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Today Situation in Online Buying of Food Products in the Czech Republic

Tomáš Sadílek[1], Přemysl Průša[2]

Abstract:

Actual news from abroad confirm that online buying is very frequent also in FMCG business. In the Czech Republic, iTesco.cz Rohlik.cz, Košík.cz and ZMarket.cz are pioneers in this area. The newest trends are mapped by professional media, especially the digital ones. Although online buying in the FMCG segment has not reached so significant market shares as in the United Kingdom or in France, this year the situation is expected to be changed dramatically. The iTesco concept prepares expansion in new regions and Rohlík.cz, already operating three quarters of year in Prague and surroundings, acquires new customers every week, Košík.cz has already started too and Koloniál.cz starts the sales at the beginning of the third quarter of 2015. The aim of the article is to present current situation in the area of online food products retailing in the Czech Republic and to outline the future development trends. This is a comprehensive study dealing with description of Czech online food products market and could be a first step for further research.

Key Words: *Food products, online buying, Czech Republic.*

JEL Classification *: M31, L66*

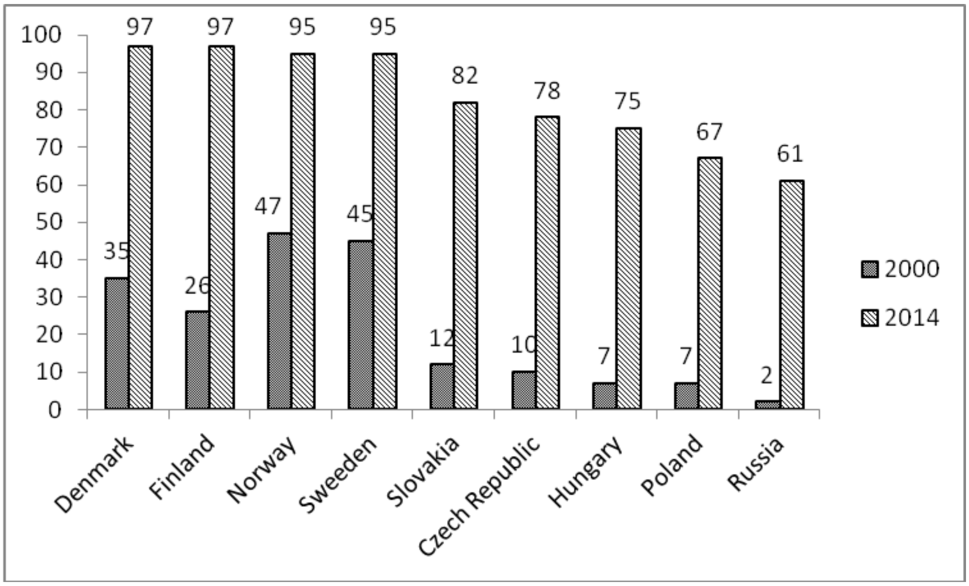
[1] *PhD Candidate, Department of Retailing and Commercial Communication, Faculty of International Relations, University of Economics in Prague, W. Churchill sq. 4, Prague, Czech Republic; tomas.sadilek@vse.cz, 00 420 732 549 238*

[2] *Assistant Professor, Department of Retailing and Commercial Communication, Faculty of International Relations, University of Economics in Prague, W. Churchill sq. 4, Prague, Czech Republic; prusa@vse.cz, 00 420 224 09 5258*

1. Introduction

A goal of the study is to describe nowadays situation in the Czech market of online food products. The main research question is to find out, how many subjects operate on the Czech food products market and what products and services they do offer.

A prerequisite of food products online buying on the Internet is an information skill to use the Internet, which is expressed in Internet penetration in the population. The attached chart shows how the rate of Internet use has changed in chosen European countries. In the Czech Republic internet coverage increased from 10% in 2000 to 78% in 2014. In the group of 20-30 years internet coverage is even higher than 90%. (Data are from the years 2000 and 2014.)



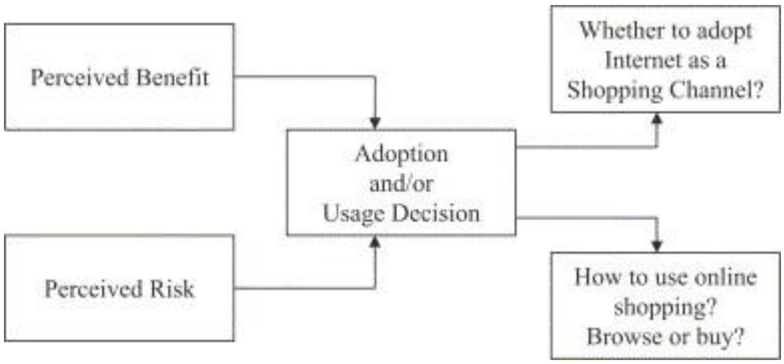
Source: *http://www.internetworldstats.com/stats4.htm#europe)*

Figure 1. Internet penetration in the population in 2000 a 2014, in per cent

GfK company and its consumer panel analyzed how Czechs buy food on the Internet. It is a research finding, which is representative for the Czech population, and it was found out that the average Czech consumer buys food 5 times a year, 58% of respondents bought repeatedly and the average purchase accounted for 747 CZK (GfK Consumer Panel, 2014).

How does the food products online shopping look like? This topic was analyzed by the company IGD (in Koubek, 2014), and their research shows that 40% of food e-shops users make basic regular purchases, 39% make large monthly purchases (usually after the pay packet), 10 % more common basic purchases, 6% supplementary purchases and 4% occasional purchases.

But not only internet penetration is an important factor why customers use online buying more or less frequent. Soopramanien and Robertson offer conceptual framework for adoption and usage behavior of online shopping, which includes new variables, such as perceived benefits, perceived values, adoption and/or usage decision, whether to adopt internet as a shopping channel and how to use online shopping and if browse or buy (2007).



***Source**: Soopramanien and Robertson (2007)*

Figure 2. Framework of adoption of online shopping

In the future there is obviously plenty of space in the Czech market for expansion of food products shopping on the Internet. According to the research FutureBuy (2014), Czechs, when buying food online, evaluate this way of shopping as cool, simple, effortless, organized and safe, which corresponds with their high trust in e-shops in general. Among the advantages of online grocery shopping Czechs mention mostly good value, time-saving, wide choice of options and convenient delivery. Conversely, Czech consumers perceive as disadvantages the cost of delivery, they are also worried about the quality and freshness of the goods as well as they mention an obstacle when they are forced to wait for delivery of goods and merchandise they cannot see and try in advance in person. Also, the fear of a possible claim plays a big role (GfK FMCG e-Shopping, 2014).

2. Materials and methods

In this part authors would like to describe nowadays trends in the world market of food products online buying and what is the today´s situation in the Czech food products market.
A case study methodology (Yin, 2003) was adopted as qualitative approaches are most appropriate to deeply investigate and understand complex phenomena, such as the one under investigation, as well as to develop hypotheses that later can be tested with confirmatory approaches. This case study was conducted according to the

guidelines and suggestions for qualitative methodologies provided in relevant literature (Pratt, 2009). It focuses on four online shops with food products. Data collection was carried out from web pages of each online retailer and further secondary data were collected from databases, reports and other publications (such as annual reports, newspapers, articles, master's theses, blogs about food issues, books produced about the company, etc.).

In the Czech Republic in 2015 there operate four online shops with food products and all of them were put into our sample.

The share of food purchased on the Internet varies between countries. On the one side there are countries like South Korea and China, which, for example, offer a choice of food during a journey in the subway using smartphone and until they reach home, they can expect their purchase at the door. On the other side, Great Britain dominates in the share of online food products shopping in Europe and it is no accident that Tesco has pioneered this service in the Czech Republic too. Other European countries with the exception of France and the Netherlands show the share of online purchases only around one percentage point. For example, the largest Spanish retailer Mercadona focuses more on the sale of fresh products and private label food and its strategy of using online sales significantly.

The sales growth rate of food products on the Internet in 2013 and 2014 is interesting too. Between these years there was an increase in sales of food on the Internet around 34% in China, 22% in South Korea, 20% in Britain and 12% in France. In China, these services are most widespread in big cities such as Beijing, Shanghai and Guangzhou.

Country	**%**
South Korea	13.2
United Kingdom	6.0
France	4.3
Taiwan	3.9
China	2.6
Netherlands	2.1
Germany	1.4
Russia	1.2
Spain	1.2
Denmark	0.9
Czech Republic	0.8
USA	0.8
Poland	0.7
Belgium	0.6
Portugal	0.6

Slovakia	0.4
Brazil	0.2
Malaysia	0.2
Vietnam	0.2

Source: *Kantar Worldpanel, Europanel, IRI US 2014*

Figure 3. Share of online purchases of food in total sales in 2014, in per cent

In the future, experts expect that in 2025 the share of food purchased on the Internet should account for 10% in France, 10% in Britain, 15% in China and 30% in South Korea.

When we analyze the categories of frequently purchased products in online shops, we conclude that, depending on individual countries, these vary considerably. While in South Korea and China moist wipes, baby food, diapers, powdered milk and dog food are the most commonly purchased goods, in Europe mineral water, canned and wet wipes are at the forefront of the popularity. All these named products have one feature in common: they are typically of spatially bulkier packaging, which is more difficult to bring back home by public transport, so customers often choose the delivery of online shop. Therefore, this list does not contain fresh and basic foods. We also need to mention the finding that 55% of shoppers are still buying the same item repeatedly (Kantar, 2014).

Research (Kantar, 2014) also found out what are the main motivators for buying food online. In South Korea these are mainly savings in time, cost and the ability to shop using smartphone and its applications in China, consumers are also looking for competitive prices, home delivery service and a larger selection of products than is available in a physical store. European buyers also prefer saving time and home delivery service, which does not need to take special care, especially when buying heavy products. In the UK, consumers also look for e-shops, which offer lower prices than classical stores and French consumers highly value the advantage of the availability of e-shops for 24 hours a day.

3. Case study: Current situation in the Czech Republic

Online shops with food products have been moving from Prague to other and smaller cities. Among the leading companies we can mention the service “Potraviny online Food products online)” by Tesco, which expanded to the region of Benešov in March 2015 and now it, serves already four millions of customers in seven counties of the Czech Republic. Tesco is shortly followed by the ambitious shop called “Rohlík.cz (Roll.cz)”, which entered the second largest Czech city – Brno in July, whereas the other competitors have been planning similar steps.

The sales in the online food products market are expected to reach up to 5.5 billion CZK this year. Last year Czech customers purchased online food products in the total value of 4.3 billion CZK (including alcohol and tobacco) (ČTK, 2015). According to newest information sources there are roughly 10 companies operating in the Czech food products market sold online. The biggest competition can be found in Prague, followed by Ostrava, Brno or Jihlava.

The Tesco retail chain started its e-shop "Potraviny online" at the beginning of 2012, soon after that it expanded to Brno and to the other areas of South Moravia (Blansko, Hodonín), Central Bohemia (Mladá Boleslav, Kladno, Kolín, Nymburk, Kutná Hora) and other big cities, such as Hradec Králové, Pardubice, Liberec and Jablonec nad Nisou. The online service of Tesco had over 200,000 of registered customers in July 2015 (Aktuálně, 2015).

If we look at the biggest iTesco.cz competitors, we need to mention mainly the specialized online shops such as Rohlík.cz. This company was established in September 2014 by the Miton and Enern groups and mainly by Mr. Tomáš Čupr, who is also the founder of Slevomat.cz or the service provider DámeJídlo.cz. Rohlík.cz expanded from Prague to Brno in July 2015, even though this should have happened in spring 2015 followed by expansion to other big Czech cities. For example, in Prague this shop completes more than 1,000 orders per day. Since spring 2015 we can observe the activities of another competitor – the e-shop Košík.cz, so far operating in Prague with almost seven thousand registered customers, who generate 70-110 orders per day (Aktuálně, 2015).

We also need to mention another ambitious project, called Koloniál.cz backed by the E-commerce holding, co-owned by the Rockaway group (which is owned by Mr. Jakub Havrlant and the Czech Media Invest company). Koloniál.cz has been in the market since June 2015 and the company is directed by Mr. Petr Vyhnálek, the former CEO of the Czech branch of the Globus retail chain. The main competitive advantage of Koloniál.cz should be the fact, that the company is supplied directly by producers. According to the newest information from Koloniál.cz it completes around several hundreds of orders per day.

The traditional retail chains consider starting their own e-shop, but they are rather reluctant, which means the lag between the above mentioned companies and the traditional food products retailers is getting bigger and bigger. Of course, the project of a food products e-shop is very demanding in terms of financing and logistics. For example, Billa, Kaufland, Lidl or Globus have expressed their intention not to step in the market of online shopping in the close future.

Besides the big players there are several smaller ones in the Czech Republic, such as My Food, which offers only durable food products (and the logistics is performed by regular courier) in the area of Brno and 30 km around the city (it also owns a chain of classical shops).

Other companies to be mentioned are Z-Market, operating in Prague since 2001, satisfying around 100 orders per day. This company serves the area of Prague and the outskirt areas (up 30 km distance from the city), or Potravinydomu.cz, also operating in Prague (this shop has free transport in case the value of the purchase is over 990 CZK) (Potravinydomu.cz, 2015).

4. Comparison of the most successful food products retailers selling online

In the further text we will analyze and compare the most important/ successful food retailers selling online in the Czech Republic, namely the following ones: iTesco.cz, Rohlík.cz, Košík.cz and Z-Market. In each of the case, the most important competitive strengths and weaknesses from the marketing perspective will be mentioned.

iTesco.cz
Strengths
iTesco.cz has a very wide and deep assortment (more than 20,000 items) (Tesco, 2015). The online shopping service is available in many big and even smaller cities in the Czech Republic; therefore the accessibility of the service is perhaps the best in the country.

It is also important that there is not a financial limit, nor minimum in the value of the order, moreover customers can pick up the ordered goods personally in the Tesco shops (Tesco, 2015). Tesco as a company has a great advantage in the brand awareness and it can gain a lot from its size, even though its reputation has suffered a lot recently due to the accounting scandals.

If we are to evaluate the graphical level and user friendliness of the iTesco web site, the result is rather positive. The displayed products are well depicted and described, on top of that iTesco.cz offers quite well organized and logical loyalty program for its customers (Tesco, 2015).

Weaknesses
So far iTesco.cz does not allow paying in cash for the online orders, which may restrict customers with limited banking skills as well as several age groups of citizens. Last but not least, we need to mention, that the delivery day and time are strongly dependent on the actual traffic and ordering situation and thus may vary a lot (Tesco, 2015).

Rohlík.cz
Strengths
One of the most important positive factors in this e-shop is the ease of the registration and very simple orientation at the e-shop´s web site. The company also concentrates on the food of higher quality, which slightly restricts its target audience, but on the other hand it allows the company to work with higher margins

too. The company thus tries to capture the current trends in food retailing, such as the bio products or farmers´ food.

Shopping at Rohlík.cz is easy, as the company offers such a service, that customers can only send them a picture of their shopping list and the rest is done by the staff of the shop (Rohlík.cz).

The payment can be performed both in cash and by payment/credit card. Rohlík.cz is trying to guarantee fast delivery times (usually within 90 minutes after the order is sent), the costs of delivery are relatively low (from 29 to 99 CZK, in case the total purchase value is within 1,500 CZK) (Rohlík.cz, 2015).

Last but not least, we need to mention the service of cash refund, in case customers are not satisfied.

Weaknesses
The assortment of Rohlík.cz is not very wide and deep (currently around 5,000 items/SKUs) (Rohlík.cz, 2015).
And there is also one big disadvantage to be mentioned – the online order and delivery service us performed in the full extent just in the area of the capital Prague.

Z-Market
Strengths
This e-shop has quite a long tradition and brand awareness. Payment can be made both by cash and by payment / credit card. Z-Market even provides free transportation, even though only in the area of the capital Prague (Z-Market, 2015).

Weaknesses
The web site of this e-shop looks rather dated and even its user friendliness shows several shortcomings. If we look at the web site more thoroughly, we find out several negative points – such as missing descriptions in case of several items or too small product pictures. In this regard Z-Market does not show the same level of the web site quality and products descriptions as its direct and newer competitors.

On top of that, the company sets a minimum value of the purchase (Z-Market, 2015), which may prevent several customers from their purchase at this e-shop. Last but not least the company does not publish its business conditions on the e-shop web site.

Košík.cz
Košík.cz is a new e-shop, founded in spring 2015 with a wide range of products (in total 15,000 items/ SKUs), the offer contains food products and drugs mainly and the target of the company is to be competitive both by the wide and deep assortment and affordable prices. Košík.cz claims their prices are 10% lower than the prices of the direct competition (Košík.cz, 2015).

So far, the service and products are only available in Prague, but the company plans to extend its activity to other big cities in the Czech Republic (Brno, Pardubice, Plzeň and Hradec Králové) (Košík.cz, 2015).

Retailer/e-shop	Delivery time	Transport costs	Payment	Availability
Tesco.cz	Asap (several hours)	49 – 99 CZK	Online/Payment/Credit card	10 cities
Rohlík.cz	Within 90 mins	29 – 99 CZK, free of charge for purchase over 1,500 CZK	Payment/Credit card/ Cash	Prague
Z-Market	Asap (several hours)	Free of charge in Prague, otherwise according to the distance	Payment/Credit card/ Cash	The whole country
Košík.cz	Within 60 min	Free of charge for purchase over 1,500 CZK	n/a	Prague

Source: *Štohanslová, 2015, authors*

Figure 4. Comparison of the most important food products retailers

5. Conclusion

The paper is focused on the analysis of online buying of food products in the Czech Republic and on the description of nowadays trends in the Czech online market. Research shows that the average Czech consumer buys food 5 times a year, 58% of respondents purchased repeatedly with the average purchase in the value of 747 CZK. 40% of users of e-shops with food usually make basic regular purchases, 39% make large monthly purchases (after payment), 10% more frequent basic purchases, 6% supplementary purchases and 4% occasional purchases. In comparison with other analyzed countries, the share of online purchases in the Czech Republic is rather mediocre. Pioneers in internet food sales in the Czech market are concept online stores such as iTesco.cz, Koloniál.cz, Rohlík.cz and Košík.cz. The conventional retailers, however, are rather reluctant to enter the Internet market. If we are to compare the already existing food e-shops, iTesco.cz offers the widest range of available products (over 20,000 items) in comparison with Rohlík.cz - its assortment contains approximately 5,000 items. But Rohlík.cz and Košík.cz are the leaders in delivery time (no longer than 60 minutes in the case of Košík.cz and 90 minutes in the case of Rohlík.cz). These two online shops do not even charge transport costs (in case the purchase is over 1,500 CZK). Even though we can expect bigger expansion in regions in future, the biggest e-shops such as Košík.cz and Rohlík.cz still operate only in Prague, and iTesco.cz offers its services in ten Czech cities.

And what shall bring the future? It is quite hard to predict the further development of online food retailing. One of the visible trends is the expansion of online food shopping from Prague to other big cities in the regions. However, even though we can expect bigger expansion in regions, this process seems to be a little slower than it was expected, as the biggest e-shops such as Košík.cz and Rohlík.cz still operate only in Prague, and only iTesco.cz offers its services in ten Czech cities. Nevertheless, Tesco, as the market leader is facing severe problems in the whole Europe, as a result they have changed their organizational structure in the Central and Eastern Europe, which might have a substantial impact on its operations in the Czech Republic as well as on its online selling. Thus its future development is rather uncertain. We still believe that the online food market will be extended by the entry of new competitors and the whole market will become more and more saturated. On the other hand, many competitors will certainly not survive in the long term and the market will tend to be rather concentrated, which is actually the same scenario as in the case of the traditional food retailers in most European countries. A questions remains, if and when the conventional retailers introduce online selling of food. The decisive factor, in our opinion, will be the speed and extend in the change of shopping behaviour of the Czech consumer.

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