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Working Process for Supplier Market Analysis, in line with
IKEA's New Business approach



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Preface

The Master Thesis is the final part of the Master of Science degree in Mechanical Engineering. The Department of Industrial Management and Logistics at Lund University, Faculty of Engineering, examines the thesis. The project was established and supervised by IKEA of Sweden.

First, we want to take the opportunity to send big thanks to our supervisors Peter Wisbeck and Simon Nilsson that have been a great support for us during our time at IKEA and for making this thesis possible.

There are several other people within IKEA that we have been in contact to, which have shared a lot of useful information and experience that have been vital in this project. All of those we want to give our appreciated thanks.

Finally, we want to send big thanks to Andreas Norrman, our supervisor at Lund University, for the great dedication and excellent support with comments and guidelines he has given us throughout this thesis.

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Lund, 2015-06-29

Abstract

The world is continuously changing. Today many companies work hard to keep up with the surrounding world to stay competitive. To work with finding new business opportunities has become of higher importance than ever. IKEA is a global company facing a tremendous growth to reach their goal for 2020. To manage this growth and be able to secure supply to new retail markets, the company needs to increase their supplier base and also find new business opportunities to stay competitive and increase its existing market shares.

IKEA has started up New Business, which is both an approach and an organisation. The organisation consists of allocated teams working proactive with finding new business opportunities and new suppliers/development partners. IKEA has found a gap, an absence of a working process for Supply Market Study and Supplier Mapping. These are two important steps in the process of finding new business opportunities and new suppliers/development partners. To facilitate the work and make a global comparison possible the purpose of this project is to develop a working process for Supply Market Study and Supplier Mapping, in line with the New Business approach.

To develop a process that works in reality, a constructive research approach was used in this project combined with a multiple case study. The people interviewed were mainly people working in any of the IKEA's purchasing operations areas, areas covering different geographical zones. Each one of the purchasing operation areas around the globe is a case in the multiple case study performed. A theoretical framework was created from the literature review. From the empirical study, together with a literature review, an analysis was made to generate the foundation for the developing of the working process. The analysis started with a cross-case analysis to identify differences and similarities between the cases to be able to develop an empirical framework. This framework was then compared with the theoretical framework.

An interesting finding was that in the literature review, a gap was identified as the transition between the Supply Market Study and the Supplier Mapping, whereas the empirical study stressed the importance of its connection. The result of this was that only one process was developed in this project. The process was named Supplier Market Analysis, consisting of five main steps: Start-up, Macro Analysis, Industry Analysis, Supplier Mapping and Final Evaluation & Project Report. To note, the Supply Market Study is split into two parts, Macro Analysis and Industry Analysis. The developed working process with sub activities and recommended tools to use can be seen in figure 1.

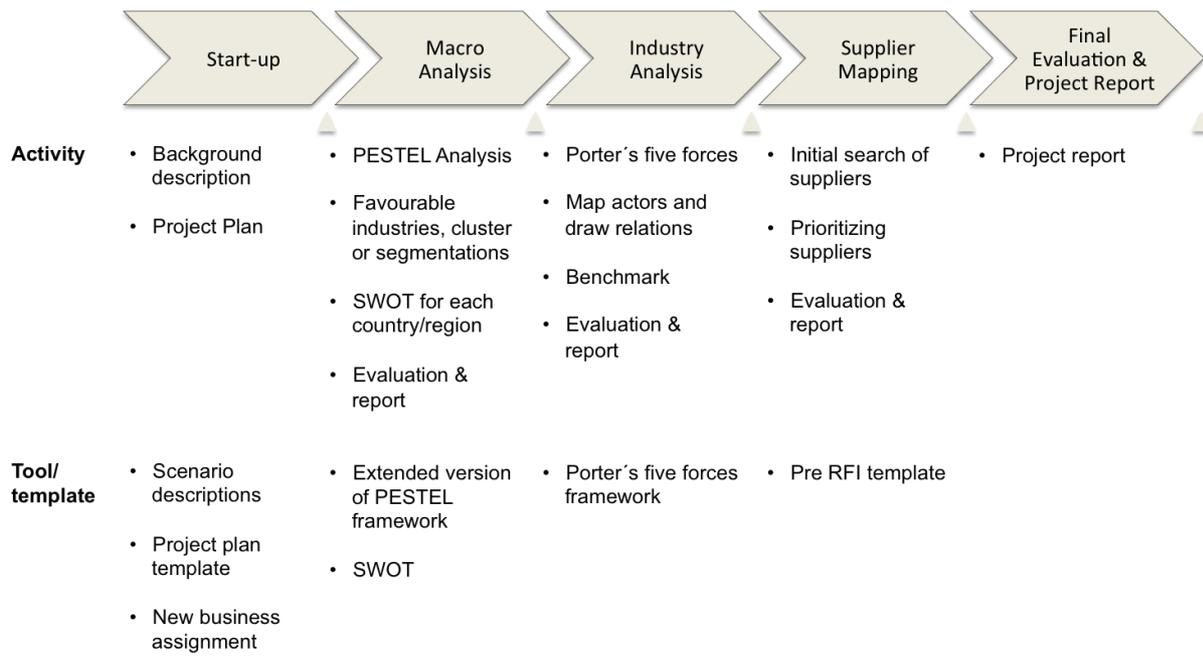


Figure 1The developed working process for Supplier Market Analysis

Key words: supplier market analysis, supply market study and supplier mapping

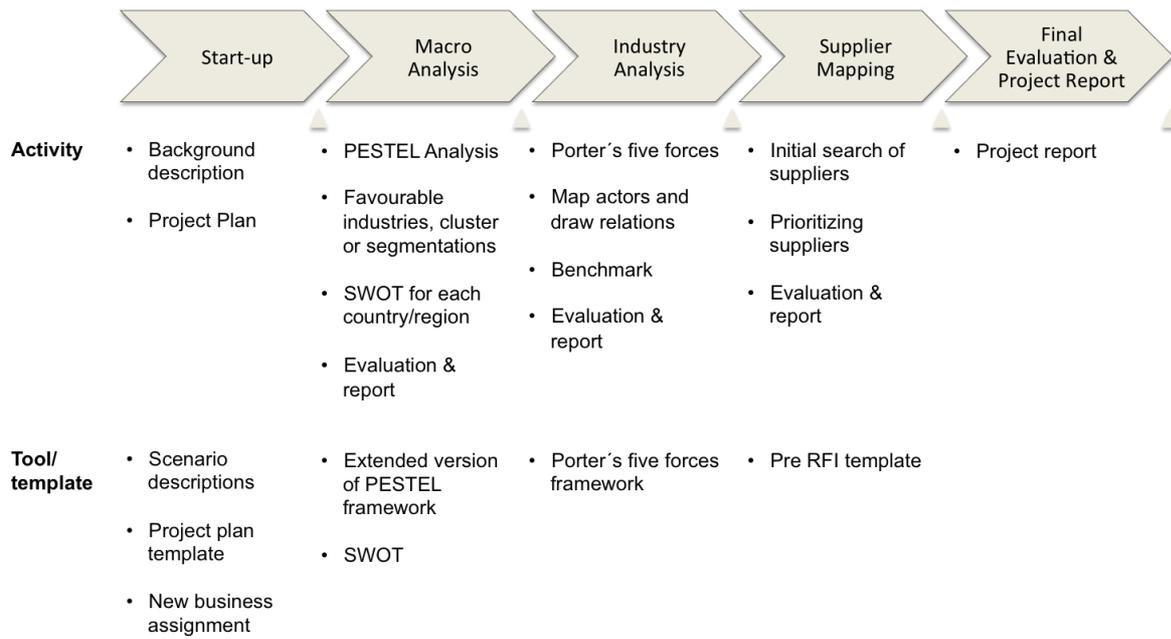
Sammanfattning

Världen förändras kontinuerligt. Företag arbetar idag hårt för att hålla jämna steg med omvärlden för att på så vis hålla sig konkurrenskraftiga. Att arbeta för att hitta nya affärsmöjligheter har blivit av allt större betydelse. IKEA är ett globalt företag som står inför en enorm tillväxt för att nå deras mål till år 2020. För att klara denna tillväxt och för att kunna säkra försörjningen till nya geografiska marknader behöver företaget öka sin leverantörsbas och även hitta nya affärsmöjligheter för att behålla sin konkurrenskraft och öka sina befintliga marknadsandelar.

IKEA har startat New Business, vilket både innefattar ett synsätt och en organisation. Organisationen består av flertalet team som arbetar proaktivt med att hitta nya affärsmöjligheter och nya leverantörer/utvecklingspartners. IKEA har hittat en lucka, en avsaknad av en arbetsprocess för hur man ska studera geografiska marknaders tillgångar och kartlägga marknaders leverantörer, vilka är två viktiga steg i processen av att hitta nya affärsmöjligheter och nya leverantörer/utvecklingspartners. För att underlätta arbetet och möjliggöra en global jämförelse är syftet med det här projektet att utveckla en arbetsprocess för hur man ska utföra en studie av geografiska marknaders tillgångar och kartlägga marknaders leverantörer, det här i linje med New Business synsätt.

För att kunna utveckla en process som fungerar i verkligheten, användes en ”constructive approach” i kombination med en multipel fallstudie. De flesta personerna som blev intervjuade arbetar i något av IKEAs geografiskt operativa inköpsområden, som var och ett täcker ett specifikt geografiskt område. Varje område representerar ett fall i fallstudien. Ett teoretiskt ramverk skapades utifrån litteraturstudien. Från den insamlade empiriska informationen, tillsammans med litteraturstudien, gjordes en analys för att senare generera grunden för utvecklingen av arbetsprocessen. Analysen började med att identifiera skillnader och likheter mellan de olika fallen studerade i den empiriska studien för att kunna utveckla ett empiriskt ramverk. Det här ramverket jämfördes senare med det teoretiska ramverket.

En intressant upptäckt från studien var att i litteraturstudien identifierades en lucka mellan övergången från att man studerat de Geografiska Marknadernas Tillgångar till att sedan Kartlägga Marknaders Leverantörer, samtidigt som en anslutning mellan dessa påpekades som viktig enligt den empiriska studien. Resultatet av detta var att endast en arbetsprocess utvecklades, vilken inkluderar båda områdena. Processen namngavs till leverantörs marknadsanalys, bestående av fem huvudsteg: Start, Makroanalys, Industrianalys, Leverantörskartläggning och Slutlig Utvärdering & Projektrapport. Att notera är att i resultatet är området studera de geografiska marknadernas tillgångar, som var studerat i studien, delat upp i två delar makroanalys och industrianalys. Det här är baserat på de upptäckter som gjorts under studiens gång. Den utvecklade arbetsprocessen med tillhörande aktiviteter och användbara verktyg kan ses i figur 2.



Figur 2 Den framtagna arbetsprocessen för 'Supplier Market Analysis'

Nyckelord: leverantörsmarknadsanalys, studie av geografiska marknadens tillgångar, och kartläggning av leverantörer

Abbreviations

This table's serve the reader throughout the report with used abbreviations, see table 1.

Table 1Table of abbreviation

Abbreviation	Explanation
A	Americas
BPL	Business plan
CE	Central Europe
GC	Greater China
NE	North Europe
NEE	North East Europe
PDP	Purchasing Development Process
POA	Purchasing Operation Area
RFI	Request for information
RFP	Request for proposal
RFQ	Request for quotation
RTS	Raise the stake
SA	South Asia
SEA	South Eats Asia
SEE	South East Europe
SDP	Supplier Development Process

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1. Introduction

The chapter starts to highlight the importance for companies to keep up with a continuously changing world. Further, a description of the host company, a project description, a statement of the purpose of the project together with the research questions are included. Finally, given directives and defined delimitations are presented together with the main stakeholders of the project and the outline of the report.

1.1 Background

The world is continuously changing at an increasing rate. It is the surrounding world that sets the rate, and if companies not keep up with this they will fall behind (Ljungberg and Larsson, 2011 p 13). Companies need to work to keep their position at the market. Lewis Carroll's statement in the famous book Alice's Adventures in Wonderland seems to be in line with this.

"In order to stand still, you have to run very fast"

(Alice's Adventures in Wonderland, Lewis Carroll; see Ljungberg and Larsson, 2011 p 13)

Singh (2012) is also discussing our future world and its increasing pace of change. He is identifying and evaluating the emerging Mega Trends to be aware of, and how to transform the opportunities with those into the personal life and everyday business. Singh (2012) together with the Jawad (nd) define the Mega Trends as 'global, sustained and macroeconomic forces of development that impact business, economy, society, cultures and personal lives, thereby defining our future world and its increasing pace of change.' The trends are global, but could mean different things for different markets, industries and geographical areas, but also for different communities and individuals. The trends are certain, they will happen but the question to answer is to what degree and when it will do any impact. It is important to ask your self, either it is regarding your personal life or in your business: do you work reactive or proactive, and do you lead or do you follow? (Singh, 2012)

Outsourcing initiatives of the production from Western Europe to Asian countries have increased continuously. The reason is mainly because of the huge cost savings due to the favourable regulations of export goods and low salary cost (Van Waele, 2011). Jawad (nd) identifies the BRIC countries: Brazil, Russia, India, and China as favourable in terms of aspects just mentioned.

Times have changed and the regulations have been rewritten; trends can be seen in increased cost of salary, material and energy. Those changes have contributed to a decreased margin of the supply and require new ways of working. This triggers companies to continue finding new markets, new technologies and new suppliers to increase their competitiveness (IKEA Purchasing Strategy FY13-20, 2013). The countries that are now proposed as favourable to start up business in are the MINT countries: Mexico, Indonesia, Nigeria, and Turkey (Jawad, nd).

To conclude it is of importance to keep up with the changing world and as a company be able to meet new preconditions and requirements. The biggest challenge for the future manager is probably to manage and lead those continuous changes. This means flexibility and the capacity to change are of importance. It is crucial to have a strategy for this and processes to follow that are aligned with this strategy. (Ljungberg and Larsson, 2011)

1.2 IKEA

IKEA is a world leading company within the home furniture industry. Ingvar Kamprad founded the company in 1943, 17 years old. In 1958 Kamprad opened the first IKEA store in Älmhult, Sweden, and since that day the numbers of stores has continuously increased. IKEA has today 315 stores in 40 countries. They have more than 1002 suppliers in over 52 countries all over the world. (About the IKEA Group, 2014)

In line with the company's strategy 'Growing IKEA - Together 2020' (GIT 2020) they want to double their global revenues from 29 billion EUR to 50 billion EUR during the period 2014 to 2020. They also have the ambition to increase the numbers of sales warehouses from 340 to 530, and to enter new geographical sales markets. This means they need to work more proactively to find new suppliers to be able to meet the increasing demand. (About the IKEA Group, 2014)

IKEA has a product range of 9 500 articles (About the IKEA Group, 2014). The procurement is category based, divided into seven category areas, either industry based, material based or stakeholder based. The categories are collaborating with Free Range, which is working with products that are more specific to a certain geographical market or more seasonal products. In addition to the categories, IKEA has an organisation that is responsible for the sourcing of product components. The supply is divided into nine Purchasing Operation Areas (POAs), see figure 3.

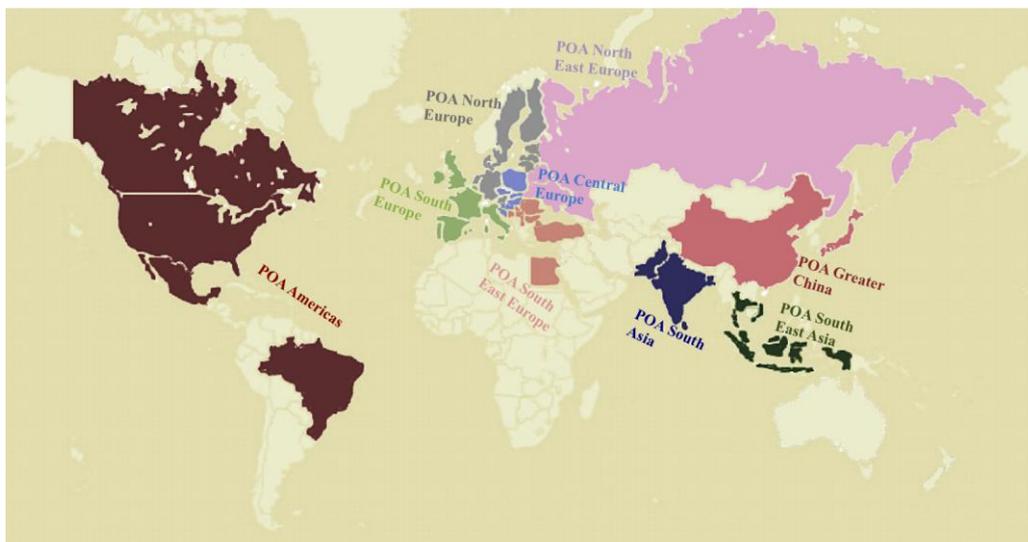


Figure 3 Illustration of the nine POAs

Each POA has their own suppliers, connected to one or several categories. The POAs have until today mainly worked with support and developing of existing suppliers. Based on needs, primarily from the categories, they have done Supplier Mappings to find new potential suppliers with the main purpose to increase capacity or supplier dynamic to be able to fulfil the increasing demand.

This project is made in collaboration with IKEA of Sweden, Department of Purchasing. IKEA Group and a simplified version of the Department of Purchasing can be seen in figure 4. The solid line in the lower part of the figure illustrates the connections between the areas included in this project.

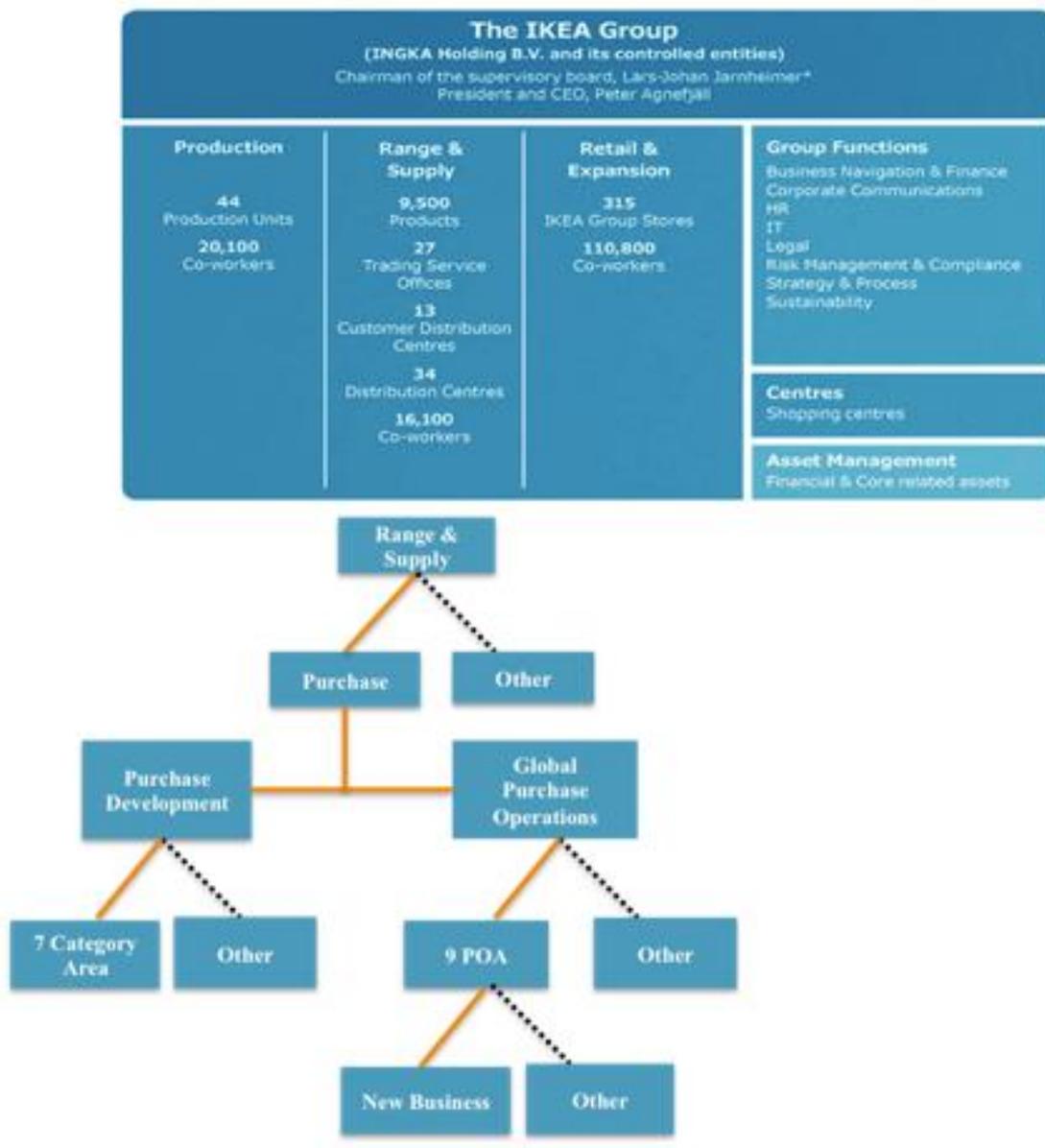


Figure 4 IKEA Group (IKEA, 2015) and the Department of Purchasing

The Department of Purchasing has a strategy, IKEA Purchasing Strategy FY 13-20, which is one of the sub strategies created to set a plan to ensure that IKEA can reach the goals in GIT 2020,

see figure 5. One of the cornerstones in IKEA Purchasing Strategy FY 13-20 is *One IKEA Purchasing - Simple and professional*, where it is to simplify and make the purchasing process more efficient. IKEA has found three areas they want to strengthen within this cornerstone related to their way of leading, working and being organised; Category, Compliance, and New Business (Creating a better IKEA Purchasing, 2014). The third area, New Business, is the one that will be central in this project.



Figure 5 IKEA Purchasing Strategy (Creating a better IKEA Purchasing, 2014)

Inline with the increased competitiveness within the home furniture industry market and the need of capacity to be able to reach the goals for FY 2020, IKEA has newly started New Business. With New Business, IKEA is moving from a reactive approach to a more proactive approach of working with finding new business opportunities¹ and new suppliers/development partners, both in the furniture and non-furniture industry. In addition to current geographical sourcing markets, also new geographical sourcing markets² should be investigated to find out if they have any potential that might be attractive from IKEA's business perspective.

Each POA will have a New Business team continuously working with New Business assignments. A New Business assignment is project based and can be requested from any of the categories, Free Range, Development Matrix³, Components, or by the New Business teams themselves (Working Method Purchasing Manual New Business, 2015). A request from the New Business team can be initiated based on lack of market intelligence on a macro level in a specific country/region⁴. In other cases the request is based on a clear and well-defined sourcing need.

It is not always easy to become an IKEA supplier due to the high barrier to entry in terms of high production volume to an affordable price. One part of New Business is to avoid deselecting smaller suppliers with high potential in an early stage; New Business will make it easier for smaller suppliers to become IKEA suppliers. This will be possible by testing new articles in minor scale that could be potential products to include in the IKEA range. The idea is

¹Business opportunities refers to new products/components/materials/technologies for IKEA

²New geographical sourcing market will further in this report refer to both countries and regions in a country

³Development Matrix responsible for developing future capabilities for IKEA

⁴Region refers to a specific region in a country

to integrate New Business with the core business in such a way that the successful tested articles, if proven, will be scaled up and later fully integrated with the core business range. Another part of New Business is to increase market intelligence and its impact on IKEA business. This will give an indication of where in the world IKEA finds the best sourcing potential based on the key drivers⁵ identified for the specific business. (Wisbeck, 2015)

The core business will continue to work as done today, to fulfil the company’s objectives. It is of importance to stress that the New Business approach stands for learning and risk taking; to reach great success failure needs to be allowed (Wisbeck, 2015). An overview of the integration of New Business with the core business can be seen in figure 6.

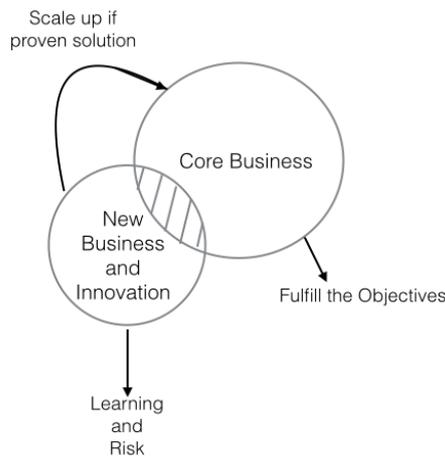


Figure 6 New Business integration with IKEA core business (Wisbeck, 2015)

1.3 Problem description

New Business has developed a process for how to start up new suppliers and development partners. The process can be seen in figure 7.

⁵ Key drivers are the parts of the value chain that mainly drive the costs

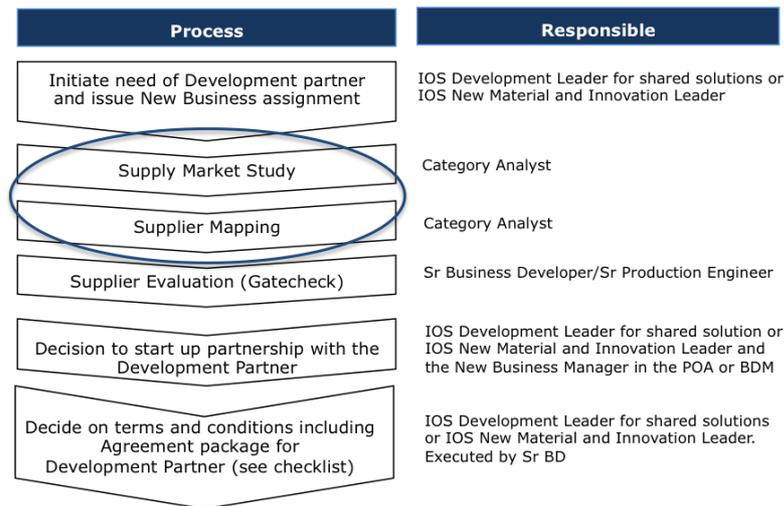


Figure 7 IKEA’s process for how to start up new suppliers or development partners (Start up of new supplier and development partners, 2014)

IKEA has found a gap in this process, an absence of a structural process for the Supply Market Study as well as the Supplier Mapping⁶. Until now a Supply Market Study has been done with a reactive approach. A Supplier Mapping has been done in the POAs when a need from mainly the categories has occurred.

Due to the goals to double their global revenues by FY 2020 the company needs to secure the sourcing capacity and capabilities. To be able to secure this, and remain their leading position on the market, they have identified the need to work in a more proactive way in search of new suppliers/development partners, and business opportunities in both current and new geographical markets.

The literature discusses both Supply Market Study and Supplier Mapping. Though, there seems to be a gap regarding the transition between the Supply Market Study and the Supplier Mapping, they are instead mainly discussed separately. How to combine two processes related to each of these areas, with a clear transition between them, is something the project attempt to contribute to the literature.

1.4 Purpose and research questions

The purpose of this project is to develop a working process for Supply Market Study and Supplier Mapping, in line with the New Business approach.

The processes should generate a better way of working through simplification and structuring of the procedure.

⁶When referring to both Supply Market Study and Supplier Mapping, an incorporate term ‘Supplier Market Analysis’ will be further used in this report

Based on the purpose, two units of analysis; Supply Market Study and Supplier Mapping, have been identified and will be studied in this project. In the study the following research questions need to be answered:

1. How are Supply Market Study and Supplier Mapping discussed in the research?
2. How does IKEA work with Supply Market Study and Supplier Mapping today?

1.5 Directives and delimitations

The first directive from IKEA is to focus on the steps Supply Market Study and Supplier Mapping in the process of finding new suppliers or development partners, see figure 7. This should be done taking the New Business approach in consideration. The second directive is to develop a working process that can be used globally within IKEA.

Continue to the delimitations, both IKEA and the researchers would prefer a pilot project for testing the developed working process. The time constraint of this project (20 weeks) will not make this possible; instead of a pilot project, feedback will be gained through a workshop together with stakeholders within IKEA. The time constraint will also affect the amount of people that are going to be interviewed.

1.6 Target group

The project will contribute with useful findings to different stakeholders: IKEA, other companies, the authors of the project, academics, and the literature. IKEA and other companies will get practical functioning of the solution. The authors will get a deeper insight in the development of the purchasing organisation within companies as a consequence from a more competitive market, and develop skills how to generate an extensive research with an engineering approach. Finally, the academics and literature will gain a theoretical contribution.

1.7 Report outline

A short summary of the content in each chapter of this report will be presented below.

Chapter 1-Introduction

The chapter starts to highlight the importance for companies to keep up with a continuously changing world. Further, a description of the host company, a project description, a statement of the purpose of the project together with the research questions are included. Finally, given directives and defined delimitations are presented together with the main stakeholders of the project and the outline of the report.

Chapter 2-Methodology

The chapter presents the philosophical view, different scientific approaches and research approaches with a motivation for the most suitable for the project. The features of the chosen

research method are also being described. Further in this chapter the research procedure in the project is presented and finally the research design quality is explained. This will ensure the validity and reliability of the report.

Chapter 3-Theoretical framework

The chapter presents the theoretical framework for this project. Some general information regarding Supply Market Study and Supplier Mapping is presented together with explanation of different working processes related to this. The chapter concludes with some key takeaways to facilitate for the reader of what will be further used in the analysis of this report.

Chapter 4-Empirical study

The chapter starts with presenting what type of information that is collected from the multiple case study. Then the structure of each case description is introduced, and some general comments about the information collected related to the cases are given. The case descriptions are not included in this chapter; instead they can be seen in appendix 5.

Chapter 5 – Analysis

This chapter starts with a scoring of the cases to give each of them an experience score, based on how much they have worked with Supply Market Study and Supplier Mapping. A cross-case analysis follows where a comparison is made between the POAs way of working to define similarities and differences to create an empirical framework. Finally, a pattern matching is done between the findings from the empirical framework and the theoretical framework.

Chapter 6 – Developing the working process

This chapter presents the developed working process followed by some motivation and comments to the choice of structure and the content of the process.

Chapter 7 – Conclusion and recommendation

The chapter answers the research questions and presents shortly the result of the project. Further, recommendations are given for IKEA related to their work with the Supplier Market Analysis working process. To continue, the generalizability of the working process is presented, including both the practicability for IKEA as well as the usability of the process for other companies. Finally, contribution to the theory followed by future research and limitations in the project is explained.

2. Methodology

The chapter presents the philosophical view, different scientific approaches and research approaches with a motivation for the most suitable for the project. The features of the chosen research method are also described. Further in this chapter the research procedure in the project is presented and finally the research design quality is discussed. This will ensure the validity and reliability of the report.

To build up the trustworthiness and explain the background of the research procedure an explanation of the research philosophical view, the scientific approach, research approach and the research method are of importance. An overview of the academic methodology of this chapter is illustrated in figure 8. An explanation of each layer will be described followed by a clear motivation of what is used in this research. Finally, the project procedure will be described.

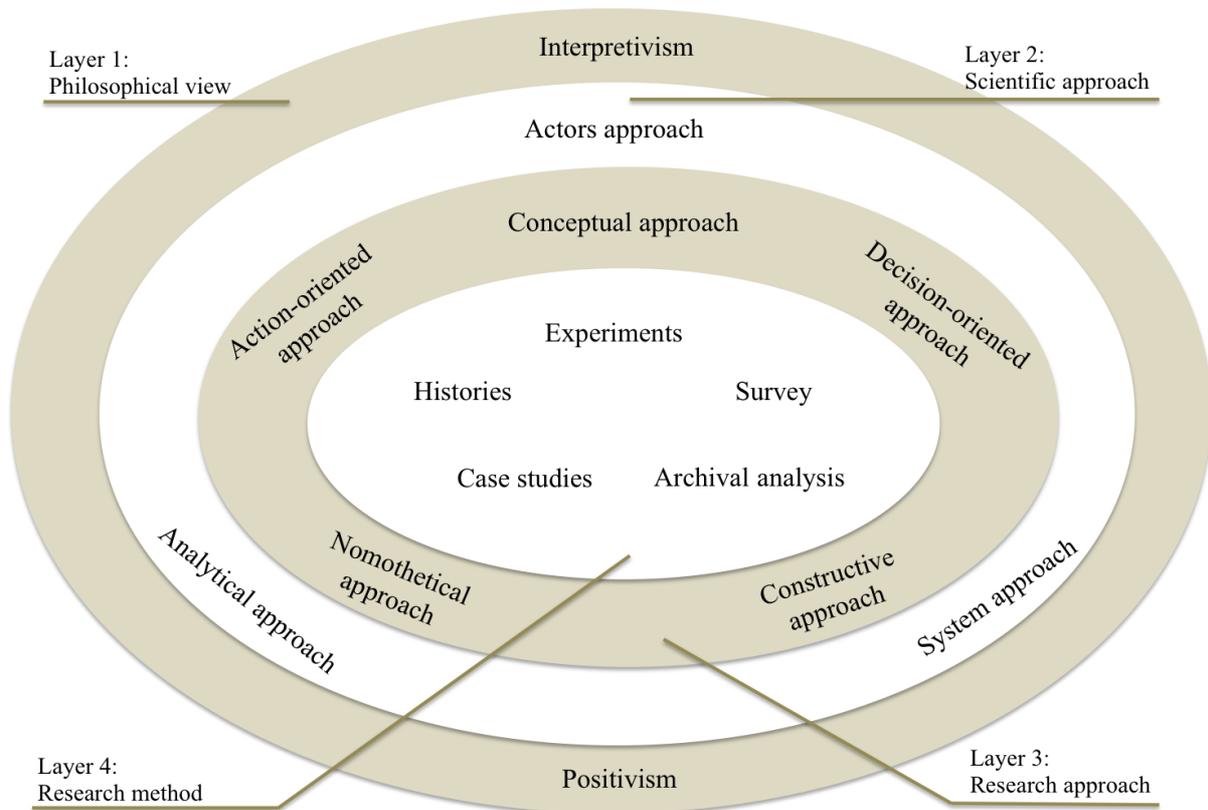


Figure 8 An overview of the methodology overview used in this project

2.1 Philosophical view

To start, a clear standpoint regarding the research philosophy needs to be done before deciding which scientific approach to use. This will strengthen the validity of the research (Gammelgaard, 2004). The philosophy tradition and beliefs have a strong influence of how a research obtains knowledge, and conception of reality, which originates from the researcher's paradigm (Goljic

et. al, nd; Arbnor and Bjerke, 2009). A paradigm is the basic assumption underlying the theory and methodology of a specific scientific topic (Oxford Dictionaries, 2015).

2.1.1 Paradigms

Two paradigms that commonly distinguish the philosophical assumptions of a research are positivism and interpretivism. The positivism is objective and base knowledge truly on facts. In comparison, the interpretivism is more subjective and base knowledge mainly on interpretation(Marsden and Littler, 1996).Further characteristics that differentiate the two paradigms can be seen in table 2.

Table 2Characteristics of the two alternative research paradigms positivism and interpretivism (Marsden and Littler, 1996)

Positivism	Interpretivism
Experimental	Descriptive
Reductionistic	Holistic
Explaining	Understanding
Nomothetic	Idiographic
Objective	Subjective
Quantitative	Qualitative
Variables	Language

2.1.2Philosophical view in the project

The knowledge of the project is gained through interpretations of the Supply Market Study and Supplier Mapping, in its natural settings. To avoid bias, literature research is conducted to strengthen the interpretations. To conclude the researchers primarily has an interpretivism view of philosophy.

2.2 Scientific approach

The scientific approach and the philosophical view are strongly related. It is of importance to select a scientific approach that has the same view of reality as the project to increase its credibility. Arbnor and Bjerke (1994) are defining three approaches; the analytic approach, the system approach and the actors approach. The relation and their connection to the conception of reality can be seen in figure 9.

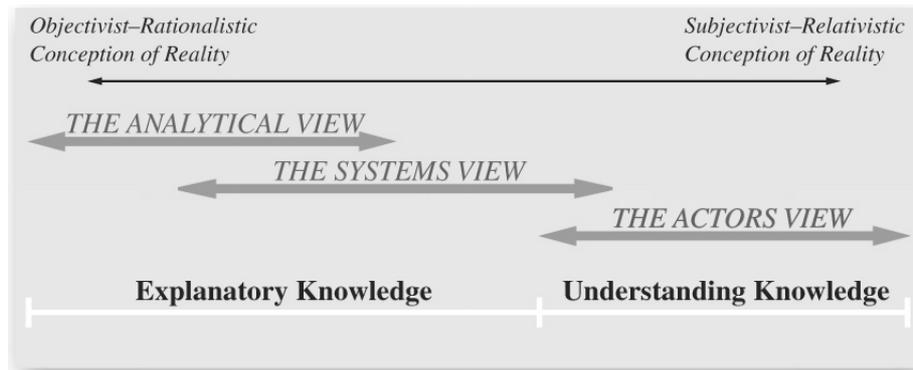


Figure 9 The relations between the research approaches and their connection to the conception of reality (Arbnor and Bjerke, 2009)

2.2.1 Analytical approach

The oldest scientific approach used is the analytical approach. This assumes there is an objective reality, which can be described as the sum of its components, see figure 10. (Persson, 1982; Mentzer and Flint, 1997 see Gammelgaard, 2004 pp 480-481)

$$\text{Component A} + \text{Component B} + \text{Component C} = \text{The reality}$$

Figure 10 The analytical approach's view of reality

The approach believes the view of reality is general and to describe this, it tries to find cause-effect relations by testing hypothesis. Further, hypothesis is found to generate a better view of reality, meaning the knowledge is individual independent and that it is possible to base the research of new problems on the existing theory regarding a specific area. This approach is mainly using quantitative methods in positivistic studies. (Persson, 1982; Mentzer and Flint, 1997 see Gammelgaard, 2003 p 481)

2.2.2 System approach

The system approach believes on an objective reality with a "holistic" approach. Considering to the system theory, this approach finds a difference between the result of the system and the sum of its components, the result is dependent on synergy effects between its components, see figure 11 (Persson, 1982; Lilienfeld, 1978 see Gammelgaard, 2003 p 481).

$$\text{Component A} + \text{Component B} + \text{Component C} \neq \text{The reality}$$

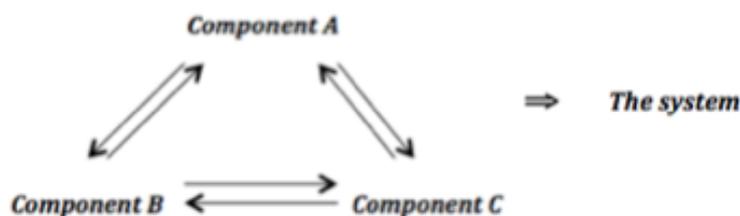


Figure 11 The system approach's view of reality

To generate knowledge with the use of this approach it is of importance to define the system and its components together and understand the links between them. Instead of looking for cause-effect relations, as in the analytical approach, analyses of different cases are done, trying to find problem solutions that work in practice. To be able to find practical solutions for the system, the researcher need to be close the object studied to be able to influence and improve it (Gammelgaard, 2004). The knowledge gained will be individual independent in terms of general system models and an understanding of different systems (Persson, 1982, see Gammelgaard, 2004). Both quantitative and qualitative data collection can be used in a system approach (Churchman, 1979 see Gammelgaard, 2004 p 481).

2.2.3 Actors approach

The last and the most distinguished from the other scientific approaches is the actors approach. The reality perspective is not objective; instead it is a result of a combination of several social constructions. The knowledge created is based on how the researcher perceives the research reality, which results in an individual dependent view of reality (Persson, 1982; Gammelgaard, 2004). Qualitative data collection is mainly used to investigate the purpose to gather knowledge about the social reality (Gammelgaard, 2004).

2.2.4 Scientific approach in the project

The two units of analysis studied in this project, Supply Market Study and Supplier Mapping, can be seen as a system, since there are different components depending on each other that will contribute to the final result, see the system in figure 12. In this project the purpose is to develop a working process and not only investigate the reality as it is. With this stated the choice of scientific approach for this project is the system approach with influence of the actors approach.

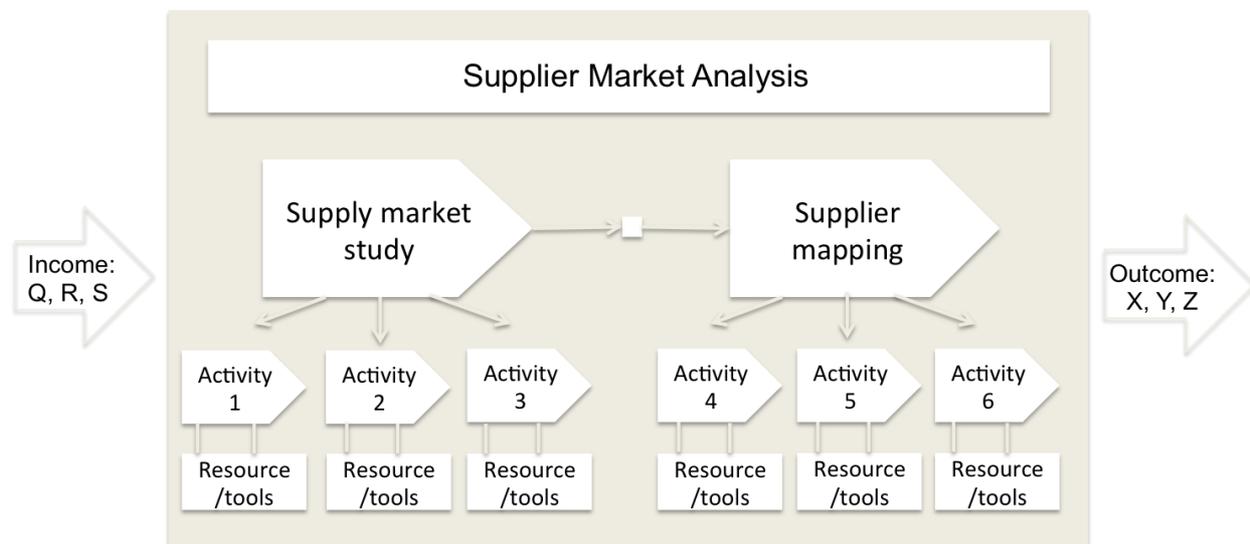


Figure 12 The system investigated in the project

2.3 Research approach

Depending on the unit of analysis different research approaches can be used. The choice of research approach impacts the control of the research, its realism and generalizability of the result. (Golicic et. al, nd)

2.3.1 Different research approaches

Regarding to Lukka, (2000 see Ojala and Hilmola, 2003 p 85) there are five different approaches to adapt depending on the purpose and characteristic of the research: Conceptual-, Nomothetical-, Action-oriented-, Decision-oriented-, and Constructive approach, see figure 13. When considering choice of approach, there are four aspects to reflect upon.

First, the researcher needs to consider if the research is more theoretical or empirical. The theoretical research has mainly focus on finding the optimal results based on the theory, while the empirical research focuses on the reality and practicality of the results. (Lukka, 2000 see Ojala and Hilmola, 2003 p 85)

Second, the two other aspects to reflect on are whether the research should adapt a descriptive- or normative approach. With descriptive approach means the research focuses on describing the unit of analysis related to how something is done today, while the normative approach is more of a problem solving approach with the purpose to find out how something ‘should’ be done. (Lukka, 2000 see Ojala and Hilmola, 2003 p 85)

	Theoretical	Empirical
Descriptive	Conceptual approach	Nomothetical approach Action-oriented approach
Normative	Decision-oriented approach	Constructive approach

Figure 13The different research approaches relations to each other (Kasanen et al, 1993 see Lukka, 2000 see Ojala and Hilmola, 2003 p 94)

2.3.2 Research approach in the project

The research approach in this project adapted the constructive research approach, with its purpose to find a practical solution for IKEA that also will contribute to the literature. The choice

is based on the strong problem solving characteristics of the research and its effort to achieve theoretical contributions based on empirical data. The importance of the practicability of the solution for IKEA has a significant impact in the choice of research approach.

Typically for a constructive approach is that the empirical influence is obvious for the final construction. The developed construction can be found as a test instrument with the purpose to test a theory, improve a theory or develop a totally new one. The constructive approach believes that the results from the construction used in practice, either it is successful or not, will contribute to the theory, see an illustration of the approach with its key elements in figure 14 (Lukka, 2000 see Ojala and Hilmola, 2003 p 85)

The construction in this project provides IKEA with a global process for Supply Market Study and Supplier Mapping, in line with the New Business approach.

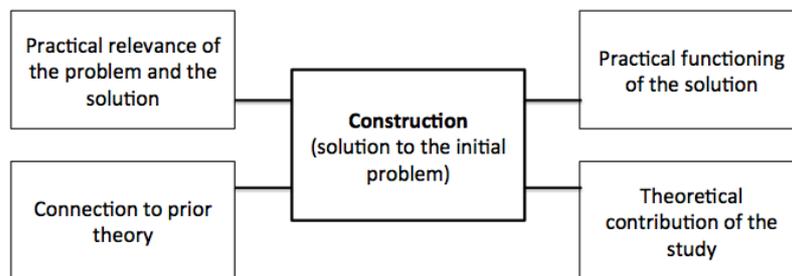


Figure 14 The key elements in a constructive research approach (Lukka, 2000 see Ojala and Hilmola, 2003 p 85)

The procedure of the approach is considering to Lukka (2000, see Ojala and Hilmola, 2003 pp 83-99) conducted into seven steps with highlighting of the main contentment in each step, see figure 15. How this approach is adapted in this project will be further described in chapter 2.6 *Research procedure in the project.*

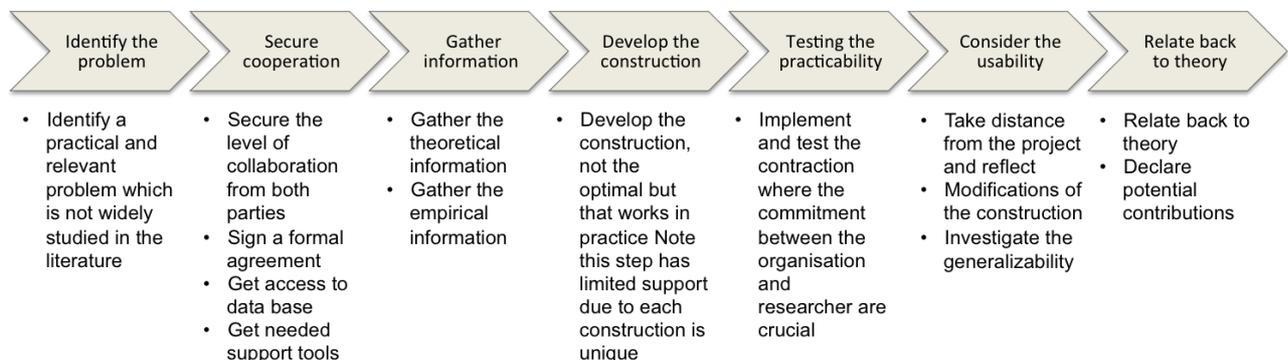


Figure 15 The steps and its content for the constructive research approach

2.4 Data collection

Before explaining which type of research method that was used, a clarification is given of which type of data collection that is dominant in the research. Data can be either divided into qualitative- or quantitative data (Golicic et. al, nd).

2.4.1 Quantitative and qualitative data

Quantitative data collection is strongly connected with the paradigm positivism. Using this approach the researcher wants to create a construction by searching appropriate literature to identify variables and the relation between them (Golicic et. al, nd). The quantitative data is connected to an objective approach, which tries to describe reality in general and find knowledge as individual independent. Quantitative data is mainly conducted by the use of simulations and surveys. To remain objective the researcher should have a detached relation with the analysed organisation (Persson, 1982; Golicic et. al, nd).

In contrast to quantitative data, qualitative data is connected to the paradigm interpretivism (Golicic et. al, nd). The aim of the qualitative approach is to first understand the unit of analysis in its natural settings. This kind of data is more related to a subjective approach, which focuses on practical usability and social involvement impact that results in individual dependent knowledge with the view of reality. The knowledge is gained with a high level of involvement with the analysed organisation and mainly done by exploratory multiple sources such as interviews, observations, and documents (Persson, 1982; Maxwell, 1996 see Golicic et al. nd).

As mentioned the two types of data have significant distinctions, see table 3.

Table 3 The distinctions between quantitative and qualitative data (Denscombe, 2009)

	Quantitative	Qualitative
<i>Unit of Analysis</i>	Variables	Languages
<i>Paradigm</i>	Positivism	Interpretivism
<i>Data</i>	Objective	Subjective
<i>Level of integration</i>	Detachment	Involvement
<i>Size of studies</i>	Large scale	Small-scale
<i>Breadth of focus</i>	Specific variables	Holistic perspective
<i>Data collection</i>	Simulation/Survey	Interviews/Observation
<i>Data analysis</i>	After data collection	During data collection

2.4.2 Data used in the project

Important to have in mind is that in the real world things may not fall truly into these two categories of data just mentioned and the distinction of the theory will not necessarily make a proper fit with reality. Considering to Denscombe (2009) the distinction between the ‘quantitative’ and ‘qualitative’ data should relate to the treatment of the data in a research, rather

than types of data as such. He also states that the two types of data can be used in combination. The data in this project is collected through interviews; in this project mainly qualitative data was collected and analysed. Qualitative data is inline with the recommended type of data related to the system approach and the constructive approach used in this project.

2.5 Research method

The data that will be used in a research, together with the way of analysing the data, will decide which research method to use (Ellram, 1996). Regarding to Yin (2003) there is five major research methods how to accomplish a research depending on the research purpose and approach: experiments, archival analysis, histories, surveys, and case studies.

2.5.1 Different research methods

When choosing which of the five methods to use in a research, three conditions need to be take into consideration: the kind of research questions, the degree of control a researcher has over actual behaviour dealings, and the level of focus on current proceedings, see table 4. The type of questions can be divided into two categories: exploratory and explanatory. The exploratory questions are: “how” and “why”, whereas the explanatory questions are: “what”, “who” and “where”. (Yin, 2003)

Table 4The research methods with the three conditions (Yin, 2003)

Strategy	Form of research questions	Requires control over	Focuses on current
<i>Experiment</i>	How, why?	Yes	Yes
<i>Survey</i>	Who, what, where, how many, how much?	No	Yes
<i>Archival analysis</i>	Who, what, where, how many, how much?	No	Yes/no
<i>History</i>	How, why?	No	No
<i>Case study</i>	How, why?		

2.5.2 Research method in the project

When deciding which research method to use, the first condition to consider is which research questions that is going to be answered (Yin, 1981 see Ellram, 1996). The research questions with the project is to find out “how something is being done” to get a clarification of the current work and considering to Ellram (1996) a case study or an experiment would be desirable to use.

A case study will fit the research in the project in a better way since it does not requires control over actual behaviour dealings, which is the case with the use of experiments, see table 4. Based on the purpose and research questions of the project, the choice of approaches, and the qualitative data to analyse, a case study method is selected for the project.

A case study can be either single or multiple, and the choice depends on the goals of the research. It is therefore of importance to make sure having a clear defined unit of analysis. A single case is often used when one wants to explain a critical case, extreme or unique case. A multiple case study is instead used to collect a rich amount of data that could be used to develop a theoretical framework and understand how the context in a specific case affects its outcomes. The purpose is to either find similarities or contrasts between the cases (Ellram, 1996). Considering to Yin (2003) multiple case studies are often seemed to be more compelling and creating a more robust study than a single case study. This is also facilitating the possibility of generalizing the result.

Both single and multiple case studies can be divided into either holistic or embedded approaches, see figure 16. When using the holistic approach, the study has a single unit of analysis. The embedded approach is instead used when having sub units. (Yin, 2003)

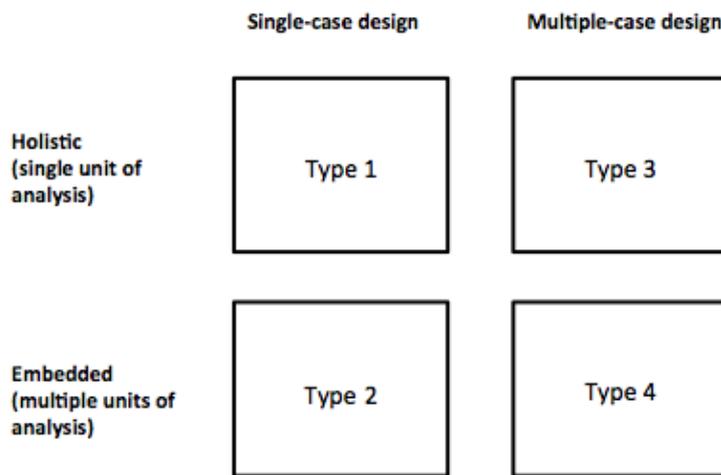


Figure 16 The different case study designs (Yin, 2003)

Based on research question two, a multiple case study is selected. The development of the new construction (a working process) including the Supply Market Study and Supplier Mapping is based on how the different purchasing operation areas have been working with this. The multiple case study is suitable and will be increasing the possibilities to make the result more generalized and actionable.

There are two units of analyses in this project, Supply Market Study and Supplier Mapping. These units dedicate the use of an embedded approach. The use of a multiple case study together with an embedded approach ends up with a type 4 case study design, see figure 16.

Yin (2003) has developed a process for how to perform a multiple case study, including three main steps with related activities, see figure 17.

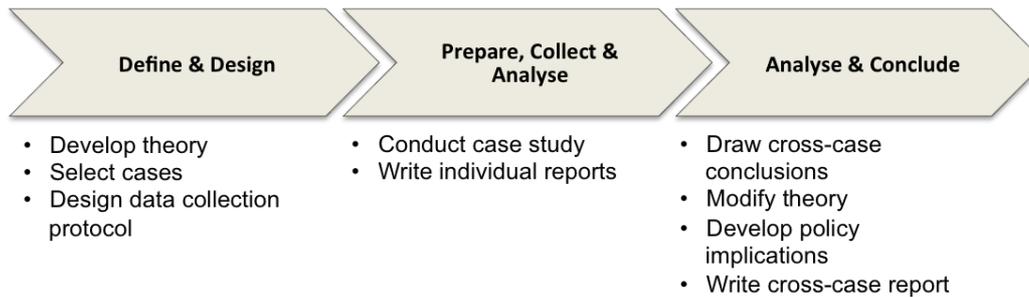


Figure 17 The procedure of a multiple case study

Before performing a case study, a decision needs to be taken regarding which sources to use. There are both primary and secondary sources. Ghauri and Grønhaug (2002) find a combination of those two types of sources to prefer.

Descriptions of primary and secondary sources:

- *Primary data* – this data is collected by the researcher himself and the data comes from a primary source such as experiments, observations, interviews, and surveys.
- *Secondary data* – this data is collected by others that necessarily not use it of the same reason as the researchers of the specific study. The secondary data sources can consist of internal sources within the specific company studied and external sources such as books, journal articles, and commercial data.

Considering to Yin (2006) there are some general principals to have in mind in the collection of data for case studies to secure the quality of the data collection that is taken into consideration in this project:

- First, the use of multiple sources to ensure the results. No source is better than the other but a combination is to prefer to increase the construct validity of the research.
- Second, have a database from each case in terms of a conventional summary.
- Finally, a chain of evidence in terms of explicit connections between the created questions, the collected data and the drawn conclusions. Specific for the use of a case study as a research strategy is the importance of use of multiple sources. This is due to secure the consistency of the research and it is called triangulation.

When having collected data, it is of importance to analyse it in a good way. A choice of analytic techniques needs to be done. The importance of using analytic techniques is to develop internal validity and external validity of the research. The use of analytic techniques will increase the reliability and belief of the case studies. (Yin, 2006)

Yin (2006) is describing five different techniques to use:

- *Pattern matching* is one of the most common techniques to use in case studies. With this technique a comparing is done between the empirical pattern observed and the expected pattern in the theory, to describe either similarities or differences.

- *Explanation building* is a type of pattern matching but more complex to perform. The purpose with this technique is to create an explanation of the case from the data collected for each case, which is most applicable on describing case studies.
- *Time series analysis* is found to often be much simpler than the more general pattern matching analysis. With this technique measurements are done over a time interval.
- *Logical models* have been used more during the last years and are also a type of pattern matching. The distinction from the more general pattern matching is that this technique matches or compares sequential phases of empirical observations with theoretical expected events.
- *Cross-case analysis* is recommended to use for multiple case study, compared to the previous four techniques. Separate cases will be analysed in the same way and compared with each other, often with use of tables. With the use of a replication logic conclusions can be drawn from this.

Which of these techniques that are used in the project will be further described in next part, the research procedure in the project.

2.6 Research procedure in the project

The research procedure was based on Lukka's constructive research approach (Lukka, 2000 see Ojala and Hilmola, 2003 pp 83-99) in a combination with Yin's (2003) developed process for how to perform a multiple case study research. The process for this project illustrated in figure 18.

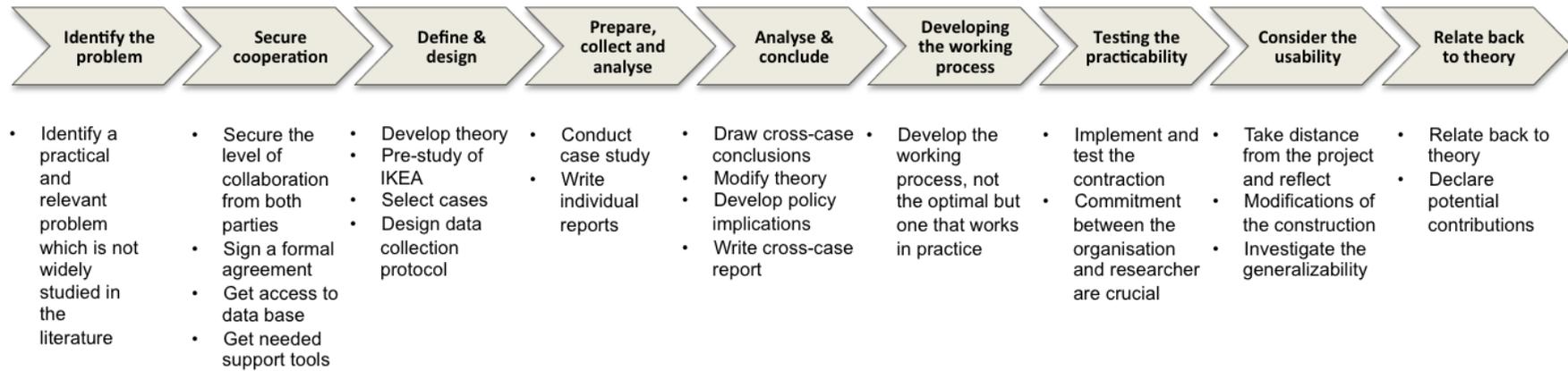


Figure 18 The project procedure

2.6.1 Identify the problem

Before starting the project the authors identified a practical and relevant subject for the research that was given from IKEA. This since they did not had a global working process for Supply Market Study and Supplier Mapping, which was requested in the connection to the start-up of New Business.

2.6.2 Secure cooperation

Next step in the process of this project was to ensure collaboration with IKEA. This was made through a contract that explained both parties' interest and contribution for the project, which is inline with the constructive research approach. A formal agreement was made regarding: access to database, other needed supportive tools, the possibility to publish the findings, and other relevancies.

2.6.3 Define & design

To continue, in the project a literature review was made to build up a knowledge base about the Supply Market Study and Supplier Mapping and to be able to answer research question one. A theoretical framework with the key takeaways was made based on the literature findings. The information sources used were books, scientific articles and homepages. For the search of articles and other information the online library available on Lund University homepage was the mainly one used, but also trustworthy databases such as Google scholar and Emerald Insight.

The key words used for the online search related to the Supply Market Study were mainly the following words, single or in combination with each other: *new sourcing markets, supply market intelligence, Supplier Market Analysis, supply market analysis, Supply Market Study, supply market research, competitor benchmark, market and business opportunities, and industry landscape etc.*

The key words used for the online search related to the Supplier Mapping were mainly the following words, single or in combination with each other: *supply market scan, supplier landscape, supplier dynamics, optimal sourcing, screening of potential suppliers, supplier selection criteria, supplier sourcing, and strategic sourcing etc.*

In parallel with the literature research, a prestudy was done to increase the understanding of IKEA and gain information related to the project. First, unstructured interviews were done together with the project's supervisors Peter Wisbeck and Simon Nilsson.

Second, conversations with IKEA employees were common to increase the understanding of the company and their way of working. In addition to this primary data, secondary data was collected, such as: power point presentations, audit presentations, and documentations. The material was found at IKEA's intranet, available for the authors during the project, but was also given from the supervisor and other IKEA employees. The material was also useful to understand IKEA's strategies and challenges, which lay as a foundation for the purpose of the project.

Finally, un-structured interviews together with people with different positions were carried out to give an understanding of the work within IKEA. This followed by un-structured interviews with employees having senior expertise, to hear about their way of working with entry new geographical markets and search for business opportunities, which are included in a Supply Market Study. The purpose with those interviews was to build up a good knowledge base and get a better insight to increase the level of the questions for the interviews connected to the cases, performed later in the project. All interviews can be seen in appendix 1.

When using a multiple case study research a decision about how many cases to include need to be considered. The choice depends on the desired reliability of the results, a higher number of cases contribute to an increased level of reliability (Yin, 2006) and the possibility that the results found better will presenting the unit of analysis but also increased the generalizability (Yin, 1981, see Ellram, 1996).

In the project appropriate cases were selected to make it possible to answer research question two, related to study Supply Market Study and Supplier Mapping in its natural settings. The case selection was done in collaboration with the authors and the supervisor at IKEA, and the compilation was created to get an as wide perspective as possible to increase the credibility and generalizability. The chosen cases were eight of the nine POAs, since they have been the ones performing supply market studies and Supplier Mappings until today, see the cases in table 5. The ninth POA (South Europe) was not chosen depending on difficulties in getting in contact with a person having the right competence and knowledge. It was of interest to find the local issues for each POA that are of importance to take into consideration when creating a global working process.

Table 5 The eight different cases included in the multiple case study

Cases	
Americas (A)	North Europe (NE)
Central Europe (CE)	South Asia (SA)
Greater China (GC)	South East Asia (SEA)
North East Europe (NEE)	South East Europe (SEE)

To continue, purchasing employees within IKEA, which had experience of work with Supply Market Study and Supplier Mapping in other bigger companies, were interviewed, see appendix 1. Those were contributing with an external perspective to the different cases to make the construction of the working processes for Supply Market Study and the Supplier Mapping even better and more generalizable.

A data collection protocol was created consisting of an interview guide. It was important to have this well prepared to be able to ask accurate questions during the interviews and to conduct the right and relevant information. The questions were influenced by the pre-study and the theory, together with received feedback from the researchers' supervisors from both IKEA and Lund

University. The questions were created in a way to facilitate the analysis with the theory later in the project, see appendix 2.

2.6.4 Prepare, collect and analyse

In this project the data collection for each case consisted of multiple sources of evidence, both secondary and primary data sources. Before starting the primary data collection through interviews, the interview guide was sent to all interviewees some days in advance so they had the opportunity to have a look at it and do some preparation work before the interview took place.

First, the primary data that was collected consisted of semi-structured interviews with people connected to at least one of the cases, see appendix 1. Each interview was conducted through a web call or face-to-face meeting during 120 minutes. During each interview both of the two researchers were present together with one to three interviewees. The interviews were recorded and then transcribed afterwards. The interviews were complemented by emails to strive to obtain the information needed for the analysis.

Second, to increase the research reliability and credibility, data was also collected with the use of secondary sources, in terms of presentations of performed projects and other relevant material sent from the interviewees. This material increased the researchers' understanding and enabled a comparison of the primary data collected.

Finally, the transcript material together with secondary data were analysed and summarised in separate individual case reports. Those were sent back for clarification to each of the interviewees to ensure accurate information, that later should be used for the analysis.

2.6.5 Analyse and conclude

In this stage of the project it was time to start analysing the data between the individual case reports. The data analytic techniques used were explanation building, cross-case analysis, and pattern matching.

First, *explanation building* was used in this project. The researchers tried to understand how different actors were performing Supply Market Study and Supplier Mapping, and potential factors that might have had impact on their way of working. This would increase the possibility of creating a process that would work in practice, which is the purpose in the project.

Second, before starting the cross-case analysis an experience score was assigned for each case, based on which extend they had been working with Supply Market Study and Supplier Mapping. The experience score was later used to see if there were any pattern between POAs having a high experience score compared to the POAs with a lower experience score, or for identification of other relations to this score.

Third, a *cross-case analysis* was performed with the purpose trying to find replication logic conclusions between the cases. Tables and matrices were used to facilitate the comparison. The analysis would give a good overview of the content that could be included in a Supply Market Study and Supplier Mapping, what has been good and what has not been that good in the POAs

way of working. Recommendations for the developing of a global working process from the POA are presented. It was especially similarities between several POAs that were highlighted in the analysis to not forget to include this in the developing working process later on. The analysis ends with a summarized empirical framework where the key findings and take away are included.

Finally, *pattern matching* was done between the empirical framework and the theoretical framework. The comparison would identify potential similarities and differences between the empirical study and the theory. Identified gaps were highlighted as well as identified similarities between the empirical study and the theory, which increases the internal validity of the multiple case study made.

2.6.6 Developing of the working process

A Supplier Market Analysis process, consisting of activities related to Supply Market Study and a Supplier Mapping, was mainly developed based on the conclusions from the analysis and inputs about New Business. Also gained knowledge based on inputs from other performed interviews during the project, that had no direct connection to any of the cases, were taken into consideration.

2.6.7 Testing and practicability

It would have been preferable to test the developed working process with a pilot project in minor scale. Due to the time constrain this practicability test could not be performed. Instead smaller workshops were hold. The first draft of the Supplier Market Analysis process consisting of both Supply Market Study and Supplier Mapping was presented to stakeholders that the supervisor from IKEA had recommended based on their relevance and expertise in the field. They gave their inputs and feedback on the developed process, the people involved can be seen in appendix 1.

2.6.8 Consider the usability

To be able to consider the usability of the Supplier Market Analysis process the researchers took a step back from the project for reflection of the process and the final result. Based on the reflection and the feedback from the workshops, the researchers discussed those with the supervisor at IKEA where after some final updates of the process were done.

2.6.9 Related back to theory

The final step in this project was to relate back to the theory and investigate if the project had succeeded in the contribution with new information.

2.7 Research design quality

When performing a research it is important to secure its credibility and reliability of the result (Ellram, 1996). There are different tactics to use in each phase in the research to increase this (Yin, 2003).

2.7.1 Research design test

Considering to Kidder & Judd (1986see Yin, 2003 p 33) there are four design quality tests regarding the credibility and reliability of the research; construct validity, internal validity, external validity and reliability.

A short description from Yin (2003) of each test of credibility and reliability follows:

- *Constructive validity* is evaluating how appropriate the measurements of the cases studied have been accomplished.
- *Internal validity* is only relevant when doing an explanatory case study. The purpose with this is to make proper conclusions from the data by proving that some outcomes were based on specific variables.
- *External validity* evaluates how well the findings are reflecting the unit of analysis studied and the possibilities of generalize them. A recommendation is the use of 6-12 cases.
- *Reliability* attends to find the possibilities of getting the same results if replicate the experiments.

2.7.2 Research design quality in the project

In this project the test regarding the credibility and reliability of the research has been influenced by Yin (2003). The tests together with the case study tactic and phase of research in which the tactic occurs can be seen in table 6.

Table 6 A short description of how this project accomplished the five tests of the research to improve its creditability and reliability

Test	Case study tactic	Phase of research
<i>Construct validity</i>	Use multiple sources of evidence (Interviews, archival documents, websites and other external information) Establish chain of evidence (interview guide, research plan, and individual case reports) see appendix 2, 3, and 5 Send compiled data from interviews for clarification	Define & design Prepare, collect & analyse Prepare, collect and analyse Prepare, collect and analyse
<i>Internal validity</i>	Interviews throughout the organisational hierarchy (Managers, Strategic Purchaser, Operational Purchaser) Pattern-matching Explanation-building	Define & design Prepare, collect and analyse Analyse and conclude Analyse and conclude
<i>External validity</i>	The use of eight cases to increase the generalizability	Define & design
<i>Reliability</i>	Interview guide Individual case reports Workshops with stakeholders within IKEA Compare the result with the prior theory	Prepare, collect and analyse Prepare, collect and analyse Consider the usability Relate back to theory

3. Frame of reference

The chapter presents the theoretical framework for this project. Some general information regarding Supply Market Study and Supplier Mapping is presented together with explanation of different working processes related to this. The chapter concludes with some key takeaways to facilitate for the reader what will be further used in the analysis of this report.

The purpose with this project was to develop a working process for how to do a Supply Market Study and Supplier Mapping, in line with the New Business approach. The structure of the process developed in this project was inspired by Ljungberg and Larsson's (2011) work in process based business development. The frame of reference will start to describe what is a process, aspects to consider related to the creation of a process and how to make it useful and effective. The next part will help answering research question one: How is Supply Market Study and Supplier Mapping discussed in the research? Finally, key takeaways from this chapter will be presented to further use in the analysis and the developing of the working process.

3.1 Processdevelopment

Ljungberg and Larsson (2011) are discussing that there are different definitions of a process. The choice of definition a company takes is critical, since this decides their view of how to look at a process, what is included or not, and what will be the result of the process. Ljungberg and Larsson's (2011) definition 'a process is a repetitive used network whereof chose connected activities using information and resources to transform "input" to "outcome", from identifying to satisfaction of the customer's need' is used in this project. This definition is, according to Ljungberg and Larsson (2011) more related to the reality with the network approach instead of a strict sequential approach. The process needs information and resources to be used (Ljungberg and Larsson, 2011).

Information related to the main features and the result of a process, what to have in mind when creating a perfect process and finally the implementation of a process will be further described.

3.1.1 Main features of a process

Three critical aspects to consider regarding the process' overall objectives are: appropriate, effective, and flexible (Ljungberg and Larsson, 2011).

First, *appropriate* refers to the importance of knowing where is the start of the process and where is the end, and what are the customer needs. This increases the possibility to come up with a result that will satisfy the customer. Ljungberg and Larsson (2011) mean, that it is in the process the strategies turn into actions and it is therefore important to break down the strategy into different operational objectives that could act as guidance for the people working in the process.

Second, to make a process *effective* it is of importance to be sure that the process lead to the right place; meaning that the process has a clear goal and purpose. There should not be included activities that are not creating any value for the customer, nor repeat the same work on the way if

not requested. It is also important to know how much resources are allocated to the process to be able to know how effective it is. (Ljungberg and Larsson, 2011)

Finally, it is critical to have a *flexible* process by defining the process on “right level”. If the process is too detailed defined there will be no space for alternative solutions and there will be a risk that the staff will feel inhibited and controlled from the top management. If the process is too little described it will have no function, and not give any guidance. The process owner needs to find a good mix between guidance, freedom, and flexibility. The management need to engage and support the staffs’ own initiatives and ideas. (Ljungberg and Larsson, 2011)

3.1.2 Components of the process

Based on the recommended definition of a process, Ljungberg and Larsson (2011) include the following five key components:

- *Object in* – starts the process
- *Activity* – a sequence of actions
- *Resource* – necessary to be able to perform the process
- *Information* – supports and controls the process
- *Object out* – the result of the transformation in the process

An activity is together with resources transforming an object in or another input (such as information) to an object out. A process can be built up of a network of activities, which are series of actions. Important to note is that not necessarily all objects need to take the same way out or continue to the same next activity in the process. Instead this depends on the result (the object out) from the previous activity. Though, the object out from the last activity is the same object out from the overall process. Resources can be people, equipment, and facilities and those are critical for the result of the object out. Information can be included in the object in, but then as a “trigger”, and not as supportive information. (Ljungberg and Larsson, 2011) The relation between the components included in a process can be seen in figure 19.

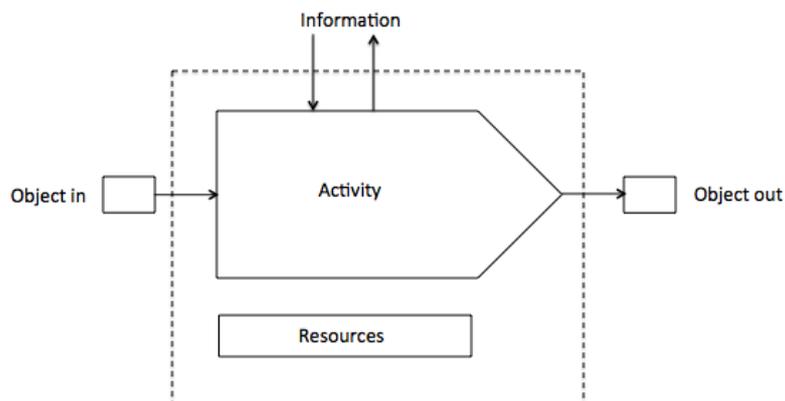


Figure 19 The relation between the content what Ljungberg and Larsson (2011) include in a process

The mapping should describe the process on “right detail level”. This means the mapping should not include *where* the activities are done, and normally neither *how* the activities are done, since

this could decrease the flexibility of the process and make it difficult to adjust the process depending on the customer needs. This could also hamper the engagement and creativity among the staff. (Ljungberg and Larsson, 2011)

3.1.3 The result of the process

Object out is representing the direct result of the process. This can be evaluated based on the requirements and expectations from the start of the process, based on *what* was delivered and *how* it was delivered.

Effects are presenting the long-term perspective result from the use of the process. Factors that can affect the effects on a process are unexpected actions, the customers behaviour, and behaviour from other customers and actors.

With this said, the performer of the process need to be able to handle both the *object out* and the *effects*, since the customer is able to evaluate both. The effects can be evaluated through interviews, focus groups and questionnaire etc. To note is that in some cases the customer of the object out is not the same as the customer of the effect. (Ljungberg and Larsson, 2011)

3.1.4 The implementation of the process

The purpose is not to develop a detailed solution. Instead the “perfect process” will be found as a rough view of the vision with the process, and lay as a foundation for further work with more detailed solutions. A decisions need to be done regarding which parts that can be realized on a short respectively long perspective. When implementing the process it is of importance to not exclude the fundamental parts. The definition of the process should be carried out of the same people that were part of the creation of the process. A handover to other people would risk the entire solution. (Ljungberg and Larsson, 2011)

3.1.5 When the creation of the process is finished

It is important to share the created process with the rest of the organisation and give the opportunity for more people to give their inputs to the process. To give this opportunity to the employees will give them the feeling of being part of the work, and increase the possibility of getting support from more people when the process is finished. The created process will also give an insight in problems and improvements of importance to note. This could later on be used as assistance for further analysis and development of the process. (Ljungberg and Larsson, 2011)

3.2 Supply Market Study

“Supply Market Study” is in the literature often recognized as supply market research, Supply Market Analysis, and market intelligence. Different definitions founded in the literature can be seen in table 7.

Table 7 Different definitions of terms related to “Supply Market Study” founded in the literature

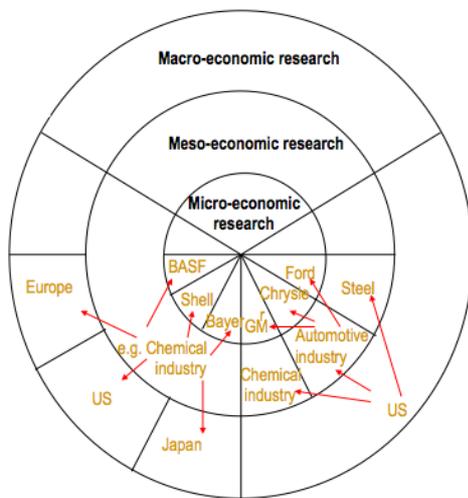
Term	Definition
Supply market research	<i>“Supply market research is the systematic gathering, classification and analysis of data consider all relevant factors that influence the procurement of goods and service for the purpose of meeting present and future requirements” (Van Weel, 2010 p 131)</i>
Market intelligence	<i>“Market intelligence is the process of gathering and analysing information relevant to a company’s supply markets specifically for the purpose of supporting accurate and confident decision making in the procurement process” (Hargraves, 2008)</i>
Supply Market Analysis	<i>“Supply Market Analysis is a technique used to identify market characteristics for specific goods or services. It provides information that is critical to developing effective procurement strategies, in the context of planning for significant procurement” (The State of Queensland, 2014)</i> <i>“A Supply Market Analysis should be done to develop a detailed understanding of key trends, major players, and overall market dynamics that could influence the development of the commodity strategy e.g. route to market, lotting strategy” (The Scottish Government, 2015)</i>

Further in research, Harrison and Cupman (2015) believe the purposes with a market study research are either *“help enter new market”* or *“expand presence in a market”*. Jenster and Solberg Sølilen (2009) discuss the importance of keeping market intelligence updated. They believe that companies that are keeping their technology up to date will decrease the risk of losing markets; this also even if they are not using the new technology, since also just low technology can provide misleading information.

The Supply Market Study can be executed on a project basis or at more regular intervals and focus on either long-term or short-term issues (Van Weele, 2010). Before starting the analysis it is of importance to be sure of in which geographical area to do the research, and what the features are for a specific area to investigate in front of another. Though, an analysis often tend to be extended during the process since the worst thing is to limit the investigation to just a specific country (Jenster and Solberg Sølilen, 2009).

3.2.1 Level of research

The environment is critical for an organisation's extent and it can create both opportunities and threats. It is impossible to know what will happen in the future, but it is important for entrepreneurs and managers to try analysing their environment and predicting their future environment as good as possible to be able to affect it (Johnson et al. 2012). Both Van Weele (2010) and Johnson et al. (2012) are dividing this environmental research into three levels of research. Van Weele (2010) is dividing it into *macro*-, *meso*- and *micro-economic research*, where Johnson et al. (2012) is dividing it into *macro environment*, *industry/sector*, and *competitors & markets*. The illustrations of those connections can be seen in figure 20.



(a) The environmental research levels regarding to Van Weele (2010)



(b) The environmental research levels regarding to Johnson et al. (2012)

Figure 20 The levels of purchasing market research

To continue, Hargraves (2008) is dividing Supply Market Analysis into macro and market environment. Jenster and Solberg Sjøilen (2009) are focusing on Industry Analysis in relation to more specific market intelligence.

A description of the content and the purpose of the research for each level of environment will be further described. Since different terms for Supply Market Study and its level of research are discussed in literature, the following terms will be further used in this report: Supply Market Study consisting of Macro Analysis, Industry Analysis, and Company Analysis.

3.2.2 Macro Analysis

This outer shell of the environment is the starting point of a wider Supply Market Study and refers to the business environment and general economics. This level focuses on the elements that will affect the balance concerning future supply and demand. The elements investigated could be labour costs, inflations, consumer price index, unemployment and employment in a country (Van Weele, 2010). The macro environment will more or less affect all organisations in different ways.

Johnson et al. (2012) stress the importance for an organisation to identify and analyse the different environmental factors and their impact on the business. To not get overwhelmed of all information they recommend to put much effort to identify the *key drivers of change*, the factors having high impact on the company's specific strategy. Also Hargraves (2008) points out that the most challenging task in the Supply Market Study is to identify the *optimal market indicators* for a specific commodity, industry or area of spend, which are similar to Johnson's et al. (2012) *key drivers of change*. The indicators are able to give information from two perspectives. The first one is to get an insight of the current state at the market. The second one is to identify market trends such as seasonality and cyclicity, by tracking those indicators over time under certain conditions. This will give indication of shifts in the future that could affect the business regarding continuity of supply and pricing. (Hargraves, 2008)

A high level of uncertainty in the business environment makes it difficult to create a single view of how different environmental changes will affect the organisation, and the extreme uncertainty makes it risky to evaluate just one single view of the future. This is of importance to have in mind when performing a Macro Analysis, to have an opened mind for different alternatives predicted to occur in the future. (Johnson et al. 2012)

Frameworks

"The PESTEL framework" (Political, Economic, Social, Technological, Environmental, and Legal) is recommended on this level to provide general data about the environment (Johnson et al. 2012). PESTEL can in the literature and among organisations also be defined as PESTLE.

Each category in the PESTEL framework consists of a wide range of influences that could affect the possibilities for success or failure. Some examples of influences from Johnson et al. (2012) are:

- *Political*: government's role, taxes, political stability, trade restrictions and tariffs
- *Economic*: exchange rates, interest rates, inflation rate, business cycles, and economic growth
- *Social*: health consciousness, population growth rate, age distribution, emphasis on safety, changes demographics, and culture aspects
- *Technological*: R&D activity, automation, technological incentives, rate of technological incentives, new composite material, nano-technology and other technical innovations
- *Environmental*: regulation, record, pollution, and waste
- *Legal*: employments laws, changes in legislation or restrictions on company mergers, and acquisitions

There are also similar versions of this framework with less or more categories to investigate. For example, the framework is sometimes extended to PESTLEE with the extra seventh category ethics. This category includes factors such as: use of child labour, compliance to equal opportunities, and human rights. (Gov, 2015)

Jenster and Solberg Sjøilen (2009) are using a similar tool as PESTEL for analysing the macro environment. They are categorising the influences affecting the business in another way than mentioned above. The categories are instead: political, ecological, social, technological, infrastructure, legal, and demographic (Jenster and Solberg Sjøilen, 2009).

“The cage distance framework” is an alternative to PESTEL. This framework focuses on the potential distances between countries, not just the most well known geographical distance, but also other dimension of distance: cultural, administrative (or political), and economical, see figure 21. (Pankaj, 2014)

	Cultural Distance	Administrative Distance	Geographic Distance	Economic Distance
Country Pairs (Bilateral)	<ul style="list-style-type: none"> • Different languages • Different ethnicities; lack of connective ethnic or social networks • Different religions • Lack of trust • Different values, norms, and dispositions 	<ul style="list-style-type: none"> • Lack of colonial ties • Lack of shared regional trading bloc • Lack of common currency • Political hostility 	<ul style="list-style-type: none"> • Physical distance • Lack of land border • Differences in time zones • Differences in climates / disease environments 	<ul style="list-style-type: none"> • Rich/poor differences • Other differences in cost or quality of natural resources, financial resources, human resources, infrastructure, information or knowledge
Countries (Unilateral / Multilateral)	<ul style="list-style-type: none"> • Insularity • Traditionalism 	<ul style="list-style-type: none"> • Nonmarket/closed economy (home bias vs. foreign bias) • Lack of membership in international organizations • Weak institutions, corruption 	<ul style="list-style-type: none"> • Landlockedness • Lack of internal navigability • Geographic size • Geographic remoteness • Weak transportation or communication links 	<ul style="list-style-type: none"> • Economic size • Low per capita income

Figure 21 Cage distance framework (Pankaj, 2014)

3.2.3 Industry Analysis

Industry Analysis is the second level of research, which focuses on a specific industry or sector (Van Weele, 2010; Johnson et al. 2012). The level consists of organisations that offer the same sort of products or services (Johnson et al. 2012). The investigated elements are usually more

specific, such as the industry's profitability, technological developments, labour cost, capacity utilization, energy consumptions, and also direct versus indirect costs (Van Weele, 2010).

Wipro consulting service (2012) and Nolf et al. (2012) point out the essential with a cross-Industry Analysis to find or adapt new innovations. Some companies that have succeeded with this are Toyota, FedEx and Coca Cola. Each of these organisations looked outside their own industry to find innovations. To only look into your own industry might lead to missed business opportunities and decreasing of the competitiveness. (Wipro consulting service, 2012)

Frameworks

“Porter's five forces framework” is recommend to be used in this level of research to understand the attractiveness and competitiveness in a specific industry or sector (Johnson et al. 2012; Handfield, 2013; The State of Queensland, 2014; Gov, 2015; Jenster and Solberg Søylen, 2009). Jenster and Solberg Søylen (2009) point out that Porter's five forces is sometimes too broad to use in the research of the industry. They believe a categorisation of the suppliers into strategic groups with the same characteristics is to prefer to facilitate the work, if there are plenty of competitors. Before starting the analysis it is of importance to consider how in-depth the analysis is aimed to be, for example if the primary supplier is not the supplier of the raw material, an evaluation of the tier suppliers should be done with the use of Porter's five forces (Jenster and Solberg Søylen, 2009). Porter's five forces framework need to be updated continuously, since the market conditions will change with the stages of the industry life cycle (Johnson et al. 2012; Jenster and Solberg Søylen, 2009).

Porter's five forces framework is used to describe a market economy's competitive forces (Handfield, 2013). It could be a way to identify new attractive industries, used as a starting point for a strategic analysis to help an existing organisation put up a strategy of how they could compete in this particular industry. This framework focuses on five competitive factors, also called forces: the threat of entry, the threat of substitute, the power of buyers, the power of suppliers and the extent of rivalry between competitors. Porter is not recommending organisations to entry an industry where the five forces are high, since this will decrease the possibility of good profit potential (Johnson et al. 2012; Handfield, 2013). The cornerstones of the framework are shown in figure 22. The State of Queensland (2014) and the Scottish Government (2015) are using the framework for their supply market studies. The literature is describing Porter's five forces in similar way but in differently comprehensive. The cornerstones will now be described based on Johnson et al. (2012).

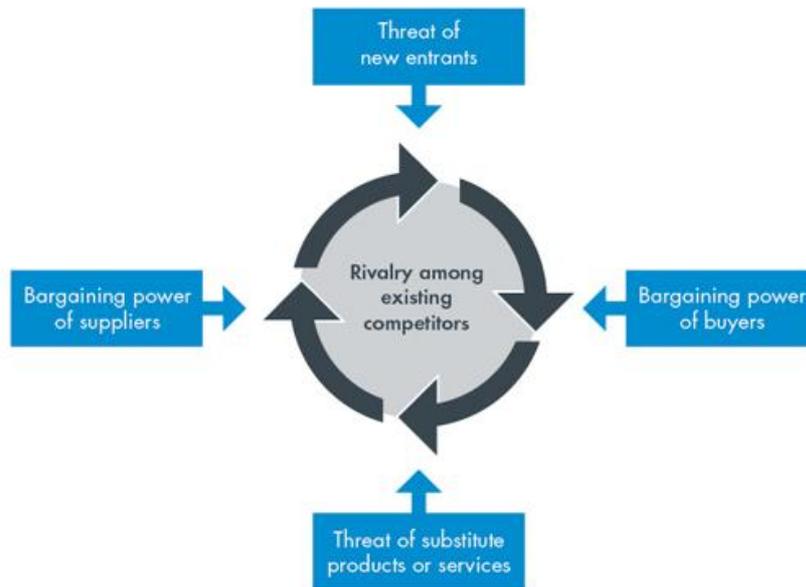


Figure 22 Porter's five forces framework (CGMA, 2015)

The threat of entry depends on the competition in the industry and is strongly connected to the barriers for entrance. High barriers make it more difficult to enter a specific market; in general this will reduce the level of competition. The opposite case is when an industry has low barriers of entrance. They are in general many players and higher competitiveness environment. Attractive markets will try to higher the threats of entry to keep new players out. (Johnson et al. 2012)

Common barriers to overcome are regarding to Johnson et al. (2012):

- *Scale and experience* include the economic of scale and the experience curve. Players with large-scale production, high level of experience, and high investment requirements will make it more difficult for new players to entry the market.
- *Access to supply or distribution channels* are barriers that can depend on both customer and supplier loyalty but also that some industries have the control over the network through vertical integration.
- *Expected retaliation* consider the battle resistance that existing organisations have to prevent other players to enter the industry; such as it would be too costly to entry. The retaliation could take form as a price war.
- *Legislation or government action* is a barrier including patent protection, different regulation and government actions such as tariffs.
- *Differentiation*, this barrier will reduce the competition and the threat of entry. Often do differentiation increase customer loyalty.

The threat of substitute is a factor that many managers underestimate. A substitute is a product or service that offers the same or comparable benefits but is processed differently. The risk with a new developed product or services that could be a potential substitute can reduce the demand for

a product due to the potential that some customer will switch to the substitute product. In worst case the product can be totally outcompeted by the substitute. (Johnson et al. 2012)

Some points to consider regarding substitutes are considering to Johnson et al. (2012):

- *Price versus the performance ratio* is of importance when talking about substitute threats. Even if the substitute is more expensive it still could be considered as a threat if it provides performance that is of value for the customer.
- *Extra industry effects* refer to the core of the substitute, the product or service outside the industry. This distinction is made to force a manager to also look outside the industry to identify potential threats.

The power of the buyers is the case when the buyer stands for the bargain power and it repeatedly leads to reduction of the price; the buyer has a winning position (Johnson et al. 2012).

Conditions that affect the power of the buyer are as follow (Johnson et al. 2012):

- *Concentrated buyers* means that if just a few larger customers stands for the majority of the sales, it will increase the power of the buyers.
- *Low switching costs* will increase the power of the buyer. It is when the buyers effortlessly can change one supplier to another.
- *Buyer competition threat* is if the buyer is able to perform a backward integration of the supply competence, which will increase the buyer competition threat and increase the power of the buyer.

The power of suppliers is the case when the supplier stands for the bargaining power. The price level usually maintains high and the buyer's impact will decrease. To increase the power of the supplier, the conditions as mentioned before regarding the power of the buyer, will be the opposite. (Johnson et al. 2012)

Conditions that affect the power of the supplier are as follow (Johnson et al. 2012):

- *Concentrated suppliers* are the cases when few suppliers provide the particular product or service, which increase the negotiation position for the suppliers.
- *High switching cost* can exist when a buyer wants to change supplier. This will increase the buyers' dependency of the suppliers meaning the power of the supplier will increase.
- *Supplier competition threat* is if the suppliers are able to perform a forward integration and cut out the buyers, the power of supplier will increase.

The extent of rivalry between competitors is referring to companies within the same industry, offering similar products or services. To note, this is not to be confused with substitutes (explained earlier). (Johnson et al. 2012)

Important to have in mind is the following factors that affect the level of rivalry in an industry (Johnson et al. 2012):

- *Competitor balance.* If the players in the same industry are of equal size, this is increasing risk rivalry between the particular players.
- *Industry growth rate.* If an industry experiences a decreasing growth rate this often lead to an increase price competition among the competitors together with a lower profit.
- *High fixed costs* in industries drive companies to find ways to increase their sales volume to spread out these costs. As a result the rivalry in the industry among the competitors will increase.
- *High exit barriers*, such as closure or disinvestments, will lead to strong rivalry especially in a decreasing growth rate in the industry.
- *Low differentiation* in an industry often results to just a price competition between the competitors. Customers easily switch competitor where the reason is based on the price.

“The IA³ framework” is similar to Porter’s five forces but does also have some differences, see figure 23. This framework focus on a nonmarket environment that can provide a view of the market characteristics and in comparison to Porter’s Five Forces it focus on “issues” and not on a specific industry. The issues could be social or political, which really matter for a specific company. This analysis should be performed for each of the identified issues, and focuses on how the issue affect the company’s possibility to create value. This could be done from two perspectives; the first is to mitigate a potential threat of an issue and the second is to take use of an issue to create an opportunity for the company (Bach and Allen, 2010). Bach and Allen (2010) mention some questions that should be answered with the use of the framework considering the market/industry:

- *What are the issues?* Identify the most critical issues that affect the company’s business
- *Who are the actors?* Identify concerned partners and eventual conflicts between them and also identify the actors who really care about the issues.
- *What are their interests?* Investigate what each of the identified actors actually wants; what motivate them, and how important is the specific issue for each of them.
- *In which arena do these actors meet?* This is of importance though the rules vary depending on where the actors meet and where the issue plays out. This could be in news media, industry forums, and public domains.
- *What information would move the issues in this arena?* It is of importance to have right kind of information for the specific issue and the arena where the issues takes place. To have critical information is of advantage and key to success.
- *What assets do the actors need to prevail in this arena?* The reputation of a company especially in a public domain is essential to be able to impact the issue. To have a broad network could be of value. Important to note is that wrong contact with for example a dictator could instead inhibit the companies business.



Figure 23 IA³ framework (Bach and Allen, 2010)

3.2.4 Company Analysis

The third level of research emphasizes to evaluate strengths and weaknesses of specific products or suppliers, which gives a more detailed understanding of an industry's or sector's competition (Van Weele, 2010). The level is the closest to organisations and the objective is to get knowledge of specific suppliers' capabilities and long-term market position (Johnson et al. 2012; Van Weele, 2010). The examination is done through audits of the suppliers consisting of financial, quality, sustainability and cost analyses to better understand the strengths and weaknesses of the suppliers (Van Weele, 2010). Jenster and Solberg Søylen (2009) call this level of research for a Company Analysis. Different actors in an industry do not necessarily have the same capabilities nor compete on same bases (Jenster and Solberg Søylen, 2009). Johnson et al. (2012) suggest dividing competitors in different strategic groups based on their competition bases and evaluating the strategic groups instead of the suppliers one by one. In this level of research it is critical to identify strategic opportunities and threats for the specific organisation. This identification will be useful in the decision regarding strategic choices for the future. (Johnson et al. 2012)

Frameworks

Many companies are using SWOT to identify strengths, weaknesses, opportunities and threats for the company analysed in a specific business environment (Johnson et al. 2012; Hargraves, 2008; Jenster and Solberg Søylen, 2009). SWOT can be useful when building up strategic options for future actions (Johnson et al. 2012). The Scottish Government (2015) recommends dividing the analysis into environmental factors, internal and external for the company. The internal factors refer to strengths and weaknesses, and the external factors refer to threats and opportunities (Gov, 2015).

3.2.5 Information sources

There are some information sources recommended to use in the Supply Market Study. The authors in the literature define them in different ways, which will be further described below.

Van Weele (2010) is dividing the research in *desk research* and *field research*, see table 8. The desk research is mainly used within purchasing, where the data that is not able to collect through the desk research is collected through a field research (Van Weele, 2010).

Hargraves (2008) is dividing the research into *primary research* and *secondary research*, and believe both are important to include since the study needs to consist of both significant and disparate data to be examined, see the information sources in table 8. The secondary research is in general easier to perform and not that expensive in comparison to primary research. On the other hand is the primary research often of more value and gives a better insight than the secondary research. If the company wants to create competitive advantage with the Supply Market Study it is substantially to use the primary research. (Hargraves, 2008)

The State of Queensland (2014) does also use *primary sources* respectively *secondary sources*, see table 8. To get an overview of the supply market and its goods and services secondary sources are useful, which are material already published. When having a wide understanding of the supply market it is necessary to get an understanding and more detailed knowledge, which are done through primary sources. The most useful source here are the main actors or the ones in the best position to get an insight of issues associated with the goods and services that are required to meet the company's need related to the study. (The State of Queensland, 2014)

Considering to Harrison and Cupman (2015), the gathering methods to use are varying depending on the objectives of the intelligence. For the market entry research and market expansion studies, a wide view of the market is required and there are some sources recommended to use, see table 8.

Harrison and Cupman (2015) are pointing out the easy way of collecting general information wherever you are in the world. Though, they believe that the most valuable information is difficult to find, such as information related to competitor intelligence. This information often requires expert market intelligence consultant for the collection from the competitors or from other sources. Other information that could be difficult to find is technical information related to the product development. This information requires a one-on-one discussion with a technologist (Harrison and Cupman, 2015).

Table 8 Information sources for a Supply Market Study

Information Sources			
Van Weele	Hargraves	The State of Queensland	Harrison and Cupman
<i>Field research*</i> <ul style="list-style-type: none"> Industrial exhibitions Suppliers <i>Desk research*</i> <ul style="list-style-type: none"> E-market places 	<i>Primary*</i> <ul style="list-style-type: none"> Meetings Focus groups One-on-one meeting Surveys <i>Secondary*</i> <ul style="list-style-type: none"> Publications Broadcast media Existing literature Other non-human sources 	<i>Primary*</i> <ul style="list-style-type: none"> Suppliers End-users of the goods Procurement staff Quality assurance auditors <i>Secondary*</i> <ul style="list-style-type: none"> Internet search engines research providers Private sector research providers Online databases Online legislation Media sources Specialist organisations Company-specific details 	<ul style="list-style-type: none"> Potential buyers Distributors, agents and other intermediaries Competitors Industry experts such as journalists and industry associations

*Subheading

3.2.6 Supply Market Study processes

There are some processes found in the literature regarding Supply Market Study, referred as: purchasing market research, Supply Market Analysis and Supplier Market Analysis. Three processes that will be further described come from Van Weele (2010), the state of Queensland (2014), and the global management consulting firm A.T. Kearney (2011).

Van Weele’s purchasing market research

Van Weele proposes a stepwise approach to accomplish a purchasing market research where he includes the steps he find of most importance, see figure 24. Each step will be shortly described below.

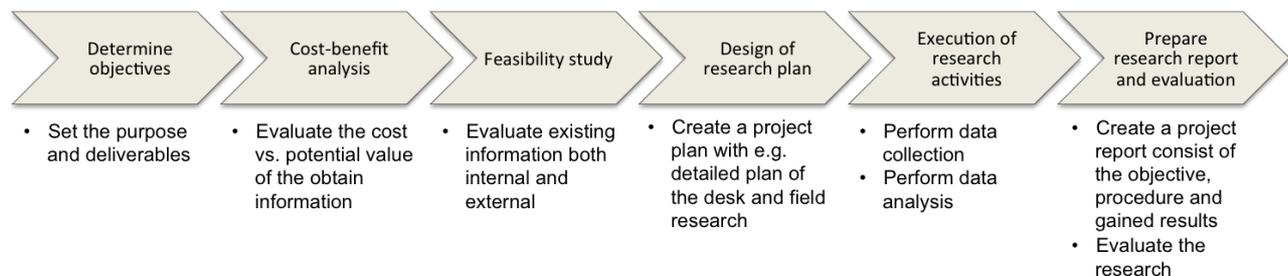


Figure 24 Stepwise approach for conduct a supply market research

Step 1. Determine objectives

First, the purpose and the deliverables for the research need to be stated. There are some questions need to be clarified in the first step: What do you want to reach with the study? Is the research global or more individual adapted for a certain supplier? What information is needed and what about its accurateness? (Van Weele, 2010)

Step 2. Cost-benefit analysis

As the second step, an evaluation will be done regarding the cost versus the value of the potential obtained information of a supply market research. A question to ask is whether it is worth the time and effort. (Van Weele, 2010)

Step 3. Feasibility study

The third step is to consider the already existing information within the company to avoid duplication of work. Also contact and extract of available information from general statics or other public sources should be done. Good computer documentation is high valued. (Van Weele, 2010)

Step 4. Design of research plan

A project plan for the project needs to be created, including for example how to collect data. To continue, the researchers will do both a desk research and a field research that will be included in the project plan. Questions such as where and what need to be answered to support this process. The 'where' questions will be strongly connected to collect new information from the field while the 'what' questions will be strongly connected to the desk research, which investigate the already available information. Who will be interviewed? Which supplier should be audited? Those questions should be considered and included in the project plan. To summarise, planning is really important for success. (Van Weele, 2010)

Step 5. Execution of research activities

This is the first step of the execution phase. The final conclusions and the supported information for decision making is affected by the certain amount of data available. Important is to anticipate possible problem that find certain kind of data and design the project plan thereafter. Data collection and data analysis are the next activities in this step (Van Weele, 2010). Which aspects Van Weele find of importance to investigate is stated in the previous chapter.

Step 6. Prepare research report and evaluation

The final report should consist of the objectives, the procedure and the gained results. Evaluations of the research need to be made to develop the process and prevent missteps to be repeated in the future. (Van Weele, 2010)

A.T. Kearney's guideline of Supplier Market Analysis

A.T. Kearney is a large consultant company, which has a guideline for how to conduct a Supplier Market Analysis, see figure 25. This involves gathering data, analysing the information and drawing conclusions that can be applied to the sourcing strategy. The step included in the process will be shortly described below. (A.T. Kearney, 2011)

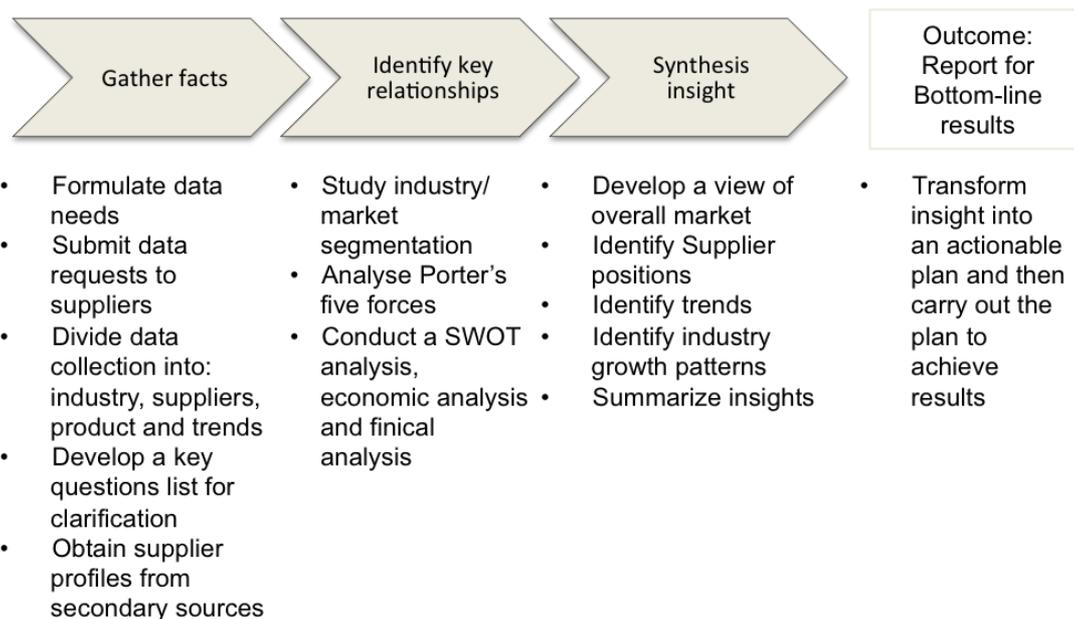


Figure 25 A.T. Kearney's guideline of how to conduct a Supplier Market Analysis

Step 1. Gather Facts

The first step in a Supplier Market Analysis is to formulate the data needs and submit data requests to suppliers. A.T. Kearney divides the data collection into industry, suppliers, product and trends, which are the cornerstones and inputs for a comprehensive fact base. In this step they also develop a key questions list for clarification and then obtain supplier profiles from secondary sources. (A.T. Kearney, 2011)

Step 2. Identify key relationships

Next step is to investigate the essentials to derive key relationships and driving forces in the market, which is made with help of Porter's five forces framework. Then also an investigation of the industry segmentation, economic, financial and then finally a SWOT analysis is done. (A.T. Kearney, 2011)

Step 3. Synthesize insights

The third step is to synthesize the insights from the prior step to get a good view of the overall market. This consists of an Industry Analysis and Company Analysis. These two analyses include the industry trends, the industry demand, the suppliers' product portfolio and the suppliers' market share. All the insights are summarised to later transform into an action plan. (A.T. Kearney, 2011)

Step 4 Report for bottom-line results

Finally, a Supplier Market Analysis report is created and it is in this step the transformation of the insight into an actionable plan takes part. This report consists of an executive summary, market overview/segmentation, Porter's five forces analysis, market trend, supplier

chain/distribution market, value chain/cost structure, major players and supplier profile of major players. (A.T. Kearney, 2011)

The Government of Queensland’s Supply Market Analysis

The Government of Queensland has created a guidance of how to do a Supply Market Analysis with the purpose to ‘provide an understanding of Supply Market Analysis, and why it is critical to developing effective procurement strategies for significant procurements’. The purpose was also to ‘provide practical advice to Queensland Government agencies regarding how to undertake Supply Market Analysis’ (The State of Queensland, 2014).

The guidance will be further described below and it can be seen in figure 26.

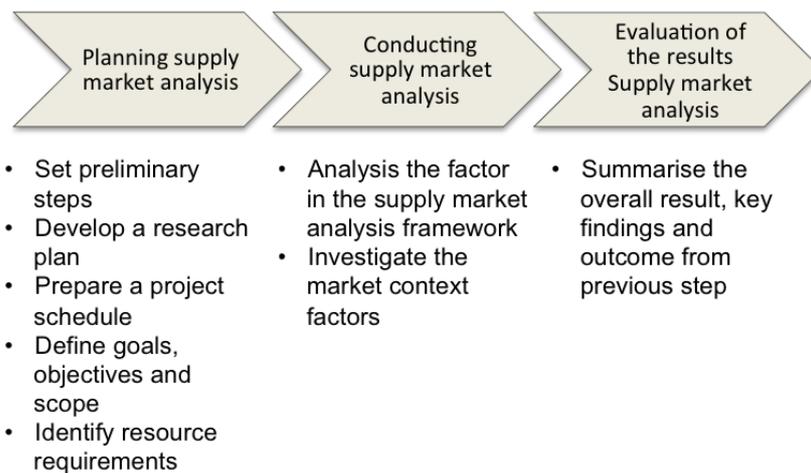


Figure 26 Stepwise approach for conduct a Supply Market Analysis

Step 1. Planning for Supply Market Analysis

First the preliminary steps should be stated before the analysis is started. To make sure that the Supply Market Analysis is focusing on the relevant industries and markets it is of importance to clearly understand the business requirements. The sustainability concerns of the product or service should be well known. A background check should be made to see if any similar or relevant Supply Market Analysis has been made recently. Good collaboration and information sharing may avoid unnecessary duplications. (The State of Queensland, 2014)

With the preliminary step in consideration, a research plan should be developed. This will ensure that the study could be conducted within the required time frame and the given budget. The plan should consist of outlined key activities, timeline, clearly defined goals, objectives, and scope. It is of importance to set clear boundaries for the analysis and that the detailed level of the analysis is defined from the beginning. Another essential part is to identify the key resource requirements for example people with appropriate levels of knowledge and skills. The resource can be both internal resources and external resources such as consultants. The research plan should also consist of how to undertake the research, which method and information sources to use. The

State of Queensland recommends the Supply Market Analysis framework, see figure 27, as a logical approach to use when conducting a Supply Market Analysis. This framework is inspired of Porter’s five forces. In addition to this framework aspects such as economical, social-culture, technological, environmental, sustainability, and legal factors will be included in the analysis. (The State of Queensland, 2014)

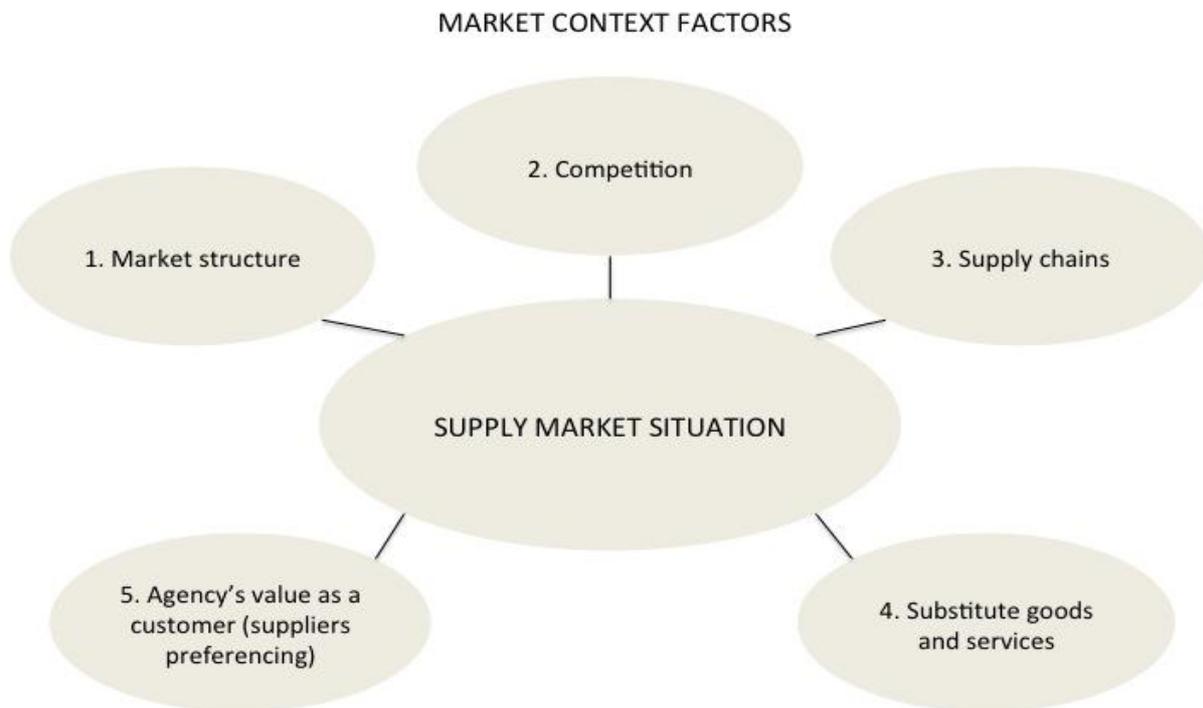


Figure 27 Supply Market Analysis framework (The State of Queensland, 2014)

Step 2. Conducting Supply Market Analysis

The State of Queensland recommends starting with the identification of the *market structure*. This is important in order to target the relevant suppliers. The market structure should include the key characteristics of the market, for example if the market is divided into commercial, technical or geographic segments. It also includes the market size and supplier market share. This is to get an overview and enable conclusion of the market competition status and also to identify the power of the buyer. With this information the market concentration can be determined. To have in mind when it comes to the market structure is that it could change over time. For example, the ownership structure could change and that could affect the market competition. (The State of Queensland, 2014)

After having got a good understanding of the market structure an investigation of the *market competition*, how the supplier compete on the market, should be made. This will provide important information about the supplier dynamic, including the availability, pricing, and service now and in the future. In this part the barriers of entry and exit of a market will also be investigated. To identify potential changes in the competition, together with the product life

cycle, should also be considered when it comes to understanding the competition on a market.(The State of Queensland, 2014)

The third area to investigate is the *supply chain*, which involves all the parties in the process to create goods or service, from the raw material to the end user. The main things to consider are: each actor's value adding activities, identify unnecessary costs, dependencies in the supply chain, potential risks and how they can be managing in the future. (The State of Queensland, 2014)

The fourth area to analyse is the potential of *substitute goods and service*. The main questions to consider in this step are: What goods and service are currently available to meet the needs of the end user?Are there any alternative viable substitute goods or service currently under development that could be considered in the future?(The State of Queensland, 2014)

The fifth area to investigate is the *agency's value as a customer*, where the focus is on the perception of the agency by the suppliers and the way the agency act on the market. (The State of Queensland, 2014)

Key questions to be answered related to each area in the Supply Market Analysis framework can be seen in appendix 4.

In addition to the Supply Market Analysis framework just mentioned, The State of Queensland finally consider *the market context factors*, those include the external factors who may affect the supply market; political, economic, social/culture, technological, environmental/sustainability or legal. These are the same elements that's are included in the PESTEL framework and some recommended key questions to answer for each of the element can be seen in appendix 4. (The State of Queensland, 2014)

Step 3. Evaluating the results of Supply Market Analysis

The final step in a Supply Market Analysis is to summarize the key findings, the results, and the outcomes from the prior step. The ultimate objective of a Supply Market Analysis is to support the development of effective procurement plan and purchasing strategy. (The State of Queensland, 2014)

Similarities and differences between the processes

Since the processes consist of different amount of steps, the comparison is made focusing on three different parts on a high level based on the content included in the processes and not each step separately.

The first part of the processes starts with that all processes have highlighted the importance of being sure of what are the needs with the analysis. Van Weele (2010) and The State of Queensland (2014) define what to include in a project plan and both consider the already available information within the company from previous done supply market studies, to avoid duplication of work. Van Weele (2010) includes a cost-benefit analysis, to question if the analysis is worth the time and effort. In contrast to Van Weele (2010) and The State of Queensland (2014), AT Kearney (2011) includes collection of information divided into industry,

supplier, products and trends in the first part of the process whereas the other do this in the next part. AT Kearney (2011) is also developing a question list for clarification in the first part of the process, which is not done in the others.

The second part of the processes refers to the execution of the analysis, where Van Weele (2010) and The State of Queensland (2014) include data collection and analysis of the material, whereas A.T. Kearney (2011) only does the analysis in this part. A.T. Kearney (2011) takes use of the frameworks Porter's five forces and SWOT in the analysis. The State of Queensland (2014) start with investigate the industry, with the use of the Supply Market Analysis framework, followed by analyse the market context factors with the use of PESTEL. Van Weele (2010) does not mentioned how to collect or analyse the information or any related frameworks to use in this part.

The final part of the processes is the evaluation step. All of the processes include some kind of summary regarding the finding and the outcome from the analysis. Van Weele (2010) also states the importance of evaluate the research to be able to develop the process and prevent missteps to be repeated in the future, where A.T. Kearney (2011) highlights that a summary should be done, to later be transferred into an action plan. As A.T. Kearney (2011), The State of Queensland (2014) also finds the Supply Market Analysis as a support for development of the company's procurement plan and purchasing strategy.

3.3 Supplier Mapping

Supplier Mapping is in this report defined as "the search of suppliers and the pre-qualification phase". These two areas are in the literature mainly founded in the beginning of different purchasing process models. Definitions relating to Supplier Mapping (pre-qualification and supplier selection) can be seen in table 9.

Table 9 Different definitions of terms related to “Supplier Mapping” founded in the literature

Term	Definition
Pre-qualification	<p><i>“The process of reducing the set of ‘all’ suppliers to a smaller set of acceptable suppliers”</i> (Jain et al. 2012 p 166)</p> <p><i>“Sorting process rather than a ranking process”</i> (De Boer et al. 2001, see Jain et al. 2012 p 167)</p>
Supplier selection	<p><i>“Process of finding the suppliers being able to provide the buyer with the right quality products and/or services at the right price, at the right quantities and at the right time”</i> (Sonmez 2006, see Jain at al. 2012 p 166)</p> <p><i>“All activities, which are required to select the best possible supplier and includes determining on the method of subcontracting, preliminary qualification of suppliers and drawing up the ‘bidders’ list’⁷, preparation of the request for quotation and analysis of the bids received and selection of the supplier”</i> (Van Weele 2012 p 29)</p>

Before continuing, worth mentioning is that Jain at al. (2012) has noticed that the literature is more focusing on the choice stage/selection phase, and less about the prior stage, the pre-qualification.

3.3.1 Supplier Mapping as a part of the purchasing process

Considering to Van Weele (2010), the most important step in the purchasing process is the supplier selection. Jain at al. (2012) also stresses the importance of the supplier selection in the business decision to be more effective and efficient by having the right suppliers to choose from. Today companies often need to use advanced methods in their supplier selection phase to accomplish a comprehensive choice, finding right supplier for the organisation. This work is time consuming and expensive, meaning the pre-qualification is critical to facilitate this work. If having clear identified requirements from the beginning of the process, the search of suppliers will be shortened since just the suppliers that are most likely to be a good fit for the organisation will be included. (Jain et al. 2012)

3.3.2 Supplier Mapping processes

There are some processes found regarding Supplier Mapping, referred as: purchasing process model, buygrid framework, and pre-qualification methodology. Three processes that will be further described come from Van Weele (2010), Kotler (nd), and Jain at al. (2012).

Van Weele’s purchasing process model

Van Weele (2010) is describing the specification phase and the supplier selection as part of the purchasing process model that consists of six phases, with the start of defining specifications and

⁷ A ‘bidders’ list consist s of a bidders’ long list and a bidders’ short list, and includes those suppliers that meet the buyer’s pre-qualification criteria and that will be requested to submit a first proposal (in the bidders’ long list) and a detailed bid (in the bidders’ short list)

ending up with evaluation of the suppliers, see figure 28. Just the specification phase and part of the supplier selection are within the scope of this project and a description of those follows.

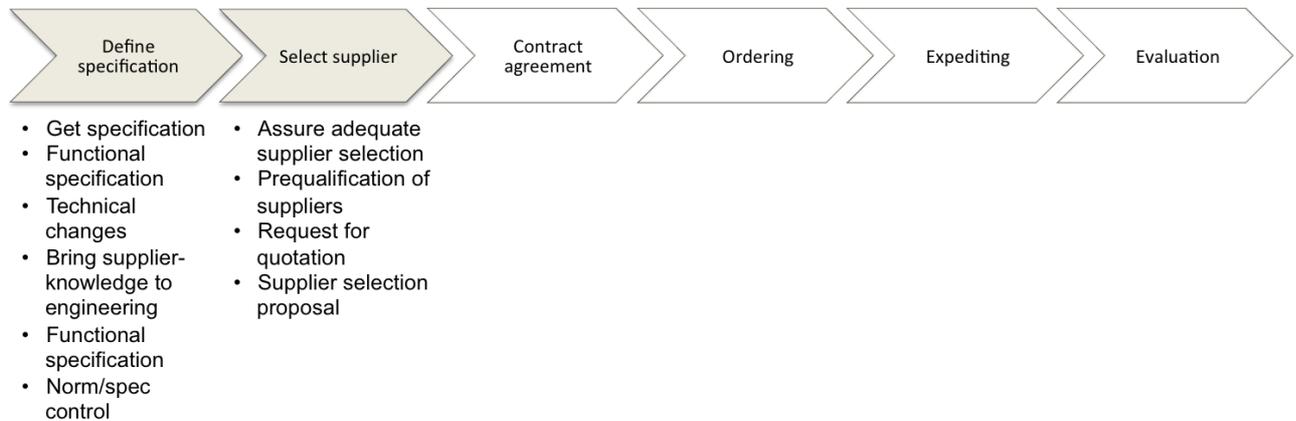


Figure 28 Van Weele's purchasing process model

Phase 1. The specification phase

In this phase a decision is taken regarding the question ‘make-or-buy’. Some products and activities might be performed by the company itself and some contracted out. Both functional specifications and/or technical specifications are set in this phase. The functional specifications “describe the functionality the products must have for the user”. Giving the suppliers those functional specifications will be of advantage from three perspectives. First, the suppliers will get the opportunity to get use of their expertise. Second, the suppliers might use technologies the customer is not familiar with, but would be useful for the specific requirements of the product or service. Third, there will be one standard form where all suppliers will be evaluated. The technical specifications instead refer to the technical features and the characteristics of the product and the required activities. (Van Weele, 2010)

Both functional specifications and technical specifications are part of the ‘purchase order specification’, which often consists of a set of documents. The content of this purchase order specification are (Van Weele, 2010):

- Quality specifications
- Logistic specifications
- Maintenance specifications
- Legal and environmental specifications
- A target budget

The responsible person for the budget (responsible for the specific purchase) will make sure to specify the requirements. The buyer (the one having contact with the supplier) needs to make sure that the specifications are becoming objective and easily understood from the supplier perspective. It is critical that there is a formal approval between the responsible person of the

specific purchase and the buyer, regarding the specifications to prevent misunderstandings later on in the process. (Van Weele, 2010)

Phase 2. Supplier selection phase

When the requirements are translated into functional and/or technical specifications, the Supply Market Study can begin. The phase starts with summarising the prequalification requirements based on the purchase order specification. Those requirements need to be fulfilled of the suppliers who are going to continue in the quotation step later. Second, a bidders’ long list will be created that consists of potential suppliers for the specific work. If there are suppliers already used within the organisation that have excellent vendor rating score the bidders’ long list is often including those. In other cases, when there is a need of new suppliers, they need to be found through a supply market research (Van Weele, 2010), which was discussed earlier in chapter 3.2 in this report. Third, the suppliers in the bidders’ long list will be sent a RFI. This will consist of questions regarding the suppliers’ previous experience and information for the further quotation process. It can be necessary to perform supplier visits to get a better insight of the suppliers and their capabilities (Van Weele, 2010).

Kotler’s buygrid framework

Kotler (nd) refers to a similar purchasing process model as Van Weele (2010), but he defines it as Buygrid framework. The framework consists of eight phases, with the start of problem recognition and ending up with a performance review. In this project, just the four first steps are relevant and will be further described below, see figure 29.

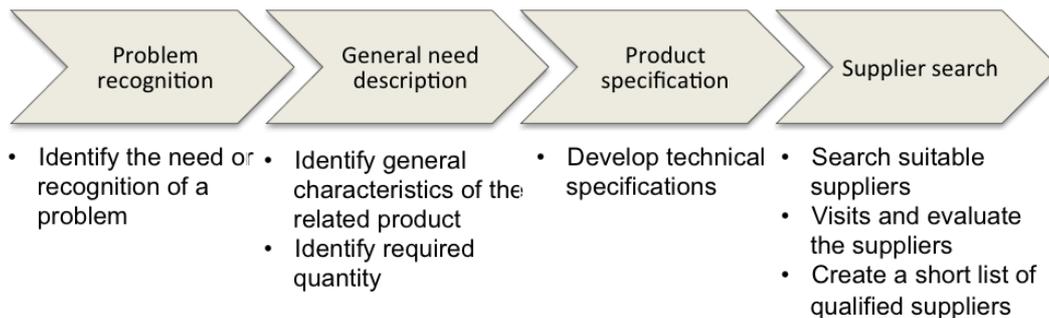


Figure 29 Kotler’s buygrid framework

Phase 1. Problem recognition

The process starts with a need or recognition of a problem from someone within the specific organisation, who believes it could be met by purchasing a product or a service. If recognition is the reason for the initiation, this could come either from internal or external initiatives. Internal refers to poor material used or defect of current machines etc. External refers to impressions from others such as trade shows or sales representatives. (Kotler, nd)

Phase 2. General need description

This phase identifies general characteristics of the product and the required quantity (Kotler, nd).

Phase 3. Product specification

The technical specifications are developed. For this work a product value analysis can be used to reduce the costs. This can be done through: standardise some components, use cheaper production methods, or identify oversized components for the specific product and try to replace them etc. (Kotler, nd)

Phase 4. Supplier search

An identification of the most suitable supplier is performed in the fourth phase. This can be done through different channels such as: Internet, trade directories, contacts other companies for recommendations, attend trade shows, and watch trade advertisements, where Internet is the main source used. When the research of potential suppliers for the specific product or service is done, suppliers that lack the requirements regarding the production or have a bad reputation will not take part future in the process. The remaining suppliers will usually be visited and evaluated by the buyer's agents. The evaluation is related to the manufacturing facilities and the personnel. Finally, a short list of qualified suppliers will be created. (Kotler, nd)

Jain et al.'s pre-qualification methodology

Jain et al. (2012) propose a methodology of how to perform a pre-qualification, as part of the supplier selection process, see figure 30.

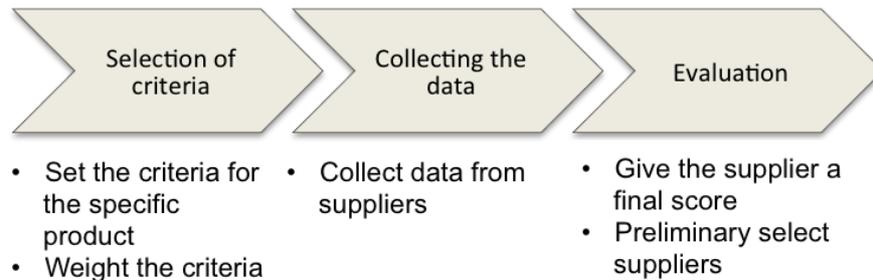


Figure 30 Jain's et al. pre-qualification methodology

Step 1. Selection of criteria

The criteria are based on the need for the specific product together with objectives of the organisation. The criteria also include sub-criteria and all criteria will together be weighted, based on the importance of each of them. Important to note is that in any supplier selection process this is a crucial step. (Jain et al. 2012)

Step 2. Collecting the data

Next step is for the purchaser to collect the data from the suppliers to evaluate the quantitative and qualitative criteria. The data is often collected through a supplier registration format to ensure collection of all information needed for the first evaluating. (Jain et al. 2012)

Based on different authors, Jain et al. (2012) has come up with six main categories of pre-qualification criteria, which include some sub criteria:

- *Organisational strengths*: company size, company age, and R&D activities
- *Past experience*: type of past project completed and size of past project completed
- *Performance capabilities*: contract overruns, overall quality, and responsiveness
- *Financial soundness*: turnover and bank references
- *Cost*: order change and cancellation, cost, warranties, and claims
- *Miscellaneous*: labour relationship and procedural compliances

Step 3. Evaluation

The evaluation will give a final score where after there will be a preliminary selection of suppliers. This final score is given by a rating of the criteria based on a suggested formula of different parameter. (Jain et al. 2012)

Similarities and differences between the processes

The processes presented are quite similar. There are some activities that differ between the processes. For example, Van Weele (2010) is the only one that states the importance of having a formal approval between the responsible person of the specific purchase and the buyer, regarding the specifications to prevent misunderstandings later on in the process. To note, it is just Kotler (nd) that is giving example of information sources to use for the search of suppliers. Van Weele (2010) and Jain et al. (2012) have some kind of format the suppliers need to complete with information to be able to evaluate them later on and decide which suppliers to be qualified or not. Kotler (nd) and Van Weele (2010) also include a supplier visit to get a better insight of the suppliers before the selection. Van Weele (2010) is using the definition bidder's long list and bidder's short list, which the others are not. Van Weele (2010) and Jain et al. (2012) have both pre qualification criteria/requirements but not many similarities between them are found.

3.4 Key takeaways from this chapter

The key takeaways from this chapter has been summarized into a theoretical framework, consisting of one process for Supply Market Study with related aspect to investigate and one process for Supplier Mapping with related "knock out" criteria to consider. The processes include main steps with related activities and recommended tools. Also a summarized list of main information sources that could be used is presented, one for each process. The theoretical framework will be further used in the chapter 5 '*Analysis*' and chapter 6 '*Developing of the working process*'.

The theoretical framework for Supply Market Study can be seen in figure 31.

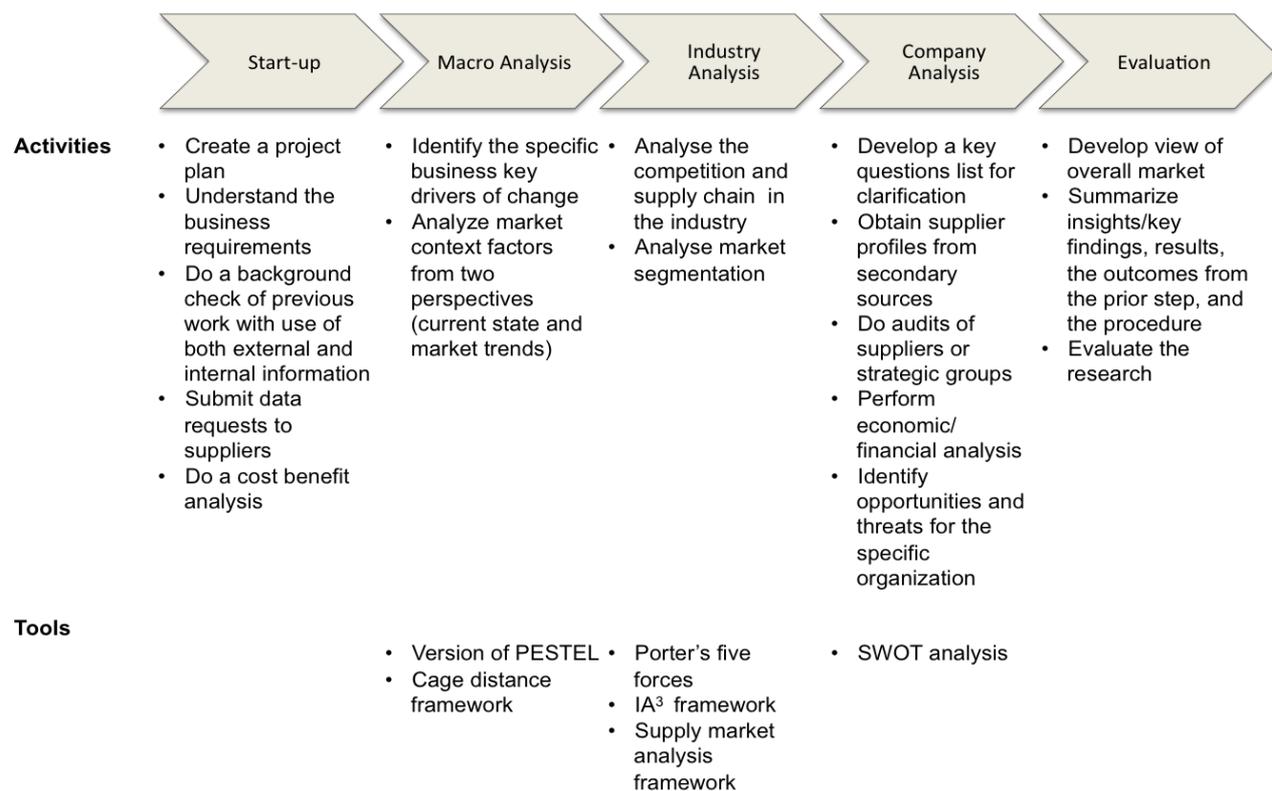


Figure 11 The theoretical framework for a Supply Market Study process

The main areas of aspects to investigate in a Macro Analysis can be seen in table 10.

Table 10 Main areas of aspects to investigate in a Macro Analysis

Main areas of aspects to investigate in a Macro Analysis
Political
Economical
Social
Technological
Environmental
Legal
Ethics
Business
Infrastructure
IKEA Offer
Distances related to cultural, administrative, geographic, and economic

The main areas of aspects to investigate in an Industry Analysis can be seen in table 11.

Table 11 Main areas of aspects to investigate in an Industry Analysis

Main areas of aspects to investigate in an Industry Analysis
The threat of new entrants
The threats of substitute product
Supplier power
Buyer power
Rivalry among existing firms
Number of actors, size of actors and key stakeholders
The industry's profitability
Technological developments
Direct versus indirect costs

The main areas of aspects to investigate in a Company Analysis can be seen in table 12.

Table 12 Main areas of aspects to investigate in a Company Analysis

Main areas of aspects to investigate in a Company Analysis
Financial
Quality
Sustainability
Costs
Capabilities
Strategic opportunities and threats for the specific organisation

Example of information sources to use in a Supply Market Study is listed in table 13.

Table 13 Summary of information sources related to Macro Analysis, Industry Analysis and Company Analysis

Information sources for the Supply Market Study	
<p><i>Desk research:</i></p> <ul style="list-style-type: none"> Different central statistic offices Other relevant organisations E-market places Publications Broadcast media Existing literature Internet search engines research providers Private sector research providers Online databases Online legislation Media sources Specialist organisations Company-specific details Other non-human sources Surveys Quality assurance auditors Audits of the suppliers consisting of financial, quality, sustainability and cost analyses to better 	<p><i>Field research:</i></p> <ul style="list-style-type: none"> Industrial exhibitions Suppliers Meetings Focus groups One-on-one meeting Suppliers End-users of the goods Procurement staff Potential buyers Distributors, agents and other intermediaries Competitors Industry experts such as journalists and industry associations
<p><i>Internal competence:</i></p> <ul style="list-style-type: none"> Existing information within the company 	

The theoretical framework for Supplier Mapping can be seen in figure 32.

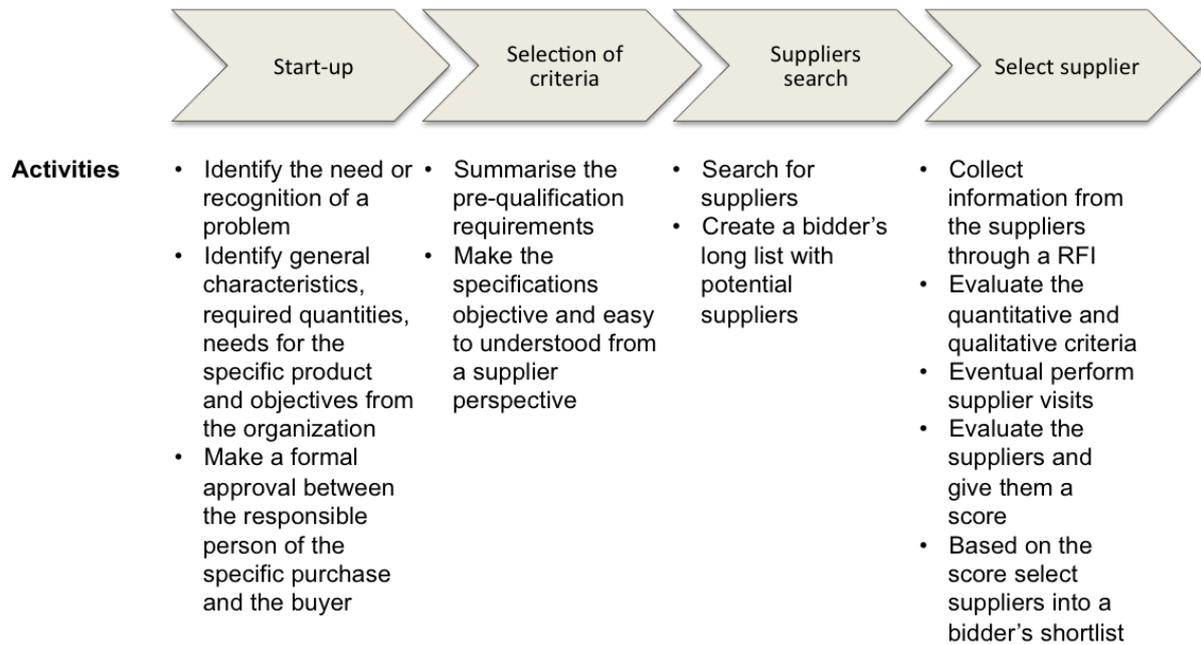


Figure 32 The theoretical framework for a Supplier Mapping process

The most common pre-qualification criteria identified can be seen in table 14.

Table 14 Most common pre-qualification criteria

Most common pre-qualification criteria
Organisational strengths: company size, company age, R&D activities
Past experience: type of past project completed, size of past project completed
Performance capabilities: contract overruns, overall quality, responsiveness
Financial soundness: turnover, bank references
Cost: order change and cancellation, cost, warranties and claims
Miscellaneous: labour relationship, procedural compliances
Logistic specifications
Maintenance specifications
Legal and environmental specifications
A target budget

Information sources to use in a Supplier Mapping are listed in table 15.

Table 15 Summary of information sources

Information sources for the Supplier Mapping	
<i>Desk research:</i> Internet Trade directories Contacts other companies for recommendations	<i>Field research:</i> Attend trade shows Watch trade advertisements

4. Empirical study

The chapter starts with presenting what type of information that is collected from the multiple case study. This is followed by an introduction of the structure of each case description and some general comments about the information collected related to the cases.

The empirical study was done with the purpose to collect data of how the different POAs within IKEA have been working with Supply Market Study and Supplier Mapping. This would answer the research question two: How does IKEA work with Supply Market Study and Supplier Mapping today?

The data for the case descriptions was mainly gained through interviews with people in the different POAs but also with the use of secondary sources. The interview guide was based on the findings in the frame of reference together with the pre-interviews, see interview guide in appendix 2. The level of information gained from each POA has varied, which has resulted in lack of information in the case descriptions for some of them.

The case descriptions will provide this research with *explanation building* of the different cases way of working. Based on the findings from the interviews, together with supportive secondary sources related to each case, and with a combination of the frame of reference, the sub headings in the case descriptions were set.

The content in this chapter related to each case are:

- General data related to the specific case
- Way of working with Supply Market Study
 - Start up
 - Macro Analysis
 - Industry Analysis
 - One global process
- Way of working with Supplier Mapping
 - Start-up
 - Initial search of new potential suppliers
 - Prioritizing the suppliers
 - Supplier selection
 - One global process

Some of the POAs have during this study started up a New Business team allocated to work with those two subjects; Supply Market Study and Supplier Mapping. This means that the information is based on their way of working before this change. During the project a further delimitation was set by IKEA together with the researchers, regarding to stop the Supplier Mapping after the

first prioritizing of suppliers. Though the next step (selection of suppliers) is included in this chapter since the data related to this was already collected and processed before the delimitation was set, and it was also find of interest to include in this report as well.

To facilitate the reading of the main report, the case descriptions are placed in appendix 5. It is recommended to read at least one of the case descriptions to increase the understanding of the following chapters.

5. Analysis

This chapter starts with a scoring of the cases to give each of them an experience score, based on how much they have worked with Supply Market Study and Supplier Mapping. A cross-case analysis follows where a comparison is made between the POAs way of working to define similarities and differences to create an empirical framework. Finally, a pattern matching is done between the findings from the empirical framework and the theoretical framework.

The analysis is based on the way of working with Supply Market Study and Supplier Mapping; the main steps and related activities, areas of aspects to investigate, analysis frameworks and information sources to use. The subheadings are the same as in the empirical study, inspired from the literature research and the pre-interviews with people at IKEA. A classification of information sources and aspects to investigate have been done to facilitate the analysis and for the reader, and are inspired by both the frame of reference and the empirical study.

This chapter starts with a scoring of the cases to give each of them an experience score, based on how much they have worked with Supply Market Study and Supplier Mapping. To note, there have been difficulties in the collection of results from the cases' projects done, which means that the score gives no indication whether the work has been successful or not. The score will be used in the analysis to see if there are any relation between the level of experience and the way of working.

A *cross-case analysis* follows, which has been done between the different cases way of working, related to the tables and subheadings in the empirical study. The information were summarised in tables where similarities, differences, and replication logic conclusions could be drawn which can be seen as a empirical framework.

Finally, a *pattern matching* was done between the findings from the *empirical framework* and the theoretical framework from the frame of reference.

Primarily replication of logical conclusions identified in the cross-case analysis, together with the findings from the later performed pattern matching, will be further used in the chapter '*Developing the workingprocess*'.

5.1 Cross-case analysis

The cross-case analysis will give an overview of what each of the POAs have included in their Supply Market Study and Supplier Mapping projects, but also to identify similarities, differences, and potential trends. Important to note is that some of the content in the projects have varied from project to project for a specific POA and some POAs have shared very limited amount of information of their previous work. This means the content in this analysis should be seen more as an indication of what can be included in a Supply Market Study and Supplier Mapping and also to identify potential replication of logical conclusions.

5.1.1 Experience

To start the analysis a comparison has been done between the eight POAs based on their level of experience so far. The scorings is based on in which extend they have been working with Supply Market Study and Supplier Mapping, see table 15.

Table 15 Each POA’s experience of working with Supply Market Study and Supplier Mapping

Experience	A	CE	GC	NEE	NE	SEA	SEE	SA
Has done supply market studies	X	X	X		X	X	X	X
Has done Supplier Mappings	X	X	X	X	X	X	X	X
Has had an allocated team working proactive with identify new market and business opportunities			X			X		X
Has a method or process for how to do a Supply Market Study						X		X
Has a method or process for how to do a Supplier Mapping			X		X	X	X	X
Extend of experience	2	2	4	1	3	5	3	5

The scoring will be used further in the analysis to see if there are any patterns between their experience and way of working with Supply Market Study and Supplier Mapping. The POAs are placed in a graph, starting with the POA having the lowest experience score ending up with the one having the highest, see figure 33.

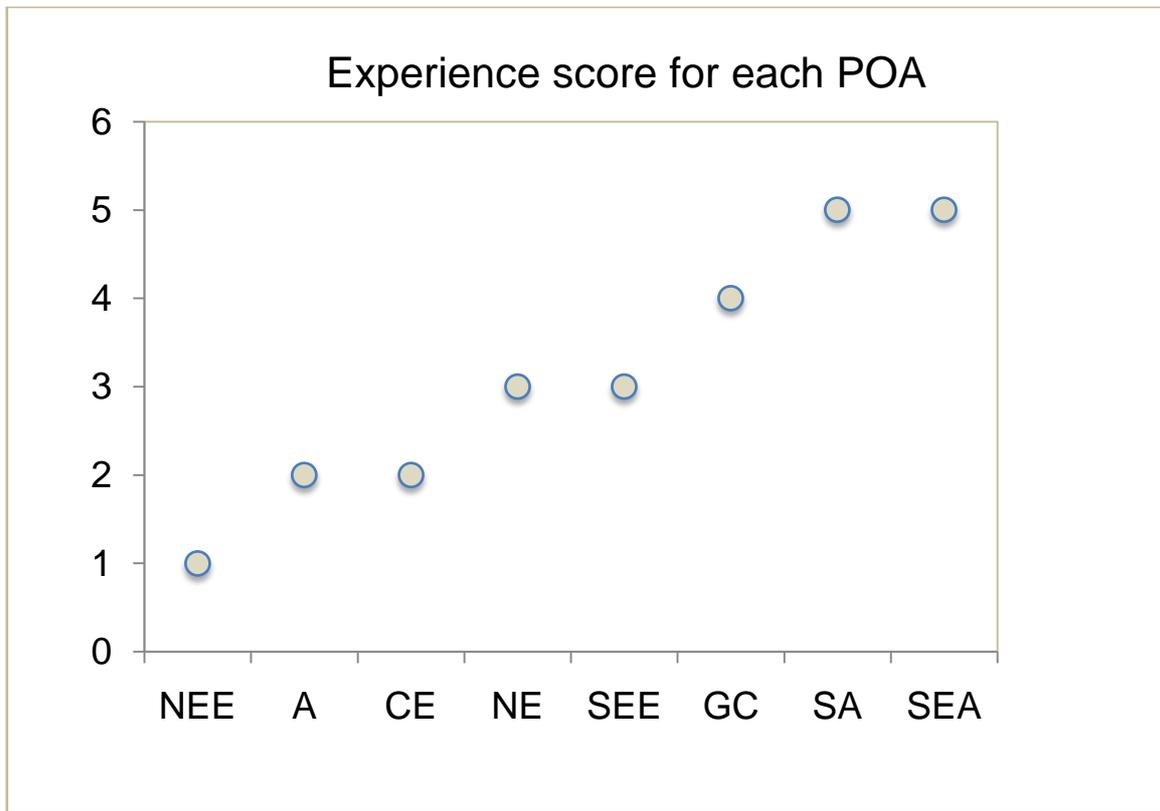


Figure 33 Experience score for each POA, presenting the POA with the lowest score to the left and the POA with the highest score to the right

All POAs except North East Europe have done both Supply Market Study and Supplier Mapping projects. North East Europe has only done projects related to Supplier Mapping. When it comes to Supply Market Study they have only kept macro aspect on existing geographical market yearly updated.

The resources allocated to perform a Supply Market Study and a Supplier Mapping haven varied much between the POAs and this has an impact on the level of experience. Greater China, South Asia and South East Asia have worked both proactive and reactive with New Business projects and have had an allocated team for this for some years. The other POAs have not had any allocated New Business team until this year.

South Asia and South East Asia are the only POAs having a complete process or method in place comparable with a Supply Market Study, see figure 34 and 35. South Asia has a process in place with a more detailed description of each step. In comparison, South East Asia has a methodology, which on a high level illustrates the way of working. Though the detail level differs, they do cover the same areas. Both POAs include an outside/in perspective and an inside/out perspective. The outside/in perspective refers to the macro and industry aspects affecting a specific business, where the inside/out perspective refers to IKEA needs, strategies, plans and current performance. Those two perspectives will together lead to a category based country profile. A difference between the SA process and the SEA methodology is that the SA process includes a Supplier Mapping, where the SEA methodology is not.

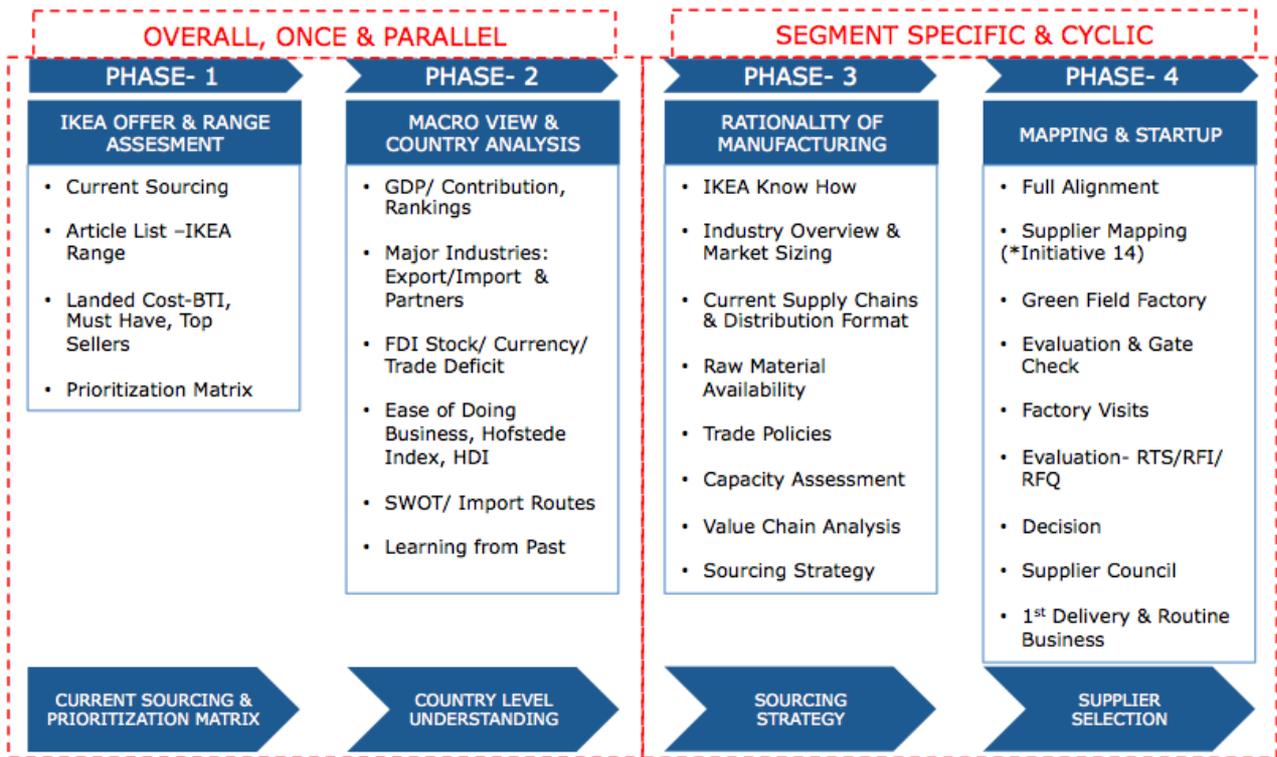


Figure 34 South Asia’s process for secure affordable supply in a specific market (Affordable Supply to New Markets, nd)

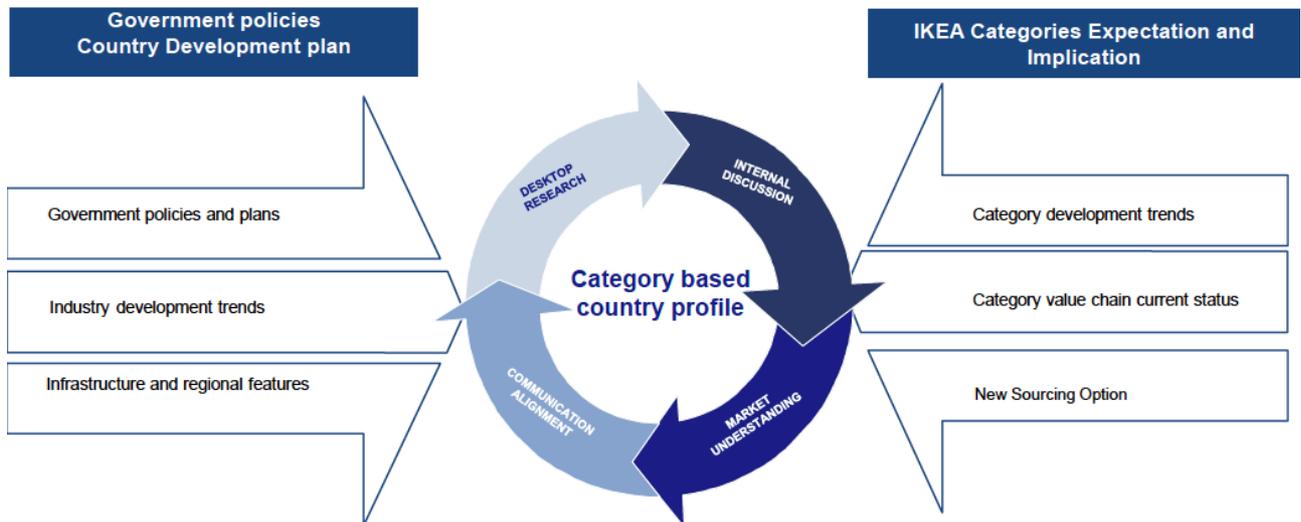


Figure 35 South East Asia’s research methodology to create a category based country profile (TASEA Mapping, nd)

Regarding Supplier Mapping more POA’s have a developed method for this. A clear trend can be seen in the methods used by Greater China, South Asia, and South East Asia. All of them have a cone illustrating a stepwise methodology to find and select suppliers. The activities are similar but there are some differences in the order, and in some cases not all activities are included. An example of the cones with the main activities can be seen in figure 36.

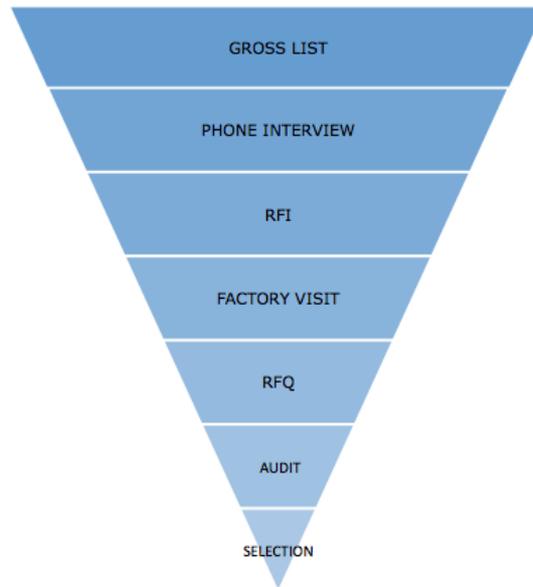


Figure 36 Supplier Mapping method (Greater China Wood Plastics, nd)

As seen in figure 37, North Europe got a Supplier Mapping process with similar activities as Greater China, South Asia, and South East Asia. The difference between this process and the methods is that the steps in the process are more detailed described.



Figure 37Supplier Mapping process (Supplier Mapping process, nd)

As mentioned, South Asia includes steps comparable with both Supply Market Study and a Supplier Mapping in the same process. Even if the other POAs do not include those activities in the same process or method, they seem to in general agree with combining those two activities in the same project.

It is only America, Central Europe and North East Europe that do not have a process or method to follow for either a Supply Market Study or Supplier Mapping.

To continue and interesting to mention, Greater China has worked with New Business longest but not until today started to develop an optimal sourcing process. Also South East Europe has started to develop a process for what they call market analysis. A part of South East Europe's started developed process, including the Supplier Mapping, can be seen figure 38. The content in both Greater China's and South East Europe's processes are comparable to Supply Market Study and Supplier Mapping but are not 100 percent completed yet.



Figure 38 South East Europe's method for Supplier Mapping

5.1.2 Current way of working with Supply Market Study

This section summarizes the POAs current ways of working. Different aspects are summarized in tables and figures. All POAs have done at least one project including a Supply Market Study, except North East Europe. The purposes for the study can be need based or done more proactive to increase market intelligence, also to include a new or a current market, see table 16.

Table 16 Different purposes for Supply Market Study projects

Purpose of a Supply Market Study	Need based	New	Current	POA
Increase market intelligence to identify where opportunities exist for a specific category	X	X	X	CE, SA, SEA
Increase market intelligence to identify where opportunities exist for a specific category	X	X		A
Develop furniture capacity in a new market for several categories	X	X		A
Increase market intelligence to identify where is the optimal location to source based on countries possibilities and potentials		X	X	NE, SA SEA
Identify and explore business potentials on an industrial level	X	X	X	NE
Continuously keep update of changes that occur in the supply market		X	X	SEA
Fill the existing gap of capacity for a specific category	X	X	X	GC
Change the supplier dynamic in a category	X	X	X	GC
Requirements of product development with the suppliers	X		X	GC
Increase the experience of handling mixed material	X		X	GC
Get more specific technical material knowledge	X		X	GC
Increase the industry understanding	X		X	GC
Investigate specific materials based on needs from	X	X	X	SEE
Investigate a new supply geographical market and see what opportunities the market can offer		X	X	SEE

If the purposes are analysed on a higher level, they can be placed in a matrix in two dimensions, see figure 39. More POAs have done need-based projects. In those projects the need usually comes from a specific category. The four POAs that have done projects without a specific need have all investigate both new and current countries or regions.

Purpose with Supply Market Study			
NEED BASED	YES	CE, GC, NE, SA, SEA, SEE	A, CE, GC, NE, SA, SEA, SEE
	NO	NE, SA, SEA, SEE	NE, SA, SEA, SEE
		CURRENT	NEW
GEOGRAPHICAL AREA			

Figure 39 The different purposes categorised in a two-dimensioned matrix

A summary of general information and interesting findings related to Supply Market Study projects done by the POAs are presented in table 18.

Table 18 A summary of general information and interesting findings related to Supply Market Study projects

Information of the Supply Market Study work	
Frequency	It is difficult to say; it depends on the category needs, and the purchasing strategy for the region. The BPL shows how many suppliers that should be open and when.
Man-hour allocated	It is difficult to estimate; it depends on the complexity of the project and if the executer is doing the project in parallel to its main duties.
Most time consuming steps	The answer varies between the POAs. The Industry Analysis seems to be more time consuming than the Macro Analysis. Example of time consuming parts are: the start up phase and the information collection.
Data wanted but difficult to find	More detailed industry information could be difficult to collect. In some countries it is more difficult to gather some kind of information in comparison to others, also the time to get the requested information varies between the POAs.
How to make the study actionable	A clear handshake agreement with the category, good communication between the people involved in the project, and updates other people in the POA about the findings. Finally, an advice is to follow a step-wise approach with open questions.
Benchmark of other companies way of working	Not many POAs have benchmarked other companies' way of working; it is more common to use internal expertise. The POAs that have benchmarked other companies can draw the conclusion that it is difficult to get something out from the benchmark if the companies have not the same strategy and type of business. Many other companies hire third part companies for this kind of work, since they do not have this resource in-house.

A comparison will follow between the POAs' content in the main activities included in a Supply Market Study project: start-up, Macro Analysis, and Industry Analysis.

Start-up

All POAs except North East Europe has a clear start-up in their Supply Market Study projects. The content in the start-up phase can be seen in table 19.

Table 19 Content included in the start-up

Content in the start-up	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Project plan									
Initiators					X				1
Project organisation/project team/responsibilities		X	X		X	X	X	X	6
Steering group						X		X	2
Reference group								X	1
Additional external person		X							1
Time plan with milestones		X	X		X		X	X	5
Scope and limitations		X	X	X	X	X	X	X	7
Purpose			X	X					2
Deliverables/Objectives		X	X	X	X	X	X	X	7
Budget/total cost of the project		X	X						2
Financing		X							1
Main issues to be solved/main criteria to investigate/directions			X	X	X				3
Main activities					X				1
Focus area					X				1
Target			X						1
Expected result				X					1
What Impact do the result has for IKEA business				X					1
Background									
Description of why the project has been initiated		X	X		X		X	X	5
Prerequisites Assumptions			X						1
Identify some preconditions							X		1
IKEA Current sourcing							X		1
Secure alignment									
Handshake agreement							X	X	2
# Of content	-	8	10	6	9	4	8	8	

In general the POAs find the start-up as a critical part of the project. If having a look in table 19, the content that are most frequently used in the start-up are a project organisation, a time plan with milestones, scope and limitations, deliverables/objectives, and a background description of

why the project has been initiated. To note, all POAs that have done Supply Market Study projects include deliverables/objectives, scope and limitations. There does not seem to be any relation between the experience score and the numbers of content included in the start-up, besides the handshake agreement, which only the POAs with highest experience score include. Some cases highlight the importance of a handshake agreement to secure alignment between the parties involved. This to avoid unnecessary work that not end up in business, and also avoid unmotivated employees that have been put a lot of effort into work that will not be used. North East Europe does not mention they have had any start-up at all. Since they have not done any Supply Market Study projects this seems to be realistic. To note, not all POA stated that they had a project plan but still they had something related to what can be included in a project plan. These aspects are therefore included under the subheading project plan in table 19.

Macro Analysis

Based on the empirical study the main purpose of a Macro Analysis seems to be getting an overview of countries potential to find the “optimal” sourcing location. To get this overview the macro environmental aspects are investigated. This analysis could be made for several countries or for a specific country. Some POAs stress the importance to match a country with a category based on the country’s potential and the category’s cost key drivers. Central Europe is selecting the criteria to investigate based on the criteria having most impact on the business, and is also weighting the criteria, which no other POA is discussing. This will narrow down the analysis, where the weighting will highlight what is of most importance to investigate for the specific business.

When analysing the aspects the different POAs have considered in their Macro Analysis, there are some similarities that can be found but also a big variation, see table 20. Not all POAs are categorizing the aspects as done in table 20. The categories are based on the ones discussed in the frame of reference together with categories that some POAs are using.

Table 20 Aspects to consider in a Macro Analysis

Macro Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>Business</i>	The Global Competitiveness Index									
	Ease of making business			X	X			X		3
	Country perception of IKEA									
<i>Political</i>	Political stability			X				X	X	3
	Government policy									
	Governmental support									
	Government incentives	X	X	X	X	X	X		X	7
	Regional aid									
Trade Restrictiveness Index										

Macro Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>Political</i>	Tax incentives									
	Corporate tax rate		X	X		X	X	X	X	6
	Income taxes									
	Social security tax									
	Support from an organisation e.g. funds from EU			X	X	X				3
<i>Economical</i>	Macro economic stability									
	Financial support overview									
	Financial steering									
	PMI (Purchasing Manager Index)									
	GDP			X	X	X	X	X	X	6
	Inflation rate (FPI)									
	Interest rates									
	Country Credit Rating									
	Currency development									
	FDI stock (foreign direct investment)									
	Energy and power cost									
	Cost of electricity					X	X	X		3
Electricity price for industry per country										
Labour - Pay and Productivity										
Labour cost per hour: business economy, industry, construction, and service										
Company cost for industry workers										
Change of company labour cost				X	X	X	X	X	X	6
Wages and salaries										
Productivity per worker										
Minimum wages and the precipitation to be employed for this wages										
Unemployment rate										
Labour availability										
Material cost comparison					X					1

Macro Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>Economical</i>	Transport cost development			X	X		X			3
	Transport (Euro/m3)									
	Logistic cost									
<i>Social</i>	Population									
	Total area of the country				X			X	X	3
	Culture aspects									
	Language									
	Life expectancy				X	X			X	3
	Labour –age structure									
	Cost of Living Index									
	OECD Better Life Index							X		1
Hofstede index, HDI (Human development index)										
Level of education						X			X	2
Labour education										
<i>Technological</i>	Corporate profit tax incentives for R&D							X		1
<i>Environmental</i>	Sustainability development						X			1
	Nature disaster								X	1
	Ecology					X				1
	Travel security conditions							X		1
	Share of renewable energy in gross final energy consumption			X	X					2
	Availability of raw material									
	Raw material development	X	X					X	X	4
Raw material resources										
<i>Ethics</i>	Business ethics									
	Corruption perception index (rank/score)			X		X	X			3
	Working hour								X	1

Macro Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>Infra-structure</i>	Transport									
	Railways									
	Quality of railroads infrastructure			X		X			X	3
	Roads									
	Quality of road system									
	Traffic congestions									
	Seaports									
	Bordering countries				X			X	X	3
	Trading partner countries									
	Export information; tariffs numbers									
Import routes	X	X						X	X	4
Major Industries import										
Major Industries export										
<i>IKEA Offer</i>	IKEA sales per country									
	Number of IKEA stores									
	IKEA share in total export				X					1
	Development for IKEA in supplier and purchasing									
# Clusters of aspects investigated		3	4	11	12	11	9	11	14	

As seen in table 20 the most investigated areas are political and economical where the clusters governmental support, different type of taxes, general economical measurement and different labour aspects stands out. Many POAs use the information related to the governmental support to identify favourable industries in the country up for investigation. Political and environmental are areas where all POA have been investigating at least one aspect. Surprisingly only one POA have investigated technological aspects. It is also just one POA that include IKEA Offer but to note, some other POAs also consider this but either before or after the Macro Analysis. The POAs having the smallest experience score investigate fewer clusters of aspects. Except this no other relation can be drawn based on the experience score.

Interesting to note is that South Asia point out that the Macro Analysis (also referred as the PESTEL study) could be bought from consulting groups & market research firms, though it was still performed in-house today. Based on the interviews with people working within IKEA that had experience of working with purchasing at other bigger companies, it seemed to very common to outsource this work among other companies.

The information sources used to find the information needed for the Macro Analysis can be divided into desk research sources, field research sources and internal sources, see table 21.

Table 21 Information sources used for the Macro Analysis

Information Sources	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Desk research									
Internet: E.g. doingbusiness.org, trancparency.org, and tradingeconomics.com	X	X	X	X	X	X	X	X	8
Statistic department National Statistical Institute		X		X	X		X	X	5
Eurostat EMIS database Business Monitor			X	X	X				3
Global competitiveness report			X						1
Report providers such as: Dun and Bradstreet Standard & Poor's Rating of Finance					X				1
UNECE (wood industry) YNFX (textile industry)					X				1
OECD			X				X		2
World bank			X	X			X	X	4
News papers TV Magazines National News & Media Publications	X					X	X		3
Government related bureau Public channels						X		X	2
Custom database and declaration Export Data Base Export and import register/links				X		X		X	3
Third parties						X			1

Information Sources	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Ministry of economy Ministry of agriculture Ministry of finance				X			X		2
International Trade Centre Trade Publications WTO Chamber of commerce		X					X		2
UNDP- Human Development Reports Hofstede Center OECD Better Life Index Cost of Living Rankings							X		1
Transparency International					X				1
European Commission - Transport					X				1
European Fund					X				1
Field research									
Associations		X							1
Exhibitions	X						X		2
Agencies	X			X	X				3
Meetings with machine							X		1
Interview with Retailers, Shop Owners, and Retired Professionals							X		1
Internal competence									
Internal Competence IKEA Transport Tender					X	X			2
# Of sources	4	4	5	7	10	6	11	5	

As seen in table 21, many different sources can be used to gain this information. The most common sources used for a Macro Analysis is the desk research where the most used sources are Internet webpages and statistic departments. No conclusion will be drawn between numbers of sources used and the experience score, since it is the quality and not the quantity that is of interest. Some POAs state the importance of using international sources since their reliability is in general higher and not subjective. Another interesting finding from the empirical study is that each POA themselves try to find reliable and useful sources, which are very time consuming.

Today the POAs are not sharing any information between each other, but with a common platform for sharing of information sources, they believe this could facilitate the work.

The tools used for a Macro Analysis can be seen in table 22. The most common once used between the POA is the SWOT analysis, to identify a country's or regions strengths, weaknesses, opportunities and threats. Interesting to note is that it is only two POA using a framework for structure the area to investigate in their analysis. Both those POAs are using similar tools for this. To note, South Asia did not mentioned aspects analysed related to legal aspects, which is included in the PESTEL framework that they have indicated they are using today.

Table 22 Tools used for the Macro Analysis

Tools	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
PESTEL							X		1
SWOT		X			X	X	X	X	5
STEEP	X								1
# Of tools used	1	1			1	1	2	1	

Industry Analysis

Based on the empirical study, no clear line between Macro Analysis and Industry Analysis has been found. The POAs with highest experience score have put more focus on identifying the most favourable industries in a specific country/region to find out why they are successful, how IKEA could learn from those and find new market and business opportunities. This includes the furniture industry as well as other industries. Other POAs have done the analysis for a specific category to find out how the competition is on the market, which are the main actors, and benchmark other companies' way of working. To mention, some POAs investigate different aspects depending on the project and the specific industry. Central Europe is also weighting the criteria when analysing the industry, as well when analysing the aspects related to the Macro Analysis.

The aspects investigated by the POAs during the Industry Analysis can be seen in table 23.

Table 23 Aspects to consider in an Industry Analysis

Industry Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>The threat of new entrants</i>	Presence of new entrants							X		1
	Duty cost									
	Local taxes									
	Any trade restrictions to safeguard domestic industry	X		X				X		3
	Key competences				X			X		2
Business experience				X					1	
<i>The threat of substitute product</i>	Substitute products							X		1
<i>Supplier power</i>	Does the available capacity match the demand							X		1
<i>Buyer power</i>	Target customers	X								1
<i>Rivalry among existing firms</i>	Competitor retail prices	X		X			X			3
	Market trends									
	Growth rate		X							1
	Oligopoly, monopoly or perfect competition		X			X				2
	Cost effectiveness									
	Flexibility (e.g. non-standard orders)									
	Manually or automatically		X	X	X					3
	Delivery terms									
	Operation cost									
Size of production										
Energy cost										
Labour cost										
Key industry advantages					X					1

Industry Analysis aspects to investigate		NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
<i>Benchmark</i>	Favourable material to use			X	X	X	X	X		5
	Material cost			X	X	X	X	X		
	Material trend									
	Products	X								1
	Any new technologies/efficient application of innovation solutions		X		X		X			3
	Transport solution						X			1
	Quality				X					1
	Industrialization level						X		X	2
<i>Actors in the supply chain</i>	Specialisation									
	Numbers of actors									
	Size of the actors	X	X		X	X	X	X	X	7
<i>Others</i>	Key stakeholders									
	Industry clusters, favourable industry		X						X	2
	Location									
	Distance to IKEA main customer market					X			X	2
# Cluster of aspects		5	6	4	8	4	6	7	4	

As seen in table 23 the most investigated areas are actors in the supply chain and benchmarking, where benchmarking of favourable material to use, material cost and material trend stands out. The other main areas to investigate are related to Porter's five forces, where the main considered force is the analysis of the rivalry among existing firms. It does not seem to be any relation between the experience score for each POA and the numbers of areas investigated. Surprisingly, South East Asia that has the highest experience score has investigated fewest clusters of aspects among the POAs.

There are some information sources used to get an understanding of the industry. The sources are divided into desk research sources, field research sources, and internal sources, see table 24.

Table 24 Information sources used for the Industry Analysis, consisting of both desk research sources, field research sources together with internal competence

Information Sources	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Desk research									
Databases such as: EMIS					X				1
Customs Export database Import database		X		X		X		X	4
Consultant companies			X						1
Other continental services			X						1
Industry register						X			1
Magazines	X								1
Agencies	X			X					2
Field research									
Associations, such as trade associations and wood associations		X		X		X	X	X	5
Key manufacturers			X			X	X		3
Key stakeholders							X		1
Auditing/benchmark supplier			X			X			2
Discuss with experts						X			1
Exhibitions	X								1
Past research and market studies							X		1
Fairs, such as trade fairs							X		1
National News & Media Publications							X		1
Trade publications							X		1
Interview with Retailers, Shop Owners, and Retired Professionals							X		1
Buying products from competitors for analysing and get inspiration						X			1
Buying products from suppliers to test the quality						X			1
Internal competence									
Internal competence			X		X	X		X	4
# Of sources	3	2	5	3	2	9	8	3	

As seen in table 24 many different sources are used for the Industry Analysis. The field research is in an Industry Analysis more dominating in comparison to the Macro Analysis. Related to the field research, South Asia highlight the importance of visit a few main suppliers to get a sense of the industry to draw a conclusion if this industry could be favourable for IKEA at the moment or not.

The most common sources used are customs such as export and import databases, different types of associations, and internal competence related to: existing suppliers, Category Managers and IKEA Industry etc. South East Europe highlight the importance of find out if any other POAs are active in the particular country, and if that is the case, take contact to them to get useful information to avoid double work. No conclusion will be drawn between numbers of sources used and the experience score, since it is the quality and not the quantity that is of interest.

The tools used for an Industry Analysis can be seen in table 25. Four POAs are using Porter’s five forces to structure the areas to investigate and to illustrate the competitiveness in the market. SWOT is used among three POAs to analyse and summarise the findings. The four POAs that have the highest experience scores are using both or one of those tools.

Table 25 Tools used for the Industry Analysis

Tools	NEE	A	CE	NE	GC	SEE	SA	SEA	# POA
Porter’s five forces					X	X	X	X	4
SWOT					X	X		X	3
# Of tools	-	-	-	-	2	2	1	2	

5.1.3 One global process

The POAs agree about the possibility to use same process in all POAs. They stress that it should be a logic and not in too much detail, it needs to have some flexibility since there are not the same conditions in each POA or country considered. Some POAs are mentioning that the same process could facilitate a comparison between the results from each POA to present for the categories/HFB⁸/Free Range. Table 26 presents the main features each POA recommends to include in the process.

⁸ A HFB is a home furniture business area that are responsible for the product development for a certain area at IKEA

Table 26 Features given from the different cases, to include in one global process that can be used in all POAs

Main features for one global process	POA
Made on business level	NEE
First time go broad, second time more directly to the target and based on the need within the categories	
Project directives predefined and agreed: Budget approval Allocation of competent resources Time frame Deliverables Steering Group	A
Project plan including: Objectives Time plan Actions Project leader Clearly stated expectations Steering group for decision-making in some specific steps (milestones)	CE
A database for saving all the collected data would be to prefer	
General parts of the Supply Market Study should be updated every year (e.g. of doing business, political stability) The analysis should be done based on a total cost perspective and take into account: Labour cost Energy cost Material cost Raw material accessibility Technology available	
-	NE
Focus on market analysis and industry understanding	SEE
Use Porter's five forces model to centralise the analysis and make sure all parameters of importance are covered	GC
The process need to be flexible so the executer do not miss great business opportunities	
The process could be similar to the Supplier Development Process	
Common milestones with clear understanding and outcome of those to be able to do a comparison between the countries and select right supplier for IKEA	SA
Understand the market before finding opportunities by going deep into the aspects and find their impact on the business	
Have a clear channel back to the range or category to be able to forward the new opportunities founded. Categories connected to a specific industry are useful to contact to get some first data of the industry Try to find a contact person in the industry	SEA

5.1.4 Way of working with Supplier Mapping

All POAs have done at least one Supplier Mapping project. In general, a Supplier Mapping is initiated from the Category Manager based on the need within a category. The different purposes for Supplier Mapping projects can be seen in table 27.

Table 27 Different purposes for Supplier Mapping projects

Purpose of a Supplier Mapping	POA
Start up of new supplier to fulfil the category needs	A, CE, GC, NEE
Increase capacity	GC
Get an overview of the supplier landscape for a specific industry	GC
Build stronger supplier base	GC
Create a better business and supplier base dynamic	GC
Map the potential of the different countries; how many suppliers do they have? What are they doing? In which area are they strong and in which area are they weak?	NE
Find new suppliers from a specific country for supply another geographical retail market	SA
Find new suppliers to secure future demand of supply from a specific country to its retail market	SA
Explore potential and find new sourcing options for the specific category	SEA
Find new suppliers to develop the production capacities	SEE
Find new suppliers to develop materials	SEE

In comparison to a Supply Market Study, a Supplier Mapping project seems to always be need-based. The projects also have a more narrowed scope and a more detailed specification level, which includes the requirements the new suppliers need to fulfil.

To continue, in table 28 a summary of general information and interesting findings of Supplier Mapping projects done by the different POAs is presented.

Table 28A summary of information of the POAs' view of Supplier Mapping projects

Information of the Supply Market Study work	
Frequency	It is difficult to answer; it depends on the strategy and the business plan. Where to do the Supplier Mapping is based on the retail growth.
Man-hour allocated	It is difficult to estimate; it depends on the complexity of the project and if the executer is doing the project in parallel to its main duties.
Most time consuming steps	The answer varies between the POAs. Example of most time consuming steps are: preparation work, the initial search for new supplier, contacting suppliers, the supplier visit, and the evaluation part.
Data wanted but difficult to find	More detailed information about the suppliers, such as: financial status, factory size, employees, and data regarding all their articles could be difficult to find through a desk research. To have in mind, the information on the Internet is not always reliable and a visit to the supplier is often necessary to verify the collected information.
How to make the study actionable	A clear handshake agreement with the category, good preparation work, good communication and then also stick to the predetermined time frame. Another key is to be clear from the beginning of what to look for and then define which criteria are requested for the suppliers for the specific project.
Benchmark of other companies way of working	Not many POA have benchmarked other companies' way of working, instead it is more common to take use of the internal expertise within IKEA.

A comparison will follow between the POAs' content in the main activities included in a Supplier Mapping project: start up, initial search of new potential suppliers, and prioritizing suppliers.

Start-up

All POAs except North East Europe have a start-up phase in their Supplier Mapping projects. They all stress the importance of having a clear purpose with the mapping to know what to look for. The content each POA has in their start-up can be seen in table 29.

Table 29Content included in the start-up

Content in the start-up	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Project plan									
Initiators					X				1
Project organisation/project team/responsibilities			X		X	X	X	X	5
Steering group						X		X	2
Time plan with milestones			X		X	X	X	X	5
Scope and limitations			X		X	X	X	X	5
Purpose			X	X					2
Deliverables/Objectives			X		X	X	X	X	5
Budget/total cost of the project			X				X		2
Main issues to be solved/main criteria to investigate/directions			X	X	X				3
Main activities					X		X		2
Focus area					X				1
Target			X						1
Expected result				X					1
What Impact do the result has for IKEA business				X					1
Background									
Description of why the project has been initiated			X		X		X	X	4
Prerequisites assumptions			X						1
IKEA Current sourcing						X			1
Defining supplier capabilities and performance criteria			X		X				2
Defining “knock out” criteria/most account that cannot be overridden			X		X				2
Secure alignment									
Handshake agreement		X				X	X	X	4
# Of content included	-	1	12	4	11	7	8	7	

Since the Supply Market Study and the Supplier Mapping often are included in the same project the start-up phase are the same as for the Supply Market Study. There are still some differences, in addition to the Macro Analysis Central Europe and South East Europe also include: defining supplier capabilities and performance criteria, and defining “knock out” criteria. To note, a handshake agreement seems to be of more importance in the start-up connected to the Supplier Mapping than for the Supply Market Study.

Initial search of new potential suppliers

All POAs do some kind of desk research to find new potential suppliers to include in their gross list. Some of them also do a field research where they for example visit fairs and exhibitions to find new suppliers, see all sources used in table 30.

Table 30 Information sources to find new suppliers

Information Sources	NEE	A	CE	NE	GC	SEE	SA	SEA	# POA
Desk research									
Internet e.g. Panjiva.com	X	X	X		X	X	X	X	7
Compass search engine				X					1
Media									
Magazines	X	X							2
Newspapers									
Forums									
Announce in newspapers						X			1
Economic development department		X							1
Ministry of Economic Ministry of Agriculture				X					1
Back track export statistics to find potential suppliers		X					X	X	3
Supplier portal	X					X			2
IKEA suppliers		X							1
Supplier database								X	1
Past mappings				X					1
Local agencies						X			1
Field research									
Exhibitions, fairs, conventions	X	X		X	X	X			5

Information Sources	NEE	A	CE	NE	GC	SEE	SA	SEA	# POA
Associations E.g. trade associations, specific industry associations such as for national hardwood manufactures, board manufacturers, plastic manufactures etc. IKEA can also be promoting on those		X			X		X		3
Machinery suppliers Raw material suppliers Component suppliers Networking and contacting successful suppliers in the beginning of the supplier chain outside IKEA		X	X		X	X			4
Competitors (go to other retailers, look at the name tag and see if the producers name is stated)			X		X	X			3
Main industries customers						X			1
Internal competence									
Network within IKEA e.g. category, technician, and engineers experts		X	X	X	X	X		X	6
# Of sources	4	8	4	5	6	9	3	4	

If having a look in table 30, the sources that are most frequently used in the search of new suppliers are: Internet, network within IKEA, exhibitions/fairs, and machinery/raw material/component suppliers. No conclusion will be drawn between numbers of sources used and the experience score, since it is the quality and not the quantity that is of interest.

Prioritizing the suppliers

All POAs have some “knock out” criteria the suppliers need to fulfil in the first filtration, from the gross list to the short list, see table 31. Some of them call the suppliers for a telephone interview to ask about their interest of become an IKEA supplier and to collect some company information, others are sending out a pre-RFI to the suppliers or asking them for some general company information. North Europe also mentioned that they do some visits to the suppliers to verify the information gained from Internet and telephone communications.

Table 31 “Knock out“ criteria investigated

“Knock out” criteria	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Hard aspects									
Financial status (including historical)	X		X						2
Ownership structure	X								1
Monopolist	X								1
Working hours		X							1
Ability to fulfil the requirements for their processes		X							1
Business critical factors		X							1
Components		X							1
Production range/Material Type						X			1
Supplier purchase							X		1
Production type and set-up		X				X	X	X	4
Level of automation		X							1
Location		X							1
Know how factory		X							1
Capacity		X	X		X	X			4
Capability e.g. combine different materials			X		X			X	3
Turnover & size			X		X	X			3
Size of the company			X						1
Experience of manufacturing			X						1
Price			X				X		2
Quality			X	X	X		X		4
Logistics			X				X		2
IKEA requirements on products: Durability, chemical, and world wide standards			X						1
Product development							X		1
Numbers of employees					X				1
Competence				X					1
Efficiency				X					1
How do they compare to our current supplier base?				X					1

“Knock out” criteria	NEE	A	CE	NE	SEE	GC	SA	SEA	# POA
Do they fit our criteria? (E.g. Technology specifications and tolerances)				X	X				2
Delivers high customer value at low cost					X				1
Sustainability							X		1
Soft aspects									
Sharing values, vision and business model Strategic fit/IWAY	X			X	X	X			4
Willingness to collaborate and grow with IKEA	X				X	X		X	4
Leadership and Management						X			1
Is entrepreneurial with a passion for home furnishing solutions					X				1
# Of content	5	6	10	6	10	7	7	3	

As seen in table 31 there are some aspects that are more common to include as “knock out” criteria. The most included hard aspects are: production type and set-up, capacity, capability, and quality. Regarding the soft aspects most POAs include: strategic fit/IWAY, and their willingness to collaborate and grow. It is difficult to draw any conclusion regarding the experience score and the numbers or type of “knock out” criteria.

5.1.6 A global process

The POAs agree about the possibility to use the same process in all POA. As for the recommendation regarding the supply market process, the POAs stress it should be logic and not in too much detail. Table 32 presents the main features each POA recommends to include in the process for Supplier Mapping.

Table 32 Features given from the different cases, to include in one global process that can be used in all POAs

Main features for one global process	POA
Know what you are looking for in the beginning	A
Having the right competence, share and secure competence within IKEA	
Good structure from the beginning	CE
Everybody involved is acting professional	
The main things to look into to find a new supplier are:	
Size of the company	
Management organisation	
Are they able to run the project they are looking for	
Openness to share information and	
Supplier sees the collaboration with a long term perspective	
Size of the capabilities to run the specific project	
Past experience	
Take part of data from other POA to be able to discuss the results and the way of working	NE
Map suppliers	SEE
Create a supplier gross list	
Kick off the Supplier Mapping	
Evaluate suppliers, and start up new supplier	
Clear deliverables and objectives from the beginning	SA
Strategic fit	
Management commitment	
Agreement between actors involved	
Having the right competence, share and secure competence within IKEA	SEA

5.1.7 Summary of the cross-case analysis

Based on the cross-case analysis, some similarities and replication logic conclusions have been identified and prioritised to be included in the final conclusion that will give inspiration for the developing of the process later on. Also inputs of what each POA recommends to include in a global process for Supply Market Study and Supplier Mapping have been included as inspiration for the final process.

The empirical framework includes both a Supply Market Study (Macro Analysis and Industry Analysis) and a Supplier Mapping, see figure 40. One reason is that many POAs include a Supply Market Study and a Supplier Mapping in the same project. Another reason is that those two areas are integrated and since it is of importance to have a good overview of the process to finally end up in business, one process seems to be to recommend. To note, from the analysis it was also found that not all steps necessarily needed to be included in each project, it depended on its purpose. The empirical framework is on a higher level based on how the POAs have been working today together with their inputs of a global process. Aspect to investigate for Macro Analysis and Industry Analysis can be seen in table 33 and 34. The most common “knock out “ criteria can be seen in table 35. The sources to use for collection of information related to all of the three main steps are desk research, field research and internal competence. Inspiration of the more in detailed information and inputs to the process will be take into consideration in chapter 6 *‘Developing the workingprocess’*.

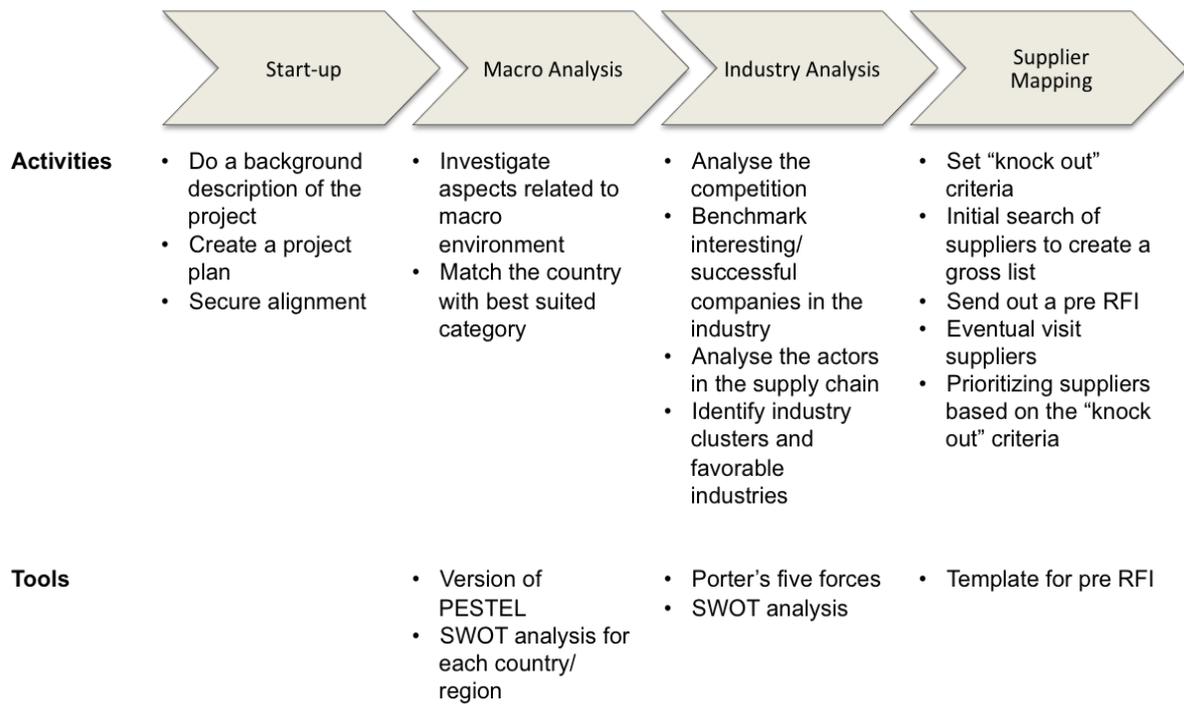


Figure 40The empirical framework

Table 33Areas of aspects to investigate in a Macro Analysis

Areas of aspects to investigate in a Macro Analysis
Political
Economical
Social
Technological
Environmental
Ethics
Business
Infrastructure
IKEA Offer

Table 34 Areas of aspects to investigate in an Industry Analysis

Areas of aspects to investigate in an Industry Analysis
The threat of new entrants
The threats of substitute product
Supplier power
Buyer power
Rivalry among existing firms,
Favourable material to use, material trend
New technologies, efficient application of innovation solutions
Number of actors, size of actors and key stakeholders
Location
Distance to IKEA main customer market

Table 35 Most common “knock out” criteria

Most common “knock out” criteria
Production type and set-up
Level of automation
Capacity
Quality
Sharing of values
Strategic fit/IWAY
Willingness to collaborate and grow with IKEA

5.2 Pattern matching

The pattern matching is done between the empirical framework and the theoretical framework regarding Supply Market Study and Supplier Mapping. The comparison will identify potential similarities and differences between the empirical study and the theory. Potential gaps will be highlighted and similarities will increase the internal validity of the case study. Though the empirical framework included a Supply Market Study and a Supplier Mapping in the same process, which is not the case in the theoretical framework, the pattern matching between the frameworks will be based on the main activities in the processes rather than each process separately.

5.2.1 Start-up

The main activities in the start-up for the Supply Market Study of the theoretical framework and the process in the empirical framework are presented in table 36. The content included in the start-up for the Supplier Mapping is in this analysis included in the step Supplier Mapping.

Table 36 Main activities in the start-up identified in the theory respectively the empirical study

Main activities	Theory	Empirical study
Understand the business requirements/ do a background description	X	X
Create a project plan	X	X
A background check of previous work with use of both external and internal information	X	X
Submit data requests to suppliers	X	
Cost benefit analysis	X	
Secure alignment		X

The start-up seems to be quite similar between the theory and the empirical study. Both include some kind of background description, why the project have been initiated and its business requirements. A project plan is also included. The content in this vary both between the different cases and between different processes found in the theory. Both in the frame of reference and the empirical study it was found that a check of previous done supply market studies together with other useful information within the company was done in the start-up phase. The empirical study also highlighted the importance of a handshake agreement to secure alignment between the parties involved.

5.2.2 Macro Analysis

The main activities in each step of the representing process in the theoretical framework and the process in the empirical framework together with main areas of aspects to investigate and analysis frameworks used, are presented in table 37.

Table 37Main activities, main areas of aspects to investigate, and analysis frameworks for the Macro Analysis identified in the theory respectively the empirical study

	Theory	Empirical study
Main activities		
Analyse market context factors/ macro environmental aspects	X	X
Match the country with the best suited category		X
Areas of aspects to investigate		
Political	X	X
Economical	X	X
Social	X	X
Technological	X	X
Environmental	X	X
Legal	X	
Ethics	X	X
Business		X
Infrastructure	X	X
IKEA Offer		X
Distances related to cultural, administrative, geographic, and economic	X	
Analysis frameworks		
Version of PESTEL	X	X
SWOT		X
CAGE distance framework	X	

Both the theory and the empirical study include the activity to analyse market context factors/macro environmental aspects, but the area of aspects to investigate are not exactly the same. As seen in table 37, in comparison to the theory the empirical study do not seems to investigate legal aspects or distances related to cultural, administrative, geographic, and economic. On the other hand there seems to be a gap in the theory regarding business aspects such as competitive index, ease of making business, and country perception of the specific company. The empirical study includes the activity where to match a country with the best-suited category as well as SWOT analysis for evaluation, which the theory does not suggest.

Regarding the frameworks used in the Macro Analysis, different versions of PESTEL framework are used both in the theory and in the empirical study. The theory also includes the Cage distance framework as an alternative to PESTEL. This framework do not just state the situation as it is in the country up for investigation, it takes also into account the differences between the

investigated country and the country where the company has its roots, where focus is put on how those differences can affect the business.

5.2.3 Industry Analysis

The main activities in each step of the representing process in the key takeaways from the theory and the process in the empirical framework together with main areas of aspects to investigate and analysis frameworks used are presented in table 38.

Table 38 Main activities, main areas of aspects to investigate and analysis frameworks for the Industry Analysis identified in the theory respectively the empirical study

	Theory	Empirical study
Main activities		
Analyse the competitions in the industry	X	X
Analyse the supply chain related to the industry/analyse the main actors in the supply chain	X	X
Benchmark interesting/successful companies in the industry		X
Study industry or market segmentations/identify industry cluster and favourable industries	X	X
Main areas of aspects to investigate		
The threat of new entrants	X	X
The threats of substitute product	X	X
Supplier power	X	X
Buyer power	X	X
Rivalry among existing firms	X	X
Favourable material to use, material trend		X
New technologies, efficient application of innovation solutions		X
Number of actors, size of actors and key stakeholders	X	X
Distance to the company's main customer market, location		X
The industry's profitability	X	
Technological developments	X	
Direct versus indirect costs	X	
Analysis frameworks		
Porter's five forces	X	X
IA ³ framework	X	
SWOT		X

All activities in the Industry Analysis except benchmark is included both in the theory and in the empirical study, see table 38. The benchmark is just included in the empirical study, though

Wipro consulting service (2012) and Nolf et al. (2012), in the frame of reference, point out the essential with a cross Industry Analysis to find or adapt new innovations, which seems to be one of the purposes with the benchmark in the empirical study. Though most of the activities are not named exactly the same, the content seems to be quite similar in the theory as in the empirical study.

Regarding main areas of aspects to investigate, there are more differences. Location and distance to the company's main customer market are not analysed in the theory but in the empirical study. This aspect was not mentioned among many cases; though there were several cases discussing that location was of important before start up any new suppliers. Location of a specific supplier in combination with labour cost, closeness to raw material, closeness to customer were taken into consideration when decide where to source. Location can in some way also be included in the Macro Analysis, as the theory mentions, and that can be the reason for why the theory is not included this in their Industry Analysis.

Both the theory and the empirical study include Porter's five forces for the analysis of information. The level of focus that is related to each force in the framework differs between the authors, the same regarding the different cases. The IA³ framework in the theory is also used in addition to Porter's five forces. This tool does not investigate a specific industry, as Porter's five forces, instead it investigates issues in a market that have impact on a specific business. Some cases are using SWOT analysis in the Industry Analysis for a specific category (industry), which is not the case in the theory. The reason might be that the cases not always do a Macro Analysis, where the tool is included in both the theory and the empirical study, and therefore apply the SWOT analysis in an Industry Analysis instead.

5.2.4 Company Analysis

The cases in the empirical study do not include a Company Analysis as a main step in their work, but many of the activities in the Company Analysis are included in the empirical study's steps Industry Analysis or Supplier Mapping. For example, some cases do include a benchmark, similar to some activities in the Company Analysis, in their Industry Analysis. Another example is the audit of suppliers that the theory includes in a Company Analysis, which the empirical study includes in a Supplier Mapping. Since the empirical study does not include a Company Analysis no deeper comparison will be done between the theory and the empirical study.

5.2.5 Supplier Mapping

The main activities in each step of the process in the theoretical framework and the process in the empirical framework, together with identified most common pre-qualification criteria, are presented in table 39.

Table 39 Main activities and most common pre-qualification criteria for the Supplier Mapping identified in the theory respectively the empirical study

	Theory	Empirical study
Main activities		
Project plan		X
Identify the need and recognition of the problem	X	X
Identify general characteristics, required quantities, needs for the specific product and objectives from the organisation	X	X
Secure alignment/A formal approval between the responsible person of the specific purchase and the buyer	X	X
Selection of criteria/ “knock out” criteria	X	X
Make the criteria/specification objective and easy to understand from a supplier perspective	X	
Initial search of suppliers to create a gross list/bidders’ long list	X	X
Select suppliers/ prioritizing suppliers based on the “knock out” criteria	X	X
Most common pre-qualification criteria		
<i>Organisational strengths:</i> company size, company age, R&D activities	X	
Capacity		X
<i>Past experience:</i> type of past project completed, size of past project completed	X	
<i>Performance capabilities:</i> contract overruns, overall quality, responsiveness	X	X
<i>Financial soundness:</i> turnover, bank references	X	
<i>Cost:</i> order change and cancellation, cost, warranties and claims	X	
<i>Miscellaneous:</i> labour relationship, procedural compliances	X	
Logistic specifications	X	
Maintenance specifications	X	
Legal and environmental specifications / Strategic fit/IWAY	X	X
A target budget	X	
Sharing of values		X
Production set-up		X
Level of automation		X
Willingness to collaborate and grow with the company		X

The Supplier Mapping activities seems to be similar between the theory and the empirical study. One difference found is that the empirical study includes a project plan, which is not mentioned in the theory. To note, in the empirical framework the project plan is included in the first step of the process, the start-up. Another is that the theory includes a part where to make the criteria/specification objective and easy to understand from a supplier perspective, which did not appear in the empirical study. Though, some cases in the empirical study mentioned that there could be problems later on in the process if the criteria were not clearly defined before starting the project. They meant it was crucial to be sure the requesting organisation and the performer of the project agreed on the criteria. Also Jain et al. (2012) in the frame of reference believe that the selection of criteria is a crucial step in any supplier selection step.

When having a look at the pre-qualification criteria the suppliers need to fulfil, they differ between the theory and the empirical study. One reason might be that the theory only gave some examples of pre-qualification criteria, and the criteria presented from the empirical study were only the most common used pre-qualification criteria since most of the criteria depend on the specific project. A conclusion is that a fair comparison cannot be drawn of this based on the available information gained in this project.

5.2.6 Information sources

The different categories of information sources used for the Macro Analysis, Industry Analysis, and Company Analysis respectively for the Supplier Mapping in the theory and in the empirical study are summarised in table 40.

Table 40 Information sources for the Macro Analysis, Industry Analysis, Company Analysis and the Supplier Mapping used in the theory respectively the empirical study

Information sources macro-, industry- & Company Analysis	Theory	Empirical study
Desk research	X	X
Field research	X	X
Internal competence	X	X
Information sources Supplier Mapping		
Desk research	X	X
Field research	X	X
Internal competence		X

When comparing information sources between the theory and the empirical study related to the Supply Market Study, the same categories of information sources are used.

Regarding the Supplier Mapping, there is very limited information in the theory regarding recommended sources to use to find new potential suppliers. Kotler (nd) is the only author in the frame of reference that gives some recommendations of sources to use. The sources mentioned in the theory are desk and filed research sources, where Internet is the main source to use. The empirical study includes desk and filed research sources, but also the use of internal competence.

The most specific sources used in the empirical study are Internet, exhibitions/fairs, and internal competence such as categories, technicians, and engineer experts.

6. Developing the working process

This chapter presents the developed working process followed by some motivation and comments to the choice of structure and the content of the process.

6.1 Presenting of the developed working process

The theoretical framework and the empirical framework together with identified patterns between those and recommended main features for one global process given from the cases, lay as a foundation for the process development. Inputs from the supervisor at IKEA based on requirements connected to the New Business approach were also taken into consideration. To increase the generalizability of the process, also inputs were considered from interviews with eight people, now working at IKEA, but having experience of working with purchasing in other bigger companies (see interviewees in appendix 1). Finally, three workshops were held with stakeholders within IKEA to take part of their feedback of the process to make it even better and to increase its practicability, which is a vital step in the constructive approach that is used in this project.

The developed Supplier Market Analysis process, with its steps and main activities, can be seen in figure 41. The triangles in the process are representing *discussion and decision points* (in the literature often referred as gate check or milestone) with the main purpose to, after each main step, make sure it is ok to continue to the next step. There are also recommended tools/templates related to each main step to support the process user and strive towards using the same tools/templates, independent the specific project. A working manual for the process including a more in detailed description of each activity together with recommended tools and sources to use can be found in appendix 7.

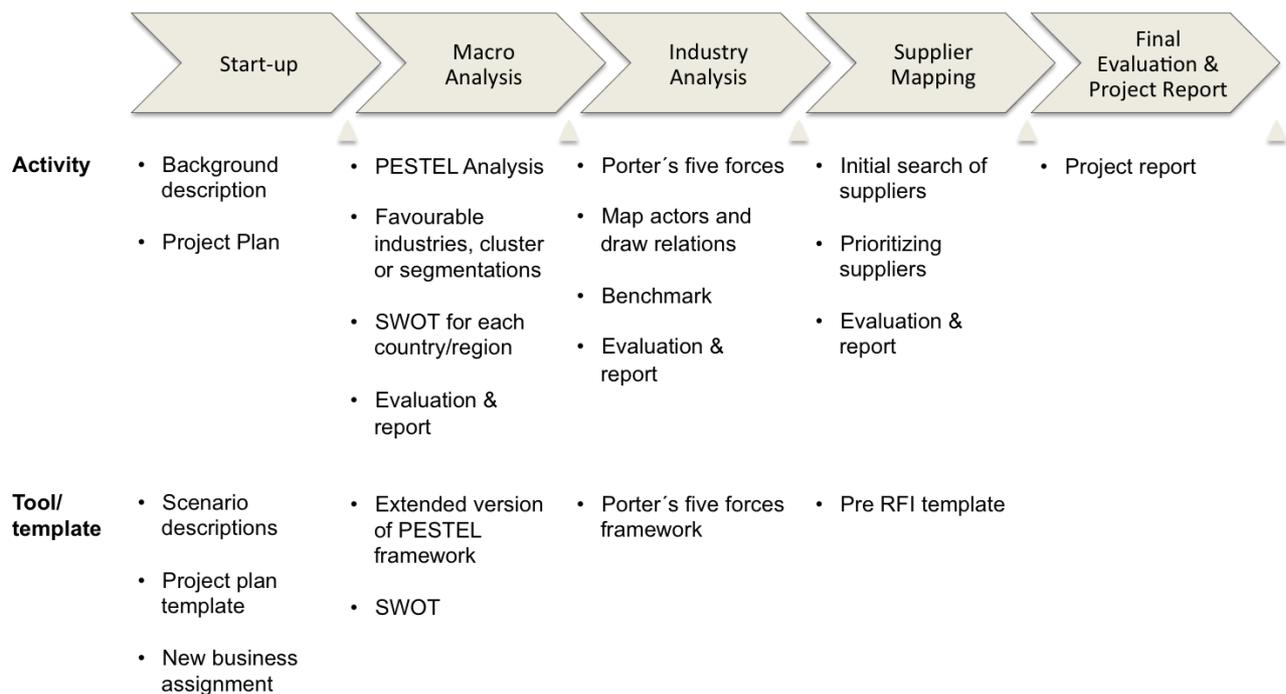


Figure 41 The developed working process for Supplier Market Analysis

6.2 Motivations

Some motivations and descriptions of the structure and content in the developed Supplier Market Analysis working process follows.

6.2.1 One process for both Supply Market Study and Supplier Mapping

There seems to be several benefits by including the Supply Market Study and the Supplier Mapping in the same process, instead of two, especially when those activities often are done in combination with each other. First, it gives the process user a better overview of the whole project. Second, this will increase the possibility to make the work more 'actionable' and facilitate so the project will lead to business. It gives a procedure that consist both of finding new business opportunity but also finding new potential supplier/development partners where this opportunities really need to be quantified and not only opportunities on a high level. Finally, the speed will increase together with the effectiveness of the Supplier Market Analysis project.

6.2.2 Documentation

The documentation after each of the main steps, included in evaluation & report, consist of highlighted findings for each analysis. By including this after each main step it is easy to get an overview of the findings to be able to take the decision whether continue to the next step; if further information is needed; or if the last step in the process to complete the project could be entered. The documentation is of importance, especially in the final step, final evaluation & project report. This will make it easier to share the information, reflect on the work done, and

make it possible to look back on previous performed projects to get insights and take learning an avoid duplication of work.

6.2.3 Same start-up for the Supply Market Study and the Supplier Mapping

In the developed process the start-up phase is related to the Macro Analysis, the Industry Analysis, and the Supplier Mapping. The reason is that not necessarily all steps will be included in the analysis; it will depend on the purpose for each project. The use of same start-up is inspired by Ljungberg and Larsson (2011) who mention that an *object in* into a process does not necessarily continue to same next step as another *object in*, instead it depends on the result of the *outcome* from the previous step or the type of *object in* from the beginning of the process. Therefore are the first step ‘start-up’ and the final step ‘Final Evaluation & report’, included independent of the specific purpose for the use of this process. It is just the activities between those that not all need to be included in every project.

6.2.4 The use of sub activities

To note, some activities identified in the theory and/or in the empirical study are included as sub activities as part of the main activities in each step of the process. To mention some, the activity *background description* in the first step include e.g. “understand the business requirements” and “do a background check of previous work” with use of both external and internal information.

6.2.5 Activities or steps not included in the working process

First, the activity *cost benefit analysis* that is included in the theory framework, is recommended to be taken into consideration before starting any project. This is based on the inputs regarding the New Business approach and how the New Business teams will work. Before the New Business teams start performing any Supplier Market Analysis process, a cost benefit analysis is done to choose which assignment to prioritise. Second, a Company Analysis has been chosen to not be included in the developed working process, since the activities in this step are similar to what can be included in either an Industry Analysis or a Supplier Mapping. This is also based on the fact that none of the cases in the empirical study had included a Company Analysis before, and neither the processes presented in the frame of reference actually included a specific step for this. Finally, the activity from the empirical framework *match the country with best-suited category* is not included as an activity in the developed process. Though, this should be done by IKEA when a project is completed, if the project has consisted of just a Macro Analysis. If a certain industry seems to be favorable in a specific country/region or if the conditions in the country/region seem to match with a specific category, a potential Industry Analysis should be done for this category in this country/region.

6.2.6 Discussion and decision points

“Secure alignment” is not included as a separate activity in the start-up in the developed working process as it is in the theoretical and the empirical frameworks. The reason is that the structure of the process has taken inspiration from the purchasing development process (PDP) that exists within IKEA. Based on the findings from the empirical study and inputs from other stakeholders within IKEA, it came up that the working process could be similar to the PDP by following the

same logic. This means to include a *discussion and decision point* (in the literature often referred as gate check or milestone) after each main step to make sure it is ok to continue to the next step. This decision is made between the performer of the analysis and the requesting organisation in some critical cases to secure alignment and that the result of the project will fulfil the expectations. To secure alignment has been identified as important, both from Ljungberg and Larsson (2011) and the empirical study, to prevent misunderstanding and unnecessarily work.

6.2.7 Additional activities

The step 'map actors and draw relations' is similar to identify and analyse the actors in the supply chain. Based on inputs from stakeholders within IKEA and the supervisor at the company, the step 'draw relations between the actors' was add. This can be seen as an extension of Porter's five forces, where this mapping gives a good view of the market structure, who has the power and controls the supply chain, and where IKEA already have relations. This can be advantageous when IKEA wants to start up business and for a potential further Supplier Mapping.

7. Conclusion and recommendation

The chapter answers the research questions and presents shortly the result of the project. Further, recommendations are given for IKEA related to their work with the Supplier Market Analysis working process. To continue, the generalizability of the working process is discussed, including both the practicability for IKEA as well as the usability of the process for other companies. Finally, contribution to the theory followed by future research and limitations in the project is explained.

7.1 Conclusions

The purpose of this project was to develop a working process for Supply Market Study and Supplier Mapping, in line with the New Business approach. This to generate a better way of working through simplification and structuring of the procedure.

To be able to fulfil the purpose of this project there were two research questions that needed to be answered. The research questions will be answered shortly below.

7.1.1 How are Supply Market Study and Supplier Mapping discussed in the research?

Based on the literature review there are some differences and some similarities between founded Supply Market Study processes. On a higher level three similar main steps have been identified. First, some kind of start-up where to highlighting the importance of being sure of what is the need with the analysis. Secondly, execution of the analysis takes place. The execution looks a little different between different authors/organisations. The analysis can be done on a macro-, industry-, and a company level, where not all are included in each process. Different tools are used, where some are more or less frequently used, such as PESTEL, Porter's five forces, SWOT, and the Supply Market Analysis framework. Finally, all processes are including a step where to evaluating the analysis. The evaluating includes some kind of summary regarding the finding and the outcome from the analysis. A combined process, theoretical framework, for Supply Market Study based on the literature review that contributed to the developing of the process in this report can be seen in figure 42.

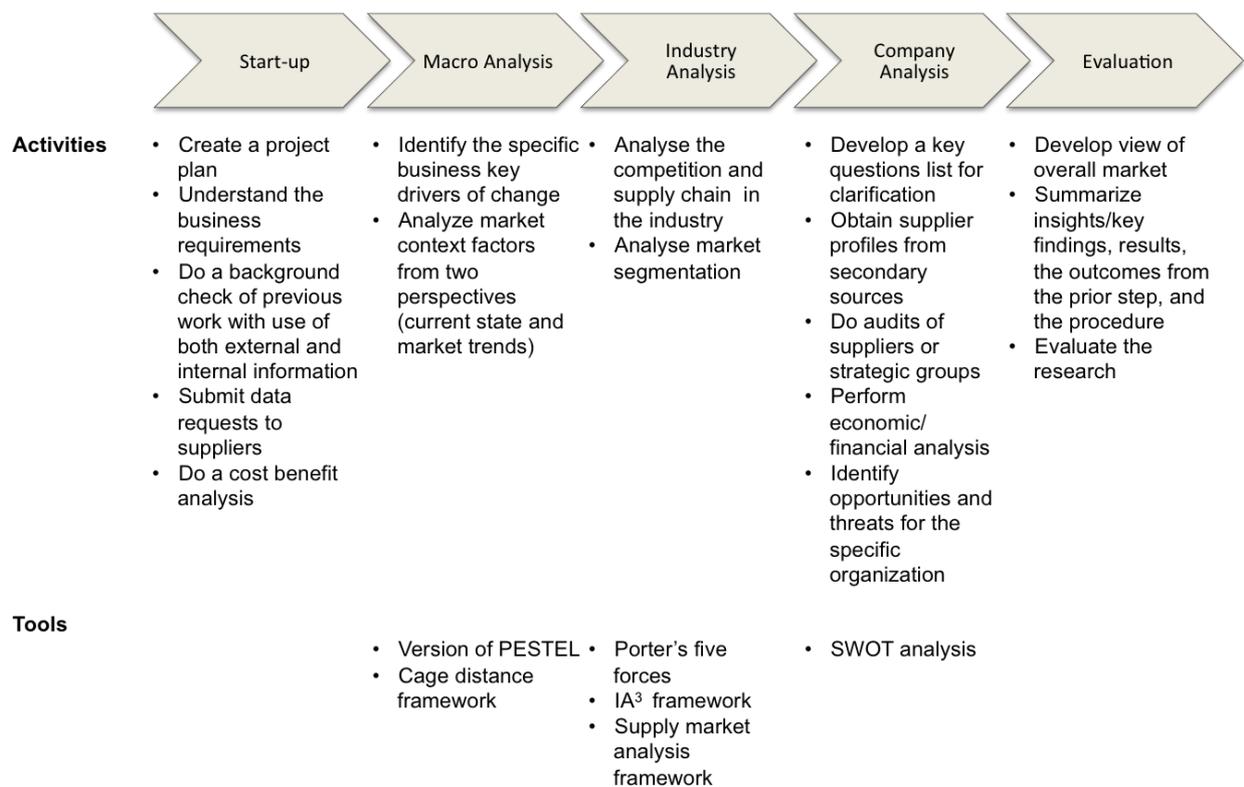


Figure 42 The theoretical framework for Supply Market Study

Regarding the Supplier Mapping processes found in the literature review there were some differences and some similarities between them. On a higher level four similar main steps have been identified. First, the processes start with some kind of identifying of the need or recognition of a problem. Secondly, the criteria or specifications are set, based on the identified need. The criteria are not identified on the same level in each process; some are also weighting the criteria. Thirdly, a suppliers search is carried out, where some authors are more in detail presenting recommended sources to use. The collection of supplier information look not exactly the same between the processes, some are visiting the suppliers whereas some are sending them an RFI. Finally, selecting a supplier is performed. A combined process, theoretical framework, for Supplier Mapping based on the literature review that contributed to the developing of the process in this report can be seen in figure 43.

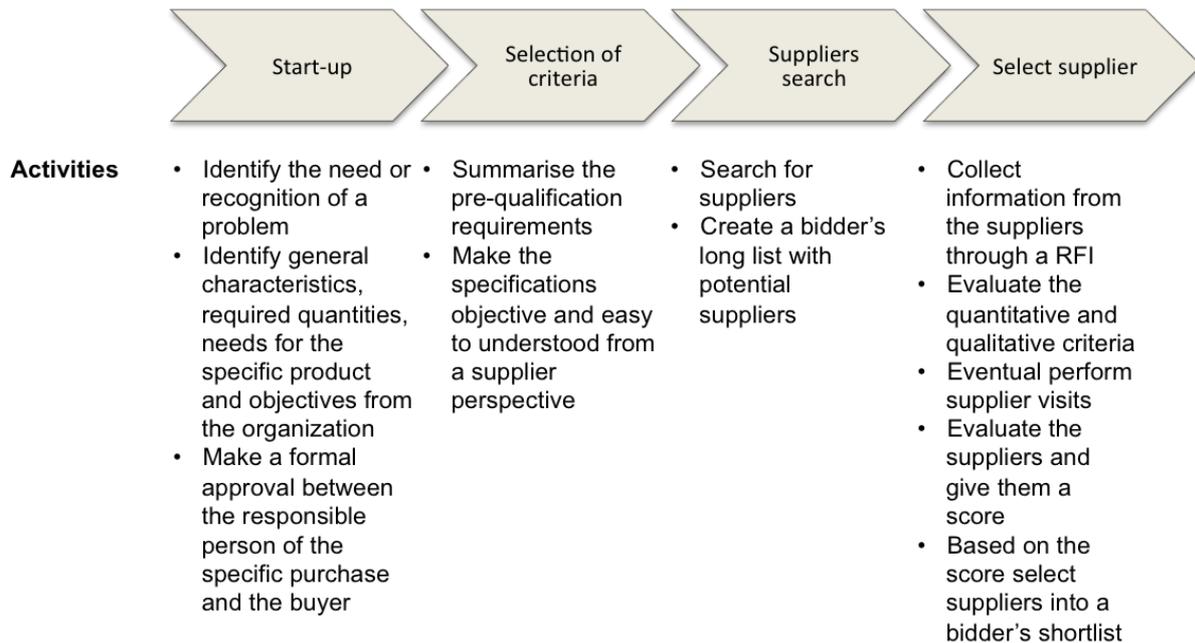


Figure 43The theoretical framework for Supplier Mapping

7.1.2 How does IKEA work with Supply Market Study and Supplier Mapping today?

Based on the empirical study a conclusion is that the POAs have been working differently with Supply Market Study and Supplier Mapping until today. Some POAs have had an allocated team working with this, where others have been working very limited with those two areas. Even though some POAs have allocated teams working with this, they do not necessarily have a structured process or a method to follow. From the analysis it was found that many POAs include a Supply Market Study and a Supplier Mapping in the same project. Another finding was that not all steps necessarily needed to be included in each project; it depends on its purpose. Based on given processes, methods, and descriptions from the empirical study a combined process has been created presenting IKEA's work with Supply Market Study and Supplier Mapping this far, together with inputs of what main features they want for one global process, see figure 44.

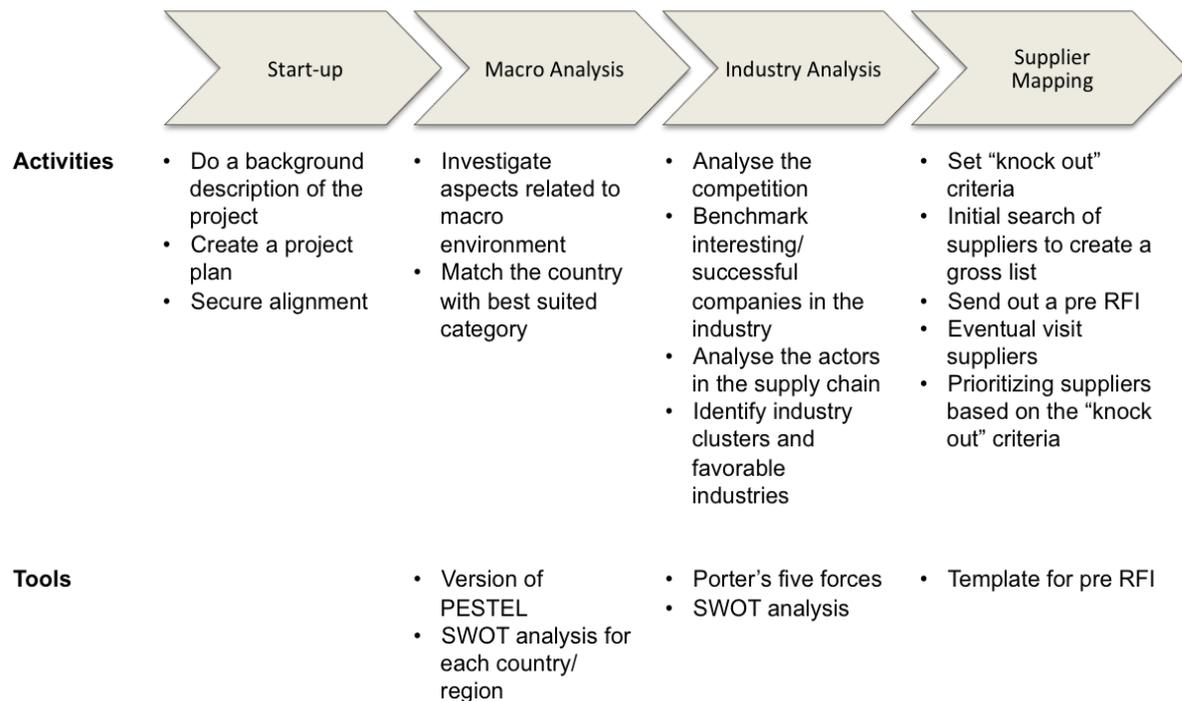


Figure 44The empirical framework for Supply Market Study and Supplier Mapping

7.1.3 The developed Supplier Market Analysis process

When having the two research questions answered, together with identified patterns between those and recommended main features for one global process given from the cases, a foundation of the development of the process was created. To continue, inputs from the supervisor at IKEA based on requirements connected to the New Business approach were also taken into consideration. To increase the generalizability of the process, also inputs were considered from interviews with eight people, now working at IKEA, but having experience of working with purchasing in other bigger companies (see interviewees in appendix 1). Finally, three workshops were held with stakeholders within IKEA to take part of their feedback of the process to make it even better and to increase its practicability, which is a vital step in the constructive approach that is used in this project.

The developed Supplier Market Analysis process including steps, main activities, decision and discussion points, and recommended tools/templates, can be seen in figure 45. A working manual for the process including a more in detailed description of each activity together with recommended tools and sources to use can be found in appendix 7.

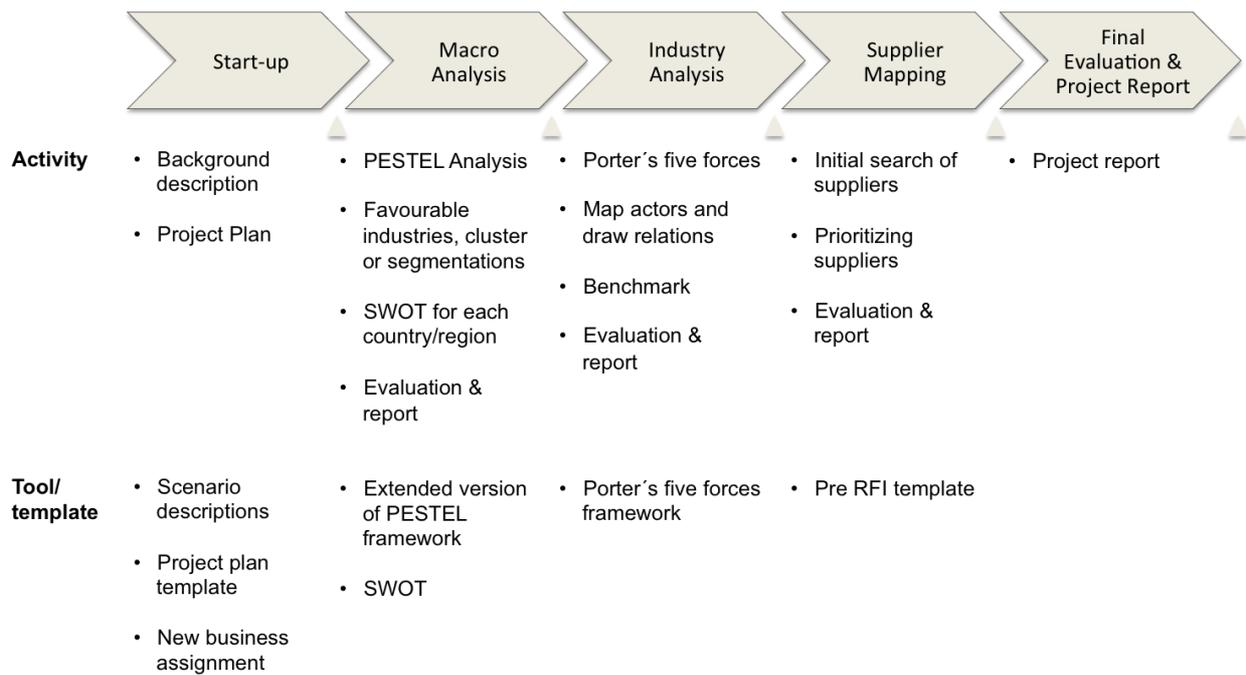


Figure 45 The developed working process for Supplier Market Analysis

7.2 Recommendations for IKEA using the Process for Supplier Market Analysis

There are some highlights and actions the researchers recommend IKEA to take into consideration when start using the working process. The recommendations are based on both the literature and the empirical study.

7.2.1 The benefits with the use of a process

To start, there are several benefits with the use of a process to a Supplier Market Analysis. It will increase the learning curve, give the employees guidelines to follow, tools to use and also a reminder to avoid missing essential parts of a Supplier Market Analysis. The use of the same process will enable IKEA to do a global comparison between different countries' potentials and match them with IKEA needs to find what and where it is best to source related to a specific business.

7.2.2 The process should be seen as a guideline

The process should be seen as a guideline with some advises in each step. It is flexible and allows the user to be innovative and open minded to increase the possibility to find new business opportunities and new supplier/development partners. Depending on the specific project different aspects and criteria will be in focus.

Some advises for IKEA follows:

- Make sure the requesting organisation has done an enough fact-based analysis to identify the need
- Always have the product in mind
- Always relate back to how things might impact IKEA business
- Make the process as simple as possible but as detailed as needed
- Each project is unique but learn for from the past to facilitate the work
- Share the information and experience within the company

7.2.3 Documentation and sharing of the process

To maximise the benefits from a global working process it is of importance to ensure that the user understand the need of documenting the findings and make it easy for other to access after the project has been completed. The willingness to collaborate by sharing the work and not keep it on the executer's computer is of importance. To share competence and knowledge is a key for success.

7.2.4 The use of same information sources

For the Macro Analysis, the same information sources should, if possible, be used globally for a certain environmental aspect. First, to make sure that a comparison between different countries environmental aspects can be made in a fair way. Secondly, to avoid confusion about for example some aspects definition and how they have been measured. A recommendation is to choose reliable and international sources, which can be used for every process user. The sources to use should be decided by the process owner together with the people that are going to use it. The decided sources can be updated if needed, but then all the process users should be aware and agree on the change.

7.2.5 Structure of the aspects related to the Macro Analysis

It is of importance to create a clear structure of how to document the gained information related to the Macro Analysis, since this could then be easy updated continuously when it has been done once for a specific country/region. A recommendation is to build up an excel file or a database in such a way that all the macro environmental aspect easily can be updated yearly. If not the implementer of the process makes this clear for the user a lot of time will be put on the Macro Analysis, which should not be the main focus in the Supplier Market Analysis. With this said it is of course still a essential part of the process that need to be made to understand the surrounding environments impact on the business. But to end up in business the Industry Analysis together with the Supplier Mapping are more critical, and hence focus should be placed here.

7.2.6 Outsource the Macro Analysis

Many other companies hire external specialised companies to do the Macro Analysis, which could be an alternative for IKEA to investigate further. There exist both advantages and disadvantages by performing the Macro Analysis in house. An advantage could be the insight the

employees get of analysing the macro environment, by getting an understanding of the way it can impact the business, and to understand the underlying information for the further Industry Analysis. A drawback could be the time effort the company needs to allocate for this kind of work. Questions that IKEA should ask themselves are: How important is the internal company's competence of the macro environment and how much does this increase by doing the analysis internally? How much resource does IKEA need to allocate for this? Do the costs of the resource allocated in the end become cheaper than hiring an external company? How good is the level of analysis when done internal in comparison with the one done by a specialised external company?

7.2.7 Testing the process

To make sure the process works in reality a pilot project should be made. The workshops made with IKEA stakeholders indicate that the process seems to be accurate and suitable for this kind of analysis. But to know how it actually works in reality and to enable an even sharper process at least two projects should follow this process in detail and an appropriate documentation should be performed afterwards. The documentations should be both regarding the project and the feedback of the process. The process owner and the executers of the pilot project should then discuss what could be highlighted, removed or changed to improve the process. Before starting the pilot project the executer should be informed and have a detailed review of the process. This would preferable be made by the developer of the project, which considering to Ljungberg and Larsson (2011) is key for a successful implementation of the process.

7.3 Generalizability

This project used a multiple case study for the empirical study, with the use of eight cases, covering almost all purchasing operating areas within IKEA. This, together with having interviewed several people related to some of the cases with different purchasing functions, increase the practicability of the process for IKEA.

Though the process is created to be useful for IKEA, it is created on a level of independency to the specific company using it, meaning that other companies might use it as well. Based on the inputs from the interviews with eight people working within IKEA but that also have worked with purchasing at other bigger companies, the way of working with Supplier Market Analysis can look very different. With this stated, the process would probably be more useful for companies having a similar strategy as IKEA.

7.4 Contribution to the theory

In the literature review it does not seem to be a transition between the Supply Market Study and the Supplier Mapping. Neither a process has been found with a combination of those two areas, instead they are discussed separately. The reason can be that procurement has not been included on that high strategic level in companies until today. Based on the interviews with the people working within IKEA that have worked with purchasing at other bigger companies, IKEA is in the forefront of their proactive search for new suppliers/development partners. Also their work of

identifying a country's potential and matching this with the company's need seems to be very unusual among other companies and in the literature. In the literature this work starts with a need/product and not with the purpose to find out what are the potentials for a specific country/region. With this stated, the developed working process in this report will contribute to the literature by showing how a Supplier Market Analysis could be performed with the purpose to find new suppliers/development partners and business opportunities.

7.5 Future research

The study was delimited to investigate how IKEA has been working with Supply Market Study and Supplier Mapping. People working at IKEA, but that previously have worked at other companies with these two areas, gave the insight that a company's strategy is of big importance. An opportunity for the future is to widen the view and investigate in more detailed way how other companies work with Supply Market Study and Supplier Mapping. This was something the authors did not find much information about in the literature review.

Regarding the Supplier Mapping there seems to be a lack of information regarding the pre-qualification phase in the Supplier Mapping, which is something also Jain et al. (2012) is discussing. This project has not focused on that phase in detail, but think it could be of interest to investigate further.

In this report a working process has been created for how to do a Supplier Market Analysis, with guidelines on a higher level. Each step with connected activities and frameworks to use in the working process could be in more detailed investigated and developed by future research.

7.6 Limitations

The main limitation factor in this project has been time. With more time a structured benchmarking of how other companies are working could have been performed to increase the generalizability of the findings. More time could enable a wider research analysis and test the practicability of the result by the use of a pilot project.

The people interviewed related to the different cases had necessarily not worked with Supplier Market Analysis in the specific POA or at IKEA for that long time, or some cases did not share that much documentations of their previous work. This means that the information gathered related to each case in this project was based on the people interviewed and the amount of shared material, which does not present the whole POA's way of working in a complete fair way.

The result of the different cases way of working has not been able to quantify, such as how many projects with the use of their way of working has lead to business. The reason is that almost none of the cases have had a clear working process to follow, and therefore it is difficult to measure their way of working. Even though some cases shared information regarding how many projects they had done related to Supply Market Study or Supplier Mapping, none conclusions could be

drawn from those numbers. The reason for this is that since the POAs had different strategies, some POAs had to work with finding new suppliers more than others.

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Appendix 1. People interviewed

Table 41 Un-structured interviews/elite interviews (60 minutes)

Interview	Company	Title	Date
Interview 1	Before IKEA	Retired, Ingvar Nilsson	26 February, 2015
Interview 2	IKEA of Sweden	Project Manager, Sven-Arne Svensson	5 March, 2015
Interview 3	IKEA Components	Business Creator, Glenn Berndtsson	6 March, 2015
Interview 4	IKEA	Deputy Global Purchase Operations Manager Asia, Lars Thorsén	17 March, 2015

Table 42 Un-structured interviews (60-90 minutes)

Interview	Company	Title	Date
Interview 5	IKEA, POA North Europe	Business Development Manager Alexander Bergström	5 February, 2015
Interview 6	IKEA of Sweden	Supply Chain Manager, Robert Olsson	4 March, 2015
Interview 7	IKEA, POA North Europe	Purchasing Operation Manager, Erik Olsen	5 March, 2015
Interview 8	IKEA of Sweden	Category Manager, Inge Rosenkvist	6 March, 2015
Interview 9	IKEA of Sweden	Category Manager, Jesper Juul Andersen	10 March, 2015
Interview 10	IKEA	Business Navigation Manager, Bee Chin Lee	18 March, 2015
Interview 11	IKEA Components	Category Manager, Erik Ljungblad	19 March, 2015

Table 43 Semi-structured interviews (120 minutes)

Interview	Company and POA	Title	Date
Interview 12	IKEA, POA Americas	Purchasing Operation Manager, David Svensson	12 March, 2015
		Mixed Material Manager, Bernard Salvetat	
Interview 13	IKEA, POA Greater China	Purchasing Operation Manager, Freda Zhang	13 March, 2015
Interview 14	IKEA, POA South East Asia	Purchasing Operation Manager, Bing Han	16 March, 2015
	IKEA, POA South East Asia	Business Developer Long Ho Bao	
Interview 15	IKEA, POA North East Europe	Purchasing Operation Manager Magnus Benon	16 March, 2015
		New Business Manager Alla Kotiyga	
Interview 16	IKEA, POA South Asia	Sourcing Business Developer, Pankaj Date	17 March, 2015
Interview 17	IKEA, POA South Asia	Business Developer Manager, Maneesh Bahuguna	17 March, 2015
Interview 18	IKEA, POA Central Europe	Business Developer Free Range, Jacek Janik	18 March, 2015
		Business Developer Electronics, Nazar Grytsiv	
Interview 19	IKEA, POA Central Europe	Business Developer, Ewa Czopyk	20 March, 2015
		Business Manager Frames, Magdalena Dembska	
Interview 20	IKEA, POA North Europe	Project Leader, Rasa Setikiene	30 March, 2015
Interview 21	IKEA, POA South East Europe	Purchasing Operation Manager, Violeta Nenita	7 April, 2015
Interview 22	IKEA, POA South East Europe	Communication Specialist, Iulia Paun	10 April, 2015
		Business Developer, Ionut Alexandru Cucos	
		Finance Support, Ciprian Rusu	
Interview 23	IKEA, POA Americas	Head of office Brail, Santiago Antoranz	14 April, 2015

Table 44 Semi-structured interviews with people at IKEA with work experience from other companies (90 minutes)

Interview	Previous company	Title/responsibility at previous company	Date
Interview 24	IBM	Supply Chain Manager/ Global Senior Procurement Manager, Inness Chen	23 March, 2015
Interview 25	Target	Senior Market Representative, Nancy Li In	23 March, 2015
Interview 26	Canadian Tire	Internal consulting role, Aven Li	24 March, 2015
Interview 27	SKF and ABB	SKF Manager Trainee, ABB Strategic Purchasing function, Agnes Chen	24 March, 2015
Interview 28	Wal-Mart	Domestic Sourcing, Cicy Liu	26 March, 2015
	Wal-Mart	Global Sourcing, Derek Yang	
Interview 29	H&M	Denim purchasing a cross many departments, Kevin Liu	27 March, 2015
Interview 30	Li & Feng	Merchandise Manager, Ada Sun	13 April, 2015

Table 45 Feedback seminars with IKEA stakeholders

Workshop	Company	Title	Date
1	IKEA	Global New Business Manager, Peter Wisbeck	21 May, 2015
		Category Analyst Manager, Simon Nilsson	
		- Dimitar Stoyanov	
		Category Area Manager, Viswakumar Ananthakrishnan	
2	IKEA	Supply Chain Manager, Torbjörn Ellesson	26 May, 2015
3	IKEA	- David Impseil	26 May, 2015

Appendix 2. Interview guide

Background

Name

Location

Title

Company

Years in Position

Years with the Company

Years in Purchasing

A. Introduction

1. Describe your position in the company and your responsibilities?
2. Number of purchasing employees?
3. Number of suppliers in your POA?
4. Numbers of retailers in your POA?
5. How many new suppliers have been started up in your POA past 24 months and in which categories?
6. What is your definition of a Supply Market Study?
7. What is your definition of a Supplier Mapping?

B. Your current way of working (method) to carry out a Supply Market Study in your POA

8. What is the format/parameters for your Supply Market Study?
9. Is there a current process in place?
10. If you have a process to follow please state each step and explain their content:
 - Input
 - Description
 - Key questions to address
 - Tools and information sources

- Who is doing what
- Outcomes

11. If you don't have a structured process today:

- What information do you gather when doing a Supply Market Study?
- What tools/information sources do you have for gathering the necessary market intelligence information?

12. What is the frequency of doing a Supply Market Study?

13. What is the resource in man-hour allocated for doing a Supply Market Study?

14. Which are the most time consuming steps in the process?

15. Which data do you want but don't have method to find (yet)?

16. Introduce the way of working (method) the POA use in the mapping of current and the search for new:

- Industries
- Material
- Technologies and innovation
- Components

Do you have any good example you can share?

17. How do you make the Supply Market Study actionable? Do you have any good example to share where the Supply Market Study has lead to that you start up new suppliers or development partners?

18. Do you have any method for how to analyse (benchmark) how other companies in the different regions in your POA are working with Supply Market Study?

19. Is it possible in your view to have one method for doing Supply Market Study that can be used by all 9 Purchasing Operation Areas? If not, what would be the hinder to be removed?

20. What are the main features you want for a structured Supply Market Study method?

C. Your current way of working (method) to carry out a Supplier Mapping in your POA

21. What is the format/parameters for your Supplier Mapping?

22. Is there a current process in place?

23. If you have a process to follow please state each step and explain their content:

- Input

- Description
 - Key questions to address
 - Tools and information sources
 - Who is doing what
 - Outcomes
24. If you don't have a structured process:
- What information do you gather when doing the Supplier Mapping?
 - What tools/information sources do you have for gathering the necessary information to find new suppliers?
25. What is the frequency of doing Supplier Mapping?
26. What is the resource in man-hour allocated for doing a Supplier Mapping?
27. What are the most time consuming steps?
28. Which data do you want but don't have method to find (yet)?
29. When you do a Supplier Mapping what do you have for "knock-down" criteria for the filtration of suppliers?
- Hard aspects (technology specifications and tolerances etc.)
 - Soft aspects (IKEA strategic fit and IWAY etc.)
30. How do you make the Supplier Mapping actionable? Do you have any good example to share where the Supplier Mapping have lead to that you start up new suppliers or development partners?
31. Do you have any method for how to analyse (benchmark) how other companies in the different regions in your POA are working with Supplier Mapping?
32. Is it possible in your view to have one method for doing Supplier Mapping that can be used by all 9 Purchasing Operation Areas? If not, what would be the hinder to be removed?
33. What are the main features you want for a structured Supplier Mapping method?

Appendix 3. Project Plan

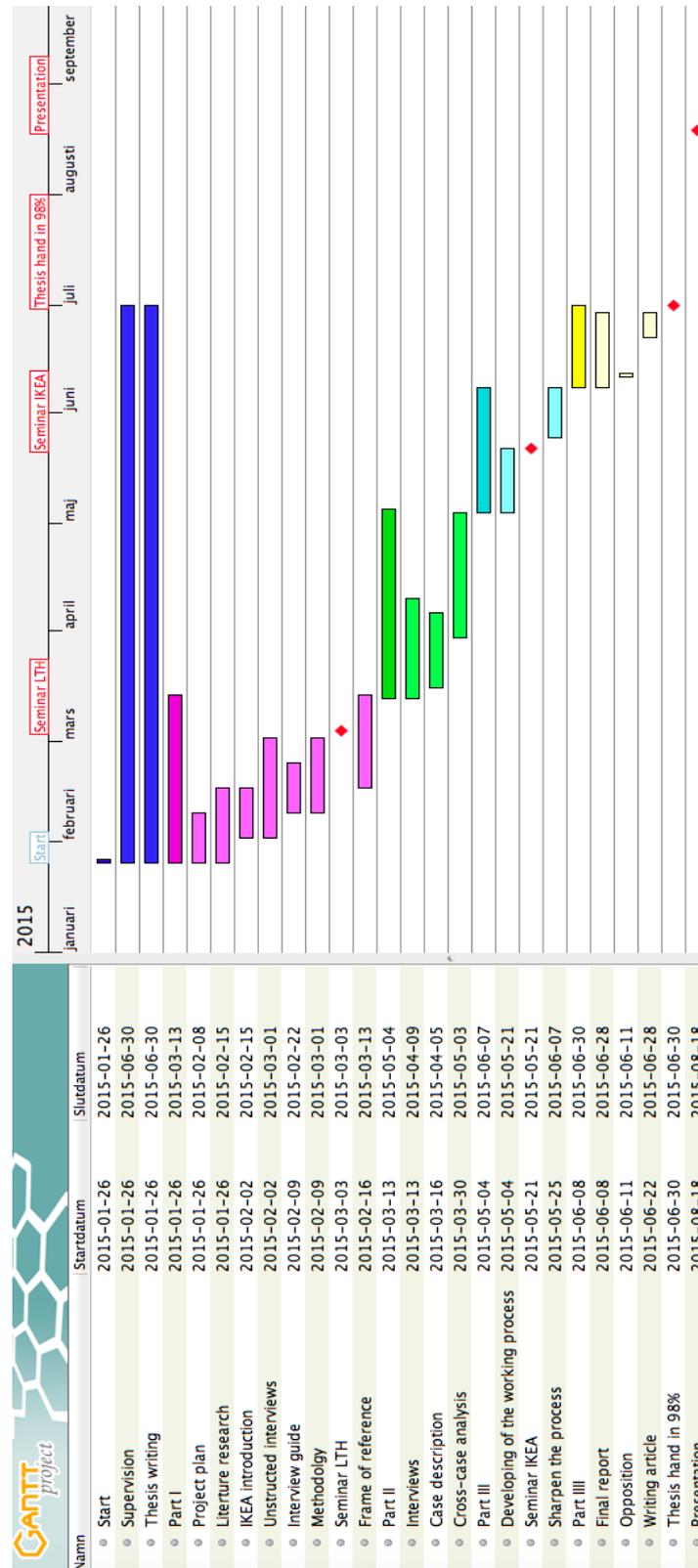


Figure 46 Project Plan

Appendix 4. The State of Queensland's key research questions

Table 46 Key research questions for understanding the structure of the market (The State of Queensland, 2014)

Key research question structure of the market
Is the market divided into commercial, technical or geographic segments? What is the relevant market segment to be analysed?
How many suppliers are there in the market and what is the size of the total market in terms of dollar sales or volume (whichever is more appropriate)?
What is the relative market share of each supplier (e.g. in terms of turnover, volume, employee numbers or production capabilities)?
Does the market contain distinguishable product segments (product differentiation)?
Are there dominant suppliers, or is the market evenly distributed (market concentration)?
Is the market self-reliant for its inputs, or is there a multi-level supply chain (vertical integration)?
Does the market have significant links to other markets? For example, does the market supply key goods or services to other markets?
Who are the significant market participants, in terms of buyers, suppliers and the supply chain?

Table 47 Key research questions for understanding a market's competition structure (The State of Queensland, 2014)

Key research question market's competition structure
What is the basis of competition between suppliers in the market—for example, price, service, quality or other factors?
What are the type and level of barriers to entry and exit for potential suppliers—in other words, with what level of ease can new firms enter and secure a place in a viable market?
What are the trends in the supply market—for example, has product price consistently been reducing?
Are there any dominant supplier(s) in the market? (For example, a dominant supplier may be one that leads in price changes or the release of new models.)
How cooperative, or how hostile, are suppliers towards one another? Is there a possibility of collusion?
Has there been any consolidation in the market in the number of suppliers (horizontal integration)? Alternately, are there many new suppliers entering this market?
Does any trade, consumer or environmental legislation have an impact on the competition in the market?
At what stage of its product life cycle is the product in?

Table 48Key research questions for understanding the supply chain (The State of Queensland, 2014)

Key research questions for supply chain
What firms make up the supply chain?
What does each member of the supply chain contribute to the end product or service (what is their level of value-adding)?
What are the key sustainability impacts along the supply chain?
What is each member of the supply chain doing to address key sustainability impacts and to improve their sustainability performance?
How complex is the supply chain?
Are suppliers dependent on other suppliers for key components?
Is the supply chain risk best managed where it is currently managed?
What are the delivery or transportation methods in the supply chain and are there any associated risks, including products or services having high transport intensity?
Is the current storage location the most appropriate? Are stock levels too high or low?
Are there any areas of supply vulnerability within the chain?
Are there more efficient or more sustainable sources of supply?
Is the agency buying at the correct level in the supply chain?

Table 49Key research questions identify substitute (The State of Queensland, 2014)

Key research questions identify substitute
What goods and service are currently available to meet the needs of the end user?
Are there any alternative viable substitute goods or service currently under development that could be considered in the future?

Table 50Key research questions identify the supplier perception of the agency(The State of Queensland, 2014)

Key research questions identify the supplier perception of the agency
What is the turnover of individual suppliers that supply the good/service? (This information will need to be compared to the agency's current and predicted annual spend, in order to determine its relative value as a customer)
What is the agency's market share as a customer?
Does the way the agency conducts its business make it attractive (or unattractive) as a customer (e.g. Efficient or burdensome procurement processes)?
Does the agency provide a platform for suppliers to increase their sales to other customers?
How can the agency contribute to the development of the industry or individual firms?

Table 51PESTEL approach to analysing context factors(The State of Queensland, 2014)

Factors	Key questions
Political	Are there any changes to government assistance or restrictions to trade, which will have impact on this industry and marketplace, such as the Australia-United States Free Trade Agreement (AUSFTA)?
Economic	What impact does the local and overseas economic climate have on this industry? This may include exposure to exchange rate and interest rate fluctuations.
Social / cultural	<p>Are any specific social groups that may have a significant impact on marketplace?</p> <p>Are there any culture-related sensitivities or issues that may influence the outcome of procurement?</p>
Technological	<p>How fast is the rate of technological change in the industry and what is the impact on product lifecycles?</p> <p>What suppliers are leading the introduction of new technologies and products to market?</p>
Environmental / sustainability	<p>Does government to ensure compliance with environmental standards inspect this industry?</p> <p>What are the key environmental impacts or issues of the industry?</p> <p>What suppliers are leading the introduction of more sustainable / environmentally friendly products to market?</p> <p>Sustainability impacts though the whole life of a product or service should be considered. This may include:</p> <ul style="list-style-type: none"> CO2 emissions entailed in the life cycle of the product. Use of recycled or recovered materials. Product reusability and/or recyclability. Durability. Energy efficiency and consumption. Water efficiency. Waste prevention. End-of-life disposal method.
Legal	<p>What Federal or State legislation impact on this industry? For example, workplace health and safety, or environmental legislation.</p> <p>What specific government policies apply to this industry?</p>

Appendix 5. Case descriptions

4.1 Purchasing Operation Area Americas

The purchasing operation area Americas operates in Canada, United States of America, Mexico, Brazil, and Argentina. They have three offices: Curitiba in Brazil, Huston and outside Philadelphia in the US. They have 68 employees working with purchasing operations. POA Americas has 50 suppliers and in total 51 retailer stores in the area. Looking back the past 24 month they have started up around 10 new suppliers. Americas has not had any allocated new business team that has been working with identifying new market and business opportunities. Until today they have primarily worked with Supplier Mapping, which have been mainly based on the requests from the categories. (Interview 12)

The data about purchasing operation area Americas is gained through interview 12, interview 23, archival documents, and presentations. The interviewees have positions such as Purchasing Operation Manager, Mixed Material Manager and Site Manager of the head office in Brazil.

4.1.1 Way of working with Supply Market Study

Americas has no common process of how to do a Supply Market Study. They have done two major Supply Market Study projects. Where the first project's purpose was to investigate the possibilities to source from South America to industries in Europe for a specific category and where the second was to develop furniture capacity in Brazil for several categories.

Americas' two definitions of Supply Market Study:

"A Supply Market Study is based on what the geographical market, country or region, can offer. The purpose is to catch up new opportunities that might arise on the market." (Interview 12)

"A market research in a country where you look at the macro economic and not a specific industry. Define the expectations, time frame, sources, and the business opportunities." (Interview 23)

A summary with general information of Americas' gained experience and general view of a Supply Market Study is represented in table 52.

Table 52 information of the way of working and gained experience so far (Interview 23)

Information of the Supply Market Study work	Americas
Process in place	None process in place.
Frequency	Difficult to say, it is when the categories need to open new suppliers, which depend on the purchasing strategy of the country. The business plans gives information of how many suppliers that should be opened and when.
Man-hour allocated	NA
Most time consuming steps	Preparation (clear definition of project directive and agreement with different stakeholders), and supplier/industry contact (define key/target players, approach and collect information from them), especially when a country have poor infrastructure.
Data wanted but difficult to find	Sensitive once connected to the cost break drivers (price composition), or Financial Health (as well as Due Diligence depending on the Country regulations)
How to make the study actionable	Anchoring in the project definition the deliverables with real business relations if meeting expectations (spot buys for example). That was the key for the start up of their service office six years.
Benchmark of other companies way of working	Yes. Through Categories we gather information about SWOT, performance connected to KPIs, and also price competitiveness based on cost analysis for the whole Supply Chain (cost simulation tool) landed at key Retail Markets.

Even though Americas do not have a common process their way of working will be presented below.

Start up

In the start up phase Americas have a clear project plan for each project. The project plan consists of a project organisation, a background description, objectives, scope and limitations, deliverables and timeframe, time schedule, financing, additional external person, total cost of the project. (Project Directive, 2013)

Macro Analysis

The main aspects Americas has investigated to increase the market intelligence knowledge of a country can be seen in table 53.

Table 53 Macro aspects to consider for an increased level of the market intelligence for a country (Interview 12; Interview 23; Brazil specific category, 2013)

Macro aspects to consider
Export information; tariffs number
Availability of raw material
Government decisions to impose antidumping
Taxes

Information sources and tools used when gathering the market intelligence information related to the Macro Analysis can be seen in table 54.

Table 54 Sources of information and tools used to increase the market intelligence for a country (Interview 23)

Sources of information
Associations
Chamber of commerce
Statistic department
Internet
Tools
SWOT

Industry Analysis

The main aspects Americas has investigated to increase the industry understanding for a specific country can be seen in table 55.

Table 55 Industry aspects to investigate (Brazil specific category report, 2013)

Industry aspects to investigate
Dominating actors and their market shares
Size of production
Technology level
Clusters
Growth rate
Market competition, e.g. monopoly or oligopoly
Energy cost
Labour cost

The Information sources and the tools that Americas used to increase the understanding of an industry can be seen in table 56.

Table 56 Sources of information and tools used to understand an industry (Interview 23)

Sources of information
Customs
Associations
Tools
-

4.1.2 One global process

Table 57 represents Americas’ view and which main features they will include for a structured Supply Market Study process.

Table 57 America’s inputs of having one global process for Supply Market Study (Interview 23)

Inputs for a structural process	Americas
Is it possible in your view to have one method for doing Supply Market Study that can be used by all 9 Purchasing Operation Areas?	Yes. The main difference is the approach towards business with suppliers, establishing contacts and getting trust enough to discuss deeper details like cost structure or financial situation of the company.
Main features for a structured Supply Market Study process	Project directives predefined and agreed (including budget approval, allocation of competent resources (with experience on the market and material, time frame, deliverables including SMART goals and connection to next step in regards of business definition if reaching goals). For the execution, proper follow up by Steering Group (in frequency and performance).

4.1.3 Way of working with Supplier Mapping

Americas do not has an overall structured process for Supplier Mapping. They are not doing a Supply Market Study before they do a Supplier Mapping. The Supplier Mapping is in general initiated from the Category Manger and based on the category needs. (Interview 12)

Before performing a Supplier Mapping Americas get a framework with the specific goals of the process, the certain conditions and requirements from the Category Manager. This includes the criteria a new supplier needs to be able to fulfil for enabling the start up of the business. Without this agreement several of months working with finding new potential suppliers with help of a Supplier Mapping could be just a waste of valuable time (Interview 12). Americas’ definition of Supplier Mapping:

“A Supplier Mapping is established from a need basis and where it is of importance to know what are the goals for the process before the start. The

initiative for the process is typically from a request from one of the category managers.” (Interview 12)

Today Americas has been working with Supplier Mapping for some years and have also gained some experience in this field. Some general information about Americas’ experience and their view of Supplier Mapping can be seen in table 58.

Table58 Information of the way of working and gained experience so far (Interview 12)

Information of the Supplier Mapping work	Americas
Process	None structured process in place.
The frequency	No specific team is allocated but during the last two years they have delivered six Supplier Mappings.
Man-hour allocated	The mappings are done in parallel with the employers’ main duties, which make it difficult to know exact man-hour allocated. It also depends on the information you already have and if it is clear what you are looking for.
Most time consuming steps	Preparation work.
Data wanted but difficult to find	Some financial information about the suppliers, difficult to have high level of trust from the beginning.
How to make the study actionable	The key is good preparation work.
Benchmark of other companies way of working	They have not done any external benchmarking how other companies are working.

As mentioned before Americas has no common process for how to do a Supplier Mapping but how they have been working so far will be presented below.

Start-up

Supplier Mapping starts with a handshake agreement with the Category Manager and the performer of the mapping. The agreement should capture the question “what are the specific we are looking for?” and consists of critical parameters such as: capabilities, capacity, product segments, critical factors for setting up a business and what will the conditions be for a start up. (Interview 12)

Initial search of new potential suppliers

The next phase after the agreement have been settled, Americas normally start to study the industry, talk to machine manufacturers, this to investigate their: capabilities, critical components, raw materials before they hit the actually producers. What they investigate depends often on what the critical parameters for the specific business are. For example if the critical parameter is location then will place the focus on that, if it instead is on a certain process they will place the focus on this during the industry investigation. They once again stress the importance to investigate and identify the critical parameters before starting a Supplier

Mappingprocess. Table 59 shows the information sources used when search and identify new potential suppliers to create a gross list. (Interview 12)

Table 59Sources of information (Interview 12)

Sources of information
Internet
Economic development department
Network within IKEA
IKEA suppliers
Machinery suppliers
Raw material suppliers
Component suppliers
Networking and contacting successful suppliers in the beginning of the supplier chain outside IKEA
Investigate other industries and find connections to IKEA business, this by visiting different types of fairs and conventions
Different associations e.g. trade associations, specific industry associations such as for national hardwood manufactures, board manufacturers, plastic manufactures etc.
Newspapers and different forums
Back track export statistics to find potential suppliers

Prioritizing the suppliers

When have filtrated the gross list of suppliers they have numbers of parameters they look at, which are some basic needs the suppliers need to fulfil to have a chance to become an IKEA supplier. Some basic ““knock out” criteria”⁹ can be seen in table 60, to have in mind those criteria depend on the need. America stresses once again the importance of knowing what to look for. (Interview 12)

⁹ The “knock out” criteriaare similar to pre-qualification criteria (commonly used in the literature), which refers to criteria the suppliers need to fulfil to be qualified in the Supplier Mapping process.

Table 60 “knock out” criteria (Interview 12)

“Knock out” criteria
Working hours
Ability to fulfil the requirements for their processes
Business critical factors
Components
Production processes
Location
Know how factory
Ability to secure enough volume and capacity

In this phase they start to call the potential suppliers founded and then explain the specific case to find out if there is any interest from the suppliers. (Interview 12)

Supplier selection

After have prioritized the suppliers they send a RFI to the remaining ones. The structure of the RFI depends on the industry, needs and requirements from the categories. In this step, the suppliers that are not answering the RFI are disqualified. Remaining suppliers are then evaluated and further deselected based on requirements, strategic fit, and values. In this step they also stress the importance to follow the gut feeling when choosing suppliers. The selected suppliers are invited to the RTS. The introduction program is hold to give the suppliers a well preparation for the upcoming RFQ. This gives all the suppliers a fair chance to understand IKEA and also to make it easier for them to present right information for the RFQ. The RFQ process will then finish the Supplier Mapping/selection process. (Interview 12)

4.1.4 One global process

Table 61 represents Americas’ view and which main features they will include in a structured Supplier Mapping process.

Table 62 America’s inputs of having one global process for Supplier Mapping (Interview 12)

Inputs for a structural process	Americas
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 purchasing operation areas	Yes, it is possible to have a global process but there will be some specific challenges, needs and demands for each area. A process can make the work more efficient and also enable the different POA to share their competence between each other.
Main features for a structured Supply Market Study process	Clear preparation is really importance. To know what you are looking for is a critical part in the beginning. Having the right competence, share and secure competence within IKEA are of importance.

4.2 Purchasing Operation Area Central Europe

The purchasing operation area Central Europe operates in Poland, Czech Republic, Hungary, Slovakia, Slovenia, and Croatia. They have two offices: Prague in Czech Republic, and Warszawa in Poland. They have 213 employees working within purchasing operations. Central Europe has 132 suppliers and in total 16 retailer stores in the area. Looking back the past 24 months they have started up 27 new suppliers and cancelled 2. (Interview 18; Interview 19)

Central Europe has not had any allocated new business team that has been working with identifying new markets and business opportunities. They have worked both with Supply Market Study and Supplier Mapping, but then in parallel with their ordinary job duties. Central Europe does not always do a Supply Market Study before a Supplier Mapping. They have already a good understanding over the market they are active in and that is enough for smaller Supplier Mapping projects. When a Supply Market Study has been done, it has not always ended up with a Supplier Mapping. The reason for this is that the result of the Supply Market Study sometimes showed that for some categories the competitive potential in Europe was not high enough in comparison to Asia and it was no idea to continue with the Supplier Mapping in the in the specific POA. (Interview 19)

The data about Central Europe is gained through interview 18, interview 19, archival documents, and presentations of projects done in the field. The interviewees have positions such as Business Manager and Business Developer.

4.2.1 Way of working with Supply Market Study

Central Europe has not a current process in place for how to do a Supply Market Study. They have done one larger project where the purpose was to look into the capacity expansion possibility in Europe for a specific category. They did a pre-study to identify the optimal geographical location and then a more detailed investigation to identify partners with lowest total cost. This was a successful project where they only went on existing knowledge, experience and network/contact information with people they had in the project team (Interview 19). Central Europe did also present a smaller project in Free Range where the purpose of the project was to fill the existing gap of capacity for a specific product, and also in the same project investigate how to adapt a new technology solution existing on the market. For the new technology they wanted to investigate how IKEA could adapt this function in such way so they could offer it to a lower price than the competitors. These projects have both ended up with a Supplier Mapping (Interview 18).

Central Europe definitions of Supply Market Study:

First find the optimal for country this through deciding some criteria, which are of importance for the country to fulfil and some importance criteria for the particular industry connected to the specific project. Then a deeper analysis of the industry is made. (Interview 19)

“A market study should be used to decide where to start up a supplier, where can IKEA have good competitiveness. Define the conditions in a specific area before starting the Supplier Mapping process.” (Interview 18)

A summary with general information of Central Europe’s gained experience and general view of a Supply Market Study is represented in table 63.

Table 63 Information of the way of working and gained experience so far (Interview 18; Interview 19)

Information of the Supply Market Study work	Central Europe
Process in place	No process in place.
Frequency	Depends on the needs from the categories.
Man-hour allocated	Difficult to estimate; depending on the complexity of the project e.g. a greenfield project takes more time. Also to mention is that the study is done in parallel with the executors’ main duties.
Most time consuming steps	Collecting the information, e.g. the search of reliable sources.
Data wanted but difficult to find	Some data was available from some countries but not for others. They found it tricky to benchmark raw material cost index for each country and did not find any simple way of how to track this.
How to make the study actionable	Look at their way of working it has been successful so far.
Benchmark of other companies way of working	Have not actively done any benchmarking, used internal expertise.

As mentioned, Central Europe has no standard process for Supply Market Study but they have experience from evaluate Europe’s countries potentials. The experience gained so far and the different steps they did in their projects will be presented below.

Start up

For every new project, Central Europe always starts to create an alignment with some of the categories or Free Range where the request can come form. They set a clear project plan consisting of scope & purpose, target, deliverables, budget, main issues to be solved, and prerequisites & assumptions etc. (Capacity expansion of frames in Europe, 2014). They also try to create/state/write a short background description of why the project has been initiated. (Interview 18)

Macro Analysis

When Central Europe do a Macro Analysis they start to set the criteria to investigate, which are the same for each country. The collection of the information begins, country by country, to get a good overview of the countries’ different potentials. After they select the most crucial criteria related to the specific project. This narrows the scope for the decision making later on. To decide which criteria to investigate further they contact internal expertise in the specific industry. Central Europe explains that for a Supply Market Study there is some general criteria to

investigate but also some more specific for each project. Usually the specific criteria are related to the cost drivers of the product, the factor that have most impact on the landed cost. (Interview 19)

The selected criteria are weighted, where the criteria having most impact on the business are weighted high and the criteria with less impact on the business got a lower score. The team compare the criteria among the countries involved in the study to enable the selection of which countries or regions having the optimal conditions of starting up the new suppliers for the specific category owning the project. (Interview 19)

The main aspects Central Europe has investigated to increase the market intelligence were divided into four subheadings: macro, cost & taxes, business & infrastructure, and sustainability. To note, these aspects are the ones they consider before they select the most curial aspect to consider for a specific project, see table 64. (Interview 19; Country evaluation, 2014)

Table 64 Macro aspects to consider for an increased level of the market intelligence for a country (Interview 19; Country evaluation, 2014)

Macro aspects to consider
<i>Macro*</i>
Country Credit Rating
Long-term interest rate (%)
Political stability
Inflation (CPI)
FDI Inflow billion
Unemployment
Public Debt % of GDP
<i>Cost and Taxes*</i>
Company cost for industry workers (per hour)
Wages and salaries (per hour)
Labour: Pay and Productivity
Change of company labour cost (%)
Transport (Euro/m3)
Corporate tax rate
EU allocation billion
Regional aid
<i>Business and Infrastructure*</i>
The Global Competitiveness Index
Quality of railroads infrastructure
Quality of road system
Ease of making business
Starting a business
Corruption perception index (rank/score)
Dealing with construction permits
<i>Sustainability*</i>
Share of FSC certified forests
Share of renewable energy in gross final energy consumption (%)

*Subheadings

Information sources used when gathering the market intelligence information related to the Macro Analysis can be seen in table 65. (Country evaluation, 2014)

Table 65 Sources of information and tools used to increase market intelligence (Interview 19; Country evaluation, 2014)

Sources of information
Internet e.g. doingbusiness.org, transparency.org, tradingeconomics.com
Global competitiveness report
Eurostat
OECD
World bank
Tools
-

Industry Analysis

If the Supply Market Study concerns a specific product the research is more focusing on the industry and aspects important to investigate are material availability, different raw material prices, supplier flexibility, finding supplier offering the product to competitive price and also which location the kind of product are produced. In this case they do a more specific cost break down of the product: material cost, electricity cost, labour cost, depreciation of machinery etc. Identify the cost drivers, weight them in comparison too each other and then make a benchmark of the market. Example of cost drivers that could be investigated is material cost, hourly labour cost in the specific industry, and the electricity price for the investigated countries. After this an evaluation is made based on the benchmarking together with the weighted score for each of the cost drivers. This will end up to a total cost index for each country. From this they select which countries to focus on when later searching for potential suppliers. For these kinds of projects the market study criteria to investigate are more focused on the specific industry, which will narrow down the scope and speed up the process. The aspect investigated can be seen in table 66. (Interview 18)

Table 66 Industry aspects to investigate (Interview 18)

Industry aspects to investigate
Sales share of the specific category/product in the investigated market of total volume of the category/product
Competitors retail prices
Comparison between landed cost of relevant countries
The used base material for the specific product on the market
Material cost
Logistics cost
Duty cost
Manually or automatically production
Available suppliers knowledge in a certain region
Are you going to source just the modules for a specific production from the country and buy the raw material from somewhere else?

The information sources and tools used by Central Europe to increase the understanding of an industry can be seen in table 67.

Table 67 Sources of information and tools used to understand an industry (Interview 18; Interview 19)

Sources of information
Machine producer
Auditing suppliers
Raw material producers
Consultants companies
IKEA Industry
European Services
Tools
-

POA Central Europe has not used any special tools when doing the Supply Market Study, instead they have been entering all information manually into excel where all the calculations also have been made. (Interview 19)

4.2.2 One global process

Table 68 represents Central Europe’s view and which main features they will include in a structured Supply Market Study process.

Table 68 Central Europe’s inputs of having one global process for a Supply Market Study (Interview 18; interview 19)

Inputs for a structural process	Central Europe
The possibility of having one structured process for doing a Supply Market Study that can be used by all 9 purchasing operation areas	It is possible on a high level, the same logic can be followed but it has to be some freedom because there can be different needs for each project. Certain criteria’s are the same but some changes from case to case.
Main features for a structured Supply Market Study process	<p>It is of important to have a project plan including: objectives, time plan, actions, project leader and clearly stated expectations. Important is also to state who is the decision maker and to have a steering group for decision-making in some specific steps (milestones). This is of importance to avoid any misunderstandings and put a lot of work on something that never ends up in business.</p> <p>A database for saving all the collected data would be to prefer, to makes it easier to do the process next time. This is especially for the more general parts of the market study, which also should be updated every year. For example the criteria such as easy of doing business, political stability, would be good to have easily access to. You can then put the main focus on the more particular information gathering process for the specific industry specific to each project.</p> <p>The analysis should be done based on a total cost perspective. This means taking into account: Labours cost, energy cost, material cost, raw material accessibility, technology available etc.</p>

4.2.3 Way of working with Supplier Mapping

POA Central Europe has not a current processes in place for how to do a Supplier Mapping (Interview 19). They have still experience to share from two more extensive projects, a project form Free Range and some smaller project where they have used the same logic to find new potential suppliers. One of the extensive project and the Free Range project have a market study been done first, this was described in the first section way of working with Supply Market Study. Now in this section the focus will be on the Supplier Mapping process. The POA Central Europe’s definition of Supplier Mapping:

“Supplier Mapping is when you collect data information about companies operating in the country in the particular industry/region you are interested in.”
 (Interview 19)

Through the Supplier Mappings Central Europe has been working with so far they have gained some experience in this field. Some general information about Central Europe experience and their view of Supplier Mapping can be seen in table 69.

Table 69 Information of the way of working and gained experience so far (Interview 18; Interview 19)

Information of the Supplier Mapping work	Central Europe
Process	No, they do not have a common process but they try to follow the same logic.
The frequency	The projects are based on the needs and requests from the categories.
Man-hour allocated	It depends on the project; it is totally different form case to case. E.g. if you not have right competence you need to get knowledge (education) of the industry before starting, this can take much time.
Most time consuming steps	Search and look for different suppliers.
Data wanted but difficult to find	Sometimes, information such as how big is the factory, how many employees do they have. This could be difficult to find online and also difficult to reach the potential suppliers by phone.
How to make the study actionable	No comments.
Benchmark of other companies way of working	No.

As mentioned before Central Europe has no standard process for Supplier Mapping but the logic they have been following in the projects will be presented below.

Start-up

It is important to define the objectives and the purpose of the project early in the beginning of the project and also include a shorter background description of why the project is initiated and the conditions for the project. (Interview 18)

Initial search of new potential suppliers

After the start up phase, Central Europe starts to search for new potential suppliers for the first list of potential suppliers, the gross list. Information sources used when searching and identifying new potential suppliers can be seen in table 70. (Interview 19)

Table 70 Sources of information (Interview 18; Interview 19)

Sources of information
Machinery suppliers (their customers could be potential IKEA suppliers)
IKEA internal suppliers (any ready to expand their rang of product)
Internet through key words

Analyse competitors (go to other retailers, look at the name tag and see if the producers name is stated)

Receive name of suppliers from IKEA industry

Prioritizing the suppliers

When Central Europe has found a gross list of suppliers they start to call all of them. In this step it is of importance to get in contact with a person that is the decision maker in the contacted company, which could be the owner or president of the board. They start to explain the idea behind the project together with some basic information. If the company is interested and willing to share some more information about their company, IKEA will send a first short questionnaire where the company need to answer some basic questions about their company. The pre RFI consists of the first ““knock out” criteria”, showed in table 71. IKEA call those suppliers to clarify they have got the pre RFI, and they check that they have understand everything in the questionnaire. Usually much effort needs to be put in the procedure to receive all questionnaires from the companies. (Interview 19; TACE potential investor profile, nd)

Table 71 “knock out” criteria (interview 18; interview 19)

“Knock out” criteria
Turnover
Finical Situation
Size of the company
Experience of manufacturing
Capability
Capacity
Price
Logistics
Quality
IKEA requirements on products: Durability, chemical, and world wide standards

Supplier selection

After have evaluated the pre RFI the project team agrees which suppliers that should remain in the process. The steering group at IKEA is present in this decision. The selected suppliers will be invited to the RTS (Raise the stakes) in Sweden. In this event, IKEA is presenting general information about their way of working (e.g. quality aspects, about the project itself, the expectations, potentials for the new partner, and next step in the process). The suppliers then have one week to decide if they want to continue the process. They got some presentations from the event and also an attached excel file where they should specify if wanted to collaborate or not. If yes they should add their contact information and state the person responsible of the project. After a week they send out the RFI to all suppliers remaining in the process. The team then decides which criteria is the most important, weight them and then when they get back the RFI they make a comparison between the suppliers. In this processes they also make a smaller

benchmark and evaluate the suppliers purchasing expertise and industrial experience. Combining the RFI and the benchmark an evaluation of the suppliers is made. All suppliers will receive some feedback of their performance in comparison to other suppliers. They also give the suppliers a chance to clarify any potential misunderstandings, which is done through visits or phone calls. After the confirmation and the clarification phase the team makes the final evaluation before they selected which suppliers to invite for the RFQ. (Interview 19)

4.2.4 One global process

Table 72 represents Central Europe’s view and which main features they will include for a structured Supplier Mapping process.

Table 72Central Europe’s inputs of having one global process for Supplier Mapping (interview 18; interview 19)

Inputs for a structural process	Central Europe
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 purchasing operation areas	It is possible; maybe have one process for everyone to use but then some special applications/set-ups for the different categories that are adapted for each of them. There are different predominant criteria for the different categories.
Main features for a structured Supplier Mapping process	<p>The main things to look into to find a new supplier are the size of the company, management organisation, are they able to run the project they are looking for, openness to share information and that the supplier also sees the collaboration with a long term perspective. This is not obvious for many companies. Finally the size of the capabilities to run the specific project and also their past experience are of importance.</p> <p>For all projects good structure is of importance from the beginning and that everybody involved is acting professional.</p>

4.3 Purchasing Operation Area Greater China

The purchasing operation area Greater China operates in China, Japan, Taiwan, and South Koreans. They have five offices: Shenzhen in China, Shanghai in China, Qingdao in China, Taipei in Taiwan, and Hong Kong in China. They have 150 employees working within purchasing operations. Greater China has 273 suppliers. Looking back the past five years they have started up around 100 new suppliers. Looking back the past 24 months they have started up 73 suppliers. (Interview 13)

Greater China was the first purchasing operation area that started to work with New Business. Around two years ago they have had allocated sourcing teams working with different projects to identify new business opportunities for IKEA. They have worked both with Supply Market Study and Supplier Mapping. Greater China is doing projects based business assignments, where a Supply Market Study and a Supplier Mapping often are combined and deeply connected. (Interview 13)

The data about Greater China is gained through interview 13, interview 27, archival documents, and presentations. The interviewees have positions as Purchasing Operation Manager and Sourcing Manager.

4.3.1 Way of working with Supply Market Study

Greater China does not have a common process in place of how to do a Supply Market Study. They have done analyses in the geographical market they are already active in but then mainly on industry level. Even if there is no process in place there are some main steps to follow with the exist of open questions so that the researcher come closer and closer to find what are the key areas to identify and how to prioritise to make the findings actionable and enable start-up for new businesses. (Interview 13)

Greater China has done many sourcing projects. They have been need based with the purpose to secure capacity or change the supplier dynamic within the categories. It is important to mention that they do not always know which type of material they are looking for when doing a Supply Market Study. Instead the purpose with the study could be based on business needs or requirements such as: product development with the suppliers, increase the experience of handling mixed material, specific technical material knowledge, or just increase the industry understanding etc. It could for example be that they want to add other suppliers with different levels of capabilities, they do not know what material the supplier is good at, but they wish to find this from the analysis. Different types of material could be useful for the same type of product. Important to note is that it will be much easier and go faster if you narrow the scope of the research; know what you are looking for both regarding material and focus to a specific industry (Interview 13).

Greater China's definitions of Supply Market Study:

“The Supply Market Study is much about understanding the industry in a region, investigate if the industry has intelligence understanding and if then investigate it further. All regions have their own industry building up, and all of them have their strengths and weaknesses, if looking from a “standard” value chain perspective in each industry, which is the most important. “
(Interview 13)

“Understand the supply base, understand the trend 2-3 years horizons, future trend, and supply market intelligence on different levels.” (Interview 27)

A summary with general information of Greater China's gained experience and general view of a Supply Market Study is represented in table 73.

Table 73Information of the way of working and gained experience so far (Interview 13)

Information of the Supply Market Study work	Greater China
Process in place	No process with specific parameters but they have methodology research to follow.
Frequency	It is difficulty to give an exactly number since it is based on a 2-3 years business plan. Last year they ran around 30 projects. It is of importance to work with this continuously to be updated of the market changes.
Man-hour allocated	They have an allocated team that are working with this and the time depends on each project.
Most time consuming steps	The Industry Analysis (Interview 27)
Data wanted but difficult to find	You can always find the data or at least you can buy it.
How to make the study actionable	To follow some main steps with open questions. This will make you come closer and closer to find what are the key areas to be identified.It is also of importance to prioritise to make the findings actionable and enable start-up for new businesses.
Benchmark of other companies way of working	They have not talked or worked with this proactive at all.

Greater China’s experience gained so far and their way of working today will be presented below.

Start-up

Greater China starts put up the project organization; objective, scope, project team, steering group (Woven mapping final, 2011).

Macro Analysis

To investigate the option to entry a new geographical market Greater China uses a Supply Market Analysis to define which materials related to the categories the country offer and which are the main industries in each region in the country. The data related to the Macro Analysis is defined as easy to collect; see the aspects to consider in table 74. (Interview 13)

When having good knowledge about the specific country and want to analyse a region, Greater China does not always include the macro perspective in a Supply Market Study. They mean if you are active in a country you will stay updated with this information through TV and newspaper etc. They do not have any resources to keep updated some more detailed macro environmental aspects such as the key raw material trend. They believe it would be good to build up a database with this type of information that keep this updated continuously. (Interview 13)

Table 74 Macro aspects to consider for an increased level of the market intelligence for a country (Interview 13; Optimal Supplier Mapping process, 2014; Identify Market & Business Opportunity Report, nd)

Macro aspects to consider
Government policy
Energy cost
Labour cost development
Currency development
Tax
Financial steering
Raw material development
Governmental support
PMI Index
Transport cost development
Sustainability development
Energy and power cost
Business ethics

Information sources and tools used when gathering the market intelligence information related to the Macro Analysis can be seen in table 75.

Table 75 Sources of information and tools used to increase market intelligence (Interview 13; Interview 27; Woven mapping final, 2011; OptimalSupplier Mapping process, 2014)

Sources of information
News papers
TV
Databases
Custom database and declaration
Third parties
Internet
Internal Competence
Export Data Base
Government related bureau
Public channels
Tools
SWOT

Industry Analysis

Greater China is often performing an analysis on an industry level, based on different needs from for example the categories. An analysis of an industry is often done with the use of competitor studies with the purpose to understand how a certain industry looks like in a specific region or country. It is most important to get an understanding of which industry that is most advanced and strong in a specific region of the country (Interview 13). Regarding textile a benchmarking could be done with the clothing industry with companies such as H&M and Zara. Regarding electronics a benchmark could be done with the companies such as Philips (Interview 27). Questions to be answered in the analysis could be: what is the advantages and why? Why is it so strong? Why is the raw material so competitive and why is their technique in the productions better than others? (Interview 13) The main aspects Greater China considers to increase the industry understanding can be seen in table 76.

Greater China is using tools such as Porter's Five Forces to understand all parameters affecting the industry. This study will give information of how their competitors are able to keep the price low and be competitive in the retail market, how to use the material in China and still fulfil the demands from the retailers located all over the world. (Interview 13; Interview 27)

Table 76 Industry aspects to investigate (Interview 13; Optimal Supplier Mapping process, 2014)

Industry aspects to investigate
Industry Information (scale, scatter, market trend, industry level, new technology. etc.)
Supply chain (up and down stream industry, raw material supply/price/trend, transport solution)
Benchmark alternative industries

The information sources and tools used by Greater China to increase the understanding of an industry can be seen in table 77.

Table 77Sources of information and tools used to understand an industry (Interview 13; Interview 27; Woven mapping final, nd; Optimal Supplier Mapping process, 2014)

Sources of information
Internal Competence
Industry register
Competitor benchmark
Buy products from competitors to see how they looks like inside
Buy products from potential supplier to see the quality
Export data base
Association
Sub-supplier
Discuss with experts
Tools
SWOT
Porter’s Five Forces

4.3.2 One global process

The table 78 represents Greater China’s view and which main features they will include in a structured Supply Market Study process.

Table 78Greater China’s inputs of having one global process for Supply Market Study (Interview 13)

Inputs for a structural process	Greater China
The possibility of having one structured process for doing a Supply Market Study that can be used by all 9 purchasing operation areas	It is possible to have one process or logic for how to do a Supply Market Study that can be used in all POA. This will facilitate the work and make sure not forget anything when performing the study.
Main features for a structured Supply Market Study process	Some features that would be good to include in the process are: Porter’s Five Forces model to help the team centralise the analysis and make sure all parameters of importance to analyse have been covered. To note, it should be a process or logic and not a method. A method will increase the risk that it will be too limited for the one who is going to perform the study, which makes it more difficult to find new opportunities. The concept /process/logic could be similar to the SPD process. It means it starts with a benchmarking, followed by collecting of data, find potential areas etc.

4.3.3 Way of working with Supplier Mapping

Greater China does not have a process but a method for how to do a Supplier Mapping. They have recently developed a more standardised way of how to work with New Business, which includes a Supplier Mapping (Interview 13; Optimal Supplier Mapping process, 2014). Greater

China has done several Supplier Mapping projects and has a lot of experience to share. The purpose of a Supplier Mapping project could be: they do not have any supplier in their POA today that deliver a specific product, they need an over view of the supplier landscape for a specific industry, capacity needs, to build stronger supplier base, or to create a better business and supplier base dynamic.

Greater China’s definitions of Supplier Mapping:

“The definition of Supplier Mapping is simple; it is about find a new supplier. The supplier could be: an end supplier, a component supplier or a developing supplier. The supplier can be a mass production supplier but also just a product alternative. The POA need a dynamic supplier base in more than the regions they have today since their suppliers and IKEA business are growing globally.” (Interview 13)

“This is also a market study, looking at the whole supply chain, also upstream.” (Interview 27)

Today Greater China has gained a lot of experience from their work with Supplier Mapping. In table 79 shows a summary of general information over Greater China gained experience and general view of Supplier Mapping.

Table 79Information of the way of working and gained experience so far (Interview 13)

Information of the Supplier Mapping work	Greater China
Process	No process, but logic.
The frequency	The Supplier Mapping is done on project basis and are depending on the business plan, therefore it is difficult to say anything about the frequency.
Man-hour allocated	They have a team of eight Sourcing Business Developers working 100 % with Supplier Mappings. They work in collaboration with the categories, based on different needs.
Most time consuming steps	The supplier visit; the travels take long time since the suppliers are located everywhere. Different specialists/coo-workers need to visit the suppliers and some suppliers need more than just one visit.
Data wanted but difficult to find	No information about data that could be difficult to find but important to have in mind is that some data from for example the Internet is not always trustful.
How to make the study actionable	NA
Benchmark of other companies way of working	Greater China is not benchmarking how other companies are working with Supplier Mapping, but the POA think they need to start with that.

Greater China is using a method for how to map and find new suppliers, see figure 47. The method starts with the creation of a gross list followed by steps of filtration, to end up with the selection phase. Depending on the project the method there will be some differences between the steps in the Supplier Mapping work.

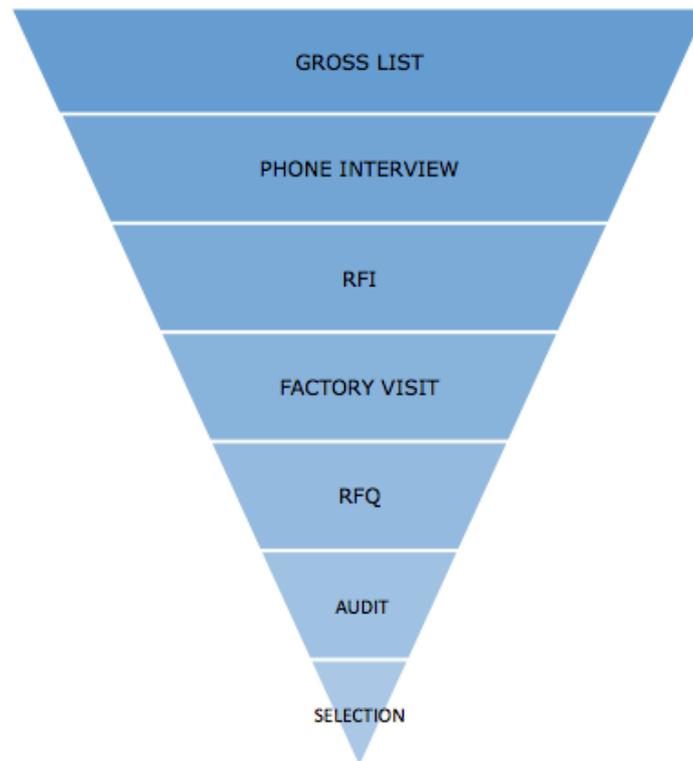


Figure 47Supplier Mapping method (Greater China Wood Plastics, nd)

How Greater China applies the method in their way of working with Supplier Mapping will be presented in more detail below.

Start-up

Greater China starts with a handshake agreement with the category, the requesting organisation, where clear conditions and requirements are stated. They also decide the project organization; objective, scope, project team, steering group, time plan with clear milestones. Some projects have also included current IKEA business in the country. In this first phase some background information of the current business is presented together with clear reasons for the Supplier Mapping and what it will contribute with for IKEA business. (Interview 13; Optimal Supplier Mapping, 2014; Greater China plastic injection mapping, 2012)

Initial search of new potential suppliers

In the search of suppliers, Greater China has some overall criteria the suppliers need to fulfil. Example of criteria could be the suppliers turnover, having special in house-capabilities, which specific industries the supplier should be active in, willingness, machine conditions, and then

also if the suppliers have free capacity. Table 80 is presenting the information sources used when search and identifying new potential suppliers for the creation of the gross list, the first step in their method in figure 47. (Woven mapping, nd)

Table 80 Sources of information (Interview 13; Greater China plastic injection mapping, 2012; Woven mapping final, nd; Optimal Supplier Mapping process, 2014)

Sources of information
Networking with other industries e.g. machine producers
Internet; Panjiva.com
Local Competitors
Networking friends/Co-workers
Sub suppliers
Fairs
Associations

Prioritizing the suppliers

When Greater China do the filtration of the gross list they have numbers of parameters to look at, which are some basic needs the suppliers need to be able to fulfil to have a chance to become an IKEA supplier. The first basic ““knock out” criteria” can be seen in table 81, to have in mind those are just examples and the criteria deepens on the needs and requirements for the particular project. This is the first filtration and the information for the filtration is gained through phone interviews, the second step in their method, with the suppliers form the gross list. This will filter the list into a net list. The telephone interviews need to follow a certain questionnaire and they also need to be recorded. The questionnaire is created in the beginning of the project, included in the handshake agreement between the category and the new business team, and consists of some “must” criteria for the suppliers to fulfil. After those phone calls an updated template of the supplier information should be filled in and then be discussed with the category. (Greater China Wood Plastic, nd; Optimal Supplier Mapping process, 2014)

Table 81 “knock out” criteria (Interview 13; Greater China Wood Plastic, nd)

“Knock out” criteria
Strategic fit
Turnover & size
Type of production
Overall capacity/ Free capacity
Production range/Material Type
On-site production set up & management level
IWAY condition and attitude

Supplier selection

After the interviews it is time for the first evaluation of the suppliers, the third step in the method. Greater China is sending out a RFI to the suppliers in the net list where they ask for information such as basic company information, corporate values, key financial data, raw materials, machines and other capabilities. From the collected information from the RFI a comparison is made with the predetermined conditions from the start-up phase. The suppliers with most potential are then selected. The next step in the method is the supplier visit. Examples of criteria to investigate and ensure in those visits are strategic fit, production integration, capacity, factory management, IWAY, quality control, logistics and warehouse capabilities. From the visit a second evaluation is made and the final suppliers for a RFQ process is selected. (Greater China Plastic Injection mapping, 2012)

4.3.4 One global process

Table 82 represents Greater China's view and which main features they will include in a structured Supplier Mapping process.

Table 82. Greater China's inputs of having one global process for Supplier Mapping (interview 13)

Inputs for a structural process	Greater China
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 purchasing operation areas	They believe it is possible to have a structured process for how to do a Supplier Mapping that could be used within all POA.
Main features for a structured Supplier Mapping process	NA

4.4 Purchasing Operation Area North East Europe

The purchasing operation area North East Europe operates in Russia, Ukraine, and Belarus. Included in their POA are also Lithuania and Poland. They have three offices: Moscow in Russia, Kiev in Ukraine, and Minsk in Belarus. They have 112 employees working within purchasing operations. North East Europe has 83 suppliers and in total 14 retailer stores in the area. Looking back the past 24 months they have started up a 3-4 new suppliers and cancelled down 10 suppliers. Though, the total purchasing volume has increased due to the increased product volume of existing suppliers. (Interview 15)

North East Europe has not had any allocated new business team that have been working with identifying new market and business opportunities. They have done some supply market studies on a macro level to yearly keep some information updated and some Supplier Mappings have been done when they have searched for new potential suppliers. They believe there are countries they could investigate but have no resources for, since this would be done in parallel with their ordinary job duties. They believe that with the start of an allocated new

business team, together with good supply market studies, it will be able to find new business opportunities for IKEA. (Interview 15)

The data about North East Europe is gained through interview 15. The interviewees have positions such as Purchasing Operation Manager and newly New Business Manager for the POA. (Interview 15)

4.4.1 Way of working with Supply Market Study

North East Europe does not have any Supply Market Study process. They have not done any complete Supply Market Study project, but have tried to do this together with the categories with no success. The problem they have faced is the more detailed information collection regarding the industries and raw material development. The macro aspects are totally clear for them of the countries they are operating. The reason is that for any business decision they need to consider the macro environmental aspects, which are done yearly in line with their business plan. (Interview 15)

When it comes to sourcing activities they are mainly focusing on the countries where they already have existing suppliers. An exception is the started investigation of an extension of the current supply base for a specific category, in a country IKEA has not had any business before. They have not yet done any detailed Supply Market Study for the country, but good business opportunities have been identified from the specific category supplier base (Interview 15).

North East Europe’s definition of Supply Market Study:

“A Supply Market Study is to analyse what is available in the country you are operating in. The study can be based on different objectives such as what does the country have for supply, which IKEA later could sell to the country. Then having the objective in mind what are the available raw materials, available industries. This can be broad or you can go narrow with this methodology. This together with IKEA’s needs would be a Supply Market Study.”

A summary with general information of North East Europe’s gained experience and general view of a Supply Market Study is represented in table 83.

Table 83 Information of the way of working and gained experience so far (Interview 15)

Information of the Supply Market Study work	North East Europe
Process in place	None process in place.
Frequency	Update the Macro Analysis yearly, independent which country.
Man-hour allocated	This depends on who is the performer and how much information you need to collect. The macro environmental aspects, the main and the minimum amount of data to collect, will not take more than one month.

Most time consuming steps	The most time consuming step is to start map different industries and benchmarking them towards IKEA. They do not have just one source of information, meaning it will take a lot of time to collect all the data, except for the macro environmental aspects.
Data wanted but difficult to find	Detailed information regarding industries and the raw material development. They have contacted agencies to gather information for a specific region. They have found out that no information related to purchasing existed, but found information about sales. It was very expensive to get this kind of help but the agencies are the most proven research companies on the market.
How to make the study actionable	NA
Benchmark of other companies way of working	NA

The experience gained so far and the steps included in the related cases will be presented below.

Start-up

No clear start up was defined during interview 15.

Macro Analysis

When doing a Macro Analysis North East Europe follow a STEEP analysis. Some of the aspects investigated can be seen in table 84. Governmental support is one of them and it refers to if there are any new projects in the government to support new business/ entrepreneurship.

Table 84 Macro aspects to consider for an increased level of the market intelligence for a country (Interview 15)

Macro aspects to consider
Where is the market in relation to import/export
Industry growth or stagnation
Raw materials prices
Trade policies/development
Oil prices dependencies on the other industries
Governmental support
Are there any new players on the market?

Information sources used when gathering the market intelligence information related to the Macro Analysis can be seen in table 85.

Table 85 Sources of information and tools used to increase market intelligence (Interview 15)

Sources of information
Internet
Exhibitions
Magazines
Agencies
WTO
Tools
STEEP

Industry Analysis

North East Europe is a quite unique case when it comes to purchasing operation. They have one main mission to supply the Russian retailers. Their main objectives have not been to find new technologies or innovation, they have mainly been focused on increasing the number of suppliers for their domestic share; finding local sourcing instead of importing to Russia, since the import duty is such high into the country. In the Industry Analysis they are exploring more about market potential of their own business and services, the aspects investigated can be seen in table 86. The analysis could be on local, region, state wide, national, and international level. (Interview 15)

In many cases the country has an oligopoly and monopoly situation, which makes the purchasing price level for some products higher to buy local from Russia then from other places in the world, but due to the high import duties the landed cost will still be lower if the product is produced and purchased in Russia. In some categories this way of working has gone well, in others they are far from satisfied, since the difficulty of finding suppliers. (Interview 15)

Table 86 Industry aspects to investigate (Interview 15)

Industry aspects to investigate
Size
Trends
Outlook
Products
Target customers
Regulatory Environment
Company Information

The Information sources and tools used by North East Europe to increase the industry understanding can be seen in table 87. Important to note is that these sources do not show the full picture of the market, since they consist of suppliers that are advertising themselves, which makes it easy to miss potential ones. Something that could be done to remove those hinders are:

hiring an expensive agency, employ a specialist within market research, or share experiences between the different POA to make the information sharing more transparent. (Interview 15)

Table 87 Sources of information and tools used to understand an industry (Interview 15)

Sources of information
Exhibitions
Magazines
Agency
Tools
Porter’s five forces

4.4.2 One global process

Table 88 represents North East Europe’s view and which main features they will include in a structured Supply Market Study process.

Table 88 North East Europe’s inputs of having one global process for Supply Market Study (Interview 15)

Inputs for a structural process	North East Europe
The possibility of having one structured process for doing a Supply Market Study that can be used by all 9 purchasing operation areas	It is possible, the logic and the type of information. The tools will look different within the process, e.g. the data collection will differ between the different POA.
Main features for a structured Supply Market Study process	The Supply Market Study need to be done on a business level, especially when you are doing them repeatedly. First time you go broad, second time more directly to the target and based on the need they have within the categories.

4.4.3 Way of working with Supplier Mapping

North East Europe is using the same approach as within IKEA, not different from the other POA when it comes to Supplier Mapping. The only main thing that differs is that they do not have that many suppliers to choose between (Interview 15).

North East Europe’s definition of Supplier Mapping:

“A Supplier Mapping is done for a certain product or if you lack capacity, and you map the numbers of suppliers you have with that type of capacity, material or product you have set as scope for the project.” (Interview 15)

Through the Supplier Mappings North East Europe has been working with they have gained some experience in this field. Some general information about North East Europe’s experience and their view of Supplier Mapping can be seen in table 89.

Table 89Information of the way of working and gained experience so far (Interview 15)

Information of the Supplier Mapping work	POA North East Europe
Process	None process in place.
The frequency	Difficult to answer, it depends on the strategy 2020 and the business plan. They analyse the retail growth and based on that they know when to do the Supplier Mappings.
Man-hour allocated	The team need to do a screening but have no allocated recourses for this type of task. They do not calculate the exact man-hour allocated and it really depends on the quality of the project.
Most time consuming steps	Collecting the data and visit the suppliers.
Data wanted but difficult to find	Often a visit is necessary to be able to collect all the data they need regarding their suppliers, to be able to select them in a fair way. This is because it is difficult to find trustful information just through the Internet.
How to make the study actionable	No comments.
Benchmark of other companies way of working	No, but knowing through some retail colleagues, IKEA have the most advanced way of working in their opinion.

North East Europe does not show any common process of Supplier Mapping but their way of working will be presented below.

Start-up

No clear start up process was defined during interview 15.

Initial search of new potential suppliers

Table 90 is showing the information sources used when searching and identifying new potential suppliers to create a gross list. This usually ends up in a small supplier list, since the supplier base in their countries is poor when it comes to larger suppliers. There are a lot of “garage suppliers” in the POA but because IKEA search for supplier with mass production strategy this is no option for them. (Interview 15)

Table 90Sources of information (Interview 15)

Sources of information
Internet
Media
Exhibitions
Magazines
Supplier portal

Prioritizing the suppliers

The criteria North East Europe investigates when prioritizing the list of supplier gained from the initial search are shown in table 91

Table 91 “knock out” criteria (Interview 15)

“Knock out” criteria
Ownership structure
No monopolist
Financial status, especially history and if they have been bankrupted
Leadership and Management
Willingness to collaborate
Sharing values

Supplier selection

North East Europe wants more transparency from the suppliers regarding information about their business such as: production unit, numbers of workers, working hour, their range they are producing, and which partners they are working with etc. Those are aspects to consider in the supplier selection. After they have found some potential suppliers they do a RFQ. Also suppliers comes and shows their interested in work with IKEA they can be a part of this RFQ, and they see if they have potentials to become an IKEA supplier. (Interview 15)

4.4.4 One global process

Table 92 represents North East Europe’s view and which main features they will include in a structured Supplier Mapping process.

Table 92North East Europe’s inputs of having one global process for Supplier Mapping (Interview 15)

Inputs for a structural process	North East Europe
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 purchasing operation areas	Same process and structure would be possible; to map, analyse, and select the suppliers etc.
Main features for a structured Supply Market Study process	No comments.

4.5 Purchasing Operation Area North Europe

The purchasing operation area North Europe operates in the Scandinavian countries, the Baltic countries, Germany, Netherlands, and Austria (Interview 20). They have three offices: Älmhult in Sweden, Dortmund in Germany and Piacenza in Italy (Mapping of North Europe, 2014). In North Europe there are 150 employees working with purchasing operations. POA North Europe has 120 suppliers. Looking back the past 24 month they have started up around 10 new suppliers.

North Europe as no allocated sourcing team to identify new business opportunities but for two years ago they started to do projects to increase the market intelligence of the countries they are operating in. The management predicted the importance to have this kind of information to manage the future growth of IKEA. Today North Europe has quite much information about market intelligence but of course there are rooms for improvements. North Europe has mainly done the market intelligence and Supplier Mapping separately, since it could be difficult to get time for doing both studies in parallel. (Interview 20)

The data about North Europe is gained through interview 20, archival documents, and presentations of projects done in the field. The interviewee has a position as a Project Leader.

4.5.1 Way of working with Supply Market Study

North Europe has not had any common process of how to do a Supply Market Study. They started two years ago with this and have build up the knowledge from scratch over the years but still not created an official process for this kind of project. (Interview 20)

North Europe has done two major supply market studies, which they refer as mappings. Though, this work with this will be explained under this section; Supply Market Study. The projects have been initiated from the management of POA North Europe (Interview 20). The main purpose for the first project was to benchmark the different countries in the POA to find out what their possibilities and potentials are and the second project had the purpose to identify and explore business potentials on a more industrial level of some specific countries that could support the IKEA growth (Mapping of North Europe, 2014; Welcome to the Baltics, 2013). Unfortunately no definition of a Supply Market Study is given from North Europe.

A summary with general information of North Europe's gained experience and general view of a Supply Market Study is represented in table 93.

Table 93 Information of the way of working and gained experience so far (Interview 20)

Information of the Supply Market Study work	North Europe
Process in place	None process in place.
Frequency	Do one major market study for each country, and then keep this updated yearly.
Man-hour allocated	Difficult to say since it depends on the case. Approximately one month, depending on how many projects you run in parallel.
Most time consuming steps	The manual work when you are filling in the information and waiting for the information, but it depends on the database you already have. The more experience you have the faster it will go.
Data wanted but difficult to find	If you know what you are looking for, there are always a way to find it.
How to make the study actionable	No comments.
Benchmark of other companies way of working	Mostly internal knowledge. Did share experience with two other companies, good to hear but not much to adapt due to too different businesses.

As mentioned North Europe has not a common process for Supply Market Study but their way of working will be presented below.

Start up

Supply market studies are project based. North Europe find it important to understand and make it very clear from the beginning what are the projects: purpose, scope, deliverables, expected results, major criteria to investigate and also what impact the result will have for the IKEA business.

The main criteria to investigate are important to state from the beginning. North Europe selects the criteria depending on the purpose of the project. They also stress the importance of having information about market intelligence before doing any Supplier Mapping later on, since a good understanding will make the person contacting the supplier act more professional. (Interview 20)

Macro Analysis

When doing a Macro Analysis it is good to do the analysis for several countries at the same time. It is really important to see the totality and look for the best alternative for IKEA. Sometimes you could miss the totality if you only focus on a specific country; it could be other countries that are a better match to IKEA when consider the key factors of a project. (Interview 20)

When analyse market intelligence information it is in many case of important to also look at the totality for the specific aspects investigated, example total labour cost should include the labour cost, social corporate taxes, and the utility cost to get a fare comparison between different

countries. Not to forget is the logistic part and the raw material prices when do the comparison; those two are major factors impacting the final price in many cases. One of the most vital things when do this kind of analysis is to be close to the market to understand it correctly. (Interview 20)

It is important to have IKEA sales included in the study; having a good understanding where the retailers are located and also the sales share of each country. The closeness to the market could weight up the higher cost of production. This depends mainly to the higher logistic cost that will eat up the production cost savings if the production is located in a country with lower production cost but far from the sales market (Interview 20). The main aspects North Europe investigate to increase the market intelligence can be seen in table 94.

Table 94 Macro aspects to consider for an increased level of the market intelligence for a country (Mapping of North Europe, 2014; Welcome to Baltic, 2013)

Macro aspects to consider
General information: language, currency, total area of the country, population, religion, ethnic groups, neighbouring countries, and life expectancy
GDP development
Population & unemployment rate
Inflation rate
Tax incentives & corporate profit tax incentives for R&D
EU five specific targets
Government incentives: financial support for industries, national funding, and special economics zones
Financial support overview
Number of the procedures needed to establish a company
Time to establish a company
Labour cost per hour: business economy, industry, construction, and service
Minimum wages and the precipitation to be employed for this wages
Utility costs: electricity price for industry per country and share of energy from renewable sources
Corporate income tax
Development for IKEA in supplier and purchasing
IKEA sales per country
Number of IKEA stores
IKEA share in total export
Material cost comparison
Logistic cost

Information sources and tools used when gathering the market intelligence information related to the Macro Analysis can be seen in table 95.

Table 95 Sources of information and tools used to increase market intelligence (Interview 20; Mapping of North Europe, 2014)

Sources of information
Tradingeconomic.com
Eurostat
World bank
Ministry of economy
Ministry of agriculture
Ministry of finance
Export and import register/links
Static departments
Agencies
Tools
-

Industry Analysis

Unfortunately no information of a how North Europe has been working with Industry Analysis was given during the interview only which aspect they have been investigated was given through documentation, see table 96.

Table 96 Industry aspects to investigate (Welcome to Baltics, 2013)

Industry aspects to investigate
Labour force – key competencies
Cost effectiveness and flexibility
Geographical location
Average wage in manufacture sector
Favourable raw material
Key industry advantages
Efficient application of modern technologies and innovation solutions
Availability of raw material
Companies deliveries term and flexibility e.g. non-standard orders
Workforce competence level
Operation cost
Business experience
Labour cost in the industry
Quality
Number of companies
Size of the existing companies
Export list per activity per country
Import list per activity per country
IKEA offer

The information sources and tools used by North Europe to increase the understanding of an industry can be seen in table 97.

Table 97 Sources of information and tools used to understand an industry (Interview 20)

Sources of information
Associations
Export and import register/links
Agencies
Tools
-

4.5.2 One global process

Table 98 represents North Europe’s view and which main features they will include in a structured Supply Market Study process.

Table 98 North Europe’s inputs of having one global process for Supply Market Study(Interview 20)

Input for a structural process	North Europe
The possibility of having one structured process for doing a Supply Market Study that can be used by all 9 purchasing operation areas	It is possible. Having the same template and share the information between the different POA would be good
Main features for a structured Supply Market Study process	NA

4.5.3 Way of working with Supplier Mapping

North Europe has a Supplier Mapping process in place. The Supplier Mapping process should be seen as a guideline how to do the Supplier Mapping. The mapping includes the potential of the different countries; how many suppliers do they have? What are they doing? In which area are they strong and in which area are they weak? (Interview20)

Before starting the Supplier Mapping there are some critical things you need to have knowledge about. It is of important to understand the cost drivers of the specific product. This information you gain by talking to experts for this specific product, technicians and other relevant persons with having this knowledge. (Interview 20) Unfortunately no definition of a Supplier Mapping is given from North Europe.

Through the Supplier Mappings North Europe has been working with so far they have gained some experience in this field. Some general information about their experience and view of Supplier Mapping can be seen in table 99.

Table 99Information of the way of working and gained experience so far (Interview 20)

Information of the Supplier Mapping work	North Europe
The frequency	NA
Man-hour allocated	NA
Most time consuming steps	NA
Data wanted but difficult to find	NA
How to make the study actionable	NA
Benchmark	NA

As mentioned North Europe has a common process for Supplier Mapping, see figure 48. The process will be stepwise described below.



Figure 48North Europe’s mapping overview (Supplier Mapping process, nd)

Start-up

When doing a Supplier Mapping you always need to know what you are looking for and discuss some questions internally with your team. Question to be answered can be: What is the purpose of the mapping? What result you expecting? What are the “knock-out criteria”? What impact will the mapping have on IKEA business? North Europe always starts this project with define the purpose, the expected results, the main criteria and the impact of the result. (Interview 20; Supplier Mapping process, nd)

Initial search of new potential suppliers

North Europe has created a supplier base for each one of the major categories, which they are able to use in the search of new suppliers. In addition to this supplier base, different kinds of data sources are used (Interview 20), see table 100.

Table 100 Sources of information (Interview 20; Supplier Mapping process, nd.)

Sources of information
Fairs
Exhibitions
Compass search engine
Ministry of Economic
Ministry of Agriculture
Internal source within IKEA (category, technician, engineers experts, network etc.)
Past mappings

The first step in North Europe’s process is the gross list. The gross list contains of all suppliers who roughly fit the stated criteria from set in the beginning of the project. The team adds the

suppliers into a template where they state comments of the supplier’s potentials, for example good or not so good, and highlighted are the supplier’s opportunities.

Prioritizing the suppliers

Next step in the process is the first wash potentials: send RFI. The filtration of the gross list into a net list by the use of the “knock out” criteria, see table 101. They contact the suppliers in the net list and ask for further information. IKEA does normally take the first contact to suppliers though a phone call or email. They are presenting the project, what kind of product IKEA is looking for, and send some presentations and figures about IKEA. They always ask very openly if the supplier is interested. If the supplier is interested, IKEA comes back with more detailed information of the project in terms of the possibilities of volume, quantities and the timeframe. IKEA usually also ask the suppliers if they are willing to have a meeting just to discuss the project and its possibilities. They stress the importance to get a sense either the supplier is willing to cooperate with IKEA or not. It is much easier to find out about the suppliers’ potential and willingness when you are visiting them. The visit will confirm the information collected about the specific supplier. (Interview 20)

It is also important to be clear that IKEA has no intention to touch what the suppliers are producing today but make clear from the beginning that IKEA look for a relation with a long-term perspective and want to create partnership with their suppliers. For example if it is a case where a supplier are too small, this supplier can with right spirit and willingness begin with small quantities with the assistance of IKEA support and then later on become a big supplier for IKEA. (Interview 20)

North Europe has a special supplier form they send to the supplier that they need to fill-in. Those will give IKEA a chance to see how much the suppliers are willing to share information and their level of cooperation. After getting back these forms, they can create a better understanding of each supplier and do a smaller evaluation of how well the supplier fits IKEA business and values. (Supplier Mapping process, nd)

Table 101 “knock out” criteria (Supplier Mapping process, nd)

“Knock out” criteria
What qualities make them unique, or same?
Project specific criteria
IKEA strategic fit
Competency
Efficiency
Compare them to current supplier base?

Supplier selection

Next step in their Supplier Mapping process is to send out the RFI to the remained suppliers. A filtration is done after have received the information, where an invitation to the potential

suppliers is sent out for a RTS, before the start of the RFQ process, the third step in the process. Even if the supplier does not get selected it is important to give them feedback. It is also desirable for the supplier to see how they perform in comparison to other suppliers. IKEA are giving the suppliers' charts so they can see how they are located regarding some aspects, relative to other suppliers, this without mentioning any suppliers' names. This can be seen as a free analysis for each of them. (Interview 20)

4.5.4 One global process

Table 102 represents North Europe's view and which main features they will include in a structured Supplier Mapping process.

Table 102 North Europe's inputs of having one global process for Supplier Mapping (Interview 20)

Inputs for a structural process	North Europe
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 purchasing operation areas	To have the same process should be preferred and also to deliver the results in the same format should be good. This will be preferable when presenting the result for the HFB, category or free range, and make it much easier for them to understand and get an easy overview of the result.
Main features for a structured Supply Market Study process	North Europe has not shared or taken part of any data from other POA. This would be of value to be able to discuss the results and the way of working.

4.6 Purchasing Operation Area South Asia

The purchasing operation area includes the countries included in their POA: India, Pakistan, Bangladesh, Middle East, Sri Lanka, Nepal, Myanmar, Bhutan. They have three offices: Dhaka in Bangladesh, Karachi in Pakistan, and Gurgaon in India. They have 120 employees working with purchasing operations. South Asia has 55 suppliers, located in India, Pakistan, and Bangladesh. They have no retailers in their POA but there are plans to start up some in India. Based on their strategy until 2020 they plan to open 4 new stores every year. Looking back the past 24 months they have started up 12 suppliers. (Interview 16)

South Asia started to work with New Business around one year ago and they have an allocated team working with this permanently. The start was based on the high growth with a lot of planned opening of new retailer stores in their POA, and also in countries they had not been operating in before. To secure the demand they realised the importance of looking into new suppliers, in current and new geographical markets (Interview 16; Interview 17). South Asia has developed a stepwise methodology detailing all the steps to secure affordable supply while entering a new market, which includes a Supply Market Study and a Supplier Mapping. This can be used in any country in South Asia and for all categories (Affordable Supply to New Markets, nd)

The data about purchasing operating area South Asia is gained through interview 16, interview 17, archival documents, and presentations of projects done in the field. The interviewees have positions such as Sourcing Business Developer and Business Developer Manager.

4.6.1 Way of working with Supply Market Study

As mentioned South Asia has a process describing all the steps need to be done to secure affordable supply in a specific market, including a Supply Market Study (Interview 16). The Supply Market Study can be done both in parallel with the Supplier Mapping or separately. The first option is to do the two processes separately with the start to increase market intelligence based on an initiative from a category without a specific need. The purpose here is to identify where the opportunities exist. The second option is to do the processes in parallel. In this case the need is specified, e.g. a specific material, without have been sourcing this type of material in this country before. In this case the market intelligence analysis is integrated with the supplier research (Interview 17).

South Asia’s definition of a Supply Market Study in two ways:

‘Raw material availability, trade policies, capacity, assessment, and value chain analysis.’ (Interview 16)

‘Opportunity analysis, and it is about finding a partner who has a strategic fit with IKEA, with a long running business model’ (Interview 17)

A summary with general information of South Asia’s gained experience and general view of a Supply Market Study is represented in table 103.

Table 103Information of the way of working and gained experience so far (Interview 16; Interview 17)

Information of the Supply Market Study work	South Asia
Process in place	Yes.
Frequency	At the moment around two a year, but not structured ones.
Man-hour allocated	Around three-six months to understand the market.
Most time consuming steps	Arriving at the best sourcing strategy
Data wanted but difficult to find	There are some data difficult to find. Consultant companies can offer this but it is expensive or not in depth.
How to make the study actionable	Having a handshake agreement, good communication between the people involved in the project, and update other people in the POA about their findings.
Benchmark of other companies way of working	A benchmark has been done, but it is not a must to have.

South Asia’s stepwise methodology can be seen in figure 45. To note, this methodology is comprehensive and focus will be on the Supply Market Study and Supplier Mapping. The first part includes things to consider in the start up phase of the process such as IKEA current sourcing. The second phase involves an understanding of the macro perspective in the country. In the third phase there are some engagements in the Industry Analysis and the business understanding in a specific category that are useful to consider, before continue with the Supplier Mapping process in the fourth phase. (Interview 16; Affordable Supply to New Markets, nd)

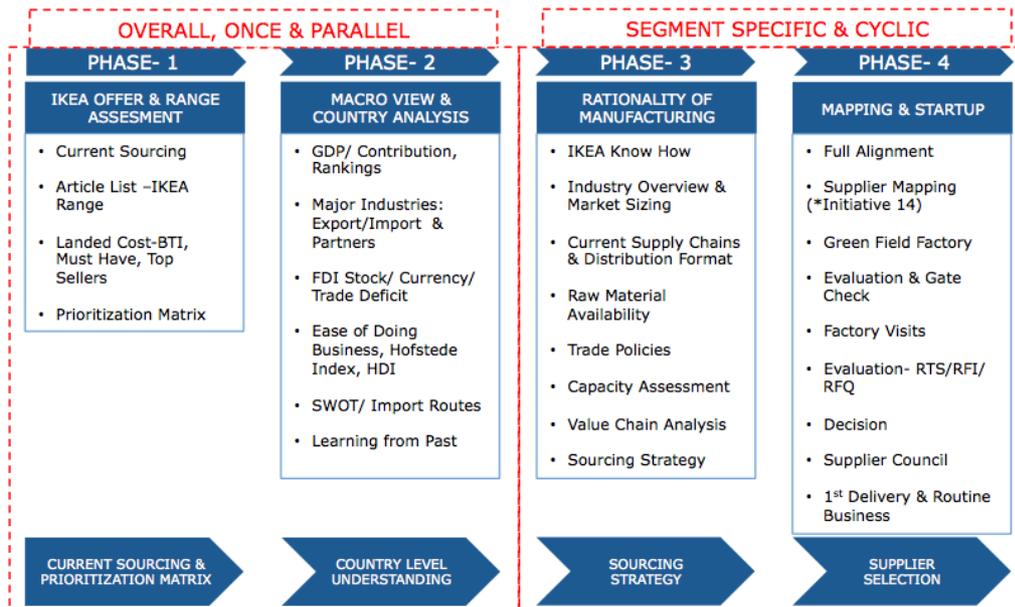


Figure 49An illustration of South Asia’s methodology (Affordable Supply to New Markets, nd)

South Asia’s way of working with Supply Market Study will be presented below with some content from the methodology in figure 49.

Start up

There are some critical things to make sure before starting this type of project: creating a project team, creating a project plan, identify some preconditions, and make a handshake agreement between the New Business Manager and the Category Manager (Interview 17). If having a look in a more detailed description of the process in figure 49 the project starts with a background description of the initiative for the specific project. Scope and deliverables are well defined together with a detailed timeline with milestones set out with clear dates. Next activity in the first phase, ‘IKEA offer & range assessment’, is to evaluate IKEA current sourcing (Affordable Supply to New Markets, nd).

Macro Analysis

The second phase of the methodology is ‘macro view & country analysis’. The goal here is to improve country (new market’s) understanding in relative terms with respect to regional or global markets. This work will give fact-based understanding of a market with respect to IKEA’s

operations. This analysis, also referred as a PESTEL study, could also be bought from consulting groups & market research firms (Affordable Supply to New Markets, nd). There are some aspects to investigate in this phase to get a good country level understanding, see table 104.

Table 104 Macro aspects to investigate that will increase the market intelligence for a country (Affordable Supply to New Markets, nd; Interview 16; Interview 17)

Macro aspects to consider
<i>Hard aspects*</i>
GDP ranking, GDP in PPP, and other economic indicators
Major Industries, import/export and trading partner countries
FDI stock
Currency performance
Inflation/Interest rates
Cost of electricity
Political stability
Travel security conditions
Import routes
<i>Soft aspects*</i>
Ease of doing business index
Hofstede index, HDI
Cost of Living Index
OECD Better Life Index
Trade Restrictiveness Index
Labour Force
Hourly Compensation
Productivity and related parameters

*Subheadings

In this part South Asia also communicate with our other markets to learn from their experiences and understand the challenges or mistakes that could be avoided.

Information sources and tools used when gathering and processing the market intelligence information related to the Macro Analysis can be seen in table 105. To notice, it is a vast area to analyse meaning it is recommended to keep the focus on identifying valuable and comprehensive information sources. Everything that is needed can be found on the web (Interview 17). A SWOT analysis of IKEA is done, from retail as well as manufacturing perspective, built on the country understanding based on insight drawn from the aspects investigated. A PESTEL analysis if beneficial to use to ensure all angels is covered. (Affordable supply to new sales market, nd)

Table105 Sources of information and tools used to increase market intelligence (Interview 16)

Sources of information
Internet e.g. www.theguardian.com, www.infodriveindia.com, info.worldbank.org
International Trade Centre
UNDP- Human Development Reports
Hofstede Center
OECD Better Life Index
Cost of Living Rankings
Business Portal of the country
Other websites
Statistic sources
Visits to Trade Fairs
National News & Media Publications
Trade Publications
Interview with Retailers, Shop Owners, and Retired Professionals
Meetings with Machine Manufacturers and Industry Manufacturers
Tools
SWOT
PESTEL

*Subheadings

Industry Analysis

The third phase of the methodology is ‘rationality of manufacturing’ and it is a continuation of the market understanding analysis with the purpose to define the optimal approach to procure a particular category or family. The phase, compared to the previous one, need to be repeated for each category and should start with the more prioritized categories and end up with a sourcing strategy before start with the Supplier Mapping (Affordable Supply to New Markets, nd). It is of importance to have a look into favourable industries and visit a few main suppliers to get a sense of the industry to draw a conclusion if this industry could be favourable for IKEA at the moment or not (Interview 17). The first thing to consider before stating the Industry Analysis is to learn category specific challenges faced by similar markets. This will help avoid doing the same mistakes again. There are some aspects to investigate, see table 106. One thing to consider is market potential as a whole (Affordable Supply to New Markets, nd).

Table 106 Industry aspects to investigate (Affordable Supply to New Markets, nd; Interview 16; Interview 17)

Industry aspects to investigate
<i>Industry overview and market sizing*</i>
Manufacturers
Buyers
Availability of substitute products
Presence of new entrants
Supplier dynamics
Key stake holder
<i>Current supply chain and distribution formats*</i>
<i>Raw material availability*</i>
Raw material
Resources/Components
<i>Trade Policies and restrictions*</i>
Any trade restrictions to safeguard domestic industry
Local taxes
<i>Available capacities, key manufacturers, risk assessment*</i>
Does the available capacities match the demand
Evaluate possible risk area, might have serious impact

*Subheadings

When have evaluated the specific industry a conclusion will be made with some recommendations how to continue. This will be summarised in a sourcing strategy plan for a particular category (Affordable Supply to New Markets, nd).

Information sources used when gathering the market intelligence information related to the Industry Analysis can be seen in table 107.

Table 107 Sources of information and tools used for the gathering and processing of information for the Industry Analysis (Affordable Supply to New Markets, nd)

Sources of information
Key stakeholder of the industry
Approach trade associations
Refer to past researchers and market studies etc.
Key manufacturers, such as machine manufacturers
Visits to Trade Fairs
National News & Media Publications
Trade Publications
Interview with Retailers, Shop Owners, and Retired Professionals
Tools
-

4.6.2 One global process

Table 108 represents South Asia’s view and which main features they will include in a structural Supply Market Study process.

Table 108 South Asia’s inputs of having one structural process for Supply Market Study in all POA at IKEA

Input for a structural process	South Asia
The possibility of having one method for doing Supply Market Study that can be used by all 9 Purchasing Operation Areas?	It is possible with a systematic approach, but of course some flexibility will be required based on changing industry and country business landscape (Interview 16).
Main features for a structured Supply Market Study process	<p>Common milestones with clear understanding and outcome of those to be able to do a comparison between the countries and select right supplier for IKEA, see the milestones in figure x (Interview 16).</p> <p>Of importance to understand the market before find opportunities by going deep into the aspects and find their impact on the business (Interview 17).</p>

4.6.3 Way of working with Supplier Mapping

South Asia has a process of how to do a Supplier Mapping (Interview 16; Interview 17). They have done some Supplier Mapping following same structure. One of the purposes was to supply a specific article from one geographical market to another, secure affordable supply of this article to future IKEA retail need in a specific country (Segment-1, 2014). The Supplier Mapping can be done both in parallel with the Supplier Mapping or separately, as explained in the subchapter about the Supply Market Study. The Supplier Mapping is included in the fourth part of South Asia’s methodology, see figure 49.

South Asia’s definition of a Supplier Mapping in two ways:

‘The needs must be well defined in one or two sentences, which identify what has to be done next. The objectives can be to source X million, whatever. When we have identified the needs and done the rational evaluation in the methodology; this is the need and this is the best way of fulfil this need, only then the Supplier Mapping will start’ (Interview 16)

‘Opportunity analysis, and it is about finding a partner who has a strategic fit with IKEA, with a long running business model’ (Interview 17)

Some facts about South Asia’s work with Supplier Mapping can be seen in table 109

Table 109Information of the way of working and gained experience so far (Interview 16; Interview 17)

Information of the Supplier Mapping work	South Asia
The frequency	One per product group each eight year (Interview 16).
Man-hour allocated	One full time resource with Business Development/Research background, plus technical support for 30 days, spread across the process (Interview 16).
Most time consuming steps	Step four is definitely the most time consuming step, especially the RFI since more subjective. Each filtering processes takes time; contacting, updating, visiting etc.
Data wanted but difficult to find	Scanner data is not available for all articles, this means you need to rely on the suppliers on the numbers of articles they are selling
How to make the study actionable	The handshake agreement and sending mail to all members involved. When they start the fourth phase it is deadline oriented, with a deadline for every activity.
Benchmark	Trying to set up benchmarks since good to know, but have anyhow knowledge of how Supplier Mappings have been done in the past

South Asia has a Supplier Mapping process, see figure 50. This process is included in the fourth phase, ‘mapping and start up’, of their methodology discussed earlier. The process starts with the creation of an industry database with potential suppliers to finish with a decision regarding start up a particular supplier that best meets IKEA requirements (Segment-1TASA, 2014).

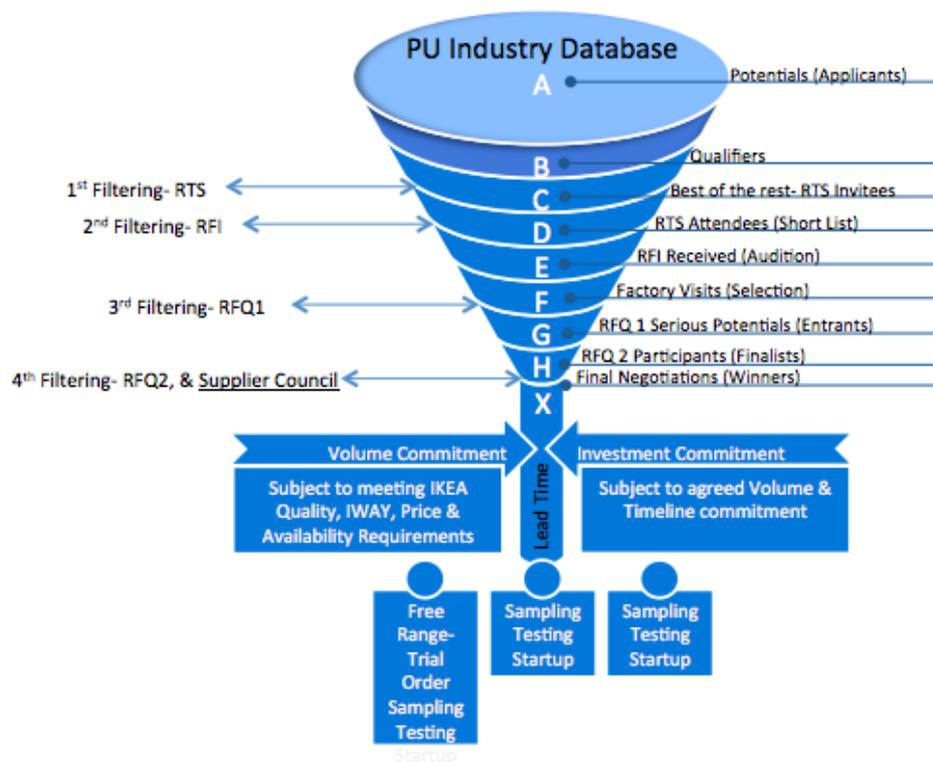


Figure 50 Supplier Mapping methodology (Segment-1TASA, 2014)

Start up

When have identified the needs and done the rational evaluation in phase three ‘rationality and manufacturing’; this is the need and this is the best way of fulfil this need, only then the supply mapping can start. For example, if concluded that the specific geographical market is favourable for a specific category; fulfil the key parameters such as raw material availability, compliance, and legal structure, if not the Supplier Mapping will wait but might be done later when the changed conditions in the country or needs from categories (Interview 16). Included in the beginning of the project is an overall plan with main activities presented with clear milestones. A project background follows, together with a project charter consisting of: need, objectives, deliverables, scope, timelines and a budget. A handshake agreement follows, which is an assignment the categories are giving to them, critical for the start of any Supplier Mappingprocess (Segment-1TASA, 2014; Interview 17). After the start up there should be a full alignment, the first step in the fourth phase, ‘mapping and start up’, in the methodology. This alignment should consist of a handshake agreement including: which articles, markets, volume, minimum general and more specific criteria for a specific category the suppliers need to fulfil, and some information of what is IKEA. The alignment should also include cost sheets and supplier wished positions etc. that are shared with concerned teams. When this exists it is ok to start the Supplier Mapping process (Interview 16; Affordable Supply to New Markets, nd).

Initial search of new potential suppliers

South Asia startsthe search of right suppliers with an online desk research, for their creation of a broad list, in their methodology referred as potential. This follows by visiting trade associations, industry bodies, technical fairs, and exhibitions built up of suppliers leading export in that

industry etc. The information sources used to find new supplier can be seen in table 110. (Interview 16; Affordable Supply to New Markets, nd)

Table 110 Sources of information and tools used for the gathering and processing of information for the Supplier Mapping (Interview 17)

Source of information
Internet
Export data
Trade associations
Commercial associations
Industry associations - IKEA is also promoting the company at those

Prioritizing the suppliers

Next is to shortening down the broad list to a narrow list, which is referred as qualifiers in their methodology, after have visiting the suppliers for a meeting or called them for a telephonic interview. The selection has been based on wished supplier position together with having in mind IKEA's growth agenda and long-term category supplier classification. The minimum criteria from the categories, 2-5 numbers of criteria, require to be fulfilled by the suppliers to be able to start the process. Those criteria are focusing mainly on their willingness and competence (Interview 17). If there are no supplier that will fulfil the minimum requirements or that the Industry is not able to handle IKEA need, there will be an evaluation of setting up a Green Field Project and the approach to use: IKEA Industry Group/ Global Existing Suppliers/Local or regional suppliers looking for diversification etc. (Affordable Supply to New Markets, nd)

The next step in the methodology is the evaluation and gate check. The suppliers are filtered from the narrow list to a shortlist, based on some main criteria, see table 111. (Affordable Supply to New Markets, nd)

Table 111 "knock out" criteria (Affordable Supply to New Markets, nd)

"Knock out" criteria
Manufacturing
Product quality
Supplier purchase
Sustainability
Lowest Price
Product Development
Supplier Logistic

Supplier selection

After this discussion about “knock out” criteria and their willingness to meet IKEA requirements, suppliers that will remain in the process will be invited to a RTS event. From the RTS there will be the second filtering of suppliers, which will be sent a RFI (Interview 16).

Factory visits will be done to see how close they are in reality with the information they provided in RFI. The shortlisted suppliers will then be taken into RFQ round. Parallel to this or sometimes after the first RFQ round is over, the shortlisted suppliers are re-visited for a more detailed evaluation performed by experts from Quality, and IWAY (Interview 17; Affordable Supply to New Markets, nd). An assessment report will be created from this, which gives information regarding the current situation of the supplier and then map this against wished profile IKEA wants. This will give IKEA a view of the supplier and also give learning to the supplier, helping them understand the requirements to perform much better. A plan will be created to address these gaps and how to reach the wished stage with each of the suppliers. Something to have in mind is that there are some soft aspects that are of importance to consider too. The partner should be an entrepreneur able to decide how they want to capitalise on the opportunity. The suppliers also need to have the willingness to minimize the gap identified (Interview 17).

A separate “Due Diligence & Risk Assessment study” is conducted by a 3rd party, regarding their financial credit rating. This study gives good indication about their economic potentials (Interview 17). Then there are also some key variables specific for each article that are good to have, e.g. if transport is one of them it will be taken in consideration. The criteria are of importance since decisions for why a supplier is qualified or not need to be fact based. (Interview 16; Interview 17)

4.6.4 One global process

Table 112 represents South Asia’s view and which main features they will include in a structured Supplier Mapping process.

Table 112 South Asia’s inputs of having one structural process for Supplier Mapping in all POA

Input for a structural process	South Asia
The possibility of having one structured Supplier Mapping process that can be used by all 9 POA	<p>Yes it is possible, but it needs to have some flexibility (Interview 16).</p> <p>Yes it is possible - There should be a standard process but from that process based on a specific market it need to be clear what is required and what should not be done regarding the opportunity analysis and the Supplier Mapping (Interview 17).</p>
Main features for a structured Supplier Mapping process	<p>Deliverables with the assignment need to be clear from the beginning, to easily see when the project should be finished (Interview 16; Interview 17).</p> <p>Strategic fit - is very important since if the strategic fit is there everything will happen (Interview 17).</p> <p>Management commitment - If they are committed they will take the decision and do what needs to be done. If not, it will never happen(Interview 17).</p> <p>Agreement - Important that the people involved are “on the same page”; see same things and interpret same things. A structured way of working with clear objectives and outcomes will build trust; how much IKEA trust the process, the analysis and the conclusion, how much suppliers trust IKEA, how much the performer trust the suppliers (Interview 16).</p>

4.7 Purchasing Operation Area South East Asia

The purchasing operation area South East Asia operates in Vietnam, Thailand, Indonesia, Malaysia, and Australia. Countries also included The POA has three offices: Kosha minh in Vietnam, Bangkok in Thailand and Jakarta in Indonesia. South East Asia has 150 employees working within purchasing operations. They have 80 suppliers and in total 10 retailer stores in the area. Looking back the past 24 month they have started up around 8-10 new suppliers and closed down 11(Interview 14).

Two years ago South East Asia started with an allocated sourcing team to work with new business opportunities. They have created a methodology for how to create a category based country profile, which includes market intelligence information together with a methodology of how to map new potential suppliers. (Interview 14)

The data about South East Asia is gained through interview 14, archival documents, and presentations of projects done in the field. The interviewees have positions such as Purchasing Operation Manager and Business Developer.

4.7.1 Way of working with Supply Market Study

South East Asia is not sure they have a specific process for a Supply Market Study but they have a research methodology to follow when they want to create a category based country profile. They have done four major mappings, one for each of the countries: Vietnam, Thailand, Indonesia, and Malaysia. The purpose have been to attain a broad and extensive knowledge of South East Asia’s macro economy and industry trends to set their purchasing focus in short and

long term. Each of the mappings has been done in a similar way to be able to in the end do a comparison them between. (Interview 14; TASEA Mapping Project, nd)

In general there are two ways of how to do a Supply Market Study. The first is when there is a specific need from any of the categories or business area, giving a more precisely indication of what to look for. The second is when the new business team continuously keep updates of changes that occur on the supply market, for examples by visit fairs and new suppliers to find business opportunities. The business opportunities founded in this stage should then be reported back to the category or business area for evaluation of its potential for IKEA business (Interview 14).

South East Asia’s definition of Supply Market Study:

“South East Asia defines Supply Market Study into some few areas:

- *Micro economic study at country or regional level*
- *Analysis for a specific industry*

They also divide the study into existing markets and new markets. A new market could be a new sourcing country where IKEA has not been entering yet.”

(Interview 14)

A summary with general information of South East Asia’s gained experience and general view of a Supply Market Study is represented in table 113

Table 113 Information of the way of working and gained experience so fare (Interview14)

Information of the Supply Market Study work	South East Asia
Process in place	No process whit specific parameters but they have a methodology research to follow.
Frequency	It is important to keep related market information continuously updated, at least twice a year but it depends on the country e.g. development rate and conditions in the specific country.
Man-hour allocated	Of course it depends on the project. It could be a pre-study for general information or project based with more detailed information. (Macro intelligence approximately 2-3 months)
Most time consuming steps	The data collection but also to create the frame of the study; right structure, gather right data, right type of analysis to enable right conclusion in the end. The first project is always the most time consuming one.
Data wanted but difficult to find	You can always find the data or at least you can buy it.
How to make the study actionable	No comments.
Benchmark of other companies way of working	Not official, done some benchmark but not any process how to do it for each project.

As mentioned, South East Asia has a research methodology for how to get a category based country profile, which can be seen in figure 51. Looking at the methodology, it is divided into two major information parts: Government policies country development plan and IKEA categories expectation and implication. The first part focuses on collection of information regarding government policies and plans, industry development trends and infrastructure and regional features. The second part is collecting information regarding category development trends, category value chain current status and new sourcing options. This information will be gained and developed through the process to finally give a clear category based country profile. (TASEA Mapping Project, nd)

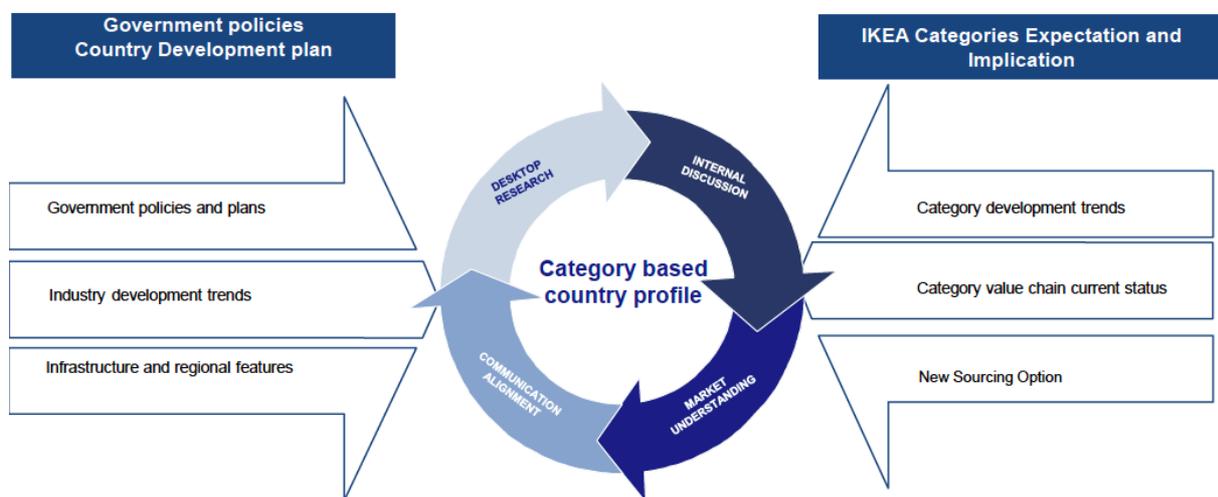


Figure 51 Research Methodology (TASEA Mapping Project, nd)

How South East Asia applied the methodology in their way of working with Supply Market Study will now in a stepwise approach be presented below.

Start up

In the beginning of each project South East Asia creates and secure an alignment with the category that has requested the assignment, which is in line with the ‘communication alignment’ that is part of their methodology. They look at the category’s business plan to get an overview of up coming needs and try to match this with what South East Asia can offer. For every new project they set a clear scope, put up objectives, and also set the organization and the resources allocated for the project. They also have a short background description of the project and why it has been initiated and a detailed time plan with clear milestones. (Interview 14; TASEA Mapping Project, nd)

Macro Analysis

South East Asia starts this kind of project with a desktop research, analysing the macro economic trends in a long-term perspective to get a market understanding. They look over a 5 years

perspective, how the macroeconomics trends expect to look like in the countries that they operate. Then they look at IKEA’s up coming needs and try to match those with what South East Asia can offer. (Interview 14)

When it comes to the collect of information some countries have a very open view of sharing information, which makes the process easy. In comparison to this there are also countries where it could be more difficult to access to right information. For example there are countries possible to get update information about the macro economic aspects straight away but there are also countries where this process can take up to 18 months. This usually depends on how developed the country is and what kind of information is requested. The main aspects South East Asia investigate to increase the market intelligence knowledge of a country can be seen in table 114, and their general view is that this macro economic information is quite easy to gather. (Interview 14)

Table 114 Macro aspects to consider for an increased level of the market intelligence for a country (Interview 14; TASEA Mapping project)

Macro aspects to consider
General information; total area, population, labour force, median age of labour
GDP
Inflation rate (FPI)
Logistic Infrastructure; seaports, railways, roads, traffic congestions, vessel costs, borders
Export and import
Government direction to stimulate the economic development
Development Strategy for some key industries approved by government
Government steering regional development focus
Labour availability and cost, investigate the trend
Productivity per worker
Level of education
Working hours
Political stability
Macro economic stability
Raw material resources
Nature disaster

Information sources used when gathering the market intelligence information related to the Macro Analysis can be seen in table 115. (Interview 14)

Table 115Sources of information and tools used to increase market intelligence (interview 14, TASEA Mapping Project, nd.)

Sources of information
Statistic department
Internet e.g. government website, custom website
The World Bank
Tools
SWOT

Industry Analysis

In comparison to the Macro Analysis the information gathered to increase an industry is more challenging to collect. How difficult it is depends on the association’s willingness of sharing information. Contacting relevant associations is South East Asia’s regular way of gaining a good understanding of a specific industry. Some of the associations you need to become a member to access the information and in some cases you need to buy the information, but still it could be difficult to get the right information needed. They investigate the supplier market today; how many factories exist, buyers doing sourcing activities in each country and which policies affect the industry. The main aspects South East Asia investigate to increase the industry understanding can be seen in table 116. (Interview 14)

South East Asia has done a couple of studies where they have drawn conclusions regarding how IKEA’s different industries can take use of the opportunities of the countries in the POA in the best way. They investigate how to utilize the markets potential, for example how to use the different government incitements in the best way for IKEA business and then also how to allocate the product depending on its needs; low labour cost verses the level of industrialisation. To do this it is important to know which industries that are favourable for each country. After gained this knowledge the next step is to decide which category these opportunities can match. For this them use a SWOT analysis. After the analysis they finally go back to the categories, where they present a recommendation report, which includes the founded opportunities and the potential for each of the categories. (Interview 14)

Table 116Industry aspects to investigate (Interview 14; TASEA Mapping project)

Industry aspects to investigate
Industry development (specialisation and industrialization level)
Industrial hubs or focus industries
Existing suppliers’ location
Distance to IKEA main consumer market
Established actors in the value chain

The Information sources and the tools South East Asia use to increase the understanding of an industry can be seen in table 117.

Table 117 Sources of information and tools used to understand an industry (Interview 14, TASEA Mapping Project, nd.)

Sources of information
Customs
Association e.g. wood
IKEA Transport
Tools
SWOT
Porter’s Five Forces

4.7.2 One global process

Table 118 represents South East Asia’s view and which main features they will include in a structured Supply Market Study process.

Table 118 South East Asia’s inputs of having one global process for Supply Market Study (Interview 14)

Inputs for a structural process	South East Asia
The possibility of having one structured process for doing a Supply Market Study that can be used by all 9 POAs	Good to have one common process. Each POA need some adjustment because of some different conditions. Some common global conditions together with some changeable local conditions would be to prefer.
Main features for a structured Supply Market Study process	Have a clear channel back to the range or category to be able to forward the new opportunities founded, which is an area that needs to be improved. Categories connected to a specific industry are useful to contact to get some first data of the industry. An alternative is also to try to find a contact person in the industry right away.

4.7.3 Way of working with Supplier Mapping

When South East Asia started to do Supplier Mappings, three years ago, they did not have a standard process. Every category worked differently and had their own format of evaluation. Today they have developed an overall structured process and done several Supplier Mappings. The main purpose of these mappings has been to explore the potential and find new sourcing options for the specific category the mapping is related to (Interview 14).

The POA South East Asia’s definition of Supplier Mapping:

“Supplier Mapping can also be named as sourcing. Sourcing is to find new suppliers and new capacity but also new technologies or new materials. How to create the new sourcing options within a category.”

Through the Supplier Mapping South East Asia has been working with so fare they have gained some experience in this field. Some general information about Central Europe experience and their view of Supplier Mapping can be seen in table 119.

Table 119Information of the way of working and gained experience so fare (Interview14)

Information of the Supplier Mapping work	South East Asia
Process	Yes, they have a common process.
The frequency	It depends on the needs from the categories, which normally comes as assignments for the New Business teams. It is very difficult to say what the frequency is, it depends and it is different every year.
Man-hour allocated	Approximately 2-3 months, from searching for suppliers to do the short list of suppliers before the RFQ is taking place
Most time consuming steps	Supplier visits and doing the evaluations
Data wanted but difficult to find	Sensitive information such as supplier finance information. In general are public companies much easier to get information about than private companies. It is more difficult in the first contact before any trust is created.
How to make the study actionable	Be clear, have good communication and stick to the timeframe
Benchmark of other companies way of working	No, only within their own office where they have shared some experience

South East Asia has a mapping methodology for how to find new suppliers, see figure 52. The methodology starts with the creation of a gross list followed by steps of filtration to end up with the chose of go or no go. With other words, from the initial search of supplier to the decision of starting up a supplier that meets the predetermined requirements.

Mapping Methodology

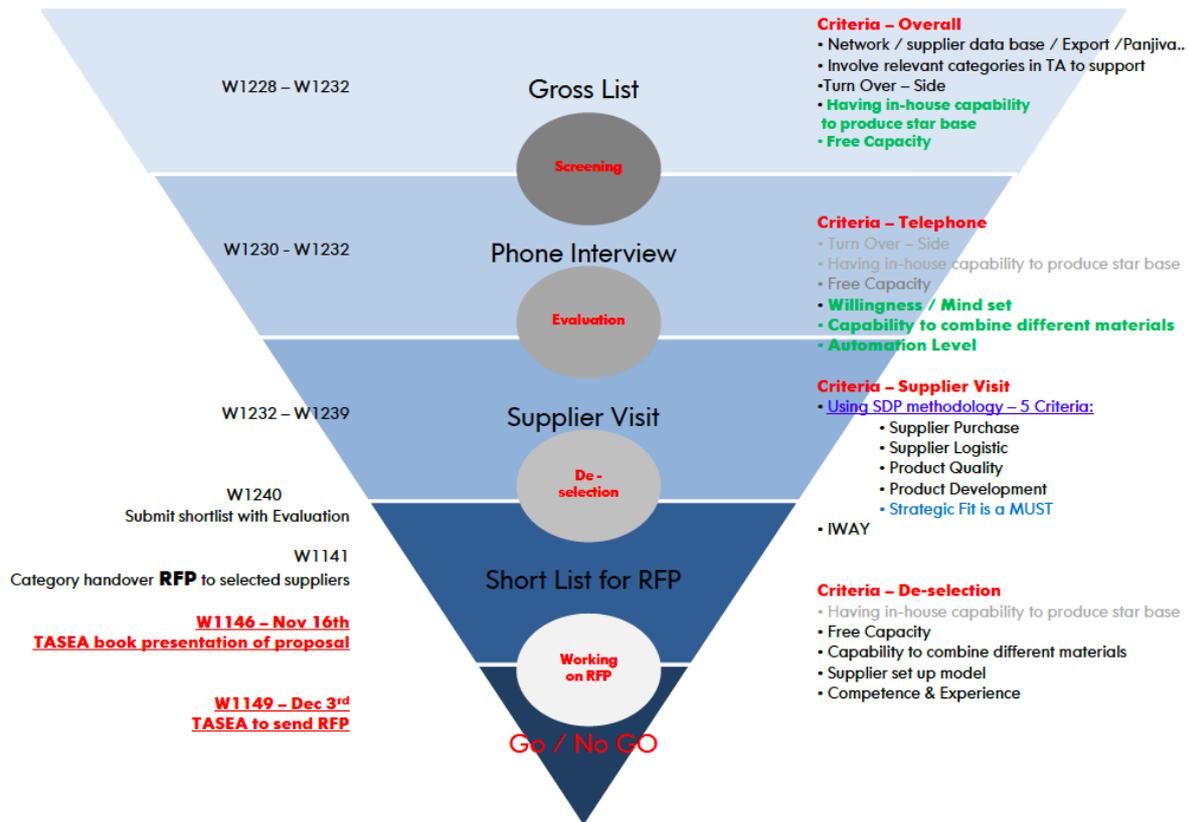


Figure 52 Mapping methodology (TASEA mapping project - working chairs, nd)

How South East Asia applied the methodology in their way of working with Supplier Mapping will below be presented in more detail.

Start-up

In any Supplier Mapping project, South East Asia starts doing a background check related to the specific product. This includes information such as main consumer, business set up, IKEA sales of the product, total purchase value, related category, current sourcing dynamic set up, and the logistic costs. Then they put up the project organization; objective, scope, project team, steering group, and time plan with milestones. (TASEA mapping project - working chairs, nd)

Initial search of new potential suppliers

When South East Asia is searching for new potential suppliers, there are some overall criteria the suppliers need to meet to be included in the gross list, the first step in their mapping methodology. Those criteria are usually predetermined in the beginning of a project. Example of criteria in this step could be the suppliers turnover, having special in-house-capability needed for the particular case and then also if the supplier has any free capacity today. Table 120 shows the information sources South East Asia uses when search and identify new potential suppliers for the gross list. (TASEA mapping project - working chairs, nd)

Table 120 Sources of information (Interview 14; TASEA mapping project –working chairs)

Sources of information
Network
Supplier data base
Export
Panjiva

Prioritizing the suppliers

The next step in the methodology includes a filtration of the gross list of suppliers. There are numbers of parameters to look at, which are basic needs the suppliers need to fulfil to have a chance of become an IKEA supplier. The first basic ““knock out” criteria” can be seen in table 121 and to have in mind is that those criteria depend on the needs and requirements of the particular project. The information is gathered through phone interviews with the suppliers form the gross list, which enable the team to filter the list into a net list. (TASEA mapping project - working chairs, nd)

Table 121 “knock out” criteria (Interview 14; TASEA mapping project – working chairs)

“Knock out” criteria
Willingness
Capability to combine different materials
Level of automation

Supplier selection

Next step in South East Asia’s mapping methodology is the supplier visit. When visiting the suppliers they have some main criteria to study. The criteria are the same as the five criteria of the supplier capability used in the SDP:supplier purchase, supplier logistics, product quality, product development and the pre request for a match in strategic fit. Finally they also inspect the conditions for IWAY. (TASEA mapping project - working chairs, nd)

After the supplier visits South East Asia de-select suppliers and create a short list of the suppliers identified having highest potential. The suppliers from the short list are invited to handover a RFP, which is the last step before the final decision and chose of supplier. (TASEA mapping project - working chairs, nd)

4.7.4 One global process

Table 122 represents South East Asia’s view and which main features they will include for a structured Supplier Mapping process.

Table 122 South East Asia’s inputs of having one global process for Supplier Mapping (Interview 14)

Inputs for a structural process	South East Asia
The possibility of having one structured process for doing a Supplier Mapping that can be used by all 9 POAs	It is possible, but similar to the market study, adjustments need to be done for the local conditions.
Main features for a structured Supplier Mapping process	The most important is to allocate the right people to do a Supplier Mapping. It is challenging to find the right competence of people. Not everybody have the right qualification to do this especially because this is the first contact to the new potential suppliers and it is really important to show and present IKEA in a proper way. The main differences that occur when the “right” person is doing the Supplier Mapping in comparison to a less qualified is that the quality level of result will differ.

4.8 Purchasing Operation Area South East Europe

POA area South East Europe operates in Romania, Bulgaria, Turkey, the Ex-YU countries¹⁰, Turkmenistan, Moldova and Greece. They have three offices: Turkey, Rumania, and Serbia. They have around 150 employees working with purchasing operations. South East Europe has 120 suppliers mainly located in Rumania, Turkey, Bulgaria, Bosnia, and Serbia. There are 7 IKEA retailers in South East Europe together with IKEA ROIG (Retailers outside IKEA group – Franchisees). Looking back the past 24 months they have started up 10 suppliers in different categories. They have also closed down some suppliers; mainly because not following IWAY standard. (Interview 21)

South East Europe initiated a sourcing team two years ago to understand how they could do more business for IKEA, what the market could offer. They have been doing more doing Supplier Mappings rather than a detailed market analysis. They are at the moment working with developing a structured way of working with market analysis, which includes Supplier Market Analysis and Supplier Mapping. To note, the Supplier Market Analysis can be comparable with Supply Market Study, which it will further be referred as. This development is done in parallel with a running project consisting of both a Supply Market Study and a Supplier Mapping. (Interview 21)

The data about South East Europe is gained through interview 21, interview 22, archival documents, materials, and presentations of projects done in the field. The interviewees have positions such as Purchasing Operation Manager, Communications Specialist, Business developer and Finance Support.

¹⁰ Ex-YU countries refer to Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia.

4.8.1 Way of working with Supply Market Study

South East Europe has done some supply market studies but they do not have a 100 percent completed process to follow. They have mainly done studies in countries where they have investigated specific materials based on assignments from the categories but also some proactive studies without any specific need. This means there are two different inputs for a Supply Market Study. The first type is when there is a clear need from IKEA, resulting in a shorter work. Most of the studies are related to this type of study. The rest of the work is put on the second type of study. This one is more comprehensive with no clear need, instead the interest is to investigate a new supply geographical market and see what opportunities the market can offer, which includes both a market analysis and an Industry Analysis. (Interview 21; Interview 22; Bulgaria-Balkan '15, 2015; Additional feedback)

South East Europe's definition of a Supply Market Study in two ways:

'What opportunities can the country offer for IKEA in long terms, both related to new materials and technologies but also running industries that exist but that IKEA is not working with today' (Interview 21)

'Supplier market study it is a methodology consisting in three steps: collecting data, converting data into information and transforming the information in decision-making. In other words it is about analysing and describing the competitive landscape within the supplier market with the aim of gaining competitive advantage for IKEA.' (Additional feedback)

A summary with general information of South East Europe's gained experience and general view of a Supply Market Study is represented in table 123.

Table 123 Information of the way of working and gained experience so far (Interview 22)

Information of the Supply Market Study work	South East Europe
Process in place	No complete structured process in place.
Frequency	No specific frequency, based on assignments for specific materials.
Man-hours allocated	One month for one person doing the general market intelligence collection, with some support from other people.
Most time consuming steps	The data collection including the selection of what is important to investigate.
Data wanted but difficult to find	More detailed information about industries in the country.
How to make the study actionable	No comments.
Benchmark of other companies way of working	They have not done that but from experience they believe other companies hire third part companies for this work since they do not have the resources to do this by them selves.

As mentioned South East Europe has no completed standard process in place but they have experience from some supply market studies done. Below you can see the market analysis structure for the running project.

Start-up

There is a preliminary project plan consisting of an overview of the project and a preliminary time plan. A background description follows including: IKEA’s activity in the geographical market in the past until now and in which categories mainly, similarities in the country such as working conditions, salary level and economical background, retail expansion, trade agreements that makes some areas more comprehensive than others, features of the supplier base, and finally the opening of new categories in the past years. The scope of the project follows, including: the way they lead, the way they work, and project team with main responsibilities. In this case project there are also subprojects included that are presented. Those also consist of some main responsible people depending on each project. For each subproject also mentioned are: deliverables, main activities, focus area, responsible, and time plan. Finally, directions are presented for the main project: directions, initiator and objective. (Bulgaria-Balkan ’15, 2015)

Macro Analysis

The information in the Macro Analysis is for the specific country analysed together with data from other countries in the POA to be able to do some comparisons. The macro aspects analysed are presented in table 124. There are also some data collected for the specific country analysed: area, population, labour force, GDP, inflation, unemployment, credit ranking, industrial zones, and years as member in EU, NATO, and WTO. (Interview 22; Bulgaria-Balkan ’15, 2015)

After has done the Macro Analysis, South East Europe is evaluating IKEA current sourcing to answer the questions: which are the suppliers and which industries are they active in (Interview 22; Bulgaria-Balkan ’15, 2015).

Table 124 Macro aspects to consider for an increased level of the market intelligence information of a country (Interview 22; Bulgaria-Balkan ’15, 2015)

Macro Analysis aspects to investigate
GDP
Labour - costs and productivity
Labour - education
Labour – age structure
Business ethics
Transport
Energy and power cost
Currency development

Taxes and incentives
Foreign investments
Ecology

Information sources and tools used when gathering the market intelligence information related to the Macro Analysis can be seen in table 125. To notice, it is of importance to use right source to ensure collecting data that is updated and accurate and they are mainly using EMIS, which they believe is the most reliable and updated database. From EMIS they are downloading most of their reports of different industries. The biggest problem for South East Europe is to find updated data of some information. To analyse the information collected they are mainly using SWOT analysis. (Interview 22; Additional feedback)

Table 125 Sources of information and tools used to increase market intelligence (Interview 22; Additional feedback)

Sources of information
EMIS database, www.securities.com
Eurostat
A screen at the office with updating important information about the market conditions
Websites
European Fund
D&B
National Statistical Institute of Bulgaria
Standard & Poor’s Rating Agency
Other National Agencies
Populationpyramid.net
Transparency International
Southeast Europe Leadership of Development and Integrity (SELDI)
European Commission - Transport
IKEA Transport Tender
Standard & Poor’s Rating of Finance of the republic Bulgaria
Summary of the Partnership Agreement for Bulgaria
Report providers such as: Dun and Bradstreet, Business Monitor, UNECE (wood industry), YNFX (textile industry)
Tools
SWOT

Industry Analysis

Having knowledge of the current supplier base that IKEA has in the country an investigation starts regarding current and new IKEA industries. This can be seen as a top down approach, starting with the industries then look into the materials and technologies in those industries; current material and new material that they can use, and also current and new technologies and innovations that are available. Before investigate any industry South East Europe do check if there are any other business team from any other trading areas active here. If that is the case, they take contact with the Category Manager who can give them some information that exists from this area. If not, they are doing the investigation by them selves. Some aspects to analyse differ from case to case. For example if the study is focusing on a specific product with transport as a critical factor, the location could be of importance to analyse. It is good to identify and visit the main producers in the industry to get an overview of who are their customers, and this could end up with a list of potential IKEA suppliers to include in the Supplier Mapping process later on (Interview 22). The aspects to consider in the beginning of the Industry Analysis can be seen in table 126.

Table 126 Industry aspects to investigate (Interview 22)

Industry aspects to investigate
Raw material availability
Location
Oligopoly, monopoly or perfect competition
Which are the main producers

The Information sources and the tools used by South East Europe to increase the understanding of an industry can be seen in table 127 (Interview 22). They are using SWOT and Porter's five forces, but they point out they will use Porter's five forces even more since this focuses more on competition that is of importance to consider in the analysis (Additional feedback).

Table 127 Sources of information and tools used to understand an industry (Interview 22; Additional feedback)

Sources of information
Category leader
Existing packaging suppliers
Actual suppliers/potential suppliers
Material and technique development at IKEA
EMIS database
Other retailers http://www.nova-institut.de/bio/?lng=en
Internet research
Tools
SWOT
Porter's Five Forces

4.8.2 One global process

Table 128 represents South East Europe's view and which main features they will include in a structural Supply Market Study process.

Table 128 South East Europe's inputs of having one global process for Supply Market Study (Interview22)

Input for a structural process	South East Europe
The possibility of having one process for doing Supply Market Study that can be used by all 9 POA	Yes, it is possible. Something they are trying to do, standardise their report. The source of information will differ, such as when taking something from national statistics from a specific country. But the content will stay the same in the entire world.
Main features for a structured Supply Market Study process	Focus on market analysis and industry understanding. Main things to consider both regarding the market understanding and the industry understanding can be seen in the 7

Inputs from South East Europe of the main things to consider in a structured Supply Market Study, see table 129.

Table 129Main things to consider in a structured Supply Market Study (Additional feedback)

Market understanding	Industry understanding
Country/Region conditions and direction	Favourable industries in the country/region
Financial steering	Non Favourable Industries in the country/region
Employment steering	Industry capacity utilisation
Currency Development	Existing suppliers in the industry
Raw material development	Industry dynamics
Technological development	Industry relations
Labour cost development	Substitute; alternative 'Non Furniture' Industries
Transport cost development	Substitute; innovative materials
Sustainability development	Substitute; innovative technologies
Energy and power cost	Industry rivalry
Business ethics	New entry
Design supply chain network – identified business and logistic opportunities	
Foreign Direct Investments (FDI)	
Free Trade Agreements (FTA)	
Start up existing suppliers in new sourcing markets or new categories	
New sourcing regions	

4.8.3 Way of working with Supplier Mapping

South East Europe has not a 100 percent completed process of how to do a Supplier Mapping but a methodology. So far, most of their Supplier Mappings have been initiated based on assignments from the Categories, top-down, based on their needs in developing production capacities or materials. There have also been cases when the Management has identified some business opportunities in the specific region and presented to the Category. Now, when having a New Business team in place, a Supplier Mapping can be initiated based on assignments from Categories but also for the New businesses team to run regular Supplier Mappings in order to identify suppliers, materials, and technologies. The regular Supplier Mappings could be done in relation with existing categories that are active in a region or completely new categories if the potential exists in a region and has not been exploited so far. (Additional feedback)

South East Europe's definition of a Supplier Mapping in two ways:

'This can be a targeted project from a material point of view, or region point of view without a specific need' (Interview 21)

'It is about finding and listing potential suppliers within a defined category/segment/region based on certain criteria in order to create both capacities/availability for IKEA articles but also to find

suppliers for market relevant articles and contribute to the vitality of the range.’ (Additional feedback)

Through the Supplier Mapping South East Europe a has been working with so fare they have gained some experience in this field. Some general information about Central Europe experience and their view of Supplier Mapping can be seen in table 130.

Table 130Information of the way of working and gained experience so far (Additional feedback)

Information of the Supplier Mapping work	South East Europe
Process in place	They have a methodology in place.
The frequency	Based on need
Man-hour allocated	NA.
Most time consuming steps	Data collection.
Data wanted but difficult to find	NA.
How to make the study actionable	After have identified a specific industry was favourable in a certain country, evaluate this industry to find out if there are any supplier interested in expanding their business portfolio towards home furnishing industry. It is important to define what the strengths regarding the suppliers in this specific industry.
Benchmark of other companies way of working	They have analysed how other companies in their POA have been working and found out they outsource this service to companies like BIG 4 or Business Sweden.

As mentioned South East Europe has started to develop a process for Supplier Mapping, see figure 53. Before they had a method for this, but it is the process that will be further described below. The process starts with a kick off with a Supplier Mapping where in the fifth and final step has the purpose to end up with a new supplier.



Figure 53 South East Europe’s Supplier Mapping methodology (Additional feedback)

Start-up

The first step in the methodology is named ‘kick off Supplier Mapping’. It starts with defining supplier capabilities and performance criteria. This is of importance to clarify ‘what we want to have where’. The “knock out” criteria need to be identified, as part of the New Business Assignment form. Also included are inputs from POA Market and Business Opportunity Report and inputs from Industry Forces report.

Initial search of new potential suppliers

The second step in the methodology is ‘create supplier gross list’. This starts with a development of a suppliers questionnaire with clarity of ‘what we want to have where’ together with well-defined “knock out” criteria. Identification will follow of local relevant information sources. As mentioned earlier in this case description about South East Europe, it is critical to use right information sources to ensure collect data that is updated and accurate. A mapping of main suppliers on the market will follow. Next thing is to draw and conclude a relationship mapping of the players on the supplier market will follow. This step will finally end up with a supplier gross list. (Additional feedback)

From the industry investigation potential suppliers could be found by the visit to the main industries in the specific country. Those producers can be investigated further to identify their customers that could be potential IKEA suppliers (Interview 22). This is one of the ways of search for new suppliers. In table 131 can be seen a summary of information sources used when searching and identifying new potential suppliers.

Table 131 Sources of information and tools used for the gathering and processing of information for the Supplier Mapping (Interview 22; 20141031_Promoting EX YU Countries communication, 2014)

Sources of information
Announcing in BLIC newspaper, supplier portal, and politika.rs
Supplier Portal
Internet research
Competitor research
Visiting local fairs and fairs – continuously in different cities
Network with purchasing people – colleges might have worked with those suppliers before
Local agencies
Visiting main industries that could be potential IKEA suppliers
Investigate main industries customers to find potential IKEA suppliers
Tools
-

Prioritizing suppliers

The third step in the methodology is ‘map suppliers’. The first round of mapping is done through phone interviews and supplier events etc. The Business Developer who is out on the field will gain industry insight through communication with potential suppliers and add to the supplier market information with information that may not be obtained through public channels or sources. This step will end up with a short list of suppliers that match the sourcing needs, meet the “knock out” criteria and want to be an IKEA supplier.

When South East Europe are promoting IKEA with their purpose to find new potential suppliers they state they want to grow with a supplier who fulfil some main criteria, the soft aspects that are independent the specific need, see table 132. To note, they are separating the criteria into

hard and soft and they think the soft aspects can be analysed after have been visiting the supplier visits. The hard aspects are compared to the soft aspects dependent on the specific industry. (Additional feedback)

Table 132 “knock out” criteria (20141031_Promoting EX YU Countries communication, 2014; Additional feedback)

“Knock out” criteria
<i>Hard aspects*</i>
Technology specifications and tolerances etc.
Turnover
Numbers of employees
<i>Soft aspects*</i>
IKEA strategic fit: shares their values, vision, business model and enthusiasm for the future
IWAY: Fulfils social and environmental standards
Wants to develop and grow
Has strong production capabilities and capacity
Delivers high customer value at low cost
Deliver with everyday quality
Is entrepreneurial with a passion for home furnishing solutions

Supplier selection

The fourth step in their methodology is ‘evaluate suppliers’. Senior Business Developer (BD) and Senior Production Engineer meet the suppliers’ owner or general management for better understand their motivation and if they share the values and the IKEA business model. The two team-members are then carrying out the supplier evaluation on factory floor to conclude the question: Does the supplier have the capacity and capability we look for? From the supplier visits a summary of the findings will be created together with conclusions and recommendations per supplier. (Additional feedback)

In the final step in the methodology, ‘start up new supplier’, a start up of new supplier will be done according to the working method in the purchasing manual (Additional feedback).

4.8.4 One global process

The table 133 represent POA South East Europe’s view and which main features they will include for a structured Supplier Mapping process.

Table 133 South East Europe’s inputs of having one global process for Supplier Mapping (Additional feedback)

Input for a structural process	South East Europe
The possibility of having one structured Supplier Mapping process that can be used by all 9 purchasing operation areas	The methodology as such can be implemented in all 9 POA. The only problems that might appear is the lack of information or the difficulty in getting information about the active suppliers in different industries, too few providers of reports about some industries in a country etc.
Main features for a structured Supplier Mapping process	The steps included in their Supplier Mapping process: Kick off the Supplier Mapping, create a supplier gross list, map suppliers, evaluate suppliers, and start up new supplier. More detailed information what to include in each step can be find in the description of South East Europe’s way of working with Supplier Mapping.

Appendix 6. Archival references

Table 134 Archival references from IKEA

Power Point presentations
IKEA Purchasing Strategy FY13-20, 2013
About the IKEA Group, 2014
Creating a better IKEA Purchasing, 2014
Working Method Purchasing Manual New Business, 2015
Start up of new supplier and development partners, 2014
Project Directive, 2013
Brazil specific category, 2013
Capacity expansion of frames in Europe, 2014
Country evaluation, 2014
TACE potential investor profile, nd
Woven mapping final, 2011
Optimal Supplier Mapping process, 2014
Greater China Wood Plastics, nd
Greater China plastic injection mapping, 2012
Mapping of North Europe, 2014
Welcome to the Baltics, 2013
Supplier Mapping process, nd
Affordable Supply to New Markets, nd
Segment-1 TASA, 2014
TASEA Mapping Project, nd
TASEA mapping project - working chairs, nd
Bulgaria-Balkan '15, 2015
20141031_Promoting EX YU Countries communication, 2014

Appendix 7. Working manual Supplier Market Analysis
process

Supplier Market Analysis

Process description

Created by: Elin Liljekvist and Sandra Carlson



1. Introduction

A Supplier Market Analysis is performed by a New Business team and is part of a New Business Assignment. To start a New Business Assignment, one of the following purposes stated need to be fulfilled:

- Introduce a new supplier for increased capacity, dynamic and flexibility in a new geographical area for the business segment.
- Sourcing of new suppliers in another industry based on a proven capability the current requesting category's supplier base is missing.
- Find inventions such as new technologies, new materials, or new components and understand how those can be used to create a home furnishing innovation.

The requesting organisation can request a New Business Assignment through a New Business Order, see Appendix 1. The requesting organisation can be: Category (CAM/CM), Free Range (Free Range Centre Manager, Vitality Manager, Next Generation project leader), Development Matrix (Material and Innovation Leaders, Development Leaders), or Components. What need to be included in the New Business Order can be seen in table 1.

Table 1 The content that need to be included in a New Business Order

Must be included in a New Business Order
Project sponsor
Sourcing goals
Strategic content of the project
Business segment & IKEA Offer
Key drivers identified for the specific business
Sourcing criteria: <ul style="list-style-type: none">• Supplier proven capacity and capabilities as preconditions/"knock out" criteria (e.g. supply chain set up, production set-up, others if have)• Wished position "good to have", no entry barrier to qualify as new IKEA supplier
A confirmation that a CBD/value chain have been done

The Supplier Market Analysis is part of the New Business Assignment process ‘*Start up of new supplier and development partners,*’ see figure 1. This analysis could also be applied in the Purchase Development Process and the Supplier Development Process, as part of Sourcing Option/Supplier Market.

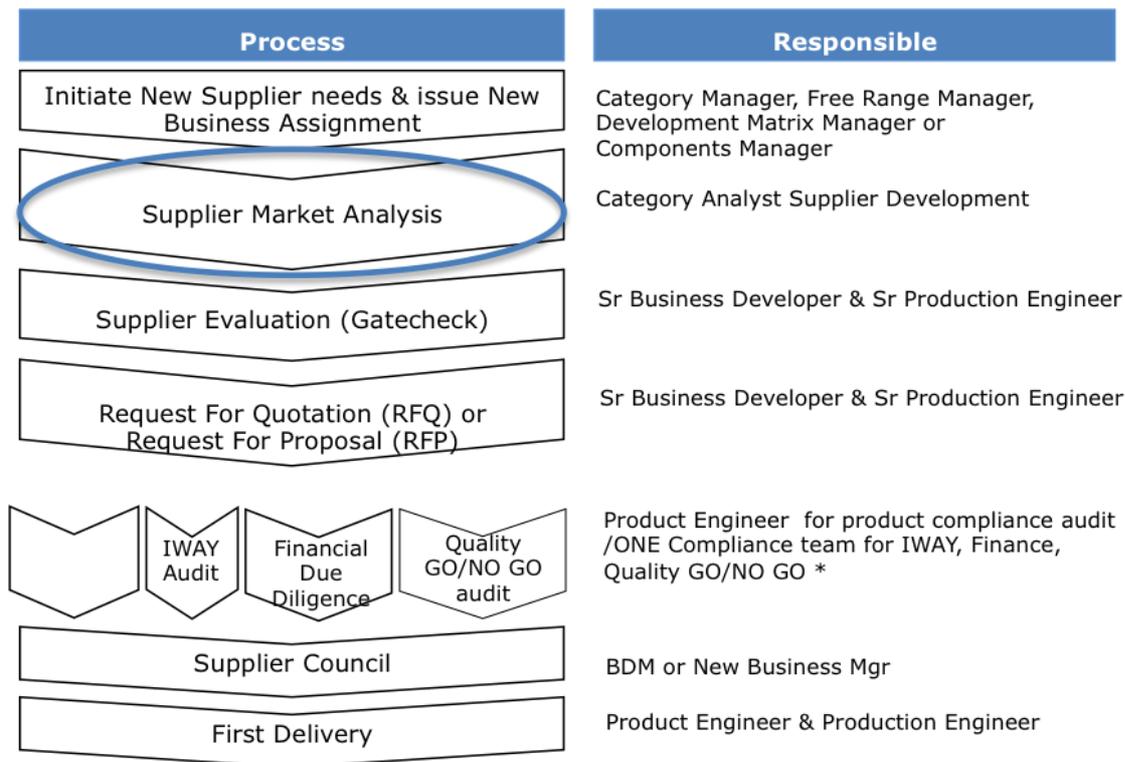


Figure 1 New Business Assignment – Start up of new supplier and development partners

There are some prerequisites that need to be made by the requesting organisation before start a Supplier Market Analysis:

- IKEA Offer -What we want?
- Current Sourcing -What we have?
- Value Chain Analysis - Which are the *key drivers*?

To note, Free Range and Development Matrix, their starting point is to check if the categories has requested supplier capabilities in current supplier base. If yes then use current suppliers, if not New Business can be assigned.

It is important to put the product in focus. IKEA Offer, Current Sourcing, Supplier Profile, and Value Chain Analysis need to be investigated to identify the business need and build the best set-up in order to maximize "IKEA Offer" and answer the question what do we want to have?

A good example where to set the analysis into a clear business context to understand these prerequisites is into the Supplier Development Process, see figure 2. If the prerequisites are

made and the need identified is in line with one of the purposes to be classified as a New Business Assignment, the project could be handed over to the New Business team that will execute the Supply Market Analysis.

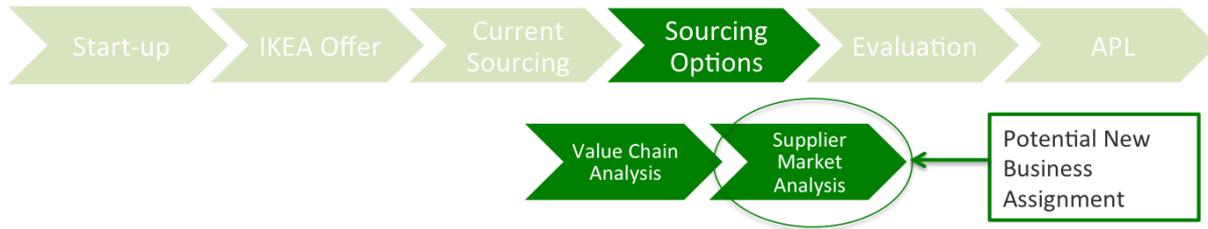


Figure 2Supplier Development Process

The Supplier Market Analysis consists of a Macro Analysis, Industry Analysis, and Supplier Mapping. Depending on the New Business Assignment not necessarily all steps in the process will be included. The three main activities will be shortly described:

Macro Analysis is performing to answer which country/region¹¹ in the world that has a strategy and incentives that gives the best potential for a specific business, based on the business’s key drivers. Before start any business in a country/region it is crucial to investigate the macro conditions that might have impact on IKEA business. The Macro Analysis helps to answer the question where is the “optimal” sourcing location?

Industry Analysis is conducted to understand a specific industry or segment, its competitiveness, and identify potential new technologies/materials/components that could match IKEA need. Also to understand the supplier perception of IKEA, map the main actors on the supplier market and verify the optimal set-up.

Supplier Mapping is done to find new potential suppliers or development partners. This is done when knowing ‘what we want to have where’, see figure 3. The mapping should be based on the “knock out” criteria set from the requesting organisation together with the supplier’s interest of becoming an IKEA supplier. This will end up in a “short list” of potential new IKEA suppliers or development partners.



Figure 3What we want to have where

¹¹ Region refers to a region in a specific country

2. Supplier Market Analysis Process

The Supplier Market Analysis process consists of five main activities: Start-up, Macro Analysis, Industry Analysis, Supplier Mapping and a Final Evaluation & Project Report. The process with its main steps and content is presented in figure 4.

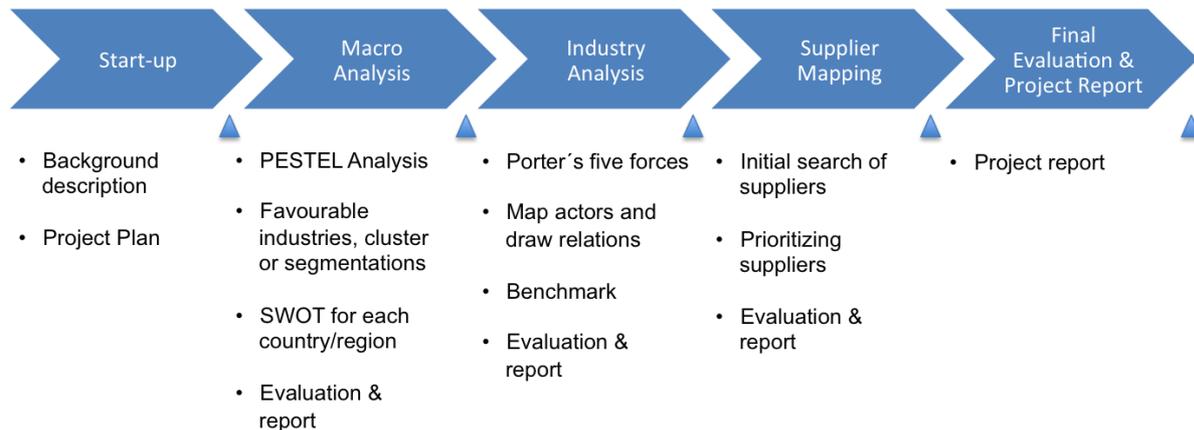


Figure 2Supplier Market Analysis process

The process can be seen as a guideline with some advices in each step. It is flexible and allows the user to be innovative and open minded to increase the possibility to find new markets and business opportunities. Depending on the specific project different aspects and criteria will be in focus. Some guidelines follows:

- Make sure the requesting organisation has done an enough fact-based analysis to identify the need
- Always have the product in mind
- Always relate back how things might impact IKEA business
- Make the process as simple as possible but as detailed as needed
- Each project is unique but learn from the past to facilitate the work
- Share the information and experience

A more detailed description of purpose, scope, and when it should be used etc. can be seen in table 2.

Table 2 Supplier Market Analysis process description

Supplier Market Analysis process description	
Purpose	Clarify and describe how to perform a Supplier Market Analysis; Macro Analysis, Industry Analysis and Supplier Mapping. Based on the New Business Assignment not necessarily all main activities in the process will be included.
Scope	A process describing the main activities including: sub activities, description, inputs, tools & sources, and outputs.
Lead by	New Business Manager (Senior Business Developer in a category, a Free Range Trader or a Senior Business Developer from the New Business team).
Performed by	Category Analyst Supplier Development in the purchasing operating area.
Project team members	Working on project basis employed only based on the business project need from HFB, Category, Purchasing Operations Area, PDC, Free Range, specialists, or external sources.
When to use	When Category, Development Matrix, Free Range, or a New Business team initiates a New Business Assignment.
Why use	Facilitate the work in identified market and business opportunities or act on identified and agreed market and business opportunities. Enable a comparison with the findings between the different POAs and increase the learning curve to be more efficient from project to project.

The process can be used differently depending on the project. For each project a start up and a final evaluation need to be made. The three other activities depend on the project. On a high level there are six scenarios that affect which activities to perform in the Supplier Market Analysis process, see table 3.

Table 3 Description of the different scenarios and which main steps to include in the project depending on the scenario

Nr.	Scenario description	Start-up	Macro Analysis	Industry Analysis	Supplier Mapping	Final Evaluation & Project Report
1	Increase market intelligence for one or several countries/regions and identify potential market and business opportunities.	X	X			X
2	Evaluate one or several countries/regions to find a country/region with the best potential for a specific business, based on the business's key drivers. Evaluate potential inventions in the industry and find how to use those to create a home furnishing innovation.	X	X	X		X
3	Evaluate one or several countries/regions to find a country/region with the best potential for a specific business, based on the business's key drivers. Evaluate the industry dynamic, its competitiveness, and potential inventions to match the requirements from the requesting organisation. Finally find potential new suppliers or development partners that fulfil the preconditions.	X	X	X	X	X
4	Evaluate potential inventions in the industry and find how to use those to create a home furnishing innovation.	X		X		X
5	Evaluate the industry dynamic, its competitiveness, and potential inventions to match the requirements from the requesting organisation. Finally find potential new suppliers or development partners that fulfil the preconditions.	X		X	X	X
6	Find potential new suppliers or development partners that fulfil the preconditions.	X			X	X

* Inventions referring to new technologies/materials/components

The first scenario could only be requested from the New Business team themselves and it is initiated when a lack of market intelligence on a macro level has been identified in a certain geographical area. This case does not need the same strict prerequisites as for the other scenarios, when the initiative instead comes from Category, Free Range, Development Matrix or Components.

In scenario 5 and 6, where the process does not start from the "beginning", there are additional prerequisites that must be fulfilled, see table 4.

Table 4 Additional prerequisites

Additional prerequisites:	
Industry Analysis	Identified business opportunities in an already made Macro Analysis report (within the last year) for the specific country/region that match the need from the requesting organisation
Supplier Mapping	Identified business opportunities in an already made Macro Analysis report (within the last year) for the specific country/region that match the need from the requesting organisation but then also identified industry potential and have an understanding of the industry dynamic from the Industry Analysis report related to the requesting organisation

2.1 Start-up

Input:

- New Business Order

Description

Make sure that a crystal clear need have been identified and decide which scenario that matches the need description from the requesting organisation. The start-up is about summarizing a background description of why the project has been initiated, relevant IKEA activity in the geographical market and a summary of useful past experience.



2.1.1 Background description

Input:

- New Business Order

Description

To start the executer needs to understand why the project has been initiated. Ask the requesting organisation which expertise that is recommended to contact for providing useful information regarding relevant key drivers and related aspects to consider for the project to facilitate the work. In some cases crucial information regarding the specific industry is also needed. Check if there are any other business team from other purchasing operation areas active here. If that is the case, take contact with the Category Manager who can give some information that exists from this area. The expertise could come from both internal and external sources. Gain knowledge from past experience to learn from previous success and failures, for example category specific challenges faced by similar markets but also to avoid double work.

Finally, it is important to make sure that the requesting organisation has done an enough fact-based analysis to identify the sourcing need and the key drivers of the specific project.

Output:

- Background description

2.1.2 Project Plan

Input:

- Background description

Description

Based on the background description a project plan should be created with clear purpose, scope, objectives, plan and organization etc. see Appendix 2. To note, it is crucial to include people with right competence and expertise in the organization. It is of importance in this stage to define the critical aspects to investigate in the Macro Analysis and the Industry Analysis. Also set the direction of the “knock out” criteria for the Supplier Mapping. They should be detailed enough to clarify what we look for and simple enough for being used. This will be different depending on the project. The New Business Assignment should be completed and conformed by the requesting organisation.

Output:

- Project plan
- New Business Assignment

Decision and discussion point

The first decision point should confirm the potential and sign off the deliverables from the start-up phase in terms of a handshake agreement between the requesting organisation and the project leader New Business - Business Developer:

- Project plan
- New Business Assignment

2.2 Macro Analysis

Input:

- Project Plan
- New Business Assignment

Description

The Macro Analysis will be made on a country/region level to increase market intelligence. It is important to understand the conditions that might impact IKEA business now and in a potential future. The analysis should indicate where in the world IKEA find the best potential, based on key drivers identified for the business, such as high dependency of raw material, labour/automation or high-energy consumption. The findings should be transformed into new business opportunities for IKEA. Some key questions that should be addressed in this step are listed in table 5.

Table 5 Key questions to consider in the Macro Analysis

Key questions to consider

- What are the major external environmental aspects that have impact on IKEA Business?
- What levels of impact do those these aspects have on IKEA Business?
- Are there any government incentives or are there any other supports for the particular business?
- Which are the most favourable industries?
- In what technology and innovation field do this country has a favourable position?
- Which materials in the country have a favourable position? Investigate the competitive advantages such as raw material access, industry leadership, and government incentives for R&D.
- Which alternative materials – ”non home furnishing materials” do the country have high availability of or high knowledge/competence that could be of interesting for IKEA Business. Examples of this could be biopolymers, composite materials, light weight materials, alternative to cotton, alternative to down & feather etc.



2.2.1 PESTEL Analysis

Input:

- Key drivers identified for the specific business

Search and analyse the environmental aspects that might have impact on IKEA business. The aspects should be investigated from two perspectives: the current state and the trend of the market. To know what information to collect and to cover all areas that can have a macro environmental impact, the extended version of PESTEL framework should be used, see figure 5. It is important to focus on the aspects related to the key drivers for the project. Some aspects must be studied from two perspectives, for example labour cost and labour productivity.

In the process the extended version of PESTEL framework divides the environmental aspects into nine categories: business, political, economic, social, technological, environmental, legal, ethic and infrastructure. Each category in the framework consists of a wide range of aspects that could affect the possibilities for success or failure for doing business in a specific country/region, from a macro perspective. PESTEL analysis gives an understanding of how to utilize the markets potential, such as how to use the different government incentives in the best way for IKEA business and then also how to allocate the product depending on its needs, for example low labour cost verses the level of industrialisation. It is important to always analyse the aspects from an IKEA business perspective: How does this impact IKEA business and can we take any advantage of this?



Figure 5. PESTEL framework extended version

As mentioned, every project is unique and the aspects to consider differ from case to case. It is still recommended to have a good overview of each of the categories. A more in detailed

description of each category can be seen in Appendix 3. The description should be seen as an inspiration of what could be of importance to investigate.

Desk research information sources, such as reports and webpages with high reliability that could be useful to gather market intelligence information can be seen in Appendix 4. An information sources list, consisting of some aspect with related webpage link where to find the information, can also be seen in Appendix 4.

Output:

- Summary of the information gained through the PESTEL analysis

2.2.2 Favourable industries, clusters or segmentations

Input:

- Summary of the information gained through the PESTEL analysis

Description

With help of the information gained through the PESTEL analysis a further investigation of favourable industries and non-favourable industries can be done. It is of importance to understand why an industry is favourable or not; is it because of the closeness to high availability of relevant raw material, close to a specific sales market or has it to do with the history and culture of the country? Also investigate if there are any industry-, competence-, or knowledge clusters. Is the country very successful in the use of a technologic innovation, industry sector, academic subject or any other successful appearances? If the market has any particular segmentation such as geographical, industry zones or others, they should be identified and presented. For example, it could be central or local government in a country or region that may steer what type of industry they want to have and what type they do not want to have in their country/ region.

Output:

- Favourable industries
- Non favourable industries
- Industry clusters
- Knowledge clusters
- Other type of market segmentations

2.2.3 SWOT for each country/region

Input:

- Summary of the information gained through the PESTEL analysis
- Favourable industries

- Non favourable industries
- Industry clusters
- Knowledge clusters
- Other type of market segmentations

Description

Identify the country's/region's strengths, weaknesses, opportunities and threats based on the PESTEL analysis and the summary of favourable industries, clusters and market segmentations. A summary with the major findings should for each country/region be presented in figure 6.



Figure 6. SWOT analysis

Output:

- SWOT analysis for each investigated country/region

2.2.4 Evaluation & report

Input:

- Summary of the information gained through the PESTEL analysis
- Favourable industries
- Non favourable industries
- Industry clusters

- Knowledge clusters
- Other type of market segmentations
- SWOT analysis for each investigated country/region

Description

Evaluate the findings and the results and consolidate this into a Macro Analysis report. Present the aspect and the findings in illustrated figures to get a good overview of the country's/region's business opportunities. The report should consist of summarized and highlighted findings, which could answer the question: What role this geographical market can play in total for IKEA business development and how can it contribute to a better IKEA?

Output:

- Macro Analysis report

Decision and discussion point

The second decision point should confirm the conditions in a country from a macro perspective. The next step in the process depends on the particular scenario.

Scenario 1:

Continue to the last step in the process 'Final Evaluation & Project Report'.

Scenario 2 and 3:

If the aspect related to the key drivers for the project set in the start-up phase, and general aspect for entering a country are met, the project will continue to the next step 'Industry

2.3 Industry Analysis

Input:

- Project Plan
- New Business Assignment
- Macro Analysis report

Description

An Industry Analysis is conducted to understand a specific industry or segment, identify new technologies/materials/components and understand how those can be used to create a home furnishing innovation. The information will focus on the industry dynamic and what is the perception of IKEA, map the main actors, their relations, and to verify the optimal set-up. Key question can be seen in table 6.

Table 6 Key questions to consider in the Industry Analysis

Key questions to consider
<ul style="list-style-type: none">• Is the industry favourable or not for IKEA to enter?• What is the supplier perception of IKEA on the supplier market?• How is the growth?• What is the capacity and demand situation in the industry? Are there free or limited capacities on the market?• Is IKEA the market leader in the category or segment of business? If IKEA is not the market leader, who is the market leader/key stakeholders?• Are there areas of monopoly/oligopoly in the value chain? Or Free competition?• Does the Government control land, licenses etc.? (Controls in land etc. can exert substantial bargaining power.)• Does any trade, consumer or environmental legislation have an impact on the competition in the market?• How do IKEA's best competitors behave? Do they have good solutions? (Input to optimal product? Input to optimal supplier? Optimal value chain?)• The used base material for the specific product on the market?• Industry development (specialisation and industrialization level)?



2.3.1 Porter's five forces

Input:

- Project plan
- New Business Assignment

Description

Porter's five forces will be used to get an understanding of the competitiveness in the industry and also give an overview of who are the main actors in the supply chain and the relationships between them. To note, if there are plenty of competitors it could be good to divide the industry into strategic groups with same characteristics, to facilitate the work.

The tool consists of five forces: the power of the buyer, the power of the supplier, rivalry among consisting firms, threat of substitute products, and threat of new entrants, see figure 7. The tool can be seen as a guide of what to consider, but not all aspects need to be investigated in the same extend, it depends on the specific project and its purpose. A more in detailed description of each force can be seen in Appendix 5. The description should be seen as an inspiration of what could be important to investigate. Additional questions that are valuable to consider can be seen in Appendix 6. The investigation consists of three cases with different actors placed in the middle of the Porter's five forces framework: IKEA, potential IKEA supplier, and potential IKEA sub supplier, and presented as illustrated in Appendix 7. The result will be summarised and each force will be assigned a specific score; high, medium or low, depending on how the specific force has been perceived from the investigation. This will give an overview of the main actors on the specific market and the competition in each level of the supply chain.

Finally, a conclusion should be drawn either the industry is good for IKEA to entry or not. This should answer the questions: Where are relations good for IKEA and where to build from strengths? Where are relations not good for IKEA?

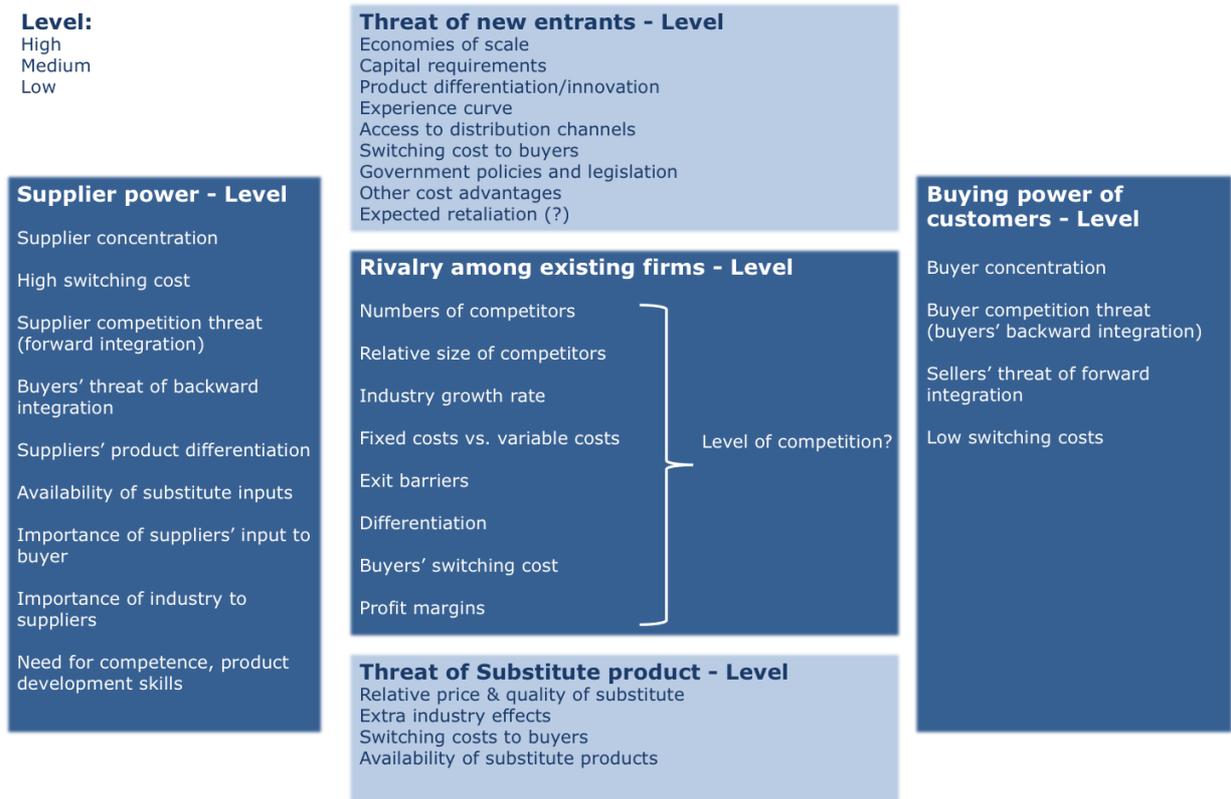


Figure 7. Porter's five forces framework

There are some recommendations of information sources for the data collection to increase the understanding of the industry up for investigation, see Appendix 9. They can be used both during the analysis of the competitiveness in the industry and for the next two steps in the process; the mapping of the actors in the supply chain and their relations and for the benchmark. The sources are in this case divided into desk and field research sources. The field research is in general more time consuming but most valuable source to gain reliable and useful information.

Output:

- Summary of Porter's five forces analysis

2.3.2 Map actors and draw relations

Input:

- Summary of Porter's five forces analysis

Description

Map the most relevant actors in the supply chain, their relations, and if there are already existing connections with IKEA.

The map should include: personal connections, IKEA suppliers, potential suppliers, production equipment suppliers, raw material supplier and other related suppliers.

This helps answering the questions: Who has the power and controls the supply chain? Where are relations good for IKEA and where to build from strengths?

Output:

- A mapping of the actors in the supply chain and their relations

2.3.3 Benchmark

Input:

- Summary of Porter's five forces analysis
- A mapping of the actors in the supply chain and their relations

Description

Based on the previous step that resulted in the mapping of the most relevant actors in the supply chain and their relations, a benchmarking should be performed on the most successful or interesting companies for IKEA. This is done to understand why they are competitive, how IKEA can learn from those and what to adapt. Also get inspiration for new technologies/materials/components and understand how those could be used to create a home furnishing innovation. Finally, investigate how the supply chain can be improved/redesigned to increase competitiveness.

Questions that are recommended to consider when doing a benchmark can be seen in Appendix 8. The information sources that can be used can be seen in Appendix 9.

Output:

- A list of potential new technologies/raw materials/new components that fulfil the requesting organisation's sourcing need
- A list of other valuable knowledge of how to improve IKEA business

2.3.4 Evaluation & report

Input:

- Summary of Porter's five forces analysis
- A mapping of the actors in the supply chain and their relations
- A list of potential new technologies/materials/components that fulfil the requesting organisation's sourcing need
- A list of other valuable knowledge of how to improve IKEA business

Description

Evaluate the findings and consolidate this into an Industry Analysis report. The report should consist of a summary of Porter's five forces for the specific industry to answer the question: Is it good or not for IKEA to start any relations here and where to build from strengths? Included should also be highlighted findings such as potential new or favourable technologies/materials/components that could be potential opportunities for IKEA business, and a mapping of the actors in the supply chain and their relations. The conclusion could be to just take inspiration from those findings, or continue with a Supplier Mapping, if the conditions in the industry is good for starting up business.

The main actors that the executer have been in contact to, having the shown motivation of becoming an IKEA supplier/development partner, or just identified as a new potential IKEA supplier/development partner, should be summarised into a list to be used further in the process.

Output:

- Industry Analysis report

Decision and discussion point

The third decision point should confirm the conditions in a country from an industry perspective. This is made between the requesting organisation and the project leader New Business - Business Developer. A decision is made if any additional analysis is required before continue or not. Next step depends on the scenario for the project.

Scenario 2 & 4:

Continue to the last step in the process 'Final Evaluation & Project Report'.

Scenario 3 & 5:

If the industry fulfils IKEA needs, clearly defined in the start up phase, the project will continue to the Supplier Mapping, if not the project will continue to the last step in the process 'Final Evaluation & Project Report'. To note, if continue to Supplier Mapping, contact the requesting organisation for eventually update the "knock out" criteria, if new findings and knowledge have arise in the Industry Analysis.

2.4 Supplier Mapping

Input:

- Project Plan
- New Business Assignment
- Macro Analysis report
- Industry Analysis report

Description

A Supplier Mapping is done to find new potential suppliers or development partners. The prioritizing of supplier should be based on the “knock out” criteria set from the requesting organisation, strategic fit together with the supplier’s motivation of becoming an IKEA supplier/development partner. This will end up in a “short list” of potential new IKEA suppliers/development partners.



2.4.1 Initial search of suppliers

Input:

- Project Plan
- New Business Assignment
- Macro Analysis report
- Industry Analysis report

Description

Develop a pre RFI including “knock out” criteria¹². A template for the pre RFI can be seen in Appendix 10.

The search of suppliers can be done both by a desk research and a field research, see recommended information sources in Appendix 11. It is preferable to start with the desk research, to get an overview of potential suppliers. This could be done very quickly with the

¹² ”Knock out” criteria are criteria the suppliers must have to become a potential IKEA supplier/development partner

inputs from the Industry Analysis report, where a mapping of the most interesting actors was done. In addition to the desk research list, identify local relevant sources that are trustable and updated. The desk research follows by a field research. This is more time consuming but recommended to get a better understanding of the suppliers willingness of become an IKEA supplier. Visit trade associations, technical fairs, and exhibitions are examples of how to do this, see appendix 11.

Based on the research, include potential suppliers in a 'gross list'.

Output:

- Supplier 'gross list'

2.4.2 Prioritizing suppliers

Input:

- Supplier 'gross list'

Description

Contact the suppliers in the gross list, explain the project and introduce IKEA, if not having been in contact with them already. If the suppliers are interested send them a pre RFI. A supplier visit can be necessary to clarify and complement the information of the suppliers from the pre RFI. Do a research to obtain information of the supplier's history and past performance, for example by contacting their sub-suppliers. An evaluation of the pre RFI is done, based on the "knock-out" criteria together with their motivation of become an IKEA supplier/development partner. The suppliers that match those requests are included in the 'short list'.

Output:

- Supplier 'short list'

2.4.3 Evaluation & report

Input:

- Supplier 'short list'

Description

The 'short list' needs to consist of a summary of the qualified suppliers' answers from the pre RFI together with an evaluation of those. If there are none suppliers that fulfil the minimum criteria or that the industry is not able to handle the IKEA need, an evaluation of setting up a Green Field Project could be decided in the specific country/region, if it is favourable for IKEA to start up any business here.

Output:

- Supplier Mapping report

Decision and discussion point

The fourth decision point should confirm the 'short list' of suppliers. The requesting organisation and the project leader New Business - Business Developer should agree on that enough of information regarding the suppliers exist to be able to continue in the process, or if some additional information is required before continue.

Continue to the last step in the process 'Final Evaluation & Project Report'.

2.5 Final Evaluation & Project Report

Input:

- Macro Analysis report
- Industry Analysis report
- Supplier Mapping report

Description

Highlight and summarize the general findings from the main activities performed and consolidate this into a project report. This should consist of the Macro Analysis report, the Industry Analysis report and the Supplier Mapping report.

The project report will consist of new market and business opportunities on three different levels:

- Macro Analysis - Country/region
- Industry Analysis - Category based
- Supplier Mapping - New potential suppliers/development partners

Output:

- Project report

Decision and discussion point

The result should be discussed between the requesting organisation and the project leader New Business - Business Developer, and they together need to decide how to continue with the result. This need to be done to make sure that the Supplier Market Analysis work will lead to start up business. The final project report is handed over to the requesting organisation and the project leader New Business - Business Developer. To note, it is not until the project report is handed in the project is completed. This is a documentation that should be available internally within IKEA and especially to each of the nine New Business teams in the purchasing operation areas.

If decided to continue in the process '*Start up of new supplier and development partners*' the project report is also handed over to Sr Business Developer and Sr Production Engineer, who will continue the process by evaluating the suppliers in the 'short list'.

Appendix

Appendix 1: New Business Order



New Business Order

Project team	Project sponsor:			
	New Business Project leader:			
	Category Business Developer:		Time allocated:	
	Production Engineer/product engineer:		Time allocated:	
	Other project member:		Time allocated:	
Sourcing scope & Goal	Supplier number required:		Sourcing area:	
	Sources for gross list:		Reason of assignment:	
	Sourcing goal:		RFQ rounds	
	If CBD/value chain provided Y/N?		SDP assessment needed Y/N:	
	Strategic context of the project			
Business segment	Category Business Totality Overview			

Sourcing Criteria	Supplier proven capacity and capabilities as preconditions	
	Supply chain set up	
	Production set up	
	Others if have	
	Wished Position ("good to have", no entry barrier to qualify as new IKEA supplier) Current Supplier Level	
	Integration supply chain	
	New Technology than normal industry practice	
	Equipment unique to IKEA	
	Others if have	

Roles & Responsibility within New Business Assignment:

Project Sponsor:
 Project Leader:
 Project Team:

Appointed New Business Developer : _____ Date
 to be identified

Signed off by New Business Manager : _____ Date

Signed off by New Business Assignment Initiator (Category, IKEA Components, Free Range or Development Matrix) : _____ Date

CC: Purchasing Operation Manager
 CC : Category Manager
 CC: Free Range Manager
 CC: IKEA Component Manager
 CC: Development Matrix Mgr/POC Manager

Appendix 2: Preliminary Project Plan

Preliminary Project Plan	
Overview of the project	
Project Name	
Project assigner in IKEA	
Project Leader in IKEA	
Team Responsibilities	
Assignment date	
Project scope and objectives	
Purpose	
Scope and limitations of the project	
Objectives	
Deliverables	
What impact do the result has for IKEA business	
The country up for investigation	
Budget frame for the project	
Preliminary deadline	
Preliminary timeline	
Project start and expected finished date	
Breakdown of the project: main phases and milestones	
Prerequisites and assumptions	
Summary of background description	
Other requirements and potentials to pay attention to	
Potentials risks	
Known potential deal-breakers	
Musts that cannot be overridden	
Other wishes	
Other relevant information	

Appendix 3: Extended version of PESTEL framework

Business	
The Global Competitiveness Index	Analyse the competitiveness index for the countries/regions up for investigation. This will give an indication of the competitiveness of the country/region and enable a comparison with other countries. <i>“Competitiveness is defined as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by a country.”</i>
Ease of making business	Ease of doing business with a country gives an indication of how it is easy/hard it is to start up business in the country, getting credit, trading a cross borders, and if it is a green field project add information how it is to starting a business and dealing with construction permits etc.
Country perception of IKEA and	Understand the perception of IKEA in the country.
Competitor monitoring	Identify IKEA main competitors on the specific geographical market.
Political	
Political stability	How is the political situation in the country?
Country/Region direction	Define any overall direction from IKEA or the governmental of the country? Identify also some more specific government policy such as: <ul style="list-style-type: none"> • Government incentivesfinancial support for industries • Government incentivesnational funding • Government incentives for special economics zones
Employment steering	Is the government steering towards investment of labour intensive production or not. E.g. is the value added defined as company turnover per headcount?
Tax incentives	Have the government any tax incentives?
Corporate tax rate	How does the tax structure look like for the country and how do this affect IKEA business? Then also analyse for example the countries: <ul style="list-style-type: none"> • Labour tax and contributions • Income taxes • Social security tax
Trade Agreements	Do the country have any Free Trade Agreements (FTA), if so with whom? Has the country any other relevant trade restrictiveness?
Union/international organisations support	Then finally do the country have any support form a union/international organisations such a EU found or similar?

Economical

Financial steering (CPI)

Investigate the financial steering; Consumer price index indicates the changes in price level. How does the fluctuation look like during the last years? Also look into aspect such as:

- Macro economic stability
- GDP
- Country Credit Rating
- PMI (Purchasing Manager Index)
- Public Debt % of GDP
- Interest rates
- Country Credit Rating

Foreign Direct Investments

A key driver for international economic integrations. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies

Currency development

What is the dominant purchasing currency, the currency fluctuation during the last years? Exchange rate to EURO/USD?

Energy and power cost

How does the energy and power cost look like in the country:

- Cost of electricity
- Electricity price for industry per country

Labour cost development

This aspect looks at salary trend the next years. Do the country has any goals, e.g. any direction for automation level?

- Labour cost per hour in different segments: business economy, industry, construction, and service
- Wages and salaries
- Productivity per worker
- Change of company labour cost (%)
- Number of working days per year
- Working hour per day
- Labour availability
- Minimum wages and the perception to be employed for this wages
- Unemployment rate

Transport cost development

Analyse the transport cost and also find the break-even point (point of gravity) between the logistic cost and labour cost. Where is the optimal location?

Social

Population & culture aspects

Get an overview of the country's population, total area, differences in time zones, and differences in climate zones. Look into relevant differences in culture aspects, e.g. communitarism vs. individualism, and also identify religion, ethnic groups, and languages etc.

Life expectancy

What is the life expectancy in the country?

- Age structure
- Labour age structure

Labour education

The level of academic education. This could vary from different regions in a country.

Cost of Living Index
OECD Better Life Index
Hofstede index, HDI (Human development index?)

Investigate soft aspects such as cost of living index, better life index, and human development index. These indicators will give an overview of the country's development situation.

Technological

Corporate profit tax incentives for R&D

Analyse the technological development and see if the government support R&D development and do the country have any international highly ranked industry university in the country/region?

Rate of technological incentives

Does the government have any other technological incentives?

Automation level

How does the automation level look like in the industry in general?

Technical innovations

Has the country any specific successful technical innovations?

Environmental

Sustainability development

How is the residents view on sustainability (any special concerns)?

Nature disaster

Have any scandals or natural catastrophes in the country occurred lately? Are there any specific exposed areas?

Share of renewable energy in gross final energy consumption (%)

How much of the energy consumption is renewable?

Raw material availability and development

Which are the key raw materials. Look at both price and availability trends for the country.

Regulations

How does the regulation look like regarding for example waste or pollutions?

Legal

Employments laws	How are the legal settings in the country when it comes to employment? For example does the country has much illegal labour forces?
Newly changes in legislation	Are there any newly changes in the legislation that affects the business or the development of the country?
Restrictions	This could affect the structure and the business competitiveness in the country
Mergers and acquisitions of company	

Ethics

Business ethics	How do the government work with corruption and violations of human rights?
Corruption perception index	What is the level of corruption in the country? Does the government work to prevent this?
Use of child labour	What is the level of use of child labour?
Compliance to equal opportunities	For example gender equality and similar opportunities independent of culture.
Human rights	How do the government work with violations of human rights?

Infrastructure

Important hubs	Where are important hubs located?
Railway infrastructure	What is the quality of railway infrastructure?
Roads system	What is the quality of the road system?
Seaports	Has the country any important ports?
Bordering countries	Which are the bordering countries?
Trading partners	Does the country have any specific trading partners?
Major Industries import and export	Investigate the import and export statistics of the country

Appendix 4: Information sources for the Macro Analysis

Information Sources	
Business	WEF_GlobalCompetitivenessReport
	Doingbusiness.org
	Global Manufacturing Competitiveness Index Business Monitor
Political	Worldbank.org
	Doingbusiness.org
	Tradingeconomics.com
	Data.worldbank.org
	Ec.europa.eu
	Trade publications
	International Trade Centre
	National Statistical Institute/departments
	Business Monitor
	EMIS database
	European Commission – Transport
Economical	Global competitiveness report Business Monitor
	Standard & Poor’s Rating of Finance
	Ministry of economy
	World bank
	National Statistical Institute/departments
	Business Monitor
	EMIS database
	oecd.org
Timeanddate.com	
Social	Eurostat Poplationpyramid.net
	Eurostat
Technology	Eurostat

Environmental	World bank
Legal	
Ethics	OECD UNDP- Human Development Reports Mercer.com Geert-hofstede.com Transparency.org
Infrastructure	World bank National Statistical Institute/departments Custom database and declaration Export Data Base Import Data Base Specific ports export/import information e.g. shipping company European Commission - Transport

Hard facts	Source
The Global Competitiveness Index	WEF_GlobalCompetitivenessReport
Labour: Pay and Productivity rank out of 148	
Ease of access to loans	
GDP per capita (US\$)	
Inflation (CPI)	
Quality of railroads infrastructure	
Quality of road system	
Corporate tax rate	http://www.doingbusiness.org/data/
Ease of making business (out of 189 countries)	
Starting a business (out of 189 countries)	
Labour tax and contributions % (Total tax rate (% profit))	
Social security contributions (tax base gross salaries)	
Dealing with construction permits	
Time for building permit (days)	
Property tax (Total tax rate (% profit))	
Getting electricity	
Time to get access to energy at a new site (days)	
Manufacturing competitiveness	Global Manufacturing Competitiveness Index
Total tax rate (% profit)	http://data.worldbank.org/indicator/
Country Credit Rating	http://www.tradingeconomics.com/country-list/rating
Political stability	http://info.worldbank.org/governance/wgi/index.aspx#reports
VAT rates (%)	http://www.vatlive.com/vat-rates/international-vat-and-gst-rates/
Quality of electricity supply	WEF_GlobalCompetitivenessReport
Corruption perception index (rank/score)	http://www.transparency.org/country
Number of working days per year	http://www.timeanddate.com/date/workdays.html

Soft facts	Source
OECD Better Life Index	http://www.oecdbetterlifeindex.org/
UNDP- Human Development Reports	http://hdr.undp.org/en/data
Cost of Living Rankings	http://www.mercer.com/press-releases/cost-of-living-rankings
Hofstede Center (Culture aspects)	http://geert-hofstede.com/index.php

Appendix 5: Porter's five forces

The threat of new entrants	
Economies of scale	Players with large-scale production will make it more difficult for new players to enter the market.
Capital requirements	
Product differentiation/innovation	Players with high investment requirements will make it more difficult for new players to enter the market.
Experience curve	
Access to distribution channels	This barrier will reduce the competition and the threat of entry. Often do differentiation increase customer loyalty.
High switching cost to buyers	Players with high level of experience will make it more difficult for new players to enter the market.
	Can depend on both customer and supplier loyalty but also that some industry has the control over the network through vertical integration.
Government policies and legislation	Can exist when a buyer wants to change supplier. This will increase the buyers' dependency of the suppliers and the threat of entry decreases. If a buyer is brand loyal this will decrease the threat of entry.
Expected retaliation	Such as tariffs, local taxes, trade restrictions to safeguard domestic industry, and other regulations. Also patent protection.
	Consider the battle resistance that existing organizations have to prevent other players to enter the industry; such as it would be too costly to entry. The retaliation could take form as a price war.

The threat of substitute product

Relative price & quality of substitute

Even if the substitute is more expensive it still could be considered as a threat if it provides performance that is of value for the customer.

Extra industry effects

Refer to the core of the substitute, the product or service outside the industry. This distinction is made to force managers to also look outside the industry to identify potential threats.

High switching costs to buyers

Can exist when a buyer wants to change supplier. This will increase the buyers' dependency of the suppliers and the threat of entry decreases.

Availability of substitute products

Available substitute products currently or under development that could be considered in the future.

Supplier power

Supplier concentration

Few suppliers increase the negotiation position for the suppliers. Are there areas of monopoly/oligopoly in the value chain? Or Free competition?

High switching cost

Supplier threat of forward integration

This will increase the buyers' dependency of the suppliers meaning the power of the supplier will increase.

Suppliers' product differentiation

If the suppliers are able to perform a forward integration and cut out the buyers, the power of supplier will increase.

Importance of industry to suppliers

If the supplier has a product differentiation (an unique product popular among the buyers) its power will increase.

Need for competence, product development skills

If a supplier is producing to several different industries, their power will increase, due to less dependency on one particular industry.

If the firms require high competence from the suppliers, the power of the suppliers that have the requested skills will increase.

Buyer power

Buyer concentration

If just a few larger customers stands for the majority of the sales, it will increase the power of the buyers.

Buyers' threat of backward integration

If the buyers are able to perform a backward integration and cut out the suppliers, the power of buyer will increase.

Low switching costs

This will increase the power of the buyer. It is when the buyers effortlessly can change one supplier to another.

Buyers' profit margins

Buyers' use of multiple sources

If the buyers have several firms to buy from, their power will increase.

Importance of product to the buyer

If the buyer is dependent on a specific product, the power of the buyer will decrease.

Buyers' volume

A higher volume will in general increase the bargaining power of the buyer.

Rivalry among existing firms

Numbers of competitors

In general the more firms the higher competition.

Relative size of competitors

If the players in the same industry are of equal size, this increasing the risk rivalry between the particular players.

Industry growth rate

This affects the rivalry between the competitors. If an industry experiences a decreasing growth rate this often lead to an increased price competition among the competitors together with a lower profit.

Fixed costs vs. variable costs

Fixed costs will in industries drive companies to find ways to increase their sales volume to spread out these costs. As a result the rivalry in the industry among the competitors will increase.

Exit barriers

If high, such as closure or disinvestments, this will lead to strong rivalry especially in a decreasing growth rate in the industry.

Low differentiation

Low differentiation in an industry often results to just a price competition between the competitors, a higher rivalry. The customers easily switch competitor where the reason is based on the price.

A low profit margin indicates a high competition.

Profit margins

A low diversity will increase the competition.

Diversity of competitors

Strategic stakes

Appendix 6: Questions to consider –Porter’s five forces

Questions to consider - Porter’s five forces

- Who are the main competitors for IKEA?
- Which are the main players on the supplier market? (From raw material manufacturer to producer)
- How many suppliers are there in the market and what is the size of the total market in terms of dollar sales or volume?
- From which suppliers are our IKEA retail competitors buying?
- What is the supplier perception of IKEA on the supplier market? What strengths to build on? What to be improved and addressed?
- What is the capacity and demand situation in the industry? Are there free or limited capacities on the market?
- How is the growth?
- Is IKEA the market leader in the category or segment of business? If IKEA is not the market leader, who is the market leader/key stakeholders?
- Are there areas of monopoly/oligopoly in the value chain? Or Free competition?
- How cooperative, or how hostile, are suppliers towards one another? Is there a possibility of collusion?
- Are there many new entrants in the industry and in the region? Or exits?
- What is the learning curve in the industry?
- Does the Government control land, licenses etc.? (Controls in land etc. can exert substantial bargaining power.)
- Does any trade, consumer or environmental legislation have an impact on the competition in the market?
- What is the basis of competition between suppliers in the market—for example, price, service, quality or other factors?
- Are there any dominant supplier(s) in the market? (For example, a dominant supplier may be one that leads in price changes or the release of new models.)
- Has there been any consolidation in the market in the number of suppliers (horizontal integration)? Alternately, are there many new suppliers entering this market?
- Are there any cartels and unions among the suppliers?

Appendix 7: Map of main actors in the industry

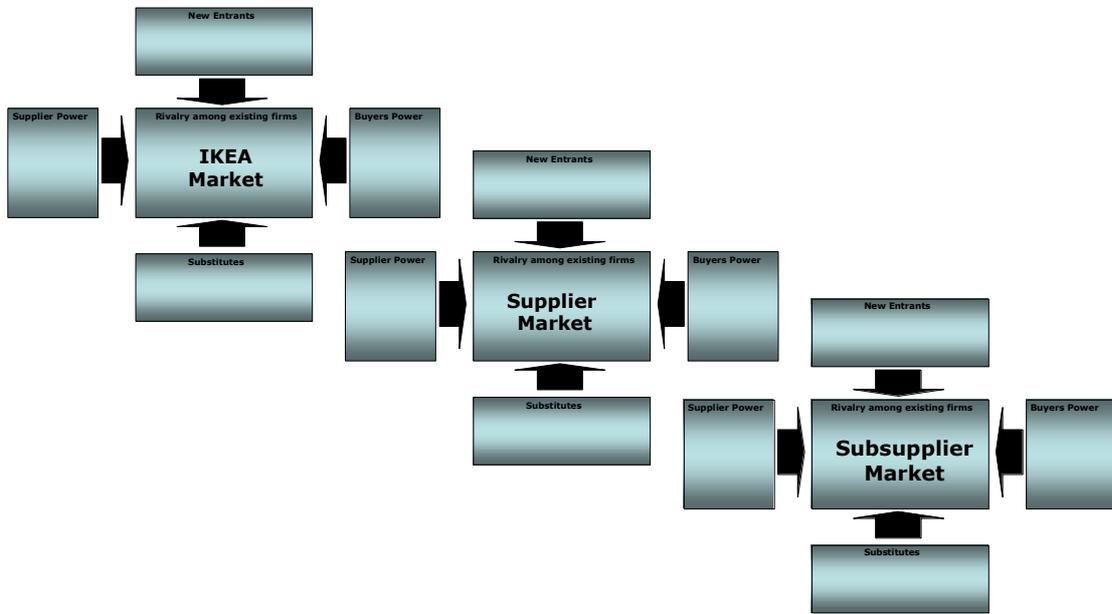


Figure 3 Drawn relationships between the main actors in the supplier market

Appendix 8: Questions to consider - Benchmark

Questions to consider - Benchmark

- How do IKEA's best competitors behave? Do they have good solutions? (Input to optimal product? Input to optimal supplier? Optimal value chain?)
- What are IKEA's main competitors buying behaviour and conditions? (E.g. consequences with non-compliance, purchasing year cycle, engage suppliers in new material and innovations, product development)
- Competitors retail prices?
- The used base material for the specific product on the market?
- Available suppliers knowledge?
- Manually or automatically production?
- Raw material supply, price, and trend?
- Transport solution?
- Business experience?
- Labour cost in the industry?
- Quality?
- Workforce key competences?
- Operation cost?
- Cost effectiveness and flexibility?
- Industry development (specialisation and industrialization level)?

Appendix 9: Information sources for the Industry Analysis

Information Sources	
Desk research	<ul style="list-style-type: none">• European Services• Industry register• Customs• Export/import register/links• Broadcast media• Magazines• Refer to past researchers and market studies etc.• National News & Media Publications• Trade Publications• EMIS database• Business Monitor• Euromonitor• Other Internet search engines research providers•
Field research	<ul style="list-style-type: none">• Suppliers e.g. machine producers, raw material producers, and other key stakeholders in the industry• Competitors• Quality assurance auditors• Buy products from potential supplier to see the quality• End-users of the products• Visits fairs and exhibitions• Industry experts such as journalists and industry associations, e.g. approach trade associations• Agencies or consultant companies• Internal competence e.g. material and technique development at IKEA• IKEA Industry• IKEA Transport• Networking friends/Co-workers

Appendix 10: Pre RFI

Template Pre RFI			
General Information	Supplier name		
	Address	Headquarter	Production site/s
	Your business model	Business idea	
		Values	
	Yearly turnover (EUR)	2013	
		2014	
		Est. 2015	
		Est. 2016	
	Company structure (private, public, Ltd., Inc.)		
	Ownership		
	Contact person (name, function, phone, email)		
	Are you open to share your financial documents?		
	Are you open to share your cost brake down?		
	No. of employees	Direct	
		Indirect	
	Share of your main products (% of sales)		

	Share of main market segments (% of sales)		
	Share of your customers (% of sales)		

Production Capability	What kind of material do you process?	Material	% of total production	Consumption (m3, tonnes) per year
	Material processing (please describe process and specify line)			
	Assembling	What type of assembling do you have?		
		Manual or automated? What type of the machines do you operate?		

	Packaging	Types of packaging materials used (cardboard, pallets, shrink film, etc.)	
		Manual or automatic?	
		Number of lines and type of machines	
	Transport to customers	Own trucks or external?	
		Number of trucks loaded/week	
Commercial	Share export/domestic		
	Main export markets		
Purchasing	Share Europe/ non European (% of purchase value)		
	Main raw materials suppliers		
Quality	Do you have Quality Certifications?		
	Are you FSC certified? % of sales (if applicable)		
Planned investments: value, type of investment and impact on turnover	2015:		
	2016:		
	2017:		

Appendix 11: Information sources for the Supplier Mapping

Information Sources

Desk research

- Internet research e.g. panjiva.com
- Newspapers and different forums
- Back track export statistics to find potential suppliers
- Media
- Magazines
- Supplier portal
- Supplier data base
- Different associations e.g. trade associations, commercial associations, industry associations
- Announcing proactive for suppliers in newspapers

Field research

- Sub suppliers, e.g. machinery/raw material/component suppliers (their customers could be potential IKEA suppliers)
- IKEA suppliers
- Network within IKEA, e.g. purchasing people that might have worked with those suppliers before
- Analyse competitors (go to other retailers, look at the name tag and see if the producers name is stated)
- Exhibitions and fairs for the specific industry but also for other industries to find connections to IKEA business
- Networking friends/Co-workers
- Competitor research
- Local agencies