

Industry Analysis

Home Furnishings and Furniture Retail

Q2 2014

Industry Overview

In November 2013, Ikea became the subject of a federal investigation when three senior executives from its office in France were accused of authorizing illegal spying on employees and customers. According to French prosecutors, the chief executive of Ikea France, Stefan Vanoverbeke, along with two other executives and police officers, conspired to collect a range of personal information, including criminal records, automobile registrations and property records. The group was reportedly aiming to gather and reveal unflattering background information about store employees, union leaders and job applicants who have brought complaints or lawsuits against the company.

A report published by French magazine *Le Canard Enchaîné* in 2012 spurred these allegations, claiming that Ikea France executives exchanged e-mails with Sûreté International, a private security company, to seek background checks on as many as 200 people, at the rate of €80 (around \$109) per request. Based on the e-mails, Sûreté International was revealed to have access to the computer databases of the national police, which contain the personal information of millions of French residents. Following the media reports, Ikea announced that the company conducted an internal investigation, which uncovered regrettable practices, contrary to the company’s values and ethics standards. In May 2012, four directors of the French unit, including the head of risk management, were dismissed from the company. Ikea also overhauled its code of conduct as a result of the inquiry. Meanwhile, the French prosecutors ordered Ikea France to post a bond of €500,000 euros (around \$673,000) while the inquiry continues. While the federal investigation is still ongoing, Ikea launched a new retirement contribution program in January 2014 in an attempt to make amends with its employees. Under the program, 136,000 employees from its worldwide operations will receive annual contributions to their retirement plans after serving five years with the company. While Ikea did not disclose the amount, it announced that the contribution amount will be the same across all levels of staff.

Ikea, a Swedish company that sells ready-to-assemble furniture, appliances, and home accessories in more than 40 countries, is the largest player in the home furnishings and furniture retail industry. This industry allows consumers to make their homes truly their own with their choices of furniture and décor to adorn them. While the housing markets struggled in recent years, so did retailers of home furnishings and furniture. Except for huge sale events or the holiday bargains come Black Friday or Boxing Day, consumers shied from home furnishings. With signs of recovery, however, consumers are expected to return to the market for home furnishings.

Home Furnishings Retail Defined. Operators in this industry retail a variety of home furnishings, including furniture, upholstery, carpets, wall coverings, as well as soft home furnishings related items, linens, tablecloths, and candles. The industry also includes the retailing of durable household products such as cutlery, cookware, glassware, and other kitchenware items.

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