

Clas Ohlson: H&M, Ikea Offer Model for Swedish CEO Plotting Next Big Success

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Klas Balkow, chief executive officer of Clas Ohlson AB. Photographer: Casper Hedberg/Bloomberg

- Looks to Ikea, H&M as first German stores open in Hamburg 2016
- Germany's population more than twice as big as Nordic region's

Clas Ohlson AB sees potential to follow Ikea Group and Hennes & Mauritz' lead in Germany and eventually gain nationwide coverage in Europe's largest economy as the Swedish retailer prepares to open its first stores in Hamburg.

"The German market is in terms of its population more than twice the Nordic market, so there's potential for a lot of stores and a big operation," Chief Executive Officer Klas Balkow said in an interview. "If you look at other Swedish successes, such as Ikea and H&M, Germany is one of their strongest markets, so of course the potential is there. If we're successful in Hamburg, nothing would stop us from entering other cities."

Clas Ohlson, which sells hardware, electrical, home, multimedia and leisure products, will open its first German store in Hamburg's Jungfernstieg in the summer of 2016, followed by a shop in the city's Altona neighborhood and one in Alstertal later that year. The company wants to expand outside its maturing main markets of Sweden and Norway, which account for some 85 percent of sales. It currently has some 200 outlets in Sweden, Norway, Finland and the U.K., as well as a franchise store in Dubai.

H&M, Europe's second-largest clothing retailer, had 447 stores in Germany at the end of May. Ikea, the world's largest furniture retailer, has some [50 stores](#) in the country, from Munich in the south to Hamburg in the north.

Clas Ohlson's non-Nordic markets currently account for 5 percent of sales, a number that will grow, Balkow said.

"If you look at Sweden and Norway, they are our most mature markets where we now won't see the same expansion pace in terms of the percentage of new stores," he said. "We are now at the inflection point where we will grow internationally -- not in the next one to two years but over the next 90 years -- and if we are successful, the ambition is that the share of international sales will be very, very big."

Apart from focusing on Germany, Clas Ohlson is also opening new stores in Finland and in the U.K. and is also planning its second franchise store in the Persian Gulf region. That outlet will be located in Dubai, just like the first store that opened in the region in 2014. It may also use the franchise concept in other new markets in the future, Balkow said.

In the first quarter, the company reported a sales gain of 7.8 percent to 1.77 billion kronor (\$215 million) while operating profit rose 3.9 percent to 106 million kronor. The gross margin in the 12 months through July was about 43 percent. Clas Ohlson warned that a strong U.S. dollar will have a negative impact on the margin and also said it's affected by a weaker Norwegian krone.

"We are clear that over time, it will adjust itself -- it has done so historically and we are convinced it will do so also this time -- but significant currency swings have short-term effects," Balkow said. Clas Ohlson AB sees potential to follow Ikea Group and Hennes & Mauritz' lead in Germany and eventually gain nationwide coverage in Europe's largest economy as the Swedish retailer prepares to open its first stores in Hamburg.

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