MAAD Consulting Group

M R S C

About Iran

Market Overview

Foreign Trade

Suggestions

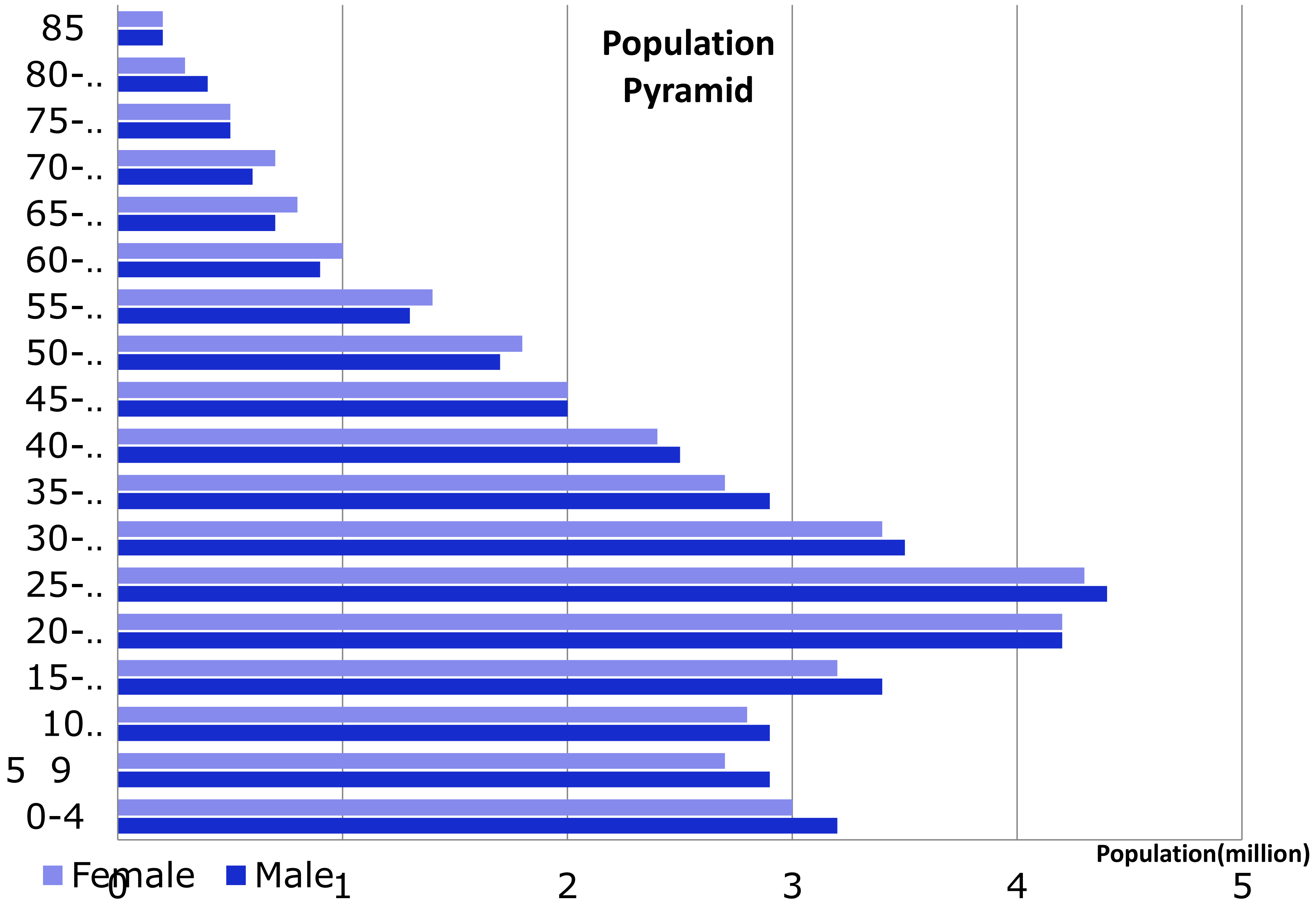
IRAN - Geographic Features

IRAN - Geographic Features

IRAN - Population Features

Total Population : 78,000,000

Tehran & Karaj Pop: almost 12 million
Mashhad Pop: 3 million and more than 20 million of pilgrims visiting this Holy city
Isfahan Pop: 1,800,000 and the Centre of the Persian culture
Tabriz Pop: 1,500,000
Shiraz Pop: 1,500,000
Ahvaz Pop: 1,200,000
Rasht Pop: 700,000


Population
Pyramid
85
80-..
75-..
70-..
65-..
60-..
55-..
50-..
45-..
40-..
35-..
30-..
25-..
20-..
15-..
10..
5 9
0-4
0
1
2
3
4
5
Population(million)
Female
Male

IRAN - Population Features

Percentage of Education In Iran

Level of Education	Percentage
Illiterate	12
Able to read and write	1
Primary education	21
Junior high and high school education	31
University Education	35

IRAN - Population Features

Housing Situation in Iran	
Owner	62%
Lessee	27%
Free housing & Other	11%

IRAN - Economic Features

Iran’s GDP		
2010	**2011**	**2012**
419 (billion $)	**482(billion $)**	**496(billion $)**

IRAN - Economic Features

The Average of Iran's economic growth			
2004	2005	2012	2013
5,5%	6,5%	-2%	-5%

❖ It is expected that the average of Iran's economic growth will be 0% in 2014.

IRAN - Economic Features

GDP current price (per capita USD)	6,800 $
GDP PPP (per capita USD)	13,600 $

IRAN - Economic Features

Years	Inflation rates
2004	12%
2005	15%
2006	15%
2007	16%
2008	18%
2009	20%
2010	20%
2009	25%
2010	30%
2011	33%
2012	41%
2013	32%

The first phase of Omitting subsidies

Omitting subsidies with economic sanctions

IRAN - Economic Features

Interest Rate (Banks - Government)
24%

Cost Of Capital (In Free Market)
36%

Financial & Monitory Policies = Tightened monetary policy and reduce liquidity

IRAN - Economic Features

Currency Exchange Rate	
2010	1000 Toman = 1$
2011	1000 Toman = 1$
2012	3100 Toman = 1$
2014 (Now)	3250 Toman = 1$

Governmental Currency Fee for Legal & Authorized Importers: (2650 toman = 1$)

IRAN - Economic Features

TAX

To inform you

❖ Lack of adequate transparency in corporate Income Statements.

❖ Tax evasion.

❖ The government plans to increase the share of government revenues from taxes (As well emphasis in retail revenues and financial transparency).

❖ Implementation of VAT Law since 2009.

❖ Value Added TAX (VAT) = 3% - 12%

❖ Important government plans, especially in Retail Industry for VAT TAX law.

IRAN - Economic Features

The average of gross income	
Household in Tehran	10,000 $
Household in Sistan- Baluchestan	4,150 $

IRAN - Economic Features

Items	Family Basket
FOOD	26
Tobacco	0,5
Clothing and footwear	4,5
Housing, water, electricity, gas	33
Used home furnishings and services	4
Health care	5
Transportation	10
Communication	2
Recreation and culture	2
Education,	2
Hotel, restaurant	2
Goods and miscellaneous services	9

IRAN - Political Features

❖With the new government (8 months ago), the foreign policy will be Better.

❖ Nuclear negotiations is the most important Issue for Iran's Foreign Policy that preliminary agreement has been done and it supposed to Positive agreement will be occur in 2 next months and it will lead to political prosperity.

❖ Development of Political relations with the Persian Gulf countries.

❖ Development of economic relations with Russia and China.

❖ Restore economic relations with Korea and Japan.

❖ Improve political and economic relations with European countries.

❖ Develop political and economic ties with Turkey.

IRAN - Cultural Features

- Religion is an important Issue of social and cultural.
- Priority of women in decision-making for families.
- Great importance to life tools(furniture).
- Intend to modern shopping behavior (such as One Stop Shopping).
- Intend to emotional and Un-Planned purchases .
- Fun = shopping + eating .
- Increasing importance of time in families, especially young people.
- Increase in women working at outside.
- Raising the age of marriage and reduced fertility .
- Students to work while studying .
- Extensive presence on the Internet . (Internet penetration %65)
- Brand Awareness & Intend to Branded Behavior.

Market Overview

Market Overview – Previous

Ferdowsi department store, Ferdowsi avenue in 1961

Market Overview – Previous

Kourosh department store in Tehran in the 70's.
After the 1979 Revolution it became "**Ghods Dept Store" then a discount** clothing store.

Market Overview – Present Inspired From Past

- ❖Accessibility, lodging ,logistics and storages for merchants and their goods ***(**caravansera**).***
- ❖Main alleys and secondary malls **(rasteh).**
- ❖Atriums and malls intersections **(chaharsuk).**
- ❖Organized merchandizing mix**(senf).**
- ❖Storages and workshops **(hojreh).**
- ❖**Cultural and social hubs**(mosques, schools, baths , etc.).

Caravanserai of Vakil Bazaar, Shiraz, Iran

Grand Bazaar Tehran

Market Overview – Good Market

ONE OF THE MOST PROMISSING RETAIL MARKET IN THE REGION

Iran **population** and **GDP per capi**ta in parity of **purchase power (PPP)** show a great potential in terms of Retail Development similar to the today's booming Turkish Retail market, especially in major cities such as Tehran, Mashhad ,Isfahan, Tabriz and Shiraz.

Looking at Egypt, the largest market in terms of population in the region, Iranian market has twice as much potential growth opportunity.

country	Iran	Turkey	Egypt
Population (millions)	78	77	82
Population Median Age	27	28	24
GDP Current Price (Per Capita USD)	6,800	10,900	3,200
GDP PPP (Per Capita USD)	13,600	14,900	6,600

Market Overview – Traditional Market

Unlike many neighboring countries, which have seen a rapid trend of modernization in the retailing industry, the **Iranian Urban development and retail market remains very traditional, with a huge number of independent outlets. There is a strong network of traditional Iranian bazaars that control the distribution of the majority of consumer goods. This network includes key importers and wholesalers, which are still a necessity for most manufacturers.**

Market Overview – Traditional Market

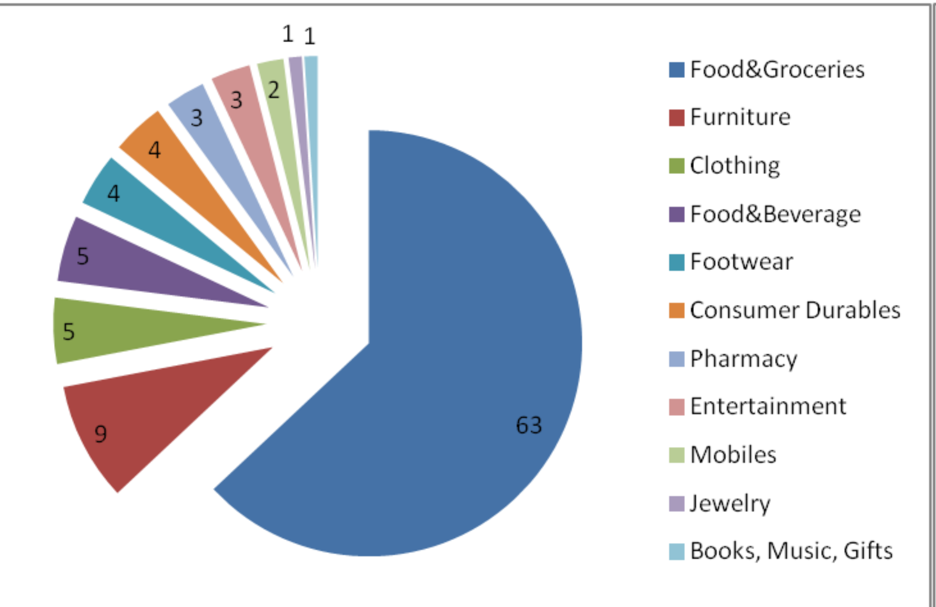
2,000,000 traditional stores

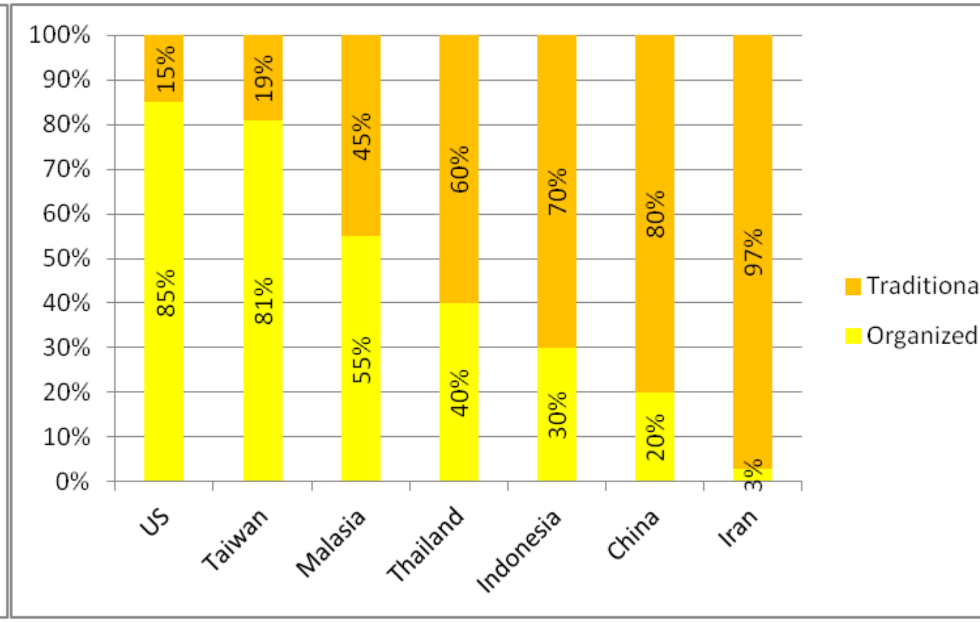
Market Overview – Towards Modernization

Majid Al Futtaim Hypermarkets LLC

First modern store in Iran in 2009.

Operates under the Hyper star





Indicates category-wise share of organized retail in percentage.

Comparative penetration of organized retail in Iran and other countries.

Market Overview – Towards Modernization

BOGGI

ecco

adidas

Ermenegildo Zegna

GO SPORTS

MARINA RINALDI

UNITED COLORS OF BENETTON.

ROLEX

JEANSWEST

MANGO

LIU•JO

sisley PARIS

Clarks

VERSACE HOME

DEBENHAMS

Market Overview – Towards Modernization

GIORDANO in Jordan St.

Ahmad Abad St. in Mashhad

GEOX in Shariaty St.

Addidas in Jordan St.

Market Overview – Towards Modernization

Brands	Number of Stores in Iran
BENETTON	20
GEOX	6
SISLEY	4
DIESEL	2
AD	4
LIU JO	2
DEBENHAMS	5
BOGGI	2
COCCINLLE	1
ECCO	5
MANGO	4

Market Overview – Towards Modernization

Groups	Brands
Caspian Mode	GEOX, BENETTON, SISLEY, DIESEL, ADOLFO DOMINGUEZ, MARINA RINALDY, LIU.JO, WOMEN'S SECRET, BOGGI, PRONOVIAS, COCCINELLE, CLARKS.
LILIAN Mode	DEBENHAMS, PREMAMAM
Fashion Arya (Azadea Partner in Iran)	MANGO, PROMODE

Market Overview – Other Industries

OTHER INDUSTRIES
ENERGY
BUILDING
Home Appliances
IT
AUTOMOTIVE
FMCG
TOBACCO
BEAUTY
MEDICING
INDUSTRIAL EQUIPMENT

Market Overview – Towards Modernization – National Brands

HACOUPIAN
هاکوپیان

سالیان

MARAL
Leather
www.maralleather.net

The White Buffalo
ONCE UPON A TIME IN THE WEST

FIRS
MEN'S WEAR

چرم مشهد
Mashad Leather

نیکوتن پوش

inb
iran nakhbaf
Family Underwear

TT

گراد
GERAD
Men's Wear

نوین چرم

Everyone wishes for
HOLIDAY

Nader

ECUT MEN'S FASHION

کفش ملی

Market Overview – Towards Modernization – National Brands

Market Overview – Street Shopping

Name of Cities	Name of Streets
Tehran	Jordan, Shariaty, Pasdaran, Mirdamad
Mashhad	Sajad, Ahmad Abad.
Tabriz	Valiasr.
Isfahan	Tohid.
Shiraz	Maali Abad, Afif Abad.
Ahvaz	Kian Pars.

Market Overview – Cost Structure

salary

Employees	Per Month
Staff	300-400$
Operational Managers	500-700$
Top Managers	1,000-3,000$

Fit Out & Equipment

Source	Price – Per Square Meter
Supply from domestic source	200-500 $
Supply from External source	450-800$

Market Overview – Cost Structure

Rent

Location	Space – Sales Area	Per Square Meter
High Street	Under 200 m^2	130 – 220 $
High Street	Between 200 – 500 m^2	80 – 150 $
High Street	Up 500 m^2	60 – 100 $

Market Overview – Shopping Centers

❖ Iran is the most important market in the region in terms of demographics and potential of growth.

❖ Yet Iran retail market is at it’s first stages in comparison to it’s neighboring countries.

❖ Retail market development is witnessing a major boom.

❖ Over 100 shopping malls under construction. (From 15,000 m^2 to 400,000 m^2)

❖Iran has a high potential of development for international retail brands, but very few are entering the market.

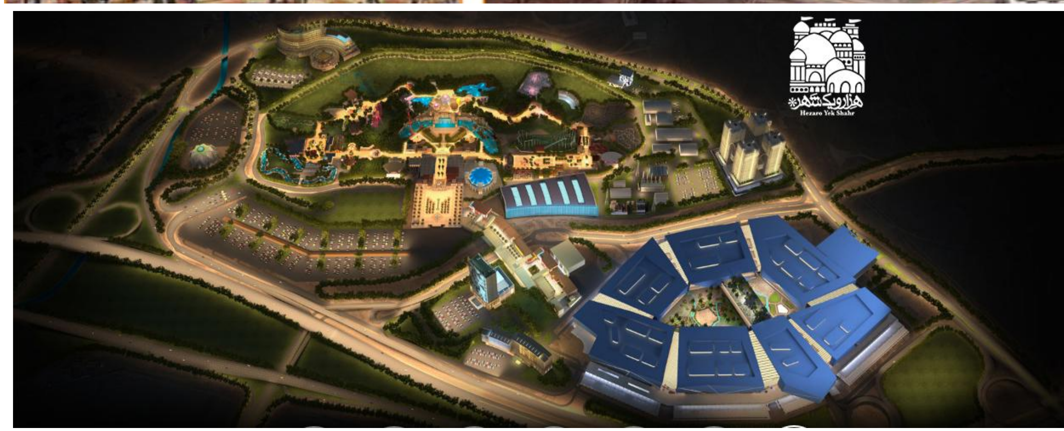
❖Existing malls were built according to the late 70’s department store formats.

Market Overview – Shopping Centers

Over 15 major projects in
Tehran, Rasht, Tabriz, Shiraz and Mashhad.

Market Overview – Shopping Centers – Hezar o Yek Shahr

- Open in 2018
- Multi Used Complex
- The biggest Amusement Park in Iran.
- GLA Of Shopping Center: 300,000 m2
- Office Building Area: 200,000 m².
- 5 Hotel (5 & 4 Stars)
- Shopping Center Approach Based on Rent.
- 5000 m² Restaurant & Food Court.
- In Tehran



Market Overview – Shopping Centers – TAT MALL

- Open in 2016
- Multi Used Complex
- Total of Building Area: 1,000,000 m^2
- GLA Of Shopping Center: 200,000 m^2
- Office Building Area: 200,000 m^2.
- 5 Hotel (Rotana Hotels)
- Shopping Center Approach Based on Rent.
- 2000 m^2 Restaurant & Food Court.
- Cooperate with International Brands.
- In Tehran

Market Overview – Shopping Centers – Isfahan City Center

- Open in 2013 – Phase 1
- Open in 2014 – Phase 2
- Multi Used Complex
- GLA Of Shopping Center: 180,000m²
- 5 Star Hotel
- Shopping Center Approach Based on Sales, Rent, Percentage Of Sales.
- Health Village
- In Isfahan

Market Overview – Shopping Centers – Mashhad Padideh

- Open in 2016
- Multi Used Complex
- GLA Of Shopping Center: 300,000 m^2
- 5 Star Hotel
- Shopping Center Approach Based on Sales, Rent, Percentage Of Sales.
- Residential
- In Mashhad

Market Overview – Shopping Centers – Artemis

- Open in 2016
- Multi Used Complex
- GLA Of Shopping Center: 100,000m²
- Shopping Center Approach Based on Sales, Rent, Percentage Of Sales.
- Office Building Area: 50,000 m²
- In Tehran

Market Overview – Shopping Centers – Mika Mall

- Open in 2016
- GLA Of Shopping Center: 180,000m²
- Shopping Center Approach Based on Sales, Rent, Percentage Of Sales.
- Entertainment Center Area: 10,000 m²
- In Kish Islan

Market Overview – Shopping Centers – Mega Mall

- Open in 2015
- GLA Of Shopping Center: 120,000 m^2
- Shopping Center Approach Based on Rent.
- Phase 2 , 3: 5 Star Hotel, Entertainment Center, Carting, Park, Conference Hall (2017)
- In Tehran

Market Overview – Shopping Centers – Atlas Plaza

- Open in 2017
- Multi Used Complex
- Shopping Center + Offices + Hotel
- GLA Of Shopping Center: 160,000 m^2
- Shopping Center Approach Based on Rent and Sales.
- In Tehran

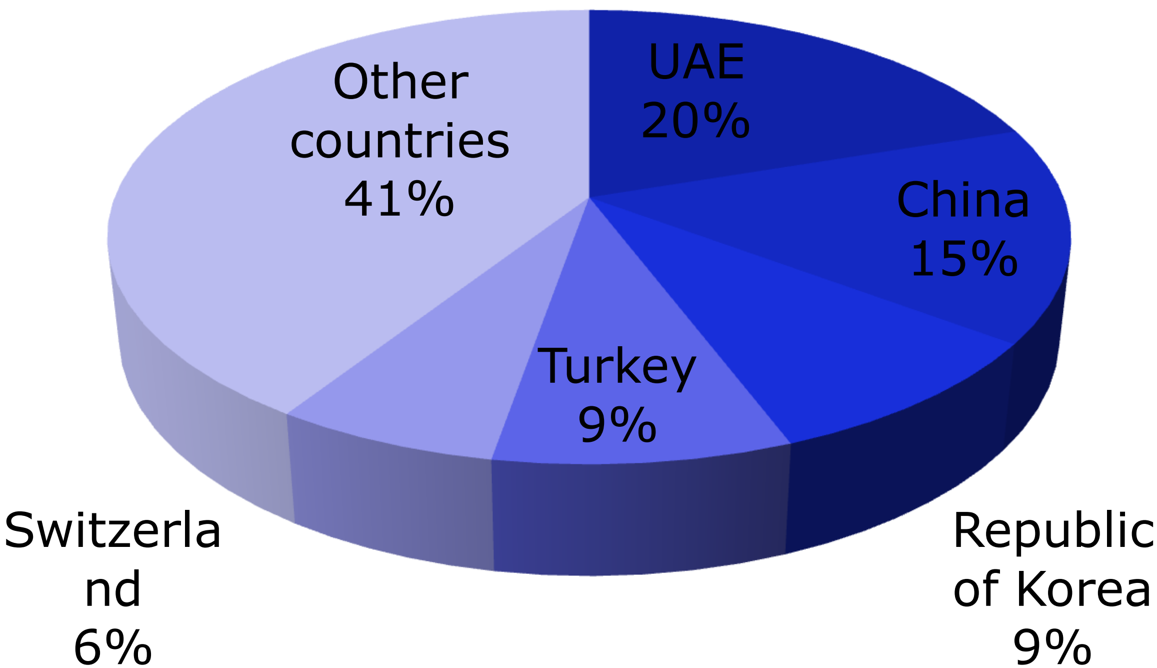
Foreign Trade

Foreign Trade – Total Import & Export

ACTIVITY	Weight (thousand tons)	Million Euros	Million Dollar
Export	79,566	32,180	41,448
Import	39,481	41,468	53,451

Foreign Trade – Total Import & Export

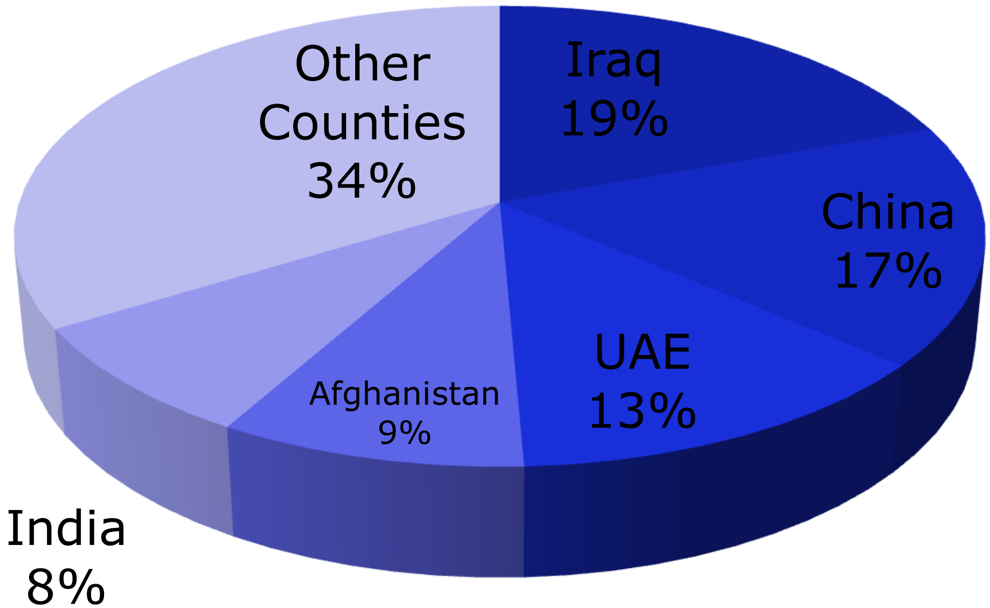
5 Major countries in Import, Based on Value in 2012



Country	Share
UAE	20%
CHINA	15%
KOREA	9%
TURKEY	9%
SWITZERLAND	6%
OTHERS	41%

Foreign Trade – Total Import & Export

5 Major Countries in Export based on Value in 2012



Country	Share
IRAQ	19%
CHINA	17%
UAE	13%
AFGHANISTAN	9%
INDIA	8%
OTHERS	34%

Foreign Trade – Total Import & Export - Apparel

❖ There is no exact information about apparel production, but the demand shows that **at least 40 percent of the market for domestic producers**. In 2 last years.

❖ **In 2011,each Iranian household spent 200$ on apparel.**

Apparel Formal Import

2011	2012	2013
3,000,000$	19,000,000$	22,000,000

Apparel Formal Export

2011	2012	2013
57,000,000$	67,000,000$	75,000,000

Foreign Trade – Total Import & Export – Legal & Illegal

- Apparel imports to Iran were 422 tons with valued **<u>3,188,000 $ in 2013.</u>**

- More than **<u>3 billion $</u>** of Iran’s Apparel Imports were illegal in 2013 that 10% of it through the suitcase trade.

Suggestions

Suggestions

Next 2 - 4 years → Booming Years for Retail in Iran

- Political revolution
- Economic improvements
- No-competitors

Suggestions

Competitive advantages of Turkish Brands in Iran Market

- ❖ Price advantage against European Brands (currency rates)
- ❖ Logistic advantage (2-3 weeks)
- ❖ Good reputation of Turkish Brands in Iran (esp. Apparel, furniture, home textile and kitchenware)

Suggestions

Direct or Indirect?

- Instability (new challenges = new solutions)

Suggestions

Indirect Methods

- ❖ Only product distribution (for short-term and unstable approach)
- ❖ Branding and business development (for long-term period)
- ❖ Partnership with local partners

Suggestions

Strength and Weakness of Local Partners

- Strength
  - Market knowledge
  - Flexibility
  - Investment
- Weakness
  - retail know-how
  - experienced employees
  - business planning & organizing

Suggestions

Types of Local Partnership

- Only distributor
- Distributor and manufacturer (advised for mid and long term)

Suggestions

Location Planning (main issue for growth)

- High street (many shops but very small in size)
- Shopping malls (sales based approach, not lease)

Suggestions

Opportunities

- ❖ Too many producers but less brands (esp for shoes&bags, women apparel, home textile…)

Suggestions

Beyond product export…

- High range of products under one roof
- Customer service
- In-store atmosphere
- Shopping experience
- Well trained sales staff

Thank you

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