

# Business Sentiment Index

Retail Perspective

Central Europe / 3<sup>rd</sup> edition / April 2010

*A steady rise*  
Views from senior executives  
in Central Europe



**Deloitte.**

# Key Findings



**Martin Tesar**  
Partner  
Deloitte Central Europe

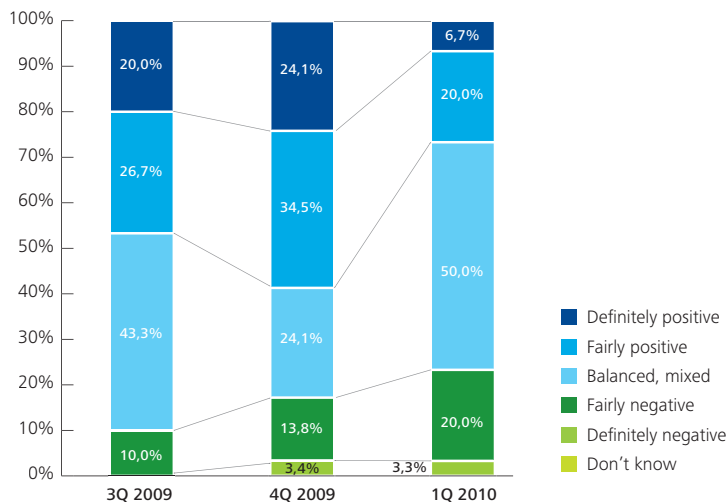
This quarter, we have introduced a new section to the report in which we look at the sentiments of the leaders of different industries and in this edition we focus on the retail sector.

## Balancing views between the economy and company

Two fifths of respondents in retail are now optimistic about the general economic prospects for their countries, but there is a growing pessimism about the financial prospects for their companies. In 4Q 09, almost three fifths (58.6%) were positive about their company prospects, but this has dropped dramatically to just 26.7% having this opinion in 1Q 10.

“There will be a delay in consumers feeling and experiencing the benefits of any economic upturn. Consumers are postponing consumption of non-essential goods or they’re buying ‘on sale/discounted’ products.”

### Generally speaking, how do you feel about the financial prospects for your company now? Are they...

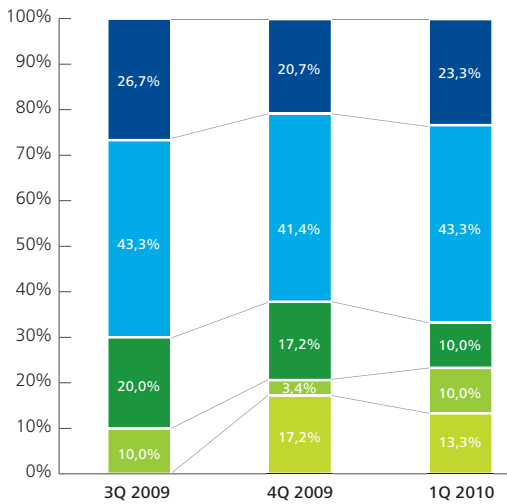


**A positive outlook about credit and payment terms**

Two thirds (66.6%) of respondents in the retail sector are positive about the present availability of credit, a small increase from 4Q 09 when 62.1% believed this to be the case.

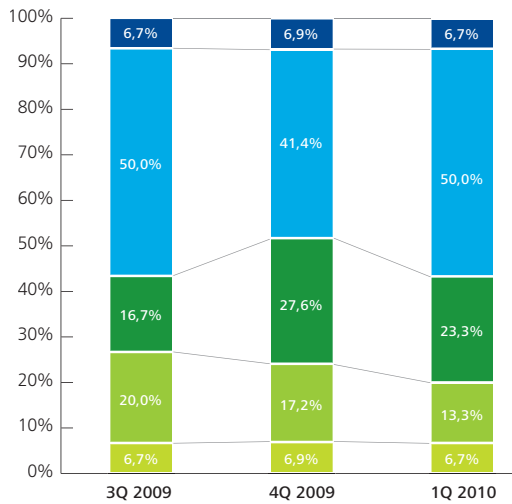
Similarly, there has been an increase in positive sentiment amongst retail executives about the average number of days taken by debtors for payment. Following a fall in confidence in 4Q 09, the percentage of respondents who are once again positive about this issue in 1Q 10 is now back to the 3Q 09 level of 56.7%.

**How do you rate the present availability of credit for your company? Is it...**



- Easily available
- Somewhat available
- Somewhat hard to get
- Very hard to get
- Don't know

**Looking in general at your company's debtors and outstanding dues - how would you evaluate the time they are currently taking to pay? Is the average number of days of payment...**



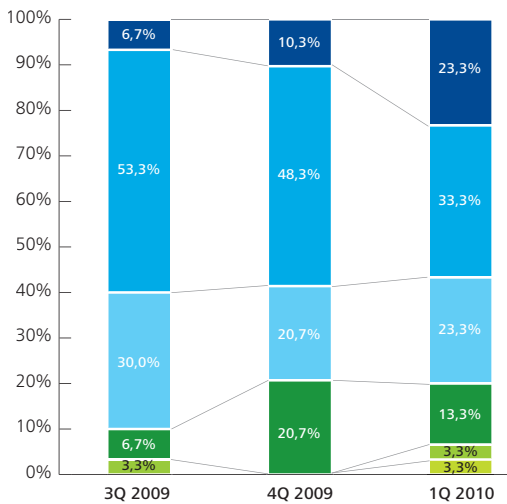
- Definitely safe
- Fairly safe
- Somewhat excessive
- Significantly excessive
- Don't know

**Increased sales – but not new products**

Expectations of increased sales revenues remain fairly constant across all three surveys to date, with around three fifths (56.6%) confident that revenues will increase in the next 12 months.

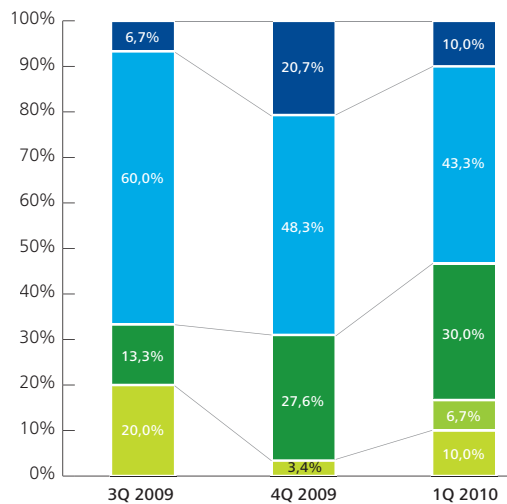
However, executives in this sector are much less optimistic this quarter about launching new products: in 4Q 09 well over two thirds (69.0%) felt positive that they would launch new products in the next 12 months, but this has now dropped in 1Q 10 to just over half (53.3%).

**In 12 months' time, do you expect your revenue from sales to...**



- Increase significantly
- Increase somewhat
- Stay unchanged
- Reduce somewhat
- Reduce significantly
- Don't know

**How do you feel about prospects for launching new products, services or new ways of client service by your company over the next 12 months?**



- Definitely optimistic
- Fairly optimistic
- Rather less optimistic
- Definitely less optimistic
- Don't know

Retailers are now tending to align the number of items in their product range to attract the customers who are still very price-sensitive with minimum loyalty towards any particular brand. As such the retailers are most likely cautious about launching new products.

*“Going forward we can expect that the individual retailers will focus more on building the loyalty among customers not only by competitive prices but also by providing additional services rather than extending the breadth of their product range.”*

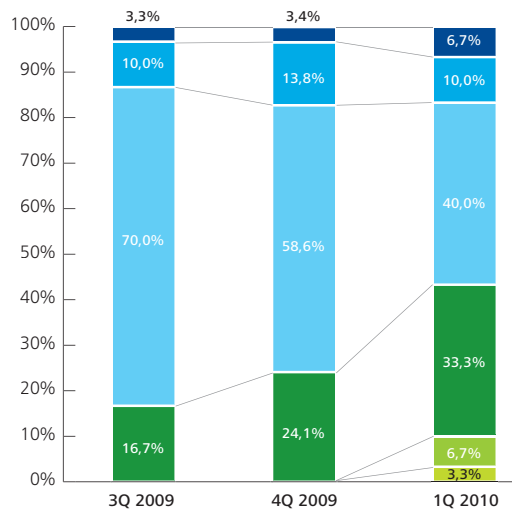
### Increased unemployment likely

Together with this increase in pessimism about new product launches, those surveyed in the retail sector are also gloomy about job prospects in the industry over the next 12 months. 40.0% believe workforces will need to be cut, compared to just under one quarter (24.1%) expressing this view in 4Q 09.

### Cautious optimism on renewed spending

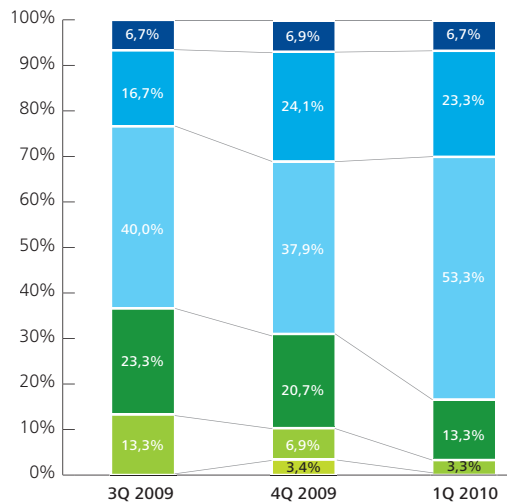
Whilst the percentage of respondents who felt that capital goods expenditure would increase has remained static for the last two quarters, there has been quite a marked reduction in the percentage of executives who now believe capital expenditure by their companies will fall in the next 12 months compared to 4Q 09. Now, 16.6% of those surveyed believe expenditure will reduce; a significant improvement on the 27.6% who expressed this view in the last survey.

How do you expect your firm's total workforce to change in size over the next 12 months' time? Will it...



- Increase significantly
- Increase somewhat
- Stay unchanged
- Reduce somewhat
- Reduce significantly
- Don't know

Compared with the last 12 months, how do you expect your firm's spending on capital goods (equipment, IT systems, new buildings etc.) to change during the next 12 months? Will it...



- Increase significantly
- Increase somewhat
- Stay unchanged
- Reduce somewhat
- Reduce significantly
- Don't know

Our findings for the retail sector in this survey suggest executives recognise that there continues to be tough trading conditions ahead over the next year. Low expectations about employment levels and launching new products suggest retailers will focus on maintaining their market position and providing quality over quantity for consumers rather than massive expansion.

# Contacts

## **Martin Tesar**

*Partner, Deloitte Central Europe*

+420 246 042 525

mtesar@deloittece.com

## **Bronislav Panek**

*Partner, Deloitte Central Europe*

+420 246 042 264

bpanek@deloittece.com

For more information on the Deloitte Business Sentiment Index  
please visit:

[www.deloitte.com/bsi](http://www.deloitte.com/bsi)

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu, a Swiss Verein ("DTT"). Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTT helps coordinate the activities of the member firms but does not itself provide services to clients. DTT and the member firms are separate and distinct legal entities, which cannot obligate the other entities. DTT and each DTT member firm are only liable for their own acts or omissions, and not those of each other. Each DTT member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in their territories through subsidiaries, affiliates, and/or other entities. Deloitte Central Europe is a regional organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities. The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region's leading professional services firms, providing services through more than 3800 people in more than 30 offices in 17 countries.

For regional projects and projects requiring regional resources, the services are provided by Deloitte Central Europe Limited, which is an affiliate of Deloitte Central Europe Holdings Limited. Deloitte Central Europe Limited is one of the leading professional services organizations in the country providing services in tax, consulting, risk management and financial advisory services.

This publication contains general information only, and none of Deloitte Touche Tohmatsu, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.