

# KONZUM

## Market

Konzum is the leading retail sales chain in Croatia that operates in accordance with contemporary global retail sales standards in more than 650 sales locations across the country. Konzum is part of the Agrokor concern, the largest private company in Croatia, and one of the largest companies in Southeastern Europe. In addition to its retail sales, Agrokor's business has intensely developed through the wholesale operations of its VELPRO centers and its KOZMO drugstores.

Konzum is also the leading regional retail chain. It took its first regional step in 2004 by opening a VELPRO center in Sarajevo, the largest trade-distribution center in Bosnia and Herzegovina. The following years saw an intense expansion in its retail sales network of Konzum stores. By 2008, Konzum had become the market leader with a total of 64 retail sales outlets and 2 wholesale centers.

In Serbia, a step was made under the brand IDEA. Today, IDEA employs more than 3,000 people working in more than 80 retail sales outlets throughout Serbia; it is one of the largest chains on the Serbian market. IDEA is also a market leader with seven wholesale centers (two in Belgrade and one of each in Niš, Čačak, Leskovac, Novi Sad, and Subotica) organizing quality provisions of the HoReCa segment of small retailers and legal persons.

## Achievements

Konzum d.d. has won several important awards and certificates for its business achievements.

In 2003, Konzum was named the most successful large company in Croatia by the Croatian Chamber of Commerce in Zagreb. In 2004, it received an award for establishing the widest national sales network that influenced price adjustments to the benefit of the consumer.

In 2006, Konzum received two awards – the Golden Share, a special award for the greatest growth in market capitalization, and a special award for the greatest growth in its market price. That same year it received an award for continuing excellence in developing the quality of its service by implementing *mystery shopping*.

In 2007, Konzum received a special recognition from the Fund for Environmental Protection and Energy Efficiency for contributing to the protection of the environment by repurchasing packaging waste. Konzum is one of the largest Croatian employers, employing more than 12,000 people; hence its Certificate as Employer Partner in 2007 was very important business recognition. Konzum received this award for excellence in managing human resources and its partnership relations with employees, which is founded on development of the employee as the best way to improve the competitiveness of the company and the growth of its overall value.



Konzum's purchasing operation, DAD Neretva, is the first system of its kind in Croatia. In 2006, it was awarded the Global Gap Fruit and Vegetables Certificate for tangerines, and it has been successfully recertified every year since then.

## History

The tradition of the name Konzum, which has always been tied to the idea of quality and a high level of service, has lasted for more than half a century – from the opening of its first supermarket in Zagreb in 1957. Unikonzum was established in 1970 by merging four retail sale chains and was incorporated under the articles of the Law of 1992. The following years brought the achievement of significant milestones in the company's history; in 1994, Agrokor became the majority owner; the next year Unikonzum changed its name to Konzum and opened Super Konzum in Vukovarska street – the first supermarket in Croatia based on global retail sales standards. Further development included the remodeling of stores, modernizing the company's image and improving overall business. In 2000, Konzum intensively expanded its network of stores and opened a logistics-distribution center in Zagreb, the largest one in this part of Europe. Reflecting its considerable growth and development, the company Konzum introduced a new visual identity in 2004. Between 2005 and 2007 Konzum further developed its sales network and future business

based on an expansion in the segment of large format stores – Super Konzum, of which there are now 29 throughout Croatia. The year 2006 marked the beginning of PLUS market partnerships within Konzum's wholesale operations, while 2007 saw a strengthening of its leading market position and the opening of 67 new sales locations.

The KOZMO drugstore is the first Croatian chain of drugstores. It offers a wide range of products top brand products in health and beauty. Guided by its slogan "Beauty that You Live", KOZMO has become the favorite destination for buying preparative and decorative cosmetics, perfume and jewelry. The first KOZMO drugstore opened in 2005 in Zagreb. Today, there are more than 40 stores throughout Croatia. By the end of 2007, the KOZMO chain had made a significant step in the region by opening new sales locations in Međugorje and Sarajevo, followed by the opening of three more outlets in Tuzla, Ljubuški and Mostar in Bosnia and Herzegovina in 2008.

## Product

KONZUM, with its modernly equipped stores in the most attractive locations, offers top service, the highest quality products, and the most reasonable prices. More than 80% of its assortment are Croatian products, which clearly emphasize the company's strategic business orientation to strengthen Croatian production. Konzum



devotes great attention to fresh displays and it offers dairy products, fruits and vegetables, fresh meats of domestically-controlled origin.

Konzum is the largest producer, buyer and exporter of fruits and vegetables in Croatia. Through guaranteed purchase by Konzum, domestic producers of fruits and vegetables secure the highest standards of production control, distribution and guaranteed placement of their products. The production of fruits and vegetables in Croatia is organized by regions based on climatic and regional characteristics with the goal of cultivating the highest quality varieties.

Konzum annually purchases 75,000 tons of fruits and vegetables through its purchasing stations, including DAD Neretva, "Fruits of the Earth" in Donji Miholjac and others throughout Croatia. In specific types of fruits and vegetables, Konzum purchases more than half of all domestic production: 25,000 tons of tangerines, 15,000 tons of watermelon, 11,000 tons of tomatoes, 6,000 tons of cantaloupe and more than 2,500 tons of peaches and nectarines.

In addition to its own purchasing stations, Konzum also develops partnerships with the best private producers, which annually provide a total of 120,000 tons of fruits and vegetables. After sorting in modern technological facilities, weighing and packaging fresh fruits and vegetables purchased from its partners, Konzum distributes them to its own sales locations and to outside buyers. Thanks to the most modern logistic-distribution centre in this part of Europe, Konzum has the ability to provide its customers an attractive, daily supply of fruits and vegetables that will keep their freshness and quality because of more rapid deliveries to stores. Konzum annually offers its customers more than 210,000 tons of fresh fruits and vegetables. It is also the largest exporter of fruits and vegetables in Croatia, oriented to the markets of Slovenia, Austria, Hungary, the Czech Republic, Slovakia and Russia.

The rich offer of high quality fresh meat in Konzum is based on cooperation with PIK Vrbovec, and the high quality meat with the stamp "meat of controlled origin" that comes into Konzum's stores is from the most modernly equipped domestic farms.

### Recent Developments

Building a quality relationship with customers is a strategic guideline of Konzum's business. This especially applies to the most faithful customers, for whom there are always additional advantages and reasons for daily shopping in Konzum's stores. The Konzum Plus Card is the company's way of rewarding the loyalty of its customers. By purchasing in Konzum stores, users of the Konzum Plus Card collect prize points. Every three months customers receive a prize coupon for the number of points collected, which gives them additional savings on their next purchase. The concept of receiving and using the card is very simple, and in addition to the prize coupon, card users enjoy a wide range of special privileges



—special sales offers and prize games designed exclusively for card users, Konzum Plus Card magazines, acquiring additional points for buying "Plus articles", and using the points for special privileges when buying a product or service at a sales locations that is a KPC partner.

Through its modern business approach, Konzum continues to get closer to its customers and to offer them the best service. With that goal in mind, Konzum launched the Konzum Internet Store, which continues to develop and to attract a greater number of users for on-line buying. Purchasing through the Konzum Internet Store is very simple: it is enough to register on the web page <http://online.konzum.hr>. Then, the buyer simply clicks to choose the desired products, place them in a virtual shopping cart and complete the order. The items ordered are then delivered by a special vehicle directly to the door of the buyer. With the fast pace of today's life and business rhythms this represents tremendous help. In addition to the expansion of the delivery area, the Konzum Internet Store has also received a new look with a redesigned web page that is more modern, attractive and functional. The new visual identity and organization of content make possible a simpler and faster use of the pages of the Internet Store, and the choice of a product has become simpler with the help of a new, improved search engine that allows a customer to come directly to a desired product.

### Promotion

Konzum's business is based on fulfilling the desires and needs of its customers. Konzum builds its business success through constant communication with its customers, which is clearly expressed in the slogan "With You Through Life".

Since 2004, Konzum has constantly used *mystery shopping* as a method to determine the level of satisfaction of its customers and as a way to define the segments of its business that can be improved. *Mystery shopping* has allowed Konzum to further standardize the quality of service for its customers and to give employees clearer directions in developing a relationship with each individual customer. The reaction of Konzum's customers was also gratifying since research after the introduction of *mystery shopping* showed a growth in the level of satisfaction with service.

### Brand Values

In 2001, Konzum began to develop a private brand K Plus which allows customers to purchase high quality products at affordable prices and in that way it extended an additional comparative advantage while shopping in Konzum. The range of K Plus products was created mainly through cooperation with reputable domestic producers. The assortment of Konzum's private brand currently numbers more than 500 products of excellent quality offered at favorable prices. The continuous control of the origin and process of production according to the best world experience, the design of the packaging and favorable prices have ensured outstanding quality for Konzum's private brands and excellent reception from consumers. Independent research has actually shown that several K Plus products are among the most recognizable brands according to the consumer opinion. The direction of future development of Konzum's private brand will be based on the innovative development of new products based on original and trademarked recipes.

[www.konzum.hr](http://www.konzum.hr)



THINGS YOU DIDN'T KNOW ABOUT...

### Konzum

- Konzum's earnings in 2007 were five times greater than the earnings of the next largest competitor on the market.
- Konzum's sales locations are visited by more than 600,000 customers daily.
- The Konzum Plus Card has more than 850,000 active users annually.

