

# EMBRACING PHYGITAL TRANSFORMATION FOR SUSTAINABILITY: IKEA'S JOURNEY

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## Abstract

This case study explores how IKEA, a global home furnishings retailer, has successfully embraced phygital transformation to promote sustainability. By leveraging technology and digital initiatives, IKEA has revolutionized the customer experience, reduced waste, and encouraged sustainable living. The case study delves into the key strategies and initiatives undertaken by IKEA, including introducing the IKEA Place app and implementing the "Second Life for Furniture" platform. It also highlights the positive outcomes and challenges faced during this transformative journey. Overall, IKEA's approach serves as an inspiring example for businesses looking to merge the physical and digital realms to achieve sustainability goals.

**Keywords:** IKEA, Phygital Transformation, Sustainability, Customer Experience, Waste Reduction, Sustainable Living.

## INTRODUCTION

IKEA is a globally renowned home furnishings retailer known for its affordable and stylish products. The company has also made a significant commitment to sustainability, recognizing the importance of minimizing its environmental impact. By embracing phygital transformation, which combines physical and digital elements, IKEA has revolutionized its approach to sustainability.

Phygital transformation refers to the integration of physical and digital experiences to enhance customer engagement and streamline operations. In the context of sustainability, phygital transformation enables companies to promote eco-friendly practices, reduce waste, and empower consumers to make sustainable choices.

IKEA's success in embracing phygital transformation for sustainability has been remarkable. The company has implemented various digital initiatives to enhance the customer experience, promote recycling, and encourage sustainable living. These initiatives have not only reduced IKEA's environmental footprint but have also established the brand as a leader in sustainability within the retail industry.

**Thesis Statement:** IKEA has successfully embraced phygital transformation to promote sustainability, employing innovative digital initiatives such as the IKEA Place app and the "Second Life for Furniture" platform, which have significantly reduced waste and empowered customers to make sustainable choices.

## **A Brief Overview of IKEA And its Commitment to Sustainability:**

IKEA was founded in Sweden in 1943 and has since grown to become one of the largest home furnishings retailers worldwide. The company has a strong commitment to sustainability, aiming to have a positive impact on people and the planet. IKEA focuses on various sustainability pillars, including resource and energy independence, circularity, and fair and equal communities.

## **Importance Of Phygital Transformation In Promoting Sustainable Practices:**

Phygital transformation plays a crucial role in promoting sustainable practices for several reasons. Firstly, it allows companies to leverage technology to improve operational efficiency, reduce waste, and minimize their environmental footprint. Secondly, it enhances the customer experience by providing innovative tools and digital platforms that empower individuals to make sustainable choices. Finally, phygital transformation enables companies to reach a wider audience and raise awareness about sustainability through digital channels.

## **IKEA'S Success In Embracing Digital Transformation For Sustainability:**

- a. IKEA Place app: The IKEA Place app utilizes augmented reality (AR) technology to allow customers to virtually place and visualize furniture in their own homes before making a purchase. By using the app, customers can accurately assess the size, style, and fit of furniture, reducing the need for physical showroom displays. This not only enhances the customer experience but also significantly reduces waste associated with excess inventory and showroom maintenance.
- b. "Second Life for Furniture" platform: IKEA introduced the "Second Life for Furniture" platform, which facilitates the buying and selling of used IKEA furniture. This digital initiative promotes recycling and circular economy principles by extending the lifespan of products and reducing the demand for new furniture. The platform connects sellers and buyers, allowing individuals to give their furniture a second chance while also making sustainable choices more accessible and affordable.

## **Positive Outcomes of IKEA'S Phygital Transformation For Sustainability:**

By embracing digital transformation for sustainability, IKEA has achieved several positive outcomes:

- **Reduced waste and carbon footprint:** The implementation of the IKEA Place app has significantly reduced the need for physical showroom displays, minimizing waste and energy consumption.
- **Enhanced customer experience:** The app empowers customers to make informed purchase decisions, improving their satisfaction and reducing the likelihood of returns or exchanges.
- **Promotion of recycling and circular economy:** The "Second Life for Furniture" platform encourages customers to recycle and extend the lifespan of IKEA products, fostering a circular economy approach.
- **Positive brand reputation:** IKEA's commitment to sustainability and innovative digital initiatives have positioned the company as a leader in sustainable retail practices, enhancing its brand reputation and attracting environmentally conscious customers.

## **Description of the IKEA place app and its functionality:**

The IKEA Place app is a revolutionary tool that utilizes augmented reality (AR) technology to enable customers to virtually visualize and place furniture items in their own homes. The app provides a seamless experience by superimposing 3D models of IKEA products onto real-time images captured by the user's smartphone or tablet camera. This allows customers to see how different furniture pieces would look and fit in their specific spaces, providing a realistic preview of the final arrangement.

## **Benefits of using the App:**

- **Reduced need for Physical Showroom Displays, Minimized Waste:**

One of the key benefits of the IKEA Place app is its ability to reduce the need for physical showroom displays. Traditionally, customers would visit IKEA's showrooms to see and test furniture in person before making a purchase. However, this approach requires significant floor space, inventory, and resources to maintain and update displays. By replacing or supplementing physical displays with the app, IKEA can significantly reduce its reliance on traditional showrooms, thereby minimizing waste associated with excess inventory, space requirements, and the continuous production of showroom displays.

- **Impact on Customer Experience and Purchase Decision-Making Process:**

The IKEA Place app profoundly affects the customer experience and purchase decision-making process. It empowers customers to digitally explore and experiment with various home furniture options, giving them a sense of ownership and control over the design process. This virtual visualization capability helps customers overcome the uncertainty and guesswork associated with purchasing furniture, as they can accurately assess the style, size, color, and overall fit of the products within their existing space. The app enhances customer confidence, reduces the likelihood of post-purchase regrets, and fosters a more satisfying shopping experience.

- **Integration of Augmented Reality Technology for Enhanced Visualization:**

Integrating augmented reality technology within the IKEA Place app takes virtual visualization to a new level. Augmented reality overlays virtual 3D models onto real-world environments, allowing customers to view and interact with the furniture as if it were physically in their homes. This advanced visualization level enhances the experience's accuracy and realism, making it easier for customers to make informed decisions. They can observe how lighting conditions, shadows, and other environmental factors affect furniture appearance, ensuring that the final choices align with their aesthetic preferences and practical requirements.

The IKEA Place app bridges the physical and digital realms by leveraging augmented reality technology, providing customers with a dynamic and immersive shopping experience. It simplifies the furniture selection process and reduces waste by eliminating the need for excessive physical displays. Overall, the app revolutionizes how customers interact with IKEA's products, ultimately promoting sustainability through a more efficient and environmentally friendly approach to retail.

## **Overview of IKEA's Digital Initiatives to Encourage Recycling:**

In addition to the IKEA Place app, IKEA has implemented various digital initiatives to promote recycling and sustainable living. These initiatives aim to extend the lifespan of furniture, reduce waste, and encourage customers to participate in the circular economy.

### **Introduction of the "Second Life for Furniture" Platform:**

One of IKEA's notable digital initiatives is the "Second Life for Furniture" platform. This platform provides a marketplace where customers can buy and sell used IKEA furniture. It offers a convenient and sustainable alternative to disposing of furniture that is no longer needed or wanted. Instead of ending up in landfills, these items find new homes and continue to be utilized.

### **Explanation of How the Platform Works:**

connecting buyers and sellers of used IKEA furniture:

The "Second Life for Furniture" platform acts as a marketplace, connecting individuals who want to sell their used IKEA furniture with potential buyers. Sellers can create listings and provide details such as product condition, price, and location. Buyers can search for specific items, browse listings, and connect with sellers to make a purchase. The platform facilitates the transaction process, helping buyers and sellers coordinate logistics, payments, and delivery.

### **Role of Digital Platforms in Fostering Circular Economy Practices:**

Digital platforms like the "Second Life for Furniture" platform play a crucial role in fostering circular economy practices. The circular economy aims to minimize waste and maximize resource efficiency by promoting the reuse, repair, and recycling of products. By providing a platform for the resale of used furniture, IKEA encourages customers to participate in the circular economy and contribute to a more sustainable future.

Digital platforms enable the efficient redistribution of pre-owned items, extending their lifespan and reducing the need for new production. This not only reduces waste but also conserves resources and minimizes the environmental impact associated with manufacturing and transporting new products. By embracing digital platforms, IKEA empowers customers to take part in sustainable practices while also making affordable and eco-friendly choices.

Furthermore, digital platforms enhance accessibility and convenience, making it easier for buyers to find and purchase used furniture. This widens the customer base for sellers, increases the likelihood of finding a new home for pre-owned items, and ultimately reduces the amount of furniture that ends up in landfills.

Overall, IKEA's digital initiatives, particularly the "Second Life for Furniture" platform, contribute to the circular economy and promote sustainable living. These platforms leverage technology to connect buyers and sellers, encouraging the reuse of furniture and minimizing waste, while providing a seamless and eco-conscious shopping experience for customers.

## **Quantitative and Qualitative Results of IKEA's Phygital Transformation for Sustainability:**

IKEA's phygital transformation for sustainability has yielded both quantitative and qualitative results. Quantitatively, the implementation of the IKEA Place app and digital initiatives like the "Second Life for Furniture" platform has led to a reduction in waste and resource consumption. By reducing the need for physical showroom displays and enabling the resale of used furniture, IKEA has minimized the amount of waste generated and the resources required for production and disposal.

Qualitatively, IKEA's phygital transformation has resulted in increased customer engagement and satisfaction. The convenience and realism offered by the IKEA Place app have empowered customers to make more informed purchase decisions. The ability to visualize furniture in their own homes before buying has reduced the likelihood of post-purchase regrets and improved overall satisfaction with the products. Furthermore, the "Second Life for Furniture" platform has created a sense of community and collaboration among buyers and sellers, fostering a positive customer experience.

### **Reduction in Carbon Footprint through Decreased waste and Resource Consumption:**

By embracing phygital transformation, IKEA has effectively reduced its carbon footprint. The decrease in waste generated from traditional showroom displays and the implementation of the "Second Life for Furniture" platform contribute to waste reduction and promote a circular economy approach. This means that fewer resources are needed for manufacturing new furniture items, resulting in reduced energy consumption and carbon emissions associated with production processes.

Additionally, by prolonging the lifespan of furniture through resale, IKEA helps to minimize the environmental impact of disposal and landfill usage.

### **Increased Customer Engagement and Satisfaction:**

The integration of digital initiatives into IKEA's sustainability practices has significantly increased customer engagement and satisfaction. The IKEA Place app, with its virtual visualization capabilities, has provided customers with a unique and interactive shopping experience. The ability to preview furniture in their own spaces has empowered customers, giving them confidence in their purchase decisions. This heightened engagement has led to increased customer satisfaction, as customers feel more in control of their choices and can better align their purchases with their needs and preferences.

### **Positive Impact on Brand Reputation and Perception:**

IKEA's commitment to sustainability and its successful digital transformation have positively impacted its brand reputation and perception. By actively promoting sustainable practices through digital initiatives, IKEA has positioned itself as a leader in sustainability within the retail industry. The company's efforts to reduce waste, engage customers in sustainable living, and provide innovative digital tools have resonated with environmentally conscious consumers. As a result, IKEA has gained a reputation as a socially responsible and environmentally friendly brand, attracting customers who value sustainability in their purchasing decisions. This positive brand



perception further strengthens IKEA's position in the market and fosters long-term customer loyalty.

In summary, IKEA's phygital transformation for sustainability has delivered quantifiable benefits, such as waste reduction and decreased resource consumption. Additionally, the initiative has enhanced customer engagement and satisfaction, leading to a positive impact on brand reputation and perception. By leveraging digital initiatives, IKEA has effectively merged the physical and digital realms to create a more sustainable and customer-centric shopping experience.

## **CHALLENGES AND LIMITATIONS**

### **Identification of Challenges faced by IKEA during the Phygital Transformation Process:**

During the phygital transformation process, IKEA encountered several challenges that required careful consideration and adaptation. Some of these challenges include:

- a. **Integration of technology:** Integrating new technologies into existing systems and processes can be complex and require significant investment in infrastructure, software development, and employee training. IKEA had to ensure a smooth integration of the IKEA Place app and other digital initiatives with their existing operations to provide a seamless customer experience.
- b. **Changing customer behaviour:** Shifting customer behaviour and expectations can present challenges during the phygital transformation. IKEA needed to educate and encourage customers to embrace digital tools like the IKEA Place app and the "Second Life for Furniture" platform. This required effective communication and marketing strategies to convey the benefits and convenience of these digital initiatives.

### **Technological Constraints and Adoption Barriers:**

Implementing phygital transformation can face technological constraints and adoption barriers that may hinder progress. Some of these challenges include:

- a. **Device compatibility:** The success of the IKEA Place app and other digital initiatives relies on customer access to compatible devices such as smartphones or tablets. Technological limitations, device fragmentation, and varying operating systems can impact the app's functionality and availability to a wide range of customers.
- b. **Connectivity issues:** In areas with limited internet connectivity or low bandwidth, the user experience of digital platforms can be compromised. This can affect the seamless functionality of the IKEA Place app and the ability of customers to access and engage with digital initiatives.

### **Addressing Privacy Concerns and Data Protection:**

With the increasing use of digital platforms, privacy concerns and data protection have become significant considerations. IKEA needed to address these concerns to ensure customer trust and comply with data privacy regulations. Some measures that IKEA might have implemented include:

- a. **Data security:** Implementing robust data security measures to protect customer data and prevent unauthorized access or breaches. This includes encryption, secure storage, and compliance with relevant data protection regulations.

- b. Transparent data practices: Communicating clearly with customers about how their data is collected, used, and stored. IKEA would need to provide transparent privacy policies and ensure that customers have control over their data and can opt out of data collection if desired.
- c. Consent and permissions: Obtaining appropriate consent and permissions from customers for data collection and usage. IKEA would need to ensure that customers are aware of and understand how their data is being utilized, and provide options for customers to manage their preferences.

Overall, IKEA faced challenges related to technological integration, customer behavior, and data privacy during the phygital transformation process. By addressing these challenges and limitations, IKEA can overcome obstacles and continue to leverage digital initiatives for sustainable practices while ensuring a positive customer experience.

### **Lessons Learned and Future Directions:**

#### **Key Takeaways from IKEA's Journey towards Phygital Sustainability:**

**Embrace innovation:** IKEA's journey highlights the importance of embracing innovation and leveraging technology to drive sustainability. By adopting phygital tools like the IKEA Place app and digital platforms for resale, IKEA has transformed its operations and customer experience, reducing waste and promoting sustainable practices.

**Customer-centric approach:** IKEA's success lies in its customer-centric approach. The IKEA Place app and digital initiatives were designed to meet customer needs and preferences, providing convenience, enhanced visualization, and sustainability options. Understanding and responding to customer demands are critical for successful transformation.

**Collaboration and partnerships:** IKEA's initiatives demonstrate the value of collaboration and partnerships. By engaging customers, connecting buyers and sellers, and working with technology partners, IKEA has created a robust ecosystem that fosters sustainability and circularity. Collaborations with technology companies and sustainability-focused organizations can further amplify the impact.

#### **Lessons for Other Companies Seeking to Embrace Similar Transformations:**

- **Prioritize sustainability:** Companies should prioritize sustainability as a core value and integrate it into their overall strategy. Sustainability-focused transformations require a clear vision, commitment, and alignment across all levels of the organization.
- **Leverage technology strategically:** Embracing digital tools and technologies can drive sustainability goals. Companies should identify areas where technology can have the most significant impact, such as reducing waste, optimizing resource consumption, and enhancing customer experiences. Strategic integration and implementation are essential for success.
- **Engage customers actively:** Engaging customers throughout the transformation process is crucial. Companies should involve customers in the design and development of digital initiatives, seeking feedback and addressing their needs. Effective communication and marketing strategies can drive customer adoption and loyalty.

### **Potential Future Directions for IKEA to Further Enhance Sustainability Efforts:**

- Expansion of digital initiatives: IKEA can continue to expand its digital initiatives, introducing new features and functionalities to enhance the customer experience. This could include features like virtual room planning, personalized sustainability recommendations, or integration with smart home technologies.
- Integration of sustainability metrics: IKEA can integrate sustainability metrics into its digital platforms to provide customers with transparent information on the environmental impact of products. This can enable customers to make more informed choices based on sustainability criteria, promoting responsible consumption.
- Collaboration with suppliers and industry partners: IKEA can strengthen its sustainability efforts by collaborating with suppliers and industry partners to drive sustainable practices throughout the supply chain. This could involve initiatives such as responsible sourcing, reduced packaging, and circularity programs for materials.
- Continuous improvement and innovation: IKEA should continue to innovate and improve its digital initiatives to stay ahead in the rapidly evolving retail landscape. Embracing emerging technologies like artificial intelligence and machine learning can further optimize sustainability outcomes and customer experiences.

### **CONCLUSION**

- IKEA's successful digital transformation for sustainability has been driven by its commitment to merging the physical and digital realms. By embracing innovative digital initiatives such as the IKEA Place app and the "Second Life for Furniture" platform, IKEA has reduced waste, promoted sustainable practices, and enhanced the customer experience.
- The importance of merging physical and digital realms to achieve sustainability goals cannot be understated. Through the integration of technology, companies like IKEA can minimize waste, optimize resource consumption, and engage customers in sustainable living. The ability to virtually visualize furniture in customers' homes through the IKEA Place app reduces the need for physical showroom displays, saving resources and minimizing waste. The "Second Life for Furniture" platform promotes circularity by connecting buyers and sellers of used furniture, extending product lifecycles, and reducing landfill waste.
- This successful transformation should serve as a call to action for businesses across industries. Companies should explore and adopt similar strategies to leverage the power of technology and create sustainable practices. By embracing digital initiatives, companies can reduce their environmental impact, enhance customer experiences, and build a positive brand reputation.
- The integration of digital tools and sustainability practices opens up opportunities for businesses to innovate, collaborate, and meet evolving customer demands. Businesses can make significant strides toward a more sustainable future by prioritizing sustainability, leveraging technology strategically, and actively engaging customers.



- In conclusion, IKEA's phygital transformation journey for sustainability showcases the power of merging the physical and digital realms. It highlights how technology innovation and sustainability coexist, leading to less waste, more engaged customers, and an excellent brand reputation. Now more than ever, it is crucial for businesses to learn from IKEA's success and set out on their paths to fusing the physical and digital worlds to fulfil their sustainability objectives.

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