CCA Groceries Retail Market Inquiry for 2022: Changes in the top 10 and continuous well-structured market

The Croatian Competition Agency (CCA) carried out the Groceries retail market investigation (including food, beverages and toiletries and household supplies) in Croatia for 2022. The sample included 45 undertakings that, according to their realized turnover, represented the largest undertakings operating in the grocery retail market.

Three retailers were less in the 2022 sample compared to the previous 2021 market research, Pemo, Lonia Trgovina and Trgostil. Pemo and Lonia trgovina were integrated into Studenac (Studenac Market) and deleted as such from the court register in March 2023 (Pemo) and in May 2023 (Lonia Trgovina), respectively. The undertaking Trgostil d.d. was merged with the undertaking Trgovina Krk d.d. on 21 2022 and was deleted from the court register on 10 November 2022. Trgovina Krk d.d. took over all obligations and rights held by Trgostil. This was a transaction within the Čakovečki mlinovi Group.

The turnover from grocery retail in the Republic of Croatia of all undertakings from the sample in 2022 amounted to HRK 50.2 billion. In 2022, a nominal groceries retail turnover growth of HRK 6.8 billion was recorded compared to the previous 2021, when it amounted to HRK 43.4 billion, showing that the grocery retail market rose by 15.7%.

For the first time, the combined turnover of the retailers from the sample exceeded HRK 50 billion, which was certainly influenced by the general inflation trends and especially in the part related to the food and non-alcoholic beverages component in the consumer price index.

In 2022, there was a total of 4,996 sales outlets of the sampled retailers, which rose by 171 compared to the previous 2021, representing a growth of 3.5%.

The total net sales space of all sales outlets of the surveyed undertakings in 2022 amounted to just under 1.54 million square meters, recording an increase in net sales space of 31,700 square meters compared to the previous 2021, representing a growth of 2.1%.

Market structure and trends in retail groceries market in 2022

Konzum plus was the largest grocery retailer in 2022. Its market share in the observed 2022 amounted to 20-30% and recorded a slight decline in market share compared to 2021, despite a double-digit turnover growth in groceries retail. In 2022, it had 628 sales outlets (in the previous 2021 it had 620 outlets).

It should be emphasized here that Konzum plus market share, as well as all other retailers' market shares, are shown as a range of data and not in an exact amount due to the fact that they were derived from the submitted data which were marked as business secrets by the retailers themselves. It should also be noted that turnover amounts in this communication are expressed in Croatian Kuna considering that this is research for 2022 and the data were requested by and submitted to the CCA by the retailer in this currency.

Furthermore, the trend of increasing turnover in groceries retail of the Schwarz Group members continued. In 2022, Lidl recorded double-digit turnover growth according to relative indicators. Lidl's market share in the observed 2022 amounted to 10-20%. The other Schwarz Group member, Kaufland, also recorded the rise in its turnover and market share in the range between 5-10%. Overall, both Schwarz Group members had a combined market share of 20-30% in 2022.

The turnover growth in the groceries retail in the observed 2022 was recorded by 39 retailers. For the sake of comparison, in the previous 2021, a total of 38 retailers indicated a turnover rise compared to 2020.

The highest nominal rise in groceries retail turnover in 2022 was recorded by Studenac, followed by Lidl, Konzum plus (all three recorded growth of more than one billion Kuna). They were followed by Plodine, Spar and Kaufland (nominal growth ranges between HRK 500 million and one billion). Studenac's significant turnover rise in 2022 was primarily the result of the integration of Pemo, Lonia Trgovina and smaller local retailers Duravit and Kordun. Studenac remained in first place in 2022 by number of sales outlets (1,200 outlets), but they are predominantly of small format such as small stores and supermarkets.

In 2022, Eurospin's market share at the national level rose significantly, which moved this retailer from the 17th to the 13th position.

In the observed year 2022, both regional retailers and retailers such as Ribola, Boso, KTC, Mlin i pekare, and NTL experienced revenue growth in the groceries retail ranging from 50 to 100 million kuna. Some smaller local retailers, such as La-vor Trade and Djelo, Trgocentar, Zabok, Bakmaz, Slavonija-Bošković, and Robin (all grew in the range of 20 to 40 million kuna).

The "Top 10" in 2022 were: Konzum plus, Lidl, Plodine, Spar, Kaufland, Studenac, Tommy, KTC, Trgovina Krk, NTL.

The change in 2022 compared to 2021 was that Trgovina Krk was positioned for the first time in the "Top 10" retailers in terms of revenue from groceries retail, ranking ninth. Additionally, Spar jumped to the fourth position, and Studenac to the sixth position.

The highest increase in market share among the top ten groceries retailers in 2022 compared to the previous year 2021 was realized by Studenac, followed by Lidl and Trgovina Krk. There was a growth in the market share of the regional retailer Trgovina Krk primarily as a result of adding the revenue of the connected undertaking Trgostil (Čakovečki mlinovi Group).

Decline in asymmetry and moderate rise in market concentration

Asymmetry in the retail market declined further in 2022, in other words, in respect to the market share, the discrepancy between the leader in the market Konzum plus and its second rival Lidl has been diminished.

Compared with 2021 the report year showed a mild rise of the concentration ratio CR10 (the market shares of the 10 biggest retailers in the market), that was 86.4 in 2022 and 83.5 in 2021. The CR10 increase was primarily due to the rise in market shares of Studenac and Trgovina Krk.

The results of the analysis of the five-top-rivals (CR5) indicated that the concentration ratio was 66.2 in 2022, exactly the same as in 2021. In other words, there has been no change in the first five rivals (Konzum, Lidl, Plodine, Spar, Kaufland) save for the difference in the “distribution” of market shares in 2022 compared with 2021.

For the sake of comparison, according to publicly available data from the Austrian competition authority (BWB), on the Austrian retail market, the first four largest groceries retailers 2022 (Spar, Rewe, Hofer, Lidl) jointly account for a market share of 91 percent, indicating a CR4 concentration ratio of 91. In other words, a smaller number of retailers, four of them, in Austria, hold a larger combined market share than the top five retailers in Croatia. This suggests that the concentration of the retail market in Croatia is lower compared to the Austrian retail market for which data is available.

Herfindahl-Hirschman Index (HHI) amounted to 1,405 in 2022, indicating that the groceries retail market for in Croatia was weakly concentrated. In other words, it proved a competitive structure of the groceries retail market.

Changes at the regional level

Counties and the City of Zagreb

In the observed year of 2022, turnover rise was recorded in all 20 counties and in the City of Zagreb, just like in 2021. The highest turnover from retail was recorded in the City of Zagreb (8.7 billion kuna), followed by Split-Dalmatia County (6.7 billion kuna), Primorje-Gorski Kotar County (4.5 billion kuna), and Istria County (slightly over 4 billion kuna), Zagreb County (3.4 billion kuna), Zadar County (3.3 billion kuna), and Osijek-Baranja County (2.5 billion kuna).

The highest nominal rise in the realized turnover in the groceries retail at the regional market level (City of Zagreb and twenty counties) was in 2022 recorded in Split-Dalmatia County, where the turnover rise amounted to slightly over one billion kuna (an increase of 18.7 percent compared to 2021). This was followed by the City of Zagreb, where 870 million kuna rise in turnover was recorded (an increase of 11.1 percent compared to 2021), Istria County with turnover rise of 785 million kuna (an increase of 24.2 percent compared to 2021), and Primorje-Gorski Kotar County, where turnover rise of 694 million kuna was recorded in 2022 compared to 2021 (an increase of 15 percent compared to 2021). The significant increase in groceries retail in Split-Dalmatia, Istria, and Primorje-Gorski Kotar counties has been likely influenced by the growth in tourism indicators and consumption in these counties.

The City of Zagreb and six counties (Split-Dalmatia, Primorje-Gorski Kotar, Istria, Zagreb, Zadar, and Osijek-Baranja counties), achieved slightly less than two-thirds (65.8 percent) of the total groceries retail turnover in Croatia in 2022, continuing the trend from the previous years, with a slight increase compared to 2021 (65.4 percent).

Konzum Plus remained the leading retailer in the City of Zagreb and six counties (Zagreb, Krapina-Zagorje, Varaždin, Karlovac, Lika-Senj, and Osijek-Baranja counties), as in the previous year of 2021.

Members of the Schwarz Group were leading in four counties. Lidl was the leading retailer in Koprivnica-Križevci and Bjelovar-Bilogora counties, while Kaufland is the leading retailer in Brod-Posavina and Požega-Slavonia counties, as in the previous year of 2021.

Furthermore, among the leading retailers in the counties, there has been one change in 2022, as Studenac became the leading retailer in the Dubrovnik-Neretva County, marking its first-time leading position in that county. This was the result of the merger with the former local retailer Pema, so Studenac has moved from third to first position in that county.

Tommy remained the leading retailer in three counties in the Adriatic region, in its home Split-Dalmatia County, Šibenik-Knin County, and Zadar County.

In 2022, KTC was the largest retailer in Virovitica-Podravina County, while Mlin i pekare remains the market leader in the Sisak-Moslavina County. Boso has been the long-standing leader in the Vukovar-Srijem County. Trgovina Krk was the largest groceries retailer Međimurje County, also due to the merger with Metss from Čakovec in 2021. With the merger with Trgostil in 2022, Trgovina Krk expanded to ten counties and the City of Zagreb with over 400 retail outlets, excluding the specialized retail outlets.

<u>Cities of Split, Rijeka, Osijek</u>

Tommy retained the top position in Split, with a slight decrease in its market share. In Split a positive trend continued, meaning the groceries retail turnover rise in 2022 compared with 2021 (the same applied to Rijeka and Osijek as well). This was likely due to the increase in tourist trade, as well as the influence of inflationary trends. There has been one change in the ranking as Spar in Split moved to the third position, beating Konzum Plus at this position.

In Rijeka, Plodine remained the market leader in the groceries retail, with a slight decrease in its market share.

In Osijek, Konzum Plus remained the largest retailer in the groceries retail market, with a slight decrease in its market share.

Supermarkets keeping the lead

The results of the market investigation showed that supermarkets achieved the highest groceries retail turnover in Croatia in 2022, amounting to 25.8 billion kuna. Compared to 2021, there has been an increase of 4.1 billion kuna, or 18.8 percent.

Hypermarkets followed, with a turnover of 10.3 billion kuna in 2022, marking an increase of 900 million kuna compared to 2021, or 9.8 percent.

Self-service stores generated a turnover of 10 billion kuna in 2022, with an increase of 1.1 billion kuna compared to 2021, or 12.6 percent.

Small stores recorded a total turnover of 4.1 billion kuna in 2022, showing an increase of 670 million kuna compared to 2021, or 19.4 percent.

Supermarkets have remained dominant in the structure of sale both regarding the realized turnover, and the net sale space they occupy. In the observed year of 2022, the consumers still predominantly shopped in hypermarkets and supermarkets – more than two thirds or 71.9 % of the total groceries retail turnover was realized in big format shops, 51.5 % in supermarkets and 20.4 % in hypermarkets.

Similar as in the previous year, self-service stores held the share of some 42 % of all retail outlets, followed by small shops with 39 %, supermarkets with 16 % market share and hypermarkets with 3 % market share (the market shares of self service stores and small shops rose). There was also a more distinct increase in the number of two types of stores – small stores and supermarkets, while the increase in the number of self-service stores and hypermarkets was less distinct.

Regarding the criterion of the net sales area, supermarkets continued to have the largest share, accounting for just over 48 percent of the total net sales area in 2022. They were followed by hypermarkets with a share of 22 percent. Both types are large-format sales area, hence their larger net sales area. Self-service stores followed with a share of 22 percent, and small stores with a share of about eight percent. Hypermarkets were the only type of retail stores that experienced a slight decrease in net sales area.

On-line shopping and loyalty programmes

The results of the inquiry for 2022 showed that groceries on-line shopping has still not taken a significant share in the total turnover structure of the groceries retail shops. The highest share in the on-online groceries retail turnover in 2022 was recorded by Konzum plus.

Loyalty programmes were applied by 14 groceries retailers, two less than in 2021, due to the fact that two retailers ceased to operate by having been merged with other undertakings (these were Lonia Trgovina and Pemo whose loyalty programmes were taken over by Studenac that formerly had its own loyalty programme. No new undertaking launched such a reward programme. Konzum plus, Lidl and and Kaufland, followed by the members of Schwarz Group and Studenac, had the highest number of members in their loyalty reward programmes.Regional retailers such as Robin and Dergez had worth mentioning loyalty programmes in place.

Profit margin

Similarly as in 2021, in 2022 the CCA investigated the average profit margins of retailers applied across eight categories of products. The categories that were selected by the CCA were: meat and meat products, poultry meat and eggs, bakery products (bread, pastries), milk and dairy products, fresh fruit and vegetables, soft drinks and water, confectionery products (biscuits, chocolates, candies, etc.) and basic food products (flour, sugar, rice, noodles, edible oils, etc.).

The indicators taken into account by the CCA included 2022 compared to 2021 and in June 2023, that is, the period when the questionnaire was sent to the retailers, compared to the end of 2022.

The results of this research showed that the average margins for food products in 2022 and in June 2023 were the highest in the category of bakery products and confectionery products, and relatively high in the category of fresh fruit and vegetables.

The comparison of the average profit margin in 2022 compared with 2021 in eight categories of products indicated slight rise of the average margin in seven categories thereof, whereas in the category of basic food products there have been a slight decrease in the average margin.

However, based on more recent margin indicators for the period of June 2023 compared to indicators from 2022, it can be concluded that there has been a decrease in average margins in six observed categories of products (poultry meat and eggs, bakery products, milk and dairy products, fresh fruits and vegetables, non-alcoholic beverages and water, and basic food products), while in two categories of products (meat and meat products, confectionery products), the average margins have been essentially the same.

It must be noted here that certain food products included in the CCA survey, are subject to the government Decision on Direct Measures for Price Control for Individual Food Products, OG 104/22, 5/23, 31/23, and 37/23.

The full version of the CCA Groceries Retail Market Inquiry for 2022 in the Croatian language is available on the CCA website:

https://www.aztn.hr/ea/wp-content/uploads//2024/01/Trgovina-na-malo-2022_prikaz-stanja_final.pdf