

The Economy of Retail Chains in the FMCG Sector: The Case of Czechia

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Abstract. *The article deals with the analysis of the economy of the largest retail chains operating in the highly competitive Fast-Moving Consumer Goods market in the Czech Republic; the analysis of the relationships between selected economic indicators and key national economic variables. This research used data from annual reports and the audited financial statements of firms operating individual retail chains from 2005 to 2020. The research includes nine commercial companies and focuses on the development of sales, costs and cost ratios, profit and profitability, and assets and resources. The relationships between the indicators are evaluated using correlation analysis, and the similarity of trade chains using cluster analysis. From the point of view of retail formats, discounters are particularly successful, which, together with medium-sized supermarkets, are growing at the expense of hypermarkets and large supermarkets. Success and dominance in the Czech market are related to high labour productivity and low unit costs. The combination of price promotions and a wide range of private products, characteristic of discount chains, is very attractive to customers and, together with low unit costs, creates the potential for increasing the market share of discounters. Hypermarkets and large supermarkets will face further stagnation and pressure to downsize stores, automate and use other cost-cutting methods. The article brings new insights into the economics of FMCG chains operating in the Czech market, emphasising the differences between trade formats in perspective from 2005.*

Keywords: FMCG, retail, analysis, sales, costs, profit

JEL Codes: L81

1. Introduction

Like other countries, the Czech Republic has been affected by the wave of internationalization and globalization in retailing. Major retail chains are expanding their retail strategies and activities. The Fast-Moving Consumer Goods (FMCG) sector in the Czech Republic underwent a transformation in the 1990s, during which a sharp expansion of multinational business chains increased their market share. The expansion of international retail chains was manifested in the rapid growth of the number of their stores, turnover and dominant position in the market. By around 2000, these chains represented about 70% of the total retail turnover in the country (Šimová, 2010).

According to data from the company Growth from Knowledge, the number of stores of multinational food chains with a sales area of more than 400 m² in the Czech Republic has increased by 14% in the last ten years. At the end of 2021, 1618 such stores were operating in the Czech Republic, of which 737 were discount stores, 556 were supermarkets, and 325 were hypermarkets. It is assumed that this trend will continue in the coming years, as even the pandemic has not affected the expansion plans of retail chains. In

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2021, 56 new hypermarkets, supermarkets and discount stores were opened in the Czech Republic, the most in the last ten years (RetailNews, 2022).

2. Research Elaboration

2.1. Theoretical Background

Fast-Moving Consumer Goods are non-durable retail products that cover the daily needs of consumers, constitute a large part of the consumer budget in all countries, are usually cheaper and have a shorter lifespan (Groot & Musters, 2005; Kuzmina et al., 2019). In economically developed countries, the intensity of competition in recent years has caused the short lifespan of innovation and difficulty in maintaining the traditional theories of retail development, so retail must provide not only low price and quality but also convenience and brand value (Dholakia et al., 2018). Newer formats such as discounters, supermarkets, and hypermarkets have expanded food consumption options and disrupted traditional food retail formats worldwide, posing a challenge to traditional format retailers (Bonfrer et al., 2022).

A retailer can target customers based on location, services provided, low prices, or the appeal and quality of the product range (Inoni & Okorie, 2022). Currently, location advantage is diminishing, and services are rarely a source of a sustainable advantage, especially in the context of intense price competition. In other words, a long-term sustainable and profitable consumer offer is created by the price and assortment of products (Corstjens et al., 1995). Price changes receive much attention for their immediate impact on sales and profits (Mercer, 1993; Bucklin & Gupta, 1999; Pauler & Dick, 2006; Casado & Ferrer, 2013). Every brand tries to attract the consumer's attention with advertisements and price promotions. Consequently, the market is characterised by strong sales peaks caused by promotions (Groot & Musters, 2005).

Trends in retail strategies are driven mainly by changes in consumer preferences and purchasing behaviour. Increasingly, sustainability goals are integrated with profit and sales growth goals. Sustainability is a competitive imperative that goes beyond simply improving a marketer's image. It can differentiate a brand from its competitors, improve brand equity, build customer loyalty, and attract younger consumers (Vadakkapatt et al., 2021).

Many studies have looked at consumer store selection and have attempted to rationalise choice according to multiple attributes such as general shopping patterns, store attitudes, household demographics and situational factors (Arnold et al., 1983; Burke et al., 1992; Darden et al., 1981; Dawson et al., 1990; Van Kenhove et al., 1999; Bhatnagar & Ratchford, 2004; Tian et al., 2021; Kumar & Venkatesan, 2021; Gauri et al., 2021). Despite the mixed findings on the effects of supermarket influence on small retail stores, continued growth in retail size is the dominant trend (Chung et al., 2022).

The impacts of economic indicators and the interrelationships between retail forms (hypermarkets, supermarkets, discounts, convenience stores) and competing firms can help reveal managerial insights and estimate the balance of the sale so that future changes in the market can be predicted (Wang, 2022). E.g., Gauri (2013) found, using the stochastic frontier method, that stores with a larger sales area, more checkout counters, and stores located closer to competitors had the highest efficiency.

The goal of this research is to analyse the economy of the largest retail chains operating in the highly competitive FMCG market in Czechia, an analysis of the relationships between selected economic indicators and key national economic variables. The subject of the research is not only individual retail chains but also the entire group of the largest retail chains, representing a decisive part of the retail market.

2.2. Data and Methods

This research used data from the annual reports and audited financial statements of business firms operating individual retail chains from 2005 to 2020. The research includes seven commercial companies – Lidl Česká republika v.o.s., Kaufland Česká republika v.o.s., Albert Česká republika, s.r.o., Penny Market s.r.o., Tesco Stores ČR a.s., BILLA, spol. s r. o., Globus ČR, v.o.s. In addition, DELVITA a.s. and SPAR Česká obchodní společnost s.r.o. were also included in the research but have left the market (table 1). In all cases, these are chains of stores of foreign ownership. In Table 1 they are sorted according to total sales in 2020 in descending order. The market share column expresses the share of sales for goods of the given chain to sales of goods in the retail sector with a predominance of food, beverages, and tobacco products in non-specialized stores (CZ-NACE 47.11) in 2020 (CZSO, 2022). These seven chains generate 72.6% of the industry's sales.

Table 1: Retail chains operating in Czechia

Retail chain	Owner	Residency	Number of stores*	Market share (%)
Lidl	Schwarz Gruppe	Germany	281	16.3
Albert	Ahold Delhaize	Netherlands	88 hypermarkets 240 supermarkets	13.0
Kaufland	Schwarz Gruppe	Germany	135	12.9
Penny Market	Rewe	Germany	396	9.3
Tesco	Tesco PLC	Great Britain	79 hypermarkets 9 hypermarkets Extra 59 supermarkets 38 Express	8.9
Billa	Rewe	Germany	Billa 240 Billa stop & shop 70	7.0
Globus	Globus SB-Warenhaus Holding	Germany	Globus 15, Globus Fresh 1	5.1
Delvita	Delhaize, took over by Billa in 2007.	Belgium	0	
Interspar	Spar, took over by Ahold in 2014.	Austria	0	

(Source: www.penze.cz; Note: *October 2021)

As part of the analysis of the main economic indicators of the mentioned companies, we focused on the development of sales, costs and cost ratios, profit and profitability, as well as assets and resources. For the analysis of profitability and cost ratios, the fundamental ratio indicators of financial analysis were used (Giroux, 2003; Peterson & Fabozzi, 2006). For indicators expressed in constant prices of 2005, the average annual inflation rate was used (CZSO, 2021). The relation between the development of the indicators of the FMCG sector and national economic variables was evaluated using the Pearson correlation coefficient (Rencher, 2002).

The evaluation of individual economic indicators is followed by multidimensional cluster analysis, which helps to identify similar objects. The group under investigation is therefore divided into smaller and more homogeneous groups. Ward's method was used in this article. Ward's method joins two clusters, A and B, for which there is a minimum increase in the sum of squared errors (Rencher, 2002),

$$I_{AB} = \frac{n_A n_B}{n_A + n_B} (\bar{y}_A - \bar{y}_B)^T (\bar{y}_A - \bar{y}_B) \quad (1)$$

where n_A, n_B are the numbers of objects in A, B ; and $\bar{y}_A, \bar{y}_B$ are centroids of A and B , respectively. As a distance function, Euclidean distance is used to measure the distance between two vectors $\mathbf{x} = (x_1, x_2, \dots, x_p)^T$ and $\mathbf{y} = (y_1, y_2, \dots, y_p)^T$.

3. Results and Discussions

3.1. Sales

The sales revenue of the largest retail chains increased from the value of CZK 140.47 billion achieved in 2005 to CZK 324.83 billion in 2020. In constant 2005 prices, sales for goods increased to 238.41 billion CZK, i.e., by 69.7%. Lidl Česká republika, which operates a chain of discount stores, achieved the most significant increase in sales for goods at fixed prices, followed by BILLA (supermarket chain) and the Penny Market (discount chain). The only chain that experienced a decline in the monitored period was Globus (hypermarket chain), whose sales of goods decreased by 3.03% at constant prices. The greatest dynamics of growth in sales of goods and market share were achieved by discount chains, whose sales of goods at constant prices increased by 252.2% compared to other chains, whose aggregate sales of goods at constant prices increased by only 32.4 %. The share of discount chains in the sales of the entire group of the largest retail chains more than doubled from 17% in 2005 to 35.3% in 2020. The growth in sales of goods of BILLA was significantly supported by the acquisition of the stores of DELVITA in 2008. Interspar hypermarkets became part of the Albert chain in 2015.

The highest labour productivity, measured as sales per employee, is achieved by the discount chains Lidl (CZK 8.78 million) and Penny Market (CZK 7.23 million). In contrast, the hypermarket chain Globus has the lowest (CZK 4.28 million). The highest relative increase in labour productivity occurred in the monitored period within the chains Albert (by 122.0%), Tesco (by 71.6%) and Billa (51.9%). Conversely, Penny Market (0.85%), Kaufland (12.4%) and Globus (22.7%) chains had the lowest increase in productivity (Figure 1). The increase in labour productivity in the conditions of discount chains was 16.9%, while in other chains it was 76.2%. Lidl, which has the highest labour productivity compared to other retail chains, also has the highest wage per employee. The value of the correlation coefficient ($r = 0.92$) also confirmed the close connection between the level of labour productivity and the salary of the employees of this discount chain. Tesco ($r = 0.98$), Billa ($r = 0.97$), Albert ($r = 0.97$), and Globus ($r = 0.94$) retail chains also have very high values of this correlation coefficient.

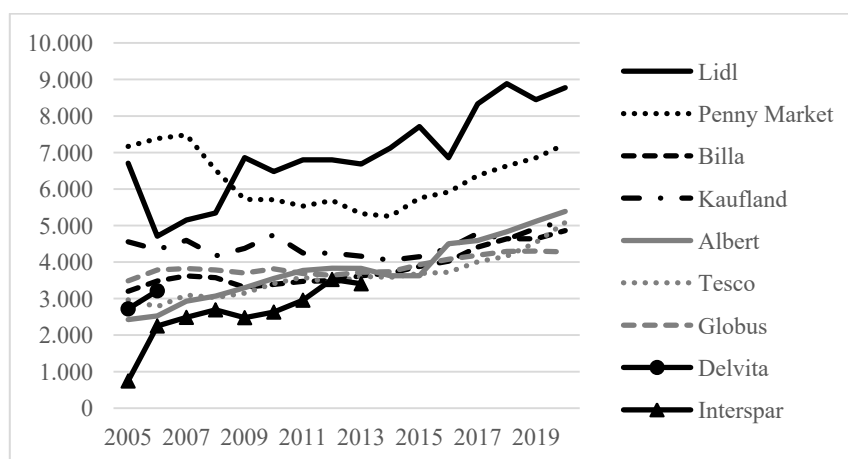


Fig. 1: Sales of goods per employee (in th. CZK)

The analysis of the relationships between sales of goods and key national economic variables showed a significant influence of the average wage, gross domestic product, and the general unemployment rate on the development of sales of goods of the largest retail chains. The value of the correlation coefficient between the sales of goods of the largest retail chains and the average wage in Czechia in the monitored period is $r = 0.98$, in the case of gross domestic product, $r = 0.97$, and the general unemployment rate $r = -0.80$. The record results of the largest retail chains in recent years were largely connected to the peak of the economy, low unemployment, and record wage growth within the Czech economy.

The success of discounters and medium-sized supermarkets and the increase in their market share compared to large formats and hypermarkets is related to the construction of new business units, among which discounters and medium-sized supermarkets predominate (for example, within new retail parks) and the change in consumer behaviour in the retail market in Czechia. Customers of discount stores and medium-sized supermarkets appreciate their availability and the possibility of quick purchases and advantageous shopping due to the high proportion of sale goods and private brands. The share of promotions and private products in these stores is higher than in hypermarkets with a comparable promotional offer and larger purchases, and at the same time, higher than in walk-in stores focused on hard-to-store fresh food and additional purchases. Large weekly purchases in large stores, which dominated the market 15 years ago, are no longer so convenient for customers and are receding into the background. The success of discounters is also the result of innovations in the design of discount stores, the marketing of discount chains, and their marketing communications.

With the rapid development of e-shops in the field of FMCG, which accelerated during the covid-19 pandemic, some customers today have the option of buying food online with delivery to their homes or, for example, to work. This will save customers time and the cost of a trip to the store. The development of e-shops, dominated by larger purchases that customers combine with additional purchases in local or specialized stores, mainly threatens stores focused on large weekly purchases. Some previously very successful hypermarkets and stores with large sales volumes are struggling in the changing market conditions with stagnation or even a decline in the number of active customers and sales.

The sales of products and services play an important role in the Czech FMCG market. The majority of retail chains show significant sales of products and services, mainly representing bonuses, fees, marketing support and other services charged to suppliers in connection with the sale of goods supplied by them. These payments are closely related to the purchase prices of goods and the trade margin achieved. This was confirmed in 2016 and 2017 after the amendment of the Act On Significant Market Power in the sale of agricultural and food products and its abuse when there was a significant decrease in sales of products and services for smaller retail chains and a significant increase in the value of the trade margin. The level of use of bonuses, marketing support and fees in relation to suppliers of goods varies significantly between individual retail chains. While the market leader Lidl's share of sales of products and services in total sales is minimal (0.14%), for the second largest chain (Kaufland), it was still more than 8% in 2020.

3.2. Trade margin

The services paid to retail chains by suppliers in connection with the sale of goods also make it difficult to compare the value of the trade margin between particular chains. The value of the trade margin of the largest retail chains increased from 19.5% in 2005 to 26.7% in 2020 (Figure 2). The lowest trade margins are shown by the chains Penny Market (23.2%), Billa (24.9%) and Kaufland (25.8%). The fair value of Kaufland's trading margin, which has the highest share of sales of products and services in total sales, is likely to be higher. An auxiliary calculation of the trade margin from the total sales indicates that the discount chain Lidl had a lower trade margin in a mutual comparison of the largest chains besides Penny

Market and Billa, where the share of sales of products and services in the total sales is minimal. Lidl's purchasing strategy, based on net purchase prices with a low share of sales of products and services, which enables transparent and efficient pricing, is one of the market leader's competitive advantages.

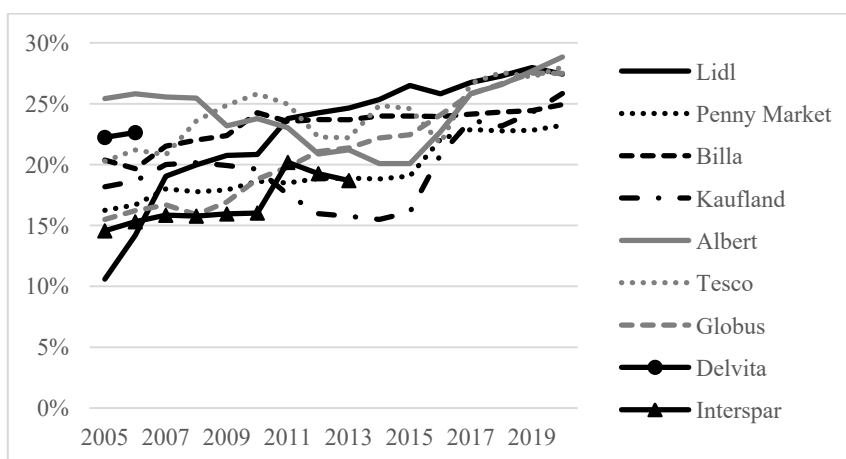


Fig. 2: Trade margin

3.3. Costs

The share of the costs of material and energy consumption and services in sales of goods decreased from 13.45 to 12.66% in the monitored period. The mutual ratio of material and energy consumption and service costs varies significantly between individual chains. To compare these costs between individual chains, it is, therefore, more appropriate to use the aggregate value of material and energy consumption and service costs as a share in the sales of goods. Discount chains Lidl (9.4%), Penny Market (10.4%) and supermarket chain Billa (11.2%) have the lowest share of this ratio. The Kaufland (15.5%), Globus (15.5%) and Tesco (14.8%), which operate supermarkets and hypermarkets, have the highest share of these costs in sales. A significant increase in costs and their share in the sales of goods occurred in the personnel costs. The value of this indicator for the entire group of the largest retail chains increased from 7.42% in 2005 to 9.77% in 2020 (Figure 3). The lowest share of personnel costs in the sales of goods have the discount chains Lidl (7.49%), Penny Market (8.46%), and the Billa supermarket chain (9.83%). Globus (12.41%) and Tesco (11.86%) chains have the highest share of personnel costs in sales of goods. Personnel costs and the development of their share in sales should be monitored in connection with the development of labour productivity. Within the largest retail chains, labour productivity grew faster than the share of personnel costs in sales. The growth rate of sales per employee was 33.95% in the monitored period, while the increase in personnel costs in sales was 31.57%.

The share of personnel costs in the added value decreased from 72.25% in 2005 to 57.01% in 2020. The lowest value of the share of personnel costs and added value in 2020 were the Lidl retail chain (41.13%), Kaufland (52.71%) and Penny Market (58.42%). The highest share of personnel costs in added value was reported by the Globus chain (80.48%). For the Delvita and Interspar chains, which ceased operations during the monitored period, the value of this share reached significantly above the level of 100%.

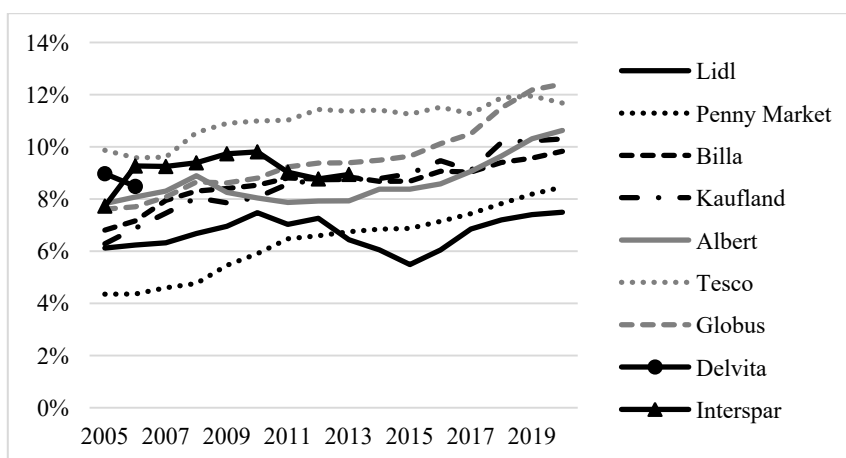


Fig. 3: Personnel costs to sales of goods ratio

The share of depreciation in the sales of goods slightly decreased from 2.71% in 2005 to 2.54% in 2020. The lowest share of depreciation in sales was the Globus chain for a long time, while the highest share had Tesco. The value of the share of depreciation in sales reflects, in addition to the amount of realized investments, also differences in the ownership of business units and other types of fixed assets between individual chains. The Tesco chain, which has the highest share of depreciation on sales, also has the highest share of fixed assets on sales. Globus, which has the lowest value of the share of depreciation in sales, together with Penny Market, has the lowest value of the share of fixed assets in sales. These two chains also show the highest difference between the net and gross value of fixed assets.

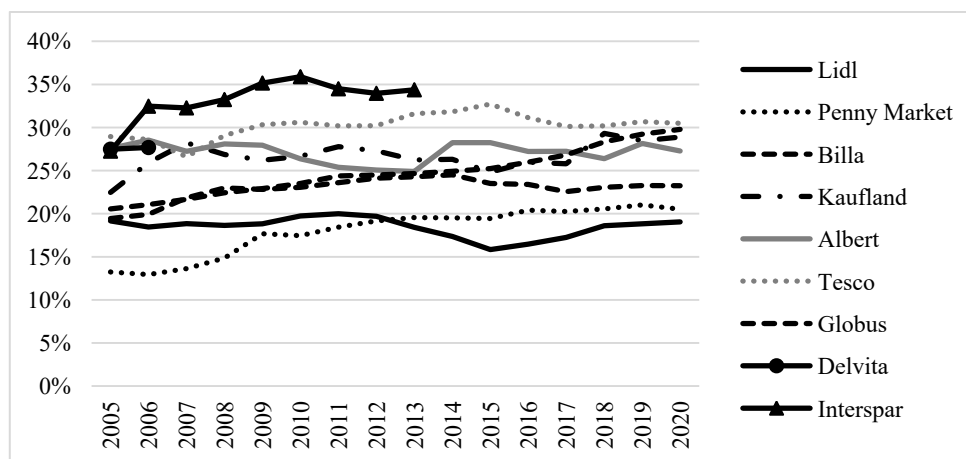


Fig. 4: Aggregated costs to sales of goods

A comparison of the share of aggregated costs (material and energy consumption, service costs, personnel costs, and depreciation) in sales of goods (aggregated cost ratio) confirms significant differences between particular chains and formats of retail stores. Lidl (19.05%) and Penny Market (20.53%) discount chains have the lowest aggregated cost ratio (Figure 4). The aggregate cost ratio of Lidl has hardly changed from a long-term perspective. In the case of Penny Market, there has been a significant increase since 2005 from the original very low value of 13.04%. The Billa supermarket chain also achieves low values of the aggregate cost ratio (23.16%). On the other hand, the highest costs ratios were in the chains Tesco (30.49%) and Globus (29.92%). While in the case of the Tesco chain, costs have been high for a long time, and in the

case of the Globus hypermarket chain, the aggregate cost ratio has increased by 45.6% in the monitored period. From comparing the aggregated cost ratios of individual chains, the Interspar chain's values stand out, reaching 35%. The high cost was very likely the main cause of the deep losses for this chain and its abandonment from the market.

The reason for the lower cost of discounters is not only the lower level of service and the share of personnel costs in sales in combination with higher labour productivity. Discounters, which represent medium-sized stores, have, like supermarkets, the ability to achieve a high value of sales per unit of sales area, which bears a large part of the costs. Low unit costs enable demand stimulation, attractive prices, and price promotions for customers, and building additional stores in a saturated market.

The similarity between the chains in cost structure can be found using cluster analysis. Indicators of the cost of goods, materials and services, personnel costs, and depreciation (ratios to sales of goods) are included to examine the similarity in terms of cost. In order to limit the influence of short-term fluctuations, the values of the indicators are aggregated over time into three groups, namely 2005 – 2009, 2010 – 2014 and 2015 – 2020. The dendrograms show the similarity of discount chains Lidl and Penny in terms of partial cost ratios. In the recent period, the small-format chain Billa has also been profiled as such discounters (Figure 5).

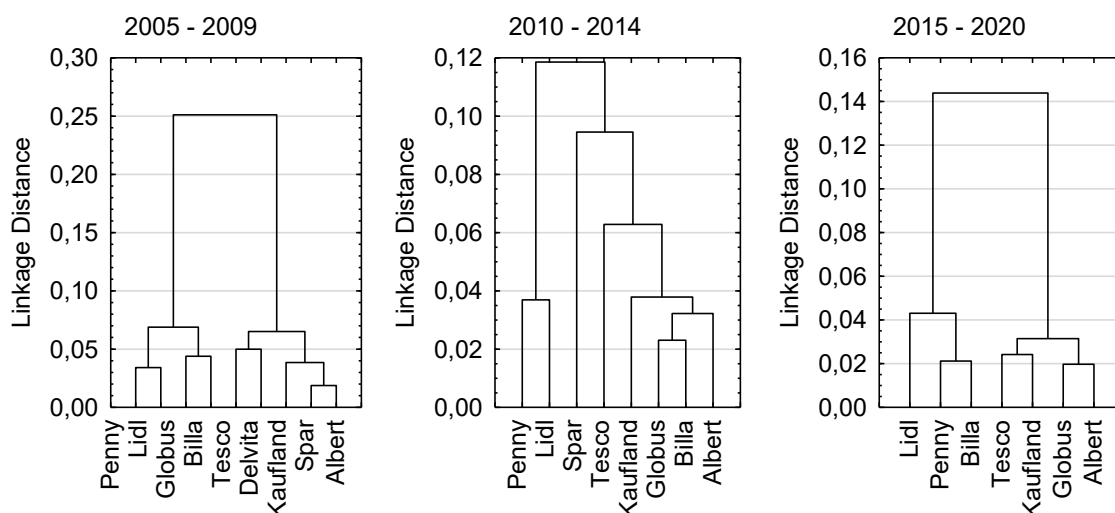


Fig. 5: Dendrograms of retail chains according to partial cost ratios

3.4. Profit before tax and profitability

In the profit and profitability of the largest trading companies, there was a significant shift in the monitored period. While in 2005 and 2006, the cumulative economic result of the entire group (including the DELVITA and Interspar chains) and its profitability was negative, in recent years, this group has shown a profit above the level of CZK 10 billion (Figure 6). The profitability of sales of goods of the entire group was above 4% during this period. The Lidl (8.37%) and Kaufland (5.08%) chains have maintained the highest profitability of sales in recent years. Two chains, which account for roughly 40% of sales for the entire group of chains, generated more than 65% of pre-tax profit. In 2020, Tesco Stores ČR (1.07%) and Globus ČR (0.99%) showed the lowest profitability.

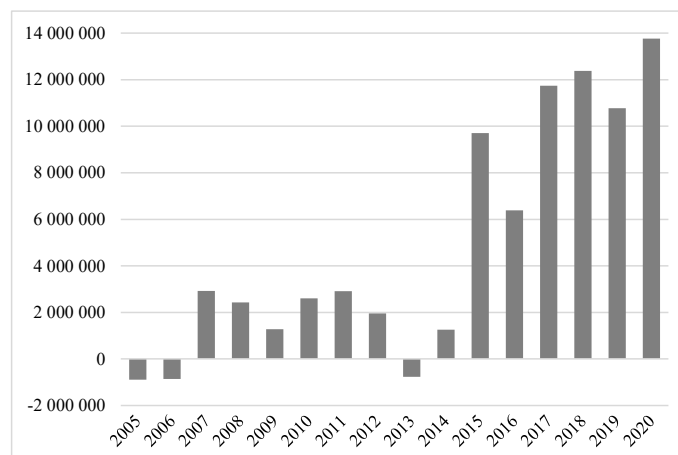


Fig. 6: Profit before tax (in th. CZK)

The profitability of sales for goods was very closely linked to the development of the entire economy. The value of the correlation coefficient between the profitability of the sales of the largest retail chains and the average wage in Czechia was $r = 0.83$ in the monitored period; in the case of the gross domestic product $r = 0.88$; and the general unemployment rate $r = -0.89$. The increase in the profitability of the largest chains was, as sales of goods, linked to the peak of the Czech economy, low unemployment, and record wage growth. When comparing profitability, there are significant differences between retail chains which are determined by the format of stores, the level of key processes (purchasing, logistics, marketing, sales) and the specifics of individual chains.

When calculating and comparing the correlation coefficients between the profitability of sales of goods and other economic indicators of the largest retail chains, two groups of chains emerged - discount chains Lidl and Penny Market and discounters together with the BILLA supermarket chain. The high value of the correlation coefficient and the connection with the profitability of sales of discount chains have their trade margin ($r = 0.82$) and the share of stock of goods in sales of goods ($r = -0.80$). The value of the correlation coefficient between the profitability of sales of goods and the total sales is $r = 0.65$ for discounters.

The values of correlation coefficients of discounters mainly influence the Lidl chain, which is the market leader. In its conditions, the correlation coefficient between the profitability of the sales of goods and the trade margin has a value of $r = 0.95$, and between the profitability and the share of the stock of goods in sales, $r = -0.86$. The value of the correlation coefficient between the profitability of the Lidl chain and the share of depreciation in sales for goods of this chain is also significant ($r = -0.85$). A significant influence on the profitability of Penny Market was labour productivity, for which the value of the correlation coefficient is $r = 0.82$; the share of aggregate consumption of energy and material and service costs on sales of goods ($r = -0.71$); and the share of depreciation on sales ($r = -0.77$).

3.5. Assets

The value of the assets of the companies that operate the largest retail chains in the FMCG area increased to more than double their original value (by 116.8%) in the monitored period. The highest relative increase in the value of assets occurred in the companies operating the Kaufland chains (by 391.8%) and Lidl (by 286.1%), which achieved the highest cumulative economic result before tax. There was also a significant increase in the assets for the companies that operate the Billa (by 249.6%) and Penny Market (by 198.6%) chains. The lowest increase in the reported value of assets occurred in Globus ČR (by 4.6%).

The value of assets of the largest chains grew more slowly than the value of sales of goods. The assets-to-sales ratio of the largest chains decreased by 25% in the monitored period. The value of fixed assets grew faster than the value of sales, despite a significant increase in the degree of its depreciation. This led to a decrease in their turnover and an increase in their share of total assets. The chains Tesco (65.9%) and Kaufland (60.1%) show the highest assets-to-sales ratio, while the lowest are Penny Market (19.4%) and Globus (20.8%). A comparison of the fixed assets-to-sales ratio is very similar. The chains Tesco and Kaufland show its highest level, Penny Market and Globus the lowest. The chains Globus (72.0%) and Penny Market (67.4%) had the highest level of depreciation of fixed assets, and the lowest was Lidl (24.5%).

The value of the stock of goods of the largest retail chains grew significantly more slowly than the value of sales of goods during the monitored period. The share of goods in sales, which decreased from 9.27% in 2005 to 5.44% in 2020, shows a significant shift of chains in logistics and inventory management. The Albert (4.11%) and Lidl (4.86%) chains have the lowest share of inventory in sales, reducing this ratio to less than half compared to 2005. The share of goods stocks to the sales of the Penny Market, Billa and Tesco chains was 5% in 2020. The chains Globus (8.14%) and Kaufland (7%) showed the highest share of inventory.

3.6. Capital

The equity value of companies that operate the largest retail chains increased by 61.2% in the monitored period. The share of equity in total assets has been hovering around 37% for a long time. The value of equity and debt grew more slowly than sales of goods. With the decrease in the assets-to-sales ratio, there was also a decrease in the capital intensity of sales for the largest chains. The share of liabilities to credit institutions to total debt increased from 19.7% in 2005 to 28.2% in 2020. Kaufland (54.7%) and Lidl (41.8%) reported the highest value of this indicator (they had the highest profit and profitability of sales). The companies operating the Penny Market, Billa and Globus chains had no liabilities towards credit institutions in 2020. The share of short-term liabilities from business relationships to total debt has been hovering around 30% for a long time. In the long term, the value of these liabilities is higher than the value of the stock of goods.

4. Conclusions

The group of the largest trading companies that operate retail chains (FMCG) in Czechia has been increasing its share in this highly competitive market for a long time. Chains that are part of the German concerns Schwarz Gruppe (Lidl, Kaufland) and Rewe (Penny Market, Billa) were particularly successful. The Czech market is dominated by the chains Lidl and Kaufland, representing 65.69% of the profit generated by the group of the largest chains in 2020. The unequivocal market leader is the chain Lidl, which has increased its market share from 6.12% to 16.32% over the last ten years. Lidl's success and dominance in the Czech market from the point of view of the economy are linked to high labour productivity and low unit costs. Lidl's high labour productivity is closely linked to the average wage, the highest of all monitored chains. Lidl's low costs per unit of revenue for the sale of goods are primarily due to low unit costs of consumption and services, low unit personnel costs and a low share of inventory.

From the point of view of retail formats, discount stores are particularly successful, which, together with medium-sized supermarkets, are growing at the expense of hypermarkets and large supermarkets. The combination of price promotions and a wide range of private products, characteristic of discount chains, is very attractive to customers, stimulates demand and, together with low unit costs, creates the potential for increasing the market share of discounters in a saturated market in Czechia. Chains that operate large supermarkets and hypermarkets have a high cost of sales, lower labour productivity and higher trade margins, stagnate or even lose their market share.

The analysis of the relationships between selected economic indicators and key national economic variables demonstrated a close connection between the economy of the largest retail chains and the development of average wages, gross domestic product, and unemployment. The development of the national economy significantly affects the development of sales and the profitability of retail chains. The record values of sales and profits achieved by the largest retail chains in Czechia in recent years were linked to the boom in the Czech economy, record growth in average wages and low unemployment. The period of the covid-19 pandemic has been very successful for the economy of most retail chains due to the increase in sales of goods, which was significantly influenced by the shift of demand from canteens and restaurants to retail stores and which exceeded the increase in costs.

In the near future, concerning the expected slowdown in the rate of growth of the Czech economy and the stagnation of real wages, a slowdown in the growth rate of the sales of the group of the largest retail chains and their financial results can be expected. This will probably lead to a sharpening of the competitive struggle, a further increase in the share of purchases in price promotions and an increase in the share of private products. Discounters and medium-sized supermarkets are likely to increase their market share further, where online stores will also gain more and more ground. Hypermarkets and large supermarkets are likely to face further stagnation and pressure to downsize stores, automation (e.g., introducing self-scanning, self-service cash registers or self-service stores) and other cost reduction methods.

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