

# LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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## SUMMARY

<b>INTERNATIONAL</b>	<b>1</b>
<b>EUROPE</b>	<b>1</b>
<b>EASTERN EUROPE :</b>	
<i>RUSSIA</i>	2
<b>E.U. :</b>	
<i>FRANCE</i>	3
<i>GERMANY</i>	4
<i>NETHERLANDS</i>	4
<i>POLAND</i>	4
<i>PORTUGAL</i>	5
<i>UNITED KINGDOM</i>	5
<b>NORTH AMERICA :</b>	
<i>UNITED STATES</i>	6
<b>ASIA</b>	
<i>CHINA</i>	7
<i>JAPAN</i>	8
<b>SPECIAL STUDIES :</b>	
• Investors are rushing into the rapid expanding markets of Poland, Hungary and the Czech Republic	9
• Retail evolution in Kuwait.	11
• The Aldi phenomenon.	12

## INTERNATIONAL

**The organic and natural product market is promising. Sales could grow to US\$ 47 billion in 2007 according to Datamonitor.**

	2002 sales US\$ bil.	2007 sales US\$ bil.	% growth (annual compound)
United States	11.6	30.7	21.4
Spain	0.3	0.6	19.3
Sweden	0.3	0.7	17.3
Other Europe	1.6	2.8	10.9
Germany	3.5	5.7	10.3
United Kingdom	1.7	2.7	10.2
Netherlands	0.4	0.7	9.6
France	1.3	1.9	8.6
Italy	0.7	0.9	4.5
<b>Total USA &amp; Europe</b>	<b>21.5</b>	<b>46.7</b>	<b>16.8</b>

Source : Datamonitor

According to a recent Datamonitor report, the market for organic and natural food and beverage products will double to at least US\$ 47 billion in 2007 including a great part from sales of certified organic products. Predictions announce that sales in the United States will be mainly supported by a growing lack of confidence in the consumer-packaged items. Food safety and environmental impact of traditional production methods will have an increasing importance in the consumer consciousness. Moreover, key life events such as childbirth, serious illness and aging stimulate also such product purchases.

But this market growth can be slowed down by a price threat and, according to the same Datamonitor source, it is already the case in the U.S. These products stimulate a great interest and even a purchase desire but many consumers do not buy them because they do not want to pay such a price for them.

Consequently, researchers advised manufacturers and retailers to limit their price growth to 10-20% above their traditional counterparts. Among other obstacles, the consumer perceptions of taste and quality as retailers still have to provide a clearer understanding of the nutritional and health advantages of such products.

The majority of organic product consumers are between the age of

25 and 55, the majority is between 36 and 45.

Source : Supermarket News

## EUROPE

**Shopping centre expansion : will there be a boom in Russia ?**

2003 was the most active year for shopping centre construction in Europe with 4.3 million sq.m of space including new projects and extensions, a figure that beat the record of 3.8 million in 2000.

**Russia** has more commercial space schemes for the next two years than any other European market according to CWH&B. Today, one million sq.m is already completed, a figure that will still grow by 128% over fall 2005 with a further 1.3 sq.m floor space currently being built. At the head of the projects to be opened within the next years, Mega II, built by the Swedish Ikea in Khimki, northwest of Moscow in 270,000 sq.m of space.

**Greece** follows Russia. The country, which hosts the Olympic Games this year, will register a 112% growth of its commercial area compared to 200,000 sq.m today. Key projects include the scheme by Lamda in the Maroussi district of Athens in 60,000 sq.m, in the site of the Olympic Village. It will house the media during the Games and will open as a shopping center early 2005.

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In Thessaloniki, Greece's second largest city, Lamda has joined with the Portuguese developer Sonae to build Mediterranean Cosmos (46,450 sq.m, 246 stores).

Romania is coming in the third position with 195,090 sq.m being built, equivalent to a 94% growth of the floor space for the next two years.

Spain is the most active market as concern the new floor space with 1.9 million to be soon completed. Among the large schemes to be unveiled in 2005, Nueva Condomina (74,320 sq.m) in Murcia, Plenilunio (69,675 sq.m) next to the Barajas airport of Madrid and Vialia (69,675 sq.m) next to the main railway station of Malaga, these three schemes being built by Spanish developers.

Globally, United Kingdom remains the biggest market with a total stock of 13.6 million followed by France (12.5 million) and Germany (11 million sq.m).

**Shopping mall growth between January 2004 and December 2005 : projection.**

countries	% growth
Russia	127.6
Greece	112.4
Romania	93.9
Czech Republic	45.0
Poland	38.7
Other Eastern Europe	34.7
Hungary	25.6
Ireland	24.9
Italy	24.8
Spain	23.6
Slovakia	18.2
Portugal	16.0
Denmark	14.3
Netherlands	13.7
Turkey	11.6
Germany	8.2
Belgium	8.0
United Kingdom	7.8
Austria	4.5
Sweden	2.7

Source : Retail Week

**Redevco has put 10 C&A stores on sale.**

The property firm that manages C&A real estate has sold 10 outlets totaling 70,000 sq.m to the German fund HFS Hypo-Fondsbeteiligungen für Sachwerte for an amount of €80.3 million. Nine further C&A stores in Austria will also be sold to four investment groups for 30 million.

In addition, Redevco has bought a

**In short...**

**Hungary's first factory outlet center will be opened in Buda, west of the capital.**

The first phase will include 13,335 sq.m and 870 parking spaces, phase two 28,000 sq.m and 1,800 parking spaces. To build it, the British Miller Developments developer has set a 50/50 joint venture with the Raiffeisen Bank Group from Austria. GVA Grimley is in charge of the scheme letting...

**U-K based Kingfisher and Leroy Merlin from France to enter Russia.**

Europe's leading DIY retailer would build approximately fifty outlets in this country under the B&Q or Castorama banners... Leroy Merlin expects to open its first DIY big-box store by early July.

**Wal-Mart would be soon in Moscow** according to specialists of the local real estate who met delegations from the American firm. In order to enter the country rapidly, the world's retail giant could buy an existing firm like in U.K through its acquisition of Asda in 1999 and in Japan with Seiyu in 2002...

**Germany and shopping centers.**

580,000 sq.m of space are being built according to CW&HB. A further 1.1 million sq.m will be opened by fall 2006 including Space Park in Bremen (80,000 sq.m) and Riem Arkaden in Munich (46,500 sq.m). The largest planned scheme is in Dortmund (81,000 sq.m) due to 2006. Rents are the highest in Munich at €660 per sq.m a year...

certain number of retail warehouses in Spain (Oviedo) from Eroski and ING for € 19 million.

The property portfolio of Redevco was a former subsidiary of C&A and became an independent entity in 1999. Its value grew from € 4.1 billion to 5.5 billion while rental income share fell from 95% to less than 50%.

**EASTERN EUROPE**

**RUSSIA**

**Mosmart : a Swiss firm buys a stake in its capital.**

The Swiss-listed property firm, Eastern Property Holdings, declared it had signed an agreement with the Swiss ENR Russia Invest in order to buy a stake in the local Mosmart hypermarket chain for US\$ 50 million. One third of this amount will be covered by EPH and the remainder will come from ENRussia Invest. The deal, whose size is not unveiled, is led by McTrustco and should be closed within 90 days.

**Mosmart**, a privately held Russian firm, opened its first hypermarket in Moscow in June 2003 in a 16,500 sq.m area. Two more units of 14,000 sq.m will be added this summer. Mosmart has bought five sites for further stores of the same space that it expects to open by 2006. Its target

is to invest up to US\$ 150 million to transform Mosmart into a national chain as soon as 2007.

The Switzerland-based MCTrustco is a private institutional investment firm, which manages stocks, bonds and assets of more than US\$ 400 million in the former Soviet Union.

**Paterson expects to add 60 new stores throughout Russia in 2005.**

This chain of small food stores, or « universamy », very familiar to Russians, and generally located next to metro stations, has opened its sixth unit end of April in St Petersburg, an under-developed but priority market for it. It occupies an area of 1,170 sq.m.

Paterson invests US\$ 10 million in its St Petersburg stores this year and 12 to 15 million in 2005. It reported consolidated revenues of US\$ 140 million in 2003 with 30 "universamy" in operation including 19 in Moscow and 11 in the regions of St Petersburg, Tver, Ufa, Samara, Kazan and Penza.

**"Novinsky 31" in Moscow opened doors for business in April.**

This retail and office complex that suffered from many delays in its construction has finally opened in the vicinity of the U.S. Embassy. It



includes 80,000 sq.m on eleven floors including 10,000 sq.m of retail space, 38,000 of offices and two parking lots for 460 cars. It is an investment of US\$ 100 million.

The Turkish developer Entes had begun building it in the spring of 1998 on a US\$ 50 million loan from Turkey's Eximbank. Then the construction was suddenly interrupted during summer because of the changing law on foreign-lending legislation. After the construction resumed and then stopped again several times and finally the Globex bank, which was first interested in its development in 2000, let it complete its construction. 85% of offices and 70% of the retail area would be let (US\$ 800 per sq.m/year).

Globex has several projects of shopping and leisure malls in Novosibirsk and Tolyatti in addition to the Kashirskoye Shosse in the Moscow area for which it bought a 50-hectare site.

**Russia is lagging in openness to Internet and is in 55<sup>th</sup> position behind Peru, Egypt, Ukraine and Sri Lanka.**

According to an annual survey of 64 countries by Economist Intelligence Unit (EIU) for their "e-readiness", the top five are Denmark, Great Britain, Sweden, Norway and Finland. Key-criteria were the number of dial-up and cable connections per person, the global business environment and the rate at which companies and consumers are taking profit of the Internet.

The potential is huge considering the population education level "But low incomes and vast distances combined with poor communications infrastructure and resultant high price of traffic keep Russia's result poor."

In 2003, 40% more Russians logged onto the Net bringing the total number of users to 11.6 million, a figure that is to grow by the same amount in 2004. Moscow and St Petersburg are coming in first positions with respectively 37% and 10% of total weekly users, and Sverdlovsk in third with 3%.

It is surprising that, for the first time, the U.S.A do not appear among the top countries. In fact,

they fell to the 6<sup>th</sup> position last year because of the sluggish acceptance of broadband.

**E- readiness rankings : the top 10 countries.**

rank	countries	rank	other countries
1	Denmark	22	Israel
2	Britain	24	Portugal
3	Sweden	25	Japan
4	Norway	26	Estonia
5	Finland	35	Brazil
6	United States	45	Turkey
7	Singapore	54	Ukraine
8	Netherlands	55	Russia
9	Hong Kong	57	Iran
10	Switzerland	64	Azerbaijan

Source : Economist Intelligence Unit/The Moscow Times



**North Americans have invested less in the Paris market in 2003.**

North Americans share of total purchases declined from 25% in 2002 to 9% in 2003, according to the last report by CB Richard Ellis..., and compared to 40% in the peak years of 1998 and 2001. However, they have continued to cash in on added value in the Paris market while selling assets. They have accounted for 25% of total sales in 2003 as much as in 2002. Other nationalities have played a minimum role as vendors in the capital : the Dutch have accounted for 3% of total sales, British 2% and Germans 3%.

Germans are currently the main buyers in Paris with 37% of transactions in 2003 including 75% led by open-ended funds. Middle-East buyers played a significant role for the first time with 7.5% of the total.

Globally, € 9.5 billion have been invested in commercial real estate in France as much as for the two previous years. 80% were in offices, 92% in the Paris area, 40% in Paris itself and 32% in the western business districts of the capital including La Défense.

**Retail sales growth decreased in 2003.**

Retail sales grew by 0.8% only in volume according to the national statistics from Insee. Wholesale and auto repair sales fell respectively by

0.7% and 3.9%.

Globally, pre tax sales were € 1,100 billion including approximately 400 billion in retail and 420 in wholesale... Food sales by big-box stores (hypermarkets, supermarkets, hard discounts) increased their market share from 66.4% in 2002 to 66.9% in 2003. Bakeries, small groceries and frozen food outlets stood at 8.5% but butcheries declined to 5.3%.

Pharmacies grew their sales by 5%, specialty stores (culture, leisure and sports) by 2%, home-improvement by 3% and Distance Selling by 4.8%.

**Galleries Lafayette Group : 5 downtown outlets under the Nouvelles Galeries banner will be closed.**

According to its restructuring process, the department store Group has decided to close these 5 under performing outlets in five province cities (St Etienne, Thionville, Montargis, Epernay and Châteauroux) over 2005 and will look for buyers. In addition, the Beauvais unit, which includes two buildings, will be restructured into one and revamped.

In the first quarter, Group's consolidated sales increased by 2.4% to €1.37 billion from 1.34 in the same period a year earlier. Same-store sales were higher than in the fourth quarter of 2003 and grew by 2.7% compared to 0.7%.

€ mil.	2004	2003
department stores	590.0	575.7
Monoprix variety stores	443.8	436.7
Other retail activities	61.0	57.5
services	272.3	265.3
<b>total</b>	<b>1,367.1</b>	<b>1,335.2</b>

Source : Galeries Lafayettete

The department store activity (Galeries Lafayette/Nouvelles Galeries) had the strongest growth rising by 3.7%, mainly boosted by the new "Lafayette Maison" store opened early March in Paris and by January sales. The BHV branch, which grew by 2.9%, was also stimulated by January sales. Monoprix was up 1.6% but same-

store sales including tax grew by 0.9% only from the same period in 2002.

### **Casino has reported slowing sales in the 1<sup>st</sup> quarter due to a weak consumer spending in France.**

Group's total sales amounted to €5.35 billion (US\$ 6.37 billion). On a constant currency basis, they rose 3.6%. In euros, they edged up 1%. Organic growth was up 5.6%.

In France, which accounts for 81% of the Group's sales, sales grew by 3.1% to €4.315 billion. During the period, 30,000 sq.m of new retail space have been added. Same-store sales of hypermarkets slid 0.5%, Franprix superettes by 1.7%; supermarkets grew by a modest 0.1% only. However Leader Price (hard discounts) boosted its sales by 8.8%.

International sales fell 7.1% to €1.03 billion mainly due to the currency evolution of the euro against the dollar. Organic growth was up 16%. Same-store sales grew by 5.2% : Smart & Final in the United States boosted its sales by 18.9% and Poland was on the way to grow again and was up by 2.1%.

### **Carrefour : sales edged up 4.3% on a constant currency basis in the first quarter 2004.**

Group's total retail sales were €18.8 billion and during the period, they grew in all formats in Europe as well as in Asia and Latin America.

In France (€ 9.295 billion), high investments in prices, but exceptional promotions in non-food products conducted in 2002 and not led in 2003, weighed on hypermarket same-store sales that slid 4%.

Totally, 10,467 units were in operation to end of March : during this quarter, 8 hypermarkets, 14 supermarkets, 101 hard discounts and 30 convenience stores were opened.

For 2004, Carrefour maintains its target and expects its sales will grow by 6% and its earnings by two digits.

Luc Vandeveldé has been elected member of the Board succeeding Paul-Louis Halley who died tragically in a plane crash last December and was a major

shareholder of Carrefour. At the head of Marks & Spencer since 2002 as a part-time president, Vandeveldé put the British company on the rails again.

## **GERMANY**

### **Wal-Mart Germany : losses are officially reported for the first time.**

Globally, W-M generates net sales of € 2.82 billion in its 92 outlets and losses would be in the three-digit range (100 million are estimated) in 2003.

Wal-Mart Nord GmbH, that represents one of the six regional firms, would register a loss of 26 million, an increase of 40% from 1999. Net sales surged by 4% to € 327 million in 2003 for its 4 stores alone.

This poor performance is tied to a larger employee number, a higher level of service, more discounted prices, a larger non-food assortment than competitors, "exceptionally high investments" and difficulties to adapt offering and logistics.

Anyhow, among improvements, systems have been optimized, logistics re-organized and the offering completely revamped. 70% of deliveries will be centralized in the warehouses of Kempen and Bingen this very year and all its suppliers have accepted to join its Retail Link system. Its category management system, which associates manufacturer's data with its own logistics and is used in all its branches all over the world, is about to take off in Germany. In addition, it increased its own label products that are managed with its mother-company in the USA and Asda sister in the U.K with the target they would account for 20% of the assortment as an advantage over competition.

Source : *Lebensmittel Zeitung*

## **NETHERLANDS**

### **Ahold improved its results in 2003 and cut its debt.**

In the 2003 exercise, the Dutch retailer cut his net loss substantially from € 1.2 billion in 2002 to 1 million only last year in spite of falling sales and the financial accounting scandal that shook it last year.

It reported operating income of € 718 million, an increase of 479 million over 2002 despite a low consumer demand context and the currency impact that saw sales fall by 10.6% to 56.1 billion but an increase of 2.7% excluding currency impact thanks to lower exceptional items.

In the U.S.A, which account for 71% of sales, US Foodservice (28% of the total sales), at the heart of the €1.2 billion accounting scandal in 2003, ended the exercise with an operating loss of US\$ 74 million before exceptional items.

Net debt fell from € 12.3 billion to 7.5 billion. As for 2004, the recovery is still on the way as it is necessary to spare 600 million a year from 2006 and to continue selling assets as for the time being they accounted for 700 million only on a total valued at 2.5 billion. Remaining assets to be sold are in Spain, Brazil and the U.S.A. In Spain, El Corte Ingles would be the most likely candidate.

### **The Dutch retailer Vendex is in sale talks?**

Venture capitalists, including Change Capital Partners, headed by Luc Vandeveldé, CEO and president of Marks & Spencer, and KKR AlpInvest Partners have made a takeover bid. VDXK Acquisition, an international consortium of investment companies, has made a final bid. In this context, the Dutch retail conglomerate will receive a capital injection of €54 million, which could be used for both debt reduction and the company's capital increase.

Vendex operates 1,766 stores under 16 banners in 7 countries. In the 2003 exercise, sales remained almost flat. While including a Belgian DIY subsidiary, bought last year from the French Leroy Merlin, sales grew by 3% to €4.45 billion. Profits fell substantially from 239 million to 12 million due to the restructuring process led in the V&D department stores, which incur a 119 million loss.

## **POLAND**

**Private labels : for the past two years, their number has almost doubled. Consequently, Poland is considered as the fastest growing market for →**

**those products in the world.**

Private labels appeared in Poland in 1998 as the consequence of the retail concentration and the fast expansion of international chains. Currently, there are nearly 10,000 in this country and their number does not stop increasing. National chains begin taking interest in them but foreign retailers are their primary distribution channel : there are over 2,000 sold at Géant/Leader Price stores, 2,000 at Tesco, 1,000 at Real and 800 at Makro.

According to a 2004 report published by PMR Publications, food and beverage products account for more than 55% of the total of all private labels sold in Poland and other categories do not exceed 15% each.

Those past years, private brands have become important components of the Polish retail trade. If the economy recovers, they will be developed as premium range products catering to upper-mass-market consumers and will no longer be considered as exclusively down-market. Auchan and Real have already declared they will launch their higher-priced and higher quality own brands once Poland has joined the EU.

On the other side, price sensitivity is important for many customers : according to the PMR report, almost 40% of the Polish are looking for the cheapest food products. For half of them, price is the most determining factor when they buy apparel and chemical products.

Source : PMR Publications

**PORTUGAL**

**Sonae Imobiliaria in full expansion.**

The property portfolio of this developer includes 30 assets totalizing 1.202,637 sq.m. In addition, almost 3 million sq.m GLA in Portugal, Italy, Spain, Greece, Portugal and Brazil and 5,400 shops are under management. 17 projects are in course of development in these five countries. In 2004 :

- 4 shopping centers are scheduled to be inaugurated in 2004 in Portugal : the extension of Cascai Shopping, Parque Atlantico, Estação Viana and Coimbra Retail Park, almost totally leased,

- 9 are being built including Loure in Portugal, Dos Mares and Plaza Eboli in Spain and Mediterranean Cosmos in Greece...

- **in Spain, in south Madrid, Avenida M40 was opened on April 20<sup>th</sup>** by Sonae and Eroski. This shopping and leisure center includes :

\*109 shops (145 once completed) : H&M, Zara... in a total GLA of 48,360 sq.m,

\*one Eroski hypermarket (10,000 sq.m),

\* a cinema complex with a total of 2,400 seats,

\* a Forum sporting goods shop (2,000 sq.m) and a bowling with 14 alleys,

\* bars and restaurants,

\* investment by both partners : €105 million,

\* 9 million of annual visitors are expected,

\* forecasted sales : € 89 million excluding the hypermarket

- **in Brazil : Boavista opened on April 27<sup>th</sup> in Sao Paulo** in a 58,000 sq.total area including 24,000 m2 GLA and 167 stores (C&A, Hipermercado Sonda, 23 restaurants...)

Indicators	Growth in %				
	1999	2000	2001	2002	2003
GLA (sq.m) owned in operating centres	36	4	35.3	44.4	5.5
GLA (sq.m) under management	43	7	17.6	34.5	3.1
Nber of tenant contracts under management	54	9	14.5	28.9	6.1

Source : Sonae

**UNITED KINGDOM**

**W.H.SMITH, U.K's second largest book specialist, is on sale.**

Permira, a private equity firm, made a € 1.04 takeover bid for W.H.Smith followed by counterbids from The Blackstone, Cinven and CVC Capital Partners...

W.H.Smith net loss was £ 84 million (€ 125 million) in the first six months to end of February compared to a £ 27 million (€40 million) profit a year before. 270 jobs will be cut in the headquarters thanks to which the bookseller will be able to save £ 8.5 million a year (12.68 million). In addition, the sale process of Aspac for its Asia-Pacific business is under way.

During the Christmas season, while W.H.Smith usually generates

three-quarters of its operating income in ten weeks, sales were much below forecast. It operates 742 shops in city centers, shopping malls, airports and railway stations in U.K and sales were £ 2.9 billion (€ 4.3 billion) in 2003.

**The book market in the United Kingdom.**

channels	2004 market share
Waterstone's	18%
Independents	17
W.H.Smith	17
Clubs/mail order	16
Others	8
Ottakar's	7
Borders	6
Supermarkets	6
Internet	5

Sources : Ottakar's/Retail Week

**The book market** (£ 2.5 billion, € 3.73 billion) has been shaken by a fierce competition, which pushed many independents to close. In fact, in the past five years, traditional booksellers such as W.H.Smith and Waterstone's have faced new specialists such as Amazon, U.S based-Borders and Ottakar's whose expansion is rapid. They also faced the competition led by successful supermarket chains including Tesco that sell books, DVDs

and CDs at low price to customers eager to spare their time and appreciate to find everything under the same roof. However, despite the proliferation of video games and cable chains, Internet explosion and DVD, the book still remains the favorite leisure.

**Ottakar's** (120 bookstores, 7% market share) estimates that the overall market has grown by up to 5% a year for the past decade and that bookstores will be the winners in this battle. Well-positioned, it protects its market share and expects to operate 250 to 300 stores mainly located in smaller towns.

**Independents**, who have already suffered from Waterstone's expansion in the Eighties, should limit their decline, according to Ottakar's, to 15% from 17% today.

In spite of their growing success, **supermarket chains offer** →

a limited selection of books. If their expansion is still in the beginning, their collective market share should double over the next five years to 12% according to Ottakar's.

**Waterstone's** is consolidating its position while it continues opening stores according to opportunities. **Borders** is heading outside of cities to industrial parks, shopping malls and larger cities. Its success is depending on a multi-product approach such as films for children.

The Booksellers Association estimates that there is not much room for new entrants on the market even if rumors announce the imminent arrival of the US-based **Barnes & Noble**.

### **Marks & Spencer : the clothing business needs a turnaround plan as it reported a 2.5% sales decline in the 4<sup>th</sup> quarter to March end.**

However during the period the management team had been changed, the assortment improved, prices cut, merchandise segmentation made clearer and the shopping environment more pleasant. However, global sales fell 0.1% and home ware was the worst performer falling 13.7%. Same-store sales were down 3.4%.

Early April, Vittorio Radice, a former executive from Habitat and Selfridge's, took up his new position as executive director of general merchandise and homeware. He already strengthened the women's wear buying team and cut prices of the spring and summer collections by 3.5%.

The company turnaround that has been led since 2002 by Luc Vandeveld, a former executive of the French Carrefour Group, seems to be difficult. When he took his function he closed the French operations, modernized the logistics chain, relocated the production and launched a new and modern collection of women's apparel "Per Una".

In fact, Marks & Spencer apparel market share has been dropping due to new competitors such as Next, specialized in ready-to-wear, and to Tesco and Asda food hypermarkets, which have launched their own departments of cheap garments

catering to younger shoppers. Asda is so successful with its George apparel line that it will open its third standing-alone unit under its own banner, in Preston, in front of a Marks & Spencer. In less than 15 years, George has become the fifth British apparel retailer with a 7% market share and annual sales of £ 1 billion (€ 1.48 billion).

There are speculations about Marks & Spencer such as a takeover bid by Philip Green, owner of Arcadia...

### **TESCO hit a new record in 2003 and will create 20,000 new jobs in 2004.**

Group turnover in the 2003 exercise to February 28 grew by 18.7% to £ 33.6 billion (€ 50 billion) including 26.9 billion (€ 40.14) in the U.K and 6.7 billion (10 billion) in overseas markets. In continental Europe, sales were up 27.5% and 31% (£ 184 million) in Asia. Its Tesco.com business (120,000 weekly shoppers) earned £ 28 million compared to 12 million one year earlier on sales of 577 million up 29% (€ 861 million). However these figures do not include the start-up loss when the activity was launched in the United States and Korea.

Same-store sales grew by 6.7%, a growth rate that Tesco did not see since 1996. Operating profit was up 16.9% to £ 1.73 billion (€ 2.58 billion) including 306 million (456.71 million) in foreign countries (up 44%). In 2004, it would invest £ 2.4 billion (€ 3.5 billion) according to Merrill Lynch in 23 new stores in U.K and 51 in Hungary, Thailand and Korea without plus its Chinese joint-venture project.

**Tesco** said that in 2004 again it would continue to outperform its competitors even if it is more difficult due to the Safeway acquisition by William Morrison, which owns now a 15.3% market share. **In fact a price war is opened.**

To reduce its price and invest, it has sold 33 empty shells of stores plus 2 warehouses in United Kingdom (5% of its £ 13 billion-real estate portfolio) to a joint-venture firm, 50/50 owned with the Topland property group. This operation will help it to raise £ 650 million (€ 970 million). In January, it had already

raised £ 773 million through 315 million of new shares.

**Asda** invests £ 175 million (€ 260 million) in various price reductions and discounts of own and national brands, food and non-food in the first half of the year. **Morrison** said it will invest between £ 450 and 500 million (€670/750 million) in 2004 in order to have Safeway prices in line with its own. **Sainsbury** would be ready this summer.

## NORTH AMERICA

### UNITED STATES

#### **Shopping centers threatened by Wal-Mart.**

Real-estate investment trusts, owners of thousands of shopping centers with supermarkets as anchor stores, face a growing risk generated by the increasing number of supercenters operated by Wal-Mart according to UBS in the United States.

In its report, the bank indicates that many trusts are protected from this expansion because of their location in densely populated high-income areas. But a still greater number among them will be threatened as the world's retail giant converts more and more traditional discounts into food big-box stores.

Weingarten Realty Investors, EquityOne and NewPlanExcel Realty Trust are the REITs at the most risk.

Source : Supermarket News

#### **Wal-Mart pushes its food sales.**

According to a recent report by Goldman Sachs, food is the main driver of the giant's sales (cf.LLDDI March 2004), the other driver being its international operations. In fact, since 1998 the compound annual growth rate, tobacco and candy sales included, was 12.8%.

In 2003, food was the first category by sales growing by 20% to US\$ 45.3 billion compared to 37.7 billion one year earlier. In 1998, food was the third category with 15.3 billion sales.

Food accounted for 26% of total sales in 2003 compared to 24% one year earlier and 16% in 1998. 1,471 supercenters of 18,000 sq.m average →

area are in operation currently. In 2005, the giant expects to open 230 to 240 new outlets.

Clothing is also an important category with US\$ 30 billion in annual sales. Wal-Mart is also the largest retailer in home goods.

**McDonald's has a new chief executive.**

Jim Cantalupo, the leader of the recent turnaround at the world's giant hamburger chain, died at the age of sixty of a heart attack. Charlie Bell, chief operating officer, has been named new president.

The world's biggest fast food chain (31,000 outlets worldwide and about 58% franchise restaurants) had sales increase in the United States thanks to new products, longer opening hours, an aggressive advertising campaign and the slowdown of its rapid expansion rate. In the 4<sup>th</sup> quarter, it earned US\$ 125.7 million and expected to revamp 1,500 in 13,000 domestic outlets in order to continue improving its performance. In the 1<sup>st</sup> quarter 2004, U.S. same-store sales grew by 14.2%.

If a better service and improved menus were paying off in the United States, the situation was different in Europe. Currency adjusted growth was only 3.5% and sales fell 2.9% in March 2004, a great concern for the fast food giant as sales were down 0.9% to US\$ 5.87 billion in 2003 not far from 6.04 billion in America (up 6.4%).

Consequently, salads and yogurts have been added for health-conscious consumers and, to launch new recipes, a test kitchen has been opened in Paris area and renovation of many of the 6,200 European fast foods has been planned.

This dynamic program has been pioneered by the former operations manager in France, Denis Hennequin, who has just been appointed executive vice-president for Europe in January and revamped more than 500 in 1,000 of the French restaurants. They are successful and range from the faux alpine chalet style to middle-range outlets with music and headphones at the tables. After renovation, their sales grew between 15% and 20%.

In 2004, 160 new fast foods should be added including 40 in France. In

Germany, sales, which were almost flat in 2003, seem to recover. United Kingdom remains a large concern : sales of the 1,235 units have been sluggish for years and there are many reasons to that phenomenon : new competitors appeared which have outpaced McDonald's and made it look out of fashion and the mad cow disease in 2001 made the situation worse.

Source : *Business Week*

**The New American consumer.**

As economy affects and influences the way the New Americans spend their money, it becomes more and more difficult to understand and even to forecast demand.

The growing diversity of population by age, ethny, lifestyle and lifestage will generate a greater complexity of the market for retailers and their suppliers. The growing rise of two key age groups, baby boomers and Generation Y, will have a significant implication over the end of the decade :

- between 2000 and 2010, the 50-69 year old age group will increase by 37% or 3.5 times the rhythm of general population growth. The strongest increase will be in the 55-64 year old bracket,
- the children of the Baby Boom, or Generation Y, will enlarge the ranks of the young adults 15-29 year old, especially those 20-24 old who establish careers and households,
- the fast growing class of the 80 year old people will represent less potential spending for most of retailers and suppliers.

While Boomers live to work, consumers of Generation Y will be more flexible, less traditional and they will look for a more meaningful life.

Source : *Retail Forward*

**ASIA**

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**CHINA**

**While competition pushes small Chinese retailers to go bankrupt others are stimulated and expand rapidly.**

For the past eighteen months an excess of 150 supermarkets closed down in the country. The China

Commercial Economy Research Centre confirms this information citing several complaints from local retailers unable to face the giant competitors while others were stimulated and able to expand rapidly such as Lianhua and Hualian in Shanghai, next to 4 Carrefour, Metro and Lotus hypermarkets.

**Dalian Dashang Group** has grown rapidly through mergers and acquisitions for the past three years and reported sales of US\$ 2.17 billion in 2003 from 906 million in 2001.

**Hualian**, whose activity was limited to East China, pushed towards Beijing and expects to operate 6,000 outlets throughout the country within five years.

To better face competition from Carrefour and Wal-Mart, **Bailian** from China (US\$ 11.06 billion in sales) will merge two department store chains, Hualian and Number One Department Store, to establish a local giant whose assets will exceed US\$ 720 million. The new entity will be called Brilliance Group Co Ltd with 14 department stores and 3 shopping centers located in the financial hub of China. It controls also Lianhua Supermarket.

**Lianhua** sales surged by 60% to US\$ 2.9 billion and its net profit by 30% in 2003. It will operate 8,000 stores by 2008 with US\$ 10 billion in sales by that time.

By entering China, foreign firms brought in not only capital but also the best international marketing methods and management know-how. According to Hua Ming, manager of a Hualian store in Beijing, Chinese retailers have learnt the right operating procedures from further competition. "We have improved our purchasing skills and use a rigorous purchasing process rather than relationship-based purchases." He said his company is expanding and establishes efficient cost-control information systems. He declares also that many Chinese firms have developed market development departments focusing on site selection and expansion following their foreign competitor way. They also organize specialized training employee programs in order to improve services.

Learning from foreign companies, Chinese groups evolved so much

that they grew from supermarkets to running hypermarkets, convenience stores, membership stores and shopping centers. Finally, firms such as Lianhua Supermarket and Hualian think that "foreigners are not so mighty as they had thought and they can match them". Hua Ming added "It is true that foreign supermarkets tend to have more experienced managers. But Chinese retailers ultimately have better local knowledge and they can tailor products to suit local tastes and usually operate at lower costs".

However, wholesale trade is in trouble and the government does not seem to be very much interested in it. Its losses have surpassed the total profits by all retailers, caterers and other commercial-related activities for five consecutive years, he also said.

Foreign retailers do not dominate the Chinese retail landscape. They account for less than 3.5% of total Chinese sales according to the local media. In 2003, they surged by 9.1% to US\$ 537 billion and are expected to grow to US\$ 600 billion in 2004. Among the top 100 retailers in 2003 only 11 are foreign. Carrefour is ranked first and its sales surged 25.7% to US\$ 1.62 billion last year. Wal-Mart with 35 outlets is posting US\$ 706 million. However, other overseas-funded firms succeeded in opening stores while bypassing the central government and signing agreements with local governments. 1 yuan : US\$ 8.325

*China Daily*

**The French retail Carrefour Group has opened its first supermarket Champion in China, in Nongguangli, south Beijing, in 1,500 sq.m selling space.**

For this operation, Champion joined its forces with the local Shoulian chain, each partner owning respectively 65% and 35% of the capital.

The Beijing municipality wants to accelerate the commercial development in residential communities and open 500 convenience stores and supermarkets in 2004. By the end of 2003, 1,566 of such shops have been opened in Beijing but they covered only 65% of the residential districts. According to the capital's Commercial Bureau, the

4,277 hypermarkets, supermarkets and convenience stores in Beijing accounted for 24.2% of the city's total retail sector last year.

**Ito-Yokado, Japan's largest retailer, wants to capitalize on the growing appetite of Chinese consumers for high-quality produce and fresh foods such as Japanese sushi. It will open a joint-venture supermarket in Beijing in 2005.**

Following the SARS outbreak in China in 2003, the environment changed completely and Chinese feel more concerned by food safety and hygiene. Before, they used to sell their fresh produce and other perishables at local markets without any refrigeration.

Ito-Yokado and Beijing Wangfujing Department Store have established a joint venture with initial capital of \$ 12 million and a total investment of at least \$ 24 million. Each partner will own 40% and York Benimaru, the supermarket branch of Ito Yokado, the 20 remaining percent. It targets to cater to medium and high-end customers.

The first supermarket of 2,000 sq.m will be opened in Beijing by Spring 2005 and two more are expected by the end of this year. Perishables will account for more than 50% of the offering.

Ito-Yokado operates 5 hypermarket-type units in China in which focus is on apparel and house wares, food does not account for more than 20% of the total. This way the retailer follows other Japanese firms expanding in China as they face a lagging context at home. In fact, retail sales decreased last year for the seventh consecutive year even if the decline has slowed down for two years.

## JAPAN

**Seiyu opens supermarkets on the Wal-Mart style.**

Too small to be a supercenter (hypermarket), this new food store opened early April in Numazu, west of Tokyo, tests the Wal-Mart style layout, decor and supply. It is a means to know how the American brand is perceived in the archipelago: one level, wide alleys, large carts and a

long checkout line...

Wal-Mart has bought a 37.8% stake of the Japanese Seiyu since 2002. It has brought it the necessary funds to revamp its stores but the main benefits are not expected for at least two years. Already 36 of 403 stores use the American's systems including one that enables suppliers to control product sales. Seiyu hopes to be able to launch an every day low price policy by 2006.

After two years in the red, Seiyu expects to make a small net profit at the group level of US\$ 4.73 million in 2004 and limit its pro forma sales decline to 1% only compared to 3.7% in 2004.

**Market consolidation : Aeon and Inageya join their forces.**

Japanese supermarket operators are stimulated to join their forces facing the increasing competition led by big-box retailers such as Seiyu-Wal-Mart. Consequently, Aeon, Japan's and also Asia's largest retailer, and Inageya will set up a committee to decide on sectors of cooperation including information exchange on the retail trade and joint procurement of merchandise.

Moreover, Aeon has opened more stores, expanded its network partly by buying stakes in firms and brought a financial support to companies in trouble. Thus it became the largest supermarket chain in Japan by sales (¥ 3.546 trillion) thanks to the inclusion of the supermarket operator Mycal into the Group's profits from December 2003 which pushed Ito-Yokado to the second position (¥ 3.542 trillion) last year.

In May 2002, Aeon has bought a 26.1% stake in Inageya from the property Shuwa firm, an operation that makes it the main shareholder in Inageya, a medium-sized supermarket operator in the suburbs of Tokyo. However, Aeon has accepted to lower its stake to 15% in order to show that it is not an unfriendly takeover and will sell 11% back to Inageya by July.

Aeon expects to open 20 shopping centers of at least 40,000 sq.m in Japan over three years, which represents an investment of US\$ 1.84 billion. It will also add 31 new supermarkets in 2004. 1 Yen = US\$ 108

## **Investors are rushing into the rapid expanding markets of Poland, Hungary and the Czech Republic.**

**C**ompetition is high for downtown centers but buyers are interested also in shopping centers with hypermarkets as anchor stores in secondary cities.

In Eastern Europe, interesting cities for dynamic investors are Warsaw, Budapest and Prague. Americans are particularly active in these markets. In March, Central Europe's largest deal was concluded when U.S.-based Apollo Real Estate Advisors signed a sale-leaseback-sale for the Polish shopping centers of German Metro for an amount of US\$ 750 million. If details of the operation are not disclosed, it is not unbelievable that it includes all the retail centers of the German retailer in Poland. According to industry observers, the yield would be between 10 and 10.5%.

American Heitman fund is one of the most active investors in Central Europe with a €1 billion portfolio. It would have paid Israeli firm Plaza Centers US\$ 610 million for a 90% stake in its 90 shopping centers in Central and Oriental Europe plus additional developing assets. In February, it has set up a € 135 million-joint venture with the New-York-based developer Polimeni International in order to develop a portfolio of shopping centers in Poland. These centers with hypermarkets as anchors will be located in Kalisz, Poznan, Grudziadz, Glogow, Gniezno and in secondary cities. Their construction is expected to be completed by mid 2006 and they will range from 21,400 sq.m to 36,200 sq.m. They will be financed by a Heitman subsidiary for Central Europe.

But Americans are not the only ones to be very active in this market. According to Jones Lang LaSalle : "We will certainly see the first shopping center acquisition by a German open-ended fund in central Europe in 2004."

DTZ in Central and Oriental Europe estimates that : "A lot of people are desperate to spend money, and there is interest in retail from all kinds of buyers -US, Austrian, Dutch, German and Irish. Europeans tend to be a little more wary but they are still looking for good investments producing good cash flow."

Besides, there are a lot of sellers in Central Europe contrary to West where sector specialists and institutions have bought up many portfolios of shopping centers, hypermarkets and supermarkets. But in this region a lot of assets remain in the hands of developers who want to make profits and reinvest them in new projects.

For CB Richard Ellis, "The big European food retailers are very interested in selling central European property because they want to raise capital to fund expansion in the region and want to match their liabilities with cash inflows." They are mainly interested in increasing their market share. Their store sales are not very high but they still keep an eye on the future.

Yields are decreasing throughout Europe and Central Europe will likely register the biggest fall. The best outcome would be for yields to fall to around 9% or may be just below. But for many assets in towns and cities outside the capitals they would still be in the double figures."

Rumors say the yield for Plaza Center's portfolio would be 9.5% and Metro retail centers between 10% to 10.5% since they are located outside the capitals.

Generally, investors are looking for shopping centers with hypermarkets or large city-centers in capitals. To succeed, "The key in Central Europe remains the identification of winning assets. There have already been some losers. This has been exacerbated by less stringent planning constraints. In many major cities there will be oversupply of shopping center space, so choosing the longer-term winners is critical" (Jones Lang LaSalle).

To buy shopping centers in Central Europe it is necessary to identify "The sustainability of retailers to pay the rent. Most retailers' business plans are based on sales growth over time; they are prepared to take on rent-to-sales ratios higher than those in western Europe on the back of higher consumer expenditure, lower non-property occupation costs

and in order to buy a bigger market share". And JLL adds that most investors are looking for reliable yields and not a rental growth.

At Cushman & Wakefield, the head of investment declares that "Development will continue as a large number of secondary provincial cities still don't have central shopping centers. Many developments are at the planning stage or are under construction and there is a big appetite among investors for this type of product." Shopping centers with hypermarkets as anchors represent good investment opportunities and retail warehousing parks could attach to them including DIY, sportswear and auto equipment stores. The potential for retail warehouse would be huge.

Wise investors try to enter Central Europe as quick as they can. In August 2003, Europolis from Austria bought its first retail assets in the region, two shopping centers located in the Czech Republic, from Ahold for € 60 million. Its strategy consists in acquiring assets whose anchors are leaders in the food business and focusing on shopping centers with hypermarkets worth more than € 22 million. "Opportunities are better in the provincial cities and towns at the moment where yields differ from case to case but are above 10%."

As concern investments, national borders of Central Europe countries seem to blur. ■

Source : Europroperty

## SPECIAL STUDIES

# Retail evolution in Kuwait.

While in the Middle East there are 350 shopping centers with a total of 7.99 million sq.m GLA, or the equivalent of 0.07 sq.m per capita, in Kuwait, new shopping centers, under construction and planned units account for 250,000 sq.m GLA only, or 0.10 sq.m GLA per capita. Over 2006, this area will grow by 50% to 385,000 sq.m. Rents are very high such as US\$ 1,035 per sq.m a year in one of the two largest shopping centers, Marina Mall, compared to an average of US\$ 635 for the overall region.

A recent study conducted by GRM on the buying habits shows that Kuwaitis and expatriates visit shopping centers at the same rhythm or once per week but Kuwaitis usually spend on average US\$ 120 per visit or 50% more than expatriates. They also spend more time, 121 minutes compared to 98 per visit and shop at malls in larger groups on average.

Visit frequency in shopping malls across GCC countries (Gulf Countries) can be higher than in the western counterparts with 70 visits per year or the equivalent of 5.8 visits per month. Family entertainment within these countries is a key factor to motivation and it is why 17% of GLA are given to them including 5% to fast food courts. In Kuwait, however, shoppers generally prefer shopping to entertainment. Convenience shopping is also important especially for food in shopping malls anchored by supermarkets.

While studying the customer profile by the nationality, it appears that Asian nationals are primarily motivated by convenience shopping and not by entertainment when they visit malls. Kuwaitis and other Arabs are primarily motivated by fashion.

More than 50% of Kuwaitis have indicated that their preferred malls were Marina Mall (31,000 sq.m) and Souq Sharq (28,380 sq.m), the latter is located on the seaford of Safat. Marina Mall is a part of a large retail and leisure complex "Marina World", a US\$ 148 million investment, with the largest Virgin Megastore of the

country.

Kuwait with a GDP per capita of USD\$ 14,196 is the third largest economy in the GCC. Over the past five years, its population has increased at an average annual rate of 4% to 2.55 million inhabitants and should reach 3.04 million by 2010 representing a 20% growth. Like in most other GCC countries, it is composed of expatriates (63%) with non-Kuwaiti Arabs and Asians from the Indian sub-continent for the largest groups. More than half is aged between 20 to 44-year and foreign migrant workers accounting for a significant share of the economically active population. 96% of the Kuwaitis live in urban areas. ■

### Key indicators.

	Kuwaitis	expatriates
Average visit number per year	47	45
Average expenditure per visit (US\$)	120	81
Average time to reach malls (minutes)	17	17
Average size per group	3.58	2.91
Average time spent per visit (minutes)	121	98

Sources : GRMC/Middle East Council of Shopping Centres

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# The Aldi phenomenon.

Aldi is Germany's third most respected brand just behind the electronics giant Siemens and the automaker BMW and ahead of Daimler Chrysler according to the research institute GfK. 89% of the German households have shopped at least once at a Aldi food discount store (also called hard discount) in 2003 which makes the co-founder Karl Albrecht, the world's third richest man with a fortune estimated at US\$ 23 billion by Forbes magazine.

## **About Aldi history.**

- 1913 : Karl and Theo Albrecht's parents opened a small grocery in Essen, north Germany,
- 1948 : both brothers open the first store under the Aldi banner in Essen,
- 1955 : 100 stores in operation,
- 1960 : the Albrecht empire is divided into two regions, Karl at the head of the South and Theo Aldi North and both continue sharing some operations,
- 1971 : Theo Albrecht is kidnapped and released after 17 days and a payment of US\$ 4 million,
- 1976 : the first Aldi unit is opened in the U.S, in Burlington, southeastern Iowa through the acquisition of the Benner Tea firm,
- 1979 : Theo Albrecht buys Trader Joe's, a U.S. chain of 18 quality supermarkets converted later into hard discounts,
- 1990 : first operation in the United Kingdom,
- 2001 : first operation in Australia,
- 2004 : Aldi is classified world's eleventh food retailer with US\$ 37 billion in sales and approximately 7,000 outlets.

## **Its expansion seems limitless as sales have been growing by 8% a year since 1998.**

Aldi is always focusing on efficiency and is matching or beating Wal-Mart Stores to cut costs. As a family-company, with private funds, Aldi is a model of the old German school as it finances itself with cash in order to avoid debt, avoiding advertising and slowly entering new markets before competition. This technique helped it to become one of the world's largest retailers with a 3.5% market share in Europe.

Even the mighty Wal-Mart is struggling against Aldi and other food discounters in Germany as they cater to price-conscious customers. Moreover, Germany is a market concern for the leading giant mainly due to a lack of suitable sites for its big-box stores.

Just like Wal-Mart, Aldi has an impact on the local economy. The main German retail association has published a report early March blaming Aldi and other "hard discounters" for having pushed 35,000 small retailers to close in 2003. Meanwhile, farmers from Bavarian picketed some Aldi stores reproaching a 15%

drop in the milk price since 2001.

## **The hard discounter is showing signs of an accelerated expansion in the Wal-Mart's market.**

Aldi, which opened its first store in the United States, in Iowa, in 1976, has sales of US\$ 4.8 billion according to M+M. Trader Joe's, which it bought in 1979, is very successful as it expands the Aldi concept to upscale products such as wine and cashew butter.

The German company expects to open 40 stores per year until 2010 bringing the total U.S. count to 1,000 with a potential 2% share of the food market by the end of the decade compared to 0.65% currently.

## **Can Aldi become a leader of the worldwide retailing?**

It seems to be on the right way as it is evolving in its approach, advertising on the Web for workers and store sites in Ireland and Australia, and following one of its principles which is "not to rush into things, but first to build a solid foundation. Once they have that, they move quickly" said Dieter Brander, a former Aldi executive who published the book "The Eleven Secrets of Aldi Success."

Today Aldi North and Aldi South are two associated groups still controlled by both brothers in their Eighties who succeeded in creating the largest European "hard discounter". They created the Hard Discount phenomenon, which doubled its food market share in Europe in the past decade to 9.5% according to ACNielsen.

Aldi strategy is simple. A typical hard discount offers a limited selection of products, 700 compared to more than 20,000 at a traditional grocery and 150,000 at Wal-Mart. It sells no national brands, only Aldi brands, in stores located in working-class neighborhoods as well as in wealthy communities. Thanks to its limited selection, it is possible to tightly control over quality and price and it simplifies handling and shipping. A study by McKinsey shows that shoppers perceive a small difference between quality, assortment or service between Aldi and traditional retailers but they rank Aldi first for on price.

## **Cost control is profitable.**

In some regions of Germany, its operating margin is as high as 9.3% according to McKinsey. "Aldi has taken the retail formula down to the most basic elements" declared Neil Z. Stern, a retail consultant from McMillan/Doolittle who thinks that Aldi is more efficient than Wal-Mart. According to the most likely estimates, its profits before tax would be US\$ 1.5 billion.

Its formula is the result of noticed facts : immediately after the second world war, inhabitants in Essen, where both brothers lived, wanted to buy merchandise for one day only and for the best price. It is why Theo and Karl limited their assortment to a few hundred items and controlled quality tightly. "Our business was managed solely on the basis of the lowest price" declared Karl Albrecht during a rare public appearance in 1975. It is clear that both brothers have avoided public meetings since 1971 when Theo was kidnapped. Frugality is their obsession. People say that Theo turns the light off when entering a room if he thinks daylight is sufficient. He continues working daily while Karl has decided to transfer its daily management to professionals. Their death should not change a lot of things as their ownership has been transferred to investment funds to avoid battles among heirs.

### Aldi impact on Europe.

Can this successful formula be exported? In Europe, its impact is clear. In the Netherlands, Albert Heijn has cut its prices over 2,000 products in 2003 to try to face hard discounts. In the United Kingdom, Aldi does not own more than 1% of the local food market fourteen years after it entered this country because Tesco has protected itself by using its own low priced brands. The other German discount Lidl, a subsidiary of the Lidl&Schwarz Group, succeeded in leading Aldi in France and in U.K and enters Eastern Europe, a region where Aldi is totally absent, at least until now. The approach, which consists in financing itself to expand without debt, could help it to find a niche on the American markets that cannot support big box stores such as membership stores of Costco Wholesale.

In addition, most of retailers over there do not consider it as a threat. "Aldi is a kind of bottom-feeding and nobody notices it, says a former executive from Procter & Gamble.

### The American experience : Trader Joe's, the American cousin.

This small food chain of 210 outlets, located in secondary sites and which controls its costs tightly, is the ownership of a financial investment firm created by the Albrecht brothers. Different from Aldi, which sells basic products such as toilet paper and canned peas, TJ's is

famous for its assortment of eclectic and upscale food products such as wine at very low prices. Its sales were US\$ 2.1 billion in 2003 according to estimates which is almost US\$ 12,200 per sq.m or twice that of traditional supermarkets according to the Food Institute. If one does not know a lot about Trader Joe's, a company founded in 1967, it is yet possible to read on its Web site that it quintupled its store count from 1990 and 2001 and in the same time its profits were multiplied by ten.

It imports a large quantity of its own products thanks to supply resources it has expanded over decades and sells more than 80% of them under its own brand or under a variance. In the States where it is possible, it sells wine and alcohols at discount prices. Its reputation does not lie in prices only. Its labels promise that products do not include genetically modified ingredients. Following complaints from animal-rights activists about the way ducks were killed, it stopped selling them. Tuna sold at its stores is caught without nets, its dried apricots do not contain sulfur, its peanut butter is organic... It is generous with its employees. Beyond salaries superior to union wages and good bonuses, TJ's pays an additional 15.4% of each employee's gross salary to a company-funded retirement plan.

Originally, it was a small company with three convenience stores in South California that tried to protect itself against the invasion of 7-Eleven during the Sixties. In reaction and to differentiate itself, it filled its stores with low-priced wine and gourmet products difficult to find, discontinued and overstocked merchandise sold at deep discounts. In 1979 the Albrechts bought it. ■

Source : Business Week

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