

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Retail Food Sector Report

Report Categories:

Retail Foods

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Report Highlights:

As a result of the improved economic situation in Slovakia in 2015, increased consumer purchasing power and declining unemployment rate, sales in the grocery retail market also increased. In 2014 retail sales grew by 3% reaching U.S.\$ 8 billion in 2015. Slovak consumers are becoming increasingly aware of the composition of the product (contents of artificial ingredients and colorants) and origin of the product (local, EU, overseas). Even though most Slovak consumers still remain price-sensitive, there is a growing number of consumers willing to pay a higher price for a higher quality. U.S. exports of consumer-oriented agricultural products to Slovakia grew more than three times in the past five years, from \$1.3 million in 2010 to \$5.1 million in 2015. U.S. food exports with good sales potential include mainly frozen fish fillets and dried fruits and tree nuts.

General Information:

SECTION I. MARKET SUMMARY

As a result of the improved economic situation in Slovakia in 2015, increased consumer purchasing power and declining unemployment rate, sales in the grocery retail market also increased. In 2014 retail sales grew by 3% reaching U.S.\$ 8 billion in 2015. A positive development and outlook for the economic situation in Slovakia is having a large positive impact on the retail sector.

Slovak consumers are becoming increasingly aware of two important factors when it comes to purchasing groceries: composition of the product (contents of artificial ingredients and colorants) and origin of the product (local, EU, overseas). These two factors, which influence consumer behavior, are driven by healthy lifestyles and fair trade patriotism. Both of these factors are fashionable among the Slovak population, especially in cities and among very affluent consumers.

The Slovak government and non-government organizations (NGOs) support these consumer trends with official educational programs and official marks and labels for Slovak or regional products. This led to modern grocery retailers being obliged to publicly present the shares of goods by country origin in their outlets. Some important players used these trends and built their marketing communications around the positive approach to Slovak and local products and healthy lifestyles. However, there still exists the segment of consumers that prefers the best value for money and shop mostly during price discounts and various price promotions.

Hypermarkets with 5% growth rate in sales in 2015 represent the most popular channel with a 29% market share, closely followed by supermarkets. Consumers prefer larger-scale purchases from larger-format stores, leaving smaller and more frequent shopping to smaller-format outlets such as convenience stores, supermarkets or grocery specialists.

Discounters, the second most popular outlets, such as German-owned chain Lidl, witnessed the fastest growth rate in sales in 2015, around 8%. Lidl is popular due to its fresh fruit and vegetable assortment, high-quality products and most importantly, consumer-friendly prices. All of this is supported by strong, permanent marketing campaigns focusing every week on a different grocery or non-grocery assortment that attract more and more consumers to Lidl's stores.

Convenience stores represent the third largest channel with a 21% value share of modern grocery retailers in 2015. Consumers tend to now make smaller value purchases from smaller format stores, as it became more popular to make large weekly or even monthly shipping trips to hypermarkets. This trend is significant, especially in cities, where there is high penetration of grocery retailers.

Internet retailing is becoming increasingly popular, with food and drink internet retailing growing by 14% in current value terms in 2015, but among the modern grocery retailers, only Tesco Slovakia provides this service, via Tesco Grocery Home and Tesco Click and Collect. Other retailers continued to launch online stores of grocery products. On the other hand, there are a number of small, local online stores operating in the Bratislava area.

Retailers in Slovakia

	2012	2013	2014	2015
Outlets	12,471.00	12,237.00	11,980.00	11,758.00
Value sales in U.S.\$ million	7,207.19	7,362.80	7,706.17	7,945.69
Selling Space 1'000 sq m	1,919.50	1,969.90	2,033.50	2,056.30

Source: Euromonitor

Retailers in Slovakia: Company % Value Share

% Retail Value	Company	2012	2013	2014	2015
Tesco	Tesco	17.6	17.0	17.0	16.7
Lidl	Schwarz Beteiligungs	10.0	10.0	10.7	11.2
Kaufland	Schwarz Beteiligungs	8.8	9.6	9.9	10.7
Coop Jednota Potraviny	Coop Jednota Slovensko	11.1	11.0	10.1	10.2
COOP Jednota Supermarket	Coop Jednota Slovensko	6.3	7.2	7.5	7.5
Billa	Rewe Group	7.2	7.1	6.9	6.8
Terno	Diligentia	-	-	3.9	4.1
Fresh	Potraviny FRESH	3.2	3.4	3.5	3.5
CBA	CBA Kereskedelmi	3.6	3.2	3.1	3.1
Coop Jednota	Coop Jednota Slovensko	1.6	1.7	1.6	1.6
Hypernova	Royal Ahold	2.2	1.8	1.4	1.2
Bala	Bala	1.1	1.1	1.0	1.0
Carrefour	Carrefour	1.1	1.0	0.9	0.9
Milk-Agro	Milk-Agro	0.9	0.9	0.9	0.9

Source: Euromonitor

Advantages	Challenges
Improved economic situation, increased consumption is expected	Higher prices of U.S. products
High quality of U.S. products and growing trend toward eating what is healthier and tastes better; an opportunity for U.S. nuts, dried fruits and specialty products	Higher competitiveness of some EU products due to elimination of tariffs between the EU and the Czech Republic
Good infrastructure, importers speak good English	Negative perception of GMO, fast food, etc.
Close distance to Vienna, Austria, that offers many U.S. food products	Relatively small volumes with high transportation costs
Willingness to try new products; innovative products and packaging increase demand	Shelf life – retailers will not list a product with a “use-by-date” shorter than 2/3 of the total shelf life and transportation takes some time

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Food retailers have their own purchasing section and buy products either directly (e.g. Billa offers many products directly imported from neighboring Austria) or from Slovak or Czech importers. METRO Cash and Carry has several U.S. products supplied by Czech importers (almonds, pecans, cranberries), while other U.S. products (bourbon and wine) are supplied by Slovak importers. U.S. exporter should contact the FAS Prague office for a list of importers and distributors.

Private labels

Private labels are used by all retailers in Slovakia. About 20% of products are private labeled. Coop Jednota has 9 different private labels.

Specialty Stores

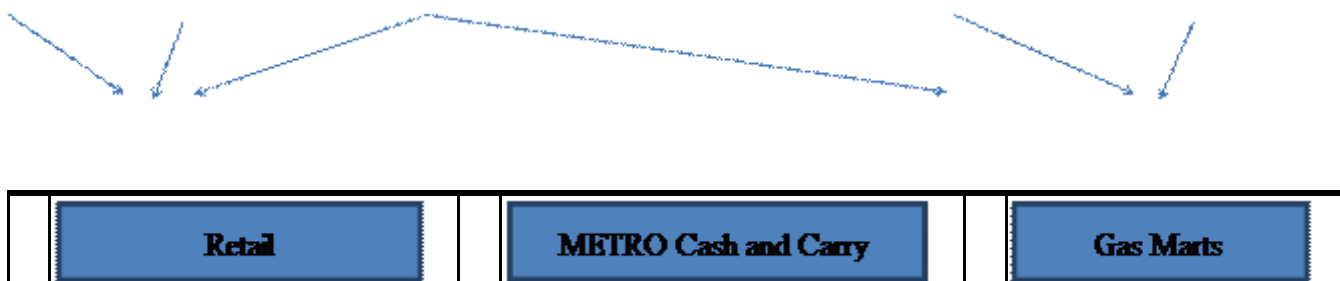
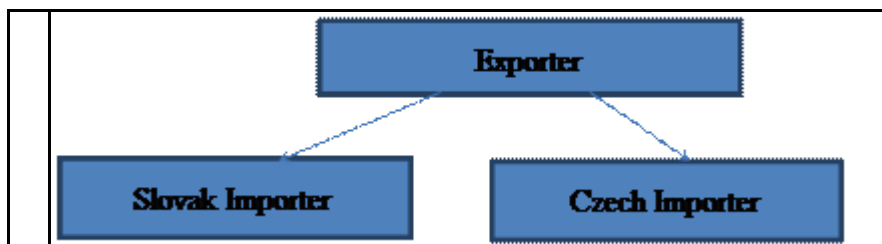
Specialty stores can be mainly found in new modern shopping malls in larger cities, especially the capital Bratislava. Specialty restaurants in the food court include e.g. Nordsee, offering a wide range of fish product. There are specialty healthy product stores “BioPark” in these malls. U.S. exporters can sell their high value organic products or nuts in these outlets.



Example of BioPark store in AuPark mall in Bratislava and U.S. pecans found there (FAS)

Market Structure

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U.S. exporters can address Czech importers who supply both Czech and Slovak markets or Slovak importers, it depends on the commodity. Dried fruit and nuts are supplied by Czech importers, alcoholic beverages by Slovak importers. An interested exporter should contact the FAS Marketing Specialist in Prague covering both countries for a list of importers and distributors.

Company Profiles

Retailer Name	Ownership	Market share of retailers in 2015 in %	Locations	Purchasing Agent Type
Tesco	U.K.	16.7	Larger cities	Direct Import & Local Distributor
Lidl	German	11.2	Whole SR	Direct Import & Local Distributor
Kaufland	German	10.7	Larger cities	Direct Import & Local Distributor

Coop Jednota	Slovak	10.2	Whole SR	Local Distributor
Coop Jednota Supermarket	Slova	7.5	Whole SR	Local Distributor
Billa	German	6.8	Whole SR	Direct Import & Local Distributor
Terno	Slovak	4.1	Whole SR	Local Distributor

Source: Euromonitor and FAS

Billa

The company is fully owned by the German company Rewe Group. Billa stores can be found nationwide in Slovakia, but particularly in urban areas. Billa's turnover in 2015 was U.S.\$ 520 million.

The company focuses purely on retailing and offers a special loyalty program for its customers called Billa Card, which offers a points-based bonus system where a purchase of €0.01 equals one point. Billa has national outlet network coverage in Slovakia, operating 130 supermarkets and five convenience stores.

Billa offers its Clever and BIO private labels. Both offer a wide range of products at lower prices than branded goods. The private label line Clever is positioned as a budget range, which provides quality at low prices. The company claims that a minimum of 85% of its suppliers are domestic.

The BIO range is a mid-priced organic private label line, which generally offers cheaper bioproducts than original branded ones. These groceries are mainly produced in Austria and the Czech Republic.

Billa's value share within supermarkets in 2015 reached 26%. The company was also active within convenience stores where it occupied the 14th position in 2015. Billa continues to be positioned as a marginally more expensive supermarket and therefore concentrates on maintaining strong communication with customers.



Example of Billa supermarket (Euromonitor)

Coop Jednota

Coop Jednota is a cooperative that consists of 32 independent associations. Turnover in 2015 was U.S. \$1,486 million. It is not only the largest grocery seller by volume in Slovakia, but also the chain with the most outlets. The company's aim is to be the "rural supermarket", where customers can make

complex, fast purchases with further assistance, such as UNIKASA (cashback). It focuses on the reconstruction of existing outlets and on improving the culture of selling and increasing the effectiveness of outlets.

Coop Jednota is a member of Euro Coop, a European-wide network of cooperatives that has its own private label. Coop Jednota plans to retain its leadership of convenience stores and supermarkets. It will improve its value share through continual development of its private label products and by acquiring stores from its competition or by opening new stores. The company greatly underlines the importance of regional sustainability and on its heavy engagement in domestically-sourced products that can be found on its shelves.



Example of traditional Coop Jednota (Euromonitor)

SECTION III. COMPETITION

TOP SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Slovakia Import Statistics			
Commodity: Consumer-Oriented,			
Annual Series: 2013 - 2015			
Partner Country	U.S.\$ (000)		
	2013	2014	2015
World	2445974	2368682	2015977
Czech Republic	720581	735800	606754
Germany	379258	385693	347914
Poland	318239	319468	322037
Hungary	344978	248660	182549
Netherlands	111986	99547	94967
Italy	89021	78819	76310
Austria	80515	78160	74188
Spain	95826	78486	74075
Belgium	50475	47188	44319
France	42707	40270	37476
Denmark	22729	33703	25227
United Kingdom	21003	20988	17742

China	9912	11622	9795
Greece	13003	13379	8234
Romania	15214	23998	7936
Lithuania	2588	4464	7801
Slovenia	21323	27331	7388
Iran	6275	5609	7080
Turkey	12413	14742	6826
Bulgaria	8290	8344	6649
Ireland	7596	7130	5574
United States	9455	14572	5063
Croatia	892	2520	4032
Argentina	2710	3868	3716
Ukraine	3615	5368	3540
Latvia	2850	17864	3352
Vietnam	9278	3936	2763
Canada	1966	1909	2046
Serbia	2663	3747	1887
Brazil	766	1086	1658
India	1255	1166	1466
Moldova	1008	1051	1361
Georgia	2931	4053	1282
Switzerland	4264	4497	1241
Indonesia	548	1116	1173
Cyprus	1541	238	1143
Ethiopia	962	4543	1140

Source: Global Trade Atlas

Slovakia Import Statistics From United States				
Commodity: Consumer-Oriented,				
Annual Series: 2013 - 2015				
Commodity	Description	U.S.\$ (000)		
		2013	2014	2015
Consumer-Oriented		9455	14572	5063
03	Fish, Crustaceans & Aquatic Invertebrates	2126	2427	3195
08	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	4722	10617	797
13	Lac; Gums, Resins & Other Vegetable Sap & Extract	1195	970	527
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	1009	255	280
05	Products Of Animal Origin, Nesoi	241	253	85
01	Live Animals	0	0	69
11	Milling Products; Malt; Starch; Inulin; Wht Gluten	0	1	29
09	Coffee, Tea, Mate & Spices	8	7	28

04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	18	10	21
10	Cereals	32	26	18
07	Edible Vegetables & Certain Roots & Tubers	101	0	11
06	Live Trees, Plants, Bulbs Etc.; Cut Flowers Etc.	2	5	2

Source: *Global Trade Atlas*

SECTION IV. BEST PRODUCT PROSPECTS

The best product prospects include dried fruit and nuts (cranberries, almonds, pecans, and other nuts), salad dressings, pasta, barbecue and chili sauces, bourbon, frozen fish (Pollock), peanut butter and specialty products like maple syrup. Some of these products are already sold in retail (e.g. Jack Daniels, Jim Beam, tabasco etc.), others are sold in METRO Cash and Carry, which services more of the HRI sector. Slovaks prefer national products, but there is niche market for selected specialty high value U.S. products mentioned above.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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End of Report.