



The Future in Retail



As featured in
The CEO Magazine

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As the internet becomes more ubiquitous and the nature of the retail sector changes, El-Salg has recognised the value of accommodating these dynamic developments while remaining true to its voluntary-ownership model.

Images by Peter Baastrup

Denmark has seen a growing number of people shift towards online retail. El-Salg, one of the country's largest voluntary chains in whitegoods, small electric appliances, and lighting, is no stranger to the importance of e-commerce, with 25 per cent of its whitegoods now purchased online. This burgeoning trend shows no sign of slowing, and El-Salg is well equipped to cater for this new retail medium.

Tomas Holm Hedehus, Managing Director of El-Salg, spoke with *The CEO Magazine* to discuss the dynamic retail environment and how his organisation is adapting to such changes.

The CEO Magazine: Since your appointment to managing director, what changes have you introduced into the company?

Tomas: We had two facilities in Denmark: our headquarters in Copenhagen and a department in the northern part of the country. They were closed down, and we actually employed all new

employees starting in 2011. So it was a new company in a new location, new house, and a new organisation. We have really changed the structure of the company to be much more competitive and lean compared to our competitors.

When you are forced by the market power to be leaner, you need to gather your forces in one place. That was the main reason—instead of having two departments, we needed to be one company at one location in order to be leaner. The second reason was to be able to modernise the company. We needed to have new people in this context. We had an old culture in the company that we needed to adapt to the new world.

How has this restructuring changed the company?

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The company is the same. We have the same shareholders, and so on. It’s mainly the organisation on a day-to-day basis that has changed. At the same time, we’ve changed the values of the company, and wanted to get the best people available for online trade, for

logistics, for purchasing, and selling. We also started up a cross-channel project where we will be going to the market as a full cross-channel system.

What has this cross-channel system implementation meant for the business?

Up to now, many retailers have their online branch under one name and their retail outlets under a different name. Some companies have their web trade under the same name as their stores. In this case, cross-channel means you can buy the same products in the shops as you can on the internet, which means everything can be more convenient, more transparent, and you will be able to, as a consumer, go to the store to see what you can buy and then go home and buy the product on the internet.

It’s more than just online and bricks-and-mortar; it’s actually a combination of online and stores that is the new thing for us. There has been war between shops and the internet. In this case, we combine the things. And since we



are a volunteer chain where the shops actually own the company El-Salg, we give the earnings from in-store sales and online trading to the shops. So each shareholder gets the normal retail turnover and the earnings from web trade in their local area as well. That's a new thing, and you won't find similar solutions in Europe, I don't think.

Going cross-channel will absolutely give us some work for the next couple of years. In this company we have mainly been national; in order to compete in the future we will be working more jointly with companies in other countries. One of the important things is not to be a Nordic company, working with other Nordic companies; we will be looking for partners with the same possibilities and challenges that we have. It's more important for me to have those kinds of partnerships than just geographical segmentation or a regional aspect on things.

Our shops are owned by electricians, for the most part. We have 160 shops and maybe six of them aren't owned by electricians or small electrical companies. These companies provide the consumer with services and repairs, and these services will be a part of our future much more than we see today. This is making it easier for the consumer to get things done, and will be a big part of our future.

How does El-Salg differentiate itself from its competitors?

Compared to some of the other players in this market, we are relatively small. Our advantage is that, in an environment that is changing rapidly, we are actually more able to market rapid changes. We have a voluntary-chain ownership, we are relatively fast at making changes, so we can adapt to our surroundings much faster than the big companies can. They, more or less, have a standard approach all over the country, all over the Nordics, all over Europe.

In our case, we are actually much more prepared to do the changes and fill in the holes. I think that's one of the advantages we have over our competitors. The second thing is that you find the owners of our shops in the stores. In many of the retail chains—our competitors—their employees go home at five or six o'clock, which is fine, but you get what you pay for. I think those two things are very important to us; to be this company with the ability to adapt to changes in the consumers' behaviour much more rapidly than these major houses that you see.

How would you define your company's relationship with its suppliers?

We're a smaller company. We have 14 per cent of the market in whitegoods in Denmark, which is relatively good, but we're not the biggest. I think we're third in the market. When you have that size you need to have a more relational approach to your suppliers; you



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need to share information, you need to exchange ideas, and so on. We are relatively stable with our suppliers; we don't take them in and then throw them out. We actually work more on a relational basis with our suppliers, and that gives us some advantages. In a changing environment, you can easily adapt to things if you have an understanding with your suppliers. Those relationships are very important.

If you take a producer of whitegoods, they invest huge amounts of engineer hours in R&D to develop their products. They need to have their message promoted in the shops, and be aware and sure that the retailer is actually worth the money. It's a channel where you have the producer, you have the retailer, and you have the consumer. If we don't deliver value for the suppliers who may be 10 times or 50 times larger than us, they'll wonder why they should pay retailers for doing the middle job between them and the consumer. We need to create value for these relationships that we have with the producers, so they say we do a

good job and the consumers feel informed and sure that they'll get good service when they come into our stores.

In our case, I would say, many contact points make the difference. You can have large companies selling huge amounts of goods, but they only have one or two contacts in the buying company. In our case we have many contacts with the different suppliers, so we have good communication that isn't based on one guy or one buyer, which is very important. The producers in our business realise the importance of online, so we must deliver value creation to assure the suppliers that we're the right company to do business with.

What does the future hold for El-Salg?

One of the most important things that gives us hope for the future is that we're very good at adapting to our surroundings. We are relatively strategic in our company compared to the rest of market; we're able to make big

changes without dropping in sales, we've kept on driving the business, and we've made this cross-channel transition, which was relatively controversial in a chain owned by the shops. The stores expected all business to go through the shops but they had to accept that we must live with and use the web trade as well. I think the ability to have a strategy but also be thinking in the right scenarios when they are on hand, those are our two strengths.

I think it's important for companies in our country that are also based on this voluntary-chain system where the shops own the chain to realise changes are possible, but you need to confront people with the current situation. I think many voluntary chains don't confront the owners with the worst case or let them know how things are. They want to keep up the good relationship with the owners, but they need to provoke them a little and show them the same things that you know; show them the scenario and ask what they think. If you do this often enough, all people will change over time, adapting to conditions. ●