

# How Ikea innovates to keep up with an expanding ecommerce market

Article

This year, furniture and home furnishings will make up a \$179.75 billion ecommerce market in the US, according to our forecast, and growth will continue. With competition from big names

like Amazon and Walmart and resale platforms like Facebook Marketplace and Craigslist, Ikea has no choice but to innovate to keep up.

Our analysts explored those innovations on a recent episode of our “**Behind the Numbers: Reimagining Retail**” podcast.

### What is Ikea doing well?

**First mover:** Ikea has been an pioneer for low-price furniture. “They brought this Scandinavian design to the masses at a really affordable price point. And that was a really new thing,” said our analyst Carina Perkins.

**Store innovation:** By combining curated showrooms with a shoppable warehouse, Ikea reinvented furniture shopping. The food court and Swedish flair emphasize this experience. “It’s almost like a shopping theme park,” said Perkins.

**Sustainability:** Ikea boasted a **12% reduction in its climate footprint** last year. The company puts eco-consciousness at the core of its business, selling minimalism and sustainability as a lifestyle.

### Where is there room to improve?

**Ecommerce:** Over 50% of US furniture sales will occur online by 2027, according to our forecast. Ikea reported an **18.8% growth in ecommerce sales** last year, but it still has room to improve in ecommerce logistics and experience. The company wisely **bought supply chain provider Made4net** last month in a move to supercharge ecommerce growth.

**Returns:** Ikea has a generous returns policy, Perkins said, but only for furniture that has not been built. That makes it impossible for consumers to see furniture in their own space before committing. Ikea has **innovated with AR** to allow for virtual visualizations in order to encourage wary shoppers.

**Pricing:** Ikea is not immune to inflation, **raising some prices by up to 80%**. That offers room for Amazon, Walmart, and Wayfair to undercut the brand. And some have noted the brand’s **quality has declined**. “You can find something that is a higher-quality piece for roughly the same amount that you would be spending at Ikea,” said our analyst Zak Stambor.

### How is Ikea innovating?

**Store formats:** With smaller stores and planning studios, consumers no longer need to drive and visit massive showrooms in some cities.

**Resale market:** Ikea expanded **its buyback program** last year, offering store credit for used items. “I think this is such an interesting move by them because Ikea furniture is ubiquitous on Facebook Marketplace or Craigslist or wherever you may look. And so they saw the opportunity to just own this and kind of make it their own,” said Stambor.

**Raves?** You read that right. **Ikea hosted two warehouse raves** during Milan Design Week earlier this year. And while you probably shouldn’t expect to go dancing at your local Ikea anytime soon, it shows the brand isn’t afraid of innovating and experimenting.

**Listen to the full episode.**

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