The srtucture of food retail in Hungary

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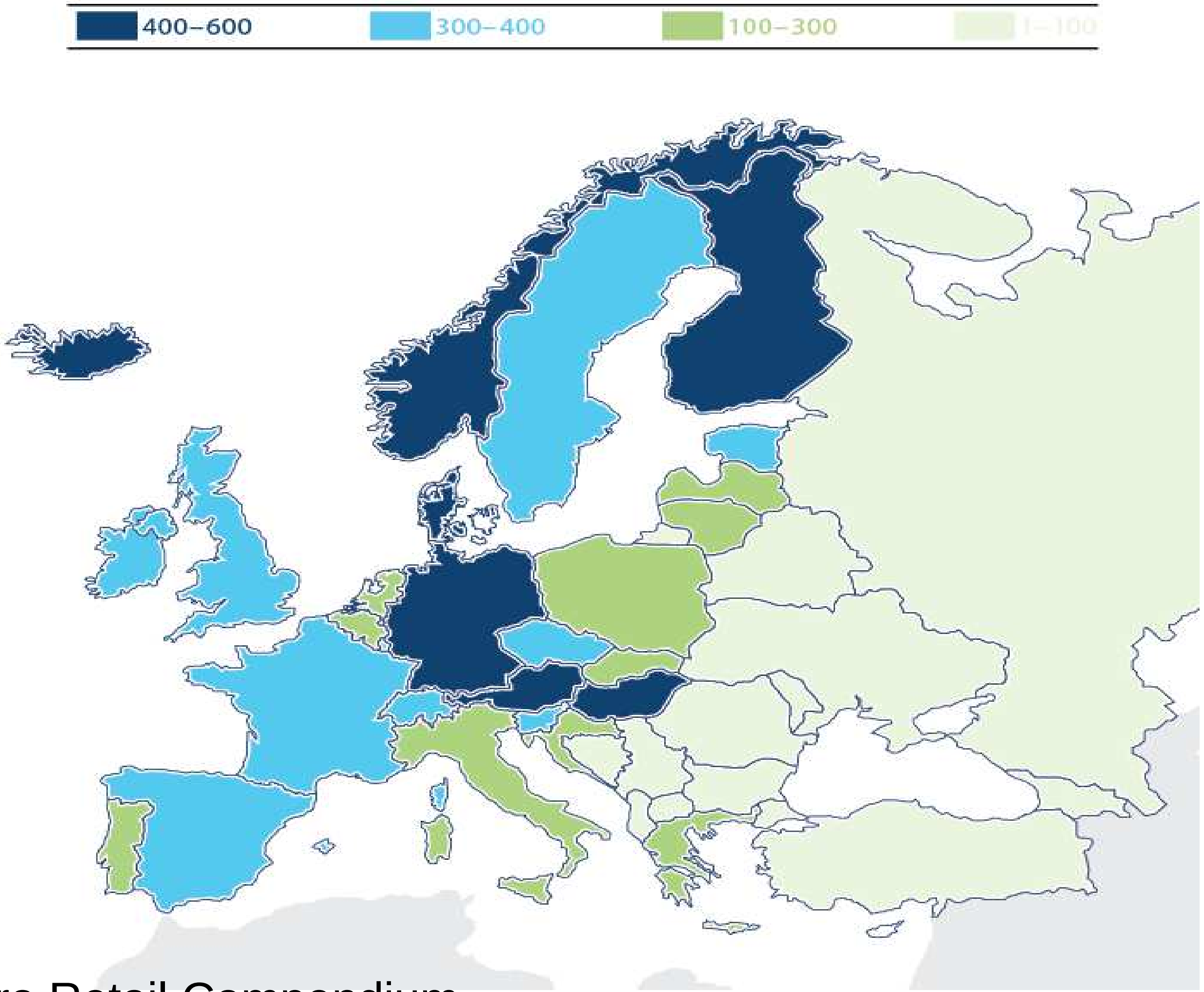
Structural changes in the Hungarian retail sector

1. Privatization 1989 – 1994: number of independent small shops increases and the first FDI appears in the supermarket and cash & carry segment
2. Concentration begins 1995 – 2000: concentration**,** increasing role of modern retail formats and development of retailers' power in the supply chain
3. **Accelerated concentration 2001 – 2004**: dominance of hiper- and supermarkets increases, independent shops joins domestic „franchise" chains (CBA, Coop); PL products starts to gain market presence.
4. "Hard times" 2005-2008: the number of shops (small independent) starts to decrease. Hard-discounters (Lidl, Aldi) appears.
5. Even harder: crisis years 2009-: Economic crisis!

Source: CSO

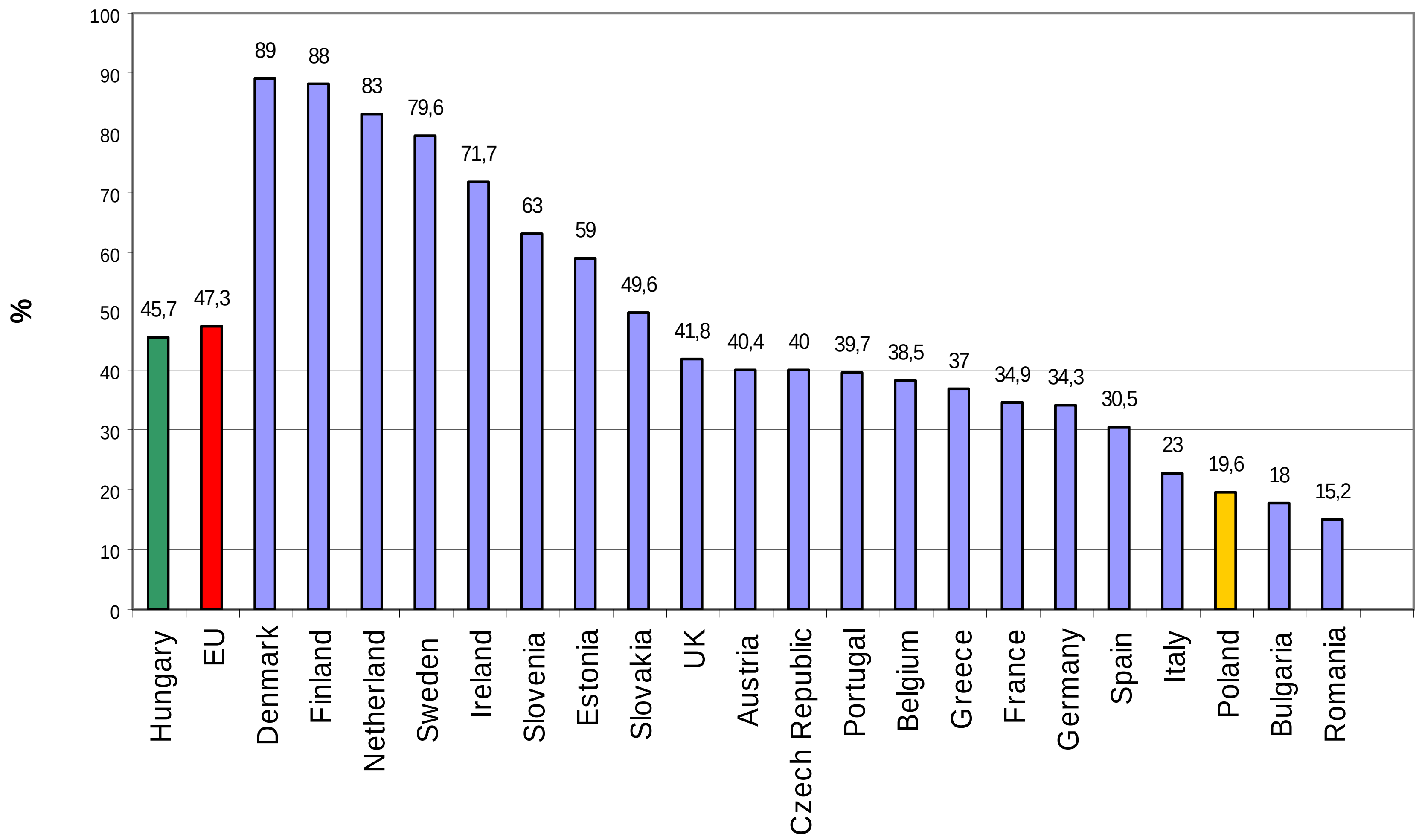
Present structure

Shop density in Europe



Source: Metro Retail Compendium, 2011/2012

Concentration in the food retail sector: CR-3 in EU countries



Source: Europanel, 2011

Number of shops of the largest food retail firms in Hungary, 2000-2011

	2000	2005	2006	2007	2008	2009	2010	2011
Aldi					45	70	73	78
Auchan	2	10	10	10	11	12	12	12
CBA	800	na	3182	2924	2780	2904	3072	3077
Coop	1991	4963	5286	5283	3066	3116	5250	5225
Cora	5	7	7	7	7	7	7	7
Csemege-Match	169	132	125	124	124	122	123	121
Metro	9	13	13	13	13	13	13	13
Lidl		51	68	90	105	125	135	148
Penny Market	127	148	155	163	169	173	186	189
Plus	108	165	165	165	172			
Reál Hungária		2290	2310	2310	2311	2311	2320	2140
Spar	109	168	189	204	214	255	399	389
Tesco	43	89	99	122	144	167	205	212

Source: AC Nielsen, 2012

The number of shops according to their sales area in Hungary, 2000-2002

	2000	2008	2009	2010	2011	2012
over 2500 m^2	24	123	137	152	166	170
401-2500 m^2	657	943	1 007	1 071	1 103	1 121
201-400 m^2	919	853	805	801	834	848
51-200 m^2	5 777	6 888	6 593	6 426	6 355	6 294
below 50 m^2	17 859	12533	11 393	11 451	11 111	11 111

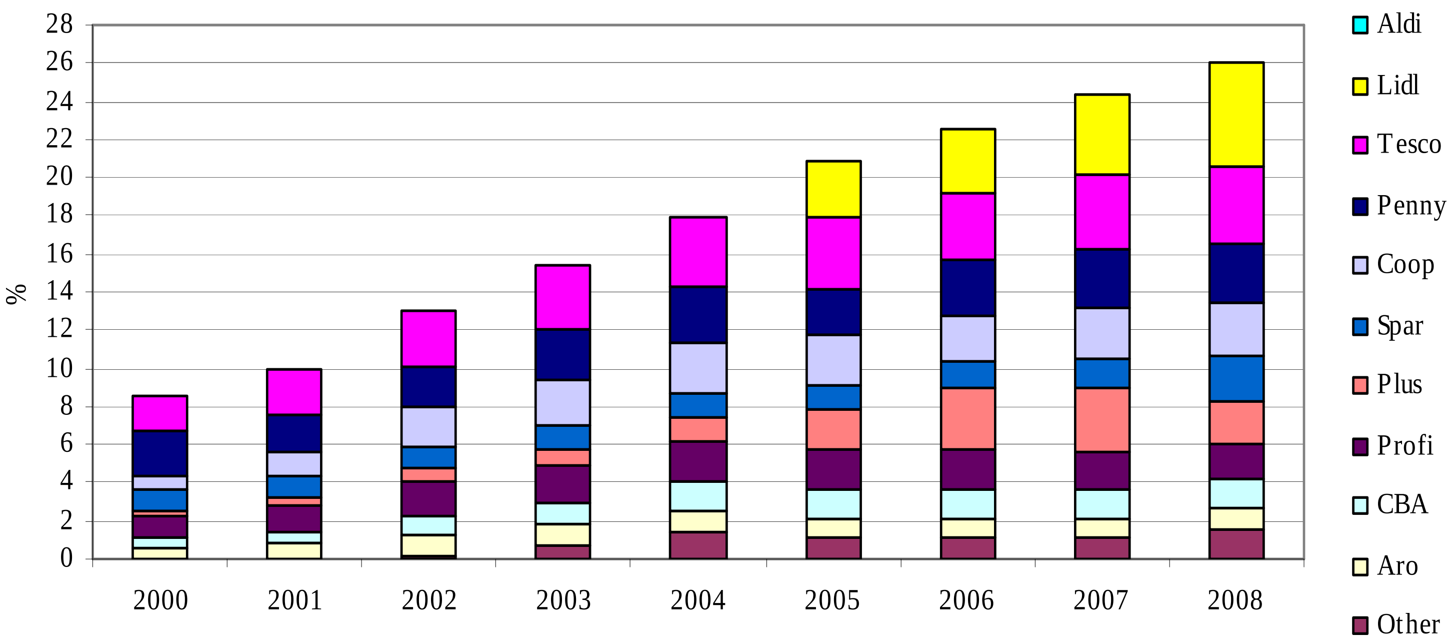
Source: AC Nielsen, 2012

- *Connection problems between retailers and suppliers:*

  - Fees („back conditons”);
  - Late payment;
  - Other forms of „buyer power”; qualification systems, PL products etc.

Connection between the retailers and suppliers: PL products

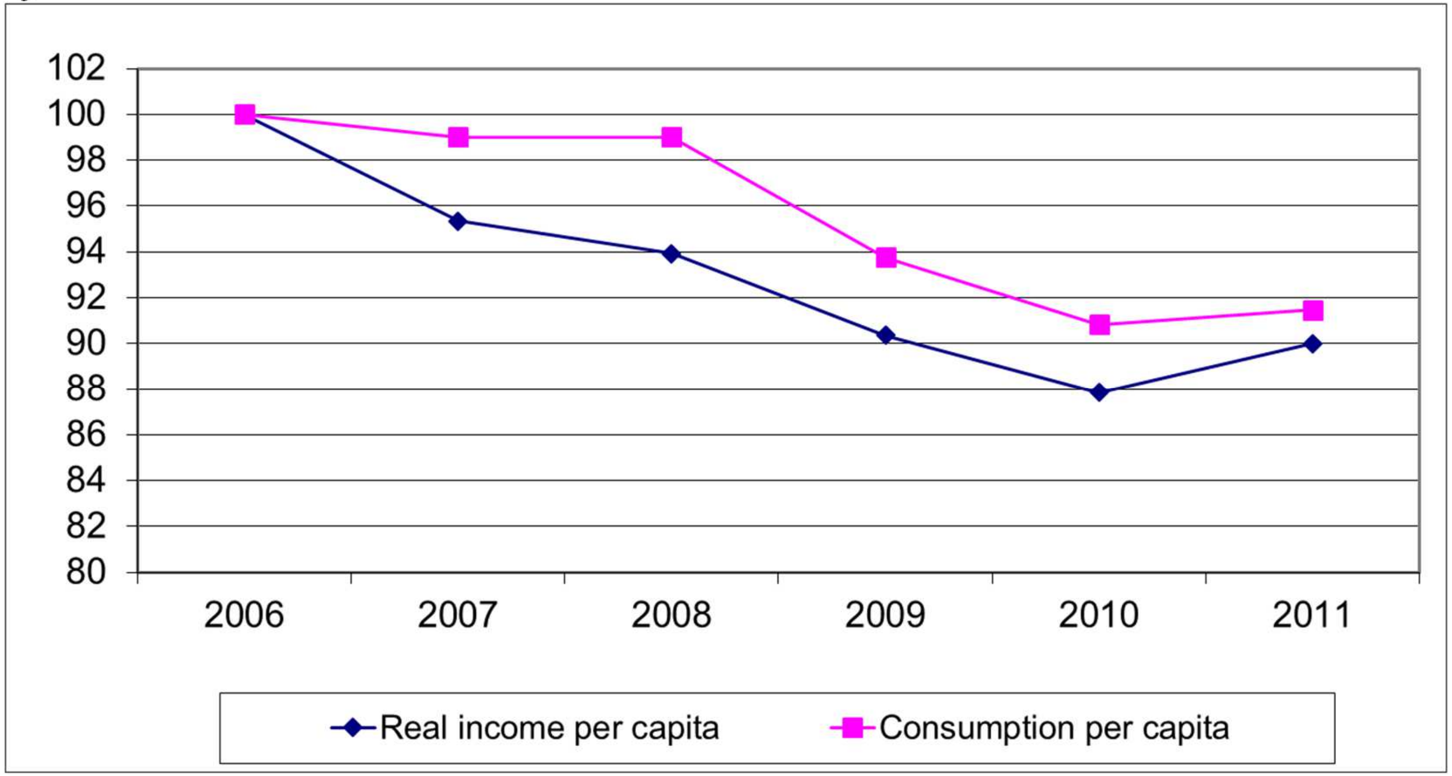
The share of individual grocery retailers from the PL sales in Hungary



Source: GFK, 2009

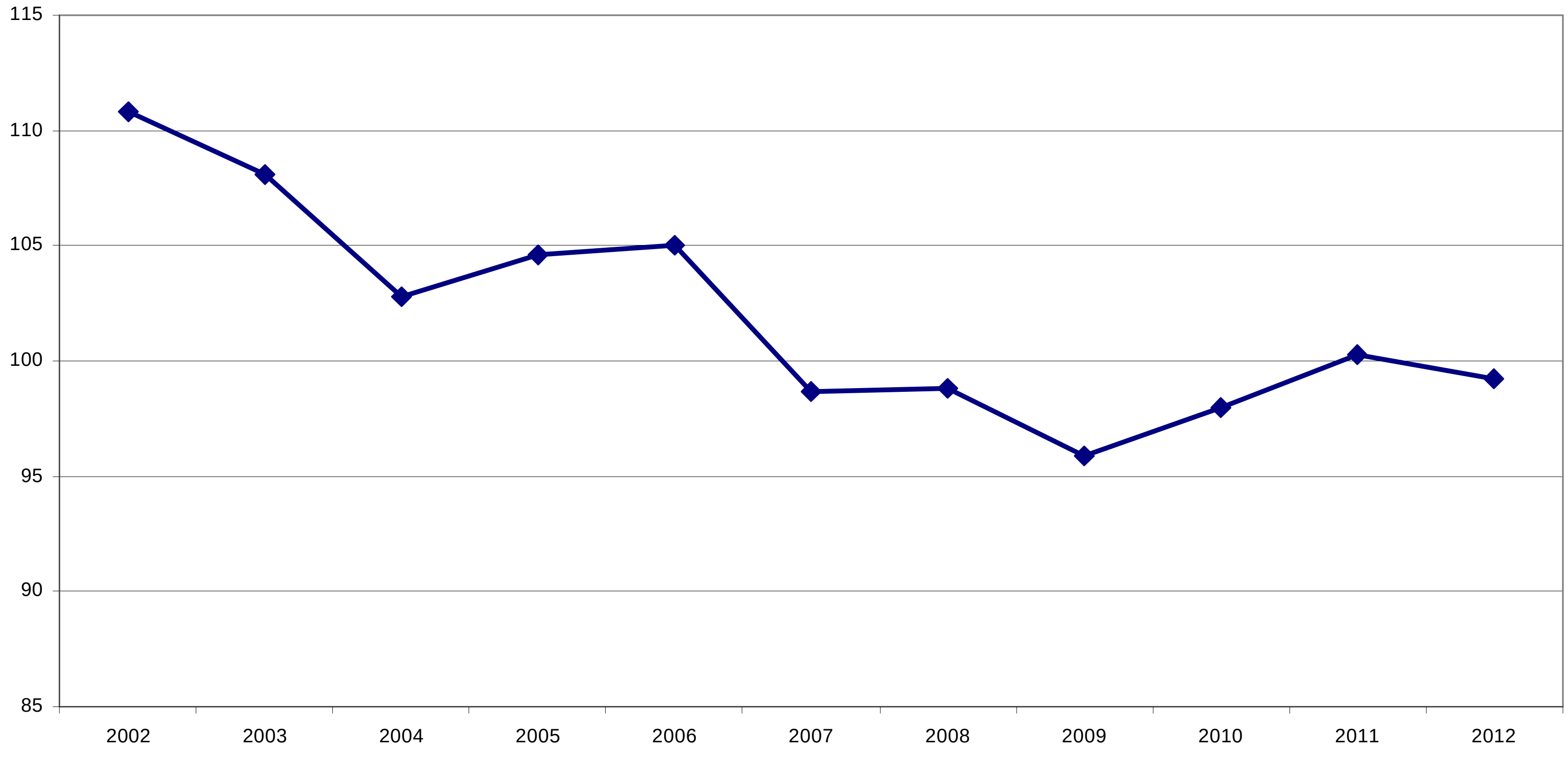
- *Demand:*
- Consumers' income and consumption fell back heavily due to economic crisis:

Volume index of income and consumption per capita, previous year: 100%



Source: Central Statistical Office, Hungary

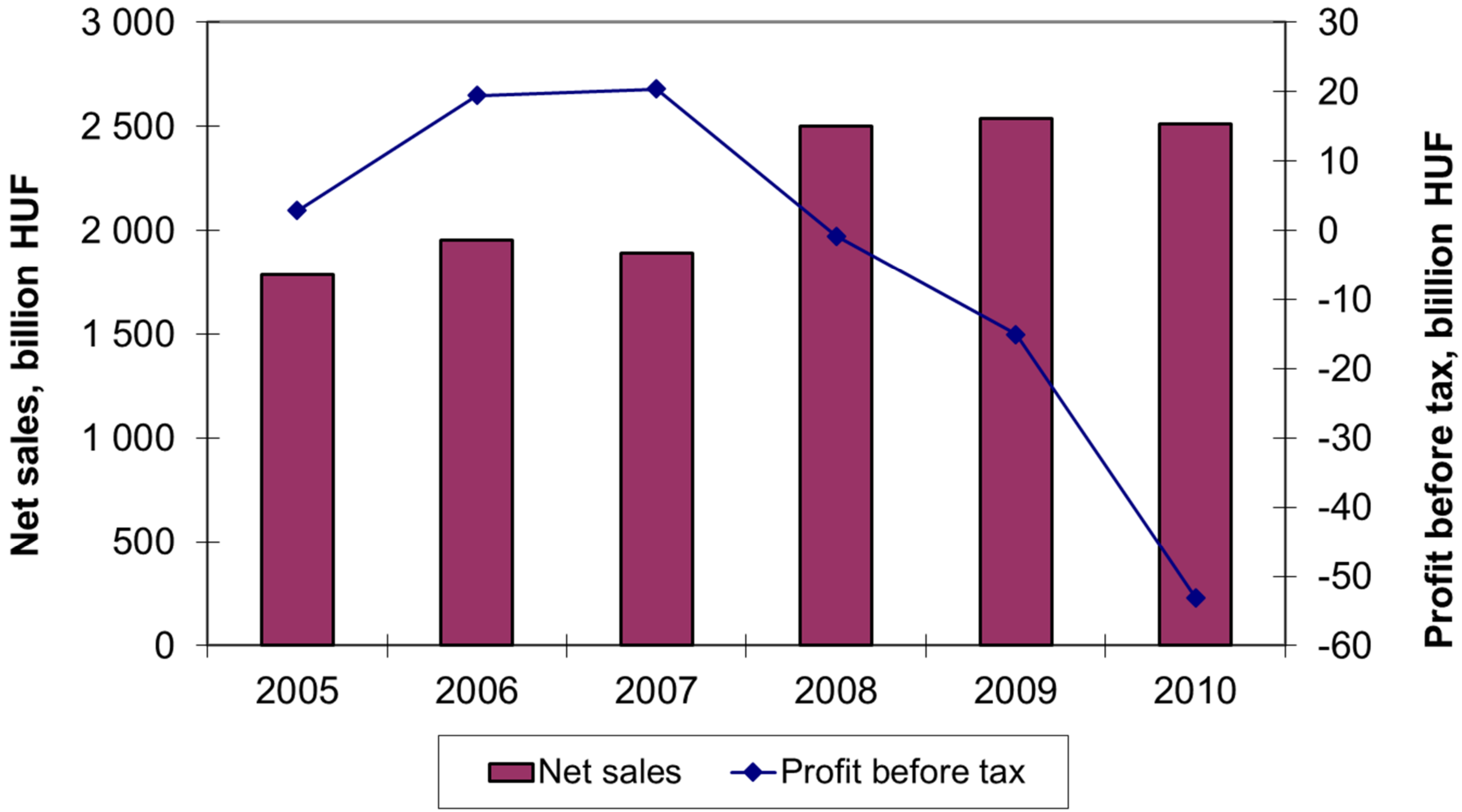
- Volume index of retail sales, previous year: 100%



Source: Central Statistical Office, Hungary

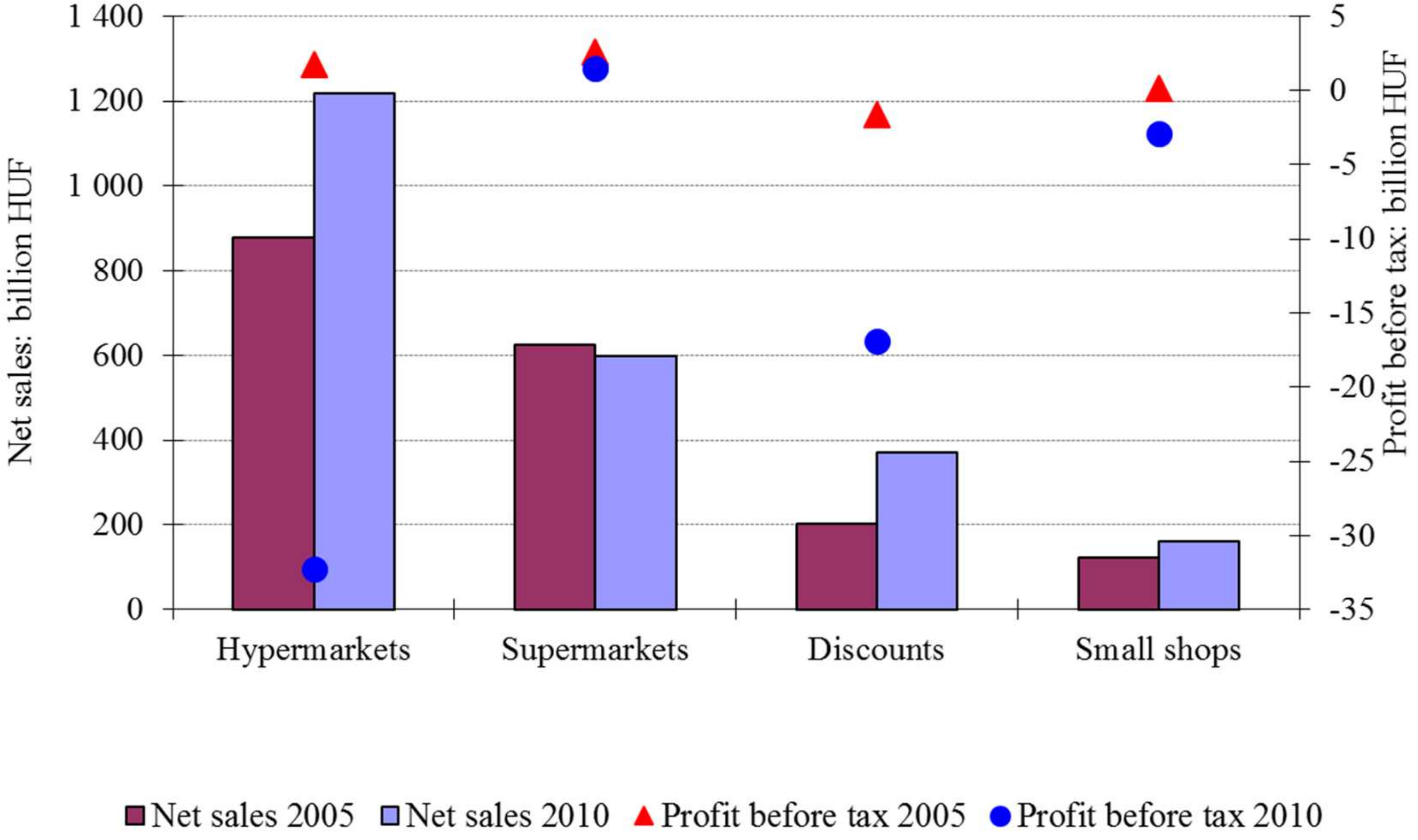
- *New consumer habits:*
  - Buying in nearer shops: „renesansse” of small shops and supermarkets;
  - Hunting for best offers/prices;
  - Saving time: hypermarkets are still popular.
  - Price/value ratio: PL products!
  - Changing to cheaper products.
  - …. even saving in volume: dropping of sales in food retail sector!

Sales and profit of food retail sector in Hungary:



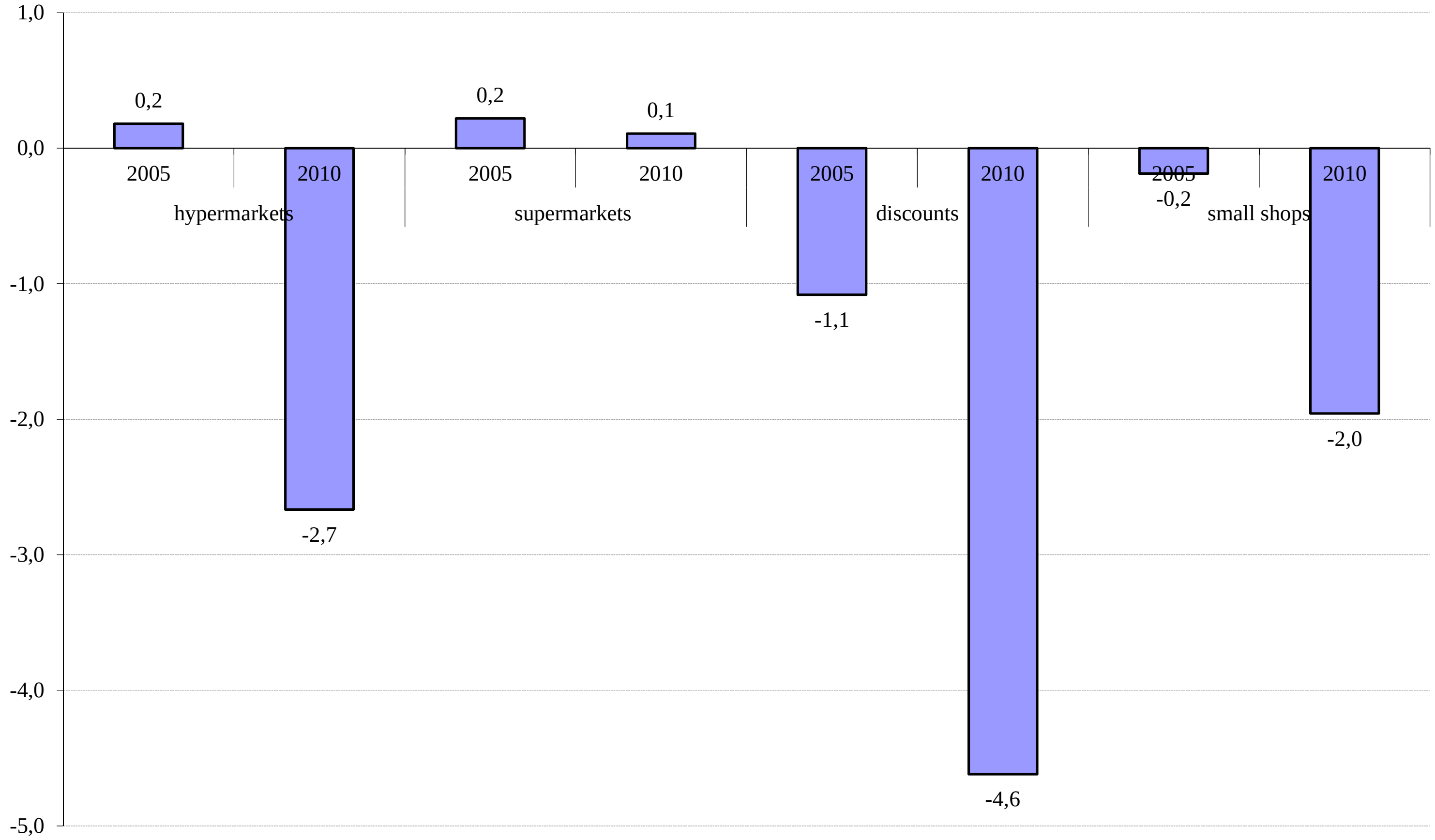
Source: Own calculation based on data of National Tax Office

- According to shop type:



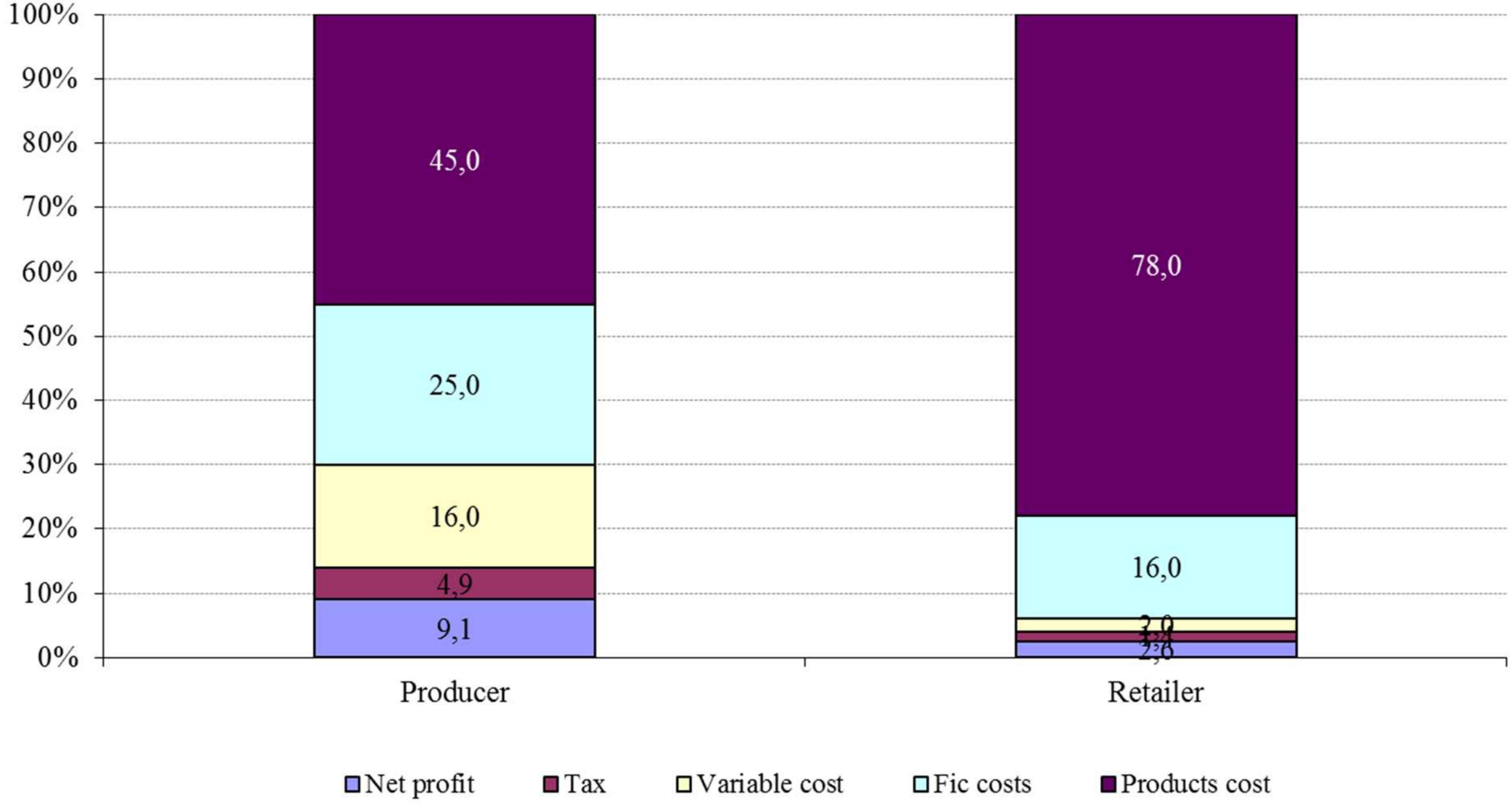
Source: Own calculation based on data of National Tax Office

- Net profit rate in percentage of sales:



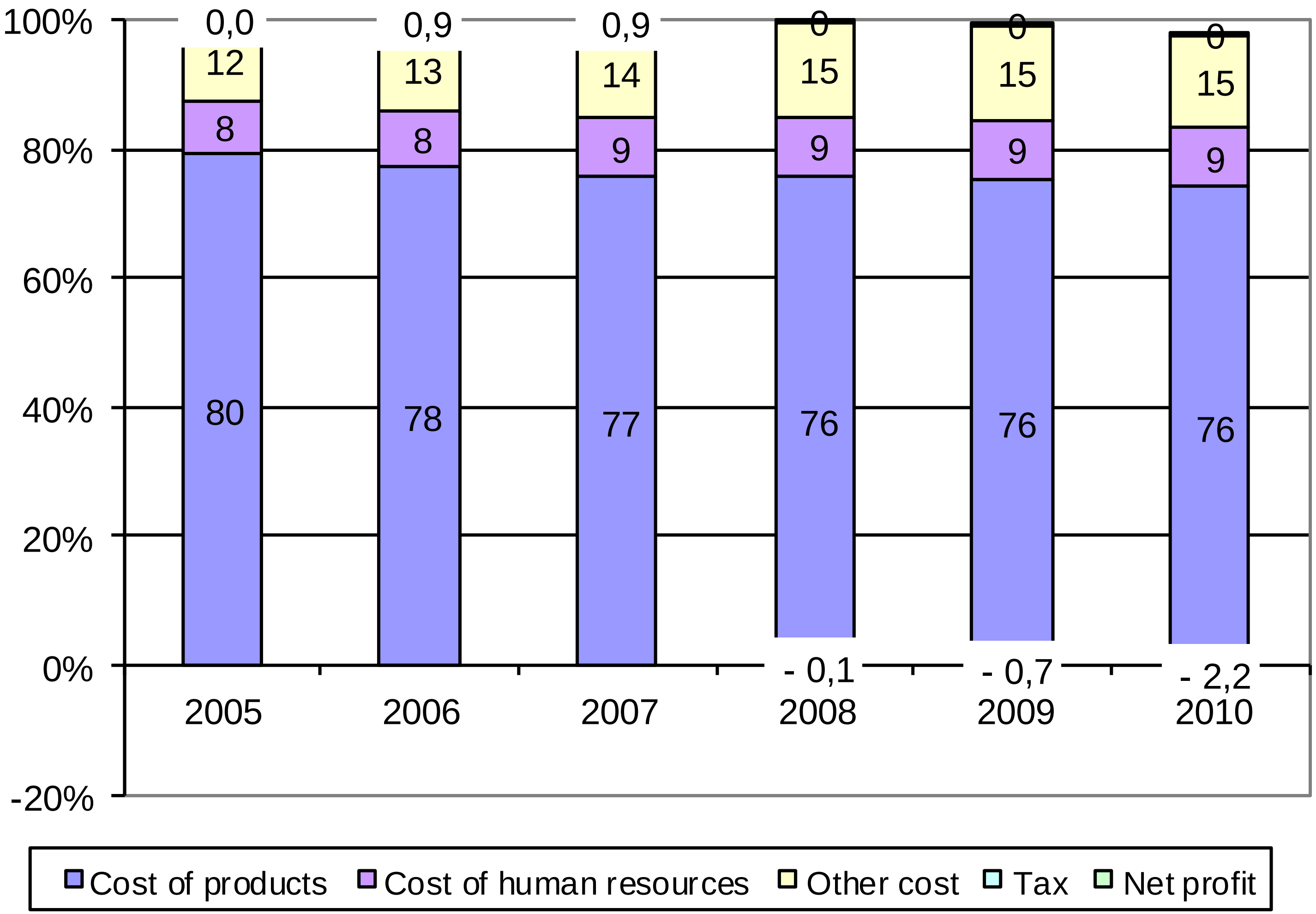
Source: Own calculation based on data of National Tax Office

- Comparision of costs and revenue of producers and retailers in Europe, 2006



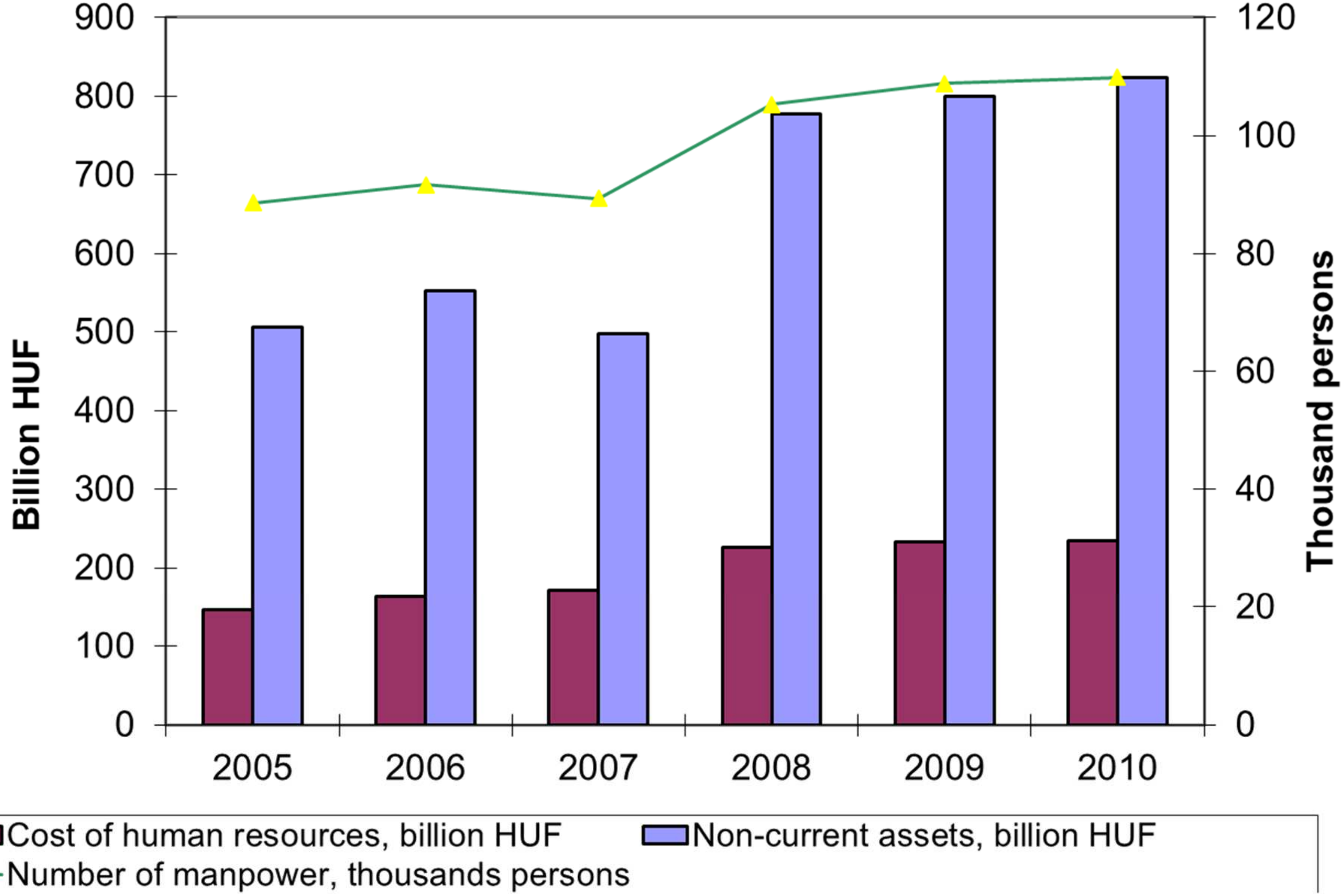
Source: Journal of Retailing and Consumer Services 15 (2008)

Cost structure of the retailers in Hungary



Source: Own calculation based on data of National Tax Office

Some financial data of retail sector in Hungary….



Source: Own calculation based on data of National Tax Office

- *Conclusions:*
  - Intensive expanding of some retailers (discounters, hypermarkets) even after 2008;
  - Reducing consumer income and consumption: declining sales of retail sector;
  - Result: low profitability!
  - Possible effects: increasing concentration;
  - Even harder conditions for suppliers!

Dziękuję za uwagę!