Digital Leadership

IKEA's digital journey: giving "160,000 entrepreneurs" the liberty and freedom to drive digital transformation

An interview with
Barbara Martin Coppola
IKEA

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Barbara Martin Coppola is the chief digital officer for IKEA Group. In this capacity, she is responsible for driving every aspect of digital within Ingka Group – from digital customer touch points to internal digital operations.

Prior to IKEA, Barbara served as chief marketing officer at Grubhub. She has also held leadership positions with Google, Samsung, and Texas Instruments in nine countries.

The Capgemini Research Institute spoke with Barbara to understand more about the digital transformation journey of IKEA.

IKEA's digital transformation journey

Can you tell us about IKEA's digital vision?

IKEA's vision is to "create a better everyday life for the many people" and I think it has digital at its core. The true measure for our vision is that customers should be able to conveniently interact with us across various touch points and channels. These interactions should display IKEA's uniqueness, values, knowledge, products and be personalized for each customer.

There is also a big aspiration to use the incredible amount of knowledge our company has about life at home. For example, we want to have a positive impact on both people and planet. As part of our ambition to inspire and enable more people to live a better everyday life within the limits of the planet, we recently piloted an app around a healthy environment at home. We strive to think big in order to deliver solutions at an affordable price for the many people around the globe.

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How has IKEA's digital transformation journey evolved over the past few years?

Our digital transformation is about embracing a digital DNA in all aspects: digital touch points for customers, internal solutions for co-workers, and embedding digital in our ways of working – which is agile, cross-functional, and collaborative. We have been making big improvements using digital in e-commerce and fulfillment across our various countries. We have embarked on this journey towards digital and are working on our technology landscape, architecture, structure, and skillsets so we can deliver at the required speed.

Can you tell us about some of the specific initiatives you have launched?

To achieve our vision, the first step is to simplify our technology landscape. We have focused on simplifying our technology architecture via a modular approach and parallel processing.

The second step is to completely rethink and recreate customer touch points. We want to make it easier for our existing and new customers to access IKEA when and how they want. We will continue to open new stores and invest in our existing ones, but we should expect these to play a wider range of roles in the future. By offering new store formats, we want to create even more convenient and unique experiences for our customers by combining the physical with digital. Making our stores part of our customer order fulfillment network will, for example, allow us to offer a great majority of our customers same- or next-day delivery of big furniture items.

Another important step is to utilize digital to run our internal operations in a more efficient way – be it finance, human resources, store operations, or supply chain. We have, for example, an ambitious development and innovation agenda in terms of automating handling, storage, and picking activities across our entire fulfillment process, where we are currently exploring different solutions.

The underlying part is to align these digital objectives to how we work and to the way we are structured from an organizational and technology perspective. We are already making strides in these aspects and will continue to do so.

Out of these three digital initiatives, is there a higher priority on one over others?

We believe all these initiatives are interconnected. If we don't simplify the landscape from a technology perspective, we will not be able to have agile and nimble releases, which will impact the front-end customer experience. The way we as a company are organized and work with our co-workers is at the center of every transformation. We need to ensure that we allow for agility and cross-functional empowerment and instill accountability for business outcomes in our structure. For example, every week, we discuss current experiments, lessons from previous tests, and new things we would like to try. We also maintain a ratio: 70% of efforts are devoted to scaling initiatives that are successful, and 30% of efforts are focused on developing new ideas and technologies. We are already seeing some fantastic results, as it keeps people motivated to grow and try new things without 100% risk.

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Creating a more engaging digital customer experience

How are you leveraging emerging technologies to create more engaging experiences for your customers?

There have been a few incredible opportunities in our home furnishing area. With technology and 3D modelling of a space, we give design suggestions to customers on how to furnish a room depending on their budget. Today, our 3D model library has more than 33,000 models, as well as libraries for textures, materials, and props. Now, about 25% of all room renderings are made in 3D. These solutions offer

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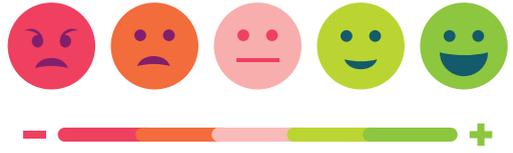
customers the ability to experience our products in a 3D virtual rendering which can be mapped to any room in their own home – from their own home.

Our augmented reality (AR) app, "IKEA Place," allows customers to visualize how a piece of furniture fits into their real space and environment. We do have plans to consolidate our different apps to allow customers to browse our catalog, plan store visits, and virtually decorate from one app. We are also experimenting with virtual reality (VR) to showcase, for example, how a customer's kitchen will look with different cabinets and configuration.

Our range of smart products and other connected products is another step towards embracing digital. We are exploring multiple possibilities of AI and data intelligence. Our product recommendation algorithm, for example, has raised our conversion rates incredibly. These technologies help us to create very simple, yet useful, digital experiences for consumers.

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You spoke about the new format stores and integrating digital with physical. How important are these digital-led channels for you today?

Today, 80% of all customer journeys start online, this highlights the importance of digital to build relationships with both new as well as existing customers. The customer will decide what touch points and channels are suitable to his or her needs. Reimagining customer touch points requires us to

think of new possibilities for the physical-digital channel interactions, which can create useful and magical customer experiences. Take, for instance, when a customer walks into a store – be it our traditional store or a newer, digital-format store, if we can identify their intentions, interests, and delivery preferences from their online activity, we can offer a totally different level of service. This added intelligence creates truly useful experiences for our customers.

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You acquired Task Rabbit, which had been set up to let users hire temporary workers to deliver purchases, clean homes, and assemble furniture, in 2017. How do you see a services start-up like TaskRabbit fitting into IKEA's digital future?

The acquisition of TaskRabbit is working well for us on a few different aspects. The first one is that people in the physical environment can now choose the service they need and get it handled, assembled, and delivered. Also, from an online perspective, TaskRabbit's platform is a part of our checkout process and allows consumers to connect directly to individuals who help them assemble their IKEA furniture. This makes customers move from a "you-do-it-all" to a "tech-does-it-all" approach. TaskRabbit has now expanded in Canada, the US, and the UK, and we plan to continue the expansion.

Unleashing the power of "160,000 entrepreneurs" to drive digital to scale

You spoke about the importance of technologies such as AR and VR in IKEA's digital landscape. What is your talent requirement for these technologies?

There is a two-pronged approach for talent. We have technology experts for AR, VR, and 3D-modeling in Sweden, China, and elsewhere. We focus on nurturing our internal talent via training as well as hiring externally for the required skillsets. For example, we have extensive ongoing training on DevOps methodologies for the engineering organization to adopt new ways of working.

Secondly, we also work with external partners to co-create experiences for our customers. For example, we work together with Space10, our research hub and exhibition space that brings together designers, artists, and technologists to innovate tomorrow's new products and solutions. We call it a future-living lab, where we can explore ideas to create better and more sustainable ways of living. Space10 works on wide-ranging ideas, such as autonomous urban farming, upcycling products and how to re-use materials, autonomous vehicle design, and 3D printed meatballs. So, we leverage innovation both inside as well as from outside the company.

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We have seen that digital culture is often the single biggest hurdle to successful transformation. What are some of the things that you have done to develop the culture that IKEA needs to be successful in digital?

We believe people and culture play the most important part in the transformation. IKEA places a lot of value and focus around entrepreneurship – we say that we are "160,000 entrepreneurs." Bringing in those positive aspects from our values and embedding them with the digital DNA is required to successfully transform. We also need to ensure that there are no digital islands. So, reorganizing intra-functional dynamics and integrating business and technology knowledge together is truly important to us.

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We believe that digital DNA is based on performance as well as on empowerment. Performance implies giving full responsibilities to cross-functional teams to have the liberty and freedom to decide on what they want to test and develop along the way. So, whatever they do, they need to get that to a measurable deliverable. In other words, "the North Star" that we have defined. It's also a philosophy of starting small, slicing the problem into small chunks,

and being action oriented. Empowerment of our co-workers, and learning from failure, is also a key part of this.

What are some of the unique challenges in digitally transforming such a large organization? How do you overcome them?

The most important is to get co-workers to learn and practice new ways of working that push them to go outside of their comfort zone. If this critical part is well managed, an organization can do incredible things. Then it is to align the whole organization to the digital strategy. All parts of the organization need to be orchestrated together, and this is where digital brings the intelligence together to provide a single view of the customer and more efficient operations. Another success factor would be the speed at which we can train people and acquire new talent. And, finally, legacy systems and technology are a challenge, but we are on the way to overcome this.

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Our past research has found that organizations often struggle to take digital initiatives to scale. How do you scale your digital initiatives?

The key to scaled digital initiatives is to approach the challenge or opportunity as an iterative process. This is about testing, building, learning, getting feedback from customers, and analyzing data. We scale what works, and what doesn't we take the learnings from it and continue. As I did mention, particularly for digital, it is important to have a clearly defined vision – a North Star. Empowering the team to work in a dynamic and flexible way allows them to try new things. However, throughout the testing, it is important to always be clear about the North Star and set parameters to ensure we're measuring what works and what doesn't.
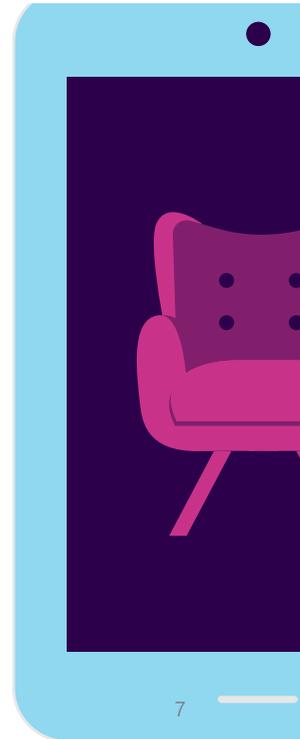
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