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Republic of Serbia

Commission for Protection of Competition

REPORT ON THE SECTOR INQUIRY CONDUCTED INTO THE BABY EQUIPMENT WHOLESALE AND RETAIL MARKET FOR THE PERIOD 2015-2017

- December 2018 -

Table of contents

1. Methodological and Lega Framework and Data Sources 3

1.1. Methodological framework, scope of the inquiry and data sources 3

1.2. Relevant legal framework 6

2. Essential Features of the Baby Equipment Market 11

2.1. Retail sales of baby equipment within specialty baby chain stores 12

2.2. Retail sales of baby equipment within non-specialized retail stores and drugstores 13

3. Inquiry into the Baby Equipment Market by Market Segments 14

3.1. Infant formula market 14

3.1.1. Infant formula import and wholesale market 14

3.1.2. Infant formula retail market 17

3.2. Disposable baby diapers market 18

3.2.1. Disposable baby diapers import and wholesale market 18

3.2.2. Baby diapers retail market 20

3.3. Baby stroller and pram market 22

3.3.1. Strollers import and wholesale market 22

3.3.2. Baby stroller retail market 23

3.4. Baby cribs market 25

3.4.1. Baby cribs retail market 25

3.5. Car seats market 26

3.5.1. Car seats import and wholesale market 26

3.5.2. Car seats retail market 27

3.6. Highchairs market 28

3.6.1. Highchairs retail market 28

3.7. Baby and toddler clothing and footwear markets 29

3.7.1. Clothing market 30

3.7.2. Footwear market 30

4. Analysis of Contractual Relations in the Supply Chain 32

5. Conclusions and Recommendation 32

1. Methodological and Lega Framework and Data Sources

1.1. Methodological framework, scope of the inquiry and data sources

Pursuant to Article 47 of the Law on Protection of Competition (Official Gazette of the RS 51/2009 and 95/2013 – hereinafter, the Law) and the Decision of the Council of the Commission for Protection of Competition enacted at the 147th session held on March 16, 2018, the Commission for Protection of Competition (hereinafter, the Commission) launched a sector inquiry into the baby equipment wholesale and retail market.

Considering the lack of prior knowledge of the structure of said markets, and also supported by the fact that the sector concerned is very often a topic of discussion in the media, most often in terms of profit margin by product categories as observed here, the Commission noticed the need to examine competitive conditions prevailing in these markets in conformity with the competences set out in the Law on Protection of Competition. Furthermore, the trade in baby equipment is also of importance and touches upon the population policy of Serbia, as well as the Law on Financial Support to Families with Children.

The subject of the sector inquiry is the collection and processing of relevant data on imports, wholesale and retail trade of product categories selected within the broader baby equipment market. Also, the analysis will allow for a comprehensive consideration of the relations between main competitors in the previously defined market segments and assessment of their respective market shares and relative power.

The primary objective of the sector inquiry is to assess the size and volume of the defined market and identify major undertakings. The additional objective of the inquiry is to detect particular tendencies and trends through a comparative analysis of turnover indicators for observed product categories and to draw concrete conclusions on market mechanisms.

In addition to the market structure, it was also necessary to conduct a correlation analysis of distribution channels for the purposes of detecting exclusive distribution agreements of particular baby product brands. One of the tasks for analysis was to provide answers as to whether in vertical agreements exist restrictions relating to retail price maintenance, price fixing agreements between the colluding parties, particular dominant undertakings, as well as on other issues concerning the situation and structure of the market concerned.

The inquiry covered a three-year time period, from 2015 to 2017, and all collected and processed data refer to the said time period.

The main sources of data used for the inquiry related purposes were:

- current legislation,
- data provided by the Ministry of Finance – Customs Administration on the import of products classified under ‘baby equipment’,
- data reported by selected undertakings in a structured questionnaire prepared by the Commission, and
- publicly available online data.

The Commission based the inquiry on a sample size of 25 undertakings. The sample covered four largest companies classified under the retail sale in specialty stores for baby products. In addition to these companies, the sample also included ten major trade chains classified under the retail sale in non-specialized stores with food, beverages or tobacco predominating, in particular, undertakings selling all related product categories and those that sell only some of the product categories concerned. For example, within the group of ten surveyed retail chains is company Veropoulos that within its retail stores offers a separate retail format Jumbo, specialized in the sale of baby and infant products. For the purposes of the wholesale market analysis, the Commission also included the largest disposable baby diapers importers, as well as the largest baby formula importers. Considering that the products observed, which in both the narrow and wide sense fall under the baby products category, are mainly or entirely imported, the inquiry also included the only[1] domestic baby formula producer - Impamil d.o.o. Beograd.

Undertakings approached by the Commission with a request for the provision of information are the following:

- Preduzeće za proizvodnju, promet i usluge KEPROM DOO, Beograd (Zemun);
- YUGLOB DOO privatno preduzeće za spoljnu trgovinu, trgovinu, zastupanje, posredovanje, konsalting i inžinjering i usluge, Borča;
- Društvo sa ograničenom odgovornošću LETOSHOP Beograd;
- DEXY CO KIDS Beograd;
- DELHAIZE SERBIA, društvo sa ograničenom odgovornošću Beograd (Novi Beograd);
- Privredno društvo za poslovne usluge MERCATOR-S Novi Sad;
- Privredno društvo za spoljnu i unutrašnju trgovinu AMAN DOO;
- Akcionarsko društvo BB TRADE Žitište;
- Univerexport-import doo Novi Sad;
- Qvattro Company doo Beograd;
- Proizvodno i trgovinsko preduzeće DIS DOO Krnjevo;
- Društvo sa ograničenom odgovornošću Gomex za unutrašnju i spoljnu trgovinu i usluge, Zrenjanin;

[1] According to publicly available data sources at the disposal of the Commission at the time of drafting this inquiry.

- Preduzeće za trgovinu Metro cash & carry doo Beograd;
- Preduzeće za proizvodnju, promet i usluge Veropoulos doo, Beograd;
- Kibid preduzeće za promet i usluge doo, Beograd (Zemun);
- Preduzeće za spoljnu i unutrašnju trgovinu i usluge Nelt co doo, Beograd;
- Mešovito preduzeće za trgovinu i usluge Kimby-co doo, Beograd (Zemun);
- LILLY DROGERIE DOO Beograd;
- DM DROGERIE MARKT DOO za trgovinu i usluge;
- DELTA DMD DOO Beograd;
- NESTLE ADRIATICS DOO Beograd;
- Preduzeće za trgovinu na veliko i malo ALCA TRGOVINA DOO Beograd;
- PHARMASWISS DOO preduzeće za proizvodnju, unutrašnju i spoljnu trgovinu i zastupanje, Beograd;
- Preduzeće za spoljnu i unutrašnju trgovinu i pružanje usluga PODRAVKA DOO Beograd, and
- Impamil d.o.o. Beograd.

When defining markets for the sector inquiry-related needs, the Commission took into account the products regarded as highly important or even essential after the childbirth, among which are also products subject to the VAT refund policy. Given the above, it is established that the inquiry into competitive conditions is necessary to be implemented in the following market segments established within the broader baby products market:

1. baby stroller and pram market
2. baby cribs market
3. baby car seats market
4. highchairs market
5. baby diapers market
6. infant formula market
7. baby clothing market (0-36 months)
8. baby footwear market (0- 36 months).

Undertakings included in the sample were requested to provide data relating to the total amount of revenue generated by a business (sales turnover), as well as turnover generated in wholesale and retail trade by product categories classified as baby equipment. In order to analyze contractual relations, the Commission also collected agreements concluded with suppliers and buyers of the products concerned.

The sector inquiry is primarily oriented on the retail market, while the import and wholesale are solely observed in those market segments where related information have been made available. Data availability for individual market segments was limited owing to the fact that the data provided by the Ministry of Finance – Customs Administration failed to provide a more precise level of accuracy on the total imported quantities of particular product categories due to the wide scope of the observed industry headings.

The research is conducted using desk research and survey methods. The use of a combination of qualitative and quantitative research methods when processing collected data was rendered necessary by the subject and the objective of the inquiry. The methods used when preparing the sector inquiry are the descriptive research method, method comparison, and other statistical methods.

1.2. Relevant legal framework

Basic regulations governing legal relations in the baby equipment market are the following:

1. Law on Trade (Official Gazette of the RS 53/2010 and 10/2013);
2. Customs Law (Official Gazette of the RS 18/2010, 111/2012, 29/2015, 108/2016 and 113/2017 – as amended) and the Law on Customs Tariff (Official Gazette of the RS 62/05, 61/07 and 5/09);
3. Law on Value-Added Tax (Official Gazette of the RS 84/2004, 86/2004 – correction, 61/2005, 61/2007, 93/2012, 108/2013, 6/2014, 68/2014 – as amended, 142/2014, 5/2015, 83/2015, 5/2016, 108/2016 and 7/2017);
4. Law on Financial Support to Families with Children (Official Gazette of the RS 113/2017 and 50/2018);
5. Law on Health Safety of Customer Products (Official Gazette of the RS 92/2011);
6. Law on Consumer Protection (Official Gazette of the RS 62/2014 and 6/2016);
7. Law of Contract and Torts (Official Gazette of the SFRY 29/78, 39/85, 45/89 – CCY decision and 57/89, Official Gazette of the FRY 31/93 and Official Gazette of SMN 1/2003 – Constitutional Chart);
8. Law on Advertising (Official Gazette of the RS 6/2016).

1. **Law on Trade** (Official Gazette of the RS 53/2010 and 10/2013)

The provisions of the Law on Trade regulate conditions, manner of practice and development of trade, as well as market protection, protection from unfair market competition, and surveillance. The provisions of the said law are therefore also implemented on the trade of products from the product group classified as baby equipment (infant formula, purees, cribs, strollers and prams, highchairs, car seats and diapers), as goods that are freely traded in the market of the Republic of Serbia.

2. **Customs Law** (Official Gazette of the RS 18/2010, 111/2012, 29/2015, 108/2016 and 113/2017 – as amended) and **the Law on Customs Tariff** (Official Gazette of the RS 62/05, 61/07 and 5/09)

The provisions of the Customs Law regulate general rules and procedures applicable to goods brought into or out of the customs territory of the Republic of Serbia, and accordingly, the provisions of the said law also govern the area concerned and products from the baby equipment category when importing and exporting.

The provisions of the Law on Customs Tariff, as well as the Regulation on Harmonization of the Customs Tariff Nomenclature for a particular year, regulate customs rates, i.e. duties established by the Customs Tariff, as well as customs rates applicable pursuant to the signed Free Trade Agreements.

In such a manner, the Regulation on Harmonization of the Customs Tariff Nomenclature for the 2018 (Official Gazette of the RS 109/2017) sets individual customs rates established by the Customs Tariff for different types of products from the observed product group, as well as customs duties applicable pursuant to the signed Free Trade Agreements when goods are imported. However, we can use data provided by the Customs Administration on the terms of the headings only to a very limited degree, since the classification that is determined according to the terms of the headings most often varies from the commercial description of goods. For the purposes of various types of products from the "baby food and products"[2] group, below is provided an overview of the customs headings of related imported goods, including the option to isolate related products from the data provided by the Customs Administration as described above, that is, possibility to review all data necessary for drafting the inquiry into the markets concerned.

1) infant formula products

This group of products is imported under tariff code *1901 10 00 00 – Preparations suitable for infants or young children, put up for retail sale*. The stipulated duty rate is 15%, but pursuant to the SAA and CEFTA agreements said goods are eligible for duty-free treatment. As is clear from the title, this customs category includes several preparations for infants (not just formulas), which also may be imported under other customs codes, for instance, tariff code *040229 11 00 – Other special milk, for infants, in hermetically sealed containers of a net content not exceeding 500 g, of a fat content, by weight, exceeding 10%.*

2) purees

The imports of preparations "puree for infants" may be classified under three customs headings: *2005 10 - homogenized vegetables, 2007 10 – homogenized preparations* and *2104 20 00 00 – homogenized composite food preparations.* However, these product groups, in addition to products for infant nutrition, also relate to imports of other products classified under said categories, with stipulated duty rates of 20% and 25%, while under particular Free Trade Agreements (SAA and CEFTA) are eligible for duty-free treatment. It can be noted that in the case of said product group, the terms of the headings relate to a broader group of products than the observed one, making it impossible to isolate the product observed – fruit and vegetable purees, from the total imports classified under that particular customs headings.

3) cribs

The imports of cribs are recorded under tariff code *9403 60 90 00 - Other wooden furniture,* which in addition to cribs also include a great number of various wooden articles. The

[2] Under the Law on Value-Added Tax, the following products are viewed as baby food and equipment: 1) infant formulas; 2) purees; 3) cribs; 4) strollers and prams; 5) highchairs; 6) car seats; 7) diapers.

imports of all products classified under this group are subject to a 20% duty and are eligible for duty-free treatment under the signed Free Trade Agreements. The Customs Administration data provided under the tariff code concerned gave no clear insight into the imports of this specific type of product.

4) strollers and prams

The imports of strollers and prams can be observed under tariff code *8715 00 10 00 - Baby carriages,* as goods imported at a duty rate of 1% and also eligible for duty-free treatment under the signed Free Trade Agreements. As it can be observed, the tariff code in this concrete case corresponds to the commercial description of goods.

5) highchairs and car seats

Depending on the type of materials used, the highchairs (booster seats) and car seats can be classified under various tariff codes, such as: *9401 61 00 00 – Other seats, with wooden frames, upholstered, 9401 69 00 00 – Other seats, 9401 71 00 00 – Other seats, with metal frames, upholstered, 9401 80 00 00 – Other seats.* The duty rate for goods classified under all listed tariff codes is 10%, while the imports are eligible for duty-free treatment under the provisions of signed Free Trade Agreements. Considering that tariff codes listed above include a far higher number of items than the products subject to this inquiry, it was impossible obtain a clear insight into the imports of products in this category (highchairs and car seats).

6) diapers

The imports of baby diapers can be observed under the terms of the headings *9619 00 81 00 - Napkins and napkin liners, for babies.* The products concerned are imported with a duty rate of 1%, that is, are eligible for duty-free treatment under the signed Free Trade Agreements. The tariff code also corresponds to the commercial description of goods, thus providing for the use of data presented by the Customs Administration.

3. Law on Value-Added Tax

The provisions of the Law on Value-Added Tax (Official Gazette of the RS 84/2004, 86/2004 – correction, 61/2005, 61/2007, 93/2012, 108/2013, 6/2014, 68/2014 – as amended, 142/2014, 5/2015, 83/2015, 5/2016, 108/2016 and 7/2017) are implemented through the consumption tax rate, calculated and paid on the delivery of goods and at providing services, in all the phases of production and trade of goods and services, including the products traded within product categories covered by the inquiry.

Under the individual provisions of the Law on Value-Added Tax (Official Gazette of the RS 84/2004, 86/2004 – correction, 61/2005, 61/2007 and 93/2012), in particular, pursuant to Article 56b effective from 2013 until July 1, 2018, the right to reimbursement and refund of VAT for baby food and equipment purchases was stipulated, provided that the total net income of parents, that is, caretakers of a baby, in the year preceding the year for which VAT claims are presented is less than 960,000 dinars, and that the total value of assets of parents, that is, caretakers of a baby, subject to regulations governing property tax is less than 23,400,000 dinars, in addition to the presentation of fiscal receipts as a proof of purchase issued by sellers pursuant to regulations governing fiscal cash registers. Under the said provision, the following group of products are viewed as baby food and equipment: 1) infant formulas; 2) purees; 3) cribs; 4) strollers and prams; 5) highchairs; 6) car seats; 7) diapers. The authorized tax authority approves and keeps records on VAT reimbursements on baby food and equipment purchases and on the amount of related VAT refunds approved.

The Decision on the Right to Reimbursement and Refund of VAT for Baby Product Purchases came into force on January 1, 2013, and continued to be valid until July 1, 2018, when the new Law on Financial Support to Families with Children was adopted.

4. **Law on Financial Support to Families with Children** (Official Gazette of the RS 113/2017 and 50/2018)

Within the meaning of this law, the financial support to families with children is provided in order to: 1) improve the conditions for satisfying the basic needs of children; 2) balance work and parenting; 3) provide particular incentives for child birth; 4) support underprivileged families with children, families with children with special needs and children without parental care. The rights to financial support to family with children are as follows: 1) compensations, that is, renumerations during maternity leave, absence for child care and leave for special child care; 2) other compensations after the childbirth and for child care and special child care; 3) parental allowance; 4) child allowance; 5) reimbursement for preschool for children without parental care; 6) reimbursement for preschool for children with disabilities; 7) reimbursement for preschool for children from disadvantaged families; 8) reimbursement for preschool for children from materially impaired families. Article 22 of the Law stipulates a lump-sum increase of parental allowances for the procurement of baby products, while Article 23 regulates that the lump sum for baby equipment procurement for children born from July 1, 2018 onwards, payable with a one-off payment for the first child, that is, the first installment of parental allowances for the second, third and fourth child, amounts to *5,000.00 dinars. This measure is introduced by legislative amendments to the law in 2018 as a replacement for previously adopted measure relating to VAT refunds for baby product purchases.* It is also envisaged that parental allowances and lump sums for the procurement of baby products are adjusted on January 1 and July 1 relative to the 6-month percent change in CPI in the territory of the Republic of Serbia, while minister responsible for social policy, by means of an order, sets respective nominal amounts, as of 2019.

5. **Law on Health Safety of Customer Products** (Official Gazette of the RS 92/2011)

This law lays down general health safety requirements for consumer products manufactured in, or imported into Serbia. Within the meaning of this law, consumer goods include, inter alia, the following items: tableware, cutlery, appliances, packaging products and materials coming into contact with food, regulated by law governing food safety, in addition to infant and toddler items and toys, special-purpose cosmetics and items coming into contact with skin.

6. **Law on Consumer Protection** (Official Gazette of the RS 62/2014 and 6/2016)

This law governs, with a view to protecting the position of consumers, the rights and responsibilities of consumers, instruments and means of consumer rights protection, informing and enhancing consumer knowledge regarding consumer rights and means of protecting such rights, the rights and responsibilities of associations and unions whose field of action is achieving the objectives of consumer protection, out-of-court settlement of consumer disputes, the rights and responsibilities of state institutions in the field of consumer protection and other issues of importance to the position and protection of consumers.

7. **Law of Contract and Torts** (Official Gazette of the SFRY 29/78, 39/85, 45/89 – CCY decision and 57/89, Official Gazette of the FRY 31/93 and Official Gazette of SMN 1/2003 – Constitutional Chart)

The provisions of this law govern business relations between undertakings, but also relations between sellers or suppliers with consumers, unless otherwise provided by the Law on Consumer Protection.

8. **Law on Advertising** (Official Gazette of the RS 6/2016)

The provisions of this law regulate the content of the advertising message, general rules on advertising, special rules and restrictions, direct advertising, sponsorship, etc. They also envisage special rules on protection of children and minors from inappropriate advertising, prohibition from the misuse of their inexperience, lack of knowledge and gullibility, and protection of their integrity. Article 24 of the Law that regulates the protection of health and development, *stipulates that the advertising of milk, other foods and beverages for infants up to six months of age, as well as the utensils for their use, in addition to the advertising that is inciting to the conduct that poses a threat to the health, physical or mental development of children or minors, are prohibited.*

2. Essential Features of the Baby Equipment Market

Based on online research[3], it can be noted that the baby equipment market is comprised of both major and minor framing baby equipment.

The major framing baby equipment include goods such as strollers and prams, cribs, car seats, highchairs, swaddling tables, baby walkers, baby fences, baby easy chairs and other products, while the minor framing baby equipment include baby bottles, pacifiers and dummies, soothers and teethers, food and beverage utensils, hygiene products, cosmetics, infant carriers, baby carrycots and other products.

Given the broad spectrum of products that can be classified into the major or minor framing baby equipment category, and bearing in mind the need for economy and efficiency of investigations, we have opted for products considered essential upon the childbirth and which are also the subject to the national VAT refund policy, specifically:

- strollers and prams
- cribs
- car seats
- highchairs
- infant formula products, and
- baby diapers.

In addition to these six product categories subject to VAT refunds for baby product purchases, the inquiry also included two additional product categories, specifically:

- clothing (0-36 months of age), and
- footwear (0-36 months of age).

In recognition of the fact that the first four product categories can be broadly differentiated in terms of the characteristics, price and intended purpose, as well as brand power, the study covered the entire related assortment with no further segmentation per specific characteristics. As for diapers, the inquiry is limited to disposable baby diapers only, while the analysis into baby clothing and footwear products is focused on the period from birth to three years of age.

All covered product categories are mainly or entirely imported. To the extent of availability, i.e. practicality of data on imports, and in the light of already mentioned wide range of individual tariff codes, said data are processed and appropriate corresponding conclusions are drawn during the analysis. In the case of particular product categories where data on imports

[3] https://www.dexy.co.rs/, https://www.aksa.rs/, https://www.menda.rs/, http://www.juniorshop.rs/, etc.

were not available or had a limited use value, the analysis was focused on retail market as the final link in a chain of supply to final consumers.

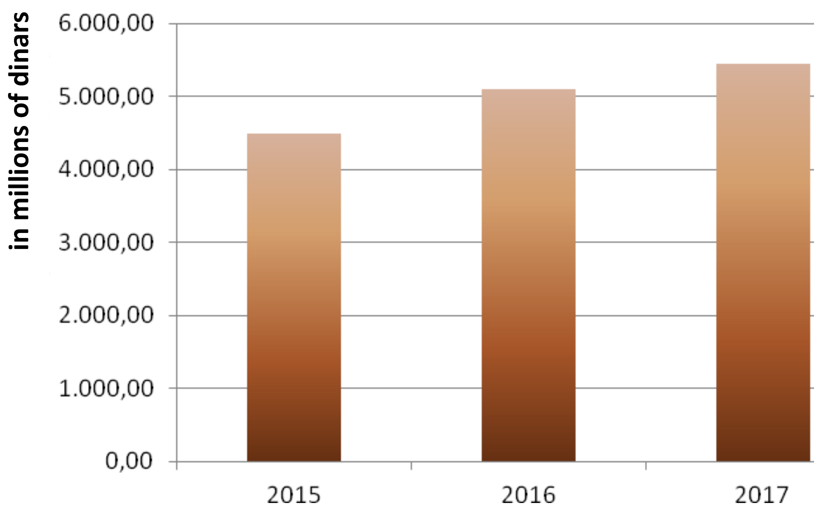
2.1. Retail sales of baby equipment within specialty baby chain stores

In terms of the baby equipment market, there are seven major specialty baby chain stores, namely: Aksa, Dexy co, Menda, Carters, OshKosh, Sons&Daughters, and Leto. Retail chains Menda, Carters, OshKosh, and Sons&Daughters are owned by company Yuglob, one of the major importers and distributors of baby products and an exclusive distributor of individual brands. For the sector inquiry-related purposes, these four retail chains are observed as a single undertaking, with an aggregate turnover given for the total of 25 retail stores. Regarding chain store Dexy co, there are 29 retail stores in total, including online sales, while company Leto owns two retail stores and one online store.

The product assortment of all four undertakings include products covered by the inquiry concerned. Retail stores owned by company Yuglob do not offer diapers and infant formula products, while chain store Leto also generated no revenues from the sales of diapers during the observed period.

The average value of goods sold (including categories not covered by the sector inquiry) within seven specialty baby retail chains during the period 2015-2017 amounted to about 5 billion dinars, with a 21% growth generated compared to the beginning of the observed period.

Chart 1 – Retail sales of baby products (2015-2017)



Source: CPC calculations based on data provided by undertakings

[...]

Chart 2 – Structure of retail market of baby equipment in specialty stores (2015-2017)

[...]

Source: CPC calculations based on data provided by undertakings

One out of four observed undertakings, [...], recorded a trend of declining sales during the three-year period by 5%, while the growth leader is [...] followed by [...] with a growth rate of 29% and 27%, respectively.

If we observe the average sales value share of eight selected product categories in the total value of sales of these four undertakings during the period 2015-2017, we can note that [...] generates 47% of the total revenues from sales of the product categories concerned, while retail stores [...] and [...] generate about 60% of the total revenues from sales of the products concerned. On the other hand, in retail stores [...] only 11% of the total revenues relates to the selected product categories.

2.2. Retail sales of baby equipment within non-specialized retail stores and drugstores

In addition to four surveyed undertakings, the inquiry also included 10 largest retail chains for sale in non-specialized stores with food, beverages or tobacco predominating that cover over 50% of the related market share, namely: Delhaize, MerkatorS, Dis, Univerexport, Aman, Gomex, Metro, Qvatrocompany, BB trade, and Vero.

When analyzing the largest retail chains for sale in non-specialized stores with food, beverages or tobacco predominating, it was presumed that diapers and baby formula products are consumables most often purchased on a weekly or monthly basis. To that extent, it is assumed that chain stores represent a substantial part of retail sales of some of the product categories concerned.

Based on the analysis of submitted data, it could be argued that out of eight selected product categories, only baby diapers could be found in the product assortment of all observed retail chains, whereby [...], [...][4] and [...] only sell baby diapers, while [...] in addition to diapers also sells baby formulas.

On the other hand, [...] and [...] are the only ones who in their product assortment have presented all selected product categories throughout all observed years, whereby the respective sales turnover amounted to less than 1% of the company turnover.

The investigation also included two retail chains with product assortment consisting of cosmetics, body and skin care products, cosmetic products for children and infant food, baby care line, perfumes and cleaning supplies and household products predominating - Lilly Drogerie and DM. The analysis of submitted data showed that out of eight selected product categories, the product assortment of the two drugstores only contains two – diapers and baby

[4] [...] also presented the car seat sales in 2017.

formulas, and that the sales turnover amounted to about [...] and [...], respectively, of the company turnover.

3. Inquiry into the Baby Equipment Market by Market Segments

3.1. Infant formula market

Manufactured food designed and marketed for feeding to babies and infants (baby or infant formula) is the first food for infants. The market offers a variety of types of infant formulas. They differ in terms of the manner of preparation, content and intended age group. Baby formulas are manufactured to mimic the composition or performance of breast milk – by adjusting the ratio and type of proteins, fats, sugars, salts, and other nutrients. The market also offers formulas fortified with vitamin D and iron, and also formulas intended for babies from four months of age.

When a baby shifts from breast milk or standard infant formula to regular cow milk, it can have a formula fortified with iron, zinc, iodine, and vitamins C and D. This manufactured food is given to infants by the end of the first year and in the first half of the second year of age. There are even special formulas for infants with dairy allergies or some errors of metabolism such as phenylketonuria.

The most widespread type of infant formula on our market is the *powder formula*. This formula comes in a canister with a little scoop or as a concentrated liquid that needs to be mixed with tap or sterile water. This option is cheaper, but requires more time for preparation.

The second type of formula is the *concentrated liquid formula*. This infant formula is sold in canisters of various sizes. The canister is opened and directly poured into a sterile baby bottle and given to the baby.

The third type of formula is the *ready-to-feed formula*, or the so-called 'baby fast food'. This option comes in individual bottles for single feedings. The pre-made serving sizes are sold in bottles of 125- or 250-ml volume. This variance of infant formula is hard to find in our market[5].

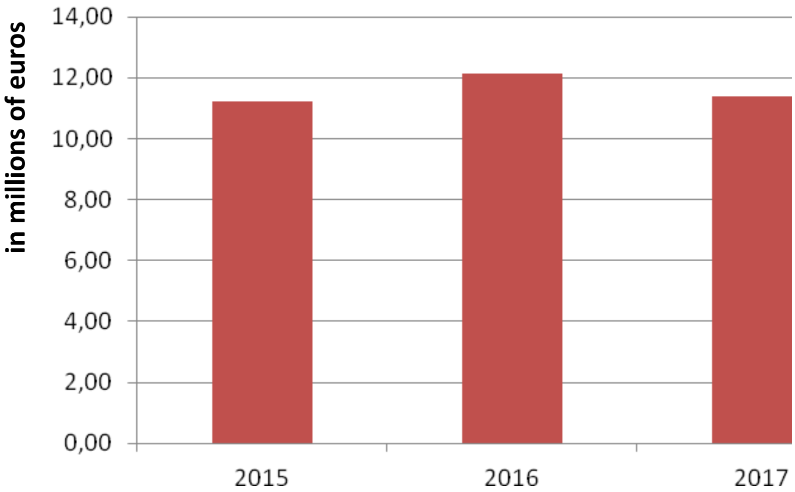
3.1.1. Infant formula import and wholesale market

The infant formula imports are covered by tariff code 1901 10 00 00 – *Preparations suitable for infants or young children, put up for retail sale*. In addition to the infant formula, the imports of other preparations suitable for infants or young children are also registered under

[5] Source: https://www.bebac.com/tekst/izbor-adaptiranog-mleka (accessed October 15, 2018)

the said tariff code, thus limiting the possibility of more precise filtering of baby formula imports as a separate category. The total imports classified under tariff code 1901 10 00 00 is presented in the chart given below.

Chart 3 – Imports of infant formula and other preparations suitable for infants or young children (2015-2017)



Source: CPC calculations based on data provided by the Customs Administration

The total imports classified under tariff code 1901 10 00 00 presented in value terms was relatively stable during the observed period, averaging about 11.6 million euro over the three-year period. The 2016 imports recorded an increase of 8% against 2015, only to be reduced by 6% in the following year, 2017, which represents only a 1% increase relative to the base year, 2015.

Diagram 4 – Structure of the import markets of infant formula and preparations suitable for infants or young children (2015-2017)

[...]

Source: CPC calculations based on data provided by the Customs Administration

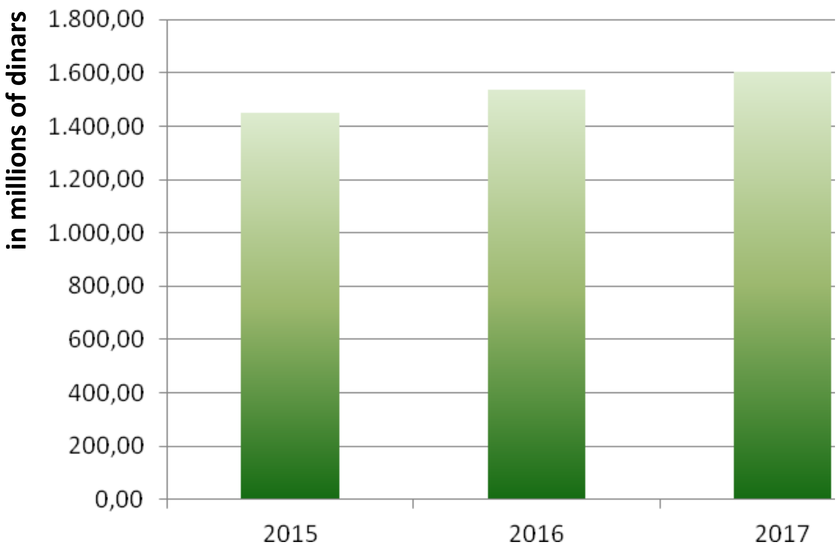
The largest importer of products classified under tariff code 1901 10 00 00 is Kibid with brands Aptamil and Bebelac, covering /40-50/% of imports under this tariff code. Pharmaswiss and Alca with brands Humana and HIPP, respectively, switched places for the second-largest importer during 2017, while the three importers cover between 75% and 80% of the total imports classified under this tariff code. They are followed by Nestle and Podravka[6] whose individual shares do not exceed 10%, while the combined imports of these five importers account for 90% of the imports of infant formula products and preparations suitable for infants or young children.

[6] Podravka does not import infant formula products, but only preparations suitable for infants or young children.

On the basis of facts on infant formula imports, the largest importers are identified and called upon to submit data on the wholesale turnover of infant formula products. Based on data provided by undertakings, as well as data provided by a single domestic infant formula producer, the total wholesale market of infant formula products is also assessed.

In such a manner, the infant formula wholesale market is estimated at about 1.5 billion dinars per annum. Observed by the total sales revenue expressed in dinars, this market displays an upward trend with an average annual growth rate of about 5%, making the 2017 wholesale revenue 11% higher than in 2015. Such a finding on the market growth should be interpreted with caution since it can be the result of price increases in the observed period, as well as RSD-EUR exchange rate fluctuations, having regard to the fact that more than 95% of infant formula products are imported.

Diagram 5 – Infant formula wholesale trade (2015-2017)



Source: CPC calculations based on data provided by undertakings

The major undertaking on the infant formula wholesale market is Kibid, with a share of [...] during the three-year period, amounting to /50-60/% in 2017, [...], followed by Pharmaswiss with a share of [...] that amounts to /20-30/%. Nestle and Alca switched places in the third position in 2017, while these four importers make /90-100/% of the total wholesale trade market of baby formula products. Domestic baby formula producer Impamil holds a share of [...] in this market of about /0-5/%.

Diagram 6 – Infant formula wholesale market (2015-2017)

[...]

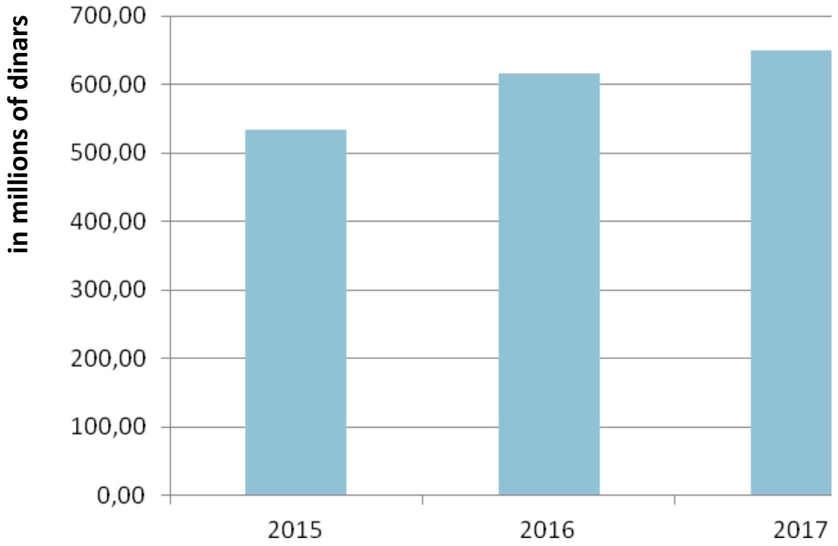
Source: CPC calculations based on data provided by undertakings

3.1.2. Infant formula retail market

The infant formula retail market is estimated by adding the infant formula sales revenue of two specialty baby chain stores, seven retail chains for sale in non-specialized stores whose product assortment include baby formula products, and two drugstores.

In such a manner, the infant formula retail market is estimated at about 600 million dinars per annum, with 22% growth recorded during the observed three-year period.

Diagram 7 – Retail trade of infant formula (2015-2017)



Source: CPC calculations based on data provided by undertakings

If we compare the retail market estimated in such manner against the previously estimated wholesale market, it can be concluded that the combined share of observed retailers in the total retail sales of baby formula products is about 40%. Such a result is partially expected having regard to the fact that certain amounts of baby formula products are also sold in pharmacies, which were not covered by the sector inquiry.

The infant formula retail market structure was relatively stable during the observed three-year period, with marginal changes between the leading five undertakings.

Diagram 8 – Structure of the infant formula retail market (2015-2017)
[...]

Source: CPC calculations based on data provided by undertakings

The major undertaking in this market during all three observed years is Aksa whose average market share during the three-year period amounted to /10-20/%. During 2016, Lilly and Delhaize switched places in the second position with an average share during the three-year period of /5-10/% and /5-10/%, respectively. [...]. The fourth place took Mercator with an average share of /0-5/% and [...], while the fifth is DM whose turnover in this category is [...], with /0-5/% average market share.

3.2. Disposable baby diapers market

Baby diapers represent an indispensable budget item for all parents from the child's birth until the second year of age, and in some cases even longer. Baby diapers can be divided into reusable and disposable diapers category, the latter including a special category of swim diapers. Despite the higher price, the ease of use and practicality made the consumption of disposable diapers on the considerable rise during the last decades. For the reasons stated, disposable diapers were in the focus of this sector inquiry with regards to this market segment.

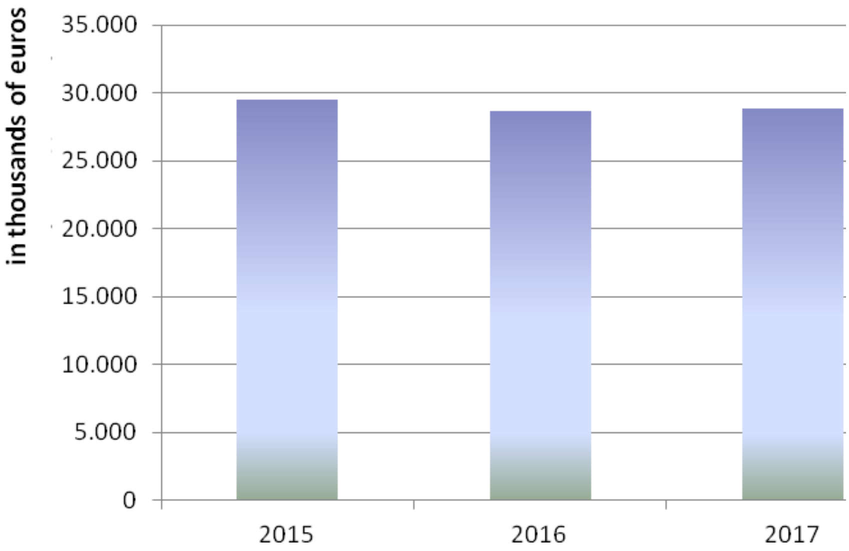
Due to lack of domestic production of this article and owing to the network of importers, the following disposable baby diaper brands of renowned world producers can be found in the domestic market, such as Pampers, Pufies, Evy baby, Chicco, Babylino, etc.

3.2.1. Disposable baby diapers import and wholesale market

The imports of disposable baby diapers are classified under tariff code 9619 00 81 00, which also includes the imports of diaper liners. As a consequence of the inability to accurately separate imports of diapers from diaper liners, we have assumed that the majority of said imports relate to baby diapers, thus we have assigned the entire imports classified under tariff code 9619 00 81 00 to baby diapers imports since product assortment of all surveyed undertakings do not include the product - diaper liners.

The imports of disposable baby diapers (in value terms) during the observed three-year period was stable and amounted to about 30 million euro. The 2017 value of imports of diapers was only 2% lower than in 2015.

Diagram 9 – Imports of baby diapers (2015-2017)



Source: CPC calculations based on data provided by the Customs Administration

Convincingly the largest importer of baby diapers during all three observed years is Nelt with brand Pampers, with [...] import share that averages over the three-year period to /60-70/%. This company is followed by Kimby Co (Tenera), Delta dmd (Pufies), DM drogerie, and Lilly, whose respective import shares do not exceed 10%. The combined imports of these five importers in 2015 and 2016 account to about 90% of the total imports.

In 2017, Delta DMD cancels cooperation with the Bulgarian baby diapers producer, Ficosota (Pufies), and stops baby diapers import. Company Alca takes over the import and distribution of this brand in 2017 as a brand-new importer on the baby diapers market and reaches /5-10/% share of imports in the same year.

Diagram 10 – Structure of the baby diapers import market (2015-2017)
[...]

Source: CPC calculations based on data provided by the Customs Administration

Considering that disposable baby diapers are imported goods, we have assessed the total wholesale baby diapers market by adding the total baby diapers sales revenue of the largest baby diapers importers, provided upon request. Only [...] out of five largest baby diapers importers do not direct their imports through wholesale channels, instead directly sell own imported baby diapers through individual retail networks, while [...] is importing a small part of the product assortment and domestically procuring the rest of inventory. Given the above stated, in order to obtain a more precise indicator of the wholesale market, we have approximated the diapers wholesale revenue of company [...] to the value of said company’s baby diapers imports.

In such a manner, the baby diapers wholesale market is estimated at about 4.6 billion dinars per annum. If we compare the wholesale market estimated in such manner against the total value of imports during the observed period[7], calculated at the euro to Serbian dinar average annual middle exchange rate, and under the assumption that the entire imported volumes are sold in the year of import (which is not necessarily the case), it can be concluded that the difference between the sales value (wholesale price) and purchase value of the goods sold (in our case, the value of imported goods) ranged between 34% and 38% during the observed period. Said price difference is used to cover the wholesale costs and wholesale margin. However, with no data on the wholesale costs, we were unable to estimate the range of wholesale margins for the product group concerned.

Table 1 - Wholesale margin

[...]

Source: CPC calculations based on data provided by undertakings

Convincingly the major undertaking on the baby diapers wholesale market (as well as on the import market) is Nelt with [...] share that amounts to about /70-80/%, followed by Kimby Co whose share […] amounted from /10-20/% in 2015 to /10-20/% in 2017. The wholesale share of Lilly is […] and amounts to /5-10/%. After /5-10/% market share realized in the first two years of the observed period, company Delta dmd leaves this market and cedes the market share to company Alca that realizes the respective market share of /5-10/% in 2017.

Diagram 11 - Structure of the baby diapers wholesale market (2015-2017)

[…]

Source: CPC calculations based on data provided by undertakings

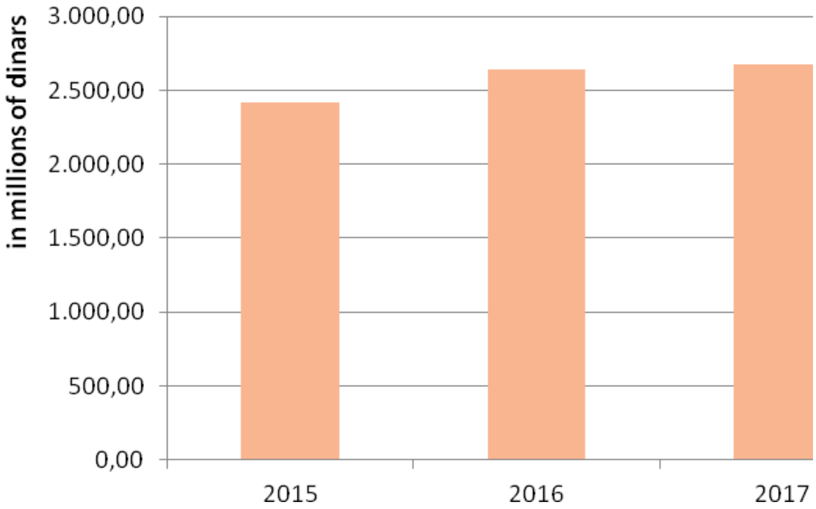
[…]

3.2.2. Baby diapers retail market

The retail market of disposable baby diapers is estimated based on the baby diapers sales revenues generated by three specialty baby chain stores, ten retail chains for sale in non-specialized stores and two drugstores. In such a manner, the baby diapers retail market is estimated at about 2.6 billion dinars per annum, while noting that significant volumes of diapers are provided to consumers through other channels, such as pharmacies, small stores, farmers markets, etc.

[7] Imports exclude […] owing to the fact that the entire imported volumes go to retailers.

Diagram 12 - Retail trade of baby diapers (2015-2017)



Source: CPC calculations based on data provided by undertakings

The retail market of baby diapers has recorded an upward trend in sales revenues, with a growth rate of 11% during the three-year period.

If the retail market estimated in such manner is compared to the previously estimated wholesale market, it can be concluded that the observed retailers collectively account for about 55% of the total retail market of baby diapers.

Diagram 13 - Structure of the baby diapers retail market in 2017
[…]

Source: CPC calculations based on data provided by undertakings

The structure of the baby diapers retail market was stable during the observed three-year period. The major undertakings on this market are Delhaize (/10-20/% market share) and Mercator (10-20/%), followed by Aksa, Lilly, and DM, whose individual market shares are /5-10/%, while market shares of other undertakings covered by this sector inquiry do not exceed 3% individually.

Later, we have observed the segmented retail market of baby diapers and infant formula, as products that are absolutely necessary to secure immediately after the childbirth.

Diagram 14 - Structure of the baby diapers and infant formula retail market (three-year average)
[…]

Source: CPC calculations based on data provided by undertakings

Based on the figure presented above, it can be concluded that such segmented market offering products that are perceived as necessary after the childbirth is characterized by very similar market shares of major undertakings. The top five undertakings, including two retail chains for sale in non-specialized stores, two drugstores and one chain of specialty stores of major and minor framing products for baby and infants, generate about 45% of the sales revenue in baby formula and baby diapers.

3.3. Baby stroller and pram market

Baby strollers can be classified according to their purpose and child's age, to:

- full size strollers (0-3, or 0-4 years of age),
- lightweight and umbrella strollers for babies from 6 months and older, and
- double strollers.

Full size strollers can be sold as:

- all round stroller (Uno system)
- stroller and car seat combo (2-in-1 system), and
- stroller and car seat/carrier combo (3-in-1 system).

The selection of baby strollers and prams depends on numerous factors, among which some more prominent are circumstances and lifestyle choices and intended use of strollers (ground-floor or living on an upper-level floor, with or without an elevator, if it is an autumn or winter-born baby, whether personal vehicles or public buses are used as a means of transportation, etc.). The other important element when choosing strollers is the household budget. Strollers are an expensive investment that usually suffer little wear and many remain in good condition after the use. That is why many parents opt to purchase the second-hand strollers or borrow strollers from family or friends instead of buying new.

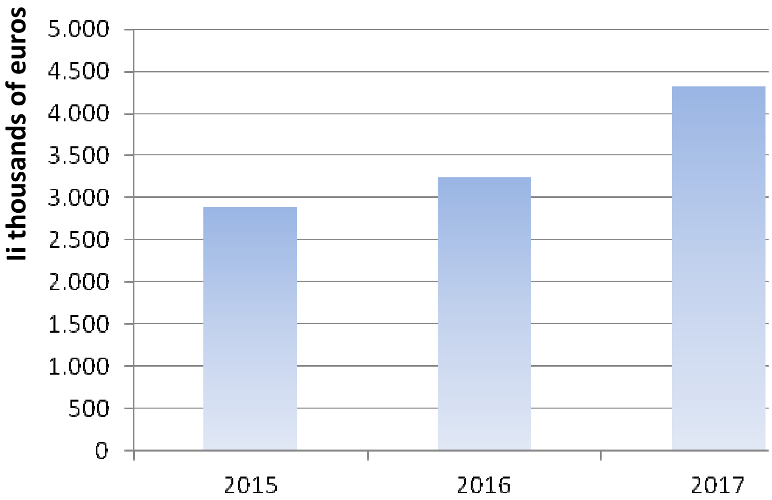
Stollers and prams of renowned world producers can be found on the domestic market, such as Peg Perego, Cam, Chicco, Hauck, Graco, Puerri, etc.

3.3.1. Strollers import and wholesale market

Baby strollers are among few baby products with its own tariff code - 8715 00 10 00. For that reason, the entire imports classified under tariff code 8715 00 10 00 is observed as the imports of baby strollers and prams.

In value terms, the imports of baby strollers display an upward trend, observed during the three-year period, amounting to 4.3 million euro in 2017. The imports of baby strollers in 2017 were 49% higher than in 2015.

Diagram 15 – Imports of baby strollers (2015-2017)



Source: CPC calculations based on data provided by the Customs Administration

The major importer of baby strollers and prams during all three observed years is Keprom with an import share of [...] during the three-year period, averaging at /20-30/%, followed by Baby shop (with an average share over the three-year period reaching /10-20/%), Yuglob (10-20/%), MCG Group (10-20/%), and Tomax trading (/5-10/%). These five importers combinedly account for between 75% and 83% of the total imports classified under this tariff code.

Given that baby strollers are products of foreign origin entirely, we have reasonably assumed that the largest importers are, at the same time, also the largest wholesalers of this product and that their respective import shares can be approximated by shares on the wholesale market, which we have not separately analyzed.

Diagram 16 - Structure of the baby stroller import market (2015-2017)
[...]

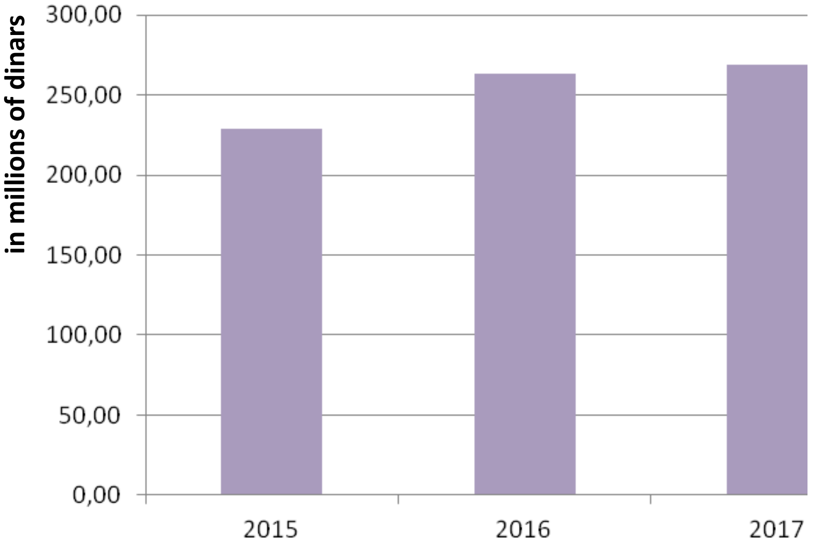
Source: CPC calculations based on data provided by the Customs Administration

Considerable growth in the value of imports of baby strollers and prams during the three-year period is noticeable with all observed undertakings, ranging from about 50% to even 95%, while only [...] recorded a moderate 6% growth in imports.

3.3.2. Baby stroller retail market

The retail market of baby strollers is estimated based on the baby stroller sales revenues data provided by four specialty baby chain stores and six retail chains for sale in non-specialized stores, who offer this particular product within individual (larger) stores.

In such a manner, the baby stroller retail market is estimated at about 250 million dinars per annum, with a 17% growth rate achieved during the observed three-year period.
Diagram 17 – Retail trade of baby strollers (2015-2017)



Source: CPC calculations based on data provided by undertakings

If we compare the retail market estimated in such manner against the previously estimated imports and wholesale market, it can be concluded that the observed retailers combinedly account for about 50% of the total retail sales of baby strollers, while the equal volume is placed on the market through other channels.

Diagram 18 - Structure of the baby stroller retail market in 2017
[...]

Source: CPC calculations based on data provided by undertakings

There are four distinctive chains for sale of baby and infant products in specialty stores - Aksa, Dexy co, Yuglob, and Leto, combinedly accounting for about 50% of the market. Individually, the major undertaking is Aksa, whose market share is reduced from /30-40/% to /20-30/% during the three-year period, followed by Yuglob whose market share is reduced from /10-20/% to /10-20/%, while the two alone accounted for about /30-40/% of the baby stroller market in 2017. The market shares of the other two specialty chains, Dexy co and Leto, [...] and range from /5-10/% each, depending on the year.

Only Mercator out of the group of retail chains for sale in non-specialized stores has reached a share of /0-5/% in the baby strollers retail trade, while the sales revenues of other undertakings in this group are negligible.

3.4. Baby cribs market

Baby cribs are an essential piece of furniture in nursery rooms. Cribs can be wooden or portable. There is a special type of wooden cribs, called 3-in-1 convertible cribs, which can serve as a crib after the childbirth, as a toddler bed, or as a full/twin sized bed following the growth of a child.

Baby cribs of renowned global, as well as local producers can be found on the domestic market, while the most recognized among them are Bambino, Lorelli, Chicco, Jungle, etc.

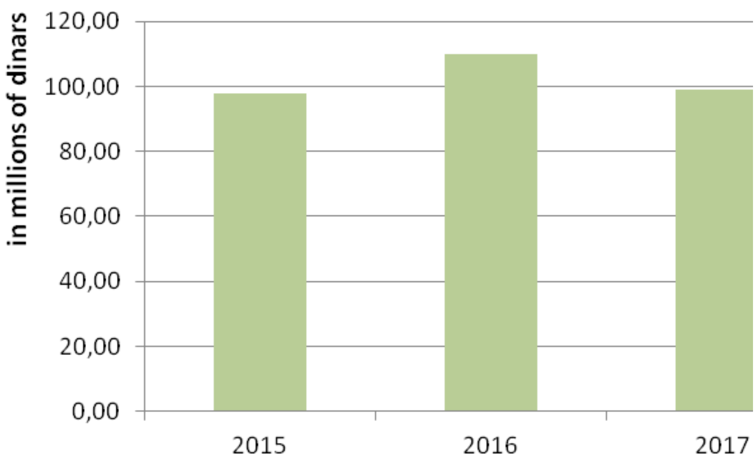
The baby cribs imports are covered by tariff code 9403 60 90 00 - *Other wooden furniture*, due to which was impossible to precisely separate the imports of cribs. For the reason stated, the imports and wholesale market in this product category was not the subject of further analysis.

3.4.1. Baby cribs retail market

The total retail market of baby cribs is estimated based on the baby cribs sales revenue data provided by four specialty baby chain stores and five retail chains for sale in non-specialized stores, who offer this particular product within individual (larger) stores.

In such a manner, the baby cribs retail market is estimated at about 100 million dinars per annum, which represents a considerably underestimated market value given that this product can be also found in product assortment of specialty stores offering other household furnishings, as well as that the product can also be custom-made.

Diagram 19 – Retail trade of baby cribs (2015-2017)



Source: CPC calculations based on data provided by undertakings

The market estimated in such manner is characterized by a stable market structure, with slight changes in market shares observed during the three-year period.

Diagram 20 - Structure of the baby cribs retail market in 2017
[...]

Source: CPC calculations based on data provided by undertakings

Similar to the baby stroller market, there are four specialty baby chain stores can be distinguished on the estimated baby cribs retail market - Aksa, Dexy co, Yuglob, and Leto, combinedly accounting for about /90-100/% of the total market estimated in such manner.

3.5. Car seats market

Car seats for babies and infants can be classified into several categories based on the child's age, that is, weight recommendations.

The age recommendation criterion provides for the following general classification:

- car seats from newborn to 1 year of age, i.e., 0-12 months,
- 0+months (newborn baby car seats)
- 3+months
- 6+months
- 9+months
- 12+months, and
- 3+years.

Based on the weight of a child specifications, there are several types of baby car seats:

- from 0-13 kg,
- 0-18 kg,
- 0-25 kg,
- 15-36 kg,
- 9-18 kg,
- 9-25 kg, and
- 9-36 kg.

Car seats of renowned world producers such as Brevi, Peg Perego, Chicco, Cam, Cybex, Lorelli, Nania, Recaro, etc., can be found in the wide-ranging offer of national retail chains.

3.5.1. Car seats import and wholesale market

Baby and infant car seats are products of foreign origin entirely. The imports of car seats are classified under tariff sub-code 9401 80 00 00 – *Other seats*, within tariff code 9401 - *Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof.*

In view of the foregoing, it was not possible to exclude the imports of other types of seats not classified as car seats.

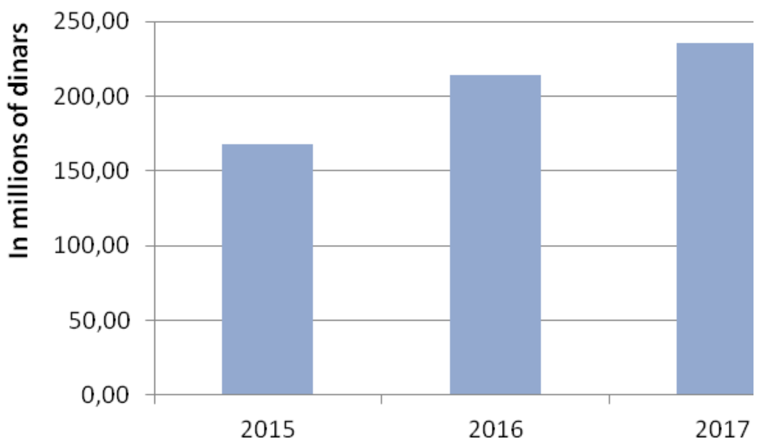
However, based on data provided by the Customs Administration on the imports classified under tariff code 9401 80 00 00, it was possible to identify the quantities imported by the largest baby and infant product importers (Keprom, Yuglob, MCG, Baby Shop, etc.), recognized by searching publicly available information[8]. These several companies account for about 50% of the total imports classified under tariff code 9401 80 00 00 realized during all three observed years, among which Keprom is the major importer with /20-30/% import share.

3.5.2. Car seats retail market

The total retail market of baby car seats is estimated based on the baby car seats sales revenue data provided by four specialty baby chain stores and seven retail chains for sale in non-specialized stores, offering this particular product at given years within individual (larger) stores.

In such a manner, the estimated car seats retail market realized a growth rate of 40% during the three-year period. Relative to the observed eight market segments, this market displayed the highest 3-year growth rate, partly owing to the raised public awareness on the importance of children road safety achieved during the last couple of years.

Diagram 21 – Car seats retail trade (2015-2017)



Source: CPC calculations based on data provided by undertakings

The estimated retail market of baby car seats is characterized by relatively stable market structure, with slight changes in market shares observed during the three-year period. Companies Aksa and Dexy co account for two-thirds of the estimated car seats market, while retail chains Delhaize and Mercator have a far less market share (below 5%).

[8] www.google.com

Diagram 22 - Structure of the baby car seats retail market (2015-2017)
[...]

Source: CPC calculations based on data provided by undertakings

3.6. Highchairs market

High or feeding chairs are the first seats used by children when they become able to sit independently. Although not considered as an indispensable baby product, highchairs are highly practical for parents since they allow safe and secure feeding of children, and likewise important for children because they enable them to build one highly important habit. Highchairs can be made from wood or plastic materials. More qualitative are multi-position and height-adjustable highchairs, with built-in wheels and removable tray. They are intended for babies and toddlers, from 6 months to 3 or 5 years of age, depending on the model.

Highchairs of renowned world producers such as Chicco, Cam, Nania, Hauck, Cangaroo, Jungle, Bambino, Peg Perego, Puerri, etc., can be found in product assortment of domestic retail chains.

The imports of highchairs are covered by the following tariff codes:

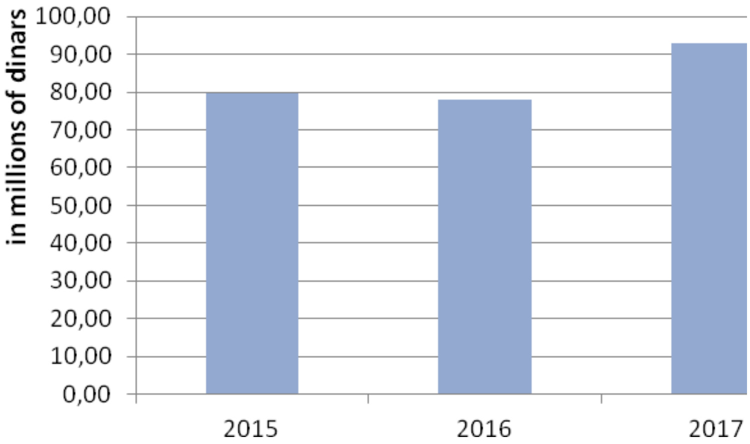
- 9401 61 00 00 (*Other seats, with wooden frames - Upholstered*)
- 9401 69 00 00 (*Other seats, with wooden frames - Other*)
- 9401 71 00 00 (*Other seats, with metal frames - Upholstered*)
- 9401 79 00 00 (*Other seats, with metal frames - Other*)

Noting the fact that the above-listed tariff codes provide insufficient information needed to exclude the imports of other types of seats not classified as highchairs, the imports and wholesale market of this particular product was not the subject of further analysis.

3.6.1. Highchairs retail market

The total retail market of highchairs is estimated based on the highchair sales revenue data provided by four specialty baby chain stores and four retail chains for sale in non-specialized stores, offering this particular product within individual (larger) stores. In such a manner, the highchairs market is estimated at about 90 million dinars per annum, with a 17% growth rate generated during the observed three-year period.

Diagram 23 – Highchairs retail trade (2015-2017)



Source: CPC calculations based on data provided by undertakings

Companies Dexy co and Aksa account for two-thirds of the market estimated in such manner, followed by Yuglob and Leto who have switched places in the third position during 2016, while the four companies combinedly account for /90-100/% of the estimated market.

[...]

Diagram 24 - Structure of the highchairs retail market (2015-2017)
[...]

Source: CPC calculations based on data provided by undertakings

Given that highchairs, in principle, can also be found in product assortment of furniture stores that are not covered by the sector inquiry, it can be reasonably assumed that said market shares are overestimated, that is, that real market shares of the above-mentioned undertakings are smaller than presented.

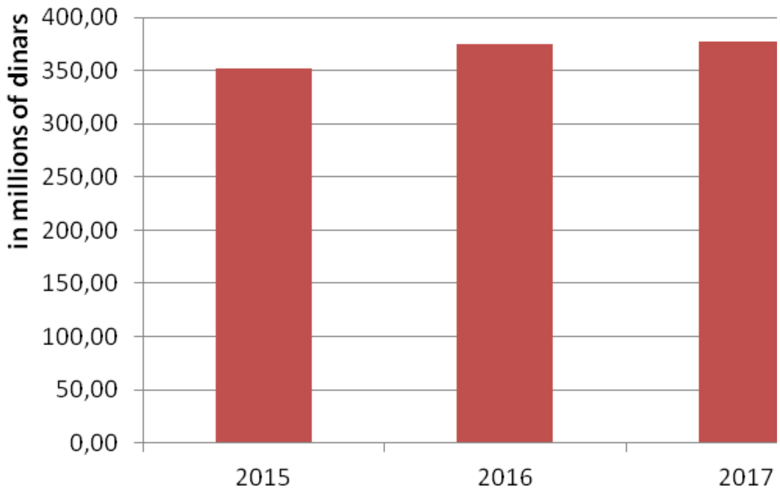
3.7. Baby and toddler clothing and footwear markets

The retail network of baby and toddler clothing and footwear is far broader than previously reviewed categories, that is, goes beyond trade chains covered by the sector inquiry. For that reason, we hereby particularly call for caution when interpreting market shares presented hereafter since it can be reasonably assumed that the market concerned is significantly underestimated, that is, that real market shares of respective undertakings are considerably smaller than presented.

3.7.1. Clothing market

The retail market of baby and toddler clothing is estimated based on the clothing sales revenue data provided by four specialty baby chain stores and six retail chains for sale in non-specialized stores, generating sales revenue in this product category. In such a manner, the baby and toddler clothing market is estimated at about 370 million dinars, with a growth rate of 7% realized during the three-year period.

Diagram 25 – Baby and toddler clothing retail trade (2015-2017)



Source: CPC calculations based on data provided by undertakings

Companies Yuglob and Aksa feature prominently among other undertakings covered by the sector inquiry, while the remaining two specialty baby chain stores, Dexy co and Leto, have negligible shares in this product category.

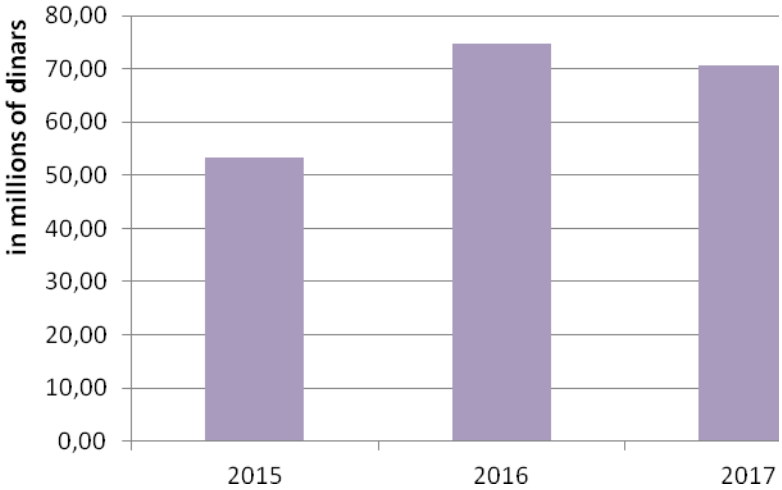
Diagram 26 - Structure of the clothing retail market (2015-2017)
[...]

Source: CPC calculations based on data provided by undertakings

3.7.2. Footwear market

The retail market of baby and toddler footwear is estimated based on the footwear sales revenue data provided by four specialty baby chain stores and four retail chains for sale in non-specialized stores, generating sales revenue in this product category. In such a manner, the baby and toddler footwear market is estimated at about 70 million dinars, with a growth rate of 32% realized during the three-year period.

Diagram 27 - Baby and toddler footwear retail trade (2015-2017)



Source: CPC calculations based on data provided by undertakings

On the market estimated in such manner, companies Aksa, Yuglob, and Dexy co feature prominently among other undertakings covered by the sector inquiry, while Leto has completely marginalized its sales in this product category during 2017.

Diagram 28 - Structure of the footwear retail market (2015-2017)
[...]

Source: CPC calculations based on data provided by undertakings

As earlier indicated, the estimated markets of clothing and footwear are only a part of the total market where, in addition to the surveyed undertakings, globally renowned fashion industry chains are also very active, offering baby and toddler clothing and footwear as part of their product assortment, as well as domestic manufacturers of said product groups. Some of the globally renowned retail chains offering these products as part of their product assortment in retail stores in Serbia are Zara, H&M, Lindex, Benetton, Ciciban, etc. Also, listed below are some of the domestic manufacturers of children clothing and footwear, members of the Association of local manufacturers of children clothing and footwear, namely: ALFATEX Loznica, BAMBINO Užice, BEBA KIDS Beograd, JASMIL Arilje NO-NO Club Beograd with manufacturing plants in Aranđelovac, PANTER Beograd, PIROĆANAC Arilje, STIG Novi Pazar, TWINS Novi Sad, WOLF Beograd, Valentino kids, Kragujevac, and domestic footwear manufacturers BAMBINO Debeljača, BENAK Ada, BN-BOS doo Beograd, GREY Stara Pazova, GRUBIN Stara Pazova, PAVLE, Bela Palanka, and VUMO Ugrinovci.

4. Analysis of Contractual Relations in the Supply Chain

The analysis of relations between undertakings in the supply chain was one of the objectives of the sector inquiry. Agreements concluded between undertakings that are collected on that occasion are reviewed, while results have indicated that some agreements contain resale price maintenance clauses. In that regard, several antitrust proceedings are instituted against a large number of undertakings. At the time of drafting this report, all related proceedings were pending. For the reasons indicated, the sector inquiry did not continue engaging in the analysis of said agreements, which are the subject of antitrust proceedings.

5. Conclusions and Recommendation

For the sector inquiry purposes, eight narrower market segments within a broader baby product market are identified. They relate to products considered essential after the childbirth, subject to the VAT refund policy (baby formula products, diapers, strollers and prams, cribs, car seats and highchairs). In addition to these six product categories, the inquiry also covered two additional categories – clothing and footwear (0-36 months of age). All covered product categories are mainly or entirely imported. In the case of particular product categories where data on imports were not available or have offered a limited use value, the analysis was focused on retail market as the final link in a chain of supply to final consumers. When estimating the size of individual markets, data on the value of imports and wholesale revenues generated by the largest importers and/or wholesalers are taken into consideration, as well as data on retail sales of seven specialty baby chain stores, ten retail chains for sale in non-specialized stores and two drugstores.

The infant formula market is estimated at about 1.5 billion dinars per annum, with an average annual growth rate of about 5% during the observed three-year period. Around /90-100/% of the infant formula market relate to products of foreign origin, while the sole domestic producer Impamil holds [...] share in this market of about /0-5/%. The major importer and wholesaler of baby formula products is Kibid with brands Aptamil and Bebelac, covering around /40-50/% of the wholesale market, followed by Pharmaswiss with brand Humana, whose share [...], amounting to around /20-30/%. The major undertaking on the infant formula retail market is Aksa with an average share during the three-year period of /10-20/%. During 2016, Lilly and Delhaize switched places in the second position with an average share during the three-year period of /5-10/%. Undertakings operating on the infant formula retail market covered by the sector inquiry combinedly accounted for about 40% of the total infant formula retail market, while the remaining 60% is placed on the market through other channels.

The disposable baby diapers market is estimated at about 4.6 billion dinars per annum. This market is fully import oriented. Convincingly the largest importer and wholesaler of baby diapers is Nelt with brand Pampers, with [...] share amounting to /70-80/%. The major baby diapers retailers are Delhaize (10-20/%) and Mercator (10-20/%), followed by Aksa, Lilly, and DM whose individual market shares are about /5-10/%, while individual market shares of other undertakings do not exceed 3%. Baby diapers retailers covered by this inquiry combinedly account for about 55% of the total baby diapers retail market, while the remaining 45% is placed on the market through other channels.

The baby stroller and pram market is estimated at about 500 million dinars per annum. This market is also fully import oriented. The largest baby stroller importer during all three observed years is Keprom with market share [...] in the three-year period averaging at /20-30/%, followed by Baby shop, Yuglob, and MCG Group, while the four importers combinedly account for around two-thirds of the market. Four specialty baby chain stores - Aksa, Dexy co, Yuglob, and Leto, feature prominently on the baby stroller market with a combined market share of about 50%.

The cribs market is estimated at about 100 million dinars per annum, which represents a considerably underestimated market value given that this product can be also found in product assortment of specialty stores offering other household furnishings, as well as that the product can also be custom-made. Four specialty baby chain stores - Aksa, Dexy co, Yuglob, and Leto, feature prominently on the cribs market with a combined share of about /90-100/% of the market estimated in such manner.

Relative to the observed eight market segments, **the car seats market** has recorded the highest 3-year growth rate of 40%. This market is fully import oriented. The major importer is Keprom with a share of about /20-30/% in the total imports. The car seats retail market is characterized by relatively stable market structure, with slight changes in market shares observed during the three-year period, while Aksa and Dexy co account for around two-thirds of the estimated market.

The highchairs market is estimated at around 90 million dinars per annum, which represents an underestimated market value given that highchairs can also be found in product assortment of other retail store categories not covered by the inquiry. Two undertakings, Dexy co and Aksa, feature prominently on the market estimated in such manner, combinedly accounting for around two-thirds of the estimated market.

The baby and toddler clothing and footwear markets covered by the inquiry are significantly underestimated relative to the real volume of said markets since, in addition to undertakings covered by the sector inquiry, globally renowned fashion industry chains are also very active, offering baby and toddler clothing and footwear as part of their product assortment, as well as domestic manufacturers of said product groups. Accordingly, presented market shares of undertakings covered by the sector inquiry are significantly overestimated and do not reflect the real structure of said markets.

When preparing the sector inquiry, **agreements between undertakings** are collected, after which was determined that some agreements contain resale price maintenance clauses, representing grounds for opening several antitrust proceedings pursuant to Article 10 of the Law on Protection of Competition. Having regard to the fact that at the time of drafting this report all proceedings were pending, the sector inquiry did not continue engaging in the analysis of said agreements.

Noting the observed market trends, the Commission hereby issues a **recommendation** to all undertakings active on the market concerned to bring in line their business conducts with competition rules and principles.

Considering the significance of the market concerned, against the background of free market access and free price system, and also the existing market structure, the Commission will continue to monitor the behavior of undertakings on the market concerned with due care and analyze circumstances potentially indicating the infringement of the Law on Protection of Competition.