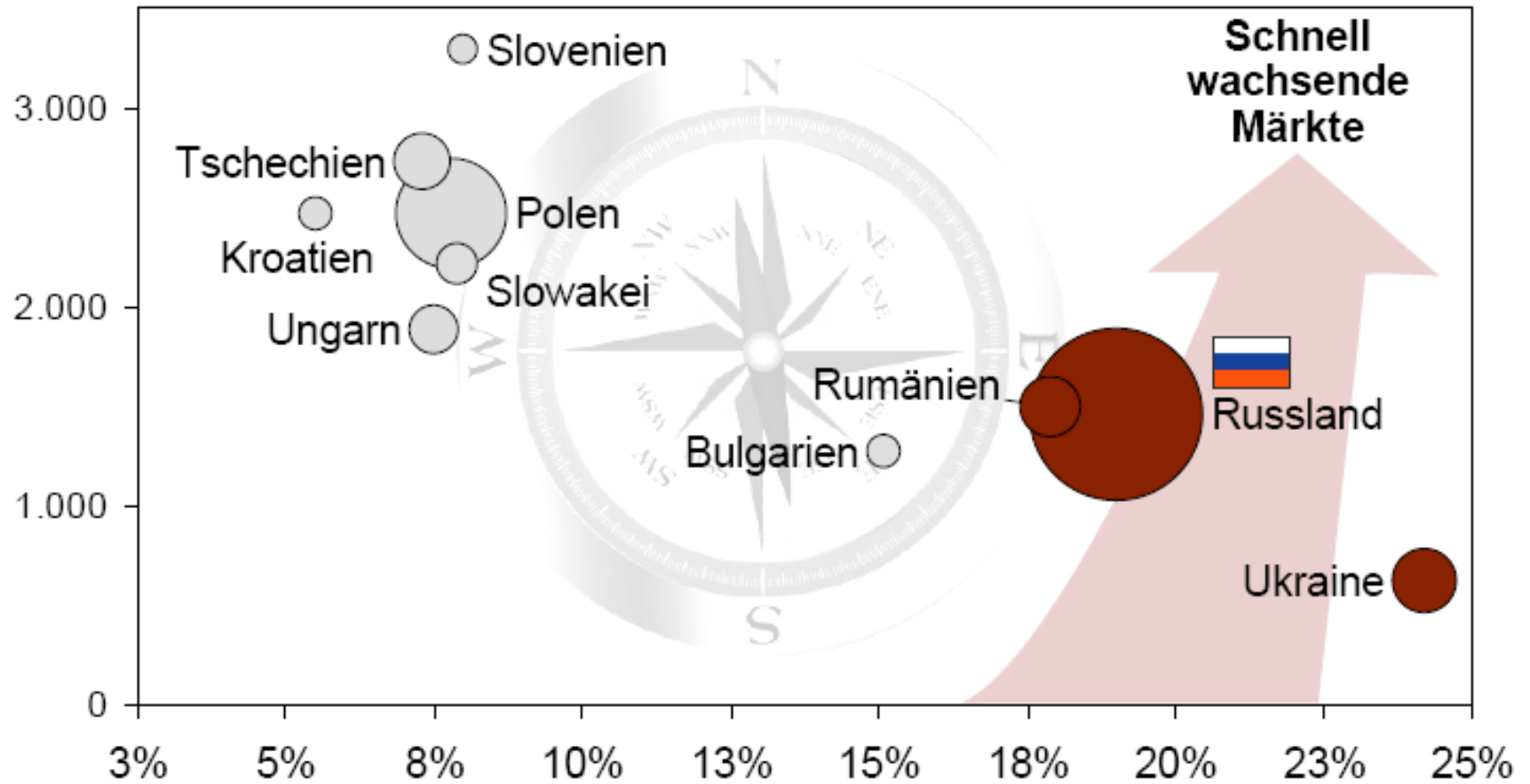


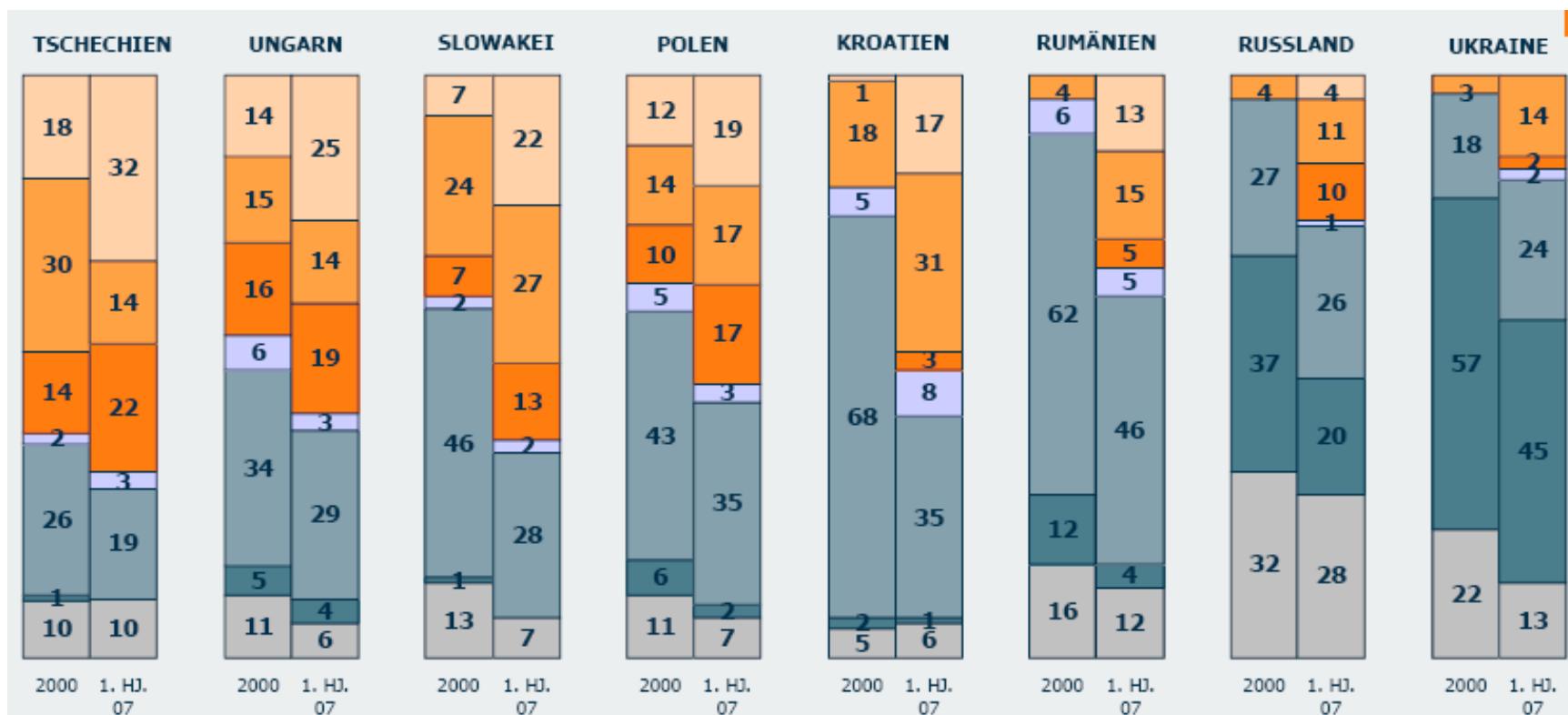
E - commerce Market in Central and East Europe (CEE)

Juraj Šebo
Chairman
Slovak Distance Selling Association
20.1.2009 Paris

Retail development in Eastern Europe



Share of modern retail formats in Eastern Europe



- Verbrauchermärkte
- Supermärkte
- Diskonter
- Cash & Carry
- Kleine Bedienungsgeschäfte
- Straßenhändler
- Sonstige

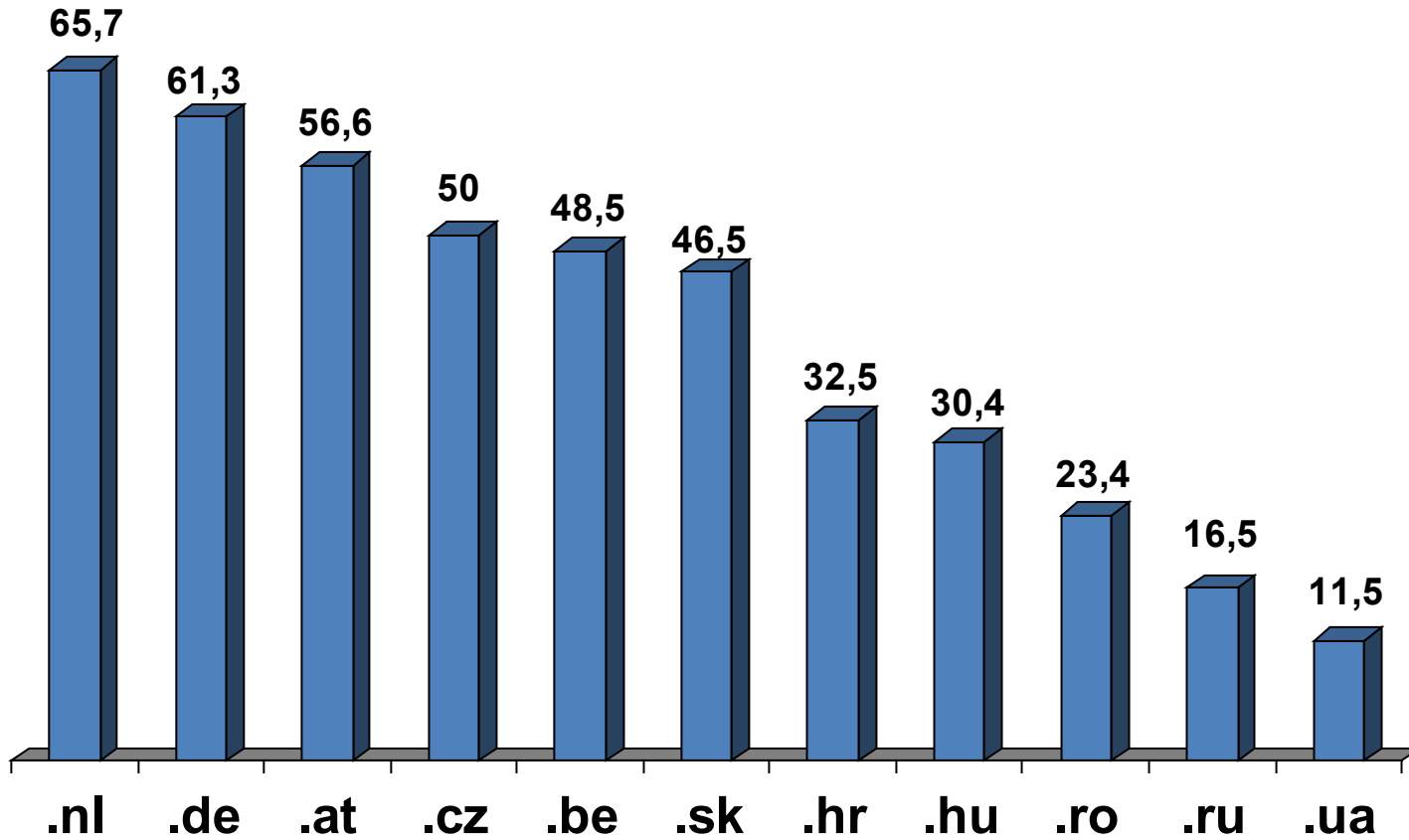
International retailers in Eastern Europe

Country / Chain	BiH	BG	CZ	H	HR	KZ	PL	RUS	RO	SRB	SK	UA
Ahold (NL)			■				■				■	
Aldi (D)			⇒	⇒	⇒		⇒					
Auchan (F)				■			■	■	■			⇒
Carrefour (F)		⇒					■		■		■	
Casino (F)												⇒
Cora (F)				■					■			
Delhaize le Lion (B)									■			
Dohle (D)		■										
Globus (D)			■									
Intermarché (F)	■						■		■	■		
J. Martins (P)							■					
J. Meinl (A)												
Leclerc (F)							■		⇒			
Lidl (D)		⇒	■	■	■		■		■		■	
Mercator (SLO)	■	⇒			■					■		
Metro/Makro (CH)		■	■	■	■		■	■	■	■	■	■
Migros (CH)								■				
Reitan (N)											■	
Rewe (D)		■	■	■	■		■	■	■		■	■
Spar (A)			■	■	■		■	■	■	■		
Trofo-Ena (GR)												
Tengelmann (D)		⇒	■	■			■		■			
Tesco (GB)			■	■			■				■	
Wal-Mart (USA)							⇒					

MAP OF EUROPE



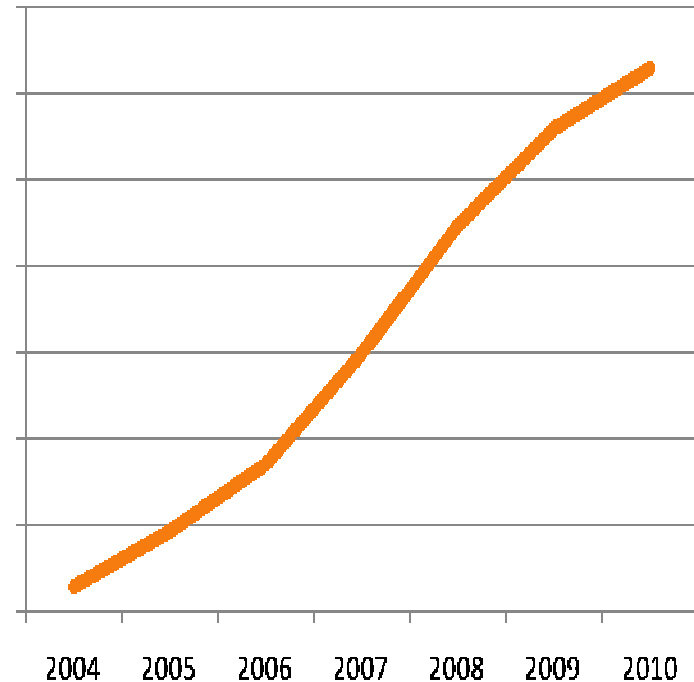
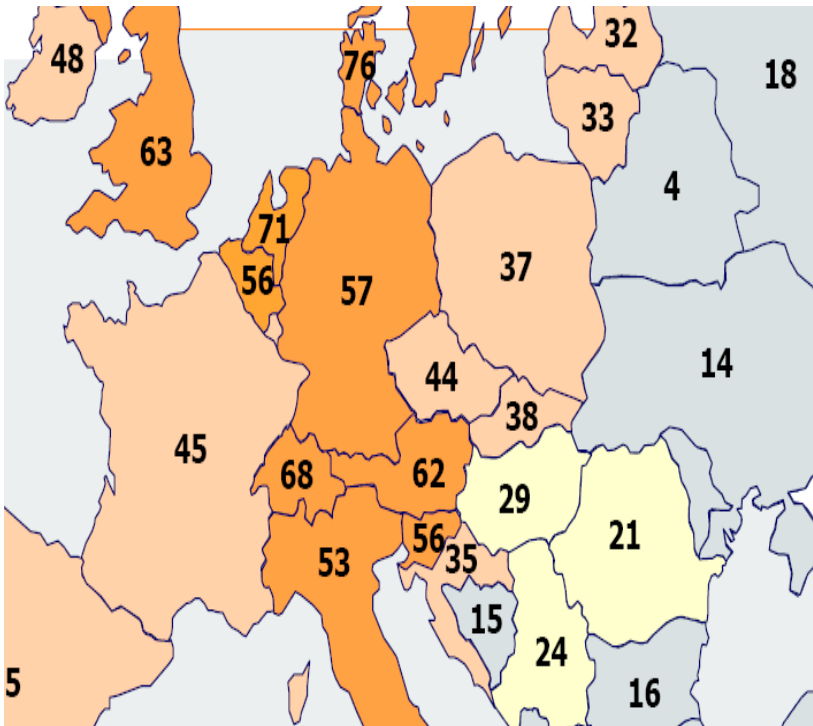
Internet use in 2007



Internet use growth 2001 - 2008

- Austria 121,4%
- Belgium 156,0%
- Germany 110,9%
- N'lands 177,1%
- Romania 517,5%
- Russia 664,5%
- Slovakia 284,6%
- Slovenia 263,3%
- Ukraine 2.539,1% (!)
- Croatia 625,6%
- CZ Rep. 410,0%
- Hungary 326,6%
- Poland 307,1%

Development prognosis



In the next 3 years promising development 10-40 %

GfK

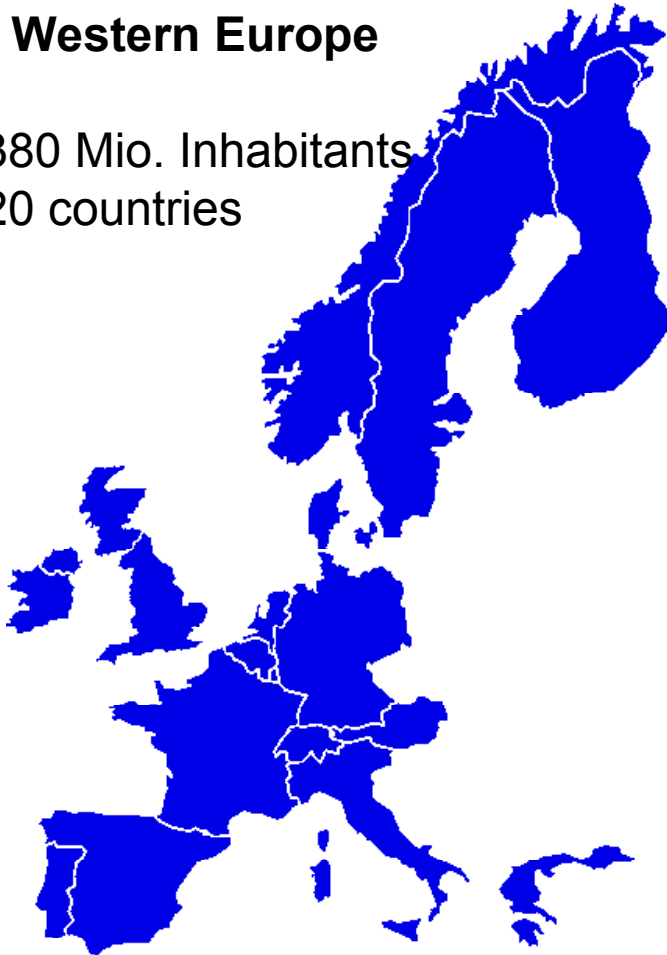
Online in Distance selling

- **Total B2C distant sales close to 150 billion Euro;**
- **Over 25 billion postal items per annum;**
- **On average over 35% telephone orders;**
- **Internet sales have tripled in some countries, now between 7 and 30% of total B2C distance sales, according to the internet maturity of the market;**
- **7 out of 10 of the most popular sites are traditional companies (mail order, retail);**

Western/Eastern Europe

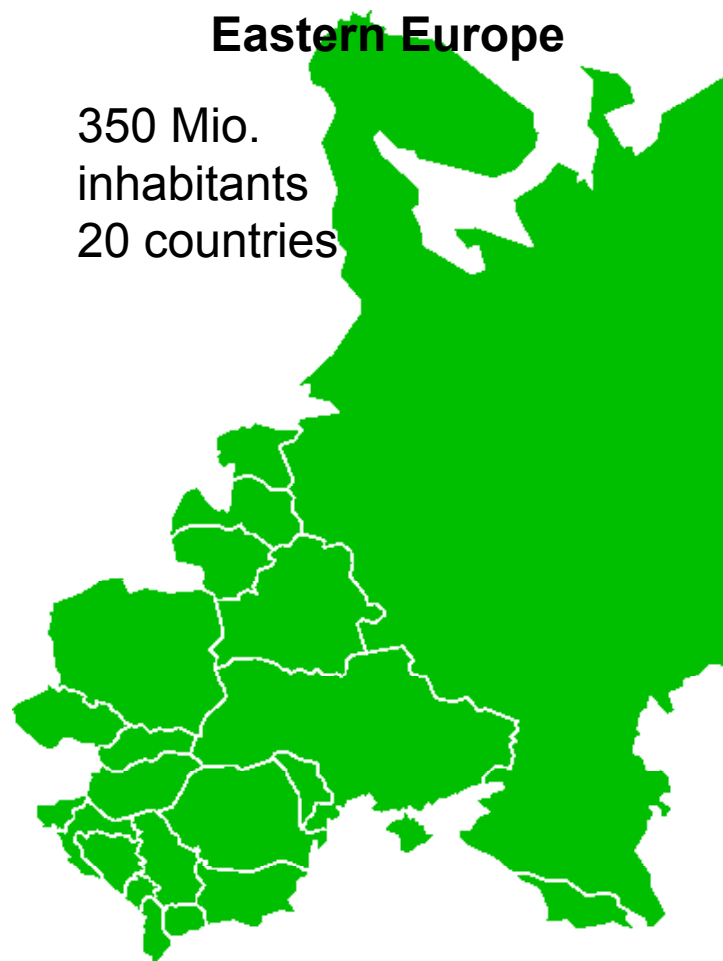
Western Europe

380 Mio. Inhabitants
20 countries



Eastern Europe

350 Mio.
inhabitants
20 countries



Eastern Europe - facts

- **350 Million Consumers**
- **20 Countries**
- **30 Languages**
- **24 Legislations**
- **32 Ethnic Groups**
- **Rapidly changing political situation on local markets**
- **Demanding bureaucracy**
- **Large gaps between living standards**

The most important economic data

Country	Population in m.	Area in km² mainland + territorial waters	GDP in b. euros	GDP capital in PPS	Economic growth in %	Economic growth forecast 2006	Unem- ployment rate in %	Inflation in %
Russian Federation	146.0	17,075,200	605.0	39.0	+6.4	+5.8	7.6	12.7
Ukraine	47.0	603,700	65.6	27.0	+2.6	+3.0	7.5	13.5
Poland	38.6	322,500	242.8	49.0	+3.2	+4.6	18.2	2.1
Romania	22.3	237,500	79.3	33.0	+4.1	+5.6	5.8	9.0
Czech Rep.	10.2	78,866	98.4	73.0	+6.0	+5.4	8.9	1.9
Hungary	10.1	93,030	87.8	61.0	+4.1	+4.2	7.2	3.6
Bulgaria	7.8	110,994	21.4	32.0	+5.5	+5.5	11.5	6.5
Slovakia	5.4	49,014	37.3	55.0	+6.0	+6.3	11.6	2.7
Croatia	4.4	86,607	30.9	46.0	+4.3	+4.4	18.0	3.3
Slovenia	2.1	20,273	27.4	80.0	+3.9	+4.0	6.6	2.5
Lithuania	3.4	65,300	20.6	51.0	+7.5	+6.5	8.5	2.7
Latvia	2.3	64,589	12.7	47.0	+10.2	+8.5	8.9	6.7
Estonia	1.3	45,200	10.7	56.0	+9.8	+9.5	7.9	4.1
Eu 25				100.0	+1.6	+2.3	8.7	2.2

E commerce and CCE countries

- Consumers understand the value of targeted information and show their interest in getting more of it
- Central and Eastern European people have a positive attitude towards E commerce
- Consumers have expectations for services that are still not being met
- Overall DM response rates are increasing
- DM in Central and Eastern Europe grows yearly in the two-digit area.

Criteria for companies entering the CEE market

Market size

Level of economic wealth

Economic growth rate

Legal conditions

Consumption habits

Development of DM

Reliably delivery service (cost and quality)

Response rate


Availability of addresses

Reliable payment service

Good news

- 
1. Economic growth has been 3-6 % over the last 5 years.
 2. There has been an annual increase of the population's income rate of 10-20 %.

Bad news

- 
1. The average economic growth rate has been 1-2 % over the last 5 years.
 2. The income rate of the population has hardly grown over the last couple of years.

Why Eastern Europe?

1. Right in front of your entrance door, a huge market with 350 m. consumers is waiting for you.
2. In Eastern Europe, up to 70 % of the real income is spent on consumer goods.
3. Markets in Eastern Europe are still far from saturation.
4. Eastern European inhabitants have a positive attitude towards Direct Marketing.

Focusing on three main regions

1. Central Europe

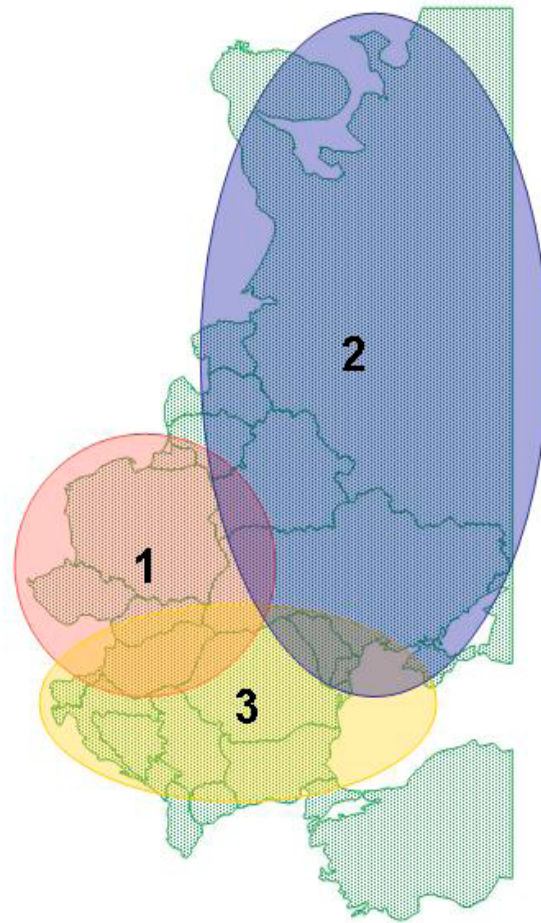
- Poland
- Czech Republic
- Slovakia
- Hungary

2. Ex-UdSSR countries

- Russia
- Ukraine
- etc.

3. South-Eastern Europe

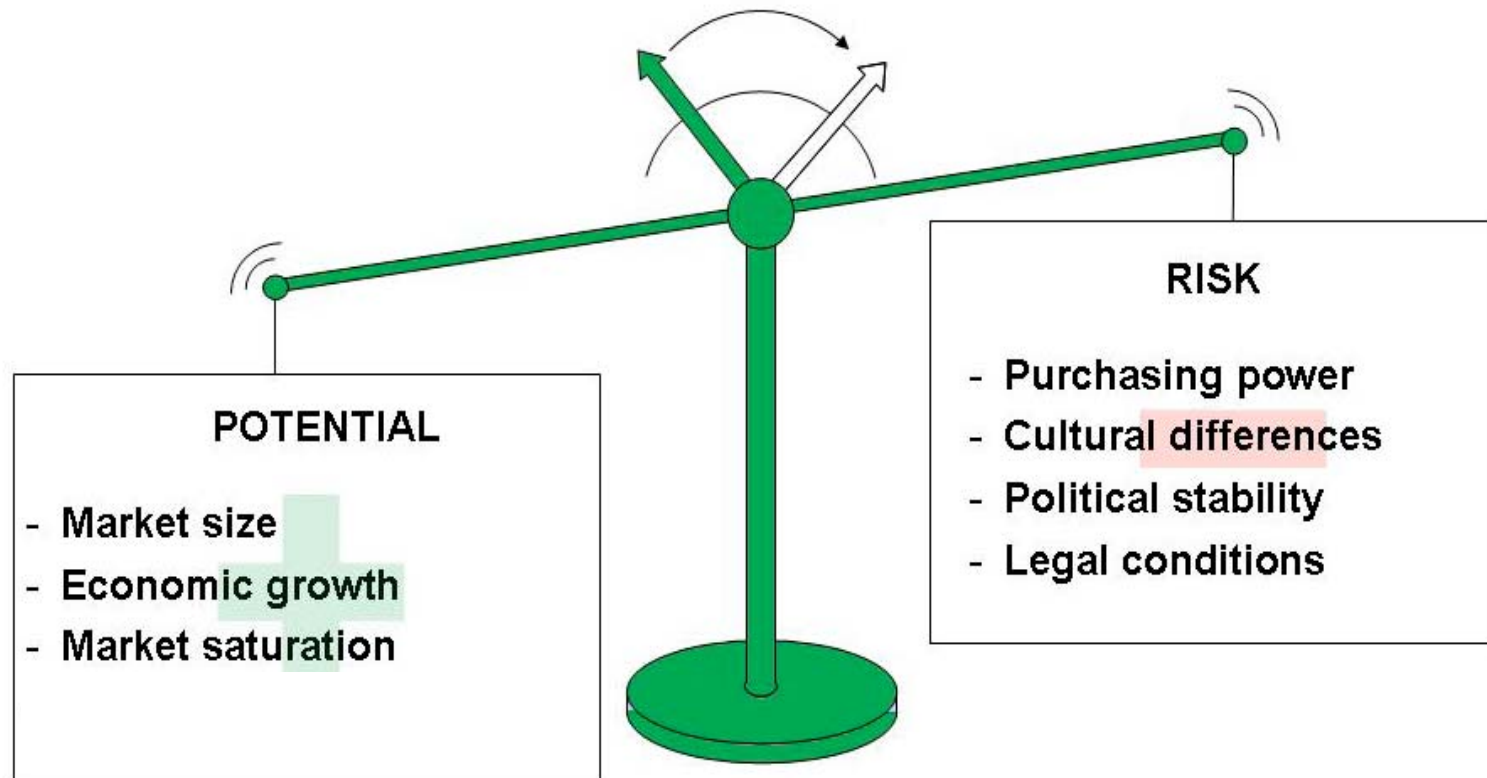
- Ex-Yugoslavian countries
- Romania
- Bulgaria



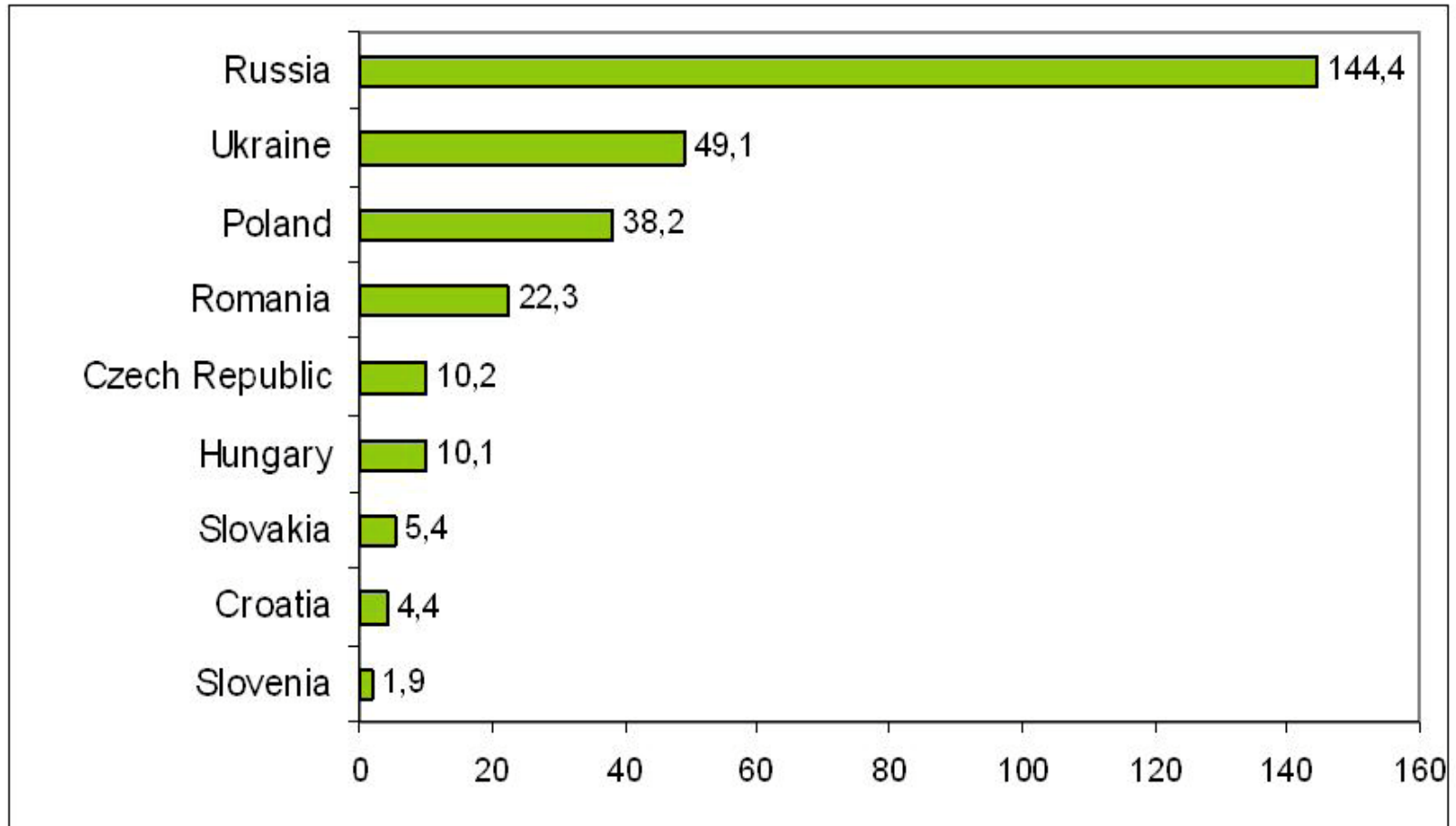
New opportunity

Market entry in CEE Countries for
E commerce companies

Potential versus Risk

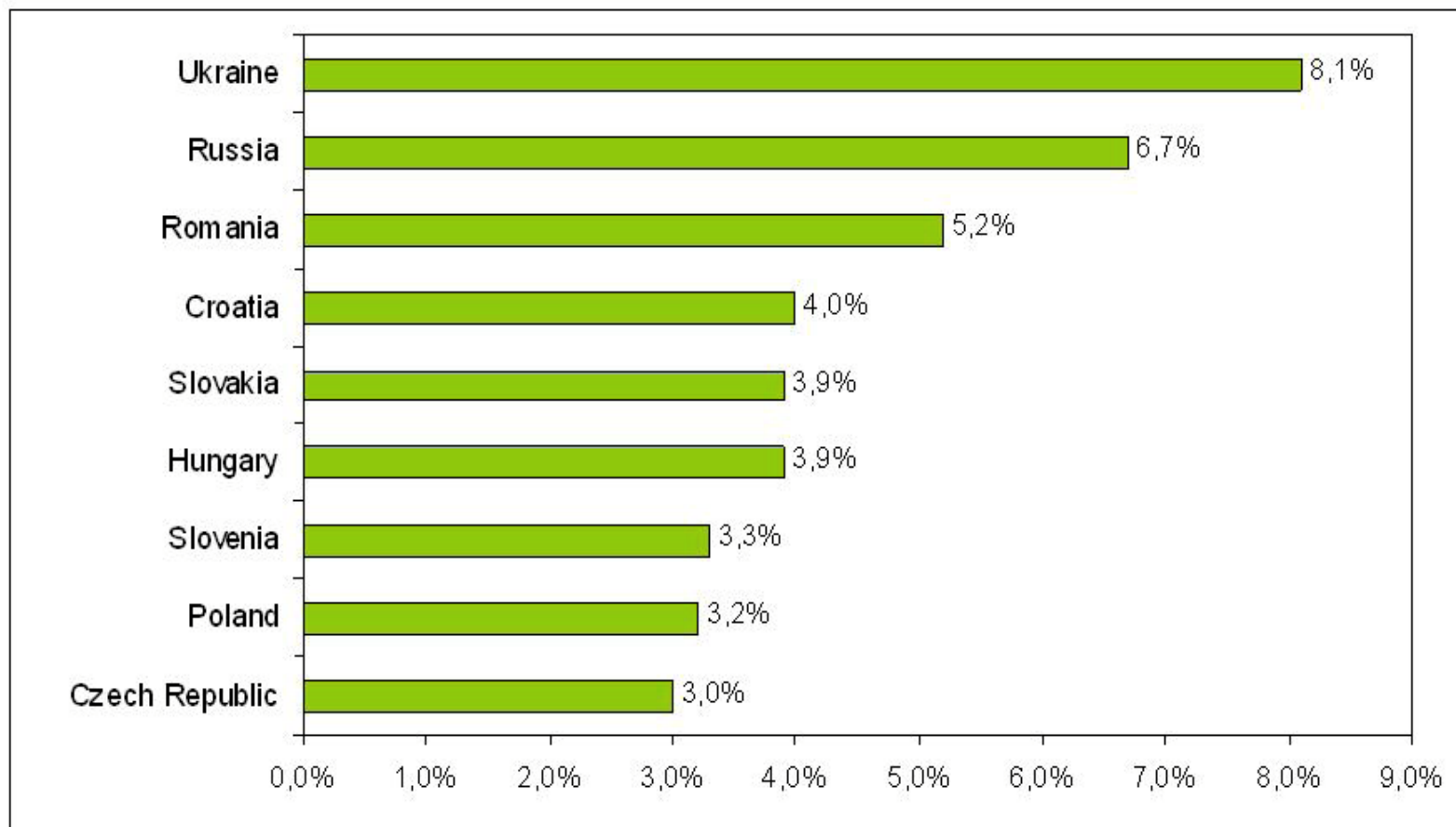


Market size in mil.inhabitants

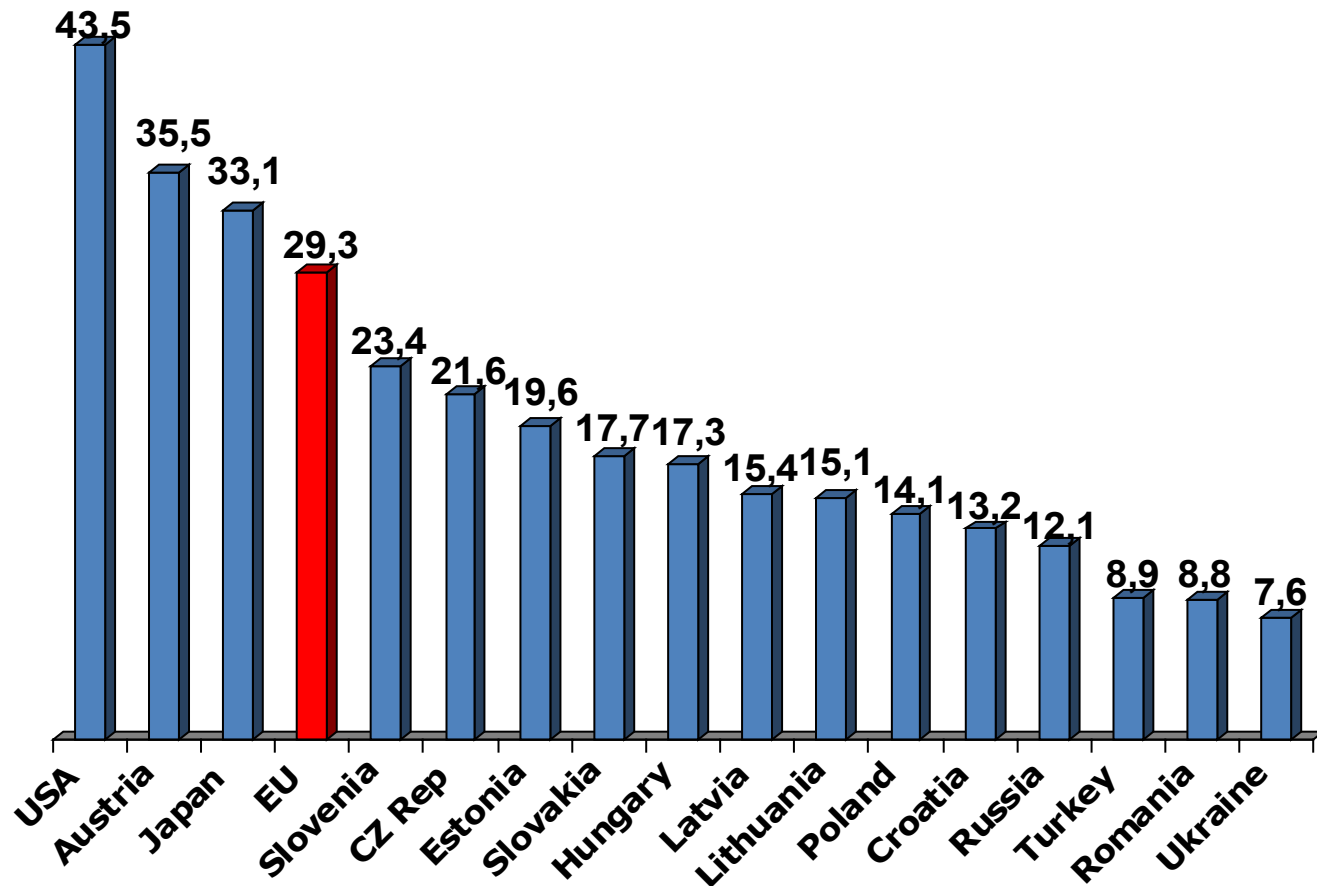


Source: Eurostat

Economic growth in %

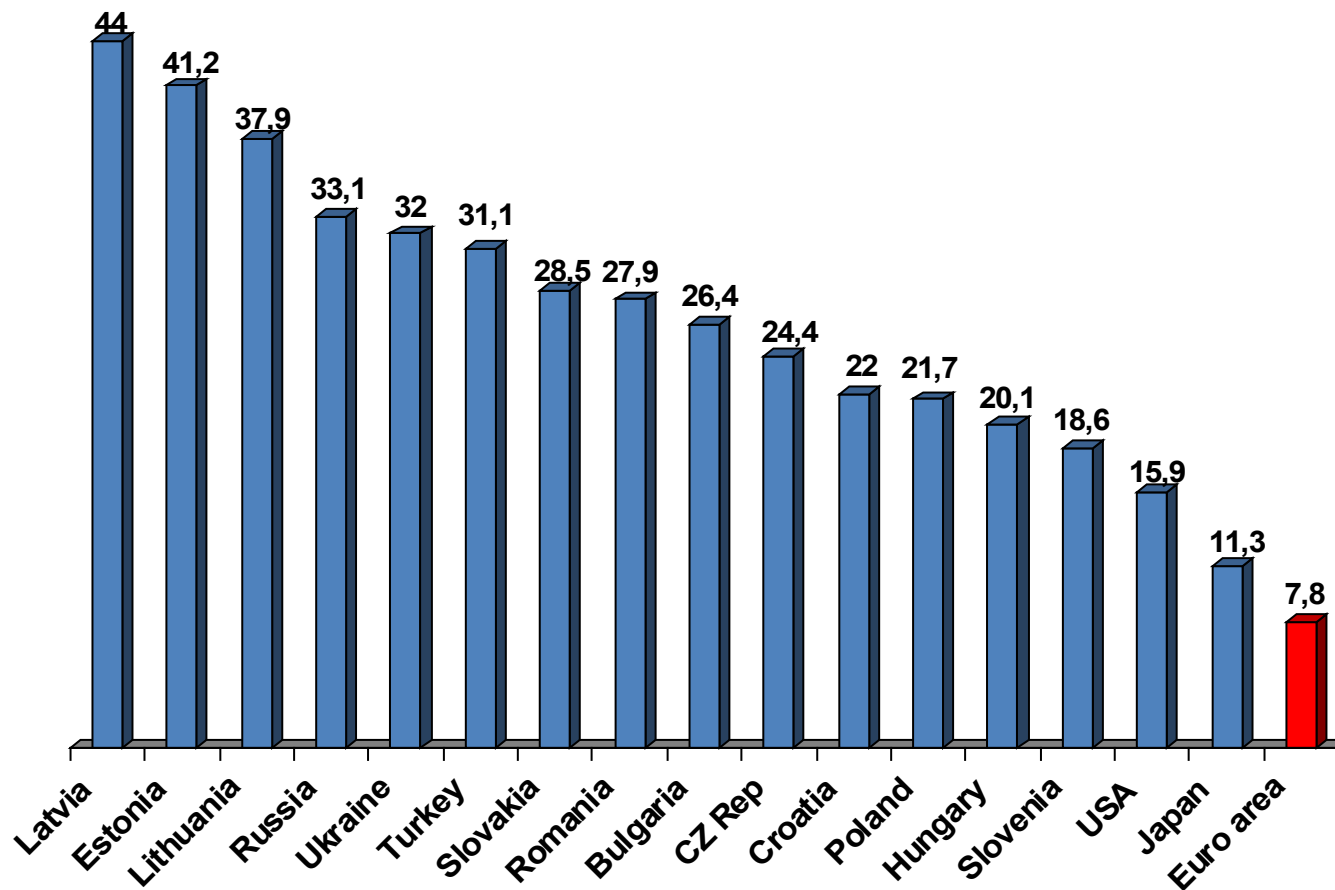


GDP per capita PPP 2007

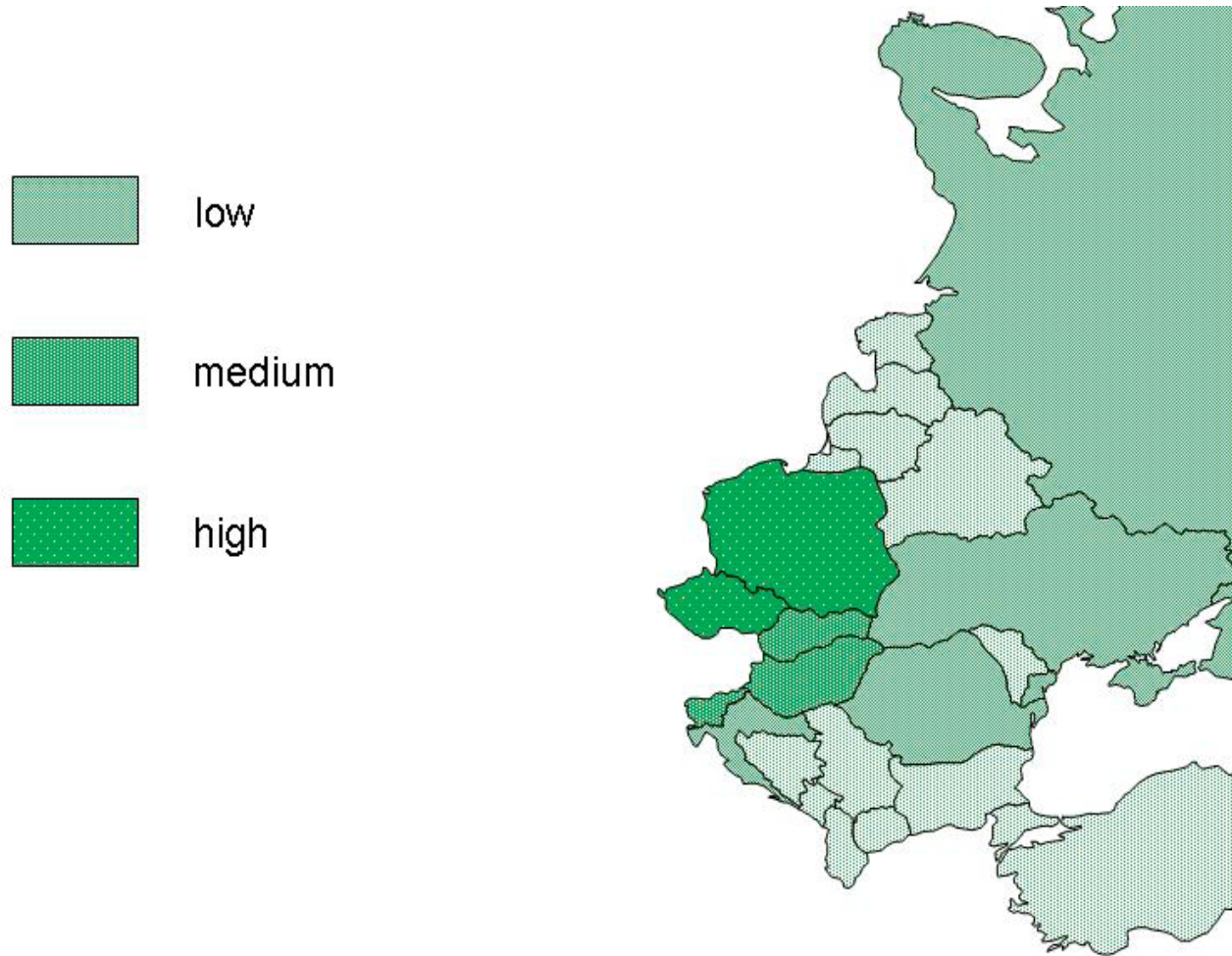


(Estimated) Increase in % GDP 2003 – 2007 (PPP)

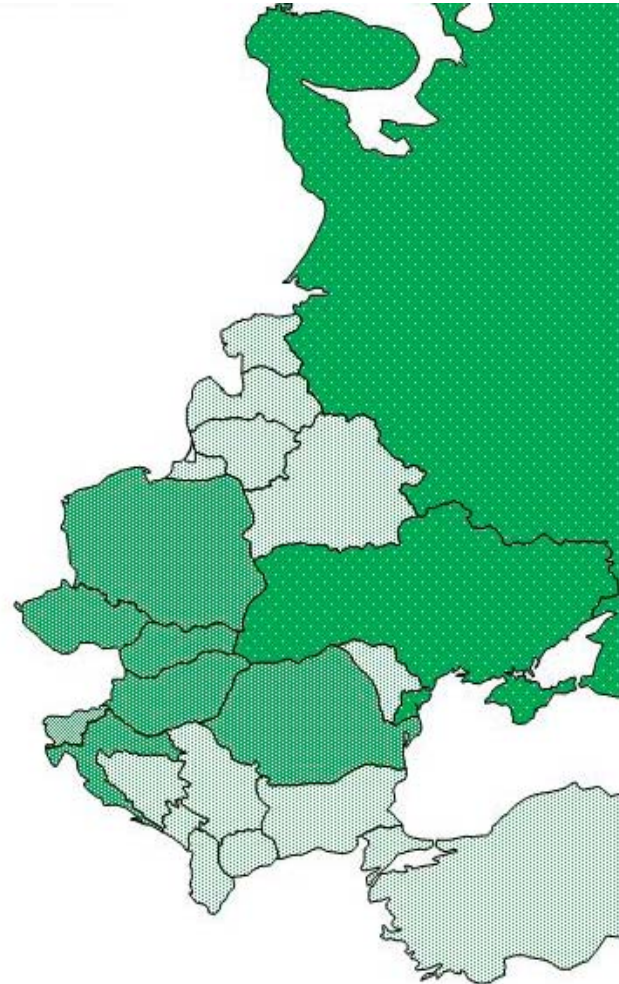
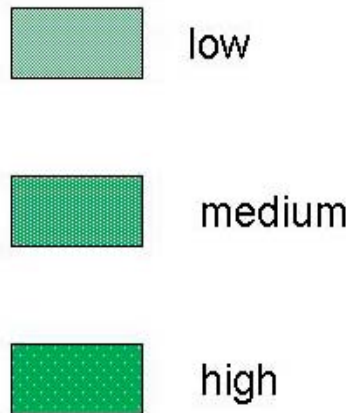
(source: consensus forecast)



Market saturation



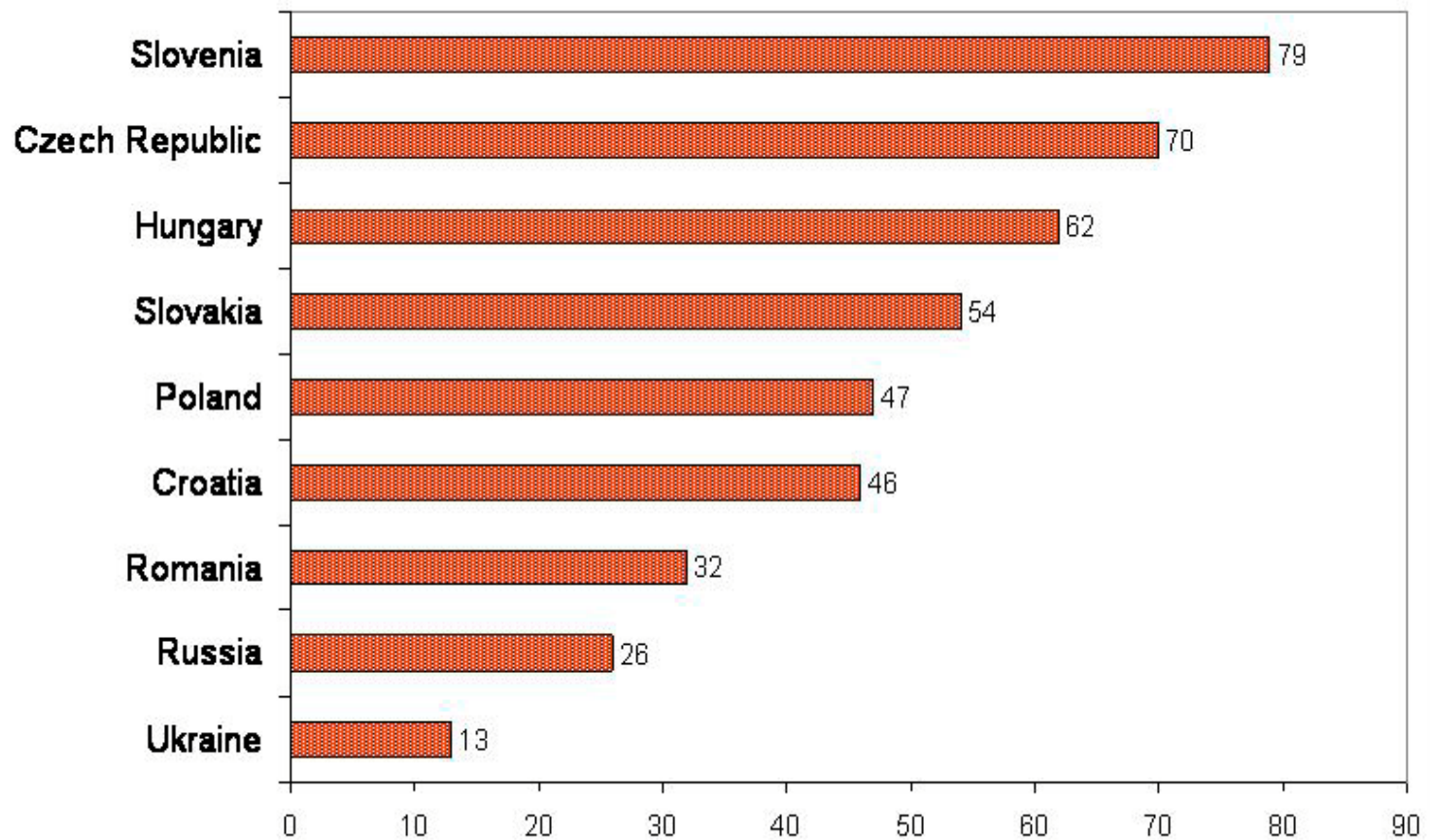
Afinity towards E commerce



Obstacles

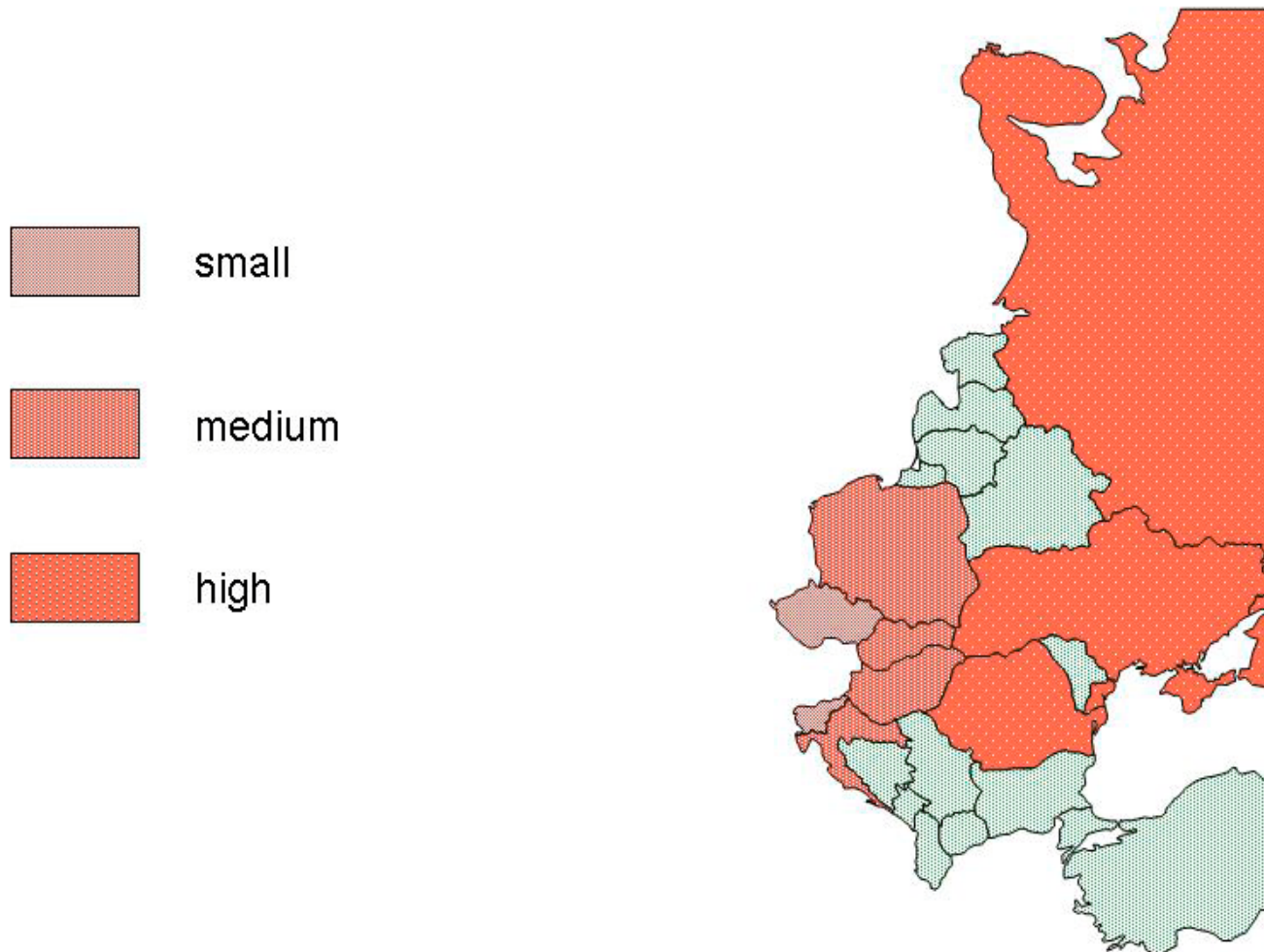
- Difficulty to understand local consumer mentality
- Local presence to provide after-sales service
- Difficulty to work in local language
- Complexity of local legal systems
- Different commercial practices
- Need to find reliable local consultants

Purchasing power per inhabitant in % compared to the EU average

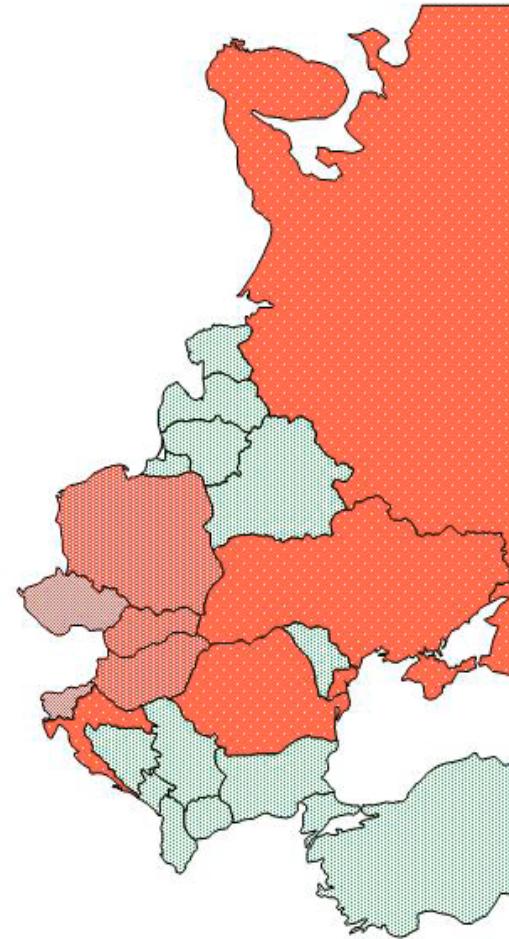
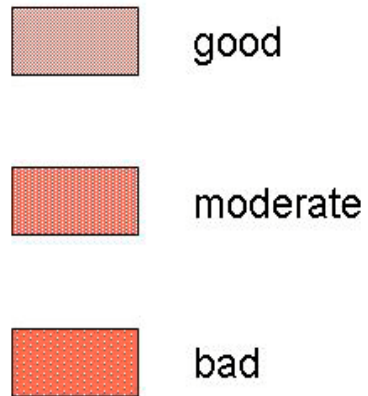


Source: Eurostat

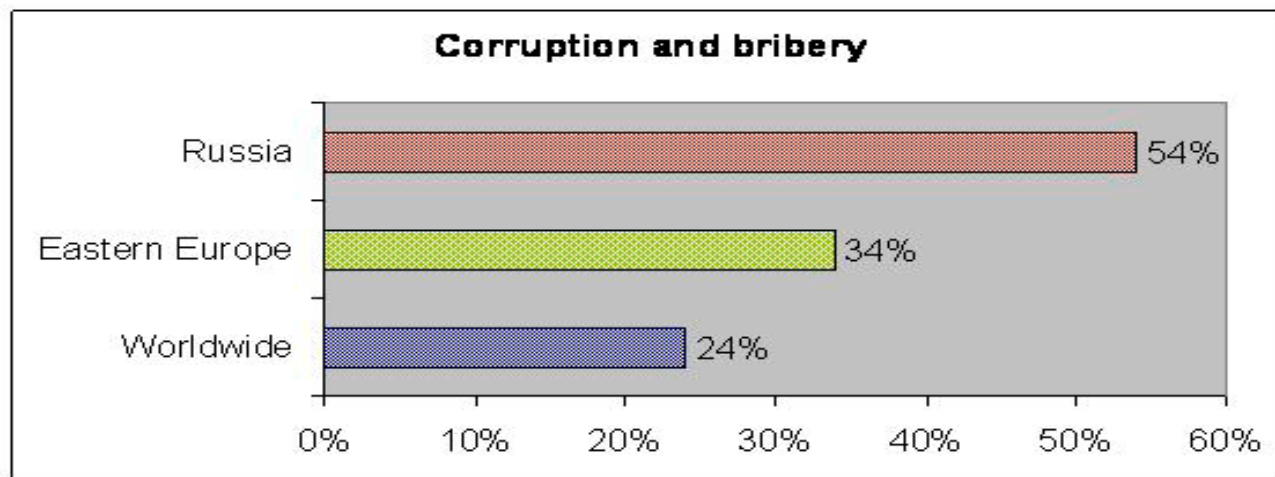
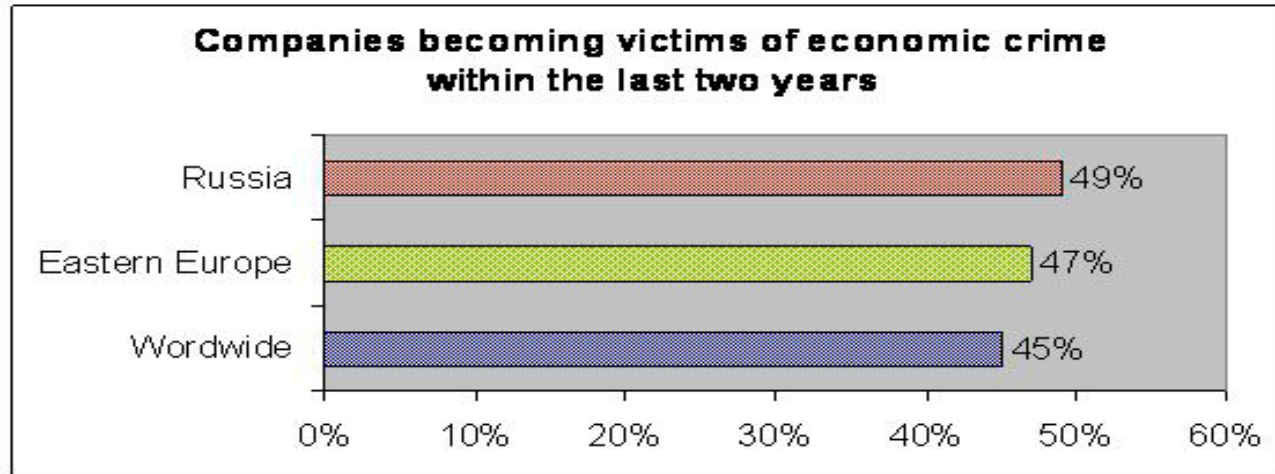
Cultural differences



Legal conditions

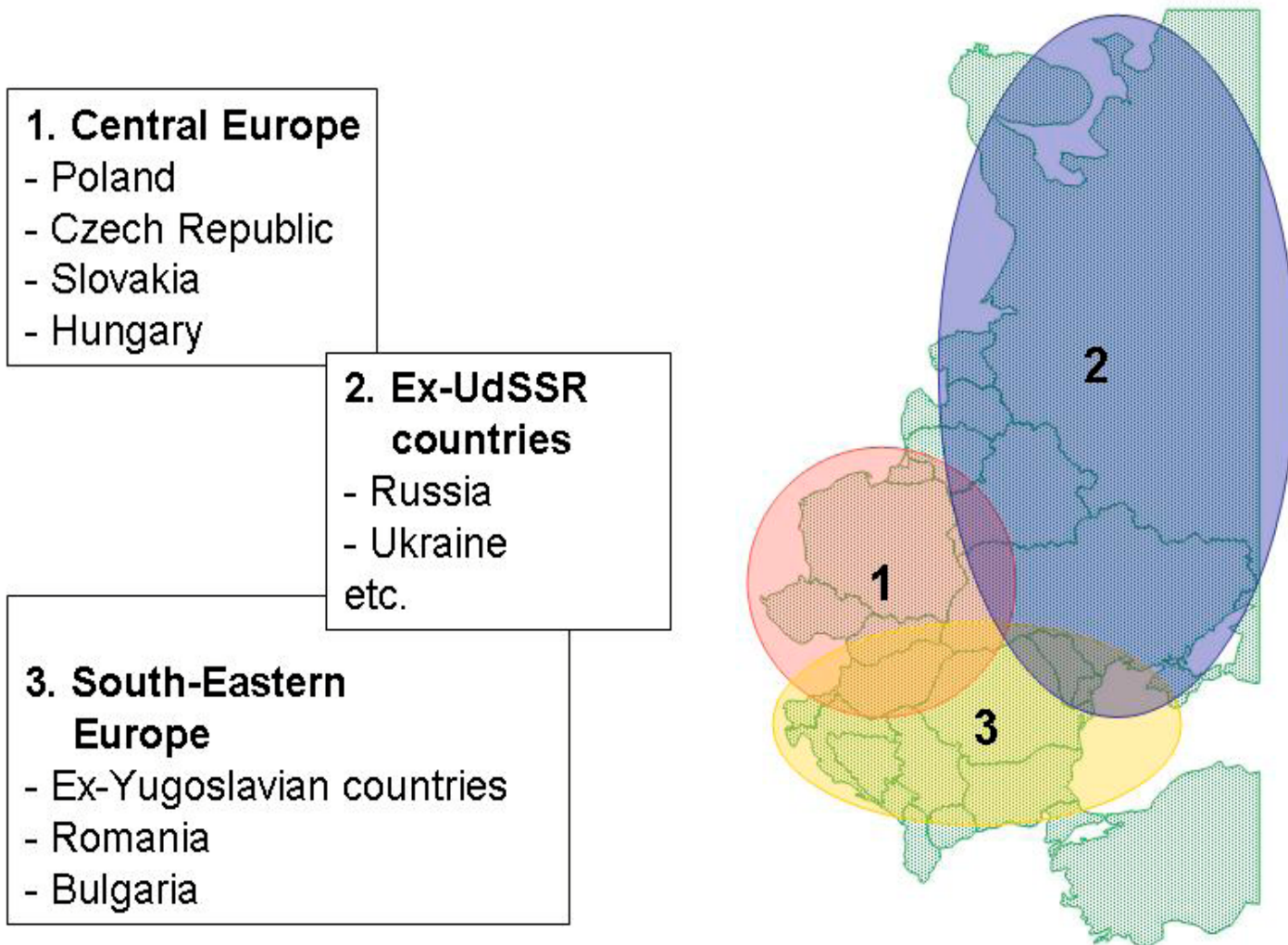


Economic(white-collar crime rates in Eastern Europe)



Source: Studie PwC 2005

Focusing on three relevant regions



Best E commerce countries

1. Central Europe

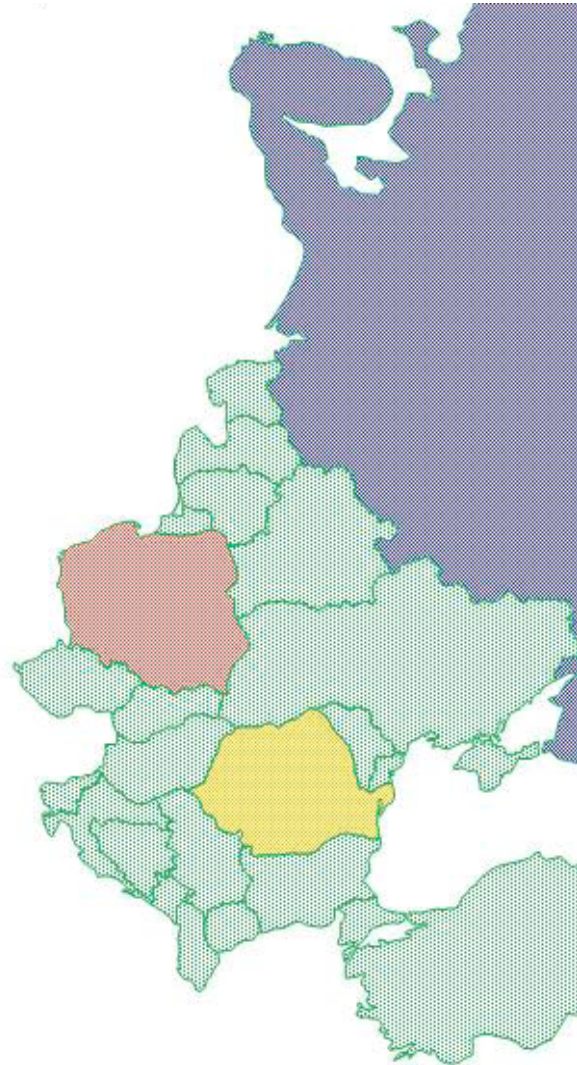
Poland

2. Ex-UdSSR countries

Russia

3. South-Eastern Europe

Romania



3 succes criteria for market entry



Conclusion

- Some of West European Distance selling companies are already trying to overcome the existing obstacles and to access new national markets in east and central europe
- Others are still hesitating, because of the barriers
- Although there are many risks, the prospects outweigh them.
- The slow-down of growth in Western countries requires, that west european DM and DS companies grow even further and faster in the CEE markets !
- I still believe that the future of DM and Distance Selling sector lies in Central and Eastern Europe....