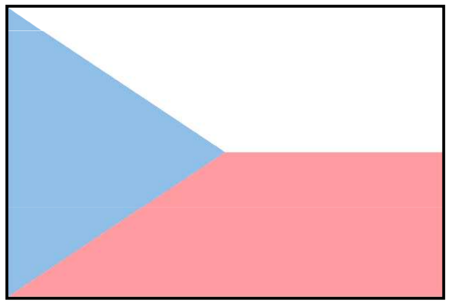
Retail in Czech Republic

Radoslav Škapa

Retail in Czech Republic
(overview)

Retail market of consumer goods

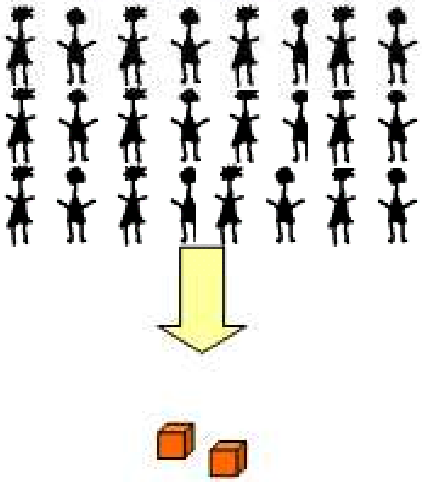
- Dynamical development in the past 10 years
- Supplier's dominance transformed into customer's dominance
- Multinational supply companies established new, more efficient and modern distribution channels
- The market proportion of hypermarkets, supermarkets and discount stores is fully comparable to the Western European countries, following actual tendencies



Speed of Retail Expansion Is Enormous (case of Czechia)

ICSC GLOBAL ASSOCIATION FOR RETAIL PROPERTY

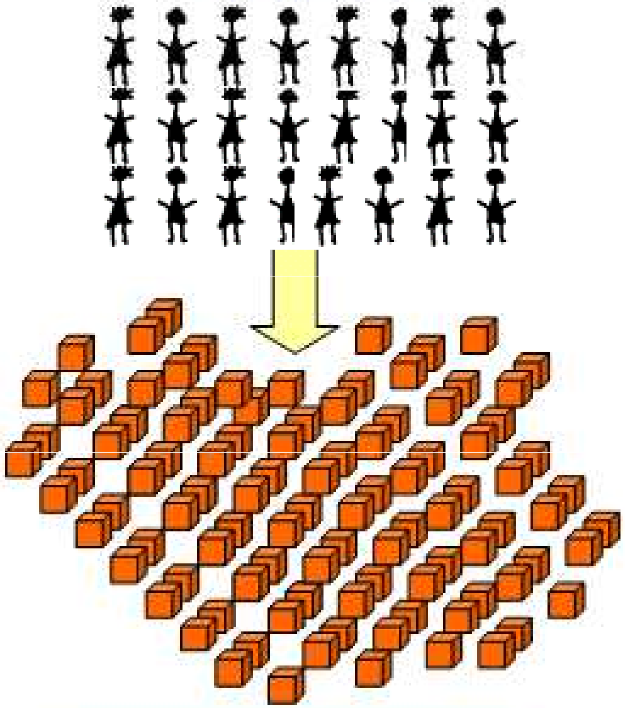
1996



1 hypermarket per
5 million shoppers

No big shopping centre
with more than 50 outlets

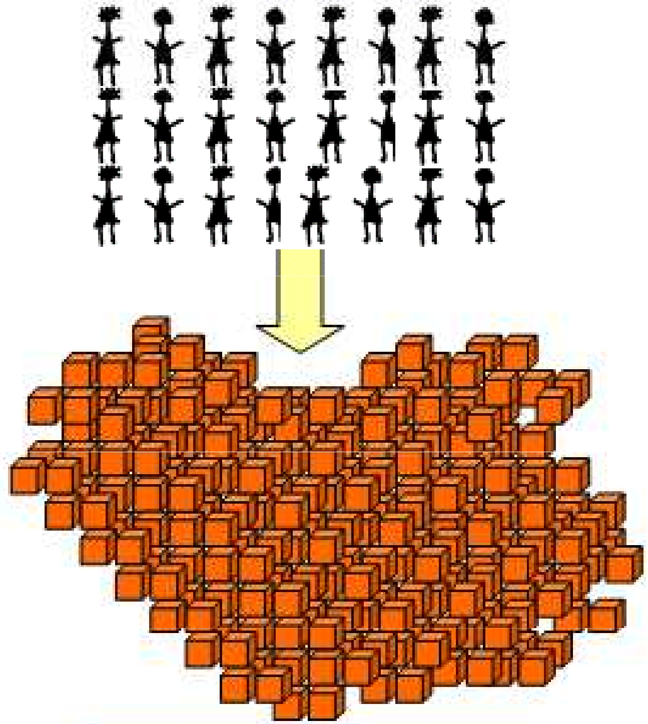
2001



1 hypermarket per
100.000 shoppers

1 big shopping centre per
1.800.000 shoppers

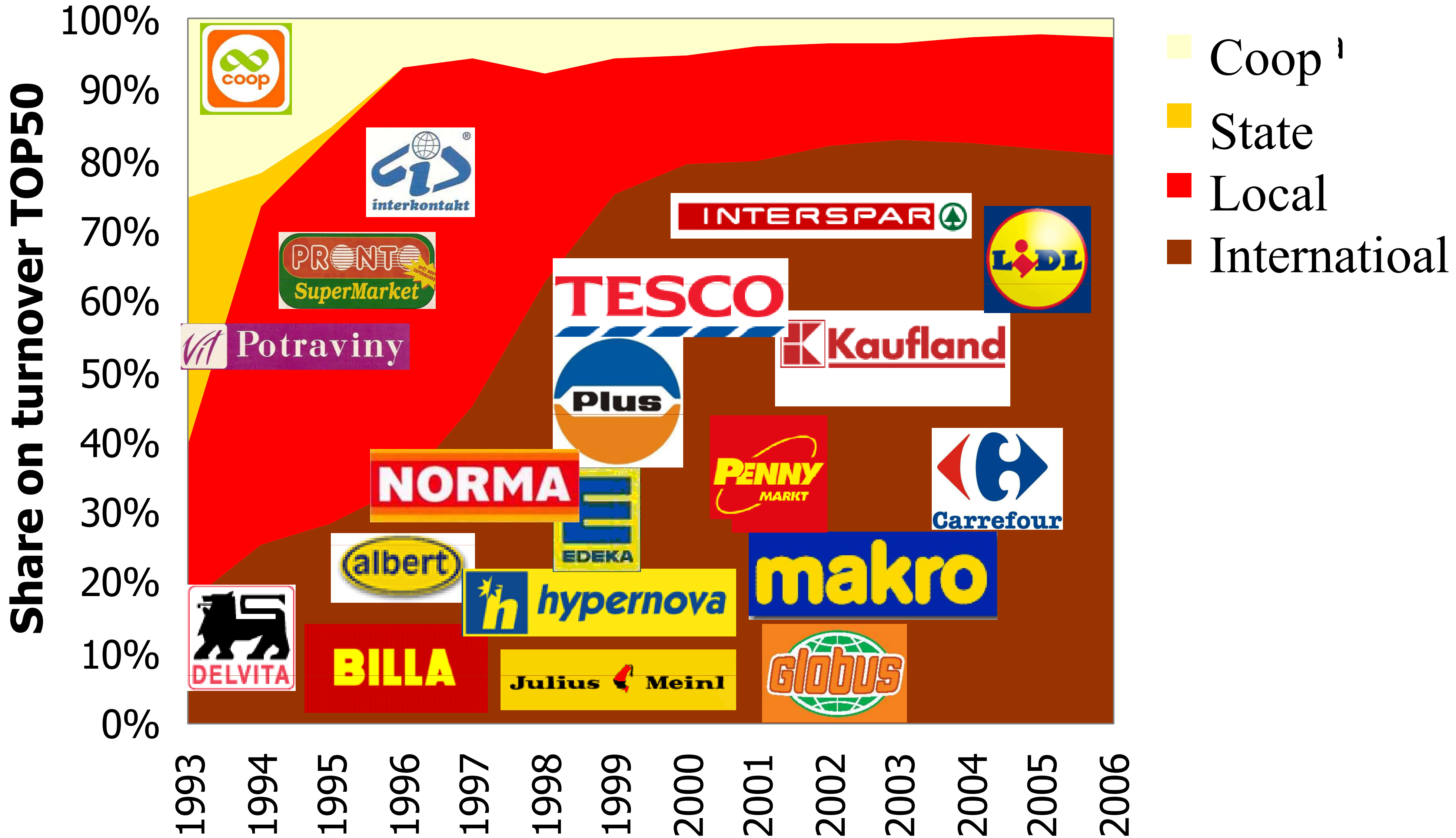
2006



1 hypermarket per
50.000 shoppers

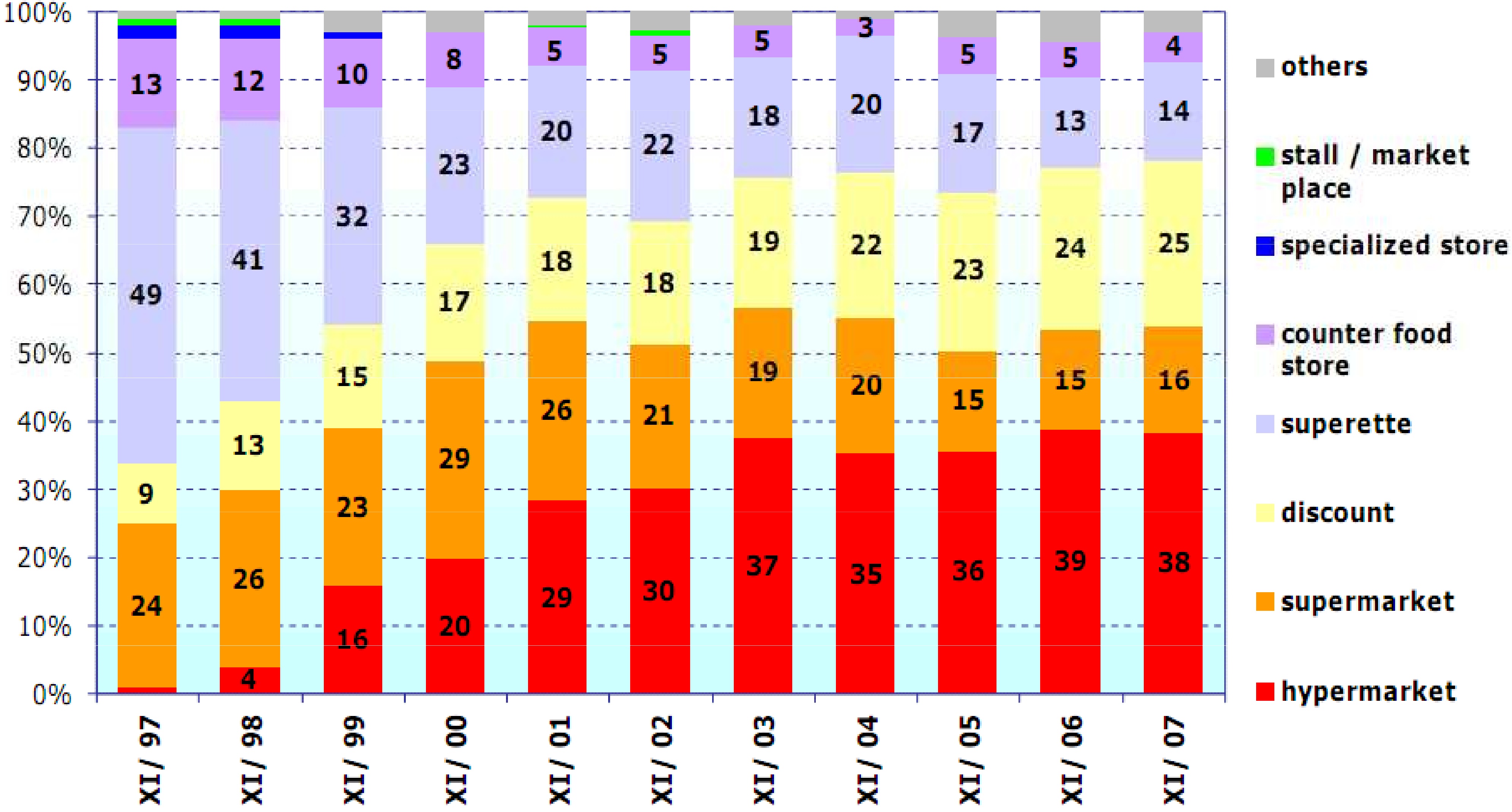
1 big shopping centre per
350.000 shoppers

The share of turnover per proprietor type

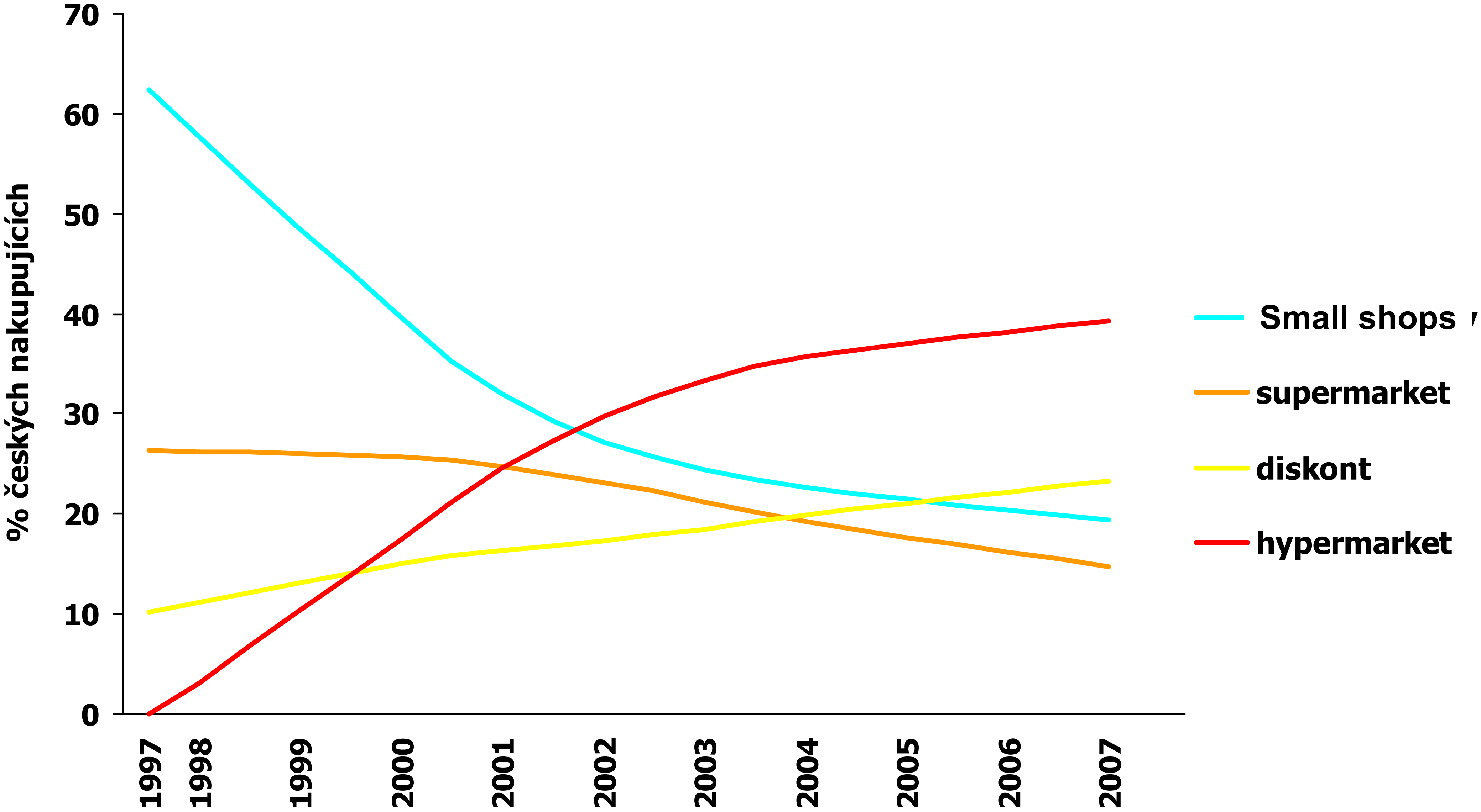


Pramen: INCOMA Research

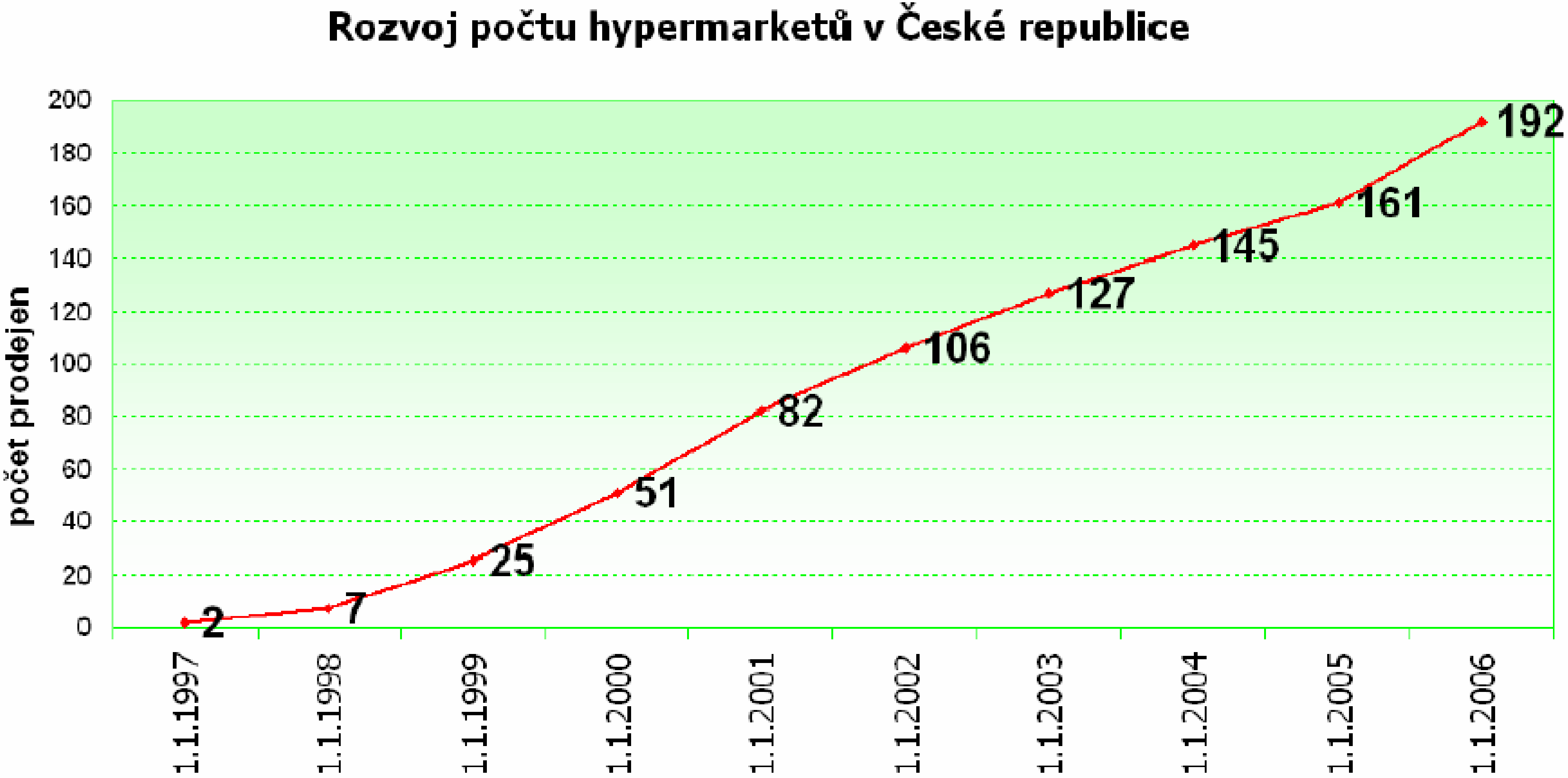
THE MAIN SHOPPING PLACE FOR FOOD (development 1997-2007)



THE MAIN SHOPPING PLACE FOR FOOD (development 1997-2007)



Cumulative number of hypermarkets



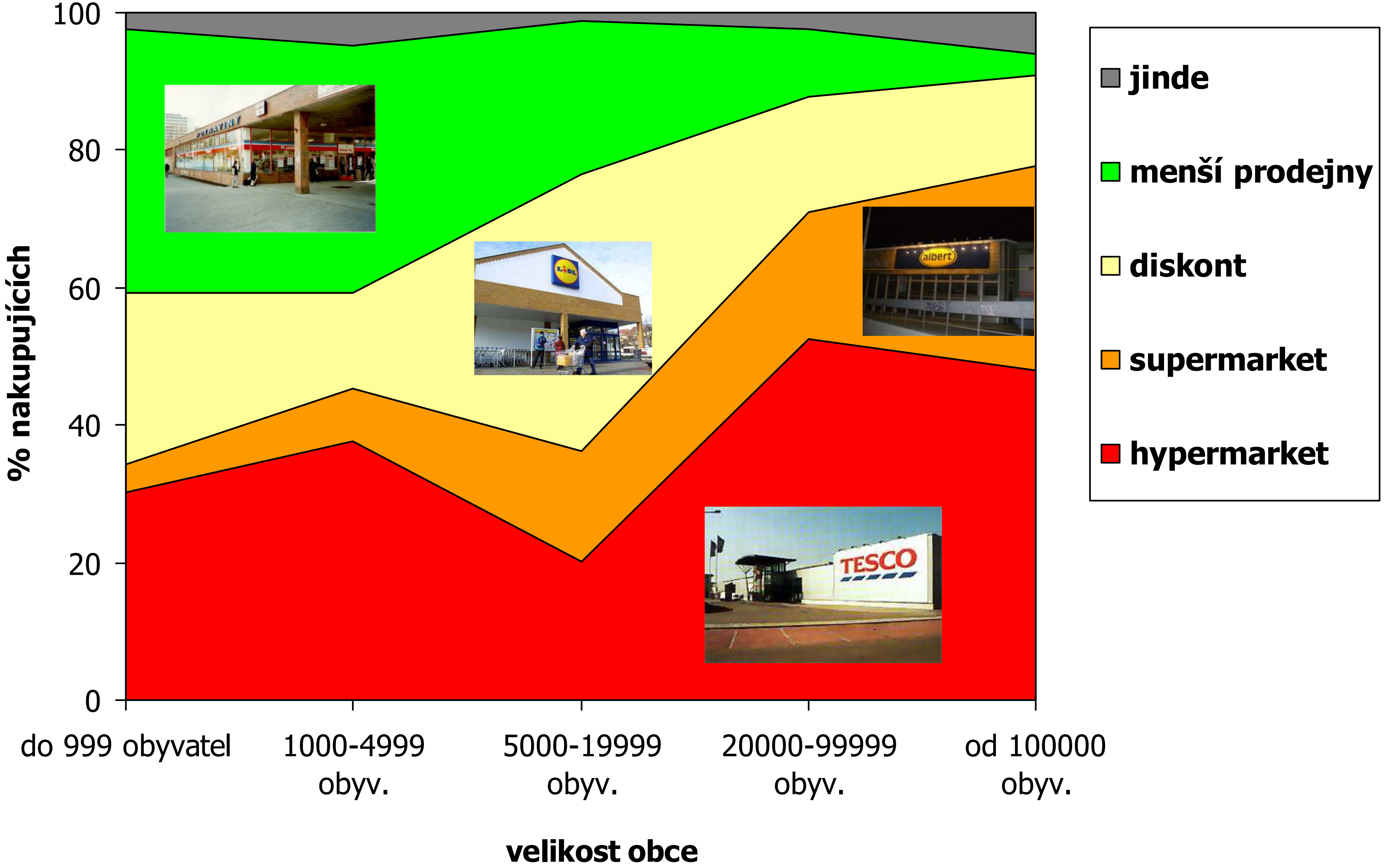
Zdroj: INCOMA Research

Tendencies in Czech retail 2008

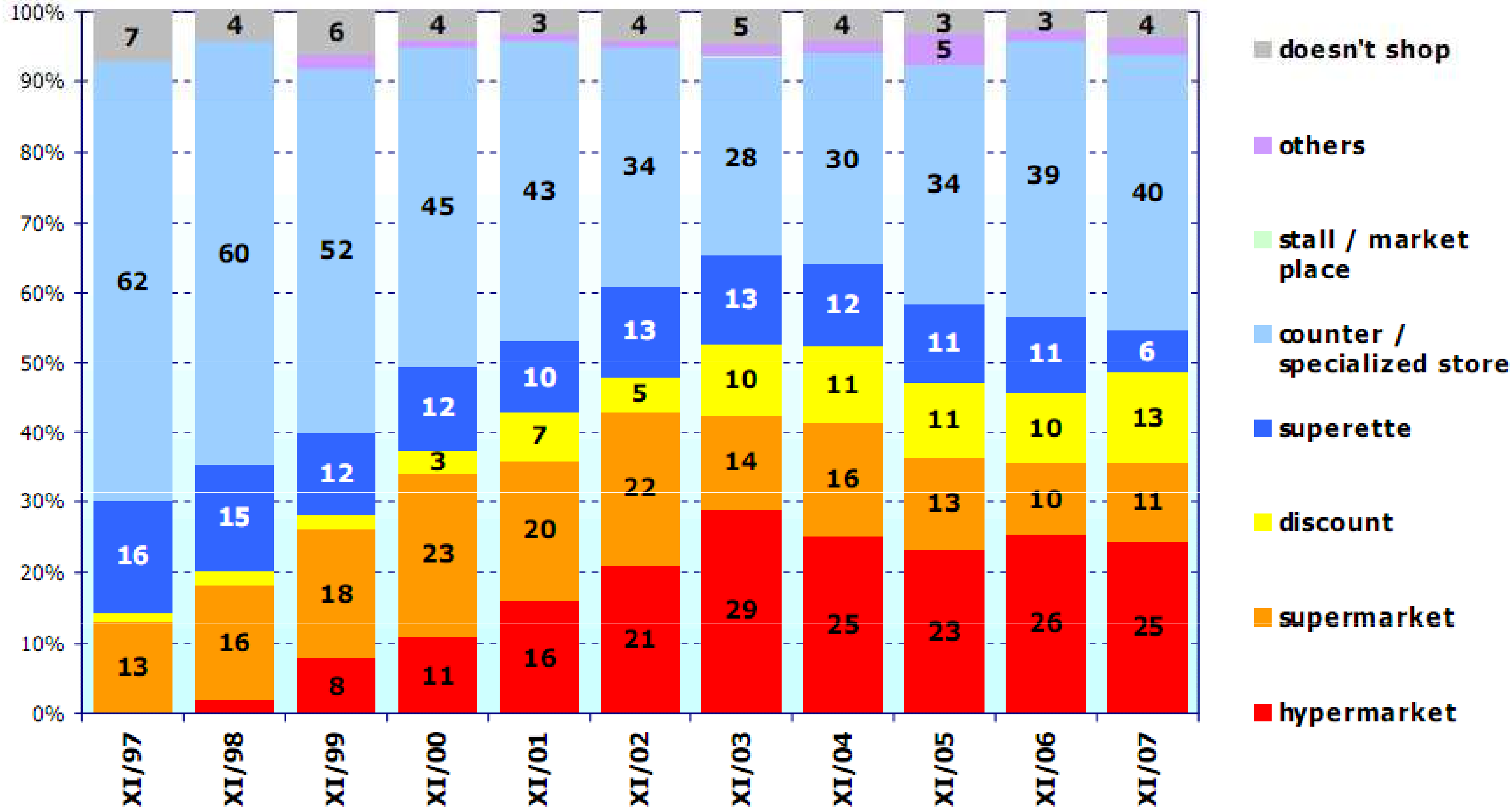
- Large-area shops (hypermarkets, discounts and supermarkets) as a whole have been permanently strengthening their market share but have been losing customers in sensitive goods categories.

- Remain the main point for shopping of durable food products as packed food products, beverages (Consumers preferences are usually from 75% to 83%
- Loosing in fresh food products (bread, pastry etc.) or specialized assortment of drugstore and cosmetics products (which are interesting from point of view of the margin!!!)

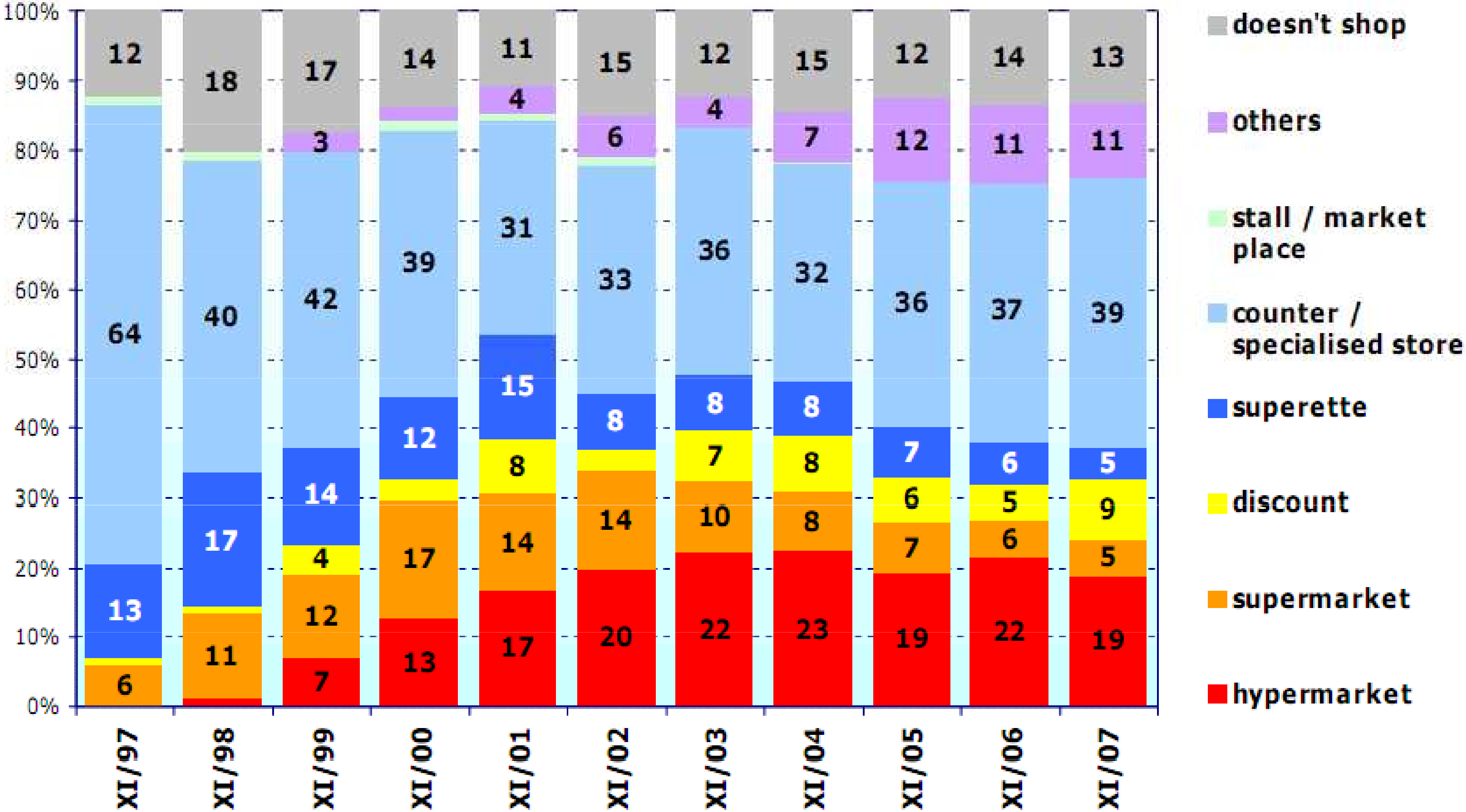
Market share and the size of municipality

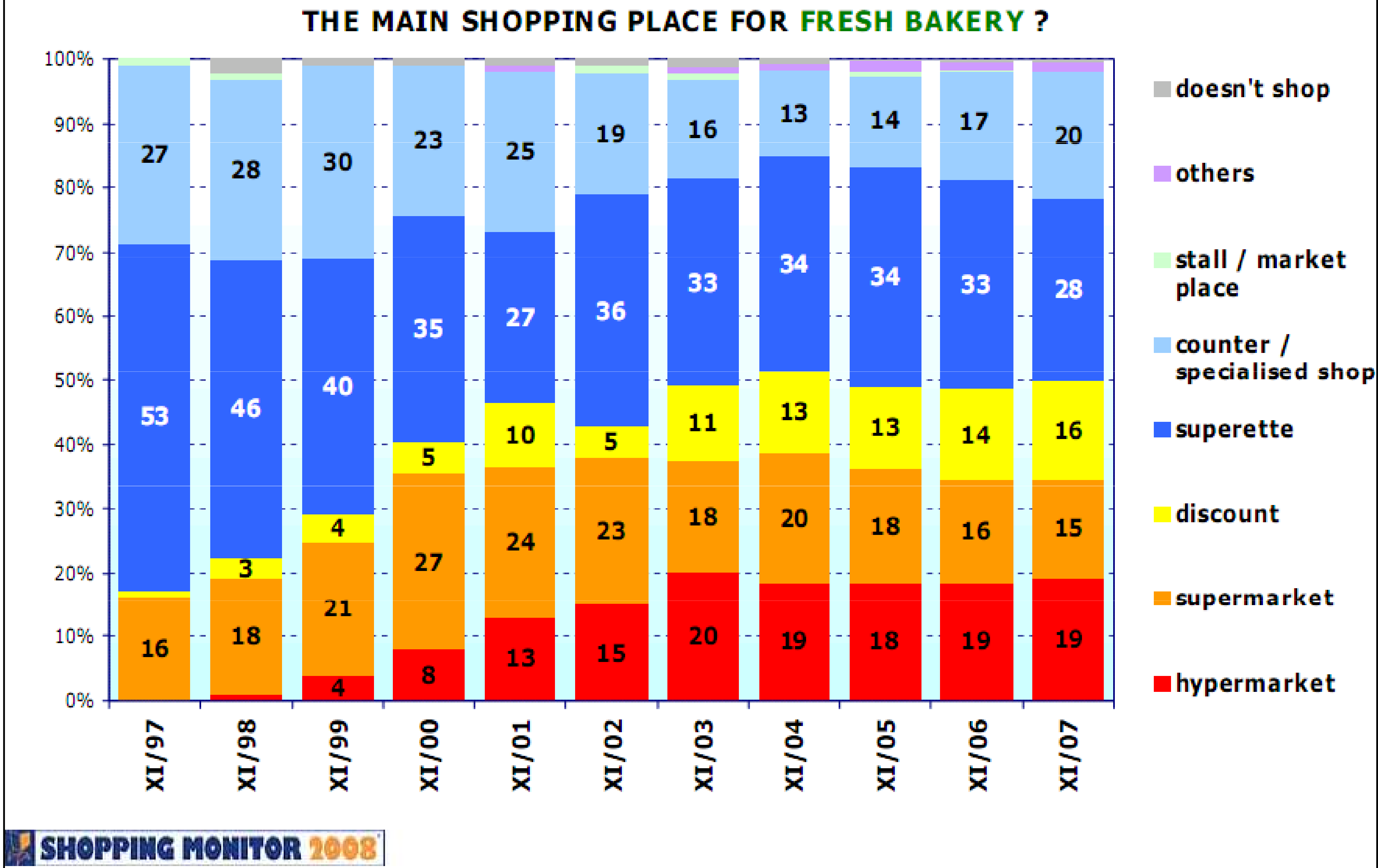


THE MAIN SHOPPING PLACE FOR FRESH MEAT ?



THE MAIN SHOPPING PLACE FOR COSMETICS ?

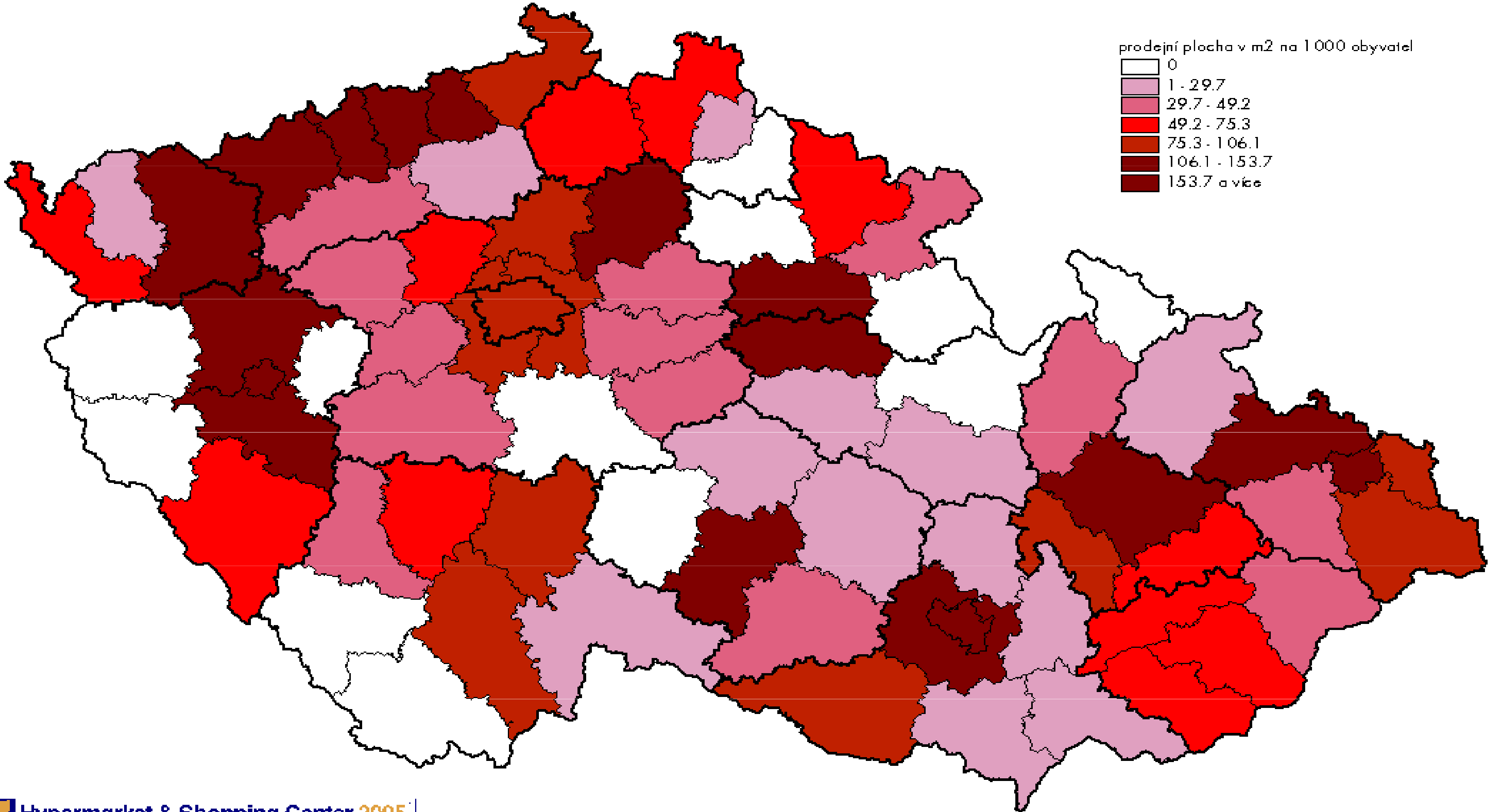



THE MAIN SHOPPING PLACE FOR FRESH BAKERY ?
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
XI/97
XI/98
XI/99
XI/00
XI/01
XI/02
XI/03
XI/04
XI/05
XI/06
XI/07
27 28 30 23 25 19 16 13 14 17 20
53 46 40 35 27 36 33 34 34 33 28
3 4 5 10 5 11 13 13 14 16
16 18 21 27 24 23 18 20 18 16 15
4 8 13 15 20 19 18 19 19
doesn't shop
others
stall / market place
counter / specialised shop
superette
discount
supermarket
hypermarket
SHOPPING MONITOR 2008

Floor space of hypermarkets in squere meters per 1000 inhabitants

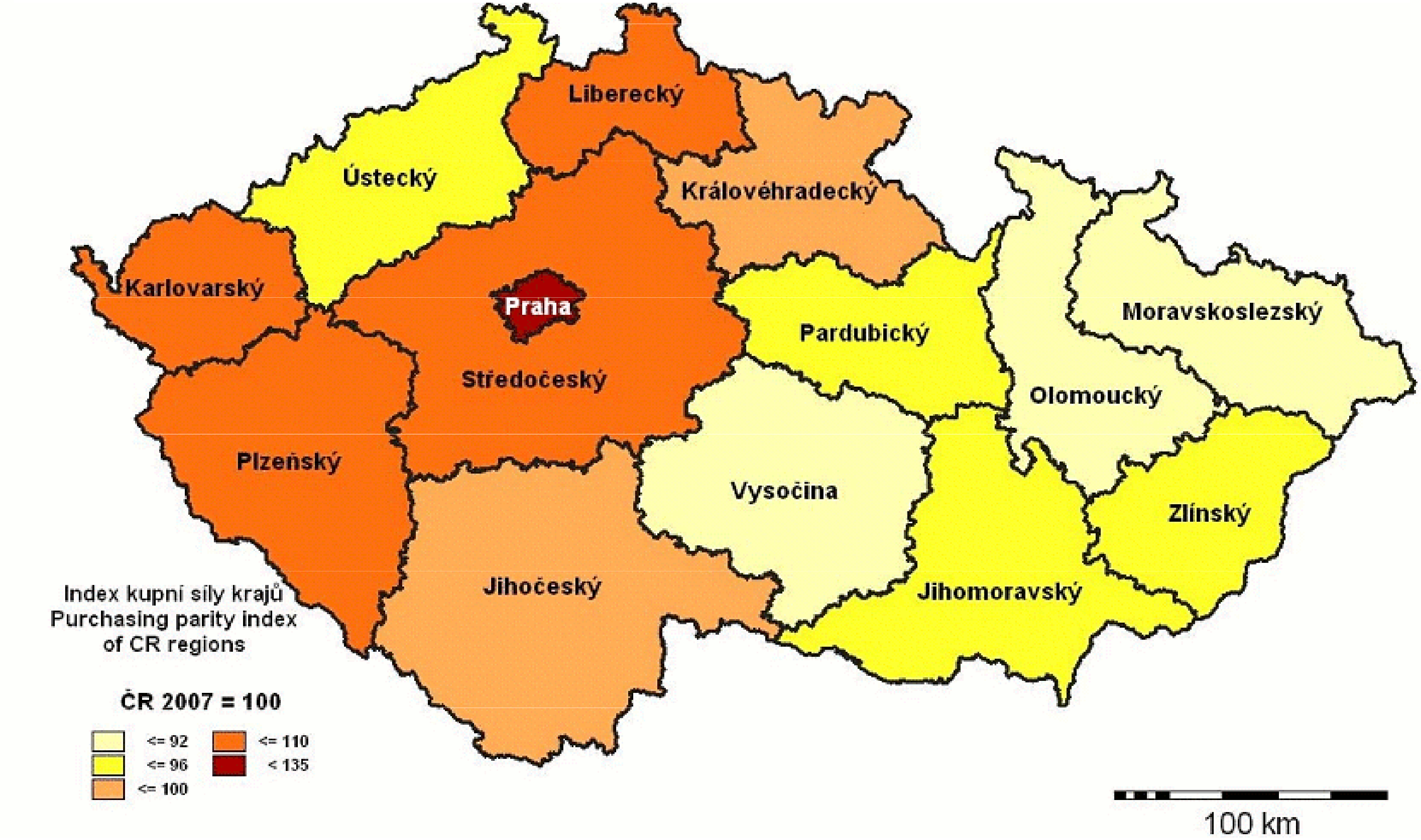
1.25. Prodejní plochy hypermarketů v okresech České Republiky na 1000 obyvatel (1.1.2005)

(příměstské okresy - Praha východ, Praha západ, Plzeň jih, Plzeň sever, Brno venkov - jsou přiřazeny k příslušným metropolím)

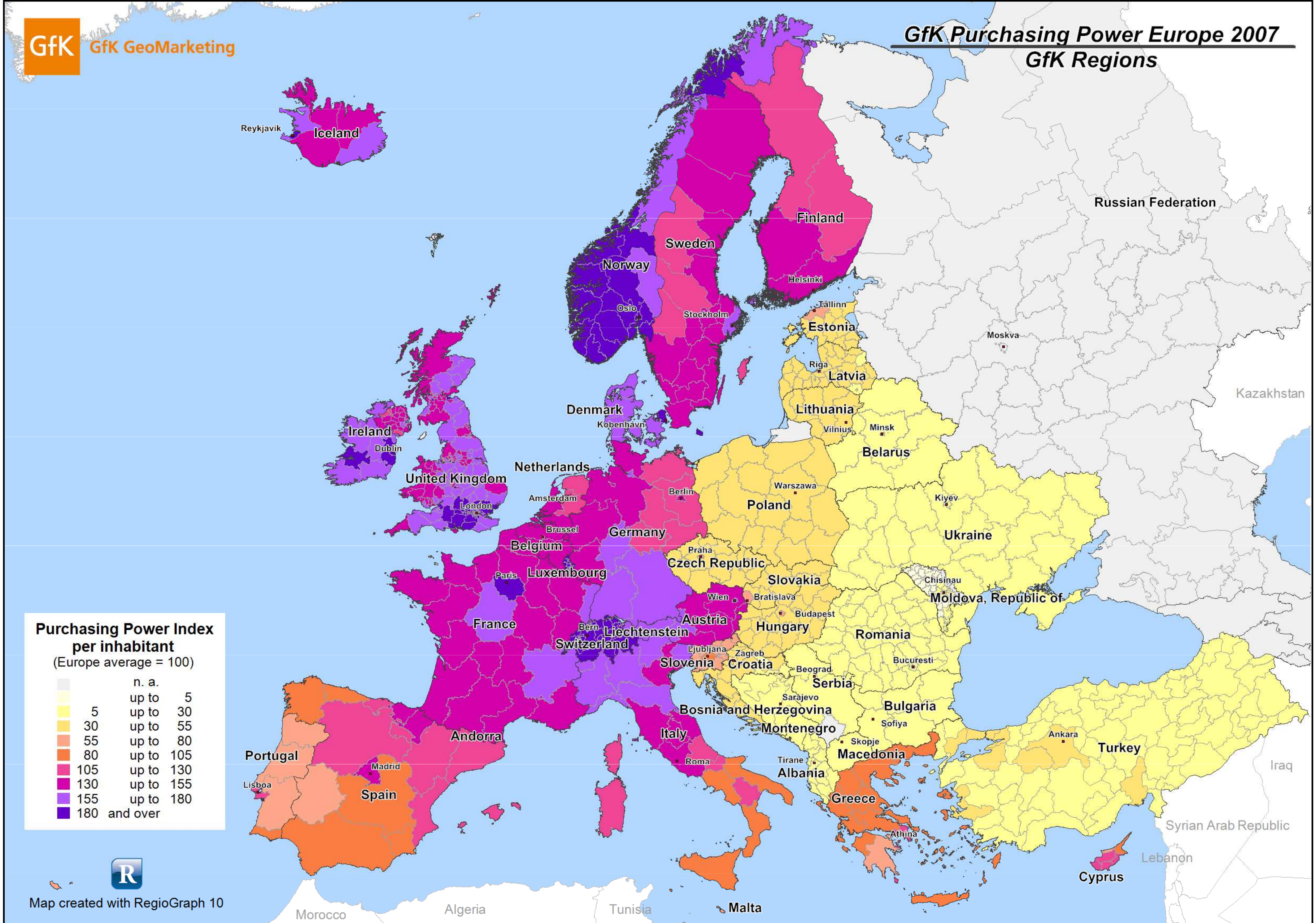


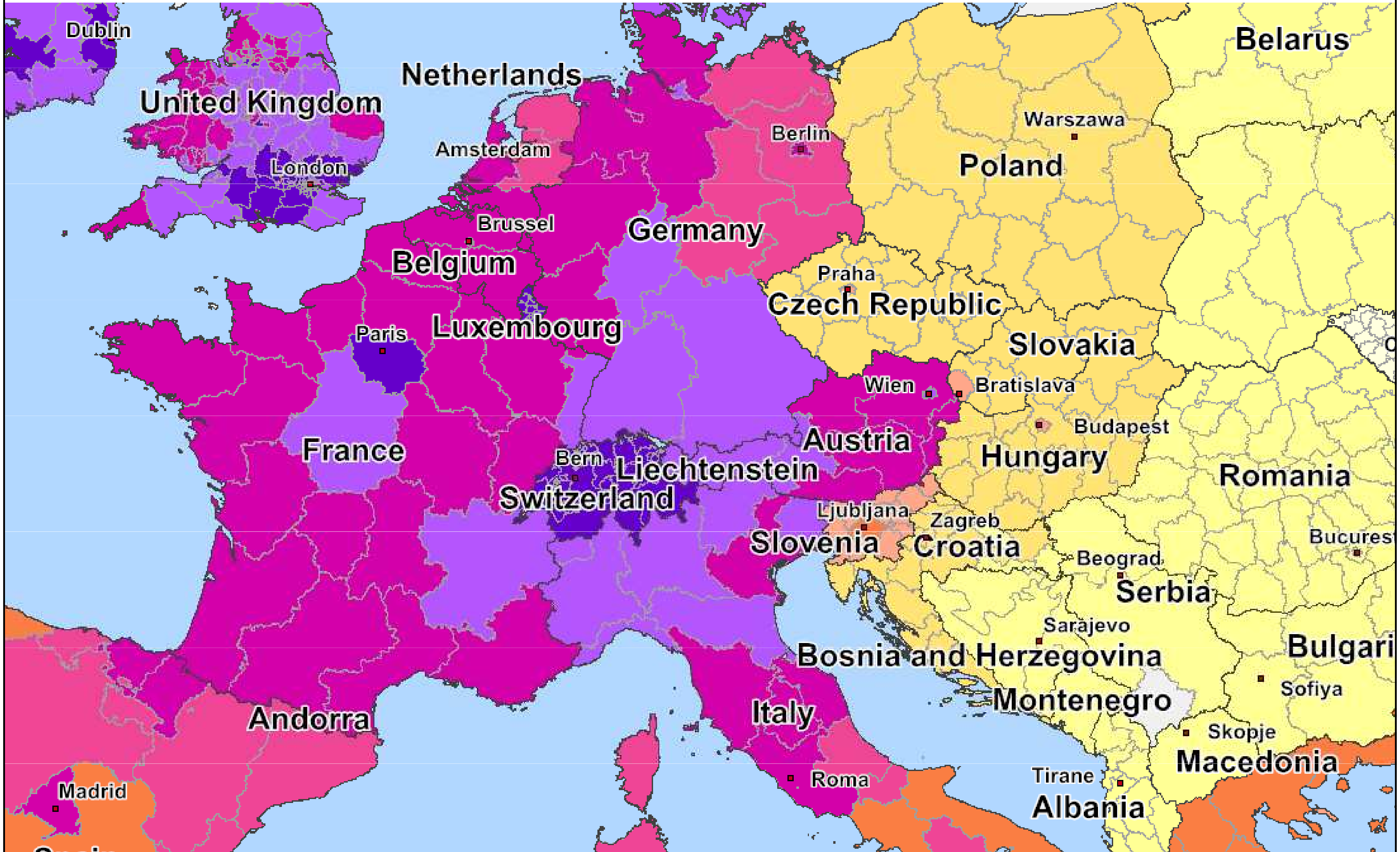
Hypermarket & Shopping Center 2005

The differences in per capita purchasing power in the Czech regions



Source: Purchasing power in the Czech districts and municipalities 2005 (GfK + INCOMA)


GfK GeoMarketing
GfK Purchasing Power Europe 2007
GfK Regions
Purchasing Power Index
per inhabitant
(Europe average = 100)
n. a.
up to 5
5 up to 30
30 up to 55
55 up to 80
80 up to 105
105 up to 130
130 up to 155
155 up to 180
180 and over
Map created with RegioGraph 10
Iceland
Reykjavik
Norway
Oslo
Sweden
Stockholm
Finland
Helsinki
Russian Federation
Moskva
Kazakhstan
Estonia
Tallinn
Latvia
Riga
Lithuania
Vilnius
Belarus
Minsk
Denmark
København
Ireland
Dublin
United Kingdom
London
Netherlands
Amsterdam
Berlin
Germany
Poland
Warszawa
Ukraine
Kiyev
Brussel
Belgium
Paris
Luxembourg
France
Praha
Czech Republic
Slovakia
Bratislava
Wien
Austria
Budapest
Hungary
Chisinau
Moldova, Republic of
Romania
Bucuresti
Bern
Liechtenstein
Switzerland
Ljubljana
Slovenia
Zagreb
Croatia
Beograd
Serbia
Sarajevo
Bosnia and Herzegovina
Montenegro
Bulgaria
Sofiya
Skopje
Macedonia
Tirane
Albania
Greece
Athina
Turkey
Ankara
Iraq
Syrian Arab Republic
Lebanon
Cyprus
Italy
Roma
Andorra
Portugal
Lisboa
Madrid
Spain
Malta
Morocco
Algeria
Tunisia


Dublin
United Kingdom
London
Netherlands
Amsterdam
Berlin
Warszawa
Belarus
Poland
Brussel
Belgium
Germany
Praha
Czech Republic
Paris
Luxembourg
Slovakia
Wien
Bratislava
Budapest
France
Austria
Hungary
Bern
Liechtenstein
Switzerland
Romania
Ljubljana
Zagreb
Slovenia
Croatia
Beograd
Serbia
Sarajevo
Bosnia and Herzegovina
Sofiya
Montenegro
Skopje
Macedonia
Andorra
Italy
Roma
Tirane
Albania
Madrid

Country	Rank in 2006		Rank in 2007	Purchasing Power 2007 per capita in EUR
Switzerland and Liechtenstein	1	→	1	27,521
Luxembourg	2	→	2	27,395
Norway	3	→	3	24,993
Ireland	6	↗	4	22,207
Denmark	4	↘	5	21,521
Iceland	5	↘	6	20,511
UK	7	→	7	19,863
Austria	8	→	8	18,960
France	9	→	9	18,873
Germany	10	→	10	18,055
Sweden	13	↗	11	17,217
Belgium	11	↘	12	17,143
Finland	12	↘	13	16,882
Italy	14	→	14	16,617
Netherlands	15	→	15	15,814
Spain	16	→	16	13,431
Cyprus	17	→	17	12,344
Greece	18	→	18	12,203
Portugal	19	→	19	9,674
Slovenia	20	→	20	8,851
Malta	21	→	21	8,308
Czech Republic	22	→	22	5,625

Estonia	24	↗	23	5,611
Hungary	23	↘	24	5,462
Latvia	29	↗	25	4,978
Lithuania	28	↗	26	4,896
Slovakia	25	↘	27	4,889
Poland	26	↘	28	4,808
Croatia	27	↘	29	4,565
Serbia and Montenegro (from 2007 only Serbia)	32	↗	30	3,227
Turkey	31	→	31	3,182
Romania	30	↘	32	3,036
Bulgaria	33	→	33	2,453
Montenegro (from 2007)	34	→	34	2,338
Macedonia	35	→	35	2,069
Bosnia-Herzegovina	36	→	36	2,033
Belarus	37	→	37	1,764
Albania	38	→	38	1,599
Ukraine	39	→	39	1,487
Moldova	40	→	40	685
EUROPEAN AVERAGE				11,998

Source: GfK Purchasing Power Europe 2007/2008, GfK GeoMarketing

↗ Up since last year ↘ Down since last year → Same as since last year

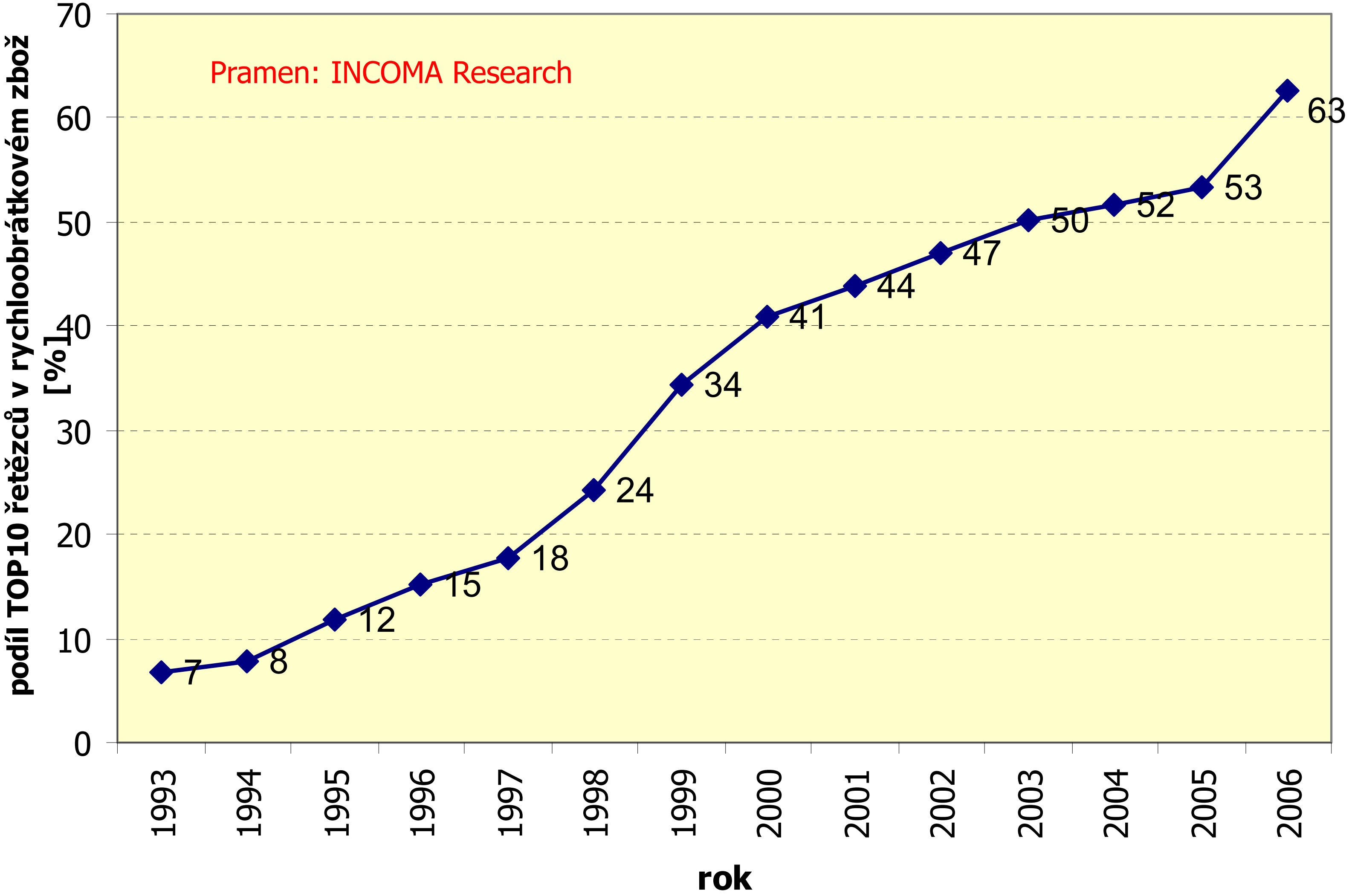
Cities with the highest shopping center space per 1,000 inhabitants

Western Europe *		**Eastern Europe**	
Leonding (Austria)	1,558 m2	Ljubljana (Slovenia)	1,667 m2
Sankt Pölten (Austria)	1,444 m2	Karlovy Vary (Czech Republic)	1,343 m2
Wiener Neustadt (Austria)	1,406 m2	Hradec Kralove (Czech Republic)	1,040 m2
Stockholm (Sweden)	1,165 m2	Plzen (Czech Republic)	922 m2
Geneva (Switzerland)	891 m2	Olomouc (Czech Republic)	899 m2

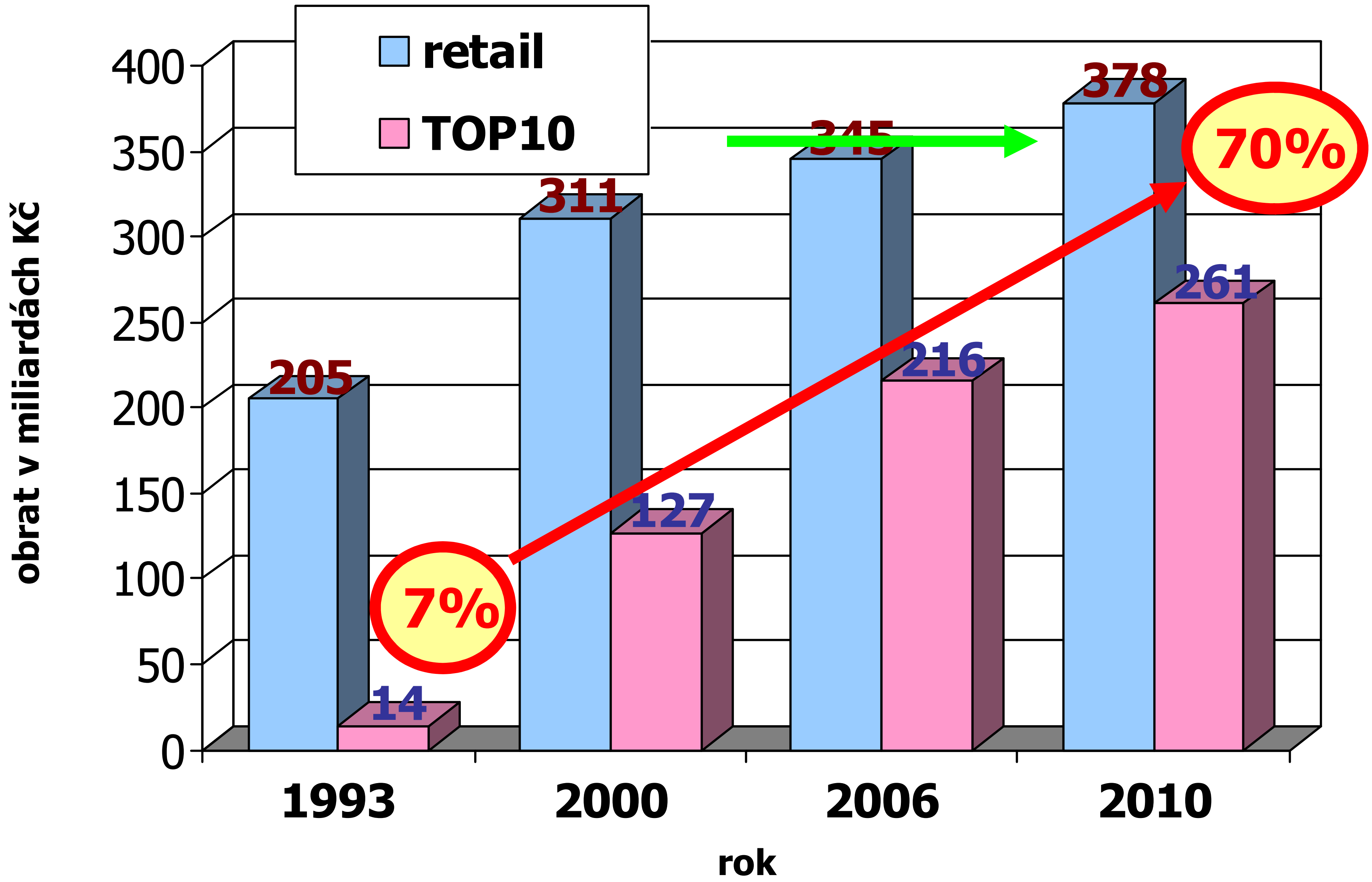
 * (*Germany and France are not included in the statistics. Germany is available separately as "GfK GeoMarketing Retail Location Guide Germany". The guide for France is currently under way. All retail location studies are updated annually.)*

	Czech Rep.	Germany
Purchasing parity level	66%	100%
Floor space in square meters per inhabitnat	75%	100%

Retail TOP10: process of concentration



Retail TOP10: process of concentration (turnover on Czech market)



Pramen: INCOMA Research

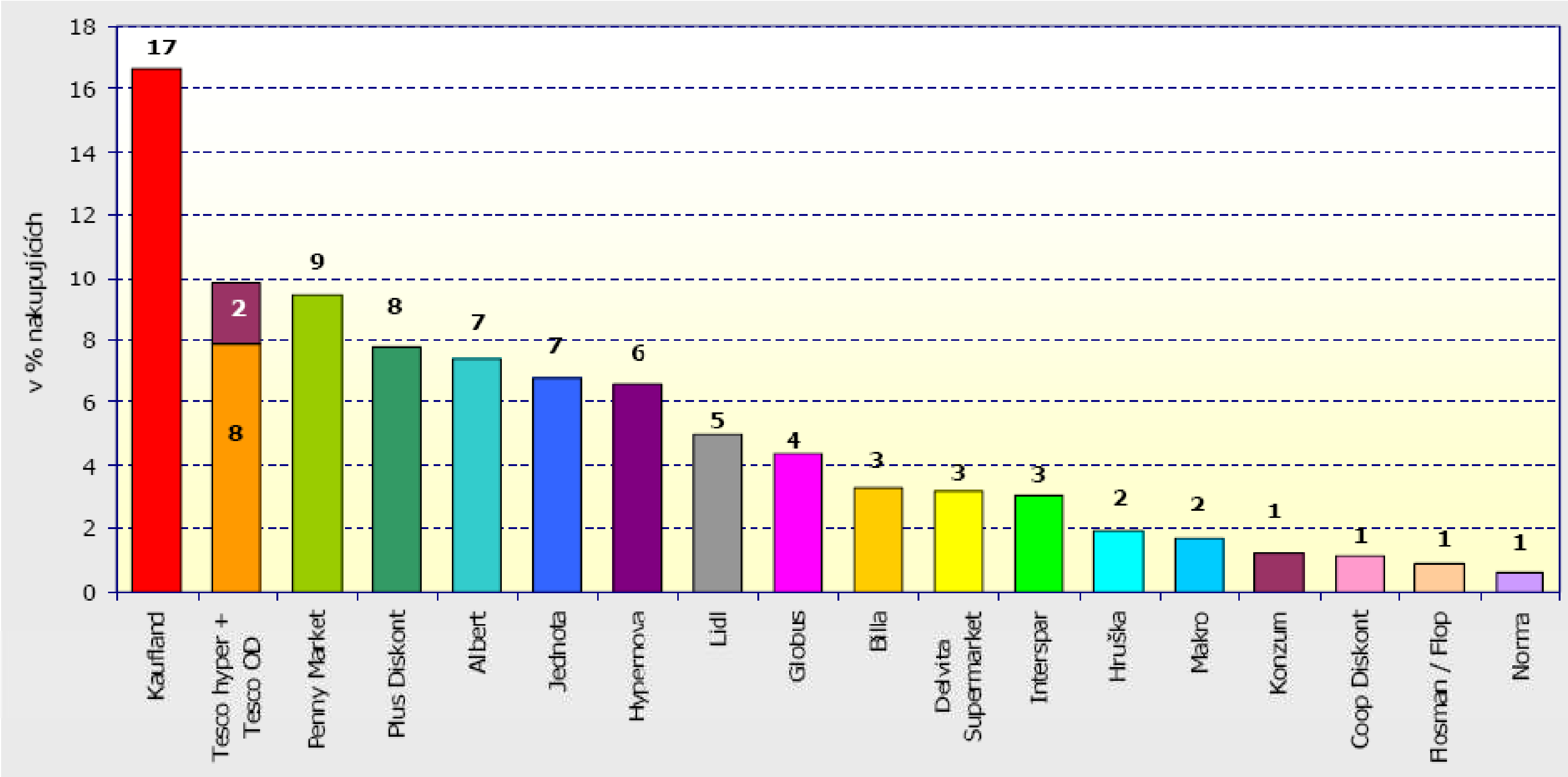
TOP10 SKUPIN PODLE MALOOBCHODNÍCH TRŽEB
(na základě předběžných výsledků r.2006)

Pořadí	Skupina / Firma	tržby (mld. Kč)				
		2005		2006		změna
1.	Schwarz ČR *Kaufland* *Lidl ČR*	38,0	*	43,5	*	5,5
2. - 3.	Ahold Czech Republic *Hypernova* *Albert*	36,5	*	38,5	*	2,0
2. - 3.	Tesco Stores ČR *Tesco hypermarket (vč. ex-Carrefour)* *Tesco obchodní dům* *Tesco supermarket (vč. ex-Edeka)*	22,5	*	38,5	*	16,0
4.	Makro Cash&Carry ČR	37,5		38,3		0,8
5.	REWE ČR *Billa* *Penny Market*	23,2	*	25,8	*	2,6
6.	Globus ČR	19,0		20,5		1,5
7.	Tengelmann ČR *Plus - Discount* *OBI - systémová centrála*	19,2	*	19,5	*	0,3
8.	GECO TABAK	12,5		14,9		2,4
9.	SPAR ČR *Spar Česká obchodní společnost* *Spar Šumava*	11,0	*	12,0	*	1,0
10.	Delvita	9,0	*	8,8	*	-0,2
1.-10.	**TOTAL**	**228,4**	*	**261,3**	*	**32,9**

Tržby jsou uvedeny včetně DPH
* = odhad INCOMA Research
Pramen: INCOMA Research + Moderní obchod

- Skupina Schwarz se stala největším českým maloobchodníkem
- Celkové tržby TOP10 přesáhly 250 mld. Kč
- Meziroční nárůst tržeb činí přes 30 mld. Kč

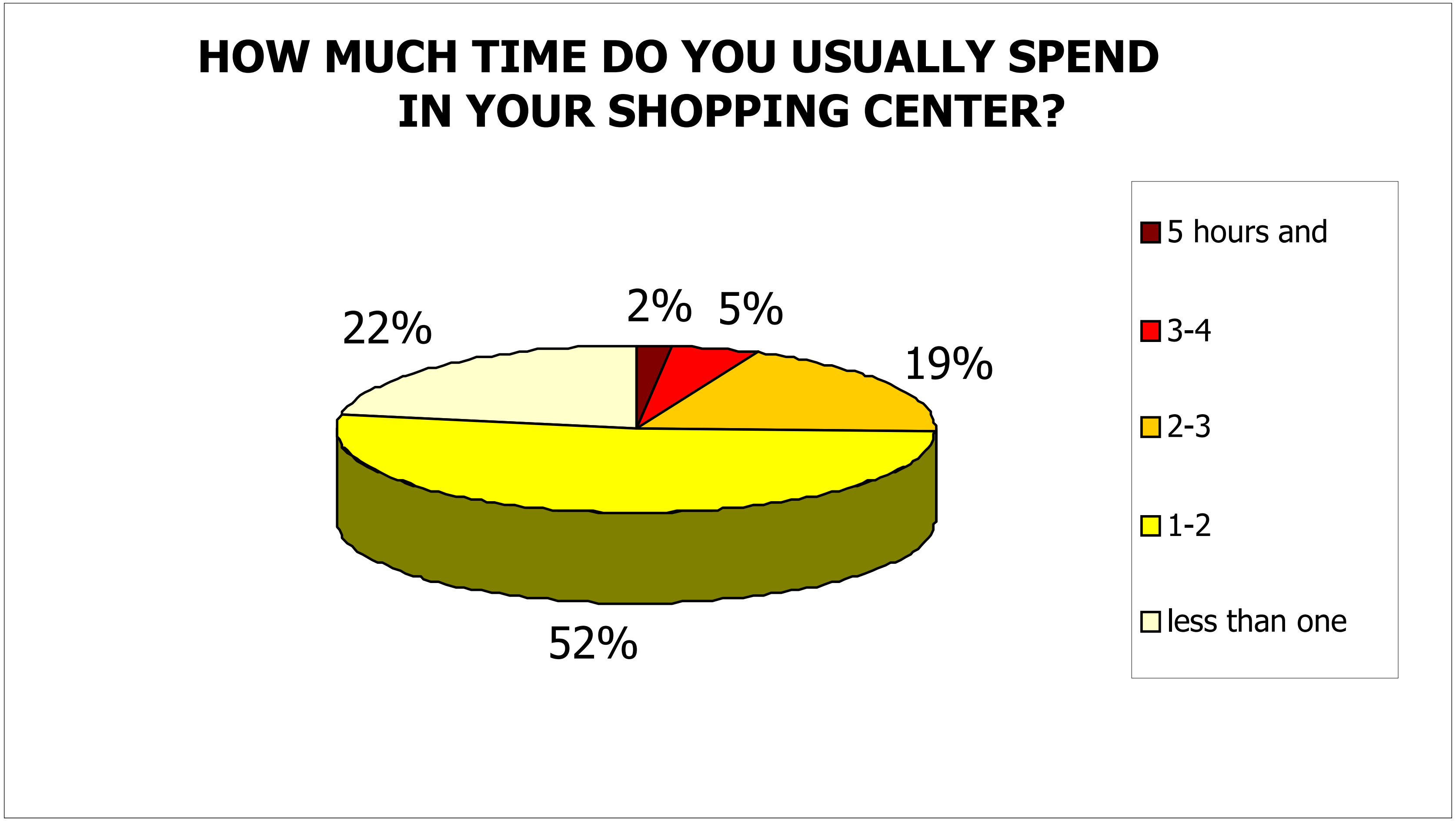
The main shopping place for food- 2006



HODNOCENÍ OBCHODNÍCH ŘETĚZCŮ ZÁKAZNÍKY	
nejpreferovanější řetězec (hlavní nákupní místo)	Kaufland
nejznámější řetězec bez nápovědy	Tesco
nejznámější řetězec s nápovědou	Lidl
Nejnavštěvovanější řetězec	Kaufland
Nejvyšší znalost letáků	Tesco
nejlépe hodnocené ceny	Kaufland
nejlépe hodnocená šíře sortimentu	Globus
nejlépe hodnocené prostředí a atmosféra prodejny	Globus
nejlépe hodnocená čerstvost a kvalita zboží	Globus
nejlépe hodnocená dostupnost a kvalita personálu	Tip, Konzum
CELKOVĚ NEJLÉPE HODNOCENÝ ŘETĚZEC	**Globus**

Pramen: Shopping Monitor 2006 (INCOMA Research + GfK Praha)

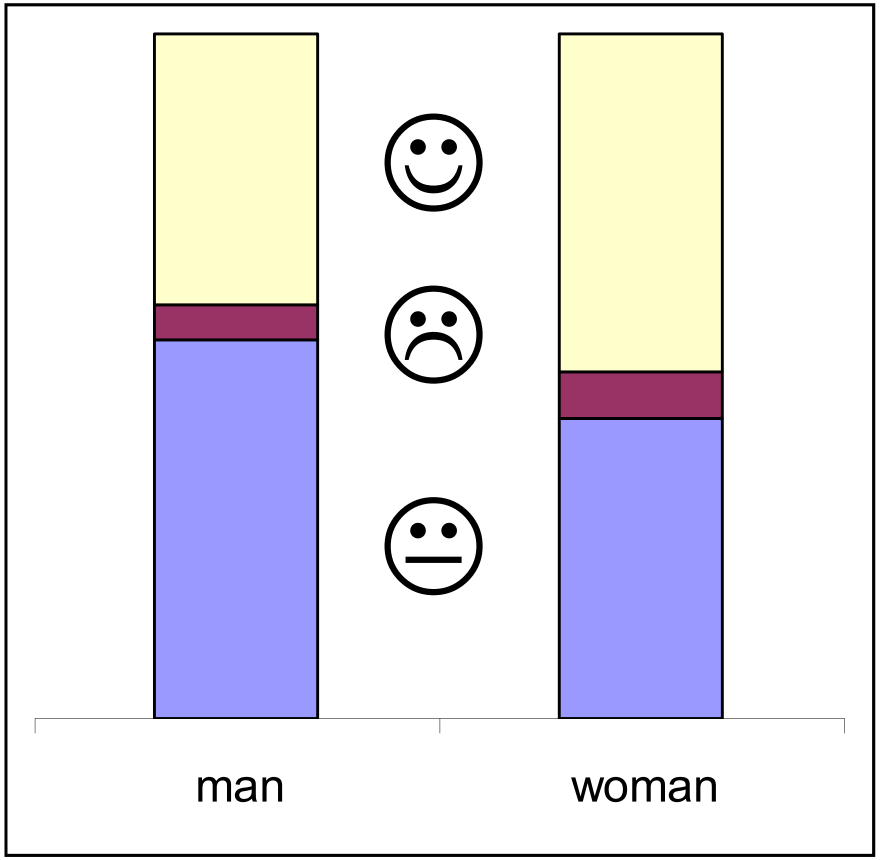
SHOPPING AS A WAY OF SPENDING TIME

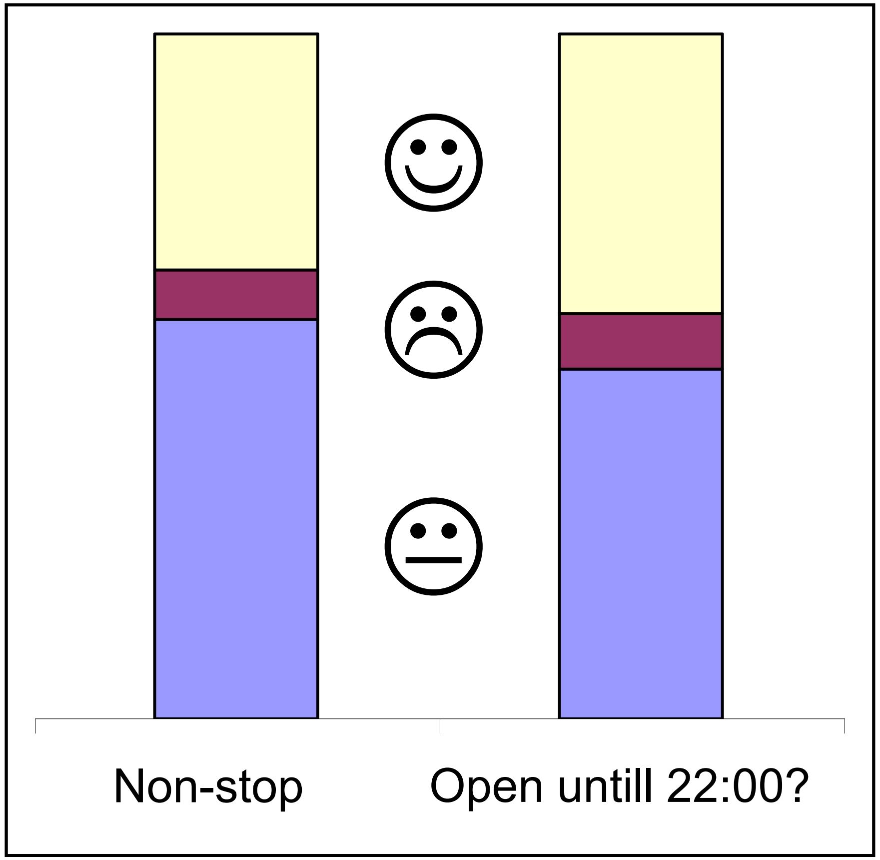


Source: SHOPPING MALL 2004 (INCOMA + GfK)

Selling time restriction

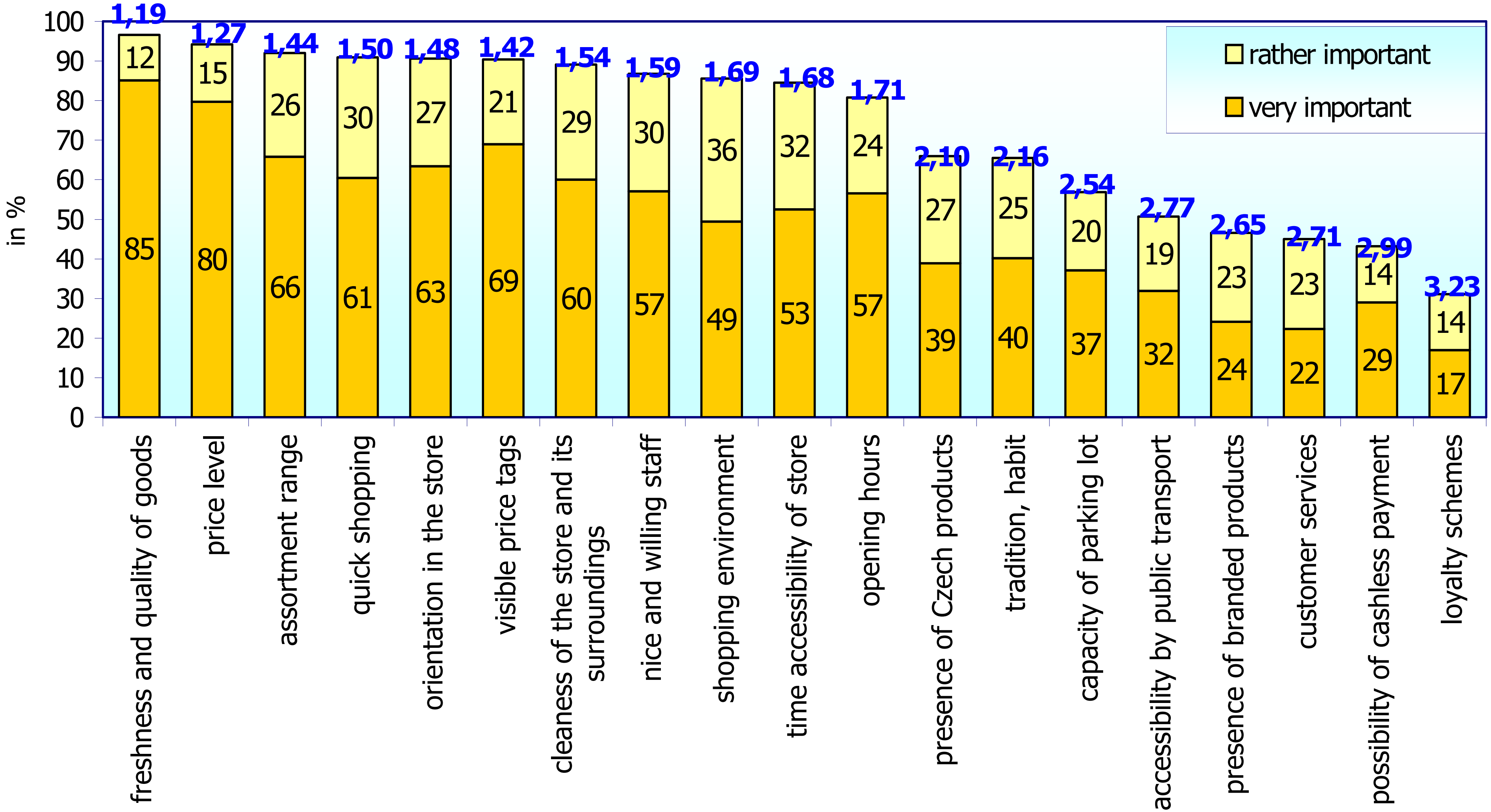
Shops open during
red-letter day?



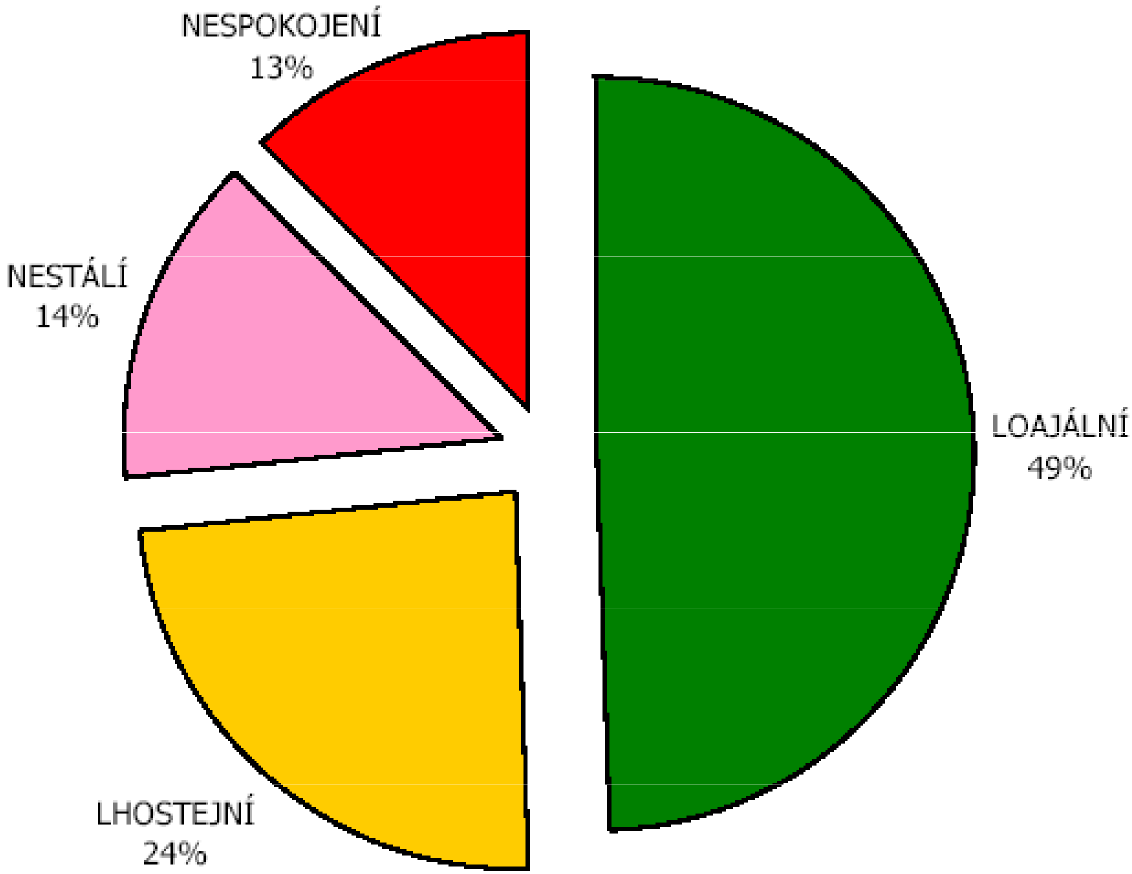


GfK Praha, 2004

WHAT IS IMPORTANT FOR YOU WHEN BUYING FOOD?



SLOŽENÍ ČESKÝCH NAKUPUJÍCH PODLE LOAJALITY



A new contradictious tendency?

Alternative trade channels

- In accordance with PriceWaterhouse Coopers, more than 50% of food will be traded outside classical retail. (That is, in independent convenience stores, stalls, in marketplace or multiplex.)
- Time-saving
- People-centered not technology-centered

A new contradictious tendency?

Two-way shopping

Why ATC?

- Aging population
- Single parent families, singles, one child f.
- No time for shopping

ATC in Czech rep.

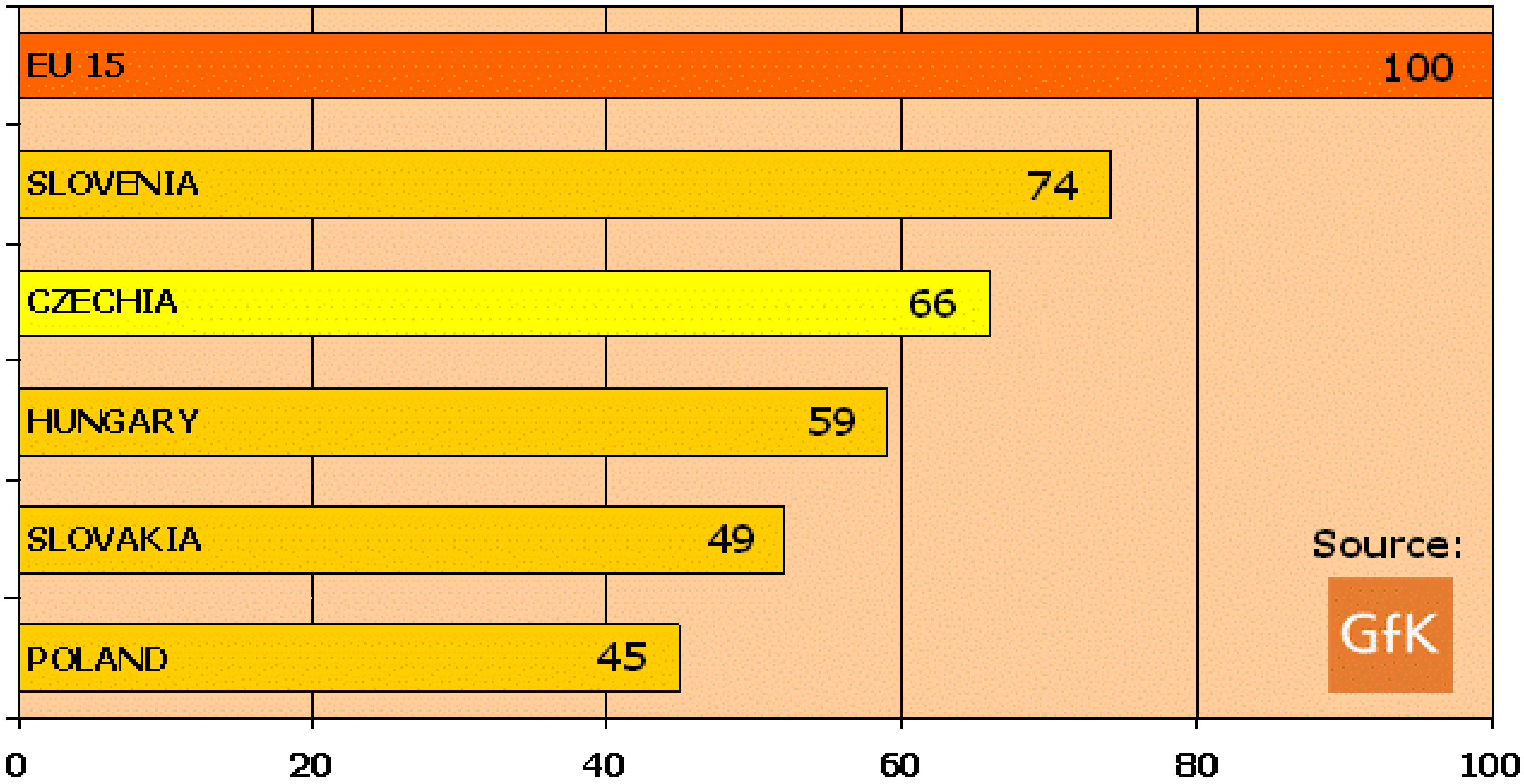
- Turnover 5-10 mdl. CZK per year
- Rate of grow: 10 – 20%

Attitudes Towards Shopping Centres (Czechia)

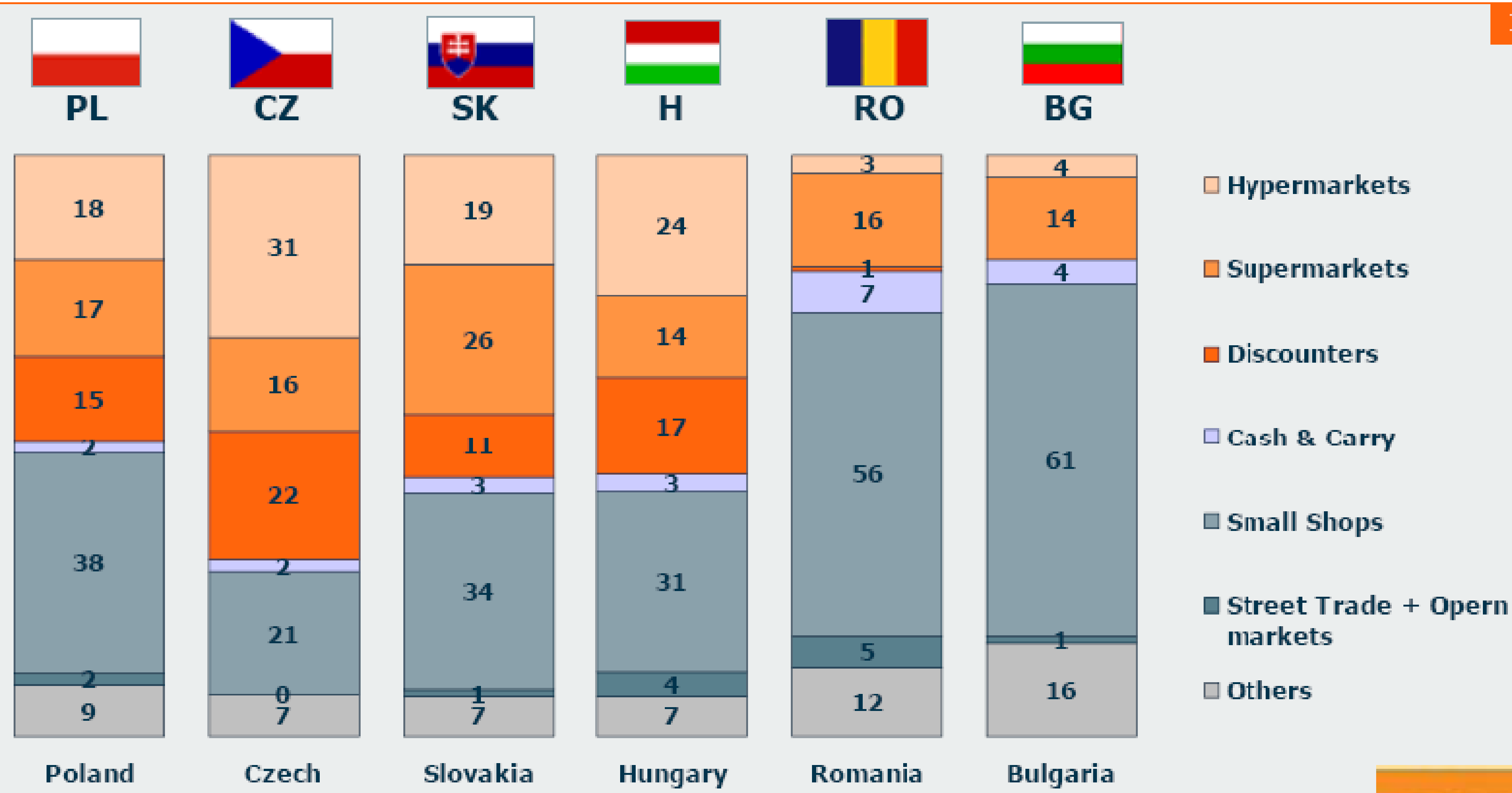
ICSC
GLOBAL ASSOCIATION FOR RETAIL PROPERTY

- Czech shoppers mostly visit more shopping centres (and compare)
- 54% prefer new shopping centres to traditional shopping streets
- 46% choose a shopping centre which offers low prices
- 51% usually go to the nearest centre, others don‘t mind to travel far for other benefits
- 74% mostly go by car, easy parking is an important issue
- 36% find public transport connection as a crucial condition
- 36% spend more in a shopping mall rather than in a hypermarket/ supermarket, this proportion has been growing year by year
- 55% don‘t mind spending more time in shopping centres, however they do not want to waste time there
- 54% visit gastronomy outlets there

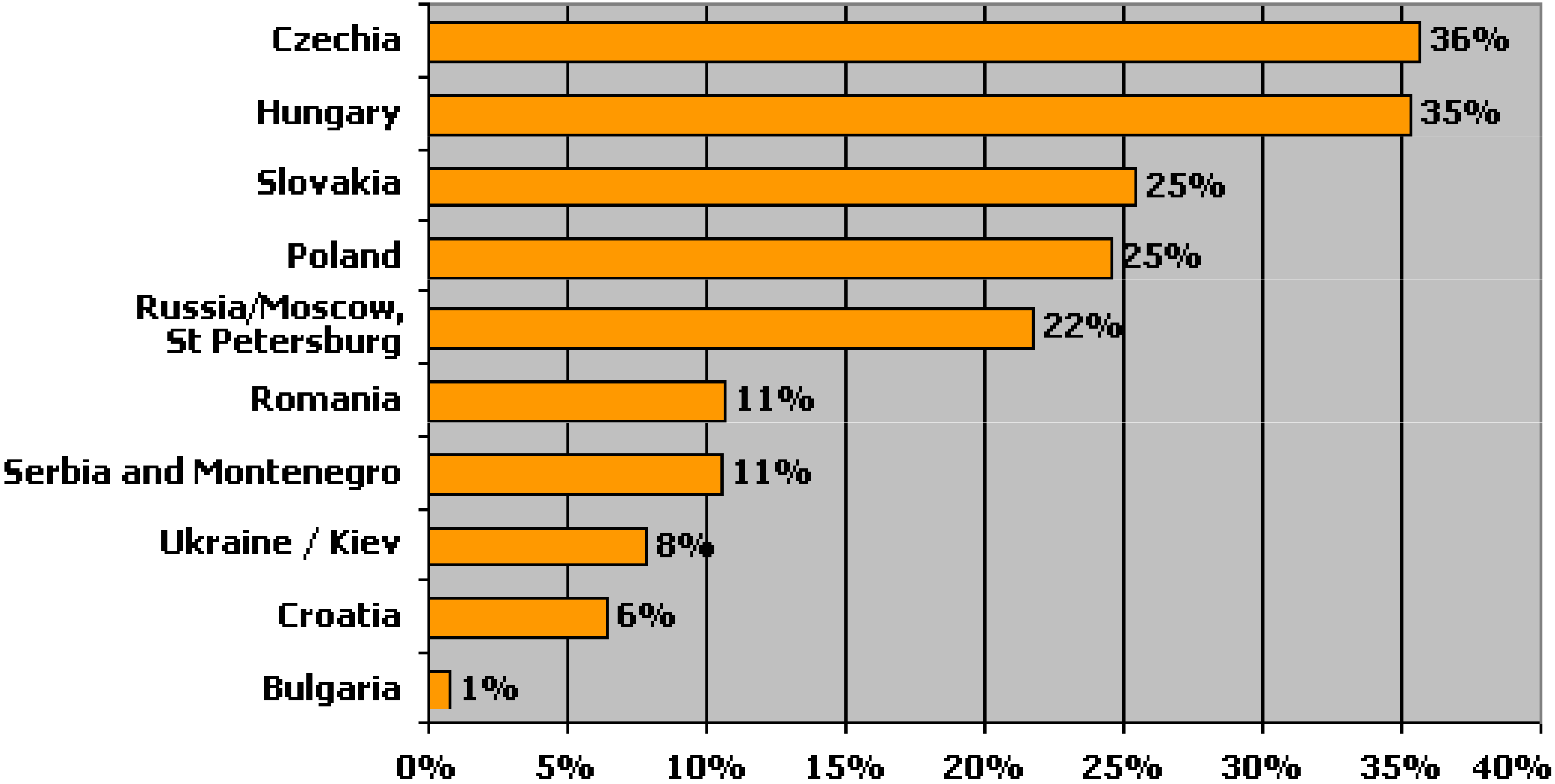
THE PER CAPITA PURCHASING PARITY LEVEL IN CENTRAL EUROPE RELATED TO EU 15



Trade Channels Market Shares in other countries
January-June 2005



Hypermarket as a preferred main shopping place in selected Central and Eastern European countries (%)

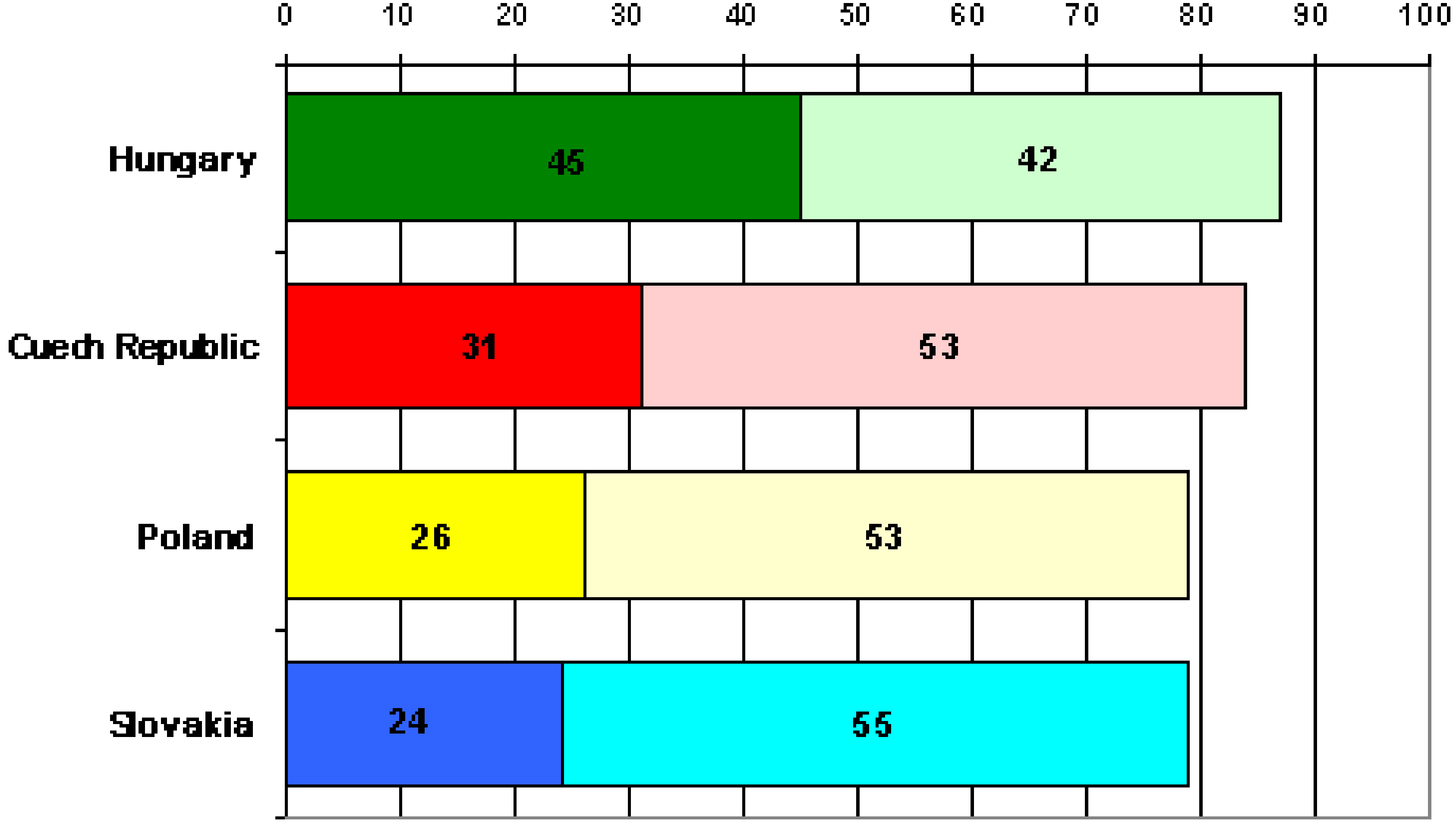


SHOPPING MONITOR - CEE

Source: GfK + INCOMA Research, 2006

SATISFACTION WITH THE PRICE LEVEL

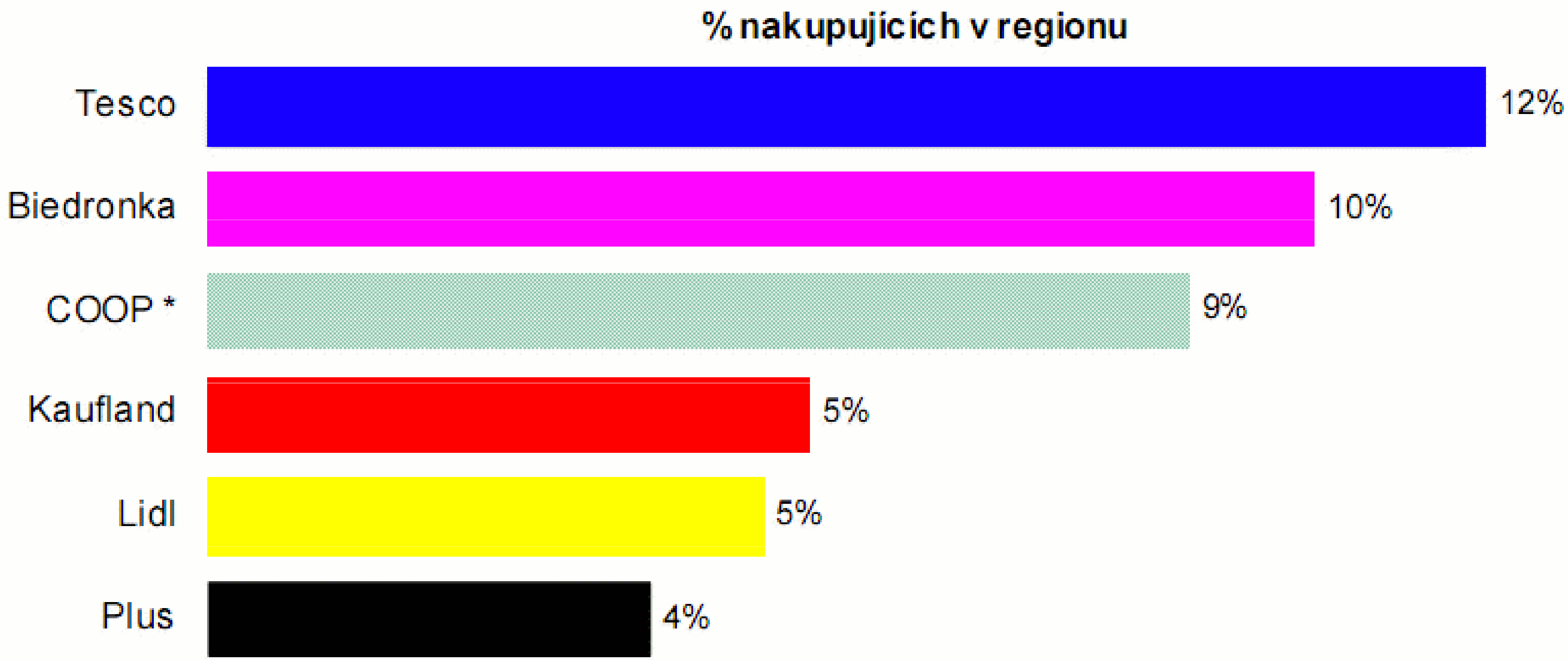
(in % of very and rather satisfied customers)



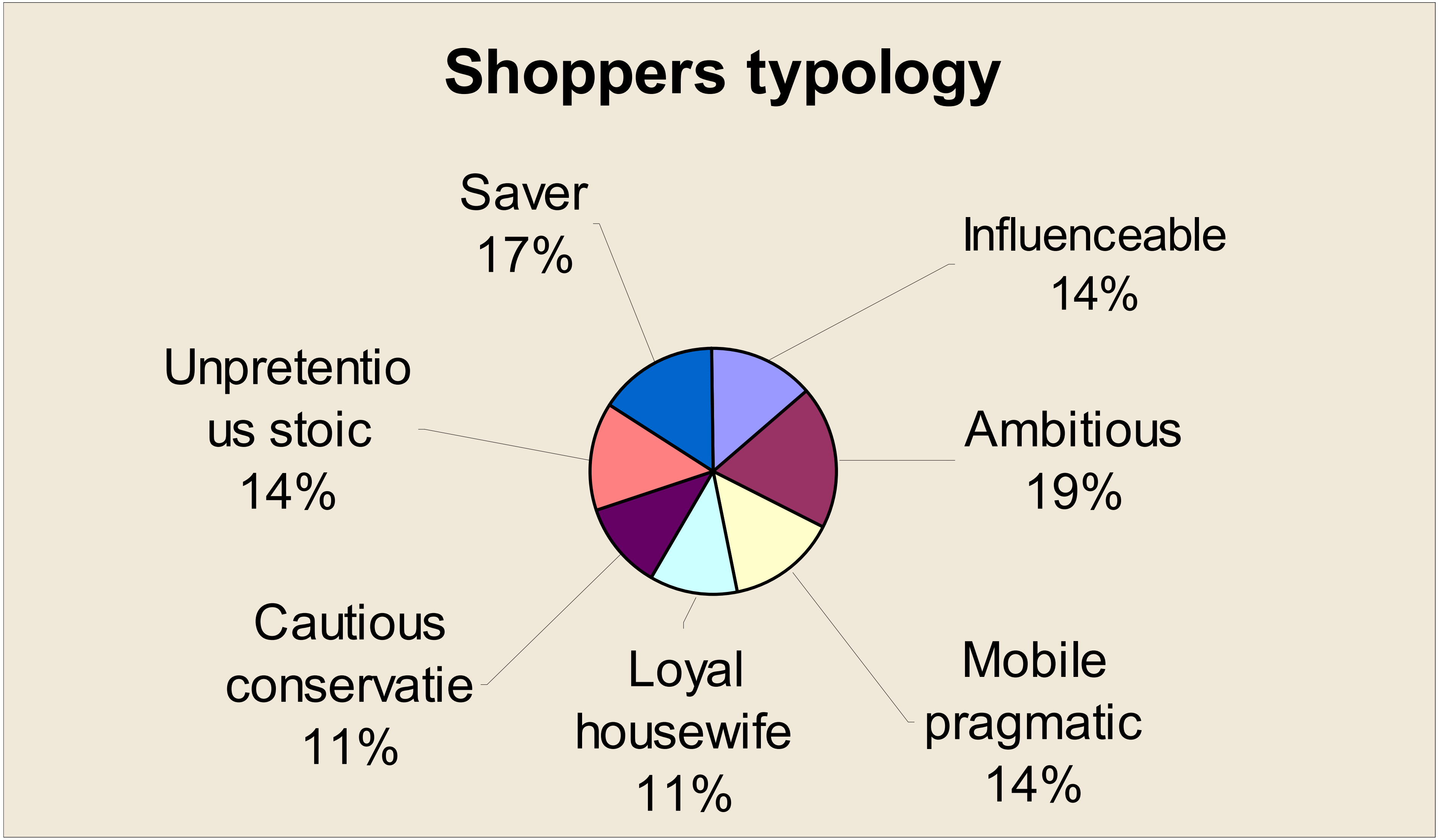
Source: SHOPPING MONITOR Central Europe (GfK + INCOMA)

PREFERENCE ŘETĚZCŮ VE VISEGRÁDSKÉM PROSTORU

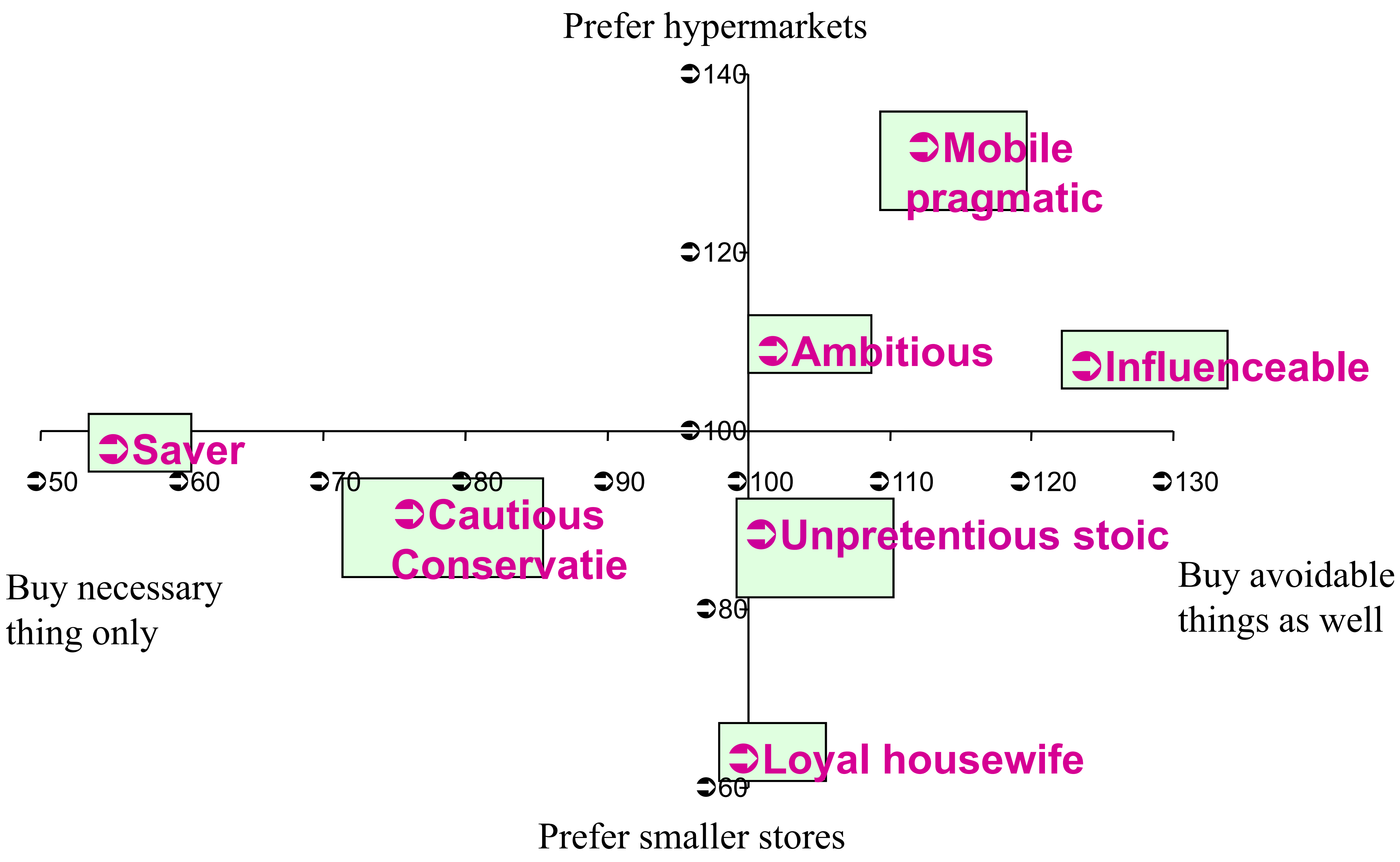
(CZ, PL, H, SK - hlavní nákupní místo rychloobrátkového zboží)



Pramen: SHOPPING MONITOR CEE 2007 (INCOMA Research + GfK)


Shoppers typology
Saver 17%
Influenceable 14%
Unpretentious stoic 14%
Ambitious 19%
Cautious conservatie 11%
Loyal housewife 11%
Mobile pragmatic 14%

Shopping behaviour



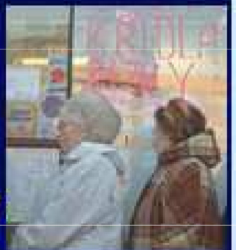
Typology According To The Main Factors Of Shopping Behaviour

ICSC
GLOBAL ASSOCIATION FOR RETAIL PROPERTY

IMMOBILE

PRICE SENSITIVE

UNDEMANDING



Thrifty

DEMANDING

Communicative housekeeper

PRICE NON-SENSITIVE

UNDEMANDING

Undemanding conservative

DEMANDING

Comfortable opportunist

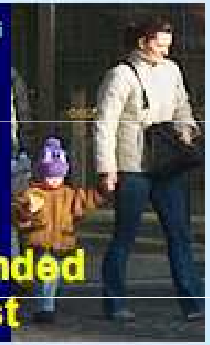
MOBILE

PRICE SENSITIVE

UNDEMANDING

Mobile pragmatic

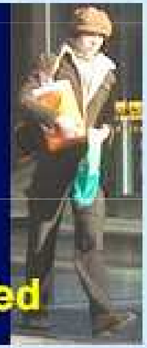
DEMANDING



Openminded strategist

PRICE NON-SENSITIVE

UNDEMANDING

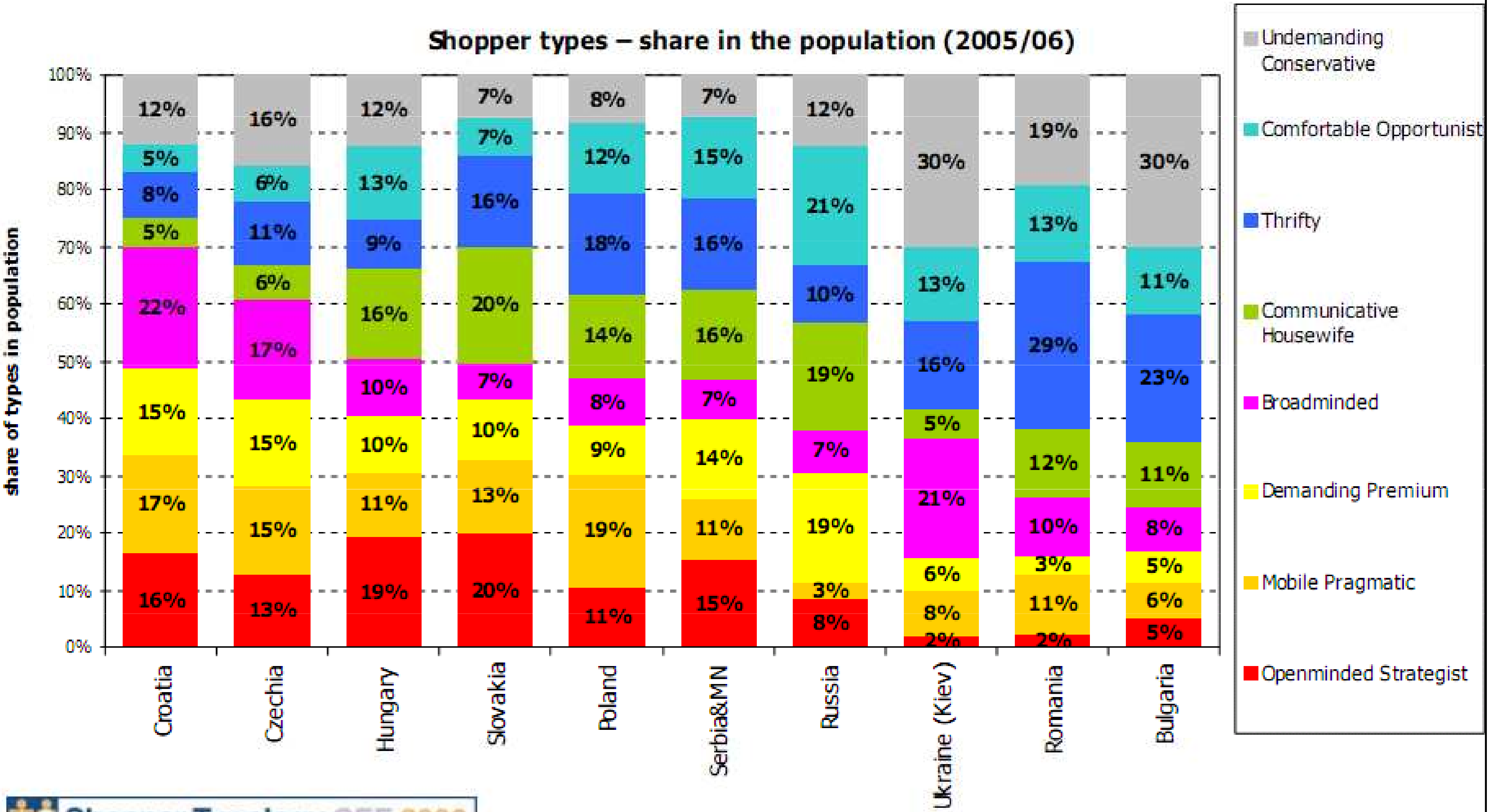


Broadminded

DEMANDING

Demanding premium

Shopper Typology CEE 2006



Shopper Typology CEE 2006 by GfK + INCOMA

Trademarks of retail chains

economical (best price)

Clever (Billa)

Euro Shopper (Albert, Hypernova)

Mince (J. Meinl)

Tesco výhodný nákup (Tesco)

1 (Carrefour)

365 (Delvita)

standard quality for better price

Albert (Albert)

Carrefour (Carrefour)

Delvita (Delvita)

Hypernova (Hypernova)

Spar (Interspar)

Tesco (Tesco)

special (selected range of products)

Best farm (Kaufland)

Selský dvůr (Hypernova)

Chef Menü (Billa)

Extra kvalita (Delvita)

Quality first (Billa)

Julius Meinl (J. Meinl)