



THE WONDERFUL EVERYDAY

#WonderfulEveryday



## How a Return to ‘Creating a Better Everyday Life for the Many’ Turned Out Wonderful

### Executive Summary

At face value IKEA is a household name, popular within culture, and with a long record of creative marketing. But in 2013 a different story was emerging. Sales growth had halved; penetration was declining and IKEA UK looked out of step against the backdrop of rivals angling to claim its market leadership.

### Objective

A new goal from IKEA global management created a real sense of urgency; stem the decline. And grow the business by at least +8% YoY to meet 2020 targets.

### Scale of the Task

With growth slowing, no new stores opening for 3 years, no plans to hike prices, or to alter an already bountiful range strategy, IKEA focused on marketing communications. The task being to refresh the role IKEA plays in customers’ homes and hearts; changing perceptions from an infrequent destination store out of sync with changing trends in British home life to one culturally tuned-in to all kinds of everyday needs.

### The Campaign

The answer was a culturally-resonant brand platform: The Wonderful Everyday. A new brand articulation that went back to IKEA’s founding purpose, delivered with creative excellence and which didn’t just meet the business target set, but beat it.

### Key Results

Since its launch in January 2014, and with no shift in media share of voice, The Wonderful Everyday has helped IKEA UK to deliver +8% YoY growth for three consecutive years running. It has done this by reimagining the brand; putting IKEA back in the heart of British homes; attracting more people to shop more often across a wider range of IKEA products and delivering the highest ever incremental sales, and ROMI, IKEA has ever experienced from marketing communications.

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**Word Count: 277**

### **IKEA was caught between a rock and a hard place.**

In 2013, the UK Home<sup>1</sup> market was growing<sup>2</sup>. With 19 stores nationwide and 6.5% market share (£1.2bn), IKEA was category leader, ahead of John Lewis (5.1%) and Argos (4.4%)<sup>3</sup>. But it faced two significant challenges.

### **The rock: Declining sales growth in the face of aggressive rivals.**

In a growing market, IKEA's rate of growth was in decline. In the 2012 financial year, revenue grew by a healthy 6%. But in 2013, that had halved to 3%. And the signs predicted that, by 2014, growth would halve again, to just 1.5%<sup>4</sup>.

Looking ahead, stagnation, even decline, weren't out of the question. IKEA's rivals were gaining share through investment in their store offers and advertising<sup>5</sup>. John Lewis had set market leadership in its sights. In its MD's words: *"We will overtake IKEA. I am not sure exactly when, but I am more than happy to predict it."*<sup>6</sup>

### **The hard place: Huge growth targets.**

In 2013, against this background of falling growth in IKEA's UK business, the company's global management set an ambitious target for its worldwide operations—to DOUBLE sales by 2020. This would mean the UK contributing at least 8% sales growth each consecutive year.

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<sup>1</sup> The Verdict Home category, a composite of two categories, Furniture and Home Furnishings

<sup>2</sup> Verdict Retail, Tertiary Report 2013

<sup>3</sup> Verdict Retail, Tertiary Report 2013

<sup>4</sup> IKEA Internal Sales Data vs. % Rate of Sales Growth

<sup>5</sup> Nielsen, Home Improvement Market Share of Voice Report, 2011-2016

<sup>6</sup> The Guardian, Andy Street, August 2015

### **The prognosis: The future looked challenging.**

As things stood, multiple years of +8% growth weren't going to happen.

### **The problem: Societal trends threatened to deposition IKEA.**

IKEA describes its audience as 'The Many People'. This translates to ABC1 18-64 adults living within 45 minutes' drive-time of stores<sup>7</sup>. Of 24m households in the UK, nearly 75% are within this catchment<sup>8</sup>.

IKEA was famous in Britain for big-ticket items: affordably-designed flat-pack versions of things like wardrobes and kitchens. The major items people typically buy when they move home.

But by 2013, fewer people were doing that. Low housing stock, rising house prices, and a tightening of mortgage offers, meant buying a house had never been more difficult, or more expensive<sup>9</sup>, and the new fittings that so often went with a house move had become unaffordable to some, unnecessary to others<sup>10</sup>.

Which meant IKEA risked falling out of sync with customers' needs.

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<sup>7</sup> IKEA Internal Data 2013

<sup>8</sup> IKEA Internal Data 2013

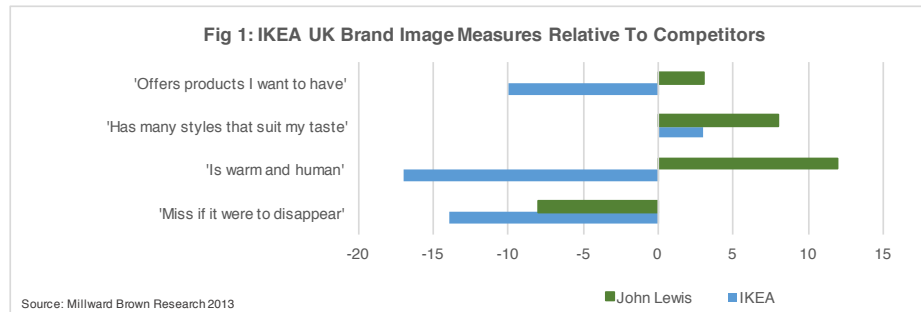
<sup>9</sup> The Guardian, Jan 2011

<sup>10</sup> Verdict Tertiary Report, 2013

## The warning signs: Brand in decline.

With 7m customers, IKEA was huge, but its vital signs were struggling:

1. **Front-of-mind-ness was slipping**—down 5pts in four years<sup>11</sup>.
2. **Its flat-packed modernism was stacking up less favourably** against competitors<sup>12</sup> (Fig1).



3. **IKEA was becoming less relevant** and the 45-minute drive to a store less appealing:

*"Whilst they might buy items from IKEA, it's no longer the place to go to kit your whole house out in as it doesn't reflect your dominant tastes."*<sup>13</sup>

Brand penetration had subsequently fallen over five years from 36% to 30%<sup>14</sup>.

## Why IKEA needed marketing to make a difference.

With the challenge of increasing sales value by at least 8% per year, there were, in theory, four 'levers' IKEA could pull. The first three were distribution, pricing and product range. But each presented a problem:

- **IKEA could increase distribution.** But there were no new store openings planned for three years<sup>15</sup>.
- **IKEA could change pricing.** But that would be contrary to IKEA's principle of *'prices so low that as many people as possible will be able to afford them'*<sup>16</sup>.
- **IKEA could change its product range.** But while the range is refreshed regularly, it could not be transformed wholesale; the range strategy would remain unchanged.

This left one feasible 'lever' to achieve IKEA's goal: marketing communications. But there was a problem here, too.

There would be no increase in IKEA's media budget for another three years<sup>17</sup>.

The key variable, therefore, would be a shift in communications strategy.

<sup>11</sup> Top of Mind Awareness. Source: Millward Brown Research 2013

<sup>12</sup> Brand Image Measures Relative to Competitors. Source: Millward Brown Research - Jaccard's Analysis – March 2013

<sup>13</sup> Davies McKerr Research Study, 2013

<sup>14</sup> IKEA Brand Capital Research 2013 vs. 2009

<sup>15</sup> The new Reading store and three new 'Order & Collection Points' would be opened in 2016, two full years after campaign launch.

<sup>16</sup> IKEA 'Testament of a Furniture Dealer', 1976

<sup>17</sup> Media investment slowed in the first two years of the new campaign, only increasing in FY16 to offset inflationary TV costs. IKEA's share of voice remained static at c.3%.

## The objectives for marketing communications.

Objectives were three-fold:

- 1) **Business:** Drive IKEA category leadership by delivering at least +8% annual sales growth for the next three consecutive years.
- 2) **Marketing:** Stem the declining penetration caused by former users lapsing; bring them back in and spending more across the range.
- 3) **Communications:** Refresh the role IKEA plays in customers' homes and hearts; changing perceptions from an infrequent destination out of sync with trends to a culturally-attuned store offering products for all kinds of everyday needs.

## Fresh insight: It's the small things that make a big difference.

IKEA found itself caught between social shifts that had reshaped attitudes to the home, and consumer perceptions that had narrowed the brand's image. Where its sharp, angular lines had been thought modern, they were now seen as cold, basic and sterile<sup>18</sup>.

In the dim light of economic recovery, people were seeking comfort. The outside world was best experienced from the safety of the sofa and, whether owned or rented, people were retreating to their homes to cocoon: hunkering down with softer, cosier furnishings and familiar, well-worn furniture; taking delight in the small things that made a big feel good difference—blankets, lighting, cookware<sup>19</sup>.

This way of living is held in high regard in many Nordic cultures. Central is the belief that the everyday is important; that it's the ordinary moments in life that are the wonderful ones—and that there is genuine pleasure to be had in making the everyday feel even more special.

Who better than a Scandinavian retailer born of long, dark nights and bitter winters, from high in the northern hemisphere, to embrace this positive spirit?

## Rediscovering meaning in IKEA's founding vision.

The perfect bedfellow for our new consumer truth was found in something we'd long taken for granted. It came in the form of Ingvar Kamprad's founding vision of 1943, "*To create a better everyday life for the many people.*"<sup>20</sup>

It was a promise that had always been at the heart of the brand and, in 2013, it had the potential to resonate among cocooning consumers more strongly than ever.

## The creative strategy.

With the alignment between the cultural need and IKEA's original purpose established, we fused them into the creative brief:

*"Let's celebrate that IKEA exists to improve the everyday."*

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<sup>18</sup> Davies McKerr Research, 2013

<sup>19</sup> Canvas8 Research, 2013

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<sup>20</sup> IKEA Testament of a Furniture Dealer 1976

### **The creative execution.**

The resulting campaign idea was simply an elevation of our strategic direction and IKEA's long standing vision:

*"Life isn't about fleeting events or a summer holiday,  
it's the little, everyday things that make it what it is:  
The Wonderful Everyday."*

We set out to create a platform that shifted away from functionally-led messages toward emotional, consumer-led ones. So rather than focusing on the big household transformations IKEA was known for, we focused on everyday themes within the home and what they mean to people—like playing, sleeping, cooking.

In doing so, we set out to challenge accepted wisdoms about life at home, e.g.

**Insight:** *A good night's sleep is out of my control; it either happens or, more often than not, it doesn't.*

**IKEA point of view:** *Don't leave a good night's sleep to chance.  
Prepare well, and a good night's sleep is in your hands.*

This point of view was underpinned with the broader range of items—big and small—available across IKEA departments; evidence that IKEA really can make the everyday wonderful. From plumped-up bedding to colourful toy boxes and clever lighting.

And we created rich, hyperbolic, cinematic renditions of home life to ensure the campaign punched well-above its media weight.

All this, we hoped, would revive the brand's performance.

### **The media mix: Two core considerations.**

Firstly, we had to boost salience across our audience, which we did through high profile, high reach AV channels.

Secondly, we had to drive consideration by illustrating just how IKEA could enable different people to create a better life at home every day. To do so we used a rich palette of support media—primarily paid social—with messages tightly targeted at their varying needs using profile data.

The Wonderful Everyday<sup>21</sup> launched in January 2014.

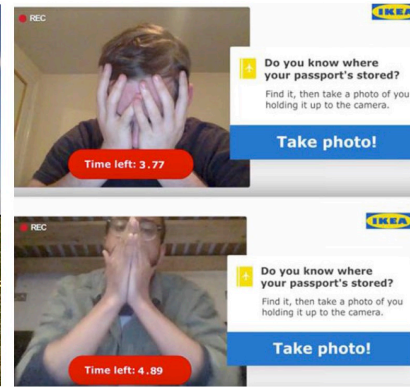


## **THE WONDERFUL EVERYDAY**

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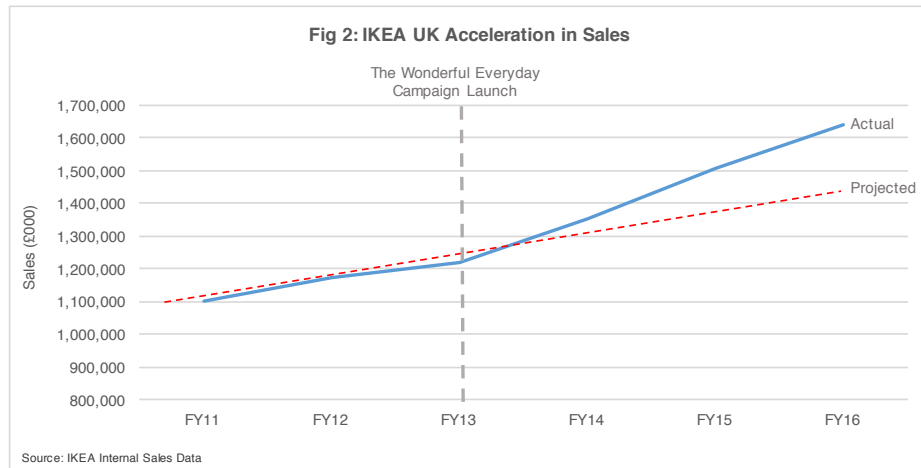
<sup>21</sup> Please see over for 'A Snapshot of The Wonderful Everyday'

# A Snapshot of The Wonderful Everyday



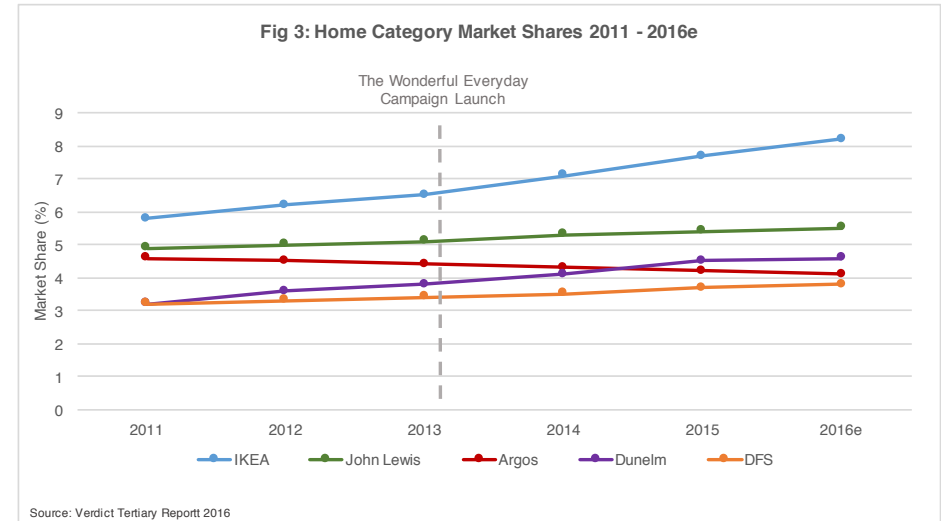
**Results: The Wonderful Everyday has exceeded every objective set.**

1) **The business objective** was to drive IKEA's category leadership by delivering at least +8% annual sales growth. Targets have been exceeded in the three consecutive financial years since launch; sales grew by +11% in both FY14 and FY15 and +9% in FY16<sup>22</sup> (Fig2).



<sup>22</sup> FY refers to IKEA's Financial Year: September 1st to August 31st

Despite competitive threat, IKEA has stolen 1.7% market share since 2013, rising to an estimated 8.2% in FY2016<sup>23</sup> (Fig3).

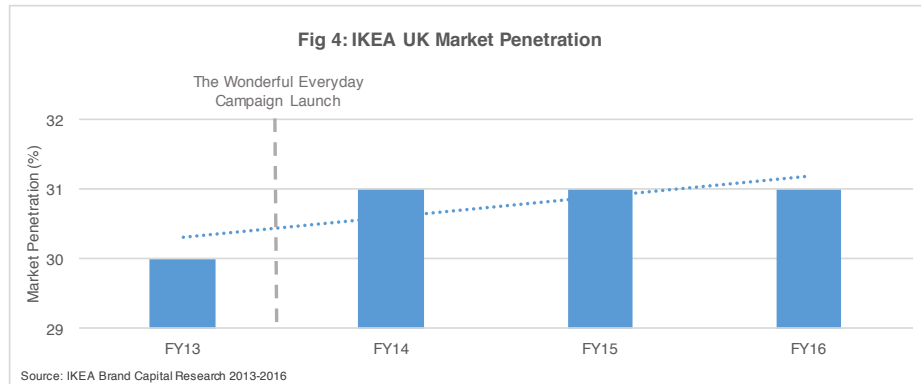


<sup>23</sup> Verdict estimated data 2016

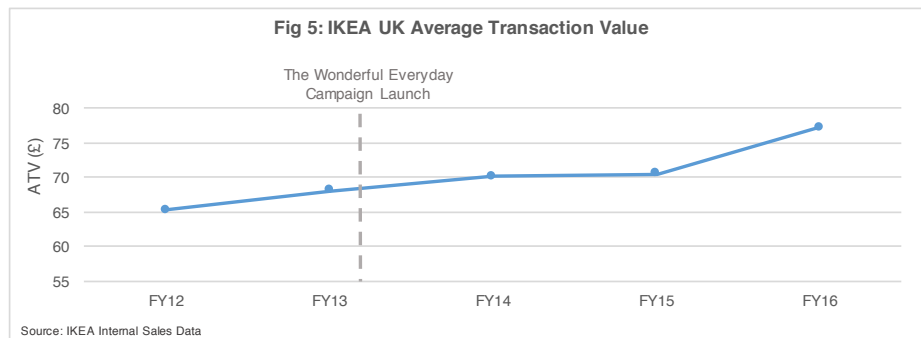


2) **The marketing objective** was to stem declining penetration. Since launch, more people are now spending more, more often, across the IKEA range.

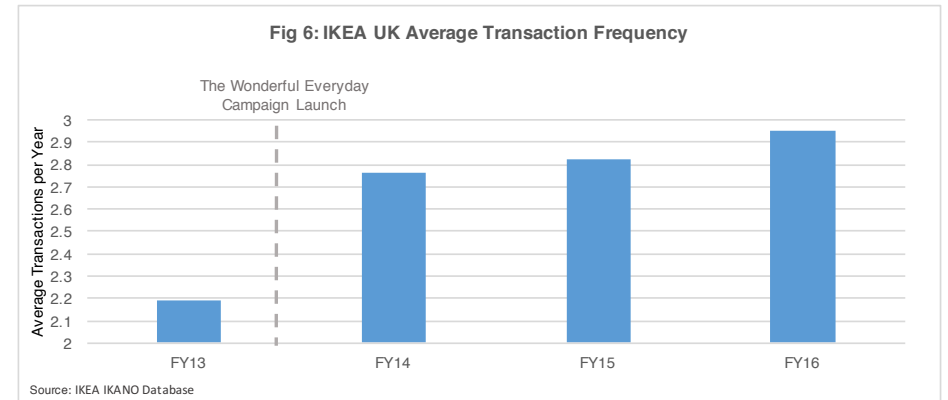
The 5-year penetration decline has stabilised at +1% for three years (Fig4).



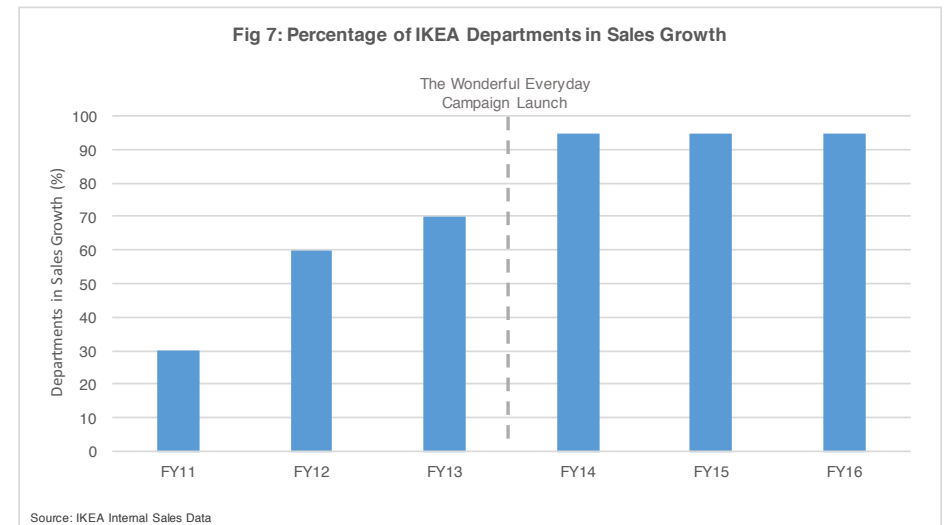
Basket size increased by +10% from £68.05 to £77.20 FY13-FY16 (Fig5).



Similarly, transactional frequency rose from 2.19 to 2.95 visits p.a. (Fig6).

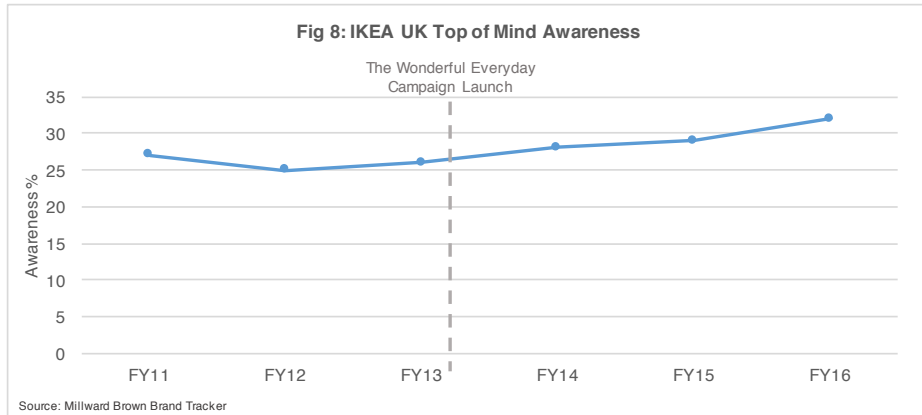


And 95% of IKEA departments have enjoyed growth – up from 70% pre-launch (Fig7).



3) **The role of communication** was to refresh the role IKEA plays in customers' homes and hearts and signs are that the brand has revived.

IKEA is now more salient in line with the new campaign (Fig8).



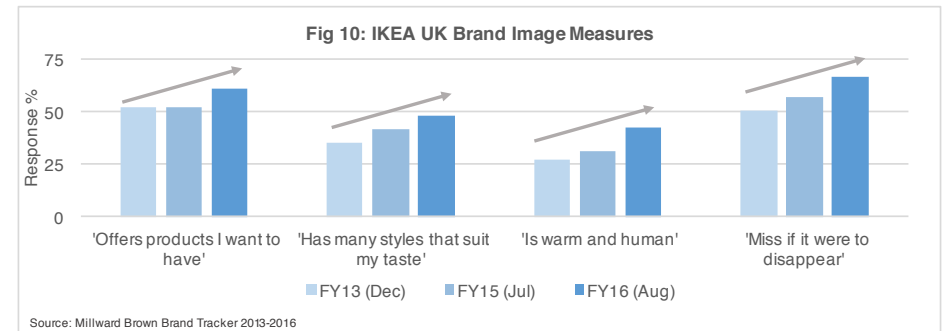
Communication diagnostics have beaten UK retail norms and are seen to re-establish IKEA's point of difference (Fig9).

	Forest 30"	T-Shirts 60"	Wonderful Life 60"	Grandad 60"
Enjoyment <i>UK Retail Norm - 51</i>	62	68	57	75
Engagement <i>UK Retail Norm - 3.91</i>	4.29	5.19	3.89	6.18
Relevant <i>UK Retail Norm - 40</i>	59	50	43	45
[[IKEA] Is really different <i>UK Retail Norm- 32</i>	52	48	40	47

Source: Millward Brown Brand Tracker 2013-2016

Social reactions to the campaign<sup>24</sup> demonstrate how joyfully people have embraced The Wonderful Everyday.

IKEA has subsequently enjoyed significant shifts in those brand image measures that help set it apart from competitors (Fig10).



Not least, brand consideration has risen +26% reaching 41% in FY2016<sup>25</sup>.

This growth has primarily come from lapsed customers<sup>26</sup>.

<sup>24</sup> Please see over for 'Social Reactions to The Wonderful Everyday'

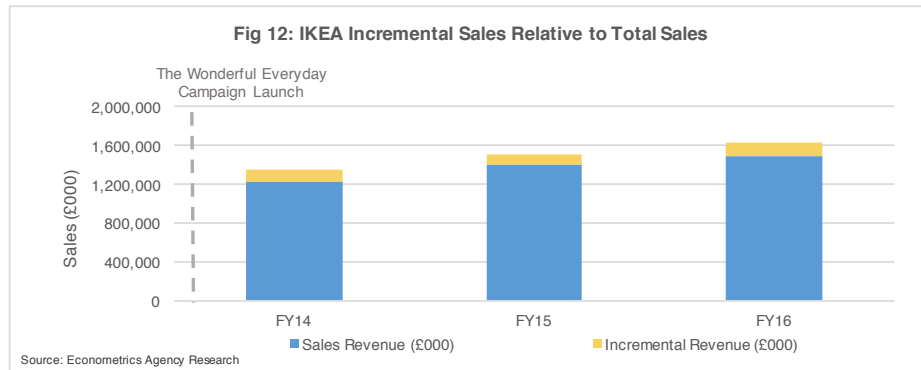
<sup>25</sup> YouGov BrandIndex 2013-2016

<sup>26</sup> YouGov BrandIndex 2013-2016

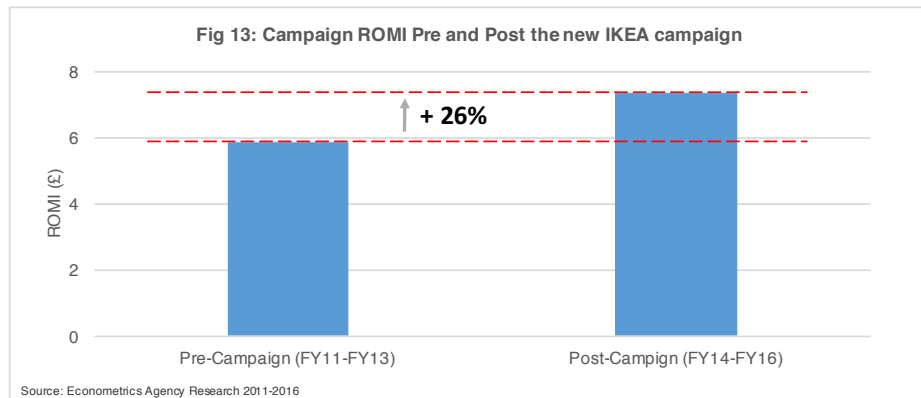


### Measuring the payback of 'The Wonderful Everyday'.

Evidence suggests that the new platform has delivered a step change in business performance. Econometricians estimate that, since launch, it has delivered an incremental revenue of £355m to IKEA UK - £142m in FY16 alone - **the highest increment IKEA has ever experienced from communications** (Fig11).



The platform has delivered an impressive 26% increase in ROMI over the last three years - **the best revenue return to date** (Fig12).



### What else could have affected results?

In telling this story we have discounted the effect of store openings, changes to pricing and range and have demonstrated that IKEA's share of voice remained static. Other factors, including the FAMILY card and IKEA catalogue, have been discounted in the econometric model<sup>27</sup>. And while the Home category continues to grow, IKEA's growth has outpaced this<sup>28</sup>.

### In conclusion.

'The Wonderful Everyday' has reimagined the IKEA brand in the UK and helped create a step change in its fortunes. The platform goes from strength to strength, providing the direction and impetus to 'Create a Better Everyday Life for the Many'.

And neither client nor agency will rest in maintaining that vision.

**As Ingvar said, "Most things still remain to be done!"**

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**Word Count: 1991**

<sup>27</sup> Mediacom Business Science 2013-2016

<sup>28</sup> The Verdict Tertiary Report shows that the Home category grew 2.7% YoY to 2016