Piața

revista bunurilor de larg consum

FMCG REGIONAL SUMMIT 2008

EFORIE
HOTEL EUROPA
7-9 MAI

www.summitpiata.ro

Development in regions

Prepared by Miloš Ryba, Retail Analyst
Planet Retail Ltd | April 2008

About Planet Retail

- **The market leader in *global* retail and foodservice intelligence**

- **Our coverage includes:**
  - ***MGD: Modern Grocery Distribution***
  - ***EEO: Entertainment goods, Electronics and Office Supply***
  - ***HoReCa: Hotel, Restaurant and Catering***

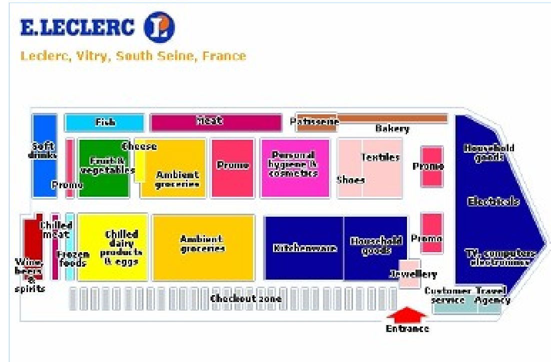
- **Global team of expert analysts**

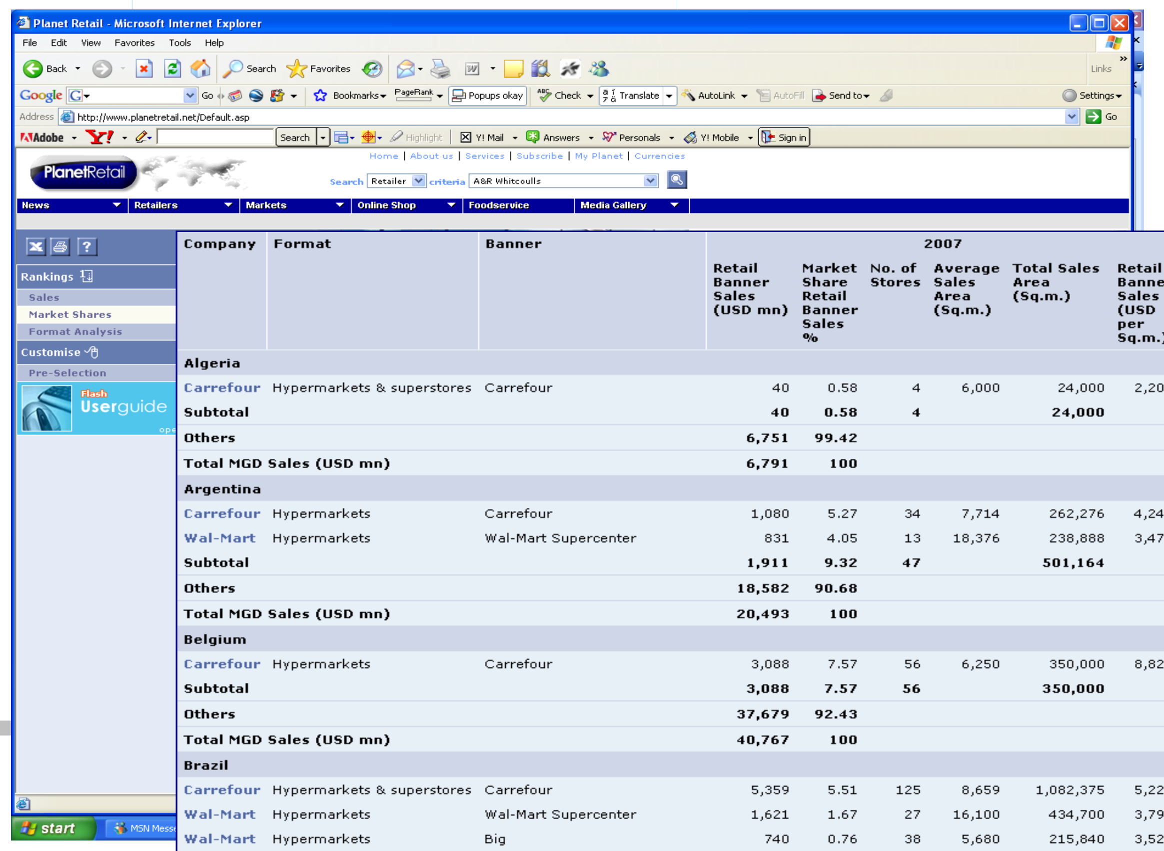
- **Clear and consistent methodology**

- **Constantly updated and delivered online**

About Planet Retail

- **Detailed company profiles**
- **SWOT analysis**
- **5-year rolling forecasts & rankings:**
  - **Sales**
  - **Market Shares**
  - **Store Numbers**
- **Comparative analysis tools (by company or channel)**
- **Market intelligence (by country or region)**
- **Global news gathering**
- **Media gallery**

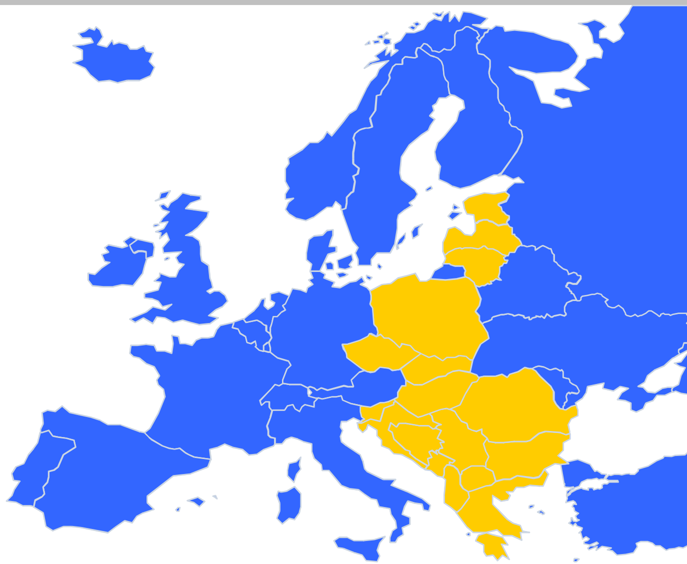




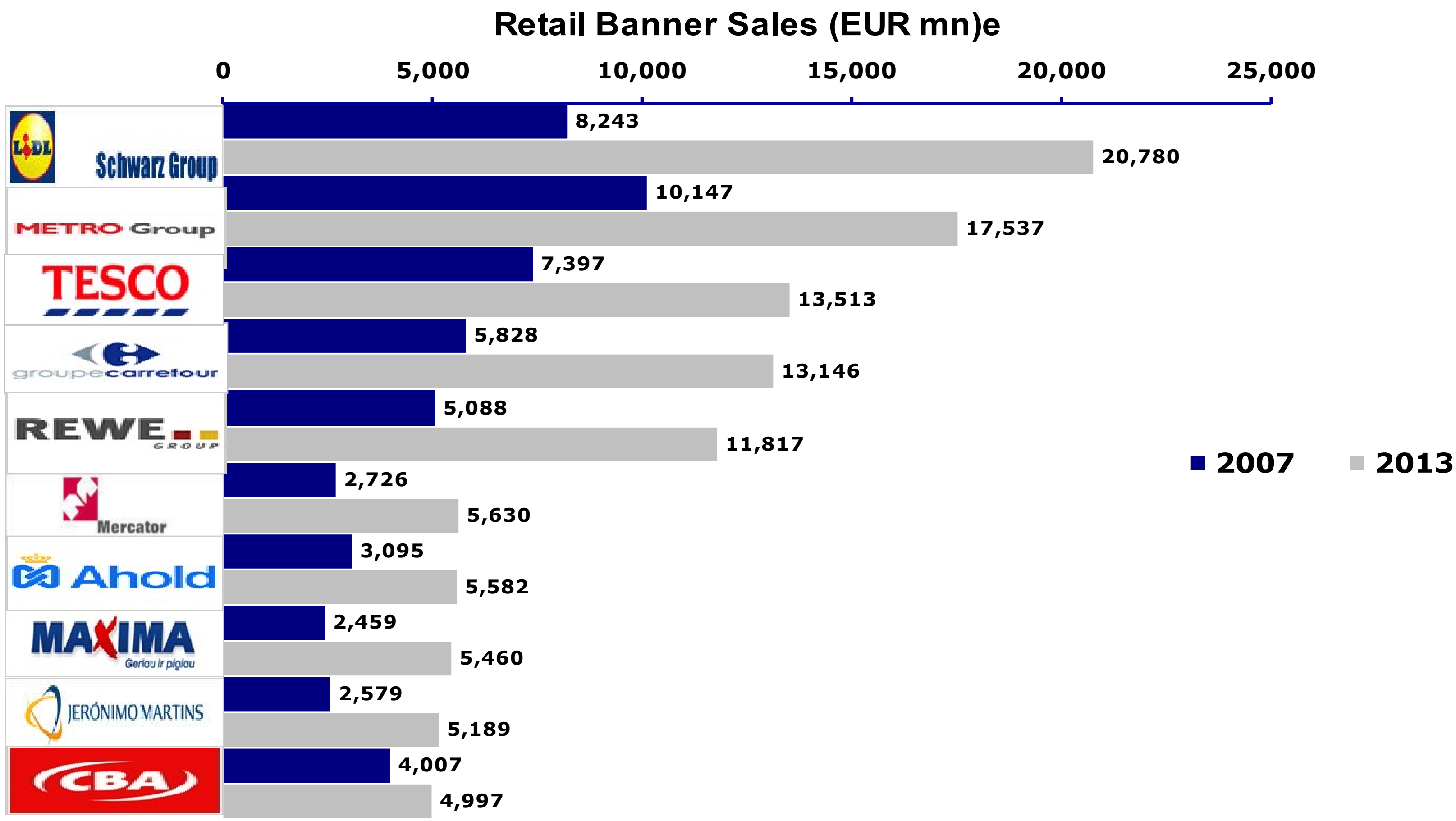
Company	Format	Banner	2007					
			Retail Banner Sales (USD mn)	Market Share Retail Banner Sales %	No. of Stores	Average Sales Area (Sq.m.)	Total Sales Area (Sq.m.)	Retail Banner Sales (USD per Sq.m.)
Algeria								
Carrefour	Hypermarkets & superstores	Carrefour	40	0.58	4	6,000	24,000	2,200
Subtotal			**40**	**0.58**	**4**		**24,000**	
Others			**6,751**	**99.42**				
Total MGD Sales (USD mn)			**6,791**	**100**				
Argentina								
Carrefour	Hypermarkets	Carrefour	1,080	5.27	34	7,714	262,276	4,242
Wal-Mart	Hypermarkets	Wal-Mart Supercenter	831	4.05	13	18,376	238,888	3,478
Subtotal			**1,911**	**9.32**	**47**		**501,164**	
Others			**18,582**	**90.68**				
Total MGD Sales (USD mn)			**20,493**	**100**				
Belgium								
Carrefour	Hypermarkets	Carrefour	3,088	7.57	56	6,250	350,000	8,823
Subtotal			**3,088**	**7.57**	**56**		**350,000**	
Others			**37,679**	**92.43**				
Total MGD Sales (USD mn)			**40,767**	**100**				
Brazil								
Carrefour	Hypermarkets & superstores	Carrefour	5,359	5.51	125	8,659	1,082,375	5,223
Wal-Mart	Hypermarkets	Wal-Mart Supercenter	1,621	1.67	27	16,100	434,700	3,799
Wal-Mart	Hypermarkets	Big	740	0.76	38	5,680	215,840	3,522

Agenda

- Overview of the CE Market
- Overview of the Romanian retail scene
- Three examples of a successful regional expansion
- Conclusions



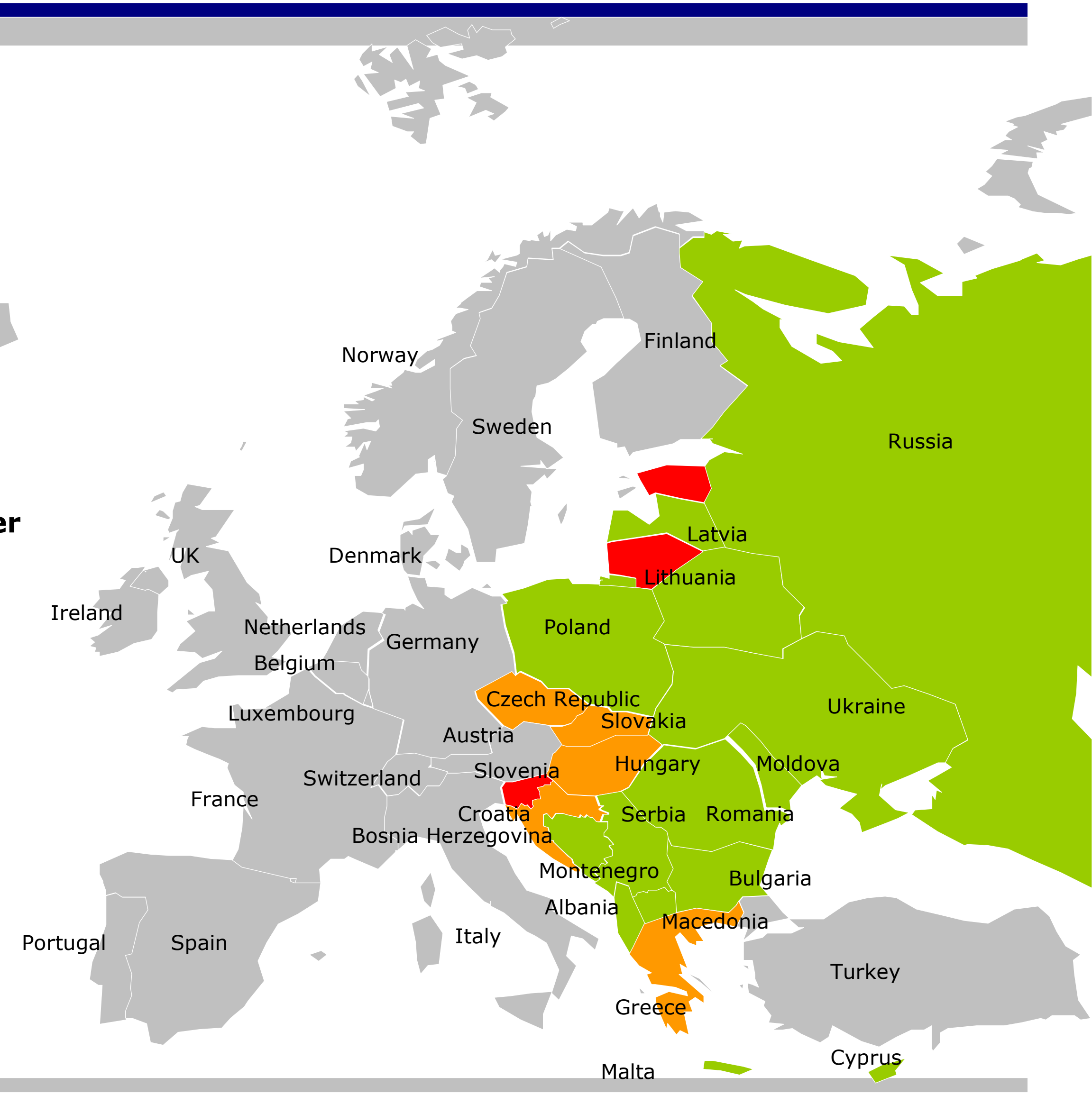
Central Europe (CE) - TOP10 Retailers



Central and Eastern Europe - Market concentration of TOP5 retailers in 2007

- **Markets dominated by Western European retailers**

- **The level of market consolidation in CE is considerably lower than in WE**



Market share up to 30%

Market share 30% - 60%

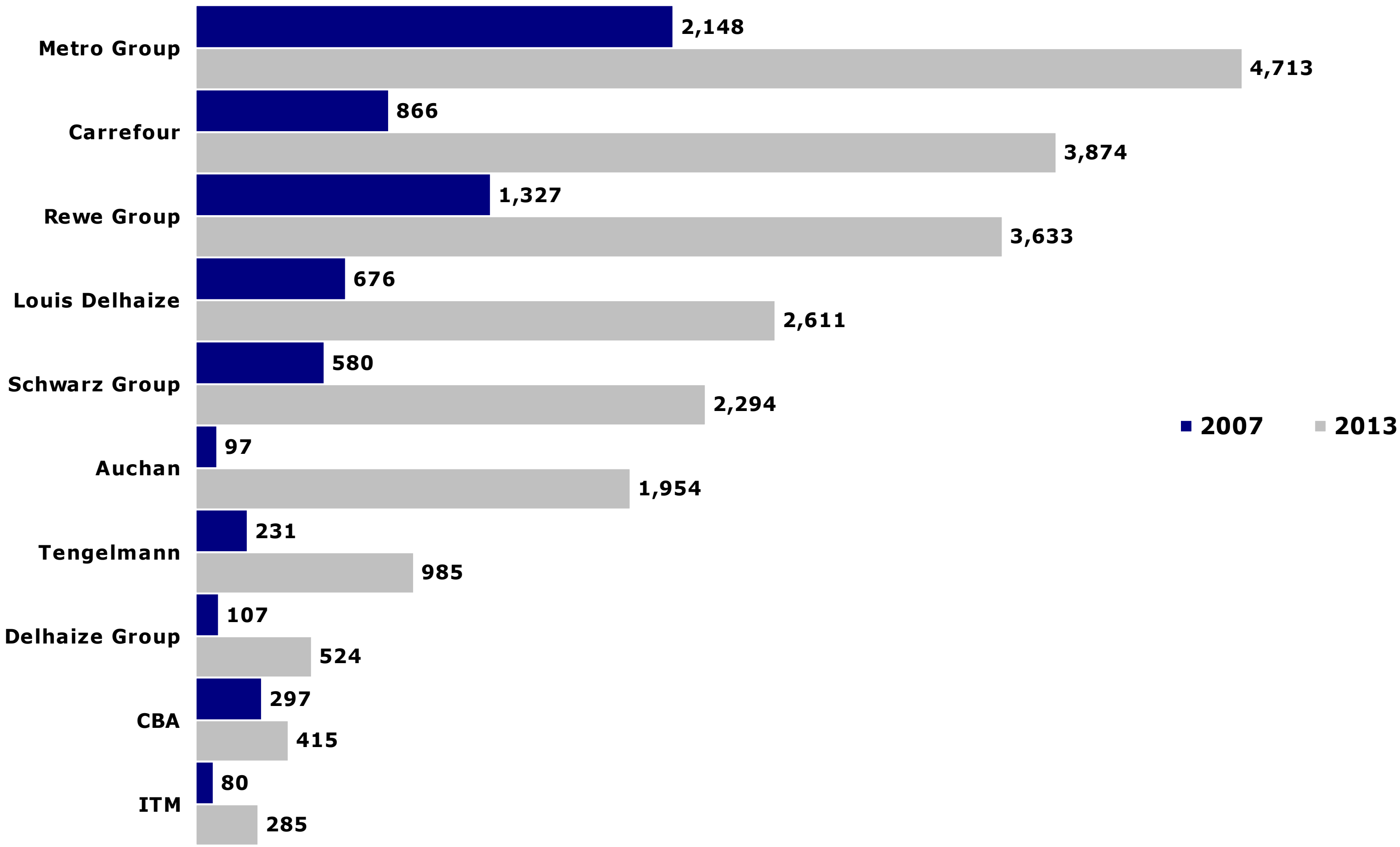
Market share over 60%

Romania - TOP10 market leaders 2007 and 2013

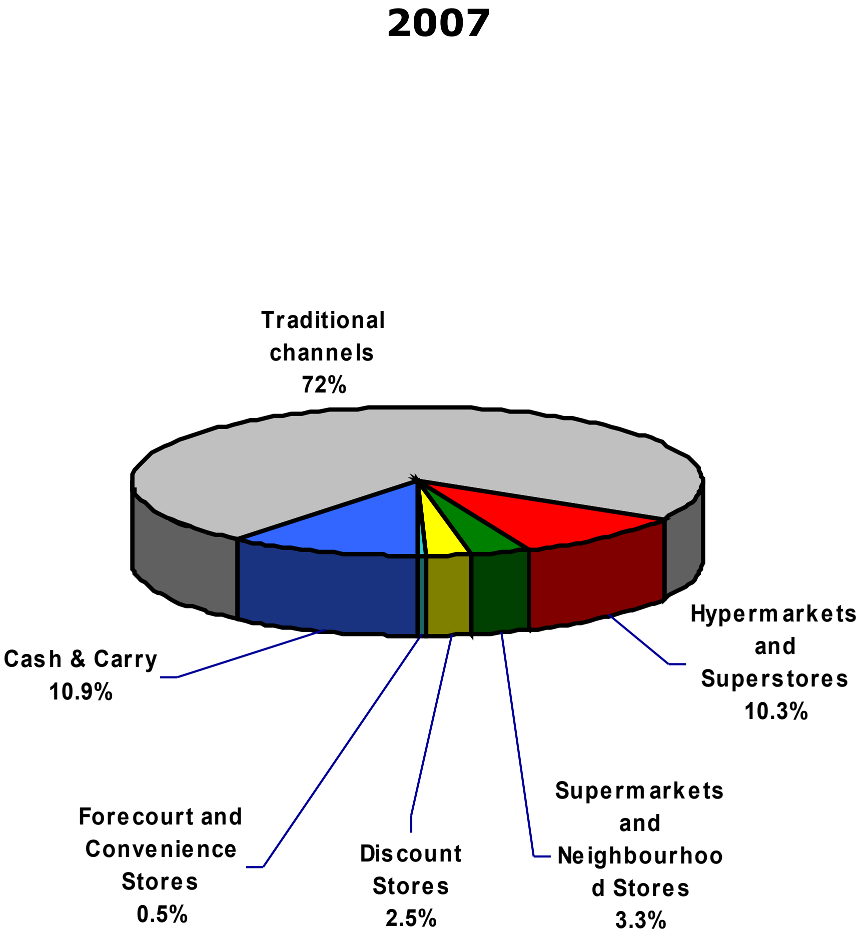
Rank	Company	2007 Banner Sales (EUR mn)e	2007 Banner Food Sales (EUR mn)e	2007 Market share (%)	2013 Banner Sales (EUR mn)e	2013 Banner Food Sales (EUR mn)e	2013 Market Share (%)
1.	Metro Group	2,148	1,520	7.5	4,713	3,381	7.0
2.	Carrefour	866	606	3.0	3,874	2,848	5.9
3.	Rewe Group	1,327	1,112	5.5	3,633	3,097	6.4
4.	Louise Delhaize	676	430	2.1	2,611	1,641	3.4
5.	Schwarz Group	580	435	2.1	2,294	1,721	3.6
6.	Auchan	97	58	0.3	1,954	1,173	2.4
7.	Tengelmann	231	196	1.0	985	837	1.7
8.	Delhaize Group	107	96	0.5	524	472	1.0
9.	CBA	297	223	1.1	415	311	0.6
10.	ITM	80	56	0.3	285	200	0.4

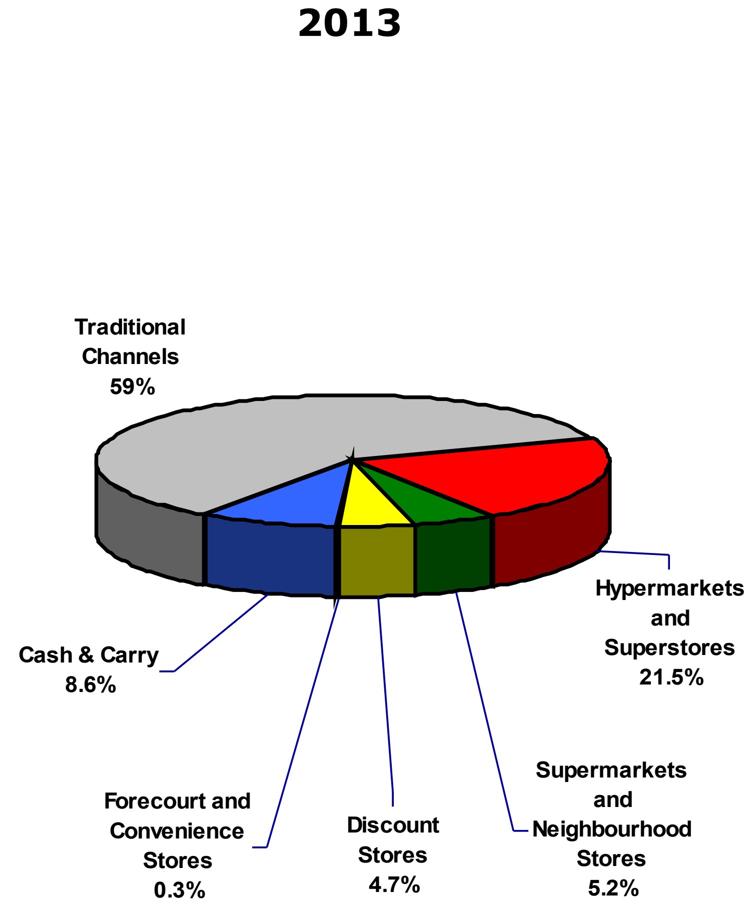
Romania - TOP10 market leaders 2007 and 2013

Retail Banner Sales (EUR mn)e



Retail market structure in Romania, 2007 - 2013



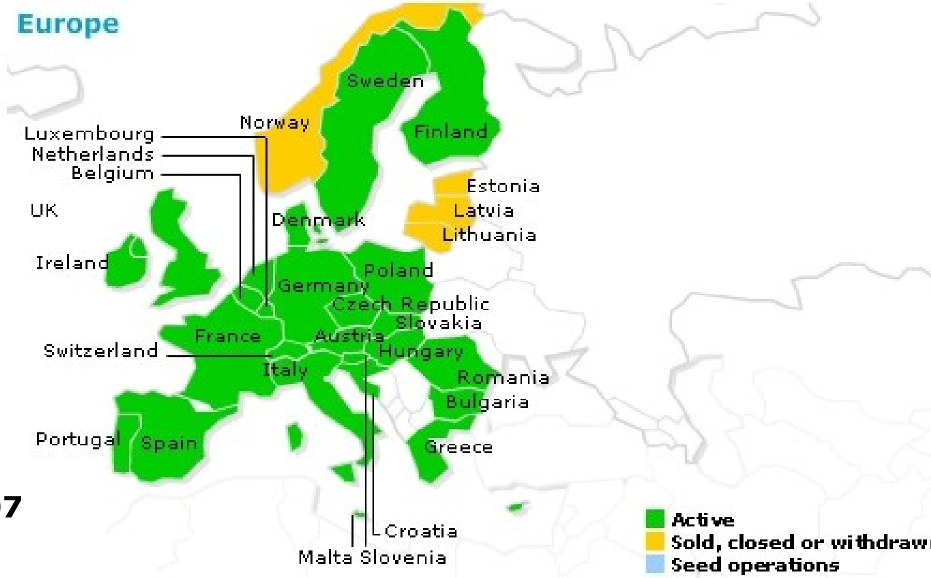


Regional development strategies - practical examples

- **Schwarz Group in the Czech Republic**
- **Tesco in Hungary**
- **COOP EURO in Slovakia**

Schwarz Group in the Czech Republic

- **TOP3 retailer in Europe after Carrefour and Tesco**
- **Market leader in CE and the Czech Republic**
- **Expansion through opening own stores**
- **Price oriented formats**
- **Multi-format strategy**
- **86 Kaufland stores and over 180 Lidl stores in 2007**

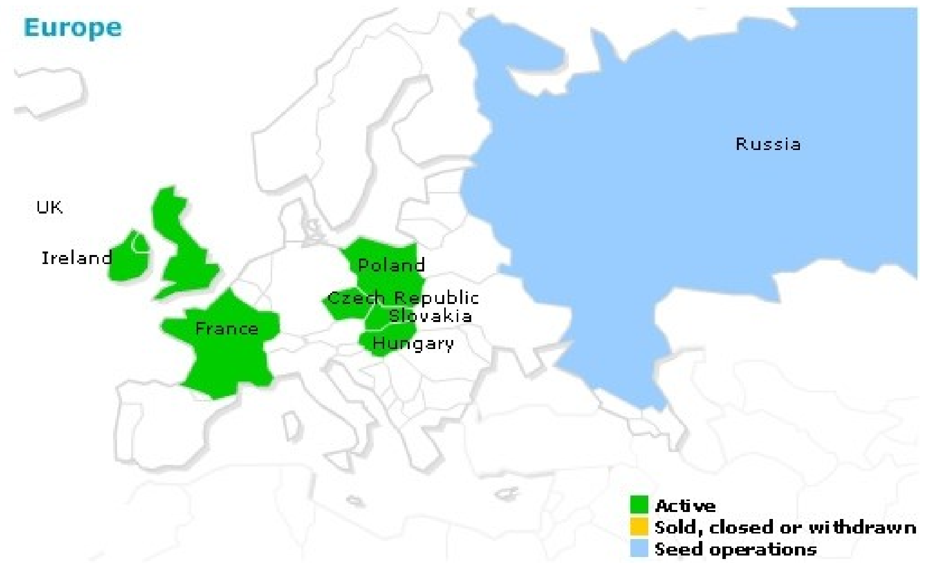


Schwarz Group in the Czech Republic

- Expansion into new markets, where competition was low (absence of Aldi)
- Opening Kaufland hypermarkets (1997) followed by Lidl discount stores (2003)
- Store opening in the Western regions first. Later move towards East
- Targeted regional cities and their surroundings in the first stage. Later moved into cities with 20,000 and less inhabitants
- Construction of distribution centres
- Both formats have universal concepts
- Schwarz Group's unified store concepts vs lack of local products

Tesco in Hungary

- **TOP2 retailer in Europe after Carrefour**
- Over 70% of sales generated in its home UK market
- In Central Europe presented only in CZ, SK, PL and Hungary. However, leading retailer in all these markets
- Expansion through organic growth but also M&A
- Price oriented multi-format strategy (hypermarkets, supermarkets, convenience stores)
- TOP1 retailer in Hungary
- The clear hypermarket operator in the country with around 75 hypermarkets in 2007

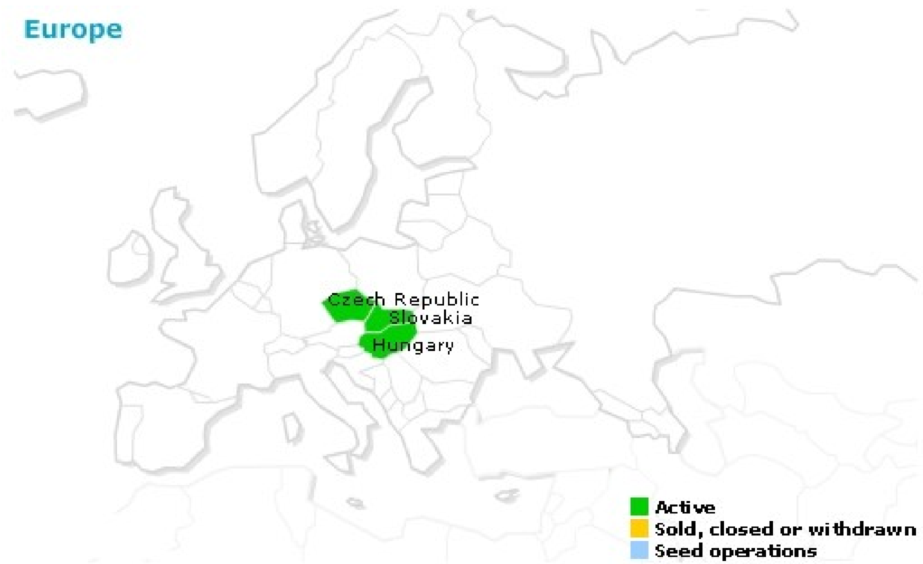


Tesco in Hungary

- **Early mover – expansion in Eastern Europe in 90’s**
- Focus on the expansion of the most profitable format - hypermarkets
- Introduction of a smaller format in 2004
- Very efficient logistics
- Took advantage “of being local”

COOP EURO in Slovakia

- **COOP EURO is an association of local retailers and independent stores**
- COOP EURO only coordinates some buying and marketing activities in the three countries
- Key store format neighbourhood stores and supermarkets
- Stores located in cities, towns and countryside in particular
- Market leader with more than 2,300 stores, however losing its market shares



COOP EURO in Slovakia

- **Joint buying and marketing strategy**
- Strong logistics base thanks to its wholesale warehouses
- Launch of a superstore format in big cities
- Development of private label products
- Store rebranding
- New dynamic logo

Conclusions

- Why expand into regions

  - Strong competition in cities
  - Saturation in cities
  - The first movers’ advantage
  - Manufactures and outsourcing
  - Legislation restrains (Antitrust Office, measures to protect local retailers)

- **Potential for regional development**

  - Regional cities and its surroundings
  - Cities and town with high buying power
  - Densely populated regions
  - Regions with good infrastructure
  - Industrial regions

Conclusion

- Successful expansion underlined by
  - Price oriented formats
  - Strong logistics base
  - Multi-formats
  - Store efficiency (location, size)
  - Contact with local population

Contact details

United Kingdom:

Greater London House,
Hampstead Road,
London NW1 7EJ,
United Kingdom
T: +44 (0)207 728 5000
F: +44 (0)207 728 4999

Germany:

Dreieichstrasse 59,
D-60594 Frankfurt am Main,
Germany
T: +49 (0) 69 96 21 75-0
F: +49 (0) 69 96 21 75-40

Japan:

Minami-Magome 5-42-3-508,
Ohta-ku,
Tokyo 143-0025,
Japan
T: +81 (0) 3 3775 4158
F: +81 (0) 3 3775 4162

Miloš Ryba

Retail Analyst

Planet Retail Ltd
T: +44 (0)207 728 4962
F: +44 (0)207 728 4999
milos.ryba@planetretail.net

PlanetRetail

www.planetretail.net

part of emap communications

Piața

revista bunurilor de larg consum

FMCG REGIONAL SUMMIT 2008

EFORIE
HOTEL EUROPA
7-9 MAI

www.summitpiata.ro