

IKEA Japan: The Adventure...*

History of IKEA

IKEA founder Ingvar Kamprad was born and grew up in small farm Elmtaryd, parish of Agynnaryd, Småland, in the south of Sweden. As a young boy, he always knew that he wanted to start a business. At the age of 5, he started selling matches in the neighborhood, and by the time he was seven, he started selling farther afield using his bicycle. He found out that he could buy matches in bulk cheaply in Stockholm and resell them individually at a very low price, but would still make decent profit. From matches he expanded to selling greeting cards, flower seeds, pencils, ballpoint pen, and Christmas tree decorations.

His first commercial business started in 1943 in the name of IKEA, initial letters of his name, Ingvar Kamprad, Elmtaryd, and hometown Agynnaryd. IKEA was a company that sells postcards, pencils, mail-ordering, and other merchandises. In 1948, furniture manufacturing was introduced in the IKEA business to complement the general merchandise. From that time, he started exploring innovative solutions in furniture business such as furniture design, self-assembly, flat-packs and so on. In 1951, the first IKEA catalogue was published, so that he could advertise his furniture on a broader scale. In 1953, IKEA's furniture showroom opened in Älmhult, Sweden. For the first time, customers could see and touch IKEA furniture before ordering them, and Ingvar can meet customers and learn from them. By opening a showroom, IKEA clearly proved its quality is better despite its low price.

In 1958, IKEA opened its first store in Älmhult, Sweden. Many people were quite skeptical of the idea of opening a store in a small village located in deep forests of Småland. But it was a success, a trip to IKEA store had become a day out for families, and people were ready to travel long distance to buy attractive furniture at low prices. Also, other important concepts of IKEA were born, including unique services like a self-service restaurant and a supervised children's playroom. In 1965, the largest IKEA store at that time was opened in Stockholm, Sweden. Currently, it is second largest in the world after South Korea's Gwangmyeong store with 55,200 square meters after several reopenings and internal expansion.

In 1963, IKEA made its first international expansion to the neighboring country, Norway. In 1973, after its expansion to Norway, Denmark, and Switzerland, IKEA

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decided to enter market of Germany. Currently, Germany is the largest IKEA market in the world with 53 stores. As of August 2018, IKEA had over 415 stores in 52 countries and the latest store was opened in August 9, 2018 in Hyderabad, India. (See Exhibit 1)

Exhibit 1: List of countries with IKEA stores as of August 2018

<i>Country</i>	<i>Debut</i>	<i>First store location</i>	<i>No. of stores</i>
Sweden	1958	Älmhult	20
Norway	1963	Slependen	7
Denmark	1969	Ballerup (near Copenhagen)	5
Switzerland	1973	Spreitenbach	9
Germany	1974	Eching (near Munich)	53
Japan	1974 2006	Kobe (initial) Funabashi (reentry)	9
Australia	1975	Artarmon (Sydney)	10
Canada	1975	Dartmouth	13
Hong Kong	1975	Kowloon	4
Austria	1977	Vosendorf	7
Singapore	1978	Bukit Timah	2
Netherlands	1978	Slidrecht	13
Spain	1980	Las Palmas	20
Iceland	1981	Reykjavik	1
France	1981	Bobigny (near Paris)	33
Saudi Arabia	1983	Jeddah	6
Belgium	1984	Zaventem, Ternat	8
Kuwait	1984	Kuwait city	1
United States	1985	Philadelphia	45
United Kingdom	1987	Warrington, Cheshire	21
Italy	1989	Milan	21
Hungary	1990	Budapest	3
Poland	1990	Warsaw	11
Czech Republic	1991	Prague	4
United Arab Emirates	1991	Dubai	2
Slovakia	1992	Bratislava	1
Taiwan	1994	Taipei	5
Finland	1996	Espoo	6
Malaysia	1996	Bandar Utama	3
China	1998	Shanghai	25
Russia	2000	Khimki (near Moscow)	14
Israel	2001	Netanya	4
Greece	2001	Thessaloniki	5
Portugal	2004	Alfragide (near Lisbon)	5
Turkey	2005	Istanbul	6
Romania	2007	Bucharest	1
Cyprus	2007	Strovolos	1
Ireland	2009	Ballymun (near Dublin)	1
Dominican Republic	2010	Santo Domingo	1
Bulgaria	2011	Sofia	1
Thailand	2011	Bangkok	2
Macau	2012	Nossa Senhora de Fatima	1
Lithuania	2013	Vilnius	2
Egypt	2013	Cairo	1
Qatar	2013	Doha	1
Jordan	2014	Amman	1
Croatia	2014	Zagreb	1
Indonesia	2014	Tangerang (near Jakarta)	1
South Korea	2014	Gwangmyeong	2
Morocco	2016	Casablanca	1
Serbia	2017	Belgrade	1
India	2018	Hyderabad	1

Flat-packs, Self-assembly – Competitive Advantage and Source of Low Cost

IKEA's flat package concept, introduced in 1956, is a key factor to reduce costs and

enabling it to cut prices. Flat-packs concept was born when one of the first co-workers removed legs of the LÖVET table in order to fit the table into the car and avoid possible damage during transit. IKEA's furniture parts are manufactured in various developing countries cheaply, delivered to the stores easily due to flat packaging, and final assembly is performed by end-user (customer).

In late 1950s, local furniture manufacturers got frustrated by IKEA's low price, so they decided to pressure the Swedish manufacturers to cut their supplies to IKEA. In response, IKEA had contracted with foreign suppliers, at first in Denmark and Poland. While IKEA's household products and furniture are designed in Sweden, most of them are manufactured in developing countries in order to keep costs down. Later, in 1991, IKEA acquired its own sawmill and production plant and established the industrial group Swedwood to produce wood-based furniture and wooden components. Swedwood has over 16,000 employees across 50 sites in 10 countries, and its largest factory located in Southern Poland, manufactures 100 million wooden pieces of furniture that IKEA sells annually all over the world. IKEA's top supplier countries are China (22%) and Poland (16%).

Experiential Marketing

Experiential marketing means personalized marketing to build brand equity focusing on not only the product's features and benefits, but also unique consumer experience. IKEA brings it to the customer in store.

IKEA has a one-way flow line drawn from the entrance to the exit. First, using escalator, you can get to the furniture department (2nd floor). There are a lot of concept rooms called "Room Sets". Bedroom, living room, dining room etc. are proposed in various patterns, and you can choose products while thinking about actual life scene. For example, in the bedroom setting, there are not only beds, bedding and pillows being placed but also a dressing room for night tables and clothes at the side of the bed with curtains being hung on the windows properly. Wall clocks and paintings are decorated on the four walls, and lighting fixtures are attached to the ceiling illuminate the interior.

Every room has each detailed setting whether it is the room where a man in his 20s lives alone, or the living room for a couple in their 30s and a child. The materials and taste of the furniture placed in the room, the color pattern of the fabric of the bed cover, etc. are chosen one by one according to the setting.

The need for "total coordination" of furniture is also increasing in Japan. Room set is a place to introduce coordination examples of IKEA products to customers. It is also a means to encourage bargain purchase of goods. Professionals who are called

“interior decorators” prepare room sets.

Usually, once people purchase furniture, they use it for about 5 to 10 years. When you have plans to proceed to the next stage of education, to begin the work, to get married, and to move out of your house, you may go to the furniture store. However, people have been coming to European IKEA branches 4 times a year to see IKEA’s room sets. That is how IKEA attracts customers.

Japan’s Economy

In the 1990s, in order to keep the inflation level low, Japanese government undertook deflationary measures which triggered a recession in the Japanese economy. This decline resulted in higher unemployment through layoffs, once considered unthinkable in Japan due to its tradition of “lifetime employment” for selected workers and strong employee loyalty. To avoid these massive layoffs, many companies initiated a policy for reducing salaries and wages, thus lowering the living standard and decreased spending, which, in turn, had prolonged the recession. In 1996, Japan tried to restructure the financial sector by introducing the so-called “Big Bang” reform measures. Later, in 1997, the Asian financial crisis occurred and was considered as an additional external economic factor that worsened the economic downturn in Japan. The economic downturn in the 1990s led the Japanese government to initiate deregulation reforms to encourage foreign investment by liberalizing the economy, aided by pressure from its trading partners and competitors to open the market to foreign competition.

Japanese Home Furnishing Sector and Lifestyle Preferences

Japan's home furnishing sector has experienced considerable expansion since the 1990s, growing to 3.92 trillion yen in sales and 3,860 stores by 2003. The move beyond the usual retail practice of selling only products to stores adding value to customer’s shopping experience by giving innovative ways to solve household problems has become a prominent trend. Consumers have changed the way they thought of products in households by being encouraged to search for home management solutions. Japanese consumers are known to value quality to a high degree. A demand for higher quality of life and varying consumer styles are now met by home furnishing stores presenting their merchandise in a coordinated fashion.

In general, Japan’s consumer market is witnessing the growing presence of two generations that are pursuing new lifestyles: the first is the “baby boomers” – those born during the late 1940s and who are now approaching retirement years and enjoying high disposable income and time; the second group is their children – the so-called

“second-generation baby boomers” – who are currently establishing households of their own. These two groups are expected to generate robust demand for lifestyle-related products and services.

IKEA’s business expansion in Japan

Having entered into Japan for the first time in 1974, IKEA had only a few stores in just five European countries as mentioned above. All of them were neighboring countries sharing a historically related culture. Japan was the first country in Asia that IKEA entered. Its culture, lifestyle and behavior were so different. The reasons that persuaded IKEA to enter the Japanese market in this early period of the growth of the company were as follows. First, it was due to the Japanese economic miracle, which had started after the second world war and has been classified in three stages of development: the recovery stage from 1946 to 1954; the rapid income growth stage from 1954 to 1972; and the steady economic growth stage from 1973 to 1992. This period was characterized by a boom in the economy and an overheated economic activity. At that time Japan was the second largest economy in the World. Japanese were not quite comfortable with IKEA furniture as it was too big to fit into their home; they were not ready for flat-packs and self-assemble furniture; and the price was also quite expensive. They were no local employees in the store to gain any feedbacks or to obtain the customer’s rapport. All the furniture was shipped from abroad and they used a partnership to help them in the promotion, distribution and placement of their stores.

In 1984, after 10 years of a long struggle in Japan, IKEA finally retreated. By having conducted a marketing research needed to be systematic, analytic and relevant, as objective based and well distributed, the company decided to re-enter into Japan. So in 2002, IKEA sent Gordon Gustavsson, who had been with the company since 1980s and some other officials to carry out the ground work. It included identifying the target markets, competitors such as Nitori, Otsukakagu (Otsuka), and Muji who were the major threats to IKEA, promoting new products and promotional activities. (See **Exhibit 2**).

After that marketing research, they came up with a plan and changes as they learned various issues. They visited almost 100 houses to make sure its offerings were well synced with the current Japanese trend. They decided to choose the local companies to manufacture their products which were small and compact as required to fit in a small room (4.5 or 6 tatami size) and within a budget of \$700 with which Japanese can pick up furniture for an entire living room. And with the help of the media, IKEA promoted its ads which gave locals a hope and trust in them. The company

included an additional service charge for assembling and for home deliveries.

Exhibit 2: Japanese Furniture Market - Players in the Game



In 2006, IKEA marked its return to Japan with the opening of a new store in Funabashi, Chiba Prefecture, the outskirts of Tokyo. However, some domestic competitors immediately questioned whether the Swedish firm had learned enough about Japanese consumers to please them.

Customer expectations for service and quality were very high in Japan. IKEA executives could not imagine whether Japanese customers would accept its self-service system. From the Swedish company's point of view, Japanese culture appeared very strange, and IKEA executives also could not predict whether Japanese consumers would accept its value propositions. As a result of this anxiety, IKEA hired a few Japanese to fill high to low level positions, including a Japanese manager in its Japanese branch.

Just before its second entry into the Japanese market, IKEA faced a major problem with the Japanese regulation on formaldehyde released from furniture. Japan's acceptable level was half the standard in overseas markets. In other words, IKEA had to launch many products only for the Japanese market to meet the formaldehyde requirement. It would be impossible to keep doing business this way in the long run.

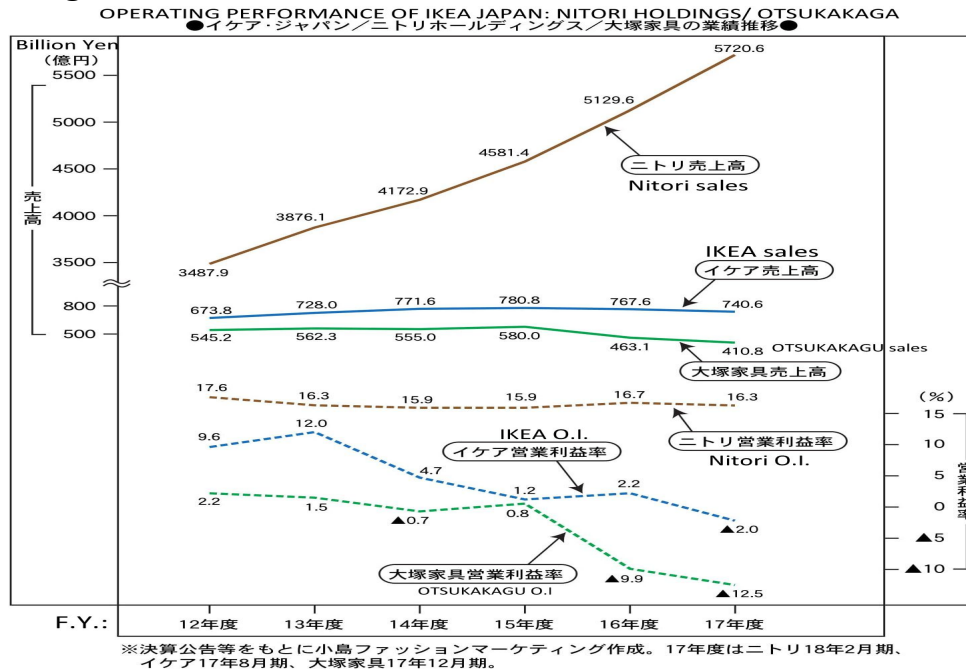
IKEA started up the project to decrease formaldehyde from furniture. This is because IKEA considered that meeting Japan's strict formaldehyde regulation would help improve its competitive position all over the world. It became an opportunity for IKEA to take the time to search the solution so that it could promote its environmental friendliness. Today, IKEA uses Japan's strict formaldehyde emission level as its standard for all its furniture.

In 2016, the world learned of a tragedy of IKEA's product accident. Six infants

died by falling down from IKEA's products. The consumers in the world started questioning the safety of IKEA's products. In a newspaper, specialists mentioned that because IKEA can easily build its furniture, there might be some slack in safety considerations. IKEA was pressured to apologize and to provide safety information to its customers. Japan, in particular, experiences many kinds of natural disasters. That is why Japanese customers always focus on the safety of furniture to see whether the furniture can be attached to other furniture or wall for its stability. IKEA needed to develop its furniture particularly safe for Japanese customers. Japanese customers might indeed react to IKEA's effort favorably.

As of July 2017, they were 9 IKEA stores in Japan, 3 in Tokyo and its suburbs, and one in each of the following cities: Osaka, Sendai, Kobe, Miyagi, Fukuoka and Yokohama. By having conducted the marketing research, the company gained more knowledge not only about the market but also the cultural complexities. With that knowledge now IKEA has been able to retake its position back in Japan and to figure among the top three retailers in Japan. (See Exhibit 3)

Exhibit 3: Sales and Operating Income of IKEA Japan, Nitori Holdings, and Otsukakagu, FY 2012 – 2017



Big Price Cut

On August 24, 2017 IKEA Japan held a business strategy and new product explanatory press release for 2018. The company announced dramatic price reduction, collaboration

with prominent designers, release of pet furniture, etc. The venue was gorgeous, but its results were not. Sales growth slowed down in 2014. Sales in fiscal 2016 were 76.7 billion yen, which is far from the "150 billion yen" by 2020 targeted by the company. Operating income of 8.7 billion yen in fiscal 2013 has decreased sharply to 1.6 billion yen in fiscal 2016, which is less than a fifth. The operating profit margin is 2.2%, which is far less from the IKEA group's overall average of 12.8%.

Why is IKEA Japan struggling so hard? Helene von Reis who became President in August 2016 said, "Competition with other companies is intensifying, and especially Nitori's expansion is significant."

Nitori has achieved revenue and profit increase for the 30th consecutive quarter since 1988, boasting sales of 512.9 billion yen, operating income of 85.7 billion yen, operating margin of 16.7%. In Japan, it has opened stores in all 47 prefectures. Including small "deco-home" businesses, the number of stores exceeds 400 stores, and it continues to expand at an astounding high pace of 40 to 50 stores annually.

Ryohin Keikaku known with the brand "MUJIRUSHI-RYOHIN ("Muji" outside of Japan)", whose products are mainly household goods, also devotes itself to strengthening the furniture business. It absorbed its wholly owned subsidiary and operating company IDEE which sells furniture in September 2017. The number of Muji's domestic stores is also more than 400.

"Low prices are the most important factor for having them purchased." Price appeal is its first strategy. The need for low price products is high even when the economy is on a recovery trend. IKEA Japan marked down 39,990 yen two-seat sofa to 29,990 yen, 10,000 yen reduction. Indeed it was a 25% discount. The dining table of 24,990 yen was 17,990 yen. The French bowl of 89 yen was 69 yen. 886 items, which constitute close to 10% of all products, were marked down by 22% on average. The simultaneous price reduction of hundreds of products in Japan was the second time since having reduced the prices of 1,450 items by 25% on average in August 2009. "This is the results of accumulating small cost improvements everywhere, from factories to distribution centers and shops."

The company also differentiates products. It is planning to introduce highly unique products such as collaborative products with famous overseas designers and pet furniture such as sofa bed for dogs and cats.

The company's price reduction has continued thereafter. On January 18, 2018, the company announced price reduction of 161 items, averaging 22%, and on April 10, 2018, additional 76 items, such as outdoor tables and drying rack, averaging 20%.

Market Trend

Showrooming & Webrooming.

Showrooming is the practice of looking at something you want to buy in a shop and then later buying it online. Opposite to showrooming is called webrooming. Customers look at something online and then go to a real store to look and buy. Those are market trends and a significant threat to traditional "bricks and mortar" retailers. Benefits of showrooming for retailers include no inventory and fewer salespeople needed at stores. Benefits of webrooming include that a virtual store is open 24 hours/365days, fewer rerunning goods, etc.

To satisfy customers demand, IKEA Japan opened its online store "IKEA Online Store" on April 21, 2017. Customers can order IKEA's furniture anytime, anywhere. In addition to delivery to the specified place, customers can also receive their ordered goods at a store. The delivery charge is 3,990 yen at a flat rate within the delivery area of each store. In October 2017, IKEA Japan started offering an app for smartphone which can show 3D image of more than 2,000 products with augmented reality (AR), which was designed to encourage more customers to use the online shop.

In addition to furniture, in December 2017, the online store also started to handle household goods with the delivery charge of 990 yen ~ 3,000 yen depending on the size and weight of the ordered goods.

However, launching its electronic commerce (EC) site was bit late as there are many other EC sites that sell IKEA products run by purchasing agents. Rakuten (Biggest EC site in Japan) and Amazon are also selling IKEA goods.

Nitori Holdings announced that the EC site sales for the third quarter of the fiscal year ended February 2018 increased about 40% compared to the same period last year. Nitori launched its EC site "Nitori Net" in September 2004, and has since continued to evolve its omnichannel eagerly. On its website, if a customer buys more than 7,000 yen, shipping charge is free.

Online Store in Japan.

IKEA online store was launched in April 2017 in Japan, relatively late in comparison with Nitori, a major competitor in Japan. Japanese customers have been complaining about the functions and features of the website. IKEA Japan has upgraded its online shopping website for a few times, but for consumers who have rich experience of using online shopping sites such as Amazon.jp, Rakuten, and Nitori for years, it is still not easy to use IKEA's less user-friendly website.

Furthermore, there are a few significant weaknesses in IKEA Japan’s online store. If a consumer buys products from an IKEA store nearby, regardless of item’s size and volume, the delivery cost is ¥3,000. However, a consumer purchases from online store and delivery costs will start ¥3,990 to the designated delivery area. Furniture is delivered from the nearest IKEA store, not from its warehouse and delivery takes 3 to 14 days, when Amazon Prime in Japan takes a day to ship and Nitori purchase arrives between 2 to 7 days depending on its product availability. Also, IKEA Online store offers “Pick up at store” service at the price of ¥990, that if a user orders products online and is able to pick it up from the nearest store as long as delivery is also from the same place.

Competitors – IKEA vs. NITORI

In Japan, there are a lot of furniture manufactures and sellers. In this section NITORI is featured as the strongest competitor.

NITORI Co., Ltd. was established in 1972 in Hokkaido, Japan. It has been enhancing the sales and operating margin rate. NITORI’s sales volume has constantly increased every year. NITORI has been achieving higher sales and profits for the 30th consecutive quarters. On the other hand, IKEA’s sales volume has been relatively stable, but not growing. (See Exhibit 3, 4 & 5).

Exhibit 4: IKEA vs NITORI Sales Volume

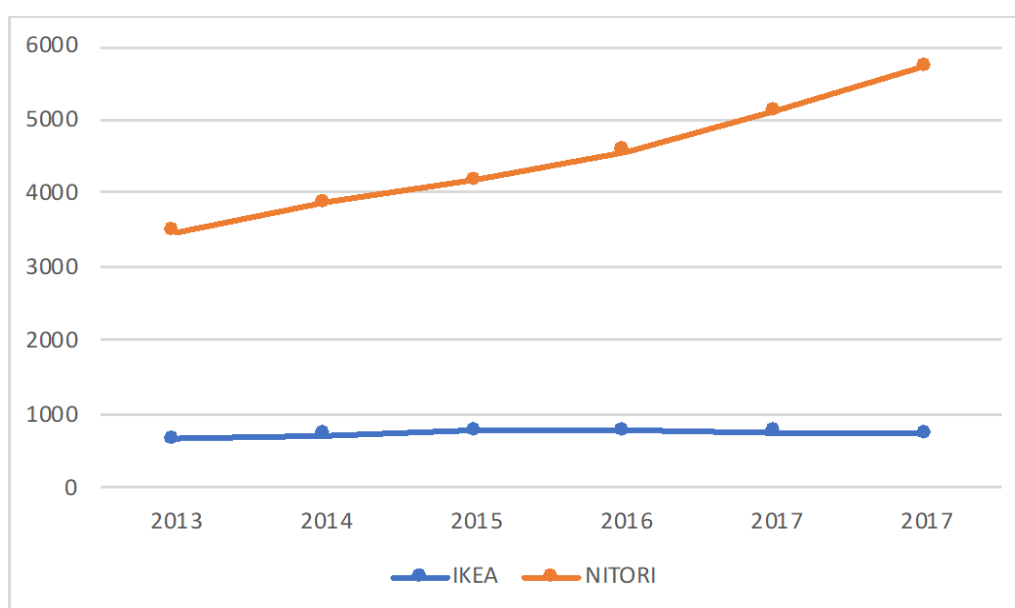
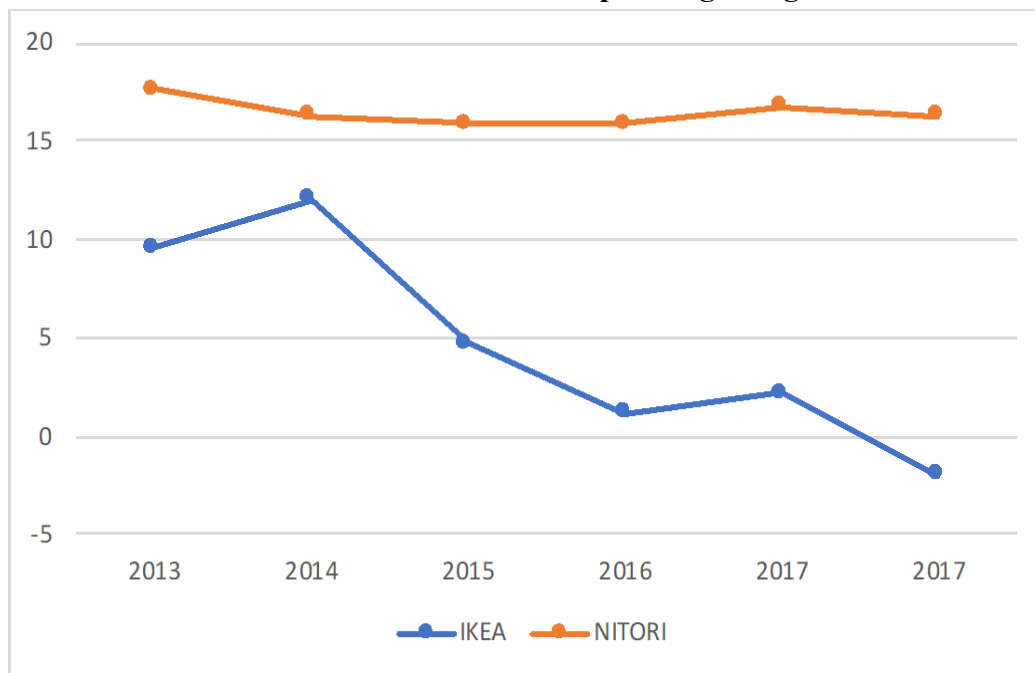


Exhibit 5: IKEA vs NITORI Operating Margin Rate



As mentioned earlier, IKEA has currently 9 stores in Japan, and over 400 stores in the world. On the other hand, NITORI has 386 stores in Japan. It means that NITORI has almost as many stores in Japan as IKEA has around the world. Since 2007, NITORI has operated business in Taiwan as well.

Focusing on the way of manufacturing and selling, both companies are taking an SPA approach. SPA stands for a specialty store retailer of private label apparel; a mechanism that a company consistently manages all processes including material procurement, product planning, manufacturing, distribution, sales, sales promotion, and inventory management. However, IKEA does not have its own factory and instead cooperates with its affiliates (fab-less strategy).

In quality perspective, it is difficult for SPA companies to control the product quality. Particularly, IKEA's outsourcing enhances its difficulty. As a strategy for NITORI to realize low cost while maintaining quality, it hired an executive from Honda Motors, Kiyoshi Sugiyama, who had managed a top local joint venture company in Guangzhou in China once and appointed the product quality team.

As a result of such management efforts, NITORI lowered the price four times over 1,300 items in a year from May 2008, and in 2009 it also increased the number of popular items by about 15% and the price has been reduced by 40%.

Environment Change: Young People in Japan

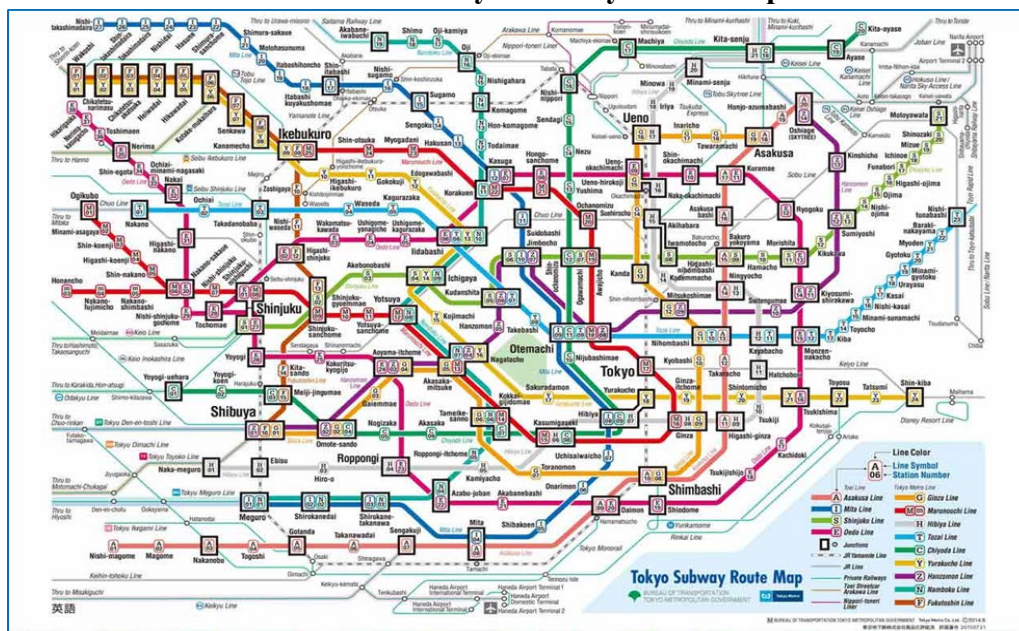
Young people in Japan are not interested in owning cars:

JAMA's (Japan automobile manufacturers Association, Inc.) survey of 2017 said about young people.

- About 30% of younger (i.e., under 30 years of age) respondents expressed interest in cars, while another 30% indicated no interest at all.
- Just over 40% of this group noted their intent to purchase a car, while more than 50% said they have no such intention.

Young people prefer living in cities and using public transportation because the railway network has a huge coverage (See Exhibit 6).

Exhibit 6: Tokyo Subway Route Map



In recent years, Nitori has been enthusiastically opening its new stores in the center of Tokyo. One opened in Ginza in 2015, Shinjuku in 2016, and Ikebukuro and Shibuya in 2017. They have opened 8 stores along Yamanote rail line. Nitori says approximately 50% of purchasers on the EC site are people living in urban areas, and many people use it because they cannot come by car. Particularly sales in Tokyo and 3 prefectures around Tokyo are said to be strong in the EC site.

IKEA Japan operates buses from stations to its stores but Nitori is much easier to visit. IKEA Japan is also considering opening small stores in city areas but no store has been opened as of yet.

Who Bought IKEA Furniture Now?

In August 2018, a brief survey was conducted with people in their 40s (60% female and 40% male) who have purchased IKEA furniture before in the Greater Tokyo and Osaka areas. They were asked what they think about IKEA.

Following are their comments on IKEA.

- IKEA is far. There are many good design products available at other shops close by. (60%)
- Products of IKEA were low quality (40%)
- Products of Nitori, and Felissimo are more suitable to Japanese house (40%)
- Assembling is troublesome (20%)
- Awful traffic jam discourages us to go (20%)
- IKEA store forces us to walk through all the way, it takes too long (20%)
- Furniture size was too big (20%)
- When children were small it was useful because IKEA's store had nursery and also birthday party we could have but now there is no benefit (20%)

None of them were willing or planning to go IKEA shop in near future.

Japan Quality

Japanese have been living with wood. They have been building houses with wood, which is well known by old temples and shrine in Kyoto. Japanese know that good wooden houses can last hundreds of years. Furniture is the same. Japan is a country of craftsmanship. Just until recently brides were bringing a chest of drawers made of paulownia wood which can be used for 100 years. Since they have been surrounded by good wooden products, Japanese demand high quality.

Nitori and Muji emphasize their quality. Nitori uses tagline “Our value of ‘OFFERING THE UNEXPECTED’”, (in Japanese, they say “they offer more quality than you expect from the price”). For MUJIRUSHI-RYOHIN, brand name tells their quality, it means “No brand logo-good products”.

Disposal furniture in “Mottainai” Country

The Japanese word “Mottainai” was introduced by a Kenyan green activist and 2004 Nobel Peace Prize winner Wangari Maathai. “Mottainai” refers to the feeling of regret at wasting the intrinsic value of a resource or object. The three R's: reduce, reuse, recycle, which are familiar among Japanese can boil down to this one word. She started “Mottainai” campaign globally. She said “We have to save and share materials for peace. The ‘Mottainai’ spirit makes this idea tangible, and the Mottainai campaign is my life

work”.

In Japan, children are taught “Mottainai” by parents and grandparents especially when they left some food at a meal time. Every Japanese may have such an experience. Not only food but resources such as wood were reused until it became firewood. When it comes to furniture, people want to recycle, or to give someone so that they do not need to feel guilty.

However, IKEA’s furniture is not designed to be disassembled and reassembled. In Japan few moving companies can disassemble and reassemble IKEA’s furniture, while they are more likely to do so for Japanese companies’ furniture. Small furniture can be given to a friend or can be carried to a recycling shop. However, large furniture needs to be disassembled to get it out from a small Japanese house. Some people just give up disassembling. In this case, they need to ask some company to collect and dispose of it.

IKEA Japan started trade-in / reduction service for Japanese customers but to use that service, customers need to bring the furniture to a store without disassembling. There is no pick-up service.

It is may be rare in other countries but many Japanese companies have business transfers (relocation). Employees of those companies do not want to feel mottainai every time, and they do not want others to feel the same way, either. That is why many bloggers in Japan recommend readers to reconsider before buying IKEA’s furniture.

Less is More, Minimalists Boom

Recent years, Japanese have become obsessed with tidying up. Marie Kondo, a consultant whose organizational method with “Spark joy” wrote a book, entitled “The Life-Changing Magic with Tidying Up” which has swept Japan. Another consultant Hideko Yamashita is a decluttering guru. She introduced an underlying concept of “Dan Sha Ri”, which teaches us how to carefully observe our relationship to the stuff to which we cling and to free our mind of attachment. Most recent boom is Minimalists. Initially inspiration for Japan’s minimalists came from the United States, where early advocates included Steve Jobs. However, some say minimalist is actually not foreign but a natural outgrowth of Zen Buddhism and its stripped-down world view. All of three claim the concept “less is more”, fewer belongings enrich your life. TV programs, magazines featured tidying up and showing minimalists’ rooms, encouraged people to pare their possessions down including furniture, to have simple life with only the things they really like and need.

Customer Expectation of Logistics in Japan

Japan offers one of the best reliable logistics in the world. If you live in the central Tokyo, Kanagawa, Chiba, Osaka, Hyogo, Amazon prime service will deliver products within 2 hours for free of delivery charge for more than 2,500 yen purchases. Japanese largest on-line shopping mall Rakuten has a delivery service which delivers products next day. Office goods online delivery service Askul can also deliver on the same day or next day. Super market chains also have online service which is called “Net Super”; they can deliver fresh ingredients and household goods in a few hours. Such delivery services have changed Japanese consumers’ life style drastically, especially in cities. Shopping became very easy and less labor-intensive activities, which made people feel that IKEA is located far and shopping at IKEA is time consuming.

IKEA expanded with the strength of flat-packs and self-service and could not give up its model easily and took time for it to start up its online store. In addition, it has a dilemma in shipping charge. The real store requires self-service to find and carry goods, it has to charge for delivery to be consistent, and otherwise no one will find and carry furniture by themselves. However, as many Japanese are used to free or low shipping charge, IKEA’s delivery charge discourage them to use their EC site.