

METRO Group Experiences with Cross Border Business

Thomas Rudelt, MAKRO CZ
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METRO Group: International presence



592 stores
in 29 countries



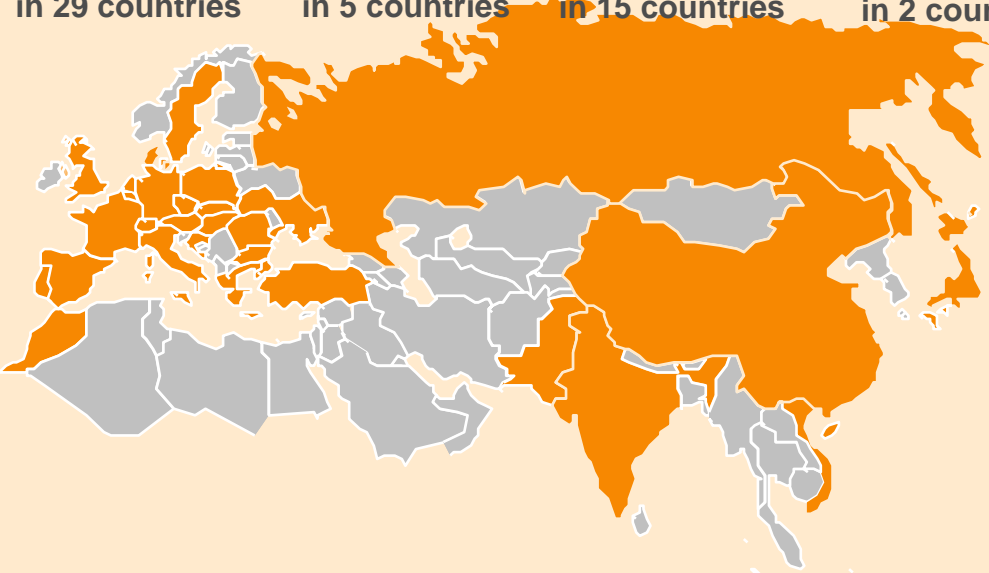
680 stores
in 5 countries



658 stores
in 15 countries



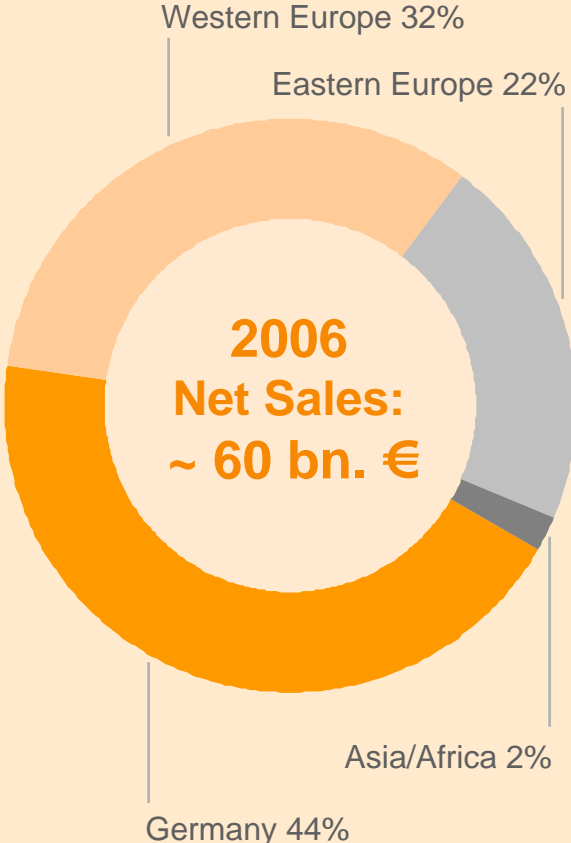
141 stores
in 2 countries



over 2,400 locations in 31 countries*

*others: 334 locations
*status: November 2007

Net sales of the METRO Group by regions



Cross Border Drivers for METRO Group

Customers



METRO Group

Fulfill Customer demands:
Differentiate from Competition

Find best sourcing location:
Realize Synergies

*Harmonization of EU regulations
regarding customers protection
and cross border activities*

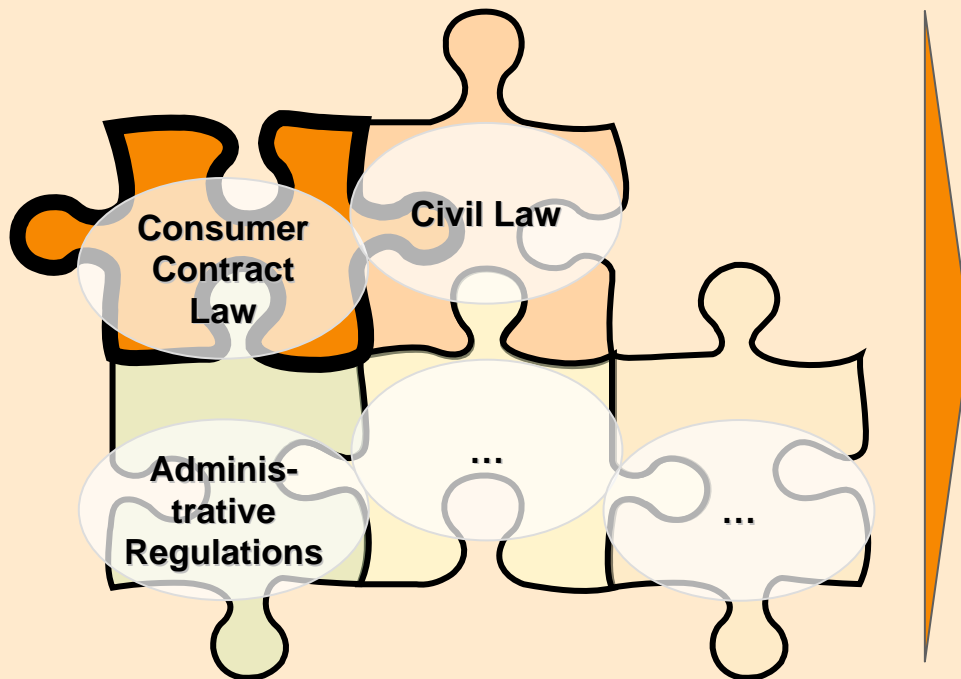
Suppliers



...

Harmonization targets

Maximum harmonization of all laws and administrative regulations



- **Maximum harmonization would enable Retailers to save costs by standardization of:**
 - Contracts and General Contractual Terms
 - After Sales Services
 - Labeling
- **Therefore harmonization of Consumer Contract Law is a first step in the right direction**

METRO Group position regarding harmonized EU Consumer Contract Law



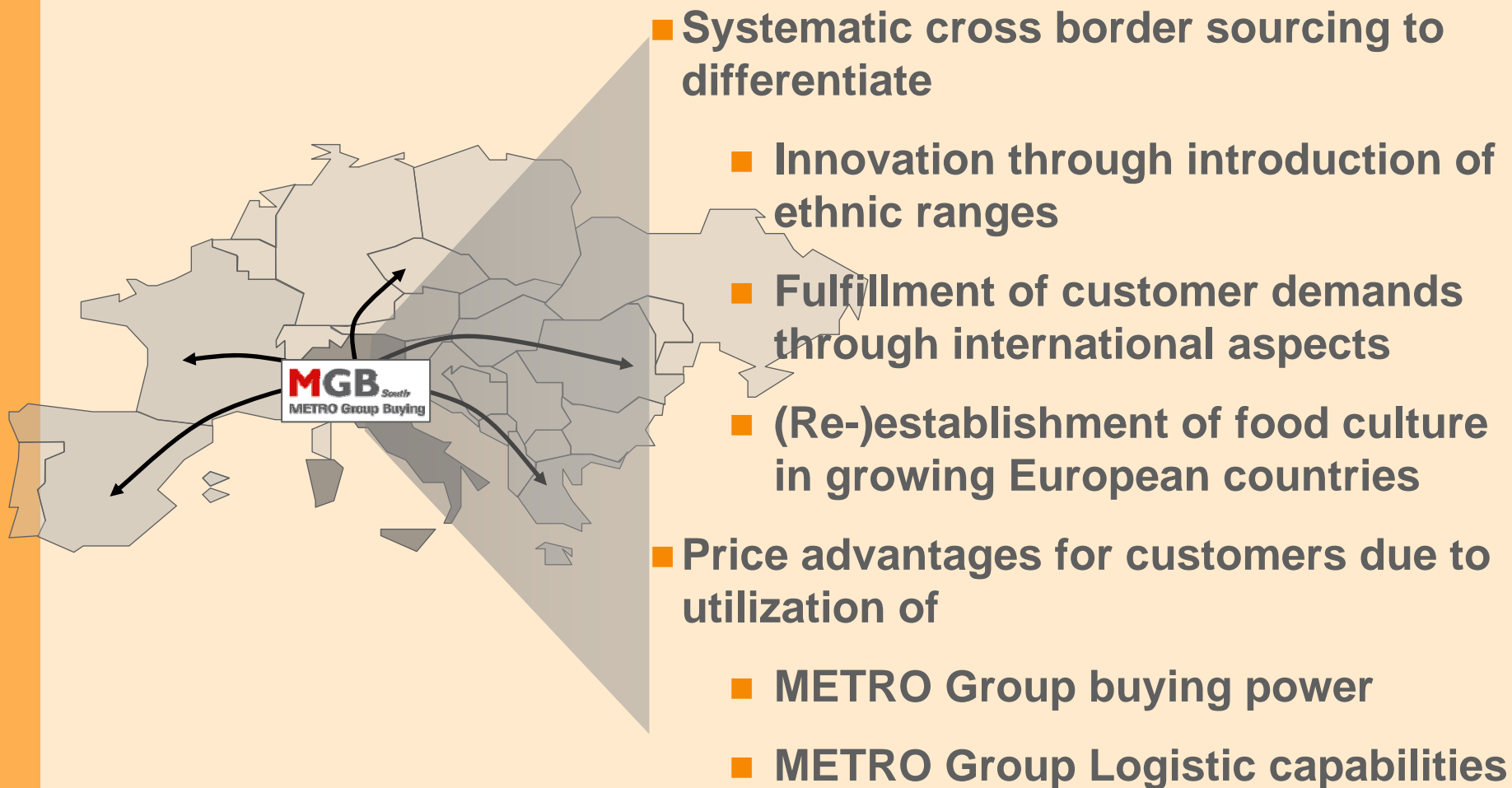
- No direct producers' liability in order to support customer retention

- Create consumer protection which is really in the interest of the consumers:
 - too many information requirements may result in confusion of consumers
 - too heavy burdens on companies inevitably result in higher prices

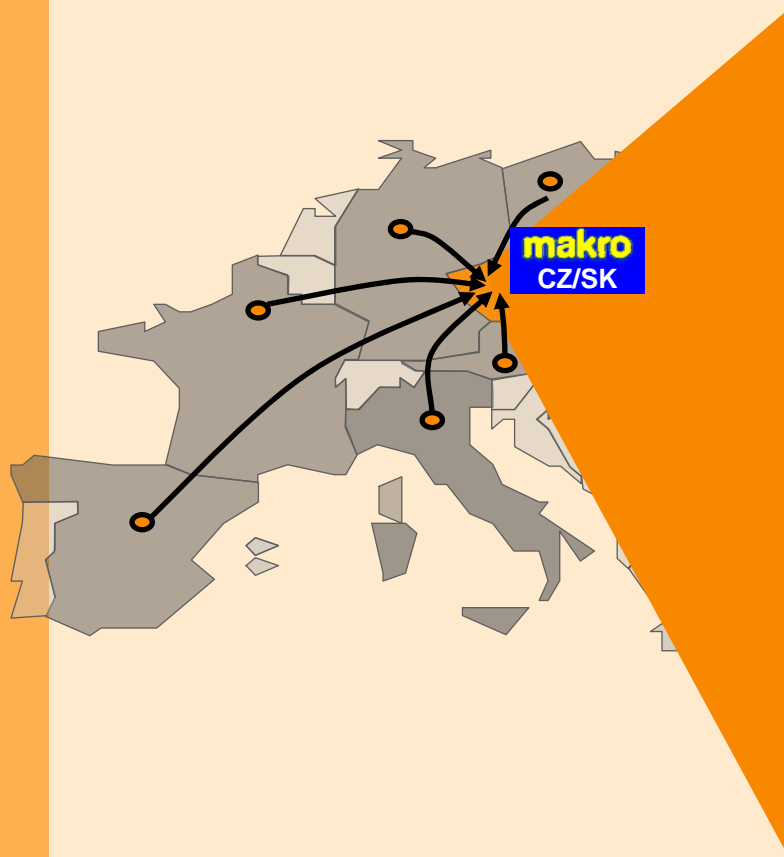


- Full harmonization of consumer laws as first step towards maximum harmonization

Differentiation at METRO Group through “Cross border solutions”



Differentiation at MAKRO CZ



- 10% innovative articles from international origins in assortment of MAKRO Cash & Carry CZ

Category	number of innovations	% of outperforming innovations*
Meat and poultry	49	26,5%
Processed meat	169	14,2%
Frozen food	101	18,8%
Delicatessen	137	13,9%
Dairy	122	9,0%
Bread and pastry	50	56,0%
Sweets	49	2,0%
Canned and pat food	122	8,2%
Pasta, spices, oil, coffee	152	9,9%
Cosmetics	76	35,5%
Detergents	54	13,0%
Drinks	67	16,4%
Wine and spirits	315	57,5%
Total	1463	30,8%

- Over 30% of novelties outperform the rest of the assortment

*KPI: $\frac{\text{Sales per Novelty-article}}{\text{Sales per article in the same category w/o novelties}}$

Challenges: Unaligned regulations increase complexity



- Different national specifications for Packaging and Labels
- Difficult settlement of national tax regulations (e.g. VAT, excise, alcohol, etc.)
- Non harmonized legal requirements (e.g. pesticides)
- Difficult compliance with national disharmonization embedded in EU-law (e.g. hygiene package)



Labeling requirements (Country specifics)*



- Symbol of packaging liquidation
- Symbol of packaging material type
- Mode of packaging (MAP, vakuum,..)
- Country of origin



- Name and address of Importer to RO additionally
- Country of origin



- Country of origin



- In order to inform pregnant women about the risk of alcohol consumption, a picture or a message will soon have to be indicated on the packaging of all alcoholic beverages

* Source: MGBI QA Food

Challenges: Cross border sourcing depends on supplier involvement



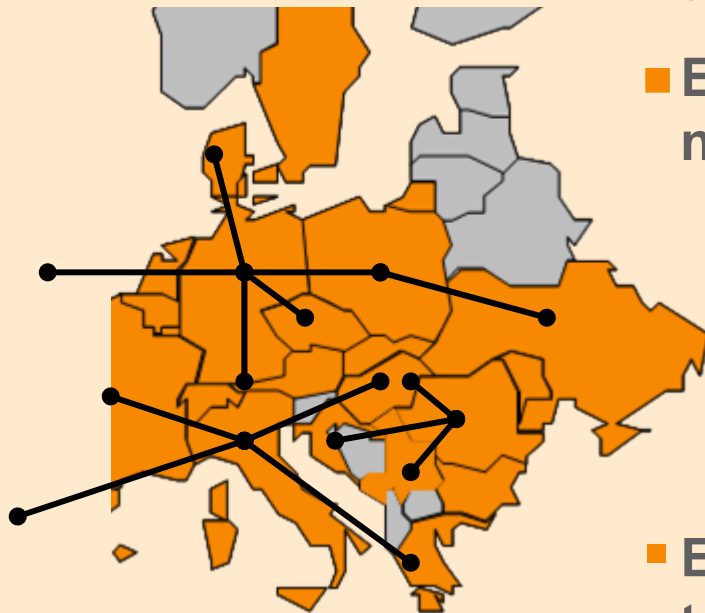
- Export permissions and exclusivity of own distributors

- Marketing against supplier driven “local” original products



- Limited price transparency and artificially created price levels

METRO Group Vision: Open EU sourcing network



- Collaboration of international traders with multinational suppliers and EU authorities to lower cross border trading barriers
- Establish full METRO sourcing network inside EU to
 - Give customers access to original products
 - Facilitate the export capabilities of small and medium companies
- Exploit cross border activities towards Non food assortment

Contact

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