RETAIL EVOLUTION

YEARS

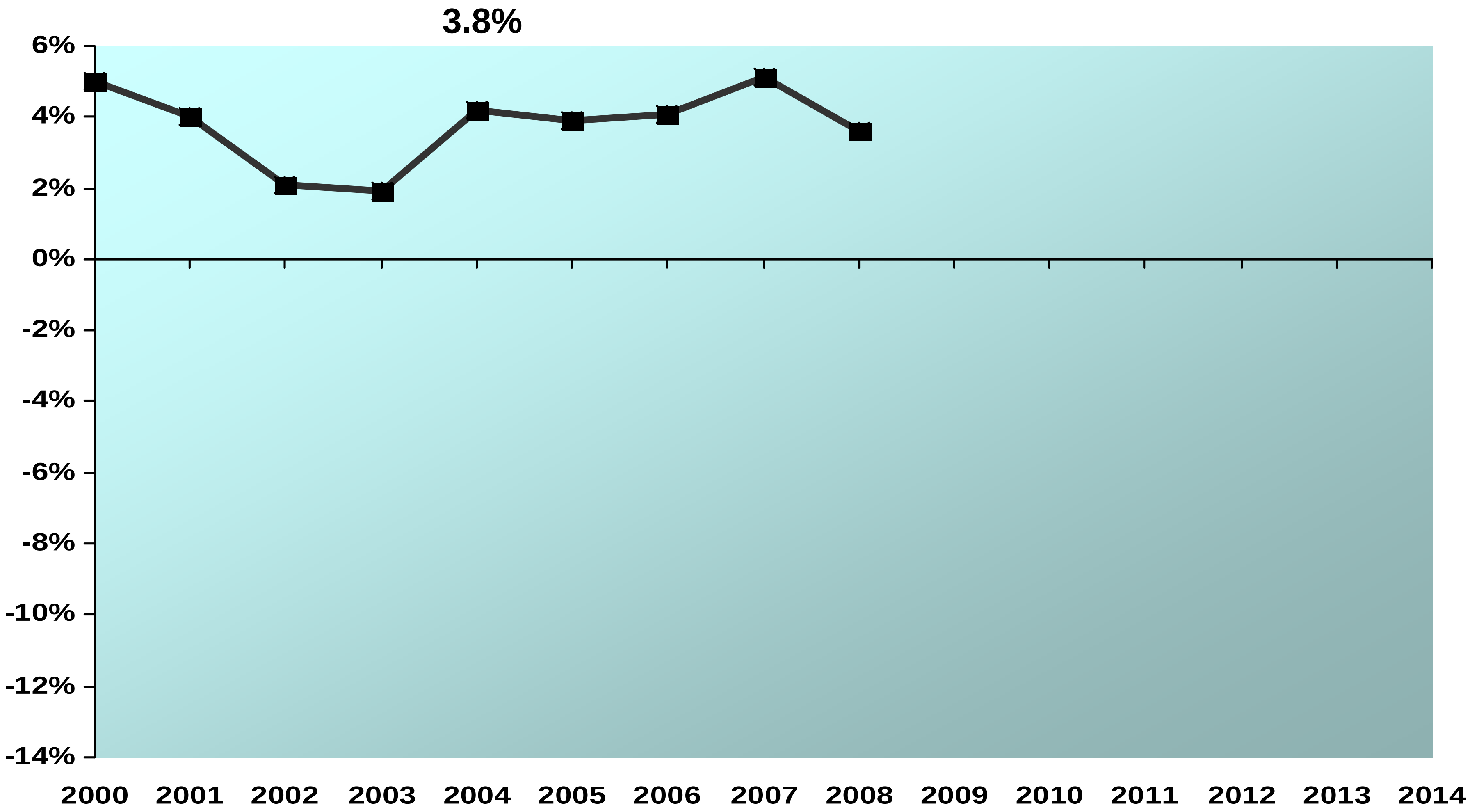
10th Retail Forum – 15th May 2013

Olympios Toumazou
Executive Chairman, RAI Consultants Public Ltd

RETAIL EVOLUTION
THE YEARS

The **GOOD**	2000-2008
The **BAD**	2009-2012
The **UGLY**	2013-2014

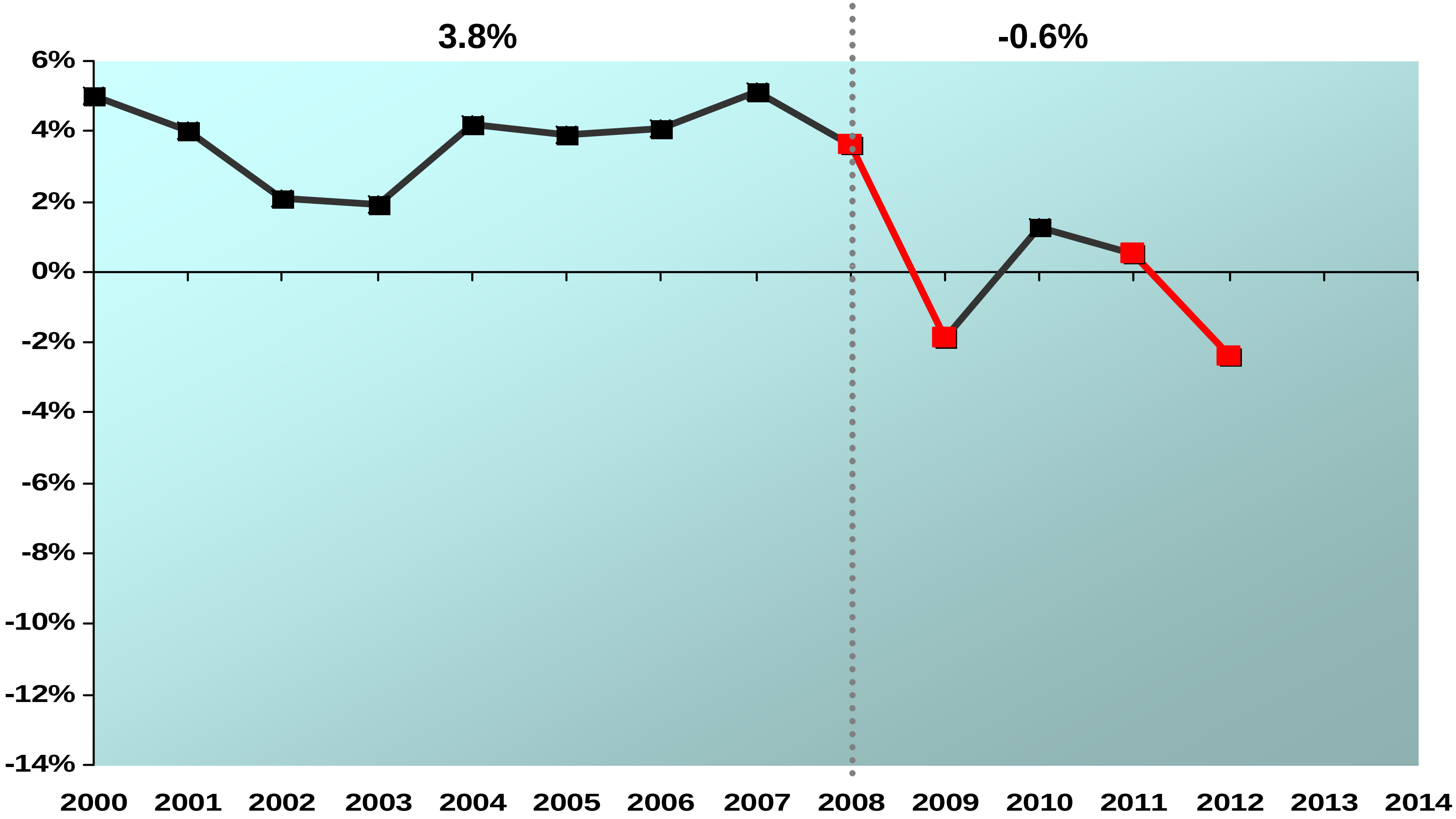
The Good, the Bad and the Ugly
GDP Growth (%)



Source 2000-2012: Department of Statistics

Source 2013-2014: Eurobank Research

The Good, the Bad and the Ugly
GDP Growth (%)



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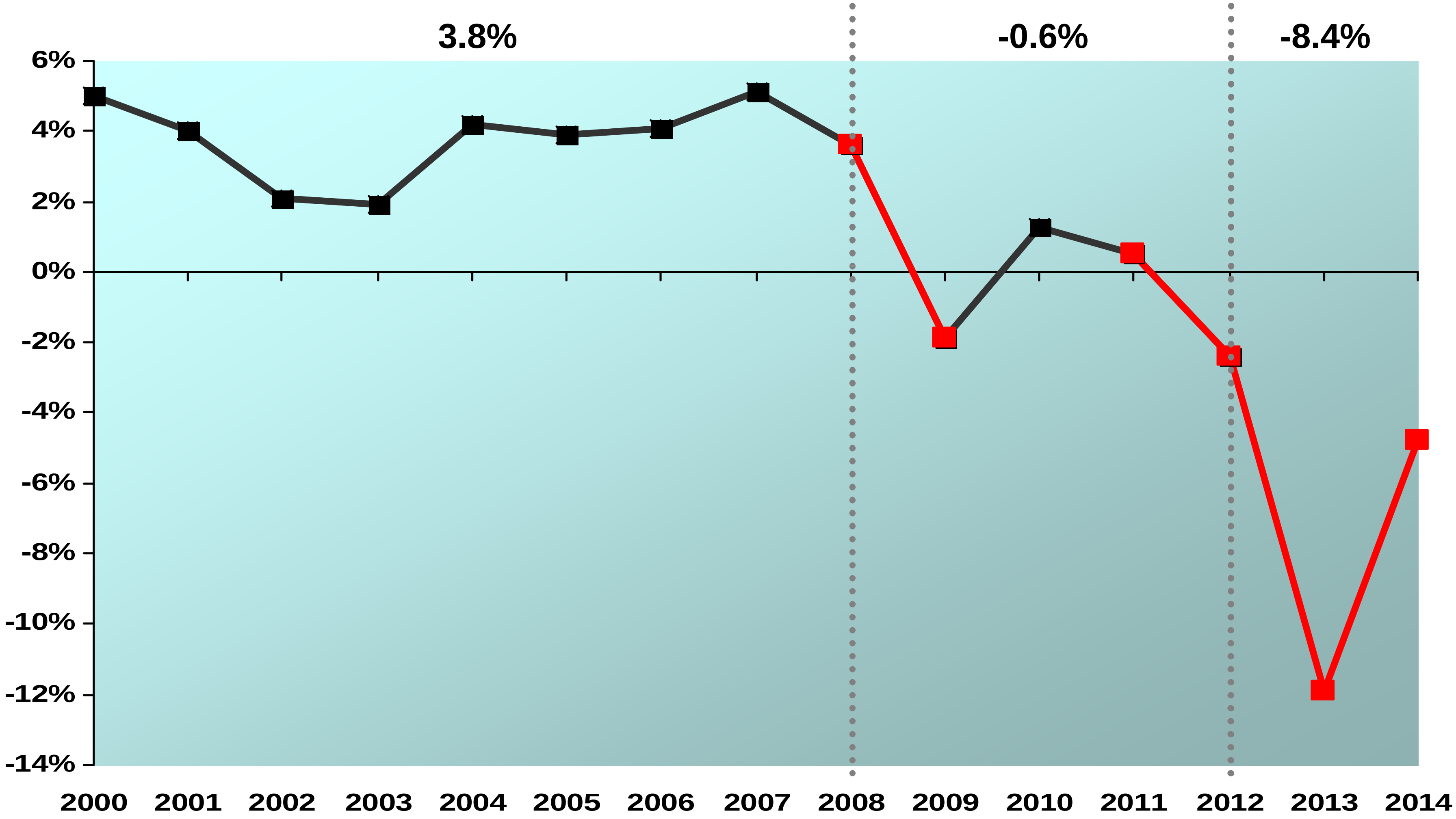
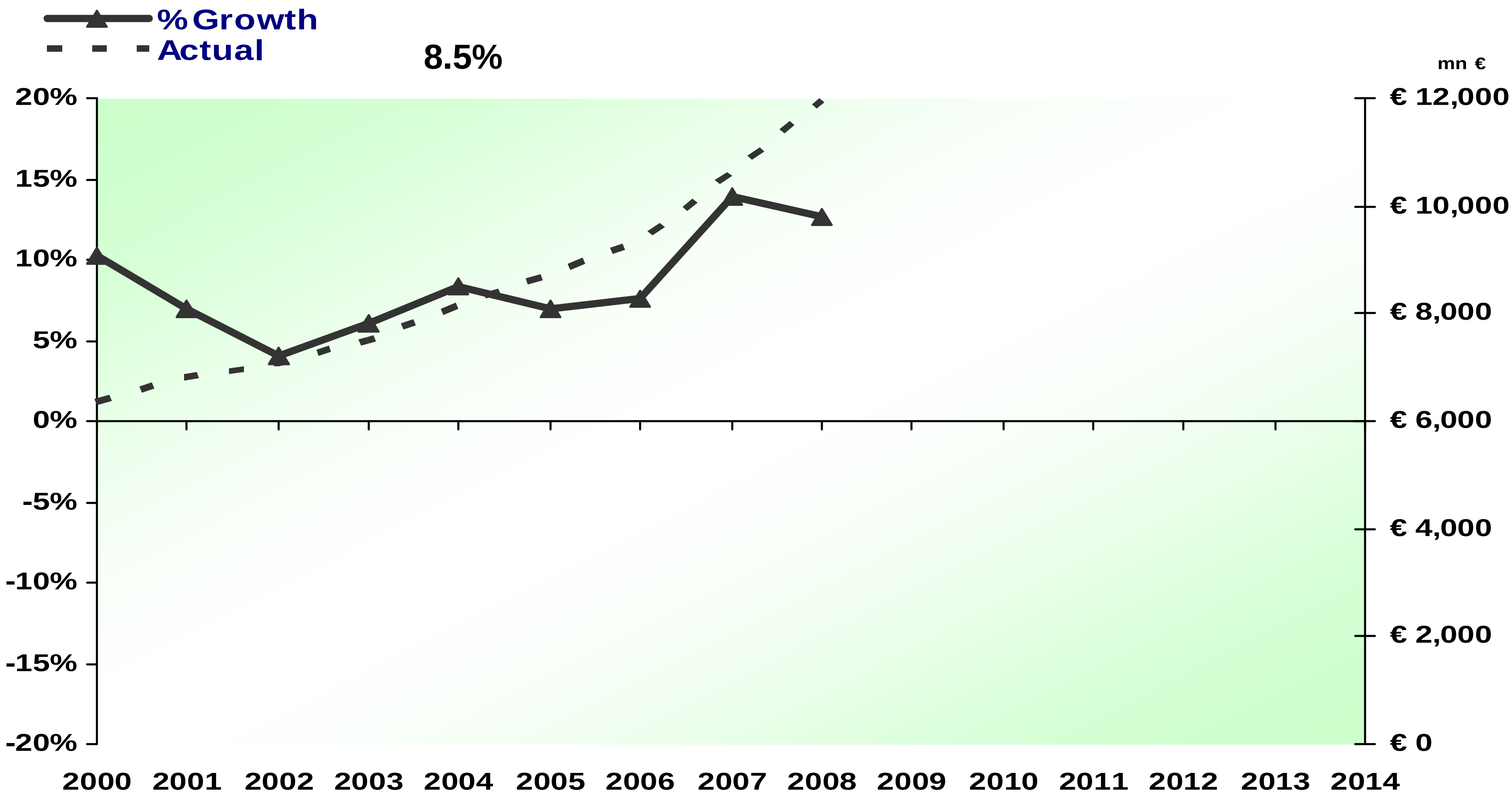
The Good, the Bad and the Ugly
GDP Growth (%)



Source 2000-2012: Department of Statistics

Source 2013-2014: Eurobank Research

The Good, the Bad and the Ugly
Private Consumption



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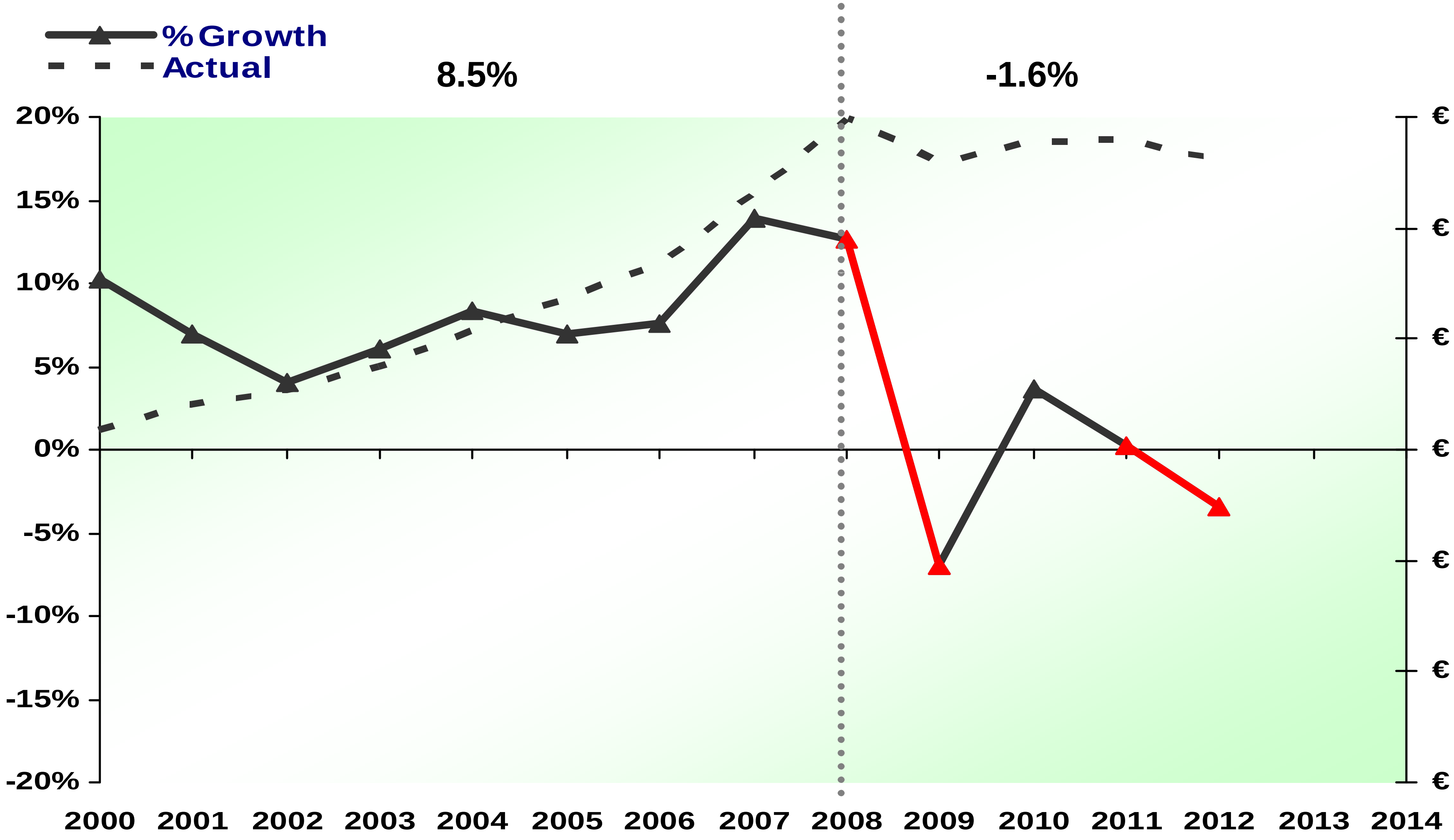
The Good, the Bad and the Ugly
Private Consumption



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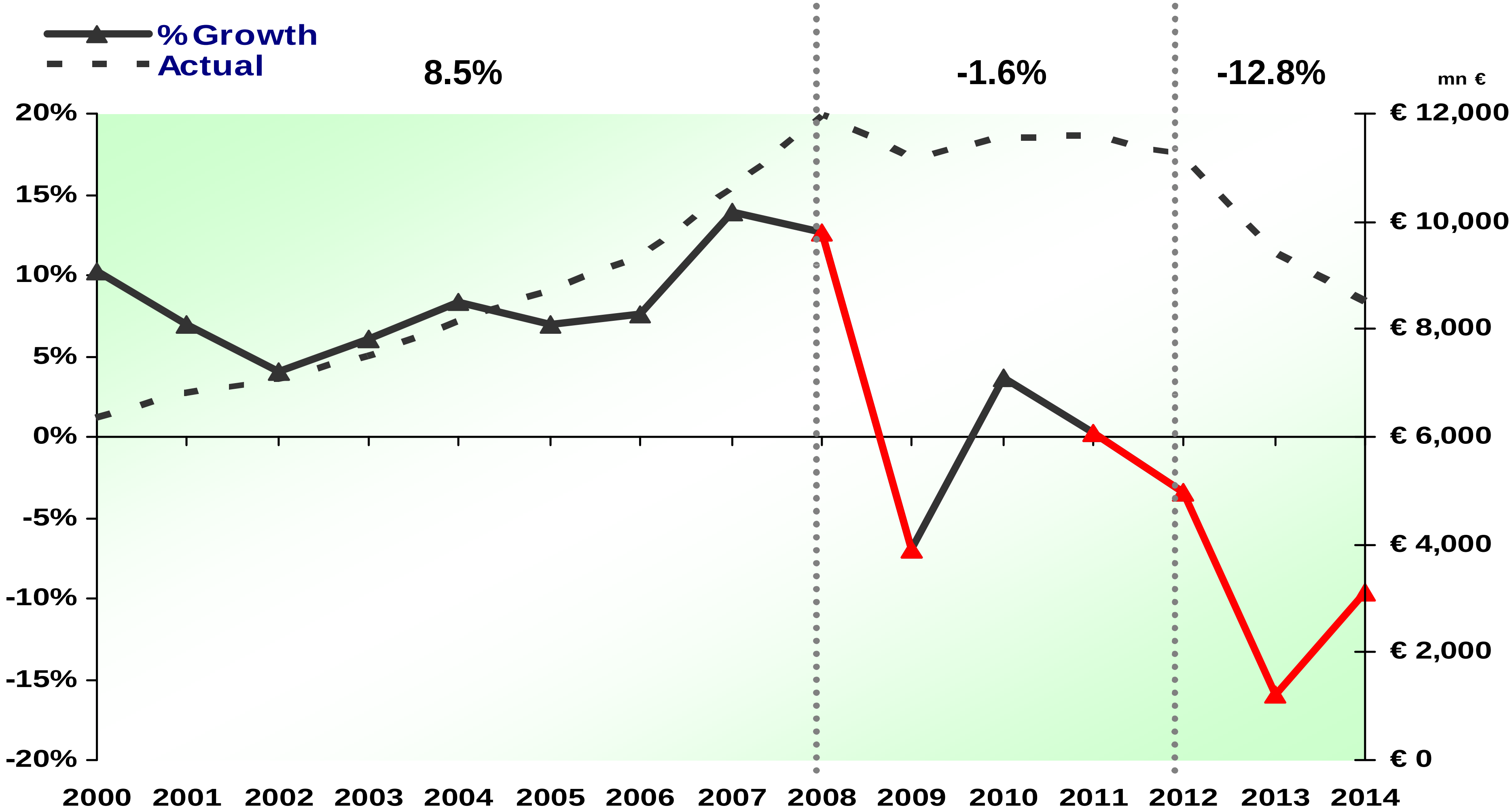
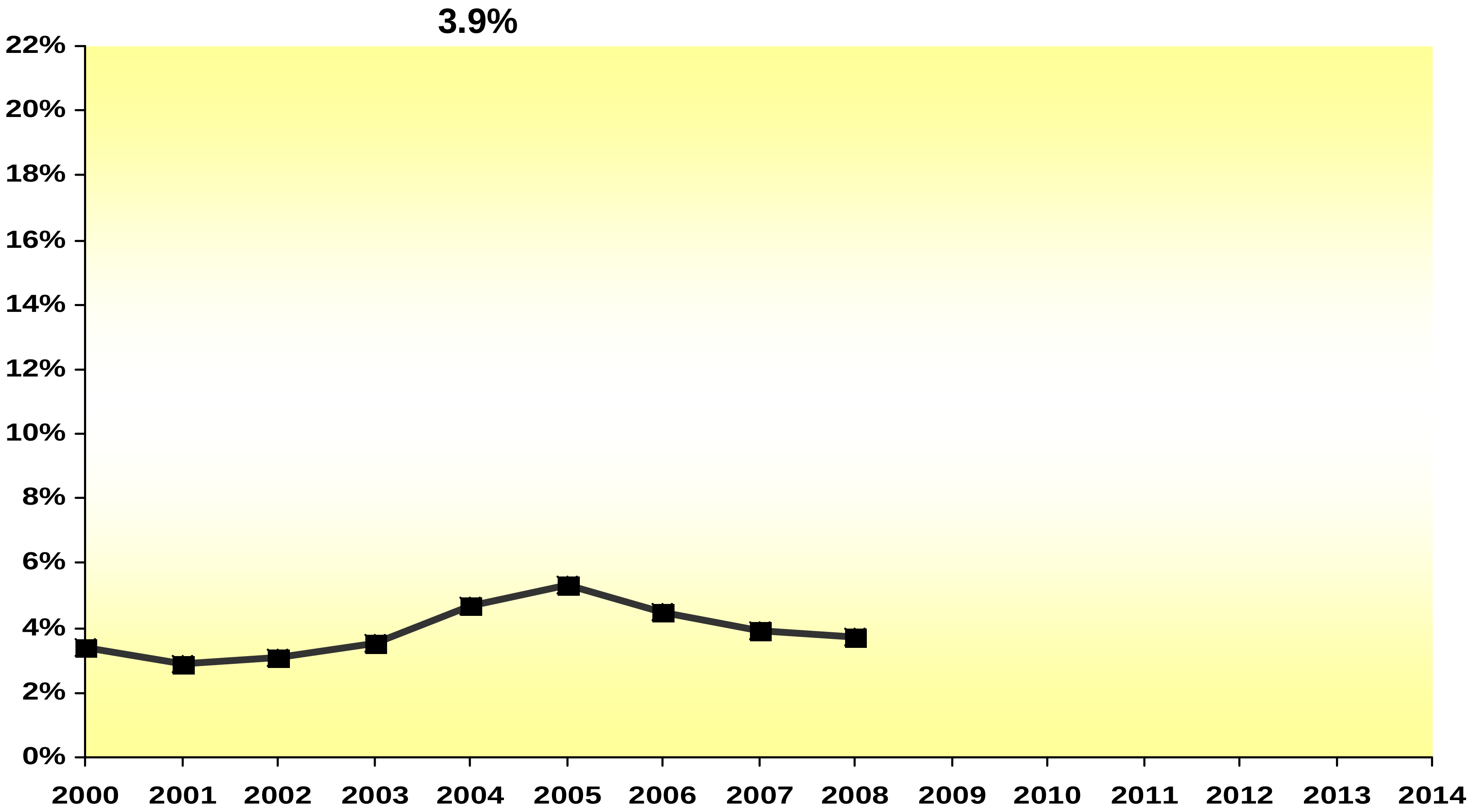
The Good, the Bad and the Ugly
Private Consumption



Source 2000-2012: Department of Statistics

Source 2013-2014: Eurobank Research

The Good, the Bad and the Ugly
Unemployment Rate (%)



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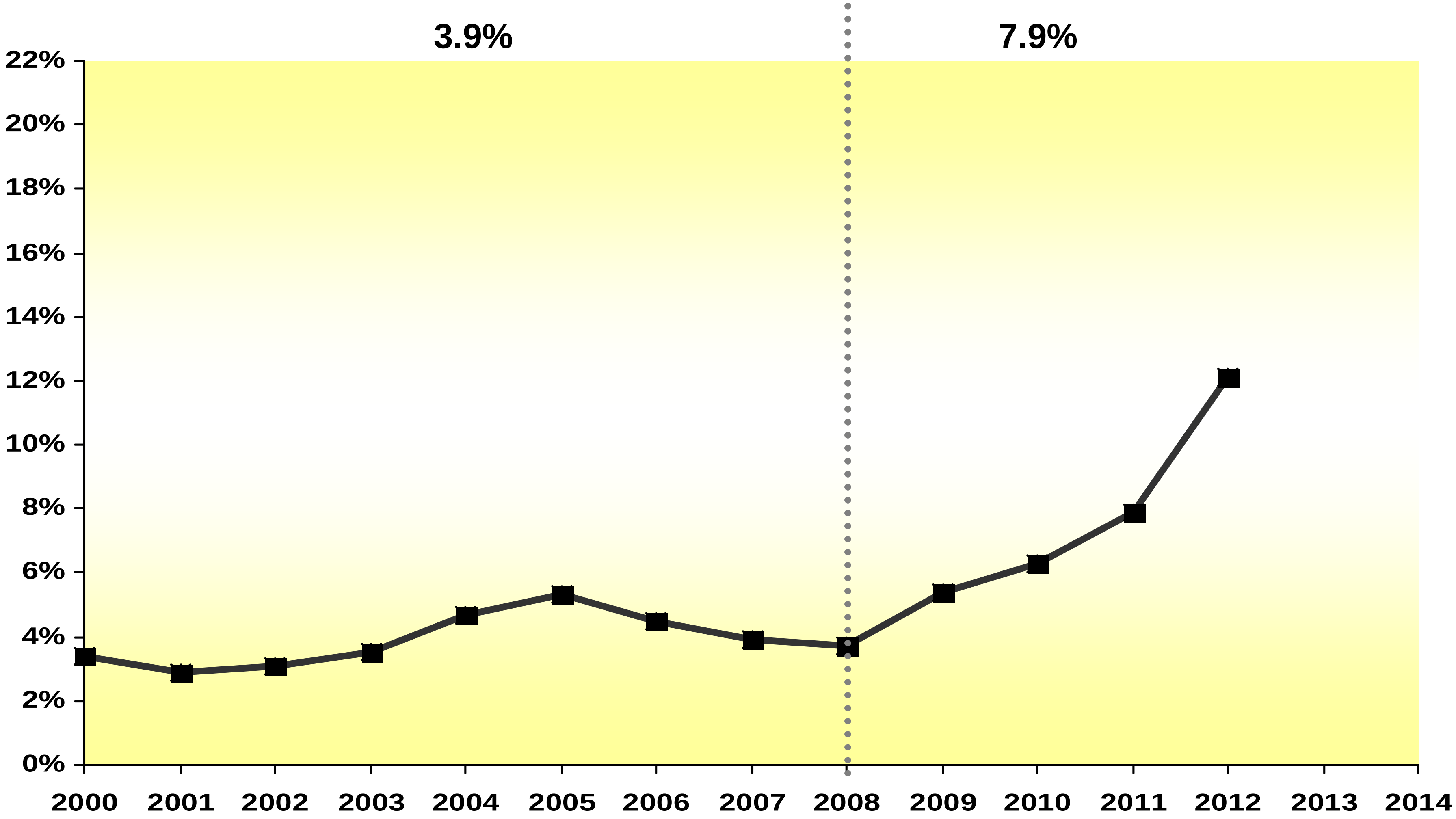
Source 2013-2014: Eurobank Research

The Good, the Bad and the Ugly
Unemployment Rate (%)



Source 2000-2012: Department of Statistics

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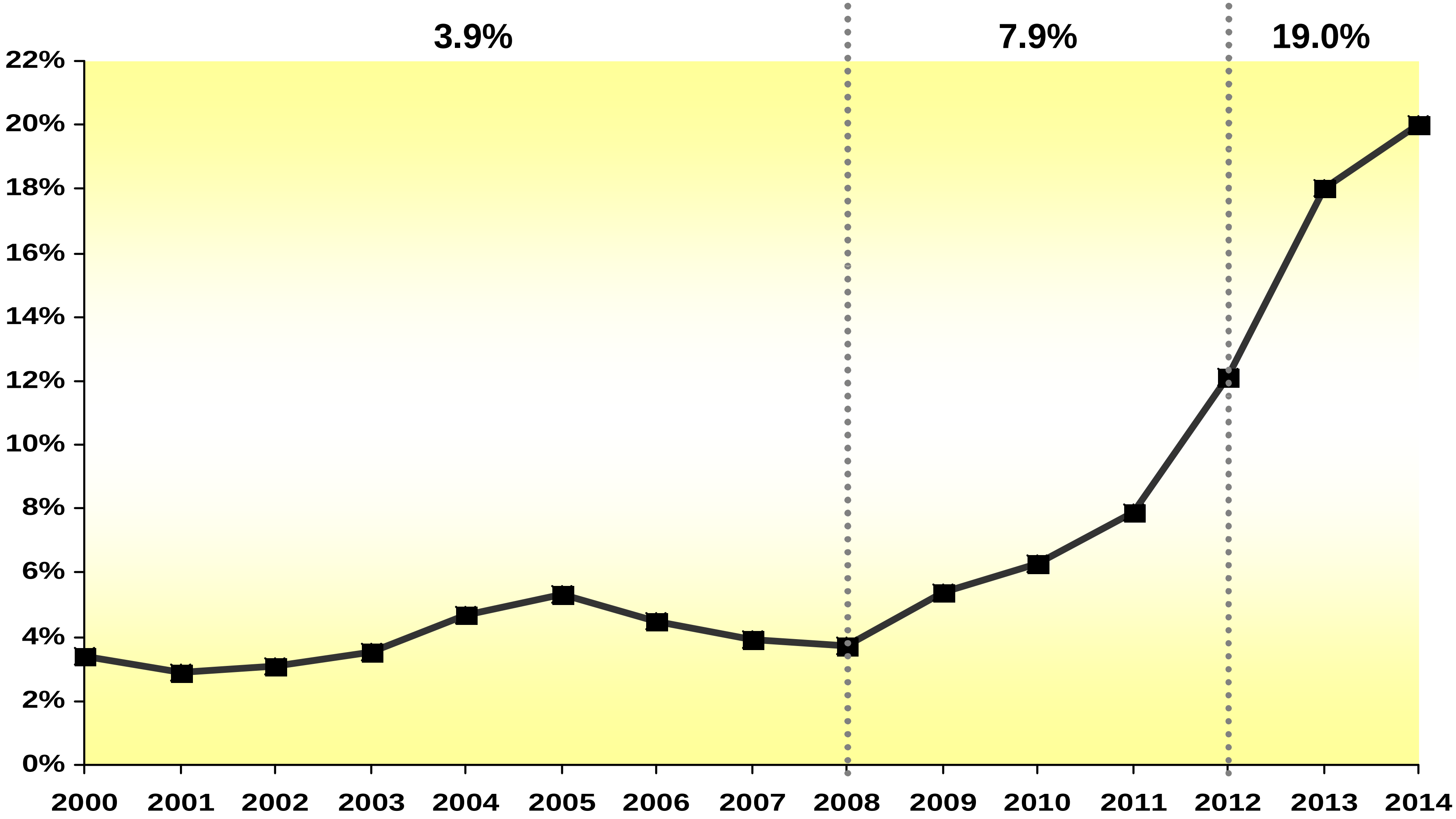
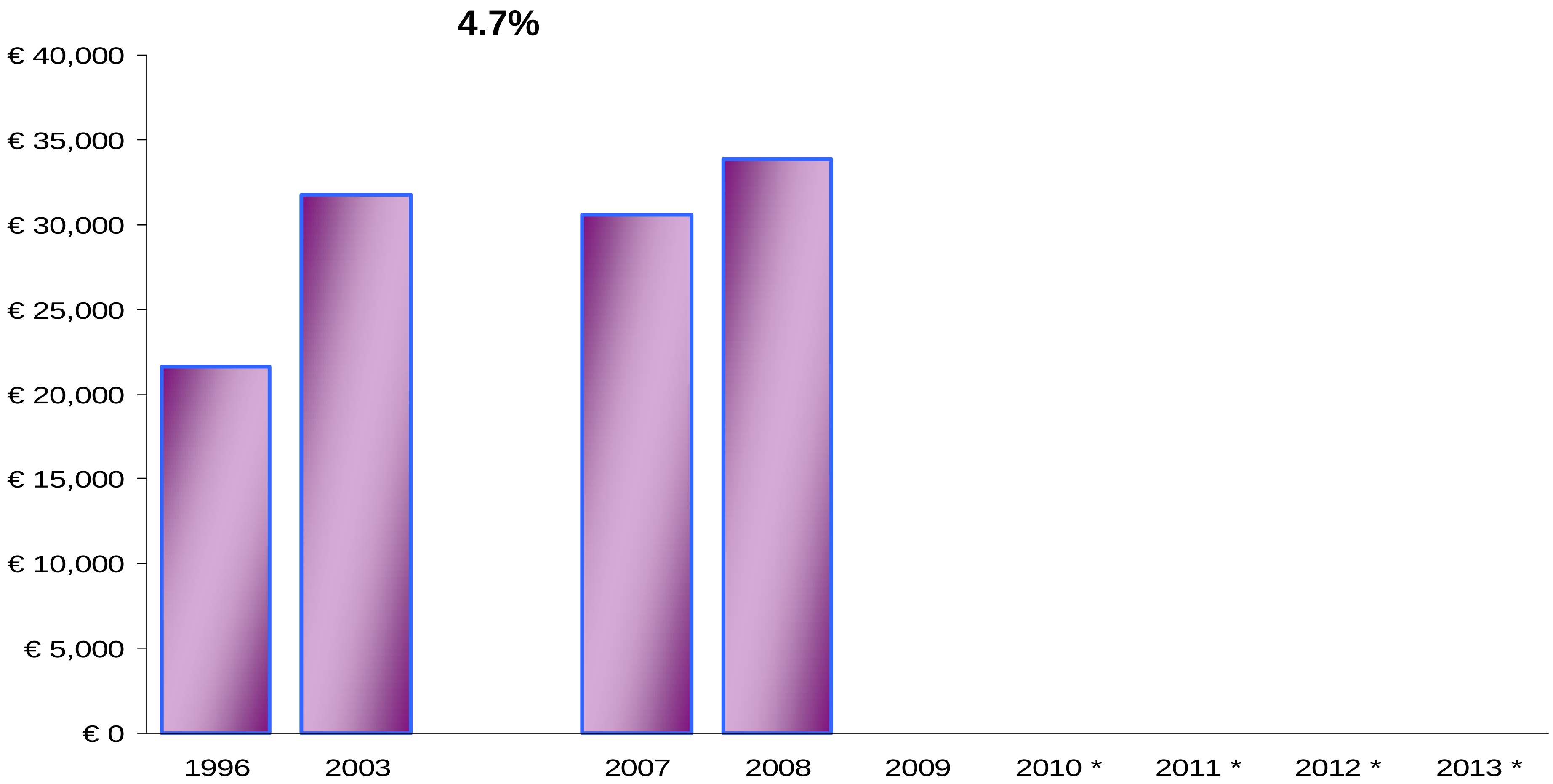
The Good, the Bad and the Ugly
Unemployment Rate (%)



Source 2000-2012: Department of Statistics

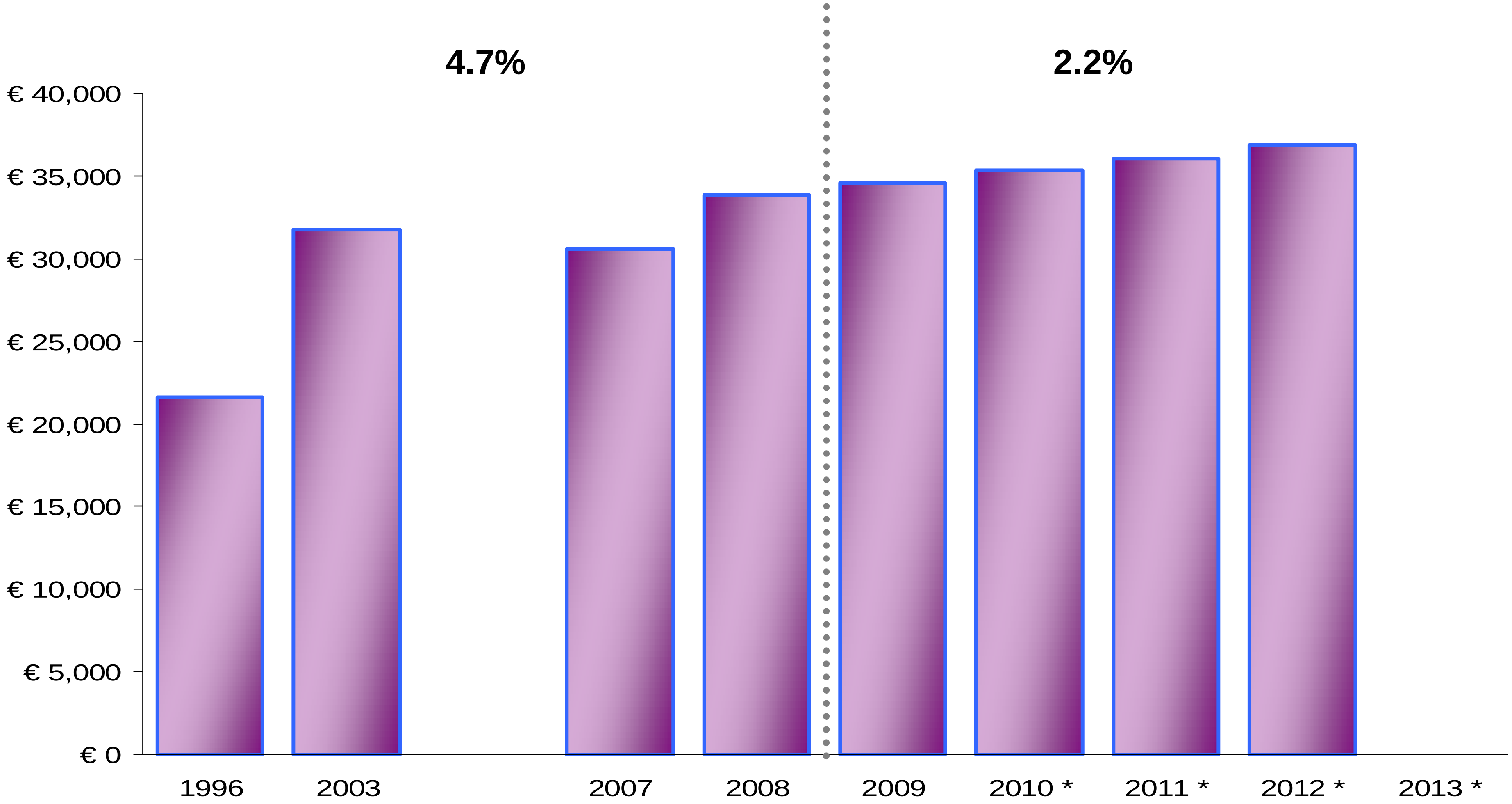
Source 2013-2014: Eurobank Research

The Good, the Bad and the Ugly
Disposable Income (per h/hold)



Sources: Statistical Service, * estimates

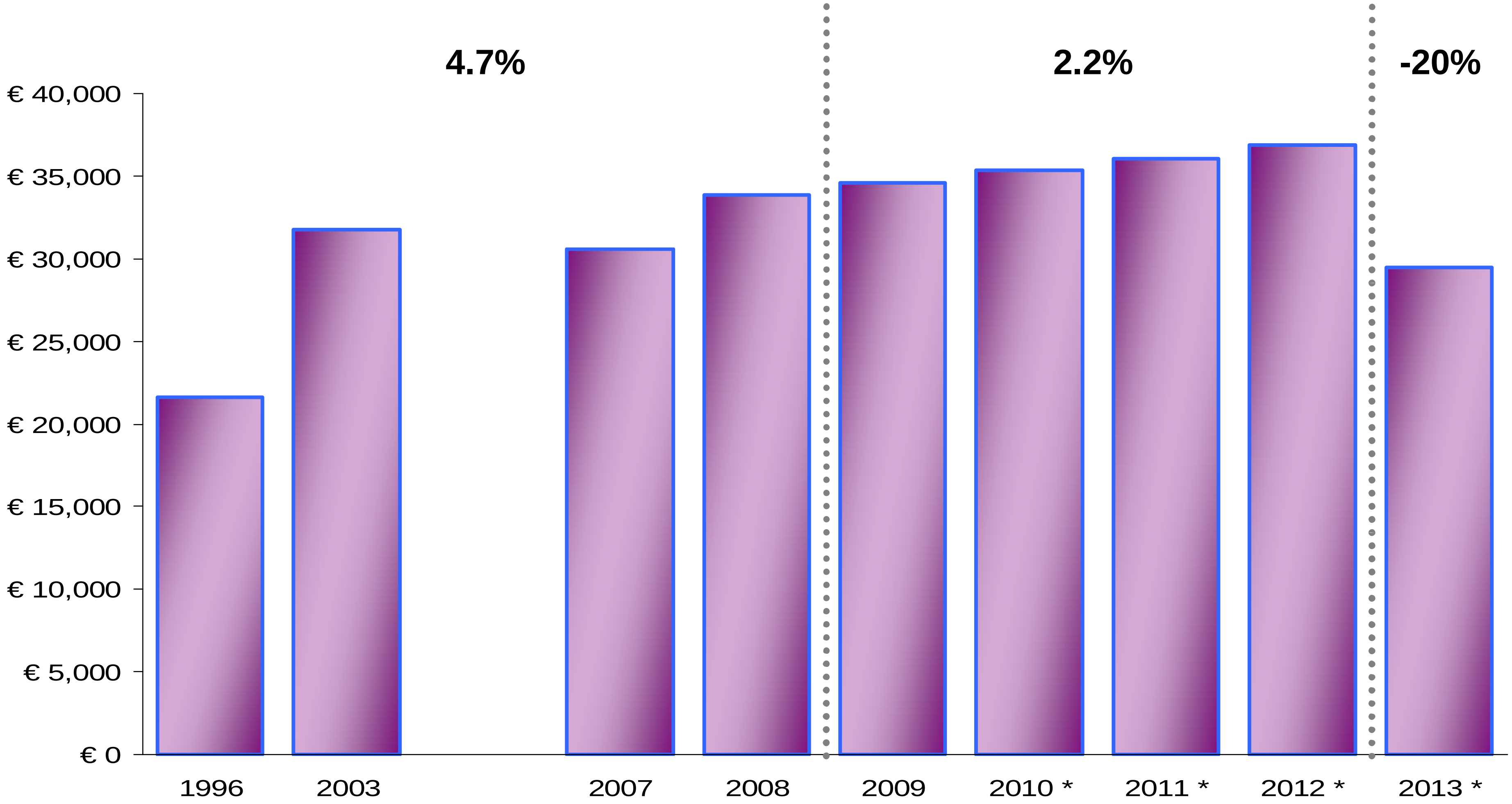
The Good, the Bad and the Ugly
Disposable Income (per h/hold)



Sources: Statistical Service, * estimates

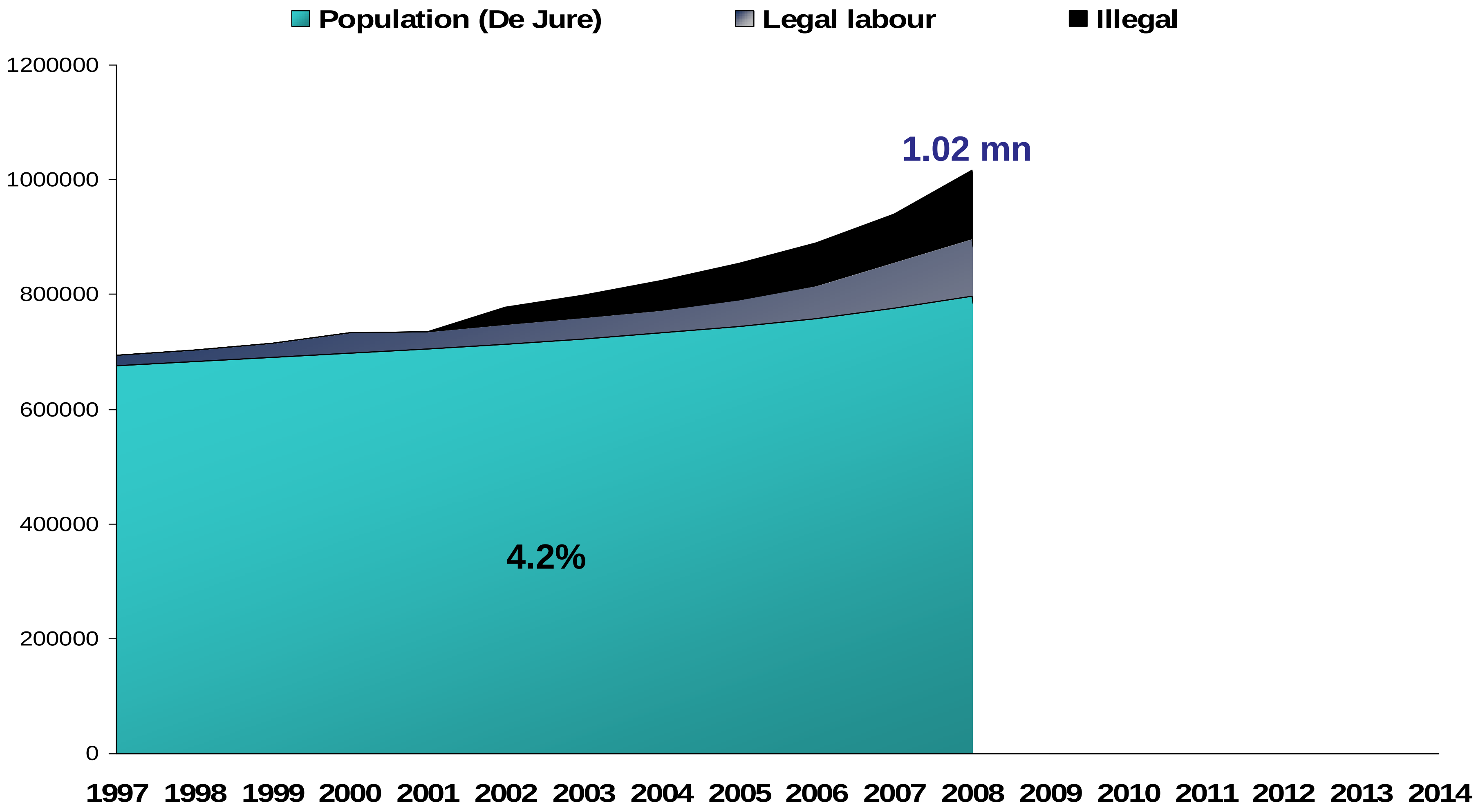
The Good, the Bad and the Ugly
Disposable Income (per h/hold)

RAI Consultants Ltd



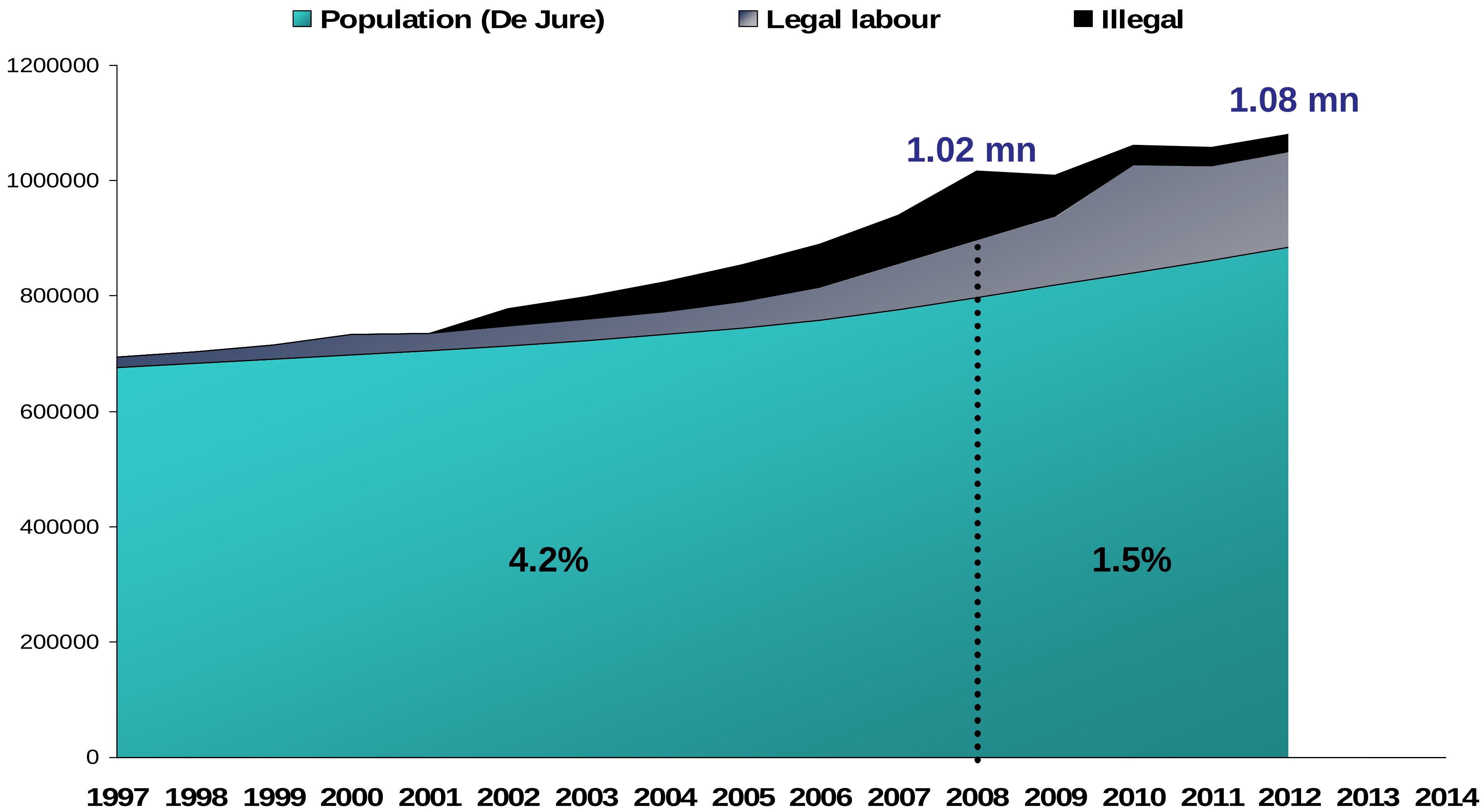
Sources: Statistical Service, * estimates

The Good, the Bad and the Ugly Population



Sources: Statistical Service; Ministry of Interior, RAI Estimates
"Η ΕΡΓΑΤΙΚΗ ΜΕΤΑΝΑΣΤΕΥΣΗ ΣΤΗΝ ΚΥΠΡΟ" του Νίκου Τριμικλινιώτη

The Good, the Bad and the Ugly
Population



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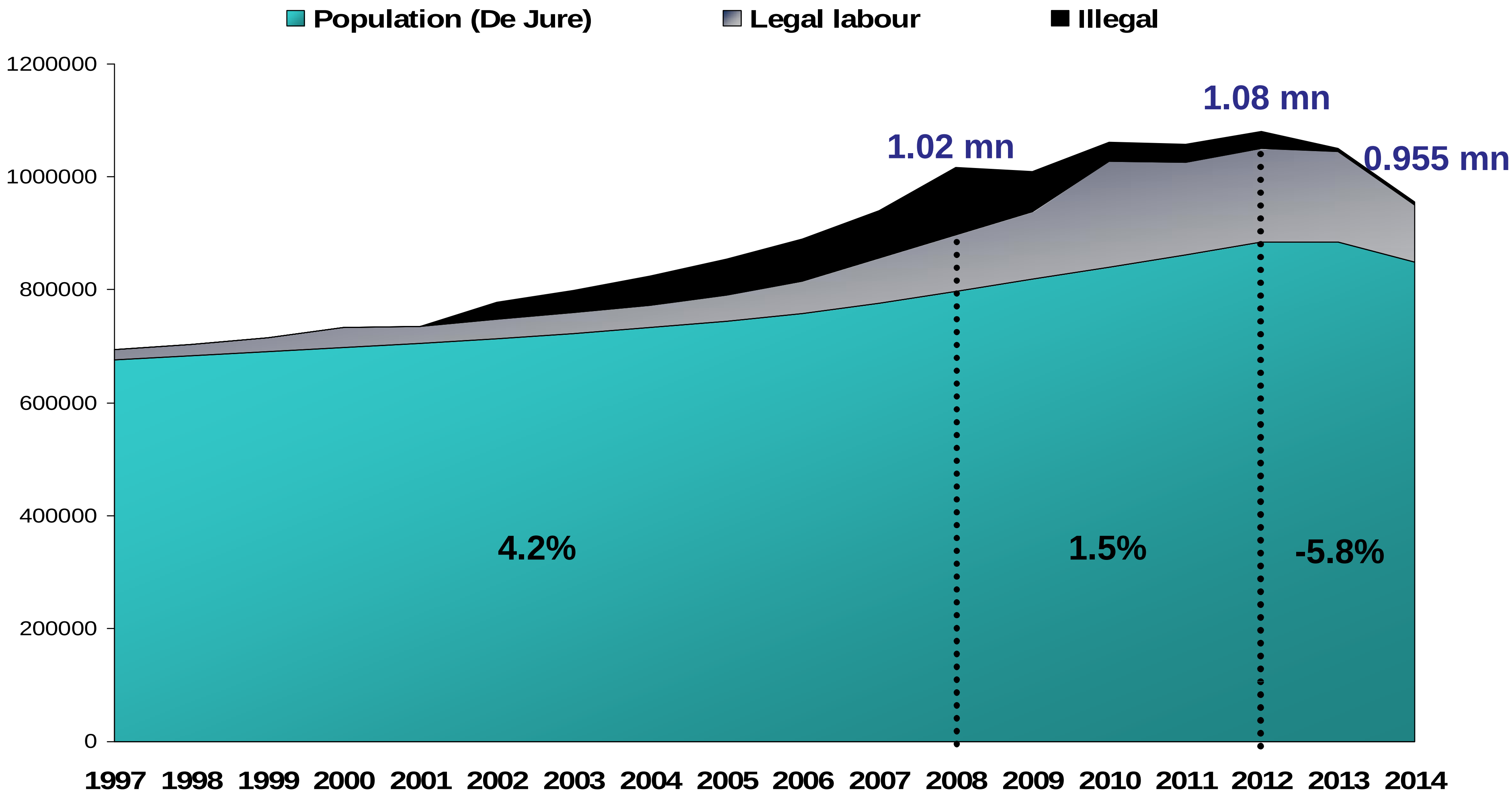
The Good, the Bad and the Ugly Population



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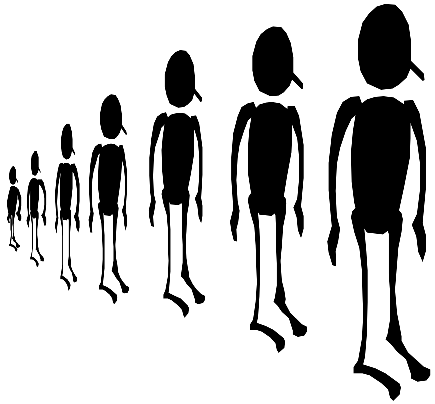
The Good, the Bad and the Ugly
Retail Spending

Retail Spending = Population x Disposable Income



Prediction of the Evolution of the Retail Trade

THE RETAILER

THE CONSUMER

THE DISTRIBUTOR

RAIN Consultants Ltd

“The best way to predict your future is to create it”

Abraham Lincoln

Sustainable Future in Retail

“The only way to predict the future is to design it”

R. Buckminster Fuller

PREDICT THE CONSUMER
THE FACTS

Demographics

Disposable Income

PREDICT THE CONSUMER
THE FACTS : Inflation (%) vs Salaries (%)

Year	Increase in Prices (Inflation)	Increase in Salaries
2003	**4.1%**	**6.2%**
2004	**2.3%**	**4.2%**
2005	**2.6%**	**5.4%**
2006	**2.5%**	**5.7%**
2007	**2.4%**	**4.7%**
2008	**4.7%**	**7.0%**
2009	**0.3%**	**3.6%**
2010	**2.4%**	**2.4%**
2011	**3.3%**	**2.6%**
2012*	**2.8%**	**0.6%**

Source: Sigmalive

PREDICT THE CONSUMER
THE FACTS : Price Increases (%)

	2003-2007	2008-2012
FOOD	**18.9%**	**10.5%**
Bread	32.4%	12.3%
Fresh Meat	27.5%	13.4%
Poultry	38.7%	10.8%
Milk	21.0%	13.6%
Eggs	50.7%	15.6%
Fresh Fruit	6.2%	-14.6%
Fresh Vegetables	20.7%	5.9%
Sugar	142.2%	37.5%
ELECTRICITY, GAS & FUELS	**35.7%**	**48.9%**
Electricity	22.0%	58.3%
Gas	98.8%	22.2%
Fuels for heating	48.9%	28.7%

Source: Sigmalive

PREDICT THE CONSUMER
THE CHANGES IN ATTITUDE

PREDICT THE CONSUMER
THE CHANGES IN ATTITUDE

- Educated
- Smarter
- More Informed
- More Demanding
- Has More Choice
- Less Loyal
- More Difficult

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

- Shop More Often
- Lower Average Basket
- Use a Shopping List

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

Use a Shopping List

	2008	2012
Greece	76%	87%
Cyprus	45%	73%

Sources: Greece: Symphony IRI Group

Cyprus: RAI Consumer Research

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

- Shop More Often
- Lower Average Basket
- Use a Shopping List
- Use the Leaflet

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

Use the Leaflet

	2008	2012
Greece	41%	50%
Cyprus	N/A	80%

Sources: Greece: Symphony IRI Group

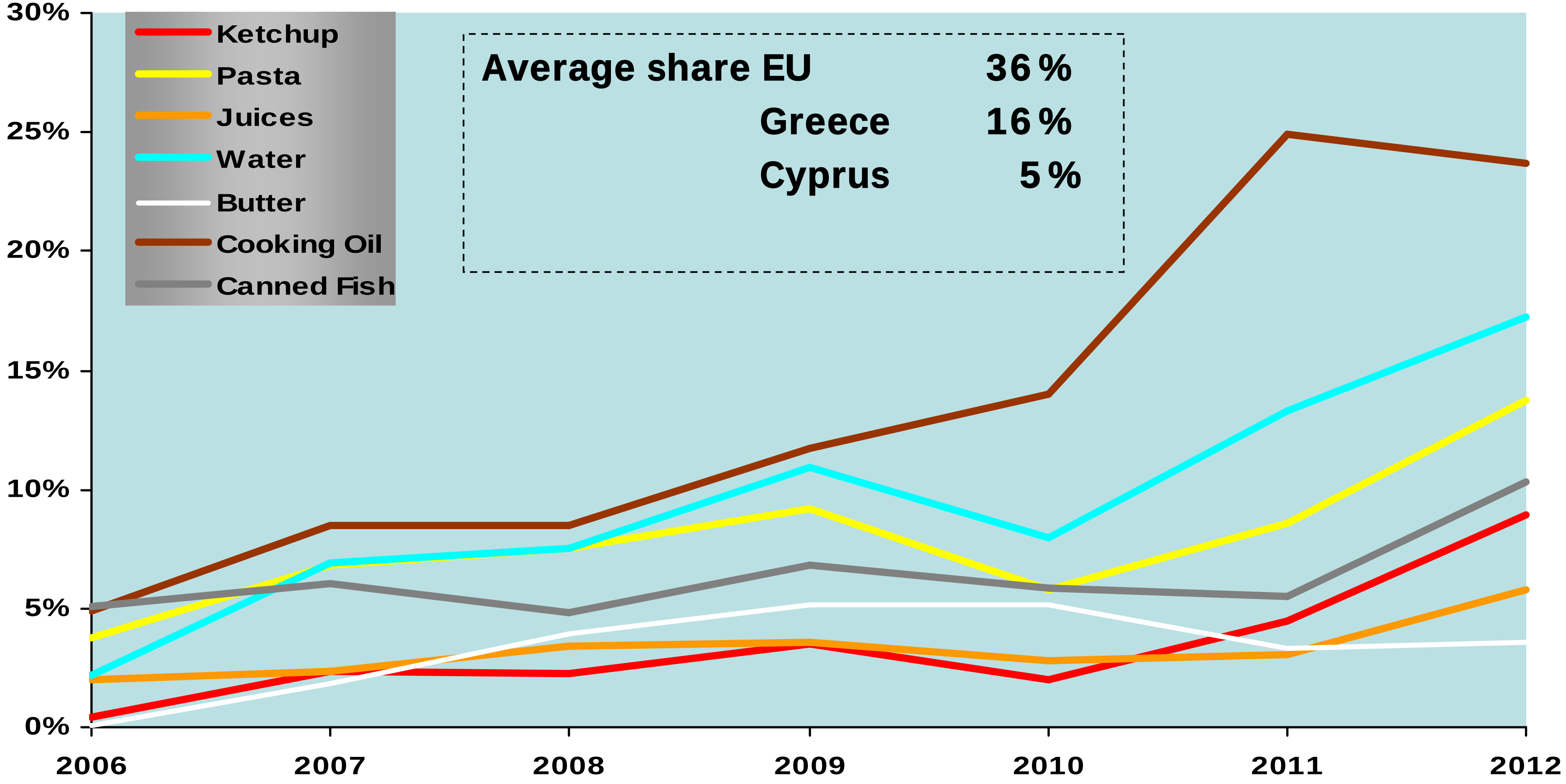
Cyprus: RAI Consumer Research

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

- Shop More Often
- Lower Average Basket
- Use a Shopping List
- Use the Leaflet
- Private Labels

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

Private Labels



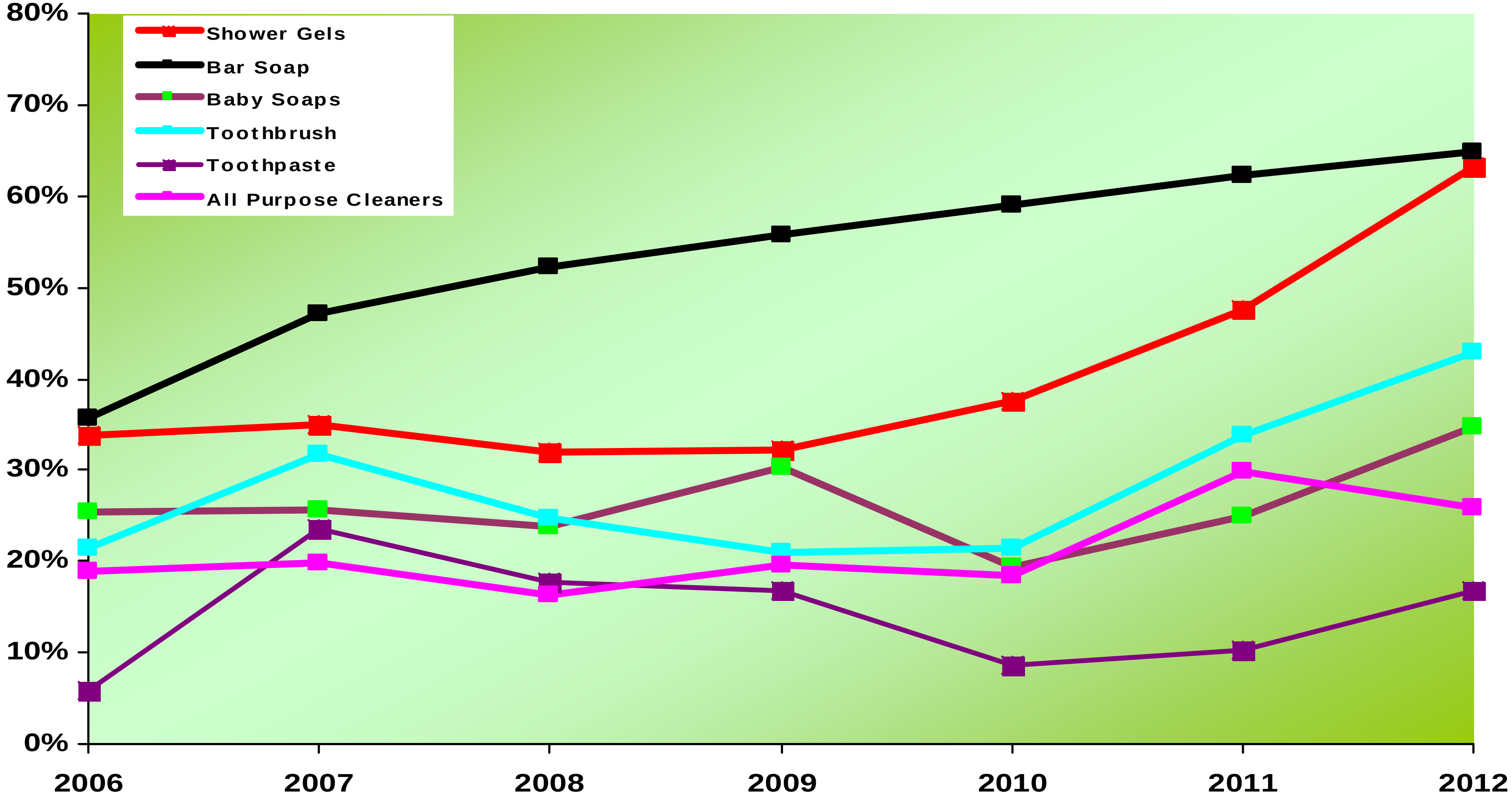
Sources: RAI Retail Audit, The Grocer

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

- Shop More Often
- Lower Average Basket
- Use a Shopping List
- Use the Leaflet
- Private Labels
- Promotions

PREDICT THE CONSUMER
THE CHANGES IN BEHAVIOUR

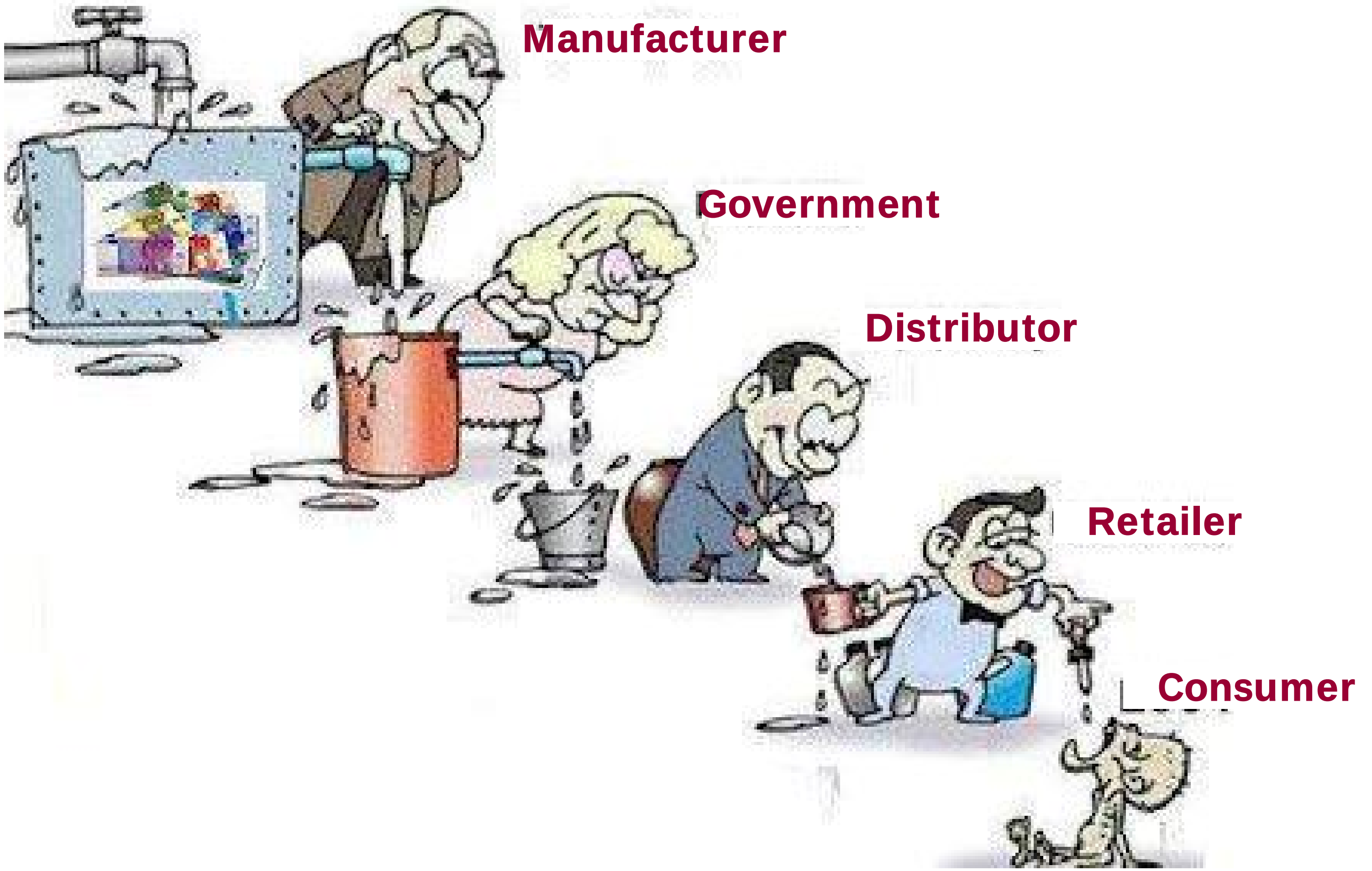
Promotions



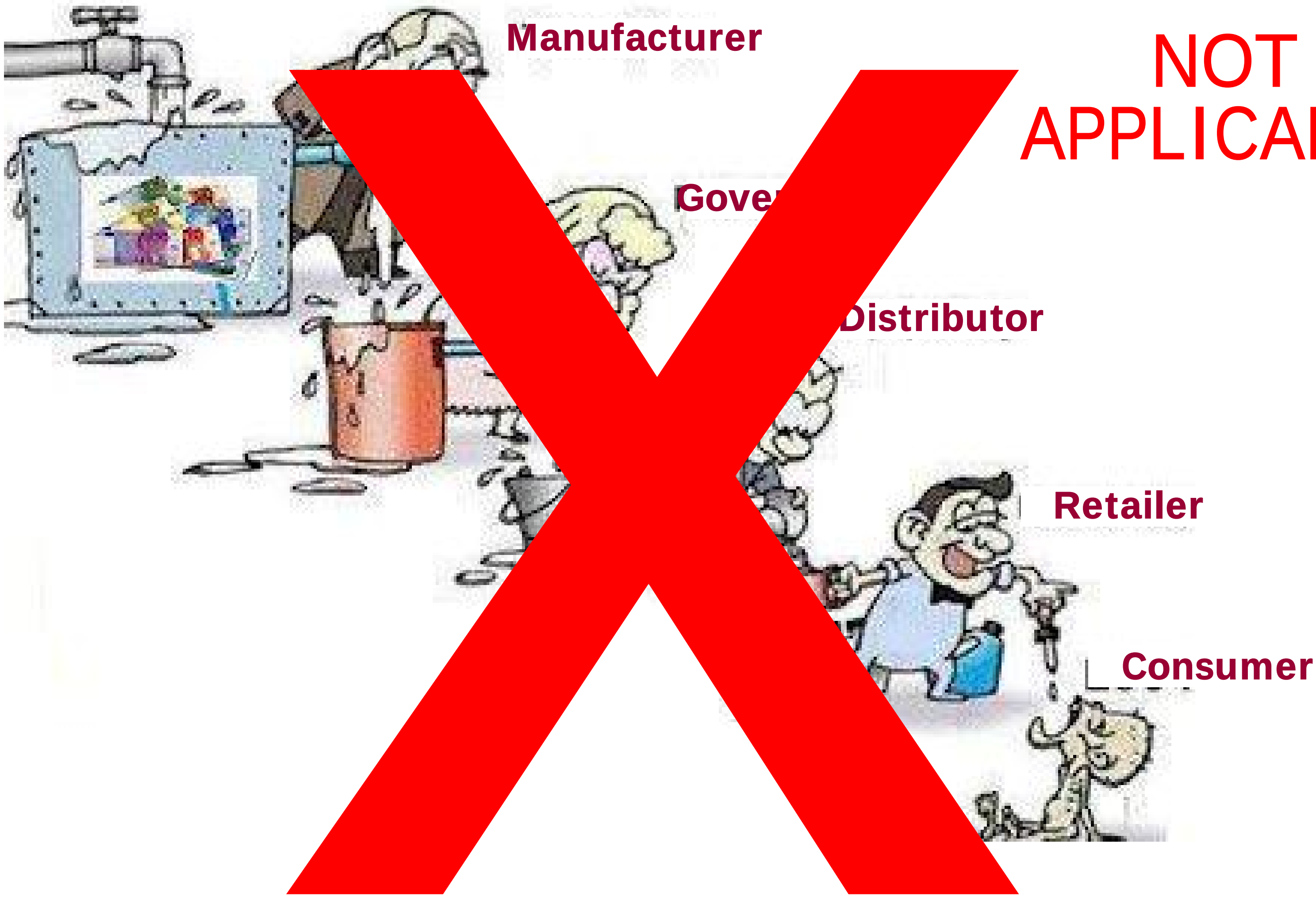
Source: RAI Retail Audit

PREDICT THE CONSUMER
SAINSBURY'S CASE STUDY

PREDICT THE CONSUMER
THE PREDICTION



PREDICT THE CONSUMER
THE PREDICTION



NOT APPLICABLE

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PREDICT THE CONSUMER
THE PREDICTION

Regular Retailer

Lidl

Discount Store

e-commerce

PREDICT THE CONSUMER
THE PREDICTION

Consumer Value

- **Price**
- **Service**
- **Convenience**
- **Quality**
- **Added Value**

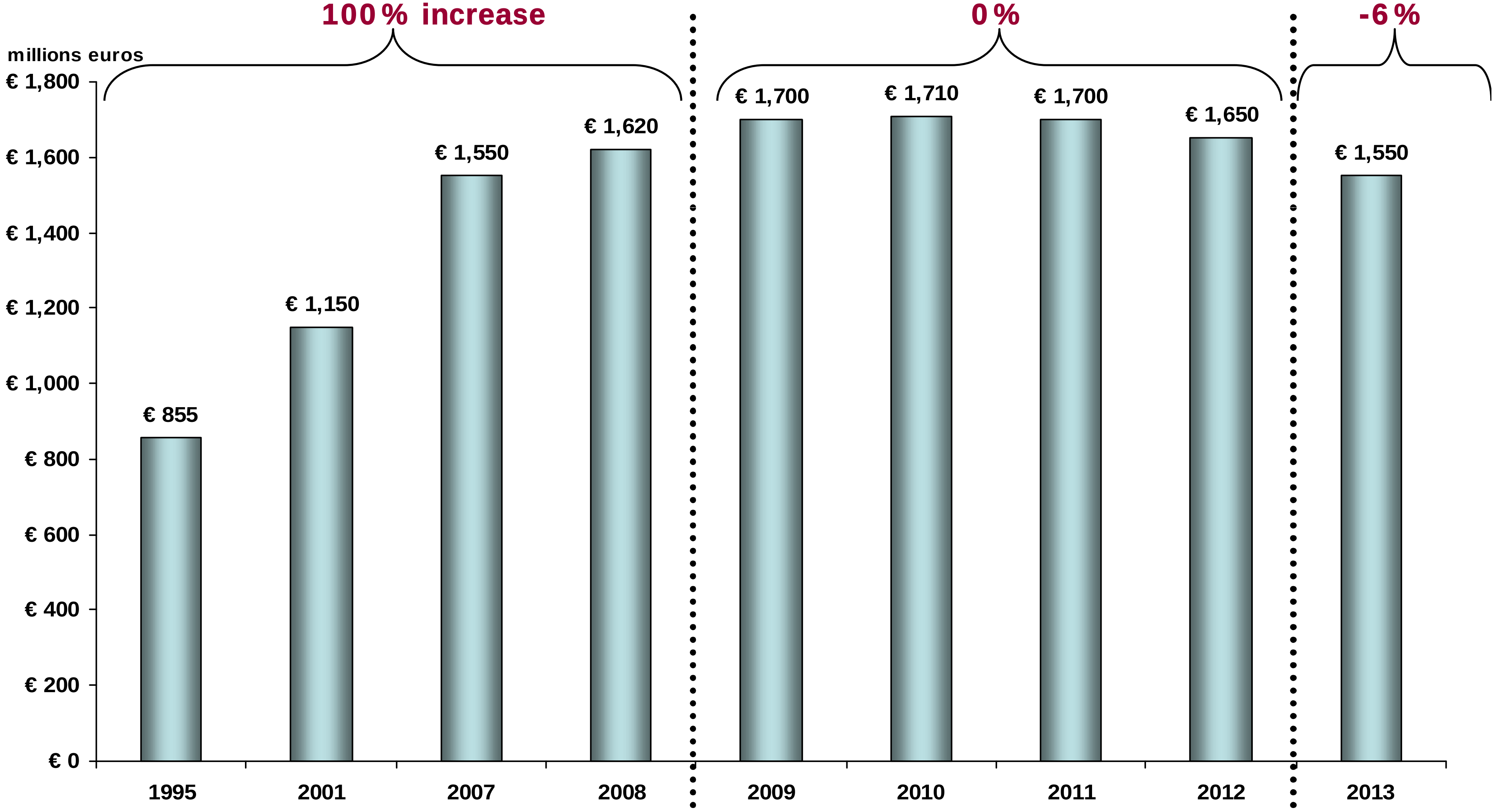
PREDICT THE RETAILER
THE FACTS

Declining Consumption

PREDICT THE RETAILER

THE FACTS: Declining Consumption

Evolution of Retail Trade (Value)



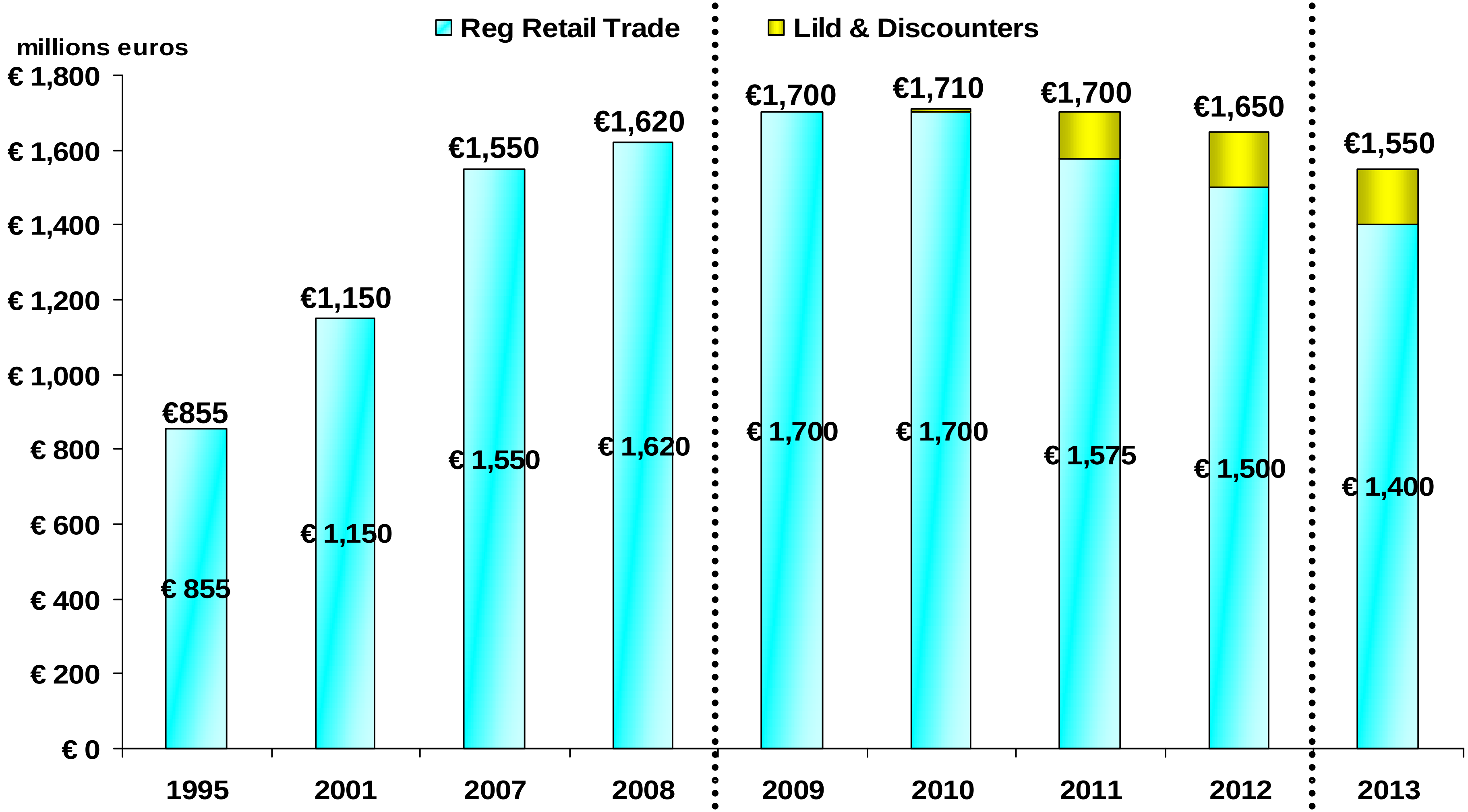
Source: RAI Retail Audit, RAI Census

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover

PREDICT THE RETAILER
THE FACTS: Declining Turnover

Evolution of Retail Trade (Value)

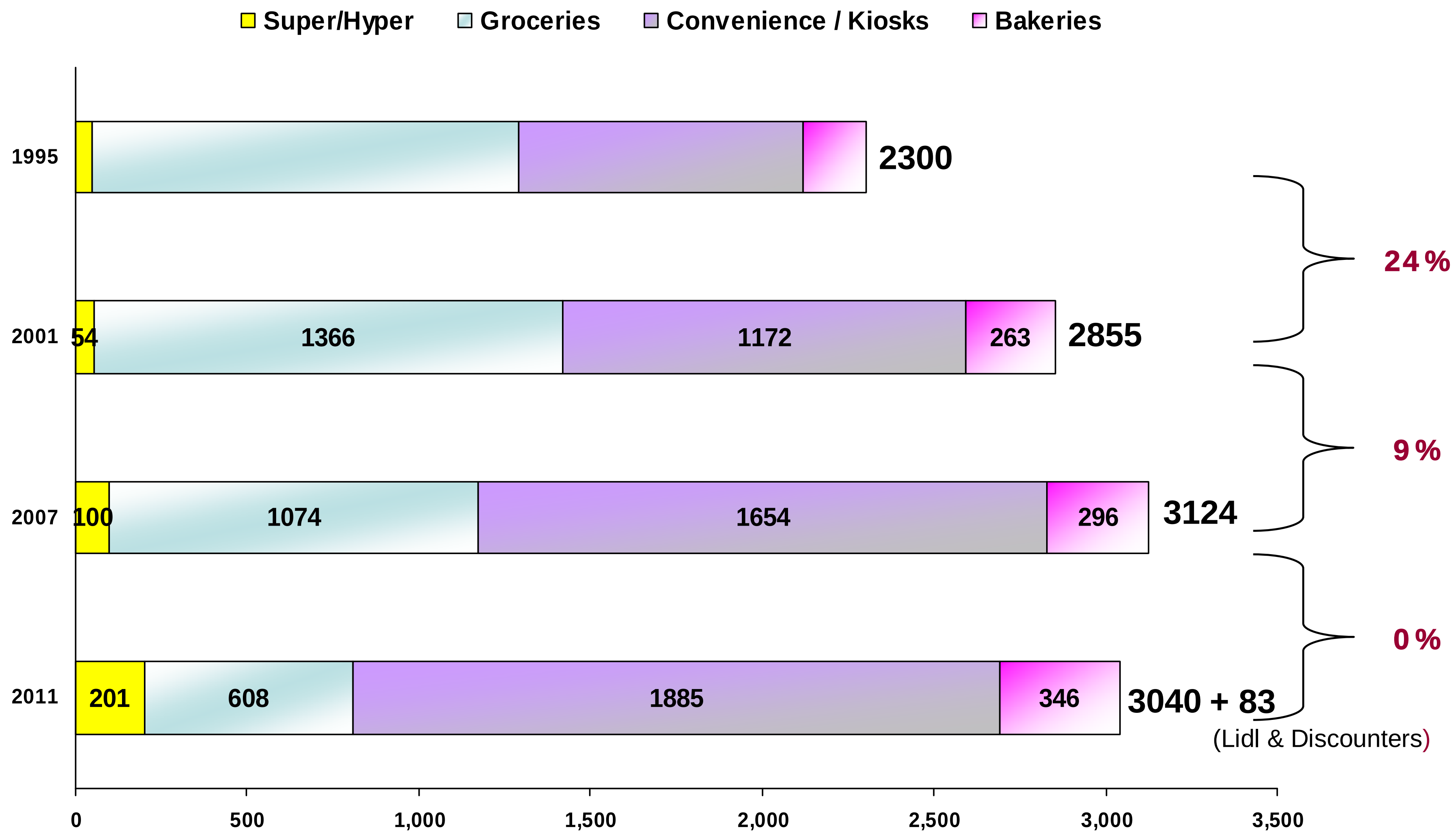


Source: RAI Retail Audit, RAI Census

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets

PREDICT THE RETAILER
THE FACTS : Increased Number of Outlets

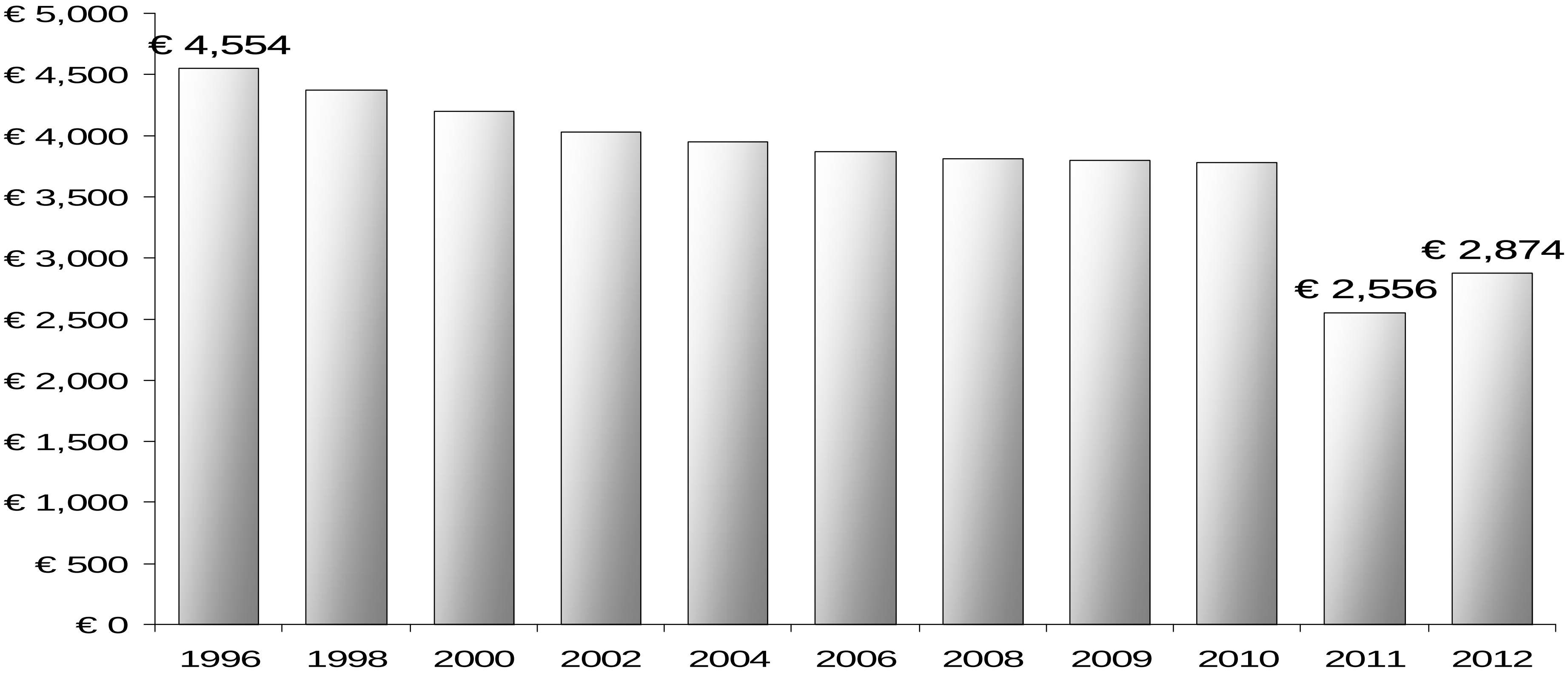


Source: RAI Census

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets
- Declining Turnover per m^2

PREDICT THE RETAILER
THE FACTS: Declining Turnover per m^2



Retailers are inefficient

Turnover per m^2 is declining and low compared to EU (approx €3600 for 2010)

Source: RAI Retail Audit

PREDICT THE RETAILER
THE FACTS: Declining Turnover per m^2

Fewer Sales per Outlet (Sales per m^2)

	2009	2010	2011	2012
Super/Hyper	€ 4,500	€ 4,306 ê	€ 2,278 ê	€ 2,776 é
Convenience / Kiosks	€ 2,979	€ 2,976 ê	€ 2,521 ê	€ 2,561 -
Bakeries	€ 6,667	€ 6,667 -	€ 5,058 ê	€ 4,563 ê

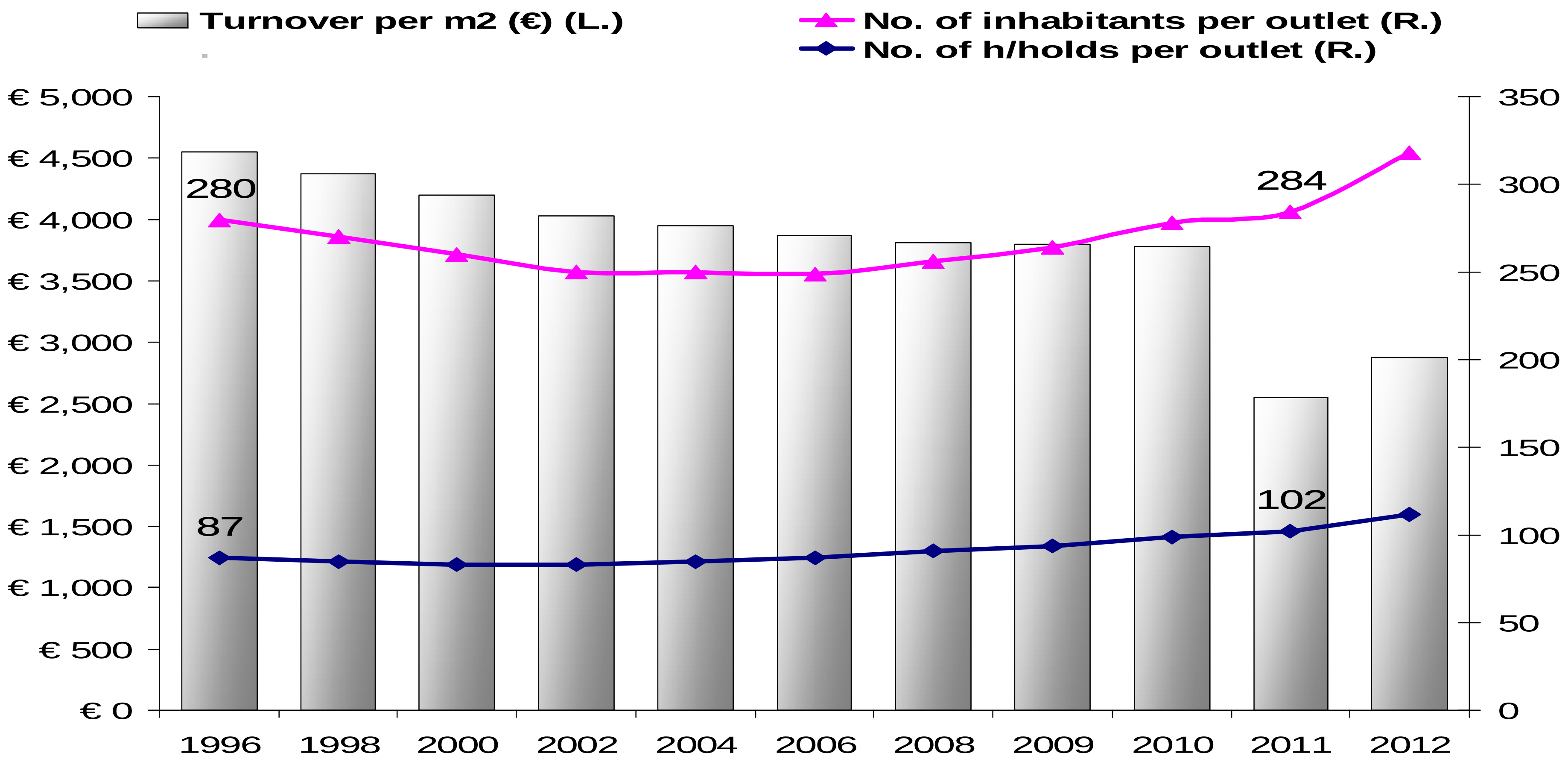
Source: RAI Retail Audit, RAI Census

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets
- Declining Turnover per m^2
- Declining No. of Customers per Outlet

PREDICT THE RETAILER

THE FACTS: Declining No. of Customers per Outlet



No. of consumers and households per outlet are flat and very low compared to EU

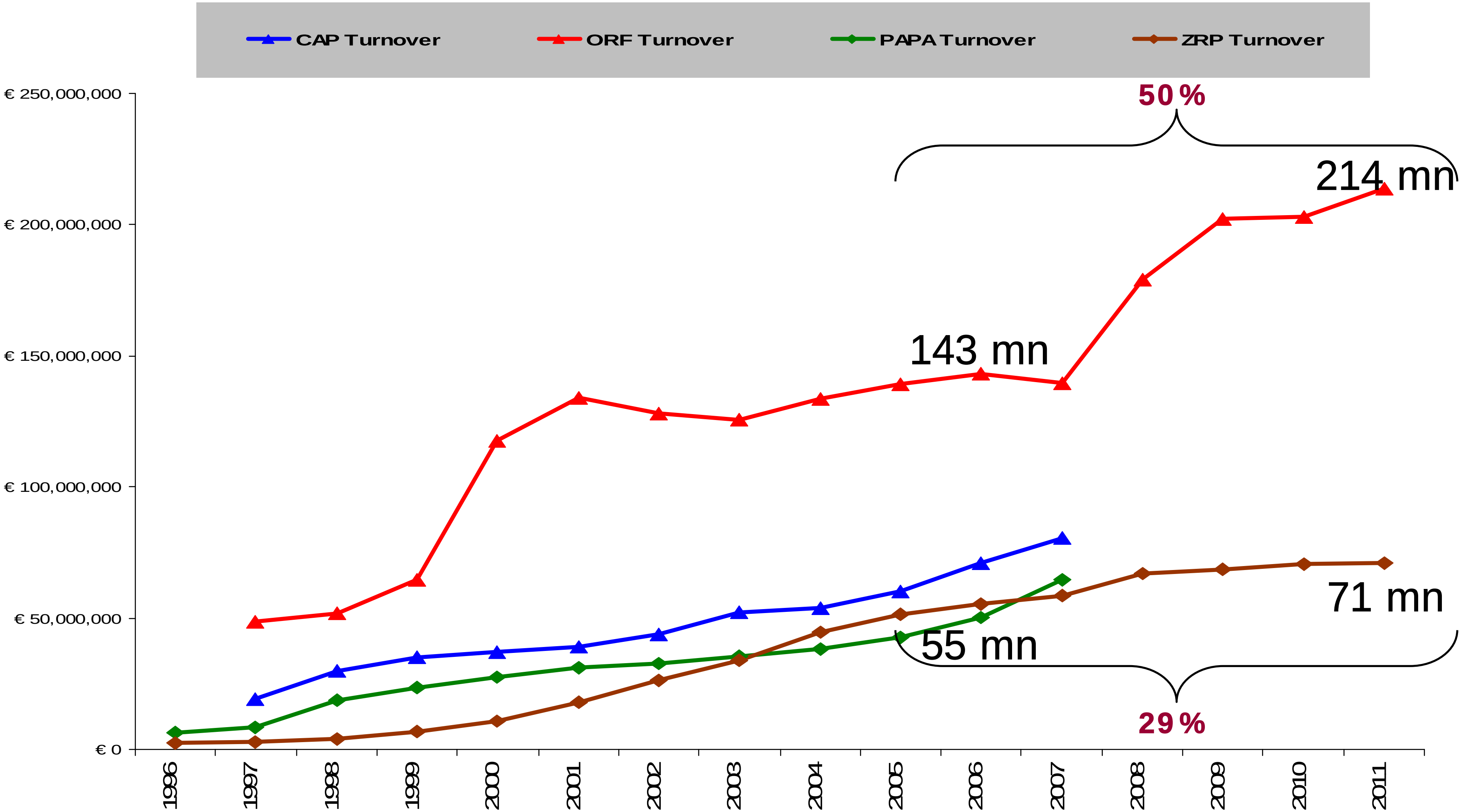
Source: RAI Retail Audit, Statistical Service

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets
- Declining Turnover per m^2
- Declining No. of Customers per Outlet
- Declining Gross Profit

PREDICT THE RETAILER
THE FACTS: Declining Gross Profit

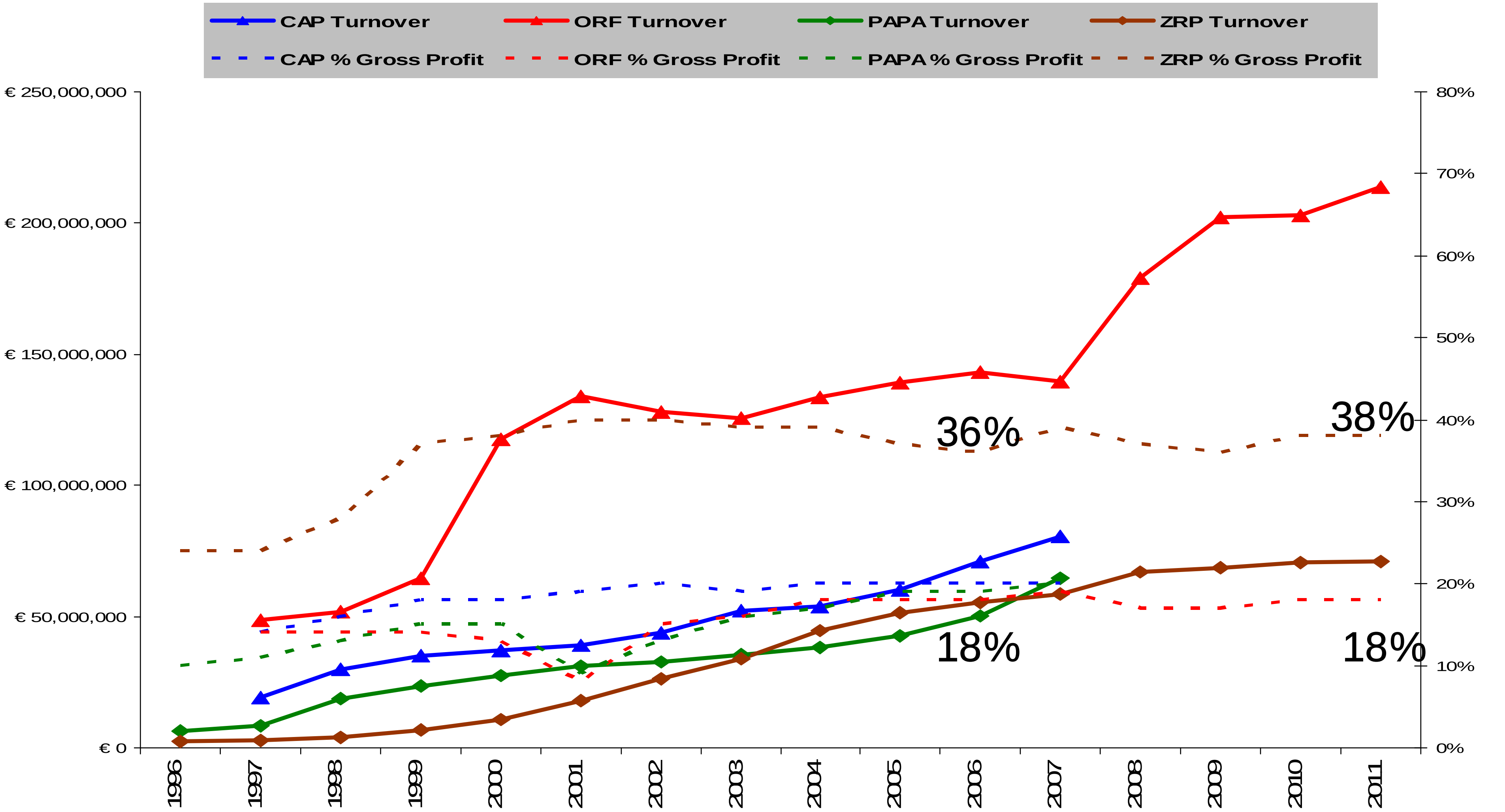
Turnover



Source: STOCKwatch

PREDICT THE RETAILER
THE FACTS: Declining Gross Profit

Turnover & Gross Profit

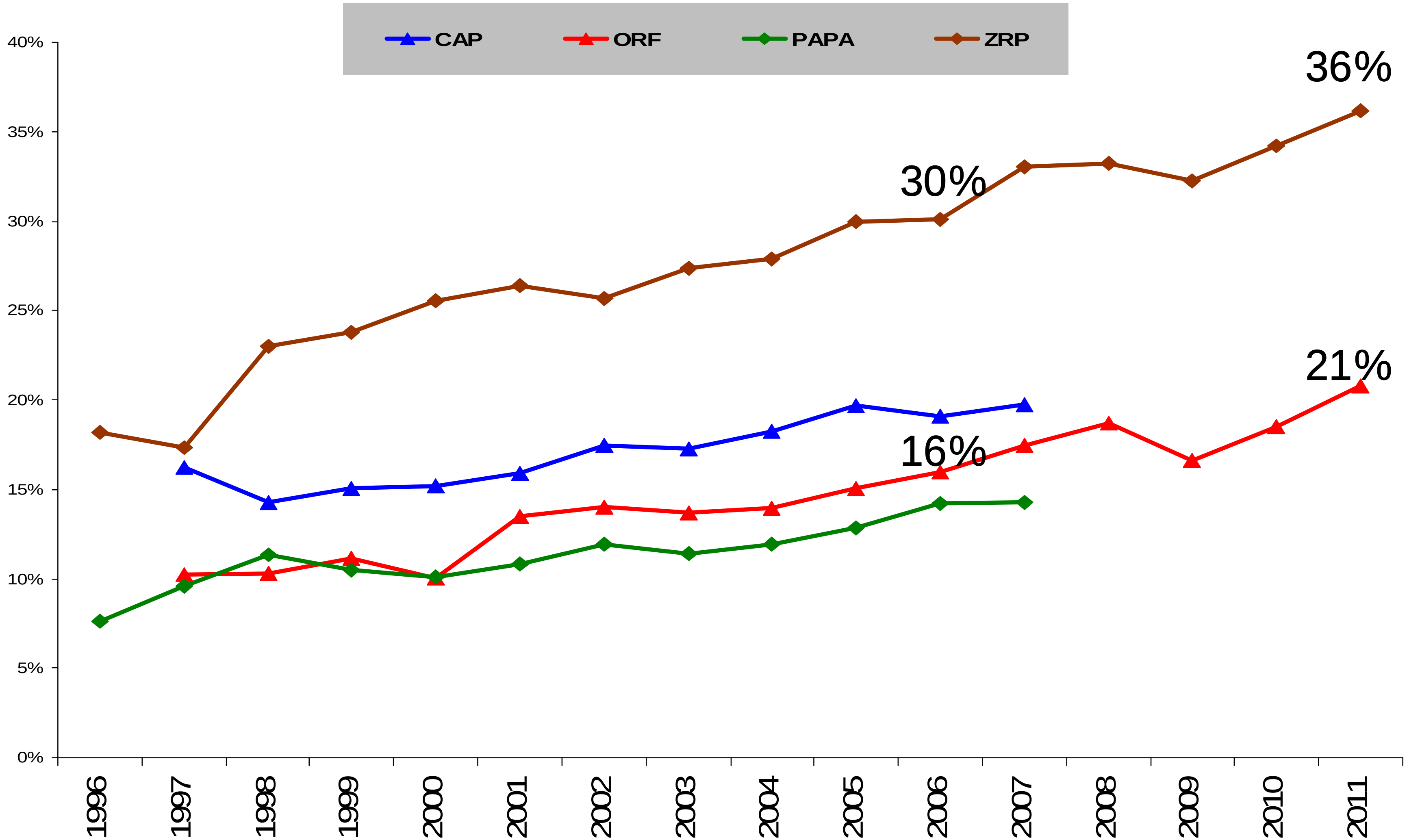


Source: STOCKwatch

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets
- Declining Turnover per m^2
- Declining No. of Customers per Outlet
- Declining Gross Profit
- Increased Overheads

PREDICT THE RETAILER
THE FACTS: Increased Overheads



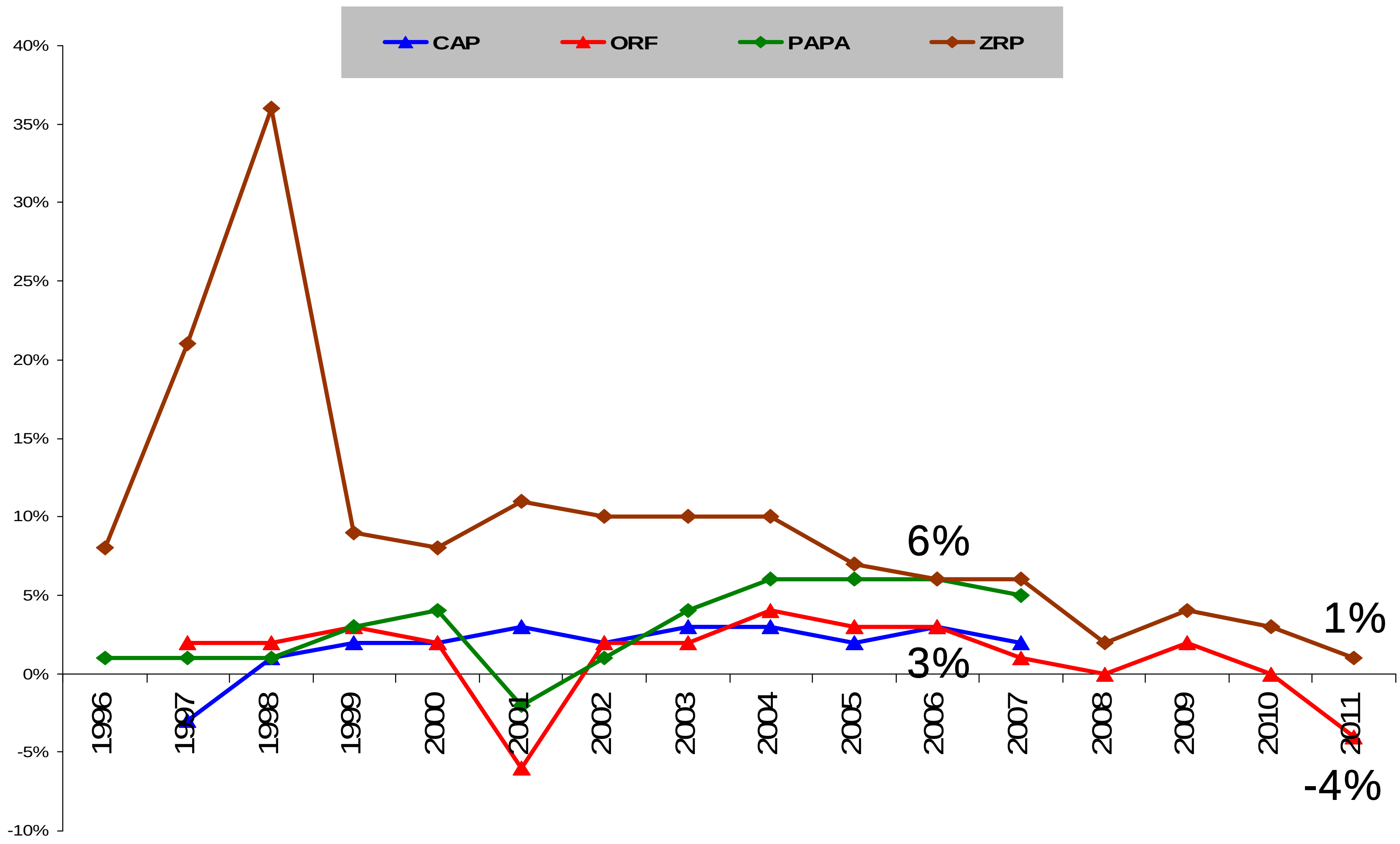
Highest cost from Selling & Distribution Expenses

Source: STOCKwatch

PREDICT THE RETAILER
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Outlets
- Declining Turnover per m^2
- Declining No. of Customers per Outlet
- Declining Gross Profit
- Increased Overheads
- Lower Profits

PREDICT THE RETAILER
THE FACTS: Lower Profits



Source: STOCKwatch

PREDICT THE RETAILER
THE CHANGES IN ATTITUDE

PREDICT THE RETAILER
THE CHANGES IN ATTITUDE

- Educated
- Smarter
- More Informed
- More Demanding
- Has More Choice
- Less Loyal
- More Difficult

PREDICT THE RETAILER
THE CHANGES IN BEHAVIOUR

Lower Operational Cost / Manage Cash Flow

- Decrease no. of Suppliers
- Decrease no. of Brands
- Decrease no. of SKU's

PREDICT THE RETAILER

THE CHANGES IN BEHAVIOUR : Decrease no. of SKU’s

	No. of SKU's
Hypermarket	20,000 - 30,000
Supermarket	10,000 - 15,000
Grocery	3,400
Convenience	2,200
Kiosk	1,500
Bakery	800
Lidl	1200
Local Discounters	3000

Source: RAI Retail Audit

PREDICT THE RETAILER
THE CHANGES IN BEHAVIOUR

Lower Operational Cost / Manage Cash Flow

- Decrease no. of Suppliers
- Decrease no. of Brands
- Decrease no. of SKU's

Lower Overheads

Improve Service (Family)

Improve Quality (Fresh)

Corporate Social Responsibility (CSR)

PREDICT THE RETAILER
THE PREDICTION

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Closures (kiosks, independents)

PREDICT THE RETAILER
THE PREDICTION : Closures

Retail failures* (UK)	Companies failing	Stores affected	Employees affecte…
2012 (6 months to end-June)	35	3,053	37,538
2011 (12 months)	31	2,469	24,025
2010 (12 months)	26	944	10,930
2009 (12 months)	37	6,536	26,688
2008 (12 months)	54	5,793	74,539
2007 (12 months)	25	2,600	14,083

Source: Centre for Retail Research.

*Numbers concerned primarily with medium or large retail businesses. Takeovers are not included unless …ultant from business failure.

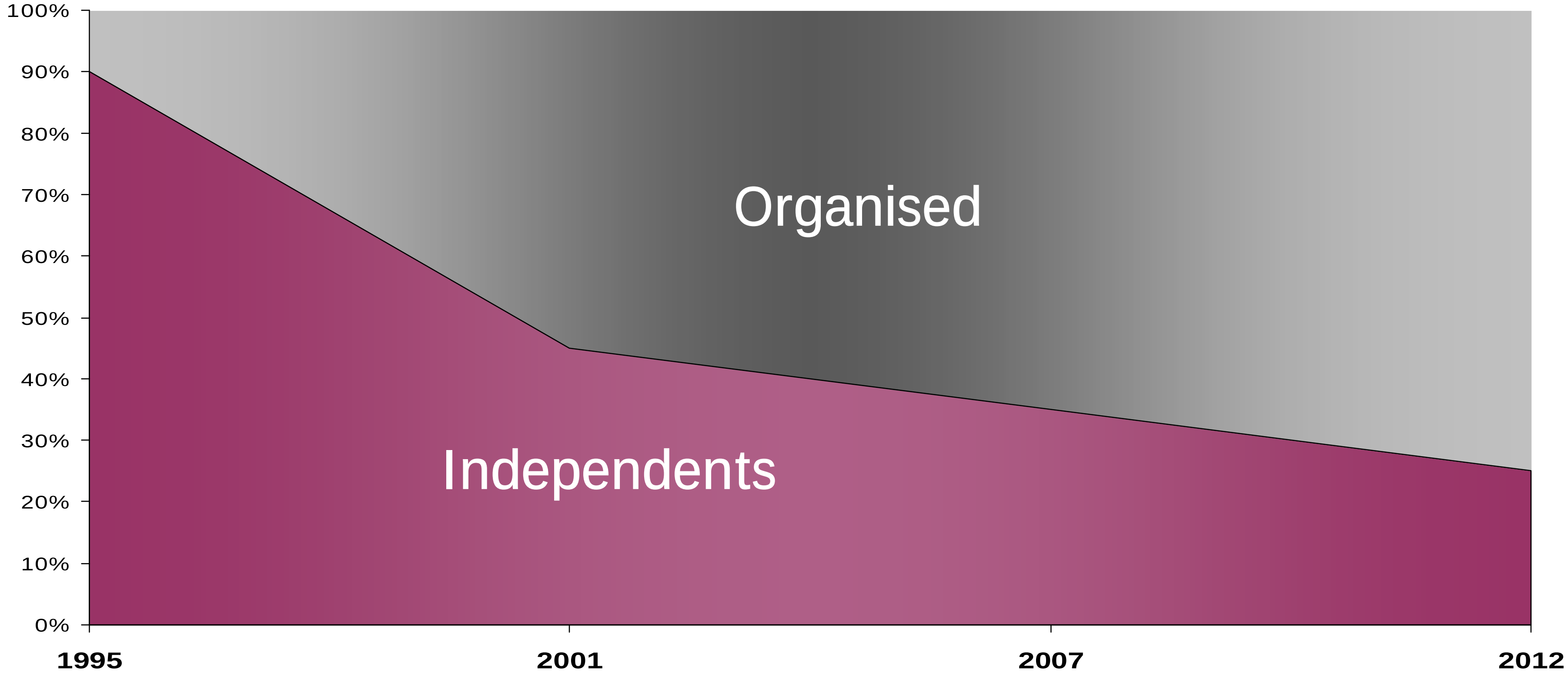
Sources: Economist Intelligence Unit

PREDICT THE RETAILER
THE PREDICTION

Closures (kiosks, independents)

Concentration

PREDICT THE RETAILER
THE PREDICTION : Concentration



Top 3 Retailers account for 31% of Retail Trade

Top 5 Retailers account for 44% of Retail Trade

Source: RAI Retail Audit, RAI Census

PREDICT THE RETAILER
THE PREDICTION

- Closures (kiosks, independents)
- Concentration
- Mergers /Acquisitions
- Buying Groups (MAS)
- Franchising
- Lidl
- Discounters
- e-commerce

PREDICT THE RETAILER
THE PREDICTION : e-commerce

Sales (US $ bn)		
	2002	2011
US Total Retail Sales	2,314.05	3,260.07
Amazon Turnover	3.93	48.08

Source: Economist Intelligence Unit

PREDICT THE RETAILER
THE PREDICTION

Closures (kiosks, independents)

Concentration

Mergers /Acquisitions

Buying Groups (MAS)

Franchising

Lidl

Discounters

e-commerce

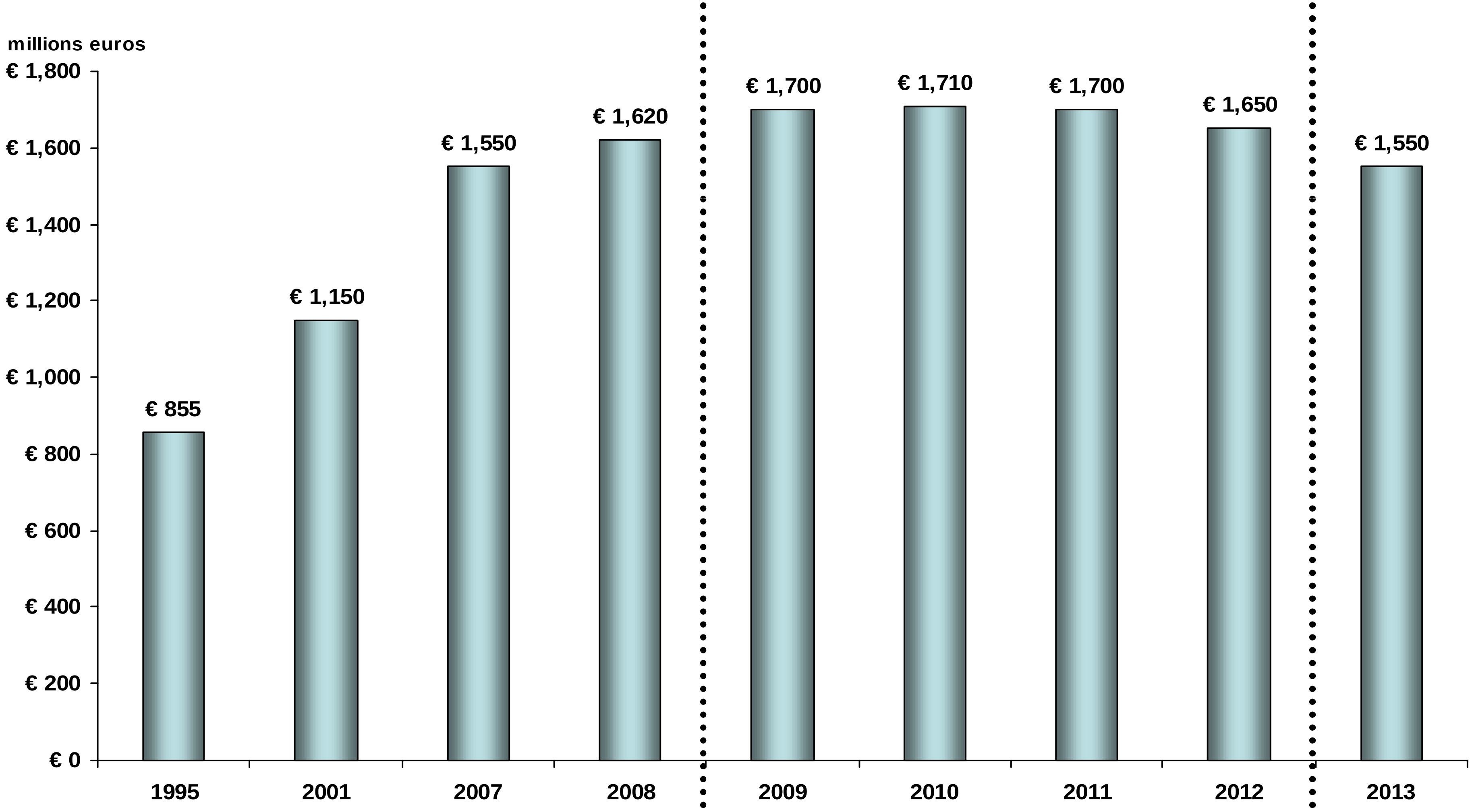
Convenience

PREDICT THE DISTRIBUTOR
THE FACTS

Declining Consumption

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Consumption

Evolution of Retail Trade (Value)



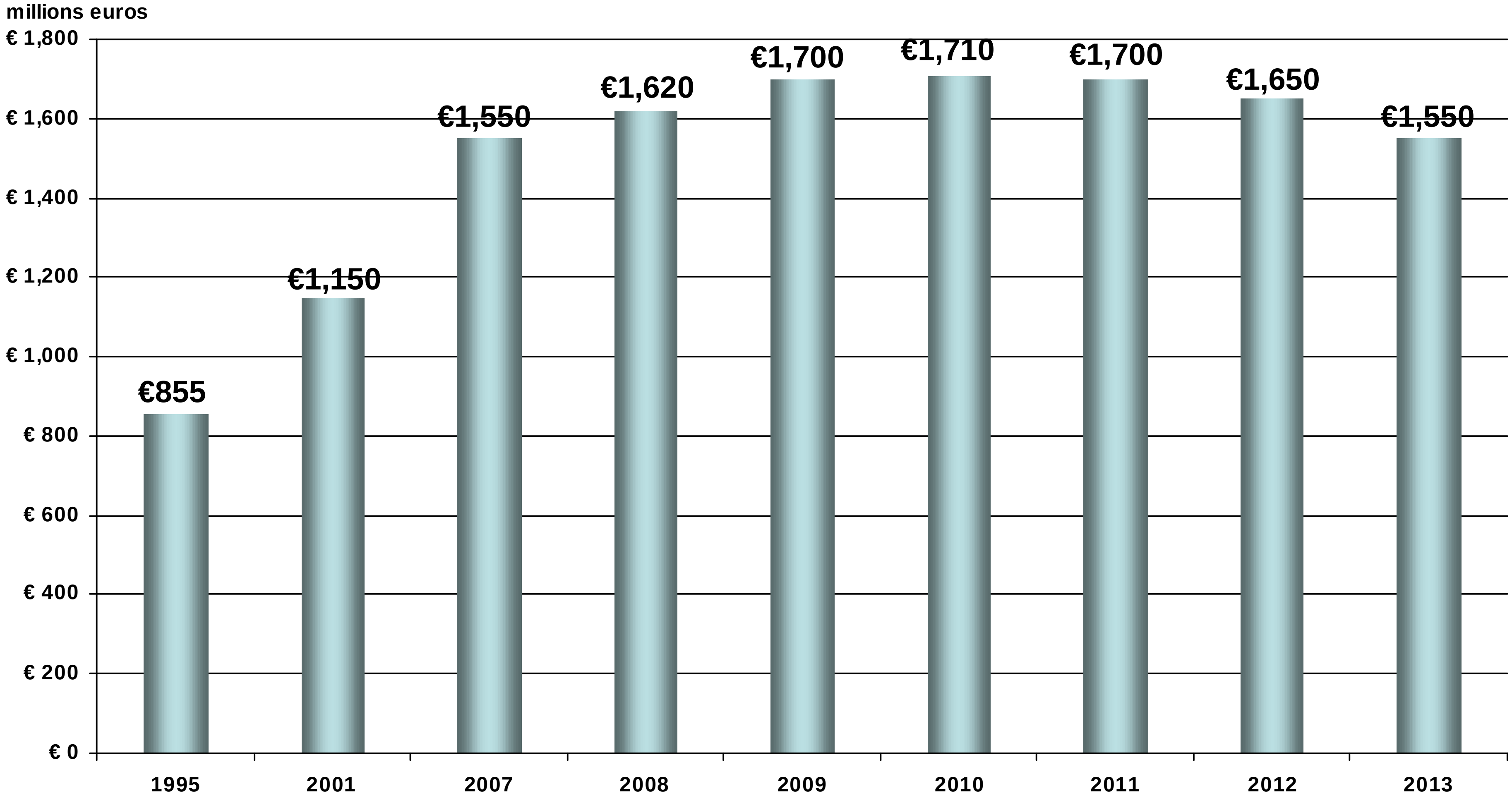
Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS

Declining Consumption

Declining Turnover

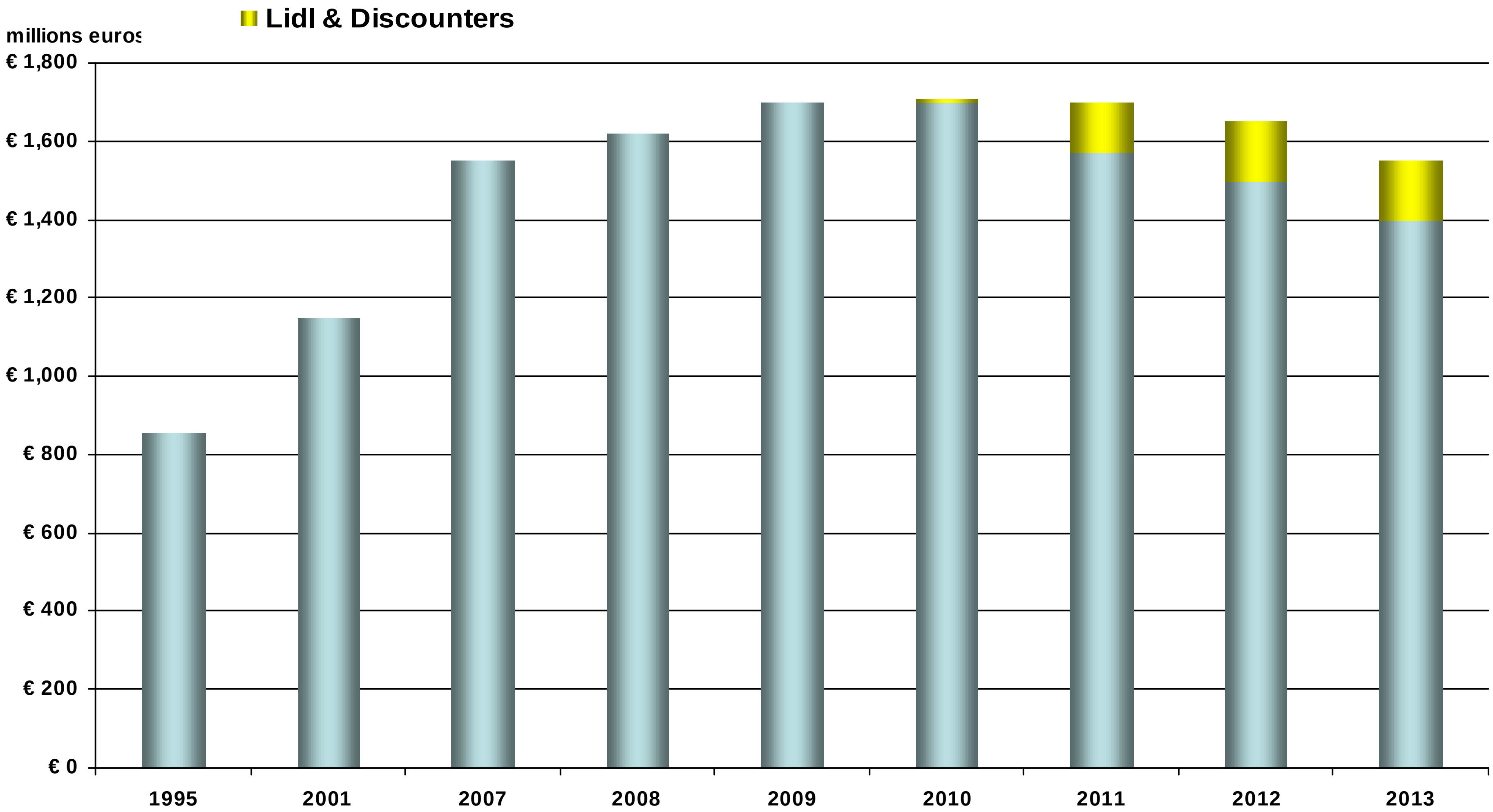
PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover

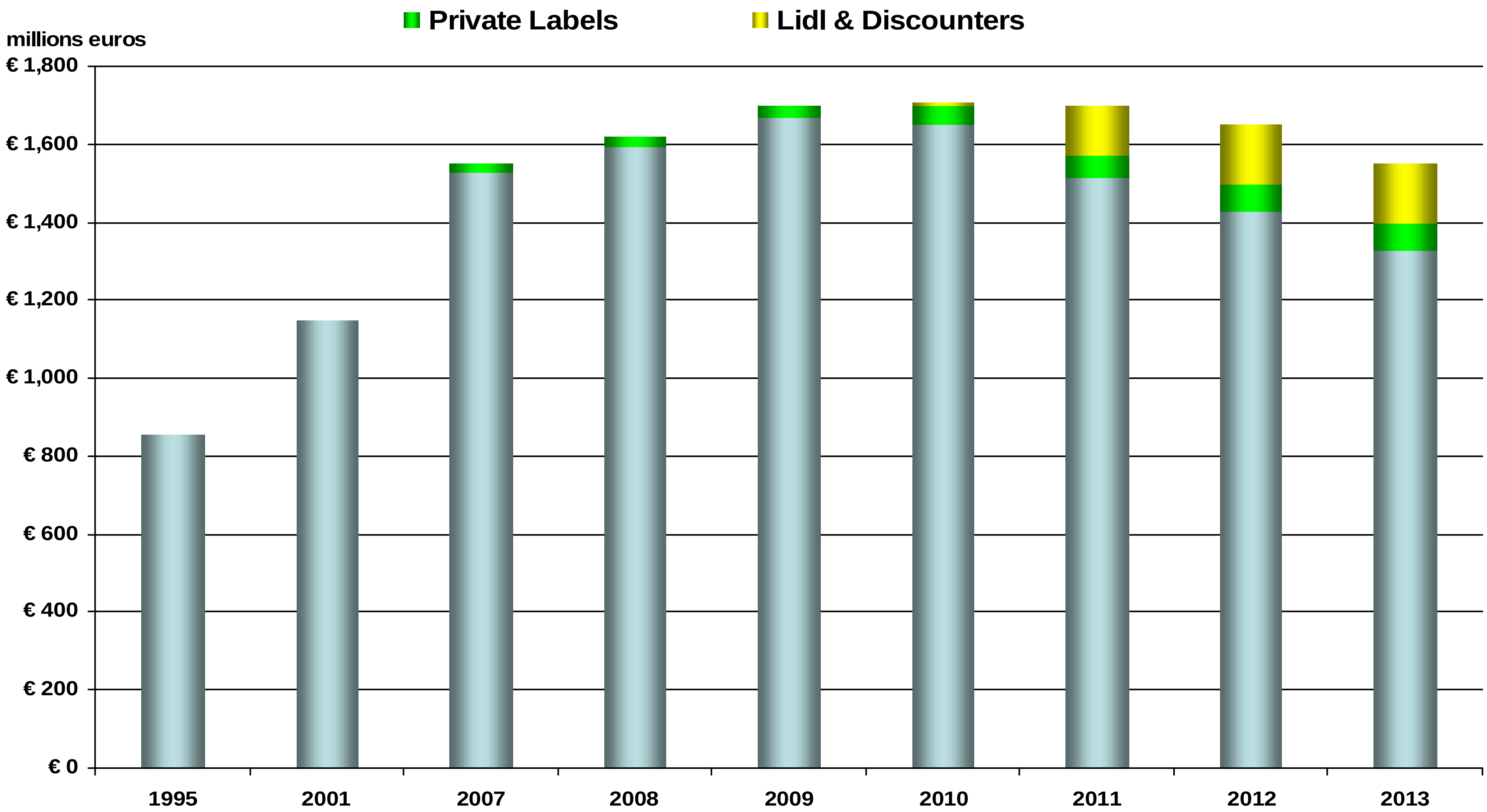
Less: Lidl & Discounters



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover

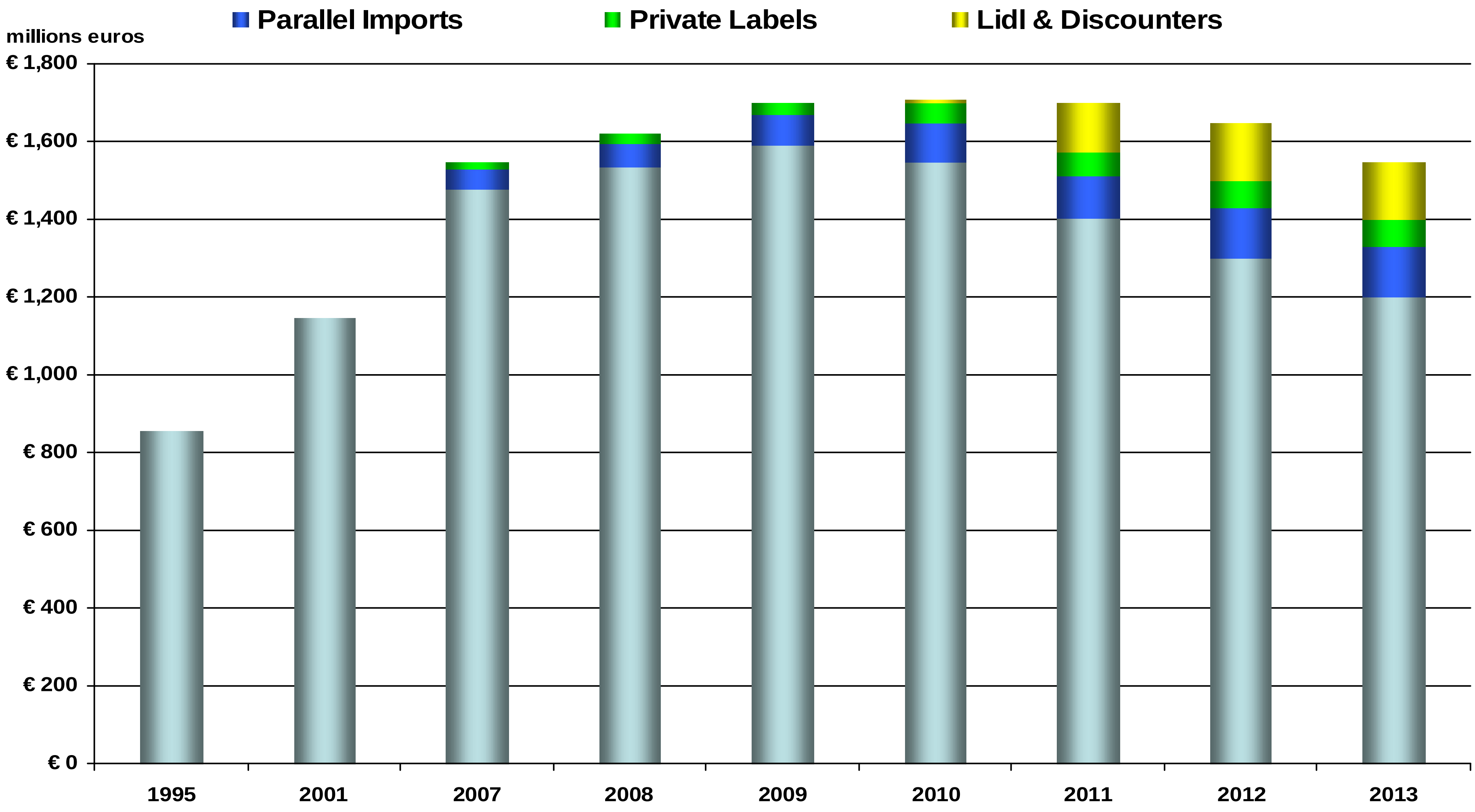
Less: Lidl & Discounters, private labels



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover

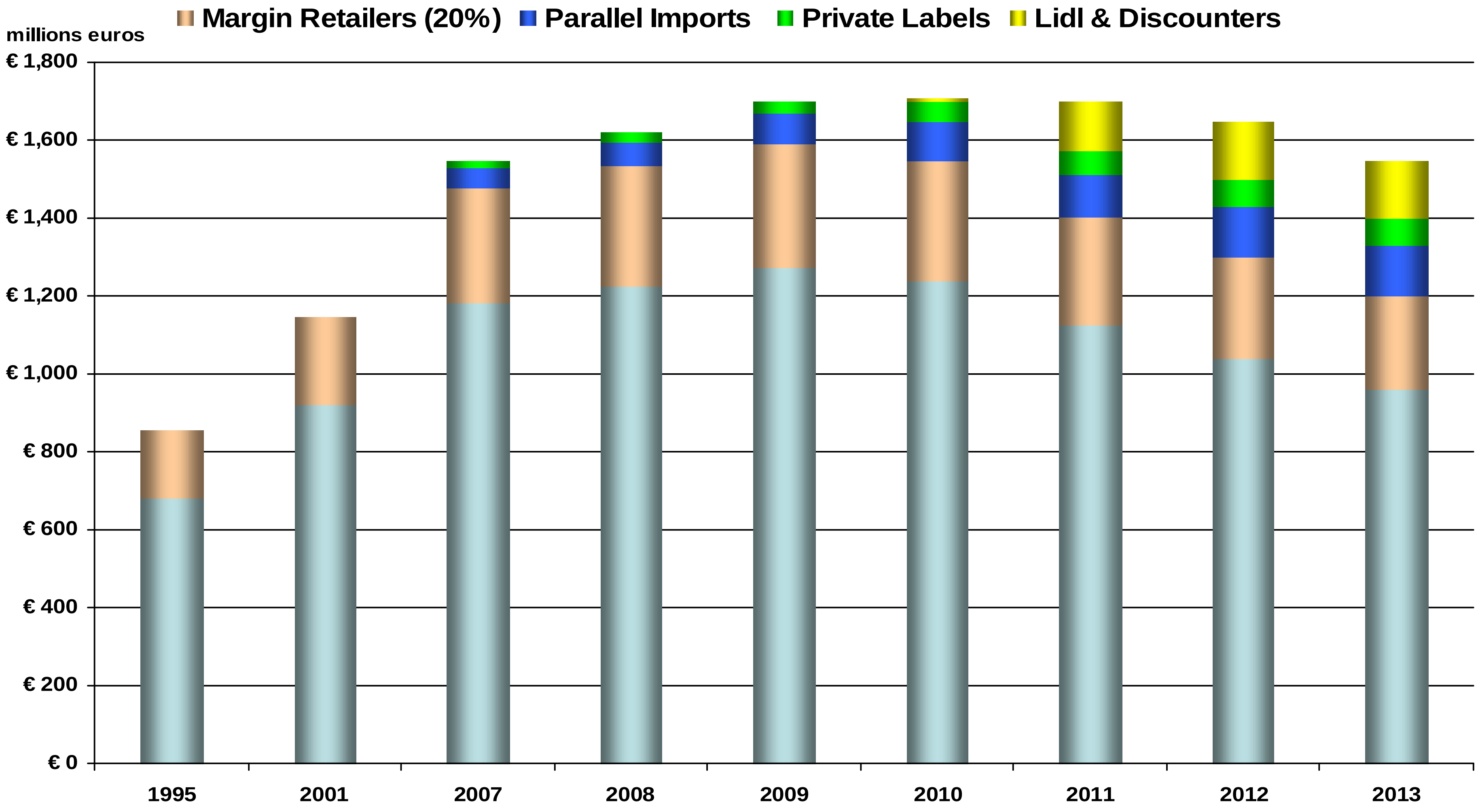
Less: Lidl & Discounters, private labels, parallel imports



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover

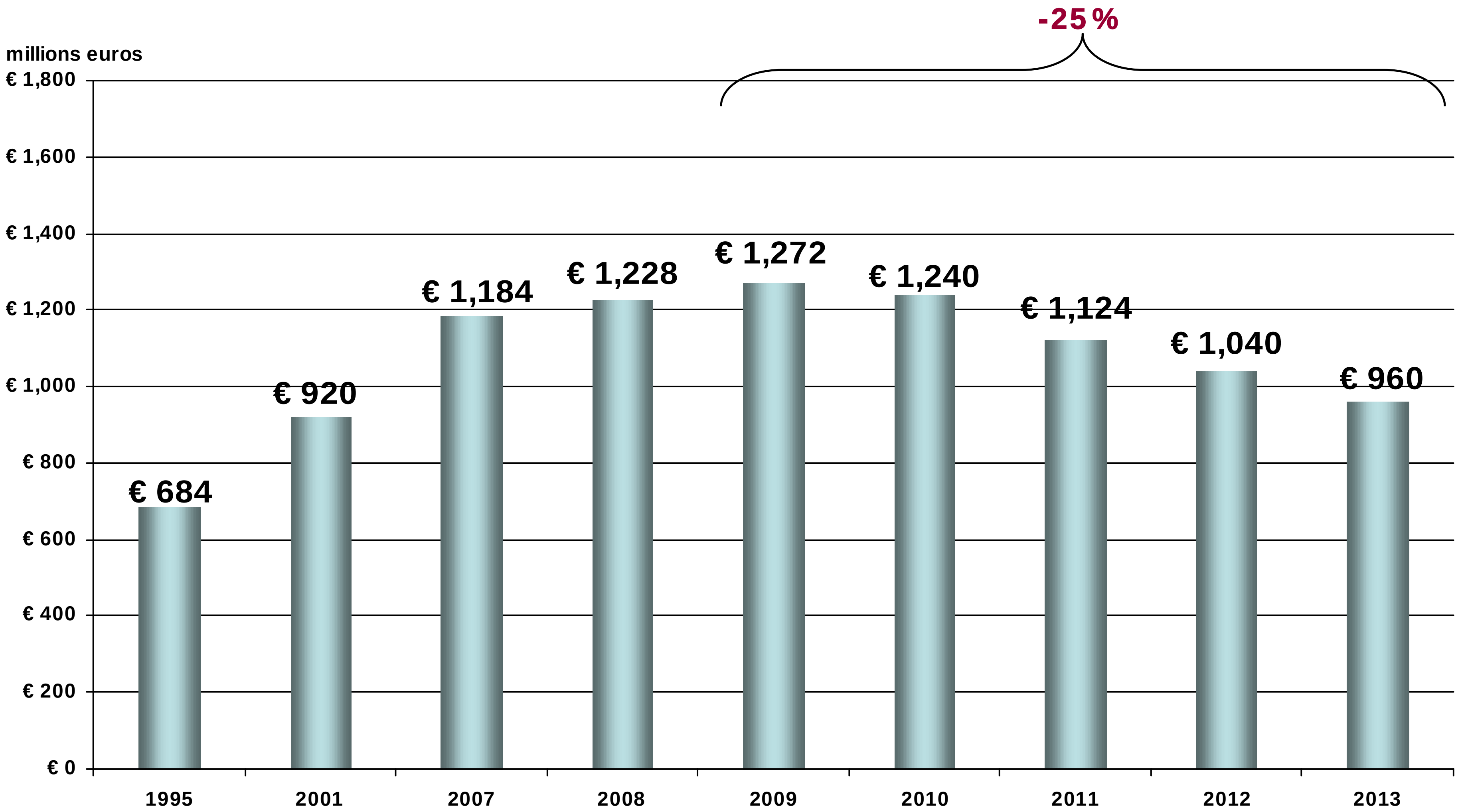
Less: Lidl & Discounters, private labels, parallel imports, margin retailers



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover

Distributors Turnover



Source: RAI Retail Audit, RAI Census

PREDICT THE DISTRIBUTOR
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Distributors

PREDICT THE DISTRIBUTOR
THE FACTS: Increased No. of Distributors

1995	2012
300 Distributors	600 Distributors

Source: RAI Estimates

PREDICT THE DISTRIBUTOR
THE FACTS

- Declining Consumption
- Declining Turnover
- Increased No. of Distributors
- Declining Turnover per Distributor

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover per Distributor

	1995	2013
Distributors	300	600
Distributor Turnover(mn)	€684	€960
Average Turnover (mn)	€2.28	€1.60

-30%

Source: RAI Retail Audit, RAI Estimates

RAI Consultants Ltd

PREDICT THE DISTRIBUTOR
THE FACTS: Declining Turnover per Distributor

	1995	2013
Distributors	300	600
D		
Average Turnover (mn)	€2.28	€1.60

2013: 300 Distributors with less than €1 million turnover each

$\underbrace{\text{€2.28} \quad \text{€1.60}}_{\textbf{-30\%}}$

Source: RAI Retail Audit, RAI Estimates

PREDICT THE DISTRIBUTOR
THE PREDICTION

Lower Operational Cost

Lower Overheads

Closures

Mergers /Acquisitions

Outsourcing (Diakinisis / Vassilopoulos)

Sustainable Future in Retail

"The only way to predict the future is to design it"

R. Buckminster Fuller

Thank You