

Analysis of Retailer's Coping Style after Epidemic— — Based on IKEA's Coping Style

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Abstract. When faced with the sudden Covid-19, many companies have suffered large or small losses, especially small and medium-sized retailers, they have been hit unprecedented — compulsory policies imposed by the government have forced them to suspend their business, thus bringing many problems, such as inventory backlog, increased management costs, capital chain breakage, and so on. However, in today's time for the outbreak to recover, these retailers must begin to consider how to recover after the outbreak. Therefore, this paper takes the world-famous chain retailer Ikea as the research object, uses SWOT/PEST analysis method to analyze the dilemma and opportunities of Ikea, at the same time studies the practice of Ikea, studies the advantages of Ikea's practice for retailers. This essay holds the view that the measures IKEA did give suggestions to small and medium-sized enterprises to restore the economy, and hopes to help retailers quickly recover or even surpass the pre-epidemic level.

Keywords: Retailers; IKEA; SWOT.

1. Introduction

1.1 Background

Affected by Covid-19, many small and medium-sized enterprises face many difficulties. Among them, small and medium-sized retailers bear the brunt. Faced with the impact of the epidemic, they face inventory backlog, capital chain breakage, increasing operating costs, and other problems. In this situation, retailers have to consider their future – how to reduce inventory and increase inventory rate; how to reduce management costs; how to use new technology to reduce costs, and so on. For small and medium-sized retailers, inadequate funding and technical backwardness are common problems, and these problems are fatal to them. Many small and medium-sized enterprises are difficult to develop by professional means due to their lack of expertise, which means that they have difficulty restoring the economy in a short period.

IKEA is a Swedish multinational home furnishings retailer with locations in many countries around the world, selling flat-pack furniture, accessories, and bathroom and kitchen items. IKEA is the world's largest furniture retailer, having pioneered a leading brand of self-assembled furniture at affordable prices.

According to these problems, the essay finds that IKEA recovered soon after the forbidden policy of Covid-19 due to their financial reports. Therefore, it is a good way to study measures IKEA uses to help other retailers recover the economy after the outbreak.

1.2 Related research

Influenced by Covid-19, retail business slacks down. Scholars (Fernandes, 2020) have studied the economic impact of COVID-19 across industries and countries and have estimated the potential global economic costs of COVID-19 as well as GDP growth in different countries. The results show that, on average, each additional month of the crisis results in a loss of 2.5-3% of global GDP [1]. A global recession is inevitable.

“scarcity” (Hamilton et al., 2019) during the crisis also can affect customers’ habits regarding the price and merchants’ habits to stock. For example, consumer perceptions of wait times and congestion changed and now they become more tolerable, as evidenced by the long lines to enter stores [2]. Also, some scholars have found (Deng, Wang, & Chao, 2020) that recovery from the epidemic may be

accompanied by a rebound (sharp increase) in consumption as consumers need to return to normal psychological levels of consumption in the retail environment, although this rebound may be limited to very short-term effects [3]. All of the above issues are challenges for retailers, who have to consider not only replying to the emergency (Pantano et al, 2020) but also changing after the epidemic situation [4].

Moreover, internet shopping, which has occupied people's shopping style increasingly, becomes an acceptable alternative to in-store shopping. It threatens thousands of traditional stores (Sendy et al. 2006) and those thus have to find a new pathway to reduce the cost and enhancement [5]. Considering the relationship between city center attractiveness and e-shopping (Weltevreden 2007), IKEA set its warehouse and stores in those influential metros so that it can attract more customers [6]. Retailers urgently need to make changes.

As known, retailing is undergoing a significant structural transformation. Like IKEA, they have to consider the sustainability of their supply chain (Laurin et al. 2017), in which IKEA aims to explore digitalization for boosting their efficiency and manages to illuminate how the exploration process can be organized in practice [7]. To gain this target, IKEA tends to use the information system to manage its products and digitalization (Hagberg et al., 2022), even meatballs and lingonberry jam in its dining hall (Smith 2020) [8][9]. Besides, VMI management is so important that it can help retailers to monitor their inventory and to collaborate their resources [10]. To lessen the riskiness of the inventory, IKEA also costs a lot on inventory management, such as contributing centralized supply chain (Patrik et al. 2013)[11]. For instance, a study demonstrates that it is a good choice to optimize the picking operation to reduce warehouse management costs, improve order response time, and improve customer satisfaction (Y. Feng et al. 2018) [12]. Markén and Hultqvist (2017) studied the warehouse management system of the IKEA distribution center to improve internal efficiency [13]. In other words, distribution logistics plays an important role in international enterprises that want to have more competence in the complex and global market (J. Liu and Y.R. Hou 2011) [14].

Through these studies, it is easy to see that many small and medium-sized retailers are having difficulty managing the post-epidemic era and that there is a lack of relevant literature advising on practices. Therefore, this paper examines IKEA's post-Covid-19 dilemmas and opportunities by analyzing IKEA's practices and suggesting recovery recommendations for small and medium-sized retailers in the post-epidemic era based on its practical results.

1.3 objection

Many of IKEA's responses to Covid-19 are worth learning from, like in supply chain management, and these practices can be used by other retailers to save them from the losses of the epidemic. Therefore, this paper hopes to suggest to small and medium-sized retail enterprises by analyzing the practice of IKEA to Covid-19, hoping to help them recover their economy as soon as possible after the epidemic, or even surpass the level before the epidemic, to achieve the transformation and upgrading of enterprises.

2. Case Description

2.1 Impact analysis of Covid-19 on retailers

According to Covid-19, hundreds of fields have been affected, especially retailers. Due to the forbidden policy, the effect not only happened offline but also online – people were not allowed to go outside to isolate the transportation of Covid-19, and the stores were asked to close during that time, which means retailers cannot earn money so that they cannot make all the things go right without money; also, the logistics were not allowed to operate so that the online shopping cannot operate normally because no one can deliver those parcels. The picture shows the global economy growth rate owing to Covid-19:

Table 1. The global economic growth rate during Covid-19 (Photo credit: Original)

Year	Global Economy	Developed Country Economy	Emerging market and development economies
2019	2.9%	1.7%	3.7%
Jan. 2020	3.3%	1.6%	4.4%
Oct. 2020	-4.4%	-5.8%	-3.3%

Table 1 above illustrates that Covid-19 has impacted the economies of countries around the world, we can draw a conclusion that the global economy has been impacted due to Covid-19 – the global economy growth rate is -4.4% in October 2020, which is a 7.7 percentage point drop compared to the January of that year, especially for those developed countries, which economy growth rate is -5.8% in a few months.

2.2 Covid-19 Impact on retailers

From the above table, the epidemic has hit the economies of all of the countries around the world, even leaving developing countries with negative economic growth, not to mention the shock on the retail sector, which can be divided into the following parts to expand.

2.2.1 Impact on Storage

Because of the sudden strict policy that did not allow people to go outside, retailers did not have enough time to sell all their products, so it cost, therefore, a lot of money to store those goods and cannot profit from those things.

2.2.2 Impact on customers' shopping habits

The closure policy prevents people from going out to shop, so they have to choose to do it online. As a result, offline retailers have seen a significant reduction in customer traffic and have struggled to maintain their revenues to cover expenses.

2.2.3 Impact on the flow of staff and the job market

During Covid-19, a large number of companies cut back on their workforce to reduce expenses and became more willing to hire sophisticated employees. However, it was difficult to retain the best employees because the company did not have high revenues to pay high salaries to the excellent and skilled employees. In addition, recruiting new employees and training them takes a lot of human and material resources, so turnover is a loss for the company.

2.2.4 Impact on the way workers work

Due to the embargo policy, people are not able to go out to work, so the online office has become the choice of most workers. Such a way of working places a demand on the information system of an enterprise and the whole supply chain. Therefore, managers need to improve the overall information system to improve efficiency and achieve the desired goal.

3. Analysis of IKEA development status based on SWOT and PEST

Based on the above analysis, COVID-19 brings not only challenges but also opportunities to retailers. Under such pressure, retailers can enhance their inventory control and information-building capabilities, hire more efficient employees, etc. to improve their resilience to risk. This paper takes IKEA, the world's leading retail chain, as an example, and uses SWOT/PEST to analyze the risks and threats to IKEA due to the epidemic and explore its opportunities and strengths to analyze the measures other retailers can use to recover from the epidemic.

3.1 Operation analysis

Referring to IKEA's sorted financial report posted on their official website (Table 2), IKEA's revenue was affected during the worst year of the outbreak in 2019-2020, but it soon recovered to the pre-outbreak level.

Table 2. IKEA financial report from 2016 to 2021 (Photo credit: Original)

Year	Stores	Suppliers	Website visits (Bn.)	Store visits (Bn.)	Retail sales (Bn. EUR)	Sale of goods (Bn. EUR)	Other income (Bn. EUR)	Net income (Bn. EUR)
2016 (8 months)	389	978	2100	915	36400	1337	114	258
2017	403	1000	2300	936	38300	20778	944	912
2018	422	995	2500	957	38800	23651	665	1449
2019	434	995	2800	1000	41300	23986	730	1485
2020	446	995	4000	825	39600	22387	640	1731
2021	448	995	5000	775	41900	24282	600	1433

Since IKEA modified its financial year calculation in 2016 - from starting January as a normal year to starting with September each year - only eight months of data are available for 2016. According to the official financial data compiled from IKEA's release, even the world's leading retail chain was hit by the outbreak in 2020. The number of store visits has tremendously declined due to the forbidden policy, and their income also decreases during that period.

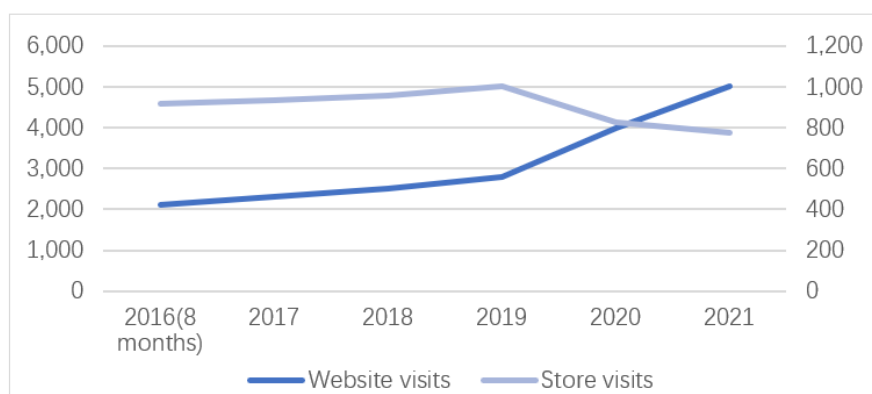


Fig 1. The number of visitors to stores and websites from 2016 to 2021 (millions) (Photo credit: Original)

Fig. 1 shows the amount of IKEA website visits and stores visits from 2016 to 2021, which demonstrates during Covid-19, websites visit grows fast and there were significantly fewer people visiting offline stores according to the slope in figure 1. Moreover, people prefer to shop online after that, which means that the epidemic has affected the way people shop.

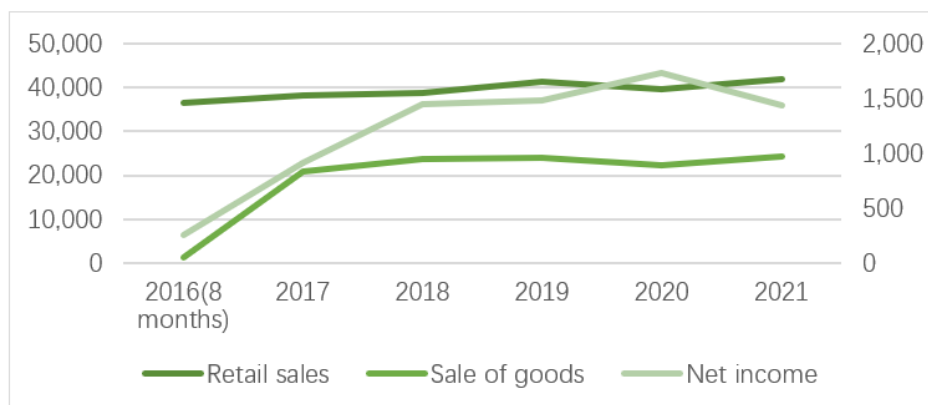


Fig 2. The income of IKEA from 2016 to 2021(millions) (Photo credit: Original)

In addition, IKEA's revenues were affected during this period, though their net income didn't been impacted immediately in 2020. However, after the outbreak, retail sales revenue levels returned to the pre-outbreak levels. It is not difficult to see from the graph that IKEA retail sales and goods sales revenues have a negative growth rate for the period September 2019 to September 2020

3.2 SWOT and PEST

SWOT is a strategic planning and strategic management technique used to help individuals or organizations to identify their strengths (S), weaknesses (W), opportunities (O), and threats (T) related to business competition or project planning, which is also a tool for evaluation of the strategic position of various organizations.

SWOT analysis can be used to clearly and comprehensively analyze what IKEA faced during Covid-19 based on the analysis above which shows that Covid-19 impacted a lot of aspects of IKEA like operation and income. In this way, it is clear to understand the part with opportunities for an enterprise so that the company can put most of its resources and actions on this point and make it become its strength.

3.2.1 Strengths: Helpfulness in internal origin

IKEA use VIM management to operate its resources since 2017, which means it sorts out and integrates resources, clarifies suppliers, ensures stable supply, and manages its resources intending to complete the entire supply activity more efficiently.

Secondly, IKEA has made efforts to improve information construction and built internal and external information systems. Within the company, communication between all departments is computerized, and the transfer of information appears to be more efficient. For example, the management of store A predicts the sales of product X based on past sales data and submits a shipment request to the distribution center when X's inventory falls below a certain value. In addition, the management of the distribution center also forecasts when to order from the upstream suppliers based on the demand data of the malls in its supply area in the past. This entire process is done through IKEA's internal information system. Shipping times are also taken into account.

3.2.2 Weaknesses: Harmfulness in internal origin

The government's static management policy, which has forced people to work at home, is a new challenge for companies and employees alike. The disadvantages of working from home are the increased cost of communication between employees and the demands on their mindset. The biggest threat within the company is the instability of the employees, which includes the instability of the work caused by the instability of the mentality. For example, employees are prone to make mistakes when they are under psychological pressure, etc.

Additionally, it is also true for companies at other nodes in the supply chain. Some small companies' capital flows may be severely affected, and situations such as the hoarding of some raw materials and the continued lack of stock of some raw materials may occur, all of which may lead to

a break in their capital chain and thus their inability to meet supplies, thus affecting IKEA's inventory and sales.

3.2.3 Opportunities: Helpfulness in external origin

During the recovery period, various countries put forward a lot of loose economic policies to recover their economies and provided a lot of policy support for economic recovery. IKEA was able to take advantage of this easing policy to quickly recover its own company's economic level. For example, import and export policies became more liberal at this time, making it more suitable for IKEA as a global supplier.

3.2.4 Threats: Harmfulness in external origin

PEST analysis refers to the analysis of the macro environment by using four factors to evaluate the situation faced by the enterprise – politics (P), economy (E), society (S), and technology (T) – to analyze the external environment of a company.

PEST analysis as Table 3 can be used to let us know the threat to IKEA as the harmfulness in external origin.

Table 3. PEST analysis for IKEA (Photo credit: Original)

P(Politics)	The government announced the strictly forbidden policies that prohibit people to go out and get in touch with each other in case of the transmission of Covid-19.
E(Economic)	Most companies' revenues have plummeted, workers' wages have been difficult to raise, and consumers' consumption capacity has weakened as a whole.
S(Society)	As a result of the closure policy, people's income is affected and the number of shopping trips is correspondingly reduced, with a consequent drop in the overall income level of society.
T(Technology)	Industry stops, and new technology research and development is stagnant. Older technologies can hardly support the needs during the outbreak and need to be updated.

4. Suggestion

As a result, other retailers can refer to what IKEA did to renew themselves. Because it is not easy for a company like IKEA which has a such size and big organization to respond immediately in a short period to restore revenue and growth. Also, IKEA paid a lot for information technology and an intelligent warehouse which can be learned by other retailers.

4.1 Use IT technology to manage their system

Using information systems to replace the traditional system structure and linking various departments with information technology to make information transfer between companies more efficient. In this way, the efficiency of information transmission will be increased and the utilization of information will be further expanded. And the information system reduces the cost of communication between departments, and efficiency is greatly increased as a result.

In addition, information systems can be used to monitor inventory. For example, the number of goods can be monitored and managed using information technology, and when the quantity falls

below a certain safety value, a purchase request is sent to the purchasing system through the information system to ensure stable sales and a high inventory turnover rate.

4.2 Use VMI management to link the whole supply chain

Retailers can use the information system to monitor inventory and replenishment through Vendor Managed Inventory (VMI), thus achieving a close connection with upstream to reduce inventory management costs. VMI is not only a logistics activity for retailers but also an integrated activity for the whole supply chain, which is beneficial for the long-term positive development of the supply chain.

4.3 Good treatment for quality employees

Excellent employees need to be treated well, especially during the Covid-19 period. In a socio-economic downturn, companies giving skilled employees a good deal can reduce the risk of employees leaving, even after the epidemic is over. Only a humanitarian company can retain good employees, and the recovery of retail companies cannot be achieved without the help of quality employees. Therefore, retailers also need to consider how to recruit and retain quality employees to achieve rapid recovery and even prosperity.

4.4 Rethinking the In-Person Experience

As a result of Covid-19, consumers' consumption habits and consumer psychology have changed, so retailers facing end consumers need to make considerations in terms of humanistic care. For example, consumers may be more tolerant of those behaviors like queuing, but there will be new demand for the supply of everyday essentials.

Also as mentioned earlier, the emergence of online shopping has impacted the traditional offline shopping methods. Therefore, retailers need to consider how to meet the shopping needs of offline customers while also meeting the needs of customers who place orders online, such as improving the last mile and improving after-sales service.

5. Conclusion

From the above discussion, it is not difficult to conclude that small and medium-sized retail enterprises can learn from IKEA's practices. For example, after the epidemic, they use VIM management to strengthen information exchange with the upstream and downstream of the supply chain and adopt supply chain management to integrate their supply chain resources and other methods to restore capital turnover and reduce costs, to restore or even exceed the production level before the epidemic and realize the transformation and upgrading of enterprises.

However, in future research, it is necessary to pay attention to the changes in people's consumption psychology and demand after the epidemic and adjust the strategies of enterprises according to the market orientation.

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