

Ikea and its impact on indian economy

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“ We make in India, make for India, and now, we will make for the world”

These were the words of H. C. Hong, Samsung India chief executive, who spoke of Samsung’s “ dream of making India a global export hub for mobile phones”. With Ikea opening its first store in India after initial struggle, it seems that Prime Minister Narendra Modi’s ‘ Make in India’ initiative is starting to give the desired results which were expected from it. To a country reeling from mundane markets, poor sentiments, and disruptive economic growth, IKEA’s FDI proposal offers a ray of hope.

IKEA’s proposal to invest Rs. 10, 500 crore and a goal to open 25 stores will not only improve IKEA’s financial profitability but will have a direct and indirect impact on the Indian economy. One such impact will be on the Indian middle class, which constitutes around 50% of Indian population. With the development of companies like IKEA it reflects the opportunities created by increased urbanization. Increased urbanization will lead to greater certainty of income and will markedly improve the standard of living.

Set benchmarks in retailing

IKEA’s entry is a great fillip for organized retailing. Being the most trusted, moral, and respected brand in the retail world, IKEA will instill a healthy competition in the Indian market. This will lead to better productivity and growth in manufacturing market of India.

A delight for customers

Furniture and furnishing market of India are influenced by the unorganized sector. Having monopoly they charge high prices with poor quality goods.

IKEA's entry will change that. The company is known for fashionable, quality assured products at a good price. Their designs are simple and offer a variety of products in different price ranges. Besides the products, shopping at IKEA stores will be a delight for Indian consumers. Cheap and good food is another big attraction.

The back-end story

IKEA's entry will have an impact at the back end. Generally, IKEA does not invest in factories. To meet its global quality and supply standards it works closely with enterprising entrepreneurs to ameliorate and upscale the stores. India's manufacturing sector which comprises of many small and unorganized manufacturers will benefit and learn from IKEA's experience in the sector. Also IKEA ensures that their relationships with the vendors is collaborative rather than exploitative.

Good news for exports

One reason that India still isn't growing at the rate at which it should is because of exports. Exports from India barring carved wood products, is negligible. IKEA's entry has the potential to change this conundrum. Even though IKEA might use some of Indian vendors to meet its global requirements, being an IKEA supplier will help these vendors to be recognized in the global environment and will lead to these vendors exporting their products through other multinational companies.

Employment opportunities

IKEA deals in a variety of products like outdoor patio furniture, etc. Since India is not rich in natural wood IKEA could help develop vendor's non-wood

categories. Most of the vendors will be from small and medium enterprises. Hence, this will lead to creation of manufacturing jobs for the middle class.

IKEA can be big opportunity for the Indian economy, but the Indian market is also a market with many quirks. IKEA products deals with the consumer's stripping out the parts and assembling the furniture i. e. " do-it-yourself" job. This is not something Indians are used to. Indians are very price sensitive but at the same time they are value sensitive. They want cheap and quality products. Another challenge is it is difficult to find huge tracts of land in India and when available they are too expensive. If IKEA can overcome these challenges I think it will have great impact on the Indian economy and will provide the necessary boost it needs. I would like to end with a quote by Peter Betzel, CEO, IKEA India:

" For us, India is a new country. The only thing that I am sure of is that once the store opens, we will learn a lot. Learn and adapt, learn and adapt.... less planning and more learning – that's what I can foresee us doing."