



## **Kyrgyzstan: Retail Market, Focus on Bishkek**

**October 2007**

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### **SUMMARY**

This report describes the distribution channels and development of the Kyrgyz retail market, as well as the general tendencies and trends in the Kyrgyz retail trade. Primarily this report focuses on the capital of Kyrgyzstan – Bishkek, since as it is noted further in the report, half of all retail trade occurs in Bishkek. This report also outlines some business opportunities for U.S. companies in the Kyrgyz retail sector.

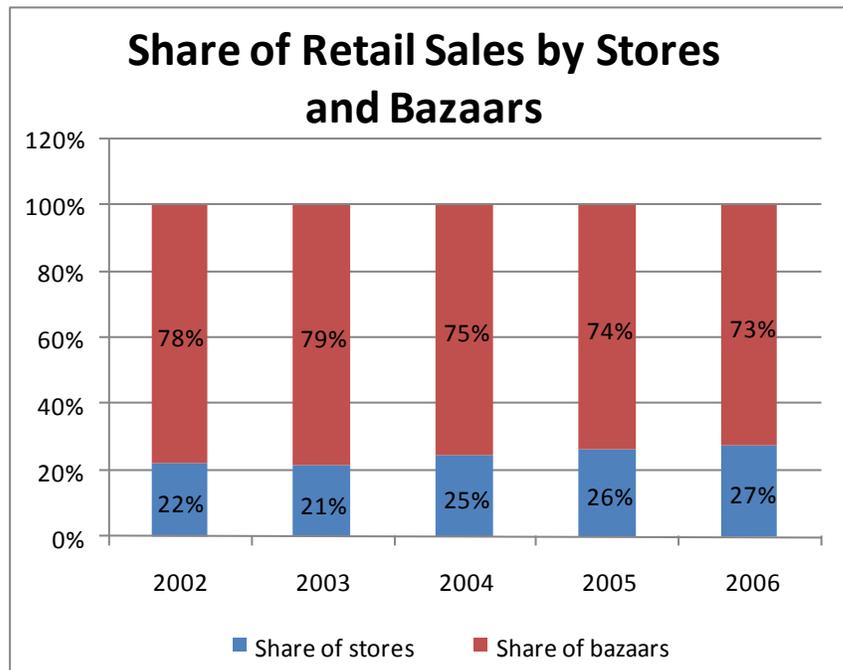
### **RETAIL MARKET OVERVIEW**

Kyrgyzstan, as a small Central Asian country with a population of a little over 5 million people, cannot boast of the rich natural resources of its neighbors. Nevertheless, Kyrgyzstan has gained an advantage in terms of trade. Kyrgyzstan's border with countries like China and Uzbekistan permits Kyrgyz traders to bring goods from these countries to Kazakhstan, Russia and other former Soviet countries. Membership in the World Trade organization (WTO) and trade agreements with Commonwealth of Independent States (CIS) countries make Kyrgyzstan a useful transit point for moving goods from China to Kazakhstan, Russia and other states. Plus such trade benefits the domestic market.

In the 1990s, the most commonly accepted means of retail distribution was through open markets, or bazaars. Historically and traditionally, open markets have been the place where most people shop. As in any society, world trends influence life and that is why for the past seven years, the Kyrgyz retail market, especially in Bishkek, has changed significantly.

For the past five years, the overall retail market trade turnover grew 22-25% a year, and amounted, according to official statistics, to \$1.7 billion in 2006. The official monetary value of retail trade is usually considered an unreliable figure, because many transactions are not officially recorded. The real figures may be much greater. Nevertheless, the tendency is usually more or less accurate. Close to half of all retail trade occurs in the Kyrgyz capital – Bishkek. Bishkek also hosts the most rapidly developing modern retail market outlets. According to the

National Statistics Committee, 831,700 people live in Bishkek. But given the unregistered nature of many residents, the actual population is estimated to exceed one million people.



Source: National Statistics Committee

**Graph 1. Share of Retail Sales by Stores and Bazaars in Kyrgyzstan**

Since 2002, the number of bazaars has decreased from 420 in 2002 to 390 in 2006. The number of shops, supermarkets and malls has increased. Lately consumers have expressed a preference for buying goods in places with nice service, a pleasant atmosphere, and close proximity to home. That is why lots of grocery store chains and shopping centers have opened during the past five years. Nevertheless, a huge share of the retail trade still remains at bazaars. Bazaars will probably remain dominant, even with a lower market share, for the near future.

The role of big shopping centers or malls has changed dramatically since 2000. During the past seven years, conventional shopping centers where people go to buy a certain item are being eclipsed by entertainment centers, where there are many options – grocery stores, boutiques, food courts, movie theatres, ice-skating rings, etc.

The most common distribution channels of the retail market of Kyrgyzstan are:

1. Bazaars (open markets)
2. Grocery Stores
3. Shopping centers (malls)
4. Small kiosks and shops
5. Specialized Stores

### **Bazaars (open markets)**

Bazaars are very common all over Central Asia and usually combine sale of both food and non-food products. Kyrgyz bazaars cover over 70% of the retail market. In Bishkek, however, greater numbers of people are choosing supermarkets over open markets.

There are four major bazaars in Bishkek. They include Dordoi market, Osh bazaar, Orto-Sai market, and Alamedin market. Dordoi market primarily specializes in apparel, but also combines all kinds of other consumer products, including food products. Osh bazaar is a major open market for food products, but also combines other consumer goods. Other markets are a mixture of food and non-food products. These bazaars range in size from 7.5 hectares (Alamedin bazaar) to 55 hectares (Dordoi market).

A market like Dordoi directly employs 25,000 people. Most of the products sold at this market are apparel and shoes made locally and imported from China. Locally made apparel products are increasing their market share. Approximately 80% of all the products sold at this open market are exported to Kazakhstan, Russia, Uzbekistan, Tajikistan and other countries. That leaves about 20% of the products for local retailing. Traditionally, Dordoi market has been considered and is still considered to be the place to buy affordable apparel and shoes. Nevertheless, according to the specialists and traders themselves, the retail trade is gradually shifting towards shopping centers, making retail trade at the bazaar less profitable, and wholesale business more attractive.

### **Grocery Stores**

Modern grocery stores only started to appear in Bishkek in the late 1990s. Previously, poorly managed small stores predominated. Today the city of Bishkek has several chains of grocery stores. Bishkek residents have come to prefer the convenience of one-stop shopping over shuttling between various bazaars.

The biggest and most popular chains of modern grocery stores are listed below.

<b>Grocery Store Chains</b>	<b>Number of stores</b>
Narodny	28
Stolichny	3
7 Days	3
Ramstore	1
Beta Stores	1
<b>Total</b>	<b>36</b>

**Table 1. Grocery Stores in Bishkek**

All of the above-mentioned stores use bar-code scanning purchase system. All of them accept most commonly accepted local and international credit and debit cards for purchases. Narodny chain of grocery stores has the biggest coverage of all residential and business areas of Bishkek, and has even expanded its operations into the provinces with stores in Osh, Jalal-Abad, Kant and Tokmak. Ramstore, a Turkish chain widely popular in Moscow, opened its first store in Bishkek in August 2006.

## Shopping Centers

Big shopping centers have been developing quite rapidly for the past few years. Although ZUM (Central Universal Store) existed in Bishkek even during the Soviet Union, it did not add anything new in the industry of retail trade during the 1990s. In 1999 Turkish investors introduced a brand new shopping center, combined with a big modern grocery store and restaurant, under the name of Beta Stores. For about four years it was the only new shopping center in Bishkek. In 2003, Dordoi Plaza (which is different from Dordoi bazaar) opened. Dordoi Plaza combined a business center, a large grocery store and a new shopping center with a kids' playground. It also has a 500-car parking lot.

In the past few years, there have been several additional shopping centers opened. Vefa Center introduced a huge food court, with multiple cafes and restaurants, as well as a two screen Dolby Digital movie theatre. Tashrabat, which will open in November 2007, will offer ice-skating in addition to all other common attractions. A 28,000 square meter megamall named Riom will open in Bishkek in 2008, and promises to be the center of all entertainment and shopping in Bishkek.

Major Retail Stores	Gross Leasable Area (sq.m.)	Rental rate MIN (\$\$/sq.m)	Rental rate MAX (\$\$/sq.m)	Year of opening
Zum	7000*	\$ 25.00	\$ 45.00	Soviet Union
Beta Stores	6000*	n/a	n/a	1999
Dordoi Plaza	8000	\$ 25.00	\$ 40.00	2003
Kids' World (Silk Way)	3000	\$ 15.00	\$ 25.00	2004
Vefa Center	7220	\$ 30.00	\$ 40.00	2006
Caravan	5200	\$ 25.00	\$ 25.00	2006
Tashrabat	6000	\$ 30.00	\$ 40.00	2007
Riom	26416	\$ 30.00*	\$ 40.00*	2008

Source: BISNIS research

\*- Estimated

### Table 2. Major Shopping Centers of Bishkek

The number of new malls and the nearly 100% occupancy rate of these malls prove the high demand for space in these centers. Above all, tenants are willing to pay even higher rental prices. Actual rental rates, depending on location in the mall, can be up to twice the amount indicated in the table above. The initial tenants often sublease space to other tenants for higher prices. There is an option of unofficially "buying" the space from the initial tenant in major trading centers, but this only results in the second party becoming the primary tenant. The occupant will not own the space in the mall.



Source: BISNIS research

**Graph 2. Growth of Retail Space at Major Shopping Centers in Bishkek**

Graph 2 shows that big shopping centers are growing rapidly. This growth will likely continue as there are several shopping centers being planned or under construction.

### **Small kiosks and shops**

Small kiosks and shops will probably always be popular, since there are always places in town where big grocery stores, shopping centers or bazaars are not located. That is why such small stores, usually owned by one single family, will exist. It is likely, that this segment will not expand greatly in coming years.

### **Specialized stores**

Big specialized stores in Kyrgyzstan are not very common, although this industry is just starting to grow. The first example of such store is Kids' World, which was previously the Silk Way shopping center. There are, of course, specialized stores for decorative items, construction materials and furniture, but these goods are not quite consumer goods. Recently, a medium-size four storey store opened in the center of Bishkek, which is exclusively devoted to computers, cell phones and some other electronics. American DollarStore plans to open its first store in Bishkek in the near future. This store will introduce an absolutely new concept for Kyrgyz people – a shop where price is known upon entry. Other specialized retail outlets have not yet developed here.

## **OPPORTUNITIES FOR US COMPANIES**

### **1. Specialized store**

As mentioned earlier in the report, the specialized store market is not very well developed and is only in its infancy. That is why there is a possibility of building a specialized store with excellent management and marketing. One possible area is consumer electronics.

### **2. Franchising**

Retail trade of apparel and shoes is the leading category of retail trade. Many traders are willing to buy a franchise to sell famous apparel and shoe brands.

### **3. Management Services**

With the growth in competition among shopping centers, the need for good management is expanding accordingly.

### **4. Architectural design and engineering services**

Rapid development of modern retailing brings the need for attractive, ambitious, and safe buildings.

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