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Market Brief - Sector

Czech Republic : Exporting to Certain Retail Chains

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Summary

After the political changes of the early 1990's, foreign companies established large food retail chains in the Czech Republic, which in most cases operate independently from the mother companies. While these companies are eager to expand, concentration on the Czech market is accelerating. If a product finds shelf place in one of the large food chains, it is practically guaranteed sales. The food chains described below do not carry out direct imports but, instead, buy through local wholesalers. Nevertheless, U.S. exporters can contact the head purchasers of the purchasing sections and offer the purchasers their products. The product or products can then be imported through a local wholesaler. Foods entering the Czech market must be approved by the Czech Agricultural and Food Inspection. The wholesaler is responsible for applying for certification.

A. General

Total annual turnover of the Czech Republic food retail market is approximately Kc 250 billion . From this total, Kc 80 billion is attributed to branches of international retailers. Foreign trade enterprises are investing heavily in the Czech market. In 1999, it is estimated that ten additional hypermarkets will be unveiled. Because of this, increased competition and possibly some shake outs can be expected in the near future.

In general, the Czech population enjoys shopping in large stores and appreciates the broad assortment that hypermarkets offer. For this reason, hypermarkets have a bright future in this market.

Food products must be certified by the Czech Agricultural and Food Inspection (address: Dr. Petr Baudys, deputy director, Kvitna 15, 603 00 Brno, Czech Republic; phone: +420 (5) 4354-0213, fax: +420 (5) 435 4-0210, website at <http://www.czpi.cz>) before they are allowed to enter the Czech market. Certification requirements are laid down in regulation 200/1997. Certification is valid for one year and costs approximately Kc 5,000 per item.

Labeling requirements are in Regulation 324 and basically are as follows:

Information must be written in Czech.

Name and address of the distributor/importer

Category of the product (e.g. dairy product)

Shelf life

Quantity

Storage temperature, if the product has to be kept chilled

Ingredients

Instructions on how to prepare the product

If the product contains an ingredient that may cause health problems, it must be indicated

If the product has been UV irradiated, indication is required

Certification of an imported product depends upon the category of which the product falls under (Regulation 220/1997).

B. Food Chains

1. Euronova

Company Description

Euronova is a division of Royal Ahold, a Dutch company which has stores throughout Europe, North America and Asia. Currently, the Czech headquarters is based in Brno (address: Euronova, Slavickova 1a, 63800 Brno, Czech Republic; Phone: +420 (5) 45 19 35 04; fax: +420 (5) 4522-2076), but they will relocate in May or June 1999 to Prague (the new address is not yet available). Also, the name of the company will change to Ahold Czech Republic.

Within Czech Republic, Ahold owns the supermarket chain Mana (85 outlets), the discount chain Sesam (51 outlets), and the megamarket chain Prima (16 outlets). Globus opened its first hypermarket in Brno in November 1996. In fall 1999, an additional new hypermarket each will be opened in Liberec and Ostrava.

Euronova is currently the largest grocery retailer in the Czech Republic. With an annual turnover of Kc 12.5 billion in 1998, it controls about eight percent of the Czech food retail market.

Purchasing

A few products are purchased by the Dutch mother company; however, most commodities are bought by the national companies that decide what Euronova needs and where to purchase the goods from. Euronova's central purchasing section buys 99 percent of the needed articles from wholesalers located in the Czech Republic. No direct imports are transacted except for a small quantity that comes from the headquarters in the Netherlands. Commodity group managers cover the following areas: fresh and frozen products (including poultry), health and beauty products, groceries and beverages (including alcoholic drinks). It should be noted that the decision regarding which products shall be bought for Czech outlets is made at the headquarters in Brno by the Vice-President for Purchase and Logistics, Roger Johnson, at the headquarters in Brno (see above for address); thus, all offers should be addressed to him. If a product is selected for Euronova, it will be purchased via a local importer.

Promotion

The retail chains carry out various promotions through newspaper advertisements, leaflets, and in-store promotions. As of now, no American products have been specially promoted, but managers are interested in arranging American promotional weeks.

U.S. Products

U.S. products make up only a small portion of Euronova's assortment. American products marketed include dried fruits, nuts, Bourbon whisky, vodka, and a limited selection of California wines.

2. Globus

Globus is currently the largest food retail trader in Germany, which is where its headquarters is based. The address at which headquarters can be contacted is as follows: Globus-Handelshof-Gruppe, St. Wendel, Leipziger Strasse 8, D-66594 St. Wendel, Germany. In November 1996, Globus opened its first Czech hypermarket in Brno. Since then, four additional hypermarkets (Prague (two outlets), Usti, and Pardubice) and two do-it-yourself markets have gone into operation. Globus' goal is to quickly achieve a high market share and, consequently, a positive starting position for the future. In order to accomplish this goal, Globus will open three additional hypermarkets in Prague-Cakovice, Opava, and Chomutov in 1999.

Each hypermarket consists of at least 7,000 square meters and has a labor force of approximately 400. The entire assortment includes 50,000 products, out of which 12,000 are food products. It is estimated that Globus' share of the total food retail market is between 4 and 6 percent.

Purchasing

The Globus chain in the Czech Republic is independent from the German mother company; thus, all purchases for the Czech markets are carried out centrally by the Czech headquarter in Prague. The central purchasing section, however, does not carry out imports but buys foreign products from wholesalers located in the Czech Republic. These traders also warehouse products for Globus.

Final purchasing decisions are made by Head Purchaser Andreas Schopper. U.S. exporters interested in establishing trade relations with Globus should contact Mr. Schopper at the following address:

Globus
Attn: Mr. Andreas Schopper
Kostelecka 822
CZ-19600 Prague
Phone: +420 (2) 8591-251
Fax: +420 (2) 8591-751.

Promotion

Globus publishes a weekly, twelve-page leaflet averaging 150 advertised articles per issue. The leaflet has a distribution of 1 million and costs approximately Kc 13,000 per outlet per article. In addition to distributions, in-store promotions are periodically held.

U.S. Products

The variety of U.S. products offered includes various nuts, dried fruits, corn, Texan ruby red grape fruit, rice (packed in the Czech Republic), Californian wines, and Bourbon whiskey.

3. TESCO

Company Description

Tesco is one of the largest food retailers in the UK with headquarters in Chestnut, near London. Since 1993, the company has expanded to other European countries including France, Hungary, Poland, Czech Republic, and Slovakia. In addition to department stores, Tesco has six supermarkets (average sales area 1,500 square meters) located throughout the Czech Republic and two state-of-the-art hypermarkets (100,000 square meters) in Prague and Brno. Tesco owns seven supermarkets in Slovakia. Another two hypermarkets will be opened in Prague and Ostrava this year, and further expansions are expected in the following years. In 1998, Tesco had a turnover of 6 billion Kc, which corresponds to 4 percent of the total Czech retail food market.

Tesco's commodity assortment includes two types of products: products imported from the U.K. and those made in the Czech Republic, which include basic products such as mineral water, juice, flour, and sugar.

Purchasing

The Tesco headquarters in Prague is responsible for making decisions concerning the Czech Republic and Slovakia stores. The headquarters can be reached at the following address:

Tesco Stores CR/SR
Narodni 26
113 89 Praha 1
Czech Republic

Phone: +420 (2) 2200-3418

Fax: +420 (2) 2422-9810

Buyers are listed below by their respective division.

Fresh Food

Jason Minnis	fresh food trading director
Christopher Poirier	meat, poultry, deli meats
Pavla Dlouha	dairy products
Martina Svacinova	cheeses, eggs, fats
Veronika Kusikova	delicatessen, fish, ready meals

Grocery

Ian Parker	bakery products
Alice Sindlerova	produce
Jaroslav Kopecky	grocery trading director
Jan Soukup	frozen foods
Lubos Novak	direct imports, wine spirits
Graham Bonsey	soft drinks, confectionary, snacks, sweets
Jaroslav Pavel	soups, cans, pasta, rice, preserves
Marek Dolezal	tobacco products, beverages, dried fruits nuts, health food, cereals, herbs, spices

Alena Kmochova pet food, home care

The company mainly buys from wholesalers located in the Czech Republic or Slovakia. Only a minimal number of products are imported directly by Tesco. Also, since Tesco does not buy bulk goods, the retail packaging of most imported products is carried out by wholesalers.

Tesco advises that with regard to U.S. products, most are purchased from:

Wakefern Food Corporation
355 Davidson Mill Road
Jamesburg, NJ 08831
U.S.A.
Phone: (732) 521-8612
Fax: (732) 521-8481

U.S. offers may also be considered through other responsible purchasers, though in most cases, Tesco tends to buy via Wakefern Food Corporation.

Promotion

In addition to in-store promotions, Tesco distributes flyers to households every two weeks.

U.S. Products

Among all the supermarket and hypermarket chains throughout the Czech Republic, Tesco has the largest U.S. assortment. The American conglomeration includes popcorn, cookies, potato chips, cereals, turkey stuffing, instant mixes for baking, jams, sauces, different varieties of cheese pastas, soy sauces, salsa, tortillas, canned sweet corn, canned sweet potatoes, soups, cranberry sauces and peanut butter.

Exchange rate: Kc 35 = \$1.00