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Russian Electrical Retailer Eldorado Plans to Open 50 New Stores in 2015

By The Moscow Times

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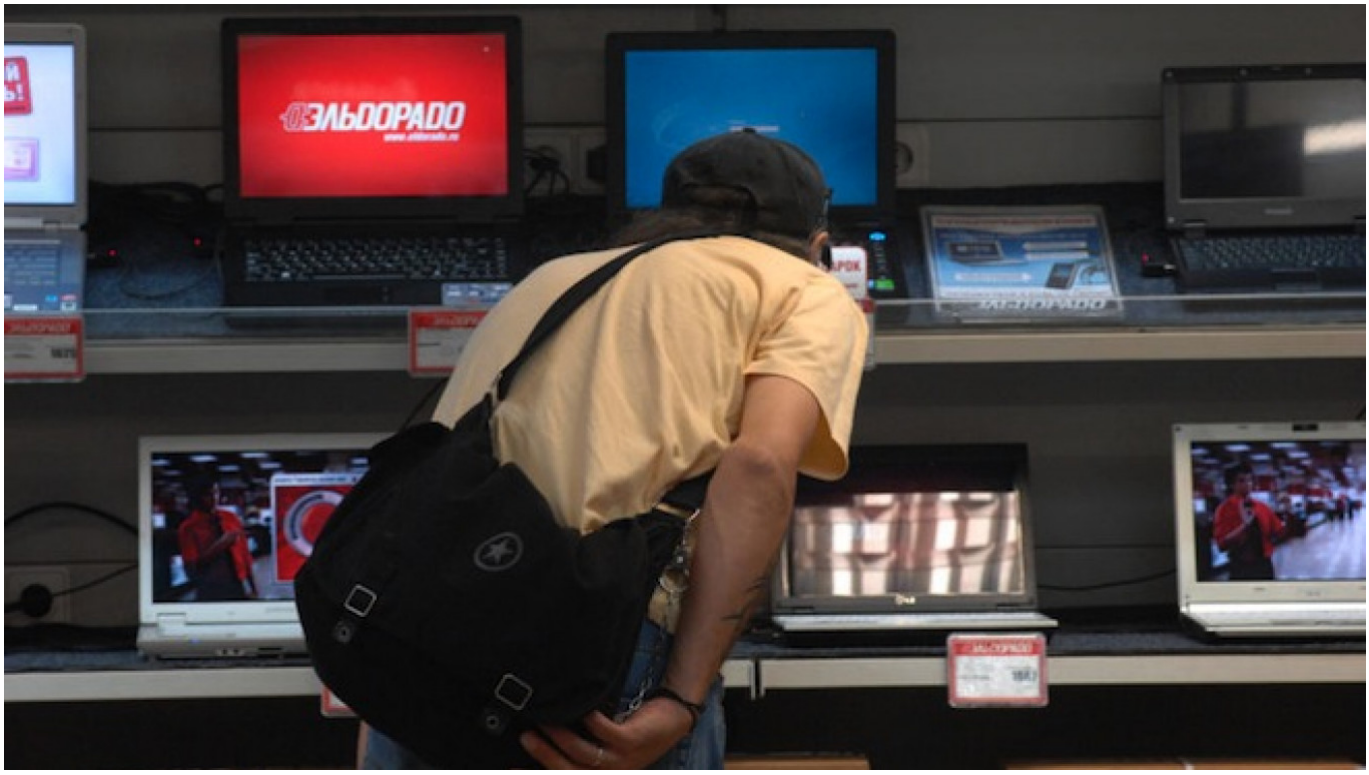

Czech investment group PPF's Russian electrical goods retailer Eldorado says it aims to add 50 new stores this year to take advantage of lower rents at a time when smaller rivals are retrenching or going out of business.

Hit by a drop in oil prices and Western sanctions over Moscow's role in the Ukraine conflict, Russia's economy is sliding into recession which, coupled with a weaker ruble, has forced many consumers and businesses alike to cut spending.

But Ondrej Frydrych, Eldorado's chief executive, said it had decided this was a time to advance, not retreat.

"In 2009, during the previous crisis, we made a mistake — suspended new openings, while our rivals seized the moment. This year the message from our shareholders is 'go, develop'," Frydrych said in an interview.

In February Eldorado, already the largest retailer in its sector by store numbers, was granted 7.3 billion rubles ($142 million) by PPF and its other shareholder, Emma Group, to fund its further expansion.

Frydrych said Eldorado planned to open 50 new stores in 2015 having added no new space on a net basis last year, and aimed to keep up the same rate of expansion over the next three years.

He said the cost of opening new stores was 10-30 percent lower than in recent years as landlords struggle to fill their malls and agree to lower or peg rents to tenants' turnover.

Eldorado competes with Russian firm M.video and Media-Markt, a unit of German retailer Metro in a still highly fragmented market. It has more stores than any of its rivals but lags market leader M.video in terms of sales.

In expanding now Frydrych said Eldorado was hoping to increase its market share to 12 percent by 2017 from 8.6 percent last year.

Diversifying

He said part of its strategy is to also diversify into categories such as home and garden decor to attract more customers and become less like specialty British electricals and electronics retailer Dixons Carphone and more like Dixon's far more diversified rival John Lewis.

New categories will account for 16 percent of revenues in three years, Frydrych said, adding he expected online customers to increasingly favor one-stop shops over multiple specialty stores.

Eldorado expects sales overall this year to be flat, he said, even though first-quarter sales fell 11 percent to 25.1 billion rubles as like-for-like revenue was down by 9 percent.

M.video has also forecast flat sales for the most part of 2015 but said it would slow its expansion.

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