LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

JUNE 2004 - Volume VI - N°54

SUMMARY

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

a monthly publication (11 issues per year)

Publisher : Patrice de Chabot

e-mail : pdechabot@chabot-associates.com

Chief editor : Brigitte Guillot

e-mail : bguillot@chabot-associates.com

7, rue Fould, 78600 Le Mesnil-le-Roi - France

Tel/Fax : 33 (0)1 39 12 17 93

Web site : www.chabot-associates.com

Subscription:

France 500.00 € (VAT incl. 5.5%)

Foreign 510.00 €

Siret : B418 771 481 000 11

INTERNATIONAL

In short…

Auchan has opened its 4th hypermarket in Moscow on May 12.. Like the first three units it is located along the ring road, the MKAD but it is the first one to be built on piles…

Kingfisher is expecting to open 80 stores in Poland.

Poland will be the recent E.U member in which the British retailer is present. It will add new stores to bring its 19 Castorama count to 26 over February 2005 and later to 80. Its main competitor is the German Praktiker with 16 units…

Lidl is entering Hungary and expects to open 12 stores.

The German discount chain (€ 20.3 billion in sales, 5,600 outlets) had delayed its market entry until Hungary's EU accession. Its arrival will increase competition with the local subsidiaries of Tesco and Auchan, which has already resulted in some mergers such as Profi (hard discount) and Match (supermarket) of the Cora Group. A logistics center will also be opened to supply all the group stores in Slovakia, Romania and Ukraine. Its total investment is estimated at € 20 million…

Virgin to close stores.

Sir Richard Branson has announced the decision to close one third of its 170 Virgin Megastores within the next months due to competition led by supermarkets and online retailers. Anyhow the brand will still exist as he has decided to focus on its Xpress Megastores…

The Quatre Temps shopping center will be renovated and enlarged.

The shopping center, opened in 1981 in the suburbs of La Defense, west of Paris, will be partly renovated and a 15,000 sq.m extension will be added to be completed by 2007. It will focus on leisure with new cinemas and restaurants (2,800 sq.m). Moreover, the former site occupied by the 9 theatres will be restructured and include new store brands. Les Quatre Temps generate € 708 million in annual sales and 35 million persons visit it a year

Kmart to sell 24 stores to The Home Depot. The American discount chain has announced its intention to sell 24 units to the world's largest home-improvement chain for an amount of US$ 365 million…

Wal-Mart has just opened its first store in southwest China, in the province of Guizhou. It covers 17,000 sq.m of retail space…

China simplifies its procedures for big-box store openings. The Beijing's municipal bureau of commerce has just obtained more power concerning new foreign-invested supermarkets in the capital and new regulations have just gone into effect. It can approve big-box store openings excluding TV, telephone, mail order, Internet cafes and vending machines businesses. It is required that a supermarket must not exceed 3,000 sq.m and their number is no more than 3 units in Beijing or that a single supermarket has less than 300 sq.m with no more than 30 outlets in the city…

EASTERN EUROPE

RUSSIA

The economic climate improvement is driven by a real politic determination.

In the first quarter, retail sales grew between 8 and 9% and by 10% in April. Consumption was stimulated by a combination of several factors mainly a 10% increase in real revenues in real terms and by increased employment. New shopping centers are booming and projects in the pipeline for 2004/5 include more than 900,000 new sq.m.

However 23% of the Russians earn less than the minimum wage. →

Middle-classes are solidly entrenched in Moscow even if small groups are appearing in Saint Petersburg and other main cities. In fact, the capital remains the most prosperous city of the country where 25% of all retail sales in Russia are concentrated. In order to contribute to its transformation and improvement, the government will ban videos and CDs sold at kiosks and on street stands as 90% of them violate the law. It will also suppress the counterfeit goods sold at the markets and kiosks such as toys, audio/visual merchandise, alcohol and cosmetics.

According to an analyst at investment bank United Financial Group, Russia is a £ 134.38 billion (€ 203 billion) market worth. Opened markets still hold 44% of the total retail sales. Food is very fragmented and the top five chains do not account for more than just 5% of total sales compared to 17% in Poland, for example. In the electronics field, chains increased their consolidated share from 10% five years ago to 36% in 2003 mainly thanks to an aggressive opening program. In the DIY and home-improvement sector, the British Kingfisher's arrival is imminent and the France-based Leroy Merlin has announced its first store for early summer.

Market share breakdown.

sectors	percentage	sales (bil.)
DIY	4	£ 3.36 (€ 5.0)
health/beauty	4	£ 3.01 (4.5)
consumer electronics	4	£ 3.64 (5.4)
furniture	7	£ 5.32 (8.0)
apparel	13	£ 10.97 (16.5)
pharmaceuticals	2	£ 1.96 (2.9)
food	47	£ 37.79 (56.9)
others	19	£ 15.68 (23.6)

Source : GKS, United Financial Group Research estimates

According to the independent consultant John Bolsover, who assists companies entering the country, «Now is a good time for companies to invest in Russia. There is a good economic climate and a great deal of settlement in government. Certainly, starting a business can be difficult and recently there have been changes in the ministries and the bureaucracy can slow procedures down… However, there is nothing that should be a deterrent or that cannot be managed. Talk to the right people, test them, ask the right questions and check their background. Make sure you do everything legally. Select the best lawyers, the right banks and finance companies.»

The British department of Trade & Investments estimates that Russian consumer goods growth (wholesale, retail, catering businesses and consumer service providers) will be between 10 and 12% in real terms in 2004. This growth will be fueled by an increase in disposable revenues and a change in buying preferences from old kiosks and markets of the old Soviet period to shopping centers and one-stop shopping stores.
Source : Retail Week

EUROPEAN UNION

BELGIUM

Delhaize le Lion has launched 365, a new European brand of basic quality products at low prices.

The 365 assortment of a quality at least equivalent to that of hard discount will be offered at the best price all year long. The first products will be introduced in the grocery, frozen food, beverages (including wine), dairy, fruit & vegetables departments… and reach 300 units in the stores of Belgium and Greece and fifty in the Czech Republic and Romania by the end of 2004.

In the first quarter 2004, Delhaize Group posted € 4.4 billion in sales, a 6.0% decline compared to the same period one year earlier due to the weakening of the US dollar by 14.1% against the euro. At identical currency, sales would have increased by 5.1%. Organic growth with 3.8% of sales excluding currency fluctuation, acquisitions and divestments was driven by increasing sales in the United States and Belgium.

The good sales momentum in the four U.S operating firms have resulted in a comparable store sales growth of 2.5% and total sales of 5.0%. In Belgium stores, comp. sales grew by 3.1% and total sales by 8.1%. Sales were negatively impacted by the deconsolidation of Shop N Save in Singapore from October 2003 and by the closing of 34 Kash n'Karry in the U.S.A in January and February 2004.

Earnings before goodwill amortization and exceptional items of € 89.8 million were 8.8% lower year-over-year due to the weakening of the dollar. Group's operating profit declined by 11.7% from 2003.

CZECH REPUBLIC

Rodamco Europe and AM (formerly Amstelland MDC) have reached an agreement to develop the regional shopping centre Centrum Chodov, in the southeast of Prague to be completed in the second quarter of 2006.

- 57,000 sq.m GLA,
- cost : € 128 million,
- anchors : a Hypernova hypermarket (Royal Ahold) in 13,000 sq.m of retail space,
- 185 stores including H&M, C&A, Nike, Bata,
- annual rental incomes : € 12 million,
- 2,500 parking spaces.

The Dutch-based AM NV, particularly active in European urban shopping centres, housing and office buildings, has already developed Olympia in Pilzen last March. It was its first shopping center in the Republic.

FRANCE

Kentucky Fried Chicken seeks to strengthen its expansion.

The fried chicken specialist, that operates 24 fast foods, mainly in the Paris and North areas since 1991, expects to add eight new company-owned and franchised outlets by the end of this year and one hundred over 2008. Last year the subsidiary of the U.S based firm Yum posted revenues of € 40 million excluding franchised units.

KFC operates 12,000 restaurants →

in more than 80 countries and has almost 8 million daily consumers. Yum! Brands, world's largest restaurant chain, groups brands such as KFC, Pizza Hut, Taco Bell (tex-mex), Long John Silver (fish) and A&W Burger. Totally, Group's revenues hit US$ 24.2 billion in 2002 with 32,950 units worldwide.

Auchan : operating earnings grew to € 1.13 billion in 2003, a gain of 6.6% over 2002. Pre-tax sales were up 4.2% to 28.70 billion,

Net profit jumped 96.9% to 575 million. At constant currency rates and excluding Mexico and United States, revenues increased by 9.5%.

The hypermarket business, which accounted for 78.3% of total sales, posted sales of 22.5 billion, an increase of 3.4% due to a "good growth registered by stores in the European zone (Italy, Spain and France) and Asia (China) in 2003."

Supermarkets (19% of total sales) were up 6.2% to 5.5 billion. Other activities, including Immochan (real estate) and Banque Accord (2.7% of sales) have increased positively.

By geographic zone, the Group generated 95.1% of its sales in Europe and 4.9% in the rest of the world, France accounting for 62.4% of the total.

Net debt decreased from 2.6 billion to 2.1 billion last year accounting for 48% of net worth compared to 65% in 2002. Currently, Auchan operates 321 hypermarkets, 618 supermarkets and 269 shopping malls.

Domus has just started building the first French home shopping center to be completed in March 2006 east of Paris.

- 50,000 sq.m, 3 levels,
- big-box stores : Alinea (12,200 sq.m), BHV L'Atelier (9,200 sq.m), Truffaut (8,400 sq.m),
- 120 furniture and decoration stores including the new concept of Bouchara (643 sq.m) focusing on textile, furniture and home related decoration accessories,
- a fast food court,
- developer : the Dutch Mab, in partnership with another Dutch developer, Bouwfounds Property Finance, a subsidiary of ABN Amro, specialized in real estate,
- investment : € 150 million,
- leasing : Urbi & Orbi
- 2,400 parking spaces,
- trading area : 8.8 million inhabitants,
- target : streamline the home equipment market in the Paris area estimated at € 1.8 billion. The total French market is 8.3 billion worth.

In addition, **Mab has just opened, the first phase of an urban shopping center, Les Allées Provençales, on May 19, in the heart of Aix-en-Provence :**

- 4,500 retail space,
- 11 stores including a Monoprix variety store (2,500 sq.m, 2 levels), 1 restaurant,
- 300 parking spaces,
- leasing : Urbanisme & Commerce,
- investor : Redevco from Netherlands.

The second phase should be completed by 2006 and will include an extension of 11,000 sq.m, a culture and leisure big-box store (3,400 sq.m), thirty new shops and 1,500 parking spaces.

HUNGARY

Klepierre enters Hungary as it buys 12 shopping centers from Plaza Centers.

The French property firm has signed a draft agreement to buy shopping centers and a 50%-stake in their Hungary managing firm for an amount of € 285 million. These centers, located in the heart of the main Hungarian cities, were built or bought by Plaza Centers between 1995 and 2003. Their total floor space is 168,000 sq.m and annual net rent reach € 26 million. This operation is still subject to the necessary regulation authorizations and should be completed before end of July 2004.

Klepierre owns an excess of 209 shopping centers in continental Europe for a total of 1.4 million sq.m The value of its property amounts to € 5.2 billion including 4.2 billion in shopping centers. Its subsidiary, Segece, manages 324 shopping centers in France, Spain, Italy, Greece, Portugal and in the Czech and Slovak republics.

Plaza Centers, a 100-owned subsidiary of Elbit Medical Imaging from Tel Aviv, is a shopping and leisure center developer. Since 1995, it has built or bought 18 shopping centers including 15 in Hungary and 3 in Poland. Its current projects include 10 centers in Poland (5), the Czech republic (3), Latvia (1) and Greece (1).

NETHERLANDS

AHOLD : sales decreased significantly in 2004 first quarter.

The world's third largest food retailer announced that net sales for the first quarter were of € 15.4 billion, a decline of 11.3% compared to the same period one year earlier. They were significantly impacted by a lower dollar against the euro and by its many divestments.

Group's sales declined by 1.2% to US$ 8.2 billion in the United States and by 0.9% in Europe to € 3.7 billion. In South America, they were down 42.4% to € 336 million. This decline is mainly due to the divestment of Bompreço in Brazil in the first quarter 2004 and of Santa Isabel in the second half 2003. In Asia, net sales fell also by 53.2% to € 51 million following the various divestments of its operations in Malaysia and Indonesia during the third quarter 2003 and in Thailand in the first quarter 2004.

Laurus has planned to cut 1,300 jobs.

The chain faced a financial trouble between 2000 and 2002. In 2003, it posted an operating profit of € 27 million compared to a 2 million-loss a year before. Net profit was 9 million compared to a loss of 128 million in 2002.

But the food retailer, which is 38.7% owned by the French Casino, is suffering from the price war opened last year by the Albert Heijn supermarkets of the Ahold Group. It curtailed Laurus operating profit by € 20 million on sales decreasing ➞

from 5.4 billion to 4.0 billion in the last exercise.

In 2004 first quarter, Laurus sales fell by 7.7% again. Consequently, it decided to cut 1,300 jobs accounting for 14% of the total workforce in its three supermarket chains Super de Boer (369), Edah (269) and Konmar (90). This decision will account for a € 25 million provision in the second half performance and should help Laurus cutting its costs by 27 million a year from 2005.

UNITED KINGDOM

Marks & Spencer is looking for a new president to replace Luc Vandevelde. The British retailer has rejected Philip Green's takeover bid, as it would undervalue it.

M&S is looking for a person with experience to succeed Luc Vandevelde before the annual general meeting of July 14. At the head of the British retailer management since 2000 to lead the company turnaround, he is about to leave his functions as a part-time president and will momentarily be replaced by non-executive Paul Myners as interim chairman.

Vandevelde has been representing the interests of the largest shareholder of Carrefour, the Halley family, following the death in December of Paul-Louis Halley. He was recently elected as a member of the Carrefour board and chairs Change Capital Partners, a Halley investment vehicle.

Meanwhile Philip Green's takeover bid of € 13.5 billion, via his Revival Acquisitions company, has been rejected. This British businessman, who owns interests in the BHS (British Home Stores) department stores and in the clothing chains Arcadia, Top Shop and Dorothy Perkins, has already failed to acquire the Safeway supermarket chain and, in a former attempt, to acquire M& S in 1999. He might increase his proposed bid.

In the last annual exercise 2003/4 to April 3, pre-tax profits of Marks & Spencer were £ 739.8 million (€ 1.11 billion), an increase of 15.7 million (€ 23.64 million). Before exceptional items they were up 0.5% to £ 763.2 million (€ 1.15 billion) thanks to cost cuttings.

On a like-for-like basis, U.K sales decreased by 0.4%. Total sales amounted to £ 7 billion (€ 10.5 billion) including 4 billion (€ 6 billion) in textile, a disappointing figure in spite of the new collection of women's apparel "Per Una". But competition is so hard in the British urban centers with Next (350 stores, 250,000 sq.m, £ 2.3 billion in sales) and Matalan (178 stores, 460,000 sq.m, £ 1 billion) compared to an excess of one million sq.m and 350 stores for M&S.

Sainsbury, the supermarket chain, has reported a 2.9% fall in its 2003/4 profits.

Profits before tax, goodwill amortization and exceptional results slid from £ 695 million to 675 million (€ 1.04 to 1.01 billion) while sales grew by just 2.2% to £ 15.3 billion (23 billion). On a like-for-like basis, sales increased by 0.2% only.

The food retailer is ready to reduce its price in order to better face the competition led by the new Morrison/Safeway Group whose market share recently declined to 14.2%. It just sold its US-based supermarket chain, Shaw's, in order to focus on its British businesses. Moreover, it bought Bells Stores, a chain with 54 convenience stores and 14 supermarkets from Morrison. Following its acquisition of Safeway, Morrison had to divest of 52 stores to comply with the Fair Trading Authorities.

Tesco launches the « fitness » cart.

Tesco, U.K's largest food retailer, will introduce special carts into its British stores that will enable customers to develop their muscles while shopping! In fact, these carts have been specially built with several resistance degrees (from 1 to 10). Heart rhythm, energy expenditures and walking distance are measured by special sensors located under the front bar of the cart and indicated on a small central screen.

The first carts will be initially tested in London before being launched in all British stores. The next cart generation could electronically register customers favorite shopping and guide them to departments.

Dixons : the British brand of high street electrical stores could change name as sales fall.

The decision to close nearly 106 Dixons stores, a third of the total number for just 2% of the group's overall retail floor space, could be motivated by the fear that its under-performing results may overshadow the success of its two large subsidiaries, Currys and PC World and of its international business.

The cost of this decision is £ 48 million (€ 72.3 million) and, according to the chain's own estimates, £ 185 million (278.6 million) in sales.

This decision, which could lead to new bigger, less costly and out-of-town concepts, has been announced while annual performance was released : to May 1, total Group's sales grew by 14% mainly driven by foreign sales. On a like-for-like basis, they were up 3%. The Dixons chain, funded in 1937 by the Kalms family, is a small part of the business and its contribution to sales is relatively low as it accounted for 11 to 12% of £ 6 billion (€ 9 billion) in 2003/4.

Competition from suburban stores, Internet development, increase in specialist number and rental growth have led to this decision. In addition, Dixons error was trying to offer everything to everybody instead of focusing on a large assortment of a few products. Moreover, its newest store format Dixons xL, launched in big cities such as Cardiff and in the heart of Birmingham, in the Bullring downtown shopping center, has not yet reached the expected profitability.

The electrical market is currently more fragmented as ever and technology requires a high specification as the new offer is driven by various kits and cables and no longer by batteries and computer discs that people can easily buy in supermarkets. Hence the necessity to be a →

specialist in its niche in high street stores and to offer a good customer service.

British Do-it-yourselfers could spare about £ 50 billion a year by doing the work themselves instead of hiring professionals.

According to a poll by the Barclays bank, a homeowner spends an average of 159 hours a year on basic electrical, plumbing, carpentry, decorating and gardening works. To do the same task, one professional help would cost him £ 2,891 (€ 4,350) according to estimates given by the various retail specialists.

A poll of 1,000 adults by ICM Research early April revealed that an average person has spent 43.3 hours a year on gardening in the past twelve months, 6 out of 10 has undertaken some home decorating work (52.8 hours a year) and 40% some carpentry (approximately 28.5 hours a year are necessary). Less than one third has spent 15.2 hours on electrical jobs and 28% on plumbing (18.9 hours a year).

The bank estimates that the British who do the work themselves will spare £ 50 billion a year.

Source : The Guardian

British retailers are divided over RFID use.

Both food chains, Asda and Sainsbury, are not sufficiently convinced of the benefits for consumers. It is not the case of **Tesco**, which is introducing the system. It is waiting for the time it will have precisions about some product selling dates with the help of tiny chips in its food products.

In the U.K, unlike the United States, it seems that the big question aroused by supermarket chains lies in the added value brought to supermarket products. In fact, this technology will change the manner people run stores and supply chain, say people at Tesco. Early 2003, the chain began its first tests, tracking deliveries from general merchandise distribution centers to two Tesco stores. It was followed by other tests, in very small products such as razor blades and DVDs, and will last until early 2005. Tesco has asked its suppliers to begin launching their own research, which will help it to have totally completed the technology project by 2007.

It has still to improve its supply chain in the leisure department such as DVDs. To test the new technology and track products in its stores, it is working with a supplier and a packaging company. When a DVD is removed from the shelf, a message is sent back to the central computer. Eventually, thanks to the RFID system and an X-ray vision, employees can have a stock view on the shelves. There are hundreds of various DVDs that are often in the wrong place and customers are frustrated if they cannot find the title they are looking for. The radio bar code will help employees spare much time because they will be able to find easily if products are in the wrong place and how many of each type are on the shelf.

Marks & Spencer, that owns its supply chain, is another advocate in favor of the RFID tagging. It launched its first tests on take-out food at the end of 2002 and hopes to have between 3.5 and 4 million tagged food delivery trays by fall 2004. Thanks to this technology employees and suppliers will be able to scan stock information six times faster than normal, to cut spoilage, spare time to prepare meals, etc… At the end of 2003, M&S extended its tests to men's suits, tags being attached to paper labels. The merchandise was scanned when arriving in distribution centers. Thus the retailer was able to take it from the stocks and delivery it to stores. Information once scanned was transmitted to the central database where it was automatically compared with the existing stock to activate a replenishment order.

Source : Women's Wear Daily

NORTH AMERICA

UNITED STATES

The top 13 American owners of retail properties ranked by GLA owned.

rank	companies	GLA in sq.m
1	Simon Property Group	1,700.000
2	General Growth Properties	1,090.000
3	Kimco Realty Corp	710,000
4	Westfield America	564,000
5	Inland Real Estate	562,000
6	CBL&Associates Properties	550,000
7	New Plan Excel Realty Trust	502,000
8	Developers Diversified Realty	487,000
9	The Macerich co	380,000
10	Henderson Development Co	360,000
11	The Rouse Co	359,000
12	Weingarten Realty Investors	342,000
13	The Mills Corp	306,000

Source : Retail Traffic

2003 fastest-growing developers.

Developers Diversified Realty	565,000 sq.m
Regency Centers	146,000
AIG Baker Shopping Center Properties	140,000
The Macerich Co	136,000
THF Realty Inc	137,000

Source : Chain Store Age Executive

DDR has added more than 560,000 sq.m of new shopping center space or the highest total by a single developer since fifteen years. In addition, it is ranked first of the fastest-growing developers with an excess of 2.2 million new sq.m in twelve months bringing the total for new properties brought into its portfolio to more than 2.7 million sq.m. On March end, it announced it bought 110 commercial assets totaling 1.7 million sq.m from Henderson Development. As for 2004, it has 16 projects under construction in the pipeline (US$ 600 million), twenty more are either redevelopment or expansion projects (US$ 132 million) and 8 (US$ 330 million) expected to begin construction within the next 24 months. DDR alone has the same total area as its four competitors combined.

Grocery retail trade in 2003.

In the past year, supermarkets grew by 860 new outlets including 450 limited-assortment outlets and 147 supercenters. Their sales edged up by a modest 2.6% from 2002 mainly driven by the supercenters of Wal-Mart. Totally, real sales increased by 5% but half of this growth was driven by WM stores considered as supermarkets.

While considering that sales are more and more generated by take-out food sales and by alternative formats such as "dollar stores", the grocery business is satisfied having at least increased in number. Wal-Mart alone had 15.2% of all supermarket sales compared to 11.7% one year earlier.

The 33,841 supermarkets have generated total revenues of US$ 432.794 billion including 362.4 billion by chain stores and 70.3 billion by independents. Among the chains, traditional stores (28,165 units) accounted for the largest part with US$ 335.3 billion or 77.5% of total sales, followed by supermarkets (1,936 units) and 71.176 billion in sales (16.4% of the total).

The top ten food retailers by sales in 2003.

rank	signs	store number	estim. sales to Feb.2004 (US$ 000)	selling area in sq.m
1	Wal-Mart	1,544	66 ,465,100	8,634,000
2	Kroger Co	2,531	46 ,314,840	9,100,000
3	Albertson's	1,605	31,961,800	4,609,000
4	Safeway	1,591	29,572,140	5,228,000
5	Ahold USA	1,263	25,105,600	4,443,000
6	Publix Supermarkets	803	15,694,900	3,095,000
7	Delhaize America	1,517	15,400,060	4,096,000
8	Winn-Dixie	1,067	12,740,000	3,859,000
9	H.E Butt	281	8,340,800	1,080,000
10	Supervalu	582	8,146,060	1,596,000

Source : Progressive Grocer

This ranking is focusing on supermarkets with a minimum of US$ 2 million in annual sales. It does not include sales from convenience stores, drugstores and other formats, which may be owned by many firms. Since membership clubs are no longer considered as supermarkets, Sam's, Costco and BJ's do not appear here.

As supercenters are considered as supermarkets, sales here stated include only supermarket-type merchandise. Computer, auto accessories, various equipment and other various articles generally sold at supermarkets are not included.

Retailers are interested in the low-carb products.

Today, Americans understand how poor are their eating habits, which generate obesity risk growth, heart disease and other medical problems. Hence a demand for healthier products as never before such as organic and natural products, low in calories, fat, sodium or carbohydrates and generate new shopping attitudes. Hence wellness may become the largest trend of the decade in food retailing.

Last year, some of the hottest sales growth categories in 2003 tied to wellness were meat, eggs, sugar substitutes, diet candy, soy milk, bottled water and energy drinks. Categories whose sales decreased were biscuits, pasta, margarine, butter and ready-to eat cereals. Consequently, suppliers and retailers are joining the low-carb trend, creating new products and devoting them more shelf in stores.

A recent survey by NPD reveals that 76% of the panelists buy low carb or fat-free products at least once every two weeks. 56% buy light, diet or sugar-free products and 58% fortified food or beverages.

Meanwhile, the obese and diabetic population increases interest for sugar-free products. Another facet tied to wellness and health, that has been growing for some time, is the trend toward fortifying products to answer to specific needs such as Tropicana and its vitamin orange juice for kids…

ACNielsen estimates that 800 low-carb products have been introduced into stores for the past two years in the U.S.

« Dollar stores» give ideas to the large discount chains.

This new store "generation" forms the fastest-growing retail format in America. Among these chains, that have added a total of 4,000 outlets in the past three years, an increase of 34%, and generate US$ 16 billion in sales, there are Dollar General, Family Dollar and Dollar Tree.

Dollar General and Family Dollar account for the largest part of the new outlets. The first chain expects to open 625 new units in 2004 to bring its total count to 7,325, the largest number operated by a single retailer. Family Dollar will add almost 485 units bringing its own total to 5,693. By comparison, if Wal-Mart opens at least 240 supercenters and 45 discounts in 2004, it will add more than four times the area of the dollar stores.

The Dollar store chains have chosen to locate smaller units in downtown neighborhoods where people live. Parking is generally easy to find and their sign means that their prices are low and sometimes beat Wal-Mart. "Wal-Mart competes on price and assortment, we compete on price and convenience" declares Dollar General's chief executive.

They are no frills stores and their overhead costs are very low. They are generally located in strip centers, in second-tier neighborhoods whose real estate costs are very thin. They spare on marketing (Family Dollar for example prints only one advertising a year) and they employ an average

Dollar stores : the top 3 chains.

chains	sales (US$ bil)	2004 store count*	sales variation %	net new stores 2004
Dollar General	6.9	6,700	11	625
Family Dollar	4.7	5,208	12	485
Dollar Tree	2.8	2,513	17	200

Source Business Week ** as of last fiscal year estimated* of 4 persons per store. Closeouts and stock-overrun merchandise account for one part of their products.

They generally appeal to a different population than Wal-Mart. Families with revenues under US$ 30,000 account for 51% of their sales according to ACNielsen compared to Wal-Mart's population whose revenues are closer to US$ 40,000 and above. At Dollar General prices are in round numbers ($ 1, $2 or $3) while at Dollar Tree they are $1.

Now, those past days, the formula began attracting consumers with higher incomes, those with at least US$ 70,000 accounted for the fastest-growing group in 2003. This was partly due to the fact that Dollar chains have added more brand-name merchandise, the same that can be found at Wal-Mart's. For many suppliers, every possibility to escape the giant's pressure is welcome. Consequently Procter & Gamble has settled a team at the Dollar General's headquarters just like at Wal-Mart's. Its merchandise account now for 11% of Dollar General sales and it manufactures special, smaller sizes for the chain to be sold at low prices.

Today, large retail chains test their own versions of 1 Dollar stores. WM is experimenting « Pennies-n-Cents » sections in 20 supercenters. Target is trying out « The 1 Spot » in 125 discounts. Kroger, America's largest supermarket chain, Exxon Mobil, which operates small convenience stores at gas stations and Walgreen are also leading tests.

The Home Depot said it is not concerned by the market saturation. It is to enter China.

The world's largest home-equipment chain, which is ready to enter China, announced it controls 10% of the global market it estimates at US$ 900 billion. According to data published recently by the American Department of Commerce, Home Channel News magazine estimates that total home channel retail sales accounted for 368 billion in 2003 in the U.S.

In 2004, The Home Depot expects to open at least 170 big-box stores and invest US$ 3.7 billion including 22% in remodels and 8% in acquisitions. It expects sales to grow between 9 and 12% and comp-sales between 3 and 6% and Carol Tome, executive vice president, expects new stores and stores less than one year old to grow by 6%.

The Home Depot will celebrate its 25th birthday in 2004. Founded by Bernard Markus in 1979, it posted US$ 7 million in sales with 4 stores the first year. "Today we post $ 7 million in sales during every hour."

In addition, **The Home Depot has just acquired Home Mart, Mexico's second largest home improvement chain**, founded in 1993. The operation is still subject to approval by the local regulatory authorities. Once completed, Home Depot will buy 20 new units each averaging 6,000 sq.m and bring its store count to 39 outlets in this country including a great part in Mexico City. It will also improve its position in a nearly US$ 15 billion market.

The Home Depot entered Mexico in 2001 through the acquisition of Total Home in Monterrey and Mexico. In 2002, it bought also Del Norte, a four home improvement chain based in Mexico, and since that date it has opened 11 new stores.

Wal-Mart puts a stronger focus on home-improvement and becomes a serious competitor in the sector.

The world's giant is positioning as such through changes in its store design, new development strategies in some product lines and a broader assortment depth.

In the "outdoor" business, it has improved quality and makes a push in style in order to fill the gap between its offer and the sector's giants. Assortment is wide, prices low and it caters to customers who appreciate the outdoor cooking more seriously.

In hardware, focus is on products to help homeowners, who live in apartments, and contractors to execute basic repairs and simple projects. It even maintains a customer service in this sector with an associate trained to mix paint. However, in this department employees are full time in spite of constant pressure to cut workforce costs.

In the soft home sector, articles are more and more fashionable thanks to the influence of an internal team of designers, a very new trend at W-M. A group, specialized on product development was created five years ago with the aim to focus on apparel. Its ideas are regularly presented to wholesalers, marketing specialists and packaging designers all year long and they share their findings with branded suppliers. Major seasonal trends are studied during meetings in the spring and fall and smaller meetings during summer and holidays.

In addition to focus on more quality and more fashionable merchandise, WM has improved its new store aspects that are far away from those opened 10 even 5 years ago : environment is more pleasant, signage more comprehensive, presentation improved in the home soft line department by new fixtures, and products gathered and presented in a department store style.

While it works to refine its supply chain mainly thanks to RFID, W-M continues to add new stores. It expects to invest US$ 12 billion in 2004 in new units : 220 to 230 Supercenters, 35 to 40 Sam's Clubs and 25 to 30 small Neighborhood Markets in the U.S alone plus 130 to 140 in foreign countries.

ASIA

CHINA

Facing international giants, Chinese retailers try to restructure. It is the case of Wumart, Beijing's largest retailer, and of the Bailian Group, which has the ambition to become the "Great Wal-Mart of China".

Bailian, China's largest retailer by volume with headquarters in Shanghai, is restructuring. Recently, one of its members, Shanghai N°1 Department Store, bought Shanghai →

Hualian Co to rename Shanghai Bailian Group, an entity with US$ 12.5 million assets. However this operation is still subject to approval by the local regulatory authorities. It is the first time that two State-owned firms, listed in Shanghai, are trying to merge. In the case of a positive issue, the new funded group will operate 14 department stores and 3 shopping centers that posted US$ 504.4 million in annual sales and earnings of 26.57 million last year.

As for the future, the new group will seek to focus on three activities : giant department stores catering to urban customers, chain stores and large shopping centers expanding from Shanghai, in East China, to other parts of the country.

Currently, Bailian operates 5,000 outlets with annual sales of US$ 11 billion in 2003. This year, it will add 1,000 new units and expects to report 12 billion sales.

In order to better face foreign expansion in the continent, the next step will consist in partnerships with international investors and, ultimately, in the group listing. This program, that will take at least three years, may include some risks according to the China General Chamber of Commerce. Consequently, Bailian will have to focus on its core business, supermarkets and department stores, and expects their sales and profits to account for 75% and 80% of the total until 2010.

On its side, **Wumart Stores**, Beijing's largest retailer, has recently announced that it is better positioned than its foreign competitors to profit from the consumption's boom in the country. It is capitalizing on its fame, its broad geographic expansion and recent acquisition of a 25%-stake in a local competitor, Chao Shifa (60 supermarkets and hypermarkets).

Wumart operates 389 stores including 4 hypermarkets, supermarkets, convenience stores and drugstores in Beijing and nearby cities. Its expansion is fast as average sales growth hit 57% and net profit 94% in the past three years. In the first quarter, it posted a net profit of US$ 3.44 million, an increase of 59% from the same period one year earlier and sales of 81.30 million, up 72%. Its net profit margin is around 4.5%.

Retail sales in China, the largest market after Japan, should reach US$ 600 billion in 2004. According to statistics, 70% of the top 50 international giants are already present in the continent and posing a real challenge to local players even if they do not account for more than 5 to 8% of the current market.

You Yi Shopping City, a luxury department store will be opened to business in Beijing on October 1st.

Plan Creatif Crabtree Hall and his Chinese partnership, The Architectural Ornamental Engineering of Beijing, went favorably through the architecture examination of a department store located in a huge shopping and hotel complex of 680,000 sq.m, Youyi Shopping Mall.

This western-type department store will occupy 28,000 sq.m and three levels. It will offer international luxury brands only (Dior, Hugo Boss…) and no food. You Yi Shopping City owns a further 180,000 sq.m in this complex where it will develop several projects including a food store. A hypermarket, a home-improvement store, electrical stores could be opened in the remaining area…

JAPAN

Tesco will open small food convenience stores in Tokyo by acquiring Fre'c (Fresh & Cost).

Fre'c will help C Two-Network, the Japanese subsidiary of Tesco, to open between 5 to 10 food outlets less than 1,000 sq.m of floor space annually. While C Two mainly sells processed food in its 80 outlets, Fre'c Co buys fresh produce, meat and fish directly from suppliers to sell them at its 30 units.

In the end, C Two would buy the 27 supermarkets of Fre'c Co as well as its assets and take on the net debt (US$ 27 million) caused by an unsuccessful expansion strategy. Meanwhile, Fre'c Co would sell its chain of liquor stores in Hokkaido and in other cities.

This acquisition should help Tesco to grow its network to an excess of 1,000 units in Japan and increase its sales by 50% to at least Y 80 billion (US$ 720 million).

Tesco bought 66.7% of C Two Network, a former wholesaler who started opening supermarkets in 1994 (80 in Tokyo area) for an amount of € 240 million in 2003.

VIETNAM

Modern malls appear in Vietnam.

According to Vietnam Investment Review, six foreign retailers could enter the country in **Hanoi** :

- Ciputra, Vietnam's largest shopping center, is set to begin its construction early 2005 on a 7.3 hectare area at the Lac Long Quan Road. This 114,000 sq.m center will include 1,263 specialty stores, 48 restaurants and cafes, a leisure center and one hypermarket,
- by the end of the year, a shopping center of 28,700 sq.m will be opened on 6 levels in the Vincom City Towers complex that will include also 43,500 sq. m of office for lease.

Other modern malls will also appear in **Ho Chih Minh City** : An Dong Plaza and the Kinh Do department store complex will be opened for business between this year and the first half of 2005 :

- An Dong Plaza with 17,280 sq.m of GLA will be integrated to a hotel complex,
- Kinh Do has already 10 retailers and expects to be completely rent when it opens in mid 2005. Its investors, mainly from Vietnam origin, anticipate that the department store will attract 4 million visitors a year.

According to CB Richard Ellis, almost two-thirds of all purchases are done at convenience shops. While 95% of Hanoi and Ho Chih Minh City households visit them on a monthly basis, 10% only of food and non-food shopping are registered at modern retail stores. The same source confirm that foreigners do not account for more than 2% of total retail sales in Vietnam, Hanoi has only 26,500 sq.m of supermarket area compared to 74,700 sq.m in Ho Chi Minh City. ■

source : Retail Asia

Impression : Hall de Presse Communication - 92130 Issy-les-Moulineaux - Tél. 01.55.95.90.90

SPECIAL STUDIES

American developers invest in Europe, Asia and Latin America. It is the beginning of the retail real estate globalization.

American investors are interested in foreign countries as they are looking for new opportunities and try to join their forces with local companies in order to expand overseas more easily. While they consider countries such as Spain and Italy as particularly attractive because they are still retail under-equipped, Asia and Mexico are getting their attention too.

Meanwhile, foreign capital continues to flow in the American continent and international players still buy shopping centers there. According to the New-York research firm Real Capital Analytics, these investments in retail property amounted to US$ 3 billion in 2003 from 247.8 millions in 2001 and this rapid pace should maintain.

As it is the beginning of the trend this is the reason why some actors do not like to unveil their projects. In April, as Westfield combined its American, British, Australian and New Zealand operations into one company based in Australia, it reflected "the increasing globalization of real estate." According to the president of this company, who owns $ 34 billion in assets, "Increasingly these opportunities require substantial financial capacity…"

Globalization and the leaders of the activity.

"What are you going to do here, in the U.S? Every place worth developing has been done," says Vincent Polimeni and he adds, "Europe is the next frontier for retail real estate." In fact Europe is interesting for cap rates as they range from 5.5% to 11-12% in emerging markets, such as Estonia, compared to 6% in the U.S.

The first American REITs being interested in Europe are Mills Corp and Simon Property Group.

Simon owns already some assets in Europe : a $ 70 million-stake in a joint venture that controls five shopping centers in Poland and three in France. Through an agreement with Rinascente it will be able to expand in Italy, as Rinascente owns a portfolio of 38 shopping centers plus 6 in the pipeline. Controlled by Eurofind, whose major owners are the Agnelli Group (Fiat) and Auchan, it operates department stores under its own sign, variety stores (Upim), hypermarkets (Auchan), Sma, Cityper and Punto Sma (supermarkets) and two DIY chains. According to its agreement with Simon, Rinascente has bought a 49%-stake for $ 500 million in the capital of the Gallerie Commerciali Italia joint venture. The target is to build new real estate assets for $ 250 million in 2004 and to add 400,000 sq.m over the next five years.

In fact, American developers simply follow the same road as their retail partners throughout the world : Wal-Mart and Costco export their know-how in Europe and Asia where they face serious competitors such as the French Carrefour and the British Tesco. On their side, European retailers like Zara and H&M continue opening stores in the U.S.A. The Spanish ready-to-wear chain Mango, with 704 outlets in 72 countries including outposts in Venezuela, Turkey and Taiwan, may enter America.

Even if American firms are eyeing other countries, foreign pension funds, attracted by the stability and the weakness of the American dollar, are pouring more capital in the U.S. retail real estate. The phenomenon is growing as "everybody is looking for a niche where it can operate its skills and increase its basis points."

Italy is considered as a ripe country for centers development that has been long delayed by administrative regulations. Hence the 0.10 sq.m of retail space per capita only.

Currently, developers are ready to enter the country because they consider it has an economic potential ahead and it is possible to buy land without problem. According to Retail Consulting Group, investments in Italian shopping centers totaled $ 2.8 billion between 1999 and 2003. It is the third European country behind Spain (4.98 billion) and France (3.3 billion).

The pioneers.

The American-British joint-venture Heitman, which owns 23 real estate properties, has been expanding in Central Europe since the middle of the Nineties. Its agreement with Polimeni, whose Heitman owns 60% of the capital, aims to build a US$ 160 million portfolio of shopping centers with hypermarkets as anchors in Poland where it owns already 10 centres. This is the reflect of its trust in the Central European markets and its desire to increase its investments in the region.

On its side, Polimeni, that entered Poland six years ago, is specializing in smaller cities that are still lacking retail equipment.

Americans are also attracted by Asia. Chelsea Property Group, a developer of outlet shopping centers, entered the Japanese market in 1999 in partnership with Mitsubishi Estate and Nissho Iwai Corp. Today it is the largest owner of this kind of centers in the archipelago (4 centers and a fifth in the pipeline). Chelsea is also considering Mexico where it built the first upscale outlet center in Mexico in partnership with Sordo Madaleno y Asociados.

General Growth Properties, the second mall owner in the U.S, would have no large foreign projects for the time being. TrizecHahn was progressively interested in Europe where it registered several successes in Hungary, the Czech and Slovak republics until he faced some financial trouble in 2001. He learnt that development timelines are longer and yields may be slower : “It’s not unusual to see projects on the board for 10 or 12 years before they finally become a real proposition.”

To enter foreign markets, it is necessary to be patient and have a good knowledge of the local laws and norms.

In some countries, laws that regulate ties between landlords and tenants as well as zoning regulations do not exist and insurance is totally absent. Traps and bribery are everywhere. All this underlines the necessity to have a reliable partner to handle policy, the market regulations and specificities. “Without help, you “run a huge risk,” admits an economist and manager of U.S-based Retail Forward.

It is the reason why Mills, who leads the list of investors interested in Europe, joined its forces with the Spanish developer Parcelatoria de Conzalo Chaco, owner of the land on which Xanadu shopping center was build in Madrid in 2003.

Tesco invests an excess of $ 3 billion to enter South Korea, Taiwan, Thailand and Malaysia through joint ventures with Samsung. At the end of 2003, the British retailer had announced it was to enter Japan, probably the most difficult market, as it bought the local C Two-Network retailer for $ 229 million. “In each of those cases they partnered with a local company and have done pretty well at learning how to adapt to the local culture.”

Fundamental changes.

Not only legislation stimulates retail property expansion in countries such as France, South Korea, Japan, Singapore and Taiwan but it stimulates also more investments in foreign countries by American REITs. In addition, as European banks are trying to get rid of their bad debts, Ernst & Young estimates that more assets will be available in Japan, China, Taiwan and Thailand. “The movement of capital around the global real estate market is like the tide; it ebbs and flows.” Americans are more and more interested in foreign countries, and, in the other side, it is the same with the demand for American properties mainly from European and Australian investors (four European countries are showing a huge interest in America).

Foreign investments in America are not really new and Australians are particularly active in this market. Such is the case of Westfield America Trust, which bought its first property there in 1977 and currently owns 66 shopping centers in 14 States. Australian pension funds are attracted by the profitability and stability of retail property as well as the German, British and Dutch funds. But, like their American counterparts, they are more and more attracted by developing markets.

The multinational nature of retail property is well illustrated by the EMAC Wola Park shopping center, opened in Warsaw (Poland) in 2002 in 95,000 sq. of retail space. It was built for a consortium of English, Spanish and Italian investors by a French contractor and an American designer!

Poland and other Eastern regions emerged as the favorite countries in the early Nineties after the communism fall. The first ones to enter them were supermarket chains, followed by hypermarket ones. Approximately, 120 new retailers are expected to enter Poland by fall 2005 alone according to Ernst & Young.

Before entering new countries, it is necessary for a company to consider several points including how it is expected to be welcomed. For every American company, Malaysia and Indonesia for example, may be difficult countries because of their Muslim culture. Beyond risks tied to religion, there are also risks generated by policy and currency fluctuation.

Beyond all this global wave there is a growing appetite for consumer goods worldwide. New concepts are expanding rapidly today whatever their origin country may be. Even if American big-box stores are opened everywhere throughout the world, European retailers such as Zara and H&M have capitalized on American different taste for fashion.

Under these circumstances, will future travelers find the same retailers wherever they are? ■

Source : Retail Traffic

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE,

a monthly newsletter, 11 issues a year,

every month informs all decision makers concerned by retail globalization on new markets, new competitors, real estate...

Publisher : Patrice de Chabot,
e-mail : pdechabot@chabot-associates.com

Chief editor : Brigitte Guillot,
e-mail : bguillot@chabot-associates.com

LLDI

7 rue Fould, 78600 Le Mesnil le Roi, France

Tel/fax 33 (0) 1 39 12 17 93

www.chabot-associates.com

SPECIAL STUDIES

Outlet shopping centers expansion : developers are interested in Italy

Construction boom

Eight outlet shopping centers, totaling 176,000 sq.m, built by four developers are planned within the next two years including two in Florence and 2 in Milan. Four will be in 2004. Italy seems to be an interesting country for the formula for two main reasons : first planning is decentralized consequently regions take their own authori-zation decisions. Then the low penetration of shopping centers in this country explains also its success.

Historically, the Italian retail trade is characterized by many small retailers under multi banners and by several standing-alone factory shops. Thanks to the legislation liberalization modern retail was allowed to open stores and international players to begin entering this country.

According to U.S-based McArthurGlen, there are several reasons to such a rapid development. At first, Italians have always shopped at factory shops and there are more than 2,500 such stores throughout Italy including some that are tiny. Consumers have always found a way to buy directly from factories but nobody has ever thought to group them and add food stores. Another reason, fashion is associated to the country (Gucci, Prada, Ferragamo…). Italians have a passion for clothes and shoes and there are thousands of brands. The third reason lies in the dynamism of Italians who are real entrepreneurs.

Is the country saturated?

Italy is not yet saturated by this type of centers. South is fundamentally under-equipped, less modern, less connected to the North where the highest purchasing power is to be found and there are many rivalries between both regions. Sicily is developing more tourism but as the season in Sardinia is only four months, both markets might be interesting for local developers but not for large developers such as McArthurGlen. This developer expects to build four large regional centers with the top brands and estimates that the country can support another center in the South, in Naples or Bari, a new one in Tuscany and probably one near Venice. As for saturation, six or seven real centers would be enough. There are many more projects but they will not be real factory outlet centers.

Target customer.

The target customer for Value Retail is the woman aged between 25 and 55, with upper incomes, who is attentive to fashion and loyal to brands. She comes to the center once a year on a weekday with friends but without her family. She spends four or five hours shopping and spends a lot. The developer focuses first on the European traveler, next on the Italian shopper and then on the Asian (who often spends the most) and Middle Eastern shoppers.

For McArthurGlen, the target customer includes men and women equally. Italians love to go shopping and most of them with their family and friends. Draco focuses on the single person 18 to 30 years old and also on the family with children under 10 with middle-range incomes and who will visit its centers more than six times per year. ■

Location	Developer	total GLA in sq.m	Opening date
Designer Outlet Center/Serravalle/Milan	McArthurGlen Europe	31,000	Sept.2000
Fidenza Village/Milan	Value Retail Plc	10,000	June 2003
Franciacorta Outlet Village/Brescia/Milan	Craig Realty Group/ European Fashion Centers/ Gruppo Percassi	17,000	July 2003
La Galleria Seriate/Bergame/Milan	AWG Development	12,000	Sept.2003
Designer Outlet Center/Castel Romano/ Rome	McArthurGlen Europe	19,800	Oct. 2003
Fashion District Mantoue/ Bagnolo San Vito Bagnolo/Bologne	Sandretto/Draco Spa	33,000	Oct. 2003
Fashion District Valmontone/Rome	Sandretto/Draco	45,000	Nov. 2003
7 centers	**5 developers**	**167,800**	**In 3 years**

Source : Value Retail News

SPECIAL STUDIES

The retail trade evolution in Ukraine.

Global retail sales, including markets and activities by individual businessmen, would have amounted to € 10.4 billion in 2002, an increase of 16.4% from a year before. Markets would account for 36.6%. A 20%-sales increase would have been registered in 2003 as figures are based on the revenue increase of the population and the decline of the grey economy.

While small store number and their total area, registered by the local statistics, continue declining, sales however were growing. But these figures do not totally include the grey economy, which according to experts, would account for 80 and 100 billion UAH (€ 13 and 16 billion approximately).

Total retail sales.

	1999	2000	2001	2002
Retail & restaurant sales	22.15	28.76	34.4	39.2
Incl.food %	54.4	51.9	50	48
Incl.general merchandise %	45.6	48.1	50	52
Comp-price sales variation %	92.9	108.1	119	115
Store number (000)	111.6	103.3	96.4	89.3
Market number	2,320	2,514	2,715	2,863

Store number breakdown

types	1999	2000	2001	2002	2002/2001 evolution
Super, hyper, cash & carry	135	142	161	255	59%
101>300 sq.m stores incl. universams*	4 ,69	4,929	4,155	3,896	-6
41>100 sq.m stores	10 ,918	11,277	10,883	11,735	8
Stores < 40 sq.m	12,833	13,466	14,958	14,703	-2
Kiosks-pavillions	20,078	20,476	21,752	23,466	8
Beauty/houseware specialty stores	6,625	7,440	6,192	8,499	4
Specialty stores	8,683	7,392	5,971	5,616	-6
Stores at petrol stations	143	158	241	340	41
Total	**64,384**	**65,281**	**66,311**	**68,510**	**4**
Points of sales on markets **			97,907	91,726	-6

**convenience stores offering mainly farm produce products*

*** excluding apparel, books, auto accessories, etc*

These figures supplied by the Ukraine official statistics are not always representative of the real situation as the informal economy sector is still very high, said the French Embassy in Kiev.

If markets still account for an important share of the retail trade they progressively decline under the impact of the new retail concept stores especially in the large cities.

When the first western-type supermarket was opened under the Billa sign in Kiev in 2000, retail trade began streamlining. In fact, this store was followed by other supermarkets, cash & carry and new specialty store chains. Today modern retail trade is expanding very rapidly to the detriment of opened markets and is causing a change in the consumer shopping habits. In fact, inhabitants tend more and more to leave them to shop at more pleasant stores as they are looking for quality products. They appreciate the one-stop shopping, supermarkets and shopping centers, whose development is however slowed down by the limited number of cars.

Main store chains are mainly from Ukraine origin : Fourchette (25 supermarkets) and Fozzy Group that operates 39 supermarkets, 2 hypermarkets and 4 hard discounts. Among foreign chains there are Billa (8 supermarkets including 3 in Kiev), Spar (2 cash & carry in the capital) and a few franchised stores. As Metro (1 cash & carry in Kiev and 7 in the pipeline) entered the market, it has accelerated a study of a labor code and commercial regulations that are still lacking. This code would formalize the opening procedures, store-type definition, etc. ■

Source : Lettre de Veille Internationale