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HYPERMARKETS AND NEIGHBOURHOOD STORES DRIVE RETAIL GROWTH IN UKRAINE

Ukraine's TOP-25 Grocery Retailers 2007 Revealed

The modern retailers grow faster than the retail market as a whole in Ukraine, with hypermarkets and neighbourhood stores being the fastest-developing formats. However, the concentration is still low on the Ukrainian retail market, while supermarkets and discounters remain the most wide-spread retail formats.

The modern grocery retail grows faster than the national retail market as a whole in Ukraine. According to the National Committee on Statistics, the overall retail turnover in Ukraine reached Hr318.7bn in 2007, which is a 40.5% increase in comparison to last-year results in current prices. At the same time, the sales of the TOP-25 grocery retailers, jumped at 60.7% and reached record-high \$8,760.7mn in 2007.

According to RetailStudio, a research company, which publishes annual Ukraine's TOP-25 Grocery Retailers 2007 industry rating, concentration remains low on the national retail market, in spite of strong growth. The combined sales of the Ukraine's TOP-25 grocery retailers did not exceed 14% of the overall retail turnover in the country last year. However, almost 60% of the TOP-25 overall sales is generated by 5 leaders – Fozzy Group (\$1,500.0mn gross sales turnover), Metro Cash&Carry Ukraine (\$1,202.0mn), ATB (\$1,056.4mn), Furshet (\$870.7mn), and Velyka Kyshehnia (\$556.1mn).

Although the Fozzy Group is the absolute leader in terms of sales turnover, number of retail outlets (all group's fascias) and total trade area, ATB follows the leader closely. This Dnepropetrovsk-based retailer is 3rd in terms of sales and 5th in terms of trade area, and it enjoys control over the largest chain of retail outlets operating under the same banner (ATB-Market).

A number of aggressive medium-sized players strive to gain leadership on the national retail arena. Although ATB is the only player representing regions in the Top-5 at the time, only eight of TOP-25 groups have their headquarters situated in capital Kyiv (Including the German Metro Cash & Carry and the Austrian Billa). 4 companies have their headquarters located in Dnipropetrovsk; Donetsk hosts 3 companies; Lviv, Lutsk, Luhansk and Odesa host 2 retail headquarters each; and Ternopil and Chernihiv – one company each town (Ternopil's Roveks with \$131.0mn, Chernihiv's Soyuz with \$100.7mn respectively).

On average, regional retailers grow faster than the national operators. The sales of the TOP-25 increased by 73% in average, but the individual growth of some leaders lags far behind. For instance, Donetsk Amstor's revenue grew at 60%, Fozzy Group grew at 44.8%, Furshet at 42.8%, Lviv's Intermarket at 39.7%. Among the ten most rapidly developing retailers, only two are located in Kyiv – Billa Ukraine and Eko (147.8% and 97.8% growth, respectively). Dnepropetrovsk-based Omega, owner of the Varus supermarket operation, is the most fast-growing company of the TOP-25 with 164.4 per cent turnover growth in 2007.

RetailStudio claims that supermarket and discounter are the most popular formats among the TOP-25 grocery retailers. 45.5% of all TOP-25's outlets operated as supermarkets while 32% were discounters in 2007. At the same time, hypermarkets and the neighbourhood stores are the true driving force of the Ukrainian retail. In 2007, the number of supermarkets and discounters among TOP-25 grew by 37.5% and 27.9% respectively, while the number of neighbourhood stores showed a stronger growth at 43%. Moreover, the growth of the neighbourhood stores accelerates over time. In 2006, the number of the neighbourhood stores within the TOP-25 was up by only 23.8%. The hypermarkets of the TOP-25 also highrocketed in 2007: the number of hypermarket outlets increased by 64.7% and their trade areas grew at 72%.

Please see RetailStudio Top-25 Rating in the attached file.

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