INCREASING SALES AT IKEA TAMPERE DURING PEAK DAYS

Veselina Katsarova

TAMPEREEN AMMATTIKORKEAKOULU

Tampere University of Applied Sciences

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
International Business

VESELINA KATSAROVA:
Increasing sales at IKEA Tampere during peak days

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This bachelor's thesis was commissioned by IKEA Tampere with the purpose to find out ways for increasing the sales at the store during peak days because currently sometimes the store experiences lost potential of sales on peak days. The problems which the store faces during peak days were identified by interviewing 60 customers on two peak days at the store (29th March 2014 and 19th April 2014), as well as 10 workers from different departments. The interviews showed that the main obstacles that customers face during peak days at the store are associated with finding their way around, queuing and finding information, all of which have a negative effect on the sales.

Relying on theoretical background on store layout, service design and lean process improvement, the current thesis reviews the processes, routines and visual communication at IKEA Tampere and offers solutions for making improvements which would increase the sales.

Most solutions for improvements offered in the current thesis have to do with lean process improvement, at the core of which lie the elimination of any unnecessary work which does not offer value to the customers. Thus, unnecessarily long and complicated processes at the store can be simplified and shortened making it possible to eliminate long queues and making it easier for customers to manage on their own in IKEA Tampere, the concept of IKEA being that customers should manage almost exclusively on their own. The implementation of the suggested improvements of the processes and the visual communication at the store will have a positive effect on the sales and on customer satisfaction.

Chapter 6 of the current thesis, which reviews the case of IKEA Tampere and offers concrete suggestions for improvements and solutions to the current problems at the store, is confidential for five years.

Key words: peak day, rush hour, increase, sales, retail, improve, lean, process, improvement

CONTENTS

1 INTRODUCTION

IKEA is a Swedish privately held, international home products company which designs and sells ready-to-assemble furniture such as beds and desks, appliances, home accessories, fabrics, children's toys and foods. Each store has around 9000 different products. The company is the world's largest furniture retailer. In addition to that, in many of its stores it has a Swedish food market, a restaurant and a cafeteria. Currently IKEA has 359 stores in thirty-eight countries.

Peak days are days with exceptionally large numbers of visitors in the store, roughly 3-4 times more than on a busy day, and with respectively around 3-4 times more sales. Peak days typically occur around 10-15 times a year and are different for each store. Their occurrences depend to a high extent on local market circumstances and are forecast based on historical data from past years and national holidays or particular days/seasons in which people are expected to go shopping. Peak days are very important for the store in terms of sales and profit, since they offer lots of potential for increasing the sales but on the other hand they pose lots of challenges and problems which impede the maximization of the sales during these days. On days when the store operations are not up to standards this results in lower sales than what the visitor pattern potential indicates. Figure 1 shows the differences between lost potential and captured potential in terms of sales.
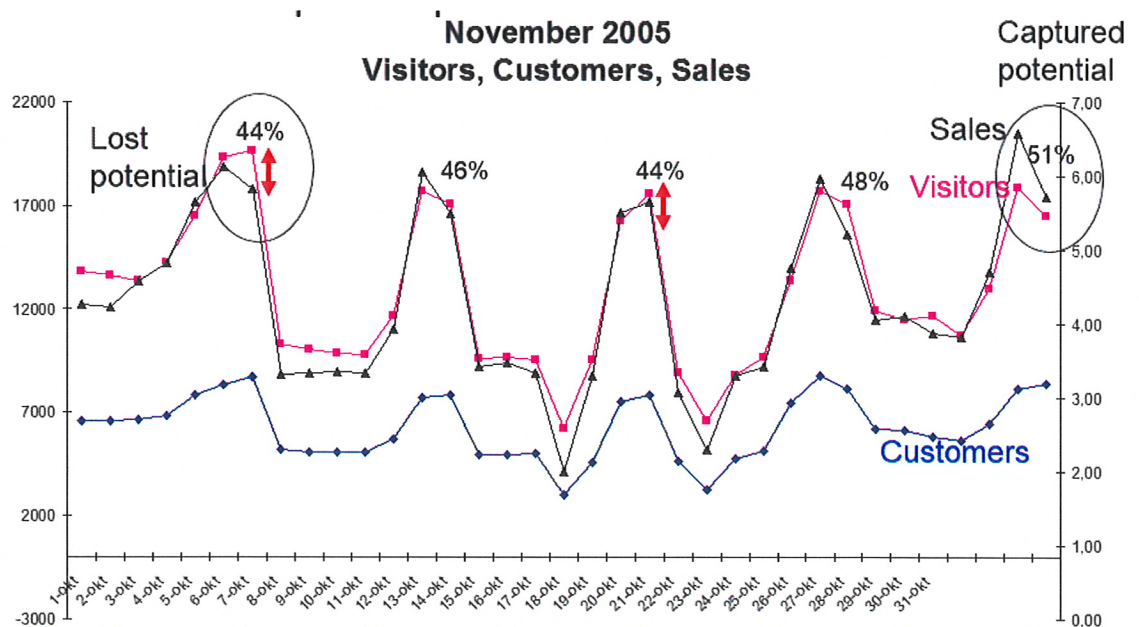

FIGURE 1. Captured and lost potential of sales (Peak Day Operational Review 2007, 24)

As figure 1 illustrates, on some days there can be lots of visitors at the store but many of them do not buy anything or buy less than expected, thus resulting in lost potential of sales. Sometimes IKEA Tampere experiences lost potential of sales during peak days which has historically ranged between 5% and 50%. That is why the management of the store commissioned this thesis in order to find out ways for the maximization of sales during peaks.

Determining the reasons for the lost and captured potential of sales will show what goes wrong, what goes well and will outline areas for improvement in the operations of the store so that the sales can be improved. IKEA's Peak Day Operational Review (2007, 12) states that the number of visitors on each day is a function of how well visitors were treated on their earlier visits (e.g. they are repeat visitors) and how successful the store is in its external marketing (catalogue, web, TV, radio, newspaper, etc.) to attract new visitors. Conversion means turning visitors into buying customers. The conversion rate on each day depends on how pleasant it is to shop at the store, whether there are strong commercial offers, whether the store is in good shape, whether the staff is friendly, helpful and knowledgeable, whether the products are in stock, whether there are long queues in the store and most importantly whether the check-out area is staffed well enough to avoid queues. The review also states that the sales are a function of the average check. The average check depends on the number of products bought per customer which in turn is a function of the customers' inspiration in the show room, the market hall, the restaurant and the store's stock levels. The amount of the average check relies also on the presentation of the add-on products, the skills of the sales staff and how many customers use IKEA's shopping tools instead of just bare hands.

The current thesis is a result of an assignment from the store manager of IKEA Tampere who is concerned with capturing the sales potential and improving the sales during peak days at the store. The thesis researches the problems which the store faces during peak days and proposes suggestions for improving the organization of the sales. The author of the thesis has an overview of the processes at IKEA Tampere based on four years of experience as a cashier and finance administrator at the store.

The problems during peak days at IKEA arise from the 3-4 times larger numbers of customers at the store. During such days, the market hall and self-service areas have tens of thousands of visitors. At the same time, visitors need to feel just as welcome and well

taken care of during peaks as on any other shopping day. They have to get the help they need, to find what they are looking for and to carry out their buying decisions. They expect a convenient shopping experience and fast service in the checkout area and other areas where queues can occur. Failure to do all this and meet their expectations and needs can result in lost sales. This poses challenges and calls for solutions in order to make the best use of the opportunity to maximize the sales during such days. This means a lot of extra work for the staff at IKEA Tampere during the peak days, as well as careful planning and preparations for them. IKEA has developed manuals providing the management and the staff at its stores with systems and methods for maximizing sales during peak days. These manuals are – Maximizing Sales during Peaks the IKEA Way (2008), and How to Improve Sales during Peaks (2008). However, these manuals address those problems in a very general way. They are very brief and their purpose is just to draw the attention to some of the problems which IKEA stores usually experience during peak days. The manuals do not provide all the necessary solutions which the store in Tampere needs in order to maximize the sales during peaks. The current thesis will look at these manuals and asses how well they are applied and utilized at the IKEA Tampere store and what is still lacking in order to maximize the sales during peaks at. This thesis will not provide a new manual replacing the already existing ones, but will rather provide applicable suggestions for increasing the sales at IKEA Tampere through simplifying the processes and solving the problems more efficiently.

The purpose of the current thesis is to make practical suggestions for simplifying the processes at IKEA Tampere, so that the sales during peak days can be maximized. The hypothesis of the current thesis is that if the store's layout and functionality are improved, this will have a positive impact on the sales during peak days. If the routines at the store are simplified, the staff can focus more on the actual selling and the customers can have a more positive shopping experience, resulting in an increase in sales.

In order to find out the underlying obstacles to increasing sales during peak days at IKEA Tampere, 60 customers were interviewed about their shopping experience at the store during the peak days 29th March 2014 and 19th April 2014 asking them to identify any problems they encountered, if any. In addition to that, 10 members of the staff were interviewed in order to find out what difficulties they encounter during peaks and what areas or processes in the store do not function as efficiently as they could.

The current thesis addresses the problems it tries to solve by using theories for store layout, visual communication, service design and lean management. This theoretical framework was chosen because it addresses the main problems which the current thesis ties to solve – improve the store's functionality by improving the communication with the customers and simplifying the routines and processes at the store.

The thesis reviews each of the store's areas in focus, e.g. greeter area, show room, market hall, self-service warehouse and checkout area, and offers practical suggestions for improving the communication, the routines and the processes in these areas. The thesis does not take into account the store's customer service department, restaurant, bistro and food market. The thesis does not focus on forecasting peak days.

2   DEFINITION OF A PEAK DAY AND GENERAL PROBLEMS

According to IKEA's manual Maximizing Sales during Peaks the IKEA Way (2008, 11), in order to understand what a peak is, there are three degrees of busyness at the store to consider. They are illustrated in figure 2.

Examples of days at an IKEA store

FIGURE 2. Examples of peak days at IKEA (Maximizing Sales during Peaks the IKEA Way 2008, 11, modified)

Days in which an IKEA store has around 7000 visitors are considered days with normal degree of busyness. On a peak day, the store receives two times the visitors it has on a normal day – around 10 000-14 000 visitors. Though, as the manual suggests, these numbers should be only used as a rule of thumb and each IKEA store needs to define its own degree of busyness depending on the total size of the store, the sales area, the parking spots and the checkouts. Figure 3 shows three examples of peak day definitions based on the above mentioned criteria.

	Store A	Store B	Store C
Store size total	25 000 m2	35 000 m2	35 000 m2
Sales area	17 000 m2	17 000 m2	21 000 m2
Parking spots	1445	2640	2300
Checkouts	35	30	30
Green	< 8000	< 7000	< 14 000
Yellow	8000 – 15 000	7000 – 14 000	14 000 – 18 000
Red	> 15 000	>14 000	> 18 000

FIGURE 3. Examples of peak definitions (Maximizing Sales during Peaks the IKEA Way 2008, 10)

According to the above classification, the IKEA Tampere store falls into the category of Store B. In IKEA Tampere, a peak day means that the store receives more than 10 000 visitors that day and the sales that day are over 370 000€. (Maximizing Sales during Peaks the IKEA Way 2008, 10)

In addition to that, there are peaks within peaks to consider. This means that there are certain hours during the peak day when the store is extra busy. That normally occurs between 2 pm and 4 pm. However, the manual does not mention that it should be always taken into consideration that the extra busy hours at the store can be caused by some special offers, for example discount in the restaurant, free breakfast or a discount price on a product that is expected to be very popular among customers and the offer is only for a certain number of items sold. The manual does not mention another important fact which should be taken into consideration, namely that peaks within peaks can occur at different times in the different departments in the store. This means that some departments can be extra busy at some point while at the same time others are experiencing a normal flow of customers. The manual points out that peaks occur not only on certain days but there are also peak weeks to consider. These are weeks when the number of customers exceeds 90 000 per week. In addition to that, there are peak hours on otherwise normal days, when the number of visitors in the store exceeds 3000. (Maximizing Sales during Peaks the IKEA Way 2008, 11)

Occasionally, visitor pressure is so high that more measures are needed in order to ensure that customers get the best service and that the sales are organized in a way that makes it possible to maximize the profit in such days. Planning for peak days well in

advance would make it possible to achieve this objective without increasing operating costs substantially and focus on selling instead.

The way the visitors at the IKEA store experience peak days affects the sales not only on that particular day but also has a long-term impact, because negative experiences can lead to loss of customers. Therefore, during peaks, IKEA's mechanical sales system needs to function better than normally. The problem with that arises not only from the much larger number of customers at the store during peak days, but also from the fact that many newcomers visit the store exactly then.[1] They are not familiar with IKEA's concept of the so called "mechanical sales", which means that customers are expected to do their part of the deal – pick, deliver and assemble the furniture themselves. This lies at the core of IKEA's pricing strategy and is one of the ways in which IKEA manages to keep prices lower than those of their competitors. Customers should therefore be aware that namely their participation in the process allows them to shop cheaply at IKEA. Customer awareness of the IKEA concept of mechanical sales as well as of the services offered at IKEA will decrease the amount of unsatisfied customers during peaks, will ensure a smoother flow of operations at the store, greater customer satisfaction and greater profits. Therefore, it is recommended that customers are introduced to the concept as soon as they enter the store or already before they visit the store, e.g. online. Currently the greeter area located at the store's entrance does not function efficiently enough in providing customers with that necessary information.

There are many challenges to meet during peak days. For instance, as the manual points out, the store needs to forecast the bottlenecks or problem areas and the times at which they can possibly occur and plan ways to resolve them. In the chapters which follow, the problems which usually arise during peak days in the different areas of the store will be identified and solutions to these problems will be proposed.

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[1] This information is based on the zip code researches which IKEA Tampere conducts 4 times a year. This means that cashiers ask customers to tell their postal code when they purchase from the store. The research shows that on weekends there are more visitors from locations far from the store, which is grounds to assume that they are less familiar with IKEA's concept than those who live in closer proximity to the store and visit it more often.

3 INTERVIEWS

In order to outline the areas from which problems arise during peak days at IKEA Tampere, customers and staff were interviewed. The starting hypothesis was that the store does not function as efficiently as it could during peak days and that impedes the maximization of the sales.

3.1 Interviewing the customers

In order to learn more about the customers' shopping experience in IKEA Tampere, a total of 60 customers were interviewed during the peak days 29th March 2014 and 19th April 2014. The starting hypothesis for these interviews was that during peak days at IKEA Tampere the shopping process does not run smoothly and most customers encounter some difficulties. The purpose of the interviews was to find out whether that hypothesis is true and to outline the impediments in the shopping process during peaks from the customers' perspective.

The interviews tried to include a more or less equal representation of gender. Roughly the same number of men and women were interviewed. The interviews were carried out in the checkout area after the customers had paid or in the case when they did not buy anything, they were interviewed when leaving the checkout area. Since the point of interest was not facts and figures, the interviews were qualitative. Qualitative interviews were preferred because they provide greater possibilities to find out what a person has on his or her mind (Trost 2004, 25). Customers were asked about their overall shopping experience at the store during those days and whether they encountered any difficulties while shopping. No ready-made answers were provided, so that the customers themselves could name the problematic areas in the shopping process during peak days. Notes were taken during the interviews. Figure 4 shows the summarized results from the interviews.

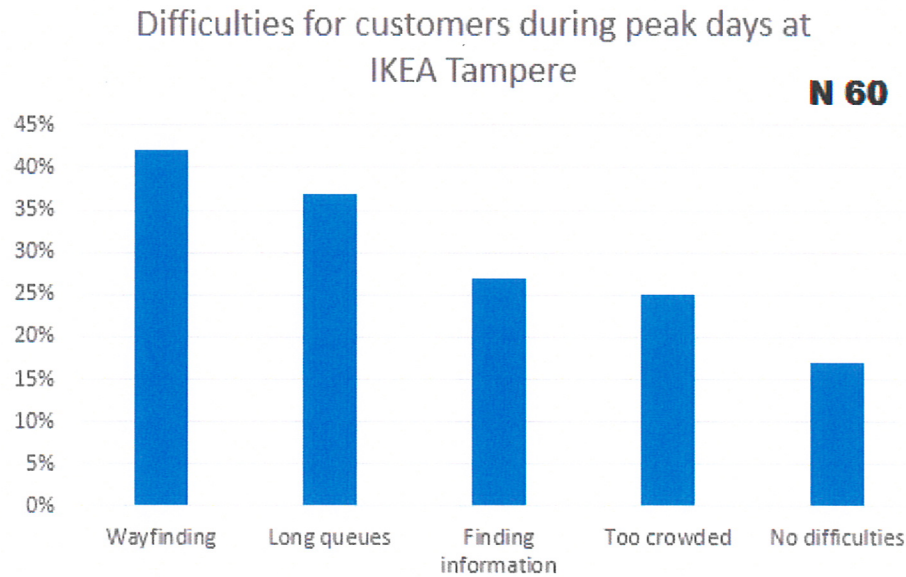Difficulties for customers during peak days at
IKEA Tampere

N 60

FIGURE 4. Results from interviewing customers

The results from the interviews proved the initial hypothesis that most customers (83% of the interviewed) encounter problems at IKEA Tampere while shopping during peak days. The four main problems which they most often face are: finding the way (42%), long queues at information desks and checkouts (37%), finding information (27%) and the store being too crowded during peaks (25%). The percentages are over 100% because some customers named more than one problem.

In the following chapters, the customer buying process will be looked at in detail and suggestions will be made to eliminate the most common difficulties which customers face during peak days, thus helping to maximize the sales.

3.2 Interviewing the staff

Ten members of the staff were interviewed in order to identify problem areas which the staff face during peak days. The hypothesis was that processes and routines at the store do not run as smoothly as they do on normal days and that on peak days the staff face more difficulties due to the much larger amount of customers.

The ten co-workers interviewed work in the show room, the market hall, the checkouts and the greeter area. The interviews were conducted in the break room after the employee's shifts. The interviews were qualitative and did not follow a standardized form. The employees were asked how a peak day differs from a normal day at the store from

their perspective and to point out what difficulties usually arise which makes it harder to increase the sales. The major problems which the interviewed employees outlined are:

- Having to serve/help too many customers
- Not enough employees at peak hours
- Not enough time to do tasks not related to serving customers
- Not enough preparation for coming peak days
- Products on discount or very popular products running out of stock

The results from the interviews of the staff proved the initial hypothesis that the processes at the store during peaks do not function as smoothly as they do on normal days.

The interviews of customers and staff outlined the major problem areas in the store during peak days. These problem areas are related to wayfinding/orientation, communication and routines which need to be simplified in order to decrease waiting/serving times. The next chapter will address these problems from the theoretical perspective.

4 THEORETICAL FRAMEWORK

The main theoretical framework used in the current thesis to address the main problems which were outlined in the previous chapter, e.g wayfinding/orientation, communication and simplifying of routines and processes, is going to be related to store layout, service design and lean management.

4.1 Store layout

Improving the productivity and functionality of a store is stated by Ko Floor as a strong strategy for strengthening a brand's market position (Floor 2010, 23). The interviews with customers at IKEA Tampere showed that one of the major problems customers face in the store is navigating through the store's winding paths.

In the article *Servicescapes: The Impact of Physical Surroundings on Customers and Employees*, Mary Jo. Bitner states that the influence of the physical environment on people's behavior is particularly obvious for service companies, and retail stores are in that category (Bitner 1992, 60). Self-service companies like IKEA would be most interested in predicting and understanding customer behaviour in the physical setting related to areas like customer attraction, customer satisfaction and customer retention. In IKEA, the customer flow is measured through all departments in order to see the customers' movements and then apply a variety of methods for making the customers stay longer in the store. However, Bitner notes, IKEA should pay attention to how customers perceive the store, since their perception affects their emotions, beliefs and physiological sensations which in turn influence their behaviour, including their shopping behaviour (Bitner 1992, 60).

Bitner also points out that the purpose of being in a place influences a person's emotions and what is noticed and remembered about the environment. In addition to that, a person enters a place in a certain mood. How this person responds to a certain place also has to do with what they expect to find there. These expectations vary according to past experiences in the environment, as well as what the person has heard or read about the place. (Bitner 1992, 61)

Bitner outlines three dimensions of the store which have a strong impact on people:

1. ambient conditions (temperature, lighting, noise, music, scent)
2. spatial layout and functionality
3. signs, symbols and artefacts

Spatial layout and functionality of the environment are particularly important to customers in self-service environments where they must perform on their own and cannot rely on employees to assist them (Bitner 1992, 61).

IKEA has a very elaborate self-service concept. In fact, IKEA's motto is: "You do your part, we do ours and together we save." In this sense, the customers at IKEA are expected to function quite independently - choosing, comparing and trying out the products in the show room. The price tags in the show room provide them information about the products. Then, with the help of shopping tools, they write down their choice of products and where to find them. After that they get the products from the self-service warehouse. Some products require the customers to contact the staff, for example if the products are transported from the central warehouse or if they have to be collected from the goods pick-up area. To make it possible for the customers to do all this by themselves, it is essential for them to be able to find their way through the store easily and understand how they are expected to "do their part".

Spatial layout and functionality of the environment are important to customers in self-service environments where few if any employees are present and the level of customer activity is high. Spatial design involves the study and research of relationships between people and their environments to be able to design spaces that respond to these relationships. (Auckland University of Technology, 2008)

A powerful factor that affects wayfinding behaviour is the degree of familiarity an individual has with a place. The more familiar the individual is, the more initial difficulties can be overcome and efforts can be directed towards increasing their familiarity with the place. If familiarity alone does not explain disorientation, other factors, such as visual or spatial features of the environment, could be considered. (Weisman, 1981: Dogu & Erkip 2000, 743)

The legibility of architectural elements, such as entrances, circulation and landmarks, is a condition to understanding the spatial organization of a building (Arthur & Passini, 1992: Dogu & Erkip, 2000, 746). Its effect goes beyond case-of-use of a building and includes other variables such as confusion, anger, perceived crowding, and personal comfort (Wener & Kaminoff, 1983: Dogu & Erkip 2000, 747).

People look for different types of information in the environment to be able to find their way in a place. The following can have a strong influence on that:

- visual access to familiar cue or landmarks in a building
- the degree of architectural differentiation between areas of a building that can aid recall and orientation
- the use of signs to provide identification or directional information
- building configuration, which can influence the comprehension of the overall layout of the building

(Weisman, 1981: Dogu & Erkip 2000, 746)

In order to be able to form a mental map of a place, spatial clues must be identified. Therefore they must be distinctive by the form and volume of the architectural and decorative elements, and by finishes, light, colour, and graphics (Arthur & Passini, 1992: Dogu & Erkip, 2000, 747). In the IKEA Tampere store there are no apparent landmarks and in many departments there is no clear overview. In many cases, this is done deliberately in order to keep the customers longer in the store. However, it should be taken into consideration that difficulties in finding the way can result in loss of time, a feeling of decreased safety, stress, or general discomfort. Visual or spatial variables such as the signage provided and the overall layout influence wayfinding behaviour (Peponis et al., 1990: Dogu & Erkip, 2000, 747).

The circulation is the organizing force of a layout and the space in which people move and have to find their way (Arthur & Passini, 1992: Dogu & Erkip 2000, 748). Studies suggest that the complexity of a floor plan configuration is the primary influence on wayfinding performance (Weisman, 1981: Dogu & Erkip 2000, 748). Simplicity and regularity of floor plans aid people in learning about the layout of a setting. An individual cannot make a mental map of a building until it has been passed through on several

occasions, or until the individual gets familiar with the environment (Dogu & Erkip 2000, 748).

Arthur and Passini sate that visitors in a shopping mall expect to find comfort and safety in such a place and suggest that a shopping mall should provide security and pleasantness. Arthur and Passini make the observation that owners of department stores used to think that by actually confusing the shoppers they could keep people longer in the store and more products would be sold. However, it should be taken into consideration that good wayfinding practice is a positive marketing benefit (Arthur & Passini, 1992: Dogu & Erkip 2000, 749). IKEA believes that making customers walk the winding path through the store, by dividing the path by a wall in the middle, and by separating the product range to either side of a walkway, the customers will stay longer and shop more. However, in many cases, staying longer in the store results in customers being frustrated and having a negative shopping experience, which in turn has a negative impact on the sales in the short and long term.

Dogu and Erkip state that in complex settings, such as shopping malls, the selection of information could also be too confusing. If customers are exposed to a variety of marketing techniques, signs, sounds, and crowds a condition of overload could develop. In such cases people reduce their intake of information as a coping device. The result is that even if they are looking at the relevant information, they cannot process it (Dogu & Erkip 2000, 750). During peak days at IKEA, customers are exposed to a variety of marketing techniques. This together with the crowd at the store creates conditions for overload or information which in turn results in lowering of the information intake, disorientation, frustration and confusion.

Dogu and Erkip point out that maps over buildings such as shopping malls too often compound wayfinding difficulties instead of helping to solve them. This happens especially when they are organized by bureaucratic hierarchy in the structure of departments rather than by shopper needs (Dogu & Erkip 2000, 750). Apart from the maps, the signs in IKEA Tampere are often placed high up, hanging from the ceiling, which also makes it difficult to see since the customers' focus is on the products.

Based on the above theoretical grounds, general solutions to wayfinding at IKEA Tampere are proposed in chapter 5 of the current thesis.

4.2   Service design

According to a study published by ASML, companies which provide customers with more positive experience, boast more profit and growth. The research is based on analysing 70 major S&P 500 companies, their customer experience index and growth. (ASML 2014) In his article *Asiakaskokemus - mitä se tarkoittaa*, Johan Flykt states that the best companies have realized that customer experience emerges as a result of the activities in the whole company and have improved their processes and communication from their customers' perspective (Flykt 2013). The importance of customer experience is so crucial for an organization's success, that Löytänä and Kortesuo suggest that in order to maximize their success, service companies should strive to offer experiences rather than services (Löytänä & Kortesuo 2011, 4).

Customers' experience in IKEA revolves mainly around the mechanical sales system, which means that customers are expected to do most of the shopping at the store by themselves, without needing assistance. The mechanical sales system can be viewed as a service. In order to acquire a better understanding of the customer buying process at IKEA so that the mechanical sales system's design can be improved, its service blueprint should be taken into consideration. The service blueprint shows the actions which customers and staff are expected to perform along the shopping process so that possible setbacks are identified and eliminated.

In *Service Blueprinting: A Practical Technique for Service Innovation*, Bitner, Ostrom and Morgan state that service blueprinting can facilitate the detailed refinement of a single step in the customer process as well as the creation of a comprehensive, visual overview of an entire service process. Moreover, all parts of the organization should be focused on the common goal of creating an integrated, memorable and favorable customer experience. Based on that, Bitner, Ostrom and Morgan conclude that companies that approach customer experience management with a clear vision of the design and development process are more likely to achieve improved customer and organizational outcomes. Service blueprints allow all members of the organization to visualize an entire service and its underlying support processes, providing common ground from which

critical points of customer contact, physical evidence, and other key functional and emotional experience clues can be orchestrated. (Bitner, Ostrom and Morgan 2007, 4)

Edvardsson and Olsson state that service design requires an understanding of the customer outcome and customer process, the way the customer experience unfolds over time through interactions at many different touch points. A well designed service that is pleasing to experience can provide the firm with a key point of differentiation from competitors. A smoothly delivered service with a positive outcome is more likely to result in favorable service quality and brand image evaluations, which both have influence on customer loyalty. Recurrent service quality problems are often the result of poor design. (Edvardsson and Olsson 1996, 143)

Figure 5 represents the service blueprint of IKEA's mechanical sales system showing the actions which customers take while shopping at the store, as well as the visible, invisible and support actions taken by the staff:

Service blueprint IKEA

Physical evidence	Website	Shopping list	Map	Signs	Product tags	Floor arrows	Find-it computer	Exhibition/ Products	Family card
Customer actions	Browse the website	Arrive at the store	Look at exhibits	Look for products	Look for information	Collect products from warehouse		Order products	Pay

Line of interaction

Visible employee actions		Hand out shopping tools	Answer questions	Advise customers	Help customers plan			Print out orders	Handle payment

Line of visibility

Invisible employee actions	Restock shopping tools		Restock brochures	Tidy the store		Tag products		Restock products	

Line of internal interaction

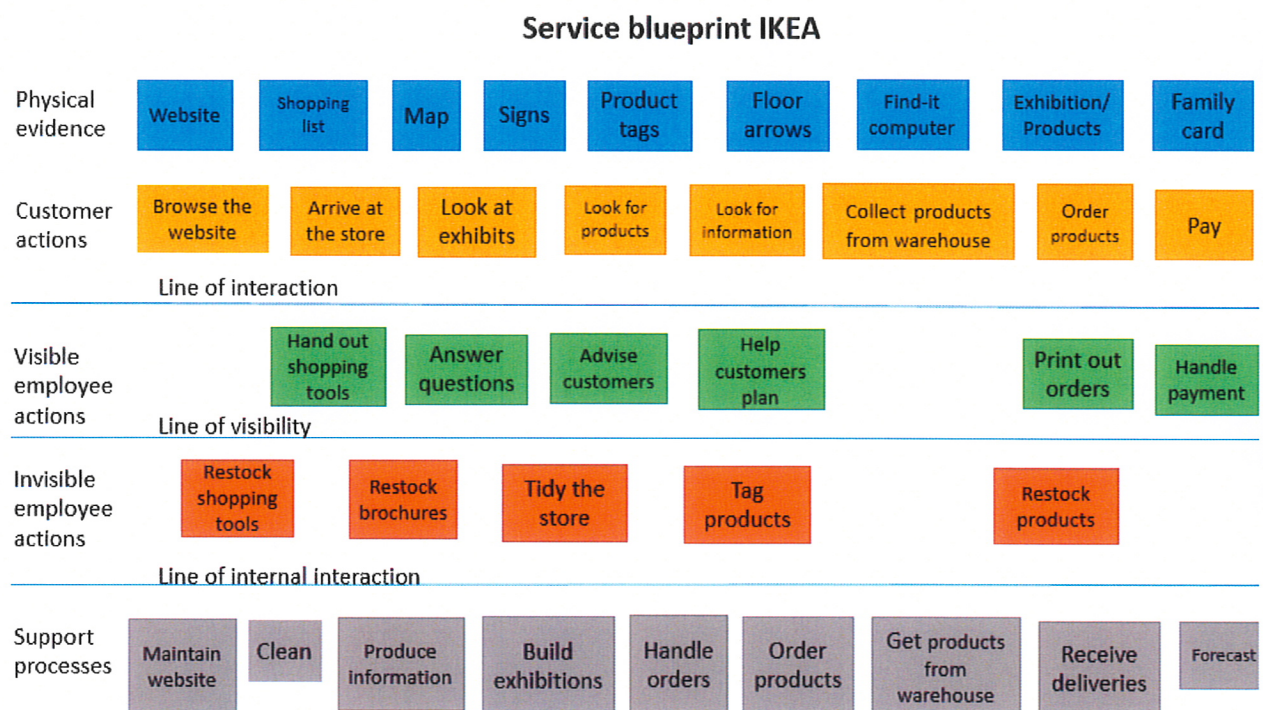| Support processes	Maintain website	Clean	Produce information	Build exhibitions	Handle orders	Order products	Get products from warehouse	Receive deliveries	Forecast

FIGURE 5 Service blueprint of IKEA

The blueprint provides an overview of the shopping process at IKEA both from the customers' and the staff's perspectives. It gives a general overview of the most important actions which shopping at the store and running the store entail. These actions are co-dependent and in cases when some actions are inefficient, that has an impact on other

actions and in turn on customer satisfaction and the sales. Chapter 6 of the current thesis will review those actions and suggest ways for making them more efficient during peak days, so that the sales from those days can be maximized.

4.3   Lean process improvement

In order to improve the efficiency of the sales system in IKEA Tampere, its routines and processes can be simplified using lean principles for process improvement. The core idea of lean process improvement is to maximize customer value while minimizing waste, waste being any extra work or activities which do not create customer value. Simply put, lean process improvement means creating more value for customers with fewer resources. A lean organization understands customer value and focuses its key processes to continuously increase it. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste. To accomplish this, lean thinking changes the focus of management from optimizing separate technologies, assets, and vertical departments to optimizing the flow of products and services through entire value streams that flow horizontally across technologies, assets, and departments to customers.

As stated in www.lean.org, the five-step thought process for guiding the implementation of lean techniques are as follows:

1. Specify value from the standpoint of the end customer by product family.
2. Identify all the steps in the value stream for each product family, eliminating whenever possible those steps that do not create value.
3. Make the value-creating steps occur in tight sequence so the product will flow smoothly toward the customer.
4. As flow is introduced, let customers pull value from the next upstream activity.
5. As value is specified, value streams are identified, wasted steps are removed, and flow and pull are introduced, begin the process again and continue it until a state of perfection is reached in which perfect value is created with no waste.

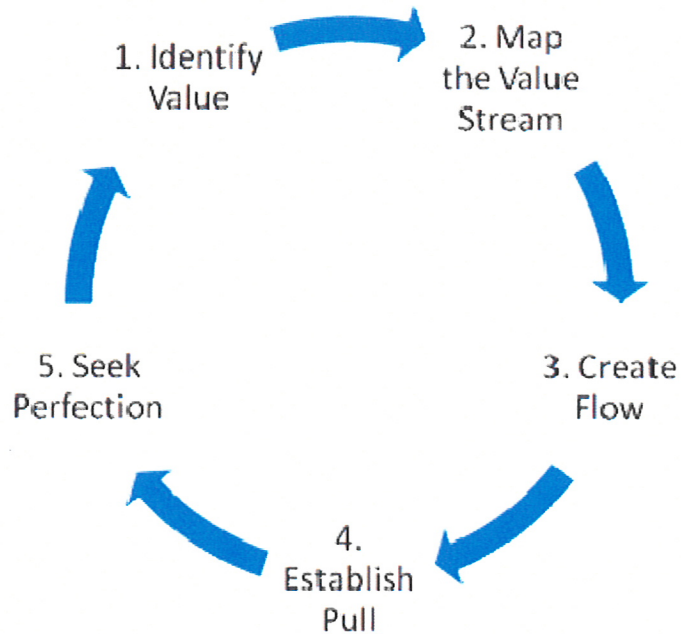These five steps are illustrated in figure 6.

FIGURE 6. The five steps of lean management (www.lean.org, 2014)

In *Lean Thinking*, Womack and Jones state that eliminating waste along entire value streams, instead of at isolated points, creates processes that need less human effort, less space, less capital, and less time to make products and services at far less costs and with much fewer defects, compared with traditional business systems. Companies are able to respond to changing customer desires with high variety, high quality, low cost, and with very short throughput times. In addition to that, information management becomes much simpler and more accurate (Womack & Jones 1996, 7).

Womack and Jones note that a popular misconception is that lean management can be used only for manufacturing. They state that in reality, lean management can be applied to every business and every process. It is a way of thinking and acting for the entire organization (Womack & Jones 1996, 8). The same is recognized by Keith Gilpatrick and Brian Furlong who state that lean management focuses primarily on the elimination of waste from all business processes, including administrative processes (Gilpatrick & Furlong 2006, 25).

Liker and Convis suggest that processes are first studied from the perspective of the customer in order to define what the customer really wants from that process and to recognize value from the customer's perspective. They state that only part of the processes bring value to the customer, while everything else is waste that should be elimi-

nated. Recognizing what brings value to the customer helps identify the waste that should be removed. The customers should be able to receive what they want, when they want it and as much as they want it without any interruptions, disturbances or pointless waiting. (Liker & Convis 2011, 17)

Womack and Jones outline three types of activities in the value stream:

- Value-adding activities: activities that unambiguously create value;
- Type one waste activities: activities that create no value but seem to be unavoidable with current technologies or production assets;
- Type two waste activities: activities that create no value and are immediately avoidable;

Some examples of waste are mistakes which require rectification, groups of people in a downstream activity waiting on an upstream activity, or goods which don't meet the needs of the customer (Womack & Jones 1996, 7).

Eight types of waste in lean process management are most commonly recognized by Sayer and Williams (2012), Tapping (2010) and Geilpatrick and Furlong (2006). They are summarized as follows:

1. Defects - Products or services that are out of specification that require resources to correct.
2. Overproduction - Producing too much of a product before it is ready to be sold.
3. Waiting - Waiting for the previous step in the process to complete.
4. Non-Utilized Talent - Employees that are not effectively engaged in the process.
5. Transportation - Transporting items or information that is not required to perform the process from one location to another.
6. Inventory - Inventory or information that is sitting idle (not being processed).
7. Motion - People, information or equipment making unnecessary motion due to workspace layout, ergonomic issues or searching for misplaced items.
8. Extra Processing - Performing any activity that is not necessary to produce a functioning product or service.

(http://www.goleansixsigma.com/8-wastes/#sthash.xN71GHeA.dpuf)

In order to increase the sales during peak days, IKEA Tampere has to eliminate processes which do not create value for the customers, e.g. everything which creates waste: unnecessary routines and processes, and increased waiting times. Chapter 6 of the current thesis will look into the processes in the areas in focus and will suggest ways for eliminating waste using lean principles for process improvement.

5 GENERAL SOLUTIONS TO WAYFINDING AT IKEA TAMPERE

In the interviews conducted, the customers pointed out wayfinding as one of the major problems they encounter while shopping at IKEA Tampere. They said that they often get lost in the store and were not able to find the shortcuts. They said the maps and the markings on the floor showing the way were confusing. Currently the store addresses this problem by providing brochures with maps at the entrance, markings on the floor, signs and two big maps inside the store, shown in the picture 1.

PICTURE 1. A map in the show room

Apparently these methods are not efficient enough since customers say it is very hard to find the way around the store and they often end up going in circles. As shown in picture 1, IKEA uses a winding path to take the customers around the showroom and market hall. What makes it difficult for customers to find their way is the fact that there are no clear distinctions where one department ends and another begins. On the floor there are arrows marking the way, but at the same time there are shortcuts marked with signs hanging from the ceiling, as shown in picture 2.

PICTURE 2. A sign showing directions

The departments are currently marked with similar sings as the one in the picture 2. It is worth considering making those signs more visible because currently it seems that they do not attract the attention of the customers who find it difficult to find their way around the store. This can be done by choosing a more noticeable colour, for example red. Since there are only two big maps in the store and the area is quite large and uses a winding path, it would be beneficial to place more maps and stands with brochure maps. The brochure maps the store currently uses have very small font and the shortcuts are not well emphasized. It is worth considering making the map clearer, using larger font and marking the departments better by using pictures.

In order to make it easier for customers to find their way around the store, there should be clear distinctions between the departments and directions should be marked in a more noticeable way. The arrows on the floor currently marking the main winding path can be accompanied by text stating the names of the departments which follow.

7 PLANNING FOR PEAK DAYS

Some measures need to be planned for properly in advance in order to have an impact on the flow through the store and to maximize sales during peak days. Peak days at IKEA are forecast based on historical figures. The manual Maximizing Sales during Peaks the IKEA Way (2008) suggests that the total amount of customers expected during a peak day can be further broken down hour by hour. While doing this, it should be taken into account that there are peaks within the peak day, meaning that there is not an even flow of customers to and within the store, but rather the majority of them will be in the store in a certain interval of the day, usually between 12 pm and 2 pm. According to the manual, 30% of all visitors stay in the store for two hours. This is based on historical figures and measurements. The flow of customers into the store at different times of the day determines the pattern of the peak day. Each peak day has its own pattern depending on what special activities there are in the store or in the local market area. Figure 8 shows examples of peak day patterns.
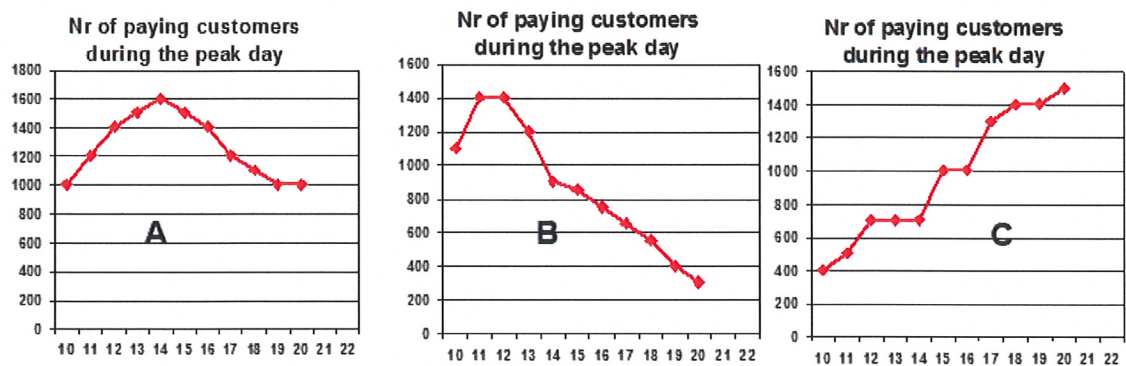
FIGURE 8. Examples of peak day patterns (Maximizing Sales during Peak Days – Commercial Review 2008, 5)

Forecasting the pattern of the peak day as precisely as possible facilitates the planning of the staffing. In order to do so, information must be obtained about all other major activities taking place in the area which could attract visitors away from the store such as fairs, sports events, commercial activities elsewhere, or marketing activities which can bring them to the store, such as commercials, offers, etc.

7.1 Planning staffing

During a peak day, the pressure on the co-workers multiplies. They need to work harder and do more than on a regular day. Consequently, appropriate staffing is a prerequisite for maximizing sales during a peak day.

Having the right amount of co-workers at the right time is a challenge faced every day at the store. It determines the store's success when planning for peaks. In order to plan successfully for a peak day, the management needs to define key figures in order to predict how many co-workers will be needed in each area of the store at any particular time. Doing this efficiently is essential to offering a high level of service to the customers at the store during a peak day and maximizing the sales. It is essential to increase the number of hours for the co-workers of the Logistics department several days before the peak day. These additional hours are required for transporting, unloading, storing and replenishing on the days leading up to the peak. It should be also taken into account that the Customer Services department needs extra co-workers the day after a peak day since more customers want to exchange or return their products.

Managers need to be more present on the sales floor in peak times, as the bulk of the business at the IKEA store is conducted during those periods. The duty manager's role is especially important, as it is their responsibility to make swift decisions on the go. In order to do this efficiently, it is essential to have a good overview and good co-ordination between departments. The focus should be always on the sales floor.

The manual suggests that in order to collect information about the number of visitors during peaks, they should be counted at the following spots in the store:

- Entrance area
- IKEA Restaurant & Café
- Market hall entrance

It is essential to remember to have co-workers ready where they are needed as visitors reach different parts of the store. Therefore, co-workers should be trained to be able to function not only in one area but rather in several departments. In this way, more flexi-

bility will be achieved in terms of staffing since it will be possible to assign co-workers to different departments where they are most needed during the day and resolve possible bottlenecks, clusters and difficult situations.

In order to plan staffing during a peak day efficiently, it should be estimated how long visitors stay both in total and in each area of the store, so that staff could possibly be moved from one department to another to meet the needs arising with the customer flow.

The checkouts are critical. Usually there is a delay effect, which means that the checkouts do not need to be staffed fully when the store opens, but at the end of the day when the show room and market hall start to empty, the checkouts are usually busier than during the rest of the day.

The first step in planning the staffing for a peak day is to develop a good understanding of when peak days occur and how busy they are. The manual provides a list of different types of crucial information which gives an insight into the situation:

- **Customer counting system.** Using the data from the customer counting system makes it possible to get an overview of peaks on a weekly, daily and hourly level.
- **Flow studies and visitor patterns.** Yearly, monthly and weekly flow studies help identify bottlenecks within the store. They also provide a good basis for estimating the effectiveness of the merchandising efforts made to take advantage of the increased number of visitors in the store.
- **Clarify the numbers.** This should be done in order to make peaks visually apparent. Essential information should be gathered such as sales forecasts and sales histories in total, as well as on a Business Area level. The manual suggests that figures should be collected from the merchandise pick-up and checkout areas to calculate precise and efficient staffing for these areas.
- **Sales cycles show annual peaks.** Sales cycles should be analyzed in order to identify long-term trends and extended peaks. They also help in gaining local market awareness. The manual suggests creating a graph plotting sales results over the course of the year. The resulting graph will provide a clear picture of when most sales occur.

- **Commercial calendar.** The commercial calendar is a very useful tool when planning for peaks. It determines weeks in which a large number of visitors will be attracted to the store by various marketing activities. This information should be used in determining peaks and avoiding being surprised by unexpected large amounts of customers in the store.

- **Logistics calendar.** Additional goods required for the peak day have to arrive to the store days before the peak so that stocks are gradually replenished to the maximum level. The Logistics calendar is linked to the commercial calendar and establishes the required lead times for preparation and replenishment before the peak day.

7.2 Training the staff

The co-workers have to be trained in order to do an outstanding job during peak days. This means ensuring the co-workers:

- know in advance when peaks will occur;
- know how to prepare for peaks well before they occur;
- know how to provide quick and friendly service during peaks;
- are aware of the marketing activities in the media;
- are aware of the difficulties that usually occur during peaks;
- know how to manage their areas during peaks;
- know who to turn to when something unexpected happens;
- are familiar with safety regulations and evacuation procedures;

8   DISCUSSION

The purpose of this thesis was to find ways for maximizing the sales at IKEA Tampere during peak days. The current situation at the store is that sometimes on peak days the forecast of the amount of expected sales is a lot lower than the actual sales. Sales cannot reach their maximum when there is lost potential or a poor conversion of visitors into buying customers. This means that although there are many visitors at the store, they do not buy anything or do not buy enough. The underlying reasons for this had to be found out in order to be able to find solutions and maximize sales. Through interviewing 10 members of the staff and 60 customers on two peak days about their shopping experience, the main problems which customers face during peak days were found out to be related to finding the way in the store, queuing and finding information.

The problems were addressed from the theoretical perspective of store layout, service design and lean process improvement. Service design helps to comprehend the shopping experience from the customers' perspective and provides an understanding of the activities which the staff has to perform in order for the service to run smoothly. Both service design and lean process improvement are based on the concept of providing more value to the customer. Everything which does not add customer value, that means that everything which complicates unnecessarily the shopping experience at the store, should be eliminated. Having this in mind, the processes and routines at the store were reviewed and solutions were offered how to make finding the way at the store easier and decrease significantly the waiting times at info the desks and the checkouts. Concrete solutions for improved visual communication were offered, such as revised layout of signs, maps, their positioning and frequency in the store. This will help direct the customer flow more efficiently during peak days. The thesis offers solutions for making customers more familiar with the underlying concept of self-service of IKEA, such as a brochure for first-time visitors and more clear communication as to how customers are expected to function at the store. The importance of the shopping tools was reviewed and more efficient and noticeable locations and communication of the shopping tools and self-service desks were proposed. The processes and communication in the store's show room, market hall and self-serve area were reviewed and improvements were suggested which will organize the sales more efficiently and increase the functionality of the store. This in turn will increase the sales and customer satisfaction. The suggestions include solutions for most common problems such as the directing of the customer flow, the

marking of sample items, replenishment and visual communication. Suggestions were made how to shorten the waiting times in queues in the checkout area, thus making less customers abandon their purchases and avoiding lost sales. Suggestions were made on where to place ad-on products and best-selling products so as to increase the conversion rate of visitors into buying customers. Solutions were offered for better planning for peak days and for avoiding the problems of stock-outs.

The suggestions for improvements offered in this thesis will have a positive impact on the sales of IKEA Tampere both in short and long term. The store's management is being constantly reminded to find out ways for cutting costs and increasing sales. Peak days offer an excellent opportunities for the store to sell as much as possible but on the other hand they pose lots of challenges for the store. The suggestions for improvements of the store's functionality offered in this thesis will help the store organize the sales in a more efficient way, offer a more comprehensible layout and significantly decrease the waiting times. All this will translate into increased sales at IKEA Tampere during peaks.

After implementing the suggestions offered in this thesis, the store should measure the increase of the sales it will experience during peak days. As most of the suggestions are probably applicable in IKEA stores globally, after measuring the success of these measures, the store's management should offer them for implementation in IKEA stores globally, so that implementing them can have a positive effect on the sales of IKEA worldwide. The store in Tampere, as well as all IKEA stores, should not forget that lean process improvement is a never-ending cycle. There is always room for more improvement and for offering customers more value. If everything at store is planned and done having that in mind, the store will be able to maximize the sales and increase customer satisfaction in the long run.

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APPENDICES

Appendix 1. List of suggestions for the improvement of the processes and routines in the store during peak days

- Try to forecast peaks within peaks and in which areas of the store they will occur.
- Have co-workers in the greeter area identify newcomers and hand shopping tools and brochures explaining the mechanical sales system.
- Place the shopping tools in the greeter area in more visible and strategic locations.
- Place more signs and maps for finding the way around the store. Make the signs more visible with colors which attract more attention, e.g. yellow or red.
- Make the font in the brochure map bigger and mark the shortcuts better.
- Accompany the arrows on the floor with text stating the names of the departments that follow.
- Advise the customers to join the IKEA Family program before they reach the checkouts.
- Review the communication in the show room and market hall to avoid misunderstandings.
- Make sure the pathways can take the larger number of customers without creating bottlenecks.
- Ensure more space around top-selling products.
- Do not allow shopping trolleys in the show room.
- Make sure all products on display in the show room and sample products in the market hall have price tags and information tags.
- Make sure the communication of discounts and offers is clear and not misleading.
- Mark sample products with yellow and red sticky tape with the text "Sample item".
- Try to forecast amounts of products especially high-selling products as accurately as possible and make sure the logistics department knows 6 months in advance to supply those amounts and place them in the store before a peak day.

- Make sure ad-on products are placed next to the main products they complement.
- Check more often that products are in their right places, e.g. under the right price tags.
- When a product is out of stock immediately leave a note "Out of stock" on the shelf/bin in order to avoid customers queuing to ask.
- Ensure clearing routes for packaging materials in the market hall.
- Place top-selling products and discount products in easily accessible places.
- Communicate more clearly to customers that they have to load the furniture trolleys so that the bar codes of the products are visible. Replace the current sticker on the furniture trolleys with a more visible one.
- Make sure with production and packaging that barcodes of thin packages are printed on the side and not on top of the package.
- Review the system for printing out shopping lists so that thin packages do not automatically appear on top of the list.
- The ready printed shopping lists at the departments should have the text advising customers how to load the furniture trolleys placed on top of the page and with a larger font.
- Have one or two co-workers only doing routines in the warehouse not directly connected with serving customers.
- Place more signs around self-serve computers to encourage customers to use them.
- Replace the touch screens of self-serve computers because customers complain they are hard to use.
- Place large volumes of small best-selling products at low prices in the checkout area.
- Carefully plan the staffing of the checkouts for a peak day. Make sure all cash registers can be open during the busiest hours, usually between 1 and 5 pm.
- Improve the communication of the difference between traditional checkouts and express checkouts by placing stickers on the floor.
- Place a summary with instructions for using the express checkouts at the gate.
- Place an arrow in the software of the express checkouts showing where to swipe the Family card.

- Set the printers to print temporary Family card bar codes which the scanners at the checkouts can recognize.
- Replace the devices for checking bank notes with such that can check many bank notes at the same time.
- Plan for staffing taking into consideration peaks within the peak day.
- Train workers to be able to function in several departments.
- Use customer counting systems to predict and plan on the go.
- Study the visitor patterns in order to assess the store's efficiency.
- Before a peak make sure that the co-workers:
    - ❖ know in advance when peaks will occur;
    - ❖ know how to prepare for peaks well before they occur;
    - ❖ know how to provide quick and friendly service during peaks;
    - ❖ are aware of the marketing activities in the media;
    - ❖ are aware of the difficulties that usually occur during peaks;
    - ❖ know how to manage their areas during peaks;
    - ❖ know who to turn to when something unexpected happens;
    - ❖ are familiar with safety regulations and evacuation procedures;