



Alza Group

The Challenges of Legal Compliance at Alza

Alza Group

- Czech e-commerce leader with more than 25 years of experience, operating also in SK, HU, AT, and DE
- Our space is very competitive, including competition from both global and local players
- The customer experience is crucial for us
 - 70 % of complaints resolved within 24 hours
 - Average time to resolve a warranty claim = 9 days
 - 60 % of warranty claims resolved immediately
 - 90 % of payments returned in 24 hours
- **Our goal is to bring positive customer experience from the Czech market to other customers in the EU**

Some examples of our legal challenges I

- **„Free“ market within EU and various legal interpretation**
 - „Four freedoms“ (*the free movement of goods, capital, services, and people*) do not work fully in reality
 - We have to deal with transfer pricing issues, local tax specifics such as covid tax etc.
 - Often even simple legislation and the interpretations of EU member states are different
- **Warranty rules**
 - The statutory warranty rules are different across the markets
 - Alza provides 2 years warranty in Hungary for products that would be eligible for only 1 year warranty according to the Hungarian law, but 2 years under Czech and Slovak law
- **Omnibus**
 - Implementation of the Omnibus Directive (Directive 2019/2161) took a lot of IT resources and affected a large part of the internal system
 - The implementation may differ within the EU member states and we expect there will also be discrepancies between the interpretations of the various state agencies

Some examples of our legal challenges II

- **UCP and the consumer's consciousness**
 - The same directive (UCP Directive 2005/29/EC) was adopted in all EU countries where Alza operates, but the enforcement activity of the authorities greatly differs
 - Authorities in CZ and SK more commonly accept explanations of the companies for certain practices than to initiate formal proceedings
 - The consumer behaviour is also different, for example in CZ and SK, the customers usually contact the seller directly to resolve any issues and contact the authorities only when they are not satisfied with the resolution, which is rare
 - A company such as Alza, present in multiple countries, faces quite high compliance challenges due to the non-uniform approach from various national agencies and is not able to rely on experience from other markets
 - Companies have to adapt to the atmosphere on the local market even though the legislation is unified on the EU level

How we handle legal challenges

- **Our general approach**
 - We always try to comply with all legislation and regulation
 - Our legal team of advisors is coordinated from Prague, where also all the relevant business decisions are made
 - Local offices in SK and HU are quite small, yet important for us to understand the local market and organize local business effectively
- **Launching new markets**
 - Prior to launch, research the market and its environment
 - Find the right local experts to be engaged, such as legal, tax and other advisors and establish cooperation
- **A successful market expansion must be compliant with local legislation**

Alza's cooperation with the authorities

- It is always the policy of Alza to cooperate as much as possible and have a good relationship with the authorities
- A fine example of the cooperation with authorities is the case No Vj/16/2020 with the GVH
 - Alza compensates consumers affected by its practice (e.g., showing the number of products sold during last day/week in a misleading way) with HUF 3000, and follows a very strict one year communication plan in order to let the consumers know what happened and that they are eligible for a voucher and how to use it
 - Prior to the acceptance of the package a long negotiation process took place, which was performed in a very respectful manner from both sides
 - We are pleased with how the communication with GVH went and that we found a reasonable solution that served the best interest of the Hungarian consumers
- We hope that we will not have to face further proceedings in the future. However, in real life, not everything always works 100 %
- **We do our best to avoid any issues, but when they come, we make sure they are resolved in a way that benefits the customer, because it is the only way for a sustainable business**

THANK YOU

Martin Němeček

martin.nemecek@alza.cz

