



THE
**new
face**
OF MARKETING

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FOR TOMORROW



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STRIKING A CHORD WITH CUSTOMERS



A furnishing retailer operating through franchisees, IKEA has a footprint of 466 stores across 63 markets and accumulated sales of US\$45.6 billion in FY21.*

Aaron Mitchell heads the center of excellence for customer engagement and loyalty for IKEA Group for 32 countries. He sets the direction for customer engagement, loyalty, and membership for both private and business customers.

A graduate of the Chartered Institute of Marketing, Aaron has been instrumental in driving one of the world's biggest loyalty programs – IKEA Family – with over 170 million members. Under his leadership, IKEA has also launched a new loyalty club for small businesses, the IKEA Business Network.

The Capgemini Research Institute spoke to Aaron about the future of customer engagement and loyalty and how IKEA creates and nurtures an emotional connection with customers.

*"Facts and figures FY21," IKEA website, accessed 22 April 2022

IKEA'S CUSTOMER DATA PROMISE

How do you identify where and how to improve customer engagement?

— We want to give people the help when they need it from us for a better everyday life at home. And we try to reach people at the moments when they are open to ideas and inspiration.

Data signals indicate where customers are on their journey and, from this, we can learn what help they are likely to need. But it is not always straightforward: we run into challenges in building deeper customer relationships.

Customers might often ask us: “Why should I share my data? What's in it for me as a customer and you as a brand?” We need to create trust with customers when sharing their data, which in turn leads to a higher quality of data.

People may also say, “I share my data, but you're not making me feel special” or “I don't receive enough value.” We need to create more value for customers sharing their data and deliver engagement that is in tune with their life at home.

From IKEA's perspective, how do we continue to engage people after they have made a purchase? We want to focus on more than just post-purchase selling and instead also create ongoing engagement around home furnishing tips and ideas, plus simple things like caring for or extending the life of the product.



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And finally, how do we make our loyalty program adaptable to customers' needs? We need to adapt our offering to the circumstances of the customer, whether they are about to start a family, move houses, or build a home office. The membership program should be flexible to their changing life at home or work needs.

How do you convince customers to share their data?

— Almost half of our turnover is generated by IKEA Family members identifying at the moment of purchase. However, we have discovered through our single customer view work that another 20% of our members that buy don't identify themselves (either as members or otherwise). This means we are missing out on valuable data to create more personalization and to improve the customer experience.

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that gives customers control over their data, and guarantees transparency in how we use that data and offers value in exchange for sharing it. This promise guides us in how we create engagement and how we use customer data.

We have also designed and launched a new program that rewards customers for interactions, not just transactions. Customers are rewarded for creating an account, downloading one of our planning tools, participating in an event, plus home furnishing or service

purchases. Members receive digital Allen keys that they can unlock to access support and services to bring their ideas to life. Enabling us to move from just a transactional loyalty proposition to a proposition that is richer and rewarding across the entire journey.

ALIGNING LOYALTY WITH PURPOSE

How does your loyalty program resonate with IKEA's vision of improving people's everyday lives?

— We want to create more purpose-led engagement and loyalty. We know that wanting to have a better life at home is a continuous journey and that the home is never done. This provides wonderful opportunities for us to create ongoing customer relationships that add value at every step towards better living.

We also learned a lot about how our customers' lives at home underwent major changes recently with the pandemic: flexible working, lockdowns, and home schooling.

So, we used these valuable insights to design our loyalty proposition to give members access to the things they need to bring their ideas for their home or work to life. We wanted to create an ecosystem of value including services, community, benefits, rewarding experiences, products, and solutions and much more to help address their at-home life problems and needs. This way, we can become the partner for our customers' lives, and when other important life moments arise.

"It was important that we connected our customer engagement and loyalty to our purpose, this guided us in keeping our messaging personal and empathetic, rather than getting too tactical, or commercial."



EARNING LOYALTY IN UNCERTAIN TIMES

How do you modify your approach to customer loyalty during uncertain times?

— It was important that we connected our customer engagement and loyalty to our purpose, this guided us in keeping our messaging personal and empathetic, rather than getting too tactical, or commercial.

Executive Conversations

During the pandemic, the home became the focal point for most people, which gave us a wonderful opportunity to share our knowledge. A lot of people wanted to remodel their existing furniture for home schooling or working, rather than replacing everything. We aimed at adding value for people, even if it wasn't about driving a purchase. We live-streamed digital events, shared home-furnishing knowledge, and organized a lot of social-media interactions.

How did the new loyalty program for small businesses [the IKEA Business Network] come into being?

— We wanted to create a loyalty proposition that helped to solve the many needs and problems for small business owners. As part of our exploration, we met with many small business owners in Asia, Europe, and North America. The key insight was that many want to do business their way and need support, help, and a network to succeed. This became the foundation for our new proposition.

Through creating a member-centric proposition, we exceeded our recruitment goal by over 75%. We are now in the process of launching in eight countries this year and another 10 next year. Helping many more small businesses grow, by offering IKEA expertise to help them create affordable spaces that meet their individual needs and help them to look after employee wellbeing.

Membership benefits include workshops with IKEA interior designers to improve space usage, online training by IKEA experts and business leaders from around the world, and colleague discounts, including gym memberships and health insurance.

CONNECTING WITH CUSTOMERS

How do you create and nurture an emotional bond with customers?

— It always starts with our purpose and how we can help as many people as possible achieve a better life at home. And we recognize digital, data, and people’s everyday lives are intertwined, so it is important that we offer seamless brand engagement across all touchpoints.

Especially since over 80% of our customers start their home-furnishing journeys online. So, we need to start inspiring people from the first interaction.

Digital is a key enabler to help us make more personal recommendations, not just another sales channel. Inspiration and excitement. We have tried to make it more of a shared experience, too: we started a digital clubhouse for IKEA family members, where people can share ideas and ask for help from the community.

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Executive Conversations

We have also developed Geomagical Labs, which provides 3D and visual AI solutions for interactive home-furnishing planning. We make live broadcasts, a 24-hour digital and in-store festival based on the Life at Home concept. We also expanded into Life at Home services, such as offering home insurance or clean-energy services.

The key is to infuse our digital touchpoints with our brand purpose, making it more personal, more curated. That leads to stronger emotional connections with the customer.

FUTURE OF LOYALTY AND CUSTOMER ENGAGEMENT

How do you see your customer-loyalty program evolving?

— We're shifting from just driving the currency of loyalty from transactional to purpose-and-experience-led. It means creating propositions that give customers unique experiences, choice, and flexibility, and more access to the brand's offering. We want to add value beyond just the monetary.

People join IKEA Family because they love the brand. That knowledge comes with a lot of responsibility; we have to keep working to ensure they keep loving it. Future loyalty programs will be more about giving you more access than before – access to support, inspiration, a service, or a community.



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