

# Czechoslovaks in distribution

## Czech and Slovak ICT market in the distribution field in 2006

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Like every year also now we feature a step back view of last year's ICT market in the distribution field. It has brought about a range of changes concerning mainly the concept of the business and its stride within EU. Whether we see the changes or not, from a distant view their importance comes forth.

To begin with, ICT distributors resolved once and for all to regard the Czech and Slovak Republics as a common market. Their turnover data are often common for both markets and the don't differentiate any more which portion proceeded from the Czech Republic and which from Slovakia. Hence also we decided to merge the roundup of Czech and Slovak distributors. Since we understand that each case concerns independent companies operating on given markets, whenever sales from both markets are available, we show these turnovers. The data are presented in Czech crowns.

Due to this approach two 10billion distributors have appeared and also the order of precedence of major distributors has changed. The first position is occupied by BGS LEVI, closely followed by eD' system. As regards sales, these two companies represent dominant leaders on Czechoslovak market, as behind them we find only Tech Data (tailed by AT Computers) with sales nearing seven billion.

ICT distribution regards these markets as common, in terms of turn-over, however in terms of approaching them and selling on them it adheres to, and by contrast often actually emphasizes, the demand for local representatives. Thus local representation in corresponding languages, which has a better understanding of the local market, or say also the region (inspecting the market from EU perspective) should be preserved for the future.

Acquisitions among powerful companies on the Czech market only and powerful companies on the Slovak market only are to be expected.

There aren't many possibilities left, yet for instance BGS Distribution and LEVI International illustrate that such consolidations can be very interesting. Both companies definitively joined together in 2006, including the distribution contracts. After suppressing the Czech BGS branch, only BGS LEVI Czech (former LEVI International) remained in the Czech republic, and it moved to a larger space within the year to i.a. further manufacturing its own computers.

Beside this Tech Data pulled off an interesting turn-over increase in Slovakia which may lead to its more outward steps on this market in 2007. The latest news also imply that transnational

holding Actebis is entering Slovakia via Polish ABC Data as well.

### Czech-Slovak-Polish

2006 has also set a new direction of expansion. If we spoke of the coalescence of the Czech and Slovak Republics, now we can accept it for a fact and observe the coalescence of Poland and Czechoslovakia. The first impulse towards this conception came from eD' system which entered the Polish market via its Crakow branch in autumn. More newly alongside with this also Polish ABC Data spread to Slovakia via Czech Actebis.

### ICT distributors' turnover in the Czech and Slovak Republics

	2006				2005				Growth in %
	TOTAL	CR	SR	Other Countries	TOTAL	CR	SR	Other Countries	
BGS LEVI	10,21	n/a	n/a	-	4,83	4,83	n/a	-	n/a
eD' system	10,03	n/a	n/a	n/a	9,83	n/a	n/a	n/a	2
Tech Data Distribution	6,75	6,05	0,70	-	6,00	5,58	0,42	-	13
AT Computers	6,58	n/a	n/a	n/a	5,51	5,51	n/a	n/a	19
SWS	4,34	3,90	0,44	-	3,61	3,24	0,37	-	20
ASBIS	3,65	1,28	1,87	0,50	4,20	1,25	1,81	1,14	-13
Avnet	2,62	1,82	0,80	-	1,88	1,28	0,60	-	39
AGEM	2,33	0,44	1,87	0,02	1,65	0,18	1,45	0,02	41
Euro Media	2,10	n/a	n/a	n/a	1,54	n/a	n/a	n/a	36
Actebis Computer	1,96	1,96	-	-	1,07	1,07	-	-	83
WESTech Slovakia	1,60	n/a	n/a	n/a	1,28	n/a	n/a	n/a	25
DNS	1,60	1,51	0,09	-	1,45	1,37	0,08	-	10
100MEGA Distribution	1,60	1,60	-	n/a	1,38	1,33	-	0,05	16
KONSIGNA	1,16	n/a	n/a	n/a	1,14	1,14	n/a	n/a	2
LAMA Plus	1,03	1,03	n/a	n/a	1,06	1,06	n/a	n/a	-3
Abacus Computer	1,00	1,00	-	-	0,85	0,85	-	-	18
SOFT-TRONIK	0,81	n/a	n/a	n/a	0,58	0,58	n/a	n/a	40
Servodata	0,75	0,48	0,05	0,22	0,64	0,41	0,06	0,17	17
PENTA	0,73	n/a	n/a	n/a	0,66	0,66	n/a	n/a	11
ELKO Trading	0,58	0,48	-	0,10	0,30	0,24	-	0,06	n/a
DISKUS	0,41	0,41	n/a	0	0,47	0,47	n/a	0	-13
Abakus Distribution	0,37	0,37	-	-	0,28	0,28	-	-	32
IT Planet	0,17	0,17	-	-	-	-	-	-	-

\* Computer Business' estimation

Slovak crowns were converted to Czech crowns using figure 1 Sk = 0,8 Kč. 2006 turnover data originate from data published by distributors, Czech 2005 turnover data were mostly adopted from Register of Companies.

The question remains how will react AT Computers and BGS LEVI holding which may attempt to merge with one of the powerful bodies on Polish market and thus replicate the Czech-Slovak model.



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Producers are already answering this trend, setting up a so-called regionalization. This will mean a de facto recognition of authorised distributions, more or less automatically within certain regions. We may also witness authorised distributions effective in the whole Czech-Slovak-Polish region. If that the case, the status of Czech Actebis, which is i.a. the fastest growing distributor of 2006, might rise again.

### A single warehouse

Another trend in distribution is the centralisation of warehouses leading to expense cuts. This move is facilitated chiefly by improved transport services, pioneered by forenamed ABC Data. ABC Data succeeded in something previously unthought-of: to transfer goods from abroad as early as the second day after a classic purchase order. All this including reasonable timing for its submission.

Another pioneer of centralisation turns out to be Tech Data with its central warehouse in Bory u Tachova. It goes even further and intends to cater a significant portion of Central European region from it. In doing so it will use technologies that should enable it, compared to default warehouses, to cut down error rate as well as storage expenses.

### E-shop as a standard

Warehouse centralisation is besides quality transport services facilitated also by a significant increase in online purchasing. Distributors taught and foremostly motivated their partners to use this retail channel, offering them various benefits and mainly amending provided information and services in their e-shops.

2007 will be marked above all by another service connected with utilizing this purchasing

method. This should concern sellers' online shops which are interconnected with distributor's e-shops, to make the entire offering of the distributor's stock available to the end customer. The client will only see the prices his seller will set. Solution quality and trust between the distributor and the seller will play a major role.

### Mergers and acquisitions

Two minor players have left the Czech map of distributors. eXtraPoint suppressed its distribution activity and Abakus Distribution (added-value distributor) was bought by Servodata. I have already mentioned the suppression of Czech

BGS and its incorporation into Levi, or more precisely BGS LEVI Czech.

Merger of all Abacus branches came about as well, under the label of ABACUS ELECTRIC (the company uses Abacus Computer trademark).

With broadline distribution the common efficiency limit amounts to 1 billion crowns. When we look at the results from a Czechoslovak point of view though, I'd rather push this limit up to 2 billion. Specialisation will be an imperative below this limit – whether in unconventional brands or in commercially appealing product areas.

### State versus Czech ICT

2006 taught commodity sellers in the ICT field a major lesson in communication with Czech state. The measures it had adopted in legislature indeed dealt several blows below the belt of Czech ICT.

Registry tills were the first, they were postponed ad infinitum, bringing forth a series of

non-recourse investments for the companies active in this field. Second came the electronic waste law enforcement, while ICT producers and importers relied on observing the law promulgation. The case eventually went to court which, however, may take up to several years. The third significant area consists of copyright fees and their disproportionate rates, as well as curious charge of goods which have little to do with copyright.

Dissolution of the Ministry of Informatics isn't exactly an upbeat affair either. For ICT it means it is going to need a collective voice lobbying for them in the course of law development.

In the following years the significance of ICT will continuously increase as it is going to take over more and more industry and business areas. And this is the area that is directly connected with precisely your business, the business of you, the readers.

### New retail possibilities

Selling to end customers creates an increasing need for retail nets and associations on the market. Such agents know far better how to deal with market fluctuations and price pressure. At the same time they are able to offer services a single seller would hardly cope with.

In the case of e-shops is retail going to be divided into two areas. Those, who sell over the internet and thus can minimize the logistics costs and bring prices down as much as possible. And the others, who sell mostly in regular shops but offer additional services to customers.

These may profit from instance from booming household digitalization. This process brings along an increasing demand for solutions, and not only products. All of this will lead to ICT companies gradually expanding to consumer electronics, electrotechnics and telecommunications. A VoIP service option shouldn't be missing in any portfolio offered to home users today. Apart from the standard areas (notebooks in



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particular) GPS ought not be neglected. Launching Windows Vista will also comprise another significant stimulus to increased sales, since it should pull customers in the shops, whether out of curiosity or with a call.

This compendium is far from complete. Computer Business is going to keep on bringing new inspiration for your further computer business and for your market expansion this year as well. ←