USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 12/21/2010

GAIN Report Number: PL1021

Poland

Retail Foods

Annual

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Report Highlights:
Poland's food retailing sector continues to modernize attracted by consumer incomes that are growing faster in real terms versus the rest of Europe. Poland leads the EU in number of convenience stores but Hypermarkets and discount stores continue to gain in importance relative to value of sales. With greater affluence Polish consumers are upgrading lifestyles including quality of food products demanded. EU entities and regulations provide formable competition to U.S. products in the Polish market. Section IV, "Best Prospects" for high quality U.S. foods include: almonds, seafood (salmon), prunes, wines, bourbon, and cranberries, to name a few.

Post: Warsaw

Executive Summary:

Poland's food retailing sector continues to modernize attracted by consumer incomes that are growing faster in real terms versus the rest of Europe for many of Poland's 39 million people. Poland leads the EU in number of convenience stores which hold a market share of over 50 percent in this country. Hypermarkets continue to gain in importance relative to value of sales accounting for 40 percent of retail sales, while discount stores are expected to generate 20 percent of sales in five years, versus the current 10 percent. With greater affluence Polish consumers are upgrading on lifestyle and food quality. Stiff Polish and EU competition, stringent food ingredient regulations, and costly terms of business to place product on shelves of large retailers, provide the primary challenges to U.S. products. Grass roots efforts to regulate store size and holiday closures have some local support. Section IV, "Best Prospects" for high quality U.S. foods include: almonds, seafood (salmon), prunes, wines, bourbon, and cranberries, to name a few.

SECTION I. MARKET SUMMARY

Supermarkets:

The supermarket sector in Poland continues to expand with the majority of supermarkets present in the market foreign owned. Expansion of this type of store increased dramatically during the 1990'sspurred by opportunity for high growth due to a tax exemption provided foreign investors the first two years of their activities in country.

Present foreign-owned super markets include: Carrefour (French), E. Leclerc (French), Intermarche (French), Kaufland (German), Real (German), Tesco (UK), Auchan (French).

Several Polish supermarket chains are in operation, however they concentrate on the fine foods sector. These supermarkets include: Alma, Bomi and Piotr i Pawel. Besides offering brand products that are available in regular supermarkets, they also offer more expensive international food products. Other Polish supermarket chains, e.g. Lewiatan and Spolem, concentrate their offer on basic products.

Super centers:

Super centers, not very common in Poland, are usually located near large agglomerations like Warsaw, Cracow, Katowice, and Wroclaw, to name a few. The number of super centers is limited and most are owned by foreign companies, mainly from Germany. Currently there are only three players in the supercenter market: Macro Cash & Carry (Germany), Eurocash Cash & Carry (Portuguese), and Selgros (German).

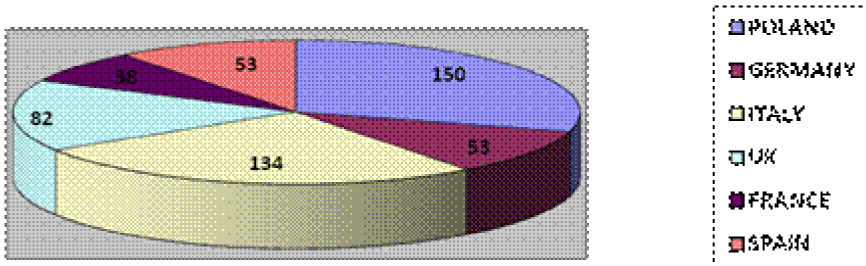
According to recently released sales data, Eurocash Cash & Carry experienced a 22 percent gain as compared to last year's results.

Convenience stores/gas marts/kiosks:

Convenience stores and kiosks are extremely popular in Poland and their numbers are increasing. Currently Poland has over 150 000 convenience stores, and leads in comparison with other countries such as UK, Spain, France, and Germany. The graph below displays convenience store numbers in

Europe in thousands.

Graph: Convenience stores in the EU by country (1,000).



Convenience stores and kiosks make up 55 percent of the market in Poland, while super markets and hypermarkets make up only 21 percent. Convenience stores are popular and their numbers are increasing due mainly to their location. These shops are usually located in apartment complexes, and offer convenience in a culture that typically buys product on a daily basis. Customers will weekly shopping in these stores as well.

Kiosks typically sell press material, fruits, and vegetables. Kiosks that sell news papers often are located near bus stops and train stations. Kiosks that sell fruits and vegetables usually are located on market squares and throughout cities.

Gas marts usually offer ready-to-eat products, beverages, and car accessories. They are located near highways and major through-fares. Their location is determined by safety requirements that have to be met when located in the downtown area of cities.

Traditional markets
Traditional markets are shops that have evolved out of convenience stores and are located throughout the city. Their strength is that they are locally owned and managed.

Supermarkets/superstores/ hyper markets vs. convenience stores/ gas marts/ kiosks:
Store size and location are the primary differences between these two subcategories. Supermarkets/ super stores and hypermarkets offer a wide selection of goods and are very popular in Poland. They provide a broad array of products that can satisfy the customer's shopping needs beyond food items with one stop. They do require large tracks of land on-which to be built which translates to locations farther from city centers thus commuting issues.

Convenience stores and kiosks are smaller, thus can be set up just about any place in cities and towns. They do offer a selection of goods but tend to be somewhat pricier than larger markets. Gas marts are set up in gas stations and offer a limited selection of ready-to-eat goods. Gas marts numbers and locations are limited within cities, usually found on the roads leading into and out of towns.

Within the smaller store subcategory convenience stores are the most attractive to customers due to their ease of access, location close to homes, and wider selection of goods.

Supermarkets are intensifying investment and consumers are becoming more accustomed to shopping for groceries and other non-food items in one place. The biggest disadvantage of supermarkets remains their location, as they need space they tend to be constructed on the outskirts of cities and towns making for a longer commute by customers.

Convenience stores and kiosks are smaller in size, do not need a lot of space, and can be set up in city centers, where space is limited but number of potential customers is very high. This is the main advantage of small stores - easily accessible by customers while still able to offer a selection of products.

Supercenters/ club/ warehouse outlets vs. convenience stores/ gas marts/ kiosks:
Convenience stores/ gas marts/ kiosks have an advantage in this subcategory. Super centers are limited in numbers, in the club/ ware house category, there are only four major players located only near big Polish cities. They offer products at lower prices but stores are difficult to access and do require annual membership to gain access.

Convenience stores/ gas marts/ kiosks vs. traditional markets:
Traditional markets have an advantage over convenience stores because they also are set up close to customers but are often owned by local families in the community. Traditional markets have a big advantage when compared to gas marts and kiosks which offer a limited selection of goods and are owned by outside companies.

Trends:
With advent of the internet online shopping is becoming more and more popular, as people have less time to spend on shopping for groceries. Polish supermarkets Bomi and Alama have offered customers on-line shopping for many years. Note: In Poland there are many independent grocery stores that offer online services and are not linked to any existing supermarket chains.

Online grocery stores are growing in numbers due to their ease to set up, and somewhat lack of geographical constraints. They can be accessed from anywhere in the world, however, timely delivery is often a constraint. The main disadvantage online stores face is customer awareness. Polish companies have yet to market extensively their on-line presence.

Ready-to-eat products are present in stores from super markets to convenience stores. Manufacturers of these products usually offer Polish cuisine, i.e. pierogi (dumplings), crepes with meat and cabbage, salads, and different types of meat. These types of products are in greatest demand by customers on the go and not able to prepare sit-down meals.

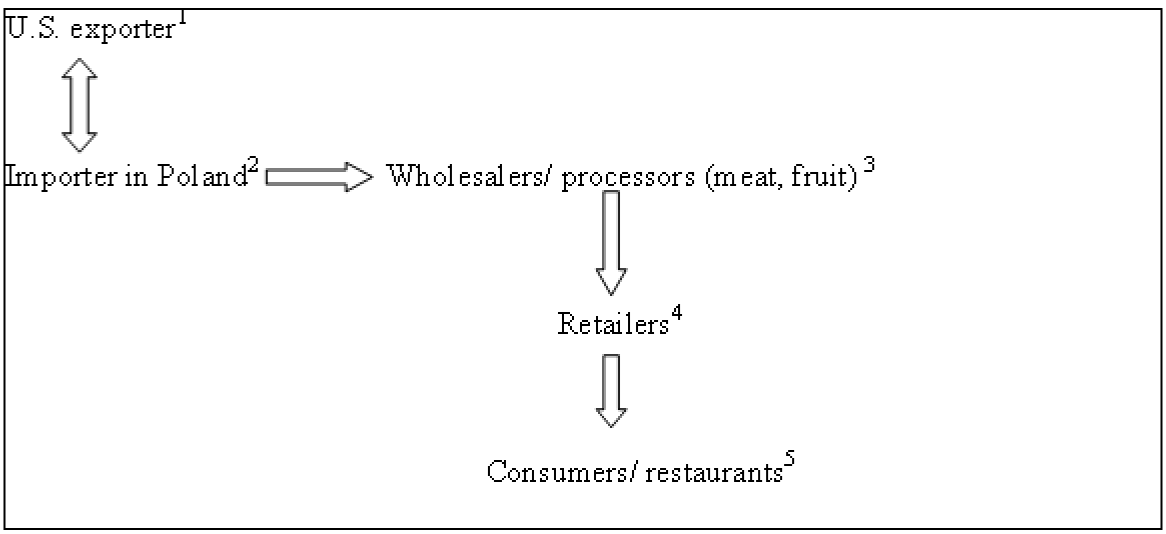
Another trend is the increasing popularity of discount grocery stores offering a wide range of products under store brands at a lower cost. Producers of products sold in these types of stores usually are the same ones who sell brand name products in supermarkets.

Chains are becoming a more and more popular concept, attracting smaller stores to join to increase their competitiveness through product purchasing power under economies of scale.

Advantages	**Challenges**
Easier access to products from the USA thanks to specialty stores like “Kuchnie Swiata [1] ”	Seeing products from the USA as lacking nutritional value
Recognition of US brands and their quality	Strict regulations that have to be met for products to be imported, i.e. meat
Lack of certain products which are unavailable in Europe but can be imported from the USA	Strong competition between agricultural products imported from European countries
Interest in organic products, the US is one of the biggest exporters	View that products from European countries are of higher quality, i.e. wine and cheese from France, Italy or Switzerland

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy and Market Structure



U.S. exporter cooperates with the importer from Poland. The U.S. exporter may be the one who seeks an importer in Poland but the situation can also be reversed. Both sides can look for ways to cooperate and to have foreign products on the Polish market.

1. Depending on the type of product the importer contacts the wholesalers or a processor. Importers contact processor when they import products such as meat, fruits, and vegetables, and process them, i.e. importing fresh fruit and then selling as frozen.
2. The wholesalers sell the product to retailers.
3. Retailers sell the products to the end customers.

4. Restaurants also purchase their supplies from retailers e.g. Cash and Carry.

A. ***SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS***

Poland is an attractive market for supermarkets and is attracting significant foreign direct investment in this sector. Each year local auditors conduct a customer survey to gauge chain recognition thus value in the respective market category. The latest survey shows the Top 46 chains as follow: (maximum points that can be allocation – 100).

Place in ranking	Chain	Company Name	Type	Points
1	Tesco	Tesco Polska	Hypermarket	80,15
2	Carrefour	Carrefour Polska	Hypermarket	79,18
3	Biedronka	Jeronimo Martins Dystrybucja	Discount store	78,89
4	Auchan	Grupa Auchan	Hypermarket	75,97
5	Kaufland	Kaufland Markety	Hypermarket	72,34
6	Real	Metro Group w Polsce	Hypermarket	71,49
7	E.Leclerc	Grupa E.Leclerc	Hypermarket	71,33
8	Intermarche	Grupa Muszkieterów	Supermarket	70,42
9	Lidl	Lidl Polska	Discount store	70,34
10	Piotr i Paweł	Piotr i Paweł	Supermarket	70,04
11	Żabka	Żabka Polska	Convenience	69,80
12	Tesco	Tesco Polska	Supermarket	69,38
13	Netto	Netto	Discount	68,20
14	PoloMarket	Polomarket	Supermarket	66,89
15	E.Leclerc	Grupa E.Leclerc	Supermarket	66,66
16	Stokrotka	Grupa Emperia	Supermarket	65,90
17	Simply Market	Grupa Auchan	Supermarket	65,09
18	Lewiatan	Grupa Emperia	Grocery store	64,45
19	Delikatesy Centrum	Grupa Eurocash	Grocery store	64,28
20	Eko	Eko Holding	Supermarket	63,86
21	Bomi Delikatesy	Grupa Bomi	Supermarket	62,01
22	ABC	Grupa Eurocash	Grocery store	60,88
23	Alma Delikatesy	Alma Market	Supermarket	60,52
24	Aldi	Aldi	Discount	60,13
25	Chata Polska	Chata Polska	Grocery store	59,63
26	Nasz Sklep	PSH Nasz Sklep	Grocery store	59,23
27	Carrefour Express	Carrefour Polska	Supermarket	59,16
28	Euro Sklep	Grupa Emperia	Grocery store	58,52
29	Delima Delikatesy	Grupa Emperia	Supermarket	58,48
30	Freshmarket	Żabka Polska	Convenience	58,13
31	Milea Delikatesy	Grupa Emperia	Grocery store	58,14
32	Groszek	Grupa Emperia	Grocery store	57,76
33	PSS Społem	Społem Białystok	Grocery store	57,41
34	Savia	Tesco Polska	Grocery store	56,65
35	Krakowski Kredens	Alma Market	Grocery store	54,45
36	Eden	Eden	Grocery store	54,38
37	Rabat Detal	Eko Holding	Grocery store	54,35
38	SPAR	SPAR	Grocery store	54,30

39	Rast	Grupa Bomi	Supermarket	54,25
40	MarcPol	MarcPol	Supermarket	53,92
41	IGA	Grupa Eurocash	Grocery store	52,49
42	eLDe	Grupa Bomi	Grocery store	50,99
43	Rosa	Vita Idea	Grocery store	50,56
44	Sieć 34	Grupa Bomi	Grocery store	49,56
45	Hitpol	Hitpol	Grocery store	48,49
46	FJ	F.J. Marketing Koncept	Grocery store	47,95

As reflected above, company portfolios usually include several categories stores. Of note is the growing popularity vis-à-vis the previous survey of discount stores Biedronka and Lidl.
Different chains present on the Polish market, by ownership and locations, and number of outlets. A direct correlation exists between the number of outlets and store recognition.

Retailer Name & Outlet Type	**Ownership**	**No. of Outlets**	**Locations** (city/region)	**Purchasing Agent Type**
Carrefour	France	300	Poland	Importer/ Domestic Supplies
E. Leclerc	France	45	Slupsk, Gdansk, Elblag, Malbork, Kolobrzeg, Bydgoszcz, Poznan, Konin, Warszawa, Lodz, Olesnica, Wroclaw, Belchatow radom Lublin, Zmosc, Kielce, Klodzko, Katowice, Tychy Rzeszow, Nowy Targ	Importer/ Domestic Supplies
Bomi	Local	37	21 cities in Poland	Importer/ Domestic Supplies
Alma	Local	26	Trojmiasto, Bydgoszcz, Poznan, Zielona Gora, Lubin, Wroclaw, Opole, Rybnik, Katowice, Czestochowa, Lodz, Warszawa, Piaseczno, Pruszkow, Lublin, Krakow, Tarnow, Rzeszow, Nowy Targ	Importer/ Domestic Supplies
Intermarche	France	150	Cities and towns (population 20,000-70,000)	Importer/ Domestic Supplies
Kaufland	Germany	130		Importer/ Domestic Supplies
Real	France	54	Present in 14 regions in Poland	Importer/ Domestic Supplies
Piotr i Pawel	Local	72	45 cities	Importer/ Domestic

				Supplies
Tesco	UK			Importer/ Domestic Supplies
Auchan	France			Importer/ Domestic Supplies

Supermarkets listed in the table above are present in cities and smaller towns. The Polish chain Alma, present in big Polish cities, offers high end food products, both domestic and imported origin. Other Polish chains Piotr i Pawel and Bomi also offer high end domestic and imported food products, but have outlets in both cities and smaller towns.

Foreign companies such as Tesco, Auchan, Real, Carrefour, Kaufland, Intermarche and E. Leclerc, operate in cities and towns. They typically do not offer high end imported food products to their customers. The target customer for these stores is one that likes to have a variety of products of good quality to choose from but is not prepared to spend a lot of money.

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

The Polish convenience store, gas station mart, or kiosk sector is very fragmented, often with each retail outlet holdings a different owner even when in a chain of gas stations. Ruch, a chain of kiosks, currently consists of over 10,000 outlets and even though newspapers and magazines constitute as much as 80 percent of its offered products, snack, and convenience foods increasingly appear on their shelves. This sector usually consists of small units employing up to 5 people. According to Polish law, business entities employing fewer than 5 people are not obliged to deliver statistical information to the government. Unfortunately, as a result, no data is available regarding these units. Orlen, the Polish oil refinery, owns about 70 percent of Poland's gas station marts. The remainder of the gas station market is controlled by a Polish Refinery in northern Poland, and several foreign companies (e.g. BP, Shell, Statoil, NESTE etc).

Retailer Name & Market Type	Ownership	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Statoil gas mart	Norway	297	Poland	Source from local producers/importer
BP gas mart	UK	370	Poland	Source from local producers/importer
Orlen gas mart	Local	2 642	Poland	Source from local producers/importer
Shell gas mart	Netherlands	400	Poland	Source from local producers/importer
Ruch kiosk	Local	7 600	Poland	Source from local producers/importer
Milea	Local	60	Eastern part of Poland	Source from local producers/importer
Groszek	Local	1093	Poland	Source from local

				producers/importer
Zabka	Local	2000	Throughout Poland	Source from local producers/importer
Eden	Local	650	North-East part of Poland	Source from local producers/importer

The majority of convenience stores in the above table are present in towns. Zabka and Groszek are exceptions, as they are also present in cities and are recognized as convenience stores. Eden and Milea are not commonly known stores as they are limited to certain geographic locations in Poland. .
Ruch, the largest chain of kiosks in Poland, is present throughout the country however it does not provide grocery products, mainly press articles. It is present in cities, towns and in rural areas.

C. ADITIONAL MARKETS - "MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

"Mom and Pop" shops are very common in Poland. Currently they are facing growing competition from supermarkets which are opening in cities and towns. "Mom and Pop" shops are present throughout the country, are not only limited to small towns and villages, and are very popular in large Polish cities.

Independent grocery stores and small chains are present only locally and are of Polish ownership. They are known only locally. Foreign owned supermarkets are providing very stiff competition for these stores.

SECTION III. COMPETITION

Local production and products sourced from within the European Union, mainly Germany, France, Italy, Great Britain, Spain, Finland, Switzerland, Austria, and the Netherlands (50 percent of total Polish food imports) provide the main competition for American products. The development of Polish production capabilities and foreign investment in the Polish food industry has resulted in higher quality products produced locally. Even such "American" products as chewing gum, Coca-Cola or Pepsi-Cola are produced in Poland. Polish consumers, as in many markets where nationalism is tweaked for domestic marketing purposes, local brands are preferred to imported products that are less advertised.

SECTION IV. BEST PRODUCT PROSPECTS

The sales of the following products imported from the United States continue to grow:

- Wine
- Nuts (almonds, peanuts, pistachios)
- Seafood (salmon, butterfish, herring, mackerel, black cod)
- Distilled spirits (bourbon, rum)
- Dried Fruit (cranberries, prunes, raisins)
- Grapefruit (red ruby)
- Food consisting of many ingredients, highly processed, convenient, and i.e. ready-to-cook products (on limited basis),

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Poland, please contact the Office of Agricultural Affairs in Warsaw at the following address:

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Please visit the Foreign Agricultural Service home page (www.fas.usda.gov) for more information about exporting U.S. food products to Poland. Importer lists are available from our office to exporters of U.S. food products.

[1] Kuchnie Swiata – stores located in shopping malls, offering a selection of grocery products from around the world