

## Financial Management of IKEA in an International Context

<sup>1</sup>Kristin Nordahl Bjørnbak, <sup>2</sup>Weline Hatvik Gaassand, <sup>3</sup>Adalmiro Pereira, <sup>4</sup>Tânia Teixeira

<sup>1,2</sup>ISCAP-P Porto

<sup>3,4</sup>ISCAP- P Porto teacher; CEOS member

### ABSTRACT

IKEA is an interesting example when it comes to financial management. IKEA is known worldwide for its affordable and functional home furnishing, and has built a unique global presence through a combination of large-scale production, international supply chains, and a strong focus on cost efficiency. The company has developed a financial strategy centered on independence, long-term growth and affordability for consumers. This strategy has shaped how IKEA finances its operations, manages currency risks, and allocates resources across markets.

The purpose of this paper is to explore how IKEA manages its finances when operating in many different countries. It looks at how the company deals with currency differences and how investments and pricing choices help maintain financial stability while keeping products affordable. Each part of the paper contributes to understanding IKEA's financial management from a global perspective.

**KEY-WORDS:** Ikea, Hedging; Strategy; Global Investment

### 1. INTRODUCTION

In today's globalized world, companies face financial challenges as they expand across borders. Differences in currency values, taxes and economic conditions influence how firms finance operations, manage risk, and make strategic decisions. International financial management is about understanding how global firms organize and control their financial activities to remain competitive and financially stable in different markets (Herman, 2025). The first section of this paper presents an overview of IKEA's ownership structure and financing approach, as well as how they manage currency risk. Next is the pricing strategy and franchise model, and lastly their global investments and expansion. The paper will look at IKEA's financial management practices and look at the strengths and weaknesses in its approach. Finally, the conclusion summarizes the main findings and reflects on what IKEA does to manage finance in international business.

### 2. IKEA INTERNATIONAL FINANCE

This section presents the main aspects of IKEA's international financial management and how these support the company's global operations. It begins by examining the ownership structure, which is important for understanding how IKEA protects its financial assets and secures long-term independence. It is then discussed how IKEA manages currency risk across multiple markets, followed by the company's investment in affordability and its franchise system. Finally it explores IKEA's global investments and expansion activities. Looking at these elements together helps highlight how IKEA has a long-term and risk conscious financial outlook. Operating across many markets requires stable financial structures, and IKEA's approach shows how the company manages this financially to continue and support their international activity.

#### 2.1 IKEA's Ownership Structure

IKEA is organized through a complex structure that stands out among traditional businesses. Unlike traditional businesses, IKEA is not listed on any stock exchange and has no shareholders expecting dividends. Instead, it is owned and controlled through a system of foundations and holding companies. This structure was developed by IKEA's founder Ingvar Kamprad to ensure that the IKEA-concept was protected from other investors and risks in the market. The goal was to protect the business idea, brand and their core values, while ensuring that profits were reinvested into the company's development (Kagan, 2025).

As outlined in figure 1, IKEA’s structure can be divided into three main groups; INGKA foundation, Inter IKEA foundation and Interogo Foundation. At the core of the system is the INGKA foundation, a Dutch foundation established in 1982 by Ingvar Kamprad. Its official purpose is to promote innovation and to support beneficial foundations through donations (“Ownership of INGKA Group,” n.d.). However, the primary function of the foundation is to act as a long-term owner of the IKEA retail business. It ensures that IKEA cannot be sold or taken over, and that all profits are reinvested into the company or used for charitable purposes. The funds used for charitable purposes are funded by the INGKA foundation, but they are not involved in the decision making in regards to where the money goes, it’s the IKEA Foundation that does this. The IKEA Foundation was established to carry out philanthropic work, and its purpose is to create a better everyday life for people (“Our Charitable Purpose,” n.d.). The IKEA Foundation has donated €2 billion, with a focus on people living in poverty and fighting global warming (IKEA Foundation, n.d.).

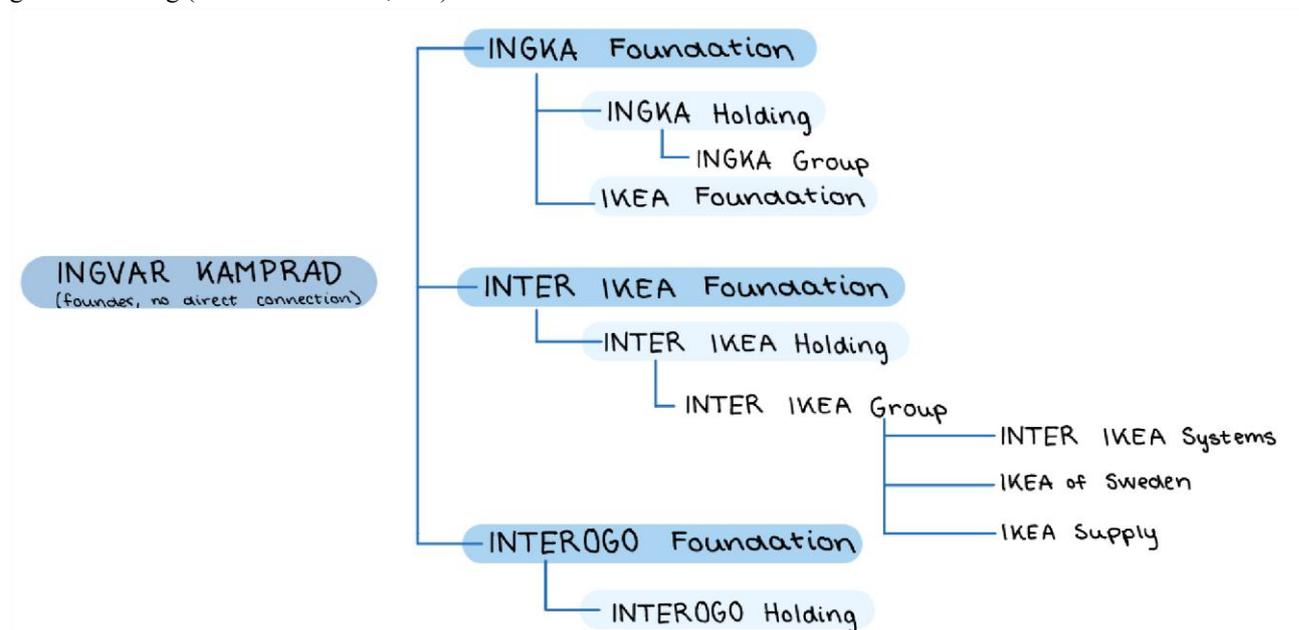


Figure 1: Overview of IKEA’s ownership structure, showing the relationship between the INGKA Foundation, the Inter IKEA Foundation and the Interogo Foundation, as well as their respective holding companies and operational groups (Own illustration).

Parallel to the INGKA Foundation is the Inter IKEA Foundation, who owns Inter IKE Holding B.V. This foundation was created in 2023 after the demerger of the Interogo Foundation, and the purpose is to secure independence and the longevity of the IKEA concept (About Inter IKEA Foundation, n.d.). After the demerger the Interogo Foundation continued to be the ultimate owner of Interogo Holding AG, which is the investment business. While the Inter IKEA foundation has a stronger focus on governing the IKEA businesses and securing the IKEA Concept, the Interogo Foundation focuses on managing the investment business and having the necessary financial reserves. However, the sole purpose of both foundations is to secure independence and longevity of IKEA (Foundation Purpose and Heritage, n.d.).

Under the Inter IKEA Foundation sits the Inter IKEA Group, as shown in Figure 1. This group manages the operational elements of the IKEA concept, and ensures that all franchisees operate in the same way (IKEA Franchise System, 2024). The most central company in this group is Inter IKEA Systems B.V., which is the global franchisor. It owns the IKEA trademarks, business format and concept, and grants franchisees rights to operate round the world, including INGKA Group. Each franchisee pays a franchise fee to Inter IKEA Systems B.V., providing a stable income that supports the development of IKEA (IKEA Franchise System, 2024).

As illustrated in figure 1, IKEA of Sweden AB and IKEA Supply AG are also included under the Inter IKEA group. IKEA of Sweden AB is responsible for designing and developing IKEA’s product range, and they are responsible for doing this according to the IKEA concept framework (This Is Inter IKEA Group: Our Business in Brief, n.d.). IKEA Supply AG manages the global procurement and supply chain logistics (This Is Inter IKEA Group: Our Business in Brief, n.d.). These companies are therefore very important for the IKEA concept, within

everything from product design to operational standards across stores. This ensures that the stores operate in the same way across countries, while still allowing room for cultural adaptation.

Lastly, there is the Interogo Foundation, and before 2023 this foundation owned the entire Inter IKEA Group. However, after the structural separation it has now a main focus on investment activities unrelated to IKEA through Interogo Holding AG. Interogo Foundation is a self-owned entity, and there is no individual beneficiary. Funds held by the foundation can only be used for the foundations purposes, which is to secure the independence and longevity of the IKEA Concept and the financial reserves needed to ensure this (In Brief - Interogo Foundation, n.d.).

This financial model that IKEA has created forms a closed system that ensures financial independence and longevity of the business, which is IKEA's main goal. The retail side, managed by INGKA Group, generates profits from sales. The concept and franchise side, managed by Inter IKEA Group, ensures brand consistency across locations and receives franchise fees from all franchisees. Both of these entities are owned by foundations, INGKA foundation and Inter IKEA foundation, and their legal purpose requires that profits are used to reinvest into the company's development or to be used for beneficial purposes. There are a lot of benefits of having a structure like this. When removing traditional shareholders, IKEA prevents takeovers and the pressure to deliver short-term financial returns. Instead, they can have a clear focus on the company's core values without compromising their place in the market. Also, the separation between the retail operations and the concept ownership provides a clear division of roles which ensures that the brand's values and property remains protected. To sum up, IKEA's ownership structure is a unique structure that mirrors the company's core values. The INGKA Foundation protects the company's assets and ensures reinvestments of profits, the Inter IKEA Foundation develops the concept and franchise system, and the Interogo Foundation manages long-term financial investments. It ensures that IKEA's financial assets remain protected within the organization, which strengthens the ability to fund international expansion. Together they form a system that secures the independence and longevity of the IKEA concept.

## 2.2 Managing Currency Risk

Since IKEA is operating in many different markets, it has a wide range of currencies, including euro, U.S dollar, Chinese yuan and the Swedish krone. Fluctuations in exchange rates can influence both revenues and costs, which means that the movements in exchange rates can have a direct impact on profitability. As stated in the FY24, the company's gross margin was partly due to stable currency developments during the year (Inter IKEA Group Financial Summary FY24, 2024). This shows that the financial performance is influenced by exchange rate changes.

To manage this currency risk, IKEA uses natural hedging. This means that revenues and costs are matched in the same currency (CFI, n.d.). For example, the manufacturing in Europe is priced in euros, and many of the retail markets in the same region also generate the sales in Europe. The same pattern applies in Asia. By aligning the income and expenses in the same currency, IKEA does natural hedging to limit the short-term transaction risk and to get more predictable cash flows across different markets.

However, natural hedging cannot remove all forms of currency exposure. It reduces short-term transaction risk, but it does not protect against economic exposure long-term. IKEA's internal structure offers protection against currency volatility. The franchise system plays a central role here. The franchisor receives the franchise fees primarily in euros, while the local franchisor operates in their own currencies. This reduces the direct exposure to local currency fluctuations and gives parts of the financial risk to the franchisees (Inter IKEA Group Financial Summary FY24, 2024). This will also be explained more in depth in section 2.4. In addition, reports explain that Inter IKEA has a treasury function that follows exchange-rate movements and uses financial tools when it is necessary to reduce the effect of currency changes (Inter IKEA Holding B.V. Annual Report FY24, 2024). This means that even if natural hedging is the main method, the company can add extra protection against currency risk. Combined with the franchise system, this helps IKEA stay financially stable even when currencies fluctuate in different parts of the world.

## 2.3 Investing in Affordability

In recent years, IKEA has made investments in reducing the product prices globally, to increase the sales volume and to make it more accessible to a broader customer base. According to the report of the financial year 2025 (FY25), they invested in 10% lower prices, which contributed to a 3% increase in sales volumes and customers (IKEA Retail Sales, 2025). This pricing strategy shows that IKEA views affordability as a key component of the business model, not just a short-term marketing decision. Instead of focusing on high prices and profit margins,

the company is growing by selling more products to more people. In sum, IKEA invests in lower prices to increase sales volume and strengthen their position in the global market.

In FY25, IKEA reported total retail sales of 44,6 billion EUR, compared to 45,1 billion EUR in FY24. When adjusted for currency effects, it shows a decline of 0,3 percent, which might appear as a negative result. However, the decrease in total sales is mainly a consequence of the investment in lower prices. As CEO Jon Abrahamsson Ring explained, “Making IKEA more affordable for the many people is central to who we are” (IKEA Retail Sales, 2025). The long-term approach of reducing the prices, has resulted in higher volumes and more customers. In addition, IKEA opened 66 new sales locations worldwide during FY25 to make their products available to more people and to support their strategy of growing by reaching more customers (The Year in Review FY25, 2025). This expansion is an important part of IKEA’s financial management operations and will be further discussed in section 2.5.

IKEA’s investment in affordability reflects a long-term financial strategy that prioritizes accessibility over short-term profits. From a financial perspective, this approach has both benefits and risks. Lower prices and more customers, strengthen the customer loyalty, but they also need efficient cost management and control of global operations to remain profitable. The strategy shows how financial decisions are tied to IKEA's business philosophy which is growth through scale and affordability rather than margin expansion (IKEA Retail Sales, 2025). This balance between financial stability and global expansion can also be seen in how IKEA uses franchising to manage its international business (IKEA Franchise System, 2024). The franchise model helps the company share costs, reduce risks, and maintain control across different markets.

#### 2.4 IKEAs franchise system

IKEA's global business model is built on a franchise system that allows independent companies to operate under the IKEA concept. Inter IKEA Group is the franchisor, owning the IKEA brand and providing franchisees with access to the product range and supply chain. In return, each franchisee pays a fee based on sales, creating income for the franchisor. This has enabled IKEA to expand to more than 60 markets worldwide while maintaining financial stability and brand consistency (IKEA Franchise System, 2024). The franchise system reflects IKEA’s financial philosophy of growth through collaboration and shared responsibility. As IKEA says on their website “Franchising is a system that encourages everyone to contribute and collaborate”. The franchisor is responsible for developing and improving the IKEA concept, such as product range and operational guidelines. The franchisees provide local market knowledge and consumer insights (IKEA Franchise System, 2024). This helps ensure that financial risks and responsibilities are distributed across the network. In addition, it ensures that the company remains globally consistent but still adapted to the local markets.

Behind the franchise model is a structured network of companies within Inter IKEA Group that together support the development and distribution of the IKEA Concept. As mentioned in section 2.1, Inter IKEA Systems B.V. is at the core and owns the IKEA trademark. It is the global franchisor, and together with IKEA of Sweden AB and IKEA Supply AG, it develops the IKEA Concept and makes sure it is used in a consistent way across all markets. Inter IKEA AB is responsible for creating and developing the product range, while IKEA Supply AG manages sourcing, production and distribution. These companies work together to secure the overall concept, while the franchisees focus on operating the stores in their local markets (Inter IKEA Group Financial Summary FY25, 2025). An overview of the franchisees operating IKEA stores across the different markets is presented in Figure 2.

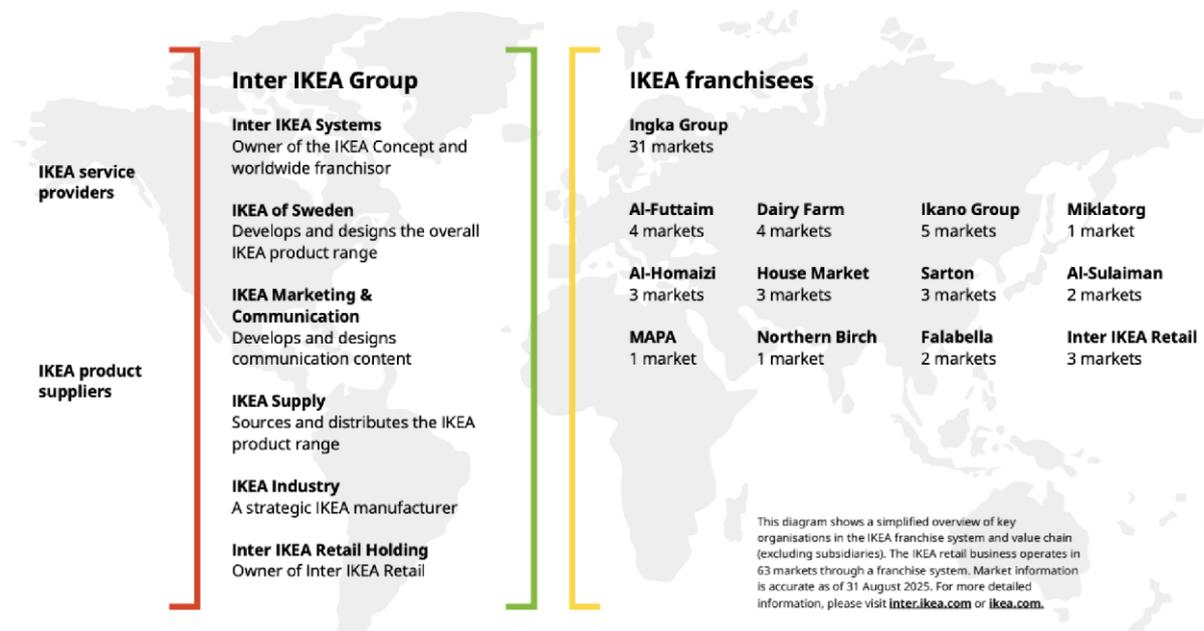


Figure 2: Overview of the IKEA franchisees and value chain. From Inter IKEA Group, Financial Summary FY25, p. 5

From a financial management perspective, the franchise model has several advantages. First, it reduces the franchisor's capital needs. This is because each franchisee invests in their own stores, and Inter IKEA does not make these investments. This approach limits the build-up of debt and contributes to maintaining IKEA's strong equity ratio. The equity ratio is reported at around 85% in recent financial reports (Inter IKEA Group Financial Summary FY25, 2025). Second, the franchise fee creates predictable and stable cash flows, which strengthens the liquidity and supports long-term planning and innovation. The franchise model also contributes to risk diversification. Since the franchisees operate as independent companies in their markets, challenges do not impact IKEA's financial results in the same way as if it was fully owned. According to the FY25 financial report, IKEA's stable performance is partly because of the franchise structure, which helps distribute financial and operational risk across markets (Inter IKEA Group Financial Summary FY25, 2025).

## 2.5 Global Investments and Expansion

IKEA's global growth strategy is based on long-term planning and investments in expanding in both new and existing markets. As mentioned in section 2.3, IKEA opened 66 new locations during FY25 to reach more customers worldwide (Inter IKEA Group Financial Summary FY25, 2025). These expansions are both traditional stores and smaller planning studios or pick-up points. Investing in new markets requires high capital, but since IKEA has a stable financial structure with high equity, predictable franchise income and strong liquidity, it allows them to do these expansions without relying much on external financing.

In addition to the new stores, IKEA also invests internationally in logistics and production. This is also essential to support their low-price strategy. In the FY24 report, they highlight the importance of range development, manufacturing and logistics to secure long-term growth and maintain cost efficiency (Inter IKEA Group Financial Summary FY24, 2024). This investment helps strengthen the supply chain and create economies of scale, which enables IKEA to manage the rising volumes while keeping the prices affordable. From a financial management perspective, these kinds of operational investments reduce unit cost and improve efficiency to support IKEA's ability to keep strong financial results in different markets globally. At the same time, international expansion requires careful risk management. Both the FY24 and the FY25 reports point out that global conditions such as inflation and currency movements can affect the results. The franchise model, mentioned in section 2.4, helps reduce the risk because the franchisees carry a lot of the local investment cost. This enables Inter IKEA group to focus on developing the concept, improve logistics and support the long-term expansion.

IKEA is also strategically investing in digital transformation and new technologies to support international growth. An example of this is IKEA's acquisition of US logistics technology firm Locus in October 2025 (Reid et al., 2025). The acquisition helps simplify IKEA's logistics and it is estimated that it will reduce delivery expenses by 100 million euros a year globally. Locus uses AI to group orders and predict routes that simplify the delivery, a process that is currently done manually. The acquisition will also help IKEA give their customers a better delivery experience with bigger delivery windows and live updates on packages (Reid et al., 2025).

IKEA's focus on investing in new technology will strengthen its financial position in several ways. Using AI technology to fasten and simplify the delivery process will reduce operational costs. Improved delivery and customer experience will also lead to higher sales volumes, which will lead to a better income for IKEA. Also, an investment in new technology will enhance IKEA's ability to scale efficiently as they expand. In this way, digital transformation is not only an operational investment but also a long-term financial strategy that supports sustainable growth.

### 2.6 Strengths and Weaknesses of IKEA's Financial Strategy

IKEA's financial strategy has several strengths that support long-term competitiveness and global expansion. One of the most important strengths is the high equity and low debt levels, which gives the company financial independence. This gives the ability to invest without relying heavily on external financing. The franchise system also provides predictable and stable cash flow through the franchise fees. In addition, it reduces risk for IKEA since the local franchises take part of the financial and operational risks. Lastly, IKEA's focus on cost efficiency and large-scale operations supports the low-price strategy, which further helps the company stay competitive in international markets.

However, the financial strategy also has some weaknesses and challenges. The low-price strategy makes IKEA more sensitive to increases in material costs, transportation costs, and global inflation. Since the company aims to keep the prices low, rising costs can put pressure on profit margins. Global expansion also requires long-term investments, which can be risky in uncertain market conditions. Finally, even though IKEA uses natural hedging to manage currency risk, it does not fully protect the company from long-term economic exposure to exchange-rate fluctuations. Overall, IKEA's financial strategy creates strong long-term stability, but it also demands careful risk management to remain sustainable in a global market.

## 3 CONCLUSION

To conclude, IKEA's approach to international financial management is characterised by a long-term philosophy that emphasises stability over short-term gains. Across the different areas analysed in this paper, a clear pattern is visible: instead of focusing solely on margin-based growth, IKEA aims to increase volumes, strengthen operational and logistics efficiency and maintain affordability across different markets. Rather than focusing on short-term gains, IKEA has developed a financial framework that prioritises growth and resilience in a global market.

The ownership structure is central in this approach. By being owned by foundations instead of traditional shareholders, IKEA protects its financial assets and ensures that profits are reinvested into the business. This structure prevents takeovers and creates a stable financial base for the company. Managing currency risk is also an important aspect of IKEA's financial strategy. Operating in different markets around the world means dealing with currency risk, and IKEA manages this through natural hedging and its franchise system. Matching revenues and costs in the same currency reduces transaction risks, while collecting franchise fees primarily in euros shields the company from local currency volatility. This results in more predictable cash flows and the ability to operate under diverse economic conditions.

Another key part of IKEA's financial strategy is the focus on affordability and global expansion. They get long-term growth by increasing the sales volumes rather than raising margins. In addition, they focus on lowering prices to reach more customers. This helps IKEA stay competitive in the international market, while staying financially stable. The franchise model further supports the company's international strategy by decentralising investment. Franchisees finance the stores locally, while Inter IKEA Group maintains the concept. This ensures consistency and provides stable franchise income. IKEA's global investments and expansion activities support long-term growth for the company. New store formats and digital investments allow IKEA to operate more efficiently and maintain affordability.

Overall, these elements show that IKEA's international financial management is not a separate function, but an integrated part of its overall strategy. This allows IKEA to stay competitive in the international market while staying true to its mission of creating a better everyday life for many people.

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