

## Dixons Carphone Profit Warning Leads to Store Closures

Written by Frederick Douglas  
05 June 2018

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Dixons Carphone announces the closure of 92 Carphone Warehouse standalone stores as the retailer issues a profits warning in the face of a shrinking market and changing customer habits.



"[W]e'll work hard to improve our cost efficiency," CEO Alex Baldock tells investors. "We won't tolerate our current performance in mobile, or as a Group. We know we can do a lot better... There's so much more to come from Dixons Carphone, though plenty of hard work lies ahead.

"The store closings comes as the retailer reports fiscal Q4 growth of just 1% Y-o-Y in the UK & Ireland, the result of a softer computing market. Dixons Carphone does see stronger performance on the international side, with revenue growth reaching 8% in the Nordics and 10% in Greece. The two regions also see "record levels of market share," as well as an increase in market leadership and operating margins.

However Baldock warns the retailer's business has been too "easily distracted by dabbling in peripheral opportunity." As such, it will be investing £30 million in the name of improving customer service, as well as renegotiate contracts with mobile networks to reflect the current slowdown in phone sales.

Said renegotiation will not come easy, though-- the Financial Times reports "at least one major mobile network" plans to pull business from Dixons Carphone. The retailer currently deals with EE, O2 and Vodafone (Three severed ties in 2013, following a move to in-house sales), all of whom are demanding "more cash upfront"... exactly the opposite of what Baldock wants.

Failed negotiations are what brought about the fall of Phones 4U in 2014. Will the same happen

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to Carphone Warehouse? Baldock insists his team will reach a new deal with the networks "because it's in everyone's interest," but operators are currently looking to offset lower revenue growth and reduce churn (or the switching to rival networks) by building an own high street presence. As such, only time will tell.

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