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INTERNATIONAL

✓Two fashion chains rapidly developing through expansion and new concepts.

H&M and Zara have the ambition to expand in new European markets mainly in Eastern countries. Over 2004, H&M plans to open its first stores not only in Portugal but also in Poland and in the Czech Republic. Inditex from Spain, the parent company of Zara, operates 4 stores in Poland plus one in the Czech Republic. It plans to enter Switzerland and Sweden, H&M's homeland and, during this spring, for the first time, Russia (Moscow) in a 1,800 sq.m space under the Zara banner.

Meanwhile, both chains have already identified other targets : H&M is negotiating agreements to enter Canada, Hungary and Italy. Zara, which opened its first store in Italy in the beginning of this year, declared that Canada, where it operates 8 Zara units, still remains its priority for its expansion.

Beyond countries in Eastern Europe, both chains could expand in Asia : Inditex opened its first Zara unit in Singapore in October 2002 and 6 additional stores are scheduled to open soon in Japan. Thailand and Korea could be the next step.

This rapid expansion is fueled by the good figures of both chains : for the third quarter ended August 31, H&M posted profits growing by 53% to US$ 205.8 million and sales increased by 15% to US$ 1.36 billion in the same period. Inditex net profit jumped 31% to US$ 276.8 million and group sales by 25.8% to US$ 2.77 billion.

Inditex operates approximately 1,400 units in 41 countries (including 500 Zara in 30 countries) : 58 were opened in 2001, 49 in 2002 and another 280 are planned for 2003. 46% of total sales in 2001 were generated in Spain and the rest in Europe.

H&M counts more than 800 units in 14 countries including 90 opened in 2002 mainly in Germany, France, Spain, U.K and U.S.A (40). In 2003, approximately one hundred new units should be opened. 88% of sales are generated outside Sweden, in Germany, France, U.K and Spain.

Both retailers are rolling new concepts out : in January, H&M opened its first two « Detail » units in Germany offering home-branded lingerie and cosmetics. On its side Inditex, that launched its Oysho lingerie units two years ago, operates 75 outlets today. It could also launch a line of home-furnishing items in 2003.

Source : Robert Murphy, Women's Wear Daily

✓Franchise in Europe and worldwide on January 1st 2002.

Franchise in Europe.

countries	franchiser	franchisee
Great-Britain	665	35,600
France	653	32,240
Germany (*)	1,125	-
Italy	560	29,500
Greece	400	-
Netherlands	380	14,250
Sweden	350	18,000
Austria	280	3,865
Belgium	170	3,500
Switzerland	150	-
Finland	122	4,171
Slovenia	94	980

*Sources :WFC 2001 * included all forms of independent retail trade*

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Franchise worldwide excluding Europe.

countries	franchiser	franchisee
U.S.A	1,500	316,000
Canada	1,370	-
Mexico	502	-
Brazil	1,010	-
South Africa	430	20,885
South Korea	1,320	124,000
Taiwan	226	54,000
Japan	1,048	201,500
China	600	24,000
Thailand	154	800
Hong Kong	124	-
Singapore	350	20,885
Indonesia	272	3,350
Malaysia	268	-
Australia	747	49,400
N.Zealand	300	14,000

Sources :WFC 2001/FFF

In France, from 1993 to 2003, sales generated by franchise grew from ∈ 4.06 billion to ∈ 5.14 billion, franchiser number from 430 to 719 and franchisee from 7,500 to 33,268.

The share of three main sectors fell between 2001 and 2002 : food from 16.8% to 15.8%, apparel from 15.8% to 14.2% and home-equipment from 10.1% to 9.8%. Other sectors grew : various retail trades from 8% to 8.9%, building from 2.1% to 2.6% or hairdressing from 12.6% to 12.9%.

✓**Office Market : London is still the most expensive city in the world** according to the annual study by Healey & Baker/Cushman & Wakefield.

The 15 most expensive office locations in the world :

Rank 2002	*Rank 2001*	*cities*	*countries*	*∈/sq.m year*
1	1	London	U.K	1,478
2	2	Tokyo	Japan	1,104
3	3	Paris	France	961
4	4	New York	USA	770
5	7	Moscow	Russia	729
6	6	Frankfurt	Germany	685
7	12	Stockholm	Sweden	636
8	10	Milan	Italy	624
9	8	Geneva	Switzerland	592
10	11	Athens	Greece	589
11	13	Seoul	Korea	567
12	5	Hong Kong	China	565
13	14	Dublin	Ireland	525
14	17	Warsaw	Poland	525
15	15	Luxembourg	Luxembourg	501

Source : Cushman & Wakefield/Healey & Baker

London, Tokyo and Paris remain the most expensive office locations in the world according to this annual study surveying 45 countries. The gap between these three locations and the rest of the world has widened due to a greater rental volatility elsewhere. They were less affected by downward rents and they less suffered from the Euro appreciation. Brussels registered the strongest rise and move up 10 ranks to the 19th position (∈ 391 per sq.m per year).

In France, the market was impacted by the economic uncertainty generating decision-making longer and by a slowdown in demand.

Africa and Middle East are the only continents to grow costs. However, the largest decline was noted in the Americas, in Buenos Aires, because of the economic crisis. In Asia, it was in Shanghai.

✓**Conforama in Italian Switzerland :** this subsidiary of the French Pinault-Printemps-Redoute group opened a store (3,200 sq.m, 6,000 SKUs) in Grancia, next to Lugano, at the end of February. It is the first unit in Italian speaking Switzerland and the 9th in Switzerland.

Conforama plans to expand all over the country and open 5 further units, or one per year. Conforama Switzerland operates 8 stores : 4 in German-speaking and 4 in French-speaking Switzerland that generated ∈ 241 million sales in 2001….

✓**Office Depot** (US$ 5.843 billion sales, 882 stores) **in Spain** : the office and supply retailer will open 6 big-box stores in Madrid in April 2003 and adapt them to the European context. They will cater more specifically to small and medium-sized businesses.

CENTRAL & EASTERN EUROPE

POLAND

✓**The French Groupement des Mousquetaires will invest ∈ 82 million in Poland in 2003.**

This program will include the construction of a central warehouse and the opening of 50 new supermarkets including 35 Intermarché and 15 Bricomarché by independent retailers according to ITM Polska that operates 93 stores.

The group entered Poland in 1997 and it generated € 280 million in sales in 2002.

YUGOSLAVIA

✓Mercator from Slovenia opened the first self-service store of the country in a 70,000 sq.m space in December 2002 in New Belgrade.

It was followed by a second unit opened by **Veropoulos** from Greece. Rumors say that the French **Cora** has 3 big-box projects in Belgrade, Nis and Novi Sad. The Turkish **Migros**, whose parent is Migros from Switzerland, would also be ready to enter the country.

The local market is dominated by the Serbian company, **C.Market**, which operates 230 supermarkets and pop-and-mom shops. Almost half of the local food retailers are State-owned. But privatization is developing and should give a new impulse to the economic situation somewhat hampered by a low purchasing power. According to GfK, Belarus, Albania, the Ukraine and Moldavia are still doing worse within Europe.

Source : Stores & Shops

WESTERN EUROPE

BELGIUM

✓DELHAIZE LE LION : 2002 results.

The international food retailer reported that in 2002 its earnings increased by 19.3% to € 178.3 million because of lower exceptional expenses on total sales decreasing by 3.3% to € 20.688 billion impacted by the weakening of the US dollar (-5.3% versus the Euro compared to 2001). Organic sales growth was 2.1% and the EBITDA margin decreased 6.9% from 7.7% in 2001 to 7.4% in 2002 at € 1.649 billion. Cash earnings declined also by 0.8% to € 336.3 million. Net debt declined from € 4.8 billion in 2001 to € 3.9 billion in 2002 due to a weakening US dollar.

In 2002, total sales were impacted by 76 new outlets bringing the total count to 2,520 units, the depreciation of the U.S dollar, weak sales at Food Lion and Kash n'Karry due to a lagging economy and the closing of Super Discount Markets in 2001 in the United States.

- **in the U.S.A**, Delhaize America generated US$ 15.0 billion sales, an increase of 0.9% over 2001. There was a net increase of 26 stores to a total of 1,485. It achieved an 8.4% EBITDA margin in 2002 in a difficult context. In order to strengthen Food Lion competitive position, US$ 100 million cost savings have been identified in 2003.

- **in Belgium**, Delhaize expanded the network by 32 new stores bringing the total to 707 at year-end 2002. Sales increased by 6.5% due to the success of a new commercial policy. Market share grew from 24.6% to 24.8%. EBITDA margin remained almost unchanged for the year at 5.3%.

- **in the Southern and Central European operations,** group sales grew by 6.9%. In Greece, sales were positively influenced by the integration of the acquired Trofo stores and Alfa Beta stores also continued to perform well. Delvita finished its remodeling program but sales remained weak due to a significant price deflation and a large number of competitive store openings. EBITDA in these regions increased by 4.5%.

- **in Asia**, operations reported sales growth of 16.6% as a result of the addition of 17 new supermarkets. At the end of 2002, the group operated 103 supermarkets in Asia including 34 in Thailand, 34 in Indonesia and 35 in Singapore. EBITDA was € 2.1 million.

As concern 2003, the sales network of Delhaize Group is expected to grow by 97 stores to a total of 2,617 units taking account of the 42 US store closings completed in January and February 2003. At identical exchange rates, it is expected that Delhaize Group sales will grow by 1.5% to 3.0%. Delhaize America's comparable stores sales growth is projected to be in the range of –2.0% to flat and at identical exchange rates, earnings would be between € 150 and 185 million. The group anticipates net earnings before goodwill amortization and exceptional elements to change by -5% to +5%.

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Pro forma geographical contribution

EBITDA		In millions	EBITDA		Net income	
4th Q 2002	**4th Q 2001**		**2002**	**2001**	**2002**	**2001**
332.5	355.3	USA	US$ 1,255.7	1,295.0	276.1	305.9
332.5	*355.3*	*Including D.America*	*US$ 1,255.7*	*1,295.0*	*276.1*	*305.9*
63.3	52.0	Belgium	∈ 180.4	173.9	94.4	85.1
14.6	17.5	South/central Europe	∈ 48.8	46.6	(2.7)	(6.8)
0.3	0.5	Asia	∈ 2.1	2.3	(3.9)	(3.6)
(14.9)	(10.3)	Corporate	∈ (24.0)	(19.3)	(43.5)	(31.9)
395.2	**456.5**	**Total**	**∈ 1,535.2**	**1, 649.5**	**336.3**	**384.5**

Source : Delhaize le Lion

FRANCE

✓ **Rodamco Europe, a property investment and management company in the retail sector in Europe, has signed an agreement to acquire the « Côté Seine » shopping gallery in Argenteuil,** Paris' third largest suburbs, for ∈ 69.7 million. The investment will generate a net initial yield of 7.1%.

This 20,000 sq.m GLA development, opened on November 6th 2002, includes a Casino hypermarket (5,400 sq.m), 63 shops in a 14,500 sq.m gallery and 1,350 parking spaces. It was developed by Altarea and owned by a company jointly held by Euris (85%) and Altarea (15%). The official agreement is expected late March/early April 2003.

Rodamco Europe's investment strategy is gaining strength in the European retail trade mainly in France, a country in which its property portfolio, valued over ∈ 1 billion, comprises 8 shopping centers including 4 in the greater Paris region (Parly 2, Vélizy 2, Ulis 2 and Bobigny 2).

✓**Carrefour : 2002 results of the world's second retailer are in line.**

The objective of sales was hit growing by 4.6% on constant exchange rates (same-store sales were up 1.8%%) to ∈ 68.729 billion. Operating margin grew to 4.4% from 4.1% in 2001 and recurring net profit group share after goodwill amortization by 15.1%.

∈ million	**2001**	**2002**
sales excl.VAT	69,486	68,729
EBIT	2,826	3,025
net profit group share	1,207	1,389

Source : Carrefour

The sharp decline of currencies in Latin America and Asia explains also the sales decline by 1.1% on ongoing exchange rates and the lower contribution of the Americas zone to the group's EBIT. Due to the currencies variation, some countries had a ∈ 4 billion impact on sales and ∈ 1.9 billion on net worth.

The group has recorded a stable gross margin at 22.6% of sales from 22.5% in 2001, a reduction of SG&A from 16.9% to 16.6% of sales in 2002. ROCE performed from 12.5% to 14.8%. Consequently, Carrefour will continue and focus on organic growth and the development of all formats in Europe in 2003.

In 2002, Carrefour Belgium turnaround was in line with forecasts, Spain registered a rebound. In the Americas, sales increased by 7.8% on constant exchange rates and EBITDA was positive. In Asia, sales increased by 5.9% also on constant exchange rates.

sales per geographic zone (∈ million)

	2002	**2001**	**growth**	**change on ctt rates**
France	35,101	34,335	+2.2%	+2.2%
Europe (excl.France)	23,608	22,144	+6.6%	+6.7%
Americas	5,382	8,440	-36.2%	+7.8%
Asia	4,639	4,567	+1.6%	+5.9%

Source : Carrefour

EBIT per zone (∈ million)

	2002	**2001**	**growth**	**change on ctt rates**
France	2,064	1,905	+8.4%	+8.4%
Europe (excl.France)	796	733	+8.5%	+8.4%
Americas	23	53	-56.0%	ns
Asia	141	134	+5.4%	+9.0%

Europe, which accounts for 85% of sales, 94% of EBIT and 70% of investments, will be the corner stone of the expansion of all formats in 2003. This year, Carrefour will invest ∊ 3.3 billion compared to 2.4 billion in 2002 and open 830 new stores including 60 hyper-markets, 120 supermarkets, 450 hard discounts and 200 convenience stores bringing the total store count to 10,462 units. Carrefour sets itself as targets in 2003 an increase in sales above 5% on constant exchange rates and in the longer term an average of 7% per year.

During the presentation to the press, Daniel Bernard, ceo, who was questioned about Ahold's potential divestment of assets, answered : « Carrefour will study whether they meet our investment criteria… »

✓Cora has been constrained by the Court to pay Casino ∊ 61 million plus ∊ 2.5 million interest in their disagreement concerning the dissolution of the Opera central buying group at the end of 2001.

This way, Casino is recovering the money it had been ordered to pay to Cora, its former partner, in February 2002 according to a writ. However, the retailer, which had asked for ∊ 101 million-damages, was non-suited. The problem concerned the sale of the 42.39% stake of GMB-Cora by Carrefour to Deutsche Bank.

The Court has concluded that :

- Casino did not violate the agreement signed with Cora in 1999 having bought the 42.39% of GMB from Carrefour and is not to be blamed for the equity swap tying it to Deutsche Bank.
- Cora has wrongly cancelled the Opera agreement in January 2002 and, consequently, has to reimburse Casino a total of ∊ 63.5 million.

✓Monoprix : EBIT grew by 34% to ∊ 184.2 million in 2002.

Sales excluding VAT increased by 3.6% to ∊ 3.719 billion compared to 6.3% one year before and same-store sales were up 2.5% (5.2% in 2001). Net profit group share grew by 58.8% to ∊ 120.7 million thanks to EBIT growth and reduction in financial costs. Operating profit accounts for 5% of sales excluding VAT.

Monoprix, the common subsidiary of Casino and Galeries Lafayette, operates 296 units plus 20 Nouvelles Galeries in France (mainly downtown variety stores) and 11 units outside France.

The 2000 target aiming at doubling operating profit by fall 2003 might be reached (7%).

✓PPR : 2002 results.

Operating income fell 7.7% to ∊ 1,826.9 million and sales by 1.5% to ∊ 27,375.4 million. Income from ordinary activities before tax to ∊ 1,412.3 million was down 9.5%.

However, the financial structure improved significantly thanks to assets divestments in the second half of the financial year : the Guilbert mail order business was sold to the U.S. Staples and the Credit and Financial Services division, Finaref, to BNP Paribas and Crédit Agricole. Consequently the debt ratio declined from 75% in 2001 to 53.9% in 2002 and the net financial debt amounts to ∊ 4.9 billion.

(∊ mio)	2001	2002
sales	27,798.5	27,375.4
EBIT (operating inc.)	1,978.3	1,826.9
net income group share	752.7	1,589.2

Source : PPR

✓GO SPORT : the group profitability increased in 2002.

The second largest French sporting goods chain posted net income growing by 16.3% to ∊ 13.6 million in the full year 2002. It generated ∊ 634.4 million in consolidated sales excluding VAT growing by 1.4%.

Income from ordinary activities was up 18.9% to ∊ 23.2 million and EBIT 12.8% to ∊ 27.1 million. Margin progressed by half a point to 44.9% of sales thanks to the positive effects of the merger between Go Sport and Courir late 2000 and to the optimization of the buying.

In the full year, the group opened 20 outlets bringing the total count to 322 and 235,200 sq.m including 3 closures. The debt fell to 27% and the net financial debt ratio on net worth declined from 96.3% to 62.8% by fall 2002.

Concerning 2003, the group plans to open approximately 20 outlets representing an investment of ∊ 25 to 30 million.

NETHERLANDS

✓Royal Ahold : accounting irregularities were discovered and CEO, Cees van der Hoeven and CFO, Michael Beurs, resigned.

Figures have been overstated by approximately US$ 500 million in US Foodservice EBITDA, an American subsidiary of the world's third food retailer and will require the restatement of Ahold's financial statements for fiscal year 2001 and the first three quarters of fiscal year 2002.

In addition, Ahold is being investigating the legality of certain transactions and the accounting treatment thereof at its Argentine subsidiary Disco. The financial difficulties of its Velox partner in this country pushed Ahold to pay ∊ 492 million to its creditors.

Moreover, Ahold announced significantly reduced earnings expected for 2002, the third result warning in less than seven months (and two in less than three months). Consequently the company has deferred the announcement of its full year results scheduled for 5th March. Ultimately, Ahold has obtained ∊ 3.1 billion commitments from a syndicate of banks.

Ahold was born in 1887 as a 12 sq.m-grocery shop in Zaandam (western Holland). It became the largest Dutch food retailer under Albert Heijn, grandchild of the founder, in 1970. In 1973, the Royal Ahold name was adopted. It bought the American chains Bi-Lo in 1977 and Giant Food in 1982. Then, under Cees van der Hoeven as CEO, acquisitions sped up : Red Food Stores (1994), Mayfair (1995), Stop & Shop (1996) and agreements were signed with partners in Asia and Latin America.

In 2000, Royal Ahold bought US Foodservice, a foodservice operator with 130,000 U.S. customers, and the online supermarket firm Peapod. In 2001, he bought Alliant, another foodservice firm and Bruno's supermarkets. The international expansion was going all ways. By fall 2002, the debt amounted to ∊ 12 billion or approximately three years EBITDA or 4 times its stock exchange value. Now, sales at US Foodservice are slowing down and supermarkets losing market share. In Latin America, Ahold is to leave Chile.

However, under Cees van der Hoeven who was elected « Retailer of the Year » in 2001, sales have been multiplied by six in ten years, profits by nine and its stock exchange value by 18 before it fell on February 24th, the very day where 80 million shares have been sold.

In 2002, Royal Ahold posted ∊ 72.7 billion sales including 60 in the U.S, 31.9 in Europe (including 14% in Netherlands), 3.8 in Latin America and 4.3 in other countries such as Asia.

UNITED KINGDOM

✓Food retailing: Asda has planned to invest ∊ 545 million in 2003 and is positioning itself as the fastest-growing food retailer in the United Kingdom.

Asda, the U.K.'s third largest food retailer, owned by the US titan Wal-Mart, has planned to create 3,900 jobs, open 7 stores under the Asda Wal-Mart banner, enlarge 5 others by a new mezzanine to offer non food stuff, mainly apparel including its George line, and relocate 3 further units.

Moreover, Asda is positioning itself as the fastest-growing food retailer in U.K even if Wal-Mart does not unveil its figures. According to the Retail Knowledge Bank, in 2002 it chould have posted a double-digit sales growth (approximately 11.5%) to ∊ 17.39 billion from 15.50 billion one year earlier. Profits could have increased faster than sales to ∊ 774/790 million from 693, a 12%-15% growth compared to 11.3% at Morrisons and 9.1% at Tesco during their last fiscal year closed February 2nd.

While **Tesco** is still the leader of the British food retailing with a market share growing by 0.7 percentage point to 26% last year, Asda grew by 0.6 point to 16.7% and Morrison by 0.1 to 6%. Tesco and Asda focused on non-food during the Christmas season and Morrison on food.

However, Sainsbury declined by 0.3 point to 17.3% and Safeway 0.4 point to 9.8%.

✓Kingfisher : sales grew by 10.8% to ∈ 16.14 billion in the twelve months to 1 February 2003.

For the full year, total sales increased by 10.8% with a like-for-like increase of 2.1%. The home-improvement/DIY activity grew by 4.3% to ∈ 10.24 billion. The British B&Q performed particularly strongly over the 4th quarter (+8.8%); in France, Castorama achieved growth in like-for-like sales of 1.5% during the quarter and Brico-Dépôt, which accounts for 30% of the sector's French sales, continued to grow strongly with total sales ahead 32.9%.

In 2002, the electrical and furniture activity posted sales growing by 1.2% to ∈ 5.90 billion falling 3.2% in France (Darty saw a 3% decline in like-for-like sales and But 3.8% in the 4th quarter).

On 1 February 2003, Kingfisher completed the sale of its German electricals business confirming its aim to focus on DIY. It confirms that the electrical and furniture separation remains on track for delivery in line with the original timetable. A demerger onto the London Stock Exchange is the most likely separation route. Kesa groups Darty and But in France, Comet in U.K, Vandenborre in Belgium, BCC in Holland and Datart in the Czech and Slovakian Republics. The operation could value Kesa between ∈ 2.27 and 3.18 billion. Kingfisher could thus reduce « its debt/net worth ratio from 31% in 2002 to 25% approximately in 2003 » analysts say.

NORTH AMERICA

UNITED STATES

✓Shopping centers or the difficulty to open new developments in the U.S.A.

Shopping centers are no longer welcomed as they used to be and relationships, still difficult with local communities, can be illustrated by the following example : in 1999, Taubman had proposed a 100,000 sq.m center in greater New York; the size was successively reduced to 86,000 sq.m then to 75,000 to be rejected two years later. A group opposed to the project had led a dynamic campaign and raised objections based on traffic, environment, security and quality of life.

Developers, driven by the region's need, are compelled to use public relations firms to lobby in the communities and media to convey messages. According to David I.Silver, consultant for I.C.S.C « From a development point of view, the local news media is a major factor in shaping opinion for a project among municipal officials and the public at large. With positive media support, many projects gain entitlements more quickly and at less cost. Without, retail real estate developments often find themselves bogged down in the approval process, or worse, rejected. »

Until recently, even the worst opponents to shopping centers had little chance to stop well-financed projects. Now, these efforts have been fueled by politicians.

Wal-Mart was not very well welcomed when it decided to open a hypermarket (supercenter) in Dallas (Texas) in a 22,000 sq.m space and two levels. The project was rejected and qualified as « an oversized gorilla. » The retail giant made donations to local church organizations to obtain their support… without success until now.

This illustrates a new trend, opponents led by local communities are gaining strength against new shopping centers.

Source : Women's Wear Daily

✓Ikea plans expansion in the U.S. in spite of the economic situation.

The Swedish firm with 175 home furnishings stores in 31 countries opened a new outlet in the greater Philadelphia on January 15. It is part of a development program to open 50 units in North America over the next ten years.

The first of these new American units, in a 32,000 sq.m space and three levels, replaces a former store, opened in Plymouth near Philadelphia in 1985. US$ 100 million in sales are forecasted the first operating year compared to US$ 70 million by the former store. It offers above 9,000 SKUs compared to 6,500, a wider assortment, more home-furnishings and decor choice. It focuses on vignettes (46) and presents 5 home models.

It is the first outlet of this type in America copied on a test launched in Germany : the parking is in the first level, the warehouse in the second and the showroom in the third. To attract customers and speed transactions, Ikea doubled the checkout number to 28 and the outside loading areas to 50. A travelator and wide escalators have been built to carry carts from the checkout to the parking. Another advantage : the children's playground has been enlarged.

A second Ikea outlet will be opened in Philadelphia in 2004. In Canada, it took the firm 25 years to build 9 stores; it currently sped the pace to nine units in eight months. This very year, 3 will be relocated in North America and two new warehouses will be built to supply them.

In 2001/2002, Ikea posted ∊ 11 billion sales including 80% from Europe and 17% from North America (the U.S.A, its second best country after Germany, accounting for 13%).

✓Battle for the grocery market share.

Wal-Mart will speed the development of its supercenters (hypermarkets) with above 4 million sq.m of new space by 2004. Under these conditions, grocery retailers have to prepare for battle in order not to disappear. Kroger, Bi-Lo and Shop & Shop, two subsidiaries of the Dutch Ahold, and Albertson's are particularly exposed to this « threat ».

Market overlap between large grocers and Wal-Mart in top 100 designated markets.

	total markets	markets with WM> 2% share	market overlap
Safeway	21	11	0.52
Kroger	58	40	0.69
Ahold	27	17	0.63
Albertson's	50	34	0.68

Sources : Trade Dimensions/estimations of William Blair/Shopping Center World

✓Wal-Mart : a record year nears US$ 250 billion sales.

In the full year, profits increased faster than sales mainly in the last quarter driven by the international activity and expense control.

In fact, in the 4th quarter, ended January 31, net income progressed 15.5% to US$ 2.53 billion from US$ 2.19 billion one year earlier. More impressive, with the control of operating, selling, general and administrative expenses rose just 2 basis points as a percentage of sales, a record in a difficult economic context. Sales grew by 10.6% from US$ 64.73 billion to US$ 71.59 billion and same-store sales by 2.7%. The international activity was particularly performing (mainly in Mexico, Canada and in U.K. where it owns Asda) with operating profits, which progressed 37.6% to US$ 757 million and sales ahead 12.7% to US$ 12.19 billion.

In the past twelve months, sales grew by US$ 26.85 billion to US$ US$ 246.53 billion nearly the equivalent of combined sales of May and Federated Department stores (US$ 28.93 billion). Profits jumped 20.5% to US$ 8.04 billion from US$ 6.67 billion. The international segment's operating profits progressed 55.8% to more than US$ 2 billion and sales were ahead 15% to US$ 40.8 billion accounting for 16.7% of the total.

Last year, the retailer focused on profitability, expanding mainly in non-food (in apparel with the Levi Strauss and Wrangler brands) while setting up a global sourcing policy for all its stores around the world.

	4th Q (US$)	Year (US$)
Net income	2.53 bil. +15.5%	8.04 bil. +20.5%
Revenues	71.59 bil. +10.6%	246.53 bil. +12.2%
Comps.	+2.7%	+5.1%

✓Target, where has your magic gone?

In 2002, comparable-store sales of the third largest American discounter fell from 6.8% in the first quarter to –1.1% in the fourth. In the same period, net income grew only by 4.6% in the 4th quarter to US$ 688 million vs. US$ 658 million one year earlier and total revenues increased by 6.4% to US$ 14.06 billion, same-stores sales declined by 2.2%.

For the full year, revenues grew by 10.3% to US$ 43.92 billion and net income by 20.9% to US$ 1.65 billion. In January 2003, sales were up just 0.3%.

Target discounts have the lion's share and pre-tax profits were up 8.1% to

US$ 1.17 billion on US$ 11.93 billion sales growing by 9%. For the 12 months, same-store sales of the division were below estimations (up 2.2%).

Moderate-priced apparel stores **Mervyns** had profits declining by 42.7% to US$ 75 million in the 4th quarter and sales by 9.1% to US$ 1.15 billion. **Marshall Field** department stores profits slid 19% to U S$ 51 million and sales dipped 6.2% to US$ 800 million.

Target knew how to attract upscale customers into its stores by aggressive advertising, to differentiate from its competitors by a designer apparel offer, even luxury, at popular prices and trendy kitchen items in the hope shoppers will buy basic items such as detergents, paper plates and tooth-paste. Now, they do not go to Target for consumables but rush to Wal-Mart or supermarkets that are cheaper.

Higher marketing and fixed costs to attract more affluent customers while Wal-Mart and others are discounting heavily and, in some cases, try to position on its own niche contributed to the problem. In fact, its advertising strategy is very costly as it spends 2.4% of sales on marketing while Wal-Mart spends 0.3% and this is the main reason why sales are slowing down.

Sales of the apparel sector that accounts for up to 25% of the total are dropping. In the third quarter 2002, its market share declined from 3.7% to 3.5% while Wal-Mart grew from 12.4% to 12.9% according to market researcher NPD Fashionworld. In fact, Wal-Mart improved the style and quality of its apparel (cf.LLDI February 2003) as it can be seen in the development of its George line. Moreover, Kohl's (457 junior department stores) is expanding all ways (80 new units are planed in 2003) and its apparel market share outstrips Target growing from 3% to 4.4% in the 3rd quarter 2002.

	4th Q (US$)	**change**	**year**	**change**
Net income	688 million	+4.6%	1.65 bil.	+20.9%
Revenues	14.06 billion	+6.4%	43.92 bil.	+10.3%
Comp. store sales		-2.2%		+1.1%

✓A merger in the sporting goods market : The Sports Authority with Gart.

Both partners signed a definitive agreement that is still subject to regulatory by the depending authorities and shareholders approval. It would create a US$ 2.5 billion sporting goods chain with 385 stores in 45 states under The Sports Authority nameplate. The actual TSA chairman will serve as chairman of the combined company, The Sports Authority, and headquarters will be located in Colorado, Gart's homeland.

Both parties have forecasted pretax savings above US$ 20 million in fiscal 2004, 40 million in 2005 and 50 million annually beyond that date. Moreover, the combination of distribution networks should speed the introduction of goods to market.

TSA new formula will become a leader in a highly competitive market that posts US$ 75 billion in retail sales and US$ 46 billion at wholesale. This market is also highly fragmented as a third of the business is generated by mass merchants, 9% by Internet, 12% by specialty stores, 24% by big-box sporting goods stores and 22% by traditional sporting goods stores.

Gart was founded in 1928 by Nathan Gart, a newspaper carrier for The Denver Post. TSA opened its first store at the end of 1987. It operates stores mainly located in shopping centers and free-standing big-box units. Originally, it was a Kmart's new venture.

✓New products are necessary to attract shoppers back to U.S.stores.

Top ten categories shopped at Christmas in the U.S

Christmas 2002	
1 discounts	89.5%
2 drugstores	60.5
3 national dept.stores	40.4
4 toy stores	31.6
5 book stores	30.3
6 music stores	29.3
7 home-improvement stores	29.1
8 apparel stores	27.3
9 computer/electronics stores	27.2
10 membership warehouse clubs	25.2

→→→

Christmas 2001	
1 discounts	90.3%
2 drugstores	60.6
3 national dept.stores	49.7
4 toy stores	41.7
5 major dept stores	34.6
6 bookstores	32.9
7 computer/electronics stores	28.3
8 membership warehouse clubs	28.0
9 home-improvement stores	26.6
10 music stores	24.1

Christmas 2000	
1 discounts	89.7%
2 drugstores	60.3
3 national dept.stores	57.6
4 toy stores	38.6
5 major dept.stores	32.3
6 computer/electronics stores	32.0
7 apparel stores	31.7
8 home-improvement stores	30.1
9 bookstores	26.7
10 membership warehouse clubs	24.8

American retailers are facing a decline of their customer base and people do not shop as much as in the past. The lagging economic context combined with terrorist attacks concerns have modified priorities of the American consumers. Family and home are coming first.

In the Nineties, Americans loved shopping and declared that they shopped eight to ten stores during the Christmas season compared to three to five in 2002.

This sharp decline is a great concern for retailers. Major department stores chains have been particularly hit in 2002. A third of all shoppers who usually shop the top 5 categories fell to 22.5% in 2002. When they are asked whether they will spend more or less in 2003 vs. 2002, almost 80% among them declared they will spend the same or less, only one in five plans to spend more.

Source : C.Britt Beemer, chairman and founder of America's Research Group for Chain Store Age Executive.

ASIA

SOUTH KOREA

✓Teleshopping development.

The first chain was created in 1995 in South Korea. Currently, the activity that generates ∊ 1.76 billion sales has merely doubled every year since 1997. Two groups dominate the market : LG Home Shopping (LG HS) and CJ Home Shopping (CJ HS) that hold 70% and the last 3 groups 30%.

The success of teleshopping is currently based on thirty-to-fifty-year old housewives, who generally stop working after their first child. It is also based on prices that are between 15% and 25% less expensive than in physical stores.

After a period of strong growth during the last six years sales are slowing down and both leaders growth could fall to 19% in 2003 and 7% by 2005. Main reasons could be :

- 65% of the households are cable-television equipped,
- logistic problems of the Korean postal services that deter customers from ordering ; moreover, the spoilt products during the transportation cause a growing demand, rising costs and after-selling service,
- the growing fraud of the bank cards. In these conditions, operators try to develop e-commerce sales (71% of the households are high-speed equipped) that is strongly expanding.

Teleshopping firms are impatiently waiting for the Number Cable Television (NCT) supplying customers with the convergence of television, Internet and telephone.

✓Carrefour is the largest foreign investor in this country with US$ 1.328 billion according to the Mocie.

Behind the French retailer, Coca-Cola with more than US$ 1 billion.

The top 10 foreign firms in South Korea.

Rank	firms	US$ mio
1	Carrefour	1,328
2	Coca-Cola	1,203
3	Allianz	893
4	Commerzbank	766
5	BASF	721
6	Tesco	705
7	Wal-Mart Stores	606
8	Royal Philips	600
9	Costco Wholesale	504
10	BT	471

Source : the French Embassy

TAIWAN

✓Fnac and Shin Kong Mitsukoshi in partnership to develop stores in Taiwan.

Fnac, the consumer electronic subsidiary of the French Pinault-Printemps-Redoute group, decided to sign a joint-venture partnership

agreement (40% Fnac/60% SKM) with Shin Kong Mitsukoshi which operates department stores in Taiwan. In these conditions, 4 new stores will be opened this fall including 2 in the first half in Taipei and 2 in Tainan and Taichung.

Fnac opened its first store in Taipei in 1999 and operates 2 units now.

AFRICA/NEAR EAST

✓Apsys has signed a partnership agreement with Mabrouk.

Apsys Tunisia was created by Apsys France in partnership with Mabrouk, a group with activities in the farm-produce industry and retailing, in order to market and operate shopping centers in Tunisia.

Mabrouk, which owns approximately thirty Monoprix super-markets, tries to expand shopping centers including Géant hypermarket anchors in this country; Apsys will market and operate these future centers with the intention to share their ownership.

The first shopping and leisure center will be located in the north of Tunis and should be completed by fall 2004 in a 60,000 sq. space including a Géant hypermarket, 6 to 8 middle-sized stores, 80 shops and leisure activities : a multiplex theatre, a fast food court, a bowling and a children's playground.

✓The Arabian Gulf countries in 2001.

	GDP/ inhab. mio US$	popu-lation (mio)	growth rate (%)	infla tion (%)
Bahrain	11,614	0.7	5	0.5
Kuwait (*)	17,138	2.2	5.1	2.5
Oman	8,073	2.5	5	2
Qatar	26 ,920	0.6	-1.8	1.4
U.A.E	17,647	3.4	1	3
Saudi Arabia	8,465	22.7	1.2	0.1

**2000 source : Middle East Economic Digest*

Retail trade is developing very rapidly in the Gulf Arabic countries, including Egypt and Jordanian, according to Retail International : stores, totaling 4 million sq.m, were operating at the end of 2001 and 2.4 will be over 2005. Shopping centers did not exist in 1980 but they were 3.5 million sq.m of space in 2000. Outlet centers are appearing. But those including hypermarkets as anchors such as Carrefour, a Majid Al Futtaim franchisee, are the most popular.

Food retailing is not yet very developed in these countries, especially in Saudi Arabia where the market is mainly dominated by mom-and-pop shops. Co-ops are dominant in Bahrain, Oman and Qatar; however, food big-box stores account for 50% of the food retail trade in the United Arabic Emirates.

✓Dubai wants to be the world's capital of commerce.

Stores, hotels, offices and conference halls are building at a speedy pace in the desert, along the Dubai Creek even along the coast of the second largest city of the United Arab Emirates. Three million tourists and businessmen come to Dubai every year, a figure that could grow to 15 million by the end of the decade according to the government.

The general manager of the Department of Economic Development, Government of Dubai, Mohammad Ali Alabbar, declared in a Middle East conference last December : « It's all going in the right direction for retailers. In two to three years, the political unrest will settle down. The five-year forecasts for population and tourism show rapid growth, while the retail space on track is nowhere near to matching that expected demand. »

Several shopping centers are currently building in Dubai. The 47,000 sq.m-Burjuman development will be enlarged as a 60,000 sq.m new phase will be completed by January 2004 anchored by a Saks department store. The other large project is Dubai Festival City (cf.LLDI January 2003), a US$ 164 million-project. Its first phase will be opened late 2003 and mainly include a shopping center (99,275 sq.m).

Western retailers complain of a lack of economic indicators. Consequently, it is difficult for them to forecast their expansion potential or the level supply outstrips demand for shopping centers.

As Dubai is a tax-free country and as businesses are generally family-run and owned, there is no legal obligation to publish sales and profit data. Now, the government would be working on the necessary operating and bureaucratic

change. « We want to be innovative and progress towards Dubai being the world's greatest shopping destination…. »*Source : Retail Week*

IN RUSSIA, MOSCOW IS OUTPERFORMING ST PETERSBURG IN THE RETAIL SCENE

After a serious financial crisis in 1998, Russia has become one of the most active markets and its development one of the fastest-growing ones. In 2002, the Federation entered its fourth straight year of economic growth : GDP increased by 3.2% in 1999, 7.7% in 2000 and 5.2% in 2001, 4% were registered in 2002 at US$ 345 billion. According to estimates, it should grow between 2% and 4% in 2003. Disposable income progressed respectively by 10% and 6% in 2000 and 2001 and the industrial production by 9% and 5.9%. Inflation declined to between 10% and 13% in 2002 and improved significantly from the 17% registered in 2001.

If revenues are weak compared to the Western European standards, spending power is fueled by a grey economy : second incomes, low rents (when they are paid) and utility expenditures that might account for approximately half of GDP. This is the reason why international retailers are eager to enter the market.

According to Jones Lang LaSalle calculations, **Moscow** has 43 sq.m of western-standard retail space per 1,000 inhabitants compared to 325 sq.m in Warsaw. Stiles & Riabokobylko noted that rents in prime shopping centers fell from US$ 1,750 per sq.m in October 2002 to US$ 1,537 in November 2002 and forecasts several shopping centers openings in the near term.

In St Petersburg as in other main provincial cities, the spending power is lower. But a large population (4.7 million inhabitants) and the continuous economy growth are guarantees for international investors. Expansion is slower than in Moscow that was the first city to enjoy oil, gas and international retail trade expansion. Moscow is and remains traditionally the first city to enter for foreign firms in spite of St Petersburg's proximity from the rest of Europe.

In St Petersburg, there are 300,000 to 400,000 sq.m of western-standard retail space including 120,000 sq. m shopping center developments that account for the growing sector. 50,000 to 100,000 sq.m are still in the pipeline. However, there would be a space shortage with vacancy rates next to zero on the two main shopping streets, Nevski and Bolshoi Prospekts where rents reach US$ 1,000 per sq a year and where Western shops are sitting next to old-style Soviet shops enjoying protected rents.

Until now, the development of food big-box stores in the « Northern Venice » is less active than Moscow. Okay from Sweden opened one unit and plans further ones. The first Metro cash & carry will be built during summer 2003. On its side, Ikea has bought a site to open a 31,000 sq.m store and will soon begin construction of a home-furnishings outlet.

As St Petersburg is building a ring road, out-of-town retailers will be able to settle there. Once construction is completed, over 2006, Ikea has planned to open a Mega Mall. As the city will celebrate its 300th birthday in May 2003, it invested heavily in a cleaning and renovating program of buildings and pedestrian zones that should form new retail destinations.

The retail trade is booming in Moscow.

Russia has been enjoying a commercial boom for three years. As revenues have been growing since the financial crisis in August 1998 and the ruble devaluation, Russians have discovered the taste for shopping again.

In the capital, which counts 10% of the Federation's 150 million population, annual average incomes are as high as

US$ 6,650 (or three times the national average). For prime sites, foreign retailers pay US$ 1,500 to 3,000 per sq.m a year. It is the price to enter a market where the average spending power increased by 12% between October 2001 and 2002 according to Cushman & Wakefield (CWHB).

Among eminent foreign retailers present in Moscow and who already have forged a bridgehead in this country with the intention to expand on the territory, there is Ikea that has already opened two furniture warehouses and a Mega Mall shopping center. Auchan from France operates two hypermarkets and Metro from Germany, that has 3 cash & carry, plans to speed the development of its Real hypermarkets.

Luxury goods retailers are concentrated on the Tverskaya street, spreading east to the zone surrounding the Bolshoi. Fashion brands such as Mango, Zara, Benetton and Karen Millen are also opening shops in prime high-street locations and a new generation of western-standard shopping centers is appearing.

As concern hypermarkets, a merger wave and lessons from foreign competitors have created strong national brands. Seventh Continent and Perekryostok, both owned by Russian holding companies, have sites (leased and owner-occupied) with anchor stores at the Atrium and Golden Babylon retail centers. Both chains answered to the foreign competition with aggressive expansion plans in 2003. Signs dating back to the former Soviet area such as the Detsky Mir children's store and department store TsUM have been bought by Russian holding companies that are opening new outlets. Moreover, as Russian retailers have proved they are clever at copying western stores, Technosila and Eldorado white goods and electrical stores are looking like the British Dixons chain and the coffee-shop chains are similar to Starbucks.

Beyond Ikea, the shopping center development is dominated by Russians mainly by those adept at co-operating with the Moscow City Government. However, foreign developers and investors are growing in number.

Rents.

« Retail is one of the main drivers of real estate in Moscow » says Michael Lange at Jones Lang LaSalle in Russia, « We will have at least another three to five years of (high rents and undersupply) before the market changes. »

In Moscow, supply ranges from the famous renovated Gum shopping gallery on the Red Square to Atrium Center (100,000 sq.m), opened in 2002, which knew how to attract foreign signs such as Mango, Benetton and Olsen and where rents range from US$ 1,000 to US$ 2,500 per sq.m a year. In the Tverskaya street, one of the most prestigious of the city, they are offered up to US$ 3,200 per sq.m a year from US$ 1,440 in the New Arbat and between three and fifteen years even if most of the tenants sign for a three to ten year-period.

Ikea development.

Ikea is the first foreign retailer to enjoy a growing spending power of the Muscovites in Khimki. In fact, sales are equivalent to its seven Polish stores while the average transaction is 10% below its Paris stores and level with Stockholm. Peter Odlund, commercial projects in Russia, said that the Khimki store was « a cash machine » for, once the development costs have been recouped, it will pump out enough money to build at least one Ikea store a year. »

On December 12th.2002, Ikea opened a Mega Mall, the first unit of a new generation of shopping centers in a 150,000 sq.m space next to its second furniture store in the suburbs of Kommunarka. It includes mainly an Auchan hypermarket (25,000 sq.m), a TsUM department store (11,000 sq.m), an Obi DIY unit (15,000 sq.m), a Technosila consumer electronics store (5,000 sq.m), Detsky Mir (6,000 sq.m), a multiplex (7,500 sq.m) and a fast food court. Retailers pay a basic rent plus a percentage on turnover up to 18%. The second Mega Mall, located next to Ikea's Chimski's store, will be built in a 175,000 sq. space in the first phase and will add 45,000 sq. m in the second. Obi would

open a store there. The Swedish firm has also two smaller furniture stores in project. Totally, 15 have been forecasted in Russia over the next five years.

Aside the high-spending power in Moscow, Russia is in the heart of a development by most of foreign retailers. In this country with 33 cities of more than 500,000 inhabitants, there is a lot of projects in Samara, along the Volga River, or in Ekaterinburg in the Ural mountains, even in Kazan, the capital of the semi-autonomous republic of Tatarstan…

However, in the food field, Russian retailers are hoping to beat their foreign competitors to the provinces. The Turkish-Russian joint venture Ramenka would be negotiating in Krasnoyarsk (Eastern Siberia), Nijni-Novgorod, Kazan and Vladivostok. Perekryostok has projects in 10 regions, each of them being supported by its own warehouse network.

Moscow, whose population can spend up to 85% of its spending power on food and non-food according to JLL, is an attractive market in the long term for many retailers. However, falling rents registered in the fall 2002 in shopping centers is a sign that in the short term there is a dip in supply and developers pay attention on vacancy rates.■

Source : Europroperty.

Is retail consolidation necessary to survive ?

In the beginning of this year, a lot of rumors have been circulating as high-profile executives have been departing since January following the difficult Christmas season. Retail consolidation and survival are the subjects of talks. It is the new battle that all forms of retailing have to deal with, from the Macy's department stores to the Gap specialty stores while those once considered as giants, the US$ 15 billion retailers, are no longer considered as major players. Wal-Mart generates sales almost fifteen times that figure and even Kmart, in financial difficulties, is almost three times bigger. Buying, staff, back office and logistics savings have become inevitable components for retailers as they face flat or barely-rising comp-store sales.

In this context, once again two eminent department store chains might consider merging : after talks that failed in 2002, **Federated and May Department** stores are discussing again. While Federated is out-performing May, the latter has more cash at its disposal and might be the buyer even after seven, even eight, straight quarters of falling profits.

In the same time, **Sears** that offers « everything for everybody » is rolling out its Land's End brand bought in 2002 and is about to sell it into more stores as soon as this very spring. Its future as an independent chain totally depends on its store renewal program.

Target, America's third largest discount chain that is suffering from the Wal-Mart's competition (read article in this issue) in the apparel field, might consider its position again on its two subsidiaries, the Marshall Field's department stores and the Mervyn's apparel stores, while it always denied they were up for sale. But they both are on markets that begin to be invaded by the Kohl's junior department stores.

In fact, all the major American chains are re-examining individual store performance and prepare to close units that are not performing well enough and to axe staff. Regional department store chains such as Gottschalks, Bon Ton, Elder-Beerman and Boscov's are considered as possible takeover targets or restructuring candidates.

Retailers are transforming, renewing, buying and always looking at each other. **Federated** recently bought two stores located in Hawaii from J.C.Penney that will be re-opened under the Macy's banner this coming fall. However, retailers are now more conscious of risks generated by the debt and the difficulties of assimilating units

on a bigger scale. They must be aware that banks are more cautious than they were in the Eighties and Nineties. According to Financo, « The only way to survive is to grow bigger. It's becoming harder and harder to earn a buck because unit prices are down. Just to break even, you have to sell more units. »

The once brilliant department stores.

Peter J.Solomon, chairman of an investment banking firm that bears his name, thinks that the Federated-May merger should happen. « The problem with the department stores has been the same for fifty years, the absence of top-line-growth. » They have to increase their profits and they succeed only partly by merging subsidiaries and internal consolidation as Federated did in Atlanta. Now, a merger would contribute to a greater cost and buying efficiency…

« Department stores' great strength was as providers of credit but that hasn't been the case since the introduction of the walk-around credit card fifty years ago. Even when revenues were steady or growing, they've been losing market share, giving up about one-third of it in the Eighties alone. They're great institutions that no longer have the importance they once had. »

To illustrate these talks, statistics by the U.S. Commerce Department show that department stores have been losing market share, as a percentage of sales excluding autos, for seven straight years through 2001, the last year these figures were available: they were at 12.8% in 1993 and 1994 and have since fallen steadily to 10.2% in 2001.

If most analysts do not see any new major bankrupt in the U.S., they forecast a great number of closings as retailers will have to get rid of non-performing outlets. Simultaneously, the retail trade is becoming more and more a game of scale which makes consolidations likely. At Kurt Salmon Associates, they declare that « Consumers are not being stimulated to buy enough to keep all the retail square footage and infrastructure costs manageable. Logically speaking, mergers and acquisitions is a rational vehicle for matching waning consumer demand with existing retail capacity… »

Consolidation of department store chains is also due to the fact that they do not only register lagging, even falling sales, but also a collapse of their stock prices. Moreover, « Having four or five department stores at a mall that essentially sell the same thing, over time, they just will not be able to compete against each other and it's survival of the fittest ». Now, not only chains quarrel against themselves but also against specialty stores in shopping centers offering the same merchandise in a pleasant and more dynamic environment, they say at Smith Barney.

According to WSL Strategic Retail « This is an era when shoppers have many retailers to choose from, including the Internet, and at no time has it ever been more important to have a personality that shines through. » ■

Source : David Moin and also Arnold J.Karr, Evan Clark and Jennifer Weitzman for Women's Wear Daily

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