

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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INTERNATIONAL

- **OKAY, the St Petersburg-based hypermarket chain, will expand to Moscow and open 2 hypermarkets early 2005.** In addition it expects to add 20 supermarkets between 400 and 1,000 sq.m by the end of this year...
- **Metro is building a cash & carry in Perm (Ural, Russia)** due to open in 2005 investing directly € 20 million... it will be supplied between 10% and 15% by local products.
- **Slovakia Max plans to build shopping and leisure malls in 5 Slovak cities.** Investment will be between € 7.5 and 10 million per unit occupying between 20,000 and 30,000 sq.m.
- **Sears will buy at least 54 stores and 7 sites from Kmart for approximately \$ 620 million cash.** This transaction will enable Sears to boost rapidly its Sears Grand stores (convenience food, clothing, home accessories...) located off malls.

These former Kmart units, mainly in large urban markets, will adopt the Sears Grand banner in the 4th quarter 2005. Kmart will be left with 1,420 stores only and annual revenues of \$ 20 billion...

- **Harvey Nichols expects to become a global retailer.**

The British upscale clothing chain (5 units in U-K and 1 in Riyadh) plans to open one department store of 12,000 sq.m in Dubai by end 2005. It will be operated in franchise by Obai Al-Tayer who owns and manages multibrand shops such as Gucci and Giorgio Armani in Middle East ...

In addition, Harvey Nichols has announced the opening of a new store in Hong Kong in 5,500 sq.m during the second half of 2005. The chain that belongs to Dickson Concepts of Hong Kong is controlled by Dickson Poon and managed by Joseph Wan based in London...

- **UK electrical retailer Dixons has been approved by the EU Commission to buy a 52.3% stake in Greek chain P.Kotsovolos for € 53.7 millions.** This Greek retailer (€ 367.2 million in sales and 3.4 million pre-tax profits) operates stores under the Kotsovolos, Radio Athinai and One Way brands...

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Ikea : sales are falling in U-K, it enters Ukraine, expands in China and invests in Taiwan.

In U.K, the market share of the world's largest home-furnishing dealer has decreased. As it is facing lagging sales, decreasing profits, a more fierce competition and ageing customers, future seems to be difficult for the chain. According to Verdict consultants, its market share decreased those past years. Between 1997 and 1998, it jumped from 2.6% to 3.3% and to 4.5% in 2000. But in 2003, it grew by only 0.1% of a percentage point to 4.8%.

It will open its first store in Ukraine (Kiev) by fall 2005 and invest € 250 million. Totally, it is on the verge to open between two and three units a year in Ukraine

and Russia in cities of more than one million inhabitants : 5 to 6 in Moscow and 1 or 2 in St Petersburg... Ikea just announced its project to build a new shopping center in Kazan in 100,000 sq.m including 150 stores. It will be a copy of the 2 Mega Malls in Moscow located next to one standing-alone Ikea opened in March this year.

In China, Ikea will build ten new stores in six years and invest \$ 40 to 60 million per unit. They will be located in Beijing, Shanghai, Guangzhou and Shenzhen...

The retailer entered China in 1998 and has now two outlets in Beijing and Shanghai. A second outlet will be opened in the capital in the second half of 2005, which will be the second largest Ikea worldwide. Ikea annual sales in China grew by 50% in 2003 to

\$ 120.7 million.

It plans to cut its prices by 6% on average in 2005 following 5% in 2004. According to analysts, fixed asset investment in the real estate sector grew by 28.7% to US\$ 80.8 billion in the first seven months of this year.

In **Taiwan**, it operates one unit in Taipei and is ready to open a new one covering 3,900 sq.m in Taoyuan in December 2004. It will be the second largest unit in Taiwan. In case of success, 3 could thus be added in the capital, 1 in Taoyuan, 1 in Taichung and 1 in Kaohsiung in five years accounting for a total investment of US\$ 24 million approximately. Taiwan is a market composed of demanding customers but also price conscious.

Dairy Farm from Hongkong acquired the Ikea Hong Kong and Taiwan franchise in 2002.

EUROPEAN UNION

Investment market, a record in the first half 2004.

Investment volumes in Europe is on the path to reach a historic level at € 41.3 billion in the period according to Jones Lang LaSalle which plans 89 billion in the full year beating the record of 2002 (87.1 billion).

Domestic investors showed their strength while competing successfully with international actors for projects in their home market. Cross-border investment volumes with € 15 billion remained almost unchanged compared to the first half 2003 but their share of the total market decreased to 36% from 47% in the full year 2003.

A lack of products in the core markets would be the main reason, which pushed investors to be more flexible. Hence a rise of the cross-border investments in Central and Oriental Europe from 3% in 2003 to 7.3% in the first half 2004.

U.K has been a great loser in its core markets and its cross-border investments fell from 39.3% to 30%.

In some countries such as Spain, France and Belgium yields have fallen. They are kept down by demand from "domestic investors and debt-driven investors on the continent", says JLL.

BELGIUM

Delhaize le Lion reports first half year 2004 results.

Net earnings of the Belgian retailer grew by 32.9% to € 73.9 million compared to the same period one year earlier and operating profit by 3% to 411.2 million thanks to very good results in the second quarter. However, sales fell 2.8% to € 8.98 billion compared to the first half of 2003 as they were influenced by the weakening of the US dollar against the euro. But group's same-store sales grew by 3.6%.

A restructuring plan in force in the United States for a few months has led to the closing of 34 Kash n'Karry stores, the divestiture of Shop N Save and the acquisition of 43 Harvey's in the fourth quarter of 2003. Results were positive with U.S. sales growing by 5.2% to \$ 7.8 billion in the first six months in the United States compared to the previous year and operating profit was up 9% to 385.8 million.

In Belgium, sales grew by 7% to € 1.9 billion and by 0.8% in Southern and Central Europe to 598.3 million but they fell 29.6% in Asia to € 75.1 million. It announced the sale of 20 units in 30 of its loss-making Thai subsidiary, Food Lion Thailand, which reported sales of € 54.5 million and net loss of 10.5 million.

FRANCE

Department stores in the first half 2004.

Galleries Lafayette Group has posted a 3.2% growth of its sales to € 2.71 billion from 2.63 billion one year earlier mainly driven by department stores which grew by 5.2% to 1.34 billion (up 7% in the second quarter alone). During the period, Lafayette Maison opened its doors and tourists were back : American visitors grew by 23% in May and Japanese by 60%.

The **PPR** (Pinault-Printemps-Redoute) Group posted a 7.4% same-store sales decrease to € 11.3 billion in the first half. Pro forma sales grew by 5.9% but its results are below forecast impacted by the

luxury division.

The **New PPR** same-store sales grew by 7.4% to 8.0 billion on a comparable basis : luxury goods by 11.1% to 1.3 billion; retail (clothing, home furnishings...) by 6.1% to 6.7 billion including department stores by 5.4%. Pro forma operating profit increased by 4.7% to 291.8 million. Net debt grew from € 5.5 to 7.9 billion fueled by the takeover bid on Gucci luxury Group during spring 2004.

in € million	2004 first half sales	net income
Luxury goods	1.33 +11.1	
Retail	6.73 +6.1	
New PPR	8.07 +6.9	
Rexel	3.30 -3.4	
Total	11.37 +5.9	191 (+ 61.5%)

Source PPR

End of the Tati discounter : the French Vetura group won the battle against textile firm Asiatex.

Fabien Ouaki finally decided to put his firm on the block while being under chapter XI protection since September 2003 in order to make it survive. Vetura, owner of Fabio Lucci, a branch of the Eram shoe group, made a higher offer than Asiatex (€ 14.5 million) and proposed to keep at least 667 employees in 997 and 24 stores in 29.

Vetura operates 130 stores in France and Portugal with € 203 million revenues. Asiatex offered 13.8 million but it had the intention to buy the whole stores, keep 702 employees plus those of Giraud, Tati's exclusive carrier.

Tati was founded in 1948 by Jules Ouaki in Paris-Barbès. It was two years after he arrived in the capital coming from Tunisia. When he died in 1982, the firm was collectively managed by the family so that in 1982 Fabien Ouaki was appointed president. Under his management, he diversified Tati (gold, optic, travels, sweets...), opened stores in chic districts of Paris (rue de la Paix) or New York (Fifth Avenue), in Eastern Europe (Russia, Poland...) and overseas regions of France. He made mistakes and failed, he gave up the sale by sets of unbranded or unsold merchandise bought cash from suppliers at low prices.

In 2002, financial difficulties accumulated and increased last year →

during the Iraq war, transportation strikes, the very hot summer season... Hence a 25% drop in sales and suspension of payments in August 2003. According to estimates, pre-tax revenues were € 101 million in 2003/4 and the net loss as high as 14 million.

Carrefour, which cut its forecast for full-year overall sales growth to 5% from 6%, excluding the effects of currency changes, two months ago, has posted robust performance. Results for the 1st half are in line with its objective for the year. French hypermarket market share increase.

The world's N°2 retailer maintains its objective of a double-digit growth in earnings per share growth and ROCE of 19% for the full year.

In the first half, overall revenue grew by 2.9% to € 34.5 billion from a year earlier and by 4.0% on a constant exchange basis as sales of the French hypermarkets (about half of its business, one fourth of worldwide sales and 38% of its operating profit) dropped. Same-store sales decreased by 4% in the first quarter and by 3.8% in the second. Net profit group share grew by 12.6% to 531 million after goodwill and by 9.6% to 690 million before. EBIT rose 4.5% to 1.21 billion. Net debt, which was cut by 1.5 billion to € 9.3 billion, generated a 13% decrease of the financial costs.

In order to slow down the decline, €135 million have been invested in the first six months and 200 million will be invested in a price-cutting campaign in the second half. In one year, prices of national goods were cut by 0.5% and those of the Champion supermarket brand by 5% since the beginning of the year. They will be still lower and cut by two more percentage points to follow the government desire from September 1. In addition, 3.4 million customers subscribed to the retailer's loyalty card.

The first impact of this policy should be paying off in the second half. Improving signs are already to be seen according to Secodip in a note from Deutsche Bank. The French hypermarkets have "regained

market share in food" for the period between June 14 to July 11 growing by 0.3 percentage points to 13.1% from one year earlier. Champion grew by 0.7 point to 8.5% in the same period. Meanwhile Casino and Intermarché hypermarket market share declined by 0.6 each to respectively 3.8% and 10.8%.

For 2005, Carrefour expects to :

- open 1 more million sq.m including 80% in France (200,000 in hypermarkets) which should increase organic growth between 3% and 4%,
- improve its pricing position and win market share in French hypermarkets and food discounts,
- continue cutting debt by about 500 million.

Carrefour's chairman, Daniel Bernard, announced the sale for € 1 billion of non strategic, even insufficient profitable assets, over 18 months and the creation of a European property firm within the next six months which will gather assets of its hypermarkets and supermarkets in France and those in Italy and Spain.

Casino : a growth slowdown in the first half 2004.

The French retailer posted sales of € 11.1 billion up 0.8% or 2.7% on constant exchange rate. Group organic growth was 4.6%.

In France, sales grew by 2.2% to € 8.95 billion driven by food discounts which account for 24% of sales in the country : Leader Price and Franprix sales increased by 7.9% to 2.05 billion. Hypermarkets fell 0.2% to 3.36 billion. This decrease would be mainly due to the acceleration of new superettes and Franprix-Leader Price in the second quarter.

International sales declined by 4.7% to € 2.15 billion. Same-store sales grew by 14.5%. The US-based Smart & Final, which accounts for one third of the consolidated international sales, amounted to \$ 732.5 million; on a comparable basis, they were up 17.5%. While Latin America recovery seems confirming as sales grew by 8.6% to € 302.8 million.

Net income group share rose 10.5% to € 219.8 million and operating income 8.7% to 481.6 million driven by good operating

performance in France and a doubling of international operating income.

GERMANY

Food discount in Germany : Aldi and Lidl maintain their leadership, Plus (Tengelmann) is expanding, Netto (Dansk) and Norma are focusing on their regional markets.

Food discount stores are feeling the local consumer collapse and both leader expansion seem to slow down for the first time in their history.

As a result, they are redoubling their efforts to keep their positions. Aldi and Lidl use their low prices. They invest highly in advertising and have increased their budget by one third in the first half. "Plus" is spending more as ever. However, according to Nielsen figures, there was a sales decline in its first half. The slogan "always cheaper" is today currently used by the whole sector.

Both leaders have maintained their expansion plans. But only Lidl can compete with Aldi on growth level : "They are prepared to pay up to 15 per cent more than the competition when they want a site", says one estate agent. In fact, Lidl is entering 7 new territories particularly in Central and Oriental Europe : Denmark, Hungary, Estonia, Latvia, Lithuania, Croatia and Slovenia, all markets in which Aldi has no presence.

Aldi is more focused on consolidation because it is already active in Germany with a 9.4% market share and 4,050 stores while Lidl has a 4.9% market share and 2,522 units. Both chains are expanding in Western Europe and mainly in France. They are ready to enter Switzerland and Norway but Aldi is concentrating on Canada and New Zealand. Currently, Aldi is almost double the size of Lidl in Germany. Excluding Germany, Lidl already generates stronger European sales than Aldi with € 9 billion and Aldi 8.

In comparison with this, expansion projects of the other smaller competitors seem rather modest. Penny (Metro) expects to open 100 new units now that it has completed its network renovation. Rewe wants to become the Number →

Three on the sector. Plus intends to add 200 units per year during at least three years. It is considered today as the only hard discount chain with the potential to create a national network. Norma Netto Schels and Netto Stavenhagen do not have such an ambition in a near term because of their regional coverage.

Edeka is coming to end before the end of this year.

ITALY

Can Italy still attract new international retailers ?

The latest report on European Grocery Retailing by IGD has

Sales in million €	Aldi	Schwarz-Gruppe	of which Lidl
Consolidated sales	32,000	29,000	19,000
2003 sales in Germany	19,000	18,000	10,000
2003 market share in Germany	9.4%	8.9%	4.9%
2003 sales in Europe	27,000	29,000	19,000
Sales in Europe less Germany	8,000	11,000	9,000
Market share in Europe	2.1%	2.3%	1.5%
Relative market share in Europe (*)	3.6%	2.9%	1.9%
Presence in Europe : country number	10	17	15
Store number in Europe	6,307	6,047	5,547

* concerns only countries in which it is really active

Sources : IGD/LP International, Lebensmittel Zeitung

KarstadtQuelle : a net loss in the second quarter conducts to lower forecast.

In the second quarter to June 30, the leading European group of department stores and Distance Selling has posted a net loss of € 188.1 million (\$ 266.7 million) from 27.8 million (\$ 31.6 million) in the same period last year. Meanwhile, sales fell by 7.6% to € 3.35 billion (4.04 billion) compared to 3.36 (4.12 billion) in 2003. As the group is highly depending of the domestic market, it is vulnerable to the local consumer collapse.

As a result, it anticipates a full-year loss before tax and amortization of 160 to 200 million (\$ 193 and 241 million) compared to profits of € 225.2 million (\$ 254.8 million) and sales falling by 4.5% to 5%.

For the first half, net loss was € 298.4 million (\$ 366.1 million) from 53.1 million (\$ 58.7 million) a year before and was deeper than expected. Sales fell 6% to € 6.87 billion (\$ 8.97 billion) in 2003.

According to a restructuring plan this fall, 30 stores will be closed, 4,000 positions cut (10% of the group's total workforce) in the Quelle and Neckermann Mail Order activity, Thomas Cook travel arm and Karstadt department stores. Measures have been announced to help department stores to turn around in 2006 and an agreement was signed with Rewe that will supply their food departments, as the former agreement signed with

analyzed whether the country can still attract global actors. It appears that five groups, including the French Carrefour, Auchan and Leclerc, account for approximately 84% of the food market in Italy which still leaves room for investors in this market, one of the least consolidated in Western Europe. The high concentration might suggest that it is not the case. In fact, as many alliances are lacking cohesion in the level of operated formats, structure and strategy, these alliances may evolve over time and cause new partnerships between actors of the same category.

buying groups	retailers	market share
Coop Italia	Coop Italia, Sigma	20.1 (%)
Intermedia	Auchan, Gruppo Rinascente, Gruppo Pam, Bennet, Sun, Gruppo Lombardini	17.4
ESD Italia	Esselunga, Selex, Agora	16.6
Carrefour Italia	Carrefour, Finiper, Il Gigante, Algros, Cds, Disco Verde, Gdm	15.6
Mecades	Interdis, Sisa, Sintesi (DeSpar), Crai, Aligros	14.2

Source : IGD Research, IRI

NETHERLANDS

ABN Amro Bouwfonds and Hofima BV, Mab holding company, reached an agreement according to which Bouwfonds acquires shares of the Mab Group.

This agreement, still pending of the supervisory board approval, will create a new group with complementary activities in home, offices and shopping centers in Netherlands and several other

European countries. However, some Mab projects as well as some of its subsidiaries such as Shopping Center Management and Mab Investment BV will not be concerned by this transaction.

Bouwfonds is specialized in real estate in the Netherlands and more precisely in the development, financing and management of lodgings and office real estate in Europe and North America.

Since 1970, Mab built one million sq.m of retail space and one million of offices... This investment and development company is specialized in urban center buildings in the Netherlands, Germany, France and United Kingdom.

Ahold : operating profit fell highly in the first half.

In the first half, Ahold net loss reached € 373 million compared to a profit of 87 million in the same period one year earlier. For the time being, retail divestments did not yet succeed in boosting Ahold : assets sales in Brazil and Thailand generated a € 450 million loss and operating profit fell 96.2% to 24 million compared to 624 million one year earlier. In the U.S.A, where Ahold generates three-quarters of its sales, revenues remained low and the integration of Giant-Landover and of Stop & Stop have driven Group sales down 8.6% to € 27.7 billion.

Laurus has reported a net loss for first half 2004. :

A net loss of € 15 million has been registered compared with 7 million in profits in the same period one year earlier. Meanwhile sales fell 11.6% and not 7.7% as previously announced and its market share decreased from 22% in 2002 to 17% currently. In addition, its restructuring program which costs € 28 million will weigh on the accounts in the second half.

In fact, Laurus, which is 38.7% owned by the French Casino, is →

suffering from an aggressive price war led by Ahold's Albert Heijn supermarkets in 2003. This war did not prevent Albert Heijn's own sales from lagging in this first half (up 0.4% only) in the Netherlands. Totally, prices fell 11% during a nine-month battle. Then retail groups have made comparative price advertising in Europe : Netherlands is ranked first as the cheapest country for international brand products ahead of Germany. Germany was usually number one thanks its food discounts. It is now ranked second ahead of France. Prices in France are 7% below those of Belgium and 4% higher than in Germany. Belgium is the most expensive country according to a study by OC&C Strategy for 24 products of international brands.

Albert Heijn is the leader in the Netherlands with some 700 supermarkets and 2003 sales of 5.6 billion compared with Laurus's 728 stores and 2003 sales of 4.1 billion.

POLAND

A small Polish grocery chain caters to upscale customers.

As soon as 1990, two brothers, Piotr and Pawel Wos, who did not know anything about retailing (one of them is an engineer by training), had understood while opening their first store in one main street of Poznan that Poles were getting a taste for products and services which seemed unthinkable during the communist period.

For their first store, they took a bank loan at an interest rate of 76%. Then they opened 24 units in 14 years and targeted upscale customers with high incomes. They only own directly the Poznan units where they live. The others are franchised after a period of 8 to 18 months after their opening.

With two recent units in Warsaw, Piotr & Pawel, are departing from their strategy, which consists in keeping stores within a 200 kilometers radius of Poznan, which has allowed them in tightly controlling each of them. This new decision exposes them more to competition from hypermarkets but they believe that this high risk is greatly offset by richer and also more

important, even more demanding customers.

Piotr and Pawel, have deliberately operated smaller markets than the competition : two stores only are larger than 2,500 sq.m, others are between 300 and 2,400 sq.m. Average basket is ranging from € 4 to 11. Last year, their sales jumped 30% to 534 million zlotys (€ 2.36 billion). They anticipate a 25 to 30% growth 2004 excluding the contribution from the new store in Warsaw opened in March this year.

Where Poles do their grocery shopping ?

- small grocery stores	45%
- hyper/supermarkets	23
- other	20
- discount stores	9
- bazaars	3

sources : *The Wall Street Journal/GfK Polonia*

RUSSIA

Kesko's Rautakesko subsidiary acquires 55% of Teks, owner of Stroymaster, a Russian DIY store chain.

Stroymaster dominates the St.Petersburg market with 4 stores (a fifth is under construction). It holds a market share of 20%. In 2003, net sales amounted to € 38.6 million and in the first half 2004, they grew by 73% to 26.9 million.

The chain is now owned by the Russian Teks Group and its sellers are Alexander Selenkin and Dimitri Skortsov. The cost of the transaction is € 8.3 million plus a premium of € 5.1 million tied to the results of 2005-2009.

The Finnish Rautakesko sales in 2003 totaled € 995 million including 31.8% outside home. In Finland, it operates 43 K-rauta DIY stores, 102 Rauta and a division "Industrial and Constructor Sales"; in Sweden, 11 K-rauto building materials and hardware stores. In Estonia and Lithuania, it is the market leader in the hardware and building material supplies. In Latvia, it has only one K-rauta unit in operation in Riga.

Spar sign will disappear from Russia : the German Rewe signed a joint venture agreement with the Russian supermarket chain

Marta.

Rewe owns 75% and Marta 25% of the joint venture capital. Both partners will invest \$ 500 million over a period of 3 to 5 years.

Marta operates supermarkets under the Spar banner in the Moscow area according to a franchise agreement with the Danish Spar International : 15 Spar and 6 Stolitsa will adopt the Billa supermarket format by October 1st 2004. Consequently, the Spar banner will totally disappear from Russia as Spar's second chain in Nizhni Novgorod was bought by the Moscow Perekrystok chain in 2003.

Rewe (€ 40 billion in sales), which imports the Billa sign into Russia, intends to open at least 20 units a year and become a large retailer in the Russian market over five years. It consolidated its leading position in supermarkets of between 1,800 sq. m and 2,400 sq.m in Central Europe countries (Romania, Bulgaria, Croatia and Ukraine) in 2002. Founded in 1927, this co-op belongs to 3,000 independent retailers with more than 11,000 stores in Europe.

UNITED KINGDOM

Marks & Spencer : Philip Green dropped its takeover bid in July after a two-month battle, the majority of the retailer's individual shareholders having supported the management.

Philip Green's second proposal, even at £ 9.1 billion (€ 13.5 billion), was rejected but the millionaire does not exclude a comeback within the next six months.

The three-year plan of Stuart Rose, chairman, who was called for early June to counter the bid threat, aims the company to focus on the retail core business. He wants to take the total control of the Per Una brand (£ 250 million sales, € 370 million) from its designer, which caters to the 35-55 year-old female customers, for an amount of £ 125 million (€ 185 million). In addition, the home-furnishing Lifestore, opened early 2004 in Gateshead, will be closed, as its performance is 30% below forecast.

Stuart Rose also announced cost cuts by a better negotiation with suppliers, which should allow to →

save £ 120 million (€ 178 million) as soon as 2005 and £ 140 million (207 million) in 2006/7. He also plans to return £ 2.3 billion (€ 3.4 billion) to shareholders thanks to the sale of its financial service business to HSBC for £ 762 million (€ 1.13 billion).

Ultimately, all these changes have generated a new top management as Luc Vandavelde, chairman, left the company, Paul Myners succeeded him, and the setback of Stuart Rose, a former Marks & Spencer manager, early June to succeed to Roger Holmes as new CEO.

In the first quarter 2004/5, same-store sales decreased 2.8%. Marks & Spencer sales are broken as follows : clothing (42%), food (41%), home (5%) and financial services (4%). The group, which operates 375 stores and 155 franchised units in 28 countries, has just revealed it is planning to enter Russia and China.

Asda to open general merchandise stores.

Stimulated by its successful non-food ranges, particularly its George discount clothing line, the supermarket chain is to sell jewelry, clothing, DVDs and electrical goods in a store secured in a retail park next to Birmingham. It will be opened next October in a 3,500 sq.m space and two levels. The investment amount is unknown. Prices will be identical to its supermarkets.

Asia adopts the same approach to the new store as its George stores (4 units in operation and a fifth unit before the end of the year) and decides rolling new units after having tested the formula aggressively. The chain has recently announced investing £ 8.5 million (€12.64 million) to increase the number of its jewelry and photo departments in its supermarkets.

At the time Asda was bought by Wal-Mart in 1999, it generated 15% of its revenues with general merchandise compared to 20% today but the number of stores is also much more higher (267 that generated \$ 22 billion last year).

W.H.Smith has sold its book publishing business Hodder Headline for £ 223 million (€ 331.6 million) to the French Hachette Livre.

High street retailer, which is in a full refurbishing program of its stores, has taken the decision to simplify its Group's structure and to focus on its core retail assets mainly the rehab of its urban stores.

Last May, venture capitalists Permira made a € 1.4 billion takeover bid while it had been struggling for several months facing increasing competition. Then Permira dropped its project after failing to reach an agreement with W.H.Smith's pension funds that claimed for £ 275 million (€ 409 million) in cash.

Online sales increase.

Online credit card purchases grew in the past four years : one credit card transaction in ten during the second half 2003 (compared to 1 in 50 in 1999) concerned purchases via Internet. It is a five-fold growth on four years ago according to the Association of *Payment Clearing Services*.

The average spending by online shopper has almost doubled since 2000. At that time, 6.7 million persons made an average 11.2 online purchases. Today, almost three times as many people make nearly twice as many purchases. The most popular items are first CDs and books, then travels, computer equipment, financial services and grocery.

According to IDC research consulting firm, there were 67 million online shoppers in Western Europe by fall 2003 who spent US\$ 20 billion in the 4th quarter 2003. Amazon.com alone sold more than \$ 2 billion of merchandise outside the U.S last year (three-quarters are estimated in Europe) and will open a new warehouse in Scotland.

However, Amazon is facing local competitors such as the French sites FNAC.com, Cdiscount.com or Wanadoo's bookseller Alapage. Last year, the monthly traffic of

FNAC.com grew by 35% while Amazon decreased the same amount.

NORTH AMERICA

UNITED STATES

The Mills Corp invests US\$ 1.03 billion to buy 9 malls. General Growth Properties acquires The Rouse Co.

The Mills developer buys a 50%-stake in nine centers from General Motors asset management. They total 860,000 sq.m GLA and generated annual sales of \$ 2.1 billion in 2003. Mills portfolio includes 27 shopping and leisure centers covering a total of 3 million sq.m and 8 projects under construction. While opening Madrid Xanadu mall in Spain, it was the first time a large American developer opened a major mall in Europe. In addition, he is focusing on properties in Spain and Italy.

This operation followed **Thor Equities** (15 malls, 550,000 sq.m), which buys two malls in Florida. In June, **The Simon Property Group** acquired Chelsea Property Group combining thus the largest American mall developer with the largest outlet center developer and 4.8 billion sales.

General Growth Properties, the second largest American investor-developer, announced recently that it was to acquire **The Rouse Co**, owner of 37 large malls and other property assets including Faneuil Hall in Boston and Fashion Mall in Las Vegas, for \$ 7.2 billion.

All these deals underline American developer appetite to buy and build property empires with low interest rates and little vacant space left to build new malls in attractive demographic areas. Henceforth, they are diversifying their portfolios

Regional American malls by the numbers.

Regional mall count	1,175
Annual sales	\$ 308 bil.
Share of U.S.retailing volume	14%*
Malls of more than 20 years old	783 or two-thirds
Birth of America's first enclosed regional mall	1934 in Edina (Minnesota)
Largest regional mall in the U.S	Mall of America (Minnesota), 360,000 sq.m
Largest regional mall in the world	West Edmonton Mall in Edmonton (Alberta, Canada), 450,000 sq.m

Source : WWD

* excluding auto and gasoline sales →

and consider that re-merchandising malls have a relatively attractive potential.

Toys R Us might sell its store chain.

The toy giant could sell all its 1,262 toys stores and some Babies units within a short term.

In fact, TRU has been suffering highly from Wal-Mart's competition and its toy market share decreased to 15% compared to 23% for WM.

Early 2004, TRU operated 683 toy stores in the U.S.A and 579 outside the home market either directly or in franchise. Its 200 Babies R Us in the U.S, are in full expansion, and accounted for 15% of the parent company's revenue of \$ 11.6 billion and posted operating earnings of 202 million in fiscal 2003.

In the first half 2004, TRU registered an operating loss of \$ 207 million compared to a profit of 2 million in the same period in 2003. However it posted a net profit of 33 million compared to a loss of 37 million last year as a tax provision of 200 million was cancelled. Sales fell 3.2% to \$ 4.1 billion. Same-store sales fell 1.9% only.

In addition, **Toys R Us is in conflict with Amazon.** The online retailer filed a counterclaim against the toy retailer who wants to put an end to their partnership signed for a period of 10 years.

The lawsuit claims that Toys R Us rights for exclusive toys sold on Amazon site concern only "certain products" selected by the toy giant and that "if a product is not selected by Toys R Us, the agreement allows others to sell it on Amazon web site."

In addition, Amazon complains that TRU "has been out of stock on more than 20% of its most popular items" during the holidays. At last, the court might put an end to their agreement and would allow Amazon to recover from Toys R Us \$ 750 million.

This lawsuit happens at a delicate period for Toys R Us, which is restructuring its toy stores in preparation for the fall and winter season. Its Toysrus.com has never generated any profit since it was launched in 1998. Last year it posted 376 million in revenues and lost 18 million.

ASIA

Traditional stores in Thailand, Indonesia and Malaysia suffering from modern trade.

The annual survey by AC Nielsen on Asia Pacific Retail & Shopper Trends 2004, reveals that wet markets are steadily decreasing in most of these countries despite they are one of the most important channels for fresh produce.

In Thailand, in Bangkok alone, there are 154 traditional markets gathering 22,000 retailers. Since the last decade, they have lost ground to supermarkets and their sales fell by half. To make them remain competitive, the Thai Fresh Markets Association is working with two universities on a project in order to persuade the government to support them officially. Among several suggestions, one consists in tax exemptions, which would cost up to US\$ 610,605 per each market.

In Indonesia, according to the Central Statistics Agency, jobs in the retail sector declined by 7.42% in 2003 to 4.24 million from 4.58 million one year earlier. It adds that traditional food stores cannot compete with expanding modern stores. While they grew from 1.88 million in 2002 to 1.89 million in 2003 between 10 and 70 modern outlets were opened.

Under a new regulation issued by the Jakarta administration mini markets and hypermarkets must be located at least 0.5 km and 2.5 km respectively from traditional markets. Moreover, hypermarkets should sell 9 basic products supplied by small companies via partnerships and devote until 20% of their space to informal activities such as street and sidewalk vendors. Mini markets must not price their merchandise at prices below those of traditional grocery stores in the area.

In Malaysia, according to the president of the local federation, "Add in hypermarkets and supermarkets and sundry shop operators could lose up to 60% in sales by 2006". AC Nielsen stated that consumer spending in the modern retail stores of the country has grown from 2002 by 10% to 77% in 2003. *Source : Retail Asia*

Metro will open 40 units in Asia in 2004.

The German group entered China in 1996. It is focusing on this market with 20 cash & carry currently in operation; 40 will be added shortly and 60 in medium term. But, according to Commerzbank, the turnover of these units fell by half those past years from € 60 million in 2000 to 30.4 million in 2003 which is insufficient considering the investment of around 15 million per unit. In fact, sales in local currency are growing but as they are tied to the US dollar and as Metro accounts are in euros, the turnover is in fact falling.

However, Metro is maintaining its target because stores opened since 1996 are profitable ; In addition, the retailer keeps in mind that there are 85 towns of more one million inhabitants in this country. Those past two years, it refined its activities and focused on the cash & carry activity in the developing regions.

It is facing start-up difficulties in India and Japan but the activity is good in **Vietnam**. Metro entered **Japan** in 2002 with the ambition to open 50 units there. Both units generate €40 million which are below expectation. In **India**, Metro has been active since 2003 with 2 cash & carry and € 7 million in sales. It anticipates 245 million by 2006. Now, the retailer is facing a stronger opposition from local retailers.

CHINA

Carrefour continues opening stores in the Chinese continent. Japanese retailers try also to expand there.

The French retailer opened its 50th hypermarket (10,000 sq.m) in Shenyang in the former Manchuria in July and a 51st in Dalian in August. Three more will be added this fall in Harbin (2 units) in northeast of the country and a second one in Urumqi in the Chinese Great West. It expects to add one new unit per month.

Japanese retailers try also to develop there and meet a fierce competition from Wal-Mart (39), Carrefour or Metro (20) or even from local chains. Ito Yokado wants to increase its store base in Beijing from 3 to 10 including three with a floor space of more than 15,000 sq.m each. →

Aeon has been operating 8 Jusco in Guangzhou and Shenzhen, in the Guangdong province, for 1996 and plans to increase its store count with the 2010 Shanghai Expo in mind.

Japanese convenience store chains also plan to expand their operations in China : Lawson opened its first store in Shanghai through a joint venture agreement in 1996, Seven-Eleven has been present in Beijing as well as Family Mart in Shanghai since the first half 2004. Following China's entry into the World Trade Organization, the country has deregulated its retailing and, for the first time, foreign retailers have been authorized to open wholly-owned stores in this country.

Tesco enters the Chinese continent.

The British food retailer with a

Largest retailers by sales in China as of July 19, 2004

retailers	total sales (US\$ bil.)	market share	food sales (US\$)	market share
1 Lianhua	3.19	3.2%	2.35 bil.	2.7%
2 Hualian Supermarket	2.37	2.4	1.81	2.1
3 China Resources Enterprise	2.28	2.2	1.35	1.6
4 Beijing Hualian	1.64	1.6	984 m	1.1
5 Wal-Mart	1.63	1.6	743	0.9
6 Carrefour	1.62	1.6	1 bil.	1.2
7 Shanghai Nonggongshang	1.49	1.5	1.17	1.3
8 Metro	1.34	1.3	506 m	0.6
9 Trust Mart	1.27	1.3	764	0.9
10 PriceSmart China	1.09	1.1	656	0.8

Source : M+M Planet Retail

presence in Japan, Malaysia, South Korea, Taiwan and Thailand, has bought a 50% stake in the Chinese hypermarket chain Hymall for US\$ 260 million. For Tesco it is a key to enter the country as in a longer term it expects to open stores under its own sign. The operation should be completed within four months. Its partner is the local beverage and food product manufacturer Ting Hsin whose subsidiary, Ting Cao, is owner of Hymall.

Hymall operates 25 hypermarkets of 8,300 sq.m average area in the east, north and north-east of China (Hangzhou, Shanghai, Tianjin, Dalian...). It has the ambition to open at least ten more units in the coming year. In 2003 it posted sales of £ 330 million (\$ 602 million) and profit before tax of £ 5.5 billion (\$ 10.02 million). 2004 sales forecast are £ 450 million (\$ 820 million).

China will completely open

bookstores to foreign investors by the end of this year. However to invest in the publishing sector is not allowed.

International conglomerates such as Bertelsmann AG, Time Warner, News Corp and Viacom Inc are quarrelling in order to enter and expand in this country as its publishing market is worth US\$ 13 billion. Each Chinese read up to 5 books last year. Bertelsmann from Germany was by far the most aggressive in the printing media sector while it established a book club and a national bookstore chain mainly in Shanghai.

Foreign investors are authorized to create wholesale and retail firms specialized in books, newspapers and periodicals through joint ventures or

in solo. Chinese publishing firms are mainly government-controlled institutions.

JAPAN

Daiei, Japan's third largest retailer, is struggling under a € 7.9 billion (\$ 9.7 billion) heavy debt. Wal-Mart could help it.

Among many potential investors, there are the Japanese investment fund, Kiacon, Marubeni who owns a 4.5% stake in its capital; the Japan-based Aeon would also be interested as well as Ito Yokado.

Wal-Mart would help it if Daiei seeks assistance from the government-backed Industrial Revitalization Corp, IRCJ. In fact, this fund plans to revive Daiei by splitting it into one supermarket chain and one branch specialized in store and land holding management. The creditor banks urge Daiei to accept this solution but Daiei resists.

Daiei was the N°1 retailer in Japan before it accumulated debts following non-profitable diversifications in the Sixties. Henceforth, it could not invest in new store openings and rehab of the older ones, which caused sluggish sales and affected its image. In July 2004, it still posted a 5% decrease year-on-year in same-store sales for the fifth straight month of decline. Clothing and household products all dropped while food sales, which had remained steady, also decreased by 2%.

In addition to supermarkets (266), Daiei owns several assets including a baseball team, restaurants and operates a credit card activity.

TAIWAN

Online retailing is growing rapidly.

Online shoppers grew from 730,000 in the first half 2002 to 2.1 million by end of June 2004 according to ACNielsen. The most popular categories are cosmetics, clothing and fashion accessories. Over 370,000 persons bought merchandise through the Net in the first half 2004.

20 to 39-year old shoppers accounted for 70% of the total. Online shoppers between the age of 40 and 49 have stronger purchasing power.

MIDDLE EAST

Savola invests in shopping malls.

The Group is building 4 large malls in Saudi Arabia which will covers an excess of 550,000 sq.m in the cities of Riyadh, Jeddah and Makkah.

The first one was opened in August in the heart of Riyadh and occupies 136,000 sq.m of space under the Aziziya Mall brand. The second, Eastern Ring Mall, is building built in the same city in 300,000 sq.m. Roshan Mall will be located in Jeddah and will be completed in 2005 in 90,000 sq.m. The last one, Al Salam Mall, will open in the suburbs of Makkah, in 2005 also, and will cover 52,000 sq.m. ■

Russian retailing getting aggressive and modern with 18% of the national market.

Russian economic performance was strong in 2002-3. Expansion was mainly driven by private spending, investment and high world energy prices. Real GDP growth hit approximately 4.8% last year.

Unlikely their other Eastern Europe neighbors, Russians own their apartments. During the 1992 privatization program, state-owned buildings were given to inhabitants. Consequently they can invest 5% of their revenues today in their rent and other spending. It means that they can spend 56% of their income in food or much more than any other nation of the former communist bloc.

Investment and spending have grown rapidly. It is the consequence of a continuous growth in real revenues. Retailing that has increased by 10% a year on average since 2000 remains one of the most performing sectors in this country. In 2004, it is expected to rise by 9% on annual basis.

In the capital and regions, retailing is becoming more professional even if small shops and markets are still dominating in the provinces. Modern shopping centers take the place of small shops and department stores of the former Soviet regime are being restructured and renovated.

Moscow remains the most prosperous city in the country.

Moscow is consequently the most attracting city for national and foreign investors. Modern retailing accounts for 26% (or 29% according to different sources) of the total retail sales in Russia estimated at US\$ 125 billion (or 146 billion) including 71.4 billion in food. Within the next three years, the capital growth "will increase by 12% only" annually. High price of retail real estate and disposable land and its scarcity have driven expansion towards the neighboring regions.

In addition, a middle-class is appearing in Moscow : 40% of its inhabitants belong to the best-paid class who are targeted by modern retailing. 60% of the lower income-class is more oriented towards traditional markets. While average monthly revenues of the Russians are as high as US\$ 120 per person, in Moscow they reach between 300 and 400, which is, much more than in Prague.

By fall 2003, there were 48 modern shopping centers totaling 840,600 sq.m in operation or 45 sq.m per 1,000 inhabitants in the capital and its suburbs. Projects

in the pipeline for 2004 and 2005 include 35 centers and respectively 440,000 sq. and 463,000 sq.m GLA. Consequently, it is possible to anticipate 1.8 million sq.m in operation by fall 2005 or 100 sq.m per 1,000 inhabitants. It is a real progress and the country is approaching the overall European level, which stood at 147 sq.m per 1,000 in 2003.

Retail sales in Russia by town :

City	population (mio inhabitants)	Retail turnover (US\$) bil.
Moscow region	15.00	38.4
St Petersburg	4.65	5.7
Novosibirsk	1.42	2.15
Iekaterinburg	1.30	2.85
Nizhny Novgorod	1.33	2.15
Samara	1.20	1.95
Kazan	1.10	1.70
Ufa	1.09	1.75
Perm	1.05	2.25
Omsk	1.20	1.75
Cheliabinsk	1.15	1.65
Rostov on Don	1.01	2.95
Volgograd	1.01	1.55
Total Russia	approximately 150	146

Source : Stores+ shops

Local investors such as banks, mutual and pension funds, insurance companies, corporates and rich individuals are becoming key buyers of cheap Russian stocks while foreigners remain prudent.

Local demand for stocks is fueled by a rapid rise in local liquidities, higher payouts by fast-growing Russian companies to majority shareholders and rising incomes.

Hence an apparent change in the investment formats. Three or four years ago, foreigners and Russian oligarchs, who enjoyed the privatization of State-owned companies in the Nineties, were the big buyers of Russian assets. Under these conditions, total assets held by Russian mutual funds has increased to above \$ 3 billion today from 500 million early 2003. It is a 500% growth in just eighteen months. Meanwhile, Russian banks doubled their amount of local equities.

This situation gained strength driven by the fast development of economy and the rise in cash flows of Russian firms contributed to inject liquidities in the Russian share market. "These companies have very substantial cash flows and so they are paying dividends to their majority owners and they are buying more shares," said Mattias Westman, chief executive of Prosperity Capital Management, which manages about \$

500 million of Russian assets.

Foreigners came back to the Russian market in the 1st quarter 2004 but they left in the second due to the Yukos oil affair and difficulties in the local banking sector, which have mainly generated the closure of two small bank outlets. So, 33 European funds investing in Russia would have pulled out € 29.3 million (\$ 36 million) in June 2004. According to the Ministry of Economic Development and Trade, from \$ 8 to 12 billion could thus leave Russia this very year.

Investments in retailing.

Bur international retailers are showing a steady interest in the country because the economic and politic climate has improved and national retailers have launched new formats in new markets far from Moscow. In 2003/4, international brands such as Zara, Gant, Koton, Bhs, Joop, S.Oliver, Reserved, Geox, Tatum, Women's Secret, Teranova, Esprit and many others have entered Russia. They have already invested more than \$ 1 billion and will still inject up to 2 billion over the next five years. Ikea, Ramstore, Auchan, McDonalds, Metro AG, Ava and Obi revealed they were leaders in terms of activity and growth. Metro just opened its first regional store in Iaroslavl occupying 5,500 sq.m and will add units in Iekaterinburg (Siberia), Krasnojarsk, Kazan, Ufa, Nizhny Novgorod... in 2005 investing \$ 150 million. The Russian subsidiary posted turnover of \$ 800 million in 2003.

Within one year or two, the situation should change significantly and new institution and private investors are expected to come to Russia. Western players focus on Moscow and its area (62% of the openings) while national investors are rather concentrated on other regions (68% of the food store openings).

This retail explosion is not only led by foreign retailers such as Metro and Auchan but also by Russians who became real professionals. "Magnit" supermarkets, operated by Tander, are in full expansion and their sales doubled between 2002 and 2003. The company has become the leader by store number with 650 units. It expects to add between 200 and 250 this year.

The national **Pyaterochka** chain will invest \$ 35 million in a warehouse occupying 45,000 sq.m in Podolsk in the vicinity of Moscow. It will add \$ 220 million to develop its retail chain across the whole country : 150 stores will be opened in 2004, 500 between 2012 and 2014 in Moscow and its area as well as in St Petersburg. It posted sales of US\$ 9,000 per sq.m and operating profit stands at approximately 9%. Its target is clear, to be among the top three Russian retailers and to find franchises for other cities outside Moscow.

Sedmoi Kontinent has undertaken a huge task in 2003. In order to make its store more attractive and better answer to the different desire of its shoppers, while offering services in new retail segments, Sedmoi has segmented its stores into three categories : Sedmoi Kontinent-5 Stars convenience stores (16 units), Sedmoi

Kontinent Self-service stores (23) and its « A-Class » supermarkets under the Sedmoi Continent-Seven Steps banner (14). It aims to increase its market share through hypermarket development. It also aims to launch new items under « The Seventh Continent » own brand in its stores from this fall.

Sedmoi is also looking for small store international models to copy. Under the "7 Schagow", it is converting small shops into convenience stores and is interesting in the upmarket while opening "Le Lux" format in high streets. This new format is intended to attract enough customers to offset the high costs of necessary logistics. Its prices are 25% higher than Metro according to GfK Russia.

Perekriostok, founded in 1995, operated 70 stores in June 2004 occupying 100,000 sq.m and its turnover amounted to \$ 92 million in 2003. Like Pyaterochka, Perekriostok has just entered approximately a dozen cities except Moscow and St Petersburg.

Paterson and Ramstore, a joint venture between Migros Turk and the Turkish construction group Enka, have also begun expanding to new regions.

Retail yields.

The Swiss investment company MCT Asset Management anticipates to buy a stake in Mosmart, opened in Moscow in 2003 and invest up to \$ 50 million in the chain development. Three shopping centers will be opened in the capital next year occupying 86,000 sq.m and accounting for an investment of \$ 165 million. Six more are in the pipeline in Moscow and St Petersburg. New retail formats should attract a growing number of international actors, which will gradually improve the Russian retail profile and create new investing opportunities.

Yields in shopping centers range between 25% and 35% according to quality, location and related risks and between 15 and 25% in urban high streets. The retail real estate market is due to continue its maturity imposing western market standards far from non-professional commercial formulas.

Except some units, department stores are absent from Moscow and large cities exceeding one million inhabitants. The Finnish Stockmann invested in the Russian market in 2003. Its Smolenskaya Department Store, opened in the capital in 1998, was the first unit of the western style and enlarged to 7,500 sq.m in 2002. Two more department stores were successively added in the Mega Malls built by Ikea.

Rental rates are decreasing.

In 2003, Moscow shopping center rents declined as they were affected by the increasing number of new modern centers and aggressive competition from downtown retailers. The maximum rate was approximately US\$ 1,340 per sq.m and per year. If it was a 3.9% decline compared to the 2002 level, this rate is

however much higher than the average European level. Large centers completed in 2004 are Mega 2 in Moscow-Khimki (230,000 sq.m GLA), Waymart 2 (50,000 sq.m) in Km 71 of the MKAD, Dream House on Chaussee Roublevskoe (8,500 sq.m), Mosmart 2 on Chaussee Dimitrovskoe (16,000 sq.m) and Ramstore City 2 on Prospekt Vernadskogo (47,000 sq.m).

are planned. Modern retailing currently accounts for 18% of the whole Russian market. But 70% of domestic sales are still generated by markets and very small shops whose positive aspect lies in their vicinity. Consequently, future competition will come from retailers who will have found the right place; more delicate points may concern access, building permit and qualified workforce. ■

Retail professionalism generates system development and modern forms are gaining ground. The situation is improving, a more civilized approach is appearing as regards cooperation, marketing, assortments and payment dates. Central distribution logistics contributes also to strengthen direct relationships between the retailers and their suppliers and investments are worthwhile when more than 40 to 60 stores

Top 20 Russian retailers in 2003 by sales :

rank	firm	sales (US\$ mio)	rank	firm	sales (US\$ mio)
1	Metro	1.080	11	Paterson	150
2	Pyaterochka	755	12	Petrovsky	140
3	Magnit	580	13	Kirovski	135
4	Perekriostok	455	14	Kupets	105
5	Ramstore	430	15	Kopeika SPB	100
6	Sedmoi Kontinent	420	16	MDM/Victoria	95
7	Dixy	360	17	Spar-Marta-Retail	93
8	Kopeyka	265	18	Edelweis	73
9	Auchan	195	19	12 Months	70
10	Lenta	180	20	Megamart	70

Sources : Mojo Delo, Moscow / Stores+shop;

SPECIAL STUDIES

Retailing without borders in 2003

For the third year in a row, Wal-Mart was N°1 of the Global 500 with \$ 263 billion revenues up 7% in 2003. It posted profits increasing by 13% at 9 billion and it had 1.5 million employees. While its trend pushing towards international reveals its growth potential in foreign emerging markets, then global retailing is well positioned to become one of the most attractive sectors for many years to come.

In 2003, Wal-Mart continued showing its interest in foreign countries in order to grow its activity. In fact, if it specially studied well-known markets such as Great-Britain, Germany or Japan, it considers that markets such as South America, China, Russia and India offer the best possibilities for a future potential expansion.

By fall 2003, Wal-Mart bought 118 Bompreço supermarkets in Brazil from struggling Royal Ahold. This operation changed the retail landscape in South America and positioned it among the top local retailers.

The giant also strengthened its presence in China where it operates approximately forty stores and will benefit, like its competitors, from the recent decree by the Chinese Ministry of Commerce to allow foreign retailers to establish wholly-owned

Global retailers in 2003 : top 25 by sales.

company	base	sales (\$ mio)	profits (\$ mio)	activity
1 Wal-Mart	USA	263,009	9,054	discount/food
2 Carrefour	France	79,774	1,844	food
3 Home Depot	USA	64,816	4,304	DIY
4 Royal Ahold	Netherlands	63,456	(1)	food
5 Metro	Germany	60,657	561	food
6 Tesco	U.K	51,570	1,841	food
7 Kroger	USA	53,791	315	food
8 Target	USA	48,163	1,841	discount/food
9 Rewe	Germany	44,334	-	food
10 Intermarché	France	43,452	-	food
11 Costco Wholesale	USA	42,546	721	food
12 Sears Roebuck	USA	41,124	3,397	general merch.
13 Aldi	Germany	37,140	-	food
14 Safeway	USA	35,553	(170)	food
15 Albertsons	USA	35,436	556	food
16 Edeka/Ava	Germany	35,259	-	food
17 Walgreen	USA	32,505	1,176	drugstores
18 Auchan	France	32,488	651	food
19 Lowe's	USA	31,263	1,877	DIY
20 E.Leclerc	France	30,778	-	food
21 Ito Yokado	Japan	29,333	435	convenience st.
22 Tengelmann	Germany	30,133	-	food
23 J.Sainsbury	U.K	29,035	671	food
24 PPR	France	27,571	730	dept/special stores
25 Foncière Euris	France	27,005	126	food
25 Delhaize Group	Belgium	21,720	194	food

Sources : Fortune Global 500, DSN

companies by the end of 2004.

The Germany-based **Metro** is a real pioneer in these markets. It plans to open its first hypermarket in Moscow by the end of the year and has already celebrated the opening of its first unit in India, a country in which it anticipates to generate half a billion dollars over the next five years.

The French **Carrefour** has also expanded in foreign countries last year mainly in China through the strong growth of its Dia food discount stores to around fifty units. It anticipates to have 600 such units by end of 2006. It operated 41 hypermarkets last year in China and its organic growth in this market reached 33%.

Aldi entered Australia while opening more than 60 units in 2003. In the U.S, It operates more than 700 small food discount stores in 26 States, which makes it one of the very few foreign retailers having found a successful model for expansion in the U.S market.

Among the other large retailers, **Tesco** generated 29% of its overall sales outside United Kingdom last year. It entered Japan while buying 78 C Two Networks stores. **Costco** plans to double its network to 18 units in Japan and Home Depot bought 20 Home Mart in Mexico. Absent from this annual chart is Kmart which occupied one of the first ranks as recently as a decade ago. ■

Erratum.

In our SEPTEMBER 2004 issue of *La Lettre de la Distribution Internationale*, in the information concerning Chin page 8, you should have read that "combined sales of the 40,000 chain stores amounted to 343.4 billion yuan or € 34.6 billion (US\$ 41.4 billion) and not to 343.6 billion.

4th ICSC European Research Seminar

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among speakers : Rafael Gomes Pelote (Sonae Imobiliaria, Portugal), Klaus Striebich (ECE), Mark Callender (Property Databank), Patrick Marquis (Carrefour), Manuela Sacco (Envirosell Europe), Michel Choukroun from Paris Dauphine University...

Bibliography :

Professor Bernd Hallier has just published EuroShop Inspiration Motivation Innovation. In order to receive a free copy, e-mail to hallier@ehi.org

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