

Capitalizing the Retail Industry by Automation and Artificial Intelligence (AI): Case Study of IKEA

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EXECUTIVE SUMMARY

Automation significantly boosts the business performance of retail stores. The retail technology trade has been projected to grow at a CAGR of 9.3% from 2024 to 2030, with a market size estimated at USD 24.12 billion in 2023. The growth of the market is being driven by the need for improving retail operational procedures in order to enhance business processes, improve supply chain transparency and visibility, and enhance organizational efficiency over the long term. IKEA is a famous retail furniture company, with pleasing interior designs and an immersive shopping strategy. There are 462 IKEA stores open in 59 countries as of 2023. This case study examines how IKEA, a global leader in furniture retail, has strategically embraced technological advancements, including automation and artificial intelligence (AI), to enhance its physical retail experience and achieve market penetration. This study will delve into the theoretical frameworks, methodologies, findings, and recommendations derived from the analysis of IKEA's retail automation, AI, and Phygital transformation strategy.

INTRODUCTION

In today's rapidly evolving retail landscape, the integration of physical and digital elements has become imperative for companies to stay competitive and meet the changing needs of consumers. (Mishra A. B., 2020) The emergence of automation and Artificial Intelligence (AI) technologies presents unprecedented opportunities for retailers to transform their operations, enhance customer experiences, and drive business growth. (Kapate, 2020) The process of using automation to automate businesses has become known as retail automation. (Pangriya, 2020) This effort gives retailers the chance to make use of real-time operational tools that support existing business procedures and structures and render them more user-friendly, adaptable, and sensitive to customer needs. The outcome is a more pleasant and unique shopping experience for customers. (Kapate, 2020) When an organisation is computerised, there are fewer levels and more kinds of roles for its employees. The decision-making process will be enhanced by real-time analytics and data. In the retail industry, innovation remains crucial to their survival, despite the widespread perception that profitability is the primary motivation for the widespread use of automated technologies. (Mishra A. B., 2023) With the use of digital innovation, a highly qualified and reliable employee creates an enormous reserve of resources. The possibility of transforming some of those times into more significant endeavours offers an opportunity for a unique kind of creativity. (Begley, 2019) By leveraging automation and AI technologies, IKEA aims to redefine the retail experience, blending the convenience of online shopping with the tactile experience of in-store browsing. This case study examines automation retail industry and particularly IKEA and initiative taken for advanced personalised customer experience. The significance of this study lies in its exploration of IKEA's initiatives in automation and AI adoption, including Augmented Reality (AR) experiences, Virtual Reality (VR) showrooms, experiential shopping concepts, RFID technology, and ethical considerations in AI deployment. Through a comprehensive analysis of these initiatives, this study seeks to uncover the underlying principles driving IKEA's phygital transformation strategy and examine the implications for both the company and the broader retail industry. Furthermore, this study contributes to the existing literature on retail innovation, technology adoption, and consumer behavior by providing insights into the effectiveness of automation and AI in enhancing customer experiences and driving business success. (Burt, 2011) By examining IKEA's approach to phygital transformation, researchers, industry practitioners, and policymakers can gain valuable insights into the strategies and best practices for leveraging technology to create value for customers and sustain competitive advantage in the digital age. In the following sections, this study will delve into the theoretical frameworks, methodologies, findings, and recommendations derived from the analysis of IKEA's retail automation, AI and Physical transformation strategy. Through a systematic exploration of IKEA's initiatives and their implications, this study aims to provide a comprehensive understanding of the role of automation and AI in shaping the future of retail and its impact on customer experiences.

BACKGROUND

IKEA founded by the Carpenter names Ingvar Kamprad at age of seventeen in remote corner of Sweden by 1943. The story behind this unique name is that IKEA was named with first name of founder Ingvar Kamprad, Elmtaryd – the farm on which he grew up & Agunnaryd- the village where the farm was located. (Burt, 2011) Initially started with selling Pens, Wallets, Jewellery at the most affordable prices.

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