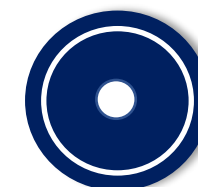




Retail trade

Business trends and consumption patterns in Greece

SECTORS IN FOCUS



Alpha Bank Economic Research

May 2023

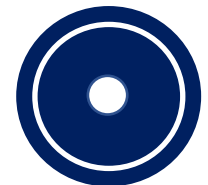
<u>Executive summary</u>	<u>3</u>	<u>Consumption patterns, expenditure and evolution of prices</u>	<u>24</u>
<u>Structural analysis of retail trade</u>	<u>4</u>	<ul style="list-style-type: none"> ▪ Evolution of consumption expenditure for retail products ▪ Economic sentiment in retail trade and consumer confidence ▪ Price fluctuations and back-to-back disruptions of supply and demand ▪ Consumption patterns and new trends 	
<ul style="list-style-type: none"> ▪ The retail trade as a backbone of the Greek economy ▪ Identifying the retail trade sector ▪ Retail in Greece as part of the distributive trade sector ▪ Structural decomposition of retail trade 		<u>Sustainable retail market and business trends</u>	<u>29</u>
<u>Key economic figures of retail subsectors</u>	<u>9</u>	<ul style="list-style-type: none"> ▪ Sustainable retail business model ▪ Retail trade evolution and trends ▪ E-commerce and online sales ▪ Innovative business models and technologies 	
<ul style="list-style-type: none"> ▪ Non-specialized stores ▪ Food, beverages, and tobacco in specialized stores ▪ Automotive fuel in specialized stores ▪ Information and communication equipment in specialized stores ▪ Other household equipment in specialized stores ▪ Cultural and recreation goods in specialized stores ▪ Other goods in specialized stores ▪ Retail sale via stalls and markets ▪ Retail trade not in stores, stalls or markets 		<u>Policy recommendations and SWOT analysis</u>	<u>34</u>
<u>Market analysis and regulatory framework</u>	<u>19</u>	<ul style="list-style-type: none"> ▪ Policy recommendations ▪ SWOT analysis 	
<ul style="list-style-type: none"> ▪ Key players of the retail market ▪ Financial analysis of the retail subsectors ▪ Regulations and policies for retail trade ▪ The EU-27 Digital Single Market 		<u>References</u>	<u>37</u>

The retail sector supports employment, labor income and growth. In the post-pandemic era, retail is changing. COVID-19 accelerated and deepened the transition to online shopping and e-commerce, bringing about changes in the retail structure and the priorities of retailers. Consumer needs and habits are also changing, transforming traditional purchasing forms and allowing customers to explore more options in their shopping experience. Identifying the emerging consumption patterns is crucial for retailers as they are called to adjust their market strategies in order to effectively respond and adapt to the new trends.

Sustainability guidelines in commerce also play a crucial role, as retail is an overarching link between production and consumption, coordinating the activities of the whole supply chain. As such, it can also mobilize and coordinate sustainable choices on behalf of stakeholders in all stages of supply and demand.

- **Retail trade activities are classified according to two types of sales outlets, i.e.,** retail trade in stores and retail trade not in stores. Retail trade in stores is further distinguished in sales in specialized stores, according to the type and range of products they sell, and sales in non-specialized stores.
- **Retail trade is the largest employer in Greece. It occupies almost half a million** people aged 15 to 74 or almost 12% of the labor force, and is also the largest employer of women in Greece.
- **Retail sale in non-specialized stores is the largest sector in terms of value** added, turnover and employment. Supermarkets and other stores with food and beverages predominating account for the vast majority of the persons employed, turnover and number of firms in non-specialized stores.
- **Retailers saw their sales drop considerably during the Greek financial crisis.** Recently, retail faced another major crisis due to the pandemic lockdowns, which resulted in the closure of many stores and hurt especially those without an online presence. It is estimated that in 2020, almost 1/3 of businesses (63.4 thousand) under suspended operation in Greece were retail stores.
- **The top 10 players in the Greek retail market account for over half of total net** sales and 2/3 of pre-tax profits. In terms of net sales, some of the largest companies in the retail market, including supermarkets, petrol stations and electrical appliance sellers, are among the 20 largest Greek companies.
- **Greek households allocate nearly 40% of their consumption expenditure on** basic needs such as food, beverages, housing, water and energy, while retail-related purchases account for roughly 1/3 of their expenditure (2021).
- **E-commerce in Greece witnessed notable growth over the last decade and** especially after the COVID-19 pandemic. However, the share of total turnover of Greek enterprises employing 10 or more people from e-commerce sales is second to last in the EU-27, after Cyprus.
- **Back-to-back with increasing demand, geopolitical tensions in Europe triggered** a trend of rising prices in the summer of 2021, leading to an inflationary spiral of rather high energy prices, which peaked after the Russian invasion of Ukraine.
- **The EU's "New Deal for Consumers" legislation aims at strengthening and** modernizing the EU consumer protection rules in the light of the exponential rise of digital economy and e-commerce and the growing risk of infringements.
- **Although the expansion of online shopping is established as a major post-**pandemic trend, other habits that shape consumption patterns also emerged. Greek consumers exhibit a growing concern over the rising cost of living, weakened preferences towards brands and a comeback of in-store shopping.
- **Reducing plastic packaging, cutting back paper receipts, using biodegradable** bags, improving energy efficiency and managing waste more effectively are just some of the steps retailers need to take to become more sustainable.
- **Advanced digital technologies and innovative business strategies, such as** omnichannel, smart stores, q-commerce or retail 360-degrees, enable a more captivating online and in store retail experience for customers.

Structural analysis of retail trade



Retail is the largest domestic employer and supporter of the female workforce

The retail sector, directly and indirectly, generates jobs, as well as labor income and growth, and makes a significant contribution to Greek GDP. The employment share of the Greek retail sector in all economic sectors is the highest among the EU-27 countries, while its gross value added (GVA) is almost 5% (same as the EU average) of the GVA of all economic activities.

Retail trade is the largest employer in Greece. According to Eurostat's Labour Force Survey for 2021, it employs almost half a million people aged 15 to 74, which is almost 12% of the labor force. In terms of employment, retail trade stands above other important sectors of the Greek economy, such as primary agricultural production (11% of total employment), public administration (10%), education (8%) or human health activities (6%). Retail trade is also the largest employer of women in Greece, occupying 14% of the female workforce.

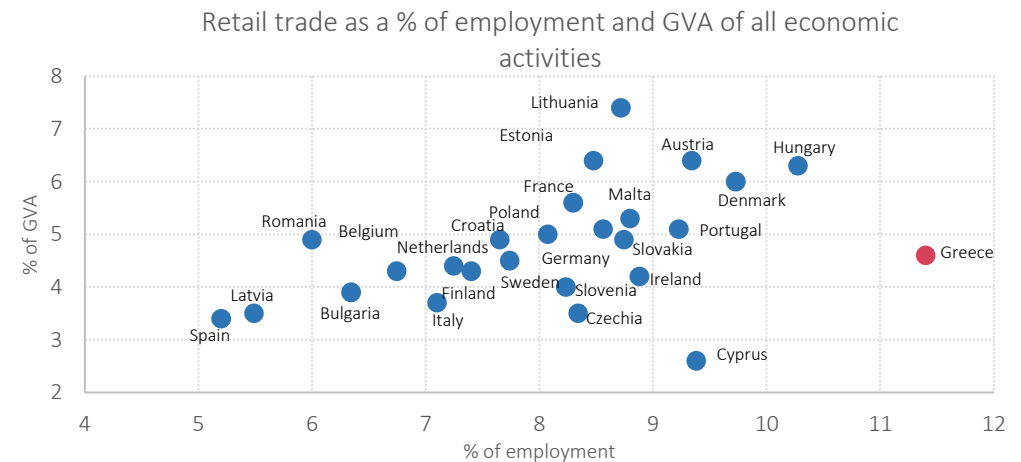
First 10 sectors in employment by sex and economic activity (2021, NACE Rev. 2 two-digit level)	% Total	% Males	% Females
Retail trade, except of motor vehicles and motorcycles	12%	11%	14%
Crop and animal production, hunting, related service activities	11%	11%	10%
Public administration and defense; compulsory social security	10%	10%	9%
Education	8%	4%	13%
Human health activities	6%	4%	9%
Food and beverage service activities	6%	6%	6%
Manufacture of food products	3%	3%	3%
Wholesale trade, except of motor vehicles and motorcycles	3%	4%	2%
Legal and accounting activities	3%	2%	4%
Land transport and transport via pipelines	2%	4%	0%

Source: Labor Force Survey, Eurostat

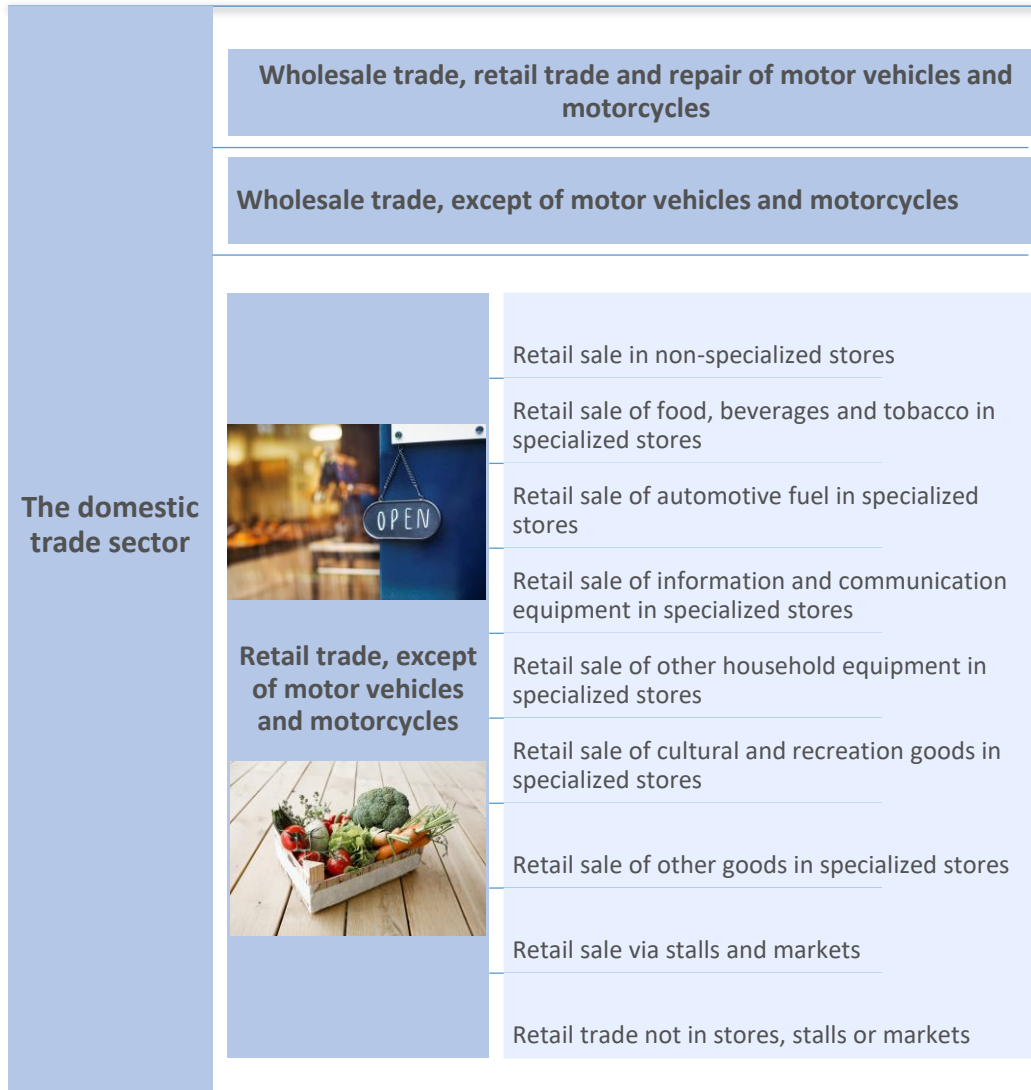
Retail activities and sales are strongly tied to consumer preferences and household spending, tracking final demand for finished goods.

Domestic distributive trade activities include wholesale trade, retail trade, and the sales of vehicles and motorcycles. Distributive trade and especially retail trade, of both larger companies and SMEs, is a considerable driver of economic growth and state revenues via sales taxation. Retail is the last and vital link of the production and distribution chain, closely connected to consumer spending, thus rendering it a sector of valuable importance that reflects both the upward and downward phases of the economy.

Even so, as many other sectors, retail is changing. The transition to online shopping (e.g., click-away, click-in-shop), a key aspect of these changes, was even more pronounced during the COVID-19 experience, which brought changes in the structure of commerce and the priorities of retailers. Digitalization, new technologies and consumption patterns, environmental and sustainability engagements all pave the way for the creation of new business trends and opportunities that determine the future of the retail market.



Source: National accounts, Eurostat



Source: Eurostat, NACE Rev. 2 classification

Retail trade businesses, in the form of either physical or online stores, buy products from manufacturers or wholesalers and sell them to end-users.

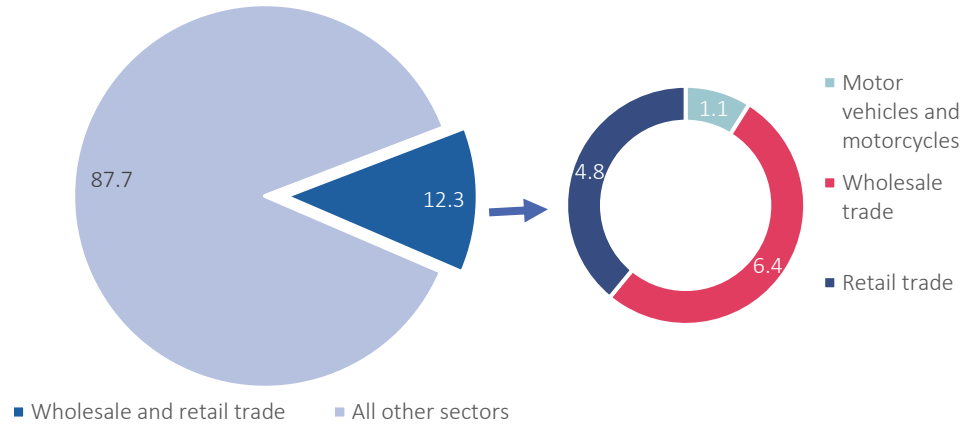
While wholesale trade comprises establishments that sell new and used merchandise to other businesses (goods sold to other wholesalers or retailers), retail distributors intervene in the trade process to connect producers or wholesalers with final consumers or end-users. Therefore, retail establishments purchase products from manufacturers or wholesalers and resell them mainly to the general public without transforming them.

NACE Rev. 2 Classification divides Section G, i.e., total domestic trade, into three main sectors: a) wholesale and retail trade and repair of motor vehicles and motorcycles (sector 45), b) wholesale trade, except of motor vehicles and motorcycles (sector 46) and c) retail trade, except of motor vehicles and motorcycles (sector 47). The wholesale and retail trade of motor vehicles and motorcycles also includes all activities of commission agents involved in the wholesale or retail sale of vehicles. In the current study, we study and process the data of sector 47 (herein referred to as *retail trade*).

Retail trade activities are classified according to two types of sales outlets, i.e., retail trade in stores and retail trade not in stores. Retail trade in stores is further distinguished into sales in specialized stores – according to the type and range of products they sell – and sales in non-specialized stores. Retail trade not in stores is distinguished according to the transaction form, i.e., whether goods are sold in markets, stalls, or via the Internet, mail order, door-to-door salespersons, etc.

Retail trade comprises nine subsectors: the subsector of retail sales in non-specialized stores, six subsectors of retail sales in specialized stores distinguished per product type (i.e., food, beverages and tobacco, automotive fuel, information and communication equipment, other household equipment, cultural and recreation goods and other goods), the subsector of retail sale via stalls and markets and that of retail trade not in stores, stalls and markets.

Percentage of GVA of trade sectors in total GVA in Greece (2021)

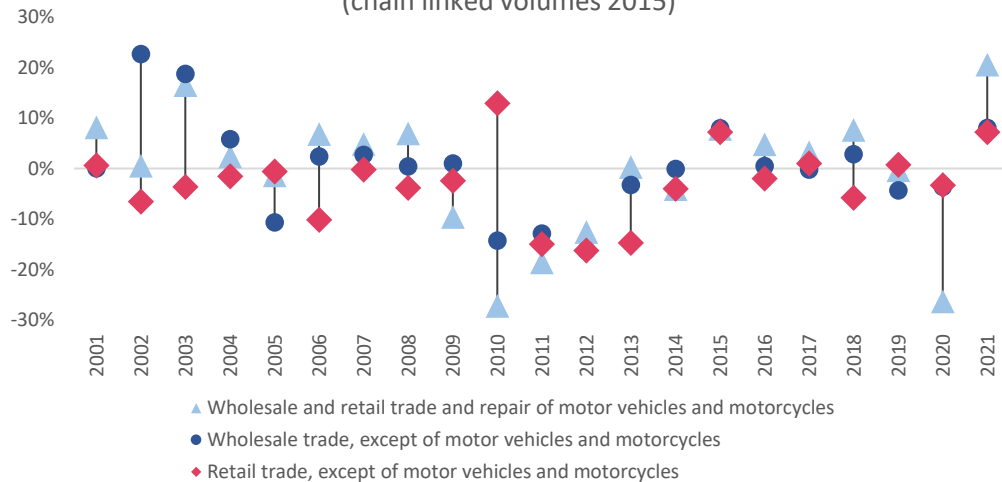


The value added share of retail activities in domestic distributive trade has been reduced over the last two decades.

The sectors of Greek distributive trade, i.e., wholesale and retail trade and trade of motor vehicles and motorcycles, accounted for 12.3% of the country's total gross value added (GVA) in 2021, the same share as in 2011. Due to the Greek financial crisis and then the pandemic crisis, distributive trade experienced a cumulative GVA decline of 17% in the decade 2011-2021. In 2021, its GVA amounted to €18.8 billion (in chain-linked volumes 2015).

Of the three sectors of distributive trade, wholesale occupies the largest part of its GVA (53% or equally 6.4% of all economic activities in 2021), while retail the second largest (38% of distributive trade or 4.8% of total activities) and motor vehicles and motorcycles the lowest (9% of distributive trade or 1.1% of total).

Annual % change of gross value added of trade sectors in Greece (chain linked volumes 2015)

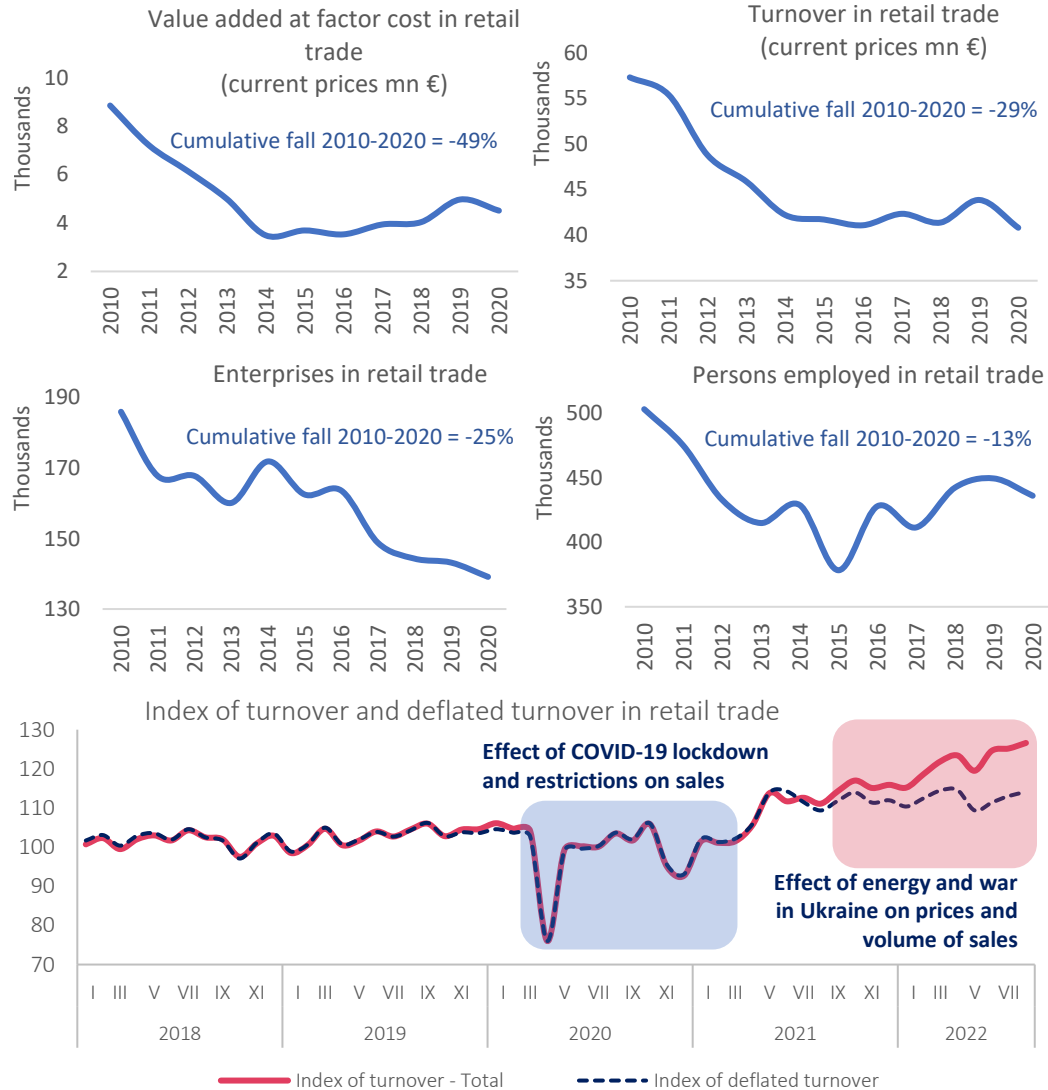


The GVA share of retail in total distributive trade has declined significantly over the last two decades. At the beginning of the 00s, the GVA share of retail trade was more than ½ of the GVA of total trade, and then gradually fell in the following years. In 2009, retail held 36% of total trade's GVA, as opposed to 52% of wholesale and 11% of motor vehicles.

This reduction of retail's value added share can be attributed on the one hand to its continuous annual decrease during the period 2001-2014 (apart from 2010), which ended up in a cumulative reduction of nearly 50%, and on the other to the increase of wholesale's value added by 47% and that of motor vehicles by 28% during the period 2001-2009. Despite the fall in value added, the retail trade turnover index increased from 2001 to 2008, albeit at a slower rate than the turnover index of wholesale trade.

In terms of employment, retail trade has had an annual average share of 55-60% of total domestic distributive trade since 2000, indicating that the sector is one of the largest job providers in the country. Wholesale trade accounted for 30-35% of total employment and motor vehicles for almost 10%.

Source: National accounts, Eurostat



Source: SBS, STS Eurostat

It is estimated that in 2020, almost 1/3 of businesses (nearly 63.4 thousand) under suspended operation during the pandemic were retail stores (ESEE).

Enterprises and employment

Retail trade in Greece numbered over 139 thousand businesses in 2020, a figure that declined cumulatively by ¼ in the decade 2010-2020. Per size, 58% of these enterprises are one-person companies, i.e., the retailer is the sole employee, while 40% of them employ from 2 up to 9 persons, implying that the small and very small businesses dominate the retail landscape.

Regarding the concentration of the Greek retail enterprises per NUTS region, 30% operate in Attica, 18% in Central Macedonia, and 7% in Crete and Thessaly, respectively. Employment in the Greek retail sector reached nearly 450 thousand in 2020, mainly employees (60%) but also less self-employed (40%).

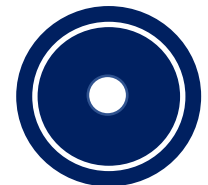
Gross value added of retail trade

Retail trade experienced subsequent reductions in terms of its gross value added during the financial crisis after 2009. Between 2010 and 2014, the sector cumulatively lost 61% of its value added (current prices). The ground was partially regained in the following years, although the surge was interrupted by the breakdown of the pandemic in 2020, resulting in an annual GVA fall of 9%.

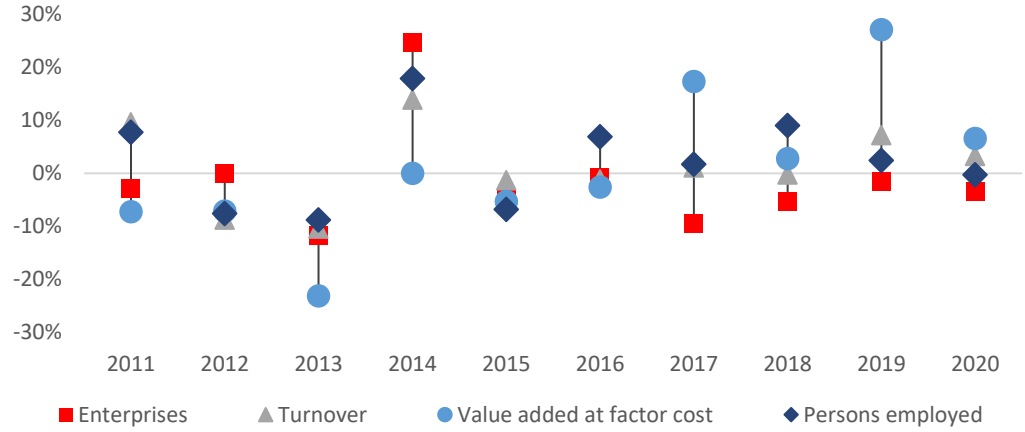
Turnover of retailers

Retailers suffered significant sales losses during the Greek financial crisis. Recently, retail trade faced another major crisis due to the COVID-19 pandemic lockdowns, which resulted in the closure of many retail stores and hurt especially those which did not have an online presence. As reflected by the divergence of turnover and deflated turnover indices (i.e., the volume of sales), which grew by 14% and only 5% respectively in the first 8 months of 2022, the increase in sales in 2022 is mainly due to inflationary pressures and price increases rather than an increase in volume.

Key economic figures of retail subsectors



Retail sale in non-specialized stores
(y-o-y % change, GVA and turnover in current prices)



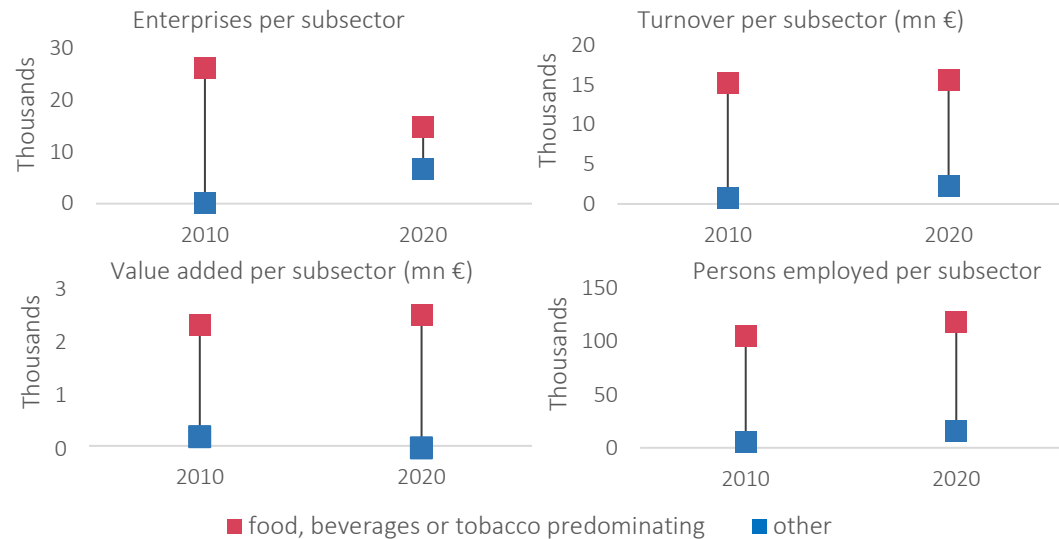
Retail sale in non-specialized stores is the largest retail sector in terms of value added, turnover and persons employed.

Retail sale in non-specialized stores accounts for 54% of retail trade’s value added, 44% of its turnover, 31% of persons employed and 16% of its enterprises (2020). The sector is represented by 21,578 enterprises (2020), reduced by 18% relative to 2010. Nevertheless, employment in the sector increased by 20% from 2010 to 2020, reaching over 134 thousand persons, while its value added has exhibited positive annual growth since 2017.

Non-specialized stores include two subsectors related to retail sale of various products in the same unit: retail sale in non-specialized stores with food, beverages or tobacco predominating, i.e., mainly supermarkets, and other retail sale in non-specialized stores, i.e., mainly department stores.

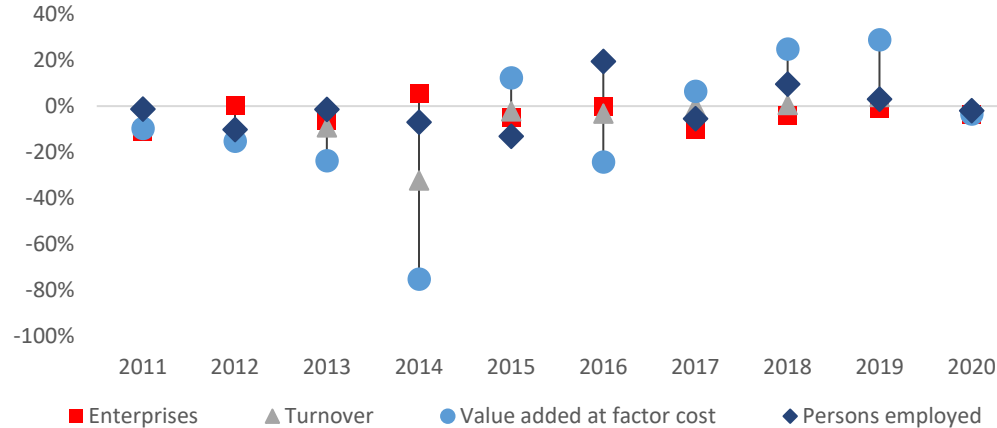
Supermarkets and other stores in which food and beverages are predominant employ 88% of the persons employed in non-specialized stores, with a 69% share of the sector's companies and 87% of total turnover. Almost all GVA of non-specialized retail stores comes from supermarkets. Three supermarkets accounted for 64% of the sector’s turnover in 2020 and are also among Greece’s top ten retail trade companies: Sklavenitis (31%), AB Vassilopoulos (20%) and Metro (13%) (ICAP Dataprisma, herein referred to as “ICAP”).

The second class of non-specialized stores, that of other retail sale, includes a variety of products of which food, beverages or tobacco are not predominant, as well as department stores with clothes, furniture, appliances, hardware, cosmetics, jewellery, toys, sports goods, etc. The subsector accounts for 31% of enterprises, 12% of employment and 13% of turnover of non-specialized stores (2020). Its turnover was more than doubled in the period 2010-2020 but fell due to the COVID-19 pandemic, only to regain ground in the first half of 2022. Three companies, Praktiker (26%), Leroy Merlin (21%) and Attica department stores (18%), held 2/3 of the subsector’s turnover in 2020 (ICAP).



Source: SBS, Eurostat

Retail sale of food, beverages and tobacco in specialized stores (y-o-y % change, GVA and turnover in current prices)



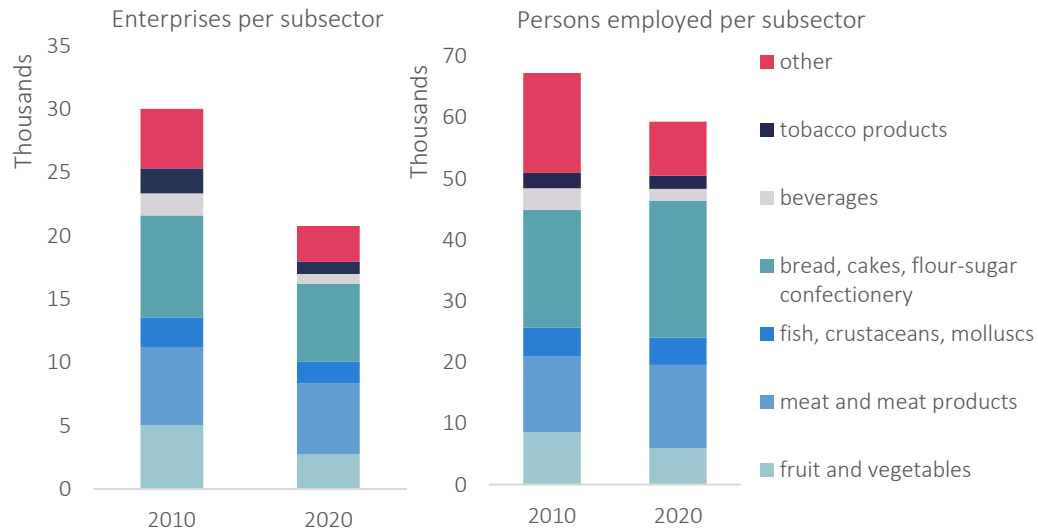
Food, beverages and tobacco in specialized stores is an important retail subsector and the main competitor of supermarkets.

Retail sale of food, beverages and tobacco in specialized stores is the third largest retail employer, representing 14% of persons employed in retail stores, 15% of retail firms, 8% of turnover and 4% of the gross value added in 2020. The number of enterprises fell by 31% cumulatively during the decade 2010-2020, reaching 20,769 companies in 2020. Employment in the sector declined by 12% cumulatively during the 2010-2020 decade, with the number of employees at just over 59 thousand in 2020.

The sector's value added and turnover fell sharply in 2014 (by -75% and - 32% respectively in one year at current prices), in contrast to the respective increases of turnover and enterprise numbers of their main competitors, i.e., supermarkets, over the same year. This presumably indicates a demand substitution effect between the two subsectors, as supermarkets were able to sell their products at lower prices, by making larger offers and discounts or by selling their usually cheaper private label products.

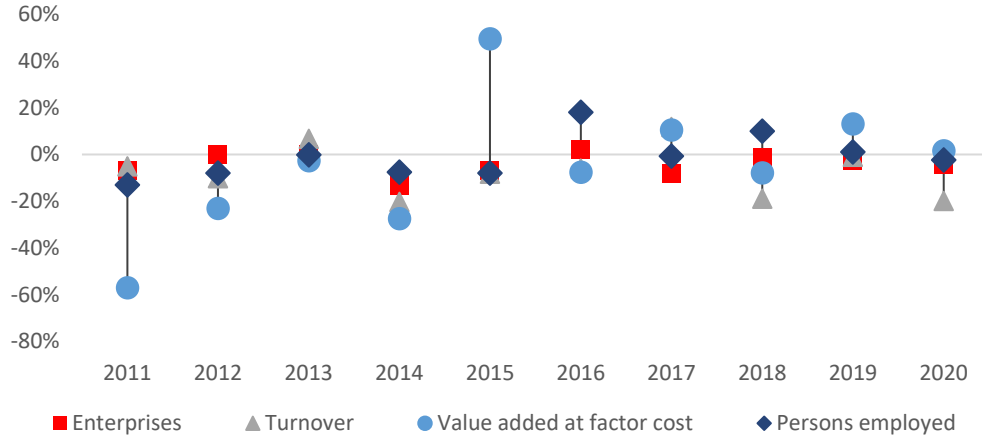
Retail sale of food, beverages and tobacco in specialized stores includes seven subsectors, namely those of food, tobacco products, beverages, bread and cakes (and flour-sugar confectionery), fish, meat and fruit and vegetables. Bread, cakes, flour and sugar confectionery is the largest subsector in terms of employment and number of enterprises, occupying over 22 thousand persons (2020), while stores that sell meat and meat products record the highest share in terms of turnover and value added (36% and 38% respectively).

The largest companies regarding sales are Nespresso, which belongs to other retail sale (8% of total turnover of specialized stores), Kalamvoki (6%) and Kreokopeion (6%), which are meat products retailers. As for bread, cakes and confectionery, three companies, namely Venetis (11%), Apollonion (8%), and Papaspyrou (7%) held almost 1/4 of the subsector's turnover in 2020 (ICAP).



Source: SBS, Eurostat

Retail sale of automotive fuel in specialized stores (y-o-y % change, GVA and turnover in current prices)



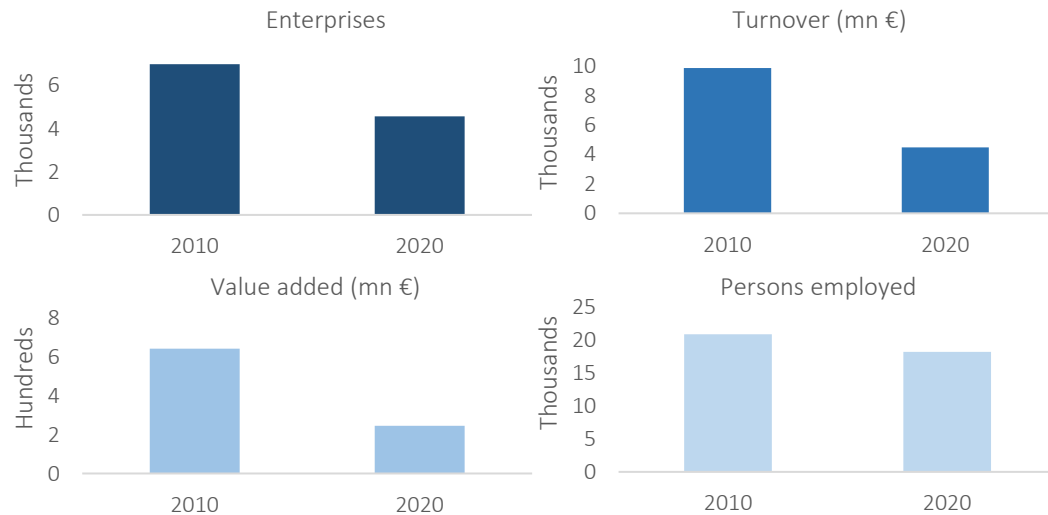
Fuel stations witnessed the heaviest loss due to the COVID-19 pandemic in terms of turnover, although they rebounded in the following years.

Retail sale of automotive fuel in specialized stores (i.e., fuel stations) includes only one subsector, that of retail sale of fuel for motor vehicles and motorcycles and of lubricating and cooling products for motor vehicles in fuel stations. It excludes wholesale trade of fuels, as well as retail sale of liquified petroleum gas for cooking or heating. In 2020, retail sale of automotive fuel in specialized stores accounted for 11% of total retail trade turnover, 5% of its value added, 4% of the persons employed and 3% of the enterprises.

The number of automotive fuel retail companies declined by 35% cumulatively between 2010 and 2020, down to 4,564 in 2020. The number of persons employed in automotive fuel stores was decreased by 13% during the same period, reaching nearly 18 thousand in 2020. One in three of the sector's enterprises employed only one person in 2020.

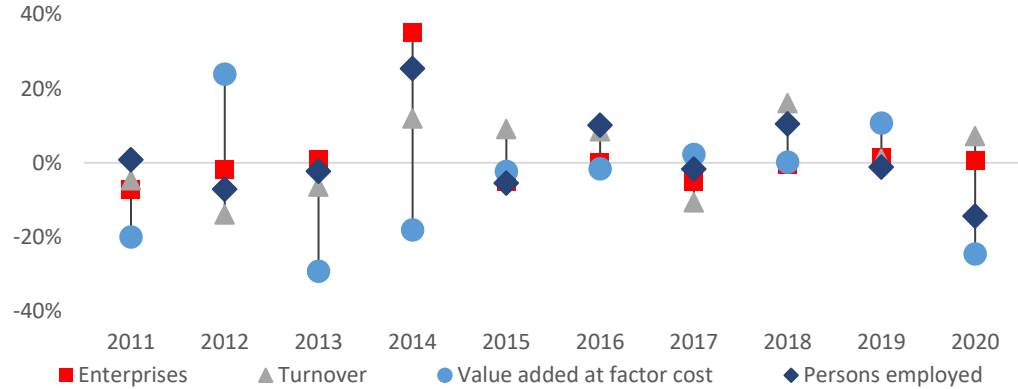
The sector's value added recorded a sharp decline of 62% during the 2010-2020 decade, reaching €245 million in 2020 (at current prices). In the same year, the first of the COVID-19 pandemic, automotive fuel stores lost 1/5 of their sales value compared to the previous year, recording the largest fall among retail sectors. Despite losses due to transport restrictions in 2020, there was a slight increase of 2% in the gross value added of the sector. In 2021, turnover rebounded, whereas in the first half of 2022, it increased by 43% (at current prices), largely as a result of the higher energy prices.

Three companies hold more than 2/3 of the sector's net sales, with the other companies each holding less than 2%. The company Kalypso, which owns fuel stations under the EKO brand, is the leader in terms of the sector's net sales, with a 30% share, followed by Myrtea (19%), which owns the fuel stations under the SHELL brand, and the company Makraion (16%), which operates the AVIN fuel stations (ICAP).



Source: SBS, Eurostat

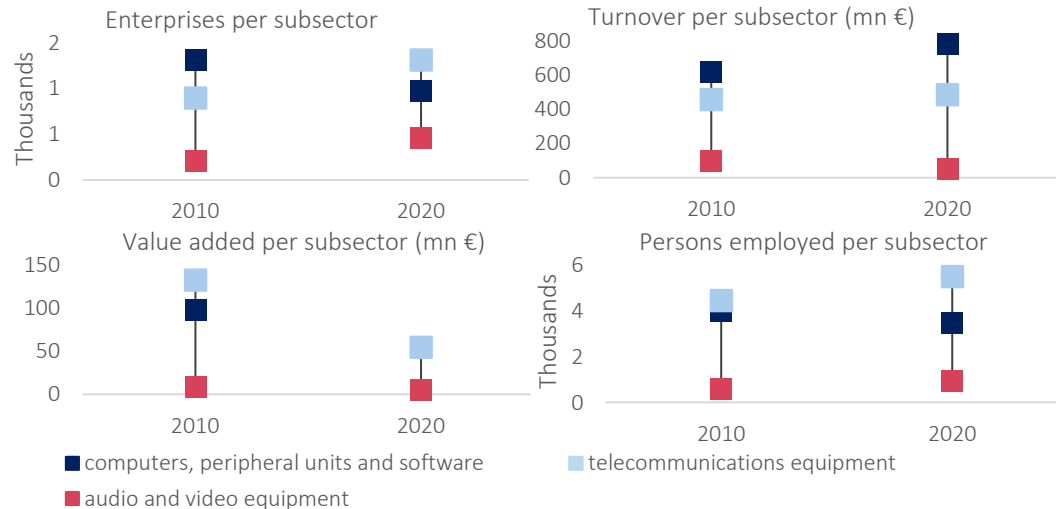
Retail sale of ICT equipment in specialized stores (y-o-y % change, GVA and turnover in current prices)



Computers, peripheral units and software equipment sales surged after the pandemic due to the increase in teleworking and online transactions.

The sector of information and communication equipment in specialized stores covers the retail sale of information and communications technology (ICT) equipment, which includes computers and peripheral equipment, telecommunications equipment and consumer electronics.

This sector is relatively small compared to other sectors of retail trade, since it accounts for 3% of its value added and 3% of its turnover. The GVA of the sector shrunk by 53% cumulatively from 2010 to 2020, losing 1/4 of its value in the first year of the pandemic (at current prices). On the contrary, its turnover grew mildly over the same decade, recording a 7% annual growth rate in 2020 due to the lockdowns and the increased use of ICT equipment. Regarding the number of enterprises, 2,739 companies operated domestically in 2020, rising cumulatively by 14% since 2010, accounting for 2% of all retail trade businesses. ICT equipment in specialized stores accounts for only 2% of the persons employed, who reached 9,330 in 2020, up by 10% since 2010.



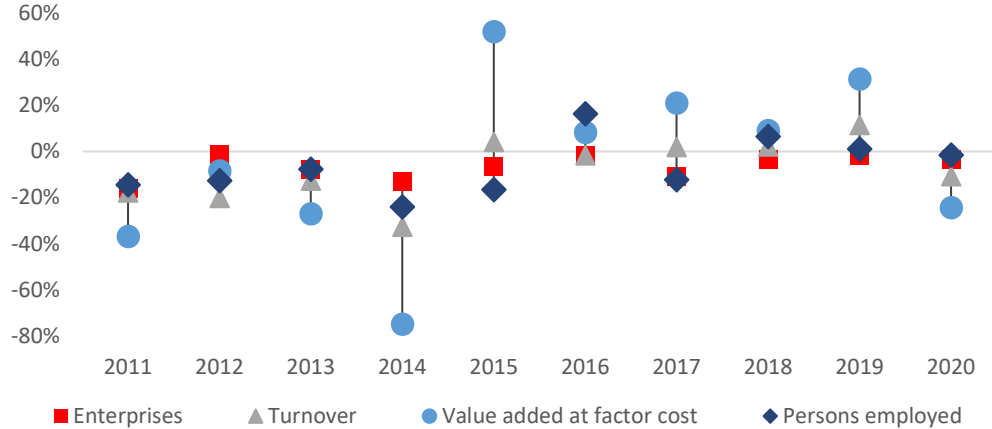
Retail sale of ICT equipment consists of three subsectors: computers, peripheral units and software, telecommunications equipment and audio and video equipment. Regarding the number of enterprises, gross value added and the persons employed, telecommunications equipment has the largest share of the sector (48%, 48% and 55% respectively). Computers, peripheral units and software held 47% of the GVA and turnover in 2020 and also recorded a strong annual turnover growth during 2021 and the first half of 2022.

The three leading companies of ICT equipment sales are Plaisio (28%), POSIT (24%) and Public (21%), which hold 73% of its total turnover. In computers, peripheral units and software, the key players are Plaisio and Public, holding 47% and 35% of the subsector's turnover respectively (ICAP). The top player in telecommunications equipment is POSIT, with a market share of 61% in 2020.

*Because of a discrepancy in Eurostat's data for 2020 regarding the turnover of the sector 47.41 (computers, peripheral units and software), we used the ELSTAT data from the series of turnover for enterprises since 2019.

Source: SBS, Eurostat, Turnover data for enterprises since 2019, ELSTAT

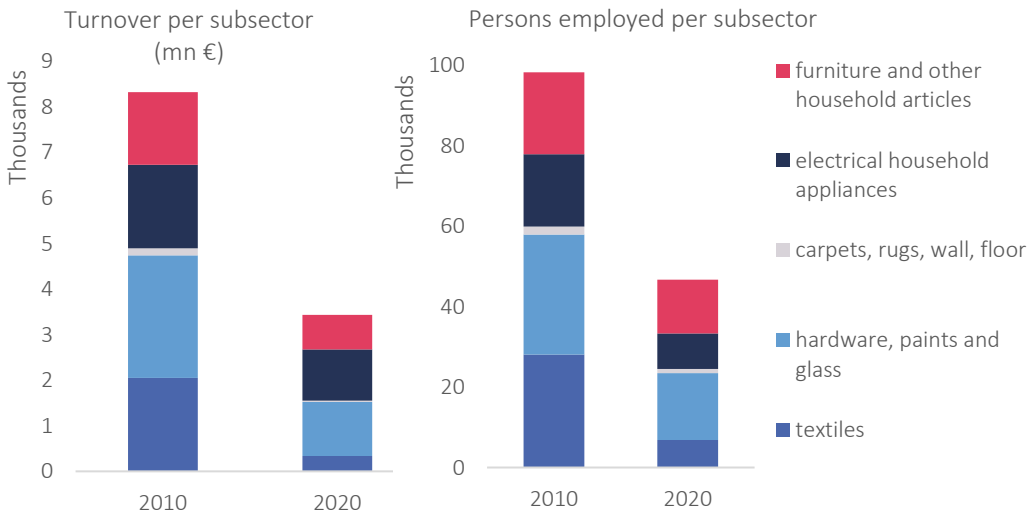
Retail sale of other household equipment in specialized stores (y-o-y % change, GVA and turnover in current prices)



Other household equipment (textiles, furniture, etc.) is among the retail sectors that were mostly hurt during the financial and the pandemic crisis.

Other household equipment in specialized stores is a diverse sector that encompasses 14% of retail enterprises, 11% of the persons employed, 8% of its turnover and 7% of the GVA (2020). The sector counted 19,371 enterprises in 2020, significantly less than those in 2010 (38,638).

A marked decline of 53% was recorded in the number of people employed in other household equipment, which fell from over 98 thousand in 2010 to 46,686 in 2020. The gross value added of the sector also declined cumulatively by 77% over the same period and stood at €335.5 million in 2020 (at current prices). The sector lost 75% of its value added in just one year - 2014 - and has not yet fully recovered it, despite the following annual increases. In addition to that fall, ¼ of its GVA was also lost in 2020, after the coronavirus pandemic and the closure of many retail stores. Its turnover fell by nearly 60% cumulatively in the same decade, also greatly impacted by the COVID-19 crisis in 2020.

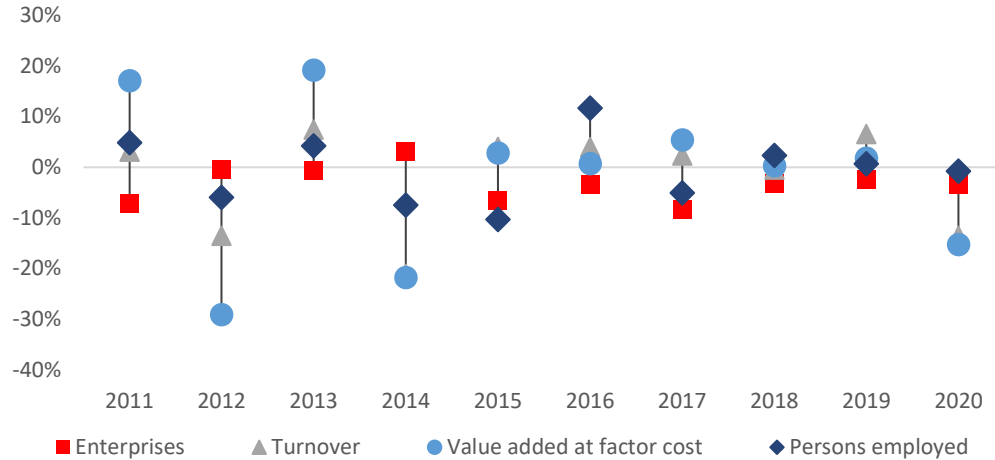


Other household equipment in specialized stores includes five subsectors: a) textiles, b) hardware paints and glass, c) carpets, rugs, wall and floor coverings, d) electrical household appliances and e) furniture, lighting equipment and other household articles. Hardware, paints and glass witnessed a sales increase in 2021 and the first half of 2022. The subsector leads other household equipment, since it accounts for 38% of its enterprises, 36% of the persons employed, 31% of its GVA and 35% of the turnover (2020). The second largest subsector, furniture and lighting equipment, accounts for ¼ of the sector’s enterprises, 29% of the persons employed and GVA respectively, and 22% of its turnover (2020).

The leading company in the sector in terms of net sales is Kotsovolos (40%), followed by IKEA (10%). In hardware, paints and glass, Ravenna owns 9% of its turnover, followed by Moda Bagno (5%), while in furniture, lighting equipment and other, IKEA holds 44% of the subsector’s net sales (2020) (ICAP).

Source: SBS, Eurostat

Retail sale of cultural and recreation goods in specialized stores (y-o-y % change, GVA and turnover in current prices)



Retail sale of cultural and recreation goods in specialized stores lost 1/3 of its value added in the first year of the pandemic.

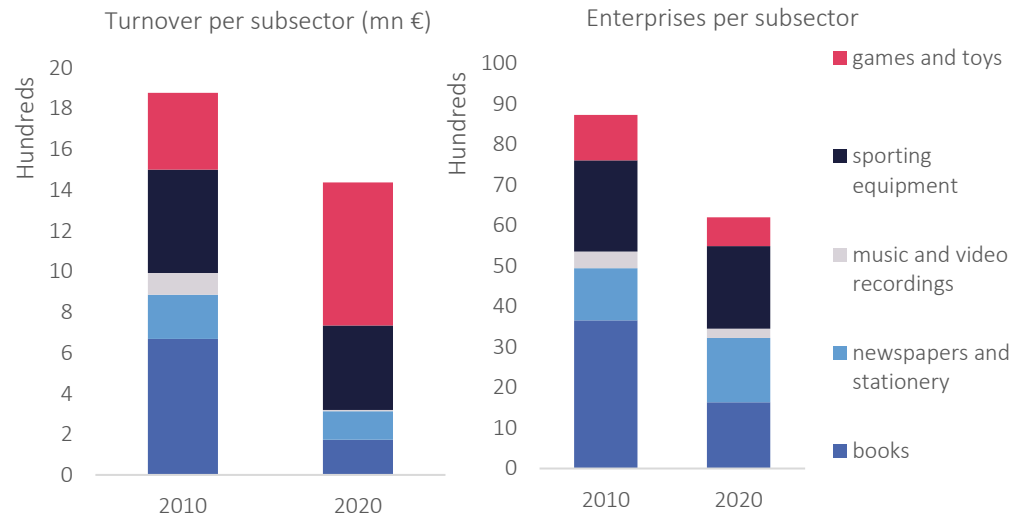
Sales of cultural and recreation goods in specialized stores is another diverse sector of retail trade, which includes various products, from books and newspapers to games and toys. The sector is relatively small, as it accounts for only 4%-6% of the number of enterprises, turnover, number of employed persons and GVA of retail trade (2020).

During the decade 2010-2020, the number of enterprises in the sector fell by nearly 30%, to slightly over six thousand. Employment in cultural and recreation goods was less affected by the Greek financial crisis compared to the other sectors of retail trade, as it lost 8% of its manpower during the period 2010-2020, with the number of the persons employed reaching 19,710 in 2020. Value added over the same decade shrunk by 27% and turnover by 23% cumulatively.

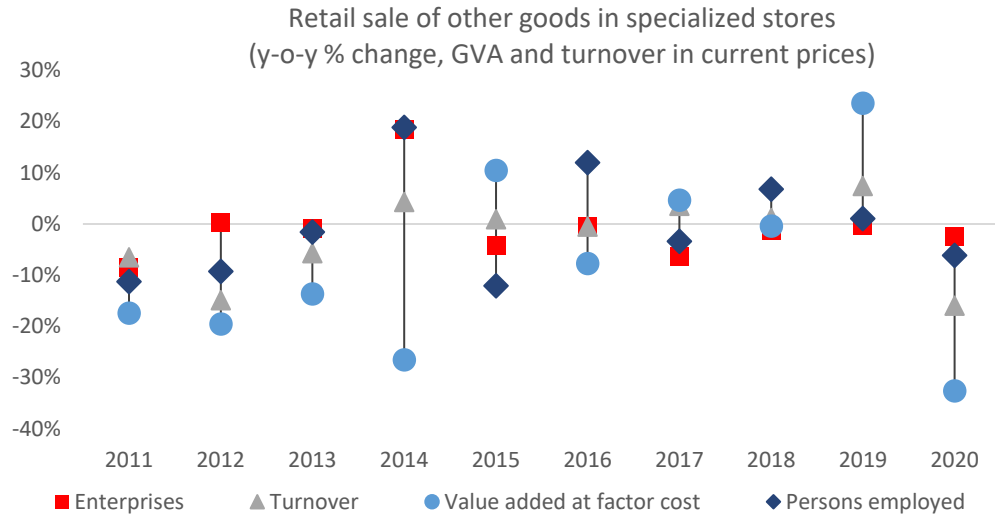
Cultural and recreation goods in specialized stores includes five subsectors, namely those of retail sale of books, newspapers and stationery, music and video recordings, sporting equipment, and games and toys. Regarding the number of persons employed, games and toys occupy 1/3 of the sector's total workforce and sporting equipment slightly less (2020).

Retail sale of games and toys was the fastest growing subsector in the decade 2010-2020, since it almost doubled its turnover, over doubled its employment to more than six thousand people and almost tripled its value added. The subsector currently holds the largest share in GVA (72%) and turnover terms (49%) (2020). Sporting equipment is the largest subsector in terms of the number of enterprises, covering 1/3 of the sector's companies, followed by books (26%), and newspapers and stationery (26%).

The giant company Jumbo holds 2/3 of cultural and recreation goods net sales and 86% of games and toys turnover. Intersport produces 1/2 of the sporting equipment net sales and Admiral Sport Shops 1/5 (2020) (ICAP).



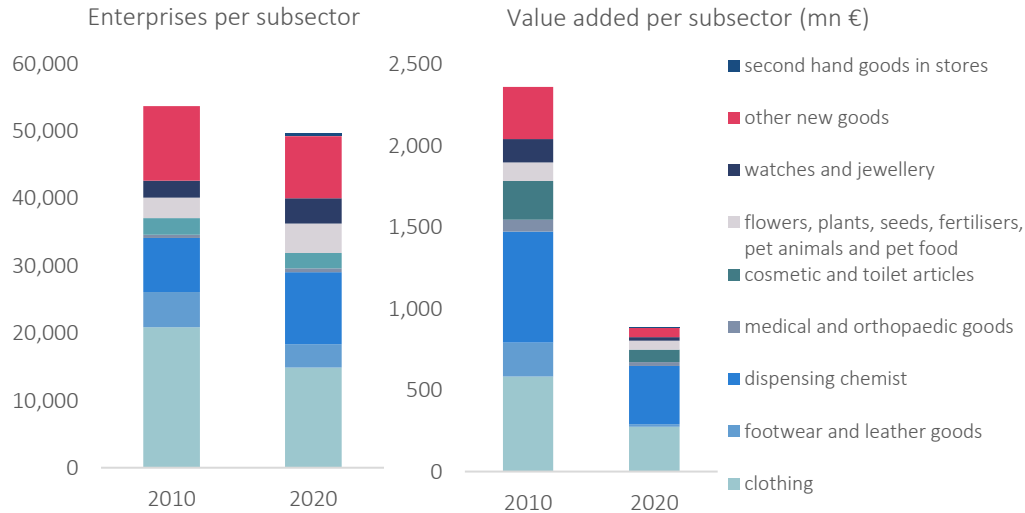
Source: SBS, Eurostat



Retail sale of other goods in specialized stores is the second largest sector of retail trade after sales in non-specialized stores (supermarkets and other).

Retail sale of other goods in specialized stores is a rather diversified and large sector of retail trade, which encompasses specific lines of products that cannot be included in other retail sectors. It accounts for 36% of all retail businesses, 30% of all persons employed, and 1/5 of the net sales and gross value added respectively (2020).

The enterprises of other goods in specialized stores outnumber those of the other sectors, reaching 49,650 in 2020, reduced by 8% cumulatively since 2010. The sector's workforce counted over 130 thousand in 2020, down by 9% since 2010. The sector's GVA recorded a marked cumulative decrease of 63% from 2010 to 2020 (at current prices), whereas in 2020, it lost 1/3 of its value added due to the pandemic restrictions. Its turnover also decreased by 1/4 cumulatively during the 2010-2020 decade.

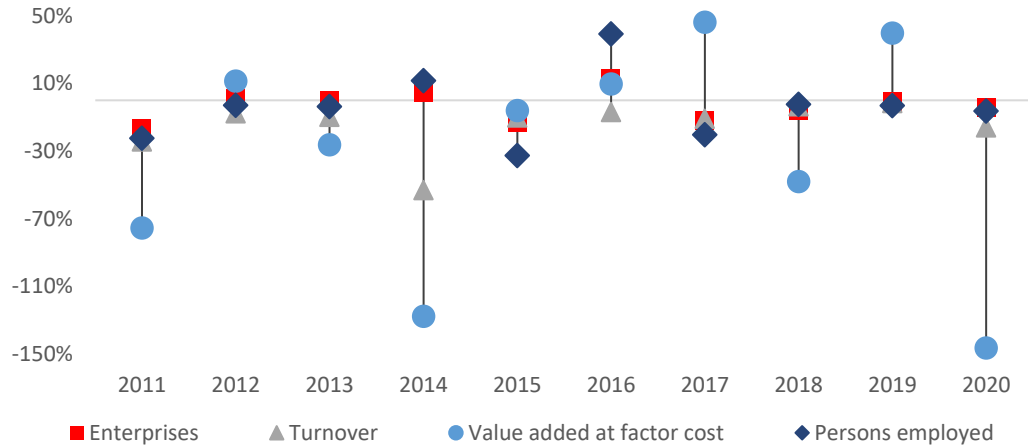


The sector includes nine subsectors related to clothing, footwear and leather goods, dispensing chemist, medical and orthopedic goods, cosmetic and toilet articles, flowers, plants, seeds, fertilizers, pet animals and pet food, watches and jewellery, second-hand goods and other. Among the various subsectors, clothing stores and pharmacies are the largest. Clothing counted 14,896 firms in 2020, down by 29% since 2010, employing more than 44 thousand persons (2020). The subsector with the highest value added share (41%) and net sales share (48%) is that of dispensing chemist products (pharmaceuticals). Although its value added fell considerably during 2010-2020 (-48%), its net sales rose cumulatively by 1/5. Second-hand goods in stores, although a rather small subsector, has grown and strengthened its presence in recent years.

The key players of other goods in specialized stores in Greece are the international retail clothing brands Zara (14%) and H&M (5%). Hellenic Duty-Free Shops exhibit the third largest share of net sales (4%) (2020) (ICAP).

Source: SBS, Eurostat

Retail sale via stalls and markets
(y-o-y % change, GVA and turnover in current prices)



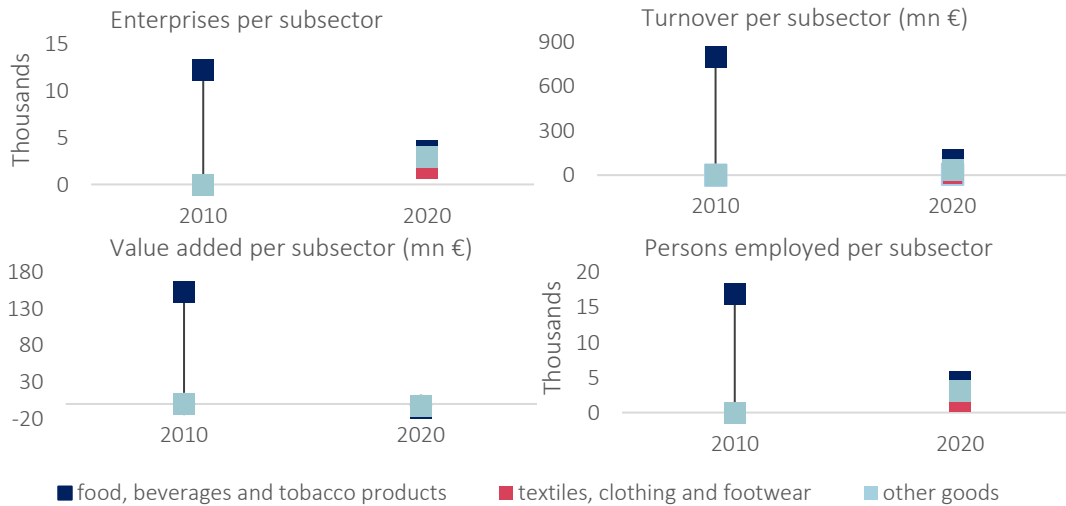
The Greek financial crisis, although it markedly hit food, beverages and tobacco sold in stalls, it boosted sales of other goods found in stalls.

Retail sales via stalls and markets is a small sector of retail trade that includes the “retail sale of any kind of new or second-hand product in a usually movable stall either along a public road or at a fixed marketplace” (NACE Rev. 2). The sector constitutes 6% of retail trade enterprises and only 2% of the persons employed and has a very small share of retail’s value added and turnover (2020). The number of units dropped by 32% cumulatively from 2010 to 2020, to 8,381, with 85% of them being a one-person business.

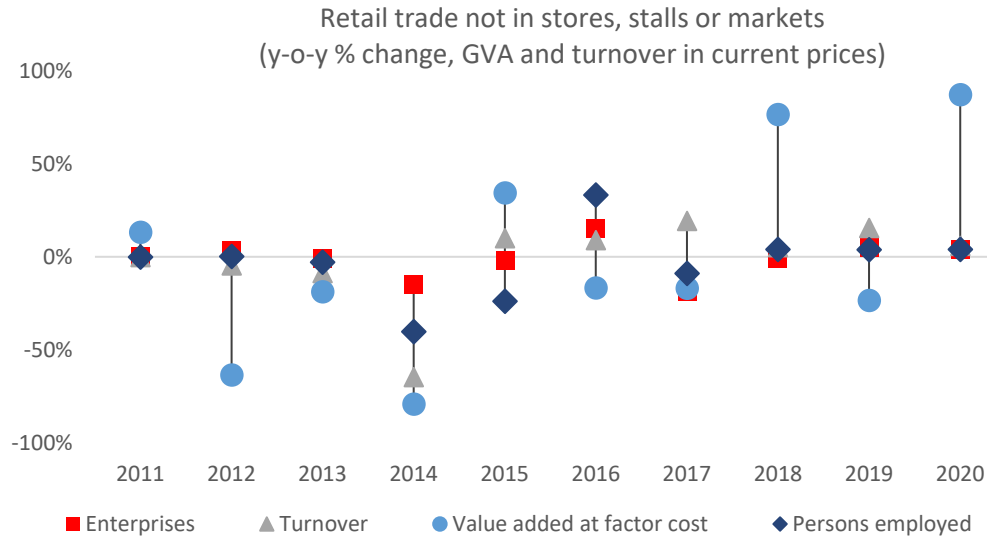
The persons employed in stalls and markets decreased cumulatively by 46% from 2010 to 2020, to slightly over nine thousand. Gross value added declined significantly after 2011, and even became negative, i.e., the value of sales was less than the value of bought goods and services. Its turnover also considerably dropped by 82% cumulatively from 2010 to 2020, reaching €143 million in 2020 (current prices). In the first year of the pandemic crisis, the sector lost 16% of its net sales, although in 2021 and in the first six months of 2022, its turnover increased, as demand and prices also surged.

Retail sale via stalls and markets includes the subsectors of a) food, beverages and tobacco products (excluding retail sale of prepared food from mobile food vendors), b) textiles, clothing and footwear and c) other goods, such as books, carpets, games and toys and so on. Food, beverages and tobacco products is the largest subsector, accounting for 72% of net sales at stalls and markets and ½ of its workforce (2020). In 2020, this subsector counted 3.6 thousand units, 70% less than in 2010.

On the contrary, retail sales of textiles, clothing and footwear and of other goods via stalls and markets increased after 2013 and saw a surge in terms of turnover, enterprises and workforce, indicating an increase of demand during that period towards cheaper items that could be found in stalls.



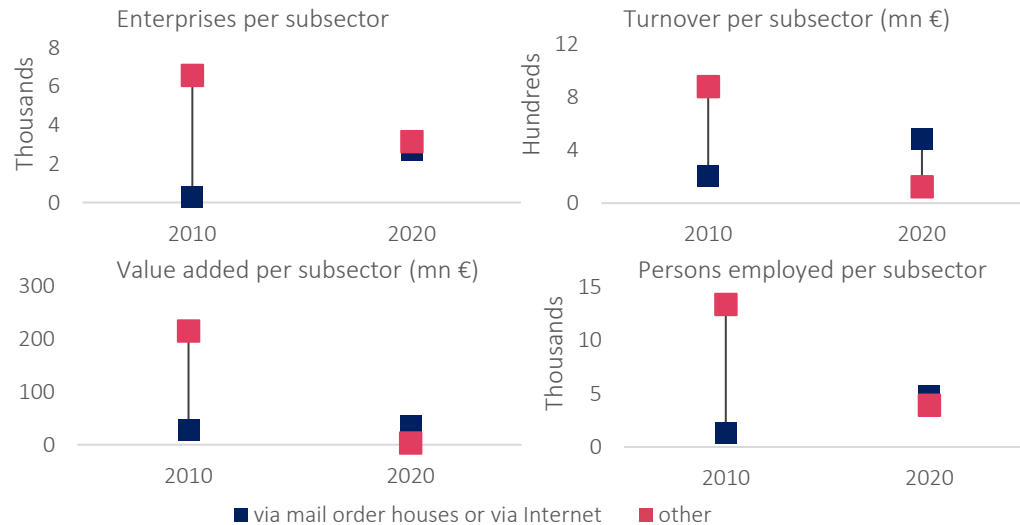
Source: SBS, Eurostat



The increase of technology use and digitalization in the last decade has pushed demand and supply of various products via online orders.

Retail trade not in stores, stalls or markets is the sector that, as indicated by its name, includes items not sold in physical stores but via mail order houses, the Internet, door-to-door, vending machines and so on. Activities under this sector account for 4% of retail businesses, 1% of retail’s value added and turnover and 2% of its employment. In 2020, the sector comprised 5,897 enterprises, down by 14% since 2010, out of which 80% are one-person enterprises.

The number of persons employed in the sector reached 8,741 in 2020, down by 40% since 2010, while its GVA also fell considerably during the same decade (-84%). In 2020, value added marked an annual jump of 87% (current prices), as a result of increasing sales via the Internet due to the closure of physical stores. Its turnover, although annually growing since 2015, declined considerably from 2011 to 2014 (-69%) and never rebounded to its 2010 levels.

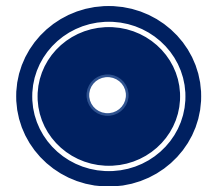


The sector includes two subsectors: retail sale via mail order houses or via the Internet, and other retail sale not in stores, stalls or markets. The first subsector is the retail sale of any kind of product that entails no physical stores and takes place exclusively via mail order, the Internet (retail e-shops), television, radio or telephone. The second subsector is sales of any product by direct or door-to-door salespersons, through vending machines, direct selling of fuel (heating oil, firewood), delivered to the customers’ premises, activities of non-store auctions (retail, except Internet) and retail sale by (non-store) commission agents.

Looking at the structural data, we observe a significant trade-off in the number of units, employment and net sales between these two subsectors which are competitive as to how orders and sales are being made. The expansion of technologies and digitalization over the last decade pushed demand and supply via online orders, triggering a “boom” in e-commerce and Internet retail sales, and a decline in more traditional ordering and selling methods.

Source: SBS, Eurostat

Market analysis and regulatory framework



Top 20 retail trade companies in terms of net sales and profits before taxes (2020, mn €)

Company name*	Category	% net sales	Company name	Category	% PBT**
SKLAVENITIS	Supermarkets	17%	JUMBO	Games and toys	23%
AB VASSILOPOULOS	Supermarkets	11%	SKLAVENITIS	Supermarkets	9%
METRO	Supermarkets	7%	AB VASSILOPOULOS	Supermarkets	6%
MASOUTIS	Supermarkets	5%	SEPHORA	Cosmetics	6%
KOTSOVOLOS	Electrical appliances	3%	GALAXIAS	Supermarkets	5%
JUMBO	Games and toys	3%	METRO	Supermarkets	4%
GALAXIAS	Supermarkets	3%	ZARA	Clothing	3%
EKO	Fuel stores	2%	KOTSOVOLOS	Electrical appliances	2%
KRITIKOS	Supermarkets	2%	HALKIADAKIS	Supermarkets	2%
MARKET IN	Supermarkets	2%	MASOUTIS	Supermarkets	2%
First 10 companies		55%	First 10 companies		63%
PLAISIO	Computers and software	2%	ROLEX	Watches and jewellery	2%
ZARA	Clothing	2%	PET CITY	Pet animals and others	1%
POSIT	Telecommunications equipment	2%	THANOPOULOS	Supermarkets	1%
PUBLIC	Computers and software	1%	EGNATIA	Supermarkets	1%
SHELL	Fuel stores	1%	H&M	Clothing	1%
AVIN	Fuel stores	1%	ANDRIKOPOULOS	Supermarkets	1%
BAZAAR	Supermarkets	1%	BAZAAR	Supermarkets	1%
HALKIADAKIS	Supermarkets	1%	PLAISIO	Computers and software	1%
PRAKTIKER	Other retail sales	1%	SHELL	Fuel stores	1%
IKEA	Furniture	1%	ATHINA PRESTIGE	Watches and jewellery	1%
First 20 companies		67%	First 20 companies		70%

*There are no published financial statements in Greece for Lidl supermarkets.

**PBT stands for Profits Before Taxes

Source: Dataprisma database ICAP

The top 10 players of the Greek retail market account for 55% of total net sales and 63% of profits before taxes.

Net sales of retailers in 2020

Some of the largest companies in Greece are active in the retail market. Supermarkets, but also fuel stores, electrical appliances, computers, software and telecommunications equipment are among the 20 Greek companies with the highest turnover.

ICAP's company database contains 2,659 retail enterprises from all retail subsectors, except retail sale via stalls and markets. Out of those, the top two retailers for 2020 in Greece in terms of net sales were Sklavenitis, with a 17% share of total sales of over €3 billion, and AB Vassilopoulos, with an 11% share and net sales reaching €2 billion.

The top 10 list of retailers regarding net sales contains 7 supermarkets, an electrical appliances store (Kotsovolos), a fuel store (EKO) and Jumbo, a retail company of games and toys. These 10 firms made up for 55% of total net sales in 2020. The first 20 retail companies list in terms of turnover is complemented by two computers and software stores (Plaisio and Public), two fuel stores (Shell and Avin), a clothing store (ZARA), two supermarkets (Bazaar and Halkiadakis), a telecommunications equipment store (Posit), a furniture store (IKEA) and the company Praktiker, which is classified as other retail sales.

Profitable retail companies in 2020

There were 1,413 profitable companies (53%) in total in the ICAP database in 2020, out of which the first ten made up 2/3 of total profits before corporate income taxes (PBT). Jumbo tops the list, with a profit share of 23%. The top 10 retailers in terms of PBT also include six supermarkets, accounting for 28% of total, Sephora, a cosmetics store (6%), Zara (3%) and Kotsovolos (2%). The first 20 profitable retailers make up 70% of total PBT.

Along with the balance sheet and the cash flow statement, a company's income statement is one of the three most important financial statements used to evaluate its financial performance over a specific accounting period. It includes its revenues, expenses, gains and losses during this period.

The consolidated income statement of the 2,628 retail companies in ICAP's 2020 database reaches a net sales value of more than €18 billion. The cost of sales of these companies reached almost €13.5 billion in the same year of the first phase of the pandemic, while the total gross profit (net sales minus cost of goods sold) stood at €4.6 billion.

Total operating income or operating profit, which equals operating income minus operating expenses except for interest expenses and income tax expenses, reached €526 million. Total profits before income taxes (operating profit plus non-operating profit minus depreciation) stood at €318 million. With a total income tax standing at €205 million, the total net profit of the 2,628 retail companies reached €112 million in 2020.

Consolidated Income Statement of retail trade companies (mn €)

Year	2017	2018	2019	2020
Base (number of companies)	(2,601)	(2,728)	(2,968)	(2,628)
Net sales	17,587	18,148	19,178	18,149
Gross profit	4,479	4,754	5,088	4,657
Operating profit	172	329	537	526
Profit before income taxes	97	276	400	318
Net profit	- 48	132	249	112
EBITDA	619	820	1,289	1,222

Source: Dataprisma database ICAP

Supermarkets account for 38% of the gross profits of all retail stores and for over ½ of the net sales.

Financial performance of retail subsectors

Per subsector, 260 firms or 10% of the sample are non-specialized retail stores, out of which 230 are supermarkets. These accounted for 38% of the gross profits of all retailers and 58% of net sales in 2020. Non-specialized retail stores exhibit a gross profit ratio of 24.7%, a net profit ratio of 6.4% and a relatively high ROE (Return on Equity or net income over shareholder's equity) of 13.9%.

The largest subsector of the ICAP database is that of retail trade of other goods in specialized stores, represented by 940 firms or 36% of the sample, which accounts for 12% of net sales and 18% of total gross profit (2020). Most of these firms (407) operate in clothing and new goods (161 firms). Although the gross profit margin of this subsector stands at 37.9%, its ROE is relatively low (3.1%). Other household equipment (furniture, electrical appliances, etc.) has a gross profit margin of 28% and is among the largest subsectors, accounting for 8% of total gross profit and net sales (2020). Cultural and recreation goods in specialized stores account for 7% of gross profits and exhibit one of the highest gross profit margins (37.4%) and a relatively high ROE (nearly 11%).



Source: Dataprisma database ICAP. There are no data for 2019 or 2020 for Retail sale via stalls and markets.

The Single Market for retail services

According to the OECD product market regulations index in retail trade, which reflects regulatory conditions such as barriers to entry, price controls and operational restrictions, Greece achieved one of the highest improvements from 1998 to 2013 in retail deregulation. The country significantly reduced restrictive regulations during this 15-year period regarding protection of existing firms, price controls and promotions/discounts of retail products.

In the context of the Single Market Strategy, the EC has identified best practices to facilitate and accelerate the establishment of new retail stores, diminish restrictions of retailers' daily operations (sales promotions and discounts, specific sales channels, shop opening hours, retail specific taxes), modernize the small retail sector and help smaller retail shops to adopt new technologies (EC 2018).

Pricing regulations and operational restrictions on the retail sector

Greece does not have price controls, except for price caps on certain food items, such as bottled water, and price regulations for pharmaceuticals. In October 2022, in a bid to moderate price increases, the Greek government introduced a list of 50 basic goods, the "household's shopping basket", which supermarkets are bound to protect from inflationary pressures, by keeping their prices as low as possible. At the Greek electronic observatory of prices, consumers can compare the prices of goods in supermarkets as well as the prices of fuels (e-katanalotis.gov.gr, www.fuelprices.gr).

Stores in Greece are closed on Sundays and public holidays, except for certain shops (e.g., florists, shops in tourist areas) which remain open by decision of the local governors. Regular and intermediate sales take place during winter (second Monday of January - end of February and the first two weeks of November) and summer (second Monday of July - end of August and the first two weeks of May) (EC 2017). Regarding promotional activities, below-cost sale is banned in Greece and in most of EU countries.

New Directive for consumers requires retailers and online sales platforms to consider consumer rights protection granted to digital goods and services.

Sales tax rates in Greece and the EU

The sales tax rate (value added tax or VAT) is a consumption tax charged on the price of goods and services. The standard VAT rate in Greece since 2016 is 24%, among the highest in the EU-27 (Hungary has the highest at 27%, and Malta the lowest at 18%) (tradingeconomics.com/).

In Greece, a reduced VAT rate (13%) applies to certain products such as vegetables and fruits, non-alcoholic beverages and aerated water, oil, bread, eggs, dairy products, coffee, salt, flour, tea, sugars, infant and child nutrition products, goods for the use of disabled people, and other items. In addition to that, medical and pharmaceutical supplies, books, magazines and newspapers are subject to a super-reduced VAT rate (6%). In the Aegean islands of Kos, Chios, Lesbos, Leros and Samos, preferential VAT rates are also applied (17%, 9% and 4% the standard, reduced and super-reduced rates, respectively).

Consumer protection

The "New Deal for Consumers" is an EU legislative package adopted in 2018 and applied as of 2022, which aims at strengthening and modernizing the EU consumer protection rules in the light of the exponential rise of digital economy and e-commerce and the growing risk of infringements. Inter alia, it enhances transparency on online marketplaces, gives more rights for users of "free" digital services involving processing of personal data, ensures genuine price reduction claims and promotes compensation for victims of unfair commercial practices.

In Greece, the Hellenic Consumers' Ombudsman, established in 2004, focuses on resolving disputes between consumers and businesses. Since 2012, it operates under the support of the EC's European Consumer Center, offering advice on resolving cross-border consumer complaints.

Geo-blocking

The path to balanced regulations that enable the online movement of goods and services is not free of obstacles. One such barrier is the unjustified geo-blocking, i.e., Internet access restrictions imposed based on the geographical location of a country. These barriers enforce “discrimination between EU customers to segment markets along national borders and to increase profits to the detriment of foreign customers, undermining online shopping and cross-border sales in the EU.” ([EC, Geoblocking](#)).

Digital Single Market for Europe

To safely remove obstacles such as geo-blocking, the digital market needs to be properly regulated. The EC has taken various initiatives towards the unification of the EU’s 27 digital markets into one single digital market. The EU Digital Single Market Strategy that was first proposed in 2015 aims at boosting cross border e-commerce and online shopping in the EU and at tackling geo-blocking.

The goal is to facilitate digital transactions, open up the EU digital markets, remove any barriers for citizens and businesses when online transactions are conducted between member states and harmonize the rules regarding transparency for providers, electronic contracts and commercial communications. As part of the Digital Single Market strategy to promote e-commerce and the digital economy, a number of initiatives and legislations have been implemented, such as the EU Directive 2015/2366 on Electronic Payments, the Directive 2000/31/EC on Electronic Commerce, the EU Directive 2019/770 on Digital Content and Services and various others.

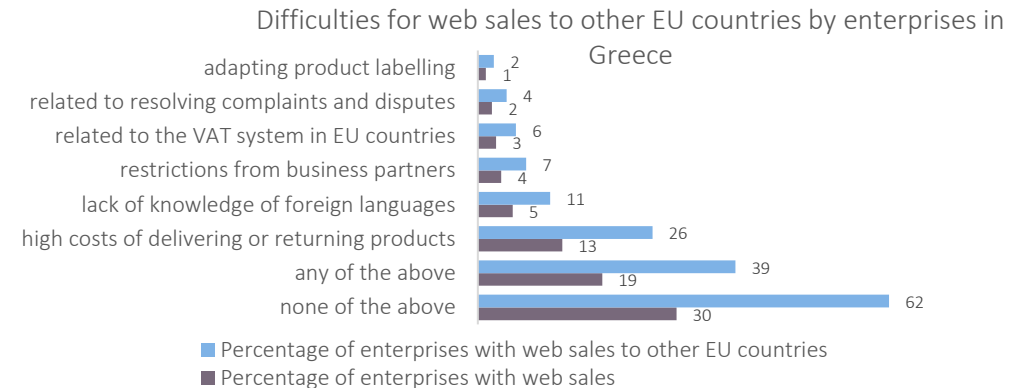
The achievements of the Digital Single Market include the abolition of roaming charges, the modernization of data protection, the cross-border portability of online content, free internet in public places (WiFi4EU), the introduction of transparency obligations for online platforms and the facilitation of unlocking e-commerce by preventing unjustified geo-blocking ([European Council](#)).

Removing barriers in e-commerce and improving online platforms business transparency are among the main goals of the Digital Single Market Strategy.

Obstacles for web sales and e-commerce in Greece

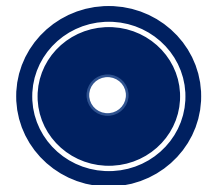
E-commerce and web sales depend on the degree of digital development and Internet diffusion. Internet usage in Greece has grown considerably over the last years (81% of the population had Internet access in 2022). E-shoppers that bought goods or services online make up for 71% of Internet users, while 91% of them purchase online from national sellers (EuroCommerce 2022).

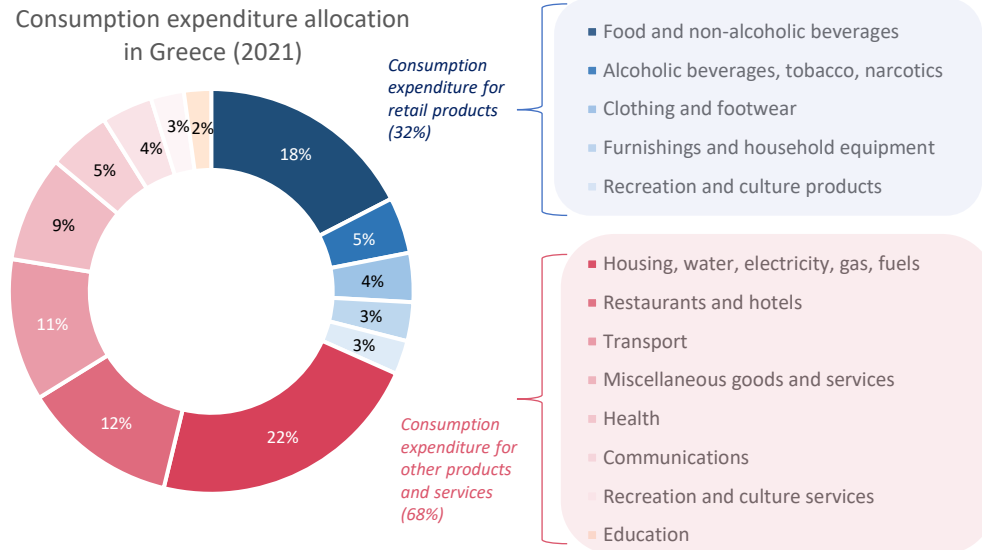
Regarding the perceived barriers to online shopping, ½ of Greek consumers prefer to shop in person (to see the products, because of loyalty to shops or due to the force of habit), 23% lack the necessary skills for online shopping, while 1/10 have concerns about payment security or privacy (EuroCommerce 2022). From the business side, high costs of delivering or returning products (26%) and in a lesser extent the lack of foreign languages (11%) are the main obstacles for Greek companies operating in e-commerce with web sales to other EU countries. However, 2/3 of Greek enterprises with web sales to European countries report no difficulty in conducting e-commerce transactions.



Source: E-commerce, Eurostat

Consumption patterns, expenditure and evolution of prices





Source: National Accounts, Eurostat. Data processing Alpha Bank

Final household consumption

The Greek economy relies heavily on private consumption. Although the share of household consumption in Greek GDP has declined slightly over time, it remains the highest among EU Member States (at 50.2% the EU average), set at 66.4% in 2021, from 68.2% in 2020 and 68.5% in 2011.

During the COVID-19 lockdowns and government measures to deal with the consequences of the pandemic, consumer spending on goods and services in Greece was severely affected, dropping 8% in 2020 compared to 2019. In 2021, household consumption rebounded in Greece, as it did in all other European countries, exceeding €121 billion (in 2015 chain-linked volumes), up 6% compared to 2020. As a driver of economic growth, private consumption increased by 9.5% in the first 9 months of 2022, contributing 6.5 p.p.s. to real GDP growth.

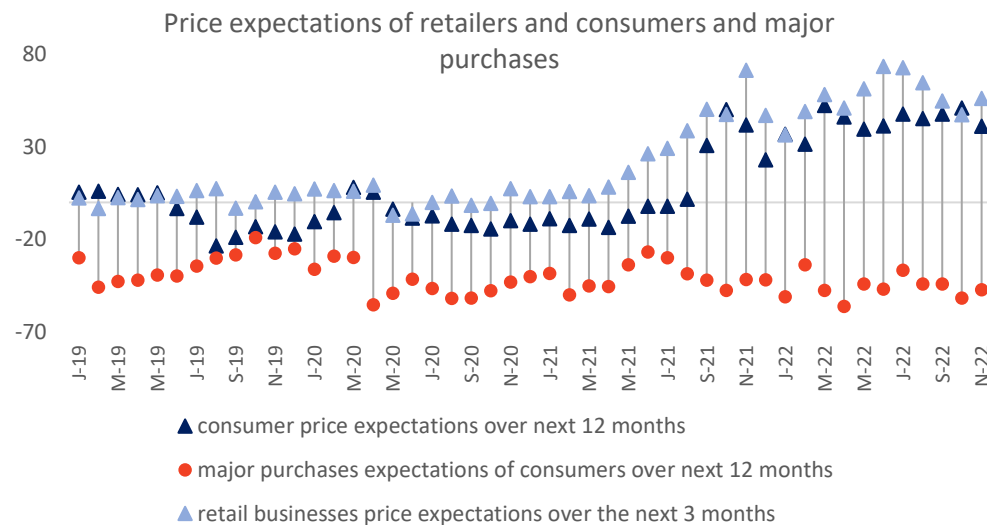
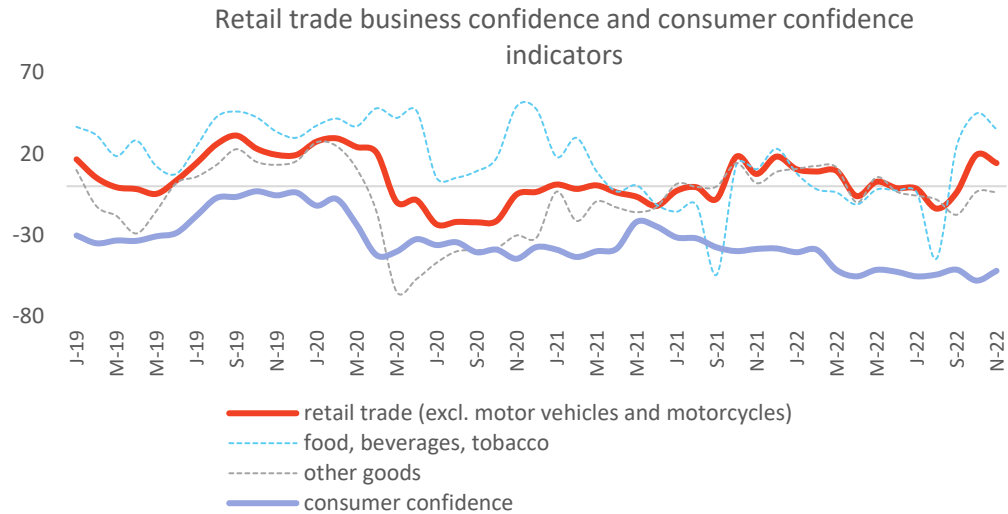
The Greek households allocate nearly 40% of their consumption expenditure on the primary needs of food, beverages, housing, water and energy.

Consumption expenditure for retail goods

Consumption expenditure allocation of households can be roughly categorized into the goods purchased from retail stores, either brick-and-mortar or online, and all the other goods and services. We divided consumption spending into these two broad categories: “retail products consumption”, such as food, beverages, clothing and household equipment and “all other consumption expenditure”, such as housing, transport and health. We also divided recreation and culture consumption into two sub-groups, that of products, added to consumption for retail products and that of services, included in all other consumption expenditure.

Based on the above division, retail purchases in Greece constituted roughly 32% of consumption expenditure in 2021, slightly decreased compared to 2011 (34%). The basic and broadly inelastic consumption group of food and non-alcoholic beverages is among the highest in the EU-27 (14% the average), accounting for 18% of total household spending and for more than half (55%) of retail product consumption (2021). Other consumption categories related to retail trade, such as clothing and footwear (4%) or furnishings and household equipment (3%) constitute much smaller portions of total consumption spending.

Consumption for all other purposes except retail products accounts for the largest share of private expenditure in Greece, as well as in all other EU countries (66% the EU average), standing at 69% of total household spending. Housing, water, electricity, gas and other fuels, another major, inelastic demand category, accounted for 1/3 of non-retail consumption in 2021 or for 22% of total consumption, down from 25% in 2020 but up from 20% in 2011. Expenditure for restaurants and hotels accounted for 11% of total consumption spending in Greece in 2021, i.e., nearly double the EU-average.



Source: DG-ECFIN, European Commission

The growing divergence between retail business and consumer confidence is largely led by consumer pessimism regarding the general economic situation.

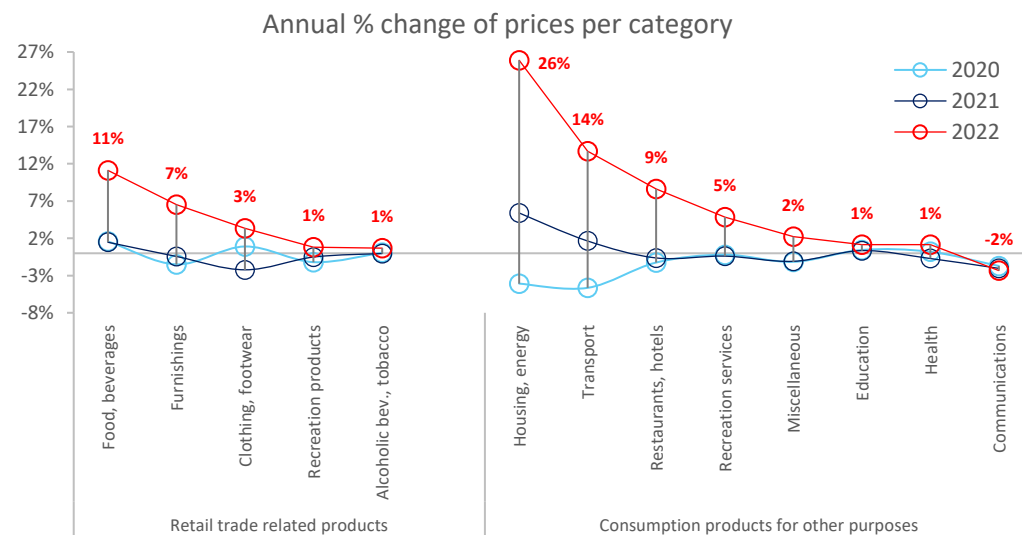
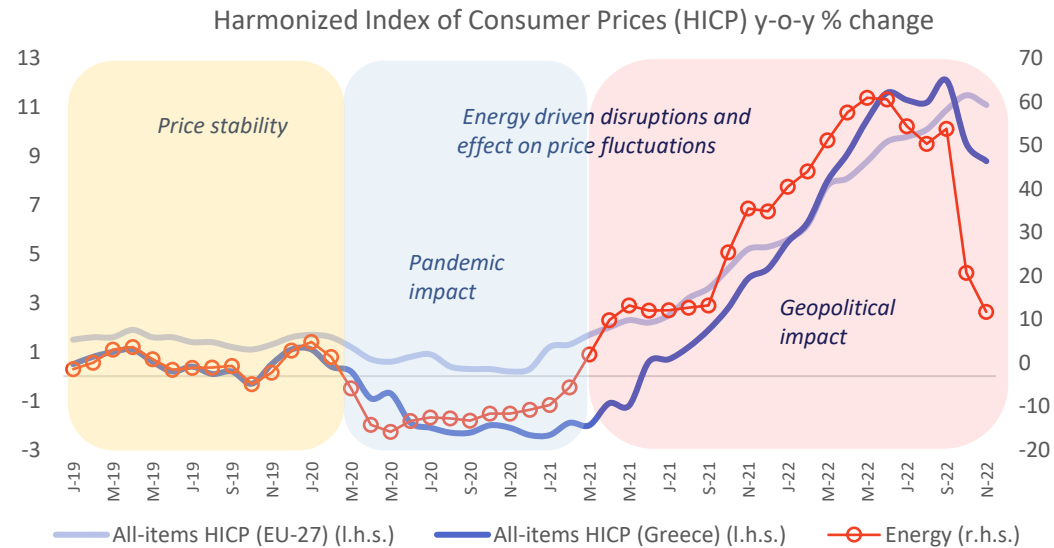
Retail trade confidence

The retail businesses' confidence indicator (excluding motor vehicles and motorcycles) dropped significantly after the outburst of the coronavirus pandemic and the subsequent lockdowns. From March 2020 to September 2021, the Greek retail confidence indicator was assigned negative values, regaining ground only after October 2021. The gradual withdrawal of the pandemic restrictions during the same period and the reopening of the market signaled an anticipation for rising demand in retail businesses.

Especially in the early stages of the pandemic, low expectations of retail businesses of other goods, such as textiles, furniture, cultural and recreation goods, were driven by decreased demand due to the closure of physical stores. On the other hand, retailers of food, beverages and tobacco, which typically represent products with more inelastic demand, retained their expectations significantly higher during the peak of the pandemic, since these stores remained open and demand did not drop as much as it did for other retail goods.

Consumer confidence

Consumer confidence plummeted in March 2022, following the Russian invasion of Ukraine, forcing the respective indicator to stabilize at very low levels in most European countries. The geopolitical tension and the energy supply problems created in the broader European area due to the Russian-Ukraine war also led to the decline of Greek consumers' expectations regarding their major purchases over a 12-month time horizon. This worsening was also driven by the notable rise of inflationary pressures. As higher price expectations for both retailers and consumers grew after the summer of 2021, purchase expectations declined, discounting the loss of consumers' purchasing power due to increasing inflation.



Source: HICP, Eurostat

The pandemic imposed lower demand and decreasing prices, but the geopolitical tension reversed the negative trend, leading to high inflation rates.

Pandemic and energy demand impact on price deflation

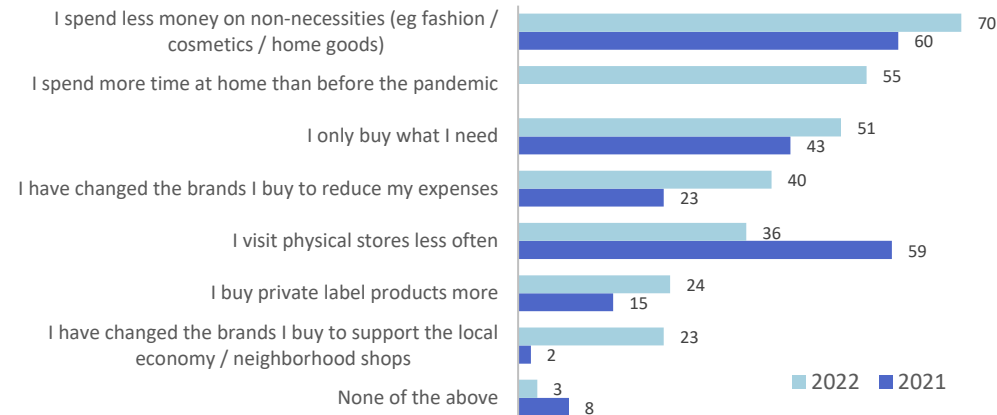
During the peak of the COVID-19 in 2020 and 2021, economic activity and consumer prices were profoundly impacted by the imposition of lockdown and social distancing restrictions, which led to the closure and operational suspension of many businesses and retail stores and a fall in both supply and demand. Following a period of price stability since the beginning of 2019, the yoy monthly price changes in Greece turned negative in April 2020, with the average annual rate of change of Eurostat's Harmonized Index of Consumer Prices (HICP) standing at -1.2% in 2020 and at -1.3% during the first half of 2021.

This deflationary trend after the outbreak of the pandemic was largely, but not solely driven by demand, in great part due to transportation restrictions and the subsequent fall of demand for fuels. Indicatively, consumer prices for transport and housing/energy decreased by -4.7% and -4.1% respectively in 2020, while the annual Greek energy price index (Eurostat's special aggregate for all related sub-indices of fuels, such as oil, natural gas and electricity) fell by 10% on average in 2020.

Geopolitical developments and energy supply effect on price inflation

In the second half of 2021, when COVID-19 vaccination began to bear fruit for gradually ending the pandemic, expectations and demand rose, resulting in a slight increase of prices after the deflationary phase. Back-to-back with increasing demand, the geopolitical tension in Europe due to Russian natural gas supply stock problems in summer 2021, also had an impact on the inflationary trend. This increasing spiral resulted in untypically high energy prices, which peaked after Russia invaded Ukraine and Europe decided to diversify its natural gas supply. Price increases started to slow down in autumn 2022, after the average Greek energy price index had increased by 41% in 2022.

Impact of the pandemic and current situation (rising prices, energy crisis, war, etc.) on consumption habits in Greece



Source: EY. 2022. How should businesses approach new consumer habits in an increasingly uncertain environment? Future Consumer Index, Greece 2022

Consumption patterns in Greece

The recent price developments of goods and services due to the energy crisis, but also the post-pandemic landscape in Greece, contribute to the emergence of some new consumption habits. A new survey conducted on 1,000 Greek consumers by IELKA (Research Institute for Consumer Goods Retailing) reveals that the ongoing inflationary trend has affected the purchasing habits of consumers and changed the prioritization of household baskets towards lower prices, bargain hunting and an increase of demand for private-label items (IELKA, www.ot.gr/). Product costs are the basic criterion for food product choices for 2/3 of consumers, while 80% of them declare that they have canceled entertainment expenses such as dining out, vacations, travel, etc.

The new EY survey of Greek consumers (2022) shows concerns about the rising cost of living, a weakening of preference for brands and, although online shopping is here to stay, a comeback of in-store shopping.

Although the expansion of online shopping is established as a major post-pandemic trend, other habits also emerged that shape consumption patterns.

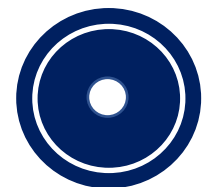
Changes in consumers' shopping behavior due to the pandemic

One significant consequence of the COVID-19 pandemic in the way people socially and economically interact are the changes observed in consumption and buying behavior. Social distancing, travel restrictions and economic lockdowns during the peak of the pandemic initially led to a short-term reduction of consumption, but also to probably more long-term revisions in the way consumers make their purchasing choices. That being the case, new emerging patterns were identified during and after the pandemic on a global scale.

Gupta and Mukherjee (2022) report literature findings on the crucial changes in consumption behavior due to the pandemic. They highlight three main areas in which important shifts in consumption patterns were observed. The first is the acceleration of online buying behavior and a more intense embracement of digital and contactless purchases, especially among the younger. The second shift is related to a more sustainable approach in consumption choices, with consumers appearing to be more aware and environmentally sensitive towards climate change and pollution problems that can also affect human health. The third pertains to "irrational" purchasing reactions, such as "panic buying" or "revenge buying" observed during and after the peak of the pandemic.

Identifying emerging consumption patterns is crucial for retailers as they are called to adjust their market strategies to respond and adapt effectively to the new trends. Valaskova et al (2021) also recognize the surge of online purchases during the pandemic, pointing out that shopping patterns and habits also change with income, age and occupation. According to the authors, consumers became more modest and reduced consumption. Uncertainty during the pandemic led many people to buy food and medical supplies months ahead, to rely more on home delivery services and to be willing to try out new brands.

Sustainable retail market and business trends



How the retail sector can contribute to achieve sustainable targets

Sustainable retail relates to the entire value chain of production and consumption, as it can introduce and apply principles of sustainability and circularity among producers, suppliers and consumers. Various studies and organizations suggest best practices and a variety of strategic actions for retailers to tackle sustainability issues. Reducing plastic packaging, cutting back on paper receipts, using biodegradable bags and eco-friendly premises are only a few steps for retailers to become more sustainable.

A Boston Consulting Group survey (2022) assessed sustainability maturity based on retailers' performance across various dimensions, such as the degree of integration of sustainability into the corporate strategy and the extent of investment to implement it. According to the survey, although sustainability was highly prioritized among retailers in the pre-pandemic era, COVID-19 changed priorities for the sake of the companies' survival during the lockdowns, leading to a surge of online ordering. As of today, the study revealed that although sustainability is a strategic goal and retailers are committed to reducing their environmental footprint, most of them have not yet made any considerable progress towards it.

Measures and good environmental practices highlighted with regard to the retail sector's sustainability include the implementation of environmental management systems for energy and water conservation, proper waste management, food waste reduction, use of recycling programs, cooperation with suppliers for greening the supply chain by developing eco-friendly products, the use of ecolabels, sustainable transport and logistics operations, as well as educating consumers on the purchase, use and proper disposal of products (www.unep.org, Schönberger et al 2013). McKinsey (2021, 2022) emphasizes the role of implementing circular economy principles (three Rs: reduce, reuse, recycle) in retail products, as well as the impact of pricing in the sense that sustainable products are not merely "adds-ons to the product line".

Energy efficiency, less plastic packaging and improved waste management are only few among the many sustainable practices for retail trade.

The importance of sustainability in the retail trade

The shift to more sustainable consumption and production patterns (SCP) was among the primary aims of sustainable development proposed by the United Nations and adopted in the early 2000s. In the context of the adoption of sustainability as a lifestyle and economic choice, retail trade is an overarching link between production and consumption and plays a crucial role, as it coordinates the activities of the supply value chain. As such, it can also mobilize changes in all stages of supply and demand regarding the environmental and sustainability choices of all players.

Retail trade per se is not a major greenhouse gas (GHG) emitter compared to other economic sectors, as retail operations are responsible for roughly 1% of total GHG emissions in the EU-27 and in Greece. However, if we take into account all the direct and indirect effects, retail activities can have a considerable environmental effect and ecological footprint. For example, the retail industry contributes considerably to plastic packaging, as 40% of it is found in retail shops around the world (BCG 2022).

The direct effects are associated with activities of the retail sector per se, which include the maintenance of product flows, which necessitates the use of energy (e.g., fleet electrification for refrigeration, heating and cooling, computers, lighting, transportation fuels, natural gas, etc.), the use of water and chemicals, and the management of food waste (Schönberger et al 2013).

The indirect effects are related to all other activities of the supply chain and the transportation of products. These include for example non-sustainable practices of suppliers, ranging from the misuse of natural resources to extensive water usage and energy inefficiencies in production, as well as the widespread use of plastic packaging throughout the whole supply chain (Schönberger et al 2013).

Retail trade evolution

Trade has its origins in prehistoric times, when people exchanged goods and used livestock as currency before they started using real coins. The first Greek merchants sold their products in stalls in the agora, the central shopping area of the ancient Greek cities. Shopping took place in small stores or marketplaces until the 18th century, when the first department stores opened in Europe, which not only sold products but also offered demonstrations and entertainment.

Supermarkets first appeared in the USA in the 1920s, while in the 1930s the first discounter began to sell mainly own-brand products at lower prices than those of brand-name manufacturers. In the 1950s, the first shopping mall opened in the USA. Considered to be a meeting point for people, customers could visit various merchants and choose from a variety of products. Hypermarkets (big boxes) then appeared in the USA and Europe in the 1960s, selling a great range of goods at competitive prices, whereas during the last 30 years, e-commerce would alter the shopping landscape forever (www.eurocommerce.eu).

A brief history of retail trade in Greece

Retail trade in Greece was and still is dominated by small and often family-owned groceries and other stores. Groceries first made their appearance in Athens and other big cities in the mid-19th century. In 1886, Varvakeios market, the central food market, opened in Athens. However, the landscape of Greek food retailing changed in the 1960s, when the entry of supermarkets led to fierce competition for existing small grocery shops (www.naftemporiki.gr).

Changes in retail and competition for small merchants were intensified after the first and prosperous department stores appeared in the 1990s. During the same decade, big foreign retail players entered the Greek market, while the first e-commerce companies, such as e-shop.gr, made their appearance. Furthermore, shopping malls started operating in the suburbs of Athens and Thessaloniki in the 2000s, while the first big outlet markets appeared in the 2010s.

Commerce is tightly related to economic evolution, with its multifaceted trends driven by technology and the level of customer convenience.

Barcoding systems

As the number of retail products grew, assigning a unique code to each of them that would define its characteristics became a necessity. Barcodes on products were first used in the USA in 1974, while nowadays they are found on nearly every retail product. Barcodes encode information about products and are used for identifying them in stores and for keeping track of the inventory and shelving locations in stockrooms. Today, QR codes are also used in retail to provide product information on the price, description, and availability to consumers.

Private labels

Private labeling (PL) describes products that albeit manufactured by a third party, they are sold under the retailer's brand, usually a supermarket. In private labels, the retailer manages all specifications of the product, such as pricing and packaging. Most of the supermarket chains operating in Greece have private label products, some of which belong to common market groups, and in their majority are domestically produced either by industries that exclusively produce PLs or alongside other branded products, depending on the product category. The demand for PL products in Greece considerably increased after the financial crisis, with the competition being mainly focused on the selling price and the variety of products, the offers and services provided, the promotions and the store network (Stochasis 2017).

Franchising of retail stores

Retail franchising is a business model in which the franchisor licenses another business owner, the franchisee, to use its brand and trademarked products and services (www.investopedia.com). Franchising in Greece appeared in the 1970s and has markedly expanded over the years, with retail franchisees accounting for nearly 40% of total franchisees (www.franchise-success.gr).

Electronic commerce in Greece and the EU

Electronic commerce or e-commerce is the sale or purchase of goods or services conducted over computer networks by methods designed exclusively for sending or receiving orders (ELSTAT). E-commerce encompasses various types of transactions among businesses, consumers or even the government, such as B2B (Business-to-Business), B2C/C2B (between companies and the end consumer), C2C (Consumer-to-Consumer) and so on.

E-commerce transactions range from online retail and wholesale sales of physical or digital products and services, to drop shipping (sale of a product shipped via a third party), crowdfunding and subscription services. E-commerce can be performed by a variety of enterprises, which mainly include a) physical retail or wholesale stores with commercial presence on the Internet, b) e-shops dedicated purely to online retailing or wholesale sales stores, and c) software development companies that provide search platforms for products and services, also represented by purely online businesses (Stochasis 2022).

E-commerce in Greece witnessed a notable growth over the last decade and especially after the COVID-19 pandemic and the accelerated efforts towards the digital transition of the country. The total turnover of the domestic e-commerce market for businesses employing 10 or more people from online sales is estimated at €20.5 billion in 2022, presenting a growth rate of 54.5% compared to 2021 (ELSTAT). As for the expected revenues of domestic e-commerce in the coming years, it is estimated that they will grow by 10.5% annually in the period 2023-2027 (www.statista.com).

However, the share of e-commerce turnover in the total turnover of Greek companies with 10 or more employees is second to last in the EU-27 (17.6%) after Cyprus, at 6.9% (2022). Nearly 18% of enterprises in Greece (all activities without the financial sectors) had e-commerce sales in 2022. Although this percentage was doubled compared to 2012, it is still below the EU-27 average (22.8%), with Ireland being the leader (42.4%).

The e-commerce supply chain involves all online marketplaces of any form of product or service sold and all ways of conducting businesses via the Internet.

A brief history of e-commerce

The roots of e-commerce go back to the late 1960s, with the launch of CompuServe in 1969, the first e-commerce company founded in the USA, which sent data via telephone lines. The birth of the World Wide Web in 1990 introduced a new era for the development of e-commerce, while after 1995, the creation of Amazon and eBay launched an online marketplace expansion. In 2006, Shopify enabled sellers to create online stores (Ferreira dos Santos et al 2017, Tian 2007). In 2020, the outburst of the COVID-19 pandemic locked down physical stores and boosted online shopping globally. Over the years, mobile commerce or m-commerce has also evolved as a subcategory of e-commerce with various transactions taking place via mobile applications.

E-commerce market and brands

Today, the leading e-commerce companies worldwide by market cap include Amazon (USA), which ranks first with a market cap close to one trillion US dollars (2022), Alibaba (China), eBay (USA), Meituan (China), Pinterest (USA), JD.com (China), Pinduoduo (China), Prosus (Netherlands), Shopify (Canada) and many others (www.statista.com, companiesmarketcap.com).

In Greece, among the largest online stores are a) retailers with physical stores which also operate electronic shops, the largest of all being the e-shop of Public, but also those of Zara, Plaisio and H&M, b) retailers which sell exclusively via the Internet, such as Questonline, L.R Health & Beauty Systems, Brandsgalaxy, Bouldoza, Websupplies and others and c) wholesale online stores such as e-shop.gr. The leading e-commerce platform in Greece is Skroutz, a software development company which started as a price-comparison engine, like BestPrice, but has expanded into a one-stop e-commerce marketplace, i.e., a company that provides a multitude of different products or services in one place.

Q-commerce

The latest evolution of e-commerce and m-commerce in an era in which speed and convenience gain increasing importance is quick commerce or q-commerce. Q-commerce is 3rd generation commerce, which combines characteristics of typical e-commerce but in a much faster way and usually in smaller quantities of perishable goods, like groceries.

Its success lies on the speed of delivery, usually by a two-wheeled vehicle, on the same day or even in less than one hour, the proximity of local stores or warehouses, the availability of stock, “last-mile delivery” innovations, as well as click-and-collect and mobile applications that enable online ordering (KPMG 2022, Savills 2021). The company My market in Greece recently launched pilot q-commerce practices (one-hour delivery of 25 products) (www.kathimerini.gr).

Omnichannel

Omnichannel, introduced in 2013 by Nordstrom, an online and in-store fashion retailer, is a multichannel business strategy for commerce that combines sales and marketing in multiple channels, such as e-shops, brick-and-mortar shops, social media, etc. A personalized customer experience in retail shopping is at the heart of the omnichannel strategy.

Businesses implementing omnichannel strategies must integrate and automate the synchronization of available contact points and communication and service channels, either through a common omnichannel software platform with a central system for managing all necessary information (products, stocks, customers, orders, suppliers, etc.), or by interconnecting all individual systems used by the company with mechanisms for automatic synchronization and data updates. Additionally, connections must be created for the processing of sales and marketing with the systems of collaborating companies, such as banks, online payment gateways, transport, price comparison sites, marketplaces, social platforms, search engines and suppliers (Wyman 2018, synergic.gr).

Advanced digital technologies and innovative business strategies enable a more captivating online and in store retail experience for customers.

Smart stores

Physical retail stores find new roles and offer more convenience to the customer via an omnichannel, with the use of smart and often automated digital technologies. In a smart store, customers can put their products into a shopping cart and self-checkout without passing by a cashier. The shopping cart is automatically scanned, and products are automatically recorded as sold, with the payment made instantaneously via the customer’s account or the use of a smart card / cell phone (smartstores.com).

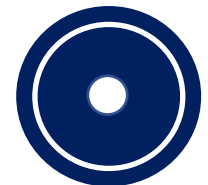
3D-printing technologies for in-store product printing, virtual and augmented reality, artificial intelligence (AI) for interactive fitting rooms, digital stylists and chatbots aid product evaluation and the operational efficiency of smart stores (Deloitte 2020, KPMG 2022). E-commerce giants like Amazon and Alibaba opened physical smart stores, offering comprehensive purchasing solutions.

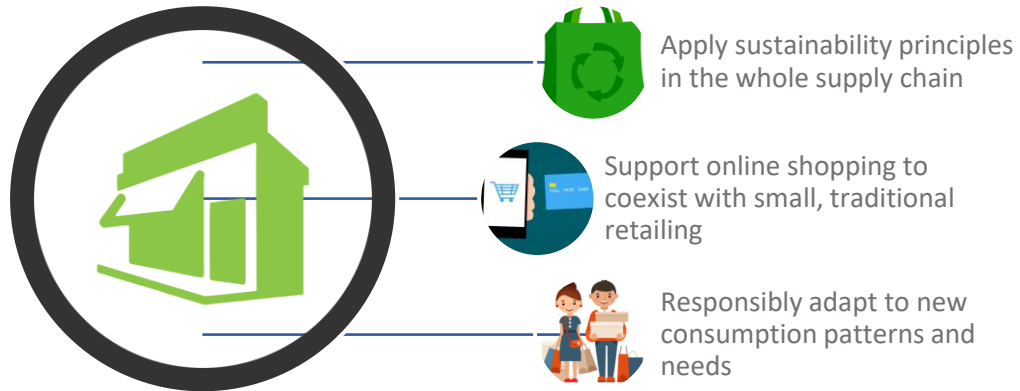
Retail 360-degree view

Retail 360° view, 360-degree shopping experience or Customer 360° as it is also called, is a retail concept based on a customer-centric retail environment that builds upon a holistic and personalized customer experience. Retail companies, especially if functioning in an omnichannel market, can have a complete view of customers’ needs and preferences by collecting data from various touch points that the customers use to contact retailers, buy products and get service support via their stores, websites and so on (www.techtarget.com).

Retail companies have various technological tools to develop a 360° customer view, such as the use of big data, predictive analytics, Internet of Things, AI, machine learning, customer relationship management suites, marketing automation software and so on (Deloitte 2018, 2020, (www.techtarget.com)).

Policy recommendations and SWOT analysis





Apart from the big firms, retail is about small stores adapting to new challenges

Small and very small businesses (up to nine people) account for a fairly large share of retail stores in Greece, as almost 98% of retailers are in this size category. This extensive fragmentation is a feature of the Greek economy overall but is even more pronounced in the case of retail.

In order to address the challenges created by digitalization and support smaller retailers, facilitating funding (e.g., via the Greek NRRP) or providing the appropriate educational guidelines can help them stand up to the increased competition from larger players and the surge of e-commerce. Assistance can be also channeled to gaining knowledge and digital skills, but also to providing marketing and branding techniques. The Greek “Retail observatory” of the Small Enterprises Institute of Hellenic Confederation of Professionals, Craftsmen, and Merchants (GSEVEE) aims at mapping firms’ concentration and helps small retailers in finding the best locations to open up a store (EC 2018).

For smaller retailers, price inflation is another obstacle they must overcome, as high prices affect consumption behavior and turn consumers to products with a lower cost. Small businesses cannot easily compete with the large supermarkets in terms of offers and discounts or the lower prices of private label products.

The retail industry enters a new era in which adaptability to new patterns and emerging technologies is needed to overcome the challenges.

Digitalization brings about the new era of e-commerce, with new skills needed

The new e-commerce era of retail trade presents various opportunities for businesses in the sector, although not without risks. As e-commerce broadly expands, the risk of losing elements of tradition in certain stores but also in the way people shop and socialize in physical stores is heightened. The use of digital technologies and e-commerce by retailers does not mean casting off physical stores but transforming traditional forms of shopping in a way that allows customers to explore more options in their shopping experience.

The risks of retail digitalization also include the loss of certain jobs in the future, a threat that can be encountered through new learning programs, vocational training and the upskilling or reskilling of the retail employees (EESC 2021). Future trends will also create new jobs in posts such as data analysts, software engineers, social media managers, logistics and operations operatives, and customer service assistants (McKinsey 2022, www.retail-insight-network.com).

Sustainability is the only way forward for both retailers and shoppers

Overcoming the lines of serious environmental and health threats from human actions is a possible scenario that cannot be overlooked. Applying more sustainable principles in retail trade can aid the whole supply chain, from manufactures to consumers, consider changing practices that place a heavy burden on the environment.

Retailers should invest in sustainable trading practices that minimize their environmental footprint. Responsible consumption should be driven by values of quality, leading to economic growth that is not solely based on ever-increasing, overconsumption pathways, but on sustainable choices that can create job opportunities and save natural capital resources for the future generations.

STRENGTHS

Retailing activities provide significant support to labor income, growth and state revenues.
 Retail trade is among the largest employers in Greece, especially for the female workforce.
 Demand for retail products accounts for 1/3 of consumption expenditure.
 As to revenues, retail companies are among the biggest Greek enterprises.
 Substantial increase of e-commerce after the COVID-19 pandemic.
 Presence of international companies in the Greek retail market that increase employment and investment spending.
 Significantly reduced restrictive retail regulations.

WEAKNESSES

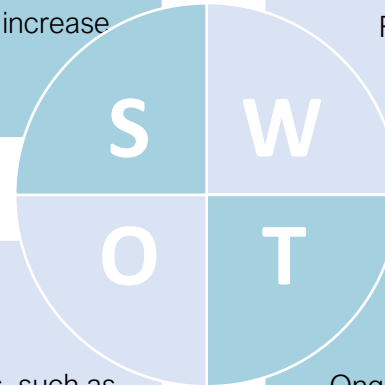
The vast majority of the Greek retailers are small or very small businesses, implying high fragmentation in the market.
 Competition becomes harder for small businesses due to the presence of large income concentration from the big players.
 Retailers with no online presence were largely hit by the COVID-19 pandemic.
 Small share of e-commerce in total sales, despite the observed increase.
 Retailers are not investing enough in promoting sustainable retail trade, although sustainability is a priority for many of them.

OPPORTUNITIES

E-commerce explosion and the use of technologies and innovations, such as omnichannel and smart stores, offer opportunities for new business models.
 Retail trade, as an intermediate link between production and consumption, can largely contribute to applying sustainable principles in the whole supply chain.
 E-commerce expands the geographical shopping limits for small players, rendering them more competitive in the market.
 Changes in consumer patterns and habits can provide guidelines to the creation of new retail business models.
 The new era provides opportunities for investment in sustainability, technology, new job posts and workforce training.

THREATS

Ongoing inflation following the geopolitical / energy crisis affects retail sales and can form conditions of unfair competition at the expense of the smaller.
 High prices reduce real income, turn consumers to cheaper products and can diminish consumption.
 Certain job posts could be at risk in the future due to the expansion of digitalization in the retail market.
 Investment in digital technologies can have a high cost that could be difficult for small retailers to bear.
 Intense international competition from big e-commerce companies.



Articles and reports

- Boston Consulting Group. (2022). *Sustainability in retail is possible but there's work to be done*. Deloitte.
- (2018). *Deloitte digital. Retail 360/Connected stores*.
- (2020). *Digital transformation of the retail trade sector*.
- (2022). *Retail trends 2022. Beyond retail*.
- EuroCommerce. (2022). *Triple transformation of the EU retail and wholesale sector*.
- European Commission/European Union.
- (2000). *Directive 2000/31/EC on electronic commerce*.
 - (2015). *A digital single market strategy for Europe*.
 - (2015). *Digital single market*.
 - (2015). *Directive 2015/2366 on payment services*.
 - (2015). *Upgrading the Single Market: more opportunities for people and business*.
 - (2017). *Operational restrictions in the retail sector*.
 - (2018). *Facing the future. A practical guide for fostering the revitalization and modernization of the small retail sector*.
 - (2018). *New deal for consumers*.
 - (2018). *Strengthening the competitiveness of the European retail sector (Press release and Factsheet)*.
 - (2019). *Directive 2019/770 on digital content and digital services*.
- European Economic and Social Committee. (2021). *Digital transformation opportunities for retail companies and its advantages for European consumers*.
- EY. (2022). *How should businesses approach new consumer habits in an environment of increasing uncertainty? Future Consumer Index, Greece 2022*.

- Gupta, A.S. and Mukherjee, J. (2022). *Long term changes in consumers' shopping behavior post-pandemic: an exploratory study*. *International Journal of Retail & Distribution Management*. Vol.50, No12
- Hellenic Confederation of Commerce and Entrepreneurship (ESEE). (2021). *Annual report of Greek retail trade*.
- ICAP. (2005). *Supermarkets*.
- KPMG. (2022). *The future of retail sector. Trends and developments in the Greek market*.
- McKinsey.
- (2021). *NEF spotlight: The path forward for retail's sustainable future*.
 - (2022). *Transforming the EU retail & wholesale sector*.
- Oliver Wyman. (2018). *Retail's revolution. How retail and consumer goods companies can adapt*.
- Santos Dos, V.F., Sabino, L.R., Morais, G.M. and Calves Gon, C.A. (2017). *E-commerce: A short history follow-up on possible trends*. *International Journal of Business Administration*, Vol.8, No7.
- Savills. (2021). *European food and groceries sector*.
- Schönberger, H., Martos, J.L.G. and Styles, D. (2013). *Best environmental management practice in the retail trade sector*. JRC Scientific and Policy Reports.
- European Commission.
- Stochasis
- (2018). *Supermarkets*.
 - (2022). *E-commerce*.
- Tian, Y. and Stewart, C. (2007). *History of e-commerce*.
- Valaskova, K., Durana, P. and Adamko P. (2022). *Changes in consumers' purchase patterns as a consequence of the COVID-19 pandemic*. *Mathematics*, 9, 1788.

Databases

- ELSTAT
- European Commission (DG-ECFIN)
- Eurostat (E-commerce, HICP, Labor force survey, National accounts, Short-term business statistics, Structural business statistics)
- ICAP Dataprisma
- OECD (public sector, taxation, market regulation)

Websites

- digital-strategy.ec.europa.eu/en/policies/geoblocking-e-katanalotis.gov.gr
- esee.gr/
- www.ielka.gr
- companiesmarketcap.com
- www.consilium.europa.eu
- www.eurocommerce.eu
- www.franchise-success.gr
- www.fuelprices.gr
- www.investopedia.com
- www.kathimerini.gr
- www.naftemporiki.gr
- www.ot.gr
- www.retail-insight-network.com
- smartstores.com
- www.statista.com
- synergic.gr
- www.techtarget.com
- tradingeconomics.com
- www.unep.org

Panayotis Kapopoulos, Chief Economist, PhD
panayotis.kapopoulos@alpha.gr

Foteini Thomaidou, Economist, PhD
210-5178966
foteini.thomaidou@alpha.gr

Spyridoula Kati, Economist, MSc
210-5178968
spyridoula.kati@alpha.gr

ECONOMIC RESEARCH DIVISION
ALPHA BANK
11, Sophocleous Street
GR 105 59 Athens
T +30 210 517 8963, F +30 210 348 7873
Email: alphabankeconomicresearch@alpha.gr
Web site: [Economic analyses | ALPHA BANK](#)

Disclaimer:

This report, issued by Alpha Bank, is provided for information purposes only. The information it contains has been obtained from sources believed to be reliable but not verified by Alpha Bank and consist an expression of opinion based on available data at a particular date. This report does not constitute an advice or recommendation nor is it an offer or a solicitation of an offer for any kind of transaction and therefore factors such as knowledge, experience, financial situation and investment targets- of each one of the potential or existing clients- have not been taken into consideration and have not been tested for potential taxation of the issuer at the source neither for any other tax consistency arising from participating in them.

Furthermore, it does not constitute investment research and therefore it has not been prepared in accordance with the legal requirements regarding the safeguarding of independence of investment research. Alpha Bank has no obligation to review, update, modify or amend this report or to make announcements or notifications in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or is subsequently found to be inaccurate. Eventual predictions related to the evolution of the economic variables and values referred to this report, consist views of Alpha Bank based on the data contained in it.

No representation or warranty, express or implied, is made as to the accuracy, completeness or correctness of the information and opinions contained herein, or the suitability thereof for any particular use, and no responsibility or liability whatsoever is accepted by Alpha Bank and its subsidiaries, or by their directors, officers and employees for any direct or indirect damage that may result from the use of this report or the information it contains, in whole or in part. Any reproduction or republication of this report or part thereof must mention Alpha Bank as its source.