

Nobody Puts IKEA in the Corner

TEACHING NOTES

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.

What follows are Teaching Notes, a comprehensive plan with suggestions as to how to teach the *Nobody puts IKEA in the Corner* case. The Teaching Notes were created with the goal of guiding an instructor to a more effective and engaging case teaching. Through the Learning Objectives, it will become clear to participants the significance of learning about Corporate Brand Management and Reputation through this particular case. The Teaching Notes contain a Case Synopsis, the Learning Objectives, a Teaching Suggestions, Discussion Question, Epilogue and Rationale for Evergreen Case and lastly Reflections on Case Writing.

Case Synopsis

IKEA is an international furniture retailer with a presence in 63 markets and operating with a franchise business model. With the mission of providing furniture to all people and the ambition to become climate positive by the year 2030, IKEA faces many opportunities and challenges.

The Bargain Corner is a part of the IKEA concept, and is located at the end of the IKEA store. The Bargain Corner sells discounted products that cannot be sold as part of IKEA's regular product range. The area looks disorganized and utilizes red signs to attract customers right before the check-out. This case focuses on how IKEA can develop their Bargain Corner concept and aims to make the students discuss how this initiative can contribute to IKEA becoming, and being perceived as, more sustainable.

Management Question: *How can IKEA develop the Bargain Corner concept in line with their sustainability ambitions?*

IKEA developed the Circular Hub from the Bargain Corner concept. The Circular Hub is located at the same place as the Bargain Corner was. In the transition from Bargain Corner to Circular Hub, the brand profile has gone from having the discounts as the focal point, to putting the environmental aspects in the spotlight. Along with the Circular Hub, other innovative services such as buy-back and the spare parts technology Spartacus were launched.

Learning Objectives

To begin the case study, we recommend all participants to complete two SWOT analyses, one for IKEA and one for the Bargain Corner. Like in any case, this ensures that all participants are on the same page and have understood the case. Depending on the outcome of the SWOT analyses, the participants will have a good understanding of whether a change is necessary for IKEA’s Bargain Corner, according to internal strengths and weaknesses, as well as external opportunities and threats. Below, you can find examples of potential SWOT analyses for IKEA (**Exhibit 1**) and the Bargain Corner (**EXHIBIT 2**).

Strengths	Weaknesses
<ul style="list-style-type: none"> • Clear vision • Well-known and strong corporate brand • Unique business model • Large influence on suppliers 	<ul style="list-style-type: none"> • ‘Wear and tear’ reputation • All changes are difficult to implement at brand level • Quality control difficult with franchises • Weak position outside of Europe
Opportunities	Threats
<ul style="list-style-type: none"> • Retail sales increased with 5.8% between FY20 and FY21 • Growing demand for low priced products • Increasing investment in sustainability matches consumer’s demand for transparency around corporations’ CSR activities • E-commerce platform 	<ul style="list-style-type: none"> • Trade-Off between sustainability and price • Growing trend to live in city centers make IKEA stores difficult to reach

EXHIBIT 1 - EXAMPLE OF SWOT FOR IKEA

IKEA and the Triple Bottom Line

We can see that IKEA’s sustainability policies actively follow Elkington’s (1994) theory of the Triple Bottom Line. The Triple Bottom Line (TBL) refers to Planet, People and Profit (Roper & Fill, 2012). IKEA themselves say “Nothing we do is simply for the environment. We do it for the customer, for the environment and for IKEA.” The difference here is that TBL’s People refers to ethical labor practices, whereas IKEA refers to the customer’s increasing demands for circular solutions to be reflected in the Bargain Corner. Profit, for IKEA, is demonstrated through viability in their decision-making. The goal from the development of the Circular Hub is to partially contribute to circularity but also to profit. IKEA does not believe that these two motivations are exclusive.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Popular by customers and IKEA Hackers • Location encourages impulse buying • Minimizes stores costs because the products would otherwise be discarded, which is brings additional costs too • Long heritage and well-known 	<ul style="list-style-type: none"> • Looks disorganized • Low quality products are put on display in the Bargain Corner, causing unfavorable associations for IKEA's general product range • Customers can only view products in Bargain Corner at store, which does not line up with increased online sales trend • Customers cannot predict what items will be found in the Bargaining Corner, removing IKEA from the customers research stage in the buying process • 'Bargain' comes with certain connotations that don't align with IKEA's current brand
Opportunities	Threats
<ul style="list-style-type: none"> • Aligns with IKEA's circular ambitions since products are given second chance • There is a purpose for a Bargain Corner at every IKEA store, regardless of market or customer demographic • Reinforces the perception that IKEA makes furniture for <i>all</i> people at a different price range than regular products • Opportunity for developing new concepts • Second-hand furniture market is increasing rapidly • Affordability is becoming a key factor when making purchase decisions 	<ul style="list-style-type: none"> • During a pandemic, customers cannot access Bargain Corner products • Bargain Corner contributes to IKEA's 'wear and tear' reputation • With the addition of the return policy, IKEA risks increasing costs if products are returned • Increasing online sales

EXHIBIT 2 - EXAMPLE OF SWOT FOR THE BARGAIN CORNER

IKEA Identity Matrix

IKEA scores highly on RepTrak, a measure of corporate brand reputation. IKEA's reputation casts a favorable halo on all corporate activities, including the Bargain Corner. However IKEA's management has stated that they are continuously fighting their image of being a 'wear and tear' brand. To understand if (and if so - how) the

Bargain Corner impacts IKEA’s brand identity, the Corporate Brand Identity Matrix (CBIM) can be applied. This matrix consists of nine interrelated elements that make up the corporate brand identity. These elements are organized into three categories depending on their orientation - external, internal and core. When the core is mirrored in all the elements and vice versa, a brand can be described as coherent and strong (Urde, 2013). We propose the following CBIM for IKEA:

<p>Value proposition: Affordable ,well-designed and functional furniture that is to be assembled by consumers</p>	<p>Relationship: Customer-service-minded, accessible, friendly</p>	<p>Position: Scandinavian design at an affordable price</p>
<p>Expression: Blue, yellow, Swedish heritage</p>	<p>Brand Core: Cost-consciousness, togetherness, caring for people and planet</p>	<p>Personality: Inclusive, playful, genuine, down to earth</p>
<p>Mission and Vision: Vision “to create a better everyday life for the many people.” Mission “to offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them.”</p>	<p>Culture: Diversity, open, friendly, informal</p>	<p>Competences: Innovation, design-focus, cost-efficient, global reach</p>

EXHIBIT 3 - EXAMPLE OF CBIM FOR IKEA

After applying the CBIM model we are able to see that the Bargain Corner might enhance certain parts of the matrix and diminish others. For instance, the Bargain Corner might strengthen IKEA’s perception of being affordable, cost-effective and accessible to the many people. However, since the majority of the products located there are defective or discontinued, it poses a risk of negatively affecting IKEA’s identity of offering well-designed and functional furniture.

Analyzing the Bargain Corner in the context of CBIM, provides a solid starting point for discussions on what elements of the Bargain Corner should be altered in order to fit IKEA’s identity presented in **EXHIBIT 3**.

Vision-Culture-Image Model

The Vision-Culture-Image (VCI) model is a model developed by Hatch & Schultz (Fill & Roper, 2012) that argues that when these three components are strongly aligned in a brand, the brand will be strong. Vision describes the strategic vision of the company, culture relates to what the employees of the brand believes in and the

image refers to what external stakeholders such as customers and non customers expect from the corporation.

Applying this model to the case of IKEA and the Bargain Corner, the top management at IKEA has aspirations for the organization with large investments in the environment and sustainable solutions, aiming to become climate positive and be perceived as sustainable. From the interview made in this case, as well as information from IKEA's internal communication documents, it appears that IKEA communicates much internally to their employees regarding their journey of becoming circular. This confirms the alignment between the vision and the culture. However, when it comes to the image, many customers still view IKEA as 'wear and tear', as they believe the products are not built with a long lifetime in mind, and that low prices usually are associated with low quality. This image is being reinforced by the branding concept of the bargain corner, where products with flaws are sold for lower prices.

When analyzing the VCI model, the students will gain insight into what direction the bargain corner concept should be developed. We recommend all students to think about this, since this also explains IKEA's aim of the development from the Bargain Corner towards the Circular Hub.

Overview Learning Objectives

Remembering ...	... The purpose of a vision statement and its direct and indirect benefits	<i>Here:</i> IKEA's vision is "to create a better everyday life for the many people", which requires thinking about both the many people and the planet
Understanding ...	... The different connotations associated with IKEA vs. The Bargain Corner	<i>Here:</i> The Bargain Corner is a sub-brand to IKEA's corporate brand and thus carries different connotations in the customers' perceptions
Applying ...	... Theories from the corporate brand management, such as Vision-Culture-Image (VCI) Alignment of a Brand	<i>Here:</i> IKEA aims to produce high quality furniture, yet customers view their products as 'wear and tear'
Evaluating ...	... The reasons for corporate rebranding and the risks with name changes	<i>Here:</i> The changed internal dynamics arising from the 2030 sustainability ambitions craves a change for the Bargain Corner and name changes are risky and potentially expensive
Creating ...	... A plan for changes in a well-established part of a brand's concept	<i>Here:</i> Rolling out changes at IKEA is difficult considering the corporation's global nature and the long standing history of the Bargain Corner

Teaching Suggestions

This part provides guidelines and recommendations for the teacher and/or case presenter of the case. The main task of the teacher is to moderate the class discussion which requires a deep understanding of the key problems, arguments and theories presented in the case. Furthermore, the teacher should ensure that the class attains the main learning objectives and goals proposed by the case.

Pre-Presentation & Introduction

Before the presentation the teacher should ensure that all case participants attain the necessary preparation material required to participate in the discussion. Specifically for this case, the preparation material includes the written case document, which covers all the necessary background information. This document will ensure basic knowledge alignment and benefit the flow of the discussion. The outline should be provided online or in person before the start of the case.

The teacher should set up a plan for how the case discussion should be conducted in terms of structure, content and time. Fulfilling this requirement provides a set of tasks. First, the teacher should thoroughly read the written case document. The teacher is then advised to analyze the managerial decision. Finally, the teacher should get familiar with the teaching notes. These present the key objectives of the case and contain useful recommendations on how to moderate the case.

To further capture the participants' attention and enhance the perceived quality of the case, the teacher is encouraged to use different media tools. These include (but are not limited to) slide show presentations, video footage, photographs and tablets.

Discussion

Before beginning the discussion the teacher should remind the participants that they are taking on the role of consultants for Inter IKEA's management team. The presenter should then proceed to repeat the key question and ensure that all participants have understood the information provided by the written case document. This can be achieved by asking the class to summarize the key points of the case. Participants should then be divided into groups of 4 people and prepare for the discussion.

It is important that the teacher continuously moderates the quality of the discussion. Hence, he or she must remain objective and ensure that everyone gets the opportunity to express their thoughts. In light of this, it is highly recommended to set classroom etiquette rules, which will be applied throughout the discussion.

The teacher is also expected to structure the arguments stated during the debate. This can be done by writing down all points expressed by the participants on a whiteboard. Doing so will also ensure that the same arguments are not repeated too often. Moreover, it will simplify the summary of key take-aways and suggestions at the end of the discussion.

Conclusion

In the concluding phase of the discussion, the teacher should start by presenting the management decision. This can be done by using the same tools as those used for presenting the case. The presenter is highly encouraged to compare the decision made by management and the class. Look for both similarities and differences.

Finally, the teacher should conclude the main findings of this case, connecting them to the key learning objectives. He or she should then end the discussion and thank the audience for their input to the case.

Time plan

The suggested time plan is a guideline for the presenter regarding how much time each section of the case requires. The total amount of time is 45 minutes, which is further divided into six sections, as illustrated in **EXHIBIT 4**. The time plan starts by giving a short introduction of the topic, continuing with background information of IKEA and its transition towards a circular economy, followed by a description of the Bargain Corner. This will lead the audience into the case explanation and the case question which will start the discussion. Afterwards, the management decision will be presented for the audience explaining which actions IKEA made, followed by a Q&A session to answer upcoming questions.

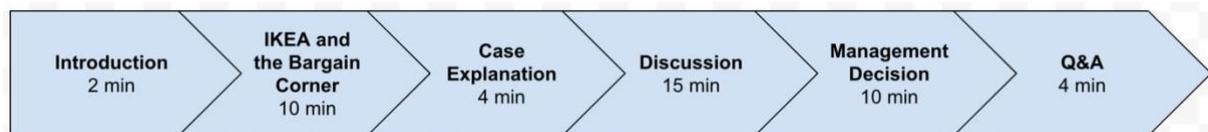


EXHIBIT 4 – TIME PLAN FOR CASE DISCUSSION

Discussion Questions

The main question of this case is as follows: *How can IKEA develop the Bargain Corner concept in line with their sustainability ambitions?*

Assisting Questions

In order to create an effective and insightful discussion, the main question can be further divided into several sub questions. These are as follows:

- How would a change to the Bargain Corner affect IKEA's corporate brand?
- How would a change to the Bargain Corner affect IKEA's corporate reputation?
- What are some of the difficulties with making changes to the IKEA concept?
- What are some of the benefits of making changes to the IKEA concept?
- What are some of the difficulties with rolling out innovations at an organization of IKEA's scale and global nature?
- Are there any new products that IKEA can add to the Bargain Corner concept?
- Are there any new services that IKEA can add to the Bargain Corner concept?
- Who is affected by a change to the Bargain Corner?
- How does your decision strengthen IKEA's corporate communication?
- Is there any way that IKEA can turn a profit with the Bargain Corner?

Epilogue and Rationale for Evergreen Case

The Bargain Corner case is an Evergreen case because it illustrates how brands sometimes have to alter classic aspects of their concept in order to adjust to market changes and consumer culture trends. This case in particular illustrates how consumers viewed IKEA as 'wear and tear', directly impeding IKEA's vision of designing furniture to last and with sustainable materials. In order to match IKEA's brand and sustainability commitments, changes had to be made to the Bargain Corner. The case allows participants to use theories of sub-brands to actively reflect on management decisions that will have grave implications for a corporate brand with as many stakeholders as IKEA has.

In conclusion, despite the common notion that sustainability stands in direct contrast to low pricing strategy, IKEA, through their Bargain Corner illustrates that it is possible for corporations to take action for the circular economy, as well as for their own economy.

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