Czech Republic

Consisting of the historical provinces of Bohemia and Moravia, the Czech Republic has managed the transition from planned economy to a free market with considerable success. Average consumer incomes have risen steadily, breaking the 30,000 korun mark for the first time by the end of 2017[1].

Over 80% of Czech exports in physical products are manufactured goods, as opposed to raw or partially processed materials2. Germany is the country's single biggest export destination, absorbing 32% of the Czech Republic's exported goods[2].

The country is a key part of what has become known as the German-Central European Supply Chain-Cluster[3]. This is in large part due to the quality of the business environment created by successive Czech administrations. According to a 2017 report by KPMG, the country is the regional leader in factors such as the quality of local suppliers, the banking environment, the quality of transport infrastructure, and the amount companies are willing to spend on research and development[4].

Consumer confidence in the Czech Republic rose from July 2017 to May 2018, peaking at 103 points before falling month on month to 102 points in August 2018 (values above 100 points indicate positive consumer sentiment)[5]. Retail sales volumes have grown consistently since 2014, expanding by 5% in May 2018 (the last month for which we have figures)[6].

The Czech e-commerce market

Czech e-commerce is growing by 12% a year[7]. Popular purchase categories include travel and hotels, entertainment and electrical goods[7]. A 2017 study reports that the range of products sold online is growing to include, among other things, groceries[8].

According to Eurostat, 56% of Czechs shop online[9]. A 2017 study by McKinsey found that Internet shopping, in contrast to other markets, is not confined to younger age brackets. 70% of 25- to 34-year-old Internet users say they shop online but so do 28% in the 65+ age group[10]. One 2017 study found that there were over 36,000 active online shops in the Czech Republic[11].

Online grocery shopping is still a relatively small segment in the Czech Republic, accounting for 2.1% of all fast-moving consumer goods (FMCG) sales[12]. But there are signs that this is changing. In August 2018, the second-largest online grocer in the Czech Republic, Rohlik.cz reported its first annual profit13.

The local payment culture

Cash on delivery is still the most common way for Czech shoppers to pay for an online purchase, with a 52% market share[7]. Bank transfers are used in 29% of online transactions and payment cards in 13%[7]. The card market is split between Visa (45%) and Mastercard (55%). Smaller local card operators and American Express are both completely absent.

Enabling and limiting factors

According to the European Commission, 98% of Czechs live in an area in which fixed-line broadband is available, falling to 95% in rural areas[14]. 89% live within reach of a next-generation-capable exchange, falling to 59% in the country[14]. 88% of the population currently has some sort of Internet connection and 66% has an Internet-enabled smartphone[7].

The Czech Republic is ranked 22 out of 160 countries surveyed in World Bank's International Logistics Performance Index, up four places on last year. As with most markets, however, logistics and parcel-carrier companies are expanding their operations in the Czech Republic.

81% of Czechs have a bank account and 25% have a credit card.

Conclusion

The Czech Republic is a highly affluent country with excellent transport links to its neighbours, well-developed financial and Internet infrastructures and a population that is accustomed to shopping online. Although not a member of the Eurozone it is part of the EU and the single market, greatly simplifying the process of opening a new e-commerce site in the country.

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