IKEA to Accelerate Expansion

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STOCKHOLM—IKEA will more than double the pace of store openings by 2020, as the Swedish furniture giant aims to ramp up its presence in the U.S. and capture a bigger slice of growth in fast-growing markets such as China.

"We're increasing our production in the U.S., and would also like to find more suppliers that have a strategic fit with [IKEA](http://topics.wsj.com/subject/I/ikea/7789?lc=int_mb_1001)," Chief Executive Mikael Ohlsson said in an interview with The Wall Street Journal on Tuesday, a day after the company announced he will exit the company next year.

Mr. Ohlsson will be succeeded next September by Peter Agnefjäll, 41, the current country manager of Sweden. But before his departure, he plans to set the ball rolling on an expansion drive that will add tens of thousands of jobs and more than 100 stores to IKEA's approximately 300-strong chain. The drive will require annual investments of about €1.5 billion to €2.5 billion ($1.97 billion to $3.28 billion) from 2014, the company said, and will mean opening 20 to 25 stores a year, compared with six to 12 at present.

[IKEA](http://topics.wsj.com/subject/I/ikea/7789?lc=int_mb_1001) expects the plan to create 6,000 to 12,500 jobs a year. "Every store is an investment of between €60 million and €100 million, and that normally translates into 300, 400 or 500 new jobs," Mr. Ohlsson said.

A key goal is to boost the company's presence in the U.S., where it currently has a modest 2% to 3% share of the market, compared with between 25% and 30% in Sweden.

Known for its iconic blue-and-yellow box stores and flat-pack furniture kits, IKEA has been on a hot streak. It has posted a string of sales and profit gains in recent years despite jitters in the global economy, and is rushing to expand in emerging markets. In the fiscal year ended Aug. 31, revenue increased 7% from a year earlier, driven particularly by growth in emerging markets such as Russia and China.

But momentum in the U.S. is outpacing the global average, Mr. Ohlsson said. Having already cut prices there, Mr. Ohlsson stressed the need to maintain pricing discipline, even as materials costs rise.

"Last year we cut prices further and this year we have continued to lower prices even though we've had [cost] increases," he said. "We're trying to accomplish this by taking out unnecessary costs." In order to do this, Mr. Ohlsson is modeling IKEA's production techniques on the auto and electronics industries, in which sophisticated manufacturing techniques are required given the complexity of the products.

IKEA is also eyeing growth further afield. The rate of expansion in China is set to triple next year from 2011; the company recently bought land in South Korea and expects to open its first store there in a few years; and it has plans to open its first stores in Croatia and Serbia in 2013, as well as a third warehouse outside Barcelona, Spain in December.

IKEA's plans for an India launch remains in question as it awaits government approval, but Mr. Ohlsson expects to be able to launch there soon.

"We're very positive toward the steps taken," he said. "We want to substantially increase our production in India, for the global market but also eventually in the extent that we could have IKEA stores in India."

The company has asked the Indian government for permission to invest €1.5 billion in the country to set up 25 stores in the coming years. The furniture maker's foray into India is made possible by a policy change last year that allows some retailers to own 100% of their Indian units. But the Indian government mandates that these companies must source 30% of inventory from small-scale local industries.

In July, Indian Trade Minister Anand Sharma said the government will consider IKEA's substantial Indian sourcing when considering its application.

But Mr. Ohlsson said IKEA also faces hurdles in Europe in the form of hidden trade obstacles and zoning regulations, and is lobbying the [European Union](http://topics.wsj.com/organization/E/EU/4624?lc=int_mb_1001) and national authorities to have them loosened.

"I think the protectionism and hidden trade barriers have a tendency to increase, unfortunately," he said. "In the past five to 10 years, the processes have slowed down but we hope that it will pick up again when everyone realizes that it is needed to boost the economy and create new jobs."

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