

Case Analysis: How IKEA Thrives in Russia

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Presented by

Shuai Zhao	480316615
Fei Chen	460439688
Minhui Chen	480419031
Wulue Chen	470258488
Qiwei Luo	480126885
Zehua Li	450183485



Agenda

- Introduction: overview of IKEA's current operation in Russia
- Institutional voids in Russian market and corresponding strategies adopted by IKEA

01

Political and Social System

- Corruption is prevalent across society, at both bureaucracy level and firm level
- Anti-corruption policy
- Lawsuits
- Power generation station
- Intra-firm Investigation

02

Product Market

- Fragmented market due to geographic features
- Longer time of delivery due to underdevelopment of hard infrastructure
- Investment in traffic infrastructure
- Open small-sized stores
- Cooperate with Russian market

- Conclusion

Part 1 Introduction

- 15 15 iconic stores *located in major cities*
- Close relationship with *MEGA mall*
- 5 to 7 small-sized stores in the following months *in Moscow and St Petersburg*

2 billion *the largest foreign investor ever*

favoured by middle class

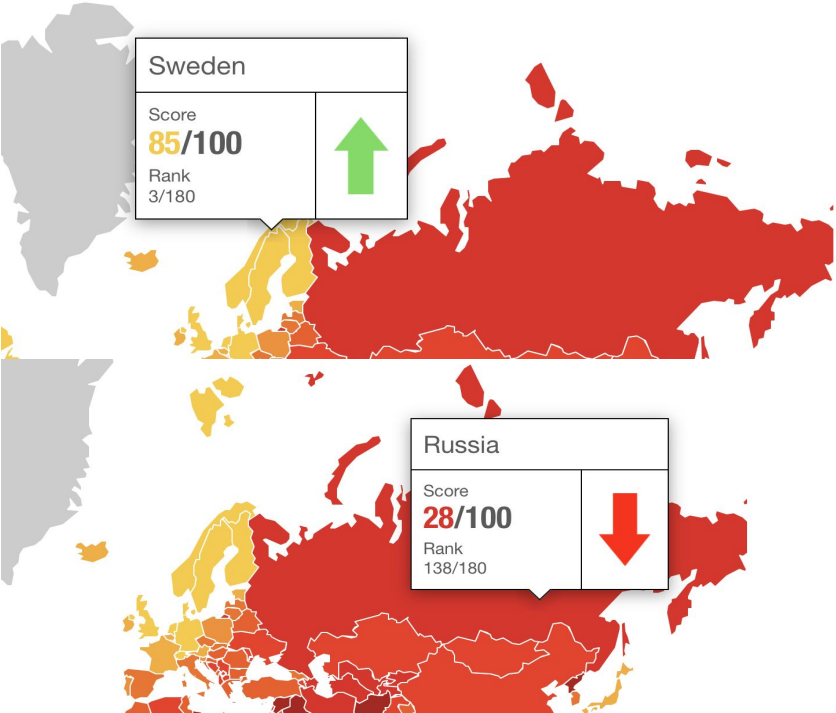


Part 2

Institutional Void: Corruption in Political and Social System Framework

Basic facts about corruption in Russia

Corruption rating



IKEA CEO publishes book about corruption



Basic facts about IKEA dealing with corruption in Russia

Lawsuits

Land purchase

Business culture

Adapted: Against Corruption at Bureaucracy Level

Strategy 1

IKEA is actively making anti-corruption policy, "clean business"

Strategy 2

Holds hundreds of lawsuits every year

Strategy 3

Have its own independent power generation equipment



Against Corruption at Firm Level

Stay

- Stop expansion
- Focus on existing stores

Adapted

- Internal investigation
- Fired two managers



Part 2

Institutional Void: Underdevelopment of Hard Infrastructure and Inefficiency in Logistics



Logistic

- geography (large land area, climate)
- Depressed economy
- Regional development imbalance



LPI 2.37(99)

Undevelopment infrastructure

Inefficiency

Costly

IKEA Strategies

Collaborate with Local Partners:

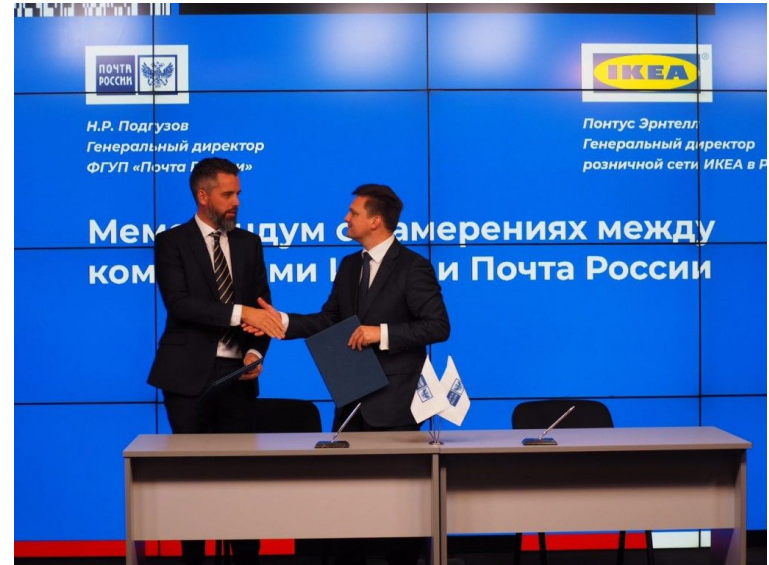
Delivery cooperation agreement with Russian Post

Change Market Context:

Investment in traffic infrastructure

Strategy Adaptation:

Open more small-sized stores to improve shopping efficiency



Part 3

Conclusion



Key takeaways

01

Political and Social System

- Corruption is prevalent across society, at both bureaucracy level and firm level

- Anti-corruption policy
- Lawsuits
- Power generation station
- Intra-firm Investigation

Adapt

02

Product Market

- Fragmented market due to geographic features
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Change

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