

Cassies 2006 Cases

Brand/Case: IKEA

Winner: Events, Seasonal & Short Term—Gold

Client Credits: IKEA

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Crossover Notes: All winning cases contain lessons that cross over from one case to another. David Rutherford has been identifying these as Crossover Notes since Cassies 1997. The full set for Cassies 2006 can be downloaded from the Case Library section at www.cassies.ca

- Crossover Note 7. Fighting for the Same High Ground.
- Crossover Note 16. When a campaign stumbles.
- Crossover Note 20. Emotional versus Rational
- Crossover Note 27. Share of Mind, Share of Voice, Spending.

To see creative, go to the Case Library Index and click on the additional links beside the case.

EXECUTIVE SUMMARY

Business Results Period (Consecutive Months): Holiday Season 05: Dec 2005 through Jan 2006
Start of Advertising/Communication Effort: November 27, 2005
Base Period for Comparison: Holiday 04: Dec 2004 through Jan 2005

For retailers, the holiday season can make or break their year. For the 2005 season IKEA Canada had to increase sales and visitor traffic, with \$800K less in media spending.

[Crossover Note 27.](#)

This case describes how IKEA combined print, radio, TV and FSIs to increase total sales by 17% and store traffic by 11%. This was well ahead of objectives, and delivered an excellent Marketing ROI.

SITUATION ANALYSIS

a) Overall Assessment

IKEA Canada had been through a tough season in 2004, with only a 3% increase in sales and a 4% increase in traffic versus the prior year. This compared to the home furnishings retail segment, which grew 5% in sales. [Crossover Note 16.](#)

For the 2005 season, every retailer would be looking to get a piece of the \$800 each Canadian averagely spends. And all had a similar objective: to become the preferred one-stop destination for holiday shopping. The result: a noisy, cluttered environment.

[Crossover Note 7.](#)

IKEA competes with retailers like The Brick and Leon's, but also with department stores and increasingly mass merchandisers like Wal-Mart as they expand their home furnishing offering in Canada. During the holiday period, The Brick, Leon's and Quebec's Brault et Martineau could be expected to push aggressive financing, while mass merchandisers and department stores would likely offer scratch and saves, plus boxing week promotions.

IKEA is typically outspent by its competitors, and in an age when Christmas seems to begin the day after Hallowe'en, couldn't afford to go out with the holiday campaign as early as many of its competitors do. We would have to build awareness quickly, cheaply, and effectively. As a measure of the challenge, here are GRPs for 2004 and 2005:

Toronto Holiday GRP levels (Women 25-54)

Source: AC Nielsen

<i>Competitive Set</i>	<i>Holiday 04 - GRPs</i>	<i>Holiday 05 - GRPs</i>
IKEA	2,114.4	1,229.0
Leon's	2,915.6	2,507.5
The Brick	8,240.2	5,721.8

b) Resulting Objectives

Increase sales by 12%, and traffic by 9%, despite the \$800K cut in media spend.

STRATEGY & INSIGHT

It's a cliché: you get what you pay for. But at IKEA that simply isn't true. Customers get *more* than they pay for: good quality, stylish, intelligently designed home furnishings that are amazingly affordable. IKEA has broken the relationship between price and quality.

And this brand truth can yield compelling creative insights that are firmly anchored in the product, which is essential when success is measured in store traffic and cash register receipts.

The idea was to make IKEA customers feel smart. Really smart. **Crossover Note 20.**

EXECUTION

The structure of the campaign was simple. Use television and radio to rapidly get mass awareness, with newspaper and FSI's showcasing the product range. Then bring in a final television push in the last week of December .to support the Winter Sale.

FSI: The campaign was underpinned by an FSI, which went out to households living within 40 minutes of an IKEA store. It showcased the holiday furniture and accessory range in an inspiring way. This created a solid base of awareness for IKEA's holiday product range. Price is of course highlighted: but the real point is that the product is outstanding, so you are getting far more than you pay for.



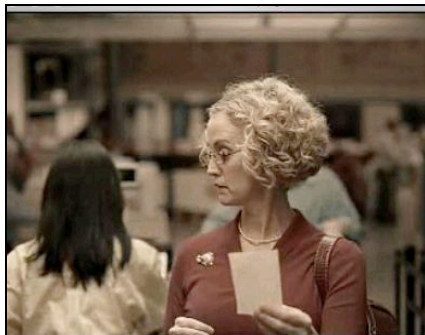
Newspaper: Full-page, four-colour newspaper ran in dailies in all markets with at least one IKEA store and highlighted hero items.

Television: “Parrot :30” established IKEA as the destination for holiday decorating and furnishing. You may choose not to let your guests know how little you paid at IKEA, but your parrot may not keep the secret! The global IKEA marketing team noticed the success of this spot, and it has been adapted for use in Europe.



Then, in the last week of December, “It’s Not a Mistake :30”, announced the Winter Sale.

We see an upstanding, honest-looking woman. She looks at her bill and can't believe what she sees. She rushes from the store, loaded up with goodies, yelling at her husband to 'start the car.' Her guilty glee as she and her husband make off with their supposedly stolen loot is infectious. This spot garnered a finalist nomination for the 2006 Cannes retail store category, and an award of merit from the Art Directors club.



It's not a mistake.

We're having a sale.



Radio: This continued the year-long approach using Swedish spokesperson "Jonas." The spots highlighted holiday offers, and the Winter Sale.

Finding a way to do all of this while cutting spending by \$800K was not so simple. In TV, we lessened the investment in prime, shifting weight to fringe and specialty. In radio, we cut back, while adding one newspaper insertion and a few :15 sec TV GRPs.

	TV :30 sec GRPs	TV :15 sec GRPs	Radio GRPs	Newspaper
Holiday 04	1,200		3,750	3 insertions
Holiday 05	1,010	60	2,250	4 insertions

BUSINESS RESULTS

Sales were significantly better than 2004. They were up 17%, in a segment at +5%:

IKEA Sales (Source: IKEA Canada)

Period	Growth	Segment Growth
Holiday 04: Dec 2004 – Jan 2005	3%	7%
Holiday 05: Dec 2005 – Jan 2006	17%	5%

Traffic also improved on 2004, with an 11% increase.

IKEA Store Visitor Traffic (Source: IKEA Canada)

Period	Growth Target	Growth Actual
Holiday 04: Dec 2004 – Jan 2005	7%	4%
Holiday 05: Dec 2005 – Jan 2006	9%	11%

These results, with \$800K less in media spend, led to incremental sales at *more than double* the Media + Production spend i.e. a Marketing ROI of 2.15 (compared to a negative Marketing ROI in 2004):

IKEA Marketing ROI – 2005 Season (Source: IKEA)

Sales Index	Media/Prod'n Index	Marketing ROI*
117	89	2.15

*Marketing ROI is the ratio: Incremental Sales minus Spending, divided by Spending

CAUSE & EFFECT BETWEEN ADVERTISING AND RESULTS:

The only significant change to the Holiday campaign for 05 was the new creative. Eliminating other possible explanations:

- The number of FSI's did increase marginally from 2.5 million to 2.7 million. But at a projected response rate of 4 – 5% this extra 200K in FSIs would account for only about 5% of the increased store traffic.¹
- Was IKEA the beneficiary of a strong home furnishing market? As noted above, no. The market was up only 5% in the 2005 season.

¹ Direct Marketing Association 2005 Response Rate Report (www.the-dma.org)

IKEA SALES vs. Furniture & Home Furnishings retail segment sales

Source: Stats Canada survey of large retailers monthly report (Table 080-009)

Period	IKEA Sales Growth	Furniture and Home Furnishings	Segment Growth
Dec 2004/ Jan 2005	+3%	\$1.110B	7%
Dec 2005/ Jan 2006	+17%	\$1.167B	5%

- Another possible explanation could be that customers were spending more per visit, due to stronger in-store merchandising or promotional offers. In fact, the average spend per customer increased only slightly, from \$88 during Holiday 04 to \$92 per customer Holiday 05. This increase in spending per customer accounts for only 18.6% of the total sales increase.
- Possibly, a price increase could have contributed to the strong total sales number. But IKEA works hard to keep prices stable, and in fact lowered prices on average by 5% that year.
- All other factors were constant: IKEA has had a Winter Sale, with 50% discounts on selected items, every year since it opened in Canada. The store environment remained essentially the same. No new stores have been included in the traffic or sales figures.