

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

JULY-AUGUST 2004 - Volume VI - N°55

SUMMARY

INTERNATIONAL	1
EASTERN EUROPE :	
<i>ROMANIA</i>	1
<i>RUSSIA</i>	2
E.U. :	
<i>FRANCE</i>	3
<i>GERMANY</i>	4
<i>HUNGARY</i>	4
<i>NETHERLANDS</i>	5
<i>UNITED KINGDOM</i>	5
NORTH AMERICA :	
<i>UNITED STATES</i>	6
ASIA	8
<i>CHINA</i>	8
<i>SOUTH KOREA</i>	9

SPECIAL STUDIES :

- **Latvia : the capital Riga is a Mecca for investors.** **10**
- **The U.S home channel market in 2003.** **11**

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

Expansion of global retailers in emerging countries : Russia is the first retail destination.

Central & Eastern Europe markets are one of the few regions to experience a strong economic growth compared to the rest of the world. The flow of Foreign Direct Investments, especially from Europe, jumped by 19% as countries began preparing for accession to the E.U in 2004. Slovenia and Slovakia have experienced the highest growth in trade flows as they were stimulated in part by the privatization of state-owned companies.

According to the annual survey by AT Kearney, Slovenia, Croatia and Latvia are showing into the top ten for investments in the retail market. Iran and Saudi Arabia appear for the first time in this annual ranking. Russia leads it for the second successive year driven by its progress towards a political and economic stability and is far ahead of India and China. It is the time to invest in Russia as competition is growing between local and international retailers. Between 1999 and 2003, the consumer goods market grew by one third to approximately US\$ 280 billion according to estimates.

Ukraine is lagging as delayed reforms in key sectors and perceptions of political instability and corruption alienated the country among foreign governments and investors.

Growing investments in Russia and in China contributes to offset slowing spending in the mature markets of Eastern countries such as Poland, Hungary and the Czech republic.

India emerged also .

The top 10 destination countries for retail investments according to A.T.Kearney.

rank	countries	score
1	Russia	100
2	India	88
3	China	86
4	Slovenia	84
5	Croatia	83
6	Latvia	82
7	Vietnam	76
8	Turkey	75
9	Slovakia	74
10	Thailand	73
11	Ukraine	73

EASTERN EUROPE

ROMANIA

Investments in the modern retail trade.

Foreign investments could be in excess of € 1 billion over 2008 driven mainly by the new presence of Tengelmann and Kaufland (Lidl & Schwarz) from Germany this very year.

Lidl is reported to have bought approximately twenty sites in order to build Lidl food discount stores and Kaufland hypermarkets whose first two units are to be opened in 2004 in Timisoara.

On its side, Belgian food retailer Louis Delhaize has been helped by a € 40 million loan from the ERBD and 10 million from the Austrian bank Raiffeisen to expand its hypermarkets network : two hypermarkets in Bucharest and in provincial cities. Seven months earlier, Delhaize had borrowed 160 million from the same financial firms to launch Cora in Hungary.

Tesco declared that it will enter the country. In addition, the French Hyparlo with the Carrefour format, Metro and Rewe with its Selgros (cash & carry) and XXL Mega Discount (food discount) continue expanding in this country.

In short...

Gap is looking for a new expansion vehicle and targets the H&M customers as it is ready to create a "D-Fifty" chain of fashionable clothing stores at low prices...

Target sells Marshall Field and a few Mervyn's units to May for US\$ 3.2 billion cash : the second largest discount chain has sold Marshall Field (62 departments stores, 3 warehouses and a credit card business with \$ 600 million of bills receivable). The transaction includes also 9 off-price Mervyn's stores. It has still to be approved by the authorities. Henceforth May will operate 500 department stores in 39 States (LLDI March 2004)...

Kmart, which has sold 24 discount stores to Home Depot for US\$ 365 million, sells 54 other units to Sears for 621 million. The operation will last until the first quarter 2005. Some units will be operated under the Sears Grand format. Through this acquisition, the chain confirms its will to operate units away from malls...

The consumer electronics chain of the French Pinault-Printemps-Redoute Group and the Greek Marinopoulos have signed a joint venture agreement at parity in order to open Fnac stores in Greece (Athens, Thessalonica). Marinopoulos is the local partner of the French Carrefour and operates food and discount stores...

Conforama, another brand of the PPR Group, has opened its 12th outlet in Spain (Seville) on July 1st in a 4,000 sq.m of space.

Aldi is ready to enter a new market, Switzerland. The German discount chain is looking for sites, including one in Romanshorn, on Lake Constance, and would study the possibility to build a warehouse in the country...

Ikea invests US\$ 64 million in Saudi Arabia.

The world's furniture giant is on the verge to open two units late September in Riyadh and Jeddah each in 28,500 sq.m of space, offering 6,500 items or 45% more than its traditional stores. It just entered Portugal (Lisbon) in June where it opened its third largest store in the world (33,000 sq.m) after Stockholm and Chicago. In addition, the Swedish retailer has just obtained the permit to build a still larger unit in Moscow in 55,000 sq.m of retail space.

RUSSIA

Franchise development.

Retailers hope that other regions of the Federation will follow Moscow that concentrates 27% of all retail sales and that they will be able to develop via franchise deals. As the market is saturated with merchandise from Chinese and Turkish origin that do not satisfy customers, apparel chains such as Morgan and Benetton are already paving the way. Thus, they answer to a strong demand from middle-income and upper middle-income consumers for quality merchandise at affordable prices.

The Israeli-owned fashion chain Sela invests highly in the Federation and has already opened 300 shops mainly in franchise, which posted US\$ 50 million sales in 2003, a figure that should increase through the expansion of the franchise formula. "The popularity of franchising is explained by its effectiveness and the high degree of resilience of its new businesses. The statistics are that 25% of new "independent" businesses go bust within their first two years and 40% go bust within five years" people say at Sela.

According to the Russian agency Business Information Service for the Newly Independent States, the Russian Far East is particularly ripe for the development of franchise thanks to steadily growing macro economic indicators. Regional GDP is above the national average and grew by 5% in 2002. In addition consumer incomes gradually increase.

Franchise is a good means to enter and expand in Russia. But competition is already fierce in the food big-box and electronic fields. Expansion in the regions is not easy not only because of a fragmented supply chain but also because negotiations with local authorities seem to be in favor of local companies. "This is not because of the technologies or the experience, but their closeness to the local authorities," estimates the general manager of the Turkish Ramstore supermarkets, which has 29 units in Russia including 23 in Moscow. His target is to consolidate its presence in St Petersburg

while adding 7 new supermarkets and to spend \$ 25 million.

The Luxemburg-based Dorinda Holding, which already operates two stores in the "Northern capital", is planning to add 7 Okay hypermarkets in St Petersburg and invest \$ 70 million over the next seven years. In spite of initial difficulties, if a supermarket or a hypermarket obtains its permit, the expansion potential is excellent considering that 43% of all food retail trade is taking place in the street markets. As a whole, the annual compound growth of the retail rate between 1997 and 2002 reached 26.7% on average. And as the land price in Moscow is high, retailers, either domestic or international, will certainly try to go further into the Federation.

Retail sales breakdown by regions according to GKS

	% sales
Moscow	27%
Volga region	18
Central region	13
Siberia	11
South region	10
St Petersburg	4
Far-East	4
North-western region	5
Urals	8

Source : Retail World

The Finnish presence in Russia.

The Finnish firms that expect to enter Russia increased significantly those past years according to the Rosbalt information agency. In fact, among 301 commercial firms polled by the Russia-Finnish Chamber of Commerce, one third answered they would be ready within the next six months, a 8% increase compared to a few months earlier. However, they remain perfectly conscious of obstacles such as custom controls, bureaucracy and ever changing laws.

Stockman from Finland plans to generate one third of its revenues and profits from Russia and the Baltic States by end of 2008. Last year, its sales amounted to € 158 million in these markets and accounted for 11% of its net turnover of 1.41 billion. Its expansion in Russia could be driven by its Seppala and franchised units including Inditex. Now, Stockman could sell its unprofitable mail order



and on line Hobby Hall subsidiary as it posted a € 3.4 million loss on 236 million sales in 2003.

ECE developer from Germany plans to invest in the Russian market.

Instead of building its own projects within the next two years, the German developer has chosen to concentrate on the shopping center management of its local partners to start with Moscow and St Petersburg. It is interested in the \$ 350 million retail project to be built under the Vosstaniya Square in the heart of St Petersburg.

ECE, owned by the Otto family, operates and owns part of 76 shopping centers plus 13 under construction in Germany, Austria, Switzerland, Poland, the Czech republic, Hungary, Turkey and Qatar. It is specialized in large shopping centers and is very active in railway station refurbishments, office building construction and logistic parks. Its various projects represent 2 million sq.m of floorspace, 7,200 tenants and \$ 8.4 billion in sales in 2003.

ECE offers all the necessary services to develop a shopping center, from concept to architecture, marketing, renting and management.

EUROPEAN UNION

Tax laws of the new members have to be in line with E.U legislation : the case of Poland and the Czech Republic.

Poland.

The country has recently changed its tax regime in order to be in line with E.U. Corporate income tax has decreased from 27% to 19% and the withholding tax rate on dividends increased from 15% to 19%.

In line with the European directives, the tax on dividends paid by a Polish subsidiary to an E.U parent company has been cancelled provided that it holds at least 25% of the shares of this subsidiary during a minimum of two years. A new valued added tax of 22% is in use on the sale of land from May 1st 2004 but there is no transfer tax on this sale.

Restrictions on property owned by EU foreigners have been

eliminated except for agricultural land and forests.

The Czech republic.

One of the large changes concerns the gradual decline of corporation tax from 31% to 28% in 2004, 26% in 2005 and 24% in 2006. The tax on dividends paid to parent companies has been eliminated provided they hold or will hold at least 25% of the capital of the subsidiary during two years. Dividends paid to foreign firms will be free from any tax as well as dividends paid to local parent firms. Interests tied to acquisition or holding of at least a 25% stake in a subsidiary is not tax deductible.

Tax on ownership transfer has been cut from 5% to 3% but companies are now obliged to file a tax return within three months following the property transfer. Moreover, the high rate of VAT has been cut from 22% to 19%.

The new depreciation category concerning large buildings (hotels, office buildings or shopping centers) was less welcome and could have a retroactive effect.

An amendment to go through Parliament will enable foreigners living in this country as EU citizens to buy property. The Czech republic has also decided to reform the capital markets thus opening the way for the introduction of real estate investment funds.

Source : Europroperty

FRANCE

French manufacturers and retailers agreed to cut retail prices on consumer goods by at least 2% from September 2004. This agreement was led by the Finance Minister Nicolas Sarkozy to stimulate consumer spending and economic growth.

At first, the minister had pushed companies to cut retail prices by 5% in two steps. The agreement signed by both partners has limited to cut prices by 2% from September 1st 2004. Half will be the result of a real price cut of national brands and the other half a decrease of the so-called "hidden margins" paid to retailers by suppliers in exchange for prominent display of their pro-

ducts. Moreover, according to the agreement there will be a further 1% price cut from January 2005 through the decrease of one price point of the hidden margins. An observatory of the price evolution will be set up and managed at parity by industrials and retailers to check the real practice.

Casino is increasing its stake in Franprix-Leader Price.

According to a new partnership agreement signed by the French Casino Group and the Baud founding family, Casino will increase its stake in Franprix Holding from 70 to 95% and in Leader Price Holding from 70 to 75% for € 260 million. In these conditions Casino is able to strengthen its position in both store formats.

Agreements between both partners concerning their respective stakes in Franprix Holding and Leader Price Holding are maintained in the same conditions :

- the put option held by the Baud family has been frozen for four years,
- the call option held by Casino has been frozen during five years,
- the call and put options on 5% of outstanding Leader Price Holding shares will carry a fixed price.

This operation will generate a 2% growth of the Group's EPS. To end of December 2003, Franprix operated 589 stores in France and Leader Price 370 in France and 150 abroad. In 2004, Franprix expects to add 15 new outlets and Leader Price 70 including 35 in France and 35 abroad.

Carrefour : a new shareholder pact has been signed.

The pact signed in 1999 when Carrefour merged with Promodes and was to expire by August 29th 2004, would have been renewed by tacit agreement. It was sealed mid-June for a period of three years. The founding families of the Carrefour Group, the Badin, Defforey and Fournier decided not to sign it and went out.

Henceforth the pact gathers the Halley and March Groups as well as the Carrefour chief executive Daniel Bernard, which is approximately 16% of the shares from 19.65% and 25% of the sharing rights from 29.18% in the former pact.



Accordingly the new pact is as follows :

- the Halley family, founder of Promodes hold respectively 12.3% and 19.2%,
- the March family : 3.3% and 5.4%,
- Daniel Bernard, member of the board for 4 years : 0.2% and 0.3%.

Paroma, holding of the Halley family managed by Luc Vandeveldde, a new Carrefour board member, and former chairman of Marks & Spencer, will oversee the pact.

GERMANY

Towards Germany's trading hour liberalization.

Eastern states have launched a campaign for 24-hour shopping with the hope that extending shop opening hours would stimulate their activity in a lagging context. Now, this project was not approved by the Federal Constitutional Court.

The Federal Economics and Labour Minister Wolfgang Clement, who is in favor of this project, is ready to push through parliament a law that would cancel all restrictions on retail trading during weekdays. According to it, individual Länder would be authorized to decide by themselves to open on Sundays or public holidays. For the time being, a majority of the States is in favor of a total liberalization of opening hours during weekdays and some of them in favor of trading hours on Sundays or public holidays.

The German law on store openings, in force since 1956, was amended in 1989, 1996 and 2003. In June last year, stores were allowed to be opened as long as 8 p.m on Saturdays. In short, they are opened from Monday to Saturday from 6 a.m to 8 p.m, which is a total of 84 weekly trading hours or two times less than in U.K and 60 hours less than in France.

Metro Group to focus on growth abroad, on Eastern Europe, mainly Russia, and on Asia.

The world's fourth largest retail Group expects to open between 6 to 8 cash & carry a year in Russia and is looking for sites in the cities of Nischni Novgorod and Volgograd

(former Stalingrad). It will add a Real hypermarket this year and studies the possibility of opening Media Markt consumer electronic stores in this country. Russia could thus become one of its five most important markets.

	sales breakdown	EBIT (€ mio)
Metro (cash & carry)	46.8%	799.6
Media Markt/Saturn (consumer electronics)	19.7%	345.2
Real (hypermarkets)	15.3%	160.5
Kauflhof (dept.stores)	7.1%	94.1
Praktiker (DIY)	5.3%	(-13.8)
Extra (supermarkets)	5,2%	(-75.7)
various		8,2

sources : Metro

In Germany, the Group is under the pressure of a lagging consumer demand and the fierce competition from the food discount stores, which account for 30% of the German market and push its like-for-like sales downwards.

In 2003, Metro revealed a 4% increase of its sales to € 53.6 billion and a 13.1% hike of EBIT to 1.32 billion including 65% from its markets in west and east Europe. 47% of total sales and 56% of operating profit came from the international markets.

Last year, the cash & carry abroad accounted for 77% of the division sales generated in 26 countries (it will add 40 new outlets in 2004 including 25 in the emerging markets) and consumer electronics for 41%.

Metro's policy under Hans-Joachim Körber, the management board chairman since 2000, consisted in reducing the Group's presence in the German market. In addition, he cut the subsidiary number from 16 to 6, maximized ROCE, stimulated and focused on its best-performing units abroad : cash & carry and consumer electronics that enjoyed the largest part of investments. In addition, Metro expects to make DIY and Extra supermarkets progressively profitable as their like-for-like sales are negative in Germany but above their German competitors.

Edeka has increased its stake in Ava.

The coop group Edeka has increased its stake in the food chain Ava from 78.67% to 83.28%. While controlling Ava, Edeka can improve its collaboration with the German Globus. In 2002, Globus, Edeka and

Ava signed a cooperation agreement. Since the same time, Edeka owns a minority stake in the capital of the German family-owned Globus and Globus has 1.86% of Ava.

Now, Ava, which has posted a 2.7% increase of its sales to € 5.6

billion in 2003, has revealed a decline of 0.9% to € 2.2 billion in the first five months of 2004 : hypermarkets a n d supermarkets were down by

1.6% and DIY by 0.7%. In spite of this situation, Ava continues expanding in Russia and announced that 2 hypermarkets were in the pipeline in Yasenovo and Novokosino. The first hypermarket, opened in 2003, has not reached yet the € 70 million turnover threshold after its first full year of operation but it increases strongly.

Globus is also interested in entering Russia and, in that case, it would be in competition with Ava unless Ava withdraws from this market.

HUNGARY

Auchan expansion plan.

Auchan, which just unveiled its projects in Hungary, announced it will open a new 14,000 sq.m hypermarket in the Savoya Park center by late August/beginning of September. Totally, 18 to 20 big-box stores will be in operation over 2008 and the group will invest 15 to 20 billion forints (€ 59/79 million) a year in this country. From 2005 it will target provincial cities.

Auchan-Hungary, which expects to become self-supporting by 2008, operates 8 hypermarkets with € 243 million in sales last year.

According to the Hungarian Central Statistical Office, there were 164,908 retail stores in operation in this country to the end of March 2004, whose average area was 104 sq.m or 22 sq.m more than in 2003.

ITALY

As the market is still shopping center under-equipped, it has →

attracted several investors since 2002. The retail surface is about to double over the next five years.

Currently 122 sq.m of shopping center floor space per 1,000 inhabitants explains why the country is "fifteen years behind Spain and even behind Poland" said CWHB. However, in the past two years, shopping centers have attracted pan-European and American investors and € 2.9 billion were injected in shopping centers in 2003 compared to 3.25 billion in France according to Retail Consulting Group (LLDI May 2004).

In 2003, the U.S based Simon Property Group signed a joint venture agreement with La Rinascente, -Gallerie Commerciali Italia,- which owns 38 shopping centers and has the possibility to extend several of them. Corio from Netherlands bought 3 centers in 2002 and has added two more in Naples and Rome. "Most institutions are looking at Italy, they're trying to get out of the U.K, France and Germany" declares the director of retail property in Europe for Henderson Global Investors who is looking to invest € 100 million this year in Italy.

The yield question.

The lack of quality products has put Italy at the extremity of the euro zone on the yield level, which range from 5% in Rome or Milan to 6.75% in Turin. However, the country attracts investors by a high number of centers to extend or renovate. Aaeral Asset Management, owner of Primavera in Rome bought in 2003, admits that its company is very demanding on tenant quality and rents. "If we can achieve a higher rent, we achieve a higher yield." According to CWHB, rents in prime shopping centers range from € 600 to 750 per sq.m a year compared to an EU average of 700 to 1,000.

Local planning constraints and a two-year moratorium between 1998 and 2000 have complicated the shopping center development. Historically, centers were in the hands of regional contractors and hypermarket chains such as PAM, Ipercoop and Auchan. In fact, the country followed France while building centers with hypermarkets as anchors but in the second half of Nineties, while

big-box stores began to concentrate on their core business, they let developers to enter the market. In 2001, their relative share of the market was estimated at 40-60% but it is expected to grow to 60% between 2003 and 2005.

Active Italian shopping center developers such as Finim and Coop have been joined by foreigners. Sonae Imobiliaria from Portugal owns one center near Milan, ING an outlet shopping center next to Bologna to be completed in May 2005, the U.S. based Mills and Altarea from France might develop the open-air Mercati Generali center in Rome and Mills has two more centers in Florence and Milan. In fact, CWHB identifies five centers larger than 100,000 sq.m to be opened by 2006 and 6 million sq.m in the pipeline in the next five years.

In a few years only, the retail trade has evolved so much in Italy that the country has become a land of milk and honey for investors.

Source : Plaza

NETHERLANDS

Ahold will remain in the global retail top ten according to IGD.

Once the recovery program completed in 2006 and even if the company has become much smaller by sales, Ahold will remain a key-player of the world's food retail landscape : in fact, over the next two years, its retail business should increase by 4.5% to € 49.7 billion compared to 5% previously expected according to IGD.

Currently, Ahold is the world's number three by sales but asset divestments have gradually reduced its presence from 12 to 5 countries : Netherlands, USA, Poland, the Czech and Slovak republics. Consequently, it should step back 3 places by 2006 behind Wal-Mart, Carrefour, Metro, Tesco and Kroger.

Meanwhile, the company will have become a stronger global group, better integrated and more focused on its key forces with a certain number of leading retail chains such as Stop & Shop in the U.S and Albert Heijn in the Netherlands and opportunities to spare in fields such as back office, logistics, sourcing, marketing and workforce.

Unfortunately, as concern its

20%-stake in Nordic JV ICA AB, Ahold might have to pay € 1 billion to keep it as its Swedish partner ICA has declared it would not buy it. ICA AB current structure is broken as follows : Ahold 50%, IFAB 30% and Canica 20%. The joint venture operates approximately 3,000 stores in Scandinavia and the Baltic States with US\$ 9.5 billion in sales. If the Norwegian investment group Canica sells its stake, it has to offer its shares to IFAB first. If IFAB declines, Ahold is obliged to buy them according to shareholders agreements.

As concern Ahold Spanish asset divestments, Vista Capital, controlled by Santander Central Hispano and the Royal Scotland Bank, would have made a takeover bid and be among the seven other candidates interested in acquiring the 628 stores.

In the 2004 first quarter, Ahold has reported a € 405 million net loss compared to a 84 million profit in the same period one year earlier. Sales amounted to 15.4 billion, a 11.3% decline, as they were significantly impacted by divestments and a lower currency exchange rates in particular that of the U.S dollar. EBIT was 145 million negative compared to a profit of 402 million in 2003. Excluding divestments, it decreased by 22.9% to € 351 million and operating margin was 2.3% from 2.6%.

The debt declined from 7.5 billion in 2003 to 7.1 billion by the end of March 2004 thanks to divestment operations.

UNITED KINGDOM

Sainsbury : Peter Davis, chairman, leaves the company as he announced a second profit warning in four months.

Peter Davis has left the head of the third British supermarket chain one year earlier than previously stated. He is replaced by Philip Hampton, former finance director of the British bank Lloyds TSB.

This decision was taken as the shareholders were angry that Davis took a £ 2.4 million bonus in shares while profits fell by 3% last year and sales by 1% compared to a respective sales growth of 11% and 8% for its main competitors, Tesco and Asda. →

In addition, Peter Davis warned that results of the 2004/5 exercise will not be in line with the market expectations and "significantly below" at € 753.8 million. Moreover, he had undertaken a modernizing program that cost the company £ 3 billion and did not enable it to earn market shares.

The chain that stepped back in ten years from the first rank of supermarket chains to the third has suffered from the price war with Tesco and Asda. It took the decision to stop selling some non-food items and to close a warehouse next to London.

In the quarter to June 19, sales grew by 1.9% from 0.8% in the previous quarter.

Safeway has difficulties in integrating Morrison.

Safeway, acquired by Morrison in March 2004 for € 4.41 billion, 14 months after the takeover bid, is still losing market shares, decreasing from 9.1% in 2003 to 8% in the past quarter. Meanwhile Morrison grew from 5.7% to 6.3%. It announced the sale of 120 former Safeway convenience stores and that its annual taxable profits will be "below market expectation." A price war opened in April and Morrison announced investing between £ 450 and 500 million (€ 670-750 million) in order to have Safeway prices in line with its own cut its margins and sales volumes have been slow to pick up.

It is the second profit warning in two days following the one from Sainsbury.

NORTH AMERICA

UNITED STATES

2003 fastest-growing retail managers.

CB Richard Ellis	2,800,000 sq.m
Jones Lang LaSalle Retail	914,000
Urban Retail Properties	800,000
Simon Property Group	365,000
General Growth Properties	340,000

Source : Chain Store Age Research

In 2003, CBRE had above 2,800,000 sq.m of shopping center space under management including

2.2 million within the United States and other assets in Canada, Europe, Asia and Australia. This impressive volume growth was driven by the acquisition of Insignia Financial Group last year. Jones Lang LaSalle obtained for more than one million sq.m in new management contracts in 2003 and announced an agreement last March with L&H Realty Group of Chicago that transfers the leasing and operation of 16 shopping centers totaling 675,000 sq.m of L&H to JLL. According to the president of JLL : "Owners are not just institutional investors; a lot of private investors and smaller organizations have invested in shopping centers and are looking for experienced managers, this provides a lot of growth opportunities."

Top ten largest investors by managed GLA (in sq.m)

Rank	firms	in million sq.m
1	Simon Property Group	17
2	General Growth Properties	11
3	Developers Diversified Realty	0.90
4	Kimco Realty Corp	0.72
5	Westfield America	0.57
6	The Inland Real Estate Group of Companies	0.56
7	CBL&Associates Properties	0.55
8	New Plan Excel Realty Trust	0.50
9	The Macerich Co	0.37
10	The Rouse Co	0.35

Source : Retail Traffic

The Simon Property Group will acquire and merge with Chelsea Property Group. This operation of \$ 4.8 billion combines the largest American shopping center developer with the largest outlet center developer. It will create a more important platform for international operations whose approach will be more coordinated. Chelsea that builds one to two 40,000 sq. m centers a year operates approximately 60 units including 4 in Japan. Simon owns or holds interests in 247 centers including 48 in Europe.

Lifestyle centers or the new generation of shopping centers.

During the annual convention of ICSC, shopping center developers and investors such as Taubman and General Growth Properties did not seem convinced

to join the growing trend. However Simon Property Group has now become a developer of these open-air centers. Other developers of traditional centers follow the same trend and remove the roof, re allocate the store mix and reconfigure their projects in order to create open-air lifestyle centers in 20,000 sq.m of retail floorspace.

They are new urban village concepts with blocks of bricks and mortar, courtyards with fountains and focused on leisure activities : cinemas, restaurants, ice and play areas, etc... They also include stores such as Barnes & Noble (book-stores), Banana Republic or Ann Taylor (fashion apparel), Starbucks and Cheesecake Factory... Some include a Nordstrom or a Neiman Marcus even a Dillard's department store.

They are answering to the customers demand who want to live, work and play in the same place. It is the reason why many of these centers are gravitating next to mixed-use developments with apartments in the loft style and houses integrated in the whole architecture. Their customers are the "baby boomers" who have time and money to do what they want and who are approaching retirement age.

Today, 150 lifestyle centers are in operation totaling 3.15 million sq.m. In the past five years, 22 regional shopping centers only were built according to ICSC while more than 100 lifestyle centers emerged. In 2004, while 55 lifestyle centers are under construction 6 regional centers only are being built.

As for retailers, operating costs are cheaper in that kind of centers than in a regional center where they have to share common area maintenance charges (air conditioning, heating, cleaning, painting...).



In fact, this new trend emerged when some department store chains closed units in traditional centers late 2000. They were replaced by a Target discount in many cases to the great displeasure of other retailers. In the same time, regional department store chains went bankrupt and national chains merged and either cut their surface either left regional centers.

Bloomingdale leaves shopping centers to open freestanding units.

Department stores open freestanding units that offer more hour flexibility as they try to capitalize on changing consumer preferences. Sears will add three Sears Grand this very year combining a traditional department store and one-stop shopping. 200 to 300 Sears department stores could thus leave shopping centers.

J.C.Penney is following the same way : while it is to add 14 national department stores in 2004, half will be off-malls. 75 to 100 standing-alone units will be opened over the next years. "We're not abandoning the mall where we still have 80% of stores. They are not very many malls being built these days and off-mall stores give us more flexibility in site selection and the opportunity to react a little faster getting into growth areas."

For off-mall department stores, it is easier to target only one type of customers than to try to cater to all segments visiting the center. For customers, there is no parking problem. Consequently, they changed their habits and decided to shop at strip centers anchored by a Target discount store or by a consumer electronics Best Buy.

May department stores is following the same trend going off malls with 32 Lord & Taylor outlets...

Retailers are very attentive to teens.

Teens, who make up to 26% of the population, spend approximately US\$ 100 billion per year and influence \$ 72 billion in

the family purchases. That was one of the subjects studied during the ICSC yearly convention.

In addition, a survey led by two universities of Texas and Missouri revealed that while anchors in shopping centers are important for adults they are not for most of middle school and high school girls who prefer specialty stores.

Among the important factors for this type of customers : cleanliness, safety, comfort, store mix, accessibility and environment of the shopping center. Older teens want places to sit down. Younger teens do not care. Among the girls, education level, trend perception and persons who visit the center with them are also very important. Thus, adolescents with their parents tend to spend more than those who are with friends. However, it is more fun to be with friends.

Beyond specialty stores, fast food chains are also very successful... If teens were questioned what would they buy if they had US\$ 5,000 to spend, girls reply they would buy shoes and boys cars and games...

The sporting goods industry, a market of US\$ 45.8 billion sales in 2003. A 2% hike is expected in 2004 according to the Sporting Goods National Association.

The sporting goods market is undergoing major changes because large players, retailers and manufacturers, merge and expand to consolidate their forces. This inevitable phase will continue impacting the whole business over the next years. Last year, sporting and athletic equipment has reported a 2% decline of its sales partly offset by a small growth of footwear sales as in a year before. Apparel posted \$ 9.6 billion from 9.8 in 2002, shoes 14.4 billion from 14.1 billion and equipment 21.8 billion from 21.7.

Total sales of sporting goods (apparel, shoes and equipment) remained almost unchanged in 2003 compared to 2002 with 45.8 billion compared to 45.6.

America's favorite sports and activities in 2003.

sport/activity	No of participants
Bowling	5.5 millions
Treadmill exercise	45.6
Fishing	43.8
Stretching	42.1
Tent camping	41.9
Billard / pool	40.7
Day hiking	39.1
Fitness walking	37.9
Running / jogging	36.2
Basketball	35.4

Source : WWD

Sports Authority, the largest US retail sports chain operating 385 stores under various brands such as Sports Authority, Gart, Oshman's and Sportmart, is losing its chairman while the company unveils falling profits by 2.9% to US\$ 4.1 million compared to 4.2 one year earlier in the first quarter to May 1st. Net sales grew from 228.4 million to 572 but same-store sales by 0.3% only. For the second quarter, the company expects sales to grow to 630 million, pro forma sales should remain flat and profits reach 18.6 million. For the whole year, the company plans sales will hit 2.5 billion and profits between 68.8 and 70.1 million.

The market has become attractive to investors and more companies are currently publicly held which makes it very busy and under a greater pressure from the shareholders who push to open new stores and enter new markets in order to satisfy their growth demand. The situation is even more exacerbated by the fact that the market is relatively small and its growth slow, expansion being possible only by taking market shares from competition.

Galyan's is a good example. This chain, which operates 47 stores of 8,000 to 10,000 sq.m, opened 18 units in the past two years but disappointing financial results in 2003 have led to stop expansion in 2005 and change senior management. Last year, sales grew by 15.6% to \$ 690.7 million but comparable-store sales decreased 5.8%. Net profit was 3.6 million compared to 18.7 million one year earlier.

Currently, Galyan is meeting →

(Sport...)

- La Lettre de la Distribution Internationale -

a fierce competition led by Dick's Sporting Goods, which tries also to satisfy its shareholders while opening 25 new stores this year in addition to 22 in 2003. Its approach of the sporting goods market has generated industry-leading results and made it a company on which investors jumped rapidly. Recently, Dick's decided to buy Galyan's for an amount of US\$ 362 million. This operation will increase its store count to 216 units and help it to gain strength in the American continent. Originally, the chain was present in strip centers then it evolved in the past few years to anchor major malls and lifestyle centers also.

Before Dick's, **Hibbett** was the only company to register profits. It went public by late 1996. After nine years of steady expansion and consistent profit growth it continues to grow while focusing on small markets and small stores : 433 including 65 opened in 2003 and it expects to add 65 new ones in 2004.

Big 5 Sporting Goods has just registered its 33rd consecutive quarter of positive same-stores sales growth. Its network increased by 18 small units last year to bring the total count to 293. In 2004 Big 5 expects to add 15 to 20 new units.

The presence of so many companies, whose only target is to grow in a slow-expansion market, may be the sign of some future turbulence...

Sport chains most recent results.

company	sales	variation %	profit/loss (\$ mio)	Variation %
Dicks	364.2	19.5	10.9	63.6
Finish Line	305.3	30.2	21	36.5
Foot Locker	1,186.0	5.1	48	26.3
Galyan's	157.7	21.7	(4.5)	N.A.
Hibbett Sporting Goods	96.5	21.3	8.1	53.4
Sport Chalet	69.4	19.2	0.3	516.1
Sports Authority	572	150.4	4.1	(2.9)

Source : Women's Wear Daily () loss

Walmart.com is very successful and draws new customers.

After several difficult years, the giant's site has become a new supercenter, a marketing powerful tool offering 600,000 SKUs that draw more affluent purchasers than the ones shopping its stores. Moreover,

its success is lying in music downloads, leather seats, diamond rings or gift baskets of Starbucks coffee, etc...

Its first foray dates back to the late Nineties and, at that time, WM was selling everything, from ballpoint pens to cleansers. Then it concentrated on a better offering and specialized in big-ticket items such as furniture and sport equipment and high-margin items such as electronics and jewelry. However its choice did not include apparel.

Now, the site offers a surprising choice in a better-organized environment than its stores. Customers can order a birthday card, rent a movie, buy a college textbook or download photos from their digital cameras and pick prints up in a store. They can buy a 1-carat diamond... Recently, the site still evolved to include a Mother's Day gift list section.

It is still difficult to estimate the performance of walmart.com because the company does not unveil this business figure but, according to Smith Barney analysts, sales would be roughly \$ 1.7 billion. (to compare with \$ 5.2 billion in sales in 2003 for Amazon.com, the world's largest online retailer). It captures 8 to 10% of the total Net audience on a monthly basis. In March, it attracted 12.3 million visitors or 8.7% of the total users that month from 4 million in 2001. It was the 6th most-visited

site behind eBay, Amazon and Yahoo Shopping.

If Wal-Mart sells apparel again, as it could happen, and, if it succeeds in convincing a small percentage of its visitors to buy, it could become rapidly the largest clothing e-retailer. It is already the world's largest apparel retailer with US\$ 20 billion

worth of merchandise sold per year in its stores according to estimates.

Source : Women's Wear Daily

ASIA

Modern self-service grocery stores continue expanding in the Asia-Pacific region.

In 2003, modern grocery trade has accounted for 44% of value sales based on Fast Moving Consumer Goods categories studied by ACNielsen, which surveyed almost 15,000 households in 15 markets of this region. China is coming first as the number of self-service grocery stores increased by 40% to more than 40,000 outlets and their market share in the retail sector by 4 points to 46%.

Malaysia and South Korea have also registered growth rates and modern retail trade was the main vehicle for at least 40% of the urban grocery shoppers in both countries.

In this region, supermarkets had the largest traffic from Hong Kong and Singapore with respectively 69% and 80% of the customers who have shopped food at this type of stores. Thailand had the highest growth of hypermarket sales with 59% of shoppers who have bought their grocery there. Taiwan, Korea and China came next. However, hypermarket growth was minimal in Singapore due to a saturated market with supermarkets and a limited geographic coverage.

While convenience stores are still in small number compared to other store formats in this region, there are 80,000 units including 40,000 in Japan and 7,500 in Taiwan.

Mom and pop stores remain a stronghold for these categories of products in the other parts of Asia Pacific with an excess of 11 million groceries. Indonesia and Philippines have registered the highest number of monthly visits. However, wet market number is steadily decreasing in most part of these countries while they remain one of the most important channels for fresh food.

In 2003, while expansion of the

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

SOUTH KOREA

food retail trade in North Asian countries, excluding China, was 2%, even less, it hit 9% in China. If food sales have increased by 5% in Australia and in New Zealand, Thailand was the best performer in Southeast Asia with almost 10%.

Source : Retail Asia

CHINA

40,000 chain stores in operation in the country.

By the end of 2003, there were 967 retail firms operating a total of 39,089 chain stores, mainly located in the prosperous economy regions of east China. According to a study led by the National Bureau of Statistics in cooperation with the China General Chamber of Commerce, their number increased by more than 8,000 units from one year earlier. Their combined sales amounted to 343.4 billion yuan (€ 346.87 billion), an increase of more than 40%.

Approximately 93.4% of these 967 chains belong to Chinese investors but their retail market share is unknown.

75.3% of stores are located in the eastern part of China, 14.4% in the central part and 10.3% only in west, a rather poor region. Half of them are in Shanghai's municipality, the most important financial and industrial hub of China, in the neighboring province of Jiangsu, Beijing and in south Guangdong, next to Hongkong.

As China is now wider opened to foreigners and regulations eased more Koreans will expand in the market.

Shinsegae, Korean's largest

retailer, has recently unveiled its expansion projects in China, which include 50 new E-Mart hypermarkets by 2012 compared to 1 currently. It expects to position itself as China's third discount chain and that its E-Mart subsidiary sales will rise in eight years to 3 trillion won accounting for one fifth of its global revenues.

In addition, Shinsegae plans to gradually increase its stakes in the Chinese firms and expects to create its own entity in China for E-Mart exclusively. "It took nine years for us to set up 50 outlets in Korea but the speed of growth will be even faster in China."

Shinsegae operates 64 E-Mart hypermarkets and 7 department stores in Korea. In China, its sales hit 40 billion won and profits 1 billion with, for the time being, only one E-Mart in operation and a second in the pipeline.

1 won = € 0,000713

Food discount chains continue expanding in spite of the spending slow down.

Large retailers including Shinsegae, SamsungTesco Homeplus and Lotte Mart maintain their expansion projects in a market whose value should rise to 22 trillion won by 2004 end from 19 in 2003. By that time, there would be 270 food big-box stores in operation including 72 E-Mart hypermarkets (among which 6 opened in two months only).

Tesco Homeplus, Korea's second largest discount chain, is a joint-venture between the British Tesco and Samsung, whose store number will increase to 32 by year's end and Lotte Mart, third largest chain, to 39 including 6 new outlets opened in 2004. On its side, Wal-Mart ha announced it will add a 16th outlet in Pohang. ■

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



SUBSCRIPTION FORM

I subscribe to :

- La Lettre de la Distribution Internationale (11 issues), paper edition in French
- La Lettre de la Distribution Internationale (11 issues), paper edition in English
- I want to receive LLDI by e-mail in French
- I want to receive LLDI by e-mail in English

● France : 500.00 € (VAT incl. 5.5%)

● Foreign: 510.00 €

First Name: _____

Last Name: _____

Job position: _____

Company: _____

Activity : _____

Address : _____

Zip Code : _____ Town: _____

Tel : _____ Mobile : _____

Fax : _____ e-mail : _____

please return this form by e-mail, fax or by post to : Brigitte GUILLOT

Chabot & Associates / LLDI, 7 rue Fould - 78600 Le Mesnil le Roi - FRANCE - Tél/Fax : (33) 1 39 12 17 93

LATVIA : the capital Riga is a Mecca for investors.

Late 2002 the global shopping center area in the capital was in excess of 200,000 sq.m according to estimates. Now, it should increase to 335,000 sq.m two years later. However, the average per capital is only 0.33 sq.m compared to 0.65 sq.m in Tallinn, the capital of Estonia, and to above 2 sq.m in Stockholm.

The local market has always been dominated by Norwegians.

Linstow Varner, an investor-developer from Norway, entered the country in 1996 at a time when 90% of the purchases were done in the opened markets. That very year, he began acquiring Dole Centre, next to the capital downtown. He converted this former food store, a local Soviet univermag (universal store), into the first Latvia's shopping center meeting western standards. It opened in February 1997 in 8,000 sq.m of retail floorspace and three levels with 65 tenants. Its sales are estimated at over US\$ 11 million.

In 1997, the same developer bought Minsk Center, a very small center of 1,850 sq.m. He also bought Mols, one of the most modern centers in Riga, especially since it has been expanded by 30,000 new sq.m in 2002 and generates \$ 30 million in sales. He was then interested in Centrs Department Store located in the heart of Riga Old Town. It is a building dating back to 1936, converted into an urban shopping center in 10,000 sq.m of space with 70 tenants and \$ 30 million in sales. It should be expanded by 25,000 sq.m this year.

In 2001, Linstow Varner opened his largest project, Alfa Retail Park, in the former premises of an old Soviet factory in the northeast part of Riga. It now covers 37,000 sq.m and will be extended to 68,000 sq.m in 2004. In 2002, its sales were \$ 63 million.

2001, a turning point while Finnish and Danish entered the country.

The Finland-based Kesko Food Inc imported its big-box food stores, Citymarket and Supernetto into Latvia. The first Citymarket hypermarket anchored the Spice center whose actual surface

of 18,000 sq.m is expected to double this year. The surrounding land has been used to build the leisure center Bowlero.

In the same year 2001, the Danish developer Kristensen Baltic opened Barona in the very heart of Riga, a small 7,000 sq.m and three level center anchored by a Rimi supermarket.

While competition began invading the country, Linstow Varner was busy in renovating Riga central railway station during two years. The first phase, which includes the pedestrian center Origo, was opened in May 2003; the second phase works started in September the same year. Its customers are passengers of the station (100,000 per day) and its trading area covers 92,000 sq.m.

The Norwegian-Danish retail conglomerate ICA-Ahold built Olympia in 2003, a 10,500 sq.m center in the isle of Kipsala, not far from Riga downtown. But it did not yet answer to expectations and its customers are mainly passing-by visitors.

The Latvia-based Polyplast built Krasta Centrs in 2001 in the vicinity of Mols but it was a failure and had to be closed. Triangula developed by the Latvian discount chain VP-Market is disputed because of its modern architecture next to Middle-Age buildings and meets a little success.

In 2003, the first phase of the new Domina center was built by Italian investors in the former premises of an old Soviet factory VEF. The first phase of 70,000 sq.m is anchored by a Latvian Maxima hypermarket of VP Market. With its second phase just opened in April 2004, Domina becomes the country's largest shopping center with 110,000 sq.m of retail space. It aims to cater to high-end customers while Maxima caters to lower-income consumers.

But Riga is not yet saturated.

The Finnish Stockmann built a 14,000 sq.m center in Riga in October 2003 anchored by a department store and a 14-screen multiplex of the Baltic Cinema Group. Within two years its expansion will include two more levels and a pedestrian bridge connecting the center to the railway station.

The Norwegian Balder Invest estimates he can rebuild a block of early 20th century houses to include the shopping gallery Galerija Patollo in the heart of Riga.

MC2 shopping center, financed by the local Reaton, comprises two buildings : Decorum is a specialty store in home-improvement accessories and Gastronome is a 13,000 sq.m hypermarket,

opened in 2002, which sells food only, especially catering meals and rare products.

While seeing all these developments, it seems that there is no more space for other projects. However experts estimate that only 30 to 40% of the market is occupied. ■

names	space (in sq.m)	investors	country of origin	opening date
Dole	9,000	Linstow Varner	Norway	1997
Minsk	1,850	Linstow Varner	Norway	1997
Mols	14,000/30,000	Linstow Varner	Norway	1998/2002
Centrs	10,000/25,000	Linstow Varner	Norway	1998/2004
Alfa	37,000/68,000	Linstow Varner	Norway	2001/2004
Origo	45,000/92,000	Linstow Varner	Norway	2003
Barona Centrs	7,000	Kristensen Baltic	Denmark	2001
Spice	18,300/36,000	Kesko Food	Finland	2001/2004
Stockmann	11,000	Stockmann	Finland	End 2003
Domina Shopping	70,000/110,000	Pro Kapital	Italy	2003/2004
Hyper Maxima	6,605	Vilnius Prebyka	Latvia	2003
Triangula Bastions	679	Vilnius Prebyka	Latvia	2003
Olympia	10,500/21,000	ICA-Ahold	Denmark	2003/2004
MC2	13,000	Reaton	Latvia	2002
Galerija Patollo	40,000	Balder Invest.	Norway	2004
Riga Plaza	40,000	New Century Holding	USA	2004

Source :Helena Zakmane, Stores & Shops

SPECIAL STUDIES

The U.S home channel market in 2003.

This market was stimulated by low interest rates and by the craze for home remodeling that have generated growth in almost all channels. Globally, home improvement products in 2003 increased by 12% last year. Building material dealers have also registered booming sales and many among them enjoyed at least 25%. Home decor companies were the best with the strongest growth (19.7%), followed by building material dealers (15.5%). This year Wal-Mart and Sears appeared for the first time in the ranking.

Home Depot and Lowe's, both giants of the home-improvement segment, continue pushing towards big and small cities. Last year, Home Depot opened 217 stores and its sales grew by 11.3% and Lowe's added 98 stores and its sales grew by 18.2%.

Growth rate of the top 500 by channel in 2003.

	sales growth	store number growth
20 lawn/garden centers	-0.6%	+1.0%
20 hardware companies	+2.9	+2.3
29 paint dealers	+4.2	+1.9
309 pro dealers	+8.6	+1.7
81 home centers	+12.6	+10.5
2 mass merchandisers	+14.4	+3.7
11 building material dealers	+15.5	+9.0
28 home decor companies	+19.7	+8.1
Top 500	+11.9	+4.7

Home channel market segmentation : total sales breakdown (\$ 389.35 billion) in 2003 :

- home centers/lumberyards*	257.35 bil.	66.10%
of the retail home channel sales		
- lawn/garden stores	37.76	9.70%
- department stores*	34.70	8.91%
- floor covering stores	23.75	6.10%
- hardware stores	15.38	3.95%
- other general merch.stores*	10.28	2.64%
- paint/wallpaper stores	10.14	2.60%

*includes only major appliance, hardware, lawn and garden and home improvement-related sales estimated by HCN based on information from the US Commerce Dept.

According to the American Department of Commerce, general merchandise stores and floor covering stores registered the strongest sales growth last year with respectively 12.3% and 11.8% followed by home centers (7.3%).

Annual sales growth.

Years	Sales (\$ bil.)
1997	287.3
1998	303.6
1999	327.1
2000	342.6
2001	354.1
2002	366.1
2003	389.4

The whole home channel market grew by 6.4% in 2003 almost doubling the 3.4%-growth rate in 2002.

New house buildings reached the mark of one million for the first time last year and the production of single-family homes hit its highest level to 1.45 million units according to the National Association of Home Builders. The whole market was stimulated by low interest rates. Many borrowers have chosen to remodel their kitchen, bathroom and backyards. Overall, investments in home-improvement projects reached \$ 214 billion in 2003, which is one third more than in 2002 (\$ 163 billion).

Home Depot, Lowe's, Wal-Mart, Sears and Menards sales accounted for \$ 126.3 billion in 2003 or 67.7% of the top 500 (186.6 billion).

The top ten chains by sales in 2003.

rank 2003	rank 2002	firms	2003 sales (\$ bil.)	variation (%)	stores
1	1	Home Depot	64.816	11.3	1,587
2	2	Lowe's	30.838	18.1	952
3	3	Wal-Mart	14.600	21.7	3,551
4	4	Sears	10.000	5.3	1,116
5	5	Menards	6.065	10.3	186
6	6	CCA Global Partners	5.365	30.9	2,254
7	7	Sherwin-Williams	3.468	5.1	2,721
8	8	Stock Bldg Supply	2.732	1.2	224
9	9	84 Lumber	2.584	18.7	454
10	13	Lanoga	1.952	34.6	227
		Top 500	186.602	11.9	25,689

Productivity by store type.

	sales per store (\$ mil)	sales per sq.m (\$)	sales per employee (\$)
81 home centers	28.06	3,443	200,965
309 pro dealers	10.39	10,275	298,288
11 building material dealers	7.76	12,686	325,246
20 lawn/garden c.	2.71	2,195	110,682
28 home decor/flooring stores	2.59	4,454	205,265
20 hardware retailers	2.02	2,270	120,909
29 paint dealers	1.62	3,163	168,096

150 among the top 500 retailers accepted while remaining anonymous to unveil their sales breakdown by product category. The chart below is based on the results of a survey by Home Center News.

Sales breakdown of the top 500 by 15 product category.

categories	sales (\$ bil.)	%
hardware	8.03	4.41
roofing	8.26	4.53
electricals & lighting	8.66	4.75
kitchen/cabinets	8.82	4.84
home decor	5.94	3.26
housewares	2.65	1.45
other	4.43	2.43
lumber & plywood	31.27	16.76
plumbing/bath	15.87	8.71
tools	14.77	8.11
doors/windows	13.65	7.49
other building materials	9.78	5.37
paint & sundries	16.11	8.84
flooring	16.21	8.90
lawn and garden	22.17	12.17

Top 500 total sales US\$ 186.60 billion

Wal-Mart is pushing strongly in the home channel and becomes a great competitor.

The world's giant is positioning henceforth as such by changes in its store design, new development strategies for some product lines and a greater depth in home improvement merchandise.

In the "outdoor" sector, it has upgraded the quality and strengthened the style of its products in order to fill the gap between its offer and the sector's home channel big boxes. Assortment is wide, price low for customers who appreciate outdoor cooking.

In hardware, focus is on products to help homeowners, who live in apartments, and even contractors, in basic repairs and simple projects. Wal-Mart even main-

tained customer service in this sector with an employee specially trained to mix paint. Employees of this department are full time in spite of permanent pressures to cut labor costs.

In the home textile sector, items are more and more in the latest trends thanks to the influence of an in-house team of designers, which is completely new in Wal-Mart stores.

In addition to a focus on higher-quality and trendier merchandise, WM upgraded its new store aspects which are far away from those opened ten or even five years ago : the environment is more pleasant, signage more comprehensive, a better presentation in the soft home sector thanks to new fixtures and products gathered and displayed in a more department store style. ■

Source HCN

Erratum : in the article « The retail trade evolution in Ukraine » of our June issue, page 12, in the chart « Total retail sales », you should have read the retail & restaurant sales presented as follows :			
1999	2000	2001	2002
3.5 bil.€	4.5 bil.€	5.4 bil.€	6.2 bil.€