



2020

IKEA Southeast Asia & Mexico post PHP 44.6 Billion in turnover



Manila – After more than a decade of expansion and growth, IKEA Southeast Asia & Mexico charted its first drop in revenue by closing out its most challenging financial year with PHP 44.6 billion in turnover. At the same time, the COVID crisis accelerated the company's digital transformation as interest in home furnishings surged during lockdowns.

"The COVID crisis changed how many of us value life at home," said Christian Rojkjaer, Managing Director of IKEA Southeast Asia & Mexico. "At a time of urgent need, people

turned to IKEA to set up home offices, study corners, outdoor living areas and functional kitchens. Many realized that home really counts, and it's worth investing to make our living spaces comfortable, functional and beautiful."

The company's nine IKEA stores in Southeast Asia posted PHP 38.4 billion in sales between September 2019 and August 2020 – a 7.4% drop from the last financial year – after facing business closures of up to 2½ months, supply challenges and limits on building capacity. Combined with income from its five IKEA-anchored shopping centers (operated by Ikano Centers, which provided rental relief to hundreds of struggling tenants) the company's turnover totaled PHP 44.6 billion. That was PHP 3.5 billion down on the previous year.

IKEA Southeast Asia & Mexico is one of 12 IKEA franchisees around the world, operating stores in Singapore, Malaysia, and Thailand as well as the portfolio of Ikano Centers with some 1,500 tenants and 4 million square feet in leasable space. The company is bringing Swedish home furnishings and meatballs to millions of more people in the coming year as it enters both Mexico and the Philippines, with web shops opening months before the physical stores in both countries.

With e-commerce operating in all three of its Southeast Asian markets for the first full year, the IKEA stores were largely able to continue selling during long closures with support and guidance from government authorities. Co-workers set up large-scale fulfilment operations virtually overnight. The teams sourced additional transport, opened more delivery slots, and refreshed websites as online orders flooded in. By the end of the financial year, customers had placed more than 525,000 online orders and rung up PHP 5.3 billion in web sales – more than double the company's e-commerce turnover from the previous year.

In Thailand, stores also started up a Click & Collect service. In both Thailand and Malaysia, IKEA Food teams started up partnerships that enabled customers to order meatballs to the door. At the same time, teams across the region distributed more than PHP 20 million in goods and services to hospitals, migrant worker dorms, shelters, and other organizations on the front lines of the fight on COVID.

"This crisis brought the best in us. The entrepreneurial spirit in our teams hit a new high, and our business developed with unparalleled speed," says Mr. Rojkjaer. "We were under incredible pressure and we did not always manage to meet our customers' expectations, but most were understanding. We emerged strong and I have never been prouder of our teams and our impact in the community."

During eight peak weeks, customers in Southeast Asia snapped up more than 212,000 IKEA desks and 64,000 office chairs. Annual sales in the IKEA Workspaces range were up in all three markets. The shopping centers, reduced to operating essential services

during the lockdowns, have welcomed a steady increase in visitors since reopening and won praise from authorities for social distancing communication, stringent cleaning routines, thermal scanners, and other safety measures.

The company kept all co-workers on board throughout the lockdowns and, in Singapore, will recruit a further 200 people as it prepares to open IKEA Jurong in 2021. In Mexico City, e-commerce operations will start soon, and IKEA Oceania opens in the new year. In Manila, the world's largest IKEA store is also scheduled for a 2021 opening, designed from the start to house an e-commerce fulfilment operation and a customer contact center. A team in Vietnam is working to open a store in the years ahead.

"Our priority is to do everything we can to keep co-workers and customers safe, and to keep going – because our vision of creating a better everyday life for the many has never been more relevant," says Mr. Rojkjaer. He noted that IKEA has reduced its prices on hundreds of products in the new IKEA Catalog to make it more affordable for many people to make small changes at home.