Impact of the Retail Sector on the Value Chain

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## Economics, prognoses
*(Change in % of previous year)*

<table>
<thead>
<tr>
<th>Item</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong></td>
<td>2.9%</td>
<td>4.2%</td>
<td>4.2%</td>
<td>3.9%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>-6-7%</td>
</tr>
<tr>
<td><strong>Consumer price index</strong></td>
<td>4.7%</td>
<td>6.7%</td>
<td>3.6%</td>
<td>3.9%</td>
<td>8.0%</td>
<td>6.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Consumption in households</strong></td>
<td>7.6%</td>
<td>2.5%</td>
<td>3.9%</td>
<td>1.9%</td>
<td>0.7%</td>
<td>-2.1%</td>
<td>-2.0%</td>
</tr>
<tr>
<td><strong>Retail trade</strong></td>
<td>9.0%</td>
<td>5.8%</td>
<td>5.5%</td>
<td>4.1%</td>
<td>-3.0%</td>
<td>-1.2%</td>
<td>-4-5%</td>
</tr>
<tr>
<td><strong>Retail trade in FMCG products</strong></td>
<td>8.1%</td>
<td>2.8%</td>
<td>4.6%</td>
<td>5.0%</td>
<td>-1.3%</td>
<td>-2.8%</td>
<td>3-4%</td>
</tr>
</tbody>
</table>

*2009 – prognosis*
About trade - in general

- Number of employees in trade: 585 thousand
- Retail trade exc. fuel in 2008: HUF 6,350 BN
- Number of retail premises: 160,000
- Number of retail companies: 63,000
Hungarian food retail trade in 2009

- Drastic set-back in consumption due to economic crisis
  - 3-5% real decline prognosticated for 2009
- Total food and food-type market: HUF 3,292 BN
- Fierce price competition, significant presence of the media
- Decrease in the number of independent small shops
- Significance of shoppings close to residence being revalued
Hungarian food retail trade in 2009 (2)

- Excessive regulatory framework
  - Trade Act
- Extended audits by authorities
- Excessive rate of black trade (15 – 20%)
- Increasing significance of brands
- Concerns related to suppliers
  - Code of Ethics for Product Chains
## TOP 10 in food trade

<table>
<thead>
<tr>
<th></th>
<th>Number of shops</th>
<th>Change</th>
<th>Sales (HUF BN)</th>
<th>Change</th>
<th>Sales/shop (HUF 1000)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
<td>%</td>
<td>2007</td>
<td>2008</td>
<td>%</td>
</tr>
<tr>
<td>1</td>
<td>TESCO</td>
<td>122</td>
<td>148</td>
<td>+21.3</td>
<td>554.9</td>
<td>602</td>
</tr>
<tr>
<td>2</td>
<td>CBA</td>
<td>1924</td>
<td>3038</td>
<td>+3.9</td>
<td>525</td>
<td>545</td>
</tr>
<tr>
<td>3</td>
<td>COOP</td>
<td>5283</td>
<td>5250</td>
<td>-0.6</td>
<td>440</td>
<td>500</td>
</tr>
<tr>
<td>4</td>
<td>SPAR (exc. PLUS)</td>
<td>204</td>
<td>219</td>
<td>+7.4</td>
<td>284.5</td>
<td>320.8</td>
</tr>
<tr>
<td>5</td>
<td>REÁL</td>
<td>2310</td>
<td>2310</td>
<td>0</td>
<td>331</td>
<td>348</td>
</tr>
<tr>
<td>6</td>
<td>METRO</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>232</td>
<td>262.1</td>
</tr>
<tr>
<td>7</td>
<td>AUCHAN</td>
<td>10</td>
<td>11</td>
<td>+10.0</td>
<td>212</td>
<td>221.7</td>
</tr>
<tr>
<td>8</td>
<td>LIDL</td>
<td>90</td>
<td>105</td>
<td>+16.7</td>
<td>124.1</td>
<td>164.7</td>
</tr>
<tr>
<td>9</td>
<td>PENNY</td>
<td>163</td>
<td>168</td>
<td>+3.7</td>
<td>145.1</td>
<td>161.5</td>
</tr>
<tr>
<td>10</td>
<td>CORA</td>
<td>7</td>
<td>7</td>
<td>0</td>
<td>118.8</td>
<td>105.5</td>
</tr>
</tbody>
</table>
Share of shop types in sales of daily consumer goods (%)

Source: GfK Consumer Tracking and GfK expert estimate 2013
IMPACT OF THE RETAIL SECTOR IN THE VALUE CHAIN

Connection between producer and consumer

1. Expectations
2. Development needs
3. Production
4. Presentation

Consumer
Retail chain
Food producer
What is the task of the retail sector in the value chain?

1. Continuously measure consumer expectations and satisfactions
2. Develop quality food - based on consumer needs
3. Purchase food from reliable sources and control it
4. Present quality foods in safe environment to the consumers
1. Measure consumer expectations

- Consumer service – manage consumer complaints
- Consumer scan – measure consumer satisfaction
- Trade show and fair – meeting with consumers / test the products
2. Develop quality food and control

**Development goal**

- Good quality for reasonable price
- Food from the origin
- Good for human health
- Bio controlled, free from pesticides

**Consumer need**

- VALUE/PRICE
- SPECIAL
- HEALTHY
- BIO
3. Purchase from reliable sources and control

- Product testing
- Product selection
- Visit supplier production site
- Supplier selection
- Periodical product LAB TEST
- Periodical supplier AUDIT

Selection process of PLB

Control process of PLB
4. Present quality foods in safe environment

- Build proper infrastructure in the shops
- Develop good hygienic practice (GHP)
- Educate the employees continuously
- Ensure the refrigerated chain for fresh foods
- Maintain food safety system (HACCP)
- Develop quality management system (ISO)
Thank You for Your attention!

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