

# Explorative spaces as a tool for strengthening the brand image of retail stores

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| <p>In today's competitive world with the emergence of the internet and online stores, with their simplicity in making purchases through them, has led brick and mortar stores to become less desirable channels for consumers to transact. This disruption of the physical store has posed an opportunity for retailers to move towards transforming their stores into explorative spaces by adding into them the element of the unexpected.</p> <p>That means that retailers who want to be successful and profitable in the long-run need to be able to anticipate and even exceed the expectations of their customers. The usage of the internet as a source of knowledge and information has led to stereotypical consumers who are modernized in terms of using technology, usually well-informed and who go to the store with a prepared mind and a basic purpose of what they want.</p> <p>That is why successful retailers, such as IKEA who aspire to be the world's leading multichannel home furnishing retailer, are capitalizing and incorporating the concept of serendipity into their business model through the creation of explorative spaces that will complement the prepared minds of consumers, exceed their expectations and lead them into making wiser purchases.</p> <p>That said, in order for retailers to use serendipity in its fullest potential, it is important for them to self-actualize as an organization by identifying their values and goals, as well as understanding their customers' needs and lifestyles in order to be able to socially interact with them.</p> <p>A customer satisfaction survey consisting of 14 questions was created for getting an insight into the perception of customers about IKEA and generated 50 respondents. Additionally answers for 10 expert questions was gathered from representatives of the Interior design &amp; Marketing departments of IKEA.</p> <p>From the sources gathered for assembling this Thesis it becomes apparent that IKEA is a poster child example for retailers who want to transform their business model, retain and strengthen their relationships with their customers and ultimately gain better positioning in their minds.</p> |  |
| <b>Keywords</b><br>Explorative spaces, Serendipity, Social Interaction  |  |

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# 1 Introduction

## Context

Norman (2017) argues how today's tech-savvy consumers can hardly identify a difference between their digital and analogue lives, meaning that the line has been blurred due to organizations employing both online and offline strategies for media publishing. Likewise, Pantano & Timmerman (2014) claim that in order for forward-thinking retailers to better cater for modern customers who require advanced levels of interaction, they will have to introduce new technologies. Some examples include self-service technologies, such as self-cash desks, informative touch points, interactive displays equipped with touch screens, digital signage and applications for mobile phones supported by Radio Frequency Identification (RFID) tags, as well as online virtual stores where mobile phones can be used to locate and purchase products. Van Rooden et al (2016) support the idea that the future of retail is in developing explorative spaces. Retailers who can comprehend their present and future influence relative to an interactional, space can anticipate future investments. Therefore, the changing times require a transformation of physical retail stores into explorative spaces that will complement the prepared minds of consumers through the level of interaction that they acquire through online channels. As a result of the consumers' interaction with technology while shopping, technology-enriched explorative physical stores provide new experiences and enable different forms of sociality which can lead to serendipitous sales. IKEA was chosen as the case study of this thesis due to certain criteria that it met. **What kind of company is IKEA and how is it performing?**

IKEA is a manufacturer and distributor of retail furniture and home décor products. It offers over 9500 products. IKEA's services include pick-up and delivery, assembly and installation, kitchen planning, furniture recycling, selling food products and operating restaurants. They also sell their products through their catalogue and through their website at [www.ikea.com](http://www.ikea.com).

IKEA is a brand used by companies under a franchise system established in the 1980s. In total, there are 389 IKEA stores in 48 countries worldwide operated by 13 franchisees under franchise agreements.

IKEA has been a prosperous company throughout the past 10 years. In 2007 their total revenue amounted to €20 billion whereas in 2016 their revenue reached a staggering €35.07 billion. Their Net profit for 2016 was €4.2 billion, which was 19.6% higher compared to 2015.

## **Motive**

The three main subjects of this literature review are:

1. Serendipity in retail.
2. IKEA, as an example of a retailer using explorative spaces.
3. The importance of social interaction in retail.

In the current retail environment and society, it is important to study the use of serendipity in stores that act as explorative spaces and pinpoint how it influences the shopping experience of the customer. Moreover, it is important to research the impact that social interaction has on the overall shopping experience. That's why IKEA has been chosen as a case study.

## **Objective**

This thesis has three objectives:

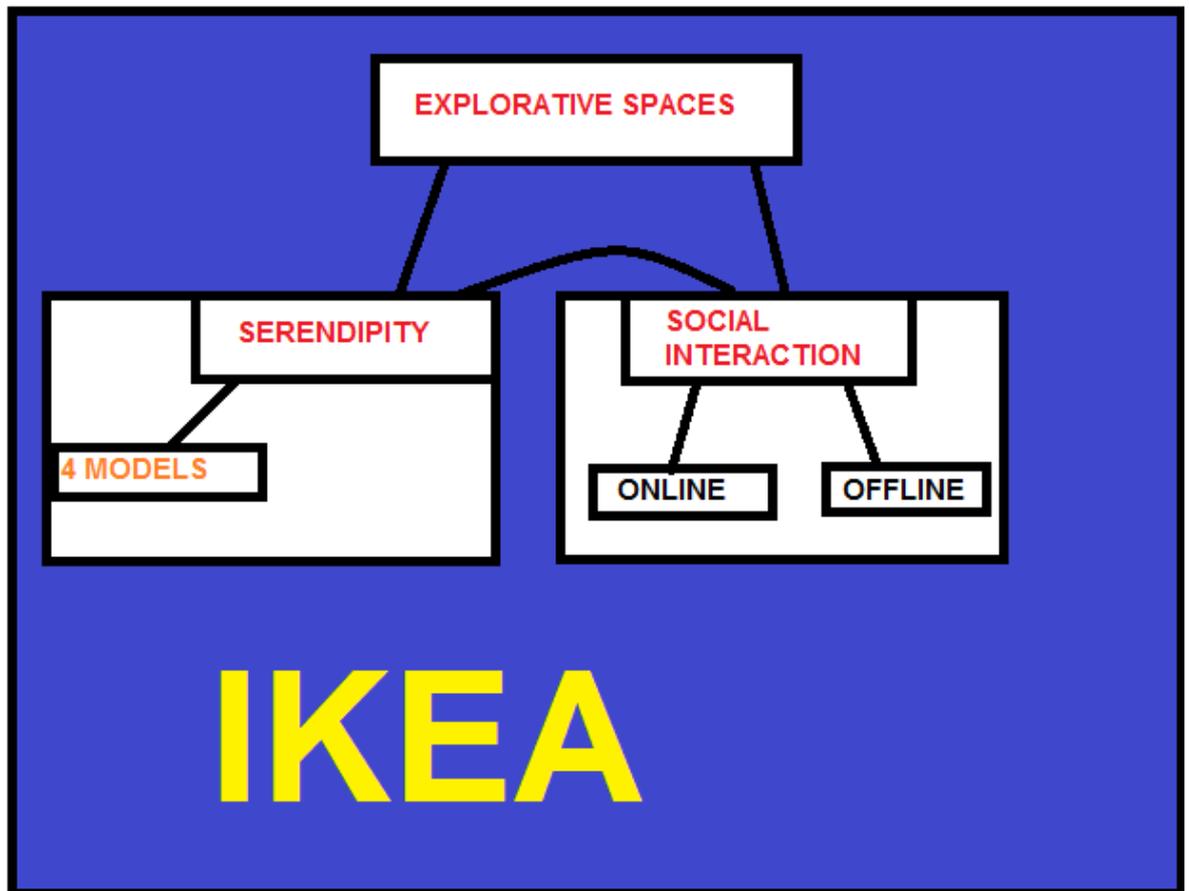
1. To gain insight and explore how serendipity is used in physical retail stores who use explorative spaces such as IKEA.
2. To identify effective ways in which companies could imitate IKEA in interacting with their customers while they are shopping through various channels.
3. to show the importance that brick and mortar stores will continue having in a digitalized future and how important it is not to underestimate the physical store and its' potential.

## **Problem statement**

How does the form of Social Interaction exhibited by IKEA influence Serendipity?

## **Conceptual model**

In the diagram below the main topics of this Thesis are shown in rectangles. The lines indicate the relationships that the main elements have with each other through which the research questions have been formulated.



The above figure indicates that the theoretical part of this thesis focuses on the concept of explorative spaces in relation to;

An examination of 4 models of Serendipity as well as closer look into Social interaction and what it means in an online and offline context considering IKEA as the case study.

In the following chapter 2, we discuss the concept of explorative spaces and serendipity in retail stores.

### **Research questions**

Research questions have been formulated from chapters 2.1-2.3. as seen below;

1. Serendipity and social interaction in physical store
  - How does serendipity apply to physical retail stores?
  - What is the role of social interaction in an online retailing context?
2. Serendipity at IKEA
  - How does IKEA apply serendipity in the show room?
3. Serendipity and customer relationship in retail stores
  - How does IKEA socially interact with its customers?
  - How does social interaction in retail stores lead into serendipity?

## **2 Explorative spaces and serendipity in retail stores**

Banerjee (2010) shows in his study that consumer behaviour has been shifting towards the acceptance and growing popularity of mall culture which has led to a rise in the expectations of customers in terms of quality of service. It is explained how the mall culture has created consumers who value the flexibility and convenience of shopping for a wide variety of products under one roof which offers car parking facilities alongside good quality service and a pleasant ambience in an air-conditioned environment. The study shows that some of the mall shoppers' preferences include eating at food-courts, window shopping and entertainment in the form of movies at multiplexes or video game rooms.

In other words a mall functions as an explorative space which has the magnetic effect of attracting customers and retaining them within a confined space that they can freely explore. A mall/explorative space additionally offers more possibilities for social interaction with consumers. That can be accomplished through organizing events, promotions, competitions and product launches with the purpose of exposing them to triggers that will get them to shop more.

### **2.1 Serendipity in retail**

The Oxford English Dictionary defines serendipity as 'the faculty of making happy and unexpected discoveries by accident. Also, the fact or an instance of such a discovery'. Serendipity, though, is not merely an outcome (Fine & Deegan, 1996). It can be a process (Makri & Blandford, 2012), a trigger (Thudt et al 2012), and a method (Lenox, 1985). It has also been defined as 'the interactive outcome of unique and contingent mixes of insight coupled with chance' (Fine & Deegan, 1996, p. 434).

McCay-Peet & Tom (2015) conclude that what influences serendipity in practice is not easily defined because it could mean anything from insignificant lucky coincidences to life-changing outcomes. Subsequently, the word serendipity has been periodically linked with happy accidents in many fields ranging from trivialities in people's personal lives to scientific and medical findings. Some examples of notable unexpected accidental historical discoveries that changed the world include how man figured out how to light fire, cook meat and create glass through burning sand. Below, four models of serendipity are discussed regarding how it unfolds and what may influence it.

Model 1: In Cunha's (2005) conceptual model the main elements are organized by theme: (a) Precipitating (triggering) conditions or context; (b) Noticing; (c) Connection; (d)

Post connection; (e) Unexpected, chance, or accidental aspect; (f) Positive aspect or outcome; and (g) Reframing of or reflection on experience.

Model 2: Dew (2009) analysed the role that serendipity plays in entrepreneurship and formed a conceptual model based on three building blocks: Serendipity as a resource (sagacity), as a contingency (an event) and as an activity. The terms are defined below as follows:

- A prepared mind with the right knowledge is called Sagacity (Perceptiveness) and it is essential for discovering opportunities.
- Possible events that happen by pure chance or without a known cause are named as Contingencies.
- The process of searching for new information is referred to as an Activity.

In Dew's model four kinds of opportunities are identified: systematic exploration, pre-discovery, spontaneous recognition and serendipitous discovery (the only case where the search activity leads to a discovery of something that the actor was not looking for).

Model 3: Rubin's et al (2011) and Makri & Blandford's (2012) models highlight the internal thought processes of serendipity and how individuals come to perceive an experience as serendipitous, using words such as consider, perceived, and reframe. Developed through an analysis of 56 blog entry accounts of chance encounters, Rubin's et al model identifies four main facets of serendipity relating to the find: prepared mind, act of noticing, chance, and fortuitous outcome. The model illustrates how the individual reframes an experience as a story of serendipity in retrospect with the perception of a fortuitous outcome. Similarly, in Makri and Blandford's model, a person considers an experience serendipitous at the end of an iterative, self-reflecting process.

Model 4: McCay-Peet and Toms's (2015) model is an adjusted version of Cunha's (2005) model. McCay-Peet & Tom interviewed 12 professionals and academics regarding work-related serendipity. After examining existing models of serendipity they combined them into one model describing the process of serendipity that consists of the following elements: Trigger, Connection, Follow-up and Valuable Outcome. An outcome of value can be achieved by a process that runs through one or more of the first four elements. Together the elements influence the perception of serendipity. According to McCay-Peet and Toms's model, if a person is absorbed in triggering conditions while trying to find a solution to a task, the right trigger or external stimulus may spark a bisociation or clash in previously unconnected information or ideas, leading to an unexpected solution to the task.

### **2.1.1 Serendipity in IKEA**

Serendipity, as defined in previous chapters, is the result of an unexpected finding that a customer makes. IKEA's maze like layout is set in a certain way that forces customers to walk through the whole store and thus explore it. As there are very little differences between online and offline shopping, it is of great importance to create incentives for customers to want to visit a physical store.

IKEA has capitalized on transforming its' physical store into an explorative space of great calibre. Van Rooden et al (2016) explain that explorative spaces are a new sort of store that allow and facilitate numerous purposes with suppliers that aim to act as an administrator of their own collection and product offer.

Olenski (2013) in his article interviewed an IKEA representative by posing the question: "How does IKEA use technology as a means to engage and relate to its consumers?" Claudia Willvonseder, Head of Marketing, Communications and Interior Design of IKEA responded that in relation to the area of Marketing, IKEA is a low-tech company. She then explained that IKEA uses technology only if it creates value to consumers by allowing them to engage with it, by stimulating their interest in home furnishing or by enabling them to plan and create their convenient and functional home with IKEA home furnishing solutions. For example, how IKEA uses technology by combining an augmented reality technique with its printed catalogue which when placed in a room enables one to see how a range of furniture would fit and look like in a room.

## **2.2 Social Interaction in an online and offline context**

Sociologist Erwin Goffmann created a new field of study: microsociology, aka social interaction. He defined it as the process by which people act and react to those around them. Social interaction can be divided into five categories: exchange, competition, cooperation, conflict and coercion (Moffitt, no date).

That said, social interaction in relation to retail is not an easy term to define. It has a broader meaning than that of simply human interaction, which consists of contact between human beings, focused on the vocal and verbal communication (Stenzel et al, 2012). Human interaction falls under the umbrella of social interaction that includes also online interaction through social media as well as a company's corporate social responsibility.

Research Starter (2017) describes social interaction as 'an interchangeable, sequence of dynamic social exchanges through which individuals can attach meaning, interpret and respond'. Godes et al (2005) define social interactions as 'actions taken by an individual not

actively engaged in selling the product or service and that impact others' expected utility for that product or service'.

Previous research by Chen et al (2011), Cheung et al (2014) and Tucker et al (2011) identified two distinctive types of social interactions relating to an online context such as opinion-based or preference-based and behavior-based or action-based social interactions.

Hennig-Thurau et al (2004) describe opinion-based interactions by referring to electronic word-of-mouth (eWOM) communication in an online context as a testimonial by prospective, current or past customers about a product or a company.

Bikhchandani et al (1998) describe that behavior-based interactions are often relevant to customers who make their purchases based on the popularity of a product. This is accomplished by statistics showing the number of downloads or purchases of a product.

Thies et al (2016) give examples of how the internet offers consumers numerous opportunities to socially interact in an online context through review platforms, social networking websites, blogs, and forums. Such interactions are helpful for consumers who are concerned about the quality of a product before purchasing it.

Successful e-commerce vendors understand the importance that social interaction between consumers has in influencing their purchasing decisions. Platforms offer informational clues in order to enable these interactions that hopefully will lead to transactions.

Thies et al (2016) use Amazon.com as an example of an online retailer who encourages consumers to write product reviews that serve as eWOM. Amazon also offers information, statistics and analytics about the popularity of their products by showing sales rankings and by highlighting top selling products in each product category along with complementary products.

In addition, Luo & Zhang (2013) found that a company's value and legacy is greatly influenced by opinion-based social interaction, which they call consumer buzz, both past and present buzz.

Finally, Pantano & Gandin (2017) concluded that the shopping experience for most consumers is highly personal. Consumers prefer minimal social interactions with the sales staff, generally asking for advice only if necessary. Moreover, consumers seek for the opinion of their friends on products and find it more trustworthy than that of the sales people.

### **2.2.1 Social Interaction in IKEA**

Interaction between the company and the customer is an important moment to nurture and improve customer relations. This contact point forms the basic idea of customer experience concept according Gentile et al (2007).

IKEA is a good example of a company using different forms of control and management regarding interaction. According to Van Rooden et al (2016), the set-up of the store is the same in all their locations: from showroom, to market hall to the warehouse of the store. However, there are slight variations in the representation of rooms depending on a socio-economic and cultural context of the market.

It is stated in IKEA's Yearly Summary (2016) that IKEA's kitchen department recognizes a number of different interaction options from just walking by, to having a consultation at an appointed time. This matches the mindsets of their customers along the customer journey: from orientation, inspiration to selection and purchase.

Regardless of the transformational changes taking place, IKEA as a multichannel company is still heavily investing on the physical store because it has identified the importance that brick-and-mortar stores will have in the future. Moreover, it is aware that it constantly needs to improve in order to keep up with the changing expectations of its customers.

IKEA's website helps it in gaining brand recognition from a wider audience and brings foot traffic to the stores. It operates a Customer Support Centre where they interact with customers over the phone, via e-mail, webchat and social media.

In addition, IKEA has a strong focus on their corporate social responsibility. It contributes to the society and supports the environment through the following programs: IKEA Foundation, Brighter Lives for Refugees, Soft Toys for Education, The IKEA Social Entrepreneurs Initiative, Support for cotton farmers, hands-on training and field schools in collaboration with BCI and WWF, wood from more sustainable sources and renewable energy investments.

### **2.3 Serendipity in relation to social interaction within a stores explorative spaces**

Colombo et al (2015) conclude in their report that people react positively to displays which look homelike by being filled with natural elements (e.g. IKEA having plants next to one of the bedroom walls). As part of their study they used twenty-four college students to whom they showed eight pictures of interior spaces, four of them designed by IKEA and four by other brands. By using eye-tracking technology and a questionnaire, they were able to get additional valid data regarding the emotions elicited by the picture and of their willingness to buy the shown furniture. Data showed that IKEA's interior design style generated more positive reactions and was viewed as being less boring. Kaplan (1995) theorizes that in

order for a living space to be considered as interesting, it has to have the right amount of details that will not create confusion.

To conclude, IKEA is an excellent case of a company which has capitalized on transforming its store into an explorative space that utilizes the elements of serendipity. IKEA stores consist of vibrant display rooms that are filled with natural elements that give a homelike feeling to consumers and act as triggers in a retail environment that allows them to explore it by interacting with it.

### 3 Research approach and methods

The research was conducted as empirical research as the wanted findings were much dependent on personal experiences. As the nature of this study is exploratory and aim is to identify the awareness that different age groups of IKEA customers have in regards to it's offered services as well as identifying patterned differences in customer journeys, a quantitative research method was chosen for conducting this study. The survey was conducted both in electronic form through Webropol (<https://l.facebook.com/l.php?u=https%3A%2F%2Fwww.webropolsurveys.com%2FS%2FFD7B71DC3A84B974.par%3Ffbclid%3DIwAR2zX7lmbtWpdVWjze-oilxs9HtTMSa0aKk9NklcdF-hel0hp0hglLUmMtQk&h=AT31PpHZ6rOXSk5X6dZEXq8WDq5Ayrk8T82IB3v2An1BcrEuucp0l-BxDTM0nvGnO13nlOHVaO7HzzbBICIMHQ5zjcOCq2iUAHIT7unj2RXkbrN-huFvljwkjD5AuFG06f4>) and as hard copies which were handed out to selected friends and to employees working at NCR and the Cyprus Institute in December 2017 in Nicosia area in Cyprus.

In total 50 questionnaires were filled in and transcribed into webropol for the purpose of using professional statistics for drawing useful correlations and generating indicative graphs.

In addition to a quantitative method used for gathering data, this research also uses a qualitative research part with a list of questions ('Expert questions') directed and send out to the Marketing & Interior design Departments of IKEA through the assistance and guidance of IKEA's store manager in Cyprus. Both sets of questions can be found at the appendixes of this thesis.

The aim of the customer survey is to identify;

1. How aware are consumers of IKEA's services?
2. How do different age-groups prepare before purchasing?
3. What are the differences in buying processes in regards to age and gender?
4. How often do they make unforeseen/serendipitous purchases?
5. How important is it to customers the fact that IKEA products are displayed in realistic living environments within stores?
6. How much do online product reviews influence different age groups when making purchases?

## **4 Key results and discussion**

### **4.1 Results from Qualitative research**

The Qualitative research results consist of a list of 14 Expert questions directed to the Marketing & Interior design Departments of IKEA through the assistance and guidance of IKEA's store manager in Cyprus.

#### **Questions to Interior design department**

##### **1. What is the main focus area of Ikea's interior design department?**

*"IKEA COMIN (communication and interior design) Department is responsible of creating an inspiring, exciting and commercial shopping environment in the IKEA store. We work as the store's specialists in market trends, shopping behaviour, home furnishing range presentation, store layout and store communication".*

##### **2. How often are the showroom displays rearranged?**

*"We remodel 25% of total store every year. We also have basic guidelines that we follow according to the season (in total 6 themes per year)"*

##### **3. Is the decision to set up a showroom in a certain way based on the feedback that was gathered from customer focus groups? Or is it solely based on theoretical and artistic considerations?**

*"For every remodelling we do, we take into consideration sales figures, customer flow, new product range and 10 most frequent questions from customers. Of course we also make changes based on Service office (headquarters) guidelines".*

## Questions directed towards Marketing department

**4. What is the level of freedom that an IKEA franchisee has in regards to how they set up the various showrooms and what products to promote?**

*“Comin has the freedom to create innovative and inspiring ideas having in mind FUNCTIONALITY. There are mandatories, guidelines and manuals that we follow in order to be aligned with all IKEA stores that we can adapt to our local market needs”.*

**5. How is it decided what products will be promoted in IKEA Cyprus? Does IKEA conduct market research? (In Cyprus/ or globally through IKEA's headquarters)**

*“Products promoted are based on Market needs, wants and desires. Market Research is conducted both by InterIKEA Systems B.V (the owner of the IKEA concept) and by IKEA in Cyprus. Research gives us valuable insight on various areas of our operation and helps us formulate our plans and strategies for the future.”*

**6. How is it decided which IKEA products are going to be discontinued?**

*“This is decided centrally by IKEA as it affects all the markets the Brand operates in. What is important to mention is that the basic IKEA product range does not follow short-term changes in life at home, style preferences, habits and attitudes. A part of this range, however, is regularly exchanged to create vitality. At the same time a number of best-selling IKEA products remain in the basic range for many decades and will be continually promoted and improved.”*

**7. How does IKEA interact with its customers? Does it conduct focus groups/customer satisfaction surveys? What is the main purpose of these interactions?(ex. Finding out about Faulty products, opinion gathering about displays, ideas for new product development, brand recognition etc)**

*“Surveys are conducted within the store, online through the IKEA Cyprus website and through the loyalty program “IKEA Family”. The aim of these surveys is to identify how the operation is currently performing in the eyes of the customers and the eyes of the consumers across all functions. Areas that need further improvement are identified and are addressed through specific action plans”.*

**8. How does the marketing department of IKEA promote its brand to customers with different income levels?**

*“IKEA products and services are promoted to the many People of Cyprus following the IKEA vision “To create a better everyday life for the many people”. The IKEA range includes a ladder of prices including the best value for money in the low price segment of the market for every function in the home. The many people meet IKEA products in the IKEA store in Cyprus and or in their home via the IKEA catalogue, IKEA website and other marketing communication ie tv/radio/press ads, social media etc. Over years of experience a proven way of creating interest in the IKEA product range has been developed. The ways in which IKEA present the range in different media help the many people choose products and solutions”.*

**Questions for both departments**

**9. How does IKEA define an explorative space?**

Unanswered due to unawareness of the term.

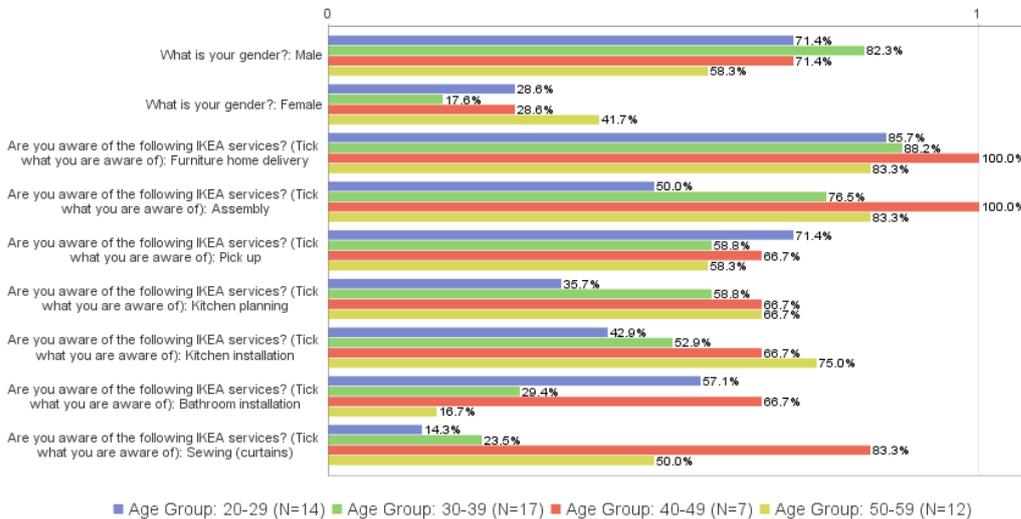
**10. Does the interior design and marketing departments communicate with IKEA's web design team?**

*“The marketing department communicated on a daily basis with IKEA Cyprus’ web site team”.*

## 4.2 Results from Quantitative research

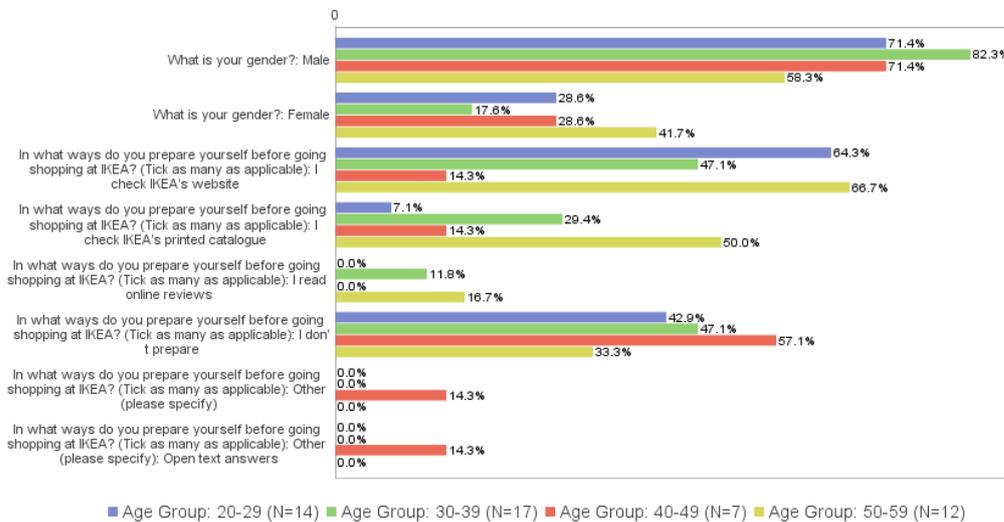
Correlations are drawn to identify differences between four age groups (20-29, 30-39, 40-49 and 50-59), in regards to their overall shopping experience at IKEA in both an online and offline context.

### 4.2.1 Respondents and level of awareness



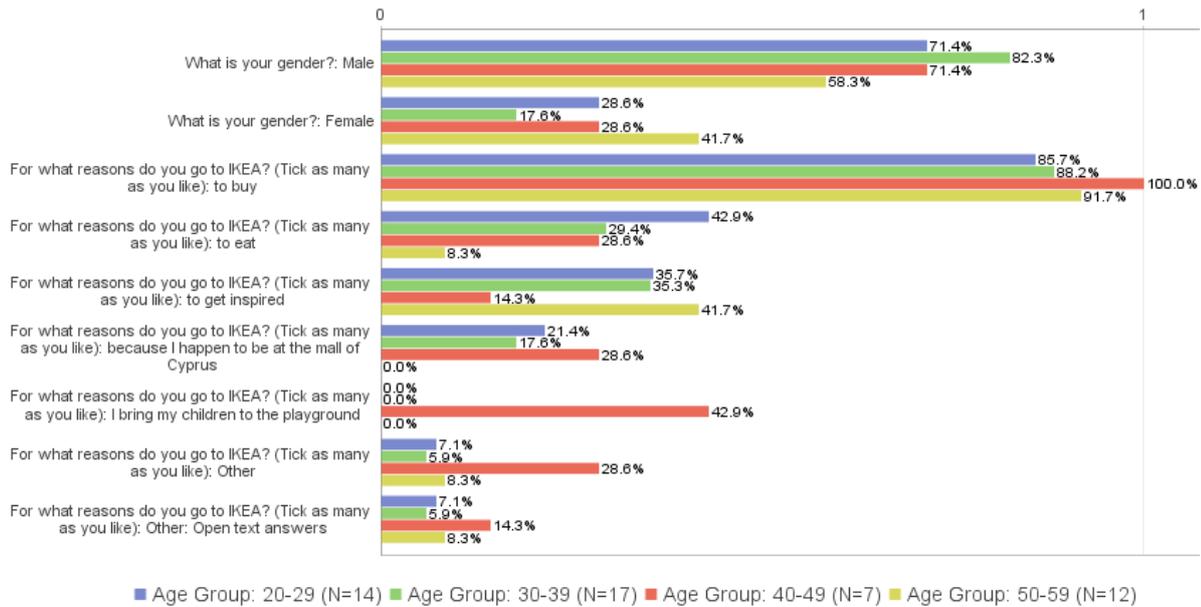
AG: 30-39, AG: 40-49 and AG: 50-59 are more aware of IKEAs services compared to AG: 20-29.

### 4.2.2 Level of preparedness before buying from IKEA



AG 20:29 mainly check IKEAs website or don't prepare before going to the store  
 AG 30:39 mainly check IKEAs website or don't prepare before going to the store some of which also read Printed catalogues and few also read online reviews.  
 AG 40:49 mainly don't prepare or then either check the website, the printed catalogue and through word of mouth.  
 AG 50:59 mainly check IKEAs website or the printed catalogue and fewer don't prepare before going to the store.

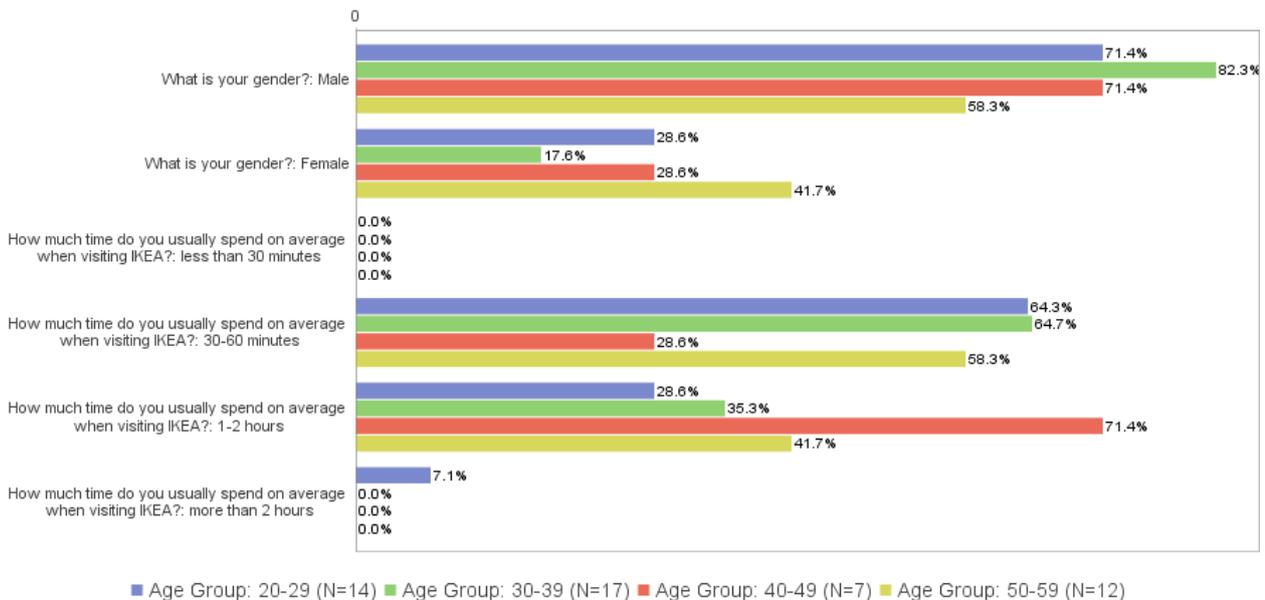
### 4.2.3 Age and buying behavior



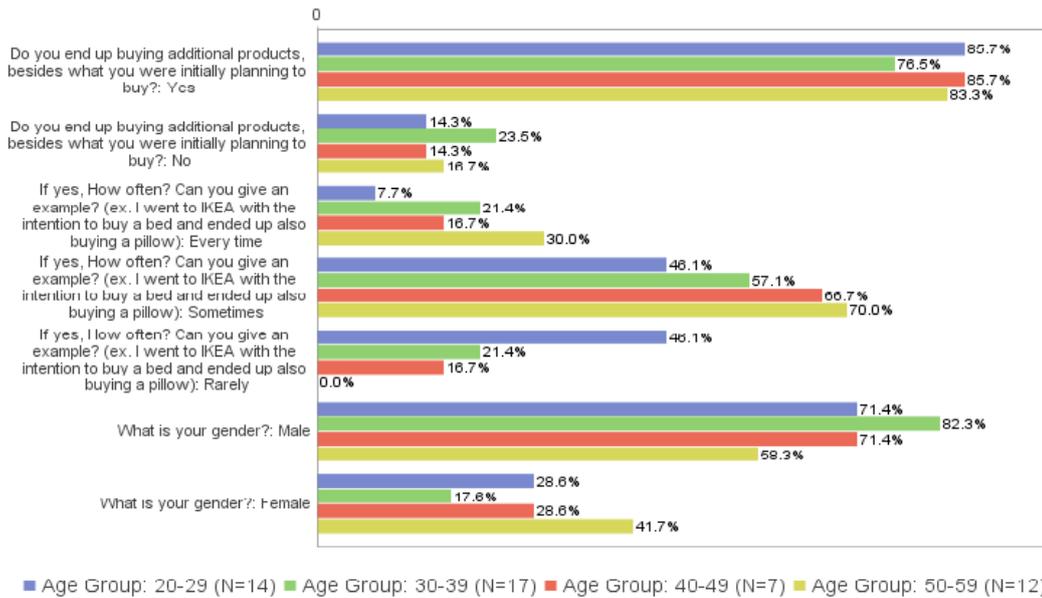
AG: 20-29 & AG: 30-39 mainly go to IKEA for buying, eating and spend an average of 60 minutes

AG: 40-49 mainly go to IKEA for buying or for taking their children at the playground and spend around 1-2 hours.

AG: 50-59 mainly go to IKEA for buying and to get inspired and spend an average of 60 minutes.



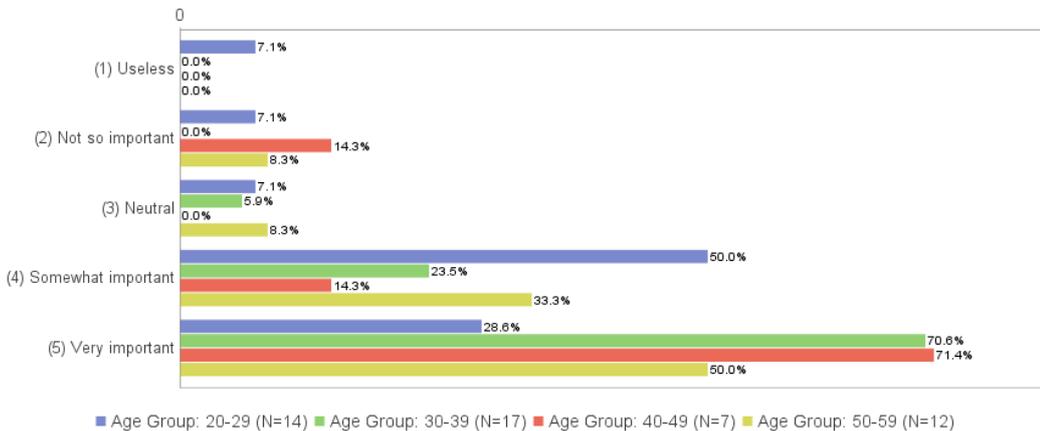
#### 4.2.4 Unforeseen/serendipitous purchases



The majority of all Age Groups end up buying additional products with serendipitous purchases occurring more frequently to AG: 50-59 who are more prepared before going to the store.

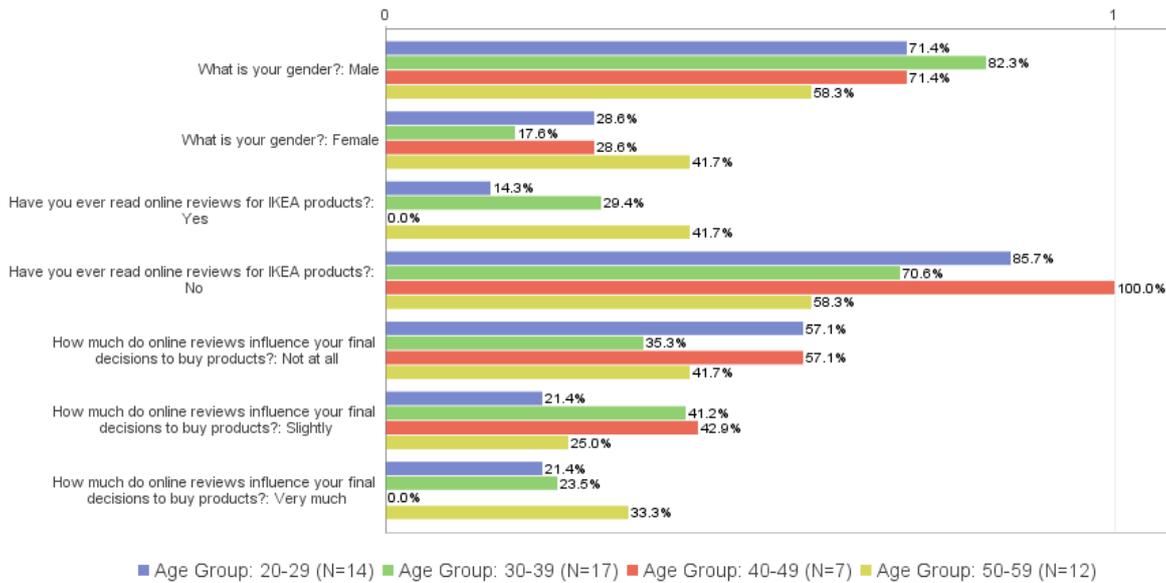
#### 4.2.5 Displaying IKEA products in Living environment

**IKEA displays their products in realistic living environments within their stores. On a scale of 1 to 5, how important is it for you to see the products you are going to buy, in realistic homelike displays?**



The majority of all age groups verify that it is very important or somewhat important the fact that IKEA products are displayed in realistic homelike displays.

## 4.2.6 Influence of online reviews on customers



AG: 20-29, AG: 30-39 & AG: 40-49 mainly don't read online reviews about IKEA products and thus are not influenced by them as much.

AG: 50-59 shows a higher percentage of consumers reading online reviews about IKEA products and thus getting influenced by them as a result.

## 5 Conclusions

The three objectives of the thesis were the following:

1. Gaining insight and exploring how serendipity is used in physical retail stores which are used as explorative spaces with IKEA as an example.
2. Identifying effective ways in which companies could imitate IKEA in interacting with their customers while they are shopping through various channels.
3. Showing the importance that brick and mortar stores will continue having in a digitalized future and how important it is not to underestimate the physical store and its' potential.

The main question of this review is: **“How does the form of Social Interaction exhibited by IKEA influence Serendipity?”** This question is answered by concluding from the answers at the sub questions.

It can be concluded that IKEA's unique business model and overall customer oriented philosophy has been very successful in strengthening and developing long-lasting relationships with its customers. It's clearly a lifestyle brand that has figured out a perfect recipe for influencing serendipity in its customers. From the survey conducted as part of the empirical part it becomes apparent that the more prepared mind that consumers have the more likely they are to make impulsive purchases. Every aspect of IKEA seems to be well thought out, from its online to its offline presence. Its stores act as explorative spaces that give room for social interaction and serendipitous happenings to unfold.

### 5.1 Serendipity and social interaction in physical store

#### 5.1.1 How does serendipity apply to physical retail stores?

Serendipity in a nutshell can be defined as the capacity of making pleasant unforeseen discoveries. It can be seen as an outcome, a trigger and a method. There are several models that attempt to explain what influences serendipity, all of them agreeing that it is achieved after reflecting on the influence of an unexpected discovery.

Moreover, serendipity is a phenomenon that can be generated and amplified in physical stores that act as explorative spaces and are filled with well-thought triggers throughout the layout of the store, which complement the prepared minds of modern tech-savvy consumers.

### **5.1.2 What is the role of social interaction in an online retailing context?**

Social interaction is the actions taken by an individual, e.g., consumer, blogger, researcher, etc., who is not actively engaged in selling a product or service and whose actions have an influence on others' expectations of the helpfulness and functionality of that product or service.

In an online context that can be accomplished through review platforms, social networking websites, blogs and forums.

Scholars have identified Opinion-based and Behaviour-based as two distinct types of social interactions in an online context.

Examples of these types of interactions leading to sales include: basing your purchases of products on customer reviews (opinion-based) or buying products based on their popularity, after reviewing sales rankings of highlighted top selling products, along with being influenced by suggestions of products based on what other people who bought a certain product were also interested in (behaviour-based).

Therefore, what this means for retailers is that it is essential to utilize the power of online review platforms alongside focusing on offering good quality products. That will allow consumers to socially interact with each other by expressing their positive opinions about products, thus generating the well-needed effect of electronic word of mouth that will ultimately influence the purchasing decisions of prospective customers and lead to higher selling margins for retailers.

## **5.2 Serendipity at IKEA**

### **5.2.1 How does IKEA apply serendipity in the store?**

IKEA stores are strategically designed and act as explorative spaces filled with triggers that complement the prepared minds of consumers. IKEA offers consumers valuable information about its products through its catalogue and website guiding them through their buying journey before they visit the store. They also offer an augmented reality phone application. When used with the catalogue it allows one to envision in 3D how furniture would look in their room.

IKEA stores have a unique layout that forces customers to walk through the whole store once they have entered in, thus passing by and scanning through more than 9500 products displayed in front of them.

Moreover, since online channels are so convenient for tech-savvy consumers, IKEA has identified a need for creating incentives for people to want to visit its physical store. For

example, IKEA offers food at affordable prices in its restaurants alongside a daycare service (Småland) located in the entrance of the stores, allowing parents to offload their kids and shop with less distractions. Also, by offering seminars, IKEA increases their chances for serendipitous sales.

### **5.3 Serendipity and customer relationship in retail stores**

#### **5.3.1 How does IKEA socially interact with its customers?**

As of 2016 IKEA has 25 Customer Support Centres with around 4000 employees who interact with approximately 20 million customers annually over multiple channels, such as phone, e-mail, webchat and social media which in fact is the fastest growing contact method.

IKEA also interacts with its customers by offering various services such as kitchen planning consultancy, daycare for kids, cafeterias and DIY seminars that aim to educate their customers.

In the first IKEA store that was established in Sweden in 1958, IKEA operates a museum that acts as an explorative space where customers can get inspired by IKEA's story.

#### **5.3.2 How does social interaction in retail stores lead into serendipity?**

By offering information to customers and by interacting with them in an online context through review platforms, social networking websites, blogs and forums, a company in essence accomplishes to prepare the minds of its customers. Opinion-based and behaviour-based social interactions as explained in question 3 can be seen as triggers that influence the buying process of customers.

So, when a customer with a prepared mind, as a result of interaction in an online context decides to visit a company's physical store, this presents an excellent opportunity for customers to be influenced by the environment of the store. Explorative spaces, that are designed with a well-thought layout filled with trigger-elements in combination with further possibilities for interaction if needed, allow customers to get into flow and create mental associations that could potentially lead to serendipitous sales.

## 5.4 Recommendation

### Final thoughts

Through this thesis I can confidently say that light has been shed on an abstract and difficult to understand concept such as serendipity. 'Explorative spaces' seem to be the direction that any retailer offering a lifestyle brand would need to move towards, in order to remain successful in the long run.

Nonetheless, after dissecting IKEA and understanding how it functions so well as an organization, it has given me the possibility to view other company stores through a more critical lense. For example, questions that have reached my awareness as a result of this extensive research into IKEA include: 'How are other retailers interacting with their consumers in an offline and online context?, how are they using serendipitous triggers to influence sales? and how effectively is their store acting as an explorative space?'

In regards to room for improvement for IKEA, after reading online reviews, I have noticed a number of customers who claim to be extremely unsatisfied with IKEA's slow delivery service and response time from the call centre. Subsequently, IKEA will have to deal with such anomalies in its overall service delivery just mentioned, should they wish to maintain their strong brand image, in a day and age where consumer buzz travels faster than the speed of light, leading potentially to irreversible consequences.

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## Appendices

### Appendix 1. Customer satisfaction survey questions

1. How old are you? (optional)
2. What is your nationality?
3. What is your gender?
4. For what reasons do you go to IKEA? (Tick as many as you like) \*
5. How often do you visit IKEA on average? (shopping/eating)
6. How much time do you usually spend on average when visiting IKEA? \*
7. What's your opinion about IKEA's maze like layout that requires walking through the entire showroom?
8. IKEA displays their products in realistic living environments within their stores. On a scale of 1 to 5, how important is it for you to see the products you are going to buy, in realistic homelike displays?
9. Do you end up buying additional products, besides what you were initially planning to buy? \*
10. If yes, How often? Can you give an example? (ex. I went to IKEA with the intention to buy a bed and ended up also buying a pillow)
11. Are you aware of IKEA FAMILY loyalty membership program? \*
12. If yes, are you a member? \*
13. If you are not a member, can you give a reason for not choosing to be a member?
14. Are you aware of the following IKEA services? (Tick what you are aware of)
15. Have you ever used IKEA's furniture home delivery? \*
16. If yes, what was your impression?
17. Are you aware that IKEA products can be bought online?
18. If yes, have you ever bought online IKEA products?
19. In what ways do you prepare yourself before going shopping at IKEA? (Tick as many as applicable)
20. Have you ever read online reviews for IKEA products?
21. How much do online reviews influence your final decisions to buy products? \*
22. Are you aware, and have you ever used IKEA's augmented reality smartphone application which allows you to visualize how furniture would look in your own home? \*
23. Have you ever attended workshop seminars at IKEA? \*

## **Appendix 2. Expert questions towards IKEA employees from Interior Design & Marketing Departments**

### Interior design

- 1. What is the main focus area of Ikea's interior design department?*
- 2. How often are the showroom displays rearranged?*
- 3. Is the decision to set up a showroom in a certain way based on the feedback that was gathered from customer focus groups? Or is it solely based on theoretical and artistic considerations?*

### Marketing department

- 4. What is the level of freedom that an IKEA franchisee has in regards to how they set up the various showrooms and what products to promote?*
- 5. How is it decided what products will be promoted in IKEA Cyprus? Does IKEA conduct market research? (In Cyprus/ or globally through IKEA's headquarters)*
- 6. How is it decided which IKEA products are going to be discontinued?*
- 7. How does IKEA interact with its customers? Does it conduct focus groups/customer satisfaction surveys? What is the main purpose of these interactions?(ex. Finding out about Faulty products, opinion gathering about displays, ideas for new product development, brand recognition etc)*
- 8. How does the marketing department of IKEA promote its brand to customers with different income levels?*

### Questions for both departments

- 9. How does IKEA define an explorative space?*
- 10. Does the interior design and marketing departments communicate with IKEA's web design team?*

### Appendix 3. How is IKEA structured, and how is it performing?

- ‘Our vision is to create a better everyday life for the many people’ (IKEA Yearly Summary, 2016).
- Inter IKEA Systems B.V. is headquartered in Leiden the Netherlands and owned by the Inter IKEA Group. The company was founded by Ingvar Kamprad in 1943 as a mail-order company, though the first physical store was opened in 1958. Nowadays, IKEA is a brand used by companies under a franchise system established in the 1980s.
- Inter IKEA Group is the franchisor and owner of the IKEA brand and concept. The IKEA Group is one of 13 franchisees and is the largest franchisee with approximately 90% of IKEA sales and 340 stores in 28 countries. It operates IKEA stores under franchise agreements with Inter IKEA Systems B.V alongside the owner of the IKEA Concept and the worldwide IKEA franchisor. IKEA Group and Inter IKEA Group are two independent groups of companies with separate management and owners. All IKEA franchisees pay from their revenue a 3% franchise fee to Inter IKEA Systems B.V, which permits them to operate stores under the IKEA Concept and IKEA brand.
- In total, there are 389 IKEA stores in 48 countries worldwide operated by 13 franchisees under franchise agreements. In 2016 IKEA continued working on opening the first stores in India and Serbia and in general introduced to the market 12 new stores and 19 Pick-up and Order Points. China has been among the fastest growing countries for IKEA Group alongside Canada, Poland and Australia. The five largest retail markets based on sales value were Germany, USA, France, United Kingdom and Sweden. During 2016 IKEA had 783 million visits to its’ stores, 2.1 billion visits to IKEA.com and 425 million visits to its’ shopping centers.
- According to Marketlines company profile on Inter IKEA Systems B.V. (2016), IKEA is a manufacturer and distributor of retail furniture and home décor products’ such as beds and mattresses, decoration materials, flooring, lightings, mirrors, furniture for living room, bedroom and kitchen, storage and textiles, etc. It offers over 9,500 products.
- IKEA focuses on four basic areas: Product development (range strategy), production, supply and retail. IKEA’s services include pick-up and delivery, assembly and installation, kitchen planning, furniture recycling, selling food products and operating restaurants.
- IKEA sells its merchandize through company-owned stores, catalogue and on their website at [www.ikea.com](http://www.ikea.com). The company operates retail stores, distribution centers and customer distribution centers in various countries spread across North America, Europe, Asia and Australia.
- IKEA has been able to keep the prices of their products low by controlling the complete value chain and their strong supplier base. Throughout its history, IKEA has been a prosperous company. Its revenue grew over 75% during the past 10 years from EUR 20 billion in 2007 to a staggering EUR 35,07 billion in 2016. Its’ Net profit grew by 19.6% from 2015 to 2016 reaching EUR 4.2 billion. The introduction of e-commerce in selected markets grew its’ sales by 29% in those markets to EUR 1.4 billion. IKEA plans to offer e-commerce to all its markets in the future.