

Ikea-index November 2003

Technical description:

Ikea sells practically the same assortments of furniture and other home-related goods in 165 stores in 22 countries. Sales were €12 billion in the fiscal year September 1, 2001- August 31, 2002. 120 million catalogues were distributed globally! The catalogues vary between countries, not only in language and layout. The assortment is different even if the names are international in their Swedish / Scandinavian names for towns, villages and names with funny spellings for a non-Scandinavian.

Also the price for a certain item may differ substantially.

New catalogues were distributed in August/September and their prices are guaranteed to July 15, 2004 (at least in the Swedish printed catalogue).

Today the assortment is at least partially displayed on the Internet, which makes price comparisons more simple to pursue.

We have studied the Ikea prices in 15 countries for 27 goods available in all countries (with a few exceptions):

- 8 euro-zone countries: Austria, Belgium, Finland, France, Germany, Italy, the Netherlands and Spain. Greece, Ireland, Luxembourg and Portugal do not have Ikea stores or at least not on the Internet.
- 3 other EU countries: Denmark, Sweden and United Kingdom,
- 2 other European countries: Norway and Switzerland.
- 2 non-European countries: Canada and the United States.. In this case some of the products have different sizes, eg for beds, bedware like quilts and pillows: Half King size, Full King size, Queen size and Twin.

In other Ikea-countries the assortment is much more limited, both in the stores and in the net catalogues. Australia have a broad assortment, but not enough to be included. The Eastern and Central European have different assortment and are thus not included in the index.

The selected items had to fill the criterium that they are sold in all 15 countries (with one exception for USA and Canada) and are "typical" Ikea-goods with wellknown names, if possible. The prices include VAT.

In the catalogues prices are set for one year, even if it is possible to change in the electronic version. In the web version there are disclaimers for differing prices in the stores, and also that certain goods can not be found in the web version or not in all stores.

The prices have been translated to a common currency after the exchange rates of November 17th, 2003.

Conclusions

The United States is by far the cheapest Ikea country, closely followed by the Netherlands, Germany and in fourth place United Kingdom and Sweden. These European countries is also the markets where Ikea has its strongest market shares.

Movements in the exchange rate since late spring 2003, when the catalogue prices probably were finalized has lowered the relative price level of Ikea in the US and Canada and to some degree also the United Kingdom. Sweden has appreciated even against the euro.

Excluding VAT Sweden is cheapest by around 4 percent in average. Sweden is the birthplace of Ikea and of its spirit and design. Ikea's founder, Mr Ingvar Kamprad, has pointed out that the royalty fee is lower in Sweden than in other countries. The Netherlands is the legal home of Ikea.

Ikea has probably another image in Sweden than elsewhere, where the Scandinavian design image might motivate a higher price.

Consumer prices are higher in Sweden than in most other EU countries according to Eurostat, but for furniture Sweden is a lot cheaper.

Prices are set individually in each country by the local Ikea organisation. For new products, especially more expensive ones, it seems to exist some sort of price recommendation, eg the Haddal chest of drawers had a maximum difference of 20 per cent, but the most expensive set of the 4 square mirrors Alg cost more than twice as much in the most expensive country.

In average the maximum price difference for the 26 items (US version) was 67 per cent. Within the euro-zone the price spread is lower, in some cases almost a unitary price level.

There are also national variations in price setting routines. In the US prices tend to end in 99 cent. Half of the US prices in our study do so. In Sweden all 27 items in our study end in 9, 95, 98 or 99 kr. In Denmark on the other hand many prices end in 25 DKK, 50 DKK, 75 DKK or 00 DKK, even if this year there is a clear tendency to move to en price with a 9.

Index for all goods show that there is varying price spread, with not the same country being cheapest for all goods. Even if the Netherlands, Germany and Sweden is cheapest, still the average relation to the cheapest country for all goods is 17 percent higher.

Finland is the most expensive Ikea country of the 15 countries included in the study. Also Italy, Denmark, Norway, Spain and Belgium are expensive in Ikea terms. Ikea entered Finland just a few years ago and has a rather low market share and are not price-setters as in Sweden.

The assortment is quite different from last year. It was also observed during the study that prices were lowered on many products in most countries, sometimes rather substantially, e g the bookcase Billy. A tendency to set prices more similar in different countries was also observed, especially for new products and expensive products.

Euro-prices: There is a tendency to price expensive goods with the same gross price (incl VAT) in the euro-zone. For smaller goods the spread within the euro-zone almost as high as in other countries.

Index 2004, 27 goods, German version November 17th

For each item based on the German price set to 100
recounted after exchange rates for November 17, 2003

| Rank | Country | Ikea Index* |
|------|----------------|-------------|
| 1 | Germany | 100,0 |
| 2 | Netherlands | 100,6 |
| 3 | Sweden | 103,3 |
| 4 | United Kingdom | 105,1 |
| 5 | Switzerland | 105,5 |
| 6 | Austria | 106,6 |
| 7 | France | 106,7 |
| 8 | Belgium | 109,5 |
| 9 | Norway | 109,5 |
| 10 | Spain | 109,5 |
| 11 | Denmark | 111,7 |
| 12 | Italy | 112,3 |
| 13 | Finland | 117,0 |
| | USA* | 92,0 |
| | Canada* | 97,7 |

* Certain items have other sizes.

For Luxembourg, Greece, Portugal and Ireland there are no Internet catalogues.

Gabriel Thulin
Hallvarsson&Halvarsson AB
Tel +46-858 711 227 - Mobile +46-709 711 227
gabriel.thulin@halvarsson.se