

Czech Republic

Crisis in the Czech Republic

Part one: Some markets are prospering, some are not

Czech households' spending on FMCG: Slight increase

Last year, Czech households increased their expenditure on FMCGs (food-stuffs, dry goods) by 2 % compared with the figures for 2008. In the first quarter of 2010, it decreased by 3 % (as compared to the same period last year). This relatively good result is due to consumption in March (Easter) – as the households spent 6 % more than in March last year. This reversed the previously negative trend of Czech household spending, as represented by –12 % in February.

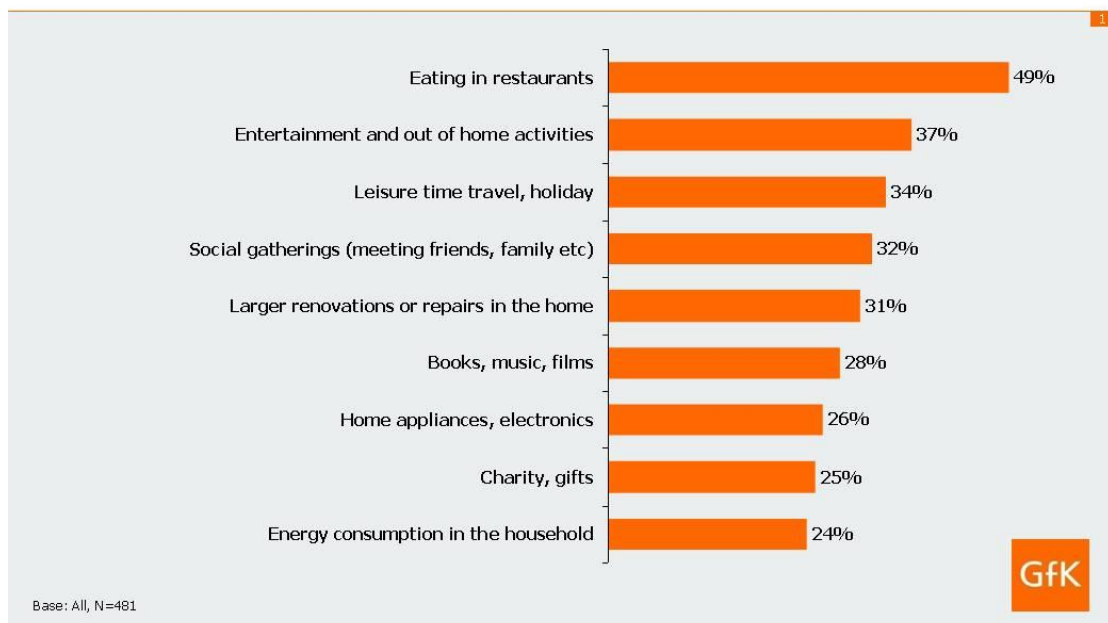
Financial Services: Banks happily present record-breaking profits

On the other hand, the crisis has changed the value orientation of the consumers. Even the usual lack of criticism of the Czech financial institutions has slowly been eroded – according to the GfK CEI (Corporate Equity Index). Slowly, consumers have started to turn to thought-through consumption, they are seeking value for money and quality is becoming more and more important.

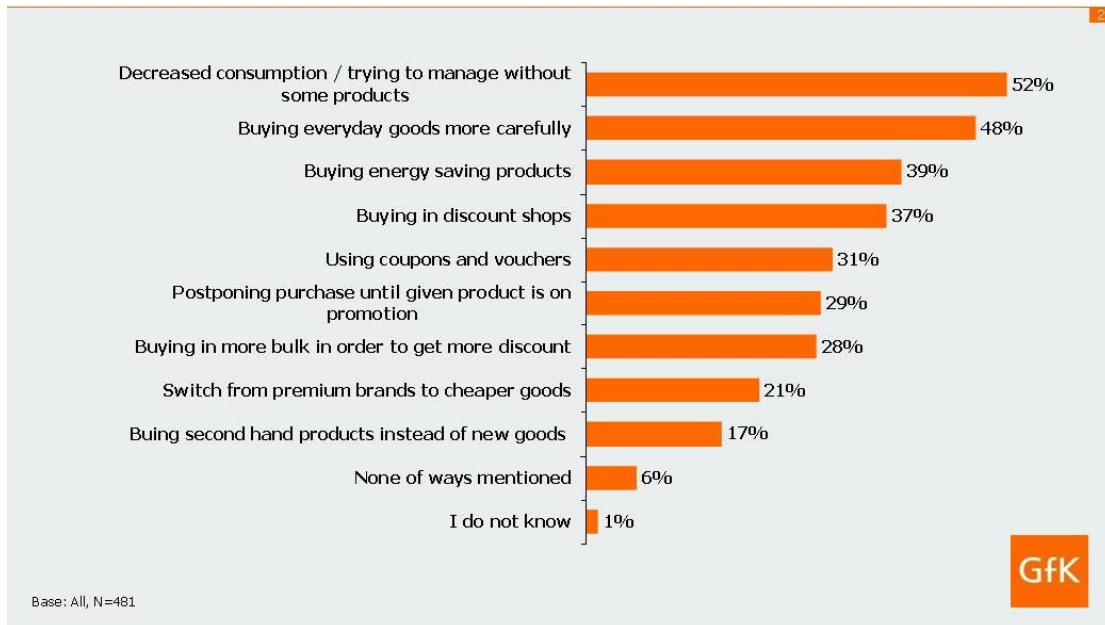
HORECA and Automotive markets: Both show 15% decline

By moving their small indulgences from restaurants and other out-of-home activities to their homes, the Czech consumers have exerted a significant effect on the HORECA sector (see the charts). However, there has been no assessment of the (assumed) influence of tourists who are spending more carefully.

Expenditures - Cutbacks



Preferred ways of saving



IT & Telco

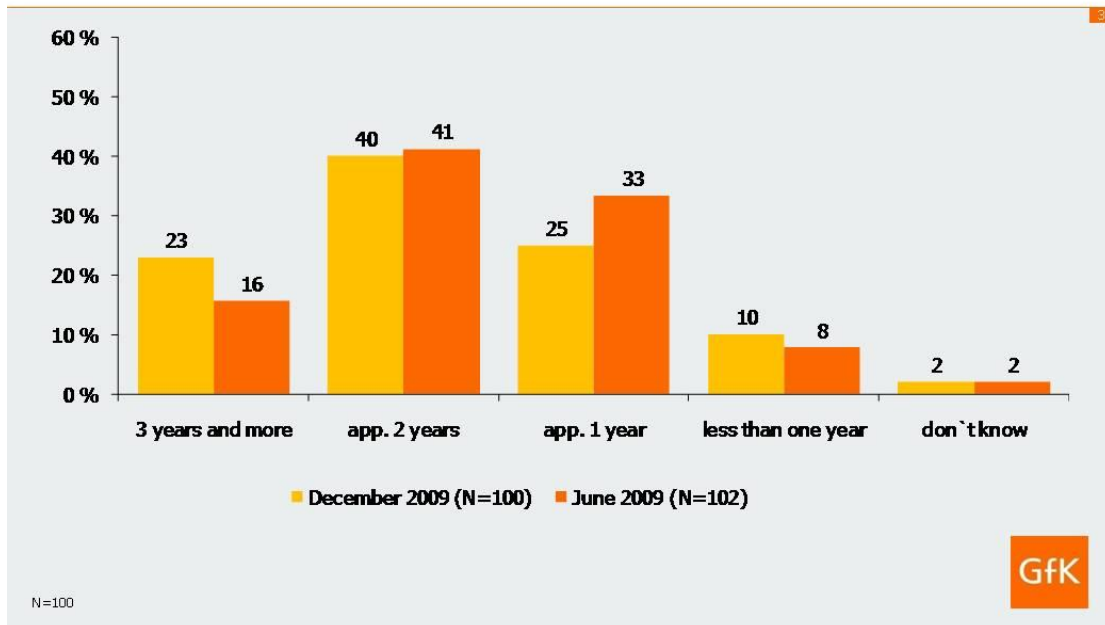
Turnover in the technical consumer goods market in the Czech Republic dropped by 8 % in the first quarter of 2010 compared to the same quarter last year. Market value increased only in the IT sector. Negative developments were to be seen in all the other sectors, most notably in Telecommunications and Consumer Electronics.

Part two: Crisis perception

Czech businessmen slowly start to admit it is really here

By the end of 2009, 69 % of Czech managers thought that the crisis had arrived compared to 52 % in the middle of 2009 and they are also exhibiting greater scepticism with regard to the expected length of the crisis. Although now the majority expect the crisis to last for a year or two, compared to 16 % in June, by the end of the year 23 % were of the opinion that the crisis would last for more than three years.

Expected length of crisis – one to two years

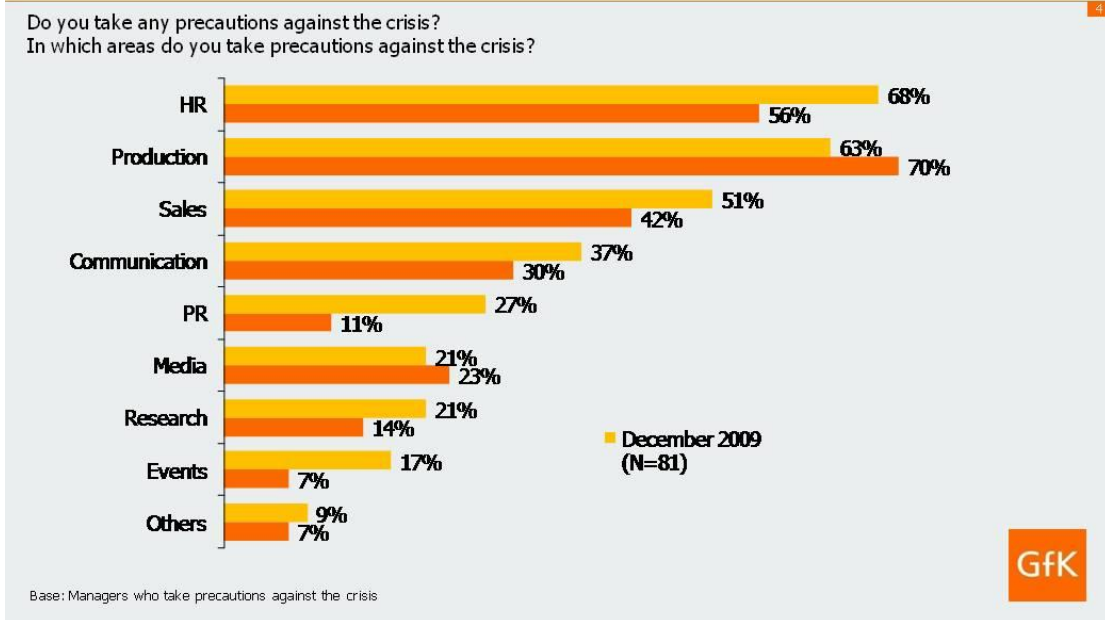


Anti-Crisis Activities: Mainly HR savings and production cuts

In the first half of 2009, savings in production (70%) were predominant, followed by savings in the HR sector (56%). By the end of the year, the savings in HR had risen to 68%. In both periods, manufacturers were taking the majority of measures in the production sector (83.3%) followed by HR (63%). By the end of the year, 71.7% of manufacturers were taking measures in the HR sector.

Traders took similar measures to the manufacturers in the middle of the year, i.e. mostly in production (57.9%) and HR (47.4%), but towards the end of the year they transferred the measures from production (23.8% of them) to the sales sector (33.3%).

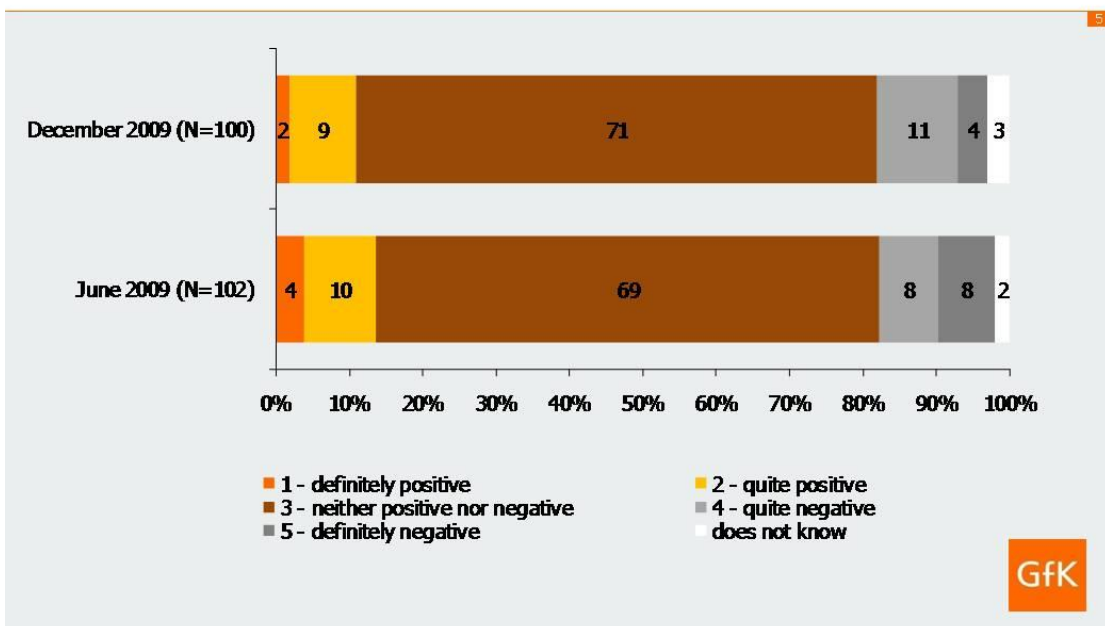
Main precautions against the crisis



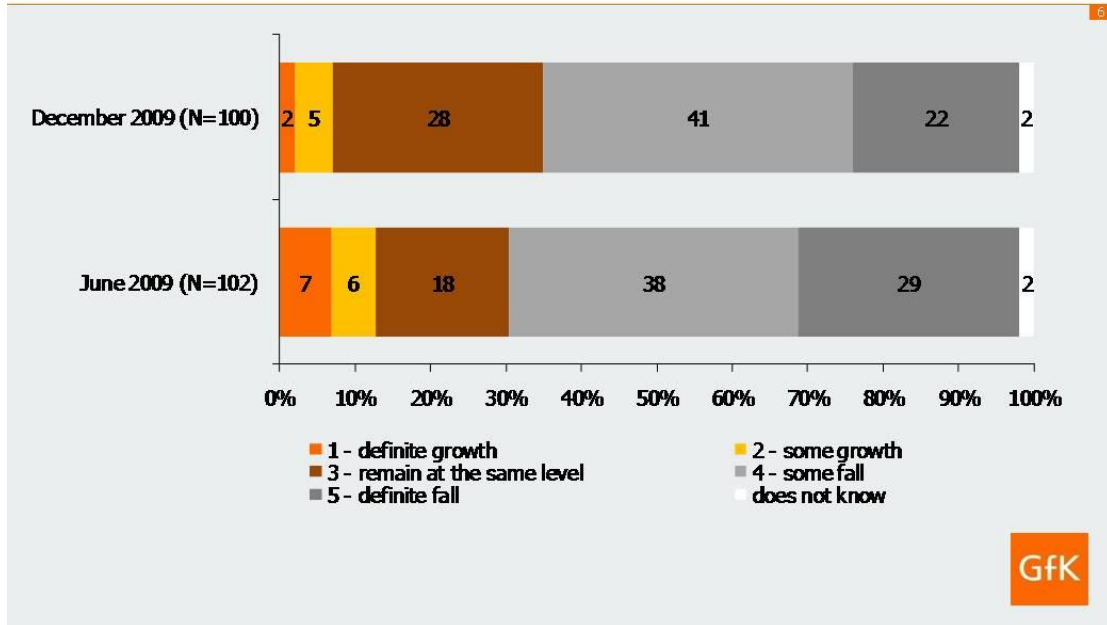
Influence of the Crisis on Brands, Sales, Market share: Against theory

Looking at Charts 5-7 it is evident that, according to the managers in the respective areas, the crisis has not had any impact on brand or market share. The impact is more obvious in terms of sales – they stagnate or fall.

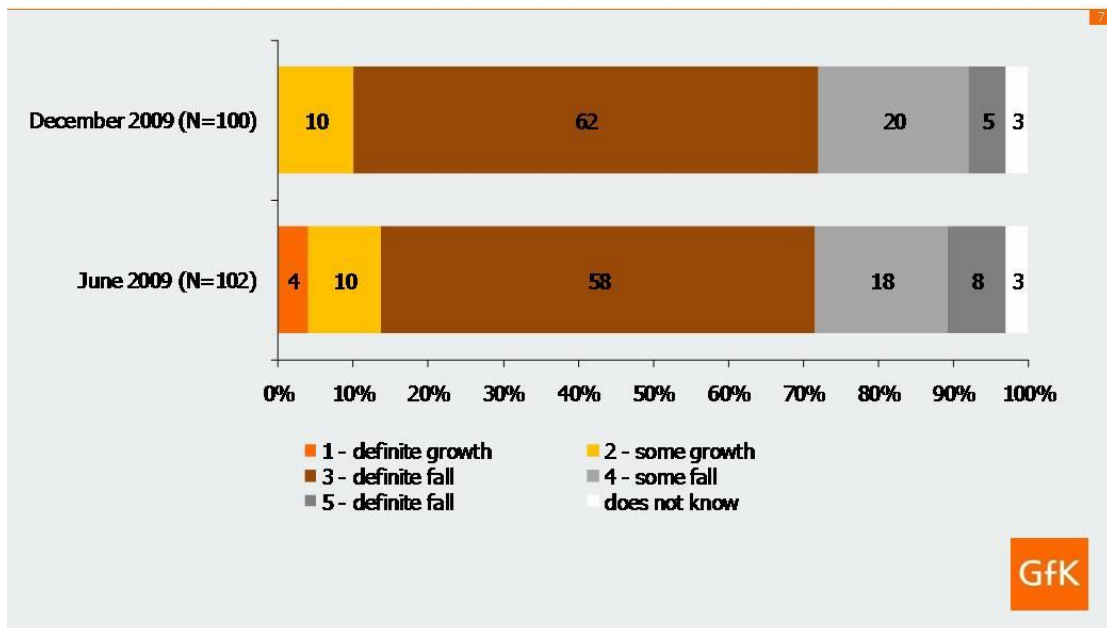
Impact on brand



Impact on sales



Impact on market share





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