

**PRICE PRESSURE ON POLISH CLOTHING MARKET:
MASS DISTRIBUTION AND ONLINE COMMERCE GROWING**


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Warsaw (gtai) - The Polish stores for clothing and shoes complain about low demand. Hyper-, Super- and Discount-market chains are becoming increasingly more important sales channels. They offer affordable goods of increasing good quality. In addition the online trade spreads also with its lower prices. Increasingly popular are second-hand stores. Clearance sales attract more customers. For quality products remain niche markets. But the outlook is getting better.

The growth of the Polish market for clothing and footwear flattens in 2013 to a nominal level of about 0.7% only, what represents a slight decrease in real terms. The price competition is getting

tougher, many customers are waiting for clearance sales. However, the Polish economy should overcome the economic downturn of the 1st quarter, so that the prospects for the coming year are getting better.

This is the opinion of the market research institute PMR. (<http://www.pmrpublications.com>).

**Market for Clothing and Footwear
(in bn. Zl)**

2011	2012*	2013**
28.1	28.7	28.9

*Estimation, **Forecast

Source: Market Research Institute PMR

PMR has questioned manager of over 160 garment and retail chains in April 2013 and evaluated 67 interviews. Interviewed were distributors of clothing (55) and shoes (12). Two thirds of them are both producers and distributors, one third are dealers only. The mood in the sector is dull: only one third called its own situation as well. The long winter also delayed the purchase of spring fashion goods.

Nevertheless - growth of quantitative sales was recognized which however was not necessarily reflected in the sales figures. The market situation is becoming difficult; providers need to react quickly and flexibly to changes. High rents in good locations are offset by a weaker demand. The import of cheap goods of lower quality on the other hand is complained by only 2% of the interviewees as a growth obstacle.



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More Fashion in Supermarkets

Super-, hyper-, and discount-markets are becoming increasingly important distribution channels for clothing. Their annual sales with these goods is already more than 2 billion Zloty (Zł; around EUR 465 million, 1 EUR = 4.2975, as of September 6th 2013) . A pioneering role here is played by the British retail chain Tesco, their leading clothing brand F & F achieves two - digit growth rates. According to the chairman of Tesco Polska, Ryszard Tomaszewski its share of the revenues of certain markets reaches 7 to 8%.

According to the daily Dziennik Gazeta Prawna the entire range of apparel and textiles achieves a share of over 10% in value of over 12 billion zloty of the total sales of Tesco Polska.

According to Tomaszewski therefore the chain decided to expand the departments for clothing in the Tesco hypermarkets and transform them into boutiques with an area of over 1,000 sqm.

Also the retail chain E. Leclerc is increasingly focusing on the segment of apparel and textiles, which already has reached a share of 5% of their sales. According to a company spokesman the demand for shoes with an increase of 7.5 % rose especially dynamically in 2012. Experts believe that the position of hypermarket chains as a channel for clothing and footwear will continue to grow in 2013. Even the discounter Lidl and Biedronka carry these goods already in their regular assortments.

The offer of general merchandise chains with clothing and footwear is reasonably priced and of increasingly better quality. Even brand articles or pure cotton products from organic production are to be found there at lower prices than at brand and specialty shops. Smaller domestic companies are increasingly benefiting from contracts for the manufacture of collections for retail chains in smaller quantities. While Polish producers have a strong position in children's clothing, general clothing and shoes from China, Turkey and India can be found predominantly in the chains. The number of specialty stores simultaneously is declining.



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Number of Shops for Clothing and Footwear

	2009	2010	2011	2012
Clothing	36,210	34,687	32,067	30,650
Footwear	8,178	7,982	7,610	7,464

Source: Soliditet Polska / Group Bisnode

Strong expanding is the German discount chain Kick, which opened from spring 2012 to spring 2013 20 new markets in Poland. By the end of 2013 another 50 stores are expected to be added. Also the number of second-hand stores is steadily increasing, in the first half of 2013 already to around 21,000.



Number of Online-Shops with Clothing in Poland

2008	2009	2010	2011	2012	2013
575	759	943	1,124	1,278	1,420

*Forecast

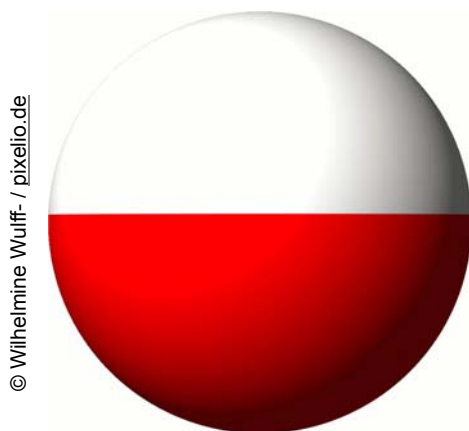
Source: Sklepy24.pl

Number of Online Shops is increasing

A clear growth trend of online shops for clothing is obvious, according to the portal for online purchases Sklepy24.pl

(<http://www.sklepy24.pl>), their number will increase to 1,420 in 2013. In addition, more and more consumer buy clothing in foreign online-shops that offer greater choice and lower prices especially for brand products.

The at the the Warsaw Stock Exchange listed private equity fund MCI Management , which has already invested in the German online shop for baby supplies www.windeln.de, took an financial interest at the biggest Polish e -fashion business Answear.com thru the company Wearco in summer of 2013. MCI Management is also shareholder at the online shop for underwear intymna.pl, at the Russian e- business KupiVip.ru for clothing and at the German jewelry business E-21Diamonds.



Answear.com carries in its range apparel and accessories from over 200 brands of the upper and middle segment, some of which were not previously available in Poland. Every month approximately 1.3 million Internet users are visiting this online shop which offers about 15,000 different products. Its founder and president is Krzysztof Bajolek, who previously used to be co- owner of the clothing house Artman, which was acquired by its major competitor LPP. Answear.com in addition has brought to its online offer also two branches in commercial galleries in Kielce and Poznan.

The trading company wants to expand further, even beyond national borders. According to Bajolek it wants also to become active in the Czech Republic and Slovakia in 2014. Then it plans engagements in Hungary, Ukraine and Belarus. Answear.com wants to double the number of offered products and distribute in the future approximately 300 different brands. In medium terms the company

aims to the top position in Central and Eastern Europe.

Due to their greater demand the eastern markets they are considered to be more receptive than the domestic market. As well as the clothing company No Name from Krakow (Cracow) wants to offer its middle segment women's-wear collection in the Ukraine, the Russian Federation and Kazakhstan. Also the leading Polish distributor of shoes CCC (<http://ccc.eu/pl>) wants to strengthen its presence in Central European countries. At the same time it breaks new ground by opening tentatively stores in Germany, Slovenia, Austria, Croatia and Turkey to test these markets. More western European countries will be targeted. For the opening of new stores CCC is expecting cost about 100 million ZLOTY in 2014, (2013: around 65 million PLN). In mid 2013 CCC has operated 704 shoe stores.

Despite the current general reticence in Poland market niches for quality and luxurious products can be found. In June 2013 Louis Vuitton opened its first boutique in the Warsaw luxury department store vitkAc. Thus another

world renowned company is now represented in the country. However some big names are still missing - such as Chanel, Fendi, Prada, Dior and Dolce & Gabbana.



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Beatrice Repetzki, Germany Trade & Invest www.gtai.de
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