

Retail Update Poland

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Retail Update Poland

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Table of contents

Numbers in the news *page 2*

Grocery chains to develop small stores in Poland *page 3*

Consumer moods improve during holiday period *page 4*

Retailers on TV in November *page 5*

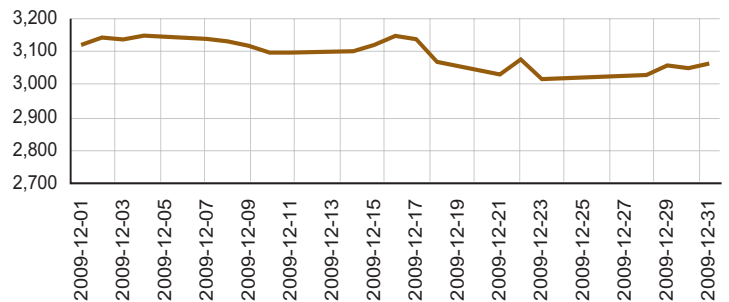
The financial situation of Polish households: today and tomorrow *page 6*

Consumer confidence index in December *page 7*

Retail data sheet *page 8*

Upcoming events *page 10*

WIG-Food industry, December 2009



Source: Warsaw Stock Exchange, 2009

Grocery chains to develop small stores in Poland

The largest domestic grocery retailers are expected to launch as many as 1,500 small stores in Poland in 2010, and the total number of new units of this kind might reach a few thousand. An increase in the number will be achieved mainly at the expense of large stores owned by foreign chains operating in the country. This is because most Polish consumers still prefer to do their shopping at small stores in their neighbourhoods rather than modern retail establishments such as supermarkets and hypermarkets.

Continued on page 3 ►

Consumer moods improve during holiday period

The Christmas/New Year period brought an improvement in the consumer sentiment indices, but this might be only temporary, as Poles are still concerned about the economic situation and, in particular, a possible rise in the unemployment rate.

Continued on page 6 ►

Numbers in the news

1.9 litres is the average amount of energy drinks consumed per capita in Poland every year.

No. 51 (348)

2 million Poles were expected to buy Christmas gifts online in 2009.

No. 50 (347)

3 million items were sold in December 2009 by Merlin.pl, the largest Polish online book and multimedia store.

No. 52/1 (349/350)

5 % was the year-on-year increase in spending on non-alcoholic beverages between January and September 2009 in Poland.

No. 50 (347)

8 (PLN m) is the cost of an employee training programme to be carried out by the Kompania Piwowarska brewery.

No. 51 (348)

12 new establishments belonging to Fornetti, a bakery chain, are to be launched every month in 2010.

No. 51 (348)

20 % is the forecast 2010 sales growth figure of NG2, the prominent footwear retailer.

No. 51 (348)

28 % of Poles claim that they have stopped visiting pubs and bars altogether, according to a survey commissioned by Kompania Piwowarska.

No. 50 (347)

50 is the proposed number of new establishments to be launched in 2010 by the Chata Polska grocery chain.

No. 51 (348)

60 new restaurants are to be launched by AmRest in the Central and Eastern European region in 2010, and half are to be located in Poland.

No. 51 (348)

70 % was the increase in the revenue of Polskie Zdroje, the producer of Cisowianka mineral water, in September 2009 in comparison with the corresponding month of the previous year.

No. 50 (347)

78 % was the increase in the sales volume of Makarony Polskie, the well-known pasta producer, in 2009, something which was achieved as a result of the installation of two new production lines.

No. 50 (347)

164 is the store count of the electronics retailer Euro RTV AGD.

No. 51 (348)

213 is the total number of stores managed by the Musketeers group in Poland after the opening of one Intermarche grocery and a Bricomarche DIY outlet in December.

No. 50 (347)

240 (PLN m) is the total amount to be received by Amica for the sale of two of its factories to Samsung.

No. 52/1 (349/350)

249 (PLN) was the average amount spent by Poles on Christmas presents in 2009.

No. 50 (347)

250 is the number of new Zabka stores expected to be launched in 2010 in Poland.

No. 50 (347)

1,000 vending machines selling freshly prepared pizza are to be installed in Poland by Technoserwis within two years.

No. 50 (347)

31,500 m² is to be the area of the Twierdza Zamojska shopping centre planned for Zamosc by Rank Progress. The establishment is due to open in 2011.

No. 50 (347)

ADVERTISING



Grocery retail in Poland 2009

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Grocery chains to develop small stores in Poland

The largest domestic grocery retailers are expected to launch as many as 1,500 small stores in Poland in 2010, and the total number of new units of this kind might reach a few thousand. An increase in the number will be achieved mainly at the expense of large stores owned by foreign chains operating in the country. This is because most Polish consumers still prefer to do their shopping at small stores in their neighbourhoods rather than modern retail establishments such as supermarkets and hypermarkets.

According to a survey commissioned by the Warsaw authorities, 68% of the capital's residents said that their favourite shopping locations are small stores. Supermarkets and hypermarkets were indicated by 41% of respondents, according to a report in *Dziennik Gazeta Prawna*.

The Polish food market is very fragmented – there are almost three times the number

of grocery stores in Poland than there are in Germany. Small and medium-sized stores account for around two-thirds of the food product retail market, and supermarkets and hypermarkets for only a quarter.

The convenience store format enjoyed the most rapid rate of growth during 2009, and this trend is likely to continue in 2010. Zabka, abc and Groszek launched around 1,000 new

franchise units in total in 2009. Zabka Polska, the operator of the Zabka chain, which consists of almost 2,200 stores, insists that its growth potential in Poland is substantial and estimates that the market can accommodate over 7,000 units under this brand name. Zabka Polska also intends to develop Freshmarket, its new chain. The Eurocash group, which operates the abc chain, claims that the 2009 growth rate will be maintained and that this will result in around 500 new establishments.

Discount stores were the second most prominent format in terms of sales growth. According to our report *Grocery retail in Poland 2009. Market analysis and development forecast for 2010-2012*, sales via the discount channel in 2009 grew by 18.5% year on year. The estimated share of the grocery market accounted for by the discounters increased from 7.7% in 2008 to 9.1% in 2009. Discounters perform well during an economic crisis because clients tend to look for lower prices.

The expansion of domestic chains could pose a threat to independent retailers, many of which could face a choice of joining a network or going bankrupt. The operators of franchise chains insist that joining such a chain is a way of improving a retailer's position in the face of growing competition.

Largest convenience store chains in Poland by number of stores, 2008-2010

Chain (owner)	2008	2009e	2010f
abc (Eurocash)	2,836	3,400	3,900
Zabka (Penta Investment)	2,002	2,200	2,400
Groszek (Emperia Holding)	889	1,140	1,340

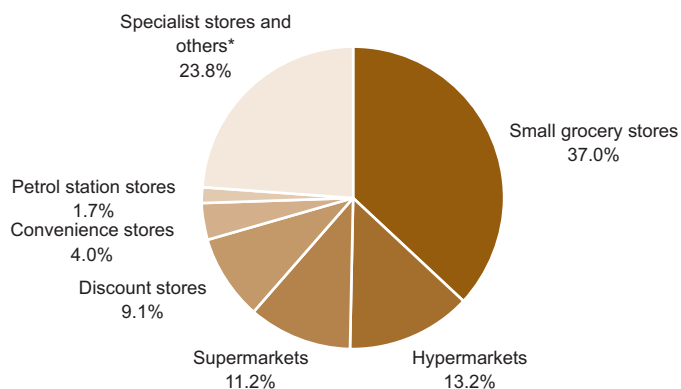
e – estimate

f – forecast

Source: PMR Publications, 2010

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The share of individual retail formats as a proportion of the Polish grocery market, 2009



estimate

* marketplaces, the internet, retail sales at cash & carry warehouses

Source: PMR Publications, 2009

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Consumer moods improve during holiday period

The Christmas/New Year period brought an improvement in the consumer sentiment indices, but this might be only temporary, as Poles are still concerned about the economic situation and, in particular, a possible rise in the unemployment rate.

According to GfK Polonia, consumer expectations for the future in December exhibited a more optimistic outlook than usual for this period of the year because of positive data on the economy. The Consumer Mood Index calculated by GfK rose from -24.5 points in November to -20.5 points in December 2009. The continuation of this trend is expected to depend on further improvement in the economic situation and on political matters. GfK insists that the presidential campaign, which has already started to gather momentum in Poland, might result in a slump in consumer sentiment because of the negative campaigns of some of the candidates.

The consumer climate index calculated by the Pentor polling agency (Penkon) also rose in December: by 4.4 points from the November 2009 level, to -10.5. This is the highest level reported since February 2009. According to Pentor, consumers are more optimistic about both the future economic situation of Poland and their own households. An improvement in Poland's economy next year is expected by 34% of respondents, whereas 27% hope that their economic situations will change for the better. Deterioration in terms of these two factors is predicted by 27% and 18% respectively. The proportion of those who claim that the current situation is good increased by 7 p.p. month on month, to 32% in December, whereas that of pessimists inched up by 3 p.p. to 35%. The pessimists still, therefore, prevail. However, optimists dominate among those whose family incomes exceed PLN 4,000 per month, students and people under 29 years of age.

Conversely, the consumer mood surveyed by Ipsos deteriorated in December 2009 – the Consumer Confidence Index fell by 2 points in comparison with the previous month.

However, Ipsos insists that this decline is a sign of the stabilisation of consumer sentiment rather than deterioration, as the index had been on the rise since August 2009.

With regard to the situation on the labour market, the respondents of both Pentor and Ipsos expect that the unemployment rate will continue to rise, whereas GfK emphasises that there was an improvement in line with the trend observed throughout 2009. In the Ipsos survey, as many as 42% of respondents said that they expected unemployment to grow during the next 12 months, whereas only 8% predict a reduction. The proportion of those convinced that the unemployment rate will grow is even greater according to Pentor: 54%. Furthermore, respondents are more afraid of losing their jobs than they were a year before.

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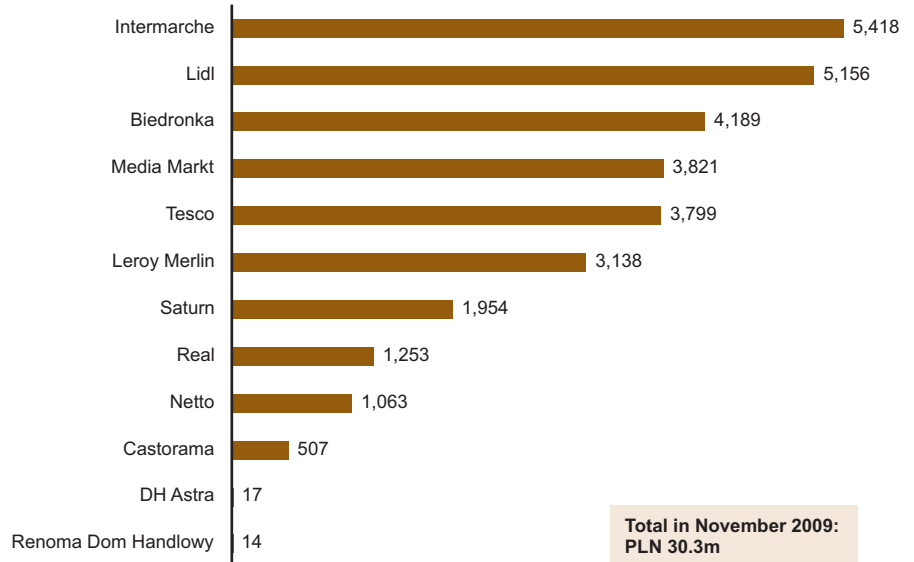
Retailers on TV in November

In November 2009 retailers and shopping centre operators spent around PLN 30.3m on television advertising in Poland, according to TNS OBOP, almost 44% less than the amount spent in October (PLN 54.1m).

With regard to the number of advertisers, 12 trading entities advertised on television in November, four fewer than in October, of which six were grocery retailers, four were retailers of non-food items and two were department stores. There was only one retailer which had not appeared on air in October: the Astra department store.

The frontrunner in terms of spending on TV advertising in November was the Intermarche supermarket chain, which spent more than PLN 5.4m, a reduction of almost 14% in comparison with the previous month. The runner-up was the Lidl discounter, with a month-on-month increase of 31.5%, to PLN 5.2m. This was followed by another discount chain, Biedronka, with PLN 4.2m, 20% less than the figure during the previous month. Most advertisers have reined in their spending, the most substantial reduction being reported by the Castorama DIY chain, almost 90% month on month. Apart from Lidl,

Spending on television advertising by retail chains and shopping centres (PLN '000), November 2009



Source: TNS OBOP, 2009

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only Tesco and Media Markt increased their TV advertising budgets in November: by 3.9% and 19.8% respectively.

A D V E R T I S I N G



Retail

in Russia 2009

Market analysis and development forecasts for 2009-2012

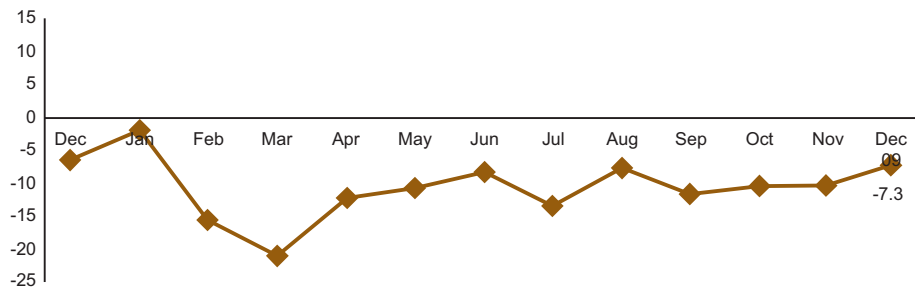
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The financial situation of Polish households: today and tomorrow

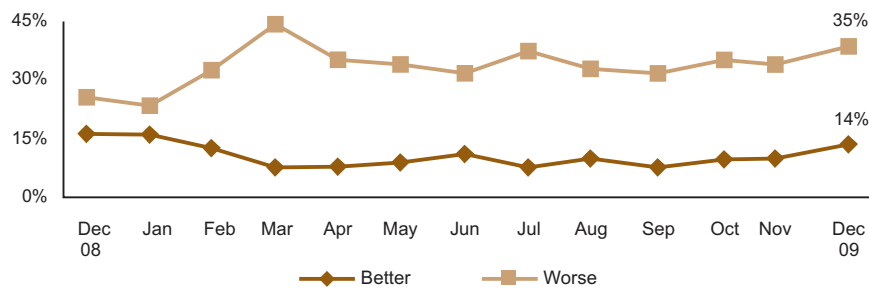
OGD Index in Poland, December 2008-December 2009



Note: This indicator is the arithmetic average of the balances of (differences between) the positive and negative answers to two questions relating to the perception of a household's economic situation as presented in the diagrams below. It is measured on a scale from -100 to +100. The higher (more positive) the value of the indicator, the more positive the assessments of a household's financial condition.
Source: Pentor, 2009

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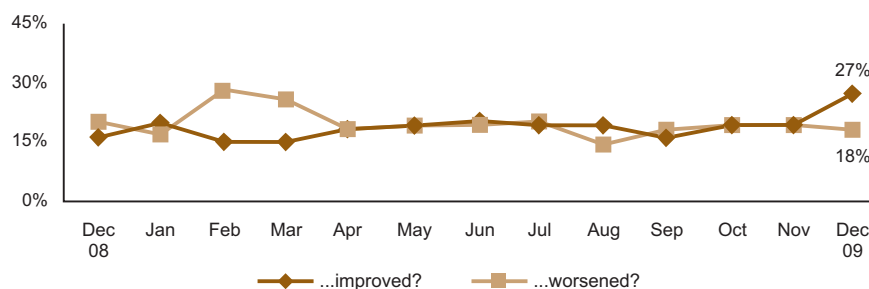
What is the current financial situation of your household in comparison with last year?



Source: Pentor, 2009

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In a year's time, will your household financial situation have...



Source: Pentor, 2009

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In December 2009 the **indicator of the financial state of households (OGD)** in Poland increased by 3.1 points month on month to -7.3.

According to Pentor, in December 2009 36% of respondents, four percentage points more than the figure recorded in November, found their **current financial situations** worse than those of a year before. The percentage of those who stated that their financial situations had changed for the better year on year has also increased since November from 11% to 14%.

With regard to the expectations of Poles for **next year**, in December 2009 the percentage of those expecting their situations to take a turn for the worse was 18%, one percentage point less than in November. The proportion of those who expect an improvement has increased sharply, by eight percentage points, to 27%. This was the highest value recorded since September 2008.

Methodology note:

The most recent Pentor public opinion survey on the economy was carried out between 19 and 23 December 2009, on a random representative sample of 1,000 Poles.

Consumer confidence index in December

Consumer confidence index: 84.84 pts., -2.07 pts.

Propensity-to-buy index: 93.39 pts., -1.63 pts.

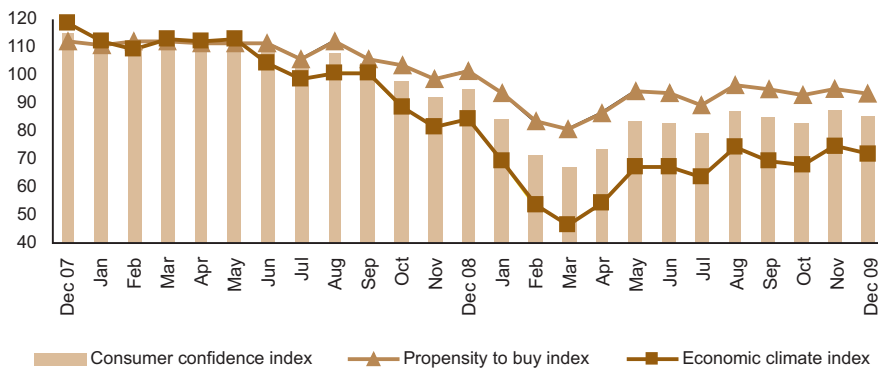
Economic climate index: 72.00 pts., -2.73 pts.

In December 2009 the Consumer Confidence Index (CCI) fell by almost 2.1 points, in comparison with November, to 84.84 points, according to research carried out by Ipsos. The fact that the index is below 100 points means

that there are more pessimists than optimists among Polish consumers.

According to Ipsos, the economic crisis is reflected in the sentiment exhibited by Polish respondents, as the CCI has not been above 90

Polish consumer confidence index and its two components, December 2007-December 2009



Source: Ipsos, 2009

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points since the beginning of 2009. However, the confidence index has been showing increases since July and August, and Ipsos therefore insists that the December decline should be regarded as slight and indicative of the fact that the consumers' assessments of the current situation and expectations of the future are stable.

The proportion of those who expect the unemployment rate to increase during the next 12 months has grown to 42%, i.e. by 3 p.p. in comparison with November, and only 8% think that the rate will fall. However, only 15% of the respondents fear that their economic situations will deteriorate in 2010, whereas 19% expect improvements and 66% predict that they will remain stable.

The propensity-to-buy index showed the least significant fall: 1.6 points, to about 93. With regard to expectations pertaining to inflation, 23% of the respondents predict that prices will rise at a lower rate than in 2009 or even fall. Only 15% think that the inflation rate will be higher.

The consumer confidence index (CCI) can range from 0 to 200 points. The calculation of this index is based on the answers given to five questions asked in an Ipsos survey. The survey was carried out between 5 and 12 November on a random representative quantitative sample of 1,008 Poles of 15 or more years of age. The statistical error for this figure is no greater than (+/-) 3.1% at a confidence level of 0.

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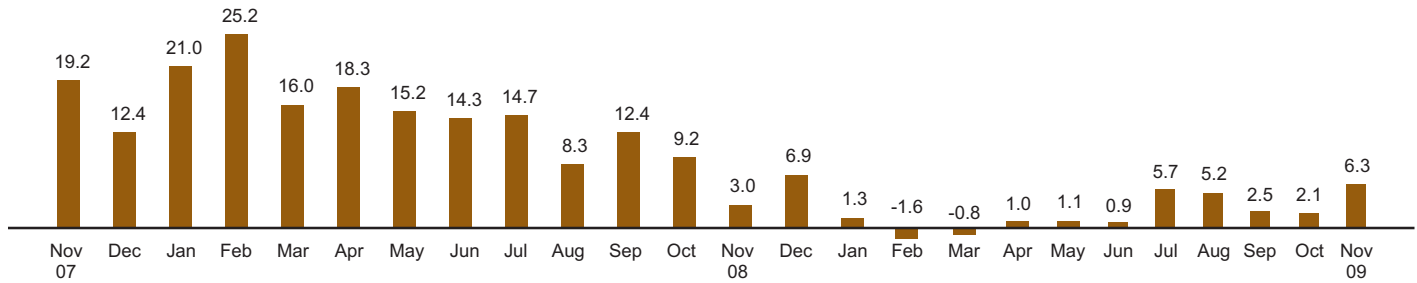
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Retail data sheet

Retail sales: y-o-y % change

Retail sales at current prices increased by 6.3% in November 2009 compared to November 2008. At constant prices, sales growth amounted to 3.9% y-o-y.

Retail sales in Poland (% , y-o-y), November 2007 – November 2009



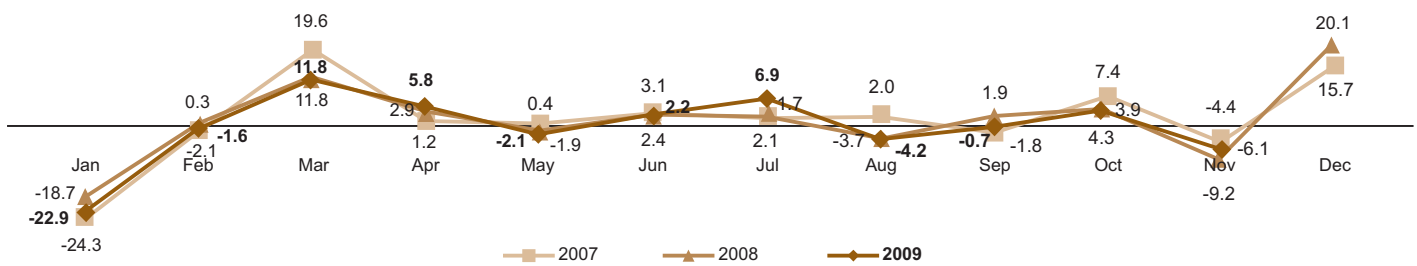
Note: current prices
Source: Central Statistical Office (GUS), 2009

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Retail sales: m-o-m % change

Retail sales decreased by -6.1% in November 2009 compared to October 2009.

Retail sales in Poland (% , m-o-m), 2007-2009



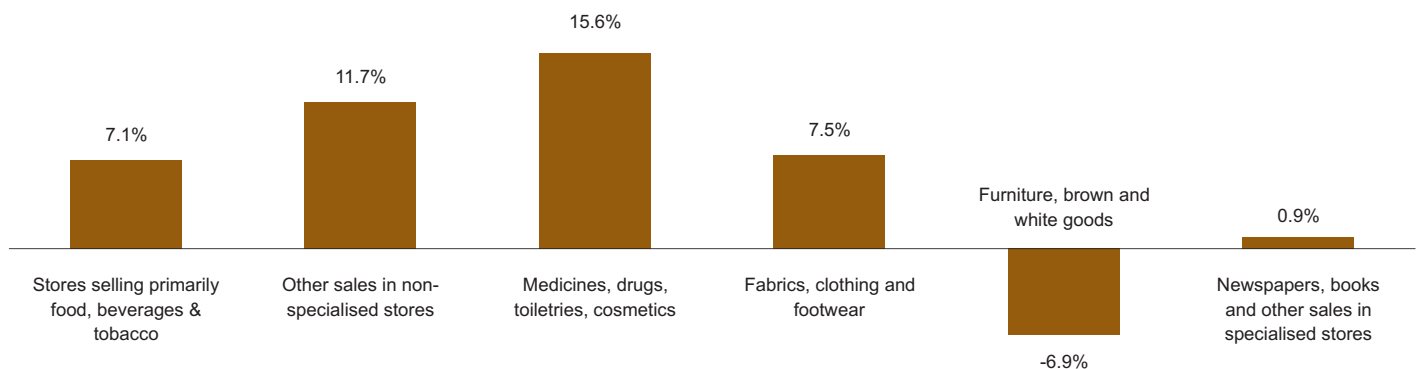
Note: current prices
Source: GUS, 2009

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Retail sales by branch specialisation

In November 2009, the most marked improvement was seen in the category of medicines, drugs, toiletries, cosmetics (15.6% y-o-y at constant prices). The second highest increase (11.7% y-o-y) was seen in other sales in non-specialised stores.

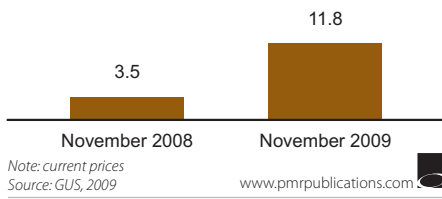
Retail sales in November (% , y-o-y), 2009



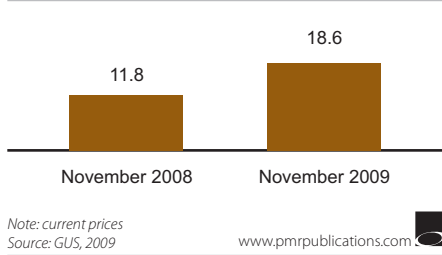
Note: constant prices
Source: GUS, 2009

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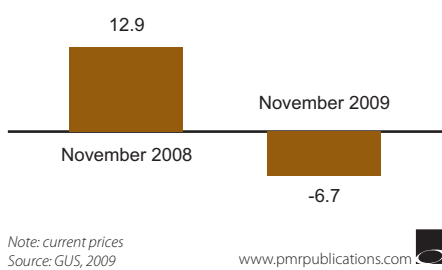
Retail sales in stores selling primarily food, beverages and tobacco in Poland (% y-o-y), November 2008 and November 2009



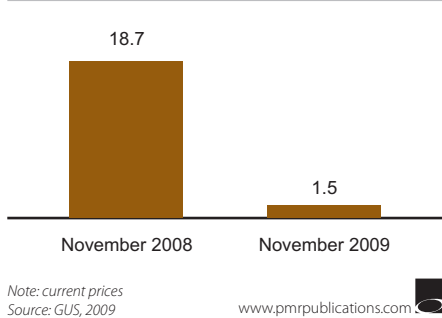
Retail sales of medicines, drugs, toiletries and cosmetics in Poland (% y-o-y), November 2008 and November 2009



Retail sales of furniture, radio and television equipment and household appliances in Poland (% y-o-y), November 2008 and November 2009



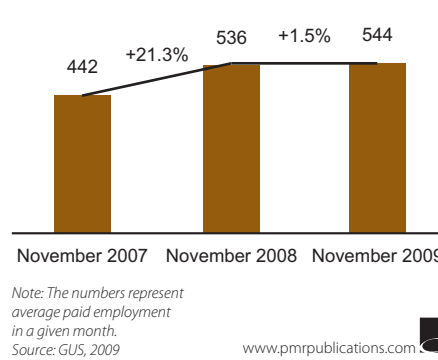
Retail sales of fabrics, clothing and footwear in Poland (% y-o-y), November 2008 and November 2009



Average employment in the retail sector

In November 2009, the retail sector employed a total of 544,000 people, which increased by 2,000 compared to the previous month's level. However, this also represents an increase of 102,000 workers compared with the situation 12 months ago.

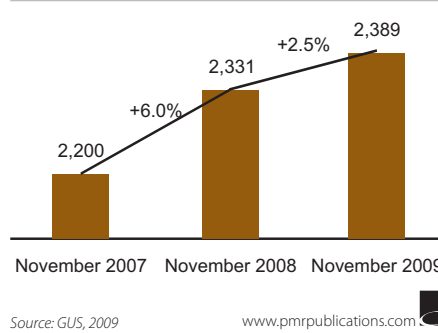
Average employment in retail sector in Poland ('000), November 2007, 2008 and 2009



Salaries in the retail sector

In November 2009, the average gross monthly salary in the retail sector grew by 2.5% (nominal growth) in relation to the corresponding period of 2008, to stand at PLN 2,389. On month-on-month basis, the average gross monthly salary in November 2009 decreased by 0.3%.

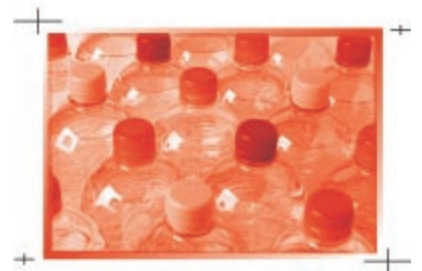
Salaries in retail sector in Poland (PLN), November 2007, 2008 and 2009



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Upcoming events

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VENUE:	Hyatt Hotel, Warsaw
DATES:	19 January 2010
ORGANISER:	Roadshow Polska Phone: +48 22 498 92 77 E-mail: info@roadshowpolska.pl , conferences@roadshowpolska.pl URL: http://www.roadshowpolska.pl/
EVENT:	International Retail Equipment & Technologies Exhibition RetailShow 2010
VENUE:	Warsaw International Expocentre EXPO XXI
DATES:	24 - 25 Feb 2010
ORGANISER:	ECP Communications ul. Karolkowa 66/74/62, 01-193 Warszawa Phone: +48 (22) 241-19-40 E-mail: robert.lapinski@ecp-communications.pl URL: http://www.retailshow.pl/
EVENT:	Packaging Innovations 2009
VENUE:	Warsaw, Poland
DATES:	13-14 April 2010
ORGANISER:	easyFairs Poland Al. Pokoju 82, 31-564 Kraków Phone: +48 12 651 95 25 Fax: +48 12 651 95 22 E-mail: tomasz.slaski@easyfairs.com URL: http://www.easyfairs.com/events_216/packaging-innovations-warsaw_5389/packaging-innovations-warsaw_5459/
EVENT:	FOOD-TO-GO 2010
VENUE:	Krakow, Poland
DATES:	18-19 May 2010
ORGANISER:	easyFairs Poland Phone: +48 12 651 95 26 Fax: +48 12 651 95 22 E-mail: wojciech.pawlus@easyfairs.com URL: http://www.easyfairs.com/events_216/food-to-go-krakow-2010_5387/food-to-go-krakow-2010_5414/



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