

Giving a Voice to Small Retailers

The pace of retail is increasing with multinational brands flooding the market and e-commerce shifting the way we purchase. One retail organisation is empowering the smaller brands in this heavily contested industry.

Images courtesy of Eurocash

Luis Amaral started his career with Unilever Portugal after completing his business degree. He was there for five years and then joined automotive giant Nissan. In 1995, Luis was invited to start up a Portuguese retail business—Jerónimo Martins (JM)—in Poland, which was an exciting time for Poland as the country was moving away from communism and was viewed by distributors as a major market, with 40 million people in the region.

As general manager of JM, Luis worked at building up the company until July 2000 when he moved to South America to set up his own business with different partners in private equity, initiating fund activities in Brazil, Mexico, and Argentina. In 2003, Luis set up a team to buy Eurocash from Jerónimo Martins and returned to Poland where, as the Eurocash owner, he turned the company around.

At a time when retailers expected Polish shoppers to start emulating their wealthier western neighbours, Luis took a different strategy to the business. The market was being flooded with massive retailers like Tesco and Carrefour, building huge big-box formats in the country's largest towns and cities. However, Eurocash was focused on its own approach. "The most important thing is that we have a clear strategy. Everyone recognises that Eurocash is a distribution company that has a very clear

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"When we take over new companies, sometimes we have a reputation for being a tough operator in terms of being very demanding, but everyone knows exactly where we're going, everyone knows that we won't stop, and everyone knows that we are here to support our people. So we are known, the strategy is known, and it's initiated throughout the country. So we are, from one side, very demanding, but on the other side, very fair with everyone."

Eurocash strives to give a voice to smaller retailers, the owner-operated stores that had thrived during Poland's communist era. "We believe that we can improve the buying power of these smaller retailers and give them access to a very efficient supply chain. It took five or six years to get this model here because we needed to grow, but now we are bigger than most of the international players like Tesco and Carrefour. We have more buying power than them and we are just as quick and efficient in terms of supply chain, so we can offer extremely competitive prices to traditional retailers that, through us, get better buying conditions than the international supermarket chains."

With communism gone and big commercial entities entering the Polish market, Eurocash

encountered some initial issues with discounters. "Discounters are not a very easy partner for suppliers because they work with own brands strongly but ineffectively support innovation. So they represent a threat for suppliers as they only focus on price.

"We're taking a different approach. We mainly sell supplier brands, we support innovation from the suppliers, and we try to make sure that innovation moves quickly through the market. And we offer suppliers something that no one can, which is access to distribution that's very fast, because we basically cover every single grocery store in Poland, which is in the area of 90,000 across the country. So we've grown our capacity to be all over the country, to maintain profits, and to introduce more consumer promotions, which is very difficult for discounters, who represent something like 35 per cent of the market."

Eurocash is now the leading wholesale distributor of fast-moving consumer goods (FMCG) in Poland. The cash-and-carry and franchise-store chains are spread all over the country, giving Eurocash a strong foothold across the nation. "Eurocash Group development was a response to the needs of the customers operating in the traditional retail market. Having acquired the best businesses in those distribution formats where the group was not operating at all, or operated to a limited extent, we significantly expanded our customer >



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base as well as the forms of collaboration we offer.

“The strategy of Eurocash Group assumes further organic growth in each distribution format, combined with continued acquisitions of the best players in their respective segments of wholesale and franchise chains. Such transactions allow us to achieve the synergies of scale relatively fast, which translates into better trading conditions for Eurocash customers, and reinforced competitive power and market position for the group.”

Eurocash works closely with key suppliers to ensure nationwide distribution while giving buying power to smaller retailers. “For example, Nestle Polska is a company that understands the value that our distribution gives, in that we always put our efforts into keeping our clients competitive. Sometimes relations can be stressed because our other role is to protect our clients, but the suppliers know that we are fully focused on

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supporting family businesses, and that is a position we still hold today in Poland because of what we’ve done over the past 10 years. People like Nestle understand the importance of this principle. We work with each other to make one another more competitive.”

The company’s strategy has always been to serve small, local stores because the Polish consumers still like to buy local on a daily basis. Eurocash will continue to grow by buying small stores or chains of stores while adding new product categories to its offering. “We’re always looking to be the market leader in each new market segment within five years of entering. We do this by making 10 to 11 acquisitions per year.

“When Eurocash buys a new company, the existing management

are always surprised because we give them full accountability and ownership, but still demand results. What differentiates us from our competitors is the way we expand our business, betting on traditional trade—Eurocash goes against the large, out-of-town warehouse format by giving buying power to the small retailers.”

Luis believes Eurocash still has more growth to do in Poland. “I think we really are skilled enough to make sure our clients are competitive in the long term, but I believe we still need to double the company in Poland. So we don’t see ourselves going to 10 countries, but we see ourselves going to the next country, taking the same approach to become market leader in the country and to empower these smaller operators.” •

“Nestlé has been cooperating with Eurocash for many years. The coherence of Nestlé’s and Eurocash’s goals, such as wide distribution, as well as the engagement of high class experienced professionals on both sides, allow us to continuously develop our businesses.”
- Beata Porowska, Sales Director, Nestlé Polska S.A.

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