

Paving the way for foreign retail

If the person wants to sell, he will get back to me.

BY PETRA BREYEROVÁ

The Czech retail market would probably be a lot sparser if it were not for **Harbis Group International**. The retail consultant has helped dozens of mainly German and Austrian retail chains enter the local market. Most recently, Harbis Group assisted Austrian furniture and home accessories chain **XXXLutz**, which is planning to open five stores in the Czech Republic, two of them in Prague, this year. Robert Harmath, the director and co-owner of Harbis Group, and XXXLutz's representatives are now finalizing preparations for the expansion.

Another urgent task for Harmath is to pave the way for the expansion of already established Italian hotel chain **Falkensteiner Hotels&Resorts**. The chain, which operates four hotels in the country, is planning to open seven or eight more hotels this year.

Harmath's business is currently experiencing a boom following EU entry, as many retail newcomers are pouring in and others have plans to do so. Harmath recalls a similar inflow of clients happening in the late 1990s, shortly after Harbis Group was set up.

Harmath's first large client, which helped the company find its feet, was grocery chain Eurobilla (now **Billa**, part of the **REWE** group). Eurobilla's owner, Karl Wlaschek, directed Harmath to find six locations for the chain's first stores and negotiated with owners over the land sale conditions. As Harmath has known the local market for almost 30 years, he didn't find the task too difficult. At the same time, Harmath helped drugstore chain **dm-Drogerie-Markt** open its first stores and was also employed by German retailer Kaufland. For Kaufland, Harmath helped with marketing and finding suppliers. Other companies that have used Harmath's services include do-it-yourself chain **Hornbach**, shoe retailer **Humanic** and, most recently, Austrian furniture newcomer **Leiner/Kika**.

Harbis Group is also active abroad. For example, the company founded locations for **OMV's** gas stations in Zagreb, Croatia, and for stationary retail chain **Pagro** in Slovakia.



Harbest director Robert Harmath knows the terrain

The fed-up Trump

But business was not always as sweet as it is now. In the early 1990s, Harmath lost 3 million Deutsch Marks in an unsuccessful retail venture. He built a warehouse in Brno, and sold toys and drugstore products but failed to attract enough customers "as the market was too immature for this," he said. "I do not regret [launching the business]; it was a worthwhile experience."

What makes him more frustrated is the still-underdeveloped business culture in the Czech Republic. "Always, when all the negotiations are finished and we are about to sign the deal, I hear the word 'but' ... [as in,] but there is a problem." After the person makes sure that a foreigner is seriously interested in the deal (a plot of land, for example) and is ready to pay, he or she immediately tries to get more money. "This is rather annoying, as it brings the negotiations right back to the beginning," Harmath said he has now learned the lesson and sometimes walks away from a deal when he hears "but..." He said, "If the person wants to sell, he will get back to me."

With some bitterness, Harmath still remembers the time when he and his partner Allan S. Bisk, now based in the U.S., participated in a tender to buy the **Český Rozhlas** (Czech Radio) building on Vinohradská street in Prague for millionaire U.S. businessman Donald Trump in the late 1990s. Harmath said they officially won the

tender but a day later the organizer canceled the result. "[Trump] got fed up and left the country," he said.

Austrian-born Harmath, 57, reckons the Czech business environment and practices are still in a formative stage and it will take at least 10 years to reach Western European levels.

On the local market, he said it's still important that his company serves only professional and transparent companies. "These companies can't afford to provide any money under the table [to evade taxes] and act unethically, while some others do," he said.

Communist experience

Harmath has lived in Prague since 1997, but he first came to the city during the communist era. In the early 1970s, he worked for **Addidas** and came to Prague as its representative to penetrate the state-run market. A few years later, he set up the now-defunct Harco company, which was among the pioneers assisting international retailers — such as ski equipment producer **Rossignol**, the **Revell** toy producer and household appliances producer **Moulinex** — enter the former Czechoslovakia. At the time, Harco had branches in Paris and New York and supported its clients' expansions into Poland, Hungary, Bulgaria and Russia.

Harco's activities came to a halt with the Velvet Revolution in 1989,

when retailers no longer needed the company's services to broker deals with the state authorities. "It was a milestone for my business," Harmath said. Being a grandchild of Czech citizens and knowing the market well, Harmath decided to stay in the country and find a way to use his experience. Another reason for staying here was the fact that, at the time, Czechoslovakia was the only place where bank payment transactions worked effectively in Central and Eastern Europe, he said. "Quick and correct money transfers are essential for doing business." ■

SECTOR: Retail consultancy

OWNERSHIP:

Robert Harmath, 50 percent and Allan S. Bisk, 50 percent

TYPE OF COMPANY:

Limited liability

FOUNDED: 1997

NUMBER OF EMPLOYEES: 4

MAIN COMPETITORS: None

THE ELEVATOR PITCH:

Helped dozens of mainly German and Austrian retail chains enter the local market. Now, the company is assisting newcomer furniture chain XXXLutz to open its first store in the country and is helping the Falkensteiner Hotels&Resorts chain to expand.