

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

MAY 2005 - Volume VII - N°63

SUMMARY

INTERNATIONAL	1
EUROPE	1
FRANCE	3
GERMANY	4
ITALY	5
BALTIC STATES	5
RUSSIAN FEDERATION	6
SWITZERLAND	7
NORTH AMERICA	7
UNITED STATES	7
ASIA	8
CHINA	8
INDONESIA	8
JAPAN	8
SOUTH KOREA	8

SPECIAL STUDIES :

- Is Dubai world's new commercial capital? **1a**
- Turkey's high demand for modern retail trade. Outlet shopping centers in Turkey and other various countries, excluding U.S.A **3a**

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

a monthly publication (11 issues per year)

Publisher : Patrice de Chabot

e-mail : pdechabot@chabot-associates.com

Chief editor : Brigitte Guillot

e-mail : bguillot@chabot-associates.com

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

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

Web site : www.chabot-associates.com

Subscription:

France 500.00 € (VAT incl. 5.5%)

Foreign 510.00 €

Siret : B418 771 481 000 11

INTERNATIONAL

Private-equity firms more present in retail.

Some private-equity firms research larger funds to be able to do larger buyouts according to The Wall Street Journal. It reflects a growing trend in this type of transactions.

Globally, these transactions are characterized as advantageous for the main parts : for example, the seller who obtains the necessary funds or the buyer who, by improving the performance of the acquired firms or selling undervalued assets such as real estate, has the opportunity to make a substantial return on investment. However, changes may be not considered as advantageous for the target companies, employees, management, suppliers, service providers and landlords.

Generally, private-equity firms are investment vehicles, which operate according to a simple process : "Buy low, sell high". They look for under-valued companies, make the necessary to improve performance and sell them with a nice profit five to seven years later. One approach consists in growing these firms and their value by opening stores or by new acquisitions.

A second approach consists in a quasi-liquidation that generates the store and further assets sale over time, building up cash reserves and increasing the company value.

Acquired companies often undergo a cultural change and the following factors :

- **profitability**. The new owner has to improve the bottom line and EBITDA (earnings before interest, tax, depreciation and amortization). He will ask for staff reductions and marginal store closings.

- **management changes**. The investor may work with the existing management or import new employees. He will have to follow a plan to reach goals, monitor performance and operate fast changes if results are not satisfactory.

- **expansion** is part of the plan through the opening of new stores and acquisitions. But the pace may be highly accelerated compared to plans of the company before its acquisition.

- **leverage** : in order to contribute to finance the acquisition and expansion, the debt will increase hence the pressure to maximize operating net income. Funds from the sale of assets via an offering in the period will mainly go to the hands of the investor and partly to the company.

- **negotiations** : to contribute to cut costs, partners may expect the company to adopt tougher positions, to ask for more demanding negotiating positions and focus on fast results.

Source : Chain Store Age

EUROPE

Tesco plans to open 40 stores in Central Europe in 2005 as it seeks growth outside its home market.

U.K.'s largest food retailer (2,318 stores in 12 countries) operates 194 units in Poland, the Czech republic, Slovakia and Hungary and seeks to increase this count to at least 234. It announced this decision while sales grew more slowly in Poland and Hungary under the pressure from Aldi and Lidl, which pushed it to cut its price.

In 1994, Tesco entered **Hungary** (more than 40% of its total floor space with 10 hypermarkets and 4 supermarkets). It was its first foreign market set to be its biggest market while considering its European expansion. In fact, as 16 new stores are planned in the year 2005/6, their total number will grow to 85. Some are likely to be hypermarkets occupying 7,000 to 12,000 sq.m of floor space.

In **Poland**, Tesco operates 48 stores including 17 trading under the →

Tesco banner and 31 under Savia and plans to add 10 to 14 hypermarkets and 6 supermarkets of 1,000 sq.m average area.

But this European expansion is only part of its international ambitions as Tesco has 200 units in Asia (China, Japan, Thailand, Malaysia, South Korea and Taiwan) and expects to expand in this world's region over 2006. In 2005, its sales area will increase between 5% and 6% including two-thirds in foreign markets. Concerning its future expansion, the retailer is relying partly on its international division especially in emerging markets.

In the 2004 fiscal year ended February 26, it said net income grew by 25% up from £ 1.10 billion (€ 1.57 billion) to £ 1.37 billion (€ 1.95 billion). Earnings before tax and exceptional items were up 20.5% to £ 2.029 billion (€ 2.9 billion). Sales rose 13.1% to £ 37.6 billion. Operating margin was maintained at 6.2% of sales. Tesco's international sales grew 13.1% to £ 7.6 billion in the latest year.

In order to battle Asda, Tesco cut prices and expanded its offerings to include clothing, paint and DVDs. This year it expects to grow its non-food sales as its market share in the sector already grew by 6% to 6.5%. In order to capitalize on it, Tesco is planning to increase its bank, insurance and apparel ranges.

Among its positive activities, the online business is now profitable and an agreement has been signed with the American food retailer Safeway, which uses Tesco's delivery system.

ITM has sold its German assets and reinforces its position in Europe.

The French Groupement des Mousquetaires holding (Intermarché, Ecomarché, Bricomarché...) has sold all its German assets to Edeka cooperative group, German's largest food retailer, eight years after it acquired Spar.

As soon as Spar reported its first operating loss in 1999, ITM decided two years later to close 287 in 389 supermarkets, to sell Kodi non-food discount stores and then Eurospar and Intermarché supermarkets ... the

total loss amounting to € 1 billion in Germany. Currently, Edeka acquires all the Spar shares (€ 2.3 billion sales in 2004), a 100% stake in Netto Schels (3 billion) and a 25% stake in Netto Stavenhagen (900 million) controlled by the Danish Dansk Supermarked. ITM retains Netto in France.

In addition, Intermarché reinforces a European procurement alliance, Alidis, established in 2002,

with the German Edeka and Eroski from Spain. Consequently, Agenor, the operating arm of Elidis, will increase its purchasing volume from € 8.5 billion to 13.5 billion. These three partners, each holding 33% of Alidis shares, argue that this way they have formed "The first alliance of independent retailers in Europe" with a € 75 billion purchasing volume.

Top retailers in Central and Oriental Europe in 2003.

rank/company	origin	store count	03 sales in € million
Czech Republic			
1 Makro	Germany	-	1,125*
2 Kaufland	Switzerland/Germany	-	1,035*
3 Ahold	Netherlands	-	1,026*
4 Skupina Rewe	Germany	-	705*
5 Tesco	United Kingdom	-	658*
6 Globus	Germany	-	570
7 Skupina Tengelmann	Germany	-	558*
8 Carrefour	France	13	354*
9 Spar	Austria	-	342
10 Delvita	Belgium	-	297*
Hungary		% food	
1 Metspa Supply & Trade	Germany / Austria	-	1,613
2 CBA Kereskedelmi	Hungary	9.9	1,597
3 Tesco	United Kingdom	69.5	1,397
4 CO-OP	Hungary	8.6	1 321
5 Provera	France	8.5*	843*
6 Real Hungary	Hungary	100	754
7 Tengelmann	Germany	9.5	688
8 Auchan	France	6.3	611
9 Rewe	Germany	9.8	532*
10 Honiker	Hungary	100	517
Poland			
1 Metro Polska	Germany	83	2,629
2 Jeronimo Martins	Portugal	672	964
3 Tesco Polska	United Kingdom	49	960
4 Auchan Polska	France	30	887*
5 Ruch SA	Portugal	3,005	825
6 Carrefour Polska	France	68	819
7 Géant Polska	France	150	751
8 Rewe	Germany	36	572
9 Ahold Polska	Netherlands	191	561
10 Milo	Germany/Poland	16	496
Russian Federation			
1 Metro	Germany	-	1,080
2 Pyaterochka	Russian Federation	-	755
3 Magnit	Russian Federation	-	580
4 Perekriostok	Russian Federation	-	455
5 Ramstore	Turkey	-	430
6 Sedmoi Continent	Russian Federation	-	420
7 Dixy	Russian Federation	-	360
8 Kopeyka	Russian Federation	-	195
9 Auchan	France	-	180
Slovak Republic			
1 Tesco	United Kingdom	55	429*
2 Metro	Germany	80	328
3 Billa	Germany	80	224
4 Kaufland	Germany	75	173
5 Carrefour	France	65	161
6 Ahold Slovakia	Netherlands	60	140

Sources : Lebensmittel Zeitung/Handel/Mojo Delo Moscou/Moderni Obchod * estimations →

In Poland, ITM Polska from France (89 stores, € 330 million in annual sales) and E.Leclerc (12 hypermarkets, 323 million) occupy respectively the 12th and 13th positions.

FRANCE

Bertelsmann's DirectGroup to strengthen its position in the French book market with the acquisition of Privat, the country's largest independent bookstore chain, for € 50 million.

German Bertelsmann, Europe's leader of book clubs, famous as a publisher controlling Random House and the Grüner+Jahr publications, is now launching into traditional book market. DirectGroup, its French subsidiary, holds 8% of the French book market with France Loisirs.

Privat, France's largest independent bookstore chain with € 125 million in annual sales and 26 branches in France and 6 in Belgium, has been registering a two-digit growth for those past years. In this operation, its name will be maintained, as the strategy is to be complimentary in the cultural product field with France Loisirs. On its side, France Loisirs could become the largest bookseller in France over 2010.

Bertelsmann DirectGroup		Privat by numbers in 2004	
Market position	32 million members worldwide	Stores	32 of 900 sq.m average area
2004 sales	€ 2.2 billion	Sales	€ 125 million
Operating earnings	€ 32 million	employees	700

Today France Loisirs is the market leader in France with 3.7 million members and sales of more than € 400 million. It operates 202 book clubs where members can buy books from the club's catalog. In 2004, France Loisirs began joining with independent bookstores in small cities by sharing space in stores located in central districts under the "Place Media" brand. As the operation was successful, its management was convinced to pursue Privat.

With this operation, Bertelsmann occupies the second position of the French book market behind Fnac (16%) and ahead of Centres Leclerc.

France's book market in 2003 : sales breakdown (%)

Mail Order and clubs (incl. France Loisirs)*	22.5
Specialty big box stores incl. Fnac	20.3
Bookstores	19.3
Non specialty big box stores	18.9
Various **	9
Press stores	8.9
Department stores	1.1

Source : TNS/Sofres

*including Internet (2.2%)

** including kiosks, discount stores...

Decathlon posted good performance in 2004.

Europe's leader of the sporting goods market has posted net sales of € 3.431 billion in 2004, an increase of 10.3%. Same-stores sales growth was 8.9% from 7.5% in 2003. EBITDA grew by 27.4% to € 371.5 million.

France accounts for 2.291 billion, up 5.3% and same-store-sales was up 4.5%. Henceforth its market share accounts for 66.77% from 69.8%. In foreign markets, its sales grew by 21.3% to € 1.140 billion. It expanded in each of the Group's 12 countries and its best performance was registered in Spain, Italy, United States, Brazil and Netherlands. In this 2004 exercise, Decathlon opened 16 stores and enlarged or moved 18 more bringing the total count to 330 including 218 in France.

Among Decathlon 2005 projects, nearly forty property operations including thirty new stores are to be found. Expansion will be pursued in Europe (Spain, Italy, Portugal, Benelux, Poland and United Kingdom) and in China. In addition it will expand in Brazil and in a new country, Hungary.

Go Sport, France's third largest sporting goods chain behind Decathlon and Intersport, launched a new concept in April in Nantes St Sébastien sur Loire.

This 1,400 sq.m sporting goods supermarket located in a shopping center anchored by Auchan is focusing on the sports technique

In short...

The Galeries Lafayette Group has published that its consolidated revenues amounted to € 1,225.7 billion down 1.4% in Q1 2005.

Genette Moulin, Group's new president of the supervisory board, announced that nearly all activities decreased : department stores (-2.3%), BHV DIY stores (-11.3%) and Monoprix variety stores (-1.5%). LaSer, that groups financial services, was the only branch to show a growth of 5.8% during the quarter. The bid launched April 28 by the Moulin family in partnership with BNP Paribas bank (both partners holding 61.1% of the capital and 70.47% of the voting rights) will be closed May 11...

Ikea will invest more than \$ 300 million in a first store in Ukraine.

This first Mega Mall will occupy 170,000 sq.m of retail space and will be located on a 49 hectare-site in Kiev. It will include an Ikea furniture store, a Ramstore supermarket and an Obi DIY store. It will be five times the size of Ukraine's largest center.

In addition, the construction of Ikea in Iekaterinbourg (Siberia) has been delayed, as the Swedish company would have not transmitted all the required documents to the environmental authorities to obtain the authorization!...

Conforama opened its 14th furniture store in Malaga (Spain).

It occupies 4,000 sq.m GLA and its warehouse 4,000 sq.m. For the first time, space dedicated to decoration accounts for more than 15% of the total...

The British chain of department stores Harvey Nichols, part of Dickson Poon's retail empire, will settle in Moscow while opening a full-size department store and is looking for sites that would suit its high-end assortment...

Ahold has reached agreement on the divestment of the 198 convenience stores of its US subsidiary Tops Markets to WFI Acquisition. Amount is not disclosed...

and famous brands of its partners. It is organized in 3 sections related to sports, performance, fashion and entertainment.

At the store entrance, a red arrow on the floor indicates the seasonal merchandise and the very new products in the sports technique and fashion. It leads the shopper directly to the store rear passing along two textile departments indicated in gray and green colors. To the right, various sports (golf, tennis, fishing, cycle, roller and a workshop), to the left, fitness, team and combat sports... The gray and black shopping environment tries to give the illusion of a gymnasium.

This new concept will be declined in all the network stores. Totally, the Group has 360 stores including 148 Go Sport, 148 Courir and 11 Moviesport... Of this total, 28 Go Sport stores are operated outside France including 20 in Poland, 8 in Belgium. Four are operated in franchise by Al Sawani Group in Saudi Arabia. A new one will be opened in Jeddah in the Serafi Mega Mall shopping center this July. A partnership agreement with Retail Corp of the Nakheel empire in Dubai plans to develop the Go Sport network in the Emirates, Qatar, Oman and Bahrain. Another partnership agreement with Mercure International of Monaco will help Go Sport to expand in the French overseas territories (Guadeloupe...).

Carrefour on a rebound in France in the 1st quarter 2005.

In this period, sales grew by 3.9% to € 19.59 billion compared to the same period one year earlier and were up 4.8% excluding currency. In France, revenue increased by 0.9% to 9.38 billion or approximately 50% of the total business.

French hypermarkets grew sales by 1.6% in spite of a decline in food. The net calendar effect in the period was down 1.6% taking into account the number of trading days and the timing of Easter. Supermarkets sales were up 1.2% but like for like sales fell 2.0%. Hard discount stores sales grew by 4.4% but like for like sales fell 0.8%.

In foreign markets, sales excluding currency grew by 8.7% to € 10.2 billion. Excluding France,

sales in Europe grew by 5.4% and respectively by 5.7% in Spain and 4.6% in Italy. Asia and Latin America sales were up by two digits with respectively 23.5% and 11.5% (deconsolidation of Japan and Mexico was taken into effect from January 1st). Carrefour added 300,000 sq.m of new space including 20 hypermarkets, 37 supermarkets, 79 hard discount stores and 124 convenience stores bringing the total count to 11,261 units worldwide.

World's second-largest retailer in revenues after Wal-Mart Stores signed a partnership agreement with the Group Aligros in Italy, in the Apulia region (€ 160 million sales). This agreement concerns more than 160 stores, mostly convenience stores, which currently operate directly or as franchises under the Gulliper, Gulliver, Gully and Bondi banners and will progressively take on the Carrefour banners according to their size. Carrefour will hold 70% of the Sviluppo Alimentare company. Aligros will continue to manage directly its other activities such as cash & carry, non-food and real estate.

At the end of 2004, Carrefour Italy operated 1,128 stores and achieved sales including tax of € 6,608 million.

Food chain Casino revealed stagnation of sales in France during 1st Q 2005 (+0.2%).

Consolidated net sales for the Group amounted to € 5.075 billion, an increase of 1.2% at constant exchange rates. In France, which accounts for nearly 80% of the total activity, sales were stable, up 0.2% only at € 4.038 billion underpinned by the opening of more than 29,000 sq.m of retail space. A negative calendar effect (-1.5 point), a strong increase in volumes of private labels and low price products sold (+9%) and price cuts (30 to 60%) impacted sales.

French hypermarkets same-store-sales growth decreased by 1.7%. Supermarket same-store-sales were down 1.7% in spite of 7,800 sq.m added over the quarter. Franprix and Leader Price sales grew by 0.9% only.

In international markets, sales grew by 5.3% to € 1.037 billion at constant exchange rates as strong

performance was reported by American stores, which grew sales by 1%. In Latin America, they were up 19%, in Asia 8.0% and in the Indian Ocean 0.4%. Poland decreased by 0.8%. Regarding companies accounted for by the equity method, Brazil organic growth was up 16.3%, Columbia fell 4.3% and Netherlands, still impacted by declining food prices, fell 9.3%

Following Carrefour at the end of 2004, Casino will spin off some of its real-estate assets into a separate vehicle, which it plans to list on the stock exchange in the second half of this year. Casino will retain a majority ownership in it. These assets include 150 sites, mainly shopping galleries next to its supercenters and its coffee-shop shells with gross rents of € 65 million in 2004. They are valued between € 800 million and 1 billion. However, hypermarket shells will not be concerned by this operation that should help the Group to cut its heavy debt which stands at € 5.5 billion.

GERMANY

KarstadtQuelle posted a big net loss in 2004 due to a stagnant market and a fierce competition.

Chief Executive Officer, Christoph Achenbach, resigned ten months after his arrival at the Group's head, while Karstadt Quelle is facing a serious crisis following the merger of the Karstadt department stores with the Quelle mail-order business. However he avoided the company to go bankrupt in October 2004 by a drastic saving plan of € 760 million aiming to cut 5,500 jobs from his work force of 100,000, the sale of assets, a capital increase and a longer credit line.

The 124-old-retailer stopped a coffee-shop joint venture with Starbucks Corp, sold its interest in DSF, a sports TV station and the logistics business to Deutsche Post. But it has still to divest the 75 department stores estimated at € 500 million, which may interest the PC Partners private-equity firm. Beyond department stores, the Group has also to divest specialty stores. The total operation should bring € 1.1 billion in cash. In a longer term, the work force will be cut to 54,000 →

Is Dubai world's new commercial capital?

Stores, hotels, offices and conference halls are building at a frantic pace in the desert, along the Creek River, even along the coast of the Emirates' second largest city. Three million tourists and businessmen visit Dubai every year, a figure that might grow to 15 million by the end of the decade according to the government.

Western retailers are complaining about a clear lack of available economic indicators and, consequently, it is difficult to forecast expansion potential or the level at which offer will exceed demand of shopping centers.

As Dubai is a tax less country and as business is generally family-owned, there is no legal obligation to publish sales and profit data. Now, the government would be working on the necessary operational and bureaucratic changes, as he wants to be innovators and make Dubai the largest worldwide destination for retail.

Dubai real-estate market boom has started in the mid-Nineties.

At that time, prince Sheikh Mohammed decided to diversify economy in order to offset the decrease for depleting oil wealth. Since that time, Dubai, the land of eternal sunshine and shopping, ventured not only into tourism but also in technology and financial services. The government invested highly in the promotion of the region showing it as a holiday destination. This strategy seems to be paying off. Generally, future purchasers combine holidays in Dubai with the study of the local real-estate market with affluent Gulf investors buying either for themselves either to rent.

While residential prices grew by 30% to 50% each year in the past two years, investors' appetite does not show any sign of slowing down. Large projects are conducted by two local actors such as Emaar and Nakheel who are also the country's largest investors. Emaar Properties is listed on the Dubai Financial Market and the government owns a 32%-stake in its capital. Nakheel is the construction business of Retail Corp that manages and supervises a portfolio of various activities and projects on behalf of the Dubai government. Foreign investors and developers, specialized in commercial real-estate, are not very active in this region as they consider it at high risk considering its proximity to Saudi Arabia and also because it is more difficult to buy building land in Dubai.

Shopping centers proliferate.

Deira City Centre is located in the historic hub of Dubai. Burjuman (47,000 sq.m GLA) doubled its surface last year with 60,000 new sq.m and introduced the brand of the American luxury department store chain Saks Fifth Avenue into the region. Wafi, an upmarket center,

is famous for its Egyptian-style architecture and was renovated and enlarged last year. Mercato was opened by end of 2003 in the Mediterranean style.

Souk Madinat, opened last fall in Jumeirah, south of the city in the "New Dubai", represents the new generation of malls. This multi-used complex includes hotel, stores and entertainment and is located close to the Al Burj Arab hotel, and is looking more Hollywood than a mall. Dragon Mart, opened in December 2004, is a commercial building in a dragon shape designed to attract Chinese firms.

The commercial success of this small country will be dictated by 5 large projects. The first one is **Ibn Battuta Mall** forecasted for this spring 2005, in the south of Dubai. Initially, it would have been called Gardens Shopping Mall. The interior decoration is based on the travels of the Arab explorer Ibn Battuta. It is a 150,000 sq.m on one level and one-kilometer long mall with five different courts illustrating Spain/Tunisia, Egypt, Persia, India and China. It is to show the region's rich heritage and culture through a decoration designed to represent some countries in which Ibn Battuta traveled

A ski slope in the desert. Arabia's Disneyland.

In the **Mall of the Emirates**, the indoor ski slope is being built and will be the first operation of this size in Middle East, a region where entertainment facilities are the necessary ingredient of any commercial complex, malls being considered as air-conditioned social centers. Among anchors, Carrefour, Debenhams, Home Centre, Magic Planet, Virgin Megastore, Zara and Decathlon are to be found. Agreements were signed with Mango, Bershka, Monsoon, Hugo Boss, Esprit, Benetton... Over the next five years, Dubai should be at the crossroads of Hong Kong and Las Vegas and would be considered as Middle East's first destination.

Dubai Mall will include 1,200 stores. **Dubai Festival City**, this huge multi-used complex is the region's largest real estate operation along the Creek River and extends on a 3.5 km site. It accounts for an investment of US\$ 164 million and will include mainly :

- a shopping center called "The Crescent" of 99,275 sq.m GLA designed in 4 themes : auto, home, food and clothing. It will be anchored by a hypermarket. Ikea, Marks & Spencer (6,000 sq.m), Toys R US (3,500 sq.m) will be there. Plugs In, Middle East's largest electronic hypermarket, will share its 2,000 sq. m retail space with Toshiba, Sanyo and National Panasonic,
- entertainment part will include a 18-hole golf course. Ultimately will be opened :
- homes occupying 42,053 sq.m and built as a village

with a high street, retail stores and parking lots, totally 77 houses and 693 apartments,
- offices in a 50-floor building tower,
- 5 hotels including one of 600 rooms built on an artificial isle,
- 40 restaurants,
- a designed marina with a 25-meter width canal,
- a business center.

Financing is coming from private capital of Al Futtaim, a leading group in Middle East with interests in more than 40 companies specialized in auto, electronics, retail trade, insurance, advertising, computing...

Dragon Mart, a factory outlet mall

Dragon Mart, designed under the aegis of royal prince Sheikh Mohammed Bin Rashid al Maktoum, is the largest commercial platform for marketing and sale of Chinese products outside China and occupies 150,000 sq.m. From 3,00 to 4,000 Chinese tenants are expected. It

is a huge dragon-shaped mall whose head is 220 meters long, 210 meters wide and 18 meters high. The body extends over 980 meters long and 100 meters wide. A fountain in shape of a golden globe, dominated by the dragon, serves as an entrance and is the symbol of good fat for Chinese. It is located 12 kilometers from Dubai airport on a 800-hectare piece of land. The total project is led by real-estate developer Nakheel.

Two other large projects will be closed in 2006 in Dubai, they are :

- the world's first underwater hotel "Hydroparks"
- a snow resort covering three football fields in which 6,000 tons of snow will be renewed every day.

In a way, Dubai is becoming a second Miami for wealthy customers from Near and Middle East, Africa and Asia. ■

Sources : *The Wall Street Journal, Stores + shops*

SPECIAL STUDIES

Turkey's high demand for modern retail trade. Outlet shopping centers in Turkey and other various countries, excluding U.S.A.

Turkey's economic context.

For the last decade, Turkey has grown significantly on the economic and politic levels. Economic growth rate of 12.5% in the first half of 2004 was sustained mainly by a decrease of inflation—from 70% in 2002 to less than 10% by fall 2004— and by a decline of interest rates. Consumer spending were high in the first half of the decade and disposable revenues per inhabitant increased from € 2,414 in 2001 to 2,894 in 2003. These efforts were mainly driven by the country's desire to progress to EU accession.

This positive environment reinforced consumption leading to a commercial real-estate expansion. Turkey is a market presenting huge potential and foreign investors and retailers have been aware of it. Thus, the French Carrefour already operates 12 hypermarkets, 7 supermarkets and 255 hard discounts. Swedish furniture Ikea opened its first unit in Istanbul in April and plans to add 4 further ones over the next four years. Tesco is already active with 5 hypermarkets through its acquisition for US\$ 163 million in 2003 of the Turkish Kipa retailer, the country's largest supermarket chain based in Izmir. Tesco seeks now to reinforce its presence in the country. The German Metro is not far behind with 16 Real hypermarkets and cash & carry and 8 Praktiker DIY big-box stores. Wal-Mart would be interested in Migros Turk (€ 1,314 billion in consolidated sales). Signs such as Starbucks, Vero Moda, Gérard Darel, Massimo Dutti... are already present in this market.

Factory outlet shopping centers emerged in Turkey in 1997.

Until a recent period, most Turkish consumers still did their daily shopping in the bakkals, small traditional convenience stores selling a complete assortment of merchandise, from tobacco and confectionery to fresh fruits and vegetables. But, according to Pricewaterhouse Coopers, 2003 was a significant year for local retail. For the first time, supermarkets and hypermarkets beat bakkals by sales that very year. In 2002, modern big-box stores owned a 33.3%-market share and bakkals 34.1%. One year later, bakkals's share had declined to 33.1% and large stores jumped to 33.9%. PwC plans that modern retail trade might reach almost 50% in 2005.

It seems that there was a change between rural and urban shopping habits as the western-style modern stores emerged in Istanbul, Ankara, Izmir and other large cities. There, consumers are better informed of the international trends, their revenues are higher and they own cars.

This growing sophistication has an impact on real estate. In Istanbul, The Grand Bazaar is the prototype of the modern shopping mall as long ago as 1461! The first real shopping malls appeared in the early Nineties based mainly on the French model, with a hypermarket anchoring a gallery of diversified stores. A draft law is before the Parliament to impose planning controls on big-box stores. Hence, opening authorizations will be required for every new store exceeding 400 sq.m of retail

space. Stores of up to 3,000 sq.m will have to require the consent from the local governor and those of 15,000 sq.m the agreement from both the governor and the local authority. Complexes exceeding 15,000 sq.m will have to refer to the Minister of Commerce and Industry in Ankara.

The chart below shows that with five factory outlet centers occupying 97,873 sq.m, Turkey is receptive to the formula. Famous western brands such as Levi's, Nine West, Quiksilver, Pierre Cardin, Reebok or Tommy Hilfiger rent retail spaces there. Marks & Spencer is very successful. Among fast food chains present in these centers, American brands such as Burger King, Kentucky Fried Chicken and McDonald's are to be found there. But, globally, 80% of stores are local. Three centers in five include a multiplex, another one is in discussion to add a Cineplex as Turkish consumers are very fond of entertainment in shopping centers.

New trends.

These shopping centers are particularly visited by women but the trend is slowly evolving. In fact, in large cities such as Istanbul, Ankara and Izmir, as they are working full-time, men share a part of the household's duties.

In addition, Turkish shoppers like shopping with friends and sharing advice on what to buy. Hence the strong influence on the decision. Family shopping is also an important part of the social activity during the week-end, especially because centers are considered not only as an opportunity to do one's shopping but also to enjoy leisure activities.

The week-end customer is different from the week's one. The shopper belongs to middle-income and middle-to high income families, and middle-income women prefer shopping during the weekdays for the best sales. A few consumers research designer apparel but food still accounts for up to 60% of consumer spending.

Real-estate market.

The Turkish government offers advantages to foreign companies who have the desire to enter the country such as a customs tax exemption and an investment allowance. In addition to that, the growing economy boosts demand for better housing and retail stores as household incomes increase.

According to the most recent survey by Urban Land Institute-Pricewaterhouse Coopers on the best development prospects in 26 markets including Barcelona, London and Stockholm, Istanbul comes first ahead of Moscow that occupies the second position, Milan the third and Paris the 4th. In Turkey, the real estate market is still more local than international. Investors expect higher returns to compensate for market's risks including fiscal policies, the issue of Kurdish separatists and earthquakes...

Retail sector is attracting more interest. With high

return on investments, approximately 14.5% for a prime shopping center in Istanbul and 16.2% in Ankara, the country is much more interesting than Western Europe (a prime shopping center in Spain for example would generate a yield as high as 6% to 8%).

Shopping centers have been developing in the past six to seven years according to Cushman & Wakefield. Most are anchored by a hypermarket such as Germany's Real and France's Carrefour or a large local Gima supermarket. Gima, 60% owned by Fiba, is Turkey's third-largest supermarket operator with 81 stores. Some projects among others in the pipeline will be either anchored by a department store or a home-improvement big-box store in addition to a large supermarket. However, there is a relative lack of very high quality store higher than 250 sq.m. According to the recent research by CWHB, Turkey does not have more than 24 sq.m of shopping center floor space per 1,000 inhabitants compared with an average in the 25 EU member states of 159 sq.m.

But all is evolving rapidly. In 2005, 120,500 sq.m are expected to open and 2006 should be a record year in terms of new floor space. Local developer Cevahir is building a mixed-use complex (stores, homes, offices) in Sisli, a residential district of Istanbul. It will occupy 178,000 of the 284 500 sq.m announced to open next year. This project will account three times the size of the largest centers already in operation in Turkey. Future projects under construction will mainly attract local retailers and western brands operating through franchise agreements.

According to Urban Land Institute, the planning process for future international developers and investors is arduous. Consequently, it is better for them to team with local actors to cut the bureaucratic difficulties.

Moreover, the government has the intention to redesign the city of Istanbul to reduce the impact of earthquakes. A careful survey by officials reveals that a good part of the city is built in high-risk areas. Under these conditions, they lead a project that consists in building 500,000 houses over the next twenty years in order to move inhabitants away from these areas. A lot of money has been invested in the study of this infrastructure redesign including roads and reservoirs. In fact, 20% of Istanbul's houses have to be either demolished or reinforced especially in southern parts of the city. But last year the government decided to start the project. ■

Sources : VRN/Retail World/Wall Street Journal

Recent and planned factory outlet centers, including Turkey but excluding USA.

Project	Site	Developer	GLA in sq.m	Opening :
Austria : - McArthurGlen	Salzbourg	McArthurGlen Europe	25,998	2007
Belgium : - de Voorhaven - Ardennes Outlet Center	Gand Verviers	- De Gentse Voorhaven - Comer Group	8,542 14,992	planned 2005
Denmark : - Premier Outlets Center	Ringsted	TK Dev / Miller Dev	12,999	Fall 2006
France : - McArthurGlen Bordeaux - Usines Center Paris Nord 2 - Villages des Marques Freeport	Bordeaux Paris Roissy Roppenheim	- McArthur Glen Europe - Klepierre/ Segece - Freeport Leisure	23,213 16,491 46,425	planned planned 2006
Germany : - Bremen Outlet Center - Ingolstadt Village	Bremen Ingolstadt	Dr Rolf Müllman Value Retail Plc	6,497 11,922	N.A Summer 2005
Hungary : - GL Outlet Centre	Budapest	Group GL / Strabag	11,994	planned
Ireland : - Ballymac - Kildare Village	Dundalk Kildare	ING Value Retail	15,479 9 285	Spring 2006 Summer 2006
Northern Ireland : - The Outlet @ Bridgewater Park	Banbridge	GML Estates	19,034	June 2006
Italy : - Fashion District Molfetta - Barberino de Muggello - Fashion District Santhia - Designer Outlet Naples - Factory Outlet Sestu - Factory Outlet Partinico - Factory Angiari	Bari Florence Milan Naples Sardignia Sicily Verona	Sandretto / Draco McArthurGlen European Dev Sandretto / Draco McArthurGlen European Dev Gruppo Policentro Gruppo Policentro Gruppo Policentro	32,033 20,984 13,928 25,070 17,642 17,642 17,642	June 2005 Nov.2005 2005 2006 2005 2007 June 2006
Netherlands : - Rosada Factory Oultet	Roosendaal	McMahon Dev.	12,535	Spring 2006
Poland : - Fashion House Gdansk - Fashion House Varsovie - Factory Wroclaw	Gdansk Piaseczno Warsaw	The Outlet / Liebrecht & Wood The Outlet / Liebrecht & Wood Neinver	23,213 23,213 10,214	July 2005 Fall 2005 December 2005
Spain : - Factory Madrid San Sebastien - La Noria - Multi Factory Aljarafe	Madrid Madrid Sevilla	Neinver Frontier Outlets / FOISA Jose Carlos Vazquez	13 928 13,928 11,994	2006 planned planned
Turkey : - Izmit Outlet C. - Avantaj - Olivium - Deepo Outlet - Optimum	Izmit Corlu Istanbul Antalya Ankara	Bayraktar Holding Dinamik Turizm Ve / Tekstil Emintas Insaat, Ileri Toray Holding / Alkas C. Volga Construction / Alkas Consulting	28,77 10,750 27,984 17,351 13,011	April 1997 October 1997 April 2000 October 2004 October 2004
United Kingdom : - Conditioning House - Burntwood	Bradford, Yorks. Burntwood	Caddick Developments London and Cambridge	10,991 21,688	Planned Planned
United Arab Emirates: - Dubai Outlet Mall	Dubai	Atesco	375,000	Fall 2006

SUBSCRIPTION FORM

I suscribe to :

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

● France : 500.00 € (VAT incl. 5.5%)

● Foreign: 510.00 €

First Name: _____

Last Name: _____

Job position: _____

Company: _____

Activity : _____

Address : _____

Zip Code : _____ Town: _____

Tel : _____ Mobile : _____

Fax : _____ e-mail : _____

please return this form by e-mail, fax or by post to : Brigitte GUILLOT (bguillot@chabot-associates.com)
Chabot & Associates / LLDI, 7 rue Fould - 78600 Le Mesnil le Roi - FRANCE - Tél / Fax : (33) 1 39 12 17 93

full-time employees over 2008 from 74,500 in 2004.

The 89 remaining units will focus on the young and trendy customers and the mail-order business on families. According to the plan, the Group has to improve its merchandise, reduce the scope of merchandise, and reinforce its home brands focusing on high-margin products such as cosmetics, jewels and leather goods.

The Group reported a net loss of € 1.63 billion in 2004. It followed a profit of 108 million in 2003. Sales fell 6.8% to 13.45 billion from 14.43 billion in 2003. The loss can be explained by the 800 million-restructuring plan. The company has suffered in Germany as consumer spending remains stubbornly slow, a market in which it generates 90% of its sales.

As concern the present exercise, the Group expects to post EBITDA in excess of € 500 million.

Group's sales breakdown to September 30, 2004 (nine months) : € 10.08 billion

Mail Order	48%
Department stores	40%
Services	8%
Real estate	4%

Source : KarstadtQuelle

Wal-Mart is struggling in a country where hard discount stores are dominating.

Since its arrival in the German market at the end of 1997, Wal-Mart did not succeed to capture more than 2% of the national food sales or \$ 6.2 billion annually. Consequently, the U.S. giant has only a secondary importance in this market, which is hard to believe for Americans accustomed to its successful expansion. It already cut its store number from 95 in 2002 to 91 hypermarkets in 2004, a fifth the number of its competitor Kaufland. Hence its investments in upgrading store interiors and efforts to cut the loss estimated in the hundreds of US\$ millions. However, operations are close to profitability, a miracle considering the market's economic condition after generating positive cash flow in 2004.

Its large rival is the Aldi hard discount store chain, which dominates with a 19% market share and a network of approximately

4,000 units. Now, even when Wal-Mart can offer prices lower than Aldi, the difference is too thin to attract customers to its supercenters. In addition, Aldi has just launched a non-food concept store under the "1001" brand offering a selection of household, DIY, leisure, apparel and kitchenware in bulk in a 700 sq.m average area.

Thanks to its annual turnover and its size, Wal-Mart has scale advantages on global sourcing such as China-made toys and apparel. But this buying power does not extend to regional brands such as beer. The food assortment of Wal-Mart Germany is mainly local and is dominated by European brands in non-food. A German management with the knowledge of local tastes has been installed. Home brands were introduced in baby and cosmetic lines. The target is to focus on a better distribution efficiency and the building of relationships with local suppliers before considering expansion.

Regularly, Wal-Mart is facing the ver.di union, which declares the firm ignores the German rules of co-determination according to which employees are given a say in corporate decision. The union is also complaining that Wal-Mart does not inform it sufficiently about store closings.

In fact, what Wal-Mart Germany needs is to have more stores in order to use a more efficient advertising and better exert its purchasing power. Now building new 12,960 sq.m area Supercenters needs to go through a laborious process due to restrictive planning codes and a lack of sites. It would need to buy a competitor but, for the present time, nothing has been announced yet.

Source : Business Week

ITALY

Sierra Fund acquires two shopping centers in Italy.

Portugal-based developer is acquiring 100% of two Italian Shopping Centers, Valecenter and Airone.

Valecenter, located in the region of Venice, has 54,800 sq.m GLA and is anchored by a Carrefour hypermarket managed and owned by the French company. More than one million inhabitants live in its trading area. In its leisure part, there is a 12-screen multiplex occupying 11,700 sq.m of space and a bowling alley.

Airone (16,200 sq.m), close to Padova, is anchored by a Cityper supermarket and has a catchment area of 143,000 inhabitants.

These operations consolidate the presence of Sonae Sierra in Italy and increases its portfolio of projects under development notably Brescia and Biella.

BALTIC STATES

VP Market expanding to Eastern Europe.

In the Baltic Sates, VP Market operates 304 stores under different banners such as Minima (convenience stores), Media (supermarkets), Maxima and Hyper Maxima (hypermarkets) and further units under Sauluté and T-Markt in Lithuania, Latvia, Estonia and Romania. In 2004 it posted sales of € 1.2 billion, an increase of 15.8% from 2003; 1.4 billion is expected in 2005.

In Lithuania, the chain has a 34%-market share and operates 195 supermarkets. In Latvia, VP accounts for 22% with 88 units. In Estonia, it expects to add 20/25 new stores to the 14 existing and to open Maxima hypermarkets in Tallinn. Its controls the market and faces competition led by IC Baltic (15% of market share), Tallinna Kaubamaja and Lidl from Germany, which has planned to open its first food discount stores from 2006.

VP Market has the ambition to go further than the Baltics and to enter Bulgaria (the first unit will be opened this May 2005) and Ukraine and to open 13 further supermarkets

VP Market stores.

years	Lithuania	Latvia	Estonia
2000	101	-	-
2001	144	32	1
2002	165	48	1
2003	185	80	1
2004	195	85	13

Source : Lettre de Veille Internationale →

in Romania this year, which will be added to 7 already in operation.

RUSSIAN FEDERATION

Dixon's, British electronics giant, signed an agreement to acquire Russian electronics retailer Eldorado for US\$ 1.09 billion.

According to this agreement, Dixons holds the exclusive right to take control of Eldorado before 2011 on the condition to buy 10% of the capital in 2008. The official authorities have still to give their authorization.

Eldorado dominates the Russian electronics market with a 18%-22% share and operates 620 stores in Russia and Ukraine. Next are M-Video (7 to 9%), Tekhnosila (3 to 4%) and Mir (2 to 3%). This booming electronics and household appliance market should post sales growing by \$ 1.3 billion to reach 5.6 billion end of 2005.

Dixons has more than 1,400 high-street stores in United Kingdom, France, Italy, the Czech Republic, Greece and other European countries.

If the Russian economic growth is undergoing a slowdown, the share of private consumption in GDP increased from 7.5% in 2003 to 11.3% in 2004 according to the estimates of the officials. Retail sales grew last year by 31.8% to \$ 193 billion.

Source : *The Moscow Times*

Kingfisher announced its first Castorama store by end of 2005 in the Venice of the North.

The British retailer, whose ambition is to lead the Russian DIY market, reported a total investment of US\$ 1 billion to open 3 to 5 new stores a year in every large city of Russia over a 10-year period including 10 to 15 units in Moscow. The authorization of the first Castorama in the capital or in the suburbs is subject to the fulfillment of regulatory approvals and should open early 2006.

The first Castorama in St Petersburg, located in the vicinity of a Lenta supermarket, will occupy 12,000 to 13,000 sq.m of retail space and represents an investment of \$ 20 million. It is expected to open by end

of 2005 and will feature an assortment of locally made merchandise.

The Russian DIY/home improvement market is expected to generate \$ 5.3 billion in sales this year from 4.1 billion in 2004 and will likely reach 6 to 7 billion in the next years. It is now dominated by opened markets, which sell everything and are very popular because they offer good prices, a good service in good locations.

Kingfisher revised downwards its 1st quarter results and announced flat total sales for the quarter to 30 April 2005. On a like-for-like basis, Kingfisher's overall sales are expected to decline around 6% and retail profit by 15%. In addition, the Group signed an agreement to buy Obi Asia Holding and five further units due to open by end of this year in China. This operation should help it to grow to around 50 B&Q stores and to double its activities in the Popular Republic.

Among foreign DIY companies active in Russia, Germany's Obi, the first western firm to enter Russia while opening 2 stores in Moscow in November 2003. In 2004, the French Leroy Merlin followed it with two more units. Hence the recent impact on opened markets as big-box stores feature more interesting prices. The only Russian home improvement chain is Starik Khottabych whose stores are much smaller than the western chains and assortment relatively limited. But it claims to be a specialist while focusing on some lines of merchandise such as flooring or wallpaper.

Expansion plans of Sedmoi Kontinent, Pyaterochka and Perekriostok.

Sedmoi Kontinent, the only Russian listed food chain, has many projects and bets mainly on the fast growing purchasing power of its customers. It plans to open 20 supermarkets a year into the regions from 2006; 17 will be opened in 2005. Part of them will be hypermarkets under the "Nash" banner ("Us" in Russian language).

Sedmoi Kontinent, established in 1994, started to open 24 supermarkets in Moscow. They are 24-hour urban units catering to affluent shoppers. In 1998, the financial crisis and

the ruble devaluation pushed it to change its strategy and to interest in low-income households. It thus opened Universam and "7 Shagov" suburban stores featuring merchandise at lower prices. They immediately were successful and enabled it to increase both sales and market share.

Sedmoi Kontinent continued expanding its «7 Shagov». Currently it owns 81 stores and is looking for potential mergers. It would even be ready to sign an agreement with one of the country's largest grocery chain such as Perekriostok.

Perekriostok, backed by private conglomerate the Alfa Group, controls 97 stores in Russia and will increase its network by 50% this year. It expanded into Ukraine through the acquisition of the 5 Kiev Spar stores for \$ 17 million in which it plans to invest \$ 200 to 300 million a year.

Pyaterochka expects to have one thousand supermarkets and quadruple their number over 2012 in Russia's two largest cities and their suburbs from 235 now. In Moscow, they will grow to 500 units in 2008 from 115 at the end of 2004 and 250 in the suburbs from 9 today and 250 in the vicinity of St Petersburg compared to 111 now. Pyaterochka wants also to expand its network of franchised stores and settle in Belarus. 207 supermarkets will thus be operated in Kazakhstan, Ukraine and some regions of the Federation. In addition, Pyaterochka is looking for investors to take a 30%-stake in its capital that would value it between \$ 1.99 and 2.45 billion. In 2004, net income grew to 74.4 million on sales increasing by 46% to 1.1 billion. In 2005, it expects to invest 120 million and 190 million in 2006.

Development programs of these food chains are the consequence of the economic growth which boosts incomes and pushes consumers to do their food shopping in supermarkets rather than in opened markets or in kiosks. Modern grocery trade accounted for only 5.8% of the \$ 112 billion food sales in 2003. There are 395,000 food stores operating in Russia among which 3,000 modern outlets.

Source : *The Moscow Times*

SWITZERLAND

Migros confirms its leading position in the Swiss market ahead of Coop and almost doubles its profits in 2004.

The fiscal year 2004 was one of the best years of the Group in spite of market difficulties as Migros posted net profits growing by 47% to FS 545 million (\$ 453 million). Revenue was up to FS 20 billion (\$ 16.6 billion) as it succeeded in increasing its market share in Switzerland in the face of growing competition from hard discount stores. However despite a high rise of its net income, the profit margin was up by 2.7% only.

These good results were obtained thanks to a clear strategy, strict measures and objectives taken by each of the Group's company. For the present exercise, Migros expects sales to increase by 2% and result at least as good as that of 2004.

However, its competitor, Coop, had sales decreasing by 6.2%.

NORTH AMERICA

UNITED STATES

Continuing consolidation of shopping center companies.

This trend strengthened the leaders. Consequently, top 10 shopping center companies increased their portfolio by 20% from 2003. As of December 31, 2004 they controlled approximately 80 million sq.m of retail space. In fact, the amount of real estate concentrated in their hands has almost doubled since 1997. Some of them had a dazzling expansion mainly through acquisitions.

Top 10 owners of shopping center increase GLA 20%.

1997	43.6 million sq.m
2001	59.1
1998	49.3
2002	65.0
1999	51.0
2003	69.1
2000	55.9
2004	83.0

In the annual survey by Retail Traffic, Simon Property is still N°1. Its portfolio remained almost stable around 17 to 18 million sq.m of retail space during 4 years but its

acquisition of Chelsea Property Group pushed it above 18 million. Meanwhile, the gap with General Growth Properties, N°2, has narrowed. GGP has been remaining N°2 since 1998 but its portfolio grew from 6.4 million sq.m to 16 million through its acquisition of Rouse Co in 2004.

Developers Diversified Realty, N°3 at 9.63 million, has almost doubled its size from 2003 following its acquisition of Henderson. Kimco Realty Corp, N°4, and Inland Real Estate Group, N°5, control more than 8 million. The Macerich Co and New Plan Excel came back to the top ten companies and, for the first time, Mills Corp sits among them with 4.23 million.

Top 10 owners of shopping centers in 2004 by total GLA owned.

developers	total GLA area (million sq.m)
1 Simon Property Group	18.26
2 General Growth Properties	16.20
3 Developers Diversified	9.63
4 Kimco Realty Corp	8.1
5 The Inland Real Estate Group of Companies	8.0
6 CBL & Associates Properties, Inc	6.4
7 The Macerich Company	5.8
8 Westfield America	5.6
9 New Plan Excel Realty Trust	4.8
10 The Mills Corp.	4.2

Source : Retail Traffic

Top 10 managers of shopping centers in 2004 by total GLA managed.

managers	total GLA area (million sq.m)
1 Simon Property Group	19.13
2 General Growth Properties	18.00
3 Kimco Realty Co	10.40
4 Developers Diversified Realty	9.63
5 The Inland Real Estate Group of Companies	9.84
6 CB Richard Ellis	7.17
7 CBL & Associates Properties Inc	6.57
8 Westfield America	6.12
9 Macerich Company	5.87
10 New Plan Excel Realty Trust	4.84

Source : Retail Traffic

It is necessary to reinvent malls.

Malls could be in danger facing department store consolidation and shoppers growing preference for standalone stores. Retail environment is changing considering the recent mergers of Federated with May, Kmart with Sears, the buyout of Neiman Marcus, Penney under the pressure of REITs' raid, the battle

of quality department stores such as Dillard's and Saks for their identity in a market controlled by discount or luxury chains... This situation shows clearly that after 40 years of existence in shopping centers, department stores have become vulnerable since the Nineties. Formerly, they were retail kings. Now the department store chain number has decreased. In 1989 they were 59 that accounted for 6.6% of non-auto retail sales. At the end of 2004, they were just 18 and they accounted for 4.8% of sales. They posted sales of \$ 1,506 per sq.m according to Urban Land Institute.

Sears department stores are following a new strategy and pushing off-the-mall concepts for standalone sites and "lifestyle centers", a kind of

small villages. In the same time, Wal-Mart and Target discount chains appear in the malls. Another sign of the changing times, The Mall of America, world's largest shopping center located in Minnesota, expects to double in size with more than half reserved for entertainment. The most ambitious project is Mills Corp's Meadowlands Xanadu, which will have 100,000 sq.m only for traditional stores in 500,000 sq.m total retail space.

For many years, some developers have put department stores away as they preferred specialty stores. In fact, new anchors may be a good opportunity for them as they can fill

the surface with smaller stores and/or with specialty big-box stores such as Dick's Sporting Goods and Bed Bath & Beyond that generate higher sales and pay higher rents of nearly \$ 215 per sq.m.

Consequently, a new reality reveals that the traditional mall has to be reinvented. In fact, just 3 of the 37 major US malls opening in 2004 and 2005 are traditional regional EMACs →

(enclosed malls air conditioned). Now, developers will build centers where it will be possible to have breakfast, buy furniture, have one's hair done, someone for lunch and pick up one's dry cleaning...

In 1995, 38 cents out of every dollar was spent at an enclosed mall. Today this figure has decreased to 17 cents. However, in spite of their market share decline, statistics show that malls have still some attracting power. Trips have increased from 77 minutes in 1996 to 82 minutes in 2003 according to ICSC, average spending from \$ 28.40 a trip in 1996 to 42.20 in 2003 and sales per sq.m of specialty stores grew by 4.2% to \$ 3,940 per sq.m in 2003.

ASIA

CHINA

Major changes in the Chinese retail trade.

Following China's opening of its retail sector this year, fundamental changes are occurring in this country and indicate that the sector has entered a phase of fast development. According to the ministry of Commerce, these changes include :

- increase in the number of foreign-funded companies,
- increase in the number of foreign-funded wholesale and retail companies,
- increase in the number of small and midsize companies,
- increase in mergers and acquisitions in the retail sector,
- increase in the number of retail operating formats.

The opening of the retail sector has evolved with the time. In 1992, in the beginning of the economic reforms, foreign-funded firms could settle in the Chinese market mainly through the opening of general stores. Around 1995, foreign retailers, including the French Carrefour, began opening big food stores. Since the end of 2004, the country has seen new franchised shops operated by foreign-funded companies.

Meanwhile, many small and midsize enterprises, family firms and privately owned enterprises have founded retail enterprises, in China. Some of these foreign

enterprises are very small and joint ventures between two persons only. Today, small companies investing in the Popular Republic of China come mainly from Asia and, more precisely, from Hong Kong and Macao. However, the number of privately owned enterprises from Europe and America is still very low.

The share of the market held by foreign-funded enterprises in China is still modest. At the end of 2004, the government had approved 304 foreign-invested retail enterprises. They have opened 3,915 stores occupying a total of 8.28 million of sq.m and representing US\$ 5.13 billion of contractual foreign funds.

Source : Asia Times

Growing competition between hypermarket chains in Shanghai.

Shanghai has the largest number of hypermarkets or 97 under 14 various banners, a figure that is expected to grow to 121 by end of 2005 and most of them are located in the Outer Ring Road. Now, according to the 10th five-year commercial plan, the city can support 60 new hypermarkets in 2005 and until 100 by 2010!

It is evident that this influx of big-box stores has cut their profits. In 2003 while their number grew by 27% combined sales volume increased by 17% but each hypermarket's sales volume decreased by 8%.

INDONESIA

Indonesia posted the highest retail sales growth in 2004 among 12 Asia-Pacific countries in 2004.

According to a survey by MasterCard International, retail sales grew by 16.9% compared to 12.7% recorded in China and 12.3% in Thailand. This reflects two past years that were particularly dynamic. Meanwhile, Danareksa Research Institute declares that the Consumer Confidence Index (CCI) in the rural and urban

areas was up to 104.1 in February from 96.2 in January. This index growth shows the gradual come back to a normal life after the tsunami disaster in Aceh.

JAPAN

Two large retailers struggle.

Aeon, Japan's largest retailer by sales, which has just bought Carrefour Japan's assets, reports a profit of € 443 million in its fiscal exercise ended February 28. But it plans a charge for asset depreciation of € 564 million in the 2005/6 exercise due to a planned income decrease as the consumer market is still stagnating.

Ito Yokado announced that incomes decreased by 68% to € 123 million. This drop is due to costs related to non-profitable store closings and the introduction of a new accounting method. Difficulties should be temporary and profits should grow again to € 450 million with its 28,000 Seven-Eleven Japan convenience stores. As concern its 2005 fiscal year, Ito Yokado expects its sales to jump 280% following its increasing stake in the capital of 7 Eleven Japan Inc, the mother company whose it will own 73.8%.

SOUTH KOREA

Slow recovery of the credit cards in 2004.

Six credit card firms (CCC) including LG, Samsung, Hyundai, BC, Lotte and Shinhan have totalized a net loss of US\$ 1.2 billion in 2004 from 6.5 billion in 2003.

While LG and Hyundai have clearly improved their results, however still in the red, Samsung posted a new loss of approximately one billion US\$ in 2004. The rate of outstanding account for all credit cards combined decreased by 28.3% in 2003 to 18.2% in 2004. ■

	net profit (mio US\$)		outstanding account rate	
	2003	2004	to Dec.03	to Dec.04
LG	(- 4,697)	(-7.1)	33.3%	17.2%
Samsung	(- 1,090)	(-964)	27.1%	23.0%
Hyundai	(- 5,263)	(-191)	23.6%	13.3%
BC	1	6	12.6%	6.0%
Lotte	(-97)	44	3.9%	2.8%
Shinhan	(-75)	5	11.1%	59%
Total	(-6,485)	(- 1,171)	28.3%	18.2%

Source : Objectif Corée