



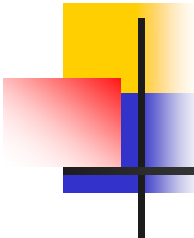
# Impact of the Retail Sector on the Value Chain

---

Peter Feiner

President, Hungarian Trade Association

CEO, SPAR Hungary

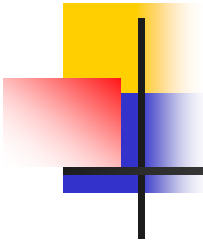


# Economics, prognoses

(Change in % of previous year)

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

\*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)

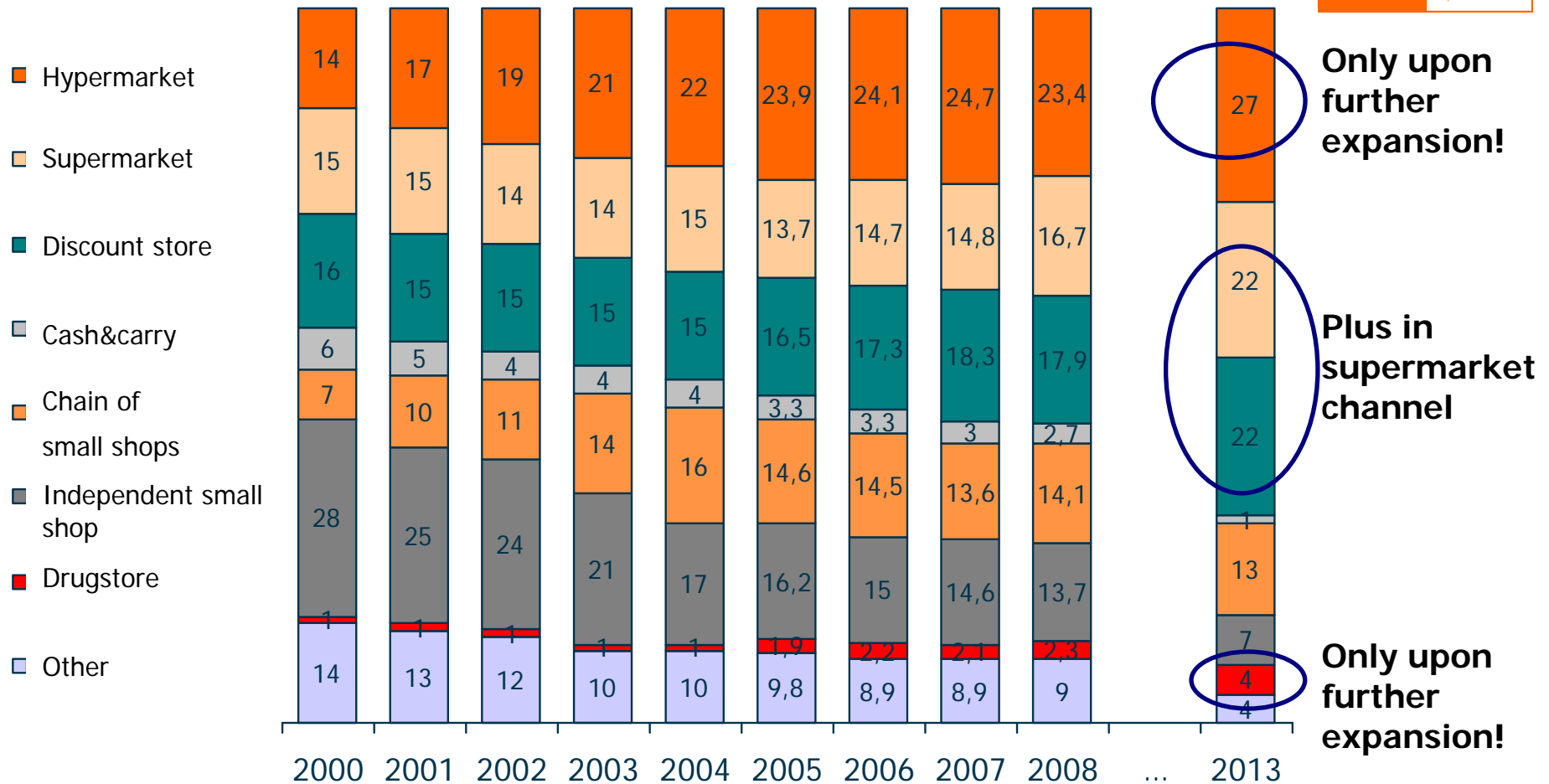
- Excessive regulatory framework
  - Trade Act
- Extended audits by authorities
- Excessive rate of black trade (15 – 20%)
- Increasing significance of brands
- Concerns related to suppliers
  - Code of Ethics for Product Chains



# TOP 10 in food trade

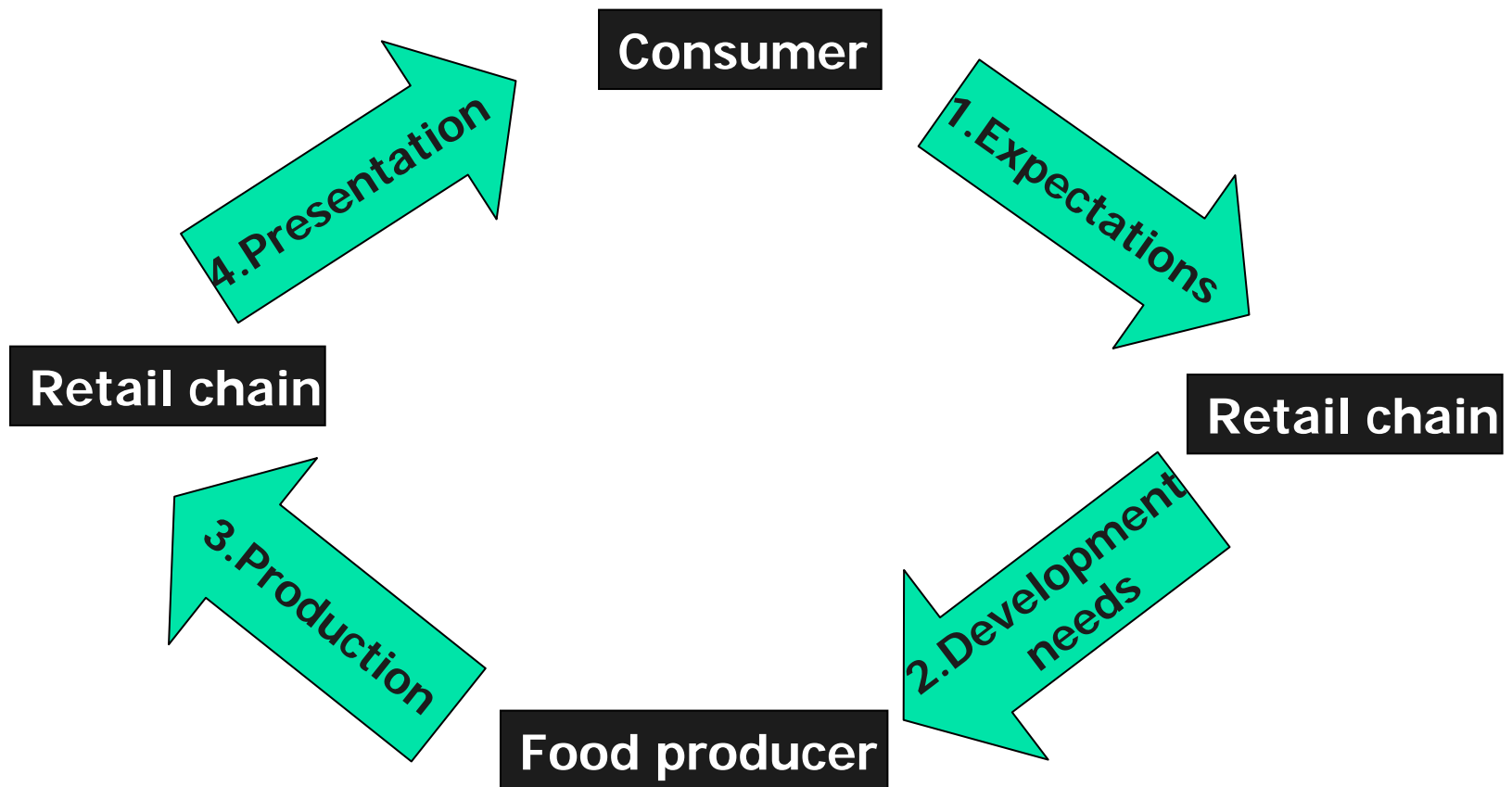
		Number of shops		Change	Sales (HUF BN)		Change	Sales/shop (HUF 1000)		Change
		2007	2008	%	2007	2008	%	2007	2008	%
1	TESCO	122	148	+21.3	554.9	602	+8.5	4548	4068	-10.6
2	CBA	1924	3038	+3.9	525	545	+3.8	180	179	-0.6
3	COOP	5283	5250	-0.6	440	500	+13.6	83	95	+14.5
4	SPAR (exc. PLUS)	204	219	+7.4	284.5	320.8	+12.8	1395	1465	+5.0
5	REÁL	2310	2310	0	331	348	+5.1	143	151	+5.6
6	METRO	13	13	0	232	262.1	+13.0	17846	20162	+13.0
7	AUCHAN	10	11	+10.0	212	221.7	+4.6	21200	20155	-4.9
8	LIDL	90	105	+16.7	124.1	164.7	+32.7	1379	1569	+13.8
9	PENNY	163	168	+3.7	145.1	161.5	+11.3	890	956	+7.4
10	CORA	7	7	0	118.8	105.5	-11.2	16971	15071	-11.2

# Share of shop types in sales of daily consumer goods (%)



# IMPACT OF THE RETAIL SECTOR IN THE VALUE CHAIN

Connection between producer and consumer





# 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!



[www.oksz.hu](http://www.oksz.hu)