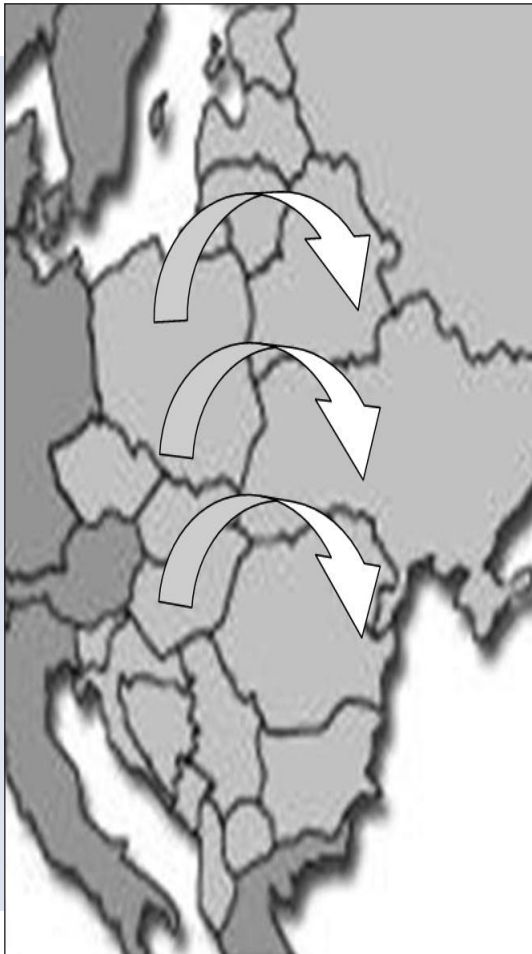


THINK RETAIL THINK VERDICT



Internationalisation Strategies of CEE Retailers

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Sir Stuart Rose
Executive Chairman
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Internationalisation Strategies of CEE Retailers

A major benefit of internationalisation lies in regional spread, many CEE retailers have moved beyond regional expansion and targeted growth further afield. There are still significant growth opportunities for CEE retailers in underdeveloped retail markets such as Romania, Bulgaria and Western Balkans. Many of the largest CEE retailers have begun to target expansion in western Europe. Furthermore several clothing specialists from CEE have also set up franchise agreements outside of Europe in regions such as Africa and the Middle East.

Internationalisation Strategies of CEE Retailers is a new issue-based report which outlines the opportunities and threats for further expansion both regionally and further afield. This report also looks at individual retailer's approaches to internationalisation.

Key Retailers Covered

Baltika	Mercator
CBA	Merkur
KAN	Nay
Kenvelo	Semax
LPP	Žabka
Maxima	

Create effective retail strategies to combat the effects of the global credit crunch with the help of this new issue-based report from Verdict...

Four largest CEE markets in European Union by retail expenditure 2006 & 2007

Country	2006 (bn)	2007 (bn)
Hungary	21,456	22,359
Romania	19,021	23,519
Czech Republic (€)	26,480	27,806
Poland (€)	62,302	68,456

Source: Internationalisation Strategies of CEE Retailers

"Many CEE retailers have already undertaken these internationalisation strategies and expanded beyond their domestic market establishing a foothold in the CEE retail market. Strong growth potential in other CEE markets has been a major driver for CEE retailers to target expansion in neighbouring countries..."

- **Assess the growth potential and the challenges facing the key CEE markets** and benchmark their performance with the aid of this new report.
- **Learn how difficult market conditions are impacting CEE retailers** and what the outlook for internationalisation will be in the short to mid-term.
- **Discover how the market and retailers' future initiatives will develop.** Find growth opportunities in specific sectors and identify the key threats.

Key questions answered by this brief...

- How will the credit crunch affect the CEE economies?
- What strategies will CEE retailers employ to respond to the downturn?
- What opportunities are available for CEE retailers expanding abroad?

Internationalisation Strategies of CEE Retailers

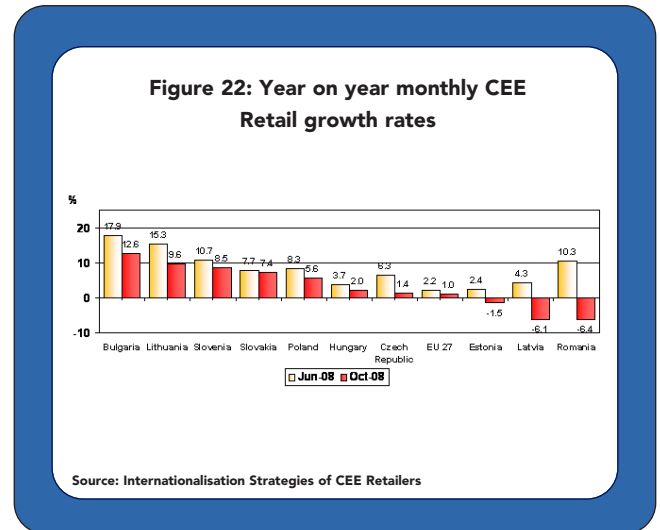
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Weaker demand

- The deteriorating macroeconomic conditions and recessionary environment has begun to feed through to weaker demand and declining retail sales in the region.
- The Baltic States are suffering a particularly sharp downturn, following years of strong GDP growth. Recession has hit Latvia and Estonia especially hard, with Lithuania set to follow suit in 2009. The credit driven boom that drove retail in these countries has come to an end, resulting in significant declines in retail sales.
- As discretionary expenditure tightens across the EU, clothing retailers in the region have witnessed their sales decline. The situation is most severe in markets such as Estonia and Latvia, which are experiencing significant economic slowdowns.
- Baltika, the third largest clothing retailer in the Baltic States reported a 13.0% decline in group sales for the month of December 2008. The retailer has established a significant presence in Central and Eastern Europe, with operations in the Czech Republic, Poland, Russia and the Ukraine. Despite the company's geographical spread in the region, lower demand in the Baltics combined with the weakening of the Russian and Ukrainian currencies dented sales over the festive period. Sales in the Baltics fell by 15.0%, while turnover in Eastern Europe declined by 16.0%.
- Another Baltic fashion retailer, Apranga reported similar sales declines in December 2008 as weaker demand in Estonia and Latvia resulted in sales falling by 12.0% and 15.2% respectively. Meanwhile sales in Lithuania were up 7.6% as the country has yet to be as adversely affected by the downturn as its two Baltic neighbours.
- Romanian electricals retailers have been hit by the crisis. Sales of electricals declined over the crucial Christmas period. Flamingo International, Romania's third largest electricals retailer posted a 10.0% fall in December 2008 sales to €31.5m, well below the company's expectations. Home related electrical appliances suffered the most significant declines, while demand for notebooks and LCD TV's held up. Following the poor end to 2008, the company plans to close up to 20 underperforming stores in 2009 representing 3.0% of the company's turnover and 5-6% of total selling space.
- Meanwhile Altex, the leading electricals retailer in Romania, will close one of its two stores in the Unirea Shopping Centre in Bucharest following a significant drop in sales of electrical home appliances in the last quarter of 2008.



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