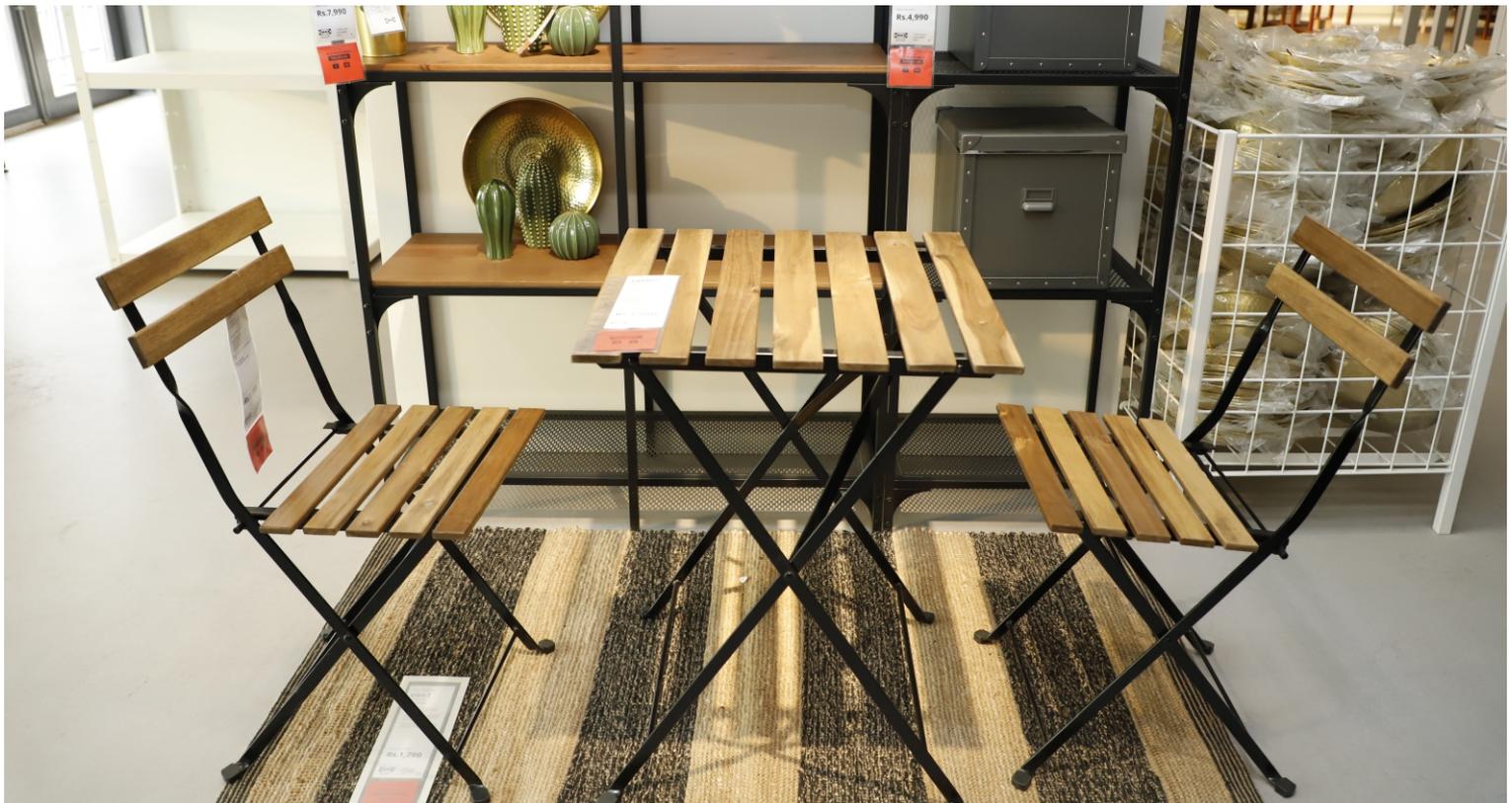
But when we were on the verge of opening the Mumbai store, we could not have transported any of those solutions to Mumbai, because Mumbai is all about small space living, one where consumers use every location, every corner of the home in a good way. So in the case of Mumbai we had to really focus on small space living and how to make smaller spaces smart. If you look at the room settings that we show in our showroom area, they are very different from what we would have shown in Hyderabad. One of the most important elements for us has been, to make our product range and solutions relevant for consumers in that city. From the beginning, we knew that India was not a country where "Do it Yourself" was big, and IKEA furniture is all about "Do It Yourself", so we created this whole range of services and assembly, to support consumers so that they have a choice, whether they want to try their hand at putting the furniture together or the option to opt for assembly service.



And again, there are you know, large value purchases, such as a kitchen and in a lot of countries in Europe, maybe people are comfortable measuring it, even putting together a kitchen in some markets. Whereas in India, we would not encourage our customers to do so because basically because that basic competence of how to measure and how to plan and how to look at a drawing does not exist amongst all consumers, and therefore we strongly advocate for consumers to use the services that are available.

These are some very interesting aspects related to relevance that we have learned along the way. And this again comes from the research and understanding of consumers life at home. The other important aspect is how consumers look at products and solutions, the Indian consumer for instance is very focused on value for money. And this is irrespective of, what your wallet share is and this is also very good for us, because it fits in with our ethos of saying that irrespective of how much money you have to spend, you will always find something at IKEA. So somebody wanted to have a basic sofa, they could spend 10,000, or 20,000 and have a basic sofa, but if they want to have a luxurious one, they could spend a lakh and have a luxurious one as well. So one of the more important things has been, how do we approach affordability in the India market.

In India, market affordability is not just about the lowest price, it is also about value for money, which every consumer in every section of society, irrespective how much money they have to spend, is conscious about. Everybody wants the maximum, they want to maximize the bang for the buck. Therefore we've really tried to put together solutions that can actually address the consumer's need for affordability and how they look at it. And it is also here that we've tried to bring together different aspects of design of quality and sustainability together to actually add to the value for money proposition. The third interesting learning for us has also been around sustainability and how important it is. In India, we started to talk a lot about sustainability, there is a lot of focused effort going on. But the question in front of us was, are people thinking of it in their everyday life at home. And that's a completely different movement, for instance a choice of a bedsheet would be would you go for 100% sustainable cotton. It is not about the next big climate action project, but small little choices that can actually help contribute towards sustainability.



Q: The amount of research that has gone into opening of your stores is incredible. So overall how long was the entire planning and implementation journey?

Initially, we had the first bit of knowledge and the first set of business cases and approach plans that had been created. But one consistent activity, except during the CoVID time frame, has been that we used to visit customer homes on an ongoing basis. Now we are looking at exploring this in a digital format. For us, research is an ongoing process, it is happening all the time on a continuous basis.

For example, we recently worked on what changes have happened with regard to life at home post CoVID. There are interesting observations coming from there, related to online customer journeys and how people have started to look at it. Of course, it is important to acknowledge that we are in the early stages of our journey here in India, we only have a presence right now in Hyderabad and Mumbai in an omni channel approach. We are on the verge of opening in the Bangalore market, we've also started catering to a few cities with e commerce format. So overall it's been an interesting journey, because we need to continue to invest in research and understand life at home even more, and also stay in touch with evolving consumer behaviour.

Q: The woodworking and furniture manufacturing Industry in India is growing at a fast pace. What is IKEA's take on local sourcing and manufacturing?

Wood is a very important raw material for us, as a home furnishing retailer, we can clearly see that a big part of our range is coming from wood based products.

This is also an area where we being challenged within India in terms of local sourcing. And there are two three reasons why we've had these challenges. One is as IKEA, we always look for sustainable sources of wood, and FSC is one of the certifications that we look at. But unfortunately, it has been extremely challenging for us to find FSC certified raw material within the country.

It is important to understand that the ecosystem, when it comes to certifications is maybe still not as evolved and as developed within the country. And that is posing a huge challenge when it comes to raw materials for us. Our ambition is to source wood based products locally, but we seem to be hitting a roadblock when it comes to a certification such as FSC.

Wood is a great material for home furnishing needs, it is renewable, it is an excellent choice for the environment, but it is so only when it comes from responsible sources. So for us, it is very important to have certified raw materials, which is one area where we face a challenge. The second aspect is also related to emissions, when it comes to formaldehyde emissions from furniture, I think the awareness amongst consumers is very low.

We have been engaging with the Government, different industry bodies, in terms of what positive change, we can bring in the space. It's also about what is the forestry policy, what is the agenda when it comes to that, how are we looking at commercial plantations etc. Finally, how do we really move towards something that is, of course good for consumers, but also good for the environment and the planet in the long term. We are hoping that by working in cooperation with different departments within the government, as well as with industry bodies, we are actually able to move the needle on this front.

Q: How can suppliers and manufacturers benefit by partnering with IKEA in local sourcing?

I can say, in a very humble way, that what we can bring to the table is of course, our global experience, working across so many countries. A lot of countries across the world have gone through a similar journey, they were at a point where India is today. So maybe we can, in some ways support manufacturers and the industry as also the policymakers, in terms of what could work in the long term, suggesting/recommending some policy changes and impetus programs that could be useful. Secondly, once these policies come into picture, it is also about making it happen right on the ground, which is where maybe one needs to look at supplier practices, what kind of manufacturing technologies might work better, what is the expectation of global consumers, how can suppliers upgrade their own manufacturing processes etc.

And thirdly, of course, you know, if a particular supplier works as an IKEA supplier, they also get the access to global markets, which is also something that the Indian manufacturing industry could benefit significantly from. And then a good example of this in recent times has been the work that we've done with social entrepreneurs, which is about connecting rural artisans, to global consumers. This is a global project that we've been working on in multiple countries. In India alone, we have three social entrepreneurs that we work with, and from time to time, we bring out various collections. So far all of these collections have been very well received by consumers. And what is interesting is not just consumers in India, but consumers across the world. When you work with social entrepreneurs, the scale is very different, it you are working with rural women, rural artisans, and so on. But if we can take that same learning into a much larger scale, and look at manufacturing, both in the context of solid wood or board based materials, maybe there is something that we can actually hope to achieve in



the next few years, or maybe the next decade. The kind of variety India offers in terms of different materials and the local handicrafts, the local traditions of different places, one can source very unique products. Which we have incorporated into our approach for making IKEA more accessible in the Indian market.

Q: Are there any plans for launching skilling initiatives to support the local Industry?

So skilling is a very important initiative. And one of the first steps that we have taken in the context of skilling is the DISHA program. This was a partnership along with the UNDP, and the idea here was to look at women from underprivileged or marginalized parts of the society and what we could do in that space in terms of skilling them with marketable competence, make them economically self-sufficient. As part of the program, we have trained close to about 200 women and a part of them are also hired by us and work for IKEA. This was one of the successful first initiatives that we had done in the space of skilling. The second one is the one I was referring to in terms of social entrepreneurship. Here we are really trying to connect, rural artisans, support them with some basic manufacturing and quality practices so that they are able to get their products to the global markets. I think it is interesting for us to reflect on what we can do in the manufacturing space, we have not launched a program of that nature yet. But it would be interesting for us to explore, what we could do in that space as well.

Q: Sustainability becomes imperative as we traverse through these uncertain times and ecological challenges. What is Ikea's take on weaving sustainability in the narrative of its operations.

So when we look at sustainability, we look at it across three buckets. One is what we call healthy and sustainable living, which is all about how can we help our consumers in making a movement around sustainability, the second aspect is about the climate positive aspects, you know, both in terms of how can we bring about more circularity, how can we make our own operations more climate positive, what is our take on waste, how can we move towards renewable energy etc. And the third bucket of sustainability for us is about being fair and inclusive, which is about giving people meaningful opportunities at work, standing up for equality and working with the communities of the neighbourhoods that we are a part of.

So these are the three big broad buckets, under which all our sustainability initiatives roll up. So, for example, if you look at the first bucket of healthy and sustainable living, the idea is today, you can see that close to 25% of the products that we sell from both our stores as well as our online channel, are focused on helping customers lead a more sustainable life at home. And the reason why that is possible is because it could be a simple thing like not throwing away food and storing it or it could be the choice of a bed sheet which is made from 100% sustainable cotton. The second bucket if you look at it is more around operations for example, all our stores have solar panels, we look at a lot of ways in terms of waste management in reducing the quantity of waste, we have looked at sustainable packaging because e-commerce has become huge, but that does not mean that we put more plastic and more unsustainable materials out there, we actually make use of recycled cardboard as the filler material in packaging for example.

And then the third bucket is more about being fair and inclusive and this is exactly where our skill building

programs come in, we have launched a skill building program for assembly co-workers and within our organization across all levels you can see that we are 50/50 when it comes to gender equality which is also a great message to take back to corporate India in terms of what is possible and that there can be 50% women at every level in the organization.



Q: What are the next planned milestones in your India Journey?

Hyderabad is our first store and then Navi Mumbai, which we actually managed to open despite the pandemic. And then the other important aspect is also promoting e-commerce as a segment, because it is a great way for us to make IKEA more accessible as a brand to our consumers. Our intention is to leverage e-commerce in a creative way, because the consumer today is completely omni channel. Nobody is purely shopping in the physical world or purely shopping in the online world, but we know that most customer journeys start online. We also launched an APP a few months ago, and it's interesting to see that in a matter of few months, it's hit 1 million downloads, which is also a great milestone for us. The next key market is Bengaluru of course, where we recently offered e-commerce as a first step. Presently we are focused to understand, how do we make IKEA more accessible as a brand for urban India.

In our journey, Affordability and Sustainability are two important aspects we have been working on, how can we make home furnishing more affordable to people across different sections of society and how can we make those small but meaningful changes to people's everyday life at home, which in a small way, can contribute to sustainability.

And then the summation of it all across a few million people is a very big impact that we can create.

Q: How would you rate the Indian market in terms of prospects and maturity?

India is projected to be one of the top economies in the next decade, so the growth trajectory certainly looks promising. As a market it offers immense potential and there has certainly been a significant increase in purchasing power.

As far as maturity is considered, I would say we are still in the early stages. The spend on home furnishing as part of disposable income varies from 0.5 – 5/6 %, which is still a conservative figure.

What we have been working on, is to make the consumer realise that home furnishings can play a huge role in your day to day life and can clearly have a significant impact.

CoVID has accelerated this process to an extent as people have certainly become conscious of the furniture and other elements at home, but of course this awareness and change has to continue over a period of time.

