

**IKEA – Why They’re So Successful**  
<https://www.youtube.com/watch?v=QgbtoL65X04>  
**Transcript: <https://dontveter.com/ec/ikea1.pdf>**

I just gotta hit the launch button, well, I'm on Patreon now.

It's actually my first time doing something like this.

People have expressed some interest, so I spent the last few months planning it all out, but I don't want to make it seem like it's all just for you.

It can potentially become really helpful for me and the channel.

Basically you go there and sign up for some extra stuff related to the channel and if I did it all right everybody wins.

It's at [patreon.com/companyman](https://patreon.com/companyman).

There's a link in the description.

If you dig these videos I'd appreciate it if you'd at least check it out.

But don't feel too pressured.

If you just want to hear me talk about IKEA, that's fine too, because I have a lot to say about IKEA.

IKEA is massive, both the company and the stores themselves.

It's easily the biggest store I've ever been to, comparing it to Walmart, and I compare it to Walmart, because that's another large retailer we all know on average, Walmart's are pretty big, they're around a hundred thousand square feet.

Well, the average IKEA is more like 300 thousand square feet.

It's usually 2 or 3 floors.

The top floors tend to be where they display all the furniture and the bottom floor is a giant warehouse where all the actual boxes that contain the furniture can be purchased.

But then there's also hundreds of other things on sale and on those top floors you can just pick up things right there.

But then there's also a restaurant and a play area for children.

It's huge.

It's somewhat of an odd business, but they're doing very well, they're the largest furniture retailer in the world.

I pulled up some facts about the company to help you understand how big they actually are.

In 2017 they had 2.3 billion visits to their website and 936 million visits to their stores.

All of those visits resulted in 36.3 billion euros in sales, which after converting, it's well over 40 billion US dollars and clearly those numbers have been moving in the right direction.

In 2017, they opened 14 new stores bringing their total to 403 spread out across the world, but mostly in Europe.

If you are from North America, just think about that for a second.

I'm guessing you already perceived them as having a large presence there, well, that's only 14% of their locations and 19% of their revenue.

Narrowing it down to only the US, that's 14% of their revenue.

They sell more in Germany than they do in the United States.

In fact, I think our perception of their presence in the US may be somewhat exaggerated.

I mean, to put it into perspective, Walmart is approaching 5,000 US locations.

I'm sure we all knew there were more Walmart's than IKEAs, but would you have guessed 85 times more?

IKEA is more of a destination than a quick trip.

It's one of those places that tends to be an hour away and you have to plan out your trip.

Maybe you have an open Saturday, so you and your family can go down to IKEA for three or four hours and I know that may sound strange.

We're not talking about Six Flags, we're talking about a furniture store, but they really do make it an experience for their customers.

It all started in 1943.

In the beginning they didn't even sell furniture, it was fish and a few other things but it was always called IKEA.

IKEA is an acronym meaning each letter stands for something and more so than any other acronym I've ever encountered it's impossible to guess.

It's one of those things you just have to know and I would tell you what it stands for but I can't say these words, instead I'll just show it to you.

The first two words are the name of the person who started it when he was 17.

By the way, the third word is the name of his farm and the fourth is the name of the village he's from, which is also where the company started.

I looked it up on Google Maps and it's definitely a small village [with a] population of a few hundred people.

In the 1950s is when the business that we know today started taking shape.

They started selling furniture and soon after they started making and designing their own furniture they moved their business from that small town in Sweden to, well, not as small a town in Sweden.

In 1965 they opened a second and much larger store outside of Stockholm, which is the largest city in Sweden.

From there it was a lot of growth and a lot of expansion.

In the 1980s they opened a store in Philadelphia which marked their first location in the United States.

Those are just some of the highlights, but the story of IKEA is the classic success story.

A 17-year old started selling fish in a very small town in Sweden and today it's the world's largest furniture store and still growing.

As far as I know, IKEA is one-of-a-kind.

If you know any other business that even resembles IKEA I'd like to hear it.

So I've identified three things that IKEA does that others don't, all of which contribute to their success.

First is the most obvious one: the furniture it's all decent enough furniture.

There doesn't seem to be many complaints about the quality, but what I'm talking about is how it all comes in these flat brown boxes and requires assembly.

There's a lot to be said about the low cost involved in selling furniture like this.

For one, no money [is] spent on fancy packaging, it's all plain and brown, as simple as you can get.

Two, [IKEA has] lower shipping and storage costs since they're all flat and compact [and] easier for the customer to transport as well.

Three, it's a large number of the same items which [makes them] cheaper to manufacture as opposed to having a wider variety.

And then there's no assembly costs.

Obviously I think all of these are fairly obvious, but maybe not as obvious is something that's been labeled the IKEA effect.

It essentially says that if I build a desk myself I'll like and appreciate it more than if I had bought it already built.

To use a reference, I'm sure everyone's familiar with when Tim Taylor built his hot rod in the garage.

He valued it more than if he had just bought it from someone else.

IKEA is likely selling more furniture because they're forcing their customers to construct it themselves.

It's almost like they found a loophole in the system.

Usually you have to spend more money to increase your sales [but] in this case they're spending less money to increase their sales which is the best scenario you can ever hope for [and] you don't see [that] often.

And the IKEA effect doesn't just apply to assembling the furniture, it's even when you're buying it.

In most furniture stores, if I find a table that I like, I'll locate a salesman, tell him I want it and he'll bring me over to the counter so I can buy it.

And then someone will come out and load it into my truck,

Not at IKEA.

They make you work for it.

If you find a piece of furniture you like at IKEA, here's what you have to do.

When you first walk in, there's a paper for you to take.

Once you locate a piece that you want, you have to look at the tag and write down all of this information.

Or you can take a photo, but if you're getting multiple items I recommend writing it down.

Then you go downstairs to their warehouse section, locate the proper aisle and bin and load the table onto your cart.

You then push it to the front and wait in the checkout line, which is often pretty long.

If you've never been to an IKEA I doubt you put that much work into buying a table, but once you've done all that and figured out how to assemble it, you should be pretty happy with that table.

The second contributor to their success is the layout of the store.

It's terribly confusing, see, even though IKEA is massive outside of that warehouse section, it doesn't seem that big if you don't have the full awareness of the building.

It feels much more like a bunch of little sections joined together.

They have all these little areas staged, and if you didn't know any better, you'd say they were actual rooms, but there's dozens of them and you can't detect any pattern.

It's hard to explain [but] if you were to randomly approach someone in a typical store and ask them to quickly point to the exit they'd be able to do it.

If you tried that with an IKEA customer you'd never get a correct answer.

I'd like to see a game show where they place two contestants in an IKEA and see who can locate certain sections first.

Maybe run it on Nickelodeon, and just look at the layout on the map and tell me this wasn't carefully constructed.

It helps them because it forces you to walk through these different sections as you're searching for an exit, but it also just makes you forget about the exit.

When you're in IKEA you're lost in the world of IKEA.

It leads you through every section so you're now looking at and buying things you never even thought you would.

I once went in there looking to buy some towels and walked out with \$1,400 worth of furniture.

All right, that's not true, but a story like that wouldn't shock me.

These first two reasons seem counter-intuitive.

You wouldn't expect forcing your customers to do more work and having a confusing store layout to be positive but here we are.

The final reason I wanted to highlight [is] the food that they've become known for and it helps them in multiple ways.

They first implemented the restaurant section back when it was located in this smallish Swedish town.

The reason was because people would travel from ~~long ways~~ [far away] to get there and the food was almost needed after the long journey, but it since has become so much more.

First off, people just like their food so a lot of people go there simply just for that.

They also have to travel ~~to~~ a maze to get it.

I'm sure some of those people end up picking up things that they weren't planning to.

I would think if almost any store started selling tasty food it would be good for business, also, it helps make it more of a family activity rather than a boring trip to the store.

All the fun places have a place to buy food.

As I said before, people spend hours there.

Over that time span people tend to get hungry, so instead of leaving the store to get food and going about their day they never have to leave.

There's even a theory saying that cheap food prices trick the customers into thinking everything is cheap.

Is 880 dollars a good price for this combination?

I have no idea, I know next to nothing about furniture pricing but I do know that one dollar is a good price for some frozen yogurt.

When I see that, I think, hey, they must have good prices here so I guess that was a reasonable price for that sofa.

By the way, [in] this ad for their one dollar cinnamon bun it says not actual size at the bottom.

It's a massive picture and I'm not exactly sure if that's supposed to be a joke or if this is one of those things that I should send in to the Ellen show.

But anyway, those were my main reasons as to why they've been so successful.

I do have one bonus additional reason that I've been considering to go along with it being more of an activity than a store.

It has a theme they heavily promote, the fact that they're from Sweden, don't they?

~~even for the viewers~~ Even for those of you that knew [only a] little about them you probably knew they were from Sweden.

When I first walked in [on] the doors [there are] the letters hej [on a sign] and then [it] tells me it means hello in Swedish.

They give their furniture Swedish names, their logo and the buildings are the same colors as the Swedish flag, they serve Swedish meatballs.

Most companies don't feature their country of origin to this degree, like do you know what country Spotify is from?

It's Sweden, but you'd never know that.

You can dispute this reason.

I put it as a bonus because it's not as solid as the first three, let me know in the comments.

Is there any merit to that last reason?

But also do you agree with my first three main reasons or possibly have an idea of your own why you like IKEA?

What do you think separates them from all the other furniture stores?

They must be number one for a reason, so what's that reason?

I'd like to hear what you have to say.

Don't forget about that whole Patreon thing and thank you for watching.