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Market Brief - Sector

Austria : Exporting to Certain Retail Chains

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Vienna [AU1], AU

Summary

Due to ongoing concentration in the food retail sector, around 94% of the Austrian food market is covered by only seven food chains. Consequently, if a producer or trader succeeds in placing a product in one of the major food chains, he can expect large volume sales. Thus, in order to acquire a larger share of the Austrian food market, U.S. traders should try to establish trade relations with one or more of these retail companies. In this market brief three important Austrian food chains and the way to establish business contacts with them are described.

A. General

In 1997, there were 7337 general food retail shops (not including special beverage, meat, and fruit and vegetable shops). Most of them are owned by seven supermarket chains, which cover 94% of the total food turnover.

Grocery chains and their market share of the Austrian retail food market (in percent) after the recent sale of 162 Meinl shops:

Billa	30.1%
Spar	24.1%
Adeg	12.0%
Hofer	10.0%
ZEV	8.9%
Zielpunkt/Loewa	4.7%
Meinl	3.9%
Others (including mom and pop shops)	6.3%

The turnover of the food retail trade was around AS 150 billion in 1998.

Concentration in the retail sector has been going on for many years and is far from over. Meinl, which still owns 179 shops, intends to sell 79 this year.

Billa, Spar and Meinl have been expanding in the central European countries, in particular Czech Republic, Slovakia, and Hungary. The large food chains are modern and highly automated.

Imports of certain products (e. g. rice) require an import license from Agricultural Market Austria. The importer must apply for the licenses, which is routinely issued. The import duty varies significantly from product to product. In general, processed products pay a higher duty than unprocessed ones.

Given the lower duty rate for unpackaged foods coming from third countries, U.S. food products are usually imported unpackaged. After customs clearance they are packed for retail sale and labeled by the packer or distributor according to the EU regulation.

Due to the high customs rate for imports from third countries, among U.S. products, niche products have the best opportunities.

Imported products do not have to be tested before marketing. However, the products have to comply with Austrian food regulations, which correspond to EU regulations. The importer/distributor is responsible for compliance and is liable if this is not the case. Imported food is not regularly tested but as with domestic foods, random sample tests are carried out.

Packaging and Labeling Requirements

- Name under which the product is sold
- Ingredients, including food additives, in descending order
- Net weight or quantity in metric units
- Expiration date (day/month/year)
- Lot number (producer, manufacturer, packer, or first wholesaler)
- Name or firm name and address of the manufacturer or packer, or first wholesaler
- Place of origin, including any particulars needed to clarify to consumers the true origin of the foodstuff
- Nutritional labeling (per the Austrian Ordinance on Labeling of Nutritional Values, Federal Gazette 896/1995): nutritional value including content of protein, carbohydrates, fat, fiber, minerals and vitamins. This regulation is compulsory if a nutritional claim appears on the label, in presentation, or in advertising, with the exception of generic advertising. Nutritional claims permitted are limited to those related to energy values and the following nutrients: protein, carbohydrates, fat, fiber, sodium, and prescribed vitamins.

Health claims and any health-related information on a food product require registration of the product at the Federal Chancery.

Food products can enter the country with standard U.S. labels or can be unlabeled, but before distribution they must be labeled in accord with local requirements. Stick-on labels meeting local requirements are permitted. Labeling must be in the German.

B. Food Chains

1. METRO

Company Description

Metro is a limited company with headquarters in Duesseldorf, Germany. Besides outlets in Austria and Germany, Metro is represented in most EU countries, some central European countries, many other European countries, Turkey, Morocco, and China. In Austria, Metro has 11 cash & carry shops with a total area of 130,000 square meters. The largest outlet (20,000 square meter) is in Voesendorf near Vienna. Metro has 2,200 employees in Austria. In 1997, Metro's total turnover in Austria was AS 12.5 billion. Only persons possessing a Metro membership card are permitted to buy in the Metro shops. The card can be acquired by retailers, institutions, catering companies, and employees of large institutions and firms (much like shopping clubs in the U.S.)

Purchasing

For all European outlets, the Metro whole purchase organization (MWPO) buys the commodities. However, each country has the right to choose which products it wants to offer in its shops. The national purchasing section can buy products wherever it finds the best purchasing conditions. This means if a product is available for better conditions from other sources than MWPO, then the former strikes the deal. Before a product is bought by a country, MWPO must be consulted to determine if it can supply the product at a better quality or price. In general, long shelf life articles are bought by MWPO.

Commodity group managers are responsible for purchases, promotions, and placing products in the outlet. These managers carry out the purchases within the country or imports of products. Thus, all offers by suppliers/exporters can be made to national Metro purchasers and to MWPO.

The commodity group managers and their areas of responsibility are as follows:

Helmut Frassl: dairy products, smoked fish, marinades, organic products, desserts, delicacies

Josef Gintenreiter: red meat and products, poultry, game meat

Franz Teufl: frozen products and fresh fish

Bernd Bartik: beer, wine, champaign, other alcoholic beverages, mineral water, juices

Rudolf Kurz: confectionary, tee, coffee, cocoa, bakery products

Christian Dutter: fats, sugar, flour, pastries, pulses, infant food, jams, marmalades, soups, sauces, spices

Herbert Gaensler: all canned products, vinegar, mustard, pet food, import products

Alfred Mueller: fresh and dried fruits, vegetables

Neither the national Metro C&C nor the MWPO distribute to non-Metro shops.

Promotion

In-store promotion is rarely carried out. However, suppliers can promote their articles in a brochure issued bi-weekly by Metro. Costs for promotion decline if a product is advertised more often. The brochure is distributed to all Metro clients whose purchase is above a certain amount. For this reason, the advertisements reach primarily only interested persons, and, according to Metro, justify high costs the suppliers have to bear. At present, 300,000 addresses are reached by direct mailing.

U.S. Products

Metro's U.S. food assortment includes at present California wine, high quality beef, and canned corn. In addition, it includes products of subsidiaries of U.S. companies located in Austria and other EU countries. Metro is interested in U.S. products.

2. ADEG

Company Description

ADEG is a shareholding company. 50% of the shares are held by Austrians, mainly retail shop owners, and the remaining 50% belongs to the German company EDEKA. Both parties work independently but have the same prices and conditions. ADEG has around 1,100 retail outlets and 25 C&C markets operated under the name AGM. There are no outlets in other countries. ADEG's market share is 12.5% of the total Austrian food retail market.

AGM shops are genuine C&C shops; no access cards are issued to families or individual interests. All products are packaged in large quantities. Since the outlet is particularly intended for the gastronomy trade, the non-food sector includes mainly articles for gastronomy (dishes etc.). Service plays a key role which is exhibited by the fact that 50% of the products purchased from AGM are delivered to the clients.

Purchasing

ADEG has large storage facilities in Vienna and many provincial cities. Purchasing for all AGMs and retail outlets is carried out centrally by the Vienna office. The responsible product managers are as follows:

Wilhelm Koblishke: frozen products, fats, bakery products

Elfriede Steiner and Alfred Wittner: coffee, marinades, dry fruits, smoked fish, canned fish, fruits, and vegetables

Johannes Gruber and Alois Leb: sausages and long shelf life meats, fresh meat, fresh fish, fresh poultry, eggs, cheese, dairy products

Pierre Fleischmann and Ernst Kernreiter: grain and grain products, pastas, cooking and baking products/ingredients, soup and sauce powder, pickles, ready meals, all beverages

Sybille Heinzl and Friedrich Kabon: sugar, coffee, cocoa, tea, jam, honey, infant food, spices, condiments, confectionary, long shelf life bakery products, pet food

Leopold Maiel: fruits and vegetables

Promotion

Products are promoted by advertising in magazines, newspapers, and a bi-weekly flyer. In-store promotions are seldom held in supermarkets, as they are relatively small in size. However, in the

large 25 C&C shops and the three hypermarkets (in Judenburg 3,000 square meter; Spital a.d. Drau and Villach 4,000 square meter each) in-store promotions can be carried out.

U.S. products

The U.S. assortment includes rice, dried fruits and nuts, California wines from Ovino, and some Bourbon whiskies such as Kentucky, Johnny Walker, Four Roses, and Jack Daniels.

3. SPAR

Company Description

Spar is an Austrian shareholding company headquartered in Salzburg (address: Europastr. 3, P.O.Box 29, A-5015 Salzburg, Austria; phone +43 (662) 44700, fax: +43 (662) 4470 504). The shares are owned by the founding family and 15 other shareholders. The company is predominantly involved in food wholesale and retail trade. Food retail trade includes so-called Spar markets (up to 400 square meters sales area), Spar supermarkets (400 - 1,000 square meters), Eurospar markets (1,000 - 2,000 square meters), and Interspar (hypermarkets larger than 3,000 square meters). Spar is Austria's second largest food trading organization. The number of Spar markets, supermarkets, and Euromarkets is 1,516; they have a total sales area of 556,170 square meters and an annual turnover of AS 29 billion. The 45 Interspar hypermarkets have a sales area of 195,000 square meters and an annual turnover of AS 11 billion. Spar's commodity assortment comprises 45,000 articles of which 15,000 are foods. In the Vienna area, products can be delivered to clients for a fee of AS 50.

In addition to food trade, Spar owns production plants (coffee roasting and tee packaging plant in Marchtrenk; meat and sausage production plant in Wernberg; vinery in Fels am Wagram). House brands include Regio (coffee), Tann (meat and meat products), Weingut Schloss Fels (wine), Desiree (spirituous liquors), Spar Natur pur (various organic products), Spar (various products packed for Spar).

Spar has branches in Italy, Slovenia, Hungary, and Czech Republic. These countries purchasing is carried out by separate central purchasing sections of Spar, which operate independently from the Austrian mother company.

Purchasing

Purchasing is carried out centrally for Spar markets, Spar supermarkets, Eurospar markets, and Interspar hypermarkets. The product group managers buy from local producers and wholesalers. If products have to be imported, product group managers order them through the company's import section. The company has seven warehouses spread over the entire country. The wholesale section supplies only Spar's own outlets (60%) and independent stores, which however carry the Spar logo (40%). Other traders are not supplied.

The product group managers and their areas of responsibility are as follows:

Rudolf Potisek: fats, bakery mixtures, pastries, flour, desserts, sugar, vinegar, mustard, non-alcoholic beverages, beer, coffee, tea

Johann Bischof: Soups, spices, confectionary, long-shelf life bakery products, dietetics, infant food, instant beverages

Markus Weinhaeupl: wine and other alcoholic beverages, spices, condiments, jams, marmalades, honey, canned meat products, canned fruits and vegetables

Franz Schattenberger: fresh meat, sausages, cheese, eggs, frozen foods, marinades, fish, smoked products, bread, toast, delicacies

Robert Schaumberger: dairy products

Mag. Gebhard Graf: direct imports of oils, rice, nut, dried fruits, pulses, pastries, canned fish, canned fruits and vegetables

Herbert Wandl: fresh fruits, vegetables, flowers

Except the fruit and vegetable section, all purchasing sections are located at the headquarters in Salzburg (address, phone, and fax see above).

The purchasing section for fresh fruits, vegetables, and flowers belongs to the headquarters but is located in Vienna. The address is as follows:

Spar Oesterreichische Warenhandels-AG
Frischdienstzentrale Wien
Taborstr. 96
A-1200 Vienna

Phone: +43 (1) 33 00 539
Fax: +43 (1) 33 033 22

U.S. traders interested in supplying products to Spar must contact the appropriate product group manager.

Promotion

Various national weeks take place in Spar stores but no American weeks have been held thus far. Spar would be interested in arranging American weeks if a large assortment of U.S. products is available. In addition to in-store promotion, Spar carries out intensive television promotion and distributes bi-weekly a flyer which has a circulation of 2.5 million. An advertisement in the flyer costs about AS 100,000/product and circulation. Spar has a relatively wide range of organic

products, which are emphasized in advertising.

U.S. Products

According to a Spar spokesman, their assortment includes rice, dried fruits, various nuts, Californian wines, and Bourbon whiskies.