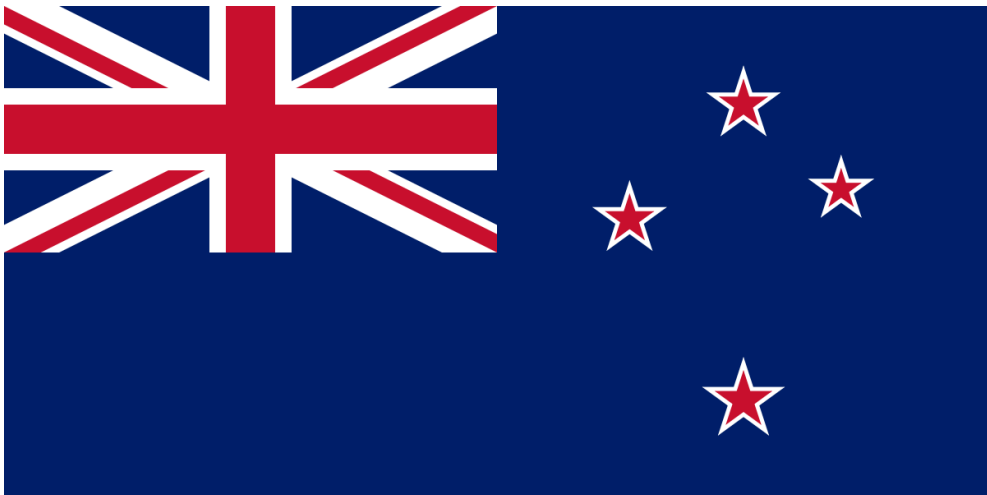




IKEA TO NEW ZEALAND
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Executive Summary

There are many issues regarding IKEA's potential entry into New Zealand, including factors such as the competitive market landscape, logistical challenges, specific consumer preferences, and strict laws and regulations. Our recommendations include utilizing strategic marketing, advancing the supply chain and logistics, implementing a competitive pricing strategy, ensuring law compliance, and focusing on sustainable practices.

A significant issue regarding the market landscape in New Zealand is that it is highly competitive, with companies like Harvey Norman and Big Save Furniture dominating the country's furniture market. These companies already have a strong understanding of consumer preferences and tastes in New Zealand and have earned the loyalty of their customers. New Zealand's unique location could also cause problems, and many logistical challenges could affect supply chain efficiency and increase consumer prices. The New Zealand market has a high demand for sustainable and quality products, and IKEA must be able to resonate with these local consumer tastes. Also, New Zealand has strict policies on sustainability and the environment, which are laws that IKEA must abide by while operating in the country.

We recommend that IKEA use targeted marketing strategies demonstrating a commitment to sustainability, quality products, and reasonable prices to align with New Zealand consumers' preferences and values. In terms of supply chain and logistics issues, IKEA must utilize the advanced infrastructure that New Zealand offers and find ways to overcome the country's geographic disadvantages. To assist with this process, it should further analyze its success in nearby Australia. Furthermore, the company should implement a competitive pricing strategy demonstrating that its products are cost-effective, durable, sustainable, and innovative to help IKEA compete with its many competitors across the country. It should also prioritize its compliance with local sustainability laws and environmental regulations.

In conclusion, we recommend that IKEA move forward with its plans to enter the New Zealand market. With high-quality infrastructure, a young and modern consumer base, a high focus on sustainability, and a booming furniture and home goods market, IKEA will succeed in New Zealand if it carefully follows our recommendations and swiftly enters the market.

I. Political and Legal Risks in New Zealand

On June 23 and July 4, 2010, following Swedish Radio's discovery of IKEA Israel delivering goods such as furniture to Israelis along the West Bank, the Palestine Solidarity Association encouraged IKEA to cease these deliveries immediately for several reasons. The Palestinian territory is not officially recognized internationally, making legal sales in the region difficult. The Palestinian Authority of Sweden has requested that IKEA Israel remove itself from the area, to which IKEA has not responded. This issue is complicated because it is only an issue for countries that disagree with Israel's borders. IKEA has chosen a very private approach. They have been increasingly quiet about it in recent years, with no new comments in the past five. In this case, IKEA is a private company, so comments are unnecessary.

According to the New Zealand Ministry of Foreign Affairs and Trade, "New Zealand and Sweden have a warm and friendly relationship underpinned by shared interests and similar outlooks on global issues, including rules-based trade, agricultural reform, disarmament, human rights, and the environment (New Zealand Ministry of Foreign Affairs and Trade, n.d.). In a statement made this month, New Zealand Foreign Minister Winston Peters reaffirmed the strength and importance of Sweden-New Zealand relations, stating that "Sweden continues to be one of our most like-minded partners within the European Union, and indeed globally" (Peters, 2024). This friendly and mutually beneficial relationship could provide great potential for a Swedish company like IKEA.

New Zealand is exceptionally politically and economically stable and consistently ranks highly internationally for its governmental transparency, democratic institutions and low levels of corruption. This makes it a desirable location for companies looking to enter the market. It also has a solid legal system based on British common law but expanded with its rules and statutes. The country's legal system "is rated second (one point behind Denmark) for freedom from corruption by Transparency International" (Menguy, n.d.). It also has a reasonably predictable policy environment, clear property rights, high levels of trust and transparency, and environmental and sustainability regulations. These high standards strongly align with IKEA's values, ensuring that the company will be treated fairly and equally while doing business in the country.

In general, IKEA has solid legal standards for international business practice. In 2000, the International Federation of Building and Woodworkers and the IKEA group formed a joint agreement targeting working conditions. The company has made similar moves in other countries. IKEA's legal background is pretty quiet, with the most recent lawsuit being in July 2023. For a large company, this is normal. Attorneys for the company fought a case against a plaintiff who claimed one of IKEA's dresser designs was flawed. According to Aleeza Furman of *The Legal Intelligencer*, the design allowed a customer's young daughter to "trap her head in the door," to which the Swedish business giant paid a \$13.5 million settlement (Furman, 2023). In recent months, however, the company has seen no issues.

In New Zealand specifically, IKEA has already been accused of greenwashing. The Swedish company owns over 23,000 hectares of land in NZ, where it plants pine trees for wood production in what it states is a sustainable way. Local environmental groups wholeheartedly disagree with this. These same groups are actively pursuing the acquisition of said land, although efforts have been met with no response from New Zealand's government. One journalist for *Disclose.ngo* stated, "In New Zealand, IKEA hogs land, jeopardizing native ecosystems." (Lavrilleux, 2024). Articles like this one can easily cause problems for a company. Land has always been an issue for the company in New Zealand, specifically in Auckland. In a 2008 ruling, a judge specifically excluded the company from a new development in the city because of its popularity. He stated that traffic concerns are the reason for the blocking (NZ Herald, 2019). Since then, entering the country has been hard for the furniture giant. In recent years, however, the company has been permitted land area.

The political risk that IKEA brings to the table is that it is emphasized heavily in national law but enforced in a non-uniform manner locally. According to the University of Minnesota Human Rights

Library, in May 1998, IKEA and the International Federation of Building and Wood Workers' Wood and Forestry Committee met in Geneva to sign a cooperative agreement on matters concerning working conditions, the environment, and health and safety for employees at enterprises all over the world that manufacture and supply IKEA with its goods. Under this new order, IKEA will demand that its supplier's employees find fulfillment in legal working conditions according to their national law. This means that controversial issues in Western countries, such as child labor, are allowed according to the local law of the international enterprise location. This agreement impacted approximately 1,000,000 employees globally (University of Minnesota, n.d.).

Concerning tax implications, the Inter IKEA Group states the following information on their website: IKEA is committed to complying with all local tax legislation and payments, and central jurisdiction is paramount. Jurisdictions are paid based on the economic realities that IKEA faces in the international market through the consistent transfer pricing of their goods and constructive dialogue with local tax authorities to minimize legal issues. In addition, they pledge to be transparent about their tax approach and position to give the latest information on income taxes and other related diagnoses. The listed points of information are significant indicators that the international IKEA group will do its best to uphold the laws and regulations of local authorities, regardless of where they are located in the world (Inter IKEA Group, 2021).

When discussing the furniture industry, which IKEA is a part of, it is essential to note that they are the most significant furniture business in the world, but that does not limit them to having any competition, especially in areas of New Zealand. Harvey Norman is if not one of the biggest competitors in New Zealand in terms of the idea of IKEA. Harvey Norman has a gross income of A\$1.03 billion in revenue from its New Zealand operations (NZ Herald, 2024), but that does not underestimate its worldwide overall revenue of \$2.63 billion annually (Companies Market Cap, n.d.). According to the official *Ikea.com* website, IKEA makes about \$42 billion in annual revenue, and an average store makes roughly \$100 million per store owned (IKEA, n.d.). The competition in New Zealand is intense. With Shein, Harvey Norman, Furniture Zone, and Big Save Furniture, many other companies are part of the New Zealand furniture market.

IKEA produces many different furniture products, including kitchen furniture, decorations, home accessories, and various other products, all at an affordable cost and in a worldwide environment. One of the biggest things for IKEA is reasonable measures and allowing users to decorate and furnish their homes cheaply, allowing them to reach a broad audience worldwide. Their self-service and flat-pack design will enable customers to let them assemble their products outside the store and empower customers to take advantage of their creations to their advantage. One of the biggest trendsetters in the furniture industry, it allows people to afford good-quality furniture cheaply. One of their most significant things is how sustainable and environmentally friendly IKEA furniture is by using recyclable materials. Sourcing their materials is what sets them apart from other companies.

In New Zealand, the furniture industry is expected to generate a significant revenue of \$2.04 billion in 2024 and is projected to experience a steady annual growth rate of 5.63% (Statista, n.d.). The largest market segment is the living room furniture segment, which accounts for a substantial market volume of \$0.54 billion. The New Zealand furniture market is also experiencing increased demand for sustainable and locally-made products. In terms of the eCommerce market, the industry created revenues of \$655 million last year and currently accounts for 10.4% of New Zealand's eCommerce market (eCommerceDB, n.d.). The annual growth rate will be 4.7% for the next four years. The furniture industry in New Zealand grew primarily due to the COVID-19 pandemic. With the government implementing measures to support households in the wake of the pandemic, such as introducing wage subsidy payments, moratoriums on rent increases, and mortgage repayment holidays, people's incomes increased, and necessary expenditures decreased. Furthermore, with more people required to work from home due to the pandemic, spending on furniture increased, especially on products such as desks and office chairs (IBISWorld, 2023).

Many significant New Zealand furniture industry trends have occurred in the last few years. First, imported furniture is now more challenging and expensive to purchase in New Zealand, which means that New Zealand or Australian-made furniture is much more cost-competitive in the local market. Second, home offices have become increasingly common in New Zealand homes, and people are looking for new and unique ways to design them. Another trend is that furniture is being bought online more than ever before. The demand for soft, flexible, and versatile furniture for indoors and outdoors has also increased in recent years. Finally, at-home movie theaters and “relaxation” furniture have become popular trends in the New Zealand furniture industry (Brandon, 2021).

Opening an IKEA in New Zealand would present many opportunities, challenges, and risks. New Zealand’s market is somewhat saturated compared to other countries and has a relatively small population compared to other countries with IKEA. This opportunity could lead to New Zealand already having competitors in the furniture and home goods industry, making it harder for IKEA to differentiate itself. New Zealand’s geographic isolation also poses a significant risk. Importing IKEA’s vast array of products from overseas would be difficult and could cause problems such as delays and expensive shipping costs.

Culture also plays a pivotal role in assessing the risks of opening an IKEA in New Zealand, as their business model may need to adapt to better suit New Zealand consumers' people, preferences, and lifestyles. Different things, such as restyling products and shopping habits, must be considered to ensure the company would resonate with a new target audience. Competition would also be fierce, as the retail market in New Zealand has been highly competitive (Retail NZ, 2019). IKEA would compete with many existing furniture retailers, department stores, and more. Getting a better understanding of the market and its consumers would be essential if it were to be successful. Regulatory laws would also need to be adapted, as there would be different labor laws, safety standards, and environmental regulations. Despite these risks, entering New Zealand presents plenty of opportunities if IKEA wants to expand its global footprint. Still, it would require a thorough evaluation of the market, adaptability, and strategic planning to lessen the risks and give themselves a better chance of success.

II. Demand for IKEA’s Offerings

New Zealand, compared to some other countries, is relatively small. It currently has a population of 5.123 million, smaller than New York. In 2018, the country's population was 4.901 million people, and in the same year, homeownership was at 64.5% (Stats NZ, 2020). When looking at New Zealand's furniture market, where IKEA will compete, it is safe to assume that the percentage of customers who own homes will make up the majority. The furniture industry in New Zealand will account for US \$2.04 billion in 2024 and is projected to grow at an annual rate of 5.63% (Statista, n.d.).

Thus, the industry in New Zealand looks very promising for IKEA, and the market is certainly there. The store will be located in Auckland, the capital city of New Zealand. According to IBISWorld, 44 individual furniture businesses operate in Auckland (IBISWorld, 2023). The New Zealand market has plenty of competition; however, the Swedish furniture giant looks confident about its newest store. Despite the competition, this location offers steep advantages compared to other cities in the country. It is undoubtedly the biggest one and the most populated. The city is close to the country's "middle," making it accessible to many surrounding communities. IKEA’s name also has immense dependability. Customers from other countries have supported the company since they opened their first store. Competing companies in New Zealand will surely be keeping their eyes on IKEA.

In New Zealand, the consumer segments are divided between urban and rural, with larger cities such as Auckland, Wellington, and Christchurch having the most significant consumer segments. New Zealand is also very diverse, as its population contains a mix of ethnicities, such as European, Pacific Island, and Asian, with Europe being the largest of the mix (Stats NZ, 2020). The country has a high standard of living, a strong economy, and a high GDP per capita. Despite this, there can still be disparities in purchasing power between urban and rural areas and among socioeconomic groups. Generally,

however, purchasing power parity in New Zealand is high, with GDP per Capita PPP averaging \$36,032 from 1990 until 2022, reaching an all-time high of \$45,185 in 2022 (Trading Economics, n.d.).

New Zealand is known for its stunning landscapes, making Kiwis more interested in outdoor and leisure activities. As a result of New Zealand's beautiful topography, there is more of a focus on sustainability and environmental stewardship among consumers. Cultural diversity is a prominent aspect of the country's heritage, leading consumers to prefer businesses that promote cultural diversity and inclusivity. While price sensitivity exists in New Zealand, consumers prefer quality over price, especially for durable goods or luxury items. Like most other places throughout the globe, there has been a steady growth in e-commerce, with consumers starting to embrace online shopping, thus gaining access to a broader range of products (Statista, n.d.). Brand loyalty is extreme in New Zealand, as consumers tend to latch on to trusted local brands. By aligning its strategies with the consumer preferences of New Zealand, IKEA can have a successful entry into the market.

It is important to remember that, despite being the most significant furniture company in the world, IKEA still has competition, particularly in parts of New Zealand. More specifically, if not the biggest, Harvey Norman would be one of IKEA's main rivals in New Zealand. Harvey Norman's New Zealand businesses generate \$1.03 billion in gross profits (NZ Herald, 2024), but that does not come close to accounting for the company's \$2.63 billion yearly global revenue (Companies Market Cap, 2022). IKEA's official website, Ikea.com, states that the company generates over \$42 billion in global revenue annually, with an average store earning approximately \$100 million per owned location (Inter IKEA Group, 2023). The competition in New Zealand is intense. With Shein, Harvey Norman, Furniture Zone, Big Save Furniture, and furniture, multiple companies are part of the New Zealand atmosphere.

"New Zealand is the 19th most competitive nation in the world, according to the Global Competitiveness Index" (BusinessNZ, 2019). New Zealand is one of the most competitive markets. IKEA has much global competition and could eventually enter the New Zealand market. One of the biggest competitors is Home Depot. If it went global, it could take an entire market by storm. They tried it once in 2016, and they can try it later on in the future. The massive loss of profitability and missed market opportunity of the Home Depots in Asia reflects the necessity of appealing to different racial groups and understanding their standpoints, especially from a cultural stance, with a mixture of New Zealand and IKEA (Lee, 2021). They can take the storm in the New Zealand market if they make the right decision and culturally intertwine with each other. Indeed, IKEA has offered many opportunities for other countries, and New Zealand will be one of them.

IKEA is one of the leading global retailers of low-priced furniture worldwide. Most of their products come ready to assemble right out of the box. They also specialize in home decor, accessories, and other goods and services. Their clients range from college students to professional designers. Their most popular products include the Billy Bookcase, the Japanese-designed Poang Chair, the Malm Bed, and the Frakta shopping bag (Keller, 2017). Other furniture retailers, such as Big Save Furniture, Target, and Freedom Furniture, provide many offerings. However, these companies need to have the artistic flavor that the Swedish furniture house IKEA does. Therefore, their offerings are unique due to their design. No other furniture retailer in New Zealand offers the same styles, formats, and themes that cater to their target audience, like IKEA.

New Zealand offers IKEA several factors that can contribute to its long-term success. The target age demographic for IKEA is between the ages of 15 and 64. Coincidentally, the majority of the population living in New Zealand, approximately 65%, is between the ages of 15 and 64 (Infometrics, 2023). Furthermore, the environmental and sustainability goals of New Zealand align with those of IKEA in the fields of greenhouse gas emissions and sustainable and affordable energy (International Trade Administration, 2023).

The two most prominent furniture retailers in New Zealand, Harvey Norman and Big Save Furniture have a competitive advantage due to their familiarity with New Zealand consumers. These well-known retailers have had an established presence in New Zealand for decades, with Big Save opening its first store in 1973 and Harvey Norman opening its first New Zealand location in 1997 (Big

Save Furniture, n.d.). They have established themselves as reliable, affordable, locally owned, and operated, all attributes enormously appealing to New Zealand consumers. New Zealanders have come to know and love these stores and their products, and they find these chains dependable, reputable, and instantly recognizable. Another strength of these competitors is their broad reach, with Harvey Norman having 43 stores nationwide and Big Save Furniture having 25 locations (Harvey Norman Global, n.d.).

These competitors' weaknesses are primarily due to their smaller size and lower total revenues. For example, Harvey Norman's global revenue in 2023 was USD 6.03 billion and \$680 million in New Zealand alone (NZ Herald, 2024). Meanwhile, Big Save Furniture's revenue was only \$19.1 million. Harvey Norman has roughly 10,000 employees, while Big Save only has about 350 employees (Big Save Furniture, n.d.). These numbers dwarf in comparison to IKEA's annual revenue of \$31.5 billion in 2023 and over 219,000 employees worldwide (Inter IKEA Group, 2023). These companies' total resources, capabilities, and workforces are much smaller, signaling a potential weakness against IKEA.

Shein is another company that has found great success in New Zealand and is a significant competitor to IKEA. It has added furniture to its product offerings in recent years. Its advantages include its low manufacturing costs, easy accessibility due to its online platform, rapidly increasing revenues (\$33 billion in 2023), and affordable prices (Yang, 2023). However, its weaknesses include its poor reputation, unsatisfactory product quality, and low consumer dependability (Al-Mallees, 2022).

III. Resources and Infrastructure Available in New Zealand

IKEA has an entire portion of its website dedicated to materials. In this case, these same materials would be considered the resources IKEA needs to create products for their customers. Listed first is wood. Wood is and always has been one of the most valuable resources on the planet. The critical aspect that makes wood so desirable is its renewability. IKEA indeed emphasizes this, stating that the material is "renewable," "natural," and "lasts for generations" (IKEA, n.d.). IKEA's leading wood suppliers are Poland, Lithuania, and Sweden. The rest comes from Europe, with nearly 85% being sourced globally. The other renewable materials listed are cotton and natural fibers (IKEA, n.d.). The company's source of cotton is hard to track. The crop is grown all over the world, ranging from the US to Pakistan. Furthermore, the company does not list its sources online. Natural fibers, however, are listed as coming almost entirely from Vietnam, Indonesia, and China.

IKEA uses non-renewable materials, including scrap/recycled, composite, plastic, and bamboo. Scrap or recycled material is hard to source; however, IKEA's website mentions a polyester recycling plant that converted 130,000 metric tons of virgin polyester to recycled polyester by the end of 2020. IKEA brings its bamboo from the same places where it sources fibers. However, the company has been pursuing the Indian bamboo market in favor of its Asian counterpart (IKEA, n.d.). Composite and plastic materials are not widely published, and sources are hard to trace, even online. This seems true for most companies as they favor talking about and publicly recording sustainable materials. IKEA's new store in New Zealand will not require raw materials (resources) because the furniture sold in stores is not produced in New Zealand. This means physical merchandise will be present in the new store and shipped from Europe. Resources such as building materials will never reach IKEA New Zealand.

IKEA has a ton of different ways to ship products to customers. Some logistics infrastructure they use for this includes trucking, boating, and airplanes, using plenty of different shipping companies like FedEx, DPD, and Aramex. Aramex is a major New Zealand courier and shipping company that can and will probably be used to deliver IKEA products. On IKEA's website, they have different shipping pricing options, such as standard delivery at \$19, doorstep delivery at \$29, and scheduled in-home delivery at \$59 (IKEA, n.d.). By performing logistics like RFID tracking, automation, and route optimization, IKEA has a firm advantage over its competitors, which cements them as highly efficient and reliable. IKEA is always looking for ways to be sustainable, investing in renewable energy, waste reduction, and sustainable sourcing of resources. One of their focuses has been heavily investing in solar and wind energy for power

stores and distribution centers. According to the company website, IKEA is very serious about recycling, not letting their products go to waste, and turning recycled materials into new raw materials.

Using technology infrastructure for IKEA comes from handling high usage and integrating it with physical store operations. The app also helps users understand, customize, and streamline their shopping experience. The other use of technology is data, such as forecasting demand and stock levels and personalizing customer experiences. They also use technology to plan the store's needs for a unique showroom warehousing, enabling customers to experience products and test out what items they would like to use in their homes. IKEA has been using AR/VR in their showrooms to help customers determine which furniture items would look good in their own homes since 2017 with the IKEA Place app (IKEA, 2017). Advanced technology helps IKEA determine which items to manufacture and allows it to innovate sustainable products. Additionally, customer support is critical in a billion-dollar business such as IKEA to handle inquiries, orders, and services effectively and to help customers and enhance customer satisfaction.

New Zealand has many different resources across many sectors. These resource sectors include labor, natural resources, raw materials, and supplies. Regarding labor resources, New Zealand has a very skilled and educated workforce across various industries, such as agriculture, tourism, technology, and education. Their labor force is known for its adaptability and innovation, and like the rest of the country, it has a significant focus on sustainability (OECD iLibrary, 2017). Diversifying New Zealand's labor force helps mitigate risks associated with economic downturns in specific sectors. With this diversity and the country's education system, their workforce can contribute to various parts of running an IKEA, such as sales, logistics, and administration. The use of natural resources directly relates to New Zealand's emphasis on sustainability. The country's significant forestry resources can lead to sustainable yet efficient use and access to wood for furniture production. New Zealand also has abundant renewable energy resources, such as hydroelectric, geothermal, wind, and solar (Energy Efficiency & Conservation Authority, n.d.). Utilizing these resources would align with IKEA's sustainability goals for their operations.

Using raw materials is vital for a company like IKEA, and taking advantage of New Zealand's forestry industry by sourcing locally can help create profits for the company while also reducing transportation costs and environmental impact. Metal is another crucial factor in furniture construction and assembly, and while New Zealand's metal resources are not as extensive, there are reserves of aluminum and steel. Other supplies such as water, electricity, and telecommunications are reliable in New Zealand and can support the operational needs of a large retail company such as IKEA. Both New Zealand and IKEA greatly emphasize sustainability and conservation, which could impact the extraction and utilization of specific resources. However, the country offers bountiful resources, which can aid both IKEA's success and New Zealand's approach to sustainability.

New Zealand seeks to invest around \$47 billion over the period 2025–31 as a part of the National Resilience Plan (International Trade Administration, 2023). The leading point of investment is transportation. Various forms of public transport, such as ferries, buses, and trains, are heavily centralized in urban areas such as Auckland, Christchurch, and Wellington (Global Infrastructure Hub, n.d.). Furthermore, international airports in the three previously mentioned cities allow New Zealand to maneuver domestic and imported goods. According to Auckland Airport, they have seen an increase of 23% in total aircraft movements and maximum take-off weight by 41% between January 2023 and January 2024 (Ministry of Business, Innovation & Employment, 2016). The ports in Auckland and Tauranga are also experienced in handling domestic and imported shipments. Notably, the Port of Auckland is committed to a zero carbon footprint by 2040 (Infrastructure New Zealand, n.d.). It has provided the city with over 170,000 jobs and brought in the most revenue out of all the ports in the country: \$248.1 million as of 2019.

New Zealand has an advanced digital infrastructure with high-speed cables to multiple offshore landing locations. High digital capability, capacity, redundancy, and quality mean excellent international connectivity and high network speeds across the country (Auckland, NZ, n.d.). New Zealand also has an

advanced digital infrastructure for network coverage, 5G deployment, and internet speeds, ranking in the top 20 countries globally for fixed broadband speed and the top 40 for mobile performance (International Trade Administration, 2023). Space-X has launched satellites allowing faster broadband internet in New Zealand's rural and remote communities without a fiber connection. The company plans to use these Starlink satellites to provide 100% New Zealand cell coverage by late 2024 (International Trade Administration, 2023).

New Zealand leads the world in public and private sector initiatives for public Wi-Fi provision, ranking fourth in the ECU's 2020 Inclusive Internet Index (Auckland, NZ, n.d.). Telecommunications has transformed in New Zealand with the rollout of fiber-optic communications. As of 2022, 87% of New Zealanders had access to fiber Internet availability, making New Zealand one of the leading countries for fiber availability (New Zealand Infrastructure Commission, n.d.). Private sector involvement in telecommunications is high, and New Zealand's government has been very successful in helping to close gaps in access to telecommunications networks across the country.

IV. Strategic Importance of New Zealand

The strategic importance of New Zealand is crucial; it is one of the biggest countries for many different reasons, such as manufacturing, producing, and consuming materials. It is a significant world producer of dairy, meat, and wood products (globalEDGE, n.d.). New Zealand is also very substantial internationally for being a major importer. However, the country still exported approximately \$56.6 billion in 2021, which is very large compared to other countries on the scale of New Zealand.

For IKEA, New Zealand ranks #9 for all furniture imports in the country, with a total cash flow of approximately \$1.16 billion for all furniture imports inside the country. While speaking at large, the wood industry in New Zealand is crucial for IKEA in building furniture; they export about \$6.19 billion of wood to other countries every year. While IKEA is a relatively small country, it has one of the world's largest stable economies, purchasing powers, and quality of life. These factors are attractive to a company such as IKEA when it comes to joining New Zealand. New Zealand also has a large population in on-home development, ranking first in renovation worldwide (McCay, 2023).

The competitive market is down with many competitors for internationally and locally owned companies like Harvey Norman, Freedom Furniture, and many other furniture stores. IKEA's entry into the country could rapidly expand the market in New Zealand with competitive prices and their extensive range of products in a single country. New Zealand trade agreements are very business-friendly and can help IKEA establish stability in the market, and they rank seventh in international business ratings. For the future of New Zealand, there is plenty of growth in urbanization and housing, which can present many opportunities for new homeowners and renters for home accessories from IKEA. There is a plethora of technical integration occurring in New Zealand so that IKEA can use the shopping experience, and there is a shift towards digital integration, which can help IKEA establish itself across the country.

While New Zealand is a relatively small country, it seems limited. It is very stable, aligns consumers with IKEA's offerings, and has the potential to be stable in the Asia region. Not having IKEA will not significantly reduce IKEA's global competitiveness, but entering the market can help with competitive advantages and goals, improving IKEA's worldwide effectiveness.

New Zealand's furniture market is projected to increase by 20% from \$2.04 billion in 2024 to \$2.55 billion by 2028. Most of the market share is held by living room furniture, which accounts for \$540 million in revenue in 2024. It is projected to be worth \$700 million in 2028, a 5% increase from the previous year. The second largest category in 2024 is bedroom furniture, \$390 million. It projects to grow to \$480 million in 2028, a 2.6% increase from the previous year. The third largest category in 2024 was kitchen and dining at \$280 million. It is estimated to be worth \$370 million by 2028, a 1.2% increase from the previous year. Lastly, as of 2022, International IKEA Holding B.V. was the revenue leader of the

furniture market globally at \$30.55 Billion. These statistics prove that IKEA should pursue a long-term strategy in New Zealand as it would be profitable (Statista, n.d.).

The millennial generation will also contribute to the furniture industry as they will soon become the leading generation in purchasing new homes. The increase in trends such as adaptable lifestyles and online shopping will open the opportunity for furniture retailers like IKEA to capture the national market share for furniture, as common buying trends revolve around sustainability, functionality, and cost-effectiveness. Regarding sustainability, wood furniture is preferred by the New Zealand market for manufacturing and exportation purposes as the millennial demographic pushes for high-quality products at competitive prices with other furniture retailers in mind. This will benefit IKEA stores and provide opportunities for distribution centers working with IKEA to increase profits by exporting sustainable furniture to different countries and expanding their domestic customer base (IndustryARC, n.d.).

New Zealand's geographic position can serve as a gateway to more opportunities for growth, as IKEA's market can expand to the Asia-Pacific region, leading to higher market potential for the company. Despite New Zealand's remote location, its position in the South Pacific could serve as a hub for distribution and logistics operations, helping to facilitate access to markets in Australia, Asia, and more (McCann, 2007). The country also relies on tourism, and the heavy influx of tourists into New Zealand presents opportunities for IKEA to establish a presence to cater to these visitors.

As far as the innovation characteristics of New Zealand, the country has a strong focus on sustainability and the environment. IKEA, also known for its commitment to sustainability, could draw inspiration from the country regarding conservation practices and forms of renewable energy. New Zealand is also known for its creative culture, especially in arts and craftsmanship. This creativity could stem from IKEA's product offerings, as they could offer exclusive products only in New Zealand that pay homage to the country's history and culture. IKEA can also collaborate with local designers, which could lead to products with a New Zealand or Kiwi flair, which could appeal to local customers more, as it represents their country while also tying into their interests in arts and craftsmanship. Despite how small New Zealand is, the country has a thriving technological sector, accounting for 11% of the country's exports and 10 billion dollars (NZTech, 2023). IKEA can use this advantage by leveraging New Zealand's technological expertise to enhance the company's digital aspects. This can lead to improvements in IKEA's online platforms and customer experiences. The technological proficiency of the country could also be tied to the supply chain operations of IKEA and make it a more efficient operation from start to finish. By tapping into the local talent of New Zealand, differentiating themselves by offering unique products and services, and embracing the country's values, IKEA can further strengthen its position as a leader in the retail industry.

IKEA, of course, aims to be competitive in New Zealand. Several different factors can influence this as the store makes its entry into a new market. When asked why IKEA should pick New Zealand for its new store location, strategic importance inherently comes into the conversation. The potential of the market and its entry barriers must be questioned in any new area. In the case of New Zealand, the market potential is expected to reach a high of \$848 million by 2024. This accounts for a whopping 11.3% of commerce within the country. Despite this potential, New Zealand's location and size account for a smaller population that does not compare to larger markets. A strong presence in the country will undoubtedly sway this isolation in IKEA's favor, but a failed entry would mean the company's demise.

Understanding and conforming to the country's norms and culture is essential. IKEA's product selection should reflect what local consumers desire and frequent. Nailing this on the head will be very important. Sustainability, functionality, and design aesthetics will have their own New Zealand take. Adhering to governmental regulations is also very crucial. Import regulations, taxation policies, environmental standards, and general law should all be considered. Large corporations like IKEA have undoubtedly gone through this process before.

New Zealand's strategic importance should not be underestimated, and establishing a presence in the country would positively impact IKEA's competitiveness in the international market. All of the variables described previously, including New Zealand's increasing market size and growth, its

geographic importance and impressive innovation characteristics, and the country's advanced infrastructure and commitment to sustainability, demonstrate the nation's strategic importance. Taking advantage of the opportunities provided by New Zealand would allow IKEA to attain a sustainable competitive advantage and continue to establish itself as the dominant force in the furniture industry. It would also allow IKEA to expand its reach and customer base while creating new business opportunities and increasing overall revenue.

Establishing a presence in New Zealand would significantly increase IKEA's competitive advantage. Although IKEA already has a significant presence in Australia, with 12 locations across the country, establishing a store in New Zealand would expand the company's presence in the Oceania market (IKEA, n.d.). New Zealand has a large and diverse customer base, and its GDP per capita of USD 39,000 is higher than that of European countries such as Spain or Italy (Alonso-Trabanco, 2019). This booming economy, coupled with high-quality infrastructure, a strong demand for furniture products, and a high focus on technology and sustainability, are all attributes that would greatly benefit IKEA if it were to establish a location in the country. IKEA must move quickly, however, as other global firms have also started to realize the vast potential of New Zealand. If IKEA acts soon, it could benefit from first-mover advantages and establish itself as a leading furniture retailer in the country, overtaking local brands such as Harvey Norman and Big Save Furniture. IKEA's failure to establish a presence in New Zealand could reduce the company's competitiveness and worldwide effectiveness, so it is essential that the company fully understands the strategic importance of New Zealand and quickly begins work on opening a location in the country.

V. Final Recommendation

By investing in New Zealand, IKEA will be able to expand its global presence while aligning with the nation's emphasis on environmental stability. The company can navigate potential risks and ensure compliance with local regulations by analyzing the legal and political landscape. Hence, IKEA can encourage sustainable growth towards a beneficial environment. New Zealand offers a promising space for IKEA to grow and capitalize on new trends and consumer preferences. For example, the projected increase in demand for furniture products in the country projects the market to be worth approximately \$2.55 billion by 2028. This will allow the target market demographic of IKEA, millennials, to capitalize on functional, sustainable, and cost-effective solutions for their homes.

Establishing a presence in New Zealand will enhance IKEA's competitive advantage in the Asian-Pacific market and provide opportunities for future growth. Through brand recognition and first-move advantages, IKEA can position itself as the dominant furniture retailer over national competitors such as Big Save Furniture and Harvey Norman. These points prove why IKEA must approach its investment in New Zealand as an urgent matter. By not doing so, their global effectiveness and competitive advantage will be put at risk for other companies to take hold of. In conclusion, IKEA can solidify its position as a dominant furniture retailer by investing in New Zealand to profit from rapidly developing consumer trends and sustain a long-term growth strategy internationally.

If IKEA chooses to enter the New Zealand market, we recommend that they do so through a wholly-owned subsidiary. This entry strategy will allow IKEA to retain complete control over the operations of new stores in the country and ensure that everything runs smoothly and produces optimal results. A wholly-owned subsidiary will also allow for more significant economies of scale and give IKEA greater flexibility for business diversification and quicker entry into the market. This entry strategy will be effective and efficient, giving IKEA complete operational control throughout the market entry process. As for where to operate, our recommendation would be to open the first New Zealand IKEA location in Auckland. It is the largest city in the country, with a population of about 1.5 million, and offers tremendous opportunities for growth and success. It is the significant economic, manufacturing, and financial center of New Zealand, with high-quality infrastructure and a young, urban population, which is

a substantial customer base for IKEA. After establishing a presence in Auckland, other possible operation locations include Wellington and Christchurch. As a large-scale, international company, IKEA will likely not need to use an export intermediary during its entry into the New Zealand market. IKEA can export to the New Zealand market directly and use its knowledge of the Australian market to assist with this process. When considering possible alliance partners, IKEA will likely not require them during this endeavor. If it does, it should look for partners with similar values, such as dependability, customer satisfaction, and a high focus on sustainability.

Critical considerations for IKEA's introduction to the New Zealand market would require a comprehensive marketing campaign to help ensure its success. The first key consideration to a successful marketing campaign would be cultural sensitivity, as IKEA should try to understand the country's unique cultural nuances, which could be incorporated by adding elements of Kiwi culture into marketing materials to help resonate with the target market. Secondly, extensive marketing research should be conducted to help understand the needs and preferences of the New Zealand market. Also, IKEA's unique value proposition of affordable prices, stylish designs, and solutions for home furnishing should be emphasized, as it can show how it can enhance the quality of life for New Zealanders. IKEA can also highlight its commitment to sustainability and environmental conservation. This could be done through the use of renewable materials and products that are energy efficient so that they could appeal to the environmentally friendly market of New Zealand. Another way that IKEA's marketing strategy can be effective is through collaboration with local businesses, which can help build trust and credibility among New Zealanders. This could help attract customers and bring even more brand awareness to IKEA. Due to the heavy use of social media today, IKEA should implement multichannel marketing strategies, as they could leverage both traditional and digital channels. This could be through TV, radio, and even print while taking advantage of social media, email campaigns, and marketing ads. By considering these factors, IKEA can successfully enter the New Zealand market and establish a strong presence.

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