European Retail Trends
Retailing in Europe and Country Profiles

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Europe from a Macro Perspective
A few markets in CEE see very high levels of modern food retail similar to Western European markets.
Economic recovery is not universal. Markets are in different stages.

- Europe: GDP Real Growth 2014 (%)

Source: Planet Retail.
Despite a current slowdown of the Russian economy, Eastern Europe will see a higher MFRF sales CAGR than Central Europe over the next five years.
Central Europe
Central Europe: Discount stores are poised for strongest growth in the region, followed by Hypermarkets & Superstores
Supermarkets and neighborhood stores will remain the largest sales channel.

Central Europe: Channel Sizes by Sales, 2008-2019f (EUR bn)

Note: Data relates to retailers in the PR database only; f – forecast.
Source: Planet Retail
**Central Europe:** Both leading Schwarz Group (Lidl/Kaufland) and number two Jerónimo Martins are expected to keep their strong growth.

Agrokor’s acquisition of Mercator created a new behemoth in the Balkans.
Poland enjoys growing food retail sales per capita, despite demographic challenges.

In terms of consumer spending, leading Polish cities promise a market size equivalent to some of the smaller Central European countries.

Central Europe: Consumer Spending in Selected Polish Cities vs. Central European markets, 2014\(^f\) (EUR bn)
**Fast channel change in CEE**: e.g. Poland’s discount share of food retail is the largest in the CEE region.

**POLAND**: Channel Development in Food Retail, 2000-2020 (%)

Source: Planet Retail
2. Competitive Environment

Eurocash

Eurocash became the largest wholesaler in Poland after acquiring Tradis Distribution in 2012. It is also increasingly experimenting with convenience stores channel.

- Eurocash partners with nearly 10,000 retail stores across the country.
- Creating synergies with Tradis and its partners like the Lewiatan network is the main priority. It is also investing in the outlet expansion of its own banners like Groszek.
- Eurocash acquired two convenience store chains in 2014, Inmedio and 1 minute. Inmedio also operates Inmedio Café.
- In Q3 2014, Eurocash launched e-grocery site frisco.pl.
- A partnership with independent franchise network abc is expanding fast, currently consisting of 6,170 stores. The network introduced abc Mini Bistro in 2013, a concept strategy suggested by Eurocash.
Biedronka in Poland

Biedronka in Poland: Total Banner Sales per channel, 2014e

- EUR9.3 billion Banner Sales in Poland
- EUR800 million investment in 300 new stores in Poland from 2015-2017
- More proximity penetration, battling with Zabka
- Calls for massive investment into logistics
- Mulling over online grocery operation in Poland
- Internationalisation on the agenda: Romania, Russia, Ukraine and Turkey

2,587
Discount Stores

99%
Turnover from discount channel

Notes: e – estimate, f – forecast
Source: Planet Retail
Eastern Europe
Eastern Europe: Supermarkets & Neighbourhood stores remain the most important channel followed by Hypermarkets & Superstores.

The impact of the Ukraine crisis alongside a deteriorating economic environment in Russia will cause slower growth rates going forward.

Eastern Europe: Channel Sizes by Sales, 2008-2018f (EUR bn)

Unlike Central Europe, discount stores have virtually no impact in Eastern Europe.

Note: CAGR calculated in EUR. Data relates to retailers in the PR database only; f – forecast.
Source: Planet Retail
**Eastern Europe:** All top 10 retailers are expected to generate growth with some of them even at double digit CAGRs.

Importance of Russia is illustrated by the fact that three of the top 5 players in the region come from Russia.

Worth mentioning is the absence of the discount players including giant Lidl.
Moscow remains the largest retail market by far in CEE, with the largest population and the highest per capita spending levels.

Five of the region’s top 10 cities are located in former Soviet territory. Food imports into Russia are currently restricted by sanctions, which partly serve to bolster domestic agriculture. Nonetheless Russian cities will remain of high interest for many FMCG groups’ long-term growth plans.
Magnit became the grocery market leader in Russia in 2013.

Magnit operates supermarkets & neighbourhood stores, hypermarkets and drugstores across Russia.

- Store numbers increased from **4,055 in 2009 to 9,711 in 2014**.
  - Far ahead closest rival X5 Retail Group (5,483 stores in 2014).
- **31.6%** year-on-year **sales growth** for 2014.
  - Present in seven federal districts and 2,108 cities in Russia with 9,711 stores.
- **2015 capex is RUB65 billion**, mostly scheduled for store expansion.
  - The retailer recorded 14.5% like-for-like sales growth in 2014, together with a 4.5% rise in traffic generation.

Magnit’s strict financial control is the backbone of its ambitious expansion drive, with a strong focus on efficiency.
Magnit is renowned for running all its operations in-house, from logistics to agricultural production units. Centralisation rate is 86%.

- National and international suppliers (1,000 in total) contribute 55-60% of Magnit’s product assortment.
- Private label assortment of 605 SKUs:
  - The majority being food items.
  - 11% private label sales share.
- Curated product assortment across regions:
  - Ambient food in less wealthy regions
  - Emphasising fresh produce in more affluent cities.
Magnit’s regional conquest: Founded in Southern Russia 20 years ago, the retailer is currently in almost every region in Russia.
Channel Trends
4. Retail Trends: Channel proliferation and convergence

- **Big Box servicing online home delivery, Click & Collect, Drive formats.**
- **Hypermarkets** opening dedicated discount areas and formats.
- **E-COMMERCE**
- **Discounters** opening more convenience-based formats.
- **C-stores** as E-commerce fulfillment outlets.

The image illustrates the evolution and integration of retail formats with online options, highlighting the convergence of traditional and digital channels in the retail landscape.
Discount Stores

-> Discounters need new ideas for impulse and convenience products!
Discounters - How do they grow?
The all-purpose grocers skimming off the cream.

Fighting Cash & Carries
Ambient staples for bulk buying, multi packs, no services, no frills environment.

Fighting Supermarkets
New categories and extended specialist food ranges, fresh fish, more brands and selected services.

Fighting Hypermarkets
Adding non-food and deli food categories on an opportunistic basis.

Fighting Convenience Stores
City centre locations; instore bakeries; food-to-go; premium food; pre-selection, quick shopping.

Fighting Online?
The all-purpose grocers skimming off the cream.
Discounters are shifting from hard to smart discounting - broadening their offers but staying loyal to their buttress of success.

- **Aldi Nord/Süd** and **Lidl** remain the most important discount operators.
- **Consolidation process**.
- From **hard to smart** discounting.
- **Adaptations** to national demands.
- **Proximity retailing**.
- **E-commerce challenging** for discounters.
- Partly investment in **own production**!
- **Brand listings** at Aldi!
4. Supermarkets & Neighbourhood Stores
Convenience & Forecourt Stores

More frequent trips, smaller stores, tighter budgets, proximity > Demand for smaller pack sizes.
The growth of convenience stores calls for massive investment into logistics and locations, while being a threat for forecourt operators.

- **Franchising** important - similar to independents in the supermarket sector
- **Restaurants**, cafés or bistros
- Retailers must invest in **shopper data**
- Forecourt stations will lose market share
- ... but be taken over by food retailers!
- **Click & collect options!**
Hypermarkets & Superstores

Hypermarkets are readjusting non-food assortments
Europe cannot be viewed as one market.

Channels blurring.
Proximity rising.
E-commerce growing.
Discounters softening.

Hypermarkets specialising, readjusting non-food ranges:
increase productivity; increase format profitability; scale back less profitable ranges.

STORES BECOMING SMALLER
in food and non-food:
Demand for smaller pack sizes.

Still growth in big box.
Broad traditional sector.
Shift to modern trade at varying speed.