

# LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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## LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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## INTERNATIONAL

In short...

**Auchan opened 4 hypermarkets in Portugal during September including 3 in the suburbs of Lisbon and a 4<sup>th</sup> unit in a shopping center located in Maia, north of the country.** These outlets represent a € 450 million investment. In addition, the French retailer expects to add € 450 million in other schemes of this country...

**Plaza Olymique, the first large shopping center in urban Kiev (Ukraine) is expected to open in December 2005 and will occupy 90,000 sq.m.** It will include one hypermarket, specialty stores, a health-center, restaurants, cafés and 1,245 parking spaces. The developer is the Ukrainian Group HCM...

**Galerija Patollo will open in downtown Riga (Latvia) during the second half of 2005.** It will occupy 50,000 sq.m and include 210 stores and a fast food court in the 7<sup>th</sup> level. On the roof, a terrace will be specially equipped to house 6 outdoor restaurants and brasseries...

**Shinsegae, one of the leading Korean department store chains, is building a shopping center, "a city inside the city" in the Centum City district of Busan, which will be the country's largest center once completed by 2008.**

This district will become an important shopping district. As soon as 1999, Lotte had bought a 7-hectare piece of land to build a Lotte department store there. Hyundai Department Store had also secured a 6-hectare site just in front of it. Near by, Home Plus, operated by Samsung Tesco, is already in operation.

The Centum City area extends over 715 hectares, including 205 hectares for the center, and is built by the Busan City Hall.

### **An investment increase is predicted by the U.N Conference on Trade and Development.**

Foreign Direct Investments (FDI) are expected to rebound in 2004 to \$ 600 billion as they were fueled by an improved climate in the world economy, in particular in countries of the Asia-Pacific and in the major industrialized countries.

This expected increase would follow three years of successive declines. In 2003, the flow of FDI fell 18% to \$ 560 billion versus 17% in 2002 and 41% in 2001.

Last year, China was effectively the first investment destination with \$ 53.5 billion, however far away from the 87.5 billion invested in Luxemburg. But this capital is immediately reinvested in other countries while in China it is injected in the new businesses of the country.

The flow to the US, generally the first destination, plunged last year to \$ 29 billion only compared to 63 billion one year earlier. It is specified that services account for about 60% of the total compared to 50% ten years ago and 70% of the total invested in China is still concentrated in manufacturing activities.

Source : WWD

## EUROPEAN UNION

### FRANCE

#### **Guyenne et Gascogne has announced a warning on its annual results.**

This Carrefour franchisee, which operates 13 hypermarkets in Southwest of France through its Sogara subsidiary, has unveiled that its pre-tax sales fell 4% to € 539.2 million and net profit group share decreased by 14% to 14.7 million in the first six months. Operating profit decreased also to 16 million versus 20.5 million last year in the same period.

A poor summer season and

efforts led to lower prices according to the Government's desire, are the main reasons. Hence a fall in the stock value the very day of this announcement by 6%. Carrefour also declined (-3.58%) because its French hypermarkets, whose share had grown in the May-July period, fell again in August. But the company's policy efforts should be paying off in the second half.

**Hyparlo**, another Carrefour franchisee, has announced that recurring net profit decreased by 35.8% to € 2.5 million from 3.9 million in the same period one year earlier. But this last figure included a net capital gain of € 19.3 million following the sale of the Italian activity.

In France, its 12 hypermarkets had pre-tax sales of 452.2 million. Including VAT they decreased lightly by 1.8% to 462.9 million to June 30. Consolidated sales grew by 3.9% (€ 513.8 million) driven by expansion in Romania. During the first six months, 10 million were invested in one hypermarket modernization (Feurs, Loire).

In Romania, sales of the three hypermarkets, owned in partnership with the French Carrefour, increased by 119% to 101 million in the first half. During the period, EBIT increased from € 6.4 million to 6.5 as they reached their break even point. A fourth hypermarket will be opened in Brasov on October 21<sup>st</sup>. Hyparlo ambition is to operate 15 units by 2009 and to be the leader in the market.

### **Rallye, holding of Casino and Go Sport, in the first six months of 2004.**

Net profit group share grew by 41.8% to € 35.6 million from one year earlier. Operating profit rose by 7.2% to 460.8 million and sales by 0.2% to 11.4 billion.

Net earnings of its subsidiary, the French Casino, grew by 10.5% to 220 million in the first half and sales by 0.8% to 11.1 billion.

Go Sport posted a net loss of 7.3 million compared to a 2.8 million profit in the same period in 2003 and sales decreased by 0.6% to 298.7 million.

### **The Système U independent Group has introduced low-priced goods in its 854 stores (Hyper U, Super U and Marché U) from October 4th.**

To start, only 200 items will be offered 30 to 40% cheaper than the Système U home-brand ones. They will be extended to 550 including approximately one hundred in non-food and thirty in textile. They will be purchased by Lucie, the central buying group shared with Leclerc, another independent group.

Système U follows the same way as Leclerc with its Eco+, Carrefour with N°1, Auchan (Pouce) and Intermarché (Top Budget) low priced goods.

### **Galleries Lafayette Group has posted a net income up 25.5% to € 27.6 million in the first six months thanks to a department store recovery.**

Consolidated pre-tax turnover grew to € 2.7 billion, a 3.1% increase versus 2003 in the same period. Operating profit was up 18.5% to 93.3 million. These good figures were driven by department stores. Net income group share jumped 25.5% to 27.6 million after a positive income of 2.9 million following Monoprix and GL/NG divestments.

Department stores sales rose 6.1% to 914.5 million as tourists coming back and the opening of Lafayette Maison in March fueled them. In such a context, operating loss decreased from 8.9 to 4.7 million.

BHV (DIY/home and family equipment) is still operating at loss even if sales grew by 1.6% to € 280 million. Operating loss still grew by 62.2% from 4.5 to 7.3 million. The activity was "penalized" by the modernization of 9 units. But it expects to be profitable again this year.

LaSer and credit and service activities, including the Cofinoga credit card, had sales to 561.3 million, an 18.2% increase.

Monoprix, owned at parity with the French Casino, has posted sales up 2.2% to 1.88 billion.

The Group expects to roll its specialty concepts out: in September a new Lafayette Maison (home furnishings) opened in Nice, a Lafayette VO, catering to teenagers,

in Paris and a fashion store in Chambéry.

Its park includes 487 outlets, including 55 department stores, covering 1.128,000 sq.m. The Paris Haussmann flagship is Europe's largest department store by sales (€ 700 million). 80,000 visitors visit it daily and 8 million foreigners a year.

### **Ikea France has posted sales above one billion euros in 2003/4 and reinforces its presence in the territory.**

The French subsidiary of the world's largest furniture retailer, sits in third position in France behind Conforama and But with 14 stores and 4,800 employees. In the 2003/4 exercise, it posted sales of € 1.097 billion, an increase of 13.7% from one year earlier. In the first six months of the calendar year, sales have already grown by 13% while the furniture market has increased by 3% only.

For 2005, Ikea plans to open 4 new stores in France; totally, it will invest € 200 millions and create more than 1,000 jobs.

Worldwide, the group owns 179 stores in 23 countries. In the past exercise, its sales were up 13% to € 12.8 billion and it opened 13 new units. It is present in Europe for 81% of its activity and its main markets are Germany (20%), United Kingdom (12%), France (9%) and Sweden (8%).

## **GERMANY**

### **Retailing facing difficulties in former Eastern Germany.**

Growing pressure, still consumer reluctant shoppers and a structural weakness of the area are weighing on retailers. In fact, the commercial landscape is changing as a lot of old stores have closed down and respectable signs such as Coop Dortmund and Kathreiner totally disappeared.

A high unemployment rate, a low purchasing power and perhaps too many retail stores are increasing difficulties. Output per unit is falling and the region imbalance has been pushing some retailers to rethink their strategy.

Metro does not unveil either its performance in the area or its

→

sales breakdown per region in the various federal States. In fact, it is reconsidering its money-losing Extra subsidiary, which has "far too many units in Eastern Germany" according to their managers. Kaufland owned by the Lidl & Schwarz Group would also be affected by competition. However, its same-store sales grew by 3% in 2003. Tengelmann and Kaisers Kaffee supermarkets would have failed here according to market observers. Edeka is more positive and announced that in the first half independent retailers in Eastern Germany have better performed than their counterparts in Western Germany.

These federal States, neighbors of Poland and the Czech republic, suffer from drawing purchasing power drawn eastward. In fact, "A German family can save at least 30% of its weekly shopping bill if its shops in Poland" says a spokesman of the board of trade in Dresden.

### **Kaufland is a leading retailer in Germany with 450 hypermarkets and € 11 billion in sales in 2004**

Competitors of this subsidiary of the Lidl & Schwarz Group cannot follow Kaufland in the expansion way and their sales have been stagnating for the past four years.

Organic pressure of Kaufland is a key factor. Between 20 and 30 new hypermarkets were opened each year in the past ten years and their number has doubled since 1998. The Grosso/Magnet acquisition in 2000 added 60 units to its portfolio and that of Bremke & Hörster and Distributa another 40 in 2003.

Another expansion method consists in buying non-profitable stores of other operators who had given up. Its power lies in its very flexible concept, stores with sales area ranging from 1,200 to 14,000 sq.m : 376 are operating under the Kaufland banner and 74 under that of Handelshof/Concord.

With such a flexible strategy, Kaufland is able to concentrate its stores hence it is extremely efficient in the logistics and advertising fields. It needs only 20,000 households in its trading area compared to Real with 50,000 and Globus 70,000.

Its stores are located in areas

where 12 million of Germany's total 38.7 million households are and they are leaders there with a 21.6% market share according to M+M. Its largest competitors are Lidl, Aldi South, Aldi North and Real. But as Real, Marktkauf, Globus and Wal-Mart generate only about one third of their sales in areas where Kaufland is the strongest operator they are no particularly vulnerable to the aggressive prices of Kaufland.

Kaufland is a leader in Eastern Germany with a market share of 14.4% followed by Aldi Nord (11.8%) and Lidl (8%). In Western Germany however Kaufland is in the fifth position with 5.4%.

53 new stores were planned for 2004 and Kaufland will open only 11 in Eastern Germany and only 4 of the 23 planned for 2005 will be in the East part of the country, for, evidently, Kaufland wants to expand mostly in the western part. People say its expansion is costly but with an output just under € 5,000 per square meter, the retailer has no problem to finance its investments.

Source : *Lebensmittel Zeitung*

### **KarstadtQuelle or the rescue program of a famous group.**

The program of the retailer, born in 1999 from the merger of Karstadt and the mail order firm Quelle, was announced on September 28<sup>th</sup> by Christoph Achenbach, the new chief executive since June. This plan will result in a loss before tax and amortization of up to € 1.4 billion in 2004 and anticipates to :

- sell 77 department stores to keep 89 only within the next three years,
- spare 360 million over two years,
- a capital increase of 500 million to which its main shareholders, the Schickedanz family (41% of the capital) and the insurance group Allianz (10%), will subscribe,
- sell non core assets for an amount of € 1.1 billion in 2004 and 2005,
- cut jobs whose number is not yet precise but the German press spoke about 8,500 jobs in a total of 100,000 employees,

However, the Group will keep its 50% stake in Thomas Cook, Europe's second-largest tourism firm.

In the first six months, operating loss amounted to € 388 million and sales decreased by 6% to 6.87 billion.

In fact, sales declined progressively from 16.1 billion in 2001 to 15.3 in 2003, 14.5 are expected in 2004, 13.4 in 2005 and 13.7 in 2006.

Operating income followed the same downward curb falling from 0.382 million in 2001 to 0.225 in 2003 and is expected to still decrease to less 1.34 million this year. But it is expected to be profitable again in 2005!

The firm, whose department stores account for 38.9% of sales and mail order 49.1%, suffers from food discount competitors including Aldi and Lidl and from fashion specialists such as H&M et C&A.

### **ITM tries to take the full control of the German Spar.**

ITM Entreprises, holding of the Groupement des Mousquetaires (Intermarché, Ecomarché, Bricomarché), bought 85% of the capital of the fifth German retailer in 1997 to grow to more than 95%. It expects to buy the 2.73 remaining per cent it does not control yet for a 6.2% premium. In addition, Intermarché would buy the 50% of Netto Stavenhagen, owned at parity by its subsidiary and the Dansk Supermarked Danish retailer : the transaction would concern 220 food discount stores in North and East Germany with sales of € 800 million. That could be the sign of its desire to sell Spar in block, in which it has invested several € million.

## **HUNGARY**

### **Budapest Outlet Mall 1st phase opens in October.**

This outlet center of 14,000 sq.m area, located about 30 kilometers from Buda city center, was 70% leased three months ahead of completion. Nike and Adidas will be its main anchors. A second phase is expected to be built in a 14,865 sq.m area and will compete with a new 16,000 sq.m center developed by the Belgian GL Group in Biatorbagy, only 1.5 km from the Miller scheme and 15-minute drive southwest of Buda.

Budapest Outlet Center is a scheme of a joint venture between the British Miller Developments and Austrian bank Raiffeisen who →

invested € 25 million. According to GVA Grimley, textile spending increased by 30% in the past three years in Hungary thanks to the high number of new shopping malls. While Budapest Outlet Center is becoming the country's largest outlet center, Hungarians account for a large part of the shoppers of the Parndorf center located in Austria and developed by McArthurGlen...

## NETHERLANDS

**Ahold announced it has sold its Spanish retail interest to the Permira Funds for € 685 million. It also announced its intention to divest Deli XL in Benelux.**

The international food retailer is considering all its assets as it is continuing its divestment strategy in order to cut its € 7.5 billion debt. Thus, it decided to sell its stores (33 Hiperdino hypermarkets and 595 Supersol supermarkets) on the Spanish mainland and the Canary Islands with net sales in 2003 of approximately € 2 billion and a market share of 25%. The transaction should be closed before the end of the year. Candidates included El Corte Ingles and Carrefour-Spain, which had respectively given up in June and July.

Ahold also decided to divest Deli XL, a leader in the foodservice market in the Netherlands and Belgium. With consolidated sales of € 837 million, it is especially strong in the institutional and catering segments of the foodservice market which Royal Hold entered in 1985. It currently provides 60,000 products to 30,000 hospitals, firm canteens, schools...

This decision does not concern Foodservice in the U.S., which is very performing (Florissant) with US\$ 17 billion sales in 2003 and holds the number two position of the business.

## PORTUGAL

**Sonae Imobiliaria, the Portugal-based developer, has invested € 107 million in the development of shopping cen-**

**ters, 93% are outside Portugal, in the 1<sup>st</sup> quarter.**

In Spain, Sonae is the owner co-owner of 8 shopping and entertainment centers with a total of 385,000 sq.m GLA. Its rental income grew by 6.7% versus the same period of 2003 while two centers only opened during the period. Luz del Tajo in Toledo, held in joint venture with the Eroski Group (65%/35%), opened on September 28<sup>th</sup>, and three more schemes are currently under development : Zubiarte in Bilbao, a joint venture between Sonae Imobiliaria and the ING Group, is scheduled to open next fall 2005, Plaza Eboli in Madrid in March 2005 and Plaza Mayor in Malaga is expected to start its construction by the end of 2004,

In Portugal, the construction and leasing of three centers are continuing as planned which will open in fall 2005,

In Brazil, a country in which Sonae operates 7 centers, only one center opened in Sao Paulo in the first half, representing a total of 242,000 sq.m of GLA,

In Germany, the shopping and entertainment Alexander Platz in Berlin is being developed in joint venture with Foncière Euris (51%/49%). Works should start before the end of this year. A second center, 3DO, continues its building in Dortmund.

Sonae Imobiliaria is leading projects in other countries of Europe such as in Greece (Aegean Park in Athens, and Mediterranean Cosmos in Thessalonica) and in Italy (Brescia).

As concern its under management portfolio, it was expanded in Spain with the opening of Dos Mares and Avenida M40. Henceforth, Sonae is now managing a total of 4,590 tenant contracts in 1.432,000 sq.m of GLA in Portugal, Spain and Italy. In Brazil, it manages 1,130 contracts with tenants representing a total of 242,000 sq.m.

Its net consolidated profit reached € 32.18 million in the period compared to 64.61 million a year before but this result was not impacted by the minority interests from the sale of 49.9% of the Sierra Fund. To the end of the first six months of 2004, Direct Income from Investments reached € 130.9 million

versus 113.9 million, an increase of 14.9% and Direct Income from operations were € 21.3 million (up 20%).

## RUSSIA

**Wal-Mart may open a store in St Petersburg in 2005** according to a personality of the city Economic Development Committee.

This statement is not confirmed by the world's giant, which is recruiting staff through local employment agencies for a 20,000 sq.m hypermarket to be located in the suburbs of St Petersburg. It is said that it has been eagerly awaited by the business community.

**Interros is building a shopping and entertainment mall in Zhukovka, 15 kilometers west of Moscow, in the residential district of the Novorizhskoye Shosse.**

This center will occupy 47,000 sq.m and will be developed as a small city with streets and squares. It will include shops, restaurants, an outdoor cinema with 2,000 seats, a 2.4-hectare golf course, a fitness center of 7,000 sq.m, a helicopter pad and will take between two and three years to be completed.

The real estate subsidiary of Open Investments is investing US\$ 53 million in this operation located in a very promising area where the cottages of the wealthiest Russians are to be found. Among its other schemes, the Pavlovo cottage complex, which is already 50% sold, and the multifunctional Arkady Raikin center in Moscow downtown.

**Lenta joins the Perekriostok and Kopeyka alliance.**

Lenta, Russia's tenth largest retailer with a chain of hypermarket in St Petersburg, joined this alliance signed by Perekriostok and Kopeyka last spring. It includes a direct cooperation with large manufacturers concerning a certain number of goods and the sharing of information regarding price, rebates, etc. It is already positive as Baltimor and Nemiroff firms recently accepted to join them. →

According to Lenta chief executive officer, "Overall turnover of Perekriostok, Kopeyka and Lenta should come close to \$ 2 billion in 2005. That will allow us to dictate our own terms to suppliers."

These firms are continuing their retail expansion : Lenta will open its 6<sup>th</sup> hypermarket in Ozerki, in the vicinity of St Petersburg covering 7,850 sq.m, Perekriostok expects to build a new hypermarket with a floor space of 20,000 sq.m in Voronezh while converting older industrial premises and Kopeyka has plenty of projects in mind to extend its current network (75 outlets).

**Ramenka plans to invest US\$ 270 million over the next three next years to extend its Ramstore network.**

The Turkish retail group Ramenka, that entered Russia in 1997, is rolling its food stores while opening 8 new units by this year-end including 5 in Moscow. It operates 28 food stores including 6 hypermarkets and 18 supermarkets in Moscow, which makes it the capital's third largest retailer.

Ramenka is a joint venture between the parent company of Migros, a KOC holding, the largest Turkish industrial conglomerate, and the Turkish builder Enka. Between 1997 and 2003, Ramenka invested \$ 250 million in this country and 130 more million will be added this year alone. In 2003, sales amounted to 430 million and are expected to reach 550 in 2004 and one billion by 2007.

**UNITED KINGDOM**

**Tesco reveals new records in the first half 2004.**

The British food giant has reported same-store pre-tax profits growing by 28% to £ 804 million (€ 1.2 billion) and sales by 12.2% to £ 16,5 billion (€ 24.6 billion). Sales were significantly driven by DVDs, textile and stationery. In all, non-food accounting for 20% of the total, grew by 17% and textile alone by 39%. U.K same-store sales, excluding new openings, increased by 8.3% and Tesco non-food market share climbed from 6.0% to 6.5%.

U.K sales were up 11.5% to

£ 13.1 billion (19.55 billion) and international sales, which account for one fifth of its operations, climbed 14.9% to £ 3.4 billion. Pre tax profit reached 140 million. In Eastern Europe and Asia, 34 stores were opened, 65 will be added in the second half.

Online business jumped 27% to £ 307 million while the division has 650,000 subscribers.

Petrol station sales grew also (+8.8%) but margins were lower because Tesco does not pass on the full cost of oil price increases to customers.

But Tesco has faced new government planning restrictions on suburban buildings in U.K while it has planned to open 20 new hypermarkets mainly through expansion of existing sites. It also expects to operate 500 Express convenience stores by the end of 2004 through acquisitions. It also confirmed the takeover of 10 stores in North England from Morrisons.

"Despite deflation in our stores, average customer spend is up 3%, reflecting our success in improving our inclusive offer on all fronts", Tesco said.

**Supermarket share in U.K**

Tesco	28.1%
Asda	16.6
Sainsbury	15.4
Morrisons/Safeway	13.9
Somerfield	5.7
Waitrose	3.2
Iceland	2.0
others	15.1

Source : TNS

**Kingfisher sales grew strongly in the first six months 2004.**

Europe's leading home improvement retailer has posted pre tax profits up 27.1% to € 509.4 million. Retail like-for-like sales were up 9.6% to 5.74 billion. They however decreased by 24.8% as it divested of Kesa Electrical (Darty, Comet and But) in 2003.

This good performance was mainly fueled by sales of the two French subsidiaries Castorama and Brico Dépôt : Castorama sales were up 5.3% and Brico Dépôt 19.0% like-for-like. In Great Britain, 50% of sales were generated by B&Q whose growth did not exceed 2.5% during the period due to poor

climate conditions that slowed down outdoor furniture sales.

Excluding U.K, United Kingdom and France, sales climbed 48% to € 532 million, while Italy, China and Poland grew by more than 30%

Overseas expansion will continue with the first outlet in Russia within the next two years.

**Kesa Electricals, Europe's third-biggest electrical goods retailer, earned shares in all its markets in the first half 2004. The French Darty is the largest contributor to its results.**

The group turnover, distinct from Kingfisher since July 7<sup>th</sup> 2003, grew by 5% to £ 1.66 billion (€ 2.5 billion) and like-for-like by 4.2%. Operating profit before exceptional items of the retail arm was up 3.6% to £ 54.7 million from a year before. Net profit before tax and financial elements was £ 49.1 million (€ 73.7 million), an 18% decline versus 2003 in the same period.

In spite of competition, turnover of the British electrical retailer Comet grew by 7% to £ 637.7 million and by 4.6% like-for-like through the repositioning of its products and services and in spite of a slowdown of the business in the British market. Operating profit was £ 5.9 million compared to 1 million in 2003. During the first six months, Comet registered the strongest growth in multimedia, flat-screen and television sale.

In France, Darty results were up 6.3% to £ 38.6 million and total turnover grew by 6.1% to £ 977.5 million in local currency. It increased its market share across all major categories particularly in white goods. The first leases were just signed to open Darty stores in Italy, Europe's fourth largest electrical market. The first unit will be opened in Milan during summer 2005; another one will be added in Turin to grow rapidly to 6 outlets in North Italy.

But suffered from a poor performance from its furniture stores as evidently customers now want more modern furniture styles : like-for-like turnover declined by 2.8%. Operating income fell 17.8% excluding currency impact to £ 27.2 million. A program of re →

merchandising and cost reduction should reverse the downward trend of its results.

**Marks & Spencer : sales slid 2.7% in the ten past weeks to September 18.**

The home category registered the largest decline falling 20.8%. Hence the project to expand the Lifestore home product concept has been canceled because goods were too modern for Marks & Spencer customers. It will be replaced by a more traditional collection focusing on bath, bed and kitchen.

Apparel, whose performance has been "difficult" during the summer season, decreased by 5.4%. However the Per Una line of women's wear, which M&S has just bought for £ 125 million (€ 185,56 million) from George Davies, was active. The only category having grown was food and sales rose 2.9%.

In fact, Marks & Spencer is suffering from the competition of Tesco, which is selling more and more apparel whose sales jumped by 39% in the first six months, and from the competition of Asda that has become the largest British apparel retailer.

Measures have been taken to improve margins and cut costs (operating costs should not exceed 1% from 3% before).

visit compared to 28.40 in 1996.

These figures are based on interviews of 23,235 persons at 79 malls owned or managed by General Growth, The Rouse Com and Simon Property Group.

Under these conditions, developers have to attract in the same time young and old people in order to maintain their success. Teenagers visit them the most with 12.4 times per quarter in 2003. 65-year old people spent the longest time with 92.8 minutes compared to 88.8 minutes for 14 to 17 year-olds. The biggest spenders were those who stayed the longest with \$ 83.30 per visit in 2003 versus 66.70 in 1996.

Latinos spent the most at department stores with \$ 52 per visit and Asians 107.80 in specialty stores.

**Mall-based retailers decreasing market share.**

In 1994, retailers located in shopping centers accounted for 39% of total non-food retail sales. Today, this figure has fallen to 18.5% from 19.5% in 2002 according to 2003 figures and a survey conducted by New Canaan.

Top 10 retailers who have posted in 2003 the greatest dollar increases in sales year-over-year were **off-malls** with \$ 739 billion in sales compared to 167 billion for mall-based retailers. At the top of the list, Wal-Mart, The Home Depot and Lowe's.

**Wal-Mart just unveiled an aggressive expansion plan for 2005 and has set new records in the first H 2004.**

According to this program, it expects to open in the U.S approximately 40 to 45 discount stores, 240 to 250 Supercenters (including 160 relocations or expansions of existing stores), 25 to 30 Neighborhood Markets convenience stores and 30 to 40 Sam's warehouse clubs, 30 of these units will be relocations or expansion of existing stores. It also expects to build 3 new regional general merchandise distribution centers and 3 new food distribution centers adding about 500,000 new sq.m, all that on its existing markets or 10 foreign countries : Argentina, Brazil,

Canada, China, Germany, Mexico, Porto Rico, South Korea, U.K and Japan through its stake in Seiyu.

The world's retail giant has posted a net profit growing by 11.89% to \$ 4.8 billion. EBIT climbed 16.4% to \$ 8 billion and revenues by 12.7% to 135.9 billion.

Same-store sales rose 5.2% including 4.5% by food discounts and 8.8% by Sam's warehouse-clubs. Revenues from international operations generated EBIT growing by 38.7% to 1.3 billion on sales up 19% to 21.79 billion. Global sales for the period were 135.91 billion.

WM has just launched a \$ 10 billion program of its own shares buying back which takes the place of a previous program of 7 billion that made it able to buy back for \$ 4.64 billion of its own shares.

**Delhaize Group acquires Victory Supermarkets.**

The Belgian international food retailer announced that it has acquired this supermarket chain, through its local subsidiary, Hannaford, for an amount of US\$ 175 million. This complementary acquisition reinforces its presence in Massachusetts and New Hampshire and will have a positive impact in the net earnings early 2005.

Victory Super Markets, funded in 1923 by the DiGeronimo family, operates 19 supermarkets with annual sales of \$ 385 million. The transaction should be closed before the end of this year.

**The Home Depot reported a record second quarter.**

World's largest home-improvement retailer announced an 11% sales growth to \$ 19.96 billion compared with 8.2% in the second quarter 2003. Net profit increased 19% to 1.55 billion in the quarter ended August 1 compared to 1.30 billion a year earlier. It is its largest second-quarter gain since 2000 and its fifth consecutive quarter of positive same-store sales.

For the first half of the present exercise, net profit grew by 19.8% to 2.6 billion compared to 2.2 in 2003. For the whole fiscal year, it anticipates earnings per share to grow between 14% and 17% from 10% and 14% previously stated and confirms →

**NORTH AMERICA**

**UNITED STATES**

**Shopping malls : customers visit them less often but spend more.**

According to ICSC, this phenomenon is partly attributed to quality "Lifestyle" (cf.LLDI July 2004) centers which gather department and specialty stores, ranging from art framers and hobby shops to well-known signs such as Pottery Barn and Abercrombie & Fitch- in a pleasant landscape with fountains, decorative alleys and children's playgrounds.

Department stores are still struggling as their consumers spend \$ 36 per visit compared to 34.10 seven years ago while specialty stores are growing substantially with 42.20 per

its sales growth of 10% to 12%. In addition, it continues investing \$ 2 billion in the renovation of its stores and technology.

During this period, Home Depot increased its service activity "Do it for Me" by 27%. Carpets, kitchens, windows and roofing were all top performers. It closed the acquisition of 20 Mexican Home Mart stores, which brings its total to 42 units in Mexico. It also opened 48 new stores in the U.S bringing its total count to 1,788 and increased its selling space by 9.8%. It also acquired 18 Kmart discount stores for \$ 271 million and unveiled it targets China.

In addition, it announced a major program to hire more veterans, helping to support America's military job seekers including former members of the U.S. military, National Guard members, reservists and military spouses. This initiative is supported by the ministry of Defense, which will provide a link on its own Web site to Home Depot program to enable them to apply for employment with Home Depot. The Labor minister is also collaborating to it. "The cooperative efforts between the US Departments of Labor, Defense, Veterans Affairs and the Home Depot is a great example of how the public and the private sectors can work together to honor military veterans and their families by ensuring they have good career opportunities when they return home." said the Secretary of Labor. Since June 2002, Home Depot has employed several thousands of people through this program.

### **Can fast foods provide customers with healthy food?**

The fast food industry, a \$ 144 billion market, is attacked from all fronts because of obesity. It serves almost a third of all American adults every day but, as two-thirds of them are officially overweight, chains are blamed as responsible of this crisis.

They look for remedies but launching new healthier menus is not an easy task as basic criteria cannot be ignored : fast food has to be well and fast, taste good and everywhere taste the same, and service must be fast.

Chains, such as Wendy's, are pondering over alternatives such

as orange slices instead of French fries. Originally, it considered offering melon cubes but it could not find any reliable supplier and to slice melon daily took too much time. Finally it succeeded in having oranges delivered by its salad supplier. Once the logistics problems are solved, it remains the uncertainty as consumer's choice.

In spite of the various diets popularity, the more strict recommendations about cholesterol level and concern tied to obesity, most of the Americans do not want to eat healthier food and always choose in priority burgers, fries and soda according to a market researcher at NPD Foodworld. Here lies the real dilemma the fast food industry is facing. It is adding new menu items, really healthier, but without meeting too much success, or menu alternatives that create the illusion they are healthier even if though they are not, while continuing to sell the same products as, after all, the customer is always right.

But why do fast foods still sell greasy meals and why are they so reluctant to be concerned by health trends? During the Nineties, all sporadic attempts failed : the McLean Deluxe burger from McDonald's, a 91% fat-free patty containing seaweed derivative, was the largest disaster in the giant's history. The "Border Lights" from Taco Bells was also a failure because of its taste and its price as healthier items are more costly to produce. Consequently, fast food chains began offering salads in 2002. Now, considering the rigid parameters of the business, a limited space, a limited time and a customer with a limited budget, it was a challenge as that required production, sourcing, shipping and storage of new items whose life is shorter, all that needs more frequent deliveries. In the end, some salads may be better for health, all depends on the toppings and the dressing, which may have more calories, more sodium and more cholesterol than classic salads.

In fact, consumers' attitude has not changed much since 1989 and, as long as they like burgers, the fast food industry will not change much.

Source : Fortune

### **The mystery shopping.**

A growing number of companies is relying on anonymous "shoppers" to determine how they can improve customer service and firms such as McDonald's, Starbucks or Home Depot invest between US\$ 400 and 600 million a year in this business.

For the past decade, the system has grown and expanded from restaurants, retailers and hotels towards banks, insurance companies, auto dealerships, funeral homes and others. Today 500 to 600 firms of "mystery shoppers", who act as middlemen between the shopper and the client, analyze data and show their clients how to improve service while using the shoppers' reaction. It is estimated that there are between 600,000 and 700,000 active mystery shoppers in the United States who are paid according to the degree of difficulty and the business activity : for example, food stores pay \$10 to 25, cinemas 10 to 50 and florists 45 to 100 per mission. In such a context, a full time mystery shopper, who works 40 hours a week, can earn \$ 40,000 a year.

They must be observant, have a great talent in writing and behave as professionals. Their task begins from the very moment they arrive in the parking lot and finishes when they leave. For example, at Home Depot, they take mental notes on the manner they are welcomed at the store entrance, the missing products, pricing, employees' interaction, the overall look and the shopping experience.

## **ASIA**

### **Ten largest retailers in Asia and Oceania.**

Aeon has consolidated its position as a leading food retailer in Asia and Oceania thanks to a successful strategy consisting in taking stakes in retail firms to control them ultimately. It expects to sit among the top 10 global retailers over the next decade with sales of approximately US\$ 61 billion compared to 28.95 billion in 2003. In the past years, Japanese grocers were sitting in the top three positions but Woolworth's Australia has now overtaken the Japanese struggling Daiei in third →

place. Last year, Carrefour, which opened 19 hypermarkets and 105 food discount stores, declared that Asia would henceforth account for 50% of its future growth. Tesco, the 12<sup>th</sup> largest grocer in the region, has entered Turkey, China and Japan.

already established units closer than that distance before Carrefour entered the market. Prime Minister has answered he would think about it as he wishes the law to be the same for all retailers.

1 won : US\$ 1,149

retailer	country	net sales (US\$ bil.)	market share (%)
1 Aeon	Japan	28.95	2.8
2 Ito Yokado	Japan	20.43	2.0
3 Woolworths Australia	Australia	18.12	1.8
4 Coles Myer	Australia	17.52	1.7
5 Daiei	Japan	17.04 *	1.7
6 Uny	Japan	10.07	1.0
7 Seiyu	Japan	8.08 **	0.8
8 Lotte	South Korea	7.61	0.7
9 Carrefour	France	5.24	0.5
10 Shinsegae	South Korea	4.95	0.5

\* estimation

\*\* 10 months

source : M+M Planet Retail

### Carrefour plans to invest massively in South Korea and designates the country as its « priority investment site ». In Thailand, it requests changes to zoning laws.

Carrefour, which operates 27 hypermarkets in Korea, will invest more than 250 billion won a year from 2005 to open outlets in each city of more than 300,000 inhabitants, announced Koh Seung-tae, a director of Carrefour Korea.

Carrefour has chosen Korea because of its large growth potential and invests in it more than in any other country designating Korea as a priority site. From 2006, it will open at least five hypermarkets a year. In the longer term, it will expand the store count in Seoul from 7 to 25 and continue adding new ones. Since it entered the market in 1996, Carrefour has been one of the largest multinational firms operating in this country having invested 1.6 trillion won up today. In 2003, it generated total retail sales of 1.44 trillion won and was the fourth largest hypermarket chain after E-Mart, Home Plus and Lotte Mart.

In Thailand, Carrefour, the country's fourth largest hypermarket chain behind Tesco Lotus, Big and Siam Makro, has requested changes to zoning laws while visiting the Prime Minister. In fact, the current law forbids any new store within 15 kilometers from a town, which is unfair, as its competitors have

## CHINA

### Sales increase as incomes rise.

While retail sales in China jumped by 13.1% in August to US\$ 51.5 billion, after 13.2% in July from a year earlier according to the National Bureau of Statistics, incomes followed the same way upwards and Chinese were able to buy holidays, cellular telephones and computers this summer. Totally, in the first eight months of the year, sales grew by 12.9% to \$ 407 billion.

Disposable incomes per capita in urban areas, in which a third of the population is living, rose 12% to \$ 582 billion in the first half 2004. The impact can be seen in travels as approximately 2% of the Chinese travel abroad and this number grows between 15% and 20% each year according to Abacus International, Asia's largest airline ticket sales agent.

As consumer spending rise in cities such as Beijing and Shanghai they attract foreign investors. Aeon from Japan has announced that it will open about one hundred outlets in China including the first one before the end of this year. Richemont, the world's second-largest manufacturer of luxury goods, would increase its shops in the continent by a third by 2006 in order to answer demand for Cartier watches, Dunhill leather briefcases and Mont Blanc pens.

In large cities, retail sales grew by 14% in August to \$ 34 billion and by 11% to 17.4 billion in rural areas. Food sales jumped by 28% partly due to the price increase. Higher crude price and rising car ownership lifted sales of oil and oil products by 49%. In fact, car owners in urban areas doubled to 2% of households in the first six months from a year earlier. But demand is slowing as the government is holding car loans. Hence people delay their purchases as they expect prices will continue falling (down 13% in August from a year earlier).

In August also, China's car sales grew by 9.8%, telecommunications equipment 39%, textile 25%, furniture 34% and home appliances 1.3%.

Source : International Herald Tribune

### China will open bookstores completely to foreign investors by the end of this year. However to invest in the publishing sector is not yet 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 the publishing market is evaluated to 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. In front of them, Chinese publishing firms are mainly government-controlled institutions. ■

# HOW POLICY EVENTS AND HEALTH CONCERNS INFLUENCE GLOBAL RETAILING IN A MORE AND MORE VOLATILE WORLD

9/11, 2001 events in New York, wars in Afghanistan and Iraq, the SARS outbreak in Southeast Asia, the Madrid train bombing and the U.K foot-and-mouth disease crisis early 2001, all that contributed to paralyze many markets around the world and heavily impact national and international travels depriving of tourists some cities among the most appreciated. However, consumer expenditure figures from the third quarter 2001 show the breakdown of national spending both robust and very volatile.

After 9/11, global expenditure of Japanese and Americans dropped significantly during the whole year and the recovery is in its infancy and remains sensitive to events such as conflicts in Middle East. However, in the middle of this dullness, the tourist number in New York, reached a record level in 2003. This shows a huge drop in visitors coming from overseas, which is still true currently, and a huge increase in domestic tourist number, many of whom would have normally spent their holidays outside the U.S.

## **Increasing expenditure.**

At the opposite, tourism in Russia and China, two booming markets, was very little impacted by the political instability around the world. Citizens of these two countries maintained growing global expenditures since Quarter 3, 2001. China alone strove to slow-down the rhythm while imposing restrictions on travels during the SARS last year. More recent figures indicate a new strong growth. India, the third country of this emerging triumvirate, also shows an important increase of its expenditure in 2003 indicating that the global influence of these three countries is beginning showing.

Consumer expenditure in Europe remained rather solid in the last three years. No doubt it is the reflect of a certain experience of terrorism on the continent while Middle East travelers seem to be rather immune from the terrorist threats.

"The volatility in travel patterns is clearly a major worry for retailers that are dependent on air travelers or tourists, be they operators with a large portfolio of airport locations, destination stores such as Harrods or Bloomingdale, or retailers with the bulk of their outlets in tourism hotspots," declares Bryan Roberts, a market research at M+M Planet Retail.

It is curious to see that expenditure in Middle East seem to drop at the very moment a prejudice is perceived against Arabs in western markets. Countries such as Dubai are trying to capitalize on this by organizing

important commercial promotions such as the "Summer Surprises" in 1998 while traditionally many Arabs leave the country, because of the heat, to visit famous cities in Europe or America.

"Our main targets are the Gulf Countries Council Countries (GCC) and some Arab and African countries" says Saeed Al Nabouda, CEO of Dubai Summer Surprises. "Last year, we had 1.5 million visitors, up 20% from the previous year, while spending increased 15% to touch US\$ 410 million". Jeddah (Saudi Arabia), Doha (Qatar), Sharjah in the Emirates and Salalah in Oman have set up similar operations following the success met in Dubai.

Egypt welcomed 6 million tourists in 2003, a real record as it was a 20% increase versus 2002. Dubai has become "the fastest-growing tourist destination with a 32% increase to 5 million (2 million coming from Arab countries), Syria reached 2 million, a 17% increase, and Lebanon was up 14.2% to 656,000.

## **Growing attraction of Hong Kong.**

Hong Kong, particularly hit by the SARS crisis, curiously organized its own festival on 31 August and the number of its visitors was very close to the 2002 peak level. However, if more than 10 million people visited the region in the first half 2004, retailing was still 26% below the 1997 level, the date of the end of British sovereignty, according to the association of local retail managers.

While Hong Kong registered a modest growth in its visitors from USA, Europe, Africa and Middle East in 2002, real growth came from regional and Chinese tourists.

## **The wealth and travel destinations.**

To rely on emerging countries might be the proof of a short-term policy thinks Hana Ben-Shabat at AT Kearney. "Population mobility is directly related to two factors : wealth and travel destinations. There are must-see destinations on a global scale, which each person at a certain income level must get to at least once in their life –like Paris, London and New York. However, once a person has been, it is likely that they won't go back. I recall the same factor for Vienna after 1989, which has become nightmare for the city as its toll highway between Vienna and Budapest was planned with peak-post communist traffic in mind."

## **What impact on retailers?**

How can retailers resist against such pressures? "The key here is diversity; diversity in location, trading

format, product and consumer appeal. By lessening their dependence on any particular national or regional market, or mode of shopping, retailers should be better able to cope with anything the world can throw at them. The hope is that, for every market suffering from adverse conditions, there might be one that is unaffected or even thriving. That said, such diversification will be beyond some small retailers, so the best they can hope for is that the good times are good enough to see them through the bad."

Ben-Shabat agrees that "Most "traditional" retail is local, so should be reasonably robust to global events; it is much more sensitive to the local economy. However, some retail that is directly related to cross-border travel is obviously affected. The answer overall is one of portfolio management across regions, with risk-management processes in place to address and recover from events

quickly. Another immunization is innovation. Companies that can introduce true innovation in product or service can protect themselves to an extent."

But customers remain easily influenced. If there is a rumor of a potential attack they leave stores. However, vital signs of improvement are to be seen. In U.K, for example, monthly retail sales figures in London from KPMG show a 3.3% increase between July 2002 and July 2003. A great number of visitors, exceptionally high performance in the summer and a nice climate were enough to stimulate retailers. Hence, the rest of the U.K was re-established.

In fact, good retailers will always know how to cross hard times. ■

Source : Retail World

## SPECIAL STUDIES

# FRANCHISE IN THE UNITED STATES

In the United States, franchising creates one out of every seven jobs and the 760,000 franchised businesses generate more than US\$ 1.5 trillion in retail sales and offers direct career opportunities to more than 9 million Americans and indirectly to 9 other million according to Pricewaterhouse Coopers. Analysts estimate that a franchised outlet is opened every eight minutes. Consequently, this method, already popular since the middle of the Seventies to launch a new activity in America, should be the best one in the XXIth century.

There are two types of franchise that concern different products and businesses. Franchise related to firm activity sells the franchisor's products or services, using its trademark and operating according to a system provided by the parent company, such as training, operating and marketing methods. The plan of activity supplies, step

by step, the necessary procedures for major aspects of the firm, anticipates many management problems and supplies potential solutions to which franchisees are faced. They include : fast foods, oil change and car care stations, hotels, motels and convenience stores.

Product-distribution franchise sells the franchising firm's products. In most cases, it allows the franchisee to use its trademark and does not supply him with a business plan. Some include car dealerships, gas and service stations and soda distributors.

### Expansion factors increase opportunities in franchising.

Many factors affecting the economy have an impact on franchising. Economy is thus more service and technology oriented; it takes into account the growing

### Major retail franchises.

name	total stores	total franchised stores	total company sales (US\$ 000)	activity
SuperValu	1,515	825	20,209,679	food
Amerada Hess	1,195	383	14,311,000	convenience stores
7-Eleven	6,619	3,000	10,881,716	convenience stores
A&P	667	65	10,546,000	food
Wakefern	206	158	6,100,000	food
Giant Eagle	214	84	4,739,000	food
Radio Shack	7,042	1,921	4,649,300	consumer electronics
Saves-A-Lot	1,089	754	4,000,000	food
Circle K	1,663	408	3,741,750	convenience stores
Medicine Shoppe International	1,178	1,178	2,240,000	drugstores
Casey's General Stores	1,353	52	2,158,057	convenience stores
Clark Retail Enterprises	800	200	2,000,000	convenience stores
Fresh Brands	102	74	658,000	food
USA/Super D Drugs	113	24	627,000	drugstores
Medicap Pharmacies	180	180	403,000	drugstores
Sav-Mor Franchising	83	83	351,300	drugstores
The Body Shop	416	120	291,317	cosmetics

Source : Chain Store Guide

number of women entering the work force and the larger percentage of Americans growing older. As franchise answers to these changes, it creates career and activity opportunities.

**A major trend : the franchise development overseas.**

Some franchise categories are likely to grow rapidly such as home repair and remodeling, household furnishings, carpet cleaning and other maintenance services. They include services such as accounting, mail processing, advertising, package shipping, employment agencies, temporary help businesses and document copying. Other expansion sectors include automotive repairs and services such as a quick oil change and tune-up as well as services tied to environment and health, hairdressers, computers, children's services, educational products, apparel and telecommunications.

Another important trend concerns the expansion of the international franchise. Every firm that expects to invest in a franchise may want to enter a new country. More and more franchisors are looking for international franchisees. But it is a new type of franchising, different from the domestic franchising, which creates new challenges as well as new opportunities. A franchisee may need to know obligations about duties, tariffs and shipping requirements as well as the potential language and cultural differences. He also may have to adapt the franchisor's methods for use in the franchisee's country.

In addition, while a larger number of women enter the work force, they occupy responsibility positions in franchise and can launch new businesses, invest in one or several franchises or even occupy an executive position. According to the National Foundation for Women Business Owners, 9.1 million women own their business firms in the United States. It represents 38% of all businesses,

more than 27.5 million employees and more than 3.6 trillion in sales.

**Franchise and technology.**

There are several trends concerning technology used in franchise. Internet eases relationships between franchisors, franchisees and suppliers. Thanks to secured networks, all partners are able to share information, communicate operating methods and update them, deliver marketing news, manage the supply chain and automatically collect sales data. Franchisors use Internet as a new tool to reach consumers and potential franchisees, collect information and communicate with franchisors through the web.

**Franchise concerns 9 million people.**

It is clear that franchising is an expansion factor and career creator. Before launching in this way, it is essential to think about the necessary capital to start operating a franchise and different types of franchise. It is also necessary to analyze business performance, speak to other franchisees... It is necessary to be conscious that a fast increase is not automatically a guarantee of success. In fact, franchises that grow too quickly can be badly equipped to supply correctly all units. ■

**Major food service franchises.**

name	total units	total franchised stores	total company sales (US\$ 000)
McDonald's Corp	31,129	22,170	17,140,500
McDonald's Restaurant Group	30,187	22,157	15,998,500
Yum !Brands	33,039	25,372	8,380,000
Starbucks	7,427	2,807	4,075,522
KFC Corp	12,644	9,720	3,200,000
Wendy's International	9,291	7,637	3,148,912
Pizza Hut	12,063	9,467	2,450,000
Wendy's Old Fashioned Hamburgers	6,481	5,016	2,190,809
Burger King	11,223	10,144	1,525,000
Taco Bell	6,299	4,974	1,525,000
CKE Restaurants	3,284	2,033	1,413,437
Domino's Pizza	7,332	6,753	1,333,322

Source : Chain Store Guide



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## Developers are rushing to India to build shopping centers.

The continent has a population of 1 billion inhabitants. 70% live in the rural areas and 27 cities have more than one million inhabitants each. 30% are extremely poor and 150 to 200 million make up the middle-class.

It is the most democratic country in the world but its market economy is restrained by tight rules and regulations. For example, its protectionist system tightly controls foreign consumer goods' production to protect local firms from international investors and, for example, only Indians are allowed to own land and property.

### Traditional retailing and modern retailing.

As concern retail trade, -its sales would be at approximately US\$ 260 billion according to estimates- India is a developing market. Still today, 98% of the shops are small and owner-operated. Western-style modern retailing is mainly concentrated in the South states of Kerala, Karnataka and Tamil Nadu. Focus on the south is tied to rents. According to Jones LaSalle Research, in Mumbai and New Delhi, they are higher than in Los Angeles! While in Bangalore, Chennai and Hyderabad, they are a third of what they are in Mumbai.

Major international retailers have already been interested in the continent : Wal-Mart, Tesco, Casino would think about entering this market... Very few foreign retailers succeeded in entering the market such as Dairy Farm from Hong Kong and Shoprite from South Africa. They had the courage to open shops before 1997 and remained once the law was enforced. But only Metro has been authorized to open store in Bangalore and operate it as a wholesaler and not as a retailer.

The law, enforced since 1997 by the government in order not to be in opposition with the 10 million retailers, prevents every foreign retailer from opening stores. The retail sector is the second largest employer of the country after agriculture and accounts for 10% of the domestic GDP. Indian GDP growth stood at 8.3% in 2003 from 4.3% in 2002. But Foreign Direct Investments at US\$ 4.7 billion last year were up from

3 billion in 2002. Now, it is clear that without foreign investments the sector is doomed to stagnation.

**The "mall mania": up to 600 malls are likely to be opened or are in the pipeline by the end of 2009 from 20 in operation in 2004 according to KSA.**

The capital is the epicenter of this boom with as many as 100, even one 150 centers, planned for New Delhi and its suburbs in the next three years. Many of them may face problems because Indians visit them in order to enjoy air conditioning and a few only among them spend money. Thus, the percentage of visitors becoming buyers is about 10 to 15%. The middle-class people hesitate about spending money because they are convinced that prices are higher here. Now, mall retailers admit that they have to pay more for rent and electricity than in off malls but they refuse to admit they increase their prices in order to cover these added costs.

The real estate speculation is pushing the boom as the state and local governments are always ready to stimulate the phenomenon as they draw good profits. But the country has not always the necessary infrastructure to support all of these new malls. In fact, the daily flow of shoppers from Delhi to the Gurgaon centers creates traffic problems. Moreover, the electricity networks in Gurgaon are not always reliable so that new malls will need to have their own diesel generators... In addition as the water supply is also shaky, malls will have to dig wells. So many environmental problems have to be taken into consideration before deciding to build new schemes. ■

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