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IKEA Plans $2.5Bln Expansion Across Russia

By The Moscow Times

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Swedish retailer IKEA plans to break out of a period of consolidation and invest 2 billion euros ($2.5 billion) through 2020 on expanding its network of shopping malls across Russia's regions, business daily Vedomosti reported last week.

IKEA Shopping Centers Russia already operates 14 vast shopping centers under the "MEGA" brand, located on the outskirts of Russia's biggest cities.

By 2018, the company plans to build a new 215,000 square meter mall in Mytishchi, northeast Moscow region. More centers will be constructed in St. Petersburg, Voronezh, Perm and Krasnoyarsk, Armin Mikaeli, the head of IKEA Shopping Centers Russia, said in a statement.

In recent years, the Swedish retailer refrained from opening new stores and instead focused on developing the existing ones. In 2011, the company said it was freezing investment in Russia because of excessive and unpredictable bureaucracy in some of Russia's regions.

The "tolerance to corruption" displayed by some of its own staff also contributed to the decision to stall expansion efforts, the company said at the time.

Mikaeli said IKEA had decided to review its policies because the situation has improved on both fronts.

According to IKEA, more than 270 million people shopped at MEGA centers in Russia last year and the sales of the tenants increased by 6 percent.

The chain also appears to be resilient — which may come in useful as Russia enters a period of low growth. While consumer preferences may change across other retailers, customers have always been loyal to MEGA, the head of Infoline analytical company Mikhail Burmistrov told Vedomosti.

"As other retailers were loosing their customers, MEGA traditionally saw increased attendance," Burmistrov said.

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