CCA market investigation for 2017: Rising trend in grocery retail continues

PD: In 2017 the retailers' realized turnover was 35 billion Kuna which is a 3.2 per cent rise compared with 2016. Konzum continues to be the national market leader, followed by Lidl and Kaufland (Schwarz Group).

The Croatian Competition Agency (CCA) carried out the Groceries retail market investigation, including food, beverages and sanitary products for households in Croatia for 2017.

The market investigation involved a sample of 48 undertakings that in accordance with their turnover represent the most significant participants active in the food retail market. Four undertakings less than in 2016 – Billa d.o.o. and Kvarner Trgovina Punat d.o.o. have been taken over by Spar Hrvatska d.o.o., Trgovine Krk d.o.o., whereas B-Tex d.o.o. and Puljanka d.d. in administration were not engaged in the groceries retail in 2017. On the other hand, one undertaking – Lorenco d.o.o. from Pag that on 1 July 2017 became a member of Ultragros Group was added to the sample.

The market investigation did not include the groceries retailers that carry out their businesses under the Trades Act or the shops whose primary activity is not the selling of food, such as petrol stations or chemists or other specialized stores that sell particular groups of food products, such as bakers' and butchers' shops etc.

The realized turnover of all the undertakings that were included in the market investigation for 2017 amounted to 35 billion Kuna, which actually means that the groceries retail turnover has risen by 3.2 per cent in comparison with 2016. There have been 39 undertakings whose turnover has risen, whereas 8 undertakings recorded a decreasing turnover.

Takeover by direct competitors

The 2017 market research shows that there has been one important takeover by a direct competitor – that of the acquisition of Billa by Spar that took over 62 Billa's outlets including the logistics centre in Sveta Helena. The takeovers at the regional level were even livelier – as a matter of principle, smaller local retailers where taken over by Trgovina Krk (28 outlets) in Primorje-Goran County, 13 outlets were taken over by Lonia d.d. Kutina in Zagreb County and the City of Zagreb, whereas Mlin i pekare from Sisak took over 53 outlets. Three outlets of Puljanka d.d. in administration were taken over by the retailer La-vor Trade from Istria, while Gavranović d.o.o. took over one outlet from Dinova-Diona d.o.o. in Zagreb. Studenac also took over several outlets from other smaller retailers.

In 2017 a number of Konzum outlets were closed down and taken over by its direct competitors. This is the reason why some local and regional retailers, such as Trgovina Krk, Ribola, Istarski supermarket, indicated a higher nominal increase in their turnover than one of the "Top 10 retailers" K.T.C. **This shows that the upward trend that started in the previous report period continued with the "resilience" of smaller retailers that remained sustainable in the competitive environment.**

“Top 10 retailers”

In 2017 the top-10-retailers: Konzum, Lidl, Plodine, Kaufland, Spar, Tommy, Studenac, KTC, NTL and Lonia, recorded a compound turnover worth 28.8 billion Kuna, which is a nominal increase of 900 million Kuna or 3.2 % compared with the previous year.

The line-up of the leading retailers changed in 2017 compared with 2016. Spar took Tommy’s position and moved up to place 5, Billa that was taken over by Spar did not realize any turnover from retail while Lonia appeared as the tenth on the list of the biggest retailers in the Croatian market. Under the circumstances, there have been certain changes in the market shares of the rivals, too (e.g. the market share of Konzum dropped, whereas Lidl, Kaufland, Plodine, Tommy and Studenac increased their market shares). The first four on the list (Konzum, Lidl, Plodine and Kaufland) held a market share higher than 10 %, unlike the last year when only the first two rivals on the list (Konzum and Lidl) had a market share that was higher than 10 %.

Two thirds of the total turnover were realized in the City of Zagreb and six counties

The City of Zagreb recorded the highest turnover form retail in 2017 (18 %), high retail turnover shares have also been recorded in Split-Dalmatia County (13.6 %), Primorje-Gorski-Kotar County (9.2 %), Istria (7.3 %), Zagreb County (6.3 %), Zadar County (6.7 %) and Osijek-Baranja County (4.8 %). This means that two thirds of the total turnover from the retail were realized in the City of Zagreb and six counties, whereas just one third was realized in the remaining 14 counties.

The City of Zagreb as the most important retail market in Croatia had a turnover of a bit less than 6.4 billion Kuna, which was slightly lower than in 2016. The first place was still held by Konzum, albeit with a lower turnover and market share, followed by Spar and Kaufland whose both turnover and market share figures rose in 2017 compared with 2016.

After Zagreb, the most important retail markets in Croatia are located in Rijeka, Split and Osijek.

In Split the first three market leaders –Tommy, Konzum and Spar, kept their positions. Tommy remained on place one and increased its market share. The second on the list, Konzum, lost some of its turnover. Spar as the third, and Lidl as the fourth on the list, increased their retail turnover, and the respective market shares.

The leader in Rijeka – Plodine, strengthen its position and increased its market share. Lidl left behind Konzum and took the second position with an increase both in retail turnover and market share, whereas Konzum took the third place and reported negative figures relating to both indicators. Unlike Split and Osijek, Rijeka recorded a slight decrease in retail turnover.

In Osijek, Konzum remained the biggest retailer despite the fall in its turnover and market share. Spar took the largest leap and jumped from place five to place two, given the fact that it acquired two Billa’s outlets. Kaufland was the third on the list.

Increased number of retail outlets, particularly self-service markets

In comparison with 2016 the number of retail outlets grew by 2 % and there were 109 outlets more than in 2016. Compared with the previous year, in 2017 there were 185 new self-service markets, 3 new supermarkets and two new hypermarkets. However, the number of small shops fell sharply –

there were 81 fewer small shops in 2017 than in 2016. They also recorded a downward trend in their turnover.

That said, it must be noted that the total net sales space increased in 2017 in all shop format categories by 1.2 %, whereas the rise in the footage was most significant in self-service markets (5 %). The highest share is still held by supermarkets (45 %), hypermarkets (25 %) and self-service markets (22 %) whereas small shops held only 8 % of the total.

The consumers still significantly prefer big format shops. The results of the market investigation indicate that 70 % of the turnover was realized in large format stores, it was the supermarkets that realized the turnover of 47 % and the hypermarkets of 23 % in the total retail.

The turnover has risen by 7 % in self-service stores, 4 % in supermarkets and 1 % in hypermarkets, compared with the previous year.

Finally, the indicators revealing the rise in retail turnover in 2017, at the same time, considering the rise in the number of outlets and the sales space, point to the strengthening of competition and, indirectly, the fall in retail prices to the benefit of the final consumers.

The full version of the CCA’s Groceries retail market investigation, covering food, beverages and sanitary products for households in Croatia for 2017 is available in Croatian here .