

# Capitalizing the Retail Industry by Automation and Artificial Intelligence (AI): Case Study of IKEA

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## EXECUTIVE SUMMARY

*IKEA was formed in a remote corner of Sweden, where it was difficult to contact potential clients in larger towns. Is currently serving over 775 million clients worldwide and has a presence in 35 countries. IIKEA is the best illustration of phygital transformation as a combination of physical plus digital, i.e., merging digital experiences with physical ones. Technology is the requirement of the twenty-first century. IKEA has established a physical and digital presence through the use of technology. IKEA mixes AR (augmented reality) and VR (virtual reality), which is a fundamental cause for the company's success. This is the case study on strong emphasis on capitalizing market potential of the retail industry by automation and artificial intelligence (AI). The entire research was based on secondary data.*

## INTRODUCTION

IKEA founded by the Carpenter names Ingvar Kamprad at age of seventeen in remote corner of Sweden by 1943. The story behind this unique name is that IKEA was named with first name of founder Ingvar

Kamprad, Elmtaryd – the farm on which he grew up & Agunnaryd- the village where the farm was located (Ikea, n.d.). Initially started with selling Pens, Wallets, Jewellery at the most affordable prices. In 1948, IKEA brought in the furniture. Currently serving over 775 million clients worldwide and has a presence in 35 countries. Compared to other retailers, IKEA offers its products at significantly reduced pricing. IKEA has more than 350 stores and a vast product assortment that includes over 9500 products. IKEA just made an investment of 800 crores in India. IKEA has a plethora of mobile apps (Dudovski, 2022).

## **PHYGITAL TRANSFORMATION OF IKEA**

The convergence of physical and digital spheres is gaining traction and demonstrating its utility across industries. ‘Phygital’ strives to provide a seamless and richer consumer journey by merging digital features into physical interactions, boosting simplicity, convenience, and autonomy. It has become the norm in our daily lives, and it is now time for businesses to capitalise on its potential (Spire Research, n.d.). IKEA is a prime example of the “Phygital” shift, discovering the potential of virtual reality (VR) and augmented reality (AR) to enhance the in-store shopping experience.

### **Augmented Reality IKEA Place**

Technology commonly referred to as “augmented reality” provides digital content in real time to real-world items to improve or augment the real environment. Upon directing a camera-equipped smartphone towards an object, built-in augmented reality software analyses the video stream, classifies the item in question, and adds to multimedia content on top of it. IKEA Place first appeared on iOS in 2017, and it is now also accessible on Android. The App, one of the most useful developments to hit the home-ware market, was designed to help consumers make decisions before making a purchase at a store. The main notion was that customers could photograph their homes and virtually place IKEA products in them before making a purchasing decision (Banerjee, 2020). This technology is similar to a trial technology in that it allows users to virtually test things without having to purchase them. Lenskart employs a similar method.

### **Virtual Reality of IKEA**

IKEA unveiled its Virtual Reality Kitchen Application in 2016. Virtual reality is yet another great application of technology. IKEA has a great use for virtual reality while most people are too busy playing games with it. Customers can view the appearance of the furniture thanks to IKEA’s virtual reality technology. For instance, you could test out a modular kitchen in a virtual reality headset before making a purchase. The ability to practise cooking and gain practical knowledge is the most amazing feature (Lapaas, n.d.). The simulation is a terrific method to engage customers and could be a future trend, allowing shoppers to have a feel for the furniture before purchasing it. The longer a consumer plays the game, the stronger their affinity and emotional attachment with the brand. IKEA even made the software available on famous gaming websites.

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