

NEWS ANALYSIS

Dixons Carphone's Nordic arm, Elkjøp, is crossing retail boundaries. **Matthew Chapman** visits Stockholm to find out more

How Dixons Carphone is conquering the Nordics

DIXONS CARPHONE'S Nordics business is brimming with confidence and is enabling the electricals specialist to enter unexpected areas.

The Elkjøp business, which is known as Elgiganten outside of Norway, is said to inspire such love in its staff that one employee even tattooed the company name on his leg.

Elkjøp has a 27% share of the market and its nearest multichannel competitor is Expert, which trails with a 7% share.

That dominant position has led to a confidence bordering on arrogance; Expert is launching a new big box format called Power to take on Elkjøp's large stores, but Elkjøp chief executive Jaan Ivar Semlitsch dismissed the Power name and said he "initially thought it was a washing powder".

Dixons Carphone boss Sebastian James added he was "thrilled" because he believes it is "going to consume a massive amount of cash and be a catastrophe for them".

James believes the main area where Dixons Carphone's UK business can learn from Elkjøp is in its sales prowess.

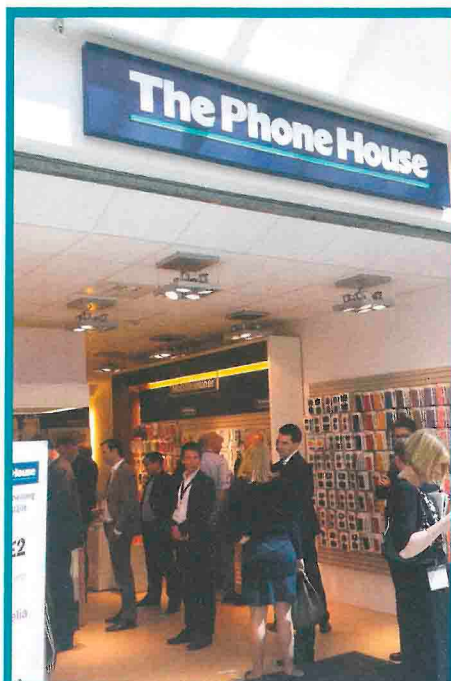
"The differences are a relentless focus on sales and margins, which makes the UK look a bit amateur in comparison," said James on an analyst tour in Stockholm.

Foreign exchange

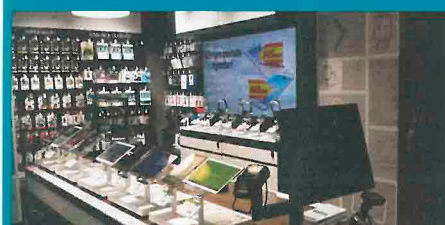
On the surface the retailer's UK and Nordics businesses look very similar. The Phone House store in Nacka, Stockholm, is near-identical to the appearance of a Carphone Warehouse store.

Even elements of the merger are being replicated in cut-and-paste form in the Nordics. There has been an office merger akin to the one in the UK and a store-within-store concept is also being tested.

A short trip across Stockholm to the Elgiganten Phone House store in Liljeholmen shows the store-within-store format in all its glory.



Dixons Carphone's Nordic business provides all the offerings of its British counterpart but has also branched into unexpected territory such as coffee



Beneath the surface

Inside a number of technology innovations are evident, including a computer that allows customers to enter their phone number and social security number to be told when they are due an upgrade.

James seems enthusiastic about such technology being introduced into the UK, but is less enthused by a ticketed queuing system. Instead he prefers a system that will text people when it is their turn in the queue.

When scratching beneath the surface, it becomes apparent there are significant differences between the British and Scandinavian markets.

That has resulted in Elkjøp entering some unexpected product categories, ranging from own-brand coffee beans to kitchen work surfaces.

Own-brand potential

Elkjøp's own-brand turnover has increased dramatically since launch and now accounts for 5% of total sales and is rapidly catching up on the 10% own-brand penetration in the UK.

James believes Swedish consumers are less fixated on brands than their UK counterparts, and consequently Elkjøp's private-label ranges have the greater potential.

Elkjøp has capitalised on the Scandinavians' love of coffee with an own-brand coffee range and is also selling capsules similar to Nespresso, which Dixons Carphone is unable to offer in the UK after a showdown with Nestlé.

Elkjøp is even targeting Ikea's dominance within the kitchen market and has made a big investment in the area as it seeks to set the foundations for a 'smart kitchen' proposition.

Elkjøp claims its kitchen range is more flexible than Ikea's and that has helped it grab market share from the Swedish furniture giant. The retailer says it sells 36 kitchen doors compared with Ikea's 19 and 37 kitchen surfaces against Ikea's 15.

While Dixons Carphone only has a 12% market share of kitchens in Norway and 5% in Sweden, it has earmarked this area as a key platform for future growth.

If the retailer can take on Ikea in its own backyard, perhaps Dixons Carphone's confidence is well-founded.

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Sebastian James, Dixons Carphone