IKEA's Flat-Pack Franchise Model

Idea In Short

IKEA runs on a split-ownership franchise model that most shoppers never notice. Inter IKEA Group owns the brand, product range and store concept and licenses them to Ingka Group and other franchisees, who pay an annual fee equal to 3% of net sales. Wholesale sales of flat-pack furniture to those franchisees, not the fee itself, generate the larger share of group revenue. Low prices trace back to a design philosophy that shifts assembly, transport and even furniture flattening onto the customer, cutting manufacturing and shipping costs at every stage. The result is a company built by a Swedish teenager selling pens by mail in 1943 that now runs hundreds of stores across more than 60 markets. This article breaks down how the franchise, wholesale and catalog revenue streams fit together, then maps IKEA against the nine blocks of the business model canvas.

A Swedish mail-order start

Ingvar Kamprad founded IKEA in 1943 at age 17, initially selling pens, wallets and other small goods by mail from his uncle's farm in Smaland, Sweden. The name combines his initials with those of the farm, Elmtaryd and the nearby village, Agunnaryd. Furniture entered the catalog in 1948 and the first physical store opened in Almhult in 1958, a building that now houses the IKEA Museum. That early combination, mail-order reach paired with a single flagship location, set the pattern IKEA still follows: centralize design and sourcing, then push products out through as many channels as possible.

> "To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them"

The mission statement above has guided the company since its founding and still frames every sourcing and design decision IKEA makes today.1

Two companies, one brand

IKEA is not a single corporate entity. Inter IKEA Group owns the IKEA trademarks, product range and store concept and licenses that intellectual property to franchisees under agreements that require them to operate stores exactly to the IKEA format. Ingka Group is the largest of those franchisees, operating the majority of physical stores worldwide, while a smaller number of independent franchisees run stores in specific markets under the same terms. Each franchisee pays Inter IKEA Group an annual fee equal to 3% of net sales in exchange for the trademarks, the product range and the right to market and manage stores and sales channels.2

Where the money actually comes from

The franchise fee gets most of the attention, but it is not the largest line on the income statement. Franchisees must buy their store inventory from Inter IKEA's supply chain and that wholesale trade in flat-pack furniture generates more revenue than the fee itself. A smaller stream comes from selling catalogs and other marketing materials to franchisees, a category the company files under other income. Ingka Group alone reported EUR 41.5 billion in revenue for its fiscal year ending August 2025, a figure that reflects retail sales rather than the wholesale or franchise numbers booked at the Inter IKEA level.3

Ownership without a billionaire at the top

Kamprad transferred ownership of the IKEA concept out of his own name decades before his death, placing it under a Netherlands-based holding company controlled by a private foundation. That foundation restructured in 2023, splitting into two separate entities: one that governs the IKEA business itself and another that manages unrelated investment assets. Neither foundation has an individual beneficiary and neither pays dividends to a family or founder. Inter IKEA Group's leadership also rotates on a defined schedule rather than staying tied to a single family member, with a new chief executive set to take over the role in January 2026.4

Flat packs at global scale

IKEA's flat-pack format is a logistics decision as much as a design choice. Shipping disassembled furniture in flat boxes lets more units fit on a single truck or container, which lowers freight cost per item and reduces warehouse space at both ends of the supply chain. That efficiency underpins a footprint of roughly 500 stores across more than 60 markets, supplied by a network of independent manufacturers rather than IKEA-owned factories in most cases. Store size varies widely by market, but the format, self-service showrooms paired with a warehouse pickup area, stays consistent everywhere the brand operates.5

Absorbing shocks: pandemic and war

The business model has been tested twice in recent years. The COVID-19 pandemic disrupted shipping routes, forced temporary store closures and ended the printed IKEA catalog after seventy years, pushing the company further toward digital channels it had already been building. The war in Ukraine forced a harder decision: in March 2022, IKEA paused operations at its 17 Russian stores and four factories, then moved to sell the factories, close offices and cut a workforce that had numbered around 15,000 people in the country. Both episodes show the franchise and wholesale structure can shed an entire channel or market without threatening the underlying business elsewhere.6

Key Partners

IKEA relies on a wide network of independent furniture and component manufacturers spread across dozens of countries, since it owns relatively few factories itself. Logistics providers and freight carriers move flat-packed goods between suppliers, distribution centers and stores at the volume the format demands. Design consultants and product engineers work alongside internal teams to keep the range current without adding manufacturing complexity. Local franchisees, in markets where Ingka Group does not operate directly, extend the same partner relationship to store operations.

Key Activities

Product design sits at the center of IKEA's operations, since every item has to meet a price target before it reaches a factory floor. Sourcing and coordinating flat-pack manufacturing across the supplier network is a constant activity, not a one-time setup, given how often the range refreshes. Running stores, warehouses and now digital storefronts rounds out the core activity set, with self-service showroom design reducing staffing needs per square meter. Catalog and marketing production, though smaller in scale, still supports franchisee sales in every market.

Key Resources

The supplier network itself counts as a resource, since long-term manufacturing relationships let IKEA hold suppliers to strict cost and quality targets. The IKEA brand and its associated trademarks are licensed assets that generate franchise fee income independent of any single store's performance. Physical store real estate, sized and laid out to the IKEA format, represents a significant capital resource for Ingka Group and other franchisees. Design and engineering talent, responsible for flat-pack efficiency, is a less visible but equally important resource.

Value Propositions

Low prices paired with acceptable quality form the core promise, achievable because flat-pack shipping and self-assembly strip cost out of manufacturing and logistics. The DIY assembly system itself appeals to customers who want furniture quickly and cheaply rather than waiting on delivery and setup services. A wide, functional product range covers most rooms in a home under one roof, reducing the need to shop multiple retailers. The in-store format, complete with show rooms and a restaurant, turns a furniture trip into a longer visit. A growing emphasis on renewable materials adds an environmental angle to the value proposition for cost-conscious shoppers.

Customer Relationships

IKEA leans on a self-service model in stores, where customers navigate showrooms and warehouse pickup largely on their own rather than working with sales staff. Customer support desks and return counters handle the exceptions, assembly questions and complaints that self-service cannot resolve. Social media channels extend the relationship beyond the store, used for product inspiration, customer service and community engagement. The AR-enabled mobile app adds a digital layer to that relationship, letting customers visualize products at home before buying.

Channels

Physical stores remain the primary channel, built around a fixed showroom-plus-warehouse layout that customers navigate in a set path. The website and mobile app have grown into a parallel channel, supporting both browsing and direct purchase in markets where digital retail keeps expanding. The printed catalog, once IKEA's signature marketing tool, has been discontinued, shifting that role fully to digital formats. Franchisee-run stores in smaller markets extend these same channels under local management.

Customer Segments

IKEA's core segment is cost-conscious households looking for functional, reasonably designed furniture without a premium price tag. Young families furnishing a first home represent a significant share of that segment, drawn by low prices and a wide product range. First-time homeowners and renters, often working with smaller budgets and smaller spaces, find the flat-pack format practical for moving and reconfiguring. Urban dwellers in dense markets benefit from IKEA's compact, space-efficient furniture lines built specifically for smaller apartments.

Cost Structure

Manufacturing and sourcing costs dominate the structure, since IKEA pays suppliers for both materials and production capacity across a large global network. Distribution and store operations form the second major cost block, covering warehousing, freight, retail staffing and the upkeep of large-format stores. Design and product development, while a smaller line item, remains a fixed cost necessary to keep the range refreshed and priced competitively. Marketing and digital platform costs have grown as the company shifts investment away from print catalogs.

Revenue Streams

The wholesale of furniture and home goods to franchisees generates the largest share of group revenue, priced to cover manufacturing, logistics and a margin for Inter IKEA. Franchise fees, set at 3% of each franchisee's net sales, provide a steady, scalable income stream tied directly to retail performance. Catalog and marketing material sales to franchisees round out the revenue mix as a smaller, declining category following the shift to digital marketing. Restaurant and food-court sales within stores add a modest but consistent supplementary stream.

- 1Ikea's Origins As A Mail-Order Business
- 2Inter Ikea Group's Franchise Fee Structure
- 3Ingka Group Fy25 Revenue Results
- 4Interogo Foundation And Inter Ikea Ownership Structure
- 5Ikea Store Count And Global Footprint
- 6Ikea's Factory Sales And Exit From Russia

Summary

IKEA's model works because its layers reinforce each other. A foundation-controlled ownership structure keeps the brand insulated from public markets and quarterly pressure, letting Inter IKEA Group set a flat 3% franchise fee that funds product development while Ingka Group and other franchisees absorb the capital cost of running stores. Wholesale pricing, not the franchise fee, remains the larger revenue driver, which is why flat-pack design and self-assembly matter as much to the balance sheet as to the showroom floor. The pandemic-era catalog shutdown and the 2022 Russia exit showed the model can absorb shocks by cutting entire channels or markets without breaking the core wholesale-plus-franchise engine. As IKEA pushes further into digital retail and developing markets, that same structure, low-cost design paired with fee-based licensing, will decide how far the growth continues.