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**Republic of Serbia**  
**Commission for Protection of Competition**

**REPORT**  
**ON THE RETAIL SECTOR INQUIRY**  
**INTO THE SALE IN NON-SPECIALIZED STORES**  
**WITH FOOD, BEVERAGES AND TOBACCO**  
**PREDOMINATING**  
**2017 – 2018**

December 2019

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## I INTRODUCTION

Pursuant to Article 47 of the Law on Protection of Competition (Official Gazette of the RS 51/2009 and 95/2013 – hereinafter, the Law), the Commission for Protection of Competition (hereinafter, the Commission) launched a retail sector inquiry into the sale in non-specialized stores with food, beverages and tobacco predominating for 2017 and 2018.

### 1. SUBJECT AND PURPOSE OF RESEARCH

*The subject of this research* is the establishment of relations between competitors in the retail market engaged in the sale in non-specialized stores with food, beverages and tobacco predominating in the territory of the Republic of Serbia, in terms of assessing their market share and relative power, and the analysis of relations between suppliers and selected trade chains for certain product categories.

The purpose of this research is to perform a comprehensive economic analysis of the dynamics of competition in the market concerned. That includes the identification of potential market weaknesses and, in conformity with related findings, the provision of adequate recommendations directed at advancing the legal and fair business conduct of all undertakings. Also, indirectly, the purpose of this research is the promotion of competition in the market identified as the subject of this inquiry.

### 2. METHODOLOGICAL FRAMEWORK

The regulations of concern to the analysis of the sector concerned are the following:

1. Law on Trade (Official Gazette of the RS 53/2010, 10/2013, 44/2018-as amended);
2. Law on Electronic Commerce (Official Gazette of the RS 41/2009, 95/2013)
3. Law on Advertising (Official Gazette of the RS 6/2016);
4. Law on Value-Added Tax (Official Gazette of the RS 84/2004, 86/2004 corr., 61/2005, 61/2007, 93/2012, 108/2013, 6/2014 – harmonized dinar amounts, 68/2014 – as amended, 142/2014, 5/2015 – harmonized dinar amounts, 83/2015, 5/2016 – harmonized dinar amounts, 108/2016, 7/2017 – harmonized dinar amounts, 113/2017, 13/2018 – harmonized dinar amounts, and 30/2018);
5. Law on General Product Safety (Official Gazette of the RS 41/2009);
6. Law on Consumer Protection (Official Gazette of the RS 62/2014, 6/2016 – as amended, and 44/2018 – as amended);
7. Law on Deadlines for Settlement of Financial Liabilities in Commercial Transactions (Official Gazette of the RS 119/2012, 68/2015 and 113/2017);
8. Law on Contract and Torts (Official Gazette of SFRY 29/78, 39/85, 45/89 – CCY decision, and 57/89, Official Gazette of the FRY 31/93, and Official Gazette of SMN 1/2003 – Constitutional Chart);
9. Rulebook on classification of trading formats (Official Gazette of the RS 47/2011);
10. Rulebook on keeping records on trade in goods and services (Official Gazette of the RS 99/2015 and 44/2018 – as amended);
11. Rulebook on the manner and requirements on unit pricing of individual types of goods (Official Gazette of the RS 116/2014).

The Law on Trade, together with the Law on Amendments to the Law on Trade, as a key regulation governing retail trade in non-specialized stores with food, beverages and tobacco predominating, govern the conditions and manner of conduct and development of trade in the single market of the Republic of Serbia, as well as the market protection, protection from unfair market competition and surveillance. The Law on Trade lays down the trade principles which include the free trade principle, the principle of equality and ban on discrimination, the unified market principle, the principle of honesty, the principle of stability and supply balance, the principle of proportionality, and the principle of cooperation. The Law obligates traders to act honestly and in accordance with the business moral and good business practice, as well as to provide conditions for maintaining stability and supply balance of the market in an appropriate manner and in accordance with their capabilities, particularly in regard to goods and services of existential importance for the population. Also, Law on Trade instructs all competent public authorities and holders of public powers to cooperate with a view of ensuring effective implementation of all legislation and regulations governing trade, as well as towards the establishment of a sound system.

The Law on Trade classifies trade as retail trade and wholesale, where the retail trade is defined as the sale of goods/services to consumers for satisfying their personal needs or the needs of their households. The retail trade is classified by place of trade to: trade in sales facilities, and trade outside trade facilities - the former including various trading formats representing organization and technical forms of trade operations with a specific sales strategies directed at buyers and competitors (supermarket, hypermarket, discount store, cash and carry, etc.), and the latter referring to distance retailing, trading offers and promotions, and other trade outside trade facilities.

The Rulebook on classification of trading formats regulates the classification of trading formats, that is, organization and technical forms of trade operations, at a fixed location, which have specific sales strategies directed at buyers and competitors. The trading formats are classified by predominant or determinant features in the following manner:

- nonspecialized trading formats;
- specialized stores:
- special trading formats (trade center and cash and carry).

Non-specialized trading formats with food products predominating are classified in the following manner:

- hypermarkets;
- supermarkets;
- superettes;
- minimarkets;
- discount stores;
- traditional grocery stores with food products predominating.

Distance retailing is the sale of goods/services that the trader conducts by the offer through means of communication, to the consumer who is not directly present. Distance retailing especially includes the electronic commerce, catalogue sales, as well as TV commerce, trade through mail, shipments of printed materials, advertising materials with orders, telephone, text or multimedia messages in mobile telephony and automatic devices.

Proceeding from the definitions and classifications presented in the Law on Trade and the Rulebook on classification of trading formats, it is important to point out that the trade in sales facilities and electronic commerce, as a form of distance trading, are covered by the inquiry. However, since the information in possession of the Commission at the time of drafting this report only related to the retail sale areas and not the volume of product portfolios and merchandising formats, the following classification was made: traditional, smaller stores up to 200 m<sup>2</sup> of sales area, and modern objects, classified into three groups – from 200-400 m<sup>2</sup>, from 400-2,000 m<sup>2</sup>, and over 2,000 m<sup>2</sup> of sales area. All retail development indicators presented in the report are calculated taking into account this classification.

*The time coverage* of this inquiry relates to a two-year period (2017 and 2018).

The research was conducted by using a combination of desk and field research methods - the former primarily relating to the analysis of relevant legal framework and the latter referring to a survey method. The Commission sent requests for the provision of information to 64 undertakings.<sup>1</sup> The selection of undertakings or retail stores is made based on the probability proportional to size (PPS) sampling method.

*The main sources* of data were:

- information provided by undertakings;
- data provided by the Statistical Office of the RS;
- data provided by the National Bank of Serbia;
- publicly available online information.

All collected data (primary and secondary) are processed by using STATA 15/IC software. Namely, all data are grouped and processed in terms of calculating individual indicators and given in graphs with numeric values or in a tabular form.

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<sup>1</sup> XXX.

## II RETAIL INDICATORS OF DEVELOPMENT

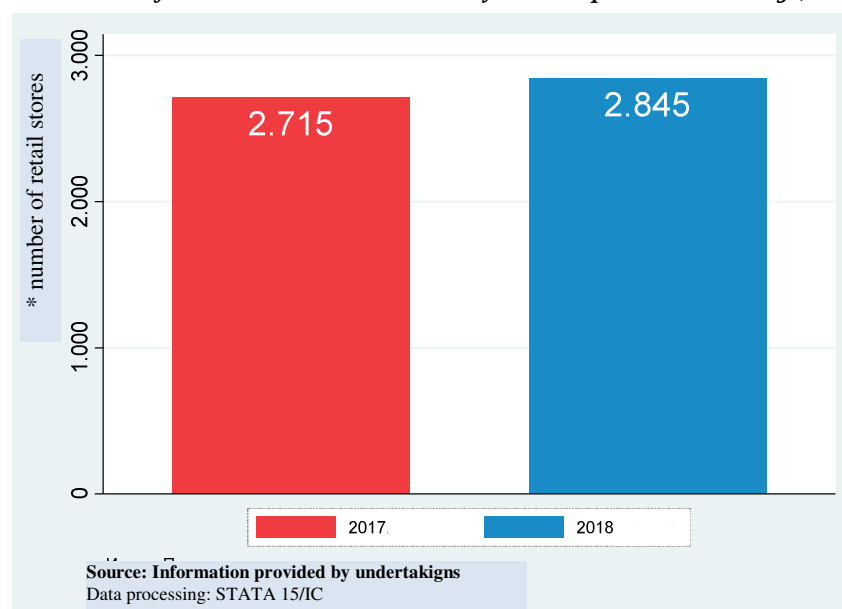
Retail trade is one of the main economic activities of each country and certainly can be considered as one of the drivers of economic growth. Since the level of retail trade development achieved in a country represents a combination of economic, social and political processes and phenomena, the inquiry was conducted based on indicators that directly or indirectly indicate the degree of development of retail trade in a country.

The following section provides an overview of the value of retail indicators of development and their interpretation.

### 1. NUMBER OF ACTIVE RETAIL STORES

Table 1 provides an overview of the number of active retail stores owned by the sampled undertakings in 2017 and 2018:

*Chart 1 – Number of active retail stores owned by the sampled undertakings, 2017-2018*



Based on data presented in Chart 1, it can be noted that the number of active retail stores owned by the sampled undertakings was 2,715 and 2,845 in 2017 and 2018, respectively, and that the number of retail stores has increased by ca. 5% in 2018 compared to the previous year.

On the basis of classification of retail stores made for the inquiry-related purposes, it can be noted that the largest number of stores owned by the sampled undertakings (1,724) in 2017 was classified under the so-called traditional grocery store category (smaller stores with a sales area of less than 200 m<sup>2</sup>), followed by the stores with a sales area of 200-400 m<sup>2</sup> (477) and 400-2,000 m<sup>2</sup> stores (446), while the smallest number of stores (68) was classified under the largest store category, with a sales area of 2,000 m<sup>2</sup> and over.

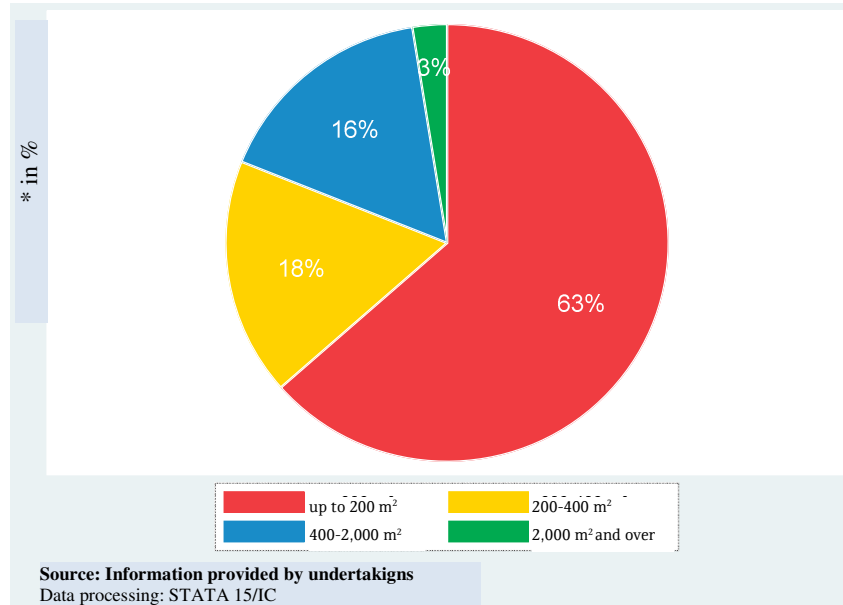
During 2018, no significant changes were made in the structure of retail stores, thus, the largest number of stores remained classified under the smallest store category (1,800), followed by the stores with a sales area of 200-400 m<sup>2</sup> (494) and 400-2,000 m<sup>2</sup> stores (484),



while 67 retail stores are classified under the largest trading format.

Chart 2 gives an overview of the share of retail stores per trading format in the total number of retail stores owned by the sampled undertakings for 2017:

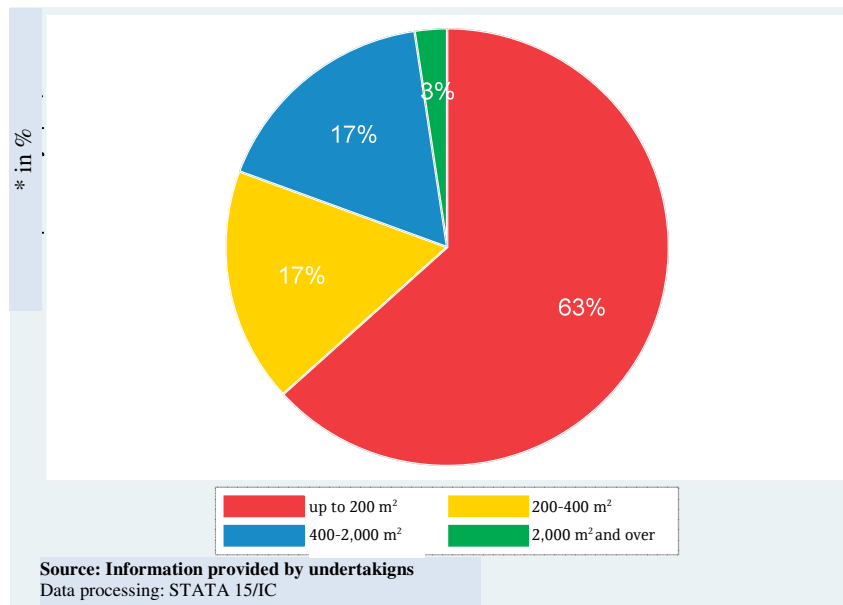
**Chart 2 – Share of trading formats in the total number of retail stores, 2017**



The figures given in Chart 2 indicate that the smallest traditional stores accounted for ca. 63% of the total number of retail stores observed, while the share of so-called “modern” trading formats in the total number of retail stores owned by the sampled undertakings was ca. 37%, where ca. 3% accounted for the largest trading formats.

Table 3 gives an overview of the share of retail stores per trading format in the total number of retail stores owned by the sampled undertakings in 2018:

**Chart 3 – Share of trading formats in the total number of retail stores, 2018**



The figures given in Chart 3 indicate that in terms of the share of retail stores of a particular sales area in the total number of retail stores owned by the sampled undertakings, no significant changes have occurred during 2018.

For a more detailed analysis of the number of retail stores, all the sampled undertakings are classified into three separate groups, by the total number of retail stores owned, and clustered into a 'up to 50 stores', 'between 51 and 100 stores', and 'more than 100 stores' category.

Table 1 provides a breakdown of undertakings classified in groups by number of retail stores owned in 2017:

**Table 1 – Breakdown of undertakings classified in groups by number of retail stores owned, 2017**

group	Freq.
up to 50 stores	48
51-100 stores	3
more than 100 stores	9

*Source: Information provided by undertakings*

The information shown in Table 1 indicate that the nine sampled undertakings have owned more than 100 retail stores in 2017. The largest number of undertakings (48) has owned 50 or fewer stores, while three undertakings have owned between 51 and 100 retail stores.

Table 2 provides a breakdown of undertakings classified in groups by number of retail stores owned in 2018:

**Table 2 – Breakdown of undertakings classified in groups by number of retail stores owned, 2018**

group	Freq.
up to 50 stores	45
51-100 stores	6
more than 100 stores	9

*Source: Information provided by undertakings*

The information shown in Table 2 indicate that nine undertakings have owned more than 100 stores. The largest number of undertakings (45) has owned 50 or fewer stores, while six surveyed undertakings have owned between 51 and 100 retail stores.

On the basis of classification of undertakings in groups by the total number of retail stores, the analysis of trading format distribution for each of the said groups was also made. Table 3 provides a breakdown of the total number of retail stores classified in groups by trading formats for 2017:

**Table 3 – Breakdown of the total number of stores classified in groups by trading formats, 2017**

1-50 stores		51-100 stores	
trading format	Freq.	trading format	Freq.
up to 200 m <sup>2</sup>	616	up to 200 m <sup>2</sup>	163
200-400 m <sup>2</sup>	89	200-400 m <sup>2</sup>	13
400-2,000 m <sup>2</sup>	73	400-2,000 m <sup>2</sup>	10
2,000 m <sup>2</sup> and over	19		

>100 stores	
trading format	Freq.
up to 200 m <sup>2</sup>	945
200-400 m <sup>2</sup>	375
400-2,000 m <sup>2</sup>	363
2,000 m <sup>2</sup> and over	49

*Source: Information provided by undertakings*

Based on information presented in Table 3, it can be noted that the largest number of stores within each group has related to stores with a sales area of less than 200 m<sup>2</sup>. The largest trading formats or stores with a sales area of 2,000 m<sup>2</sup> and over, are no longer represented in the group of undertakings owning between 51 and 100 retail stores. The largest number of such stores (49) is present among undertakings owning more than 100 retail stores.

Table 4 provides a breakdown of the total number of retail stores classified in groups by trading formats for 2018:

**Table 4 – Breakdown of the total number of stores classified in groups by trading formats, 2018**

1-50 stores		51-100 stores	
trading format	Freq.	trading format	Freq.
up to 200 m <sup>2</sup>	507	up to 200 m <sup>2</sup>	317
200-400 m <sup>2</sup>	88	200-400 m <sup>2</sup>	28
400-2,000 m <sup>2</sup>	97	400-2,000 m <sup>2</sup>	16
2,000 m <sup>2</sup> and over	18		

>100 stores	
trading format	Freq.
up to 200 m <sup>2</sup>	976
200-400 m <sup>2</sup>	378
400-2,000 m <sup>2</sup>	371
2,000 m <sup>2</sup> and over	49

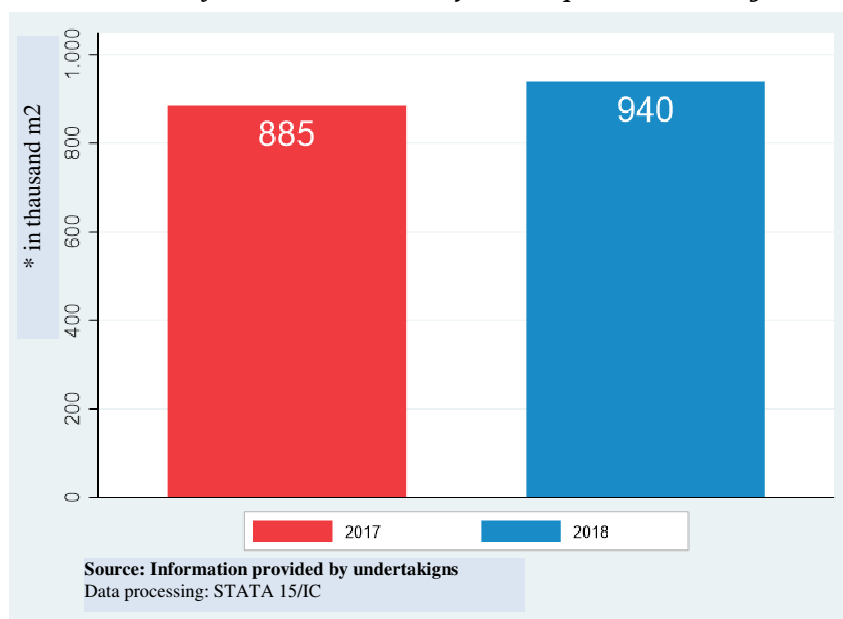
*Source: Information provided by undertakings*

Based on information presented in Table 4, it can be noted that a similar structure of trading formats in the context of all three identified groups is maintained during 2018 as well.

## 2. RETAIL SALES AREA

The total sales area of active retail stores owned by the sampled undertakings during the two-year period observed is presented in Chart 4:

*Chart 4 – Sales area of retail stores owned by the sampled undertakings, 2017-2018*



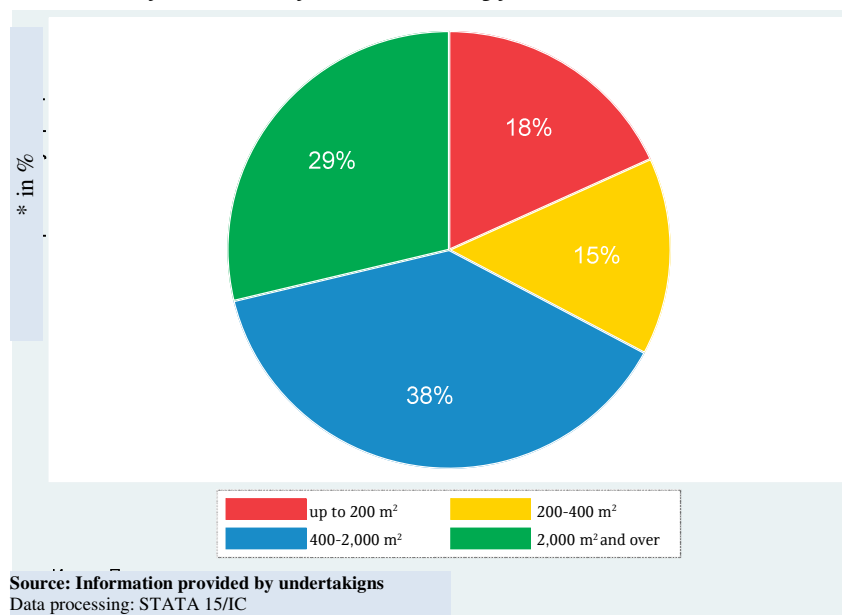
The figures given in Chart 4 indicate that the total sales area of retail stores owned by surveyed undertakings amounted to 885 thousand square meters in 2017 and 940 thousand square meters in 2018, the latter representing an increase in the total retail sales area of surveyed undertakings by ca. 6%.

On the basis of classification of retail stores made for the inquiry-related purposes, it can be noted that the largest share of the total sales area of retail stores owned by the sampled undertakings in 2017 accounted to the group of stores with a sales area of 400-2,000 m<sup>2</sup> (ca. 340 thousand m<sup>2</sup>), followed by the stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 255 thousand m<sup>2</sup>), while the group of stores with a sales area of less than 200 m<sup>2</sup> (ca. 161 thousand m<sup>2</sup>) and stores with a sales area of 200-400 m<sup>2</sup> (ca. 129 thousand m<sup>2</sup>) accounted for the smallest share of the total sales area.

With no significant changes occurring in 2018, the largest share of the total sales area of retail stores owned by the sampled undertakings accounted to the group of stores with a sales area of 400-2,000 m<sup>2</sup> (ca. 384 thousand m<sup>2</sup>), followed by the stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 252 thousand m<sup>2</sup>), while the group of stores with a sales area of less than 200 m<sup>2</sup> (ca. 169 thousand m<sup>2</sup>) and stores with a sales area of 200-400 m<sup>2</sup> (ca. 135 thousand m<sup>2</sup>) accounted for the smallest share of the total sales area.

Chart 5 gives an overview of the share of sales area of trading formats defined for the inquiry-related purposes in the total sales area of retail stores owned by the sampled undertakings for 2017:

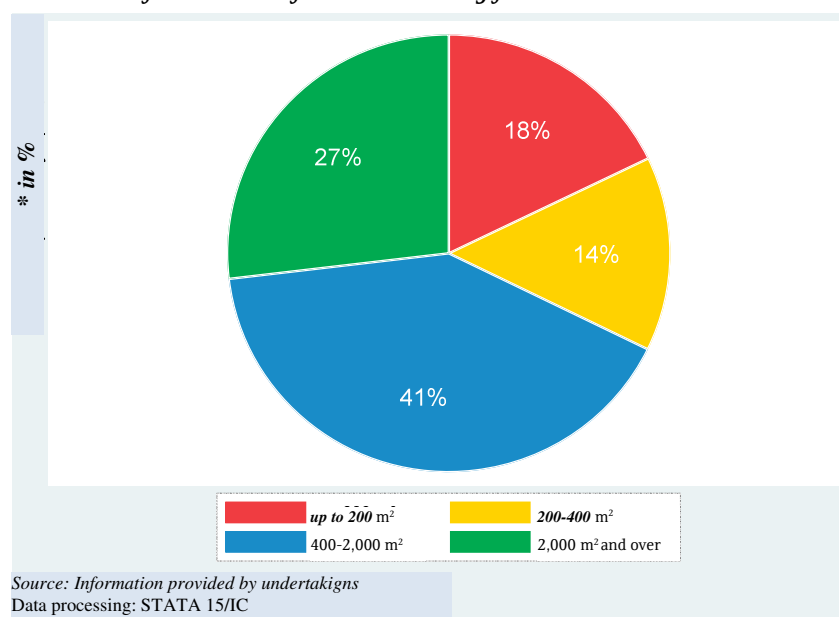
**Chart 5 – Share of sales area of various trading formats in the total sales area, 2017**



The figures given in Chart 5 indicate that the group of stores with a sales area of 400-2,000 m<sup>2</sup> accounted for ca. 38% of the total sales area of stores owned by the sampled undertakings, followed by the stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 29%) and stores up to 200 m<sup>2</sup> (ca. 18%), while the group of stores with a sales area of 200-400 m<sup>2</sup> accounted for the smallest share of the total sales area with ca. 15%.

Chart 6 gives an overview of the share of sales area of trading formats defined for the inquiry-related purposes in the total sales area of retail stores owned by the sampled undertakings for 2018:

**Chart 6 – Share of sales area of various trading formats in the total sales area, 2018**



The figures given in Chart 6 indicate that the group of stores with a sales area of 400-2,000 m<sup>2</sup> accounted for ca. 41% of the total sales area of stores owned by the sampled undertakings, followed by the stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 27%) and

stores up to 200 m<sup>2</sup> (ca. 18%), while the group of stores with a sales area of 200-400 m<sup>2</sup> accounted for the smallest share of the total sales area with ca. 14%.

### 3. AVERAGE RETAIL SALES AREA

The average sales area of retail stores owned by the sampled undertakings is presented in Chart 7:

*Chart 7 – Average retail sales area of the sampled undertakings, 2017-2018*

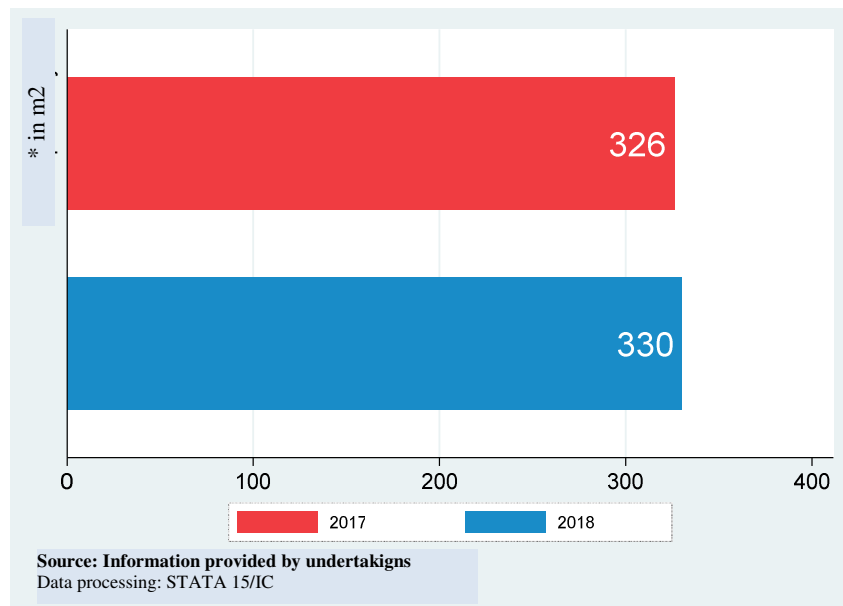
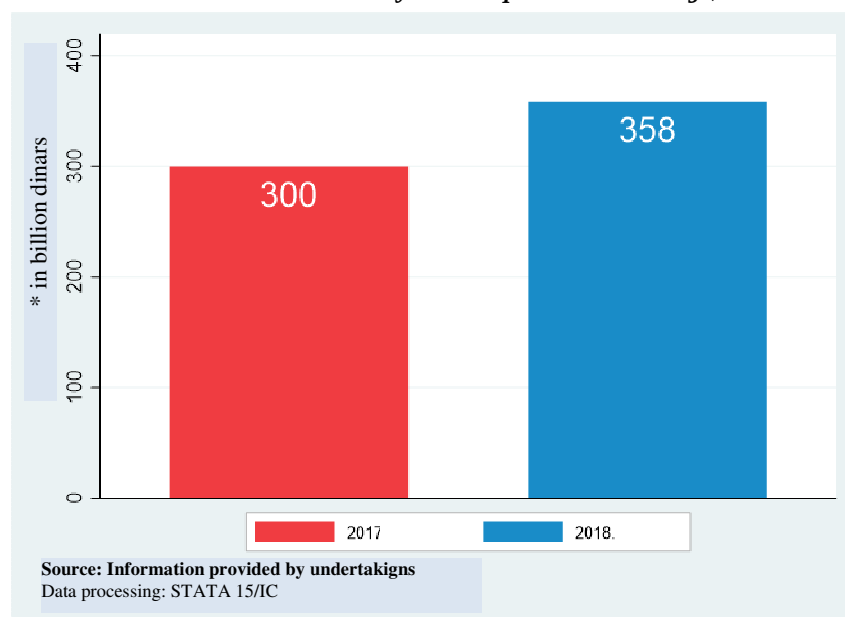


Chart 7 shows that the average sales area of retail stores owned by the sampled undertakings was 326 and 330 square meters in 2017 and 2018, respectively, indicating that no significant change in the value of this indicator has occurred in the observed period.

### 4. RETAIL TRADE TURNOVER

The retail trade turnover of the sampled undertakings in 2017 and 2018, including retail sales in physical stores and e-commerce sales, is given in Chart 8:

**Chart 8 – Retail trade turnover of the sampled undertakings, 2017-2018**



Based on information presented in Chart 8, it can be noted that the sampled undertakings have generated ca. 300 billion and ca. 358 billion dinars in revenues in 2017 and 2018, respectively, indicating an increase of ca. 19% in retail trade turnover in 2018.

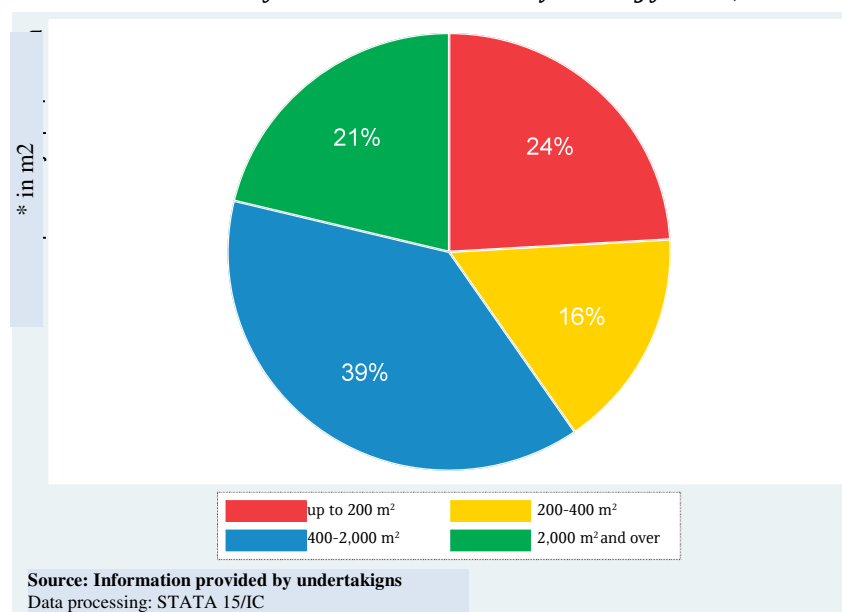
On the basis of classification of trading formats made for the inquiry-related purposes, it can be noted that the bulk of revenues generated in retail stores owned by the sampled undertakings in 2017 accounted to the group of stores with a sales area of 400-2,000 m<sup>2</sup> (ca. 115 billion dinars), followed by the stores with a sales area of less than 200 m<sup>2</sup> (generating ca. 72 billion dinars in revenues) and stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 63 billion dinars in sales revenue), while the smallest share of turnover of ca. 49 billion dinars is generated in stores with a sales area of 200-400 m<sup>2</sup>.

In 2018, the bulk of revenues is also generated in stores with a sales area of 400-2,000 m<sup>2</sup> (ca. 170 billion dinars), followed by the stores with a sales area of less than 200 m<sup>2</sup> (generating ca. 78 billion dinars in revenues) and stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 58 billion dinars in sales revenue), while the smallest share of turnover of ca. 51 billion dinars is generated in stores with a sales area of 200-400 m<sup>2</sup>.

Chart 9 gives an overview of the share of retail trade turnover by trading formats made for the inquiry-related purposes in the total retail trade turnover generated by the sampled undertakings in retail stores for 2017:



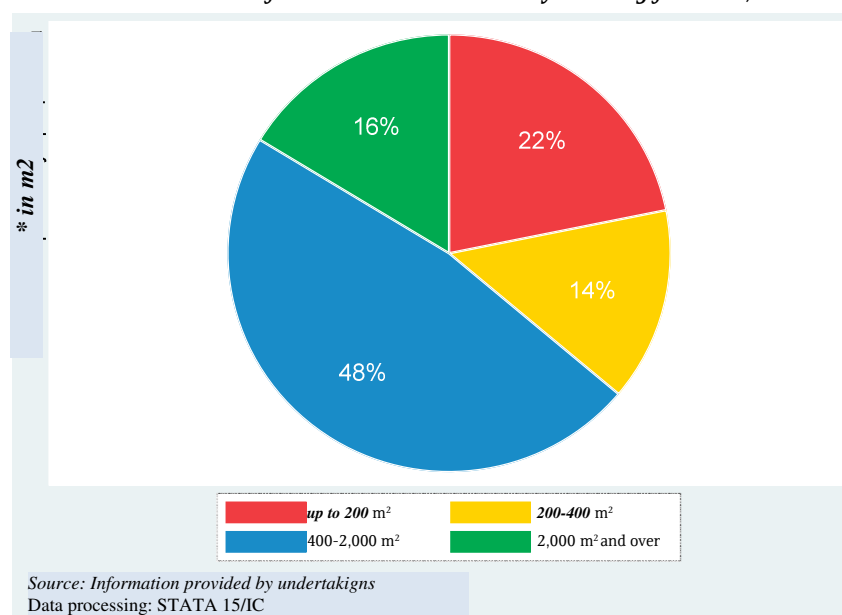
**Chart 9 – Share of retail trade turnover by trading format, 2017**



The information presented above indicate that the share of retail trade turnover generated in stores with a sales area of 400-2,000 m<sup>2</sup> in the total retail trade turnover generated in retail stores accounted to ca. 39% in 2017, followed by revenues generated in stores with a sales area of less than 200 m<sup>2</sup> (ca. 24%) and revenues generated in stores with a sales area of 2,000 m<sup>2</sup> and over (ca. 21%), while the stores with a sales area of 200-400 m<sup>2</sup> have generated ca. 16% of the total retail trade turnover.

Chart 10 gives an overview of the share of retail trade turnover by trading formats made for the inquiry-related purposes in the total retail trade turnover generated by the sampled undertakings in retail stores for 2018:

**Chart 10 – Share of retail trade turnover by trading formats, 2018**



The information presented above indicate that the largest share of retail trade turnover in 2018 was generated in stores with a sales area of 400-2,000 m<sup>2</sup> (ca. 48%), followed by revenues generated in stores with a sales area of less than 200 m<sup>2</sup> (ca. 22%) and stores with a

sales area of 2,000 m<sup>2</sup> and over (ca. 16%), while the stores with a sales area of 200-400 m<sup>2</sup> have generated the smallest share of retail trade turnover (14%).

In terms of e-commerce sales turnover, it should be noted that the turnover generated through these trade channels in both observed years accounted for less than 1% of the total retail trade turnover generated by the surveyed undertakings. Table 5 gives an overview of undertakings and their respective e-commerce turnovers in 2017 and 2018:<sup>2</sup>

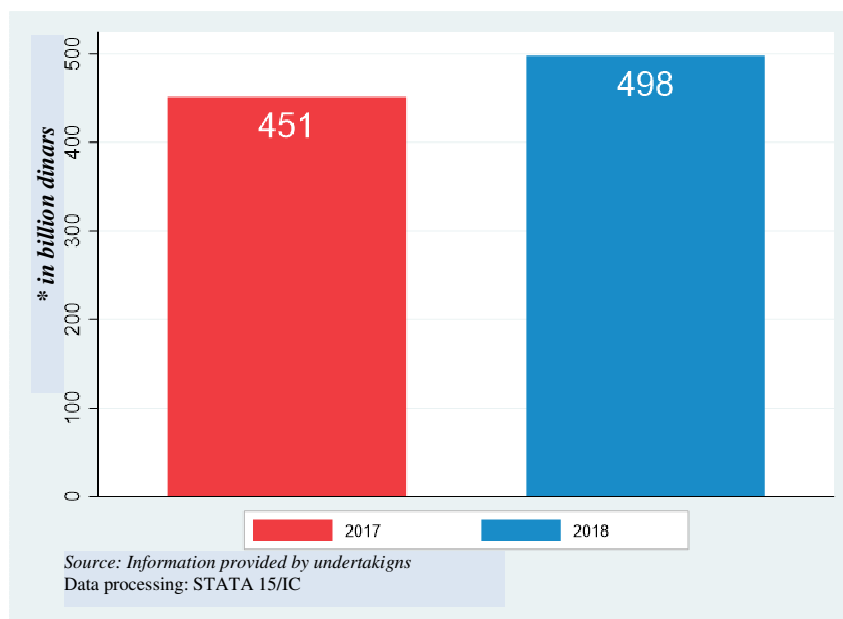
**Table 5 – Comparative analysis of e-commerce turnover, 2017-2018**  
\* in dinars

XXX  
Source: Information provided by undertakings

Based on information presented in Table 5, it can be noted that the highest e-commerce turnover was generated by [...] in both observed years. Furthermore, it can be noted that all observed undertakings have increased their respective e-commerce turnovers in 2018, while the highest growth of ca. 42% was recorded by [...].

Based on information provided by undertakings and available historical data, an estimate of the total retail trade turnover generated in the Republic of Serbia in 2017 and 2018 is given in Chart 11:

**Chart 11 – Retail trade turnover estimate, 2017-2018**



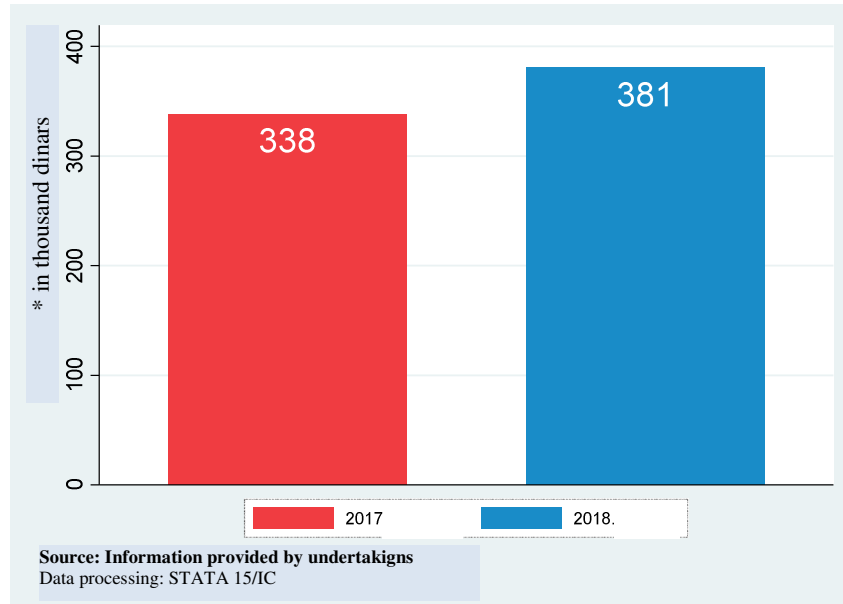
Based on information presented in Chart 11, it can be noted that the estimate of the total retail trade turnover generated in the territory of the Republic of Serbia accounted to ca. 451 billion dinars and 498 billion dinars in 2017 and 2018, respectively, indicating an increase of ca. 10% in retail trade turnover in 2018. Given the estimate of the total retail trade turnover in 2017 and 2018, as well as available historical data, it can be established that during a five-year period (2014-2018), the retail trade turnover grew at an average annual rate of ca. 8%.

<sup>2</sup> XXX.

## 5. SALES PER UNIT AREA

Chart 12 gives an overview of the sales per unit area<sup>3</sup>, obtained by comparing the turnover and the sales area of retail stores owned by the sampled undertakings:

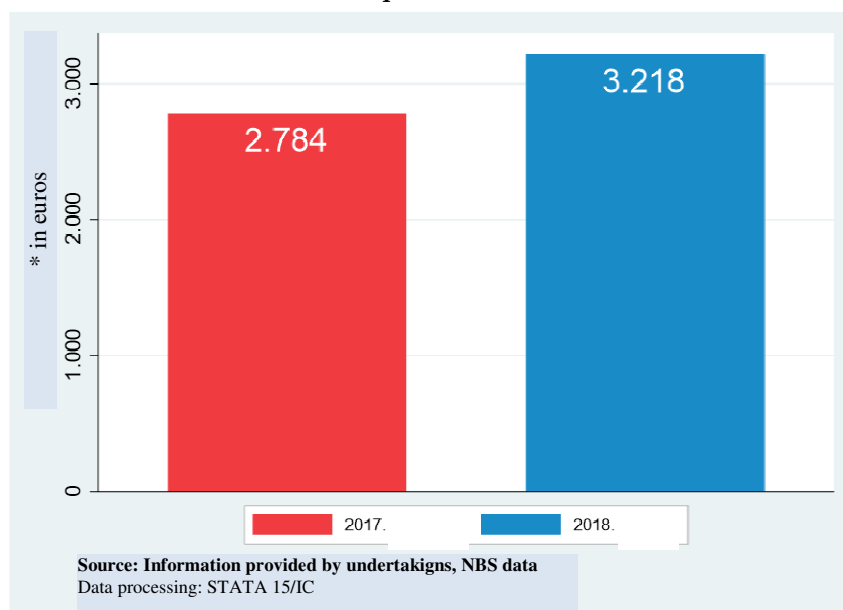
*Chart 12 – Sales per unit area, 2017-2018*



Based on information presented in Chart 12, it can be noted that the sales per unit area of the sampled undertakings in 2017 and 2018 have accounted to ca. 338 thousand and ca. 381 thousand dinars, respectively, indicating an increase of ca. 13% in this particular indicator in 2018.

Chart 13 gives an overview of the sales per unit area, denominated in euro at the average middle-exchange rates for 2017 and 2018, published on the website of the National Bank of Serbia:

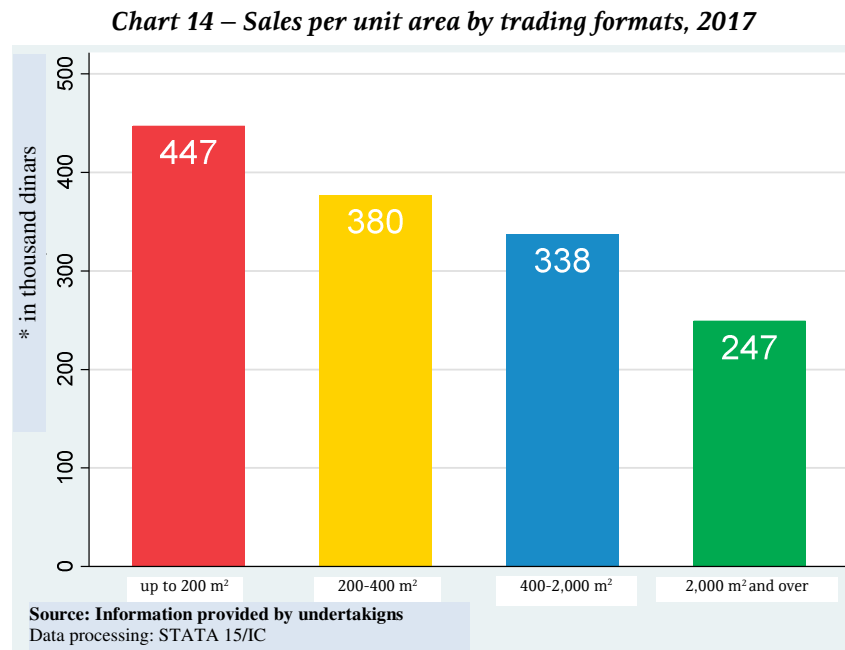
*Chart 13 – Sales per unit area, 2017-2018*



<sup>3</sup> Online sales are excluded from the calculation of this indicator.

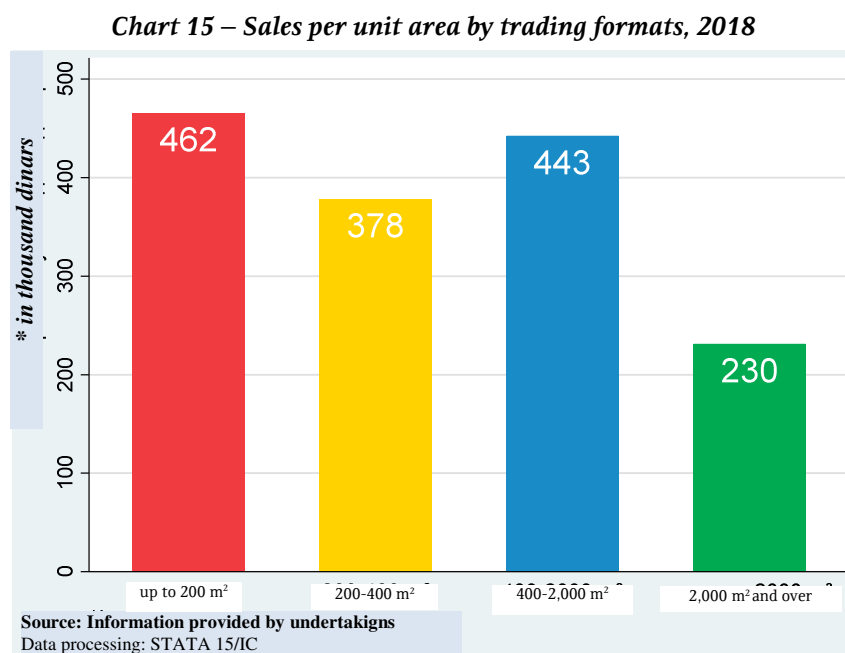
The figures shown in Chart 13 indicate that the sales per unit area of the surveyed undertakings reached the level of 2,784 euros and 3,218 euros in 2017 and 2018, respectively, as well as that the indicator increased by ca. 16% in 2018.

The sales per unit area in 2017 based on classification of trading formats made for the inquiry-related purposes is given in Chart 14:



The figures shown in Chart 14 indicate that the highest sales per unit area are generated in retail stores with a sales area of less than 200 m<sup>2</sup>, while the lowest value of this indicator is linked to the largest retail stores.

Chart 15 gives an overview of the sales per unit area in 2018 based on classification of trading formats made for the inquiry-related purposes:



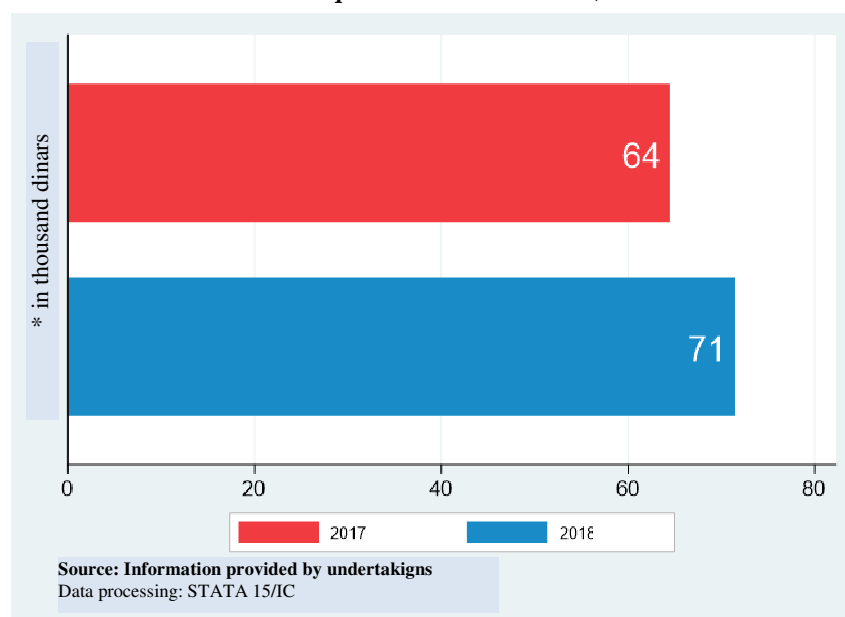
The figures shown in Chart 15 indicate that the highest sales per unit area are generated in retail stores with a sales area of less than 200 m<sup>2</sup>, while the stores with a sales area of 400-2,000 m<sup>2</sup> have now ranked second in the value of this indicator. The lowest value of this indicator is linked to the largest retail stores.

## 6. PER CAPITA TURNOVER

The per capita turnover as an indicator of the solvency of the population, also represents an indication of the level of development of retail trade.

The value of this indicator, obtained by comparing the estimate of retail trade turnover and the population estimate for 2017 and 2018 published on the website of the Statistical Office of the Republic of Serbia is presented in Chart 16:

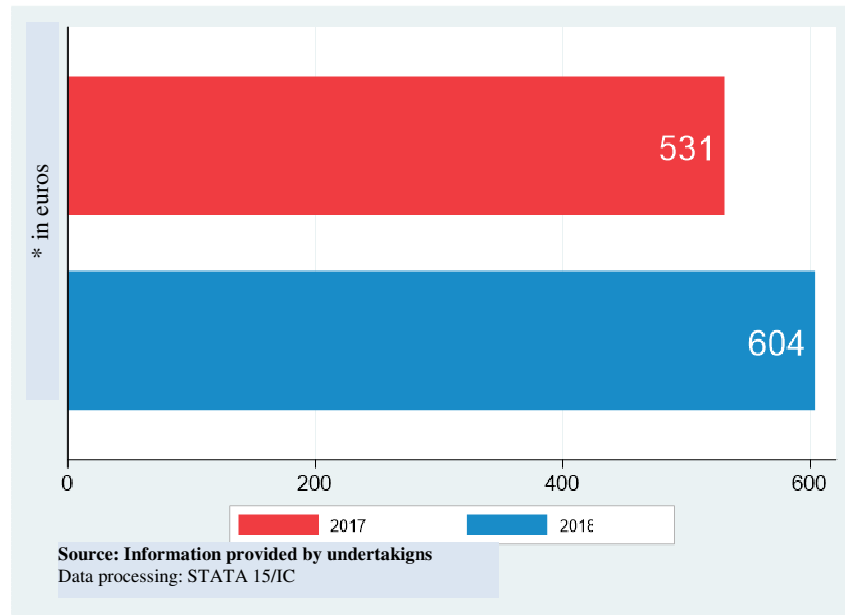
*Chart 16 – Per capita turnover estimate, 2017-2018*



The figures shown in Chart 16 indicate that the value of this indicator reached levels of ca. 64 thousand dinars and 71 thousand dinars in 2017 and 2018, respectively, and that the value of this particular indicator has increased by ca. 11% in 2018 compared to the previous year. Based on the estimate of the value of this indicator and available historical data, it can be established that the per capita turnover grew at an average annual rate of ca. 9% over a five-year period (2014-2018).

Chart 17 gives an overview of the value of this indicator, denominated in euro at the average middle-exchange rates for 2017 and 2018, published on the website of the National Bank of Serbia:

**Chart 17 – Per capita turnover estimate, 2017-2018**

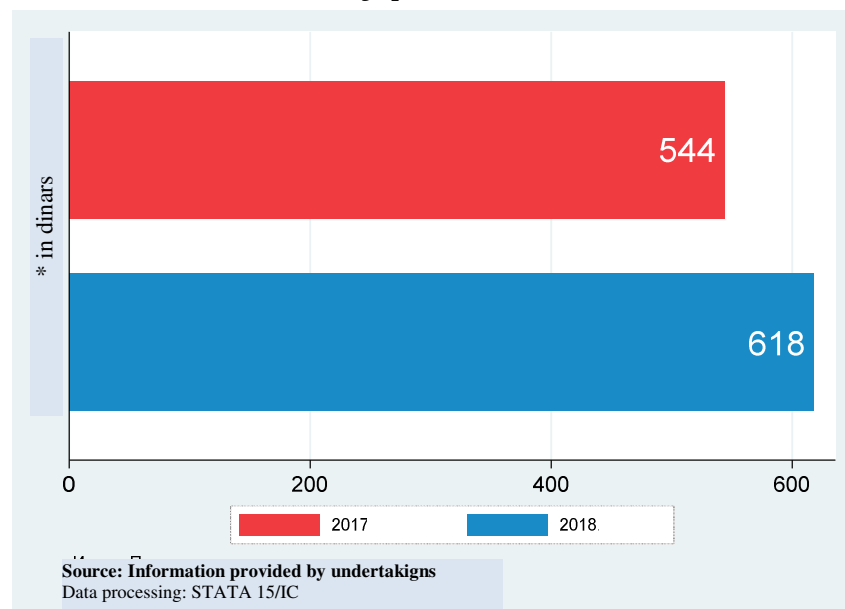


The figures shown in Chart 17 indicate that the value of this indicator denominated in euro has reached levels of 531 euros and 604 euros in 2017 and 2018, respectively, meaning that the value of this particular indicator has increased by ca. 14%.

## 7. AVERAGE PURCHASE VALUE

The average purchase value in the Republic of Serbia, obtained as the ratio of sales to total number of issued fiscal receipts<sup>4</sup> over the two years under study, is presented in Chart 18:

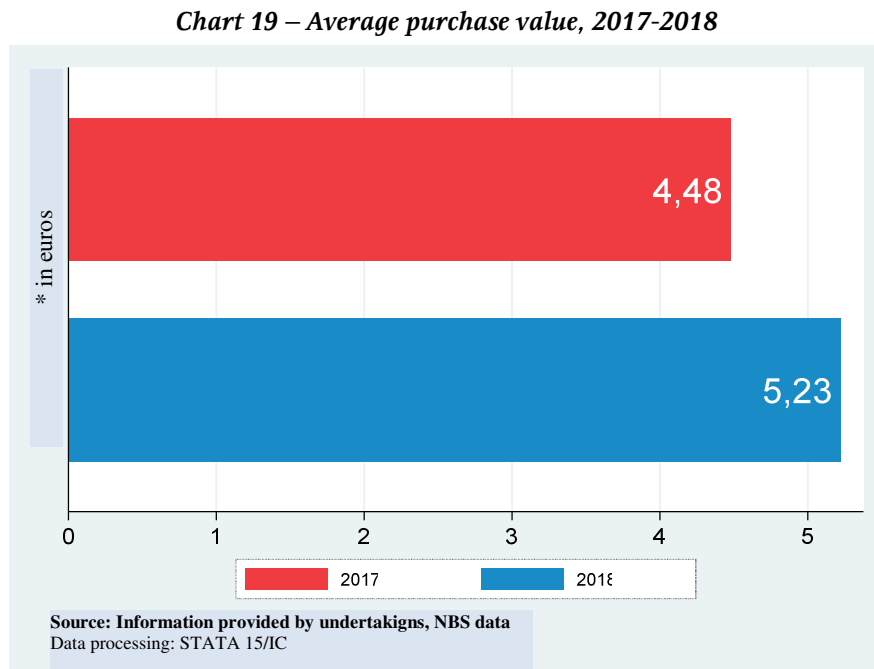
**Chart 18 – Average purchase value, 2017-2018**



<sup>4</sup> Only information provided by the sampled undertakings on the number of issued fiscal receipts is used when calculating the value of this indicator since a number of said undertakings failed to provide such information on technical grounds.

The figures shown in Chart 18 indicate that the average purchase or transaction value was 544 and 618 dinars in 2017 and 2018, respectively, and that the value of this particular indicator has increased by ca. 14% in 2018.

The value of this indicator, denominated in euro at the average middle-exchange rates for 2017 and 2018 published on the website of the National Bank of Serbia, is presented in Chart 19:



The figures shown in Chart 19 indicate that the average purchase value denominated in euro was 4,48 euros and 5,23 euros in 2017 and 2018, respectively, and that the value of an average purchase denominated in euro has increased by ca. 17% in 2018.

### III RETAIL MARKET STRUCTURE

The analysis of market structure in 2017 and 2018 in the territory of the Republic of Serbia is based on the value of turnover. The following segments provide an overview of undertakings, their retail stores and market shares.

#### 1. Overview of retail stores owned by the sampled undertakings

Table 6 provides an overview of the top ten undertakings by number of retail stores owned in 2017, obtained on the basis of information provided by the sampled undertakings:

*Table 6 – Breakdown of undertakings by number of retail stores, 2017*

undertaking	number of stores	share
DELHAIZE SERBIA DOO	415	15,29%
MERCATOR-S DOO	346	12,74%
AMAN DOO	208	7,66%
GOMEX DOO	161	5,93%
TSV BRAVE DOO	138	5,08%
BB TRADE AD	136	5,01%
PODUNAVLJE AD	125	4,60%
MIKROMARKET NS DOO	102	3,76%
UNIVEREXPORT DOO	101	3,72%
TRANSKOM 94 DOO	76	2,80%

*Source: Information provided by undertakings*

The information shown in Table 6 indicate that retail stores owned by the undertakings listed therein in 2017 have accounted for ca. 67% of the total number of stores included in the sample. Company *Delhaize Serbia doo* owned the largest number of stores (415), accounting for ca. 15% of the total number of stores included in the sample. Company *Mercator-S doo* came in second with 346 stores, accounting for ca. 13% of the total number of stores, followed by *Aman doo* with 208 stores, *Gomex doo* with 161 stores and *TSV Brave* with 138 stores. The share of stores owned by other top-ten undertakings ranged between 3% and 5% of the total number of stores included in the sample. Retail stores of other undertakings accounted for less than 3% of the total number of retail stores included in the sample.

Table 7 gives an overview of the top ten undertakings by number of retail stores owned in 2018:



**Table 7 – Breakdown of undertakings by number of retail stores, 2018**

undertaking	number of stores	share
DELHAIZE SERBIA DOO	427	15,01%
MERCATOR-S DOO	329	11,56%
AMAN DOO	208	7,31%
GOMEX DOO	163	5,73%
TSV BRAVE DOO	154	5,41%
BB TRADE AD	139	4,89%
PODUNAVLJE AD	133	4,67%
MIKROMARKET NS DOO	118	4,15%
UNIVEREXPORT DOO	103	3,62%
TRANSKOM 94 DOO	79	2,78%

Source: Information provided by undertakings

The information shown in Table 7 indicate that retail stores owned by the top-ten undertakings in 2018 have accounted for ca. 65% of the total number of stores included in the sample. As in previous year, company *Delhaize Serbia doo* owned the largest number of stores (427), accounting for ca. 15% of the total number of stores. Company *Mercator-S doo* came in second with 329 stores, accounting for ca. 12% of the total number of stores, followed by *Aman doo* with 208 stores, *Gomex doo* with 163 stores and *TSV Brave* with 154 stores. The share of stores owned by other top-ten undertakings ranged between 3% and 5% of the total number of stores included in the sample. Retail stores of other undertakings accounted for less than 3% of the total number of retail stores included in the sample.

A comparative analysis of the number of retail stores owned by the sampled undertakings over the two years under study is presented in Table 8:

**Table 8 – Comparative analysis of the number of retail stores, 2017-2018**

undertaking	number _17	number _18	perc _stores
DELHAIZE SERBIA DOO	415	427	2,89%
MERCATOR-S DOO	346	329	-4,91%
AMAN DOO	208	208	0,00%
GOMEX DOO	161	163	1,24%
TSV BRAVE DOO	138	154	11,59%
BB TRADE AD	136	139	2,21%
PODUNAVLJE AD	125	133	6,40%
MIKROMARKET NS DOO	102	118	15,69%
UNIVEREXPORT DOO	101	103	1,98%
TRANSKOM 94 DOO	76	79	3,95%

Source: Information provided by undertakings

The information shown in Table 8 indicate that eight companies among the top-ten undertakings listed therein have increased the number of retail stores owned in 2018. One undertaking, company *Aman doo*, maintained the number of retail stores, while company *Mercator-S doo* reduced the number of stores by ca. 5%. The strongest growth in the number of stores is seen in company *Mikromarket NS doo* (ca. 16%), followed by *TSV Brave doo* (ca. 12%), *Podunavlje ad* (ca. 6%), *Transkom 94 doo* (ca. 4%), *Delhaize Serbia doo* (ca. 3%), *Univerexport doo* (ca. 2%) and *Gomex doo* (ca. 1%).

In analyzing the number of retail stores owned by all undertakings included in the sample over the two years under study, it is established that 28 undertakings have increased the number of retail stores in 2018, five of them have reduced the number of stores, while 26 companies have maintained the number of retail stores.

On the basis of classification of trading formats made for the inquiry-related purposes, the structure of retail stores owned by the sampled undertakings is analyzed. The number of stores corresponding to the appropriate trading format<sup>5</sup> in 2017 and 2018 is presented in Tables 9 and 10:

**Table 9 – Structure of retail stores owned by the sampled undertakings, 2017**

XXX

Source: Information provided by undertakings

**Table 10 – Structure of retail stores owned by the sampled undertakings, 2018**

XXX

Source: Information provided by undertakings

Based on the tables above, it can be noted that the smallest trading formats dominate among the sampled undertakings, except for [...] and [...] whose stores with a sales area of 400-2,000 m<sup>2</sup> represent the prevalent type of trading formats. Also, it can be noted that individual undertakings, like [...], have opted for a particular trading format.

## 2. Top-ten undertakings by revenue

Table 11 gives an overview of the top ten undertakings by revenue in 2017:

**Table 11 – Breakdown of the top ten undertakings by revenue, 2017**

undertaking	revenue	market share
DELHAIZE SERBIA DOO	[...]	/20-30/%
MERCATOR-S DOO	[...]	/10-20/%
AMAN DOO	[...]	/0-5/%
DIS DOO	[...]	/0-5/%
UNIVEREXPORT DOO	[...]	/0-5/%
GOMEX DOO	[...]	/0-5/%
METRO CASH&CARRY DOO	[...]	/0-5/%
QVATRO COMPANY DOO	[...]	/0-5/%
BB TRADE AD	[...]	/0-5/%
VEROPOULOS DOO	[...]	/0-5/%

\* revenues expressed in dinars

Source: Information provided by undertakings

The information shown in Table 11 indicate that the share of the top ten undertakings in the total estimated revenues for 2017 was ca. 54%. Based on the estimate, companies *Delhaize Serbia doo* (/20-30/%) and *Mercator-S doo* (/10-20/%) have registered the highest market share, followed by *Aman doo* whose market share was about [...] times smaller than that of the top-two undertakings. The estimated market shares of other undertakings among the group of ten leading companies have ranged between /0-5/%, while the shares of other undertakings included in the sample were /0-5/%. Also, no significant changes have occurred in terms of

<sup>5</sup> Format1 relates to stores with a sales area of less than 200 m<sup>2</sup>, Format2 relates to stores with a sales area of 200-400 m<sup>2</sup>, Format3 relates to stores with a sales area of 400-2,000 m<sup>2</sup>, and Format4 relates to stores with a sales area of 2,000 m<sup>2</sup> and over.

the structure of the top ten undertakings and their respective market shares compared to 2016.

Table 12 gives an overview of the top ten undertakings by revenue<sup>6</sup> in 2018:

**Table 12 – Breakdown of the top ten undertakings by revenue, 2018**

undertaking	revenues	market share
DELHAIZE SERBIA DOO	[...]	/10-20/%
MERCATOR-S DOO	[...]	/10-20/%
LIDL SRBIJA KD	[...]	/10-20/%
AMAN DOO	[...]	/0-5/%
UNIVEREXPORT DOO	[...]	/0-5/%
DIS DOO	[...]	/0-5/%
GOMEX DOO	[...]	/0-5/%
METRO CASH&CARRY DOO	[...]	/0-5/%
QVATTRO COMPANY DOO	[...]	/0-5/%
BB TRADE AD	[...]	/0 5/%

\*revenues expressed in dinars

Source: Information provided by undertakings

Based on the overview of estimated market shares, it can be noted that the share of top ten undertakings would be ca. 58% of the total estimated revenues for 2018. The leading three companies would be *Delhaize Serbia doo* (/10-20%), *Mercator-S* (/10-20%) and *Lidl Srbija kd* (/10-20%). The estimated market shares of other undertakings that would be placed in the top ten group would range between /0-5/%, while the shares of all other undertakings included in the sample would be /0-5/%. Compared to previous years, it should be observed that the most important change relates to the market entry of a new undertaking, company *Lidl Srbija kd*, whose estimated market share in the Republic of Serbia would be /10-20% in the first year of its operations, assuming the full 12 months of business operations with a total of 23 retail stores.

A comparative analysis of the amount of revenues generated by undertakings ranked among the top ten undertakings during the two years under analysis is presented in Table 13:

<sup>6</sup> The estimate of annual revenues potentially generated by company *Lidl Srbija kd* is made based on the information provided on the amount of revenues, retail store openings (October/November 2018) and monthly dynamics.

**Table 13 – Comparative analysis of the amount of revenues generated, 2017-2018**

undertaking	revenues_17	revenues_18	growth_rate
DELHAIZE SERBIA DOO	[...]	[...]	[...]
MERCATOR-S DOO	[...]	[...]	[...]
AMAN DOO	[...]	[...]	[...]
DIS DOO	[...]	[...]	[...]
UNIVEREXPORT DOO	[...]	[...]	[...]
GOMEX DOO	[...]	[...]	[...]
METRO CASH&CARRY DOO	[...]	[...]	[...]
QVAIRO COMPANY DOO	[...]	[...]	[...]
BB TRADE AD	[...]	[...]	[...]
VEROPOULOS DOO	[...]	[...]	[...]

\* revenues expressed in dinars

Source: Information provided by undertakings

Based on information provided in Table 13, it can be noted that six undertakings have increased their respective revenue levels in 2018, while four companies have suffered a decline in revenue. The highest revenue growth of ca. 10% was achieved by [...], followed by [...] (ca. 8%), [...] (ca. 7%) and [...] (ca. 6%). The lowest increase in revenue was recorded by [...] (ca. 4%) and [...] (ca. 3%). On the other hand, the highest decrease in revenue of ca. 9% is seen by [...], followed by [...] (ca. 5%), and [...] and [...] with ca. 3% each of declining revenues compared to the previous year.

Based on the analysis of the total revenues generated by all undertaking included in the sample in both years under analysis, it is established that 50 undertakings have increased their respective revenues levels in 2018, while nine of them have suffered a loss in revenue.<sup>7</sup>

### 3. Ratio of sales area to number of retail stores to market share

Tables 14 and 15 give a breakdown of the sampled undertakings ranked among the top ten in 2017 and 2018 by number of retail stores, total sales area and their respective market shares by sales revenue:

**Table 14 – Breakdown of the number of retail stores, sales area and market share by sales revenue, 2017**

undertaking	number of stores	sales area	market share
DELHAIZE SERBIA DOO	415	[...]	/20-30/%
MERCATOR-S DOO	346	[...]	/10-20/%
AMAN DOO	208	[...]	/0-5/%
GOMEX DOO	161	[...]	/0-5/%
TSV BRAVE DOO	138	[...]	/0-5/%
BB TRADE AD	136	[...]	/0-5/%
PODUNAVLJE AD	125	[...]	/0-5/%
MIKROMARKET NS DOO	102	[...]	/0-5/%
UNIVEREXPORT DOO	101	[...]	/0-5/%
TRANSKOM 94 DOO	76	[...]	/0-5/%

Source: Information provided by undertakings

<sup>7</sup> XXX

**Table 15 – Breakdown of the number of retail stores, sales area and market share by sales revenue, 2018**

<i>undertaking</i>	<i>number of stores</i>	<i>sales area</i>	<i>market share</i>
DELHAIZE SERBIA DOO	427	[...]	/10-20/%
MERCATOR-S DOO	329	[...]	/10-20/%
AMAN DOO	208	[...]	/0-5/%
GOMEX DOO	163	[...]	/0-5/%
TSV BRAVE DOO	154	[...]	/0-5/%
BB TRADE AD	139	[...]	/0-5/%
PODUNAVLJE AD	133	[...]	/0-5/%
MIKROMARKET NS DOO	118	[...]	/0-5/%
UNIVEREXPORT DOO	103	[...]	/0-5/%
TRANSKOM 94 DOO	79	[...]	/0-5/%

*Source: Information provided by undertakings*

## IV ANALYSIS OF RETAILER-SUPPLIER RELATIONSHIPS

The analysis of relations between suppliers and the sampled undertakings was made based on the information obtained on the value of purchases made from suppliers with the highest sales turnover generated in retail stores owned by the sampled undertakings in 2018, for the following product categories:

- coffee;
- beer;
- milk and dairy products;
- non-carbonated water, and
- confectionery.

The following segment provides an overview of the most and least significant suppliers in the selected product categories. Seeing that the Commission only collected information on the value of purchases made from suppliers with the highest and lowest sales turnover generated in retail stores owned by the sampled undertakings and that it was not possible to make a conclusion on the level of concentration in supply from  $n$  number of the largest suppliers, only the purchase value ratio of these two categories of suppliers is calculated for each of the product category.

### 1. Coffee purchasing structure

Table 16 gives a breakdown by coffee suppliers, listed by the sampled undertakings<sup>8</sup> as distributors with the highest sales turnover generated in their stores in 2018:

*Table 16 – Breakdown by coffee suppliers with the highest sales turnover generated in stores owned by the sampled undertakings, 2018*

XXX

*Source: Information provided by undertakings*

Based on information presented in Table 16, it can be noted that the largest number of undertakings (31) have listed company [...] as the most important coffee supplier. The second largest coffee supplier in 2018 was [...]. Also, it is important to underline that one of the sampled undertakings, retail company [...], is listed among the largest coffee suppliers of individual undertakings in 2018.

Table 17 gives a breakdown of the largest coffee suppliers of undertakings listed in the top ten group based on their respective market shares by sales revenue in 2018:

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<sup>8</sup> Certain number of undertakings failed to provide necessary information due to inability to separate suppliers by product categories for technical reasons.

**Table 17 – Breakdown of the largest coffee suppliers of the top ten undertakings, 2018**

undertaking	supplier
DELHAIZE SERBIA DOO	[...]
MERCATOR-S DOO	[...]
LIDL SRBIJA KD	[...]
AMAN DOO	[...]
UNIVEREXPORT DOO	[...]
DIS DOO	[...]
GOMEX DOO	[...]
METRO CASH&CARRY DOO	[...]
QVATTRO COMPANY DOO	[...]
BB TRADE AD	[...]

*Source: Information provided by undertakings*

The information shown in Table 17 indicate that company [...] was the largest coffee supplier for seven undertakings. The only exception were companies [...], [...] and [...].

Table 18 gives a breakdown by coffee suppliers, listed by the sampled undertakings as distributors with the lowest sales turnover generated in their stores in 2018:

**Table 18 – Breakdown by coffee suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

As shown in Table 18, a significantly larger number of coffee suppliers indicates the difference in the purchasing structure of the sampled undertakings. The value of purchases of coffee supplies from suppliers with the highest sales turnover generated in stores owned by the sampled undertakings was 2 to 153 thousand times higher than the value of purchases from suppliers with the lowest respective sales turnover. It is important to underline that one of the sampled undertakings, retail company [...] engaged in the sale in non-specialized stores with food, beverages and tobacco predominating, was among coffee suppliers with the lowest sales turnover generated in retail stores of selected undertakings in 2018.

## 2. Beer purchasing structure

Table 19 provides a breakdown by beer suppliers, listed by the sampled undertakings as distributors with the highest sales turnover generated in their stores in 2018:

**Table 19 – Breakdown by beer suppliers with the highest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

Based on information provided in Table 19, it can be noted that the largest number of undertakings (20) have listed company [...] as the largest beer supplier, followed by companies [...] and [...], listed by 12 and 5 undertakings as the largest suppliers, respectively. It should be underlined that among the most important beer suppliers of individual undertakings in 2018 are also some of the sampled undertakings, specifically retail companies [...], [...], [...], [...], [...] and [...].

Table 20 gives a breakdown of the largest beer suppliers of undertakings listed in the top ten group based on their respective market shares by sales revenue in 2018:

**Table 20 – Breakdown of the largest beer suppliers of the top ten undertakings, 2018**

undertaking	supplier
DELHAIZE SERBIA DOO	[...]
MERCATOR-S DOO	[...]
LIDL SRBIJA KD	[...]
AMAN DOO	[...]
UNIVEREXPORT DOO	[...]
DIS DOO	[...]
GOMEX DOO	[...]
METRO CASH&CARRY DOO	[...]
QVATTRO COMPANY DOO	[...]
BB TRADE AD	[...]

*Source: Information provided by undertaking*

Based on information presented in Table 20, it can be noted that company [...] was the largest beer supplier for seven undertakings, except for [...], [...] and [...].

Table 21 gives a breakdown by beer suppliers, listed by the sampled undertakings as distributors with the lowest sales turnover generated in their stores in 2018:

**Table 21 – Breakdown by beer suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

The information shown in Table 21 indicate a significant difference in the beer purchasing structure of the sampled undertakings since 11 and 6 undertakings, respectively, have listed [...] and [...] as the least important beer suppliers. The value of purchases of beer supplies from suppliers with the highest sales turnover generated in stores owned by the sampled undertakings was 2 to 13 thousand times higher than the value of purchases from suppliers with the lowest respective sales turnover in 2018. It is important to underline that several of the sampled undertakings, namely retail companies [...], [...] and [...], are among beer suppliers with the lowest sales turnover generated in retail stores of selected undertakings in 2018.

### 3. Milk purchasing structure

Table 22 provides a breakdown by milk suppliers, listed by the sampled undertakings as distributors with the highest sales turnover generated in their stores in 2018:

**Table 22 – Breakdown by milk suppliers with the highest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

Based on information provided in Table 22, it can be noted that the largest number of undertakings (46) have listed company [...] as the most important milk supplier in 2018, followed by [...] as the most important milk supplier for three undertakings and companies [...] and [...], listed by two undertakings as the largest suppliers. Retail companies included in the sample are not listed among the most important milk suppliers.



Table 23 gives a breakdown of the largest milk suppliers of undertakings listed in the top ten group based on their respective market shares by sales revenue in 2018:

**Table 23 – Breakdown of the largest milk suppliers of the top ten undertakings, 2018**

undertaking	supplier
DELHAIZE SERBIA DOO	[...]
MERCATOR-S DOO	[...]
LIDL SRBIJA KD	[...]
AMAN DOO	[...]
UNIVEREXPORT DOO	[...]
DIS DOO	[...]
GOMEX DOO	[...]
METRO CASH&CARRY DOO	[...]
QVATTRO COMPANY DOO	[...]
BB TRADE AD	[...]

*Source: Information provided by undertakings*

Based on information presented in Table 23, it can be noted that company [...] was the largest milk supplier for nine undertakings, except for company [...] that listed [...] as the most important milk supplier.

Table 24 gives a breakdown by milk suppliers, listed by the sampled undertakings as distributors with the lowest sales turnover generated in their stores in 2018:

**Table 24 – Breakdown by milk suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

A significant number of milk suppliers shown in Table 24 points to noteworthy differences in the milk purchasing structure of the sampled undertakings as well. The value of purchases of milk supplies from suppliers with the highest sales turnover generated in stores owned by the sampled undertakings was 2 to 164 thousand times higher than the value of purchases from suppliers with the lowest respective sales turnover in 2018. Retail companies included in the sample are not present as milk suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings in 2018.

#### **4. Non-carbonated water purchasing structure**

Table 25 provides a breakdown by non-carbonated water suppliers, listed by the sampled undertakings as distributors with the highest sales turnover generated in their stores in 2018:

**Table 25 – Breakdown by non-carbonated water suppliers with the highest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

Based on information provided in Table 25, it can be noted that the largest number of undertakings (28) have listed company [...] as the most important non-carbonated water supplier, followed by [...] as the most important non-carbonated water supplier for eight undertakings and companies [...] and [...], listed by two undertakings as the largest suppliers. Also, it is important to underline that several of the sampled undertakings,

namely retail companies [...], [...], [...], [...], [...] and [...] are listed among the most significant non-carbonated water suppliers of individual undertakings in 2018.

Table 26 gives a breakdown of the largest non-carbonated water suppliers of undertakings listed in the top ten group based on their respective market shares by sales revenue in 2018:

**Table 26 – Breakdown of the largest non-carbonated water suppliers of the top ten undertakings, 2018**

undertaking	supplier
DELHAIZE SERBIA DOO	[...]
MERCATOR-S DOO	[...]
LIDL SRBIJA KD	[...]
AMAN DOO	[...]
UNIVEREXPORT DOO	[...]
DIS DOO	[...]
GOMEX DOO	[...]
METRO CASH&CARRY DOO	[...]
QVATTRO COMPANY DOO	[...]
BB TRADE AD	[...]

*Source: Information provided by undertakings*

Based on information presented in Table 26, it can be noted that companies [...] and [...] were the largest non-carbonated water suppliers for three undertakings each. Companies [...], [...], [...] and [...] are suppliers with the highest sales turnover generated in stores owned by some of the top ten undertakings.

Table 27 gives a breakdown by non-carbonated water suppliers, listed by the sampled undertakings as distributors with the lowest sales turnover generated in their stores in 2018:

**Table 27 – Breakdown by non-carbonated water suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

The information shown in Table 27 indicate the difference in the non-carbonated water purchasing structure of the sampled undertakings. The value of purchases of non-carbonated water supplies from suppliers with the highest sales turnover generated in stores owned by the sampled undertakings was 1,3 to 8 thousand times higher than the value of purchases from suppliers with the lowest respective sales turnover in 2018. Retail companies included in the sample are not listed as suppliers with the lowest sales turnover in 2018.

## 5. Confectionery purchasing structure

Table 28 provides a breakdown by confectionery suppliers, listed by the sampled undertakings as distributors with the highest sales turnover generated in their stores in 2018:

**Table 28 – Breakdown by confectionery suppliers with the highest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by sampled undertakings*

Based on information provided in Table 28, it can be noted that companies [...] (21 undertakings) and [...] (21 undertakings) are listed as the two largest confectionery suppliers. It is important to underline that one of the sampled undertakings, retail company

[...], is listed among the most important confectionery suppliers of individual undertakings in 2018.

Table 29 gives a breakdown of the largest confectionery suppliers of undertakings listed in the top ten group based on their respective market shares by sales revenue in 2018:

**Table 29 – Breakdown of the largest confectionery suppliers of the top ten undertakings, 2018**

undertaking	supplier
DELHAIZE SERBIA DOO	[...]
MERCATOR-S DOO	[...]
LIDL SRBIJA KD	[...]
AMAN DOO	[...]
UNIVEREXPORT DOO	[...]
DIS DOO	[...]
GOMEX DOO	[...]
METRO CASH&CARRY DOO	[...]
QVATTRO COMPANY DOO	[...]
BB TRADE AD	[...]

*Source: Information provided by undertakings*

Based on information presented in Table 29, it can be noted that company [...] was the largest confectionery supplier for seven undertakings, except for [...], [...] and [...].

Table 30 gives a breakdown by confectionery suppliers, listed by the sampled undertakings as distributors with the lowest sales turnover generated in their stores in 2018:

**Table 30 – Breakdown by confectionery suppliers with the lowest sales turnover generated in stores owned by the sampled undertakings, 2018**

XXX

*Source: Information provided by undertakings*

A very high number of confectionery suppliers shown in Table 30 points to noteworthy differences in the confectionery purchasing structure of the sampled undertakings as well. The value of purchases of confectionery supplies from suppliers with the highest sales turnover generated in stores owned by the sampled undertakings was 2 to 55 thousand times higher than the value of purchases from suppliers with the lowest respective sales turnover in 2018. It is important to underline that several of the sampled undertakings, namely retail companies [...], [...], [...] and [...], are among confectionery suppliers with the lowest sales turnover generated in retail stores of selected undertakings in 2018.

## V PRICE ANALYSIS

In preparing the report on the retail sector inquiry into the sale in non-specialized stores with food, beverages and tobacco predominating for 2014-2016, it is established that a certain number of undertakings have underlined that the retail prices vary depending on the following:

- type of the trading format, that is, size of the store (small retail store, supermarket, hypermarket...);
- geographic location of a retail store (urban areas, less populated areas...);
- time of the year (season).

Proceeding from this premise, the Commission sent requests to three undertakings, *Delhaize Serbia doo*<sup>9</sup>, *Mercator-S doo* and *Aman doo*, for the provision of information on the current retail prices on the last day of the month valid in retail stores with a sales area of 200-400 m<sup>2</sup> in the territory of the City of Belgrade, over the previous three years (2016, 2017 and 2018), concerning the following products:

- coffee *Grand gold* in 200 grams-packaging;
- beer *Jelen pivo* in 0.5-liter returnable packaging;
- *Imlek* long life (sterilized) milk of 2.8% milk fat in 1 liter-packaging;
- non-carbonated water *Rosa* in 1.5 liter-packaging;
- milk chocolate *Najlepše želje* in 90 grams-packaging.

According to the Inflation Report of the National Bank of Serbia, the inflation hovered around the target tolerance band ( $3 \pm 1.5\%$ ) and reached the targeted 3.0% in December 2017, which also corresponds to the annual average. Around 70% of y-o-y inflation movements in December were driven by food prices, predominately fruits and vegetables, and excise goods, indicating that the 2017 inflation was led by rise in the prices of a small number of goods and services.

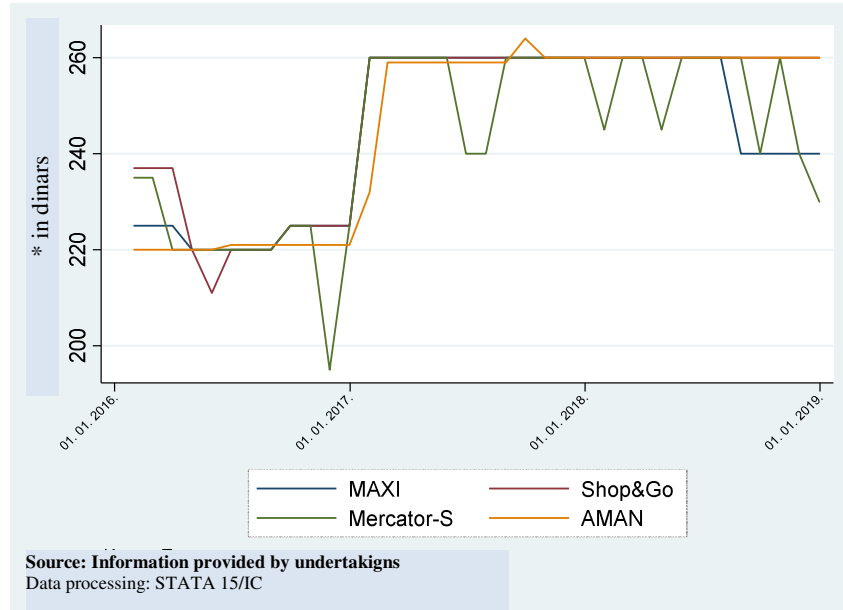
According to the Inflation Report published by the National Bank of Serbia, the inflation in 2018 also remained low and stable, reaching 2.0% in December 2018, which also corresponds to the annual average. Compared to 2017, all main components to consumer price index, apart from services, slowed down in 2018. The highest contribution to y-o-y inflation movements in 2018 related to food prices (0.8 pp.), predominately vegetables (0.9 pp.), followed by cigarettes (0.4 pp.) and oil derivatives (0.3 pp.). The contribution of the prices of other goods and services, in aggregate terms, reached 0.5 pp., suggesting that the inflationary pressures on the demand side remained low during 2018 as well.

The retail price movements valid on the last day of the month in retail stores with a sales area of 200-400 m<sup>2</sup> in the territory of the City of Belgrade over the previous three years, are presented in the following charts.

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<sup>9</sup> *Delhaize Serbia doo* provided information for retail stores type Maxi, and Shop&GO.

**Chart 20 – Grand gold coffee price movements, 200 grams-packaging, 2016-2018**

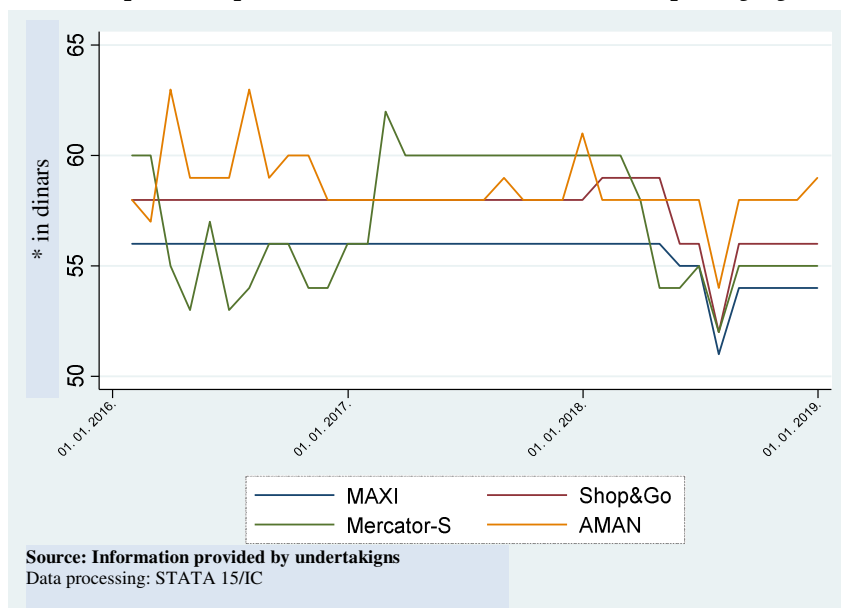


Based on information presented in Chart 20, it can be noted that the lowest price of *Grand gold* coffee in 200 grams-packaging in the amount of 194.99 dinars was recorded on November 30, 2016 in retail stores owned by company *Mercator-S doo*. The retail prices on the same date were higher by 15% (30.00 dinars) and 13% (26.00 dinars) in retail stores owned by *Delhaize Serbia doo* and *Aman doo*, respectively. The highest price of *Grand gold* coffee in 200 grams-packaging of 263.99 dinars was recorded on September 30, 2017 in retail stores owned by company *Aman doo*. The retail prices of other undertakings on the same date were lower by 2% (4.00 dinars).

If we compare the prices valid on the last day of the month over the three years observed, it can be noted that no price differences are recorded between the prices in Shop&Go and Maxi retail stores owned by *Delhaize Serbia doo*, apart from prices on the last day of the first three months of 2016 and the last five months of 2018 when the Shop&Go prices were higher for 4.00 and 7.00 dinars, respectively, and on May 31, 2016 when the prices in Shop&Go retail stores were lower for 9.00 dinars.

When monitoring the price movements of the goods observed in retail stores of all three undertakings, it can be noted that the highest price oscillations are recorded in retail stores owned by *Mercator-S doo*.

**Chart 21 – Jelen pivo beer price movements, 0.5-liter returnable packaging, 2016-2018**

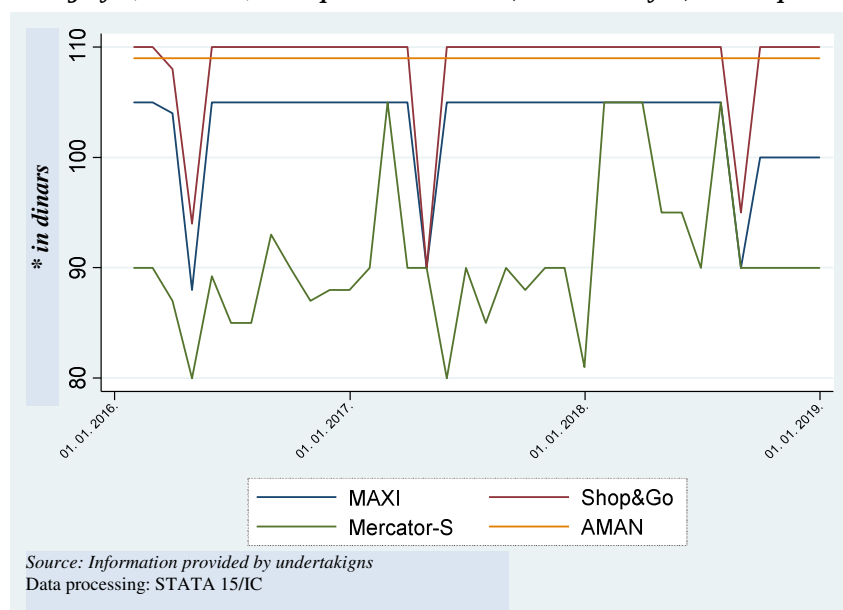


Based on information presented in Chart 21, it can be noted that the lowest price of *Jelen pivo* beer in 0.5-liter returnable packaging in the amount of 50.99 dinars was recorded on July 31, 2018 in Maxi retail stores owned by company *Delhaize Serbia doo*. The retail prices of other undertakings on the same date were higher, specifically by 2% (1.00 dinar) in Shop&Go retail stores owned by *Delhaize Serbia doo* and in retail stores owned by *Mercator-S doo*, and by 6% (3.00 dinars) in retail stores owned by company *Aman doo*. The highest retail price of the goods observed of 62.99 dinars was recorded on March 31, 2016 and July 31, 2016 in retail stores owned by company *Aman doo*. The retail prices of other undertakings on March 31, 2016 were lower, specifically by 13% (8.00 dinars) in retail stores owned by *Mercator-S doo*, 11% (7.00 dinars) in Maxi retail stores owned by *Delhaize Serbia doo*, and 8% (5.00 dinars) in Shop&Go retail stores of company *Delhaize Serbia doo*. As on July 31, 2016, the retail prices of other undertakings were lower, specifically by 14% (9.00 dinars) in retail stores owned by *Mercator-S doo*, 11% (7.00 dinars) in Maxi retail stores owned by company *Delhaize Serbia doo*, and 8% (5.00 dinars) in Shop&Go retail stores of company *Delhaize Serbia doo*.

If we compare the prices valid on the last day of the month over the three years observed, it can be noted that the prices of the goods observed in Shop&Go retail stores owned by company *Delhaize Serbia doo* were always higher for 1-3 dinars against the prices in Maxi retail stores.

When monitoring the price movements of the goods observed in retail stores of all three undertakings, it can be noted that the highest price oscillations are recorded in retail stores owned by *Mercator-S doo*.

Chart 22 – Imlek long life (sterilized) milk price movements, 2.8% milk fat, 1 liter-packaging, 2016-2018

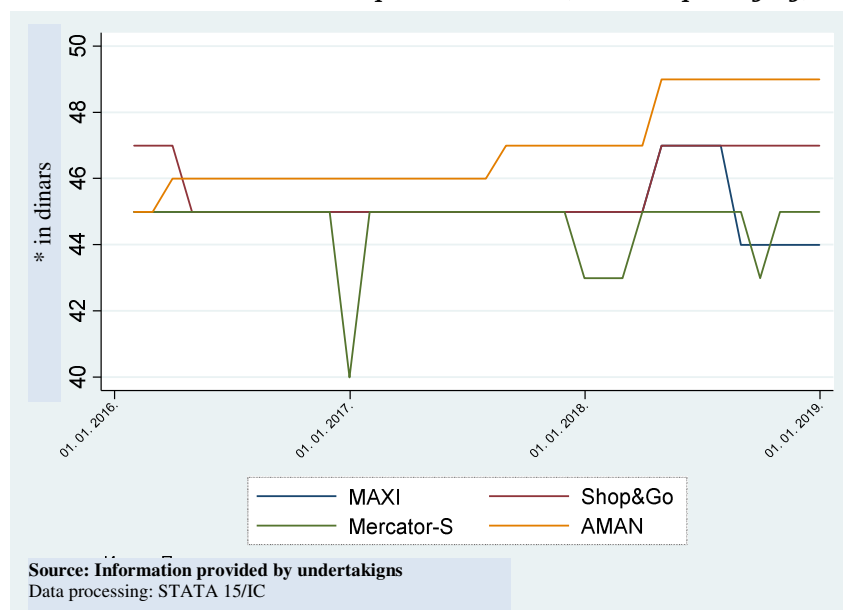


Based on information presented in Chart 22, it can be noted that the lowest price of Imlek long life (sterilized) milk of 2.8% milk fat in 1 liter-packaging in the amount of 79.99 dinars was recorded on April 30, 2016 and May 31, 2017 in retail stores owned by company *Mercator-S doo*. The retail prices of other undertakings on April 30, 2016 were higher, specifically by 36% (29.00 dinars) in retail stores owned by *Aman doo*, 18% (14.00 dinars) in Shop&Go retail stores owned by company *Delhaize Serbia doo*, and 10% (8.00 dinars) in Maxi retail stores of *Delhaize Serbia doo*. As on May 31, 2017, the retail prices of other undertakings were higher, specifically by 36% (29.00 dinars) in retail stores owned by company *Aman doo*, 38% (30.00 dinars) in Shop&Go retail stores owned by *Delhaize Serbia doo*, and 31% (25.00 dinars) in Maxi retail stores of *Delhaize Serbia doo*. The highest price in the amount of 109.99 dinars was recorded in Shop&Go retail stores during most of the months over the three years observed. The prices of other undertakings valid on the last day of the said months were lower, specifically by 5-20% (5.00 to 10.00 dinars) in Maxi retail stores owned by company *Delhaize Serbia doo*, 5%-27% (5.00 to 30.00 dinars) in retail stores owned by *Mercator-S doo*, and 1% (1.00 dinar) in retail stores of *Aman doo*.

Furthermore, if we compare the prices valid on the last day of the month over the three years observed, it can be noted that the prices of the goods observed in Shop&Go retail stores, apart as on April 30, 2017 when no price differences were noted, were always for 4-10 dinars higher than the prices in Maxi retail stores. Also, the figures given in Chart 22 allow us to note the identical prices of this particular product in retail stores of company *Aman doo*, valid on the same dates over the three years observed.

When monitoring the price movements of the goods observed in retail stores of all three undertakings, it can be noted that the highest price oscillations are recorded in retail stores owned by *Mercator-S doo*.

**Chart 23 – Rosa non-carbonated water price movements, 1.5 liter-packaging, 2016-2018**

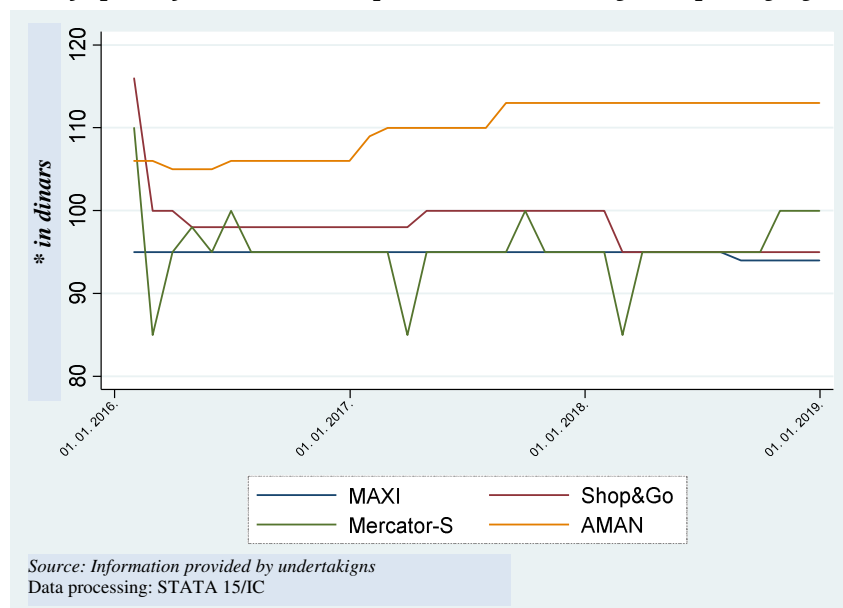


Based on information presented in Chart 23, it can be noted that the lowest price of non-carbonated water *Rosa* in 1.5 liter-packaging in the amount of 39.99 dinars was recorded on December 31, 2016 in retail stores owned by company *Mercator-S doo*. The retail prices of other undertakings were higher, specifically by 13% (5.00 dinars) in retail stores owned by company *Delhaize Serbia doo* and 15% (6.00 dinars) in retail stores of *Aman doo*. The highest price of the goods observed in the amount of 48.99 dinars was recorded during the last nine months of 2018 in retail stores owned by company *Aman doo*. The prices of other undertakings were lower, specifically by 4-10% (2.00 to 5.00 dinars) in Maxi retail stores owned by company *Delhaize Serbia doo*, 4% (2.00 dinars) in Shop&Go retail stores of company *Delhaize Serbia doo*, and by 8-12% (4.00 to 6.00 dinars) in retail stores of *Mercator-S doo*.

If we compare the prices valid on the last day of the month over the three years observed, it can be noted that no price differences are recorded between the prices in Shop&Go and Maxi retail stores owned by company *Delhaize Serbia doo*, apart from prices during the first three months of 2016 and the last five months of 2018 when the Shop&Go prices were higher for 4.00 and 7.00 dinars, respectively.



Chart 24 – Najlepše želje milk chocolate price movements, 90 grams-packaging, 2016-2018



Based on information presented in Chart 24, it can be noted that the lowest price of milk chocolate *Najlepše želje* in 90 grams-packaging in the amount of 84.99 dinars was recorded on February 29, 2016, May 31, 2017 and February 28, 2018 in retail stores owned by company *Mercator-S doo*. As on February 29, 2016, the retail prices of other undertakings were higher, specifically by 12% (10.00 dinars) in Maxi retail stores owned by company *Delhaize Serbia doo*, 18% (15.00 dinars) in Shop&Go retail stores of company *Delhaize Serbia doo* and 25% (21.00 dinar) in retail stores of *Aman doo*. As on May 31, 2017, the retail prices of other undertakings were higher, specifically by 12% (10.00 dinars) in Maxi retail stores owned by company *Delhaize Serbia doo*, 15% (13.00 dinars) in Shop&Go retail stores of company *Delhaize Serbia doo* and 29% (25.00 dinars) in retail stores of *Aman doo*. As on February 28, 2018, the retail prices of other undertakings were higher, specifically by 12% (10.00 dinars) in Maxi and Shop&Go retail stores owned by company *Delhaize Serbia doo* and 33% (28.00 dinars) in retail stores of company *Aman doo*. The highest price of the goods observed in the amount of 115.99 dinars was recorded on January 31, 2016 in Shop&Go retail stores owned by company *Delhaize Serbia doo*. The prices of other undertakings on the same date were lower, specifically by 18% (21.00 dinar) in Maxi retail stores owned by company *Delhaize Serbia doo*, 5% (6.00 dinars) in retail stores of company *Mercator-S doo* and 9% (10.00 dinars) in retail stores of *Aman doo*.

If we compare the prices valid on the last day of the month over the three years observed, it can be noted that apart for the period of six months in 2018 when no price differences are recorded, the prices in Shop&Go retail stores owned by company *Delhaize Serbia doo* were always higher for 1-21 dinars.

## VI CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

Noting the defined purpose of this inquiry, it could be said that the said intend was specific, quantifiable, feasible and relevant since the economic inquiry into the retail sale in non-specialized stores with food, beverages and tobacco predominating over a two-year period (2017-2018) was conducted. Namely, the inquiry into this particular market covered the analysis of relative market power of undertakings, as well as the analysis of retailer-supplier relationships and the analysis of price movements of selected products.

The inquiry covered over 2.5 thousand retail stores. Based on information provided by undertakings, as well as available historical data, the estimate of the total retail trade turnover for 2017 and 2018 was made. XXX.

Based on the information provided, it could be noted that the largest number of retail stores owned by the sampled undertakings was classified as 'traditional stores' or stores with a sales area of less than 200 m<sup>2</sup>. In terms of turnover or sales volume, it could be noted that the largest revenue generators for undertakings included in the sample were retail stores with a sales area of 200-400 m<sup>2</sup>, generating ca. 39% and 48% of the total retail trade turnover of undertakings included in the sample.

The level of development of this particular trade sector is measured on the basis of several indicators such as sales per unit area, per capita turnover and average purchase value. All these indicators have indicated, directly or indirectly, the development occurring during the period observed in retail sale in non-specialized stores with food, beverages and tobacco predominating.

The analysis of market power of the sampled undertakings was made based on the level of turnover. The results have pointed to two undertakings standing out, companies *Delhaize Serbia doo* and *Mercator-S doo*, both in leading positions over the two years. Also, it is important to mention the 2018 market entry of a new undertaking, company *Lidl Srbija kd*, whose estimated turnover in 23 newly opened retail stores would attain a /10-20/% market share.

The results of a comparative analysis have indicated that the majority of the sampled undertakings have increased their respective turnover levels in 2018 compared to the previous year.

Two trends transforming the modern retail are mergers and modernization. The process of modernization in terms of the increased share of larger retail stores is not a general feature of the retail sale in non-specialized stores with food, beverages and tobacco predominating in the territory of the Republic of Serbia. However, the modernization of trade in the Republic of Serbia can also be discussed based on newness identified in this segment, particularly regarding the market entry of discount store chains, opening of organic stores with a carefully selected product range and finally, the development of e-commerce.

The second part of the report looked into the purchasing structure of individual product categories. The results of the analysis pointed to certain suppliers as distributors with whom the top ten undertakings with the highest sales turnover in 2018 have generated the highest sales turnover. XXX.

Recognizing the vital importance and strong market dynamics of this particular trade segment, the Commission adopts recommendations concerning the following:

- continuation of cooperation with competent national authorities, allowing for the establishment of a public register of trade companies in the future, since the continuous monitoring of trade sector implies the existence of a precise statistics record on the number of stores, their locations, sales area, number of employees and sales turnover.
- continuation of cooperation with competent national authorities in terms of providing all relevant legislation and regulations for the provision of legal opinions.

In the light of all of the foregoing, the Commission will continue to monitor with particular diligence the behavior of undertakings and particular circumstances prevailing on the market that might indicate any violations of the Law on Protection of Competition.

## ANNEX

The new Law on Trade adopted in 2019 is a key regulation for retail sale in non-specialized stores with food, beverages and tobacco predominating. The legal solutions from the new Law on Trade are a product of better business environment efforts, provision of conditions for more intensified development of digital economy, enhanced competition between e-commerce traders in the e-trade market in the Republic of Serbia, and fight against online shadow economy. The most important legal solutions include the following:

1. detailed arrangements and definition of e-trade and forms of online sales most used in the practice

A gradual increase in the share of online sales in the total retail volume, as in the number of digital buyers, identified the need to regulate this aspect of trade in more details. The development of online markets caused the emergence of new online sales modalities, necessary to be legally recognized and regulated for clearly defined responsibilities of individual entities in the supply and retail chain in performing their legal requirements and complying with consumer protection standards. The e-trade is now defined as a special form of distance commerce, while the terms 'online store' (webshop) and 'e-platform' are also introduced. The online store is defined as a shop by means of which a trader offers its goods or services over the Internet, while the e-platform is a mean whereby an IT service provider within the meaning of law governing e-trade, connects e-trading counterparties. The party that manages an e-platform may also offer its own goods or services via said platform. The Law also defines the following three most recognizable forms of e-trade:

- sale via webshop;

The sale via webshop can be perceived as the basic, most simple form of online sale where a trader owns a webshop offering goods and services to consumers. Consumers directly order such goods/services from the trader, who then delivers said goods by itself or via a courier service.

- sale via e-commerce platform

The sale via e-commerce platform connects consumers and salespersons, but often provides payment and delivery services itself. The consumer is in a contractual relationship with the trader (salesperson), but the ordering, payments and delivery may be performed via a platform that is in B2B<sup>10</sup> relationship with the trader. The platform may also offer its own goods and services, i.e. may act as a seller of goods or provider of services, taking on all legal obligations of a seller from closed purchase and sale agreements. Specifically, as regards consumers, the platform may act as:

- seller of goods or provider of services, or
- intermediary in the sale when it acts as a nexus between salespersons and consumers.

- dropshipping

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<sup>10</sup> Business to business (B2B) e-commerce refers to the use of the Internet and web technologies for purchase, sale, more affordable, faster and improved cooperation between business entities.

Dropshipping implies the sale of goods and services to consumers via own online store or e-platform, while receiving such goods or services from manufacturers or importers directly. In dropshipping, the goods/services are delivered to end-users without being kept in stock. This is relatively new form of online sale in which the consumer pays for the goods/services to the trader, who in turn transfers its customer's orders and shipment details to either the manufacturer, another retailer, or a wholesaler, who then ships the goods directly to the customer. This online model of sale implies the consumer's contractual relationship with the trader who is obligated to adhere to all contractual standards deriving from closed purchase and sale agreement. The dropshipping e-commerce model is widespread in the developed foreign markets and ensures the optimization of costs with the increased range and variety of deals.

## 2. indication of webshop prices denominated in a foreign currency

The New Law on Trade defines exceptions to the general rule under which the trader is obligated to indicate prices of goods and services in Serbian dinars. How prices are indicated under the new law improves the e-commerce in online sale domain and creates possibilities for easier placement of domestic goods and services to foreign consumers. Also, this novelty is important for consumers, now provided with an opportunity to opt for the currency of their choice and receive adequate and correct information about the final price of the goods when browsing and for the pre-contractual purposes, where the selection of currency applies to the complete range of features offered by the trader and not to a single product.

## 3. detail definition of e-trader obligations in online sales

The linguistic imprecisions are removed, and those concepts are now clear in terms of no longer binding obligation of e-traders to fulfill minimal technical requirements relating to their store, equipment and instruments. The fulfillment of minimum technical requirements only relates to brick-and-mortar stores and not e-commerce. Furthermore, the e-trader is now enabled to issue and send all documents on purchase and sale to consumers in an e-document form, leading to convergence with the Law on Electronic Document, Electronic Identification and Trust Services in Electronic Transactions (Official Gazette of the RS 94/2017). Also, it is clarified that the e-sales and purchase ledger may be centralized, at the level of overall e-trade conducted in the market of the Republic of Serbia. However, e-traders are also allowed to keep the sales and purchase ledger for each organizational unit based on a decision enacted pursuant to internal rules and business policy. Finally, e-traders are now obligated to present all information from the goods declaration made by a manufacturer/importer and to make the required information directly and continuously available to consumers prior to the purchase. The labeling requirement also fulfills the pre-contractual obligation of traders to inform consumers of the basic characteristics and features of goods and services provided.

## 4. introduction of a new inspection method, covert shopping (mystery shopper)

The aim of new legal solutions is to improve the inspection oversight of non-registered online sale and failure to invoice taxable transaction. Modeled on the comparative legislation of EU member states and aimed at reducing the volume of gray (online) economy, the covert shopping institute is introduced, granting powers to a competent inspector to initiate and make a purchase of goods/services as a mystery shopper upon the receipt of a warrant, based on substantial grounds for believing that the entity engaged in (electronic) trade is not registered or fails to invoice taxable transaction in lieu of the goods sold/services

provided, in order to collect or secure evidence. As part of the covert shopping, the inspector responsible for oversight is authorized to conduct statutory investigations in terms of fact-finding activities (make recordings of online store offerings, make copies of e-trade related communication, inspect files, take photographs and make video recordings of locations where inspection oversight is carried out, inspect files, documents and other items that are subject to oversight, take any and all other actions to ascertain the facts of a particular case, etc.). The covert shopping is performed in accordance with the rules laid down by the Law on Inspection Oversight (Official Gazette of the RS 36/2015, 44/2018 – as amended, and 95/2018). Also, the inspector is authorized to initiate action with a competent body to enact a measure of prohibition of distance trading or e-commerce activity for period not exceeding six months, where the entity subject to oversight has infringed law governing e-commerce.