

Nobody Puts IKEA in the Corner

MANAGEMENT DECISIONS

The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

We believe that we can be both circular and earn money.

Our ambition is to find new business models.

- IKEA Circular Business Manager, Interview in February 2022

The management at IKEA has realized that consumers are becoming increasingly more interested in circular solutions. Implementing these, is thus vital in order for IKEA to stay relevant. IKEA declared their most important sustainable deliverables in 2022 as the Sustainable Living Shop & Circular Hubs.

The “Circular Hub” is a development of the Bargain Corner. IKEA announced the Circular Hub (“Cirkulärbutiken” in Swedish) in a press release in March of 2021. The aim of the Circular Hub is to take care of old IKEA furniture and give them new life and thus extend IKEA product’s life cycles. The new Circular Hub also acts as a place where consumers can get inspired to lead more sustainable lives within the boundaries of the planet. This is achieved through consumer-employee interactions and events that take place in said Circular Hub. One example of an event held was “Papperian” where IKEA encouraged children to make arts and crafts with material mainly consisting of old cardboard from packages, old price signs and old books.



EXHIBIT 1 - CUSTOMER EVENT HELD IN THE CIRCULAR HUB

The red discount signs of the Bargain Corner have changed to the Circular Hub’s wood shavings and green color to more clearly associate the area with IKEA’s sustainability initiatives. The products sold in the Circular Hub are more organized and have a stronger focus of highlighting their products, with the aim to inspire their customers.



EXHIBIT 2 - THE CIRCULAR HUB IN A SWEDISH IKEA STORE

In terms of roll-out, the Circular Hub became a permanent part of the IKEA concept. Throughout the spring of 2021, the Circular Hub opened in all Swedish stores and Circular Hubs were implemented in 26 markets during the remainder of 2021. Then, Circular Hubs will open in all IKEA stores worldwide.

In Autumn 2021, they launched an online solution for products from the Circular Hub, enabling customers to get their second hand furniture from www.ikea.se. This continuation of the Circular Hub in response to customer feedback that they wished to know what products were available before visiting the store. With the online solution, customers can view the second hand products online, reserve them and then pick them up at the specific Circular Hub.



EXHIBIT 3 - PRODUCTS FROM MALMÖ CIRCULAR HUB ON [WWW.IKEA.SE](http://www.ikea.se)

Since the launch of the circular store, some IKEA warehouses have also tried the concept of auctioning out second hand furniture from the circular store, both online and in store as an event.

IKEA is consistently exploring new solutions to care for and pass on furniture, which they hope to involve their consumers in. These solutions are currently being explored by their Strategic Sustainability Council. One of such solutions is offering spare parts, which IKEA has provided 14 million of to 260,000 customers thus far. In connection

with the Circular Hub, IKEA rolled out Spartacus, a program that maps out spare parts and allows for the sharing of spare parts across IKEA stores. The most occurring spare parts are possible to order, but there is a large amount that aren't. Previously, if a customer was missing a part that was not possible to order, IKEA employees would have to open an untouched package to gather the missing part. Now with Spartacus it's possible to easily see which stores have the spare part in stock and order it from them.

An alternative solution IKEA is testing out to become circular by 2030 is a buy-back service, launched on 'Buyback Friday', a play on discount holiday Black Friday. In 2021, 155,000 pieces of furniture were bought back through their buy-back service. Buy-back is available in 26 of the markets IKEA operates within. Customers can sell their used furniture by submitting the product to an online evaluation system from which they receive a price suggestion. Customers then bring the product along with the price suggestion to their nearest warehouse that they then receive in-store credit for. All items must meet a certain standard and items that cannot be resold are donated or recycled. The items that are eligible for the buy-back service are "dressers, bookcases and shelf units, small tables, cabinets, dining tables and desks, chairs and stools without upholstery, and chests of drawers". The items are then sold in the Circular Hub.

EXHIBIT 4 – BUY-BACK VALUE OF PRODUCTS

Condition	Percentage of Original Price
New	50
Very good	40
Well-used	30

Similar to 'BuyBack Friday', IKEA launched a campaign by the name of 'Green Friday'. 'Green Friday' encouraged customers to bring in their used products. In exchange, they would receive a voucher to buy something new. IKEA also promoted the second hand objects to other customers visiting the website or the warehouses.

In November of 2020, IKEA opened ReTuna. ReTuna is a refined second-hand store in Eskilstuna, Sweden, that exclusively sells refurbished pre-owned IKEA products. The intention with the project was to give IKEA furniture a second chance. Along with the project of buy-backs, IKEA is investigating the quality of their products as well as consumers' intentions of donating and buying second hand IKEA furniture. ReTuna is a temporary project and is planned to remain open until the end of 2022.

In terms of competition, IKEA does not believe in positioning themselves as the sole sustainable option. The company appreciates all efforts being made in order to improve the state of the planet, including those of competitors, such as second hand stores. "We want as much as possible to be recycled, and we know that we sell a lot. We are very happy for all the second hand stores so we only have a positive view

that as much as possible is reused.” This approach to IKEA’s competitors goes in line with their fourth commitment to sustainability, ie. To join forces with others.

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