

# BEHIND THE SCENES PURCHASING

At IKEA we are guided by our vision: creating a better everyday life for the many people. Purchasing within IKEA has always been an important contributor to realising our vision and business idea. We are constantly taking steps in how we work and grow together with our suppliers, as a common goal optimises our value chain, resulting in better products at lower costs.

We want to be economical with resources, constantly finding more efficient ways to manufacture products, always under good conditions, and strive to make more from less. This is part of our core values. It goes back to our roots in the rocky landscape of Småland in Southern Sweden, where people had to make the most out of the scarce resources at their disposal. This is part of our heritage.

## A total cost approach

In IKEA purchasing, we want to exploit our competitive advantage of economies of scale. Volume is our best friend. Our large volume approach enables us to invest in efficient industrial production set-ups and focus on affordability, accessibility, sustainability and quality. In IKEA Purchasing strategy we optimise all parts of the value chain, from raw material to peoples' homes, to create outstanding affordability and better products and services at lower total cost.

By using an end-to-end perspective, we can ensure better products faster at a low price. One example is locating the material supply close to the production, and/or locating production closer to sales markets. Thereby we can reduce transportation cost and CO2 impact in the value chain.

## Shared experiences for better performance

Our supplier relations are based on a shared business model and values – we call this a strategic fit - with a long-term view. All supplier partnerships are characterised by mutual respect, trust and transparency. Future success factors arise from our ways of working together with our suppliers and this relationship between IKEA and its suppliers is leading to better products and services at a lower cost and a shorter time to market.

## A lean and efficient value chain

To enable professional purchasing we continuously shorten the distance between customers and suppliers, with fewer people involved. The principle is that we act as “One IKEA Purchasing” along our core processes, with all functions and people contributing directly towards our business objectives. All interactions and decisions are based on fact-based business leadership; a holistic view using a combination of analysis and facts, deep understanding of the industry, entrepreneurship and the ability to build long-term business relations with suppliers that hold a strategic position with IKEA.