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Mr. Christoforos Stamoulakatos, Sarantis Group General Manager in Greece, commented in his interview at self-service magazine on the Group's successful strategy, the conditions that prevail in the industry, as well as the necessary preparation towards the common benefit of suppliers and retail chains.

Sarantis Group in the context of its strategy towards organic development, acquisitions, and new strategic collaborations in 2019 redefined its five-year business plan for the Greek market, in order to take advantage of emerging opportunities. "The conjuncture of the pandemic confirmed the Group's resilience and the effectiveness of its strategy", emphasizes Mr. Christoforos Stamoulakatos. 35% of the Group's total sales come from the Greek parent company. The Group's strategic pillars are based on the categories of personal care, home care, health care, as well as luxury cosmetics. The Group maintains a powerful exports network to more than 50 countries around the world, while further strengthening its international presence is a key pillar of its future growth. "In recent years, both our sales and profits have increased. During FY 2020 the Group delivered another 10-yr record EBITDA margin, that reached 16%, while sustaining a strong sales growth momentum of 6.5% yoy. This reflects the agility and resilience of the Group's business model, its product and geographical diversification, and its ability to respond quickly to the unprecedented challenges posed by the COVID-19 pandemic. "The Group's growth continues its impressive path, and it is not a coincidence that we are recognized as one of the most steadily growing companies in our industry", he says.

Vaccinated and unvaccinated

Self-service: How has your growth over the last year and a half been related to purchasing behavior, as it is transformed under a pandemic regime, sometimes captive to a "lucrative panic" for a number of FMCGs and sometimes to the economic impact of restrictive measures?

Christoforos Stamoulakatos: The special conditions created by the COVID-19 pandemic were confronted by our product and geographical diversification, as the cyclical benefits of a product category e.g., in March offset the losses of other categories in the summer. This combination pushed up the total value of the categories we operate in 2020. Judging by the result, we gained market shares. Our people operate guided by an entrepreneurial spirit, in that way we all use our common sense throughout our work life journey, making reasonable forecasts and realistic plans for any possible external change. We design our actions in a way that they benefit both the consumer and the retailer. I emphasize this, given that in an age of unprecedented volatility and ambiguity, there is no model of predicting consumer behavior that has not been refuted. Today, for instance, given a difficult quarter in terms of macroeconomics and comparability on an annual basis, we have a demand that is polarized into two groups: the vaccinated and the unvaccinated. The degrees of freedom for individuals on each pole, due to pandemic control measures, are different, they influence the formation of different consumer behaviors between vaccinated and non-vaccinated. Therefore, forecasting consumer behavior in general has become a very difficult and challenging task.

The upheaval of price increases

Self-service: The barrage of price increases certainly maximizes the degree of difficulty.

Christoforos Stamoulakatos: It is enough to think about the degree of ambiguity in planning of industrial production itself: The problem is not only the increase of transport costs and the significant inflation of raw materials and energy, which inevitably burden shelf prices, but possibly also the lack of raw materials. The supply chain is redefining its rules worldwide with unprecedented difficulties. Without optimal business monitoring, it is extremely difficult to stay in a positive direction. The pandemic may have initially had a positive effect on the FMCG industry, but its effects are now visible. I guess it is more likely, however, after the first quarter of 2022 to show recovery trends at lower levels.

Self-service: How secure is this estimation?

Christoforos Stamoulakatos: At this stage no estimation can be secure. We expect the cost inflation to not extend beyond six months, but as long as this is just an expectation, it is urgent to adapt the market reaction mechanisms to the new situation. It is the first time in many years that we have experienced intense inflationary pressures in an environment with this kind of polarization of consumer behavior. The key issue is for active retail to be actively involved in the debate on how to proceed.

Self-service: The chains seem to be holding a waiting position. They wait for suppliers' initiatives to lead before they speak.

Christoforos Stamoulakatos: Indeed, but as pressures on production and distribution costs are strong, the problem affects both sides. To be manageable, we cannot be satisfied with the mutual pressures and concessions that have characterized our relations so far. Multifactorial solutions need to be sought, with a deep understanding of market trends and a spirit of cooperation.

Self-service: Will the price increases favor the share of private labels?

Christoforos Stamoulakatos: The prices of PL products, at least at this point, will be kept at the same level, because the relevant contracts between chains and producers are closed in most cases. This will logically put a lot of pressure on producers' profits. Under such conditions the share of private labels is indeed likely to increase to a small degree. However, other more important problems will arise along the way, such as their production capacity or availability. So, it is not just retail prices that will play a role.

Tests for sales and profits

Self-service: What impacts do you expect, due to inflationary pressures, on sales and market profits?

Christoforos Stamoulakatos: After a profitable year, our primary goal is to maintain our positive financial performance. Although the fourth quarter of the year is expected to be difficult compared to the same period last year, sectoral inflation will for sure give a significant boost to turnover. Of course, risks come to the fore, which are related to the forecasts for the reduction of sales volume, which concerns both sides of the market, so, after all, I expect the redefinition of the promotion strategy. However, I do not believe that a period of economic crisis is imminent, given the measures that support the economy. Although, for a while conditions may be created that will activate the purchasing restraint of the world. Inflation always has a deterrent effect on consumption.

Profitability is expected to be pressed, because whether a supplier or a retailer, there is no answer to the question: "what is the expected time of absorbing part of the cost inflation to further strengthen my competitiveness?". This is a puzzle, the solution of which will be revealed after the result. So, the management of the situation is of high risk and has a reflection on profitability. Excess prudence is required regarding the weighting of various parameters - e.g. inventory level, capital adequacy, investment in promotion etc. At Sarantis Group we have excellent training in robust financial management under difficult conditions and in seeking offsetting parameters, always on the basis of our forecasts and timely planning, in order to ensure our profitable growth.

Demand is numb at the beginning of 2022

Self-service: In terms of time when do you identify the manifestation of the "numbness" of consumer demand, and the subsequent reduction in sales volume?

Christoforos Stamoulakatos: Not before the holidays, the period of which, after all, I think will be an indicator of what is to come in 2022 in terms of potential market sizes. Until then no one can predict the characteristics of the "new normality", that is why the importance of detecting trends in consumer behavior, based on data flow, and timely planning of reactions, increases. We already know "why": Nine months ago, when the first forecasts for the second half of the year assumed the entry into a phase of restoration of normality, none of us imagined the current outbreak of the pandemic and its consequences... In order to move with confidence, we substantiate our plans on a rolling basis over the quarter. We may not know today what is in store for us e.g. November, but by bringing the horizon of our plans closer, we ensure greater accuracy. This sense of preparation is necessary today in supplier-chain cooperation, so that the coordination of our actions has the best effect in terms of consumer response. Guided by common sense, focused on reality, we can mutually increase our efficiency.

Self-service: At what level do you imagine the inflationary pressure will reach by the holidays?

Christoforos Stamoulakatos: On an annual basis, I assume that it will fluctuate in a sectoral general average around 2.5%. In individual products, of course, one will see bigger increases. In this context, although no one can guess the intensity of the promotional pressure, it generally seems to have a slight upward trend.

Promotions need their science

Self-service: The chains, of course, do not stop asking for special promotions, which differentiate each one in its competition. What is your strategy in this regard?

Christoforos Stamoulakatos: Our ultimate goal is described by the triptych "healthy, sustainable, profitable development". This includes the strategy of our investments regarding promotions. For the coming months our promotional plans are already agreed and are evolving based on our forecasts for consumer behavior. We strive to be consistently close to our customers, designing for them tailor-made diversified promotional programs - much more, since a large part of the achievements of many of our customers in the field of their differentiation, through proper promotion, was lost in the general turbulence caused by the pandemic. We are a large company with a wide range of products, we find that the chains appreciate that we explain to them the development context of each category, the role of our brands, what strong elements we see in them, monitoring both their action and their competition. That is why our relationship thrives.

After all, it is not just a matter of a chain achieving a "deeper discount" from the supplier. The true challenge lies in the adequate and integrated management of the promotion plans - both by the chain and its supplier - so that the relevant investments pay off in a multifaceted way for both parties. I must say that the customers honor us with their attitude, while recognise us as a Greek multinational Group that does not lag behind our competition regarding the completeness of its approaches. That's why, after all, we achieve extremely high sales in our promotions, having a pivotal role in any chain that wants to be consistently competitive in all consumer profiles. I believe that in the upcoming years tools and ways will be sought to enhance further the performance of the promotional turnover. The relevant agenda will be opened by the big suppliers, as, when the sales volume remains stagnant or decreases, scientific approaches may help to increase net turnover and improve investment returns.

Sarantis Group

Headquartered in Athens and boasting a history of over 50 years, Sarantis Group is a multinational consumer products company having leading presence in Eastern Europe and an expanding geographical footprint through own subsidiaries and strong export activity worldwide. Our mission is to uplift the mood of consumers, with beautiful simplicity that makes everyday life better, by being always nearby, working closely with our stakeholders to create value sustainably. From Personal Care, Home Care and Health Care Products as well as Luxury Cosmetics, we offer well recognized brands that have a positive impact on people's everyday lives. With strong activity in 13 countries, and in particular in Greece, Poland, Romania, Bulgaria, Serbia, Czech Republic, Slovakia, Hungary, Northern Macedonia, Bosnia-Herzegovina, Portugal, Ukraine and Russia, we maintain a dynamic international presence and a powerful distribution network of more than 50 countries around the world.