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INTERNATIONAL

✓World GNP : estimated growth for 2003 according to the World Bank.

Rank	Regions	GNP
1	East Asia/Pacific	6.1%
2	South Asia	5.4
3	Middle East/North Africa	3.5
4	Europe and Central Asia	3.4
5	Sub-Saharan Africa	3.2
6	USA	2.6
7	OECD countries	2.1
8	Euro Area (*)	1.8
9	Latin America/The Caribbean(*)	1.8
10	Japan	0.8

Source : World Bank's Global Economic Prospects 2003 * same GDP for 2 regions

✓Xmas online sales increased by 44% in the U.S. according to the Nielsen/NetRatings institute. However, they will account for 1.4% of the total retail sales only during the last quarter from 1.3% a year ago announced Retail Forward.

In the same time, traditional retail store sales grew by 4% only. Thus, Wal-Mart, the world's largest retailer, reported it had lowered its December same-store sales forecast once again. Comparable-store sales are now likely to increase 2 to 3% from 3% to 5% previously forecasted.

In Europe, online sales during the same period would grow by 86% to ∈ 7.6 billion according to Forrester Research. In U.K, in November they increased by 95% to ∈ 1.6 billion from November 2001 while traditional retail store sales increased by 6.1%. In France, « During the holiday season online sales would grow as much as during the first 9 months of the year. They were excellent and grew by 60% in volume" according to the association for Online Retail and Services. They account for 6% of the French Railway Network sales, almost 7% of some Mail Order firms and between 18% and 19% of flower sales. » Fnac.com reported that « The number of daily orders has tripled even increased fourfold compared to a normal period. »

✓Auchan to sell 5 shopping centers and hypermarkets in Mexico.

The French retailer and Controladora Comercial Mexicana (CCM) signed two letters of intention concerning :

- the sale by Auchan of its shopping centers and hypermarkets located in Mexico (4) and Puebla (1) that will keep the Auchan banner during a limited period,
- a potential cooperation with the international central buying group of Auchan.

CCM, one of the leading retail groups in Mexico with 214 stores under 5 different formats, will expand its investments in the country. It is also owner of a 47-restaurant chain and signed an agreement with the American Costco in order to operate office equipment and supply stores under this banner in Mexico.

Moreover, the French group has decided to close its 2 hypermarkets located in Houston (Texas, USA) over the next 3 months, as « Competition gaining more strength in the region since the past two years totally limits the expansion prospects of both stores that are losing money » announced a company's press release.

Auchan has decided to focus on its priority developing areas: Europe (including Poland, Hungary and Russia) and Asia (China and Taiwan).

EUROPE

✓Shopping center deals and expansion.

In 2002, « Very low numbers of shopping centers have been traded. » Most activity happened in Italy, Spain and France. The Dutch led the way in

European centers and Rodamco, ING and Eurocommercial remain to be the big buyers. Klépierre is the largest retail buyer and owner with over 200 centers in Europe.

According to CB Hillier Parker, for the past 3 years, retailers have been big sellers, putting real estate out of their balance sheets. Private owners, small property firms, local authorities and institutions have also been selling.

« Buyers are companies that have built up specialist portfolios (Klépierre) or those with partly specialized portfolios (Corio). Institutions think that retail is too specialized for direct investment. »

Yields have been stable: 6% in France, Italy, Germany and Austria and even higher in Spain.

years	number sold	value (∈ m)	average size (∈ m)
Continent :			
1999	64	2,958	46
2000	191	4,111	22
2001	41	2,463	60
2002 (to end June)	20	1,600	80
total	316	11,132	35
U.K:			
1999	70	5,530	79
2000	59	2,923	50
2001	66	2,891	44
2002 (to end June)	45	2,795	62
total	240	14,139	59

Source : CB Hillier Parker/Europroperty

According to Cushman & Wakefield, Poland should register the largest mall development over the next two years with 1.7 million sq.m of new shopping space.

As the country will integrate the European Union in 2004, developers expect a strong growth in spending power to attract retailers to these centers.

Spain should be the second most active country with 1.5 million sq.m to be completed over 2004 followed by U.K with 1.1 million sq.m.

Overall, Europe will have a 9 million sq.m new shopping center space by the end of 2004.

✓Freeport is working on two European projects.

Freeport, that operates 6 outlet centers in U.K, began work in July 2002 on two European projects : construction is under way on a 240,000 sq.m project in Excalibur, on the Czech-Austrian border, whose opening is set for May 2003. Some 10 million people cross the border annually and 2.6 million inhabitants live within one-hour drive. In September, it was already 49% pre-leased.

The second project, that represents a US$ 100 million investment, is located in Portugal, in Alcochete, should be opened by Spring 2004. With a 100,000-sq.m space it will be the largest outlet center in Europe.

CENTRAL & EASTERN EUROPE RUSSIA

✓METRO to open its first Real hypermarket in Moscow by end of 2003.

The German retail group, already operating a cash & carry chain in Russia (3 units in the capital and 1 in project in St Petersburg in 2003), has signed an agreement with the Moscow Development Company in order to expand. It would have already invested £ 600 million (∈ 923 million) in the country.

In the third quarter, Metro Group sales grew by 7.2% driven by international sales up 10.6%. In Germany that still suffers from the lagging economic situation, sales increased from 45.3% to 46.8% of the total. In the first nine months of the year, Group sales grew by 4.7% and by 4% to ∈ 51.5 billion in the whole year 2002.

✓MEGA, the family shopping and entertainment center.

The first unit of the new generation of shopping centers, built by the Swedish company Ikea was opened on December 12th, 2002 (cf.LLDI October 2002) in a 150,000 sq.m space and 53 hectares in the Kommunarka suburbs of Moscow.

The first phase includes 200 retailers and restaurants :
- a hypermarket of the French group Auchan (31,000 sq.m),
- Ikea (31,000 sq.m),
- an Obi DIY big box store (16,000 sq.m), the first unit under this banner in Russia,

- Technosila, a consumer electronics unit (5,000 sq.m),
- a franchised ready-to-wear Zara store to be opened in a 1,800 sq.m space this coming spring by the Finnish Stockmann,
- an eleven-screen Kinostar cinema complex with more than 3,000 seats will be opened beginning 2003, as well as an ice-skating rink,
- 8,000 parking spaces,
- Ikea Russia is in charge of the financing and management.

« Mega » is designed as a theme center (fashion, family, home…). US$ 675 million total sales are forecasted.

WESTERN EUROPE

BELGIUM

✓DELHAIZE LE LION : 2002 sales.

In the whole year, Group sales declined 3.3% to ∈ 20.7 billion from 21.4 billion a year ago. This is due to the weakening of the U.S dollar, weak sales at Food Lion and Kash n'Karry and the closing of Super Discount Markets in the fourth quarter of 2001.

In the 4th quarter of 2002, sales of Delhaize Group amounted to ∈ 5.0 billion, a 8.4% decline compared to 2001. This reduction was significantly impacted by a sharp weakening of the U.S. dollar by 10.4% compared to the euro.

Organic growth of the group was 2.1% in 2002 and 0.4% in the fourth quarter of 2002. At the end of 2002, the group operated 2,520 stores and total net selling area increased to 5.2 million sq.m.

FRANCE

✓Carrefour : sales in the fourth quarter and in the whole year 2002..

During the 4th quarter, Group sales including VAT grew by 6.3% at constant exchange rates. After impact of exchange rates (-8.0%) they fell 1.7%.

In the whole year, they increased by 4.5% to ∈ 76.777 billion. After impact (-6.1% on annual basis), they declined 1.6%.

During the year, it opened 41 hypermarkets, 43 supermarkets and 228 hard discounts. At the end of 2002, it operated 9,633 stores that generated ∈ 86 billion commercial sales.

Moreover, **Carrefour is to sell its 55 auto centers to Feu Vert.** Opened since 1993, the centers, specialized in auto accessories, maintenance and repair, and located in the parking lots of its French hypermarkets, will generate ∈ 142 million sales. The operation should be effective in the first quarter 2003.

Feu Vert, the French leader of auto-centers, operates 250 units in France, 60 in Spain and 5 in Poland. It generated ∈ 550 million sales in 2001. 62% of its capital is held by the Monnoyeur group and 38% by Casino.

✓PPR : finalization of the sale of the credit and financial services division.

The Pinault-Printemps-Redoute has now completed the sale announced on December 20, 2002 that it has sold 90% of Facet (Conforama's card business) to Cetelem, the leader in the consumption credit, and a subsidiary of the BNP Paribas bank and signed the final agreement regarding the sale of Finaref to Crédit Agricole SA. The transaction of this last operation will take place in two phases : 60% in January 2003 and 29% in January 2004.

The PPR group will retain a 10%-stake in Facet and Finaref. The total underlying value of the businesses that have been sold exceeds ∈ 3.6 billion. The group will thus be able to reduce its debt to 44% of net worth by end of 2002 compared to a 70%-previous estimation.

Moreover, PPR added 0.9% of to its stake in Gucci Group between October 17 and December 23 for ∈ 98.5 million boosting it to 54.1% of outstanding shares. The French department store group has pledged to buy all shares of the luxury good powerhouse Gucci it doesn't own for US$ 101.5 each in April 2004. The operations cut the size of the amount due by about US$ 111.4 million.

GERMANY

✓TENGELMANN : the international activity is the vehicle of the expansion and accounts henceforth for 56% of group sales.

The German retailer (7,000 stores in 14 countries) and its subsidiaries Plus, Obi and Kik have generated sales growing by 7.3% to ∈ 28.48 billion (£ 18.16 billion) for the year to June 30.

Total sales of the Plus discount stores increased by 19.3% to ∈ 2.1 billion (£ 1.34 billion) in Eastern Europe while the store count jumped from 788 to 858. In Spain, Plus expanded strongly with 25 recent new units.

Obi (DIY) operates 111 stores outside Germany and 342 in its home market. Sales grew by 7.1% to ∈ 4.45 billion (£ 2.84 billion). Tengelmann estimates that its expansion potential at 100 stores in China within 10 years.

Kik, the apparel discounter, generated sales that grew by 10.4% to ∈ 501.8 million (£ 319.9 million).

In North America, A&P sales grew by 3.3% to US$ 10.97 billion with 769 stores including 235 in Canada.

NETHERLANDS

✓Ahold to divest Dutch subsidiary De Tuinen.

The international food retailer and foodservice operator announced its intention to divest De Tuinen, a chain of 65 natural product stores located throughout the Netherlands.

Ahold and NBTY, a U.S. publicly held company, have signed a letter of intent whereby De Tuinen will be sold to Holland & Barrett Europe Ltd, the NBTY's British subsidiary, for ∈ 16.5 million. The transaction is subject to the customary approvals by regulatory authorities and is expected to be completed in the first quarter of 2003.

De Tuinen, with sales of ∈ 30 million, has been part of the Ahold group since 1991, and offers over-the-counter drugs, dietary supplements, gift items and natural beauty care products.

Holland & Barrett runs 1,000 stores of dietary supplements in the U.S.A, Great Britain and Ireland

The divestment of De Tuinen fits within Ahold's strategy of focusing on its core businesses.

In the 4th quarter, Ahold's sales rose 0.3% to ∈ 16.9 billion. Organic sales growth was 2.5%. Consolidated sales in Euros have been negatively impacted by the lower exchange rate of the U.S dollar and, to a lesser extent, by the devaluation of the Argentine Peso and the Brazilian Real. Sales 2002 rose 9.2% to ∈ 72.7 billion.

SWITZERLAND

✓COOP has bought a 40%-stake in the capital of EPA, owner of 10 money-losing Waro supermarkets located in the French-speaking Switzerland.

The operation is financed through divestments in real estate and from internal funds. Coop, Switzerland's second largest food retailer, decided to buy Waro in order to open 4,500-sq.m hypermarkets over the next five years. If Coop had bought land the project would have been more expensive furthermore they would have to wait for building permits.

Coop reported FS 12.210 billion sales in 2001. They should grow by at least 2% in 2002 with 1.180-million sq.m space.

At the end of 2002, **Migros,** the largest Swiss food retailer, operated stores totaling 1.075 million sq.m and generated FS 13.44 billion sales.

UNITED KINGDOM

✓Kingfisher : trading statement for third quarter ended 2 November 2002.

Retail sales grew by 9.8% to ∈ 4.2 billion and like-for-like sales were 2.1%. Retail profit increased by 15.7% to ∈ 282 million.

The DIY activity was highly performing as the operating profit grew by 28.7% to ∈ 238.9 million including ∈ 70.72 million generated in France (up 15.2%) behind U.K (∈ 138.60 million) while the electrical and furniture Kesa declined 24% to ∈ 46.20 million.

The group is still thinking about listing Kesa during the first half of 2003 but is also considering selling this activity by branch in order to focus on DIY. Under these conditions, Kingfisher announced that it wanted to close its German subsidiary, Castorama Deutschland GmbH, it has been operating since 1990 : a ∈ 8 million loss on ∈ 64 million sales should be registered in the current year by 6 money-losing stores.

✓Sainsbury opened Savacentre at the end of November 2002 in the suburbs

of London in order to answer to the discount competition.

This new retail store concept sells a wide choice of high-margin general merchandise such as TV and other consumer electronic items, CDs and DVDs, toys, cookware, children's wear and some new lines for men's and women's with a large price choice in order to offset the reduced margins in the grocery and perishable departments.

In addition, Sainsbury offers a full range of its more high-end private labels such as « Taste the Difference » in food as well as other major national and international brands. It aims to attract family customers with a good food choice at value price in addition to popular general merchandise.

Sainsbury adopts the Every Day Low Price positioning on 2,500 to 3,000 items. In its advertising, it claims that it will give its customers double the difference if they find a lower price on some designated products.

Totally, on 6 Savacentres initially projected 5 have been opened. Savacentre is a familiar banner of Sainsbury as it bought a hypermarket chain under the same sign from Storehouse at the end of the Eighties.

NORTH AMERICA

UNITED STATES

✓Amazon on new tracks.

The world's largest online retailer concentrates today on partnerships and developing into a certain number of sectors to increase new revenue flows.

More than one dozen apparel-specialized retailers have been selected to launch the new « Ruby » site including Gap, Old Navy, Spiegel and Land's End, a Sears' subsidiary that will be responsible for inventories and deliveries. This prototype is similar to the already operating site with Target and Circuit City. It is an apparel « store » that looks more like a mall. Consumers can buy a whole range of gifts on one-site shopping. It is a clever operation launched at the right moment, at the end of the year, because if shoppers spend US$ 50 on apparel, they will invest US$ 30 on Amazon.com.

Amazon, that has been chasing costs, lowering operating costs by 32%, lowering CD, DVD and consumer electronic prices for two years, improved its warehouse management and offers free delivery for all orders above US$ 25 during holidays; At last, it succeeded to earn US$ 5 million on US$ 1.1 billion sales in the fourth quarter 2001. Gross margin is approximately 25% and yearly stock turns 19 times.

In the 4th quarter 2002, Amazon expects sales growing between 19% and 28% to US$ 1.3 billion and more than 10% for the whole year to US$ 3.4 billion and a pro forma operating profit of US$ 200 million. Remember that in the last 12 months Amazon generated US$ 120 million available cash flow.

Amazon.com runs 5 sites outside U.S.A (United Kingdom, France, Japan and Canada) and delivers its products to 230 countries.

✓Gross margins.

Nowadays, permanent retail promotions attract consumers always looking for the best deals. Profit margins can suffer in such an environment where they do not want to pay the normal price.The chart below shows the estimation of the annual gross margins as a percentage of sales according to the category of business.

Activities	annual margins as a % 1993 sales	annual margins as a % 2000 sales
Men's clothing stores	42.3	44.5
Furniture/home furnishing stores	42.2	44.1
Women's clothing stores	36.9	43.7
Specialty food stores	40.2	41.9
Family clothing stores	38.7	40.8
Shoe stores	42.9	40.0
Sporting goods stores	38.1	37.8
Book and music stores	38.1	37.8
Department stores	29.5	31.4
Health & personal care stores	30.9	30.3
Discount department stores	22.5	27.5
Electronics and appliance stores	28.8	27.2
Grocery stores	24.4	27.1
General merchandise stores	27.9	26.6
Warehouse clubs and superstores	17.1	16.7

Sources : US Department of Commerce, US Census Bureau, Women's Wear Daily

✓KMART : in the third quarter losses amount to US$ 383 million.

The Troy, Michigan based retailer reported a net loss that more than doubled in the quarter ended October 30 to US$ 383 million from US$ 152 million in 2001. Sales fell 16.1% to US$ 6.73 billion from 8.02 billion a year ago and same-store sales fell also by 7.6% because of 283 under-performing closing stores during the period.

Other key financial indicators for the quarter were also not favorable. If selling, general and administrative costs, in percentage of sales, were US$ 233 million lower than last year, they increased 70 points to 22.5% from 21.8%. Moreover, gross margin fell 320 points to 17% of sales from 20.2% one year ago. According to Kmart, the promotion development would be the reason.

Overall, in the first nine months of the fiscal year, Kmart reported a net loss of US$ 2.12 billion from US$ 796 million in 2001. Including the net loss from the discontinued operations it is still higher at US$ 2.16 billion. Excluding non-comparable elements and discontinued activities, the loss is more moderate (US$ 1.06 billion). Sales for the same period declined 13.4% to US$ 21.89 billion from US$ 25.27 billion and same-store sales fell also 10.2%.

Kmart (US$ 36 billion) might become a less important retailer but also more efficient while focusing on strong urban markets and on markets facing less competition.

✓ Costco expands in the home-improvement sector with the Costco Home concept.

Costco opened a 10,000 sq.m store in December 2002, in the State of Washington, which features a wide choice of upscale home furnishings including sofas, beds, tables, lighting, plants, mirrors and carpets. It will soon add a limited number of home office consumer electronics as well as expensive products such as plasma televisions.

The store looks like a warehouse with concrete floor and high ceiling but it differs through the presentation by « vignettes » (rooms are set the same way they are in a home).

Customers are able to choose between taking away their purchases or load large items onto a vehicle in a special area. Home delivery is possible at a different price from the purchase price. This new format is an attempt to find a new niche on a competitive market.

Costco is the America's largest membership warehouse chain with US$ 34.800 billion sales and 264 outlets.

✓The Home Depot announced to add 200 stores and create 40,000 jobs in 2002.

The world's largest home-improvement chain (US$ 53.553 billion) recently opened its 1,500th store in Texas (USA).

It is facing more competition from its main rival, Lowe's, that runs more than 800 outlets in 44 States and is expanding towards large markets such as greater New York.

✓ IKEA to open two stores in Philadelphia.

The city council has approved the building of two Ikea stores that will begin this spring to be completed approximately one year later. One unit will be located in a 30,000 sq.m space in the former site of a railway yard across from the waterfront inside the city of Philadelphia. The second will be the relocation of the Plymouth store, in the northeastern suburbs of Philadelphia, in the premises of an old chocolate factory of 33,000 sq.m. The project will have two anchors, Lowe's, the largest competitor of The Home Depot, and Wal-Mart.

✓J.C.Penney : profits jumped 297% in the third quarter.

Focusing on centralization, the department store firm accelerated its turnaround in the third quarter : net profit jumped 296.8% to US$ 123 million in the period ended in October 2002 compared to US$ 31 million a year ago. Excluding an after-tax sales gain related to the sale of Direct Marketing Services in 2001, profits still grew by 187.1% to US$ 89 million. Now, in the same period, a pre-tax charge of US$ 4 million was included.

Global sales grew by 1.9% from US$ 7.73 billion in 2001 to US$ 7.87 billion in 2002. « In department stores, our sales momentum demonstrates that the changes in merchandise assortments, marketing and store presentation under the centralization model are registering with the customer, said Allen Questrom, chairman and ceo of J.C.Penney. Thus Penney has been able to focus on fashion assortment, orders in larger quantities, a more accurate assortment, delivery of products to stores based on sales trends and in-store presentations. Distribution and flow of merchandise to stores must still be improved.

Operating profits of the department stores increased by 14.9% to US$ 170 million compared to US$ 148 million a year before. But their sales fell 1.1% to US$ 4.31 billion from 4.36 billion. Same-store sales grew by 3.9%.

While online sales improved growing by more than 20%, catalog sales were down 21.2% because of a lower circulation and page counts. Penney, one leader of online apparel, expects US$ 1 billion sales within the next five years.

In opposition to other retailers, in the quarter, it registered a satisfactory back to school season and the best categories were men's sportswear and tailored clothing, casual sportswear, juniors, sleepwear and fashion jewelry.

In the first 9 months, net profit grew to US$ 203 million from 3 million a year ago and sales by 1.5% to US$ 22.8 billion from 22.46 billion.

✓Levi's : a new brand, « Levi Strauss Signature », to be offered at Wal-Mart stores.

As soon as July 2003, this new brand will be present in all Wal-Mart stores and in other mass stores by back to school. It will be positioned as the third expansion vehicle like Levi's and Dockers (the latter accounts for 34% of the global activity).

It is not the first foray by Levi's into the mass market. In the Eighties, it launched Britannia it sold to VF Jeanswear in 1997. This time, the strategic positioning is clear and Levi Strauss considers that its brands segmentation by price point, style, make and value « as critical to its success. » Low price (US$ 30) is one of the reasons other mass retailers did not order it yet but it is a risky position as Wal-Mart is sure to low its price to US$ 23-26.

Signature is one of the steps of its five-year plan to come back to growth estimated at flat to a negative 4% in 2002. Growth of 2% to 5% is projected for 2003 once Signature is launched.

Having succeeded to attract Levi's is a real success for Wal-Mart. Today that Kmart is struggling for life, the giant considers Target as its main competitor especially in the fashion sector.

✓Nike is flourishing outside the U.S.A.

In the quarter ended Nov.2002, profits grew by 18% to US$ 152 million from 129.3 million a year ago. According to Philip Knight, ceo, « Our global portfolio continues to deliver strong results, as each of our international regions posted outstanding growth in revenue and profits, and he added Our international businesses continue to show strength as future order outside the U.S. increased 8%. While US orders were down this quarter as we expected, we are pleased with the worldwide strength of our brand and believe that the realignment of our U.S. distribution will only enhance our business and our brand going forward. »

Nike announced that its worldwide sporting apparel and shoe orders to be delivered between December 2002 and April 2003 totaled US$ 3.9 billion or a 2.4% increase over the same quarter in 2001.

By regions, future orders for the U.S. fell 4% while they increased by 9% in Europe, 15% in the Asia-Pacific but the Americas were down 15%.

In the U.S, quarter sales declined 8% to US$ 1 billion from 1.1 billion in 2001 : sporting shoes decreased 13% to US$ 596 million and apparel 1% to US$ 370 million. In Europe, including Middle East and Africa, sales jumped 35% to US$ 781 million; it grew by 14% to US$ 353 million in the Asia-Pacific including 23% in apparel. In the Americas, it fell 13% to US$ 134 million including 11% in apparel.

Nike remains the largest supplier of Foot Locker accounting for 47% of its sales while Foot Locker is the largest customer of Nike at 11% of its sales. To offset the falling future orders of Foot Locker between April and May 2003, Nike already removed some units.

SOUTH AMERICA

BRAZIL

✓Casino to increase its stake in the capital of Pao de Açucar.

The Diniz family, who founded the retail company in 1948, has appointed Augusto Marques da Cruz, present financial and administrative director, as the new chief executive of Pao de Açucar. He will officially occupy his new position by March 2003. However, Abilio Diniz remains chairman while conducting the strategy.

The French Casino bought a 24%-stake in the capital of the company in 1999 and could grow progressively to 40% by 2004. As it pumped one billion euros into Pao de Açucar, the Brazilian company, from Portuguese origin, has been able to become the leader of the local retail trade and to go on with its expansion through acquisitions including the Sé supermarkets from the Portuguese Jeronimo Martins.

Pao de Açucar operates 500 stores accounting for a 15% share of the market. In 2001, its profits declined 24.6% to ∈ 122 million on ∈ 3 billon sales. In 2002, it cut its investments to ∈ 220 million excluding acquisitions.

CHILE

✓Sodimac opens Sodimac Botanica.

Sodimac that opened Sodimac Constructor and Sodimac Home Center plans to open 6 Sodimac Botanica stores specialized in garden supplies, investing US$ 75 million over 2004. The first outlet will be in Penaholen-La Florida in a 4,000-sq.m space and a Sodimac Constructor and a Sodimac Home Center will settle there in the same zone bringing the total area to 20,000 sq.m.

Sodimac that operates 48 stores generated US$ 650 million sales in 2001. In the first nine months of 2002, sales grew by 5.3% to US$ 426.93 million and profits by 24.2% to US$ 16.86 million.

As for future expansion, Sodimac is interesting in Argentina once the economic situation stabilizes, Mexico, Brazil and Colombia where it currently operates 5 stores and is about to open a sixth in Medellin.

In Chile, Sodimac dominates the total home improvement market (US$ 3.816 billion in 2001) with a 17% share. It just opened its 50th store and also the largest in the Santiago area. This 20,000-sq.m unit is the combination of Sodimac Constructor (a pro-oriented format) and Sodimac Home Center (a DIY store).

In this country, Sodimac operates 44 stores plus 6 in Columbia. In 2003, 10 further units will be opened in Chile including 2 in Santiago. Seven of these new ones will replace older stores.

In Chile, its main competitors are:

Firms	2001 sales (mio US$)	market share
Construmart	231	6.1%
Homestore	116	3.1%
Easy Home Center	65	1.7%
Proterra	38	1.0%
Other	2,000	71.2%

Source : WP2002

Homestore, born from the failure of the American Home Depot in this country, plans to open dozens of new units in Chile over the next three years. It now belongs to Falabella, the former partner of Home Depot that left the country after having registered heavy losses.

ASIA

CHINA

✓McDonald's to launch a franchised restaurant network early 2003 « once relevant laws and regulations are defined. »

Today the American parent company owns and runs all 460 Chinese fast foods. According to China Daily, Peter Tan, president of McDonald's China, « It is difficult to expand without franchising in a country with such a vast territory as China" while he is planning to explore the market in small and medium-sized cities as well as in the remote border provinces.

McDonald's is the world's leading franchising company and 70% of its fast foods are operated under this system. According to estimates, a new McDonald franchised fast food needs US$ 240,000 to 360,000 to open compared to US$ 1 million for a KFC franchisee that operates approximately twenty outlets in China.

If McDonald's announced the closure of 175 restaurants and 600 job cuts worldwide, pulling out of several countries in Middle-East and Latin America, it declared that its planning of 100 new outlets in China was on track. Concerning 2003, it will cut its investment by US$ 400 million. In addition to China, there will be 600 new restaurants including 210 in Europe, 200 in the Asia-Pacific area, 170 in the US and Canada.

✓DO IT YOURSELF : Leroy Merlin from France to enter the Chinese continent.

A first DIY store should be opened in 2003 in Beijing, according to the Beijing Commerce & Trade Committee, along with other retailers including Obi and B& Q.

In 1998, Leroy Merlin had signed a first joint venture agreement with Homemart which it cancelled before the store opened.

Competition in China in the DIY and home improvement sector should speed up over the next three years following the opening of the market and the adhesion of the country to the WTO. It is a very promising market as owners spend a lot in the decoration and renovation of their homes. Ikea will open its first store in a 30,000 sq.m space in 2003 and B&Q, a Kingfisher's subsidiary, plans 58 units over the next three years in partnership with a local group. Local retailers such as The Home Way and Homemart, stimulated by the presence of foreign chains, are also expanding.

✓In Shenzhen, an industrial city of approximately 7 million inhabitants, competition is hard between 3 home centers.

B&Q, a subsidiary of the British Kingfisher, opened a 20,000-sq.m store on 2 levels in March 2002 selling more Westernized products. It rapidly became one of the chain's best units in China by sales. 80% of the inventory is supplied locally by the province of Guangdong. Tile and flooring is the best department by sales and B&Q gets 30% of its revenues from kitchen and bath.

Today, B&Q operates 10 home centers in China and plans to have 58 by 2005 and 126 by 2010. Its customers are homeowners accustomed to shopping for home improvement/DIY items in small specialty shops or huge markets such as **Hong Kong Decoration Material Wholesale Market** where merchandise of 20,000 suppliers is presented in a 100,000-sq.m space and 8 floors in two adjacent buildings. It belongs to Heung Kong group, a business consortium that leases spaces to industrials and wholesalers to show a large choice of items including lighting, doors and furniture, bath… According to the manager, he generates daily sales between US$ 96,385 and 783,133 and confirms that his store signed cooperative agreements with real estate agents, developers, lenders (Heung Kong is the owner of 70% of the Guangdong Development Bank) and builders so that customers who want to buy a new home might negotiate a mortgage and organize their new home from construction to finished product.

A similar « market », **Tian Bei JinLi Home Furnishing Plaza**, opened in 1999 in a 16,000-sq.m space and 4 levels, launched the formula in Shenzhen. Bath is the best category according to sales. Monthly sales exceed US$ 1.8 million.

Most inhabitants in Shenzhen live in apartments and do not own a car so that home delivery and installation are imperative. Both « markets » offer free delivery while B&Q offers free delivery over US$ 481.

Competition is organizing and gaining strength as new retailers from China and Singapore have been settling there to sell building materials and furniture.

Source : Home Channel News, John Caulfield.

HONG KONG

✓DICKSON registered an eightfold profit increase in the first half of its exercise closed on September 30, 2002.

The retail group based in Hong Kong released for the first half a net profit of US$ 7.1 million compared with US$ 866,000 in the year-ago period. A non-operating pretax gain of US$ 5.6 million is included in this figure. Excluding this gain, income would have grown by 64.5%. In the same time, sales increased by 11.2% to US$ 148.5 million from 133.6 million in 2001.

During the period, Dickson opened 62 shops and 23 more will be opened before the end of the fiscal year in March 2003. It operates 365 stores including 61 shops and corners (Brooks Brothers, Polo Ralph Lauren and Jean, S.T. Dupont, Seibu…) in Hong Kong, 156 in Taiwan, 25 in Singapore, 19 in Malaysia, 10 in the Philippines and 94 in China. At the end of this fiscal year, it will run 385 units in Southeast Asia and China.

JAPAN

✓**Wal-Mart increased its stake in the Japanese group Seiyu.**

Wal-Mart increased its stake in the capital of the 4th local retail firm from 6%, which it acquired in April 2002 to 33.4% for ∈ 425 million. This way, it becomes the first foreign company to take a controlling stake in a Japanese retailer and the main shareholder of Seiyu ahead of Sumitomo. If it exercises further options, it will invest up to ∈ 2.1 billion and raise its stake to 66.7% in 2007.

Seiyu operates 400 stores worldwide including 200 supermarkets in Tokyo and its suburbs and generates US$ 8 billion sales. According to its online site, food had the lion's share accounting for 47.3% of total sales in 2000, apparel for 21.6%, women's ready-to-wear 7.3% and men's 3.45%. In the first half of 2002, sales amounted to ∈ 4.66 billion but it registered a net loss of ∈ 180 million due to the sale of non-performing assets.

Thanks to the Wal-Mart's funds, Seiyu will be able to reduce its debt, invest in the best located stores and enjoy scale savings.

Local retailers have been stimulated by Wal-Mart's arrival mainly Ito Yokado and Aeon. Ito Yokado is focusing on developing new products and store management, Aeon has been aggressively expanding and aims to become the leader of the local retail trade and one of the world's top 10 retailers by the end of the decade. Small retailers who are scattered across the country might sign agreements to gain strength in the face of competition from large foreign chains (Carrefour, Metro, may be Tesco, Ikea…).

The economic situation is still difficult in Japan. It is characterized by a falling buying power, high costs of labor, a complicated retail network with several intermediates. The consumer, always looking for luxury goods brands, is paying more attention to value price (cf.LLDI December 2002).

THAILAND

✓**The Thai government gave up its controversial legislation aiming to regulate the development of foreign chains to protect traditional retail trade.**

After two years to define a legislation aiming to limit foreign-owned hypermarket expansion, the government has decided to give up surprising mom and pop retail stores. However, the Prime Minister announced regulations on zoning and opening hours of food big box stores.

Provincial chambers of commerce asked the Prime minister and local administrations to control competition led by foreign chains (Carrefour, Tesco and Siam Makro…), and solve problems within their own jurisdictions. They also suggested that international retailers pay them income tax directly.

Under these conditions, administrations might be allowed to regulate operating hours of existing outlets and limit the opening of new ones.

In this country of 60 million of consumers, economy is developing all ways : it has the largest number of hypermarket groups than any other Southeastern country : today 107 hypermarkets are operating including 57 in Bangkok and 50 in the provinces. Their expansion is however less important than the convenience stores (more than 2,000 7-Eleven outlets). Shopping centers are also opening and expanding such as Siam Paragon that is building a 50,000 sq.m new phase to be completed by 2004…

Source : Food Chain Asia

MIDDLE EAST

DUBAI

✓**DUBAI FESTIVAL CITY is the Middle East's largest mixed-use real estate project that spans 3.5 kilometers along the shores of the Creek in Dubai.**

The construction of phase I began in 2001 to be completed by end of 2003. It will include :
- a shopping center of 99,275 sq.m, « The Crescent », will house specialty stores in 4 distinct themes (auto, home, apparel and food) and a hypermarket. It will include Ikea, Marks & Spencer (6,000 sq.m), Toys R Us (3,500 sq.m), The Watch House (1,000 sq.m); Plug Ins, the Middle East's largest consumer electronics hypermarket, will share its 2,000 sq.m space with Toshiba, Sanyo and National Panasonic,
- leisure activities : an 18-hole golf course,

Next phases will include :
- a residential community (42,053 sq.m) developed as a village with main street, retail stores and parking lots, totaling 77 town houses and 693 apartments,
- a 50-storey office building,
- 5 hotels including one of 600 rooms built on an artificial island,
- 40 restaurants,
- a marina with a 25-metre wide canal,
- a business center.

Al Futtaim, a leading group in Middle East, will finance the development. It holds interests in more than 40 firms specialized in automotive, electronics, retail, insurance, advertising… Dubai Festival City forecasts 10 million visitors by 2010.

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EXPANSION OF FOOD DISCOUNT IN GERMANY

On January 1st 2002, there were 66,819 food stores in operation in Germany or 1,533 less units than in 2001, a 2.2% decrease. However, total sales area increased by 580,000 sq.m to 66.73 million sq.m. Sales followed the same trend and amounted to € 118 billion.

In the same time, food discount registered very good performance. In the last decade, its market share grew from 24.8% to 34.7%.

In spite of the decreasing number of food stores, their sales area increased from 26.15 million sq.m to 26.73 million. However, it must be precised that in the below chart neither the non-food area nor the non-food sales of hypermarkets and self-service stores are included in the EHI statistics.

Evolution of the store number, sales area and sales of food retail stores in January 1st 2002.

	store in %	annual change in %	sales area in %	annual change in %	sales share in %	annual change in %
Hyper/self-service stores	3.6	+1.2	18.9	+1.0	25.8	+0.2
Discounts	20.1	+1.7	29.9	+10.5	34.7	+5.4
Super	13.2	-0.4	24.8	-0.3	25.5	0
Stores <400 sq.m	63.1	-4.0	26.4	-2.9	14.0	-2.9
Total	**100.0**	**-2.2**	**100.0**	**+2.2**	**100.0**	**+1.9**

Source : EHI

While considering the sales area, the discounters are ranked 1st and their growth is clear when one looks at their sales area evolution which grew by more than 10% to 8.0 million sq.m in one year.

Number and sales area of the food stores by category between 1992 and 2002.

	number			sales area (000 sq.m)			average sales area (sq.m)		
	1992	**1997**	**2002**	**1992**	**1997**	**2002**	**1992**	**1997**	**2002**
Hyper/self-service stores	1,854	2,191	2,409	3.90	4.56	5.05	2,104	2,081	2,096
Discounts	8,388	12,220	13,400	3.43	5.91	8.00	409	484	597
Super	9,735	9,596	9,596	6.70	6.86	6.64	688	715	754
Stores<400 sq.m	64,040	50,570	50,570	8.70	7.67	7.67	136	152	167
Total	**84,017**	**74,577**	**66,819**	**22.64**	**25.00**	**26.73**	**269**	**335**	**400**

Source : EHI

As concern food store market share, discounts are ranked 1st for the first time with 29.09% followed by small food stores of less than 400 sq.m (26.4%) and by supermarkets (24.8%). Globally, hypermarkets and self-service stores hardly account for 20% of the total food sales area.

Evolution per sq.m of sales area of food stores.

	1991 ∈/sq.m	**2001 ∈/sq.m**
Hyper/self-service stores (food)	6,154	6,032
Discounts	7,425	5,113
Super	4,925	4,563
Stores <400 sq.m	2,759	2,355

source : EHI

Average sales area growth.

The declining number of stores and the growing sales area generate a continued rise of the average sales area of the German food stores. If supermarkets lost 9.5% of their area between 1992 and 2002, small stores below 400 sq.m lost 34.1%. However, hypermarkets and self-service stores increased by 29.9% and discounts by 60%.

As goods do not stop growing in stores, the average store area increased mainly in the small and medium-sized stores. In these conditions, discounts registered the strongest expansion during the decade (almost 50%) growing from 409 to 579 sq.m.

In 1999, supermarkets were the leaders of the food retail trade with a 30.6% share of the market; ten years later, they were ranked third. Food departments of hypermarkets and self-service stores were behind discounts, which came first with 34.7%. Small food stores, those less than 400 sq.m fell to 14.0%. In ten years, food departments of hypermarkets and self-service stores did not stop increasing from 23.4% to 25.8%.

Discounts.

In all food stores, sales per sq.m fell between 1991 and 2001 but differently according to category. Performance of big-box stores were down 2.0% from ∈ 6,154 to 6,032. They fell 31.1% from ∈ 7,425 to ∈ 5,113 in discounts.

Meanwhile, hypermarket and self-service store food sales area increased by 29.5%. Moreover, discounts grew by 133.2%. It is clear that the discount productivity growth cannot follow the sales area growth which could lead in the future to a new decline of the sales per sq.m of sales area.■

Food store sales between 1991 and 2001 by category.

	1991	**1996**	**2001**
Hyper/self-service stores	23.4%	24.7%	25.8%
Stores <400 sq.m	21.1	16.7	14.0
Discounts	24.8	30.0	34.7
Super.	30.6	28.6	25.5

Sources : Bruno Groner, Stores & Shops, EHI

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RETAIL TRADE EVOLUTION IN EGYPT

Egypt is a country mainly dominated by food convenience stores. But the growing development of supermarkets and hypermarkets totally change the landscape and transform the inhabitants consuming habits.

Non-food retail trade is mainly dominated by department stores and private shops operated by independents who expand into the electricals, video, textile and furniture sectors.

Food retail stores.

In this country, there are 150,000 stores in operation including 70% of food units, -grocery and small food stores- which not only offer low prices but also home delivery, credit and large opening hours.

Supermarkets have been growing rapidly for 5 years, especially in Cairo and Alexandria. They cater to high-income customers and are mainly operated by 4 chains including Metro with 17 cash & carry in the capital.

Discounts entered the country in 1986 and are very popular with the middle-classes. Approximately fifteen outlets are opened under the Abou Zikry and Al Hawary banners.

All these stores are supplied by non-specialized wholesalers, specialized retail firms in a few product lines or directly by manufacturers if they can stock the merchandise and deliver them to stores.

Non food retail stores.

The market is dominated by department and independent stores. According to their concept, these State-owned department stores are similar to our European units. For a few years, their market share has been declining because of their high prices and a poor service. In these conditions, the government is looking for investors.

There are independent stores operating in all sectors : furniture, hi-fi, video, electricals… and their prices are generally below department stores or specialty stores. But in this country, counterfeit is highly expanding in the ready-to-wear, elecricals, audiovisual and clock-making sectors.

Specialty stores are developing under the MM (Mohamed Mahmoud) banner in the high-end ready-to-wear and furniture activity, BTM and Marie-Louis of the Bishara group in the middle-range ready-to-wear, Dary (DIY), Olympic Stores (electricals), Multimédia Mégastore (computers), El Ezabi and Ali Image (pharmacy) and Maghrabi and Baraka (optical).

Two Mail order firms, Shop the World and Insight, offer non-specialized high-priced products.

As concern online trade, there is a very strong growth of Internet users since 1999 (100% per year since recently). But it is still a marginal activity due to almost non-existing online payments and a reduced hardware park…

Franchise is expanding mainly in the ready-to-wear sector without any specific regulation : Naf Naf, Newman, Adidas, Kickers…, in restaurant fast food chains and retailing (Carrefour).

Foreign chain presence.

Retailing is evolving with the large international food chains such as Carrefour from France or Shoprite from South Africa and also with the multinational manufacturers. They affect the pop and mom small units which may disappear in the end because they do not offer the same prices and also because modern retailing is changing the Egyptian consuming habits.

Egypt is a 68-million consumer market; 7 million belong to an affluent class rapidly growing and accustomed to the big-box stores. A majority is looking for the western way of life and, even if the income per inhabitant is still low (US$ 1,054 in 2002), Egyptians are more and more computer, video and electrical-equipped thanks to credit offered by retail stores.■

Source : Veille Internationale du réseau des missions économiques et du CFCE

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E-COMMERCE AND COUPONS

In the United States of America, Sunday inserts have the lion's share accounting for 80% of the 250 billion coupons dealt out in the country.

Internet however, used as a vehicle of coupon distribution, does not account for more than a tiny 0.2% in 2001 compared to .001% in 1997 according to NCH Marketing Services. However observers forecast promising prospects. If they are not to replace inserts in a foreseeable future, they have qualities newspapers are lacking. In fact, thanks to online coupons, suppliers and retailers can enjoy the Net technology to target and obtain information on consumers while reducing costs tied to paper, distribution and processing.

Moreover, if inserts have a much greater reach, their redemption rate is approximately 1.5% and declining according to observers while online coupons' redemption rate is between 10% and 15% even higher. This high rate may generate a lower cost per redeemed coupon according to Forrester Research.

Consumers are interested in online coupons. According to a recent study by Forrester Research, 12% of them declared that they liked to download online coupons and 70% of grocery shoppers they would like to receive them by e-mail. But, the potential fraud tied to the Web is still a concern for manufacturers.

Retailer participation.

Several coupon organizations on the Net, including Catalina Marketing, try to enjoy the Web potential and its e-mail distribution, looking to increase the participation of retailers who already indicated they were interested. According to the eighth annual study by Supermarket News on technology in supermarkets, 36% of grocery retailers declared offering coupons on their site.

Transora has an online coupon model, marketed by its services, which is more focused on the retailer and is the most paperless for the present time. Thanks to its technology, chains such as Giant Eagle or Kroger's branches, the largest American supermarket firm, can offer web-based coupons, called U-Pons, on their site and via e-mail to their loyalty-card customers. In January 2003, Food Lion, a subsidiary of the Belgium Delhaize le Lion, will resume offering U-pons and a new large food retailer on the East coast will launch a U-pon program also.

Customers have access to U-pons while connecting on the retailer's web site or checking their e-mail. While clicking on coupons, they send an electronic message to the point of sales of their store, which are programmed to redeem the coupon value, once the promoted product is bought and the customer's card scanned.

Transora's program is completely online and paperless since last August. Before that it proposed printable coupons sent by mail when customers asked for them online.

The food retailer, Giant Eagle, that has been offering electronic coupons for two years, considers them as a means to support the loyalty card used in 80% of the chain's transactions. In the beginning of 2002, it has increased its support of the program and consequently the consumer participation thanks to manufacturers who offered coupons for products launching of both national and private-label brands. New products became the program focus once customers, registered on the site, explained that they were their second-largest sector of interest.

In addition to 4 to 5 new coupons offered on its site, Giant Eagle offers coupons monthly via e-mails to customers who register and chose to receive them this way. According to the marketing manager of the chain, on 240,000 shoppers who registered, 180,000 opted to receive monthly e-mails and gave their e-mail addresses. Of those, 10,000 chose an e-mailed coupon and approximately 15% of those shoppers to have the coupon redeemed. 9% of the coupons selected on the site were redeemed. Globally, 20,000 buyers per month click on the offers. The high-rate of redemption, from 75 cents to US$ 1, is one of the reasons.

Transora's program, paperless and completely electronic, helps to prevent from the fraud. Once the customer clicks on one offer, it is no longer available. Customers have two weeks to redeem the offers by purchasing the promoted products and having their card scanned.

A much similar program to Transora's has been developed by Beeline Shopper. It helps customers to manage their shopping lists. The firm tests online promotions with a regional retailer who sends loyalty-card holders an e-mail to inform them about discounts on products that might interest them and based on their last 26 weeks of shopping and which they may have not been aware of.

Redemption according to performance.

Thanks to Catalina Marketing 15,000 American supermarkets that use its POS's coupon printers are able to offer coupons on the Web. Consumers go to valupage.com, type in their ZIP code and the logo of their local Catalina-equipped supermarket is showing. While clicking on the logo, they are conducted to the electronic discount offers at a specific store. According to the firm's president of sales and marketing, 30,000 coupons are being redeemed per month or just 0.2% of the total of Catalina. To boost this program among manufacturers, Catalina has launched « the redemption for performance » that enables manufacturers to pay Catalina only when the promoted product is purchased.

Another company of electronic coupons which focuses on the retailer participation is CoolSavings. It has registered more than 23 million households on its site. Recently, it began to concentrate on the offer of « collaborative marketing solutions » to retailers and manufacturers.

Online commerce is a great success in the U.S.A.

After a strong Christmas season (read article on Christmas sales), online commerce should grow by 35% to US$ 70 billion and the number of households equipped with high-speed Internet service grow by 37% to 29 million by the end of 2004 according to Forrester Research.

Competition is gaining strength as traditional retailers such as Best Buy or Sears at Amazon's territory and they will meet competition from the last dot.coms including eBay. ■

Source : Supermarket News