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Retail Chain Detsky Mir Eyes Expansion

By The Moscow Times

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The Detsky Mir building on Lubyanskaya Ploshchad is being renovated. **Vladimir Filonov**

Russian children's goods retail chain Detsky Mir plans to open 45 new stores in 2013 and at least another 40 stores each year until 2015, after the company ceased to be loss-making last year.

The company's strategy involves opening stores in cities with a population of over a million. They will have an area of 5,000 square meters each and sell around 100,000 different products.

One such store will open in Moscow at the end of this year, Teimuraz Shengelia, a deputy CEO of the chain, said at a news conference last week, Vedomosti reported.

Detsky Mir opened 47 stores in 2012, including one Early Learning Center (ELC) store. Last year Detsky Mir bought a Russian franchisee of ELC.

The retailer plans to open at least 10 ELC stores in 2013. By the end of last year Detsky Mir had

a total of 216 stores in 97 cities in Russia and Kazakhstan.

The company also aims to increase the share of house brands, Detsky Mir CEO Vladimir Chirakhov told Interfax. House brands are to account for 25 percent of the retailer's revenue by the end of this year, up from the current 20 percent. This is expected to grow to 35 percent in the next two years, the CEO said.

Detsky Mir's revenue climbed 20 percent in 2012 to over 27 billion rubles ($871 million). Its net profit amounted to 456 million rubles, compared with a 217 million ruble loss in 2011.

Vladimir Chirakhov said the revenue growth projection for 2013 is being met at an even faster than expected pace. He did not disclose what the target was but said revenue growth in the first quarter of 2013 was close to 30 percent, Interfax reported.

According to Vedomosti, in 2009 the company's loss amounted to 3.2 billion rubles.
In 2009-2010 it was uncommon for the group to open stores.

The company is focusing on organic growth, but it is not ruling out mergers and acquisitions, Chirakhov said.

AFK Sistema, with 75 percent minus one share, is a major shareholder of the group.

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