

Executive Summary

Ikea At-A-Glance

Ikea is a global online and instore furniture, goods, and home appliance store known for its unique, stylish, affordable, functional, and easy to assemble pieces. Ikea's inexpensive prices, convenience of in-person and online shopping options, and ease of assembly align with the goals of their primary consumer base of college students and young adults.

Ikea's Target Audience

- Today's young adults fall within the Millennials' generation and Generation Z. Ikea's dominant consumer base consists of individuals between the ages of 18 and 30.
- This group is looking to furnish their first apartment or living situation and want convenient, cheap, and quality pieces that fit their modern and simplistic aesthetic.

Consumer Perceptions of Ikea

- Ikea furniture's affordable pricing and "build-it-yourself" nature have caused many consumers to associate the company with "throwaway culture" within a capitalist landscape.
- Most consumers associate sustainability with a high price tag. Ikea's association with "throwaway culture" paired with its affordable prices suggest that consumers may not be aware of the brand's sustainable practices.
- This consumer perception goes against Ikea's sustainable and ethical brand values. Here's why:
 - More than 60% of Ikea's materials are recycled and renewable. (Ikea is even aiming for 100% by 2030.)
 - Ikea is phasing out single-use plastics in its stores and product packaging.

- Ikea invented the “flatpack” design for its build-it-yourself furniture that allows for smaller and more condensed packaging in order to reduce carbon emissions during manufacturing and transportation.

The Issue

Ikea’s commitment to sustainability often goes unnoticed by consumers because information about their sustainability practices is difficult to locate unless the consumer digs for it. Much of Ikea’s information on its sustainability practices comes from outside sources, not from the company itself. It’s time for Ikea to take control of the brand’s sustainability narrative.

Competitors:

1. Wayfair

Wayfair is an online retailer that sells furniture and home decor from hundreds of different manufacturers.

- Wayfair's creative approach focuses on collaborating with designers and influencers to produce exclusive collections.
- Despite Wayfair’s huge selection, Wayfair’s reliance on external suppliers results in occasional delivery problems that frustrate customers.
- Wayfair has a section on their website labeled “Shop Sustainably” where customers can locate select products made with eco-friendly materials, however most of Wayfair’s products are not considered sustainable.

2. Target

Target is a general merchandiser that carries a variety of different products whose dominance within the United States has set them apart as a one-stop-shop for many day-to-day shopping needs.

- Target's creative approach uses eye-catching, colorful, and fun visuals through print ads, online ads, and TV commercials. They often partner with influencers and use social media to create a sense of relatability with consumers.
- Target's strengths are in their brand presence, wide variety of product offerings at different prices, and an enjoyable shopping experience. However, the company's weaknesses are in their concern about sustainability and higher price points.
- While their presence is growing in more urban and young communities, the price points of their products are a threat for Target as there are various other companies that offer comparable products at cheaper costs.
- Sustainability is not situated at the forefront of the brand or its values. While they do engage in some sustainable practices such as offering furniture pieces labeled as "sustainable" and try to conserve energy in their stores, Target's brand is not centered around sustainability.

3. Crate & Barrel

Crate & Barrel is renowned for its distinctive aesthetic, offering a selection of modern furniture, home decor, and kitchenware.

- Crate & Barrel employs a design-driven approach and works with well-known designers to produce stylish limited-edition collections.
- The brand offers products with higher prices than its competitors, limiting their appeal to wealthier consumers.
- While Crate & Barrel participates in sustainable practices by sourcing eco-friendly materials and reducing waste in their operations when manufacturing products, the brand prioritizes design over sustainability in an attempt to appeal to their wealthier consumer base.

Strategic Recommendation

Given Ikea's large consumer base of young adults, our strategic recommendation is to raise awareness of Ikea's commitment to sustainability among Millennials and Generation Z by 30%.

When it comes to affordable furniture, Ikea is already top of mind. Deepening this audience's understanding of the Ikea brand by promoting its sustainability efforts will contribute to creating a strong association of Ikea with sustainability within this demographic.

Why?

- Young adult consumers want to shop sustainably, but it's difficult to know what companies are actually sustainable and find sustainable options at affordable prices.
- The recent surge in the sustainability movement resonates with the young adult population. According to Pew Research Center, Millennials and Gen Z are the most inclined to take action against climate change.¹
- There is a demand for sustainable retail. According to Nasdaq, most Gen Zers prefer to shop sustainable brands and are willing to spend 10% more on sustainable products.²

The Bottom Line

Using the momentum of the sustainability movement to position Ikea as a brand that understands how vital sustainability is amidst climate change is a message Ikea's primary consumer base will gravitate towards. Most Millennials and Gen Zers already understand the value of sustainability.

They don't need to be educated. They need a sustainable solution that is accessible - that's where Ikea's affordable prices and sustainable values come into play. Increasing young adults' perception of Ikea as a brand committed to sustainability is ultimately a smart move to highlight Ikea's sustainable values that align closely with its primary consumer base.

¹ Pew Research Center, "Gen Z, Millennials Stand Out for Climate Change Activism, Social Media Engagement With Issue", 2021, <https://www.pewresearch.org/science/2021/05/26/gen-z-millennials-stand-out-for-climate-change-activism-social-media-engagement-with-issue/>.

² Nasdaq, "How Millennials and Gen Z Are Driving Growth Behind ESG", 2022, <https://www.nasdaq.com/articles/how-millennials-and-gen-z-are-driving-growth-behind-esg#:~:text=The%20majority%20of%20Generation%20Z,to%20them%20than%20brand%20names>.