



THE SUPPLY CHAIN COMPANY®

Renovating the Supply Chain

IKEA Revamps Supply Chain Strategy with Demand and Fulfillment Solutions from JDA Software

IKEA Fast Facts

Industry

Home Goods Retailer

Headquarters

Helsingborg, Sweden

Description

IKEA is one of the world's top furniture retailers with more than 235 stores in 34 countries.

Revenues

\$22.1 billion

Number of Employees

104,000

"Performance has always been a concern for IKEA and benchmarks and performance fine-tuning activities were critical in the success of the project. JDA is invaluable in providing support for IKEA's business needs."

- Tommy Stjernfeldt,
project manager,
IKEA

Business Challenge

IKEA was looking to change its supply chain strategy by cutting back on suppliers and focusing on those located in low-cost countries. IKEA discovered that this transition would mean enduring longer lead times that would force higher demands on the planning process. It would also prevent the retailer from quickly adjusting to changes and put extra pressure on IKEA's entire supply network.

Business Solutions

- JDA® Demand
- JDA® Fulfillment

Business Benefits

- Improved global view of the business
- Cost savings accrued from long-term commitments
- Reduced risk of imbalance between commitments and demand
- More efficient management system

When Swedish entrepreneur Ingvar Kamprad founded the IKEA brand in 1943, he strove to offer home furnishing products of good function and design at prices much lower than competitors.

He was able to realize this vision by adopting simple, cost-cutting solutions that did not affect product quality. Today, the leading home furnishing retailer still looks for every opportunity to reduce costs so that the majority of people can afford IKEA products at its more than 235 stores in 34 countries.

To reduce supply chain costs as much as possible, the retailer relies on supply and demand optimization solutions from JDA Software, including JDA® Demand and JDA® Fulfillment.

“We have seen a sizeable number of benefits from the JDA implementation. Planners have been enthusiastic about the solution because it gives them better visibility into the sales patterns of the IKEA products and has improved their global view of the business,” said Jimmy Biesert, head of supply chain planning, IKEA.

“The planners are happy with the new exception-based working method and we have seen marked improvement in our overall forecast accuracy,” commented Biesert.

Enabling a Consolidated Supplier Base

It was a cost-savings idea that first influenced IKEA to investigate technology solutions. The retailer was looking to change its supply chain strategy by cutting back on suppliers and focusing on those located in low-cost countries.

IKEA discovered that this transition would mean enduring longer lead times that would force higher demands on the planning process. It would also prevent the retailer from quickly adjusting to changes and put extra pressure on IKEA's entire supply network. Failure to deal with these issues would have made what was supposed to be a cost-cutting strategy instead a costly mistake.

Improving Forecast Accuracy to Drive Profits

IKEA sought a solution that could be implemented quickly and easily, yet could be amended to suit any changes or new opportunities. The retailer implemented JDA Demand to support all 12,000 items in the company's product range. This has ensured realistic forecasts for planning supplier, warehouse and transportation capacities.

With a new capacity planning methodology and tool, IKEA benefited from the cost savings of long-term commitments, while minimizing the risk of imbalance between commitments and demand.

“It has been a successful move for us and has made it far simpler to start focusing on low-cost countries and cutting back on suppliers, which will in the long run help to improve profits and make our management system more efficient,” said Biesert.

Increasing Overall Supply Chain Visibility and Efficiency

A global and regional supply planning system component would make it possible to coordinate sales, capacity and distribution planning, as well as link them directly to replenishment. The solution would also provide IKEA with visibility into the order-management process.

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About JDA Software Group, Inc.

JDA® Software Group, Inc. (NASDAQ: JDAS), The Supply Chain Company®, is a leading global provider of innovative supply chain management, merchandising and pricing excellence solutions. JDA empowers more than 6,000 companies of all sizes to make optimal decisions that improve profitability and achieve real results in the discrete and process manufacturing, wholesale distribution, transportation, retail and services industries. With an integrated solutions offering that spans the entire supply chain from materials to the consumer, JDA leverages the powerful heritage and knowledge capital of acquired market leaders including i2 Technologies®, Manugistics®, E3®, Intactix® and Arthur®. JDA's multiple service options provide customers with flexible configurations, rapid time-to-value, lower total cost of ownership and 24/7 functional and technical support and expertise.

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