



# **RETAILING IN EASTERN EUROPE 2008**

Westwards expansion amidst looming cash flow  
management crisis

Reference Code: DMVT0479

Publication Date: 08/08

## **ABOUT VERDICT RESEARCH**

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With more than 20 years experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their firsthand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

Verdict Research Ltd is a wholly owned subsidiary of Datamonitor Plc. Datamonitor plc is a premium business information company specialising in industry analysis. It helps over 5,000 of the world's leading companies to address complex strategic issues. Through proprietary databases and wealth of expertise, it provides clients with unbiased expert analysis and in-depth forecasts for seven industry sectors: Automotive, Consumer Markets, Energy, Financial Services, Pharmaceuticals and Healthcare, Technology, Transport and Logistics. Datamonitor maintains its headquarters in London and has regional offices in New York, San Francisco, Sydney, Frankfurt, Tokyo and Hyderabad.

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Datamonitor plc.

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamonitor delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamonitor can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

## TABLE OF CONTENTS

<b>CHAPTER 1</b>	<b>EXECUTIVE SUMMARY</b>	<b>17</b>
	Key Findings	17
	Main Conclusions	19
<b>CHAPTER 2</b>	<b>EUROPEAN MARKET – ECONOMIC OVERVIEW</b>	<b>24</b>
	Key Findings	24
	Key Messages	25
	GDP	26
	GDP Forecast	30
	Consumer Expenditure	31
	Inflation	32
	Interest Rates	33
	Employment	34
<b>CHAPTER 3</b>	<b>EUROPEAN MARKET – DEMOGRAPHIC OVERVIEW</b>	<b>35</b>
	Trends	37
	Trends	37
	Growth by Country	38
	Urban Population	39

<b>CHAPTER 4</b>	<b>EUROPEAN MARKET – RETAIL SPENDING</b>	<b>40</b>
	Expenditure	40
	Growth	43
	Per Capita	45
	Retail Share	47
<b>CHAPTER 5</b>	<b>RETAILING IN THE BALTIC STATES</b>	<b>49</b>
	Overview	49
	Food & Grocery	53
	Maxima	57
	Rimi Baltic	59
	Palink/IKI	61
	Other players	62
	Non-food	67
	Clothing	67
	DIY	75
	Electricals	79
	Furniture	84
	Outlook for Retailing in the Baltic States	89
<b>CHAPTER 6</b>	<b>RETAILING IN BULGARIA</b>	<b>91</b>
	Overview	91
	<i>Obstacles to Retail Development</i>	94

<b>Food &amp; Grocery</b>	<b>98</b>
<i>Leading Foreign Players</i>	99
<i>Domestic Players</i>	102
<b>Non-food</b>	<b>105</b>
<b>Non-food</b>	<b>105</b>
<i>Clothing</i>	105
<i>DIY</i>	109
<i>Electricals</i>	112
<i>Furniture</i>	115
<b>Outlook for Retailing in Bulgaria</b>	<b>118</b>
<b>CHAPTER 7</b>	<b>RETAILING IN THE CZECH REPUBLIC</b>
	<b>120</b>
<b>Overview</b>	<b>120</b>
<b>Food &amp; Grocery</b>	<b>123</b>
<i>Schwarz Gruppe</i>	123
<i>Ahold</i>	124
<i>Tesco</i>	125
<i>Rewe</i>	126
<i>Other Players</i>	128
<b>Non-food</b>	<b>129</b>
<i>Clothing</i>	129
<i>Electricals</i>	131
<i>DIY</i>	133

<i>Furniture</i>	134
<b>Outlook for Retailing in the Czech Republic</b>	<b>137</b>
<b>CHAPTER 8      RETAILING IN HUNGARY</b>	<b>139</b>
<b>Overview</b>	<b>139</b>
<b>Food &amp; Grocery</b>	<b>142</b>
<i>Tesco</i>	143
<i>CBA</i>	144
<i>Co-op Hungary</i>	145
<i>Reál Hungaria</i>	145
<i>Spar</i>	146
<i>Other Players</i>	147
<b>Non-food</b>	<b>148</b>
<b><i>Clothing</i></b>	148
<b><i>DIY</i></b>	151
<b><i>Electricals</i></b>	153
<b><i>Furniture</i></b>	155
<b>Outlook for Retailing in Hungary</b>	<b>157</b>
<b>CHAPTER 9      RETAILING IN POLAND</b>	<b>159</b>
<b>Overview</b>	<b>159</b>
<i>Legislation Subdues Growth</i>	160
<b>Food &amp; Grocery</b>	<b>162</b>

<i>Biedronka</i>	163
<i>Tesco</i>	163
<i>Carrefour</i>	164
<i>Other Foreign Players</i>	165
<i>Domestic Players</i>	165
<i>Deli-supermarkets</i>	166
<i>Emerging Player: Emperia Holding</i>	167
<b>Non-food</b>	<b>169</b>
<i>Clothing</i>	169
<i>Electricals</i>	171
<i>DIY</i>	173
<i>Furniture</i>	174
<b>Outlook for Retailing in Poland</b>	<b>177</b>
<b>CHAPTER 10 RETAILING IN ROMANIA</b>	<b>179</b>
<b>Overview</b>	<b>179</b>
<i>Impact of EU Accession</i>	181
<i>Obstacles to Retail Development</i>	182
<b>Food &amp; Grocery</b>	<b>184</b>
<i>Carrefour</i>	185
<i>Rewe</i>	187
<i>Real</i>	188
<i>Louis Delhaize</i>	188

<i>Kaufland</i>	191
<i>Other Foreign Players</i>	192
<b>Non-food</b>	<b>194</b>
<i>Clothing</i>	194
<i>DIY</i>	197
<i>International Players</i>	198
<i>Domestic Players</i>	199
<i>Electricals</i>	200
<i>Furniture</i>	203
<b>Outlook for Retailing in Romania</b>	<b>206</b>
<b>CHAPTER 11 RETAILING IN SLOVAKIA</b>	<b>209</b>
<b>Overview</b>	<b>209</b>
<b>Food &amp; Grocery</b>	<b>213</b>
<i>COOP Jednota</i>	215
<i>Tesco</i>	216
<i>Schwarz Gruppe</i>	218
<i>Rewe</i>	218
<i>Ahold</i>	219
<i>Other Players</i>	220
<b>Non-food</b>	<b>221</b>
<i>Clothing</i>	221
<i>DIY</i>	227

<i>Electricals</i>	229
<i>Furniture</i>	234
<b>Outlook for Retailing in Slovakia</b>	<b>236</b>
<b>CHAPTER 12 RETAILING IN SLOVENIA</b>	<b>238</b>
<b>Overall retail section</b>	<b>238</b>
<b>Food &amp; Grocery</b>	<b>241</b>
<i>Mercator</i>	241
<i>Spar</i>	242
<i>Tuš Trgovine</i>	243
<b>Other retailers</b>	<b>243</b>
<b>Clothing</b>	<b>245</b>
<b>Electricals, DIY, Furniture</b>	<b>247</b>
<b>CHAPTER 13 STRATEGIC ISSUES</b>	<b>252</b>
<b>The beneficial cycle of EU membership</b>	<b>253</b>
<b>The Euro &amp; economic reforms</b>	<b>255</b>
<b>Key drivers for the home sectors</b>	<b>257</b>
<b>Problems</b>	<b>259</b>
Demographic issues	260
Other barriers to entry	264
Property bubbles and real estate inflation	266
Inflation	268

# Table of Contents



<b>Out-of-town retailing in Eastern Europe</b>	<b>269</b>
Retail development	272
<b>Modern retail evolution in CEE</b>	<b>277</b>
<b>Retailers' strategy in three stages of retail development</b>	<b>279</b>
Future stages of development	281
Format diversification	282
Regional and international expansion	287
<i>Grocery</i>	287
<i>Clothing</i>	288
<i>Electricals</i>	290
<i>Furniture</i>	290
<b>CHAPTER 14      GLOSSARY</b>	<b>291</b>
<b>Definitions</b>	<b>291</b>

## LIST OF TABLES

Table 1:	CEE retail expenditure 2002-2007	40
Table 2:	CEE retail expenditure growth 2002-2007	42
Table 3:	The Baltic States retail expenditure 2002-2007e	49
Table 4:	The Baltic States grocery expenditure 2002-2007e	53
Table 5:	The Baltic States food & grocery market share 2007e	54
Table 6:	Estonia food & grocery market share 2007e	57
Table 7:	Latvia food & grocery market share 2007e	57
Table 8:	Lithuania food & grocery market share 2007e	57
Table 9:	The Baltic States clothing expenditure 2002-2007e	67
Table 10:	The Baltic States DIY expenditure 2002-2007e	75
Table 11:	The Baltic States electricals expenditure 2002-2007e	79
Table 12:	The Baltic States furniture expenditure 2002-2007e	84
Table 13:	Bulgaria total retail expenditure & Top Five sectors 2002-2007e	91
Table 14:	Bulgaria food & grocery market share 2007e	98
Table 15:	Czech Republic total retail spend & Top Five sectors 2002-2007e	120
Table 16:	Czech Republic food & grocery market shares 2007	123
Table 17:	Hungary total retail expenditure & Top Five sectors 2002-2007e	139
Table 18:	Hungary food & grocery market shares 2007e	142
Table 19:	Poland total retail expenditure & Top Five sectors 2002-2007e	159
Table 20:	Poland food & grocery market share 2007e	162

## Table of Contents



Table 21:	Romania total retail expenditure & Top Five sectors 2002-2007e	179
Table 22:	Romania food & grocery market share 2007e	184
Table 23:	Romania DIY market shares 2007e	197
Table 24:	Romania electricals market shares 2007e	200
Table 25:	Romania furniture market shares 2007e	203
Table 26:	Slovakia total retail spend & Top Five sectors 2002-2007e	209
Table 27:	Slovakia food & grocery market shares 2007	213
Table 28:	Slovenia retail expenditure 2002-2007e	238
Table 29:	Slovenia grocery shares 2007e	241
Table 30:	Top 15 grocers in CEE – sales, store numbers and market share 2007	273

## LIST OF FIGURES

Figure 1:	CE Europe GDP 2007	26
Figure 2:	GDP per capita 2007 comparison	27
Figure 3:	CE European GDP growth rates 2002-07	28
Figure 4:	GDP growth forecast of CE EU countries 2008 & 2009e	30
Figure 5:	Consumer expenditure of CE European Union countries 2007	31
Figure 6:	Harmonised Index of Consumer Prices – growth of CEE countries 2006 & 2007	32
Figure 7:	Central bank interest rates, official lending rates 2007	33
Figure 8:	Total unemployment rates of CCE countries 2002 & 2007	34
Figure 9:	EU population totals (000s) by country 2007	36
Figure 10:	Five year trends in total EU population growth 2000-2020e	37
Figure 11:	Forecast population growth (%) for CEE countries – 2058 & 2033 on 2008	38
Figure 12:	Comparison of CEE countries by urban population % – 2007	39
Figure 13:	New member states spend and change % 2002-2007	41
Figure 14:	Growth in EU retail spend by country 2007 on 2002	43
Figure 15:	EU per capita retail spend 2002-2007	45
Figure 16:	CEE per capita retail spend by country 2007	46
Figure 17:	EU retail spend as % of total consumer expenditure 2002 & 2007	47
Figure 18:	Leading grocers in the Baltic States store numbers as at June 2008	56
Figure 19:	Maxima, Parnu, Estonia 2008	59

## Table of Contents



Figure 20:	Rimi, Riga, Latvia 2008	60
Figure 21:	IKI, Vilnius, Lithuania 2008	62
Figure 22:	Selver, Tallinn, Estonia 2008	64
Figure 23:	Norfa, Lithuania 2008	65
Figure 24:	Aprangos Galerija, Lithuania 2008	70
Figure 25:	Stockmann, Tallinn, Estonia 2008	72
Figure 26:	Tallinna Kaubamaja, Tallinn, Estonia 2008	73
Figure 27:	Senukai, Vilnius, Lithuania 2008	76
Figure 28:	BMS Megapolis, Vilnius, Lithuania 2008	81
Figure 29:	Elektromarkt, Panevežys, Lithuania 2008	82
Figure 30:	RD Electronics, Latvia 2008	83
Figure 31:	Baldu Rojus, Lithuania 2008	86
Figure 32:	Spice furniture & interior design centre, Latvia 2008	88
Figure 33:	Bulgaria GDP per capita 2002-2007	95
Figure 34:	Average gross annual earnings € for selected EU countries 2005	96
Figure 35:	Bulgaria average gross annual earnings 2002-2007	97
Figure 36:	Billa and Technomarket combined store, Yambol 2008	100
Figure 37:	Positioning of biggest domestic chains in Bulgaria 2007	102
Figure 38:	Markam, Sofia 2008	107
Figure 39:	Praktiker, Bulgaria 2008	110
Figure 40:	Technomarket, Plovdiv 2008	113
Figure 41:	Technopolis, Bulgaria 2008	114

## Table of Contents



Figure 42: Möbel Ludwig/Como Bulgaria 2008	115
Figure 43: Tesco – Praha 2008	125
Figure 44: Clothing retailers – Praha 2008	129
Figure 45: Average gross annual earnings 2005	183
Figure 46: Carrefour, Suceava June 2008	186
Figure 47: Billa, Ploiesti June 2008	188
Figure 48: Profi, Ploiesti June 2008	190
Figure 49: Profi, Ploiesti June 2008	191
Figure 50: COOP Jednota, Poprad 2008	216
Figure 51: Aupark, Bratislava 2008	222
Figure 52: Alizé, Bratislava 2008	223
Figure 53: Lifeline, Bratislava 2008	224
Figure 54: NAY, Bratislava 2008	230
Figure 55: Datart, Polus City Center, Bratislava 2008	231
Figure 56: Basys.net, Polus City Center, Bratislava 2008	232
Figure 57: Okay Electronics, Trnava and Zvolen 2008	233
Figure 58: Merkur 2008	249
Figure 59: Eastern Europe 2008	252
Figure 60: Beneficial cycle of EU membership	253
Figure 61: Benefit of EMU membership	255
Figure 62: Housing ownership in eastern Europe 2005	257
Figure 63: Outstanding issues to be addressed	259

## Table of Contents



Figure 64: GDP per capita in PPS 2008 (f)	262
Figure 65: Grocery % share of total retail expenditure 2007	263
Figure 66: HICP - All items - Index (2005=100) - Percentage change t/t-12	268
Figure 67: New OOT development opened in Suceava, Romania, June 2008	269
Figure 68: CEE presence by grocer and country 2008	276
Figure 69: CEE grocery markets 2008	277
Figure 70: International expansion and retail development of the food and grocery sector in CEE – Stage 1	279
Figure 71: International expansion and retail development of the food and grocery sector in CEE – Stage 2	279
Figure 72: International expansion and retail development of the food and grocery sector in CEE – Stage 3	280
Figure 73: Elkor Plaza, Riga, Latvia 2008	283
Figure 74: Domoteka, Warsaw, Poland 2008	284
Figure 75: Vabbi, Prague, Czech Republic 2008	285
Figure 76: Vabbi, Siedlce, Poland 2008	286
Figure 77: The emergence of prominent CEE retailers	287