LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

JUNE 2003 - volume V- N°43

INTERNATIONAL

✓IKEA is expanding in Europe, China and U.S.

The world's largest furniture retailer, that entered **Spain** in 1996 and opened two stores in the Madrid area plus one in Badalona, will open a fourth unit in Hospitallet de Llobregat in the suburbs of Barcelona. It aims to strengthen its presence in this country as well as in **Portugal** and plans 22 new outlets over 2015 accounting for a total investment of at least ∈ 1 billion.

It will open two other stores in Seville and Lisbon in 2003 and further units in Oviedo, Baracaldo in the Basque Country and in Valencia over 2005.

In China, Ikea operates two stores, one in Shanghai, opened in 1998, and a second one in Beijing, opened in 1999, whose sales are growing by 30% to 40% a year. The Swedish company expects to open one dozen units over 2010 mainly in the south part of the country, in Guangzhou and Shenzhen.

If SARS has killed hundreds of people and infected thousands since the virus broke out in Southern China last November, Ikea's sales fell 20% only in the Beijing store during one week in April. Chinese getting used to living under these new conditions, sales have not suffered as much as expected. Before SARS, Ikea had projected sales to rise 10% in China in 2003 but they will probably shrink by as much as two percentage points.

Last April, it moved its Shanghai store in a larger 35,000 sq.m facility, Ikea's largest in Asia. It anticipates it will boost its sales by 70% to 80% in this country. Currently, sales account for 1% of Ikea's global sales that amounted to ∈ 11 billion in 2002.

In North America, Ikea expects to open 10 new stores in Canada and 15 in the U.S. 50 are planned in the U.S.A and Canada over the next 10 years.

Totally, Ikea operates 180 stores, franchisees included, in 32 countries or territories.

✓Tesco jumped from 11th to 8th position in the world.

Grocery top ten 2002 according to sales.

2002 rank	2001 rank	retailers	countries	retail sales (billion ∈)
1	1	Wal-Mart	U.S.A	239.75
2	2	Carrefour	France	75.20
3	3	Ahold	N.lands	71.45
4	6	Metro	Germany	50.72
5	4	Kroger	U.S.A	50.65
6	5	Ito Yokado	Japan	47.98
7	7	Target	U.S.A	42.98
8	11	Tesco	U.K	39.94
9	12	Costco	U.S.A	38.84
10	10	Safeway	U.S.A	35.12

Source : M+M Planet Retail

This way, Tesco overtook Safeway, Kmart and Albertson's from USA by sales up 12% and store number by 135%. There is a wide gap between the first three groups and the rest of the retailers. Costco is a new entry in this chart and Metro has grown from sixth position to fourth overtaking Kroger from U.S.A.

CENTRAL & EASTERN EUROPE

HUNGARY

✓Emerging Europe : Hungary at the top of emerging countries in Europe for its real estate.

The survey, Emerging Europe, published by Cushman & Wakefield Healey & Baker, is based on approximately fifty different political, economic and real estate criteria in 13 countries to indicate opportunities and risks to investors. In this ranking, Hungary is at the top for the quality of its real estate (retail, offices, warehouses, industrial parks) followed by the Czech Republic and Poland.

3.36 million sq.m of new shopping centre space is due to be finished in Emerging Europe over the next two years. Consequently, institutional investors should reveal a growing interest, as these countries joining E.U in 2004 risks tied to emerging countries should be cut.

Years to reach 75% of EU 15 GDP per capita average.

	Years to reach 75% of EU-15 GDP**per capita average	2002 GDP per capita (US$)	Annual GDP growth 2003/2004 forecast
Hungary*	11	9,930	4.0%
Czech Rep.*	15	12,220	3.6
Poland*	33	8,250	3.3
Estonia*	19	7,340	6.7
Slovakia*	20	9,430	4.8
Slovenia*	1	15,620	3.7
Lithuania*	31	5,660	4.8
Russia	34	5,740	4.2
Latvia*	27	5,620	8.0
Bulgaria***	31	5,970	4.4
Turkey	32	6,980	3.8
Romania***	34	5,300	4.9
Croatia***	30	7,820	4.3
EU average	**-**	**26,034**	**1.5**

Sources : EIU, Euractiv.com, Eurotstat, Cushman & Wakefield Healey & Baker
**countries to join E.U in May 2004*
***estimation based on GDP per capita calculated using purchasing power parity basis*
****countries to join E.U in 2007*

RUSSIA

✓Ikea : two managers left Moscow's Mega Mall following a conflict with the Swedish retailer.

Two top managers, hired for a period of three years by the Swedish company to run the shopping centre, left it after nine months spent there. They both disagreed with Ikea on too high rents that do not correspond to the market reality, which Ikea refused to lower. In fact, they range from US$ 350 to 3,200 per sq.m per year depending on size and location. For large tenants like Sportmaster and Tekhnosila, they are based on their sales; for small tenants, they are fixed and, in some cases, account for 30% to 40% of their sales.

This Eastern Europe's largest shopping centre, opened on December 2002, includes two anchors, Ikea, the world's largest furniture giant, and one hypermarket Auchan from France and 250 shops. It cost more than US$ 250 million to build. High returns and US$ 675 million sales revenues were expected. Now, as activity has been disappointing, some retailers try to sublease part of their space or would like to leave the Mall, struggling for life.

At the end of 2002, Ikea announced other Mall projects in Nijni Novgorod, Ufa, Kazan and Saratov in addition to several freestanding furniture stores including St Petersburg.

✓Sedmoi Kontinent will open its first Mosmart hypermarket in Russia mid-June in a 10,000 sq.m space.

For this operation, the Russian retailer has created a joint venture with the developer Hypercentre in order to open two Mosmart hypermarket anchors in Moscow's shopping centres in 2003.

Sedmoi, founded in 1004, and Russia's third largest retailer by sales, expects to open four hypermarkets in Moscow under the Mosmart fascia and two in St Petersburg under the Rosmart over 2005. The new network will profit from a common central buying group launched with Sedmoi Kontinent and aims to position itself as the first Russian hypermarket sign.

Auchan from France operates two hypermarkets in Russia and plans ten in the long term. Metro, whose first cash & carry will be opened around the end of this year, expects to have 20 Real hypermarkets in operation by 2007.

WESTERN EUROPE

BELGIUM

✓Delhaize le Lion, first quarter 2003 results : sales slid 13.9% due to the weakening of the U.S dollar by 18.3%.

Group sales decreased to € 4.651 billion compared with € 5.402 billion in the same period one year earlier impacted by the weakening of the dollar by 18.3% and an exceptional charge for store closings (41 Food Lion and 1 Kash n'Karry). « The significant cost savings program at Food Lion and continued commercial successes at Hannaford, Delhaize Belgium and in Greece, offset the negative impact of the dollar weakening and the continued weak sales at Food Lion and Kash n'Karry » declared

Pierre-Olivier Beckers, President and ceo of Delhaize Group.

Operating profit fell 2.8% to ∈ 209.4 million from ∈ 215.5 million and net profit 4.2% to ∈ 46.3 million. The operating margin of Delhaize Group increased to 4.5% (4.0% in 2002) due to major cost savings resulting in a reduction of operating costs to 18.2% of sales (18.8% in 2002).

FRANCE

✓Evry 2 shopping centre has been officially enlarged on May 21st 2003 becoming the second largest French shopping centre by store number.

This regional centre, opened in March 1975 in a 74,000 sq.m space, was enlarged by 19,000 new sq.m to 93,000 sq.m GLA. Sixty new stores have been added including Agatha, Mango, Esprit… bringing the total to approximately 220 units.

5,300 new parking spaces have been added in 6 levels and the site has a new layout. A food court will be opened by the end of this year.

✓Auchan : 2002 a year of consolidation and refocusing :

(∈ mio)	2002	2001	variation
salex excl.tax	27,562	26,186	+5.3%
EBITDA	1,742	1,582	+10.1%
Operating income	1,063	1,009	+5.4%
Income from ordinary activities before tax	909	845	+7.6%
Exceptional expenses	-176	- 23	
Income tax	-299	- 301	
Group share of net income	292	330	-11.6%
Income from operating activities	1,116	1,004	+11.2%

Source : Auchan

In 2002 the French group decided to retreat from Mexico (it sold 5 hypermarkets) and United States (it closed its two hypermarkets in Houston); e-commerce was resized but activities ceased in Madrid and in Cournon (France). These operations have clearly affected the Group's exceptional net income, which fell 11.6% from one year earlier to ∈ 292 million due to non-recurrent exceptional expenses. ∈ 176 million have been provisioned in anticipation of a fiscal adjustment and ∈ 36 million for the restructuring activities in America.

In addition the Group entered Russia in 2002. The year was also marked by the successful public offer on the minority interests of La Rinascente in Italy and the creation of a joint international service company under the name of IRTS (International Retail and Trade Services) with the French Casino Group. Sales grew by 5.3% to ∈ 27.562 billion or 6.1% on a constant exchange rate basis. Hypermarkets are the largest business segment and accounted for 78.9% of sales and supermarkets 18.6%. Per geographic zone, Europe accounted for 93.9% of sales (including France 63.2%), Asia 4.4% and North/South America and Morocco 1.7%.

During the past exercise, Auchan opened 56 stores including 28 hypermarkets and 28 supermarkets bringing the total count to 309 and 601 respectively. The Group has decided to focus on E.U (to strengthen its position in the Polish and Hungarian markets), in Morocco, Russia and Asia (China, Taiwan). It expects to double sales every seven years. Income from operating activities (∈ 1.116 billion) growing by 11.2% should help financing its development and cut its net debt (∈ 2.65 billion by end 2002) accounting for 65% of net worth.

✓Galeries Lafayette Group : Q1 consolidated sales grew by 4.8% to ∈ 1.335 billion. On a constant perimeter basis, they grew by 3.2% and are broken as follows :

(∈ mio)	Q 1. 2003	Q 1.2002 pro forma	growth %
Department st.	574.0	574.0	+0.3
Monoprix variety st.	436.7	416.9	+4.7
Other retail activities*	57.5	50.4	+14.1%
Other services incl. credit activity	265.3 240.4	232.8 208.9	+14.0
total	**1,335.2**	**1,274.1**	**+4.8**

Source : Galeries Lafayette **Europa Quartz, Croisette, Télémarket, Promosta*

Department store sales grew by 0.3% only compared to one year earlier due to a slower activity in the Paris downtown unit (down 4.0%) and less foreign customers; in addition the BHV department stores registered a low increase (up 0.9%). Sales were up 14.1% in other retail activities thanks to the acquisition of Europa Quartz in March 2002.

✓Vivarte, former André Group, has recruited Bernardo Sanchez Incera from Zara last April, as ceo, who succeeds Georges Plassat.

The shoe (André, Minelli, San Marina, La Halle aux Chaussures) and apparel group (Caroll, Kookai, Creeks, Liberto…) has improved its performance and its profitability has been growing during the half ended February 28.

While sales fell 1.2% to ∈ 938 million, EBITDA grew by 10.9% to ∈ 98.6 million and EBIT by 10.5%. Net income group share jumped 15% to ∈ 36.9 millions accounting for 3.9% of sales in a sluggish economic context. Operating margin increased by 0.8% to 7.1% compared to the first 2002 half. Operating profit amounted to ∈ 66.2 million. Economies in purchases allowed generating a 49.1%-gross margin.

Kookai operating profit amounted to ∈ 2 million compared to ∈ 11 million one year earlier on sales down 22% during the period. The Creeks fascia (20 suburban stores) will disappear by the end of this year. André, that has renovated half of its outlets, has cut its loss down to ∈ 1.2 million in the first half from ∈ 3.5 million one year earlier and will be profitable in the second half.

✓The consumer electronics branch of the French Pinault Printemps Group, Fnac, has opened two new stores : one in the Evry 2 shopping center on May 21 and the fifth in Italy (the 28th in Europe or 101st in the world) on May 22.

Total sales of the 96 stores amounted to ∈ 3.5 billion in 2002. Thirty six units in 7 countries accounted for above 20%. Denis Olivennes, the new ceo of Fnac, has first decided to develop the network through the relocation, renovation and enlargement of stores in France, secondly to have a break in new units and also strengthen its presence on foreign markets mainly in Spain and Brazil.

✓«Les Enseignes du Commerce Associé » celebrated their 40th birthday in May.

In 1963 when the first Carrefour hypermarket was opened two federations merged under the name of UFCC (Union Fédérale de la Coopération Commerciale). In fact, independent retailers had decided to create a network in order to gain strength and have a central buying group. Originally, thirty-five retailers became members of the Union accounting for less than 5% of the French retail trade.

Sales of the « Enseignes » grew by 6.5% in 2002 on a constant perimeter basis to ∈ 30.6 billion compared with 1.5% for the total French retail trade.

In 2003, their market share will grow to 20% and they include 36 members and 63 fascias including Plein Ciel, Intersport, Phox, Jouetland, Gedimat, Mr Jardinage… a total of 19,000 stores and ∈ 30.6 billion sales (8.5% of the total French retail sales).

Socorec is the financial partner of "Les Enseignes", acting as a guarantee, granting loans and setting up financial deals. On January 1st, its outstanding discounted bills were as low as ∈ 212.6 million reflecting that a great number of its members borrowed from classic bank networks.

GERMANY

✓Germany is the largest investor in European commercial property.

The country has overtaken the U.S.A as the largest investor accounting for approximately 30% of total acquisitions in 2002 according to a recent survey by DTZ. The U.S came next with 27% and almost ∈ 9.3 billion from ∈ 11.3 billion in 2001 or 29% of total investment.

The United Kingdom remained the best location for investments and attracted almost a third of the total activity. France was also popular with volumes up to ∈ 7.4 billion from ∈ 6.9 billion one year earlier.

DTZ said that investment market continued to be active in 2002 with ∈ 31.5 billion.

✓Metro opens its « Future Store ».

On April 28, the group opened a Future Store in Rheinberg, in North Westphalia, about fifty kilometers from Düsseldorf. It is the result of a strategic cooperation between the German retailer and several industrial suppliers including NCR, IBM, Cisco… which test a range of technologies in the retail trade including the Radio Frequency Identification and try to offer customers the best service as well as a new shopping experience.

In this 3,200 sq.m Extra supermarket caddies are equipped with a Personal Shopping Assistant, touch-screen device in which customers insert their loyalty cards. They track movements through the store and show items when customers are in the right aisle.

The store is also equipped with self-checkout terminals and kiosks give information on products. The 37,000 items have electronic shelf-edge labels enabling to change the product price at distance and to control the inventory level. «Customer satisfaction will rise because goods will be more readily available, service is becoming more individualized and shopping more convenient » said Sigmund Mierdorf of the management board of Metro, and « This will boost our sales and lower our costs. »

The Extra chain of the Metro group is conducting a restructuring plan, which aims to close 400 to 500 units and to transform twenty of them into Real hypermarkets. It sales amounted to ∊ 2.8 billion in 2002 but there was a ∊ 47.2 million loss before tax. Competition is very hard in the German food market led by hard discounters such as Aldi, Lidl and Netto.

✓Spar (∊ 167 million loss, ∊ 5.3 billion sales, 3,031 stores) still needs ∊ 500 million in order to go on with its restructuring plan.

ITM Entreprises (Intermarché), the holding company of the Groupement des Mousquetaires, who owns 85% of the capital of Spar, has been pouring ∊ 431 million into it since 1997. Today, it succeeded in signing an agreement with the creditors of its German subsidiary, approximately twenty German and French banks.

According to the restructuring plan, Spar keeps the profitable activities only such as the cash & carry units and the hard discounts (1,100 Netto), closes about one hundred Eurospar supermarkets this very year and will sell 170 other units over 2004 either to competitors or to their managers. According to this plan also, the Intermarché fascia will disappear from Germany.

ITALY

✓Corio to strengthen its presence in the Italian retail trade.

The Dutch investor has bought 7,500 sq.m of the Il Maestrale shopping centre in Senigallia for ∊ 23.4 million from an undisclosed Italian family. Ipercoop owns and occupy the remaining 12,500 sq.m. The French Hyparlo was the owner of this hypermarket until 2001 and sold it to Coop Adriatica in April 2001.

The centre is fully let with five-year average leases and 70% of these leases expire after September 2004. This operation, that reflects a gross initial yield of 8.6%, is the second acquisition of Corio in Italy and follows the acquisition of the Macif's Trema portfolio in November 2001.

Corio has also sold the 6,500 sq.m De Scholver shopping centre in Capelle an de Ijssel (Netherlands) for ∊ 12.8 million to a Dutch pension fund.

NETHERLANDS

✓Royal Ahold : unaudited figures of Royal Ahold but correctly restated for 2001 and 2002 are presented in the following chart :"

∊ and US$ mio	2001	2002
US Retail (US$)	23,211.7	26,255.7
U.S Foodservice (US$)	12,133.8	17,436.2
Europe	13,238.8	13,935.4
South America	1,273.5	2,143.3
Asia	399.5	457.7
Total sales	**54,398.2**	**62,885.9**

Source : Ahold

Following the audit led by PricewaterhouseCoopers, **it appears that pre-tax incomes of U.S Foodservice have been overstated by approximately US$ 880 million instead of US$ 500 million,** as previously announced by Ahold, during the period of April 1, 2000 (the date of its acquisition) to December 28, 2002 (the end of Ahold's financial year). Of this amount approximately, US$ 110 million relate to fiscal year 2000, US$ 260 million to fiscal year 2001 and US$ 510 million to fiscal year 2002. Corresponding adjustments of US$ 1 billion to the balance sheet of U.S Foodservice at December 28, 2002 will also be required and include US$ 700 million of write-offs. **According to the last news, Ahold would sell part or the entire U.S.Foodservice.**

Moreover, Ahold insists to say that investigations led in its subsidiary do not lead to fraud at other Ahold's operating units (Albert Heijn, Netherlands), Stop & Shop (USA), Santa Isabel (Chile), in Poland, the Czech Republic or in Scandinavia.

Today, Ahold announced that its syndicate of banks has agreed to extend the deadlines for the provision of audited 2002 financial statements for Stop & Shop from May 31, 2003 to June 30, 2003 and audited 2002 consolidated financial statement for Ahold from June 30, 2003 to August 15, 2003. The Albert Heijn audited 2002 financial statements are to be provided in June 2003.

As announced in December 2002, **the Dutch retailer confirmed it signed a definitive agreement with NBTY, a U.S based publicly company, for the divestment of its Dutch natural products retail subsidiary De Tuinen.** This operation received all necessary approvals.

De Tuinen which operates 65 stores, including 25 franchise units, of dietary supplements, drugs, gift items and natural beauty care products, has been part of Ahold's empire since 1991 and has sales of € 30 million.

Holland & Barrett Europe, a British subsidiary of NBTY, a producer of dietary supplements with approximately 1,000 stores in the United States, Great Britain and Ireland, bought it for € 16 million cash.

PORTUGAL

✓« Le Groupement des Mousquetaires » opened its first non-food logistics base in this country, in Cantanhede, in May.

This 35,000 sq.m facility, including a 20,000 sq.m covered space, will have to supply all the Groupement's stores in Portugal with non-food products and to improve service quality.

The « Groupement », France's second largest retail group, (€ 38.4 billion sales) entered Portugal in 1991, developed the Ecomarché fascia in 1995, Bricomarché and Stationmarché in 1998. It will soon open the 200th outlet under the Vêtimarché brand.

It is present in eight European countries under various signs : Intermarché, Ecomarché, Netto, Bricomarché, Logimarché, Vêtimarché, Stationmarché, Restaumarché and Espace Temps.

SPAIN

✓Aareal has bought the Odeon center located in Galicia.

Aareal Property Services, the real estate arm of the German bank, has bought the Odeon shopping and leisure center in Ferrol for € 45 million from the Spanish building company Construcciones Odeon :
- 26,900 sq.m sales area,
- a twelve-screen multiplex,
- restaurants,
- 200,000 inhabitants in the catchment area of whom 130,000 live within a two-kilometer radius.

According to Hugh Forrest, Aareal's asset management for Spain and Portugal, the bank is looking for opportunities in other Spanish cities such as Valencia and Malaga.

✓Madrid Xanadu Snow Park, Europe's largest shopping and leisure center, was opened in Arroyomolinos on May 17th.

First phase includes in a 134,000 sq.m GLA space :
- 220 shops among which Zara, Benetton, H&M, C&A…
- El Corte Ingles department store,
- Hipercor hypermarket,
- a fifteen-screen multiplex,
- approximately thirty restaurants,
- expected sales : € 15 million,
- 30 million visitors are expected of whom one million for the covered 18,000 sq.m ski park which cost € 45 million.

Total investment (€ 450 million) has been financed by Irak investors of whom Jaafar Chalabi, nephew of the National Council's President, Ahmed Chalabi. He is the main investor of PGC (Parcelatoria Gonzalo Chacon), a Spanish real estate company. He is also associated with the American developer, The Mills Corp, and with the German fund Kan Am, both have 33.33% of Parque Nieve, owner of the ski park, and PGC 66.66%.

Second phase will include a hotel and a leisure centre in an 184,000 sq.m GLA space (cf. LLDI December 2002).

If this project is successful, the partners (PGC, The Mills and Kan Am) will be interested in leading similar operations in Spain (Barcelona, Valencia and Malaga) and in the United States of America (New York).

UNITED KINGDOM

✓Selfridge's, the British department store chain could be bought by the Canadian billionaire Galen Weston through its firm Oxford Acquisitions Ltd that made a US$ 1.14 billion offer.

His proposition values Selfridge's that will soon celebrate its 100th birthday at US$ 965 million. In addition, Weston plans to pay the net debt of US$ 49 million. His empire is composed of high-end arms : Holt Renfrew in Canada and Brown Thomas in Ireland plus George Weston Ltd, one of the largest food processing and distribution firms in North America. In addition the British part of the family owns the London gourmet store Fortnum & Mason.

Selfridge's was a part of the Sears plc until 1998. The chain was then bought by its employees through a LBO. Today, it operates one 50,000 sq.m-department store in London, on Oxford Street, and two in Manchester. A new unit will soon be opened in September in an 18,580 sq.m space. Plans are for a Glasgow unit in 2007; Leeds, Newcastle and Bristol are also among the interesting cities. In 2002/2003, income before tax increased by 8.2% to € 59 million on € 655.46 million sales.

But Selfridge's is not the only British department store chain attracting investors : **Debenham's** declared having received a proposal from the venture capital group Permira that values it at US$ 2.4 billion and **House of Fraser** could also attract interest. It seems that return on investment is the answer to this new trend.

✓Marks & Spencer : profit before tax grew by 11.5% to € 1.012 billion on € 11.23 billion sales (up 6%) in 2002/2003.

Operating income of the U.K's largest apparel retailer increased by 21% to € 1.06 billion and market share by 0.7% in men's, women's and lingerie wear. In 2002, ready-to-wear sales that accounted for 50% of the Group's sales jumped 10% but in the Q1 2003 they remained flat. Moreover, Roger Holmes, Group's chief executive who succeeded Luc Vandevelde, still part-time chairman, anticipates that « The market will stabilize at a lower level, perhaps under 3%. »

To solve the matter, the Group is still investing in the improvement of its logistics and the diversification of its foreign suppliers. It tries also to increase its food sales mainly by opening 150 new stores over March 2006. In addition, a first outlet, specialized in housewares, and managed by the former chief executive of the Selfridge's department stores, will be opened in Newcastle early 2004.

✓Sainsbury announced a modest sales increase in 2002. Safeway's profits slid 5.5% in the exercise ended March 31.

Sainsbury, U.K's second largest food retailer, had pre-tax profits up 16.8% to £ 667 million (€ 980,88 million). On a constant perimeter basis, they were up 11% to £ 695 million (€ 1.022 billion). Turnover grew by 2.3% only to £ 15.3 billion (€ 22,5 billion).

Between 2001 and 2002 the margin grew from 4.1% to 4.3% thanks to investments in logistics and four new warehouses. The retailer will continue with the renovation program of its park and computer services in 2003 as it expects to spare £ 700 million (€ 1.03 billion) over 2004.

Sainsbury is one of the candidates among Tesco, Asda/Wal-Mart and also Philip Green of Arcadia to acquire Safeway. The Government and the Office of Fair Trading are studying the situation. Their conclusions will be official by August 12th.

Safeway, UK's fourth largest food retailer, had a pre-tax profit and before exceptional items and goodwill amortization down 5.5% to £ 335.2 million (€ 429.9 million) on sales up 1.3% to £ 9.517 billion (€ 14 billion) only in 2002/3. These figures were affected by several intention offers. In Q 4, ended March 31, it released that on a same-store basis its market share fell 0.1% while Sainsbury's grew by 1.1% and Tesco by 4.4%.

✓**DIY market in 2002.**

companies	market share
B&Q	24.7%
Homebase	12
Focus Wickes	11.8
Argos *	2.4
Wyevale	1.2
Wilkinson	1.2
others	46.7

Sources : Verdict Research/Retail Week

** subsidiary of Great Universal Stores which bought Homebase in 2002 for £ 900 million (∈ 1.3 billion)*

According to a survey released last February by Verdict on British DIY, the market should increase from £ 57 billion (∈ 81.78 billion) to £ 74.4 billion (∈ 106.7 billion) between 2003 and 2007. It is boosted by passionate British, low interest rates and an ageing population, all arguments that should stimulate household spending in DIY, gardening and furniture from £ 2,300 (∈ 3,300) in 2002 to 2,900 (∈ 4,200) in 2007.

According to this survey also, the improvement of the economic situation would enable Kingfisher and GUS to complete their grand projects. Kingfisher, that is focusing on its B&Q and Castorama subsidiaries, continues expanding outside U.K while increasing its domestic market sales.

TURKEY

✓**Food retail trade evolution.**

According to Nielsen, grocery is a US$ 25-billion market. Modern retail trade accounted for 44.8% and US$ 11.2 billion sales in 2002 (or 6.2% of GDP) but is still limited and administrative and property problems are slowing down its expansion. However, it is developing all formats : hypermarkets, supermarkets and hard discounts. Traditional retailers (55.2% of the market) still resist but their market share should fall to 36% by 2005.

Sales per sq.m amount to US$ 3,000 and the average basket is approximately US$ 20 to 25. As for 2003, AC Nielsen anticipates the following evolution :

	2003		2005	
	stores	market share	stores	market share
Modern retailers	4,407	47%	5,192	53%
Traditional retailers	115,000	41%	100,000	36%

Source : AC Nielsen

Evolution of the market share : 1999/2002

	1999	2000	2001	2002
Total modern retail trade >100 sq.m	30.3%	34.8%	42.4%	44.8%
Hypermarkets >2,500 sq.m	8.3	10.0	12.1	11.5
Large supermarkets (1,000-2,500 m2)	5.8	6.9	8.0	8.9
Supermarkets (400-1,000 m2)	6.7	8.0	10.5	11.4
Superettes	9.5	9.9	11.8	13.0
Markets (50-100 m2)	17.4	15.1	14.7	13.6
Groceries (>50 m2)	52.3	50.1	42.9	41.6
total	100.0	100.0	100.0	100.0

Source : AC Nielsen

Carrefour entered Turkey in 1993. It is one of the modern retail leaders. It currently operates 10 Carrefour hypermarkets, 3 Champion supermarkets and approximately 150 Dia hard discounts in partnership with the Sabanci group since 1995.

Metro runs 22 stores including 9 Metro cash & carry, 6 Real hypermarkets and 7 Praktiker DIY stores. In 2002, sales fell 10% to ∈ 559 million.

Kipa is a local chain founded in 1992 by one hundred Turkish businessmen. It operates 5 hypermarkets (38,000 sq.m) and sales amount to US$ 173 million. 50% of its capital has been acquired by the British Tesco, one operation that values it at ∈ 108 million.

Migros, a former subsidiary of the Swiss co-op, now controlled by the Turkish Koç, has 461 stores (including 217 Sok) under various formats in and outside Turkey : 23 Ramstore in Russia, Kazakhstan, Azerbaijan and Bulgaria. Since 1997 Migros could have invested up to US$ 220 million in these four countries that accounted for 600,000 sq.m and US$ 767 million sales in 2002

Dogus, a former partner of the French Promodès, is a local group with 193 Tansas stores (113,000 sq.m selling area, US$ 349 million sales). **Fiba** is also a local firm operating 74 Gima supermarkets (89,000 sq.m) and 91 Endi hard discounts (25,000 sq.m) and US$ 333 million sales.

Hard discounts are expanding rapidly under the Dia (Carrefour), Sok (Migros), Endi (Fiba) and Bim fascias. Bim is the the leader with 800 units.

Source : Lettre de Veille Internationale

NORTH AMERICA

UNITED STATES

✓Credit to debit cards : Visa and MasterCard could meet a new stronger competition.

In the U.S., these two giants control more than 70% of all the card-based transactions. Currently, under the pressure of recent suits and thanks to falling technology costs, retailers and consumers will enjoy lower processing fees. Hence, Visa and MasterCard and their banks will generate fewer profits and meet a new competition in this US$ 916 billion payments business.

Five or six viable credit card companies and card networks could appear according to Wal-Mart attorney representing the retail giant's interests. In fact, it led a class action and challenged Visa and MasterCard over the fees they charge for the fast-growing debit card market; in addition, since 1996 Wal-Mart has been alleging they violated antitrust laws by tying their debit cards to their traditional credit services. Under these circumstances, a retailer who accepts a Visa or a MasterCard credit card is obliged to also accept the debit card. In the end, both companies accepted to cut their fees by at least one third. Retailers estimate that this could save them US$ 63 billion to US$ 100 billion between now and 2010.

On their side, banks are increasing their fees to offset the value of lost transactions. According to Bank of America, these rebates will cut its net profit by 1.7% in 2004 or US$ 200 million. Analysts forecast that profits could fall as much as 5% to 6% for thousands of small and medium banks that depend more on consumer banking for their profits. Recently, falling costs for networking and processing technology have allowed these small operations to compete with the older networks operated by those card giants.

Credit card fees are also under pressure. In Australia and in Europe, Visa and MasterCard have been compelled to cut the fees their member banks charge retailers for their card transactions by as mush as 40%. Hence, Americans would like to follow the same way.

In addition, Wal-Mart is trying to acquire a bank that would manage its own processing.

credit and debit cards : card-based transactions in the United States in billion US$		
years	**Credit**	**Debit**
2000	12.39	8.27
-	-	
2005	16.94	22.74
-	-	

Sources : The Nilson report/Business Week

✓Wal-Mart : a "disappointing" first Q.

The world's giant boasted its net income by 14.1% to US$ 1.86 billion for the quarter ended April 30. After tax, it was reduced by 101 million on sales climbing 9.8% to US$ 57.22 billion compared to US$ 52.13 billion one year earlier. Comparable-store sales increased by 2.2%. But it must be noted that figures from its subsidiary McLane, which distributes food and non food products to convenience stores, drugstores and various, are not included as it is to be sold to Berkshire Hathaway during this quarter.

✓Gap in the first quarter: the largest American apparel chain is in the turnaround process benefiting from the company's commitment to serve « Every Generation » by returning to classic and casual clothing.

The apparel retailer that operates 4,241 stores boasted its third consecutive quarter of profit increases, a five-and-a-half-fold surge for the three-month period ended May 3. Net income jumped 452% to US$ 202.5 million from US$ 36.7 million. Sales were up 16% to US$ 3.35 billion, or 12% on a same-store basis, compared with a 17%-decrease one year earlier in the same period. These results were mainly driven by stronger products and improvements in merchandise and markdown margins and regular price selling. Gap's focus on customer service and marketing efforts helped greatly mainly at the Gap and Old Navy chains.

Paul Pressler, who is six months into his new job as ceo of Gap (2002 revenues : US$ 14.5 billion), has been introducing strategic planning, changing Gap's advertising, closing lots of stores (total store square meters should be cut by about 2% in 2003), to get Gap's profits up and drive the debt-to-capital ratio from 48% now to below 40% by year-end. The company plans also to open 30 to 40 locations and to expand again abroad as its international business currently accounts for 12% of sales. All three chains are now heading in the right direction, Gap targeting grownups with stretch khakis, Banana Republic more stylish and Old Navy is furthest along in its turnaround, its sales growing by 16% in the first quarter compared to respectively 12% at Gap and 1% at Banana Republic.

✓Home improvement budgets rising in 2003.

Budgets should grow by 31% to US$ 3,796 in 2003 from US$ 2,888 in 2000. According to the American Express Home Improvement Index survey it is a 42% rise from 1997 (US$ 2,660). Half of home-improving consumers will spend more than US$ 2,000 up from 39% three years ago. Moreover, households with incomes of US$ 50,000 or more will spend US$ 4,367 in 2003 up 12% from US$ 3,800 in 2000.

To finance their expensive projects, consumers will look after various financing sources. Most of them will use their own savings (76%), while others will use tax refunds (17%), home improvement loans (9%), a company bonus (7%), gifts (7%), mortgage refinancing (6%), stock or other asset sales (2%).

As for less expensive home improvement projects, consumers will use cash (74%), credit cards (44%), checks (42%), debit cards (19%), store cards (6%)…

SOUTH AMERICA

BRAZIL

✓Casino and Pao de Açucar create a common central buying group.

Casino, who owns 25% of the capital of the Brazilian CBD and could grow up to 35% (and to 40% of the voting rights) will centralize its purchases with those of his partner. A company, founded in 1999 by Pao de Açucar, will be in charge of all operations of the French Casino in Latin America and of all the Brazilian group's brands in the same region. In these circumstances, Brazilian products accounting for a US$ 100 million-value will be exported in 2003 and Casino supplies his partner's stores with French wine.

CBD is the leader of the Brazilian retail trade ahead of Carrefour with a 15% market share. In the first quarter of this year its sales grew by 22.6% to € 800 million but net profit fell 27% because of financial charges; its debt is accounting for almost 50% of net worth.

CBD, like Carrefour and Wal-Mart, is interested in the 119 Bompreço supermarkets sold by Ahold.

ASIA

✓GDP growth in Far East countries : China should register an above-average growth : (%)

countries	2001	2002*	2003**	2004**
China	7.3	7.9	7.5	6.9
Hongkong	0.6	2.0	2.3	3.6
Indonesia	3.3	3.4	3.6	4.4
Japan	-0.3	-0.7	0.8	0.9
Malaysia	0.4	4.1	4.5	7.4
Singapore	-2.0	2.6	4.0	5.6
Taiwan	-2.2	3.3	3.4	4.8
Thailand	1.8	4.6	4.2	3.6

*Source : Consensus Forecasts, * estimation ** previsions*

CHINA

✓Four Chinese retail groups have created Bailian.

Facing a stronger competition led by foreign investors, including Carrefour, Metro and Wal-Mart (cf.LLDI December 2002), Shanghai Hualian Group, Shanghai Friendship, Shanghai Number One Store and Shanghai Material signed a partnership agreement to create Bailian Group (US$ 8.5 billion sales, 4,000 stores in around 20 provinces).

According to official statistics (that are not always reliable), Chinese retail sales would have grown by 8.8% in 2002 to US$ 495 billion and are expected to jump 10% in 2003.

MALAYSIA

✓Investing in shopping centres.

This country needs a healthy retail development program according to Henry Butcher from Shopping Centre Consultants during an annual convention in Kuala Lumpur. « A structured plan with regulations and policies should be undertaken by the government with the participation of the private sector. Once completed and approved, it will provide a clear guide for local government authorities and private retail investors including real estate owners and investors, shopping centre developers, retailers and bankers… »

This plan could help the government to plan, facilitate and regulate the retail development within a defined area so as to ensure integrated development and consistent planning, avoid wastage of resources as well as duplication...

« At the same time, it will allow private retail investors, current and potential, to understand the retail development of each area and to have a clear reference to determine their investment risk and return. »

According to this consultant, it still possible to open shopping centres in Malaysia and specialty centres could be the next step over the next five years. Currently customers prefer one-stop shopping with everything under the same roof. They spend more time in shopping centres than ten years ago because they become a destination place for weekend family leisure activity. Generally, they appreciate centers with a simple layout, easy access but without too many levels…

Source : Asian Retail Trade

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AMAZON : Jeff Bezos, founder and ceo, a visionary man who conducted a winning strategy through good times and bad.

At the head of Amazon there is a tycoon, Jeff Bezos, who embraced and endured all difficulties with an apparent serenity, from the Internet bubble to its rising losses through its stock price fall.

After difficulties, performance improvement.

Today, revenues of the world's largest online retailer grew by 20% to US$ 4 billion. In the first quarter 2003, they were up 28% to US$ 1.08 billion and its net loss has been divided by two falling from US$ 23.5 million to US$ 10.12 million while operating income grew from US$ 1.77 million to US$ 39.23 million.

Its operating profit margin at 5% in the fourth quarter beat that of most retailers and approached Wal-Mart's 6%. In addition, Bezos manages so much cash (US$ 135 million in 2002 that will jump to US$ 300 million in 2003 according to estimations) that he paid off 12% of its US$ 2.3 billion debt. At US$ 30, Amazon's share price is one of the highest stocks over the past five years.

If Amazon is not yet profitable, it is going so rapidly on the way that investors have stopped complaining. It took time because the company had borrowed largely during the Internet bubble to finance its expansion and the interest costs were heavy. Its relatively recent activity in electronics, tools, kitchenware is underperforming but this loss is shrinking. As marketing, operating inventory and warehouse costs are falling and revenues and operating profits rising each quarter, Amazon could earn US$ 200 million in 2003.

Amazon is Bezos and Bezos is Amazon.

Bezos proved he was a great visionary man while creating his activity. He also proved he is able to embrace all kinds of events. In fact, as one of the greatest CEOs of his generation, he knows how to lead Amazon which has grown from a few employees to almost 8,000 persons. He has plenty of ideas, his weekly four-hour management meetings for example resemble examinations. Executives make presentations on new products, technologies, price strategies or cost-control measures and Bezos is standing as a prosecutor asking questions until he is satisfied and informed on every point.

The Amazon way.
- hire qualified, intellingent employees. Bezos bets largely on people and fears mediocrity.
- depend on data : a good judgment is based on a good information,
- **make employees owners** : while not being in favor of stock options, he does not put any restriction to stock,
- **stimulate responsibilities :** he allows employees to take decisions without asking permission,
- bet on technology whose costs are falling when everything is more expensive everywhere,
- **think long term**. Bezos ignores the critics but keeps on with its initial ideas.

revenues (bil. US$)		**inventory turns**		**employees**		**warehouse space (US) 000 sq.m**	
2000	2.7	**2000**	11.7	**2000**	9,000	**2000**	430
2001	3.1	**2001**	15.8	**2001**	7,800	**2001**	350
2002	3.9	**2002**	19.3	**2002**	7,500	**2002**	350

Source : Fortune

His method consists in giving an image of fun while acting fast and, above all, betting on figures. He wants to know everything on his customers and orders : the average time per contact, the breakdown between e-mail and telephone and the total cost of everyone to the company. Consequently he studies approximately 300 charts a week for the warehouse division only. After having checked figures, he wants that everything be done his way. He wants also to see every press release speaking of him. If he cannot obtain an answer from one of his senior executives, he will go down four levels into the hierarchy. If he wants something be done rapidly (his employees say that he always wants that everything be done in half the time it seems reasonable to do it), he will simply ask it to persons he needs.

But his management style has a cost : he has difficulties in keeping his top executives. His employee turnover is average for e-commerce companies, at 15% a year, but his management is turning much more quicker : 20 of the 50 senior executives would have left Amazon in the past two years, which does not interest Bezos.

Bezos has an obsession for innovation and disregard for hierarchy.

One of the most prestigious inhouse awards is called « Just Do It ». The winners are employees acting while they think it will help **without** their boss's permission. Bezos is quite conscious that such a behaviour presents risks but, according to him, to encourage people to always ask for permission, is worse than the disease. »

Since the beginning, Bezos knew he was creating a new and revolutionary company. Consequently, tke key to success is lying in his innovation ability. According to him, people, whatever their job, are always the best innovators.

He has been legendary since the beginning. At the time he was working for a scientist company in 1994, he read a study that announced the Internet bubble and he understood that it would not be long before people could make money while selling online. After having conducted research on many items that could be sold over the web, he has been interested in books. He understood that virtually every book was already catalogued electronically but that no physical bookstore could carry them all. Consequently, he set Amazon up in Seattle, in the State of Washington, because there was plenty of specialty software engineers and because he was less than 600 kilometers from the largest book distribution warehouse in the country. He would give customers access to a giant choice without having to manage time limit, costs, inventory, opening stores and warehouses concerns. But he rapidly understood that it was not the right solution. For him, the best way to control the transaction from the beginning to the end would henceforth to operate its own warehouses. Building them was a difficult period for Amazon as the cost, US$ 50 million per unit, was added to the still more expensive operating costs. To stay in business, Bezos had to issue more than US$ 2 billion in bonds.

After the e-mail order…

The warehouse in Fernley (Nevada), one of the six units in operation, had peaked 11,000 boxes an hour in 2002. Three million books, CDs, toys, housewares and various items are stocked there. And it is here that Bezos commitment to technology is profitable as everything is computerized. Computers begin sending signals to wireless receivers of employees, telling them what items to pick off the shelves ; then they check everything from the type of each item to the right weight for sending. Books, CDs and various items, classified per order, are put on conveyer belts then dropped in containers where they are scanned for shipping.

Today, it increased by 40% its capacity. Amazon's warehouses can handle three times the volume they could in 1999 and during the past three years, operating cost has fallen from nearly 20% of Amazon's revenues to less than 10%. They are so efficient that they turn 20 times a year compared to under 15 for virtually every other retailer. Currently, they are one of the most profitable and fast-growing business of Amazon and thanks to them the company is able to run the e-business activity of other retailers such as Toys R Us and Target.

Bezos talent.

Bezos has been clever enough to welcome competitors instead of fighting them. In addition to its own merchandise, Amazon now sells other retailer wares as well as used products, all presented on the same Web page. In the beginning the idea seemed dangerous but it has soon become the cornerstone of its offer and Amazon can manage it thanks to its efficient warehouses. It even generates the same profit margins selling on commission as it does selling retail. Moreover, he has not to advertise to announce that its prices are lower as consumers themselves can compare prices from Amazon and others. The other advantage of this operation is that Amazon earns a commission and has no inventory or warehouse costs. Almost 20% of its volume is now sold through others. In addition, merchandise sold indirectly slows down the need to build new warehouses.

Investments cost Amazon almost US$ 350 million between 2000 and 2002 as Internet development pushed Bezos to overexpand. In one year, he opened six warehouses bringing their count to 8, closed two, axed almost 1,500 persons and took a US$ 400 million charge for its restructuring charges plan. ■

Source : Fred Vogelstein, Fortune

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TEN PATHS TO EXPANSION

In a sluggish economic context, security and SARS concerns, the rise in gas prices, the first reaction of several retailers is to be prudent. Anyhow, time to innovate has come.

Now, expansion in any environment needs to create a unique identity through distinctive products and services. The smartest retailers test new store formats and merchandise and set creative and management teams. So that when economy rebounds, they will be ready to answer to the consumers demand. In these conditions WWD interviewed American retailers (department and specialty stores) and suppliers among the most active in order to know their ideas on growth in an unprecedented new age.

Some of their ideas can be read hereafter :

1) build from the inside out.

One among the most important investments for one company consists in investing in its employees, but it is only one part of the action to undertake. It is necessary for a company to create a fertile ground for new ideas to germinate and have the greatest impact on the future and long-term results.

« Build a strong, focused team and a culture where innovation and free thinking are valued » said the vide president, general manager of Henri Bendel (women's apparel stores) in the U.S. « Everyone here is young at heart. Pulling from a lot of different people's experiences makes for a very wellrounded company… It also translates to the shopping experience. » On its side, J.C.Penney has been completely rebuilt and did not only modified products or their presentation but it focused on the creation of the future generation of leaders.

2) develop unique products.

In a sluggish economic context, consumers cut their spending and anxious retailers are prudent. « There's too much same-looking merchandise out there, » said the chief executive of Federated Department stores. Rather than selling basics, he is transforming home brands into fashion brands. « It's not chasing after last season's trends, it's fresh, new design. The combination of consumers being ready to spend and us having fashion-oriented products back is what's going to make it work for us.»

In Bendel's stores, new resources have been invested mainly in Berlin, Tokyo, Warsaw and Sydney. « You have to be attuned to popular culture and be a trend-tracker who can divine the cultural mood. »

3) put eggs in different baskets.

Just as every wise investor diversifies its portfolio, retailers and suppliers diversify their ventures. Some are looking after ethnic markets and are interested in all new demographic groups. Denise Seegal's strategy, ceo of Jlo by Jennifer Lopez, involves selling in various retail categories : « The greatest growth potential is to play across a multichannel distribution strategy », she said. « Everything is now mixed and there's no channel loyalty. You need to say : I want to own Generation Y (the 17 to 24 year-olds), so let me have a multibrand strategy to capture her wherever she shops. The key is to stay close to your consumer and understand the shifts in their buying patterns. »

4) dare to think small.

To grow bigger is not necessarily better. Again Seegal declares that selling attracting, well-defined products, presented in an inspired and cohesive advertising, is the key to build future brands. In Bendel's who believes that its stores can offer everything to every one : « From to top to bottom, the store has to look like it was bought with one eye and it needs to be promoted the same way. » they say.

5) know thy customer.

Customers want wear-now clothing but department stores are reluctant to give it to them. Target and Wal-Mart self-service discount stores, Kohl's department stores have cut the necessary time for a product between the factory and the store. Liz Claiborne CEO wants that other retailers follow the same way : « It is not just the cycle time, it's what you do with that time. Suppliers can use the time between shipments to refine and micromerchandise the assortment. This allows stores to correct errors in sizing, color, etc and meet consumer demand more accurately. »

In Saks Fifth Avenue department stores, 548 and Real Clothes home brands are delivered bimonthly. « It gives us time to make adjustments and react » said chairman and ceo. « Our top customers are in the stores 24 times a year. We need greater frequency of deliveries. »

Now with television and Internet, trends have shorter and shorter shelf life cycles. « We all have to work hard to compress product lead times. It is not unusual for companies to invest a fair amount of their open-to-buy four to eight months out. Our customers are going online and looking at the runway shows, so we need to do a better job of giving them what they want… For us, it's a pre-production issue. You need a crystal ball if you're committing a large percentage of your open-to-buy eight months out. There's no way you're going to hit it right, especially in terms of quantities, » said the president of Anthropologie, who leads research through groups of twenty to thirty persons who try on clothing to help design teams.

6) harness technology.

The latest and the most modern technology enables to do everything from seamless knitwear to cut and sew an entire garment in a few minutes. « You won't need a whole bunch of factories overseas, » said Francesca Sterlacci, chairwoman of the fashion design department at the Fashion Institute of Technology. She dreams of a world where designers and entrepreneurs do everything at home with the blessing of the unions!

7) create innovate experiences.

Reinventing the store is not easy. To improve the shopping environment helps and organize great events attracts customers. But does it come back ? According to Accenture, PetSmart, the American retailer specialized in pet food and accessories, has found a formula to make its customers loyal by offering medical and kennel services to it.

The world's retail giant, Wal-Mart, which makes use of its grocery department in which margins are thin to make it come back is another innovative strategy. Department and specialty stores can develop similar initiatives by offering low-priced services.

8) be a small global adventurer.

«Once the model is well defined, global expansion, while quite complex with exchange rate issues, consistent pricing and a host of other specifics by region and country, provides broad revenue growth and a cross-cultural experience, » said president of Dixon North America. « If you have a new brand that has great momentum, it will have great momentum globally. But it depends on which market you're trying to capture. With their buying power, Generation X (the 25-34 year olds) and Generation Y (the 17-24 olds) consumers are interested in multiple brands. They travel a lot and the Internet provides them with a lot of information. »

Going global is not for everybody. The foreign expansion of Wal-Mart has largely been done through the acquisition of local chains and not by opening its own stores on foreign countries. In these conditions its first Supercenter in China has been postponed until 2005.

The wise approach of Federated might be the right way to follow. Without investing too much, the department store group is selling its home brands in Japan and in Australia. It opened an INC freestanding outlet in Tokyo and is currently negotiating with several European retailers.

9) address form and function.

Nobody seems to be interested in older consumers. « People are living longer, but nobody is addressing this consumer base. » In addition, there is a population of women who do not go to the office everyday and who desire however to be elegant. They want more sophisticated garments than jeans and sweats.

10) prepare for Internet comeback.

Internet has been a disappointment for retailers and e-retailers but there is a significant trend, which is of good omen for apparel Internet sales : women are dominating online buying accounting today for 60% of people making purchasing.

« The Internet will become more and ore meaningful. Department stores are struggling mightily with their bricks-and-mortar stores, discount channels reflecting price-consciousness are doing nicely and specialty chains are making a comeback with the exception of Sears. The Internet will be part of the future and we're exploring opportunities to be an Internet supplier. We have to.»■

source: Sharon Edelson, Women's Wear Daily