

The background of the slide is a large, light-colored architectural rendering of a modern building. It features a prominent curved facade with a series of vertical lines, possibly representing a staircase or a series of columns. The rendering is semi-transparent, allowing the text to be clearly visible over it. The overall color palette is muted, with greys, blues, and reds.

Case Study Lilly: the Serbian H&B specialist

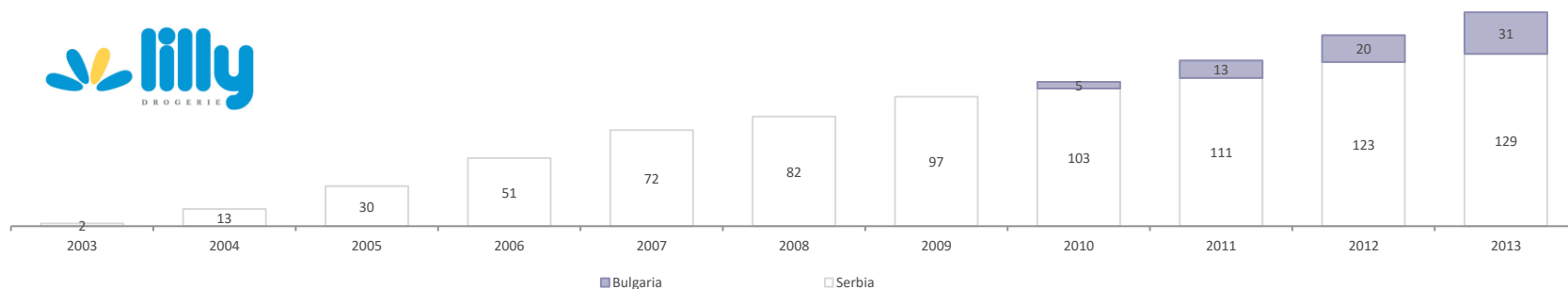
Overview of Lilly – introduction

Lilly is a drugstore retail chain currently operating 129 stores in Serbia and 31 in Bulgaria. Lilly offers cosmetics and Household products, as well as pharmaceutical items (exclusively in the Serbian market, where it is the largest private pharmacy chain). The Company is the leader of the Health and Beauty market in Serbia

Brief history of the Company

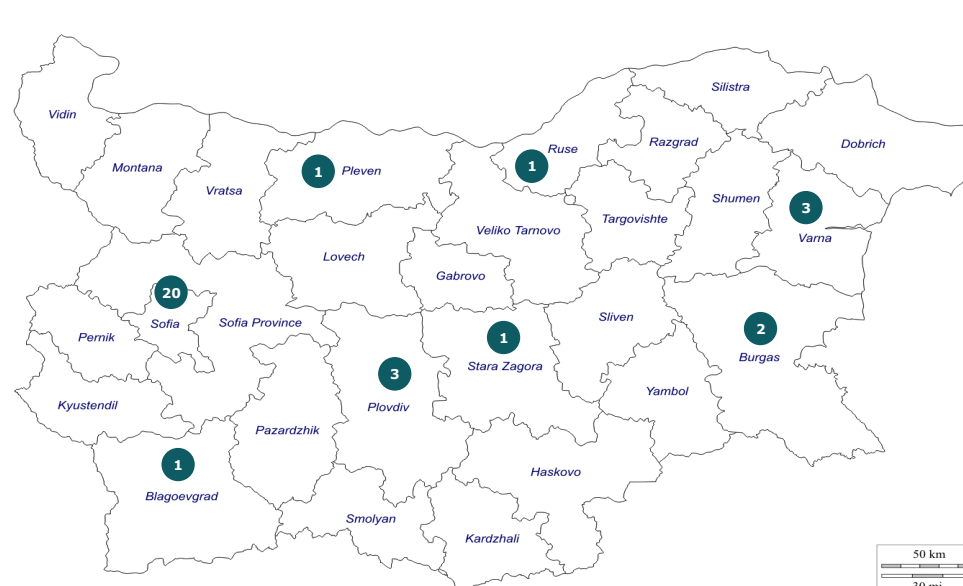
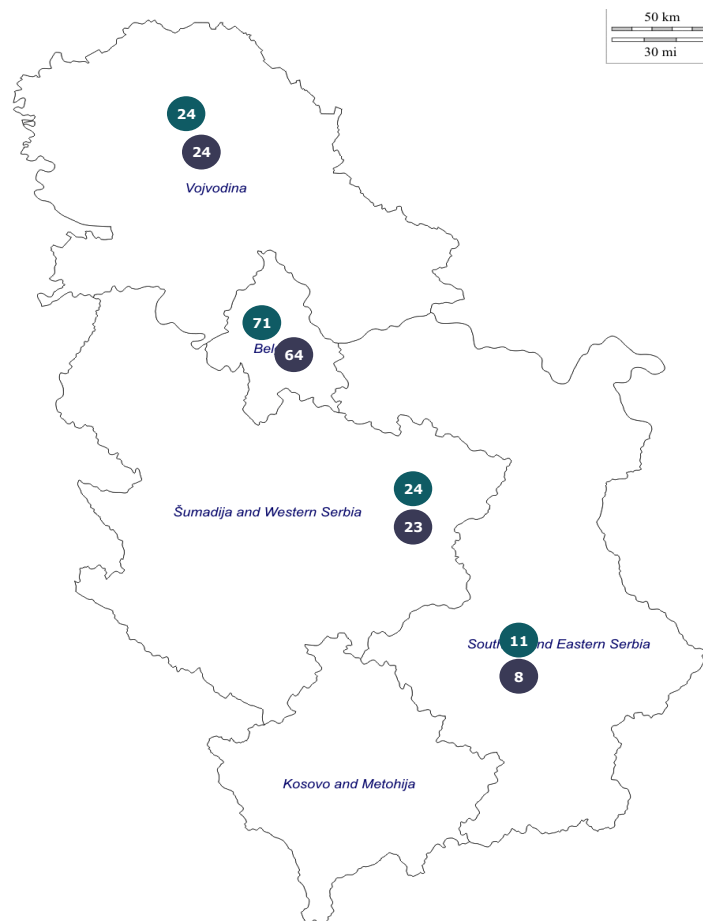
- **In 2003, Lilly opened its first outlet** focused on specialty retail **in downtown Belgrade**, after the acquisition of a food retail chain with 30 stores.
- After two years, the Company had already opened 30 stores in Serbia and posted c.EUR20 mn of revenues.
- **In 2006, Lilly added the pharmacy business** in some of its stores and in **2008 it launched its own Private Label** product line.
- **Two years later**, Lilly made its **first step in the Bulgarian market** opening of five stores.
- Currently, **the Company operates 129 stores in Serbia** (out of which 120 are pharmacies and 9 drugstores) **and 31 drugstores in Bulgaria.**
- **The retailer currently employs 1,703 people, out of which, 1,403 are working in-store (82%). In drugstores** the staff is composed of **6 employees on average, while in pharmacies this number amounts to 9 people.**

Evolution of the number of outlets

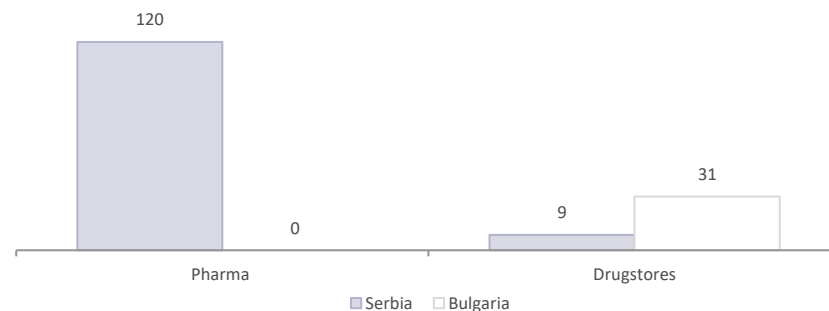


Overview of Lilly – geography

Lilly is not only present in its core market, Serbia, but also in Bulgaria, since its introduction in 2010. The Company has presence across both territories but it is mainly concentrated in the capital cities, Belgrade and Sofia. It currently operates 120 pharmacies and 9 drugstores in Serbia and 31 drugstores in Bulgaria



Number of pharmacies and drugstores per country – 2013



24 # stores
24 # stores with pharmacy

Market segments where Lilly is present

Lilly's market is composed of different segments, in each there are a variety of competitors (from food retailers to perfumeries and pharmacies) and specific competitive dynamics. However, Lilly only competes directly with other drugstore chains with similar proposals (dm in Serbia and Bulgaria)

	Main competitors	Lilly's competitive advantages	Lilly's competitive disadvantages
Pharmaceuticals	Organized pharmacy chains and traditionals	<ul style="list-style-type: none"> ▪ Modern concept ▪ One-stop shopping and impulse ▪ Good OTC and dermo-pharmaceuticals 	<ul style="list-style-type: none"> ▪ Regulation issues ▪ Reputation
Perfumes	Specialists	<ul style="list-style-type: none"> ▪ Complementary assortment and impulse shopping ▪ Wider network 	<ul style="list-style-type: none"> ▪ Smaller assortment than specialists
Cosmetics/Make-up		<ul style="list-style-type: none"> ▪ Wider network ▪ Well developed Private Label 	<ul style="list-style-type: none"> ▪ Exclusive and premium brands
Hygiene	Food retailers	<ul style="list-style-type: none"> ▪ Wider assortment than supermarkets 	<ul style="list-style-type: none"> ▪ Smaller volumes compared to food retailers
Household		- - -	<ul style="list-style-type: none"> ▪ Smaller volumes compared to food retailers ▪ Narrower assortment ▪ Private Label

Lilly – stores in Serbia

Stores in Serbia are usually located either on commercial streets with high pedestrian traffic and the presence of other businesses (very often close to supermarkets) or in commercial hubs located in neighbourhoods with high population density

Commercial streets with high traffic



Intra-neighbourhood commercial hubs with high population density



Lilly – stores in Bulgaria

The locations of **Lilly in Bulgaria** follow a similar pattern than in Serbia. However, the proportion of **stores located either in shopping malls**, where sales are usually above the country's average, **or on secondary streets** with **medium traffic and population density** is **sensibly higher**

Shopping malls
with high traffic



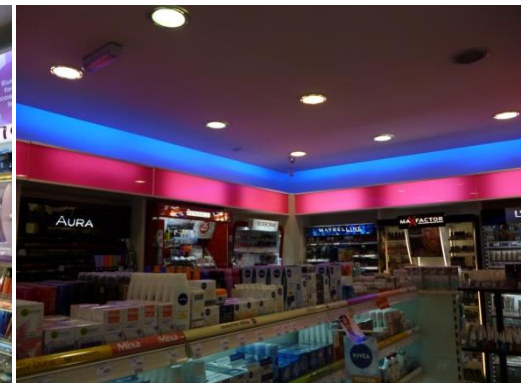
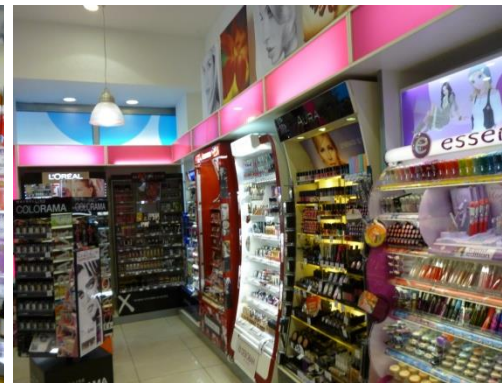
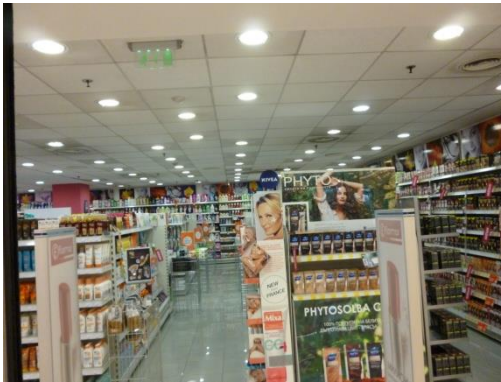
Secondary
streets with
lower traffic and
population
density



Lilly – in-store lay-out

Even though **the lay-out is not fully homogenized across the network** due to the adaptation of the stores to the available retail space, **it is usually not highly complicated and pretty appealing**. We have visited **very few stores in need of revamping or modernization**

Network is not highly homogenized but lay-out is not complicated and pretty appealing in most stores



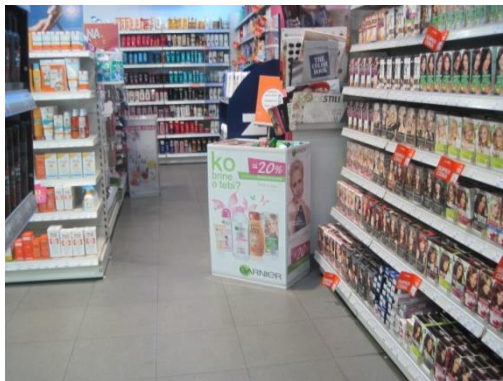
Categories – facial and hair Care sections

The assortment of Facial Care and Hair Care categories is pretty well developed and competitive compared to other players. Particularly, the hair colorant section counts with a wide assortment and drives significant traffic into the stores.

Facial Care
category



Hair Care
category



Categories – body Care and men's sections

Similarly, Lilly's assortment of Body Care and Men's products also seems to be very comprehensive and comparable with dm, its more direct competitor.

Body Care category



Men's category



Categories – women's section

The women section is overall well covered and competitive vs. dm. Nevertheless, the assortment of fragrances is pretty narrow, particularly when compared to specialists such as Jasmin, Refan, Sephora...

Women's category



Categories – baby section

The Baby section is more developed in terms of units of need covered and assortment depth **than in dm, particularly since the recent launch of the 'Mamma and Baby' Private Label brand**, which enables Lilly to be competitive with both dm and food retailers, as well as to offer cheaper options to its customers. However, MS in this category is still improvable and has declined in 2011-2013

Baby category



Categories – Household and food sections

While the Company offers a wide assortment of Household cleaning products, which occupy a significant amount of space while being the category with the lowest Gross Margin, the assortment of impulse and convenience-oriented products such as food and beverages, Household decoration items... **is very narrow**, even though the margin is much higher (34.9% vs. 26.2%).

Household cleaning products category



Food category



Categories – pharmaceutical and other products

Including a pharmacy in the stores does not only drive additional traffic, but it also enables Lilly to sell a unique range of para-pharmaceutical products that only pharmacies are allowed to sell (Eucerin, Avène and La Roche-Posay creams for instance). Meanwhile, **including impulse items such as T-shirts and books drives higher average baskets** (its current presence is still limited)

Para-pharmaceutical category



Non Health and Beauty products



Promotions – ATL advertising

Strong promotional activity of the Company with many of the promotions supported by suppliers (included in-store actions and advertising of suppliers on the shelves)

- **In Serbia, Lilly has a nationwide recognition thanks, not only to its broad network, but also to its diverse Above-The-Line advertising activities.**
- **These activities allow the Company, not only to increase its awareness and thus, drive traffic into the stores, but also to generate marketing revenues.** Main marketing revenues are generated through print media and PR activities with minor support in the local radio, on billboards and on TV:
 - **Blic TV Guide** – Lilly Blic TV Guide is a supplement distributed on the Friday edition of the no.1 daily newspaper in Serbia, which has a circulation of 800,000 copies per month. It offers discounts and new products among others.
 - **In-store leaflets** – They are currently being used to promote Private Label brands and have a circulation of 150,000 per brand.
 - **Lilly Magazine** – This magazine is issued quarterly and is distributed free of charge inside the outlets with a current circulation of 150,000 copies.
 - **Lilly Catalogue and Lilly Season Catalogue** – The catalogue, issued on a monthly basis, is used to promote current discounts and has a circulation of c.250,000 copies, while the season catalogue is distributed on a quarterly basis and has a limited circulation of 100,000 copies.
 - **Advertising in buses** – This type of advertising is used in Serbian cities where Lilly has three stores or more.
- Additionally, **suppliers also fund other in-store actions** such as staff wearing a t-shirt of a specific make-up brand, decoration of shelves with supplier banners, special expositors for specific suppliers' campaigns...



Promotions – in-store promotions

Lilly also offers different types of promotions to its customers in-store (discounts, 2x1 and offer packs among others). Moreover, there are always one or two products being offered by Lilly's staff at the check-out (normally Lilly Private Label products).

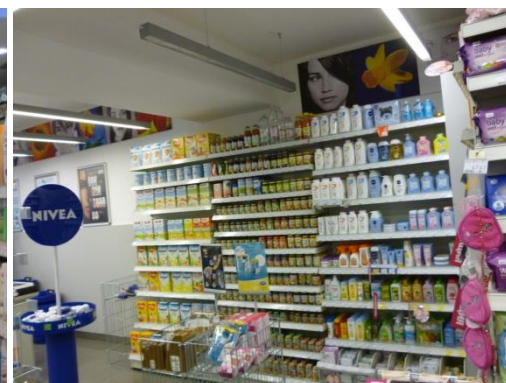
Different types
of in-store
promotions



Promotions – communication on suppliers

Lilly suppliers fund many in-store actions such as decoration of shelves with their banners, special expositors for specific campaigns, staff wearing a t-shirt of a certain brand...

Many supplier promotions and advertisements in-store



Promotions – communication outside the stores

Nevertheless, communication of in-store promotions outside the stores is extremely scarce, particularly in Serbia, where stores seem to be pharmacies rather than Health and Beauty stores, as there is usually no communication about the products being sold, other than the white and green cross.

No
communication
on in-store
promotions
outside the
stores



A large, light-colored architectural rendering of a modern building with a curved, glass facade and a prominent staircase. The rendering is semi-transparent, allowing the contact information to be visible through it. The building has a futuristic, flowing design with multiple levels and a large, open space.

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