



Passport

REFAH CHAIN STORES CO IN RETAILING (IRAN)

Euromonitor International

March 2015

LIST OF CONTENTS AND TABLES

Strategic Direction	1
Key Facts	1
Summary 1 Refah Chain Stores Co: Key Facts	1
Summary 2 Refah Chain Stores Co: Operational Indicators 2012-2014	1
Internet Strategy	1
Company Background	2
Chart 1 Refah Chain Stores Co: Refah, Hypermarket in Mashhad	2
Private Label	2
Summary 3 Refah Chain Stores Co: Private Label Portfolio	3
Competitive Positioning	3
Summary 4 Refah Chain Stores Co: Competitive Position 2014	3

REFAH CHAIN STORES CO

STRATEGIC DIRECTION

- Refah chain stores Co has encountered competition from newcomers and existing competitors such as Majid Al Futtaim Hypermarkets LLC and Shahrvand Goods & Servicing Co over the review period, a situation that has challenged its led in modern retailing, especially in the capital. The company has a very traditional structure and thus is not inclined towards innovation; however it is seeking to expand its activities to other smaller cities where it cannot be threatened by strong competitors. Its number of outlets has grown throughout the review period and this trend is expected to continue going forward.

KEY FACTS

Summary 1 Refah Chain Stores Co: Key Facts

Full name of company:	Refah Chain Stores CO
Address:	No 19, Shahid Sarparast St, West Taleghani Ave, Felestine Sq, Tehran, Iran
Tel:	+98 21 6641 2027
www:	www.refah.ir
Activities:	Retailer of grocery and non-grocery items

Source: Euromonitor International from company reports, company research

Summary 2 Refah Chain Stores Co: Operational Indicators 2012-2014

	2012	2013	2014
Net sales	IRR11,620.8 billion	IRR14,647.5 billion	IRR17,888.4 billion
Outlets	157	165	170
Selling space ('000 sq m)	234.0	245.7	254.1
Sales of grocery	88%	86%	84%

Source: Euromonitor International from company research

INTERNET STRATEGY

- The company started internet retailing as a pilot programme in Tabriz. In spite of the limited sales in this channel, Refah decided to expand the programme to some other cities, including Ardebil, Karaj, Semnan, Rash and Arak. Internet retailing does not account for a considerable share of the company's overall sales, but major growth in the forecast period is predicted due to rising awareness and greater internet penetration in Iran.

COMPANY BACKGROUND

- Refah Chain Stores was established in April 1995 with the direct support of the president at that time, Ali Akbar Hashemi Rafsanjani. The company is mainly owned by key government banks: Bank Melli with a 19.8% share, Bank Saderat with 14.2%, Bank Mellat with 10.1%, Bank Tejarat with 9.5% and Bank Sepah with 9.4%. The remaining shares are owned by individuals.
- Retailing remains the company's core business, accounting for all of its total sales in 2014. The company's main goal is to cover key urban areas and expand its outlets to nearly all other cities with a population of over 100,000.
- The company operates three types of stores. Of its outlets, 170 are its own branches located in key provinces. Among them, 45 stores are located in Tehran and Karaj, which gives an indication of the concentration in the capital. The second type are outlets that are not fully owned by Refah and which work in affiliation with other organisations (three stores in the country). Finally, the third type are retailers whose products are provided by Refah and which accept its debit cards. There are 723 outlets of this type throughout the country.

Chart 1 Refah Chain Stores Co: Refah, Hypermarket in Mashhad



Source: Euromonitor International

PRIVATE LABEL

- Private label was introduced to the Iranian market by Refah in 2007 although due to its lack of success Refah pulled its private label brands after two years. The company asked some local food suppliers to introduce products under its brand name. This activity was not successful and only a few products entered the market due to the weak marketing and a narrow private label portfolio. The packaged food products that Refah had were tomato paste, chickpeas and lentils.

Summary 3 Refah Chain Stores Co: Private Label Portfolio

Private label brand	Category(ies)	Notes
Refah	Packaged food	Tomato paste, chickpeas and lentils

Source: Euromonitor International from company research,

COMPETITIVE POSITIONING

- The company is the only grocery retailer with nationwide coverage; it operates 170 of its own branches across the country. While the governmental structure of Refah inhibits maximum efficiency in individual branches in comparison to relative newcomers such as Hyperstar (GBO: Carrefour SA) and Proma (Proma Group), the high number of outlets meant Refah Chain Stores Co was positioned as the second-ranked operator in the hypermarkets channel, where it registered a 28% value share in 2014.
- In addition, Refah also has smaller branches that are categorised as supermarkets as per Euromonitor international's definition, which in turn demonstrates the company's importance in the overall grocery retailers category. Its high number of outlets made the company not only a key player in hypermarkets but also ensured it was ranked first in store-based retailing in current value terms.
- In spite of the key motto of Refah being "Better quality, lower prices" the company could not convince most consumers of its low prices. In most cases, products in Refah outlets are not considered to be competitive and consumers buy from its stores because of the convenience factor as it allows them to benefit from "one-stop shopping", thereby taking less time. In some cases, the prices are more expensive than other traditional channels, such as independent small grocers.
- Refah recorded a slight decline in value share in the second half of the review period. This was mainly because of the limited competition, which primarily came in the form of Shahrvand chained stores in the capital. However, the entry of GBOs such as Carrefour SA and Proma Group is altering the competitive landscape. Carrefour established its first branch in Tehran in 2009, since when it has opened a store in Shiraz and Isfahan, followed by another store in Tehran in 2014. Proma also commenced its activities in Mashhad at the beginning of the review period and engaged in a fast rate of expansion by introducing new branches in Karaj and Tehran, while also working on a second branch in Mashhad. All of these activities means that Refah faces a major threat in terms of competition going forward and, thus, a loss of share for this "old-style" government organisation seems inevitable.

Summary 4 Refah Chain Stores Co: Competitive Position 2014

Channel	Retail Value Share	Rank
Hypermarkets	28.1%	2
Supermarkets	18.9%	1

Source: Euromonitor International from, trade interviews