

LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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LA LETTRE DE LA DISTRIBUTION INTERNATIONALE

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INTERNATIONAL

In short...

The Body Shop plans to open perfume shops in China.

Already operating in Hong Kong and Singapore, The Body Shop is expecting to enter the vast country through franchise as it already does in Taiwan and South Korea. In the PRC, the beauty market is in the hands of independents whose top seven actors have a combined market share of less than 2% according to Euromonitor, which predicts that sales in health and beauty products will grow from £ 15.63 billion this year to 16.74 billion in 2006. In addition, as the government is to lift a ban on direct selling, this sector may be an opportunity for the English sign...

Dixons, the consumer electronics giant, active in Hungary and the Czech Republic, will open 2 stores in Warsaw (Poland) under the ElectroWorld banner.

Poland is part of countries, which Dixons wants to enter. It will meet competition from two subsidiaries of the German Metro, Media Markt and Saturn.

After Russia, Dixon's next step will include Portugal and France where it intends to increase its PC City store number from 7 to about 100. The group operates now an excess of 1,400 stores in 13 countries. Its will to expand in international markets is driven by a strong competition in its home field...

British GUS to sell Burberry.

GUS (Great Universal Stores), the owner of catalogue retailer Argos, took the first step in breaking the group up. It owns DIY chain Homebase and a 66% stake in Burberry luxury stores and wants to separate these businesses from its credit arm Experian. This decision is led by the sharp drop of sales from which these two activities are not immune. In 2004,

total sales rose to £ 7.79 billion (€ 11.29 billion) from 7.55 billion (€ 10.9 billion) one year earlier...

Casino has just increased its stake from 33.34% to 70% in Vindemia, a leading retail chain in the Indian Ocean with € 863 million sales and 44 stores. It is a gross investment of € 119.6 million... This operation and its growing stake in Brazil-based CBD should help Casino Group to increase sales and operating profit by 10%. The international markets would account for 30% of Group's sales and 25% of EBITDA in 2006 according to its ceo...

In May, Conforama opened its second store in Italy (Sassari, Sardinia) that occupies 6,400 sq.m of retail space. First store was opened in Milan last year...

In Italy, 18 Conforama are already operating under the Emmezeta banner (plus 3 in Croatia) and 2 under the Conforama. In 2004, sales amounted to € 617 million in this country. The subsidiary of the PPR Group, France's second largest home-improvement chain, has 56 outlets in seven countries and sales amount to € 3.1 billion...

H&M same-store sales increased by 12% the month Chanel designer, Karl Lagerfeld's collection hit stores of the Swedish retailer...

Kesa Electricals reported a weak first quarter performance in the U.K. It was however offset by strong activities in France, which account for three-quarters of its operating profit. Total sales rose 3.8% in local currency terms to € 866.7 million. Darty same-store-sales grew by 3.6% but the Comet outlets in the U.K decreased by 2.2% suffering from a lagging consumer market...

EUROPE

Future shopping center projects in Europe in 2005 and 2006.

Country	Surface (sq.m)
Poland	1,597,047
Russia	1,221,948
Germany	842,100
Spain	809,495
United Kingdom	752,794
Italy	500,000
Portugal	473,300
Turkey	456,500
Netherlands	440,700
Czech Republic	307,979
France	281,800
Austria	268,500
Ireland	232,788
Romania	209,852
Ukraine	189,500
Greece	174,500
Hungary	112,000
Slovakia	108,500
Switzerland	81,000
Croatia	80,000
Lithuania	60,000
Bulgaria	45,000
Latvia	40,000
Finland	39,000
Sweden	35,000
Belgium	32,300
Denmark	17,000
Malta	5,000

Source : Cushman & Wakefield Healey & Baker

According to the annual report by Cushman & Wakefield Healey & Baker, 9.8 million sq.m of future shopping centers are planned to open in Europe in 2005 and 2006 including 4.5 million in 2005 and 5.3 million next year compared to 3.5 million in 2004.

Today, 86 million sq.m of shopping centers are built in Europe. It is an average of 142 sq.m per 1,000 inhabitants in the 34 countries of the above chart. Poland sits in the first position (1.6 million sq.m) followed by Russia (1.2 million).

As concern existing shopping centers, United Kingdom is first with 13.6 million followed by France (12.8 million) and Germany (11.2 million).

European investors attracted by retail warehouses and shopping centers.

Investors are targeting specialty

sectors such as shops, retail warehouses and shopping centers. Rental retail warehouse growth is expected to reach its highest total return in 2005 at 3.8% followed by shops (2.8%) and shopping centers (2.7%). Highest capital growth is expected from retail warehouses (5%) followed by shopping centers at 5.1%.

Return on investment for prime retail warehouses fell in three regions : it was the highest in Northern Europe that decreased by 100 basis points to 6.3% while it decreased in Central and Southern Europe respectively by 70 points to 7.8% and 401 points to 6.8%.

As concern secondary shopping centers, return on investment in Northern and Central Europe fell respectively from 7.6% to 6.96% and from 9.3% to 8.83%. It remained steady in South Europe at 7.34%.

In the same time, expectations of rent for distribution and industrial sectors became positive but remained at the lowest level with respectively 0.4% and 0.8%.

According to a study by Europroperty, the questioned persons were more buyers than sellers. Spain appeared the most favorite retail country followed by Sweden and Italy. France had the priority for industrial transactions.

In the investment field in Moscow, majority of respondents declared that the market did not suit their investment strategy considering the high level of risks, rents and bribery...

Source : Europroperty

Hard discount expansion in Central/Eastern Europe.

Lidl of the Schwarz Group opened its first outlet in the Czech republic end 2003. One year and half later, it operated more than one hundred with a 5% share of a \$ 25.5 billion market. This way, the German retailer contributed to increase by 26% to \$ 6.8 billion discount sales in Central/ Eastern Europe last year. To compare with a 16%-growth of supermarkets and convenience stores combined

whose market is valued \$ 15 billion according to M+M Planet Retail.

Lidl huge expansion may be a brake to the development of Kaufland, its parent's hypermarkets in the Czech Republic, which have a leading position in this country with a 12.7% market share. The German chain is now interested in E.U new member countries including Slovakia and Poland. It is a minor retailer in Poland, a market dominated by the Portuguese Jeronimo Martins Biendronka and the British Tesco.

Western retailers bet on a fast development in these countries to offset their lagging western markets. Ahold with 442 stores in Poland, Czech Republic and Hungary has reported a 6% growth to \$ 2.2 billion in sales in 2004 to compare with a 3%-decline of its global sales. Now, its activities in Central Europe are still unprofitable and registered an operating loss of \$ 70 million last year. Consequently, to still play in this region, Ahold and other traditional retailers have to offer a better service, atmosphere and selection as well as competitive prices. Lidl vulnerability lies in its limited variety of 800 items per store to compare with 17,000 at a Hypernova.

Hard discount chains market share in the Czech Republic.

Food discount stores	Hypermarkets
Kaufland (Schwarz Group) 12.7%	Albert (Royal Ahold) 5.9%
Penny (Rewe) 7.6%	Hypernova (Royal Ahold) 4.4%
Lidl (Schwarz Group) 4.5%	Tesco (Tesco plc) 3.7%

Sources : GfK/Business Week

FRANCE

Auchan : 2004 figures were impacted by the lagging consumer climate in France. International markets accounted for 35% of global sales.

This Group, controlled by the Mulliez family, has reported consolidated sales excluding VAT of € 30.04 billion, an increase of 4.7% in 2004. Pro forma growth was also 4.7% including :

- hypermarkets reported € 23.6 billion or 79% of the Group's global



sales. Auchan France accounted for 62% of the total and were up 0.2% only excluding gas, due to a price cut and a lagging consumer market,

- supermarkets in five countries reported € 5.6 billion (19% of the total).

Last year, the Group opened 25 hypermarkets and 13 supermarkets and bought the food activity of IFIL in Italy. It now operates 346 hypermarkets, 631 supermarkets, 297 shopping galleries in 12 countries plus the business of the Accord bank.

Auchan has planned to consolidate 39 hypermarkets and

Key figures of Auchan Group.

€ million	2004	2003	variation
Pre-tax sales	30,046	28,706	+4.7%
EBITDA	1,909	1,890	+1.0%
EBIT	1,156	1,133	+2.0%
Recurring net profit	1,049	998	+5.1%
Non recurring items	81	145	-
Tax	-408	-346	-
Net profit, Group share	476	575	-17.2%

Source : Auchan

211 supermarkets at 100% and 42 shopping galleries at 51% in 2005. It will introduce its Atac supermarket banner into Russia this year. Its debt (€ 3.14 billion) stands at 71% of its net worth compared to 50% in 2003.

Auchan has unveiled a new discount format in central France under the "Easy Marché" banner that occupies 1,000 sq.m of retail space through the conversion of a former Atac supermarket. Based on discount (the slogan is Easier and Cheaper), it offers a range of private-label products and fresh foods, totally 3,800 SKUs. Auchan will add several other similar concepts.

In addition Auchan should launch a discount section in the style of Au Marché Vrac in 50 of its hypermarkets by the end of this year and is testing two more discount formats Self-Discount and Chronodrive.

GERMANY

Metro has announced a "solid" start in the 1st Q 2005 via its international division.

Germany's largest retailer

has reported a net profit of € 12.4 million, down 2.4% in the January / March 2005 period. It is a figure slightly lower than the 12.7 billion generated one year earlier. Pre-tax profits grew by 8.8% to 39.7 million and EBITDA (earnings before interest, depreciation and amortization) was up 2.9% to € 439.8 million. Sales increased by 4.2% to € 13.415 billion. "We've laid the foundation for a successful year this year," said chairman Hans-Joachim Koerber.

International division was up 9.1% to € 6.58 billion and accounts now for 49% of total sales compared to 46.9% one year earlier mainly thanks to its Eastern European units. In Germany, revenues remained stagnant at € 6.84 billion. For the full year, Metro expects sales growing by 5 to 6% and profit per share by 8 to 12%.

Metro announced the development of its cash & carry in Russia to 50 outlets in the medium term from 14 today whose sales reached at least € 26 billion in 2004 or almost 50% of the Group's global sales. The German retailer will soon open its first Real hypermarket in 2005 in this country. In all, 5 new units will reinforce competition with Ramstore of the Turkish Koç joint venture, the French Auchan and Russian Mosmart. 16 hypermarkets are now in operation under various banners in the capital of Russia.

PORTUGAL

Sonae Sierra : RioSul shopping centre, under construction for one year in the Seixal region, is due to be completed in spring 2006.

It includes :

- 40,000 m2 gross GLA area,
- 138 shops and a Continente hypermarket as anchor,
- 18 restaurants with McDonald's and Pizza Hut among others,
- catchment area : 1.1 million people

- living within 30 minutes' traveling time,
- 2,300 parking spaces of which 1,900 are covered,
- projected annual sales : € 77.5 million the first operating year,
- owner and manager : Portugal-based Sonae Sierra,
- total investment : € 65.3 million.

FEDERATION OF RUSSIA

"The Grand Canyon", a new shopping and leisure center will open in St Petersburg suburbs by the end of 2005.

It will be built by the Turkish company Renaissance in the former premises of the Iskra factory and will include :

- 53,000 sq.m GLA,
- a Ramstore hypermarket,
- an electronics superstore M.Video,
- the entertainment area will include mainly a Cinema Park complex,
- 1,500 parking spaces,
- investment : \$ 40 million,
- trading area : 2 million inhabitants within a 30-minutes' drive.

This center will be linked to the nearest shopping center by a gallery, the whole complex occupying 150,000 sq.m.

Yum ! Brands seeking to buy its Russian competitor, the Rostik fast food chain.

According to the news agency Novosti, the transaction would be imminent and take the form of a 40/45% stake acquisition by Yum! Brands American fast food chain with an option to control it over 2010. Cost of the first step would be around \$ 15 to 30 million. In case of success, Yum! (33,000 restaurants worldwide under KFC and Pizza Hut banners) would have a bridgehead in the Russian market considering the fact it promised in 2003 to open at least 120 restaurants over the next five years.

For the time being, the American chain operates 14 KFC and 5 Pizza Hut only through franchise in the Russian market. Most of its KFC units appeared in the mid-Nineties and were not as successful as it was expected. On its side, Rostik was →

able to be among the top five fast food operators. It sits in the second position behind McDonald's with \$ 164 million annual sales and 73 chicken units in Russia and the CIS (Moscow, Iekaterinbourg, Samara, Kiev, Minsk and other large cities).

Russia is an interesting market as concern fast food as it accounts for \$ 700 to 800 million and a 20% yearly growth. In Moscow, there are 5,000 fast food units and each Muscovite over the age of 16 annually spends approximately \$172 on fast food, while in St. Petersburg that figure is \$141.

SPAIN

Rodamco Europe, while extending Parquesur shopping center in Madrid, reinforces its position in the Spanish retail sector.

As soon as Rodamco acquired Parquesur shopping centre first phase in July 1994, it planned its extension which now covers 44,000 sq.m of new retail space with 65 new retailers including Inditex (Zara), Fnac, H&M, the French Leroy Merlin, 3,000 additional parking spaces, an open-air terrace (1,000 sq.m). A future garden (3,650 sq.m) and other smaller extensions (2,155 sq.m) will be added. Consequently, the new Parquesur will occupy 151,000 sq.m GLA of which Rodamco Europe owns 76,000. It is a € 110 million project which produces a net initial yield of approximately 6.8%.

Rodamco Europe owns a property portfolio whose 87% is in the retail sector (shopping malls and quality high-street shops) accounting for an investment of € 7.5 billion. It is a property investment and management company in the retail sector in Europe with centers mainly located in Netherlands, Sweden, France and Spain.

In addition, it has just acquired Stadshart Amstellveen shopping center (48,000 sq.m) in the Amsterdam region (Holland) for € 296 million.

UNITED KINGDOM

Asda's results below plans in 1st Q 2005 were hit by the competition from Tesco and Sainsbury recovery.

In the first quarter 2005, pro forma sales of Asda grew by one digit only and total sales, in percentage, were in the "low end of the mid-single-digit range" in percentage terms. "After years of strong growth in the market, retail sales have slowed and the environment has become very competitive. Operating profit in the quarter in the UK was "below plan," Wal-Mart's Treasury said.

Asda accounts for approximately half of Wal-Mart's International division sales and 10% of Group's sales. It was hurt recently by UK's market leader, Tesco, and the recovery of Sainsbury. This decline is confirmed by TNS, which announced a decline of Asda market share from 16.9% to 16.5% in the first quarter and a rise of Sainsbury from 15.5% to 15.9%.

To react against this trend, Asda has launched price cuts and focused on home-brand products. It also invests in non-food outlets such as its standalone George clothing stores and Asda Living general retail outlets. It has also moved into financial services, attracting half a million customers in 18 months.

In the full exercise, Sainsbury, former UK's largest supermarket chain, now in third position, has reported a net loss of £ 52 million (\$ 95.31 million) due to 13 unprofitable store closings, job cuts in the headquarters and the supply chain improvement. This figure is to be compared with a £ 396 million profit one year earlier. Pre-tax sales fell 10% to £ 15.4 billion (\$ 28.23 billion). The chain has now entered a recovery program implemented by the new CEO Justin King coming from Marks & Spencer, in order to regain market shares. This plan should cost the enterprise £ 400 million (\$ 732.8 million). At the end of the exercise, figures improved. It is the proof that the restructuring program begins having a real impact. Pro forma sales

increased by 1.7% in the 4th quarter compared to a 0.4% decline in the full year. The target is to grow sales in this half by 3% and to grow sales by £ 2.5 billion (\$ 4.6 billion) over the next three years.

TNS figures show also that in the first quarter, Morrison's expansion was going on but the combined Morrisons/Safeway share was down to 12.2 per cent from 14.4 per cent a year ago. Meanwhile Tesco grew from 29.5% to 29.8%.

Marks & Spencer impacted by lagging consumer spending.

As recently announced by the British apparel group, taxable income of the 2004/5 exercise decreased by 19% to £ 618.5 million (€ 896 million) compared to one year earlier. Pro forma sales amounted to £ 7.942 billion (€ 11.51 billion approximately), a decline of 4.3% (6% was expected). This exercise is especially characterized by a significant drop of 4.9% of same-store-sales in the 4th quarter mainly in food (-2.6%) and apparel (-3.1%). This last sector market share decreased in one year from 11% to 10.5%.

The program established by the new CEO Stuart Rose involves store and brand renovation as well as cost cut (£ 250 million in 2005 and 320 in 2006/7), which should help Marks & Spencer to improve its position. It will sell fresh food and ready-to-eat meals in BP gas stations this coming fall.

In spite of its poor financial results, Marks & Spencer is the UK's favorite store for shoppers aged from 12 to 74.

NORTH AMERICA

UNITED STATES

Neiman Marcus : the department store chain was bought by two private-equity firms Texas Pacific Group and Warburg Pincus for \$ 5.1 billion (€ 3.96 billion).

This chain operates 35 Neiman Marcus and 2 Bergdorf Goodman luxury department stores in New →

Siberia, still commercially under-equipped, presents high prospects of development.

Siberia is a very rich region with important financial and raw materials resources. But as concern retailing, it is far behind other regions. Attracted by its potential, national chains, including Piaterochka, Paterson, Ramstore and Avoska had unveiled projects to open stores. Piaterochka expected to expand in Omsk under a franchise agreement but it found one local partner only. Ramstore stopped the construction of a shopping center and Avoska did not bring its project to completion.

In **Altai, in the city of Barnaoul**, Maria-Ra is the main retailer with approximately fifty stores of which 30 self-service units. Its competitor Holiday-Classic has built a hypermarket under the "Altai" banner by end of 2002. It led to a price war and Maria-Ra reinforced its position with 25 new stores and 2 shopping centers.

In **Kemerovo**, between Novossibirsk and Krasnoïarsk, main retail chains are Kora and Systema Tchibis. Kora is a 100%-Russian chain established in 1994. In 2003, it owned 10% to 12% of the local food market with 8 supermarkets, 3 hard discount stores and cash & carry and generated € 48 million in annual sales.

Las year, Systema Tchibis had expected to open stores in shopping centers in Kemerovo and its suburbs and to double its sales : 3 supermarkets would be opened by now and a new one covering 2,100 sq.m would have been added in Anjero-Sudjensk.

Novossibirsk or "The New Siberia", the region's largest city, is also its industrial, scientific, cultural and administrative center. It is also the center of the federal district with a population exceeding 1.7 million inhabitants. There are more than 80,000 firms and approximately 500 foreign-owned chains whose 40% are active in the retail business and catering. However, retailing is not very developed as it still operates according to the old Soviet model and 50% of units are opened markets. Ramstore and Piaterochka are still in negotiation with local firms. Market's leaders are Holiday-Classic, Sibiriada, Kojemiakin & Cie, Gigant and Bystronom :

- **Holiday-Classic**, established in 2000, operates 11 supermarkets in almost all the districts of Novossibirsk and 2 hypermarkets under the "Tom"

banner in Tomsk and "Altai" in Barnaoul. It posted US\$ 70 million sales in 2003. 120 million were expected in 2004 and 250 million in 2005.

- **Sibiriada** is a wholesaler and also a retailer. It is expanding mainly in this region's small cities. It operates 17 self-service stores and 2 cash & carry under the Ekonom banner that generate US\$ 100,000 in sales a month.

- **Kojemiakin** is a former alcohol wholesaler. Since 1998, it has opened 11 Kvartal convenience stores and 70 Krespost alcohol stores.

- **Stolichny** operates 69 alcohol stores, 9 under various formats and a 1,000 sq.m « Stolichny rynek » supermarket.

- **Gigant** operates the region's largest cash & carry, a Megas hypermarket, opened in 2004, and an Oktiabrsky supermarket.

- **Bystronom** has 5 stores.

In the city of **Omsk**, markets and mini markets are dominating. Piaterochka settled there in 2004 while opening ten stores. Consequently, regional operators (135 stores) joined their forces against the new chain and forced their suppliers not to offer it more advantageous conditions than theirs.

A Kontinent shopping center, opened in 2001 that covers 33,000 sq.m of retail space, a shopping gallery with 200 stores and a small supermarket are in operation in the same city.

Other retailers include Bakaleya-Servis (27 stores among which 7 self-service stores), Omsk VinProm (8), Omsky Torgovy Allians (16), TS-Trade (8) and Osha.

The city of Tomsk has been expanding since 4 Bystronom-franchised stores have settled there including 2 hypermarkets.

In **Krasnoïarsk**, Ramstore opened its first Siberia's hypermarket in 5,000 sq.m of retail space in the "Torgovy Kvartal na Svobodnom" shopping center. Local chain Karavay operates approximately twelve units. In 2003, Sibirskaya Gubernia opened a hypermarket under the Alpi banner (3,000 sq.m), which expects to open several shopping centers in Kansk and Sosnovoborsk in 2005... ■

Source : Lettre de Veille Internationale

When China is waking up...

Economic growth of this country continues growing by two digits and retail sales by at least 13% a year. In addition, the prospect of hosting Olympic Games in 2008 reinforces the new interest for China, generates infrastructure improvements and building construction mainly in Beijing.

This economic boom, not very far from overheating, is partly driven by an unprecedented Foreign Direct Investment wave in the past three years with \$ 1 billion a week, China accounting for one third of all global economic growth. Since its accession to WTO (World Trade Organization) and the announcement of the Olympic Games, the pace has accelerated and the country is really opening up following the authorization given to foreign investors to set up wholly-owned firms in a certain number of sectors including retailing.

As purchasing power is increasing, demand for luxury products is up. For example, in Shanghai, there are real luxury districts with Dior and Armani and car manufacturers, including Maserati and Ferrari, are in full expansion in Beijing.

Profile of the basis consumer.

Consumers belonging to the middle-and-upper-class are eager for high quality products mainly concentrated in big cities. There are now more Chinese millionaires concentrated in these places than in the U.S.

However, there is some concern about investments in the retail trade, a business that succeeded in mastering a major influx until now, after restriction rules on foreigners entering China were lifted.

Most of Shanghai and Beijing shopping centers for example are located in office buildings; others are standing-alone. Consequently, the building owners tend to sell shops one by one so that every change may generate many discussions.

A variation on this rule is provided by the Da Zhong Si shopping center in Beijing built by the Australian architect Denton Corker Marshall for the equity-investment Group Zhong Kun. This 350,000 sq.m-scheme is completed by leisure activities, a hotel and sporting facilities.

Another challenge concerns many differences between China and other countries in the field

of tax (as local authorities interpret laws), huge wealth disparities between cities and transparency questions. So, "It's important to balance your expectation with reality. If you go to China with the expectancy of quick, easy returns, you will be disappointed" said Richard Price, managing director of ING Clarion Partners. But advantages worth fighting and, to succeed, four ingredients are needful according to Chongband Development : focus, adaptability, talent and commitment, which compares Chinese property market to a teenager entering a new phase. So, CapitalLand, the real estate giant from Singapore, has bought six Chinese shopping malls that are added to the 20 he already owns and expects to double this investment over the next few years through the acquisition or the merger of retail firms. Over the past decade, his investments into China amounted to € 550 million, or 8% of its global total, making the country his second largest foreign market after Australia.

New shopping centers.

The future "South China Mall" will soon be proclaimed the world's largest shopping center as it has three times the size of the Mall of America in Minneapolis, actual world's largest shopping center. It is a clever mixture of Disney and Las Vegas, a consumer paradise!

In reality, four Chinese shopping malls already exceed Mall of America and two more are still larger than West Edmonton Mall in Canada. By 2010, China should have at least seven of the world's ten largest malls. They are vertical EMACs (enclosed malls air conditioned) with two to three levels. 400 were built in the past six years and their size is as large as 560,000 even 650,000 sq.m. For the present time, the most important is Golden Resources Mall, opened in October 2004 in the northwest region of Beijing (*cf.LLDDI March 2005*) in 540,000 sq.m of retail space, the size of six football fields. It includes more than 1,000 shops under British and Chinese banners, a Thai-style health spa, a luxury cinema, 100 restaurants, karaoke bars and a café with mahjong tables...

Another astonishing example of a large shopping center is Grandview Mall in Guangzhou that occupies 279,000 sq.m in the south part of the country. American developer Triple Five Group, owner of Mall of America (USA) on 297,000 sq.m and West

Edmonton Mall (232,000 sq.m) in Canada, has not yet said his last word. He will develop his activities from America to China with three malls in the planning stages including Mall of China and Triple Five Wenzhou Mall projected to be 930,000 sq.m!

This mall construction pace is so fast that some official authorities begin regretting this overheating economy whose end is not yet to be seen. Retail sales surged by almost 50% in four years and, as incomes increase, Chinese are eager spending their money on purchasing shoes, bags, apparel and even on leisure activities of theme parks. In fact, annual incomes per capita have now grown by 50% since 2000 to reach the equivalent of \$ 1,100. And as the country is rapidly urbanizing and modernizing, supermarkets and other big-box stores replace open-air markets and old department stores.

Foreign presence.

World's retail giant **Wal-Mart** plans to open between 20 and 30 new supercenters over the next years including 15 before the end of 2005. They will be added to the 40 stores already in operation.

The French **Carrefour** is the first foreign firm by sales in China. It has been the pioneer of the hypermarket formula since 1989 in 8 Asian countries, which now account for 16% of its total expenditures. It expects to open 15 new big-box stores this year.

Metro is targeting the northeast region of China and is ready to open new outlets in Dalian (5.4 million inhabitants), Shenyang (6.73 million), Harbin (9.63) and Changchun (6.83 million) investing € 1.9 billion in 2005. By end of this year, 30 cash and carry will be in operation from 20 currently.

In fact, the German retailer is the first foreign firm to enjoy the new regulations and to own 90% of its Chinese operations' capital. Its local partner is Shanghai Jinjiang, a conglomerate with interests in various businesses from hotels to taxis. Metro entered China in 1996 and it expects to be profitable in 2005 at last! The Popular Republic accounts for just 1% of its € 56.41 billion global sales and it earned revenue of \$ 768.5 million in 2004 from 23 outlets across China.

Tesco has the ambition to expand more rapidly and plans to operate 70 outlets by 2008.

Spar International has just opened its first hypermarket (8,000 sq.m) in Weihai in the province of Shandong through an agreement with Jia Jia Yue Supermarket (140 outlets). It plans to gather various retailers under one single banner and attract the

female shoppers by a family-oriented fast food court and an in-store nursery... All that underlines the importance of foreign retailers.

Shanghai alone has 125 hypermarkets for 13 million residents or much more than the 97 planned by the strategy plan of the Chinese government. The city has set for a target to generate € 37 billion in sales over 2010 but in 2004 already it reached € 22.8 billion. This trend should grow with the access of China to WTO and the lift of restrictions on foreign retailers. They will likely be interested in the 90 secondary cities of over one million inhabitants and a certain number of 8 million and over, wealthy cities in population and purchasing power such as Xian, Dalian, Chongqing, Chengdu and Nanjing. Others include Suzhou, Ningbo and Wuhu in the east of the country, Shuhai and Shantou in the south and Yantai Lio-yang in the north.

Grocery market and new projects.

According to "Retailing in China", published by IGD, sales of the Chinese grocery market is to grow by 65% to € 351 billion over the next five years buoyed by the development of a modern and organized retailing, mainly through hypermarkets and convenience stores. However, the main challenge, far from the saturated cities of Beijing and Shanghai, lies in the diversity of consumer by age, habits and the place where he lives.

It is clear that in China consumer spending grew highly since the past decade and retail sales by 79% since 1991. Consequently, those second- and third-tier cities of over two million inhabitants account for major opportunities to seize if local difficulties are negotiated with patience and if retailers know how to control their expectation of the market.

Giant international retailers including the French Carrefour, Auchan, the German Metro and Wal-Mart recently attended the Investment and Trade Expo 2005 held in the east China's province of Anhui. They have negotiated with 300 enterprises of central China and signed about one hundred of draft agreements with them for products from food to textile, sporting goods and home appliances. Carrefour was developing new business partners in central China and moves its purchasing offices from south to east and central China. Products from the central part of this country are of high quality and sold at low prices even if they are a little outdated. On its side, Auchan negotiated with approximately sixty carefully chosen firms and signed agreements on food, textile and garments. Metro expects to set a subsidiary up in Hefei, Anhui's capital. ■

Sources : Plaza/Asia Times/New York Times

Consumer reinvestment growth in American home-improvement and consumer electronic sectors.

Americans, who have been long criticized for wasting goods, have completely changed and are now oriented towards merchandise of investment value and immediate use such as durable goods focused on home.

This trend has totally changed the retail landscape in the past decade. In fact it has been accelerating since 9/11 and distorted economic practices that consisted in spotting trends and generated a certain number of implications :

- even if home-durable leading firms such as The Home Depot and Lowe's significantly expanded over those past years, they still enjoy an aggressive growth pace,
- department stores and apparel specialty-stores still operate a too large number of stores compared to demand especially if they are not positioned in the upscale or luxury markets,
- retailers offering a large assortment such as discount stores may face difficulties in their expansion plans as they are approaching their saturation level in the United States and the grocery market is now growing between 1 and 2% a year accounting for 25% of global retail sales.

What is the impact of this new reinvestment economy? According to a survey by CGP (Customer Growth Partners), the best investment of American households is now in their own homes. Main changes are happening in the retail trade as consumers have moved this investment from apparel to home especially in the home-improvement and consumer electronic sectors. Today, three retailers that have grown so fast are Lowe's, The Home Depot and Best Buy.

In 1997, American top ten retailers included J.C.Penney, Dayton Hudson (now Target), Federated and May that are now merging; Home Depot only in its sector was successful to sit in the 6th position of the top ten. Today it grew to the second behind Wal-Mart. Best Buy is sitting in the 7th rank and Lowe's has passed Sears to fifth. Contrary to the lagging department stores and most of the apparel retailers in 2004, sales have exploded at Home Depot (+13%), and Best Buy (+12%) surpassing Wal-Mart in the U.S (+11%).

For the first time according to the CGP survey, apparel accounted for less than 5% of personal consumer expenditures. Department of Commerce figures indicate that its share of the consumer dollar, excluding food and energy, has decreased from 8.6% in 1980 to only 4.9% in 2004.

Of the three useful categories, food, apparel and home, home only has remained stable accounting for one quarter of total spending over the past two decades in spite of the growing service-economy from 48% in 1980 to 59% today.

Non-durable goods, very present in shopping malls and middle and lower-end department stores, have been also declining in percentage of household spending from around 40% in 1980 to only 29 % in 2004. Durable goods remained steady at just a little over 12%. In 2004, the home-improvement sector surpassed by far other retail segments growing by more than 16% in the holiday season compared to 2003.

This interest of consumers for investments focusing on home is today reflecting in the record rate of home-ownership. Since 1992, this rate grew from 64% to 69.2% today. Housing starts in January 2005 reached 2.16 million units, a record in 21 years.

This home reinvestment trend is reflecting in purchases of home entertainment centers and wall-mounted wide-screen TVs which are among the largest categories at electronic stores. Lowe's is now the second largest American retailer of home appliances behind Sears. Home Depot expanded this sector share by almost two points last year to 8.1% and is now the nation's third largest retailer and Best Buys is targeting the home-services market.

Thus, it is now clear that Americans are moving away from apparel and other similar categories to home-durable goods, stimulated by changes in tastes, low interest rates and the fact that home has become the best investment of homeowners. In the end, house prices grew by 8.8% in one year in the 4th quarter 2004! Apparel will still play a key role in the retail trade, but contrary to many other non-durable retailers, it plays a secondary role in the new "Reinvestment" economy. ■

Top five non-food retailers in the U.S.A (in \$ bil)

Rank/firm	1997 sales	Rank/firms	2004 sales*
1 Wal-Mart	118.0 billion	1 Wal-Mart	285.2 billion
2 Sears	41.4	2 Home Depot	73.1
3 Kmart	32.1	3 Costco	47.1
4 J.C.Penney	30.5	4 Target **	46.8
5 Dayton Hudson	27.8	5 Lowe's	36.5

*financial exercise ended in January or February 2005

** former Dayton Hudson

sources : Consumer Growth Partners/Chain Store Age Executive

York and is famous for its catalogs, Internet site and exclusive designer collections. It owns major stakes in high-quality home furnishings and cosmetics firms. The 45 to 65 year-old woman with average incomes of \$ 285,000 is its most faithful customer. In 2004, its revenues rose to \$ 3.55 billion from 3.1 billion in 2003, growing on average by 8% in the past two years and net income was up to 205 million from 109 million in 2003. Operating margin was 10.6% in the second quarter.

This buyout was led by Neiman Marcus president, an 81-year-old chairman, who owned 12.7% of Neiman stock and 31.1% of Class B shares and put the chain for sale in March, after controlling it for twenty years. With his Smith family, he managed the chain with great wisdom, investing to renovate and enlarge stores, to open new ones at a measured pace and refining service, merchandising, giving it a luxury look. To draw an additional value from a chain that is already regarded as one of the world's best-run retailers is the target of the new owners. They would have the intention to open between 5 and 15 units while expanding catalog and Internet operations.

This buyout follows the sale of Sears to Kmart in November 2004 for \$ 11.5 billion, the sale of May to Federated Department Stores for 11 billion, Toys R'US to KKR for 6.6 billion in March and 47 Saks department stores to Belk for \$ 622 million.

Wal-Mart and Target : 1st quarter results of top two discount chains were like night and day.

During the period ended April 30, world's largest retailer, **Wal-Mart**, reported a 13.6% growth of its net profit to \$ 2.46 billion compared to 2.17 in the same period one year earlier. It is a 55 cents gain per share but missing Wall Street estimates by one penny for the second time of its history. Last time it was during 1st quarter of 1994.

Total sales grew by 9.5% to \$ 71.68 billion mainly driven by fashion apparel and domestics. In the U.S, same-store-sales were up 2.9% of which 2.8% by Wal-Mart Stores and

3.5% by Sam's Club. These figures were impacted by higher price of gas, earlier Eastern and a wet spring.

However, **Target**, second largest discount chain, announced that it earned \$ 494 million net compared to 392 million in the same period one year earlier. Total revenue rose 12.7% to \$ 11.48 billion from 10.18 billion. Pro forma sales grew by 6.2%.

In its first quarter ended April 30, it had targeted slightly higher income customers than Wal-Mart making it less vulnerable to gas price fluctuations. Sales of the credit card operations have also grown by 12.6% to \$ 326 million. Excluding tax, profit at \$ 142 million was up 27.9% helped by a decline in the provision for bad debt to 106 million from \$ 111 million.

Baby Boomers are aging.

Seniors are expected to have a greater influence over purchases. However, retailers have been slow to capitalize on this trend. While Americans aged fifty-year old and over control between 50 and 80% of the financial assets in the U.S., 40% only of the ad messages were addressed to them.

A few AC Nielsen statistics :

- in 2020, 35% of the American population will be 50 year-old and over,
- baby boomers are holding 80% of the discretionary revenues today,
- in 2030, 20% of the American population will be 65 year old and over compared to 13% in 2000,
- the 55 year-old category accounts for 47% of drugstores sales and 33% of discount sales,
- seniors make trips more often in traditional stores but spend less per visit. While the average spending per household and visit is \$ 42 in discount stores, seniors spend \$ 38,
- for an average family, Sunday is the busiest weekday for grocery shopping and Friday for people over 65.

Performance of sport chains.

These specialty chains have registered good apparel and footwear performance and improved their inventory management in 2004 so that they are now classified among the best retailers. The trend will still

improve over the next months with the back-to-school season and the ambitious opening programs of The Sports Authority, Foot Locker and Hibbett Sporting Goods in 2005.

Dick's Sporting Goods and **Finish Line** reported significant gains both in sales and profits in the 4th quarter boosted by high technology in footwear such as the new Adidas 1 microchip shoe, the low-price Reebok line and the Nike Shox Turbo with higher price points.

Dick's Sporting Goods (234 stores), which now owns Galyan's, has reported profits growing by 53.6% to \$ 39.9 million and sales by 66% to \$ 788 million in the 4th quarter. For the year, income rose 26.7% to 66.9 million while sales were up 43.4% to 2.11 billion. Same-store-sales gained 2.6%.

The Sports Authority has announced that earnings surged 75.4% to \$ 25.5 million and sales 1% to 713.7 million in the 4th quarter. For the year, earnings grew by 33% to 34 million and sales by 38.3% to 2.44 billion.

Hibbett Sporting Goods (482 stores) posted a particularly high 4th quarter as net income was up 27% to 8.2 million on sales growing by 17.5% to 107.1 million. For the year, earnings increased to 25.6 million and sales jumped 17.6% to 377.5 million. Same-store-sales gained 5.7%. 70 new stores will be added in 2005.

Finish Line that operates 598 sport and urban apparel stores catering to young men and women, had sales up 18.3% to 361.4 million in the 4th quarter. For the year, sales were up 18.3% to 1.17 billion and net income up 29.3% to 61,3 million. This expansion was significantly boosted by sport shoes. 80 to 85 new should be added this year.

Foot Locker operates almost 4,000 stores under various banners. Earnings rose 21% to 89 million on sales up 15.1% to 1.5 billion in the last quarter. For the year, earnings grew by 41.5% to 293 million and sales by 12% to 5.36 billion driven in part by the acquisition of the Footaction chain.

Sports Chalet (36 stores) reported that earnings grew by 38.6% in the nine-month period to 5.8 million and sales by 18% to 229.9 million. Same- →

store-sales were up by 6.1%.

Source : WWD

SOUTH AMERICA

ARGENTINA

Prosperity is back to the country.

After the last economic crisis that hit Argentina by fall 2001, the country is expected to post a 6.5% rate growth this year following 9% in 2004. A key indicator is the peso, which is now 70% cheaper against the US dollar than it was in the Nineties. Prosperity is back again and the reappearance of a middle-class composed of consumers eager for spending is one proof. Thanks to the unemployment drop and interest-free credits, the population is spending on all sectors, from new houses to cars and refrigerators. Auto sales doubled last year to almost 312,000 units and are still expected to grow by 40% this year. Household goods sales jumped 71.5% and are expected to increase almost 56% in this first quarter 2005.

Some of this consumer spending translates a "live for today" appetite forged by hyperinflation and successive economic crises. However, the actual boom is lying on more solid foundations than the preceding boom. Crises of the time were largely due to an over valued peso and financial speculation. Another positive aspect is the rather well educated work force. Unemployment rate at 24.1% in end 2002 was cut in half to 12.1% in end 2004, its lowest level in ten years.

However, many Argentines are wondering how long this actual situation will last. Prices have already grown by 4% in the first quarter 2005 alone and the Economy Minister announced that inflation could reach 11% this year.

Key indicators of a new prosperity :

2004/5 GDP	+6.0%
Supermarket sales	+14.0%
Household goods sales	+72.0%
Auto sales	+39.7%

Sources : National Institute of Statistics & Census/Business Week

BRAZIL

Casino takes control of the Brazilian CBD.

French retailer Casino and the family of Abilio Diniz have signed a partnership agreement whereby the Casino Group, until now a minority shareholder, will have joint control with the family of Abilio Diniz, of CBD (Companhia Brasileira de Distribuição), Brazil's leading food chain with 551 stores. This way it invests € 407 million to boost its stake in Pao de Açucar, controlled by the Abilio Diniz family since 1999.

This way, Casino reinforces its position in the strongest economy of South America at a time Wal-Mart, present in Brazil for a decade, is growing in the same market through new store openings and acquisitions. In 2004, the retail giant spent \$ 300 million to control Bompreço (118 stores), built 6 new outlets and jumped to third from sixth position in the ranking of the largest Brazilian retailers behind CBD and Carrefour. This operation represents one of the largest foreign direct investments in Brazil and, with it, Casino takes the control of CBD and its 551 outlets including the famous Pao de Açucar. This way, the French retailer bets on the strong local economy that grew by 5.1% in 2004 but is expected to slowdown between 3% and 4% this year.

Once the operation closed, Casino's stake in Pao de Açucar will grow from 27.4% to 34.3% and jump to 41% later. It will hold 50% in the new created holding company that controls Pao de Açucar, the other 50% remaining in the hands of the Diniz family, who started Pao de Açucar as a candy store in 1948.

Carrefour expects to increase its market share to 20% in 2008 from 12.6% today.

The French company, second largest retailer behind CBD, operates 390 stores including 85 hypermarkets, and will double its investment to € 188 million in 2005 and to 251 million in 2006. Among its projects, it plans to open approximately ten hypermarkets this year, its first "compact" hypermarket in a middle-sized city, its first pharmacy in Sao Paulo next July and

probably its first banking outlet. It could revive its supermarkets by 2006.

ASIA

SOUTH KOREA

American retailers are increasingly turning to overseas markets to drive their future expansion. It is the case of Taubman in South Korea.

Taubman, which owns and manages 22 malls in the U.S, would have its first international venture as it plans to build shopping centers outside America over the next 10 to 20 years, including one million sq.m near Seoul. This is one of the world's largest schemes covering 600 hectares (1,500 acres). « New Songdo City », located at about 60 kilometers southwest of the capital, will include 4 million sq.m of office space, 3 million of homes for 250,000 persons, 5 million of hotel and 1 million of retail, plus a convention center (100,000 sq.m), schools, hospitals as parts of this \$ 20 billion joint U.S./Korea venture. If Taubman develops this project, it will increase his real-estate portfolio by 50%.

This huge operation is one idea of U.S-based Gale International, majority shareholder of New Songdo City, and of the Korean builder Posco. Gale and Morgan Stanley are working closely to attract American developers to this region of Asia and it is in this context that Taubman would come. For the operation, the developer settled Taubman Asia whose headquarters will be in Hong Kong.

In a context where American developers are looking to international markets, Mills Corp entered Spain in 2003, Simon Property has interests in 48 malls in France, Italy, Poland and Portugal. Chelsea Property Group, its wholly owned subsidiary, is developing projects in Mexico. It partnered with Seoul-based Shinsegae and Shinsegae International to build factory outlet malls in South Korea. Shinsegae is one of the largest department store operators in Korea and has units in China.

INDIA

Benetton Italy is now controlling Benetton India as DCM exits.

Benetton entered India in 1991/2 at a time when restriction rules on foreign equity in retail did not exist. DCM set up an integrated manufacturing outlet in knit fabrics with Benetton as a partner. In 2004, when DCM decided to exit the joint-venture, the government authorized the Italian firm to buy DCM's stake provided it concentrates on manufacturing only.

The new management team composed of Italian professionals will keep the control of production and design and its new strategy program seeks to make Benetton an eminent fashion player as famous as Mango or Tommy Hilfiger. It also plans to stop opening small stores to build at least 56 large formats, which will segment merchandise for children, men and women by 2007.

In India, retail is booming and the rigid rules over FDI are likely to be liberalized. It is why Benetton needs a solid basis in this country. The Italian firm already unveiled its sales and profits to fall in 2005 as it cut prices on basic clothes to attract customers from its competitors. € 70 million would be invested in new stores and rehab of older ones. New projects should help growing sales by 37.5%. The idea to give a franchise to stores in small cities is being experimented.

As modern retail is expanding in India, it attracts the young population but the local Big Bazaar is still the favorite.

For decades, small traditional shops have dominated retail trade. Today the country is still largely closed to foreign companies. It is the reason why local firms are profiting from the fast expansion of a strong class of 105 million consumers growing 10% a year. In such an environment, retail stores like Big Bazaar, a family firm favorite of Indians, could account for 9% of the total retail market over 2010 with US\$ 23 billion in annual sales from 6.4 billion in 2004.

Malls and big-box stores generate 3% of the \$ 180 billion retail business according to KSA

Technopak India compared to 20% in China and 80% in the United States. 26 malls are already operating and their number should grow to 60 by this December and the top 7 retailers have 300 new stores under construction. 12 million very small shops cater to the needs of 1 billion Indians and their sales amounted to \$ 6.4 billion last year. 60% of the population is under 30 and the young consumers are attracted by modern retail stores.

In 2005 alone, according to forecasts, these modern stores will triple organized retail space to 2.3 million sq.m. With growing incomes and an easier access to credit, Indian retail is planned to be a \$ 300 billion business by 2010 up from 200 billion approximately today.

Once the government will have eased restrictions on foreign investments within the next two or three years, competition should strengthen between local firms. Today an early battle is led by two Indian traders : Shoprite, an Indian-owned franchise of the South African chain whose stores are similar to traditional hypermarkets, and Big Bazaar owned by the Pantaloon chain. Pantaloon is a family firm founded in 1997 while opening a first store in Calcutta. In 2005, it owns 52 units in 19 cities under three different banners : Pantaloons department stores (13 units), Big Bazaar hypermarkets and Food Bazaar supermarkets. They are very appreciated because they look like real bazaars offering every variety of goods. By December, they will reach 300,000 sq.m of retail space and their sales are projected at \$ 250 million, up 90% from last year.

Other big retailers include The Tata Group's Westside chain of department stores whose growth is similar to Pantaloon, Shoppers Stop and the RPG Group's Spencer's. Spar Denmark is present in Mumbai with a franchise supermarket operated by Foodland.

Wal-Mart is set to open stores in the country. It has started preliminary meetings for its foray with a dozen of foreign suppliers present in India including Coca-Cola, Procter & Gamble, Cadbury,

Henkel, Nestlé..., which follow the giant in each country it enters. With them, it tries to understand how the market works, to know the needful measures to succeed in the marketplace, to know consumers shopping habits, how companies manage their supply chain and the margins to give out to dealers and retailers. In addition, Wal-Mart has been lobbying the government for a certain time to open doors to Foreign Direct Investments. In February, this government announced that it would open progressively as it wants to protect the 12 million of traditional shops including kiosks, carts, open markets... that generate half of the Indian GDP.

Source : *Business Week*

MALAYSIA

Carrefour accelerates its expansion in Malaysia as it has found a local partner.

Under the Foreign Investment Committee rules, foreign retailers in this country are required to own a 30% interest in a local firm. In this context and after a four-year search. Carrefour teamed with Syarikat Pesaka Antah (SPA). According to their agreements, SPA has to acquire 30% in MDSB (Magnificent Diagraph Sdn Bhd) that runs Carrefour 8 hypermarkets and whose owners are Mildew BV (65%), Carrefour Netherlands (25.8%) and Carrefour Malaysia (9.2%). This way, SPA diversified group with many interests in real estate and financial services will continue expanding Carrefour hypermarkets.

The French retailer has just unveiled it expects to open 6 new hypermarkets in the peninsula in 2006 that will be added to 8 already in operation since 1994. The 9th unit will be opened in Kepong by the end of this year. Carrefour looks for other sites but does not unveil its investment amount.

Borders opened its largest bookstore in the world in Malaysia. This is its second store in Asia after Singapore eight years ago.

U.S bookstore chain Borders (1,200 units) opened its largest →

store occupying 5,574 sq.m in Kuala Lumpur in the Times Square shopping center where it features a wide assortment of 200,000 titles of books, movies and music available in English, Chinese and Malay languages. It will be operated in franchise by the Berjaya Group, one of Malaysia's largest conglomerates, which plans to add a smaller Borders bookstore in Kuala Lumpur suburbs before the end of this year and soon to be followed by 8 more. It is Borders' first venture in franchise since it expanded outside United States from 1997.

Borders has been operating its largest bookstores in United Kingdom since 2001 with 4,645 sq.m each. It posted annual sales of US\$ 3.7 billion with 460 Borders superstores in the United States and 41 in foreign countries. It also operates 36 Books etc. in the United Kingdom and 700 Waldenbooks in America. Outside USA, its sales were up 25.3% in 2004 to \$ 510.7 million. This year it expects to open ten stores in foreign markets mainly in U.K and Australia.

VIETNAM

Supermarket chains emerge.

According to the Ministry of Trade, there are 140 modern supermarkets up form 10 a decade ago. 20 are being built or in the pipeline. They are so new to Vietnamese, accustomed to shop at traditional markets, that they visit them like a museum, appreciate air conditioning and are astonished as they find them clean and in order. But they consider that they are for rich shoppers. In fact, poor people those who earn a little more than a dollar a day continue shopping at traditional stores or large outdoor

markets such as "1912" in Hanoi, also called the "Hell's Market", because it is located next to a military cemetery dating back to the Indo-China's war. At "1912", Vietnamese can buy everything, from dog meat to live pigeons or rabbits to eels in plastic buckets. Sellers are lined in tiny booths, their space being limited to the minimum but products are always fresh and prices right.

Near by, Metro caters to wholesalers, owners of their restaurants and shops, holding a membership card as coexistence seems possible for the old and the new food-selling activity.

The Asian Development Bank is concerned that the small farmers and intermediaries who cater to traditional Vietnamese markets could be left behind and tries to find means to help them to appeal to supermarket chains. The government is harassing street-side sellers who buy their merchandise from small farmers, and tries to group them in markets such as "1912" in order they do not block traffic. Women, who run in the streets with baskets full of fruit on their shoulders are also harassed by the police who push them off the sidewalks... Times are changing.

MIDDLE EAST

TURKEY

Two foreign investors enter the Turkish real estate market.

Dutch real estate Corio has bought a 46.9% stake for € 148 million in the local Akmerkez GYO fund, owner of Akmerkez shopping center in Istanbul that occupies 180,000 sq.m. Net yield is around

6%. Corio bought also a 10% stake in the center's management firm.

German fund CGI has acquired the Bornova shopping center in Izmir, Turkey's third largest city with a population of 3.3 million inhabitants, from Netherlands-based AM Development for € 80 million. AM Development will start building the shopping center for CGI this summer and work is due to be completed in 2007.

In Turkey, the average commercial area is 20 sq.m compared to 200 sq.m in Europe for 1,000 inhabitants.

Carrefour, a leader in Turkey.

World's second largest retailer has signed an agreement with the Turkish Fiba Holding. According to this agreement, it acquires two controlling interests in local retailers. On one side, it buys the 60%-stake owned by Fiba in Gima capital, Turkey's third largest retailer with 81 supermarkets. On the other side, Fiba owns also 56% of Endi food discount chain (45 units), one of the top five retailers in Turkey. The 44% remaining are still held by Gima that Carrefour seeks also to buy so that in the end the French retailer will own 82.4% of Endi. Both targeted firms have combined sales of € 384 million. Both operations should amount to one hundred euros. Local authorities have still to approve them.

Carrefour Turkey is ranked in the second position in this market with Sabanci, its local partner that owns a 40%-interest in its capital. In 2004, its 12 hypermarkets, 7 supermarkets and 255 hard discount stores generated € 702 millions in annual sales.



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