LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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SUMMARY

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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EUROPE

United Kingdom is the first destination for retailers who want to expand into new markets.

Meanwhile the Czech Republic, Hungary, Poland and Estonia noticed a strong growth of foreign new entrants to their retail sector. The Baltic States have attracted 5% of the total moves since 2000.

According to Jones Lang LaSalle, for the first time, Russia and Italy appear in the top five retail destination countries, Russia accounting for 7.4% of all cross-border moves.

There is a growing interest for Italy because it liberalized its retail market. "Significant barriers to entry have kept out many foreign retailers until now." In spite of changes, complex laws that limit new store openings and hours mean "It is still one of the most restricted markets in which to operate."

Fashion is still the most active cross-border sector. Spanish retailers dominate moves via the Inditex Group, owner of the Zara brand. Germans are the leaders of all European moves accounting for 15.6% of the growth from 10% in 2000.

Top five retail destinations : (in % of cross-border moves) 2000-2003	
U.K	11.1
Russia	7.4
Italy	6.4
Germany	6.1
Spain	5.8
1997-2000	
U.K	8.6
France	1.0
Poland	9.9
Spain	7.3
Germany/Belgium	6.2

Source : Jones Lang LaSalle

McArthurGlen, the European outlet shopping center operator, puts 5 of its schemes into a new pan European fund of € 400 million in partnership with Henderson Global Investors.

This fund has bought the French, Dutch, Austrian and Italian malls of McArthurGlen : Serravalle in Italy (32,000 sq.m GLA, 133 stores); Parndorf in Austria (20,500 sq.m, 90 stores), 2 in France, Roubaix (17,000 sq.m) and Troyes (22,000 sq.m). The last one is located in the Netherlands, at Roermond (17,400 sq.m).

The fund has also the possibility to acquire further centers once they are completed such as the very recent Castel Romano close to Rome (Italy).

According to the American Head of McArthurGlen, this approach already proved it is a success in the U.K where he has sold 7 centers to institutional investors.

Mills Corporation, a U.S developer of shopping centers has targeted Europe for its expansion.

In 2003, Mills opened Xanadu, Europe's largest shopping center, in the suburbs of Madrid and, in February 2004, it signed the project of a second European centre, Mercati Generali, next to the Coliseum in Roma (Italy).

Mills (US$ 4 billion market value) has become a retail pillar with 29 centres (3 million sq.m), which generate US$ 6 billion of gross annual sales. Last year, it completed a program of 650,000 sq.m commercial space. But until 2003 this spectacular expansion was mainly limited to America. Mills changed his mind when opening Xanadu, in Arroyomolinos (Madrid) on May 17, 2003 as a springboard for a wider European expansion. He then created a wholly-owned subsidiary for the region and opened offices in Milan, Turin, Paris and Barcelona. He is more interested in Southern Europe, "Spain and Italy whose GDP are growing with good demographics and are still "under-retailed" compared to more mature markets such as the USA, U.K or France."

Other markets that Mills studied include new E.U accession countries →

such as Poland, Hungary and the Czech Republic. Poland has attracted the largest number of foreign European investors. Among the top 20 retailers, 12 are already present there and others are planning to enter it.

Source : Retail World

CENTRAL & EASTERN EUROPE

POLAND

ITM Polska, the Polish branch of the French ITM Entreprises (Musketeers Group), expects to open 48 new stores including 32 Intermarché supermarkets and 16 Bricomarché DIY outlets in 2004.

This investment of € 748 million should still increase in 2005 when it opens a new logistics center in the south of the country. Last year, 89 Intermarché supermarkets generated sales of € 295 million and 16 Bricomarché € 34 million. According to a company spokesman consolidated sales are expected to grow from € 330 million to over € 477 million by fall 2004.

Biedronka reinforces its leadership in the Polish retail landscape.

Biedronka, the food discount arm of the Portuguese Jeronimo Martins, has reported an operating profit that grew by 4.4% in 2003, a high growth when considering the fierce retail competition in the Polish market. It managed that progress through permanent optimization of its exclusive brands in preference to national industry brands and a price mix adapted to markets. This strategy generated a 14% increase in sales to € 935.3 million or 12% on a like basis. However, the 12.3% devaluation of the local currency, the Zloty, against the Euro, had no positive impact in the consolidated statements.

Its leadership in the food market was consolidated not only through the growth of like-for-like sales but also through the expansion of the network to above 672 outlets. Jeronimo Martins plans to open 50 new food discounts in 2004 and 75 in 2005.

RUSSIA

Supermarket chains expect a record year.

Russian retailers are expanding as the country's economy is improving for the sixth consecutive year. **Perekryostok**, 80%-owned by Alfa Bank, expects to increase its investments from US$ 55 million to 85 million, its sales from 373 million in 2003 to US$ 614 million and add at least 20 supermarkets to its current 67

Kopeika, Russia's third largest food chain, 50%-owned by NIKoil Financial Crop, expects to boost its sales to US$ 450 million from 260 million in 2003. It will add 47 outlets in Moscow and other cities to its current 40.

Sedmoi Kontinent, the largest supermarket chain with 48 units, expects its sales to grow by 50% in 2004 and reach US$ 1 billion in 2005. 25 units will be opened in 2004.

UKRAINE

Franchise expansion mainly from Ukraine and Russian origin.

signs	companies	origin	store number	type of activity
Dva Goussia	Dva Goussia	Ukraine	6	Fast food
Mak smak	Mak smak	Ukraine	8	Fast food
Pizza Chelentano	Systemy bistroho pitania	Ukraine	36	Fast food
Arber	Gregory Arber	Ukraine	24	Ready-to-wear
Decor Service	Soft Servis Holding	Ukraine	35	-
Monarkh	Palmira	Russia	140	Shoes
Sensus	Sensus	Ukraine	13	Ready-to-wear
Econika-Style	Econika Ukraine	Russia	4	Shoes
Galopom po Evropam	Voyage Kiev	Ukraine	14	Tourism services
Baskin Robbins	Baskin Robbins	U.S.A	100	Restaurants
Spar	Spar		8	Big-box stores
Foxtrot	Foxtrot	Ukraine	+100	Specialty big-box stores (hi-fi…)

The formula has been expanding especially in the past few years mainly in the retail sector (ready-to-wear, food and non-food) and gas stations. Services apparently expand. However, the industrial sector is not yet opened as it needs high investments that are still lacking and there is almost no international player.

WESTERN EUROPE

AUSTRIA

A new trend : supermarkets catering to seniors.

In 2003, Adeg, a branch of Edeka, opened "Aktiv Markt 50+", its first supermarket catering to fifty-year old + customers in the suburbs of Salzburg. As it was successful, two further units were added in Vienna including one in January 2004.

There are machines to check blood pressure, magnifying glasses hanging in some departments, bigger labels on shelves, wider aisles, floors are nonskid surfaces and many places to sit down. Parking spaces are also wider. More subtle changes include special lights especially studied not to dazzle elder residents, lower shelves in order products are within easy reach, carts that hook on to wheelchairs and carts that double as seats for the tired as soon as a shopper sits down the wheels lock.

Highly motivated employees are 50 year old and up : they are women who stopped working when they had their children and workers who have lost their job and had difficulties in finding a new one because of their age. They are paid 10% more than their younger counterparts. The idea to hire older workers has been borrowed from the British B&Q.

In Europe, the median age is 37.7 but it is expected to rise to 52.3 in 2050. A quarter of Austrians and a third of Germans will be at least 60 in 2015. In the U.S.A, where population is getting old also, but not so quickly, the median age is 35 and is ➞

expected to grow but not until the next 50 years.

According to Adeg, the senior market is made of persons who already own their home and car, with higher disposable incomes and whose children are adults. With more than 900 supermarkets in Austria and a 10% market share steady at 10% over the past two years, Adeg is service-oriented, as it cannot compete with food discount chains such as Aldi. It expects that this new type of store, which surprisingly attracts a younger population such as mothers with children and singles who generally do not buy in small packages, will help it to still increase its market share.

Austrian shopping centers opened to outsiders.

Two Vienna malls, Donauzentrum and Gerngross, changed hands. Rodamco Europe (cf.LLDI March 04) has just bought a 90% stake of Donauzentrum for € 270 million from Sunrise Privatstiftung and Gerngross (30,000 sq.m) was acquired by the open-ended fund Deka Immobilien for € 110 million from Palmer. These are the first two acquisitions of generating-profit assets in Austria by international investors.

Consequently, it is possible to think that Austria can be added to the list of potential European retail investment countries. As for now, international investors were not interested in this country, as the majority of the centers were either owned by national retailers or by family developers who may not take the financial risk of investing in mall extensions or renovations.

BELGIUM

DELHAIZE LE LION : its dependence on the US market weighed on the 2003 results.

Net earnings fell 4.0% to € 171.3 million due to exceptional expenses of € 142 million pre tax from 13.8 million in 2002 primarily related to the closing of 42 stores in the U.S. and to the weakening of the U.S dollar by 16.4% against the euro.

U.S sales amounted to € 13.7 billion (US$ 15.5 billion) last year, an increase of 3.5% over 2002 in local currency out of a total of € 18.8 billion, a decline of 9.1%. In current currency Kash n'Karry, Food Lion and Hannaford grew by 3.5% only : 0.6% from existing stores and the remaining percentage point from new store openings and acquisitions. There were also 53 sales weeks versus 52 in 2002.

The closing of unprofitable 41 Food Lion and one Kash n'Karry influenced sales during the exercise. The 68 outlets in North Carolina have been totally remodeled because they suffered from a downgraded image and were insufficiently price competitive. If margins fell, they were partially offset by inventory management improvement and cost control.

Group's operating margin grew from 3.9% to 4.3% and the net debt declined to € 3.02 billion, a decrease of 22.4%.

In Belgium, its home market, Delhaize continued improving its position through the network expansion and comparable store sales growth of 5.6%. But in Southern and Central Europe, operations (Greece, Czech Republic, Slovakia and Romania) still generated a net loss of € 10.6 million. The situation was also difficult in Asia so that the Group may leave the region (Indonesia and Thailand) for it never reached the critical size on both markets.

For the full year 2004 the group expects that sales at identical exchange rates will grow by 2.5% to 3.5% and that Delhaize America comparable store sales growth to be in the range of 0.5% to 1.5%. The network is expected to grow by 58 supermarkets in the U.S (45 will be closed) and by 25 in Belgium.

year 2003	2003 sales (mio)		operating profit		net earnings	
U.S.A (US$)	15,545.9	-3.5%	734.3	+11.1%	93.1	-36.4%
Belgium (€)	3,674.9	+7.4%	177.5	+44.9%	131.4	+43.0%
Central & south Europe (€)	1,199.0	+2.8%	15.2	+7.9%	(10.6)	-37.4%
Asia (€)	203.3	-6.8%	(6.4)	-42.5%	(10.2)	-41.2%%
Corporate (€)	-	N.A	(26.3)	-8.9%	(21.6)	+51.2%%
Delhaize Group(€)	18,820.5	-9.0%	809.2	+0.3%	171.3	-4.0%

Source : Delhaize le Lion

FRANCE

Casino has reported that operating profit grew by 10.8% to € 1.07 billion in 2003.

Operating profit grew by 11.7% at same-store exchange rate and recurring net profit by 12.9% to € 875 million. Net profit was € 492 million up 10.6%. Net sales were € 22.9 billion pre-tax, an increase of 4.7% over 2002. 80% of sales and 95% of results were generated in France. Net debt decreased to 3.4 billion from 3.7 billion one year earlier.

A lagging consumer demand in the second half of the year weighed on performance, however the group operating margin increased by 4.7% (up 0.5 percentage point) : in France it grew by 0.3 point to 5.5%. Net result group share was € 492 million, an increase of 10.6% over 2002.

Outside France, its home market, organic growth was up 7.2% at constant exchange rate and operating profit hit € 57.5 million (up 6%). The American business did not register any loss and improved its margins. In Poland, the first positive signs appeared thanks to the restructuring process and the retail operating loss decreased by 45%. Laurus in the Netherlands, whose the French Casino owns a 38.7% stake, is fully reorganizing. Taiwan still operates at loss and should break even by 2005.

As for 2004 Casino expects to open 175,000 new sq.m compared to 120,000 sq.m in 2003 and the largest part will be invested in convenience stores and food discount stores, the most profitable banners. Casino forecasts growth of at least 10% in operating profit and recurring net profit in 2004.

Hyparlo plans that Romania will be a growth relay in 2004.

French retailer Hyparlo, which operates Carrefour hypermarkets under franchise, has reported operating profit of € 23.6 million, a 6.8% increase over 2002. Net profit grew solidly from € 14.7 million to 32.2 million supported by the sale last year of its unprofitable outlets in Italy (a € 2 million loss) making a capital gain of 19.3 million after tax.

Same-store sales excluding tax ➞

were up 3.4% to € 942.5 million including 888.8 million generated by the 12 French hypermarkets (up 2.2%). In Romania, they grew by 29% to € 53.7 million and operating profit was almost balanced (-0.1 million). Romania's third hypermarket was opened on February 25 in Colentina, northwest from Bucharest, in a 9,000 sq.m of space. It is the first unit to be completely managed by local employees. A new outlet will be added in Brasov by the end of this year.

Hyparlo estimates that it can open 15 hypermarkets in the province and 5 in Bucharest, second largest city in Central Europe after Warsaw. With a self-financing capacity of € 1.2 million, the group will begin to finance its own investments in Romania (two stores are planned per year in partnership with Carrefour). In 2004, the Group expects to invest € 29.5 million.

Système U expects its food market share to grow from 7.9% to 8.2% in 2004.

France's third largest independent Group has posted sales of € 13.78 billion gas and tax included. Same-store sales grew by 4.1% and market share by 0.3% to 7.9%.

To December 31, the store network included 854 outlets : 42 Hyper U hypermarkets, 654 Super U supermarkets and 158 Marché U convenience stores with a total of 1,467.000 sq.m. Last year 90,000 sq. of new space have been opened.

As for 2004, the Group expects its sales to increase by 9% to € 15 billion and food market share to 8.2%. To the end of February 2004, it already posted a 6.64% growth. The park should count 870 units growing by 100,000 sq.m to 1,567.000 sq.m with 43 Hyper U, 680 Super U, 147 Marché U. Supermarkets that account for three-quarters of sales and half of units will gain strength and their average space below 2,000 sq.m will grow to 2,000-4,000 sq.m. The Group could also grow through new members coming from competition.

The Group does not operate any outlet outside France. It announced that it was no question for it to buy operations precising that it can grow only through partnerships with other European independent groups.

	Hyper U	Super U	Marché U
Store count	42	654	158
Sales incl.tax and gas (bil.€)	2.10	10.74	0.80
Sales/group share (%)	15.20	77.9	5.80
Growth (%)	+6	+9.9	-

Source : Système U

Galeries Lafayette Group : in 2003 net profit group share hit € 115 million, a 37% increase over 2002. Net result group share grew strongly by 45.7%.

Same-store sales remained almost unchanged at € 5,53 billion pre tax growing by just 0.1% in a lagging economic and growth deceleration context. However, Monoprix (variety stores) increased by 1.5% and LaSer by 7.5%. Operating margin improved to 5.15% from 5.04% in 2002. Net profit group share grew by 37.1% to € 115 million. Casino shares have been revaluated to € 16 million in 2003 from minus € 39 million one year earlier.

Télémarket, the web-based grocer, improved its business as operating loss decreased to € 8.7 million.

LaSer (credit and services) and Monoprix, 50% owned by Casino, account for 91% of the consolidated operating profit (€ 284.6 million, up 3.2%). Monoprix profit grew to € 105 million, an increase of 14% and LaSer by 127.4% to 154 million. The department store group decreased by 37,3% to € 38.4 million and BHV by 64% to 2.5 million. In the department store branch, sales declined respectively by 2.1% at GL/NG and by 2.4% at BHV. The debt decreased to less than 300 million.

For 2004 the group expects to improve its operating profit and increase sales by 2.5% in an improving context.

Décathlon, Europe's largest sporting goods chain, has reported a good year 2003 and sped its international expansion up.

Group's pre-tax sales were € 3.1 billion compared to 2.8 billion one year earlier, a 10.5% increase over 2002. Sales in France grew by 7.9% (life-for-like sales were up 6.5%) to € 2.1 billion or 69.8% of the total compared to 71% in 2002.

Last year, Décathlon opened 20 stores including 13 outside France (the first one in Shanghai, China) and 7 in France. Totally, it operates 313 sporting goods stores in 12 countries : France (214), Spain (39), Italy (28), Germany (7), England (6), Belgium (5), Portugal (4), United States (4), Poland (2), Netherlands (2), Brazil (1) and China (1).

As for 2004, Décathlon plans approximately twenty new stores including fifteen in foreign countries. Décathlon is a family-controlled company : 44% are owned by the Mulliez (Auchan) and 43% by the Leclerc, the 13 remaining per cent are held by the employees.

GERMANY

KarstadtQuelle : sales fell 3.4% to € 15.3 billion and net profit 33.3% to 108 million in 2003.

The group of department stores and Distance Selling, that generates 90% of its sales in Germany, suffered from the lagging context in 2003 at home. Sales fell 3.4% and net profit 33.3%. Excluding exceptional elements of 200 million, it would operate at loss. In such conditions, it could divest of 7,000 jobs and a food company jointly owned with Rewe would hire 4,000 further employees. As for now, Edeka served as the group's food wholesaler, an agreement which is about to end by fall 2004.

Department stores, mainly located in urban centers, are less competitive than those of the competition in suburbs. Its tourism arm, Thomas Cook, had a loss of € 251 million to end October 2003 at the exercise closure. In addition, the Christmas sales were low due to low-price campaigns and various rebates hence sales fell by 7% in the 4th quarter.

In 2003, 4,500 retailers went bankrupt and 30,000 retail stores were closed in Germany.

Intermarché : several candidates are interested in acquiring Spar.

The Musketeers Group would study several propositions form the German co-op Edeka, Wal-Mart and pension funds. A decision would be →

taken by end of April.

Spar, Germany's fifth food retailer, has announced its decision to focus henceforth on its wholesale business and Netto food discounts, two profitable activities, in order to break even point by 2005. In the second half, its loss decreased from € 64.5 million in the first half. The reduction of its unprofitable Eurospar and Intermarché supermarkets would contribute to improve the situation : 287 outlets of 389 were closed or sold either to independent retailers or to competitors; 102 further units remain a problem to be solved before this summer.

ITM Entreprises, the holding company of the French Groupement des Mousquetaires, bought 85% of the capital of Spar in 1997 for at least € 500 million. But Spar continued registering losses. In 2003 an agreement was signed between ITM and the creditors of its German subsidiary, approximately twenty German and French banks, to save from the suspension of payment.

SPAIN

Shopping centers are booming in Spain : an excess of € 1.13 billion was invested in 2003.

This way, investments increased by 45% from 2002. Last year 42 new centers were built and 11 enlarged as the GLA area grew by 14% or 9.14 million sq.m. According to Jones Lang LaSalle, medium-sized centers had the favor, large centers were dominant and centers with hypermarkets as anchor stores decreased.

To January 1st 2004, 428 centers in excess of 5,000 sq.m were in operation. This very year, 39 new centers with a total of one million sq.m would be completing their building and should be opened. If Madrid and Barcelona are already well equipped, Andalusia, Baleares, Estremadure and Galicia are interesting for their expansion potential.

According to 2008 forecasts, 126 shopping centers should be opened including 28 medium-sized, 36 large, 15 regional, 23 small-sized, 18 leisure, 3 factory outlet centers and 3 centers with a hypermarket.

Source : Lettre de Veille Internationale

Shopping centers in Spain.

shopping centers	location	GLA area (sq.m)	seller	buyer	€ Mio
Hyper. Carrefour	-	69,600	Carrefour	Predic, Generali France	140
Nassica	Getafe-Madrid	50,000	Neinver	Pilar	117
Espacio Leon	Leon	37,000	Mdc	Cgi (German funds)	120
Tres Aguas	Alorcon-Madrid	32,500	Lend Lease	Metrovacesa	87.5
La Maquinista	Barcelona	63,000	Alstom	Metrovacesa	100
Moraleja Green	Madrid	19,200	Metrovacesa	Ing Real Estate	84
Bonaire	Aldaia-Valencia	34,000	Riofisa	Sch, property assets	55
Diversia	Alcobendas-Madrid	24,000	Henderson	Heron International Realia	63
Almazora	Alcoy-Alicante	16,390	Ing	Seb Immoinvest	360
Los Alcores	Alcala de Guadaira-Seville	27,450	Eroski-Ing	Seb Immoinvest	
El Boulevard	Vitoria	80,120	Inaldo-Eroski-Ing	Ing Invest Management	
Berceo	Logrono-La Rioja	48,400	Ing	Ing Invest Management	
Vista Alegre	Zamora	15,800	Ing	Pricoa	
Parque Principado	Oviedo-Asturias	15,860	Eroski+Ing	Redevco	

Source Jones Lang LaSalle

UNITED KINGDOM

William Morrison that has bought Safeway for £ 3 billion (€ 4.41 billion) delivers a profit rise in 2003.

Pre-tax profits of the family group, that has become Britain's 4th largest food retailer, rose 13.2% to £ 319.9 billion (€ 477.5 million) on sales of £ 4.94 billion (€ 7.3 billion), an increase of 15.2%. Meanwhile it boosted its share of the food market to 15.3%.

Thus, Morrison has become a multi format chain with 550 units including 141 Safeway of 2,300 sq.m rebranded "Morrison", 195 "Morrison Choice" of 1,400 to 2,300 sq.m, 143 "Safeway Compact" of 1,400 sq.m. Following its acquisition of Safeway, Morrison is obliged to divest of 52 stores according to the Fair Trading Authorities. Waitrose, the supermarket chain of the John Lewis Partnership department store group, is reported to acquire 19 units.

Sainsbury has sold its American Shaw's subsidiary.

Sainsbury, U.K's third largest food retailer behind Tesco and Asda/Wal-Mart, announced that it has sold its American subsidiary Shaw's for US$ 2.48 billion (€ 2.1 billion) to Albertson's, third American food retailer behind Kroger and Safeway.

In 1987, Sainsbury had acquired Shaw's, which now operates 202 supermarkets in the States of New Hampshire, Maine and Massachusetts.

Sainsbury has announced that its like-for-like profits in 2003/2004 will decline compared to one year earlier (£ 695 million). In the 4th quarter, sales decreased by 0.9% and by 0.2% in the full year. Even if the chain lightly increased its market share from 16.4% to 16.5% in the quarter to February 1, it will now compete with the enlarged Wm Morrison that owns 15.3% henceforth.

Kingfisher preliminary results for the 52 weeks ended 31 January 2004 .

Europe's leading home improvement retailer has announced adjusted pre-tax profits of £ 591 million (€ 874 million) in 2003, an increase of 15% over 2002.

Retail sales were up 15% to £ 7.0 billion (€ 10.3 billion) and like-for-like up 5%. In constant currencies, retail sales were up 20% and profits 11%. International subsidiaries accounted

→

for 41% of total retail sales and 39% of profits. The integration of Castorama boosted profits : £ 45 million (€ 66 million) were achieved in the year, faster than originally planned.

In France, operating profit grew by 25.7% to £ 185.5 million in a constant currency basis :
- at Brico Dépôt : it was up 38.1% to £ 59.7 million and sales up 12.1% to 786 million,
- at Castorama, up 20.5% to £ 126 million and sales up 1.6% to £ 1.5 billion.

Meanwhile, B&Q continued growing and total sales were up nearly 10% to £ 3.9 billion and profits up nearly 13% to £ 372 million (€ 547 million).

Demerged of Kesa (But, Comet and Darty), Kingfisher operates B&Q in Great Britain, Castorama and Brico-Dépôt in France and expands as far as China and throughout Europe. Commenting on the results, Gerry Murphy, chief executive of the Group, announced that "Outside of the U.K and France, our other international operations have all delivered strong growth in sales and profits with B&Q making its first full year profit (£ 0.4 million)."

During the exercise, 28 new stores have been added bringing the total count to 569 worldwide. In 2004, £ 500 to 600 million will be invested in 20 new B&Q outlets in U.K. Castorama will use € 370 million to expand over a period of five years.

Kesa Electricals, the electronics and furniture retailer, is satisfied with its preliminary results since it was spun out of Kingfisher in July 2003.

Full year profit before tax and interests rose by 13.1% to £ 202.1 million (€ 288.7 million) to January 31. Group's sales grew by 10.1% to £ 3.77 billion (same-store sales were up 4%) and retail profit by 4.9% to 202.7 million.

Results in local currency :

signs	2003/4 sales (€ mio)	change %	2003/4 operating profit (€ mio)	change %
Darty	€ 2,141.5	+3.5	€ 161.5	+1.8
Comet	£ 1,444.4	+2.7	£ 47.4	+9.5
But	€ 772.8	+8.0	€ 77.3	(8.4)
Others (*)	€ 435.7	+7.6	€ (1.3)	-
Central	-	-	£ (9.8)	-
total	**-**	**4.0**		**(2.7)**

Source : Kesa Electricals

The Group, that operates Comet in the U.K and Darty (electronics) and But (furniture) in France, has announced that profits were impacted by low-margin products sales such as digital, audio, visual and multimedia products that were largely behind turnover growth. White goods remained steady.

NORTH AMERICA

CANADA

RONA reinvests the traditional hardware store.

Canada's largest retailer specialized in hardware, home renovation and gardening products, has opened a new store format under the RONA Le Rénovateur banner in Quebec and RONA Home Centre in Ontario and Western Canada. It combines the assortment generally found in big-box stores with the high service level in small stores.

This new store is supposed to answer to all consumer needs, men and women, Do-it-yourselfers and contractors who are looking for the pleasant environment of smaller stores and also a large assortment of products. Departments have been organized to suit different consumer types and needs. Interior decoration and renovation accessories are located in a special "boutique" featuring paint, lighting, etc. Other sections (lumber, tools) offer various products and services to answer to contractors and similar building trades.

This first store of 4,000 sq.m represents an investment of $ 9 million. Two further stores will average the same surface, with indoor or outdoor lumberyards they will vary in size from 4,000 to 8,000 sq.m.

Totally, RONA will invest more than $ 125 million over the next months to build or remodel some units of its network. Moreover, it will build 5 RONA Home and Garden big-box stores as well as two RONA Building Centres catering to contractors and building trades.

RONA operates 530 franchise, affiliate and corporate stores of various sizes and formats. It generates $ 4 billion in sales.

UNITED STATES

Wal-Mart eases its attitude regarding its suppliers.

The giant attitude has somewhat changed. It has decided to be a little more flexible and give its suppliers some relief. However, it will go on with its policy of cutting costs on many products : the global price on a typical WM basket will still fall in 2004 but not as much as in 2003 (2.5% to 3%).

Some consider it is a means to answer to critics that argue while it squeezes on its suppliers it pushes towards overseas production. To those arguments, it answers that its relentless low-price policy has an impact on it as much as on its competitors. This self-imposed deflation that holds sales down does not boost high growth of same-store sales. Moreover, new volume is not always sufficient to cover the cost rise and generate profits.

But if it aims to improve profitability why does it want to ease up on its suppliers? W-M would have understood that after years of absorbing rising costs, suppliers need some relief. They meet the same pressure on raw materials costs and many among them want to increase their prices without fearing that W-M leaves them for a cheaper competitor.

For the time being, no one knows which price rise the giant will authorize. It will certainly push them to still cut costs but it might authorize them to keep a greater part of the savings they obtained from their efficiency. When branded-product manufacturers earn price increases, W-M generally passes them along to consumers while maintaining its own margin steady. It will not change. While the giant controls the sourcing of its own products, currently less than 10% of sales (a growing percentage), it hopes to keep more for itself of all savings earned by the elimination of middlemen and production consolidation. This →

should lead to better gross margins while continuing to reduce prices for consumers.
Source : Business Week

Target put Mervyn's and Marshall Field on sale.

The second largest discount chain (US$ 48 billion in sales, 1,249 units) wants to sell off its **Marshall Field** department stores (12% of its global sales) it did not succeed in making profitable and in which it invested heavily. This chain, dating back to the 19th century, operates 62 units in upper Middlewest that cater to 40 to 60-year old customers with US$ 63,000 revenues. In the past three years, Marshall Field sales regularly fell from US$ 2.97 billion in 2000 to 2.78 in 2001, 2.69 in 2002 and 2.58 billion in 2003. Operating profit followed the same downward curb to US$ 107 million (or 4.1% of sales) from 135 in 2002 (5%), 133 in 2001 (4.8%) and 190 in 2000 (6.4%).

Mervyn's was a new concept in the beginning of the Eighties before the expansion of Wal-Mart and Target. It sells nationally branded merchandise such as Adidas, Levi's, Nike… at low prices. After a very great success, the chain is suffering now from the competition led by Kohl's (junior department stores), J.C.Penney (merchandiser) and off-price specialty stores such as Old Navy (Gap), H&M… Its 266 outlets with space between 6,000 sq.m and 10,000 sq.m in 14 states of the west and south are located in less attracting malls for new retailers in expansion. They cater to women between 25 years and 44 with moderate incomes. Sales of Mervyn's in 2003 were US$ 3.55 billion from 3.82 in 2002, 4.03 in 2001 and 4.14 in 2000. Operating profits were US$ 160 million in 2003 (or 4.5% of revenues) against 238 million in 2002 (6.2%), 286 in 2001 (7.1%) and 269 in 2000 (6.5%).

Both transactions at US$ 1.5 billion for Marshall Field and 1.2 billion for Mervyn's should help Target to focus on its 1,167 discount stores and speed its new Super Target (hypermarkets) expansion up. Target, that aims US$ 160 billion in sales over 2012 with 400 Super Target, needs to boost its food sales if it wants to fill the gap with Wal-Mart, at least in part.

The largest general merchandisers (department stores and discount chains) by sales in 2003.

rank	firms	revenues mio $	profits mio $	profits in %	
				sales	assets
1	Wal-Mart Stores (discount, food)	258,681 +5%	9,054 +13	4	9
2	Target (discount, food)	48,163 +10	1,841 +11	4	6
3	Sears Roebuck (dept.stores)	41,124 (1)	3,397 +147	8	12
4	J.C.Penney (dept.stores)	32,923 +2	(928) (329)	(3)	(5)
5	Kmart Holding (discount, food)	26,032 (15)	(1,991) -	(8)	(33)
6	Federated Dept. Stores	15,264 (1)	693 (15)	5	5
7	May Dept.Stores (dept.stores)	13,343 (1)	434 (20)	3	4
8	Kohl's (junior dept.stores)	10,282 +13	591 (8)	6	9
9	Dillard's (dept.stores)	7,864 (4)	9 -	0	0

Source : Fortune *( ) loss*

In the annual study of the Fortune 500 largest American corporations, total revenues were up 7% to US$ 7.5 trillion and profits jumped 540% to 445.6 billion, driven mainly by the improvement of the home economy. However, profits do not account for more than 5.96% of total revenues!

As we know, very low Federal Reserve interest rates and tax cuts have boosted consumers and businesses to spend like never before. Most of the investors were right to cheer as only 37 companies in the Fortune 500 have generated negative total returns to shareholders in 2003 while some like The Home Depot posted at least 38%!

The largest specialty retailers ranked by sales in 2003.

rank 2003	firms	revenues mio $	profits mio $	profits in %	
				sales	assets
1	Home Depot DIY-home equip.	64,816 +11	4,304 +17	7	12
2	Costco membership ware-house clubs	42,546 +10	721 +3	2	5
3	Lowe's DIY-home equip.	31,263 +18	1,877 +28	6	10
4	Best Buy consumer electro.	22,673 +16	99 (83)	0	1
5	Gap apparel	15,854 +10	1,030 116	6	10
6	TJX apparel	13,328 +11	658 +14	5	15
7	Staples office supplies	13,181 +14	490 +10	4	8
8	Office Depot office supplies	12,359 +8	276 (11)	2	4
9	Toys R Us toys	11,566 +2	88 (62)	1	1
10 …	Circuit City consumer electro.	9,954 (22)	106 (52)	1	3
14	Barnes & Noble bookstores	5,585 +6	133 +33	2	4
16	Amazon.com web-based retail	5,264 +34	35 -	1	2
17	Foot Locker sport	4,779 +6	207 +35	4	8

Source : Fortune

Can a real estate boom last ?

With interest rates at their lowest level in four decades, homeownership has reached its highest rate at 68% in 2003. The huge demand for homes has translated into record sales and profits for homebuilders.

Meanwhile, the rise in land and building materials price threatens to cut profit margins. According to the National Association of Home Builders sales of new houses will fall by 3% in 2004 to 1.05 million units, an estimation based on the fact that interest rates will rise later this year. However, a slight growth in rates should not slowdown the homebuilding boom as population growth, partly boosted by immigration, continues driving demand for new homes.

Small traditional retailers ran the home building market twenty years ago. Today publicly traded builders control 20% of the market up from 10% ten years ago.

Source : Fortune

CENTRAL & SOUTH AMERICA

Retailing in Latin America is highly fragmented with many small supermarket chains and informal street markets. It leaves big retailers the possibility to expand at least as long as they can fend off antitrust laws and protect themselves against the mighty Wal-Mart.

In **Mexico,** Walmex or Wal-Mart of Mexico expects to invest US$ 650 million within the next 18 months to open 77 stores and increase its floor space by 15%. With 640 outlets it is surpassing Controladora Comercial Mexicana, Grupo Gigante and Organizacion Soriana, three competitors which last year decided to form a joint venture to streamline their purchases. But fair trading authorities ruled against this alliance.

In **Brazil**, CBD (Companhia Brasileira de Distribuicao SA) is facing the same difficulties because Wal-Mart has grown from 25 to almost 150 stores through the acquisition of Bompreço, the largest grocer in Northeastern Brazil with sales of US$ 1 billion. CBD tried to push it away from the Rio de Janeiro market in February as it signed an agreement with the family-owned Sendas chain but authorities have decided to review the deal and may ask both partners to divest some 106 stores. CBD had borrowed heavily to become the country's largest food retailer by acquiring small chains and did not make a secret its ambition to buy Bompreço for itself. But it could not compete on price with Wal-Mart.

In **Argentina**, the only other market in South America in which WM is present, Cencosud, that just bought Disco, will compete with Carrefour, CBD and Norte.

In **Chile**, a highly competitive market, the local department store chain, SACI Falabella is breaking into the Peru's grocery market with its Tottus supermarkets and is quarrelling with Santa Isabel Supermercados recently sold by Ahold. Falabella (US$ 1.7 billion in sales) is the biggest retailer native to South America behind Brazil's CBD and is eager to expand outside Chile.

Source : Dow Jones

ASIA

CHINA

Investments by foreign retailers.

Sales by foreign retailers accounted for less than 3.5% of total Chinese retail sales in 2003 according to the local media. The French Carrefour is ranked first by sales (13.4 billion yuan, €1.3 billion, up 25.7%) with 42 hypermarkets. Wal-Mart is coming next with 35 stores and 5.85 billion in sales (€ 0.58 billion) and its imports of local products accounted last year for US$ 15 billion.

The new consumer, trendy and liberal, represents the new rising class in China just as in India.

This class, which consists of white collars who own an apartment and a car, travel in foreign countries, go shopping in malls and appreciate bars, accounts only for a small part of the global economy. But this improvement does not include all social categories such as industrial workers and farmers.

The Chinese GDP consists mainly of exports and fixed income investments compared to consumption. However, GDP per capita was in excess of a thousand US dollars in 2003 and in purchasing power parity (PPP) terms this figure is four times higher and still much higher in the coastal towns. In fact, the growth is uneven. In 1978 at the time of the first reforms in China, India was ahead by per capita GDP; today it is the reverse. In Japan for example GDP which reached a thousand US$ only per capita in 1965 is today in excess of US$ 34,000 but it is behind China by purchasing power parity terms.

All social classes are not concerned by the global economy improvement and disparities are huge in different regions of the industrial China. It is possible to find a Chinese human resources manager working for a multinational with US$ 100 to 150,000 annual revenues. A chief financial officer can earn more than US$ 200,000 and a China operation general manager US$ 300,000. As concern multinationals, it is primordial to work with local employees with whom it is possible to communicate locally and with headquarters abroad. Consequently, a bilingual executive assistant can earn at least US$ 5,000 a year and as much as US$ 10,000 if she is very qualified.

The low-end workforce may be cheap but Chinese university graduates who begin working for a foreign company can have a salary of US$ 250 to 350 per month. If they have a particularly profile in high demand, such as good in English, they have multiple propositions and are likely to double this figure.

In short, the average nominal salary of an urban employee in China has been growing by 10% a year in the last five years in a deflation landscape. Money is mainly invested in housing, home equipment, tourism and cars. Most of the 160 million Chinese urban families own their home today.

There are 25 million credit cards only in this country but Visa declares that already 60 million persons in its market target earn more than US$ 300 a month.

Source : Matei Mihalca

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SPECIAL STUDIES

China may suffer from a commercial construction overheating.

Lhopping malls are building at a frantic pace and follow the boom of the local economy. However, their development might face problems if measures are not taken to regulate their expansion.

The Chinese economy is growing steadily. In 2002, GDP (Gross Domestic Product) was up 8% to US$ 1.23 trillion over a year before. Tourism followed the same upward spiral and grew by 14% and retail sales by more 8.82% to US$ 4.9 billion.

Disposable annual incomes per Chinese capita was about US$ 1,000 in 2002 up 12.29% from 2001, a record since 1996, setting this way the foundation for shopping centers to become popular especially in the cities of Beijing, Shanghai, Shenzhen and Guangzhou. As a matter of fact, at the end of 2003, there were 236 shopping malls in operation in the province capitals and municipalities or 46.7 times more than ten years ago when the first generation appeared in the country, according to Guo Zengli, secretary-general of the shopping mall committee under the authority of the China General Chamber of Commerce (CGCC).

Moreover, 94 new centers have been built in 2003 alone or 39.83% of the total. It is a new record in the annual openings. At the end of last year, there were 35 malls in operation in Shanghai which is ranked first in China followed by Guangzhou in the south with 27, Shenzhen 20, Beijing, Dalian in the north-east coast and the south-western cities of Chengdu and Chongqing, each with more than 10 malls.

By fall 2003, China will have built 30.67 million sq. m of new shopping space or 165.51 times the figure of 1993. Meanwhile their average space grew by 71% to 96,500 sq.m from 56,170 sq.m ten years ago. The average investment in this type of commerce is maintained between US$ 96 million and 102 million and should reach 130 million in 2004.

56% of these malls were built by developers who are real estate specialists, 29% by retailers and 13% only by investors because they have been interested in this type of market since 1995. State-owned enterprises dominate the ranks of developers, as it requires huge investments and long return delays and generates high potential risks. In addition, foreign players contribute to expand the commercial boom throughout the country.

Unlike western shopping centers, which are generally located in suburbs, Chinese malls are in prosperous downtown areas with higher purchasing power than their counterparts in rural zones (cf.LLDI March 20004). The gap in the economy level, population density and commercial equipment between city and rural zones has long existed. Thus, according to the CGCC, 77% of China's malls are in downtown, 18% in the suburbs and the rest in the rural zones.

Beijing is a good example of this commercial overheating.

Oriental Plaza is a leading center in the political and economic heart of the municipality in 100,000 sq.m of space. It includes "The Towers at Oriental Plaza" and "The Malls at Oriental Plaza". The Towers comprise 8 commercial buildings, 4 luxurious apartment blocks and a five-star hotel; "The Malls" features 5 theme-shopping malls, landscaped lush gardens and a large three-level indoor parking.

Sun Dong An Plaza is another large commercial downtown project whose investors are Hong Kong-based Hung Kai Properties Ltd and Beijing Dong An Group. It has a floor space of 130,000 sq.m and 7 levels. It includes a Dong An department store, 120 shops among which Ports, Burberry's, l'Oréal, Omega and Nike, a fast food court (Kentucky Fried Chicken and Pizza Hut), a multiplex cinema, a video-game gallery… It is equipped with 60 escalators and 40 passenger-elevators. The parking includes 500 spaces for cars and 3,500 for bicycles.

One of the features of Sun Dong An Plaza is the Old Street of Beijing in the basement. It has 2,700 sq.m and reflects the old commercial and cultural atmosphere of Beijing dating back to the end of the Qing dynasty and the beginning of the Kuomintang regime. It is composed of century-old houses, shops with traditional activities and featuring local food specialties. Old teahouses in the Beijing style can be found there where folk artists perform Beijing operas, tell stories or cross talks. There are also specialists of the Chinese traditional medicine, shoe and watch-repairs services and, to add to the typical atmosphere, two-wheel carts, booksellers, good fortune-tellers, kong-fu masters and sellers of rice-cakes.

The risks caused the phenomenon pace.

Prosperous shopping malls and in full development may be left aside being built or being converted into wholesale-markets because of investment lack, a poor management and problems generated by tenants according to Li Fei, a marketing expert based in Beijing.

He declares that shopping centers can only longer exist in an urbanized country with an emerging rural population whose annual incomes per capita are as high as US$ 2,000 and 30% of the families owning a car.

Li said that China is not yet ready for large and modern shopping malls for current average revenues per capita are approximately US$ 1,000 and between US$ 3,500 and 4,000 in cities such as Beijing and Shanghai. He seems to be right while seeing the accumulation of being built schemes or near-term projects : early 2003, Hualian Group, which merged with the Chinese retailer Bailian, began building a nine-level 130,000 sq.m center in the Shanghai's area of Wujiaochang, in the heart of the Yangpu District. This scheme is expected to open by April or May 2005. It is an investment of US$ 96 million.

Another quality retailer, Shanghai Friendship Group Co Ltd, a wholly part of Bailian, expects to build a centre of 110,000 sq.m, including a bank and a post-office, in the western district of Shanghai in 2004. It is a further investment of U S$ 96 million.

Li warns that if the building pace does not slow down, Chinese cities will face an over supply of a commercial space. He thinks that the Chinese government must regulate the shopping mall expansion in order to avoid a disaster within the next years.

From Retail Asia

SPECIAL STUDIES

Are American department stores back on the revival path?

While the retail landscape is dominated by Wal-Mart, price deflation and a decline in the malls frequency, management of department stores are confident in the youth consumers between the age of 18 to 24 who consider those dinosaurs as stores of their choice.

We quote hereafter long extracts from discussions between department store manager and economists of Deloitte Research released by journalists of Women's Wear Daily.

It is not exactly a revival but rather one opportunity for department stores to attract younger consumers. Since a long time, people said they would die forever. However they did not and they came out of the last recession stronger than from the past recession during which some among them went bankrupt and suffered from leveraged buyouts and heavy debts.

In fact, department stores have focused on inventory productivity, sales and workforce costs. They have closed unprofitable outlets and streamlined their merchandising. But their real challenge remains to increase their sales. Real estate is another challenge as new malls are not being built.

Outside of the shopping center, can department stores live? Young people are more attracted by malls than by strip centers where the older customer tends to shop because of the convenience said Questrom, chairman and CEO of J.C.Penney. "Kids go to malls to socialize and like shopping malls. We do a huge juniors business and a huge young men's business." "I never thought department stores were dead. I just thought their products were stale." declared the former CEO of Macy's East, "Our problem was not getting the core customer. There were just too many of the same looks in too many channels of distribution. But in the last couple of years, through the development and expansion of limited-distributed resources, like urban and private label brands, Macy's has been offering a lot of newness. The fastest-growing businesses cater to the young. And when the economy improves there will be a return to dressier apparel."

Department stores face two types of competition.

On one side, department stores are under the pressure of membership warehouse stores and on the other from specialty stores. Meanwhile « They are much more aware of their issues and ready to address them. » said a retail consultant. Now, for the past six years, they had no real willingness to change their merchandising strategy. The 2002 holiday season woke them up and, since 2003, they refined their tools, improved inventory management and made easier returns in part by a better integration between Web sites and stores. They began reinvesting in a loyalty marketing policy, providing a different service to their best customers while studying their profile. Finally, some among them knew how to revive their energy and attract customers.

The key to survival.

According to analysts, to survive they should think to :
- reduce their dependence on apparel and designer brands, which overshadowed their store « personality »,
- focus on food and restaurants, home goods, gifts, wellness and fitness products,
- study again categories such as consumer electronics they have eliminated,
- build off-mall stores as malls have progressively saturated the country and as few are being built,
- refine their price strategies. Markdowns often lack credibility and coupons are no clear issues,
- differentiate merchandise by lifestyle rather than merchandising by brand…

Analysts advise them also to protect their market share in cosmetics and increase it in the junior and contemporary apparel.

Department stores are perfectly aware of their difficulties.

However department stores continue consolidation, losing market share and suffer from the sameness of merchandise sold by all kinds of outlets. They also suffer from poor same-store-sales growth. In national chains such as Sears and J.C.Penney sales decreased by 5% to US$ 319.3 billion in 2003 from 336.1 billion in 2000 according to the U.S. Census Bureau. In the apparel business, sales also fell to US$ 31 billion in 2003 from 35.5 billion in 2000 according to estimates by NPD Fashionworld.

Their huge problem is that they try to offer all things to all people instead of focusing on a customer target and follow Kohl's example that cater to the working woman. Moreover, their conception is a challenge to easy and quick shopping.

At the Harvard Business School today they estimate that department stores have first to be more attractive to consumers which needs huge investments mainly editing a private label; then they have to lower their initial prices that are usually too high, improve service, eliminate division buyers completely outmoded and have a team of aggressive suppliers. In the long term, Harvard Business School estimates that there will be no more than four or five survivors among department stores, and it is a positive forecast. Analysts think that Penney will be among them along with Federated and its subsidiary Bloomingdale that rolled out a new program to focus on more exclusive and contemporary products. Debates continue on Sears. Regional chains such as Dillard's, Belks, Gottschalk's, Bon-Ton and Marshall Field, the latter being owned by the Target discount chain, are threatened as they do not have the power of national chains.

The battle for market share. Chains such as Sears, Roebuck and Dillard's are losing market share to Wal-Mart and Target.

	2002 sales (US$ billion)	2003 sales (US$ billion)	Change %
General merchandisers	406.2	455.7	
Warehouse clubs/ superstores	140.2	193.5	
total	546.4	649.2	18.8
Department stores	**238.7**	**230**	
National chains	97.4	89.3	
total	336.1	319.3	-5

Source : U.S Census Bureau

The case of Federated.

Things are also changing at Bloomingdale with clearer aisles and less merchandise on the floors. They are also changing in all the department stores throughout the country but more specifically in the flagships such as Macy's New York Herald Square in the past two years : they revamped the junior, children and young men departments, private labels and urban wear. Among the newest additions, a special nail salon, a Kitchen Cellar for cooking demonstrations, Starbucks, a Ben & Jerry's ice parlor and some fashion cosmetics….

According to Terry Lundgren, chairman and president of Federated Department Stores, "I have always believed that attracting a younger customer has been very important, though that is not our core target customer, he said. Juniors and young men's are leading with comparable-store-sales increases, well above miss's ready-to-wear and men's wear. We changed the environment to make it more of a social gathering and less cooler, with music… Young guys were wearing the same khakis and polos for a long time. Now they are tremendously affected by fashion newness. These departments generate repeat purchases at a high average ticket, 15% higher than men's collections such as from Ralph Lauren, Tommy Hilfiger or Nautica… We are the largest seller of street wear products."

Federated targets.

"Number one, number two, number three and number four is having the right product…" Now, today there are too many quantities of the same product that pile up in stores in the same shopping centers. In this case, it is capital to know how far it is possible to lower prices. It is the reason why Federated is pushing its manufacturers to develop more exclusive and limited-distributed products. Private brands account for 16% of the total volume of Federated or US$ 15.4 billion and will rise as high as 20%. In the past, Lundgren had declared he wanted to reach at least 50%.

Another long-term objective is a 2% to 3% growth in same-store-sales compared with a current lagging situation. Thanks to that it is possible to generate an important cash flow to pay dividends, buy shares back, reduce the debt and acquire other businesses. "With a business our size, it is unrealistic to expect 8 to 10% increases, though we can get that from an individual division such as Bloomingdale's. 3% means another half-billion dollars in sales a year though Federated anticipates modest growth for 2004 from down one point to up one…"

"Now we are starting to see a shift back to fashion newness and career apparel. If that stays with us, department stores are likely to benefit. Bloomingdale's has picked the upscale contemporary customer. Macy's has four core customers ranging from a traditional and family-oriented customer to a contemporary technology- and career-oriented individual to someone who seeks convenience, comfort and classics to a hipper, less brand-loyal customer. "

The May formula.

May has modified its priorities. The chain has upgraded its products, private brand and rolled a new smaller store format that distances it from its other competitors such as J.C.Penney and Kohl's. While its closed 32 Lord & Taylor stores of the 86 in operation, May sees a slowdown in the consolidation wave. Its current philosophy consists in operating Lord & Taylor and five different regional chains and to work tightly with its May merchandising in order to identify the best trends and decide products to pursue. "Regardless of how many divisions there are, I see our names remaining strong regional dominant stores for the foreseeable future. Now we are interested in fine-tuning our merchandise strategies."

The new store format is a 12,500 sq.m outlet located in "lifestyle centers" rather than in large malls with larger apparel departments, better lighting, wider aisles, express checkouts and merchandise segmented by age or lifestyle. Furniture and mattresses are excluded. The objective is to open at least three new units per year.

Survival tactics at Saks.

Saks is rolling out a program of exclusive products, licensed deals and leased departments. It reintroduced categories such as toys and closed unprofitable units. These measures have yielded same-store substantial growth above the average. Moreover, Saks is about to launch a new prototype in 2005 in Memphis (Tennessee). According to analysts, this eminent chain among the best ones, has increased the percentage of exclusive merchandise to one third in its traditional department stores including Proffitt and Carson Pirie Scott from 20% two years ago and to more than 40% at the Parisian. All these changes participate to the activity renewal that registers the first signs of economic recovery.

According to its chairman, to be the best, Saks must focus on planning, store by store, and put a greater emphasis on systems. It is a total structural change. For a long time, buyers have been more like coordinators of a large group of suppliers working on guaranteed margin rates, rebates, etc… "Now, I want buyers out there looking at their floor, listening to the customer, to be the agent for the customer. We should do this on a store-by-store basis, to customize the assortments so they make more sense per market. New goals and plans for individual units are being set and regional vice presidents and managers are getting involved. Our stores are not cookie cutter…." ■

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