

TATA INSTITUTE OF SOCIAL SCIENCES
V.N. Purav Marg, Deonar, Mumbai 400 088
(A Deemed University under Section 3 of the UGC Act, 1956)
School of Management and Labour Studies
Centre for Social and Organisational Leadership

Executive PG Diploma in Organisation Development and Change
EPGDODC 2020-21 Mumbai admission

Written Test: Case Solving

Total Time: 30 minutes

Weightage: 40%

A TWIST IN THE TALE

A twist in the game of the furniture industry within India will emerge in the coming year with the entrance of a global furniture giant and leader, IKEA.

IKEA is a Swedish multinational that designs and sells ready-to-assemble furniture (such as beds, chairs and desks), appliances and home accessories. As of January this year, it is the world's largest furniture retailer. Founded in Sweden in 1943 by then-17-year-old Ingvar Kamrad, who was listed as one of the world's richest people in 2013.

The company is known for its modern architectural designs for various types of appliances and furniture, and its interior design work is often associated with an eco-friendly simplicity. In addition, the firm is known for its attention to cost control, operational details, and continuous product development, corporate attributes that allowed IKEA to lower its prices by an average of two to three percent over the decade to 2010 during a period of global expansion.

As of December 2016, IKEA owns and operates 392 stores in 48 countries. In the fiscal year 2016, €36.4 billion worth of goods were sold. The IKEA website contains about 12,000 products and is the closest representation of the entire IKEA range. There were over 2.1 billion visitors to IKEA's websites in the year from September 2015 to August 2016.

In July, the company made its first land purchase in India for its proposed showroom in Hyderabad. The deal was struck at around Rs.500 crore for a 13-acre plot. The showroom-cum-manufacturing unit will be ready by 2016-17. As e-commerce becomes more popular, shoppers need incentive to come into stores. With its elaborate showroom and cafeteria approach, Ikea becomes a unique destination for shoppers.

IKEA has earmarked an aggressive budget of Rs.1,800 crore for Maharashtra, where it intends to set up at least three stores. While two are being finalised in Mumbai, details about the third one are yet to be known. Besides the store, the place will also feature a restaurant, bistro and other amenities.

The Rs.1,800-crore investment in Maharashtra forms a part of the Swedish firm's promised Rs.10,500 crore investment in the country, where it seeks to open 25 stores by 2020, for which it has already got Foreign Investment Promotion Board (FIPB) nod.

The company has already inked a Memorandum of Understanding (MoU) with the Maharashtra government, said sources claiming that the state is among the four states – others being Telangana, Karnataka and Delhi-National Capital Region (NCR) – that have immense business potential. The company has also given assurance of creating 1,000 jobs per outlet during the signing ceremony.

The said investment in the state is expected to boost SMEs and manufacturing sector, as IKEA earlier said that it has plans to source 30% to 40% of its materials locally to contribute to the 'Make in India' campaign. The company is also exploring an option to make the state as its entry and exit port for both imports and exports purposes.

IKEA will pose a stiff competition to existing online as well as offline furniture selling companies since it will provide a huge variety of products at competitive price points. The design of IKEA products is modern and is also influenced by global aesthetic sensibilities which the audience might find highly appealing. Ikea's price point is perfect. It comes in somewhere between the cheap local made furniture and the high-end luxury furniture providers. With the might of its existing capital base, years of experience of handling large scale operations and matured technological capability, it will be a formidable competitor for all the players in the market.

YOUR TASK:

- A. You are an organisation development consultant, appointed by ScaleHeights, to advise them on how to move from currently No. 3 to the No. 1 market leadership position within the online furniture market place industry
- B. Given the emerging threat from IKEA, you need to present your analysis, recommendations, and a 2-year road map to the ScaleHeights Founders
- C. You have 30 minutes to prepare. You may conduct your research and analysis as you wish with the resources available to you.